

3. Senator F.H. Walker (The Chief Minister):

Members will be aware of the ongoing process of change in the dairy industry, last discussed when the States approved the removal of the covenants at the Howard Davis Farm site. I have been personally leading the process from the government's side - the States' side - and I want to give the Members an update of progress on this important issue. The overall recovery plan for the dairy industry has been in place for some time and was recognised in the Rural Economy Strategy that the States approved in 2005. Key components are: the reduction in the dairy's debt achieved by the sale of the Five Oaks site; the creation of a modern processing facility with increased efficiency that is capable of underpinning growth in added-value products; and increased efficiency in on-farm performance supported by the use of imported genetics. All of these components are deliverable and the most recent step forward was the vote by a majority of dairy producers to remove the ban on the importation of bovine semen. There is also a focus on improved standards and environmental performance with incentive payments for better milk; the linkage of States support payments to performance; and grant aid for slurry storage and other components of the countryside renewal scheme. Compliance with the Competition Law has added a new dimension to the recovery plan. It is necessary to achieve a solution where an individual producer, or group of producers, can if they wish, retain and market their own product. This issue was examined by the dairy consultants - Promar - and was also looked at thoroughly and constructively by a Scrutiny Sub-Panel under the chairmanship of Deputy Breckon. The conclusion was that a form of voluntary co-operative, or farmer-controlled business was the best way forward. There is a necessary transition period between the current and new structures and I have been insistent that this happens in a managed and planned fashion. I have also stated that I would be ready to grant a public policy exemption (P.P.E.) under the Competition Law if this is necessary to avoid precipitative and damaging action by any party. This has not been necessary to date. I have also made clear that the current controls on the importation of liquid milk will be maintained and that we will vigorously resist any challenge to them from wherever that challenge arises. However, the best form of defence is to improve the efficiency of the industry to the point where the importation of milk is a less attractive option. The form that a farmer-controlled business will take is, to a large degree, a matter for the producers to decide for themselves. We have, however, set out a set of outcomes that we would wish to see delivered. They are reduced milk price to the consumer and self-sufficiency in milk; a single bulk milk processing operation with a market led business; a fair and dignified exit for those wishing to leave the industry; a reduced threat of milk imports; reduced levels of Ministerial and officer involvement; regulation only where necessary and appropriate; less dependence on subsidy payments; increased efficiency and self-reliance with greater diversity and entrepreneurial activity in the countryside; continuance of the Jersey cow in its Island home with grazing animals maintaining and improving the environment; and finally, increased tax revenues from a successful business and a low susceptibility to non-Jersey ownership. There are 2 different views about the structure of a farmer-controlled business, which can be described as the collective and the corporate farm models. There is also a single-producer business that wishes to operate as an independent. These views are all strongly held and in an effort to promote unity we have set up a process; a mediated negotiation run independently by Carey Olsen. The process is still running and so I am unable to give any details of the discussions to date, other than to say that all parties are approaching it positively and that in my opinion it is likely to lead to an acceptable outcome. I will conclude by saying, Sir, that I want to give a very clear message of support to the industry. It is a key part of Jersey life and it is integral to the character of the countryside and the environment. The Jersey cow is an icon which we must all work together to protect and I will continue to work with the industry as long as it is necessary, to find a positive way forward that meets the principal aims which underpin all the work that we have put together in recent months. These aims are 1 - to provide a viable future for the industry that the majority of producers will want to invest in; 2 - to be fully compliant with the

requirements of the competition law; and finally 3 - to put the industry in a strong position to withstand the impact of liquid milk importation in the longer term.

3.1 Deputy R.G. Le Hérissier:

As we all know this is an enormously difficult area for the Chief Minister, but I wonder if the Chief Minister can tell us, Sir, whether he has been able to reconcile the perhaps conflicting demands of the corporate and the collective groups in this debate?

Senator F.H. Walker:

I think the question was the difference between the corporate and the collective route? I cannot say that it has been reconciled at this juncture. As I said I think, in the statement, it is still the subject of the mediated negotiation, but I would emphasise that all parties are approaching it positively and they remain optimistic that an agreed outcome will be the result.

Deputy R.G. Le Hérissier:

Without prejudicing the negotiations, would the Chief Minister say that under the Competition Law if the group wishes to do a break away - for example the corporate group - there is nothing ultimately that we can do to stop that?

Senator F.H. Walker:

No, Sir, I would not necessarily agree to that, but I do not think any further comment from me, given the fact that negotiations are, as the Deputy said, sensitive and are continuing, would at this juncture be wise or appropriate.

3.2 Deputy J.B. Fox:

I wonder if the Chief Minister, talking about the mediated negotiation by Carey Olsen... have we got an indication of a time scale? Is this something that is weeks, months or are we indeed years away on it? Thank you.

Senator F.H. Walker:

We are certainly not years away and I sincerely hope we are not months away. The approach by all parties has been constructive. We are fortunate in that we have 2 leading partners in Carey Olsen who are leading the process, both of whom - one in particular - has established a very detailed knowledge of the issues indeed, and I am convinced that this process offers the best way forward to an agreed solution, and indeed the quickest way forward, but I cannot give a detailed timescale at this juncture.

3.3 The Deputy of Grouville:

How will the ban on importation of milk, which I am in favour of, comply with the Competition Law?

Senator F.H. Walker:

It can work within the Competition Law. We have checked this with the J.C.R.A. (Jersey Competition Regulatory Authority) and again this has been tested elsewhere. It can work within the Competition Law and, as I said in my statement, we will fight for as long as we possibly can, hopefully for the foreseeable future, to maintain the importation. The importation of milk at what would probably - in fact certainly - be a significantly lower price than that at which milk is retailed at the moment, poses a very significant threat to the entire industry, but as I said in my statement, the best way of countering that is for the industry itself - and the dairy - to become as

efficient as possible, being capable of reducing the retail price of locally produced milk and reducing the need for - the pressure for - imported milk in the first place.

3.4 Deputy A. Breckon:

To some extent my question has been taken by Deputy Fox, about the timescale, but I would firstly like to thank the Chief Minister for the statement, because a number of members were concerned that there was some urgency with this matter: and there were stories in the media and they were not sure exactly what was happening. Having said that, Sir, I wonder if the Chief Minister would like to be committed and say perhaps whether settlement could be achieved and a way forward found before the end of this year?

Senator F.H. Walker:

I sincerely hope so. I do not think that anyone believes that we cannot find a settlement before then and I have to say that if an agreed settlement is not reached, I think, long before then, then alternative ways will be brought forward. But I remain confident that an agreed solution will be achievable.

3.5 The Deputy of Trinity:

I am very pleased to hear the Chief Minister speaking about the importation of milk. Could he then explain how St. Ivel milk - albeit with Omega 3, and with the same sell by date as Jersey milk - can be on our shelves?

Senator F.H. Walker:

I am not aware that there is any pure milk that is available from our shelves. I am not aware of the product that the Deputy refers to. What I can say to the Deputy is that the last meeting I had with milk producers, one of them produced - I will not mention the brand - a litre of imported milk and said how is this possible? I can tell the Deputy through you, Sir, that was stopped that day and it was removed from the shelves. Now, if there is any imported product that is directly competitive with Jersey milk - the fresh Jersey milk - then it is under importation ban. It is not acceptable and if the Deputy can give me details we will take the appropriate action, but I suspect it is a long-life product or a different product to fresh milk. I am not entirely sure but I suspect that will probably be the case.

3.6 Senator B.E. Shenton:

My feedback on the mediation process is not as positive as the Chief Minister's. Will the Chief Minister not admit that Jersey Milk have asked for Public Policy Exemption under the Competition Law in order that they can get their house in order with the dairy move, and is he risking sacrificing the industry on the altar of the J.C.R.A?

Senator F.H. Walker:

Absolutely not. I have had many discussions with the board of Jersey Milk on the need for a P.P.E. and although it is true to say that they were very concerned about the lack of a P.P.E. until relatively recently, they are now content with the position and recognise - following their own discussions with the J.C.R.A. - that there is no immediate threat to the Board. I have emphasised to them, and indeed given them a guarantee in writing, that should the J.C.R.A. pose any threat to them during the necessary time it will take to restructure the industry, I will immediately issue a P.P.E. I have taken legal advice to ensure that I can do that immediately under the Law, so the directors have, as far as I am aware, fully accepted that assurance.

3.7 Deputy G.P. Southern:

Is the Chief Minister content that pending the restructuring of debt, the move to a new dairy and the reduction in liquid milk volumes, that sufficient continued support will be applied to the dairy industry in the business plan in the years 2008 to 2010?

Senator F.H. Walker:

The dairy industry is getting an enormous level of support - quite rightly - and I believe the States will continue and have to continue to offer the necessary levels of support to maintain the euphemistic if you like, but vitally important, brown cows in green fields. I said in my statement that the Jersey cow is an icon, I believe it will be ultimately for the States to decide of course, but I am confident this House will do whatever it takes to protect that position. But also at the same time, we need to be realistic financially and expect the industry to become as efficient as possible so that it can sustain itself to the greatest extent possible and reduce the need for public subsidy. It is not States' money, it is public money and we must remember that. But I re-emphasise the point, I believe this House - certainly I will - wish to do everything necessary to continue with a viable and successful local dairy industry and the protection of the Jersey cow in Jersey fields.

3.8 Deputy G.W.J. de Faye:

I wonder if the Chief Minister would agree with me that there are in fact a number of very serious hurdles ahead of us, not least of which - in fact probably the most important - will be the sell-off of the existing dairy, at which point its value becomes capitalised into cash. Therein lies a very serious risk; that the number of dairy producers entitled to a share may seek to liquidate their relationship with the Milk Marketing Board, with potentially catastrophic destabilisation of the dairy industry. Would the Chief Minister care to outline what measures he intends to put in place to ensure that the sell-off of the old dairy does not prevent the building of a new dairy?

Senator F.H. Walker:

I do not believe the sell-off of the old dairy will in any way prevent the construction of a new dairy. We are well aware of the risks to which the Deputy refers, and the handling of the sale of the current dairy and the management of the cash asset generated as a result is an integral part of the mediated negotiation process.

The Greffier of the States (in the Chair):

Well, that concludes the questioning period on the Chief Minister's statement.