

STATES OF JERSEY

Economic Affairs - Dairy Review Sub-Panel

WEDNESDAY, 13th DECEMBER 2006

Panel:

Deputy A. Breckon of St. Saviour (Chairman)

Deputy A.E. Pryke of Trinity

Deputy K.C. Lewis of St. Saviour

Deputy R.G. Le Hérisier of St. Saviour

Deputy S.C. Ferguson of St. Brelade

Witnesses:

Mr. A. Le Gallais (Chairman, Jersey Milk Marketing Board)

Deputy A. Breckon of St. Saviour (Chairman):

Welcome, Andrew, I will give you the opportunity to introduce yourself in a moment but I will do the official situation first which will be noted anyway, but I will do that for the benefit of the tape. This Scrutiny Sub-panel was set up to look at the dairy review. It is a joint review with the Chief Minister. It is the Chief Minister because the Economic Development Minister is conflicted because of a family interest in the dairy interest. As part of that process, joint terms of reference were agreed and Promar were appointed as consultants to do that review, and it was following on from propositions that had been lodged by the Treasury Minister to move the dairy to Howard Davis Farm and changes to the covenant. Those propositions have subsequently been withdrawn. You do know the members of the panel and a part of our process is to inform the States in formal debate about where we are and how we best might proceed. We do not come with any fixed views or opinions. We are persuaded by whatever it may be and we have not made our mind up about anything, so I can give you that assurance. If your arguments are forthright then they will be duly considered, and we are evidence-based. Andrew, however you wish to address people we are content with it - you can be as formal or informal as you wish. Before you is a statement can I just remind you of; this is for witnesses who are not States' Members and it is important that you understand the conditions in which you appearing at this hearing. The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey (Powers, Privileges and Immunities) (Scrutiny Panels, PAC and PPC) (Jersey) Regulations 2006. Witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action although the immunity should obviously not be abused by making unsubstantiated statements

about third parties who have no right to reply. The panel would like you to bear this in mind when answering questions, and the proceedings are being recorded and transcriptions will be made available on the Scrutiny website. To just add to that, Andrew, you will be given a copy of the transcriptions on which you can comment. If you make a factual mistake then it can be changed and amended. You are not on trial for anything. It is fairly relaxed and the idea is to have an exchange of views and opinions and for us to ask you questions. Hopefully those transcriptions should be able to be with you within 3 days. They go to New Zealand and come back again, hopefully, within 48 hours so that would happen quick and then you would be given, say, 7 days to make any comments and then it will become a matter of public record.

Mr. A. Le Gallais:

Sorry, that transcription is on email, is it?

Deputy A. Breckon:

It will be emailed to you, hopefully fairly quickly. Having said that, Andrew, that is the official bit, if you like, so if you would like introduce yourself and the position in the dairy, how long you have been there and a bit about your background and then we will move on to the questions, if you would.

Mr. A. Le Gallais:

Thank you. I am Chairman of the Milk Marketing Board, as you all know. I am, as such, an elected leader of the dairy industry and I have held this position as Chairman since 1999. I have been a member of the board for 19 years and I started my farming career working with my father. I began my farming career in 1976, so I have been actively involved in dairy farming, exclusively dairy farming, for the last 30 years.

Deputy A. Breckon:

Thank you. I understand you were given a list of written questions. What we will do, is that is not carved in stone as it were, and I should say at the end if there is anything you wish to say to us you will be given that opportunity to say whatever you wish at the conclusion; whether something that we have missed or something you want to say, whatever it may be. So I would like to start with the first question on there, which was on 1st December there is the letter to the Council of Ministers outlining an immediate threat to the Jersey Milk Marketing Board and noted that informal meetings were taking place to decide how to proceed. Can you tell us what has been the outcome of those meetings and if there has been any progress that you know of to that particular issue?

Mr. A. Le Gallais:

Yes, thank you for giving me that opportunity. Those informal meetings, the producers were given notification of that just before the key meeting at St. Paul's Centre which was chaired by the Chief

Minister and addressed by John Giles on the findings of the *Promar Report*, and we felt it was important that producers had an opportunity, having heard those recommendations for the first time, to discuss those with their representatives on the board. So I stress the word “informal”. They were a set of meetings, 3 meetings, that we held with 3 groups of producers over the course of the following week to help inform them of what the process was, what the process is that the board had been involved in - which had been quite intricate over the last 12 months. The 3 main processes have obviously been to do with the Promar investigation commissioned by the Chief Minister. The second process was the JCRA (Jersey Competition Regulatory Authority) investigation which we were under formal investigation and the third process was, indeed, your process, Chairman, of Scrutiny. It was to help producers understand what the aims of those processes were, and particularly how the conclusions were going to come together. So we explained that to producers. We also had received their initial comments from the Promar recommendations but we did not make any decisions on those. The idea was, as I stress, to inform the debate and to make it clear to producers that in the coming weeks decisions would be made by the board and ultimately by producers themselves. It was to get that process under way. Those of us that represent the industry on the board have lived and breathed this for a long time, but those that do not attend board meetings by virtue of not being elected had been somewhat in the dark and it was important to get everyone well briefed and understand the importance of what was about to come.

Deputy A. Breckon:

If you could just expand on something that was said in that letter to the Chief Minister, if I may just read that to you. It says: “Since then the board has organised informal meetings with producers to discuss the implications of the draft final report and has held a full board meeting a week ago [this is from 1st December] which it was agreed to actively research the detailed issues surrounding the formation of a voluntary co-operative as recommended by Promar. We have a meeting with our lawyer this afternoon and we have already established contacts outside the Island in order to achieve this process speedily.” I wonder if it is possible, Andrew, if you could expand on that in any way?

Mr. A. Le Gallais:

I think, to be frank with you, we are in a period of transition here. The *Promar Report* is clearly an important report, a vitally important report, to the dairy industry, not least because it has been commissioned by the Chief Minister. But also because it clearly endorses the strategy of the Jersey Milk Marketing Board, but under its terms of reference it was clearly asked to investigate options for structural change, and it is in that area where this was a new set of proposals - they are quite clearly different to the previously commissioned report by government nearly 4 years ago which was written to Donald McQueen - and the board have examined the recommendations and discussed the recommendations of the *Promar Report*. We have taken advice - as is made clear in this letter of 1st December - and we have now taken the decision to look at the formation of a voluntary co-operative in a more formal manner.

Deputy A. Breckon:

Would it be correct to assume that you or the board then agree with the recommendation that the Milk Marketing Scheme be altered to a voluntary co-operative bearing in mind that there are challenges to it?

Mr. A. Le Gallais:

Yes. I think we have been operating in a somewhat frustrating climate for the last 12 months whereby for the last 50 years the board has operated within the auspices of the Milk Marketing Scheme, which is part of the Agricultural Marketing Law, but certainly in the last 12 months we have had to combine those responsibilities with our responsibilities for the competition law. It is quite clear that they conflict. They are both pieces of legislation in active government and it is my view that the *Promar Report* was commissioned to give an indication of how we could go forward in a compliant fashion because all we have been doing in the last 12 months has been receiving lots of challenges, and clearly that is unsustainable. So we have arrived at a position now, I would respectfully suggest, by default. We have looked at the options available to the board going forward. We can either remain within the realms and auspices of the Agricultural Marketing Law or we can evolve and change into a different structure as recommended by Promar. We have spent a lot of time examining this with, I might add, no indication yet from government as to which is their preferred option. I think that is something that I will be certainly listening to carefully this afternoon from the Chief Minister. But we have come to the conclusion now that it is time to change. We need a transition process. It is our initial view that we need to maintain the existing Agricultural Marketing Law and use that as our vehicle for change but very quickly we need to arrive at a position which is ultimately compliant. To do that we are encouraged from recent correspondence from the JCRA that they are keen to talk to us about our proposals going forward.

Deputy A. Breckon:

As a supplementary to that, how long would you say that the Milk Marketing Scheme, which is now over 50 years old, can realistically continue? You hinted there that you need a period of, sort of, protection which might enable you to do other things but the law itself to govern what you do, how long do you think that is realistically --

Mr. A. Le Gallais:

In answering that question can I just pick up the word “protection”? I used the word “transition” and I think that it is pretty apparent to me, sitting here on 13th December, that there is not much protection at the moment, but that is certainly something we intend to discuss with the Chief Minister at the earliest opportunity. How long can the scheme realistically continue for? As long as government wishes.

Deputy R.G. Le Hérissier of St. Saviour:

Thank you, Andrew. You have put your finger obviously on the nub of the problem. You want to stay with the scheme, you want to hear the views of government so the first question is; what do you want to hear from government? Can you specify what you want to hear and where at the moment you regard government as deficient or lacking in its support? Secondly, could you comment on the breakaway group and whether you think it might well, if it were to gather momentum for example, whether it could well undermine any transitional plans that you are currently working on?

Mr. A. Le Gallais:

With respect, there is a lot in those questions and, sorry, I have not written them down. Can I deal with the first one first? I think the question is alluding to our relationship with government. I would like to stress that our relationship with government - when I say government I mean the Council of Ministers with the greatest respect to you - I think that is a very close one and it is one that I certainly want to continue to be close, particularly in these times. I do not regard it as a deficient one - that was your word. I think it is one where it is essential at this time if we are to have a sustainable future for the dairy industry that all communication links remain close with all parties. I certainly intend, as I have done in the past, to maintain that process. In terms of what we want to hear from government, I think, as I said a couple of days ago and I suppose the ink now is dry, but we have only just received the final *Promar Report* and it makes clear recommendations. The board have met and decided the direction to go. But it is a report that is commissioned by government. It makes - and it had to make because of its terms of reference - some very explicit opinions and options on the structural reform of the dairy industry. Those appear to be contrary to the previous report, but time marches on and we have to march with it. I think, in a nutshell, we want to know what government's view is of the report, of the recommendations of the report it has commissioned. I think that is a reasonable thing to say. Now I do not want to be presumptuous here but the dairy industry does not want to hear talk of: "Oh, it is up to the industry to decide." We have made decisions and in order for those to be effective they have to run alongside support and clear indication from government. Sorry, does that answer the first part of your question?

Deputy R.G. Le Hérisier:

Yes, thank you. Just a little supplementary, Andrew, because this is an issue that is rather like the ghost at the banquet, it is always there but we never quite wrestle it down, so to speak. Let us go with the conclusions that your groups have reached and the way forward. What are the implications for government if you were to say to government: "Look, we have reached these conclusions but in order for this to move forward this is the kind of support A, B and C we need from you." Can you identify them?

Mr. A. Le Gallais:

That is a very pertinent question and I think the key point to make there, and I am very pleased to have this opportunity to make it in public, is that if we - it is not if - it is in the climate of no Agricultural

Marketing Law or Milk Marketing Scheme in the future - not now, not immediately now but in the future - the responsibilities of a voluntary co-operative will be clearly to its members. The responsibilities of a statutory co-operative are quite different. They are not just to those members but they are to the legislature and the Island as a whole. So the first issue we need to understand in this brave new world is what are the objectives of government? Those objectives have been clearly set out over many times under the phrase of brown cows in green fields, which the industry prefers, to amend to Jersey cows in Jersey fields. The Milk Marketing Scheme and the Agricultural Marketing Law, which it is derived from, enabled the board to regulate milk marketing in the Island. A voluntary co-operative, by definition, will not have that responsibility and I think the key issue here is that while the board might recognise that the formation of a voluntary co-operative is a good thing it does, by definition, potentially allow fragmentation within the industry. Maybe not now, maybe in the future, but it does allow that. There needs to be some form of umbrella regulation over the dairy industry if the key objective of Jersey cows in Jersey fields is to be maintained, and I think that objective needs to extend to Jersey cows in Jersey fields supplying or allowing the Island to be self-sufficient in milk production. It must extend to that. Now it might extend to that in obvious manner, perhaps that is a given assumption, but it would be nice to hear it reiterated. In order for that to be achieved it needs some sort of umbrella organisation to regulate milk supply through whatever entities choose to process milk from the Island herd going forward. Now, if I may, I would like to take you back to pre-1954 which we have done a lot of research on this. Pre-1954 there were 4 or 5 main dairies, mainly located in St. Helier -- sorry, 4 main dairies. There were a lot of smaller ones out in the Parishes and around, but there were 4 key main ones. During the occupation, in order to make it efficient to collect milk, each of those dairies had a zone within the Island in which to collect milk. It is my understanding that all the dairies paid producers the same for their milk. They had a responsibility to pick it up in that particular zone, and after the occupation that continued. It is also my understanding that the retail price of milk that they sold was the same, and I think that was set by government. Those 4 dairies went round with their lorries each morning to collect milk from over a thousand milk producers in the Island at the time, they brought it back, they sold it to their customers, and what was left was delivered to Don Street, and the Don Street dairy was responsible for picking up the surplus and processing it into long life and more stable products like that. Government picked up the tab for that. With the formation of the Milk Marketing Scheme the industry picked up the tab for that and its key responsibility is to regulate and control milk marketing. That function we will now be absolved of in the brave new world and either government does not regulate, or does not attempt to regulate, and it could do - within various pieces of legislation we believe it could do that - but if it does not do that then I believe, and I am not making this as an alarmist statement, I firmly believe we will get into a situation of market chaos and that will very, very, very rapidly lead to substantially less Jersey cows in Jersey fields. We must make this connection, and I implore government to do it as well.

Deputy R.G. Le Hérissier:

The second question which in a sense you have answered but just to get your thinking and obviously will be developed further; what is your view of the move to set up a regulatory?

Mr. A. Le Gallais:

I would like to take some time over this, if I may? It is obviously a very pertinent question and again I welcome the opportunity to comment on it. It is not my position here, as Chairman of the Milk Marketing Board, to describe to you what might be deemed unacceptable to me within the new corporate proposal. It has been put forward by 2 of my oldest farming neighbours and they had the opportunity on Monday afternoon, and they did it very eloquently, to explain what they thought was the right way forward. My job, as I see it, is to promote the strategy of the Jersey Milk Marketing Board and why I think it is right, and with the greatest respect I believe it is to you, as panel members, to judge whether the views that I expressed are the right views going forward or the wrong ones. What I am going to describe to you as to the key elements of strategy is not an exclusive list but, as I say, you must judge how exclusive it is. Our key strategy and stated aim is to do all we can to reduce the price of liquid milk in the Island. We have made that very, very clear for a very long time. That lies at the heart of our strategy because we recognise that the gap between the existing price of liquid milk in the Island and the threatened imported price must be narrowed if we are going to be serious in fundamentally achieving a sustainable dairy industry with, as I say, Jersey cows in Jersey fields. So that is at the heart of it. Our marketing strategy is one of growth through added value export sales while maintaining a diversity of quality dairy products available locally. We believe both these key aims are ones that fit very well with the States' Strategic Plan which is one of controlling inflation, achieving growth, promoting the Island and particularly promoting a diversified economy, something which the Minister for Economic Development referred to on the radio this morning. To achieve these key objectives, and again I do not want to -- we have had the opportunity to explain this to you at the dairy but this is a public hearing and it is important to reiterate them. To achieve these key objectives we want to continue to reduce the costs of production and processing throughout the supply chain and to do that, the 3 pillars of that, are to relocate the dairy to a smaller modern facility at the Howard Davis Farm, to achieve growth of added value and export sales and to continue to improve farm efficiency, particularly with the importation of pure Jersey semen. Efficiency gains, and this word "efficiency" is important, will continue to be achieved through the managing of variable costs as well as the control of all important fixed costs throughout the supply chain, and our fixed cost structure in the dairy industry is disproportionately higher to variable costs, and certainly that situation is different to a lot of other economic sectors of the Island. This is important because to manage our variable costs obviously requires a tight control of those costs through co-operation, they can be reduced through the facilitation of training and benchmarking and research and development; all issues that the Milk Marketing Board has a clear track record on. Indeed, Jersey Dairy at the last enterprise awards event won the category for training award. But for the fixed cost, and this is what is so vital to the dairy industry now, to control fixed costs requires investment, and the investment as far as the dairy goes is in terms of relocating to

new premises, investment on our farms though is of vital and timely importance. Investment decisions by a number of milk producers has been put on hold, understandably, because the key decisions and strategic games that we have been looking to do, particularly in terms of relocating to the Howard Davis Farm, have been delayed for all sorts of reasons as expressed in the public eye. But I believe there is a reservoir and an inertia among many milk producers that if government can make the key decisions that are required to see that our strategy is going to be implemented then I believe that confidence will be restored on many dairy farms to make those all important investment decisions. This is vital to play our part in this future sustainable industry. Now I fundamentally believe that all of these things can best be achieved by a co-operative approach to managing all these issues through this all important supply chain. It is an inclusive process which brings rewards and benefit to everyone involved. To everyone involved which creates a win, win, win, win situation. Specifically it enables the Island herd to remain at a similar population to the one that exists at present, which is circa 3,000 cows. It enables that population, that unique population of cattle, to be owned and managed on a diversity of efficient and compliant farm premises which currently number 33 farm businesses but which will clearly reduce in time. In doing so it continues to promote a range of individual breeding objectives which again contributes and promotes to the all important genetic diversity of our Island herd, particularly as it is so small in number. It promotes the innovative skills throughout the supply chain of the professional, loyal and established individuals who already contribute to, as I say, a wide range of products - fresh quality dairy products - available in the Island. There are a lot of people that underpin our industry, directly and indirectly. They are, I believe, vital for the future. I do not think their contribution should be taken for granted. The ideals in achieving what we are looking to do need to be exemplified and demonstrated in a climate of transparency, especially in terms of financial progress and accounting and in a climate of openness so that all who are involved in the supply chain are well-informed as to what the market intentions are. I believe a co-operative approach to dealing with all these issues within the supply chain would also enable young entrants, who we clearly recognise must be encouraged into the dairy industry for the future, I believe that gives them an easier start into a co-operative structure to create a farm business, maybe in a relatively small size to begin with, and allow them to expand in future. After all, every single dairy producer today was once a small producer. I think that what I am explaining to you - I do not think, I know - is not an exclusive list, as I said right at the beginning, but it is a list of aims which is fundamental to our strategy and it is one which I have absolute confidence is shared by the vast majority of milk producers who work in our industry today. I would like to stick my neck out now in stating very clearly, and sincerely, that I believe in this climate of transition, an exciting climate, of change, of compliance, of closer communication with government, that I believe - and I really do believe - that what the board is in the process of creating will be attractive ultimately - I sincerely hope it will - to La Ferme Limited.

Deputy R.G. Le Hérissier:

Then I will keep quiet, Andrew. Thank you for that very passionate defence, and way forward, but from

what you are saying, are we right to infer that you thought it through thoroughly, the board has, the producers are essentially behind you, and that you feel that the breakaway does not amount to a major threat; would that be the right conclusion to reach?

Mr. A. Le Gallais:

We are in a climate, as a result of the recommendations of Promar of a deregulated industry, of increasing risk. In a way that risk, that climate of increasing risk, is one that is, I would say, synonymous with a competitive environment for commercial operation in the Island. So, as I rephrase it, it is not for me to comment on the intentions of others. I firmly believe that in this process of change that we can continue our policies, for the reasons I have explained, for the benefit of everyone. Now it is not my job to stop other people doing other things. We do not live in that world.

Deputy A. Breckon:

I wonder if you would care to comment, you have made a case there for a number of things, but if you would like to comment on the possibility of having some ring-fencing so that there would be some asset protection, there could be no asset stripping but there would also be a method of an exit strategy for those because of age or circumstances they so wish to do, could you comment on how you see that in what you have just said?

Mr. A. Le Gallais:

Well, I think there are 2 things there, as I understand it from your question. I think one is the issue of the assets of the Milk Marketing Board and the second one is the supply base, the level of milk supply to the dairy what will be to whatever entities require that milk. I think the first one is that the board is acutely aware, and Promar flagged it up very emphatically, that if the scheme was to be wound up - and there is a provision within the scheme to wind it up - that would then lead to a need for agreement among producers as to how the assets would be divided. But Promar's estimation is that there could quite easily be a considerable pay-out, for want of a better expression, to all current producers. That could be challenged obviously. That can only come about if producers decide to at general meeting. It is the board's avowed intention to prevent that from happening. Not because we want to prevent individuals claiming their asset share because that is not what a co-operative is all about. We believe the assets of Five Oaks are fundamental to future co-operative milk marketing and do not necessarily belong in identifiable proportions to the members of the co-operative. They belong to the Island because if we are going to have an efficient dairy industry going forward, and it has been said by many, many commentators, including Promar, that the best way to do that is to have a single efficient dairy, and while I hold the position I do I will do everything I can to make sure that stays the case.

Deputy A. Breckon:

So you were saying, in effect, that the assets should be reinvested for the future of the industry and the

people within it rather than be taken out in bite-sized chunks?

Mr. A. Le Gallais:

Because that is what brings benefit right across the supply chain. It brings benefit to producers, it brings security to producers, it brings modern facilities for all those who work in that new dairy to tap into their innovative skills, but above all else it brings competitive pricing to consumers in the Island, and that has been at the heart of our strategy right the way through. Now what we do not want to happen is to create option 5, which we are all hurtling into, and allow fragmentation which is well defined by option 4, which I believe will rapidly lead to option 3. This is the bit about while I can buy very firmly and enter into with my board the concept of a voluntary co-operative I, and my board members, do not buy into a 100 per cent completely deregulated dairy industry.

Deputy A. Breckon:

Could you explain where you see a managed exit strategy for people who may wish in normal circumstances to leave, how they could do that without, excuse the pun, creating a stamped? They would want to do that because that is their wish and because of age or circumstances they do that. Can you see that that can be managed in the sort of framework that you are suggesting?

Mr. A. Le Gallais:

I think the issue of the level of milk production going forward, the board has been clear on, is that we regard the present level of milk intake to be the right level of milk intake for the Island of this present moment in time. That level has a maximum capacity of 14.45 million litres. Now clearly we are managing over 3,000 cows and they do not all produce the same amount of milk on every day of the year. They are subjected to the effects of climate change, as we have experienced, they are subjected to the effects of a lot of other issues out of the control of milk producers who make 10:41:35 (inaudible). There was a point 3 months ago where the rolling 12 month intake into the dairy reached 13.8 million litres and that just goes to show the effects of a dry summer and the vagaries of which animals can be subjected to despite the best endeavours of those that look after them. There is nothing to stop anyone leaving the industry. At the moment with the level of uncertainty the assets that a milk producer has in terms of buildings, machinery, cattle and milk licence - well, the first one, buildings, are at a pretty well all time high by all accounts. But machinery, cattle and milk licence, which depend on a sale from largely, but not exclusively, within the Island from other members of the industry, with the level of confidence there is in the industry as a result of the indecision that has occurred, the level of those assets is pretty low at the moment. This is not a good time to get out if you want to maximise your asset base. Now if you are asking me, and sorry I might be supposing this, but if you are asking me would I ever consider, or the board ever consider, cutting milk production in the future then yes, we would. We would consider that if the circumstances were right. I think that 2 areas which I had identified on this front would be if it could be demonstrated that we were unsuccessful in our attempts to export value

added dairy products out of the Island, and that is a process which is long term which we have already invested in considerably, and in which Promar are very clear is the right strategy for the dairy industry at this moment in time, but they are also very clear that you cannot carry on doing that for ever and not demonstrably show to producers that it has been successful. We are, since Promar conducted their intensive investigations with the dairy, we have made some small gains but we need to make more and they suggest in their report that if we have not achieved the levels of sales that might be expected in the next 12 to 24 months then clearly a hard decision would have to be made. If I am around to do that I would certainly not duck it. The second scenario, which might lead to a cut in milk intake is if the industry fragmented. If there was fragmentation of the milk supply base as a consequence of fragmentation of processing facilities we would hurtle down to a substantially reduced cattle population which might, or might not, be able to sufficiently enable a local liquid milk supply in this Island.

Deputy A.E. Pryke of Trinity:

What you are planning, the different options and how you see the way forward, but unless you have got the producers behind you it might not come about. You talked about the informal meetings that you have had with the producers as well as the informal meetings you have had with the board. What response have you got from them?

Mr. A. Le Gallais:

I have got an informal response but not a formal one yet. The formal one will be required when we enter into contractual arrangements with milk producers going forward, and those contractual arrangements obviously need to be compliant and legal which is the process we are going through at the moment. Informally, I firmly believe that I have, and the board has, the complete confidence of the vast majority of milk producers. Let me assure you very clearly, having been in this job and in very exciting times for the last 6 or 7 years, that if I did not have that confidence I am sure I would be the very first to find out.

Deputy S.C. Ferguson of St. Brelade:

You talk about government support which usually translates the minute people talk about government support it usually means money. I assume that you would be looking at the way subsidies are done at managing milk flow, for instance, calving every year rather than all at one time. We are also informed in the report that dairy farmers have to pay as much for buttermilk enhancing foodstuffs as they receive in buttermilk payments. Then this buttermilk is often processed into low value products. In the context of subsidies, does this reflect on the commercial acumen of the industry or the value of the dairy adviser's advice? You know, this whole business of subsidies and so on.

Mr. A. Le Gallais:

I do not wish to patronise, whatever it is, but the word "subsidies" is inapplicable in this case, with

respect, Deputy. This is an incentive which you are referring to, which Promar refer to, an incentive mechanism through the differential pricing policy of the Milk Marketing Board which has recently been introduced over the last 18 months. It refers to butterfat which is a very key component of Jersey milk, the Jersey breed is renowned for high constituent values of butterfat and protein. So it is inherent within the breed. Promar make the claim that, as you have just described, the cost to the milk producer of enhancing butterfat in their herd is the same as the bonus they receive. That is patently incorrect. As they describe, butterfat levels can be enhanced by between point 2 and point 4 per cent. This is all in reference to pages 35, 58 and 59 of the *Promar Report*. Many of us have included various products in our cattle feed from our compounders in the UK, including products which normally cost between £3 and £5 a ton more in that animal feed, and we are talking about cattle feed which costs in the range of between, I suggest, £170 and £200 a time. So it is an increase in cost but it is of that proportion. The level of extra butterfat that is derived in your milk tank is dependent obviously on the inclusion rate in the cow's ration. But typically, and I speak from experience here, an additional outlay on my farm with 170 cows of approximately £80 a month has resulted in me receiving a bonus of between £400 and £700 as a result of those typically enhanced butterfat bonuses. So quite clearly there is a very big advantage to do that and a vast number of milk producers have taken advantage of the modern skills of dairy rationing in order to achieve this. But this is not an exclusive way of doing it. All cows require a balanced diet. The level of fibre in the diet is certainly influential on the level of butterfat and some producers have higher levels of butterfat than others. What the policy of the board is, through differential pricing, to try and reward those producers who quite clearly do produce a product which is demanded by the marketplace, is to try and reward those producers who match that more successfully than others. As you will see on page 58 of the report there is a table there which compares the dairy herd performance of the Island herd with that of the UK. You will see very clearly there that both the percentage levels of butterfat and the kilos of butterfat of the Island herd is significantly less than the UK. So we believe that this is not only a policy that matches the needs of the marketplace which allows committed milk producers to get ahead, but it is also one that supports the very key components that the Island herd, the Jersey breed, are so well known for.

Deputy S.C. Ferguson:

Presumably with things like semen imports and so on, you would be able to revitalise the herds so that these sort of levels of incentives would not be required; one point. The second point is that if the population is changing its habits with regard to the type of milk it brings, you know - I am sorry I am probably approaching this rather simplistically and non-farming - but you seem to be getting more butterfat into the milk and then people are drinking green milk rather than yellow.

Mr. A. Le Gallais:

That is a very good point. We could solve that by importing black and white cows, we do not believe that is the right way to go about it, and we believe that butterfat has an enhanced value because as the

consumer trends that certainly Jersey Dairy experience is that a lot of people are very keen, a lot of our customers are very keen to drink skimmed milk products, reduced butterfat milk, as is the case worldwide. However, a lot of our consumers are also very keen on occasions to indulge, as we all do, on cream based products; cream, ice cream, butter, yoghurts, et cetera. Clearly we have a need to match those market requirements and, as I say, the whole purpose of this differential pricing scheme was to send a signal to producers of what our intentions were for the future. You will read that Promar have indicated that our export products will likely be based on cream based products so it makes sense to us to supply the local population with reduced fat milk at a lower price and take advantage of the unique attributes of the Island herd, and of the Island itself, which in the words of John Giles on Monday is dripping in provenance, to supply a high quality dairy product to the UK mainland. Now what you will pick me up on in a moment, no doubt, and what Promar have identified is that the relationship between this bonus and the market returns are not matched yet, and I recognise that. When this butterfat bonus was introduced, as I say just over 12 months ago, clearly we were putting an incentive in front of producers without knowing how they would react to it. We modelled previous historical records of butterfat intakes from various farms and we made an assumption that there would be an improvement. The improvement, I have to tell you, has been substantial. We have very proactive milk producers in this Island and it has allowed them to receive a higher milk price and, yes, they got ahead of the game quicker than we thought. I think that is a reflection of the financial and management acumen of milk producers in the Island today.

Deputy A. Breckon:

Would you agree, as a supplementary to that, that is not yet converted into value added products for the marketplace?

Mr. A. Le Gallais:

It is not receiving the maximum value that we thought it would but we are on track to make sure that happens.

Deputy K.C. Lewis of St. Saviour:

Following on from Sarah's question, I know among your members opinions differ greatly, but do you personally see semen imports as inevitable?

Mr. A. Le Gallais:

The semen import question is one that the Milk Marketing Board has been very clear on as being an intricate part of our strategy. I think what we are seeing in the dairy industry now, in fact in many other sectors of the economy, is the need for a holistic plan to go forward. I think where the semen issue comes in, is that within our 3 key pillars of achieving our strategy, relocation is clearly the one which we want to achieve and be the catalyst for change and be the most immediate. The development of export

growth is one that is going to be more of a medium term nature, and the semen one, as clearly identified within the *Promar Report*, is one that it is going to be of long term benefit. If we are really going to be true to our word, which we intend to be, in terms of bringing advantages to consumers in this Island, it is not a matter of just taking a cherry off a tree, however big it might be, at one moment in time and giving that benefit to producers. We need to be taking cherries off the tree continually in order to sustain that benefit. That is vital because costs in this Island, as you are all too well aware, particularly in government, rise. We are in the business of managing those cost increases as best we can. So I think it is vital that we see the question of semen as part of a cherry to come off the tree in future in order to sustain our objectives and the benefits to producers. Now, the issue of importation of semen in genetic terms is well proven. Where it becomes more complicated, or has been made more complicated in the past, is its effect or its potential effects as yet undefined, on the ability of the legislature to maintain the ban of liquid milk imports. But our strategy is based on making sure that that threat is mitigated by reducing the retail price of milk over a period of time. So we believe that that threat that has been identified in the past is therefore dealt with. That is why we are dealing with, what I like to euphemistically call “a jigsaw of issues”. A jigsaw of aims. Take any one piece out and the whole thing is unsustainable.

Deputy K.C. Lewis:

Just one final question just for now, if I may quote from the transcript from Monday regarding the so-called breakaway producers. Question from myself: “If I could just clarify the previous question that you are not setting up or trying to set up a rival dairy, you are trying to steer the existing industry in a different direction being much more rationalised.” The answer was: “Pretty much, but it has to be on a voluntary exercise and a very difficult process.” Would you like to comment on that?

Mr. A. Le Gallais:

I did not quite catch that last -- what was the reply?

Deputy K.C. Lewis:

The reply was: “Pretty much, but it has to be a voluntary exercise. A very, very difficult process for sure.”

Mr. A. Le Gallais:

Yes, I agree with that. It is a decision for milk producers. Milk producers currently elect members to represent them and lead them and it is a proposal, which I have made very clear to you as being put in clear terms to you on Monday afternoon. I do not believe it is my job to comment or make derogatory comments about it in any shape or form. I am here to tell you about what the strategy is for the Milk Marketing Board and to inform you that we are in a transition period moving forward to a voluntary co-operative and our specific proposals are currently avidly being worked up to be put to milk producers.

Ultimately it will be for milk producers to decide. Currently it is the job of the Milk Marketing Board to inform that debate as fully and openly and transparently as it possibly can, and that is what we are doing.

Deputy of Trinity:

We have been talking about the way forward, do you feel that timescale is important? You have to move fairly quickly?

Mr. A. Le Gallais:

Yes, because we have arrived at this decision - perhaps I should not overemphasise this point - but it is certainly one that we feel is by default. We have existed within a Milk Marketing Scheme, as I have already said, we need to be compliant with a competition law, Promar have identified a way of doing that. We need to have a -- I suppose in simplistic terms we are moving from A to B. We are defining B and doing that quickly, but in defining B we need to be very clear about what the journey is from A to B.

Deputy of Trinity:

Could you put a time on that? Promar suggested that things should move within the first quarter of next year.

Mr. A. Le Gallais:

I think there are others who would express the view that it might take 2 years. I think Promar even mentioned that at one stage. I am operating on a weekly basis of this, Deputy, and I would envisage that milk producers would be much clearer of the board's position certainly by the middle of January once we have taken on board advice from specific sources, not just legal ones. Because let us not forget, Promar have commissioned and replied to a terms of reference set by the Chief Minister and government. They have said if I was - this could be regarded as somewhat disrespectful - but they have said change. We have decided that that is the best case to follow. We recognise that we can be the architect of that change by taking a pro-active approach to the circumstances we have at the moment. But in doing that, it is our responsibility, as we move from one position to another, to make sure that in the future there is some form of umbrella regulatory structure or mechanism that will make sure that the Jersey dairy industry is truly sustainable for the future.

Deputy S.C. Ferguson:

You have talked about this umbrella regulatory structure. How would you see this develop? What sort of umbrella do you envisage?

Mr. A. Le Gallais:

The umbrella would be specifically to deal with the overall level of milk supply in the Island. Now if I was to take it to the UK or any other European jurisdiction, the control of milk supply is one which is done by statutory means. Each country in the European Union negotiates within the EU as to its overall level of milk supply, and this is a big issue for Poland, as it happens, as it has become a new entrant. Having agreed what the overall level is for the country, in England government gives the responsibility of managing and allocating that milk supply to its agency called The Rural Payments Agency. That agency monitors milk supply and makes sure that it is allocated between dairy co-operatives or perhaps direct purchases of milk so that the - I think it is 120,000 and falling rapidly - milk producers in the UK all know exactly how much milk they are officially allowed to produce on their farms and what the rules are for trading it among their colleagues. At the moment that responsibility is clearly in the hands of the Milk Marketing Board because the Agricultural Marketing Law itself, in the preamble of the law, is to provide for the control of the marketing of agricultural produce. That responsibility is devolved to the board through the scheme. On the formation of a voluntary co-operative, our control of milk supply with our supply base with producers would be within a contractual arrangement. But that would only be within the auspices of the co-operative. Now I would hope, as I suggested to you this morning, the position of the vast majority of milk producers will continue to supply a new voluntary co-operative for the future. I firmly believe that will be the case. But one day, because we live in Jersey, things might be different and it will be available to challenge and government will need to be aware of what is required if it truly believes in maintaining Jersey cows in Jersey fields.

Deputy S.C. Ferguson:

Although to some degree Promar would recommend that a broad general umbrella would be available to the dairy under the, sort of, differential pricing scheme that they recommend in - I forget which page it is - but they talk about different seasonal prices and so on and sending price signals to the market which would, in effect, give you some degree of control perhaps.

Mr. A. Le Gallais:

We do that already and the supply curve which they show is - unfortunately I did not compare with other jurisdictions - is extraordinarily flat. It needs to be flatter and certainly the pricing scheme going forward exemplifies that, and it has flattened out more since we have introduced that. But those are all tools which are available to the voluntary co-operative. The voluntary co-operative cannot impose those rules on any other milk supplier in the Island - any other milk supplier or processor who chooses not to be a member of the co-operative.

Deputy A. Breckon:

Can I come back to the export market? We were told earlier in the week that the UK market is worth £3 billion, and that for Jersey to get perhaps some niche in there is achievable but not easy and if it is successful then it could make the industry. Would you like to comment on how confident you are with

products you have seen and the links that may have been discussed or established with UK supermarkets; how is that achievable do you think?

Mr. A. Le Gallais:

Well, I am sure that is a question you asked of Kevin Keen yesterday, who was in a better position to answer it than I am. But you ask me the question and my personal view is that I am very confident. The reason I am confident is that we have established a very professional skill base at the dairy in terms of marketing, in terms of product innovation. We have drawn and invested on a lot of new skills recently in order to drive this. I make it very clear to you that I am convinced personally that we are going to see the tangible benefits of this policy soon, but we cannot do it if the customers that we are targeting with products which are dripping in provenance visit Five Oaks. Five Oaks Dairy, let me assure you, is inspected by members of the British Retail Consortium, BRC, regularly and passes with flying colours but the customers that we would be looking to target with the products that we have identified require more. That is why we have got to move. Now you might say: "Well, you have got to put all your intentions on hold until you are operating out of that new dairy." To a degree that might be the case, we do not think so, because I think if we can present to our future customers, who after all are not going to say: "Send me 10 lorry loads a day starting from tomorrow." It is going to take time to establish our connections with potential customers. But if they can come and see bulldozers at work and they can see our plans and they can contribute, maybe, to some of the fine detail of the facility that we want to create then I suggest to you that that is going to give them a lot of confidence. There is not any going back on what our intentions. In fact I think that process, as I say to you, could be enormously helpful because the expertise that these organisations have could be brought to the final design process.

Deputy S.C. Ferguson:

Promar indicated on Monday that they felt that given a fair breeze and following wind a new dairy could be up and running within 12 to 18 months. What comments have you got?

Mr. A. Le Gallais:

Our intentions have been articulated patiently, consistently and clearly to the individuals that need to make that decision. We have a meeting with the Treasury and Resources Minister on Friday afternoon to learn about the progress of lodging a proposition to this effect and we await in respectful fashion for government to make a decision. We have the planning permission, we have the site, we have the clear formal support of the Davis family, we have enjoyed a close rapport, Deputy, wearing your Public Accounts Committee hat, as to the issues there; and we feel confident that we have given you all the information you require. Apart from an exceptional minority, who will remain nameless, I have every confidence in you, ladies and gentlemen, that in this Chamber in January or February of next year you will at long last give us the level of support that we have been asking from you for so long, and I really look forward to that occasion.

Deputy A. Breckon:

You mentioned there the Davis family, the covenant and its link to Howard Davis Farm, is there a preference for leasing or buying?

Mr. A. Le Gallais:

I think what our preference for is the speed of decision. I think that there are alternatives there and I think the best way to answer that question is that this is an issue that we wish to discuss at our meeting on Friday which we instigated with the Treasury and Resources Minister, and I think we need to be pragmatic on this. We clearly need to respect the wishes of the Davis family who we have written to and we simply want to find a solution which is politically acceptable to enable a decision to be made.

Deputy A. Breckon:

Could you expand on your understanding of the Davis family's intent, it might be changing. We understand that some more correspondence is on its way, but there was the covenant of which you may have seen, I am not sure if you have, it was the same as the letter that was published in the *Evening Post* on 17th November.

Mr. A. Le Gallais:

I learnt of it the day that it was published in the *Evening Post*. I do not know what that date was.

Deputy A. Breckon:

17th November.

Mr. A. Le Gallais:

For a letter that had been issued a month earlier.

Deputy A. Breckon:

The same day we had the meeting at St. Paul's.

Mr. A. Le Gallais:

Yes, for a letter that had been sent a month earlier. I can only quote from what I am privy to. If I can quote from that affidavit, which I think is very pertinent and the bit I regard is pertinent is at the bottom of the first page: "The family wishes that a win, win solution be found that secures the financial well-being of the [unfortunately they thought it was a state-run dairy but we have corrected them on that sense] to secure the financial well-being of the dairy as well as the safeguarding and honouring of the objectives in perpetuity of the covenant of T.B. Davis over the balance of the gifted land and respectfully submits that this can be achieved by amending the covenant, not removing it, to provide for,

in the first instance, the sale of the land required by the new dairy and the proceeds being immediately invested into an interest-bearing account. I think, whether it is a lease or a sale, we have the opportunity to contribute to what might be regarded as a new fund to promote the very intentions of the original benefactor. I think that is a very exciting possibility and one that we would dearly like to play our part in.

Deputy A. Breckon:

There is another part of that, Andrew, I would like to draw your attention to and perhaps you could comment. It is the third bullet point which talks about the financial gain of the sale of the Five Oaks site being brought into a financial viability study as something for the site. My interpretation of that - and it may not be yours and it may not be right - is that they would be expecting some money from the sale of Five Oaks to be donated to the study of Howard Davis Farm.

Mr. A. Le Gallais:

I think that is something that is written, with respect, in a somewhat ambiguous way. I did not take that reading of it but I respect the fact that you have. It is clearly something that we need to discuss with the Treasury and Resources Minister on Friday. Our intentions are clear and I think we really have got to have a close rapport on what all these issues are and to listen to what these potential concerns are from the States Members. We have every intention in the new year of inviting all States Members to the dairy to show them round, how we are operating, as we had the benefit of doing with you earlier in the year, and to make sure everyone is well abreast of the situation. If there are ambiguous issues with any of your colleagues, not least within your panel, we would certainly appreciate them being raised at an earlier juncture so that we can deal with this collectively in a partnership. As I say, this is a catalyst for us to achieve what we need to do. Longer delay, I am afraid, will lead us to make ambiguous opinions of what really the States' intentions are.

Deputy A. Breckon:

Just to clarify that, I think there is correspondence now between the Treasury Minister and the Davis family in South Africa to which we are not privy. It is in transit, we understand, and obviously if that situation changes then it would be practical and sensible for everybody to share that rather than to be pulling --

Mr. A. Le Gallais:

We would appreciate that.

Deputy R.G. Le Hérissier:

Andrew, back to the issue of the States' involvement ... and we have not looked at the structure of the board. As you know, there are States-appointed directors on the board. Do you see these people as

people who were appointed essentially because they have wide and relevant management experience or do you see them as people who bring a message, or a series of messages, from the States which they convey to you as a board and then you move forward on your consideration of that.

Mr. A. Le Gallais:

I am glad you brought that up, Deputy. It gives me the opportunity to state very clearly that the board benefits immensely from independent, objective, experienced, commercial acumen that the 3 individuals - Bob Hankusens(?), John King, Brian Fulser(?) - bring to our deliberations in the board, as many previous holders of that non-executive office have done. It is vital that they remain in place. I am quite convinced in any form of new structure we would want to retain them but not necessarily have them appointed by government. I think it is something that I personally feel is absolutely vital because it gives that objectivity and independence of key decision-making processes. It promotes modern corporate governance which is essential going forward. As to their role with government, I do not regard them as the Government's messengers as such. I think surely we have a close enough rapport with government for them to send their messages more directly to us. What I do believe, though, is that they are very key conduits of delivering messages in either direction between government and the board and they have performed that task very effectively in recent months. So if there is an issue that they think is of particular importance or they see a development of issues at the board of being significant for the Island as a whole, then clearly we as a board have a means of communicating with the Government but they also have a means of delivering a completely independent message to members of government and saying: "Hang on a tick, we sit round this table; we see what is going on; we take part in the decision-making process. We are concerned about things and we feel we ought to bring it to you in an impartial manner." That is very valuable.

Deputy R.G. Le Hérissier:

Andrew, I wonder if we should continue with the existing structure, indeed with the historic structure. I know sometimes you are impatient about going down the pathway of history but there were issues, as you well know, and while some of them just emerged through the rumour mill, others people had a clearer finger on. Do you feel, bearing in mind what you have just said about the Government-appointed directors and just bearing in mind the history that you had to inherit, that there are sufficient checks and balances in the internal governance of Jersey Dairy so that the concerns people did have can now be laid to rest?

Mr. A. Le Gallais:

There is a very emphatic one-word answer to that and that is yes.

Deputy R.G. Le Hérissier:

What are the reformed structures in place that can give people that comfort?

Mr. A. Le Gallais:

The reformed structures are such that the promotion of corporate governance at every level through the decision-making process of the board, which I chair, and the executive committee, which I also chair, is such that it is open to scrutiny, and has been so over a long period of time now. It is one where producers, whatever their thoughts on the way going forward, can easily articulate with either the management team or their representatives or independent members as they see fit. There is an open-door, transparent policy completely to dialogue with any stakeholder in the dairy industry now.

Deputy R.G. Le Hérissier:

The dairy did get into serious financial trouble and you have had to deal with the inheritance of that. Could you give us some examples of what is now in place to ensure that this does not happen again?

Mr. A. Le Gallais:

The formation of a remuneration committee; the formation of an audit committee of non-executive members. When the accounts are submitted to the Audit Committee they are done directly between our accountants to the Audit Committee. The Managing Director is not present. The issues that the accountants might want to bring to the attention of the Audit Committee are then fed through to the management team. It is a system which, as a consequence of the experience and acumen of the non-executive, States-appointed members that we have on the board now, is one that I firmly believe is at the highest level.

Deputy A. Breckon:

Andrew, just as a development of that, can I ask you if in your opinion the Milk Marketing Board now complies with best practice in areas like generally accepted accounting procedures, compliance with FRS 17 (Financial Reporting Standard 17) and reporting on pensions? That is probably the case now but maybe was not the case in the past. Would you agree with that?

Mr. A. Le Gallais:

I am not an accountant but FRS 17 was an accountancy procedure which was introduced some years ago, I think at the turn of the millennium. Perhaps the Deputy of St. Brelade might have more knowledge of this. I do not know whether it is a compulsory procedure or not but it is certainly one which the management team, led by Kevin Keen, embraced very quickly. We knew it was one that needed to be embraced, that and many others: do not think that FRS stops at 17. I have every confidence that we do comply with all these best practices, as indeed we comply with employment practices. We have recently been very pleased to receive the Investors in People accolade for Jersey Dairy; we have won a training award; we won the *Jersey Post* award at a previous business award ceremony. These are clear accolades which bring enormous confidence to everyone who works at

Jersey Dairy and recognises in an informal and sensible manner just what everyone does at that dairy to make sure that customers and producers in the Island are well serviced.

Deputy K.C. Lewis(?):

Andrew, if I may just quote a few bits and pieces from the *Promar Report*, key lessons of what can be learned from the process of deregulation in other parts of the UK (United Kingdom). We will overlook the obvious typo: “The Jersey Milk Marketing Board needs to put forward a sensible proposal for the new structure and one that is compliant with competition law, et cetera. The States of Jersey law proposes a change from the Milk Marketing Board to a voluntary or co-operative structure. If decision yes, this would require a change in legislation.” Do you see a change from a milk marketing board to a limited company, FCB (farmer-controlled business) or other, as inevitable and if so- and I know this will be ultimately a decision of your members - will you or the board be recommending a scenario to your members?

Mr. A. Le Gallais:

Deputy, yes, we are doing that. I thought I had described it to you. We are exactly in that process now. Unfortunately in some quarters the principle of co-operation is disregarded for its merits. I think if you look right across the dairy supply chain throughout many different countries throughout the world co-operation underpins that supply chain, whether we are talking about Fonterra in New Zealand, one of the largest agricultural co-operatives in the world, whether you are talking about co-operatives on the Continent. Of course, Promar refer to co-operatives in the UK. I think it would be unfair to deduce that all dairy co-operative organisations in the UK are not effective but they make a very strong point that is, with respect, easily missed that one of the key reasons why deregulation in the UK caused so much pain and fragmentation is that the assets of the original Milk Marketing Board were made to be distributed. They make it very emphatic in their report that we should retain our assets, and this leads back to the question from you, Chairman, earlier about our reaction to that and the very need to maintain that position, particularly in the small jurisdiction that we have in Jersey. So the process that we are embarking on is not to say everything in the UK is inapplicable. We establish links and network quite widely with lots of different organisations, not just in the UK, and we are in the process now of using those contacts to find someone who can facilitate and advise our process going forward in the creation of a new structure. That structure is not one that does not have a corporate entity within it, and I refer to the management of the dairy as such. I am not here to pontificate and allude to what that might be but what I do know is that there are some very successful modern co-operative structures which incorporate some elements for the benefit of corporate structures within them in order to bring benefits in a clearly defined fashion to its members. So, without wishing to complicate it, we have plenty of examples now, and we are gaining further advice on this, as to what the key elements are of a modern co-operative structure, in particular the 3 elements of it, which are ownership, which is not clearly defined at the moment, benefit to members, and control. Quite clearly, in my mind, it is important to make sure that

control is devolved and apportioned to professional managers, as it is now.

Deputy A. Breckon:

I think Promar did say, Andrew, would you agree, that because it is owned by a farmer co-operative it does not need to be managed by farmers? It could be managed by --

Mr. A. Le Gallais:

That is right, as is patently the case at the moment. The Executive Committee is the main overseer of Jersey Dairy and the majority of the members on that are not farmers.

Deputy R.G. Le Hérissier:

Just back to a statement you made earlier, Andrew, and it is the one that in a sense the whole issue - given the rapid developments both within your organisation and those that are happening outside it - could turn upon. You made a statement earlier that we are working hard towards a voluntary co-operative but we could not tolerate a 100 per cent deregulation. How do you think government should organise it so the best chance could be given to your voluntary co-operative within a system that could unravel quite quickly?

Mr. A. Le Gallais:

I suppose the short answer to that is dialogue with government. We need to discuss this issue with them and explain it to them. I think it is an unfortunate omission, with respect, of the *Promar Report* that this has not been more explicitly explained. I think that clearly producers going forward will have to make decisions. I think those decisions will require information from the board, which I explained to you is going to be provided to them. It will require information from others but it will require some form of cooling-off period, as I think it was referred to on Monday, some form of maybe informal reassurance from government in this crucial interim period as we go from A to B to make sure that government really does believe in its intentions of Jersey cows in Jersey green fields. What the mechanism of that is I cannot tell you because I am not sufficiently au fait with all the statutes that are the prerogative of government but I cannot help but think that we could come up with a mechanism fairly quickly. It is to emphasise the fact that moving from a statutory co-operative to a voluntary one will, by implication, mean that some of the responsibilities that we have at the moment we will let go of, some.

Deputy A. Breckon:

Andrew, I take it by the other members' silence that we have run our course. We have run a little bit over time.

Mr. A. Le Gallais:

I have a habit of overstaying my welcome.

Deputy A. Breckon:

You said that, not I. Just in conclusion, is there anything you would like to say that you feel you have not had the opportunity to say that would sum up where you are. Please feel free to do that if you wish to but you do not have to if you do not wish to.

Mr. A. Le Gallais:

I would like to conclude by thanking you most sincerely for organising this series of public hearings. I think that we have had a frustrating time in the course of the last 12 months. It is something that we have managed as efficiently as we could but it is one that has taken up an enormous amount of time, particularly of the senior management team led by Kevin Keen at the dairy. I am extremely pleased that not just I but many others had the opportunity in the course of these hearings in this modern system of government to be able to extend and explain the issues in a very clear format but in a public format, and I thank you sincerely for doing that. I would like to leave you with the very clear assurance that I think Jersey's dairy industry is embarking on a very exciting future. It is one which I firmly believe the new voluntary co-operative will play a very major part in and I look forward, if I am a part of that process, to continuing to play a part in sustaining Jersey's dairy industry in the home of our breed.

Deputy A. Breckon:

Thank you for that, Andrew. I will just conclude by thanking you for your time and effort and the preparation you have put in, and sharing with us the benefit of your considerable experience, both on the family farm and representing others. You have been at the sharp end and we know from experience it is sometimes a thankless task but I think you have helped through this in an exemplary fashion. I thank you for that, and now I propose we adjourn until 1.00 p.m.

LUNCHTIME ADJOURNMENT