

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 17th JANUARY 2012**

Question

Will the Minister advise whether the ban on the importation and sale of milk other than Jersey Milk (with some exemptions) is, in the department's view, still necessary and ultimately sustainable?

Will the Minister outline the policy and detail what exemptions *are* in place (ie, for omega enriched milk, goat's milk etc)?

Would the Minister confirm whether the policy is in keeping generally with free market principles and explain how the department justifies its protectionist stance towards milk, but not towards other Jersey Produce, such as potatoes, honey etc.

Will the Minister also give a list of how many individuals or retailers, if any, have been prosecuted for the importation or sale of non-Jersey milk in the last 15 years?

Answer

a) Will the Minister advise whether the ban on the importation and sale of milk other than Jersey Milk (with some exemptions) is, in the department's view, still necessary and ultimately sustainable?

The maintenance of import controls is still necessary and ultimately sustainable. If the dairy industry were exposed to the full impact of competition at this present time, it would prove very difficult for the Jersey dairy industry to survive in its current form.

By way of background, following the loss of a key market in 1999-2001 due to de-regulation of the UK milk market, the industry in Jersey witnessed a fundamental restructuring with the exit of 13 dairy farms and over 1000 milking cows. A "Road Map to Recovery" was developed, which was subsequently endorsed by the Promar report and the Corporate Services Scrutiny Panel. Both the Rural Economy Strategy (RES) 2006-2010 and subsequent RES 2011-15 (formally agreed by the States on 18th January 2011) outlined the measures that continue to support ongoing dairy industry restructuring.

Much of the Road Map has been successfully implemented, such as the completion of the new dairy at Howard Davis Farm, the importation of international Jersey semen, legislation to allow the export of bovine embryos and the beginnings of new export markets for value added milk products. However, these developments need time to reach their full potential. For example, the full effect of the production efficiencies made available by the importation of international Jersey semen will take 10 years (up to 2018) to be fully realised. The development of new export markets will also need time in order to build effective trading relationships and develop products that reflect the needs of both local and export markets.

Therefore, the maintenance of the liquid milk import controls is vital in order to allow the dairy industry to complete its “Road Map to Recovery”. This will ensure that the presence of the Jersey cow in its Island home can be sustained as a growing commercial venture, focusing on value-added products, rather than as a foot note in history.

b) Will the Minister outline the policy and detail what exemptions *are* in place (i.e., for omega enriched milk, goat's milk etc)?

The Customs and Excise (Import and Export Control) (Jersey) Order 2006 requires that '**cows milk in liquid form**, whether or not processed' shall **not** be imported except under the authority of a licence. Licences for milk based products are only issued by Jersey Customs and Immigration Service following consultation with the Economic Development Department (Rural Economy Section).

The Department only recommends the issue of import licenses on modified milk products where ingredients have been added to pure milk to provide a nutritional benefit and where an equivalent product is not available locally. Close liaison is maintained with Jersey Dairy prior to any licence being issued. Examples of fortified milk products include St Ivel Advance which contains Omega 3, or Flora Pro – Activ which contains plant sterols which are aimed at reducing cholesterol. Imports of goat's milk are unlicensed and do not compete with local supplies as there are currently no commercial dairy goats being farmed in Jersey.

c) Would the Minister confirm whether the policy is in keeping generally with free market principles and explain how the department justifies its protectionist stance towards milk, but not towards other Jersey Produce, such as potatoes, honey etc.

The current licensing system has been tested in the past against Jersey's free trade agreement with the EU under Protocol 3 of the UK's Act of Accession. A complaint was made to the European Commission (EC) in 2001 that alleged that Jersey's import controls on liquid cows milk were in breach of Community Law, as it applies to Jersey. Jersey defended the controls to the EC largely based on the argument that the controls were not in breach of Community Law because they can be justified, under exemptions provided by Community Law, on the grounds that it is necessary to protect the unique genetic importance of the Island's cattle population, which is of global significance. In the event the EC decided not to pursue the matter.

A very important perspective is that Jersey is in fact a net importer of milk and milk products with a *de minimus* annual production of only 12 million litres - approximately 0.1% of the total EU milk production, with Jersey's licensing arrangements having little effect on trade within the EU. The licensing system only impacts the import of liquid whole milk, as there are no licensing restrictions for the import of milk products and therefore Jersey Dairy is in full competition with the large volume of dairy products available in local food retail outlets and in its efforts to develop a value added export trade.

Milk import licensing restrictions have no parallel in terms of other Jersey produce. For example, as the vast majority of Jersey Royal early potatoes are exported to the UK with only a small volume consumed in Jersey on an annual basis. This compares to three quarters of the annual milk production required to supply the liquid milk needs of the Island, with the remainder being used to produce a range of milk products such as cream, butter, yogurt and ice cream to buffer the liquid milk requirements and to ensure a year round liquid milk supply.

It should also be noted that whilst not protectionist, the States of Jersey does support local agricultural businesses through a number different support measures. The RES 2006 -2010 currently provides all farmers and growers with the Single Area Payment (SAP) at £36 per vergee in line with the Single Farm Payment (SFP) paid to all European farmers to ensure Jersey farmers are not disadvantaged in their market place. Funds to pump prime business development projects are also available via the Rural Initiative Scheme (RIS).

d) Will the Minister also give a list of how many individuals or retailers, if any, have been prosecuted for the importation or sale of non-Jersey milk in the last 15 years?

None