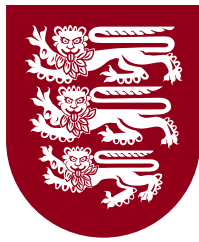


STATES OF JERSEY



Jersey

DRAFT AGRICULTURE (LOANS) (JERSEY) AMENDMENT REGULATIONS 202-

**Lodged au Greffe on 14th June 2024
by the Minister for Sustainable Economic Development
Earliest date for debate: 10th September 2024**

STATES GREFFE

REPORT

Background

Agriculture is an essential component to the Island's economy and must be appropriately supported, in a similar manner to all other developed economies, to maintain a sustainable rural economy for future generations. It is an ever changing and evolving industry that should be championed, and the government is committed to assisting its growth and development for decades to come.

Factors such as rising interest rates and increases to input costs have had a disproportionately adverse impact on agriculture in recent years. Moreover, this area is particularly susceptible to increases in the minimum wage, with labour costs making up a significant percentage of expenditure.

The industry has historically operated with very small profit margins, with the growing sector reporting an average margin of just 3% prior to COVID-19.

The Economic Framework for the Rural Environment and the Economic Framework for the Marine Environment have set out clear policy interventions to support these sectors and government funding provided to the rural economy has increased to over £6 million per year in 2024.

This will allow the rural economy to maintain a sustainable economic model, facilitated via a robust support scheme which has been designed to specifically reward the provision of identified public goods.

The recapitalised rural and marine support schemes are delivering payments for public goods in 2024 based on:

- Measures to maintain and improve environment and landscape
- Measures to improve local food resilience
- Measures to enhance skills and social inclusion
- Measures to enable capital investment (to achieve the above)

Despite this, it must be noted that support for this industry remains below comparable jurisdictions, and further increases to wage costs are estimated to put severe strain on the sector.

Whilst it is clear that the government cannot increase its financial support exponentially, the States Assembly has recognised the requirement for interventions to allow meaningful investment for the sector over the long term through their approval of [P.74/2023 Amd.\(3\)](#) in November 2023.

The basis of this proposition was to ensure an adequate level of funding for the sectors over the coming years and this included the recapitalisation of the Agricultural Loans Fund.

Changes to the Agricultural Loans Scheme

These amending Regulations will update the [Agriculture \(Loans\) \(Jersey\) Regulations 1974](#) and make two minor changes which enable Agricultural Loans to be delivered and administered.

Firstly, to change the interest rate chargeable on loans from 6.5% to 3%. The lower rate is more compatible with current base rates. This will allow the Scheme to enable borrowing and stimulate investment in the sector at an advantageous rate compared to commercial borrowings.

Secondly, to reduce the required number of members of the Agricultural Loans and Guarantees Advisory Board from ten persons to five persons. The Board makes recommendations to the Minister on loan applications and as the quorum for decision making remains unchanged at three it is felt an unnecessary burden to maintain ten Board members when five would suffice.

All other Regulations concerning the Loan Scheme remain unchanged.

Children’s Rights Impact Assessment

A Children’s Rights Impact Assessment (CRIA) has been prepared in relation to this proposition and is available to read on the States Assembly website.

Financial and staffing implications

The States Assembly agreed in P.74/2023, as amended, to recapitalise the Agriculture Loans Fund in 2024, to a level sufficient to enable meaningful capital investment in the industry and not less than £10 million. The amended proposition also agreed that this should be achieved a transfer from the Strategic Reserve if there are insufficient funds in the Consolidated Fund.

EXPLANATORY NOTE

These Regulations, if passed, will amend the Agriculture (Loans) (Jersey) Regulations 1974 to –

- (a) reduce the membership of the Agricultural Loans and Guarantees Advisory Board from the chair, vice-chair, 3 representatives from commerce or finance and 5 from agriculture, to the chair, vice-chair, one representative from commerce or finance and 2 from commerce, finance or agriculture (*Regulation 2*); and
- (b) reduce the annual interest rate on loans to Jersey residents working in agriculture from 6.5% to 3% (*Regulation 3*).



Jersey

DRAFT AGRICULTURE (LOANS) (JERSEY) AMENDMENT REGULATIONS 202-

Made [date to be inserted]

Coming into force [date to be inserted]

THE STATES make these Regulations under Article 2 of the [Agriculture \(Loans and Guarantees\) \(Jersey\) Law 1974](#) –

1 [Agriculture \(Loans\) \(Jersey\) Regulations 1974](#) amended

These Regulations amend the [Agriculture \(Loans\) \(Jersey\) Regulations 1974](#).

2 Regulation 3 (constitution of the Board) amended

For Regulation 3(2) there is substituted –

“(2) The Minister must appoint –

- (a) a chair, a vice-chair and one other person who have all had experience and shown skill in commerce or finance; and
- (b) 2 other people who have had experience and shown skill in commerce, finance or agriculture.”.

3 Regulation 5 (amount of loans, interest rate and repayment provisions) amended

In Regulation 5(2) for “shall bear interest at the rate of 6.5% per annum” there is substituted “carry an annual interest rate of 3%”.

4 Citation and commencement

These Regulations may be cited as the Agriculture (Loans) (Jersey) Amendment Regulations 202- and come into force 7 days after they are made.