

Food for Fuelling thought debate

Home-Grown Cereals Authority
Annual Report & Accounts 2007/2008





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Presented to Parliament pursuant to section 21(1) and section 21(3B) of the Cereals Marketing Act 1965 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

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HGCA was established under the Cereals Marketing Act 1965 to provide a market information service, sponsor or undertake research work in home-grown cereals and oilseeds, and undertake other non-trading initiatives aimed at improving the production and marketing of cereals.

Our vision

To be essential to the arable industry

Our mission

To improve continuously the production, wholesomeness and marketing of UK cereals and oilseeds so as to increase their competitiveness in UK and overseas markets in a sustainable manner.

HGCA provides high quality services which are cost-effective and designed to meet the needs of levy-payers, whilst taking account of both consumer and environmental requirements.

Chairman's statement

The Home-Grown Cereals Authority was formally wound up on 31 March 2008 after 43 years of service to the cereals and oilseeds industry. During this time, average yields of wheat in Britain doubled from 4 tonnes to 8.3 tonnes per hectare. The total amount of wheat grown in the UK has increased from 4 million tonnes in 1965 to an expected 16 million tonnes in 2008. This enabled Britain to change from being a significant grain importer to becoming a net exporter, helping to feed hungry people in other parts of the world. In addition, we produce well over a million tonnes of oilseeds each year, a crop unknown in the UK in the mid 1960s. Production-related subsidies, a very important part of farmers' incomes in 1965, have been removed and strict environmental standards, unheard of in 1965, introduced to the benefit of the whole countryside.

A new body, HGCA, a division of the Agriculture and Horticulture Development Board (AHDB) assumed responsibility for increasing the efficiency of the industry on 1 April 2008. Planning and preparation for handover of responsibilities to AHDB to achieve the best possible start for the new organisation have been a priority during the nine-month period leading up to the launch.

The cereals and oilseeds industry in the UK and Europe is increasingly affected by world markets. Current market volatility was induced by a tightness of supply resulting from poor wheat harvests and ever-increasing demand. Demand across the world is for more food, more fuel and more environmental measures. The HGCA Risk Management project and the Cereals Industry Forum (CIF) programme have given growers and processors the information they need to adapt to these market changes.

The past ten years have seen average yields plateau in Britain and Europe despite crop genetic improvement. Possible causes include: low output prices combined with tightening environmental protection; restrictions on fertiliser use and disease protection; the high cost of inputs resulting in reduced use; and/or changing weather patterns with spells of higher temperature and variable and erratic rainfall resulting in increased levels of disease.

Looking forward, there are many challenges for HGCA and AHDB working in partnership with the industry. Three of the main objectives are:

- to overcome the present and future climatic and environmental challenges, and increase yields of UK cereals and oilseeds to meet growing need for food and fuel
- to enable producers and processors to live with increased market volatility by introducing risk management techniques and skills to a much wider proportion of the industry

- to continue to provide and develop further all the existing market intelligence and agronomic tools for levy-payers

On a personal note, I have enjoyed the four years that I have spent as Chairman of the Home-Grown Cereals Authority, well-supported by an excellent Board and the best of staff teams. It was a challenging role at a particularly interesting time for both the organisation and the agricultural industry. I believe that there is cause for much optimism looking ahead. UK agriculture has proved its ability to adapt to change time and time again, and I have no doubt that it will take on the challenges ahead, helped on and encouraged by AHDB and the new HGCA.



John Page
Chairman, HGCA



Chief Executive's report

HGCA staff worked hard during the year to ensure that the high level of service offered to levy-payers was maintained against a background of potential radical change. Throughout the year we worked with both the HGCA Board and the new AHDB divisional board covering the cereals and oilseeds agricultural sector.

We are in a fortunate position of being able to call on a large number of people from within the industry who offer their time, energy and passion to help us achieve our objectives and goals. This ensures the organisation has a complete view of the cereals and oilseeds sector with input from all parties thereby offering levy-payers the services and information required.

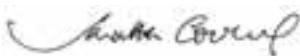
HGCA has always had a policy of wide consultation and this is reflected in the make-up of our Board and Committees which encompasses trade, growers and processors. This key strength of HGCA will be maintained going forward with the new Board.

The success of the wide range of operations we undertake was highlighted by the positive results from the annual grower benchmarking survey. I am delighted that the results have steadily climbed over the past few years and that satisfaction levels increased once again last year. This independent survey provides vital feedback and influences the decision-making processes at HGCA.

HGCA works with many different partners in all areas of our work. One particular project has led to the launch of the Supply Chain Partnership. This communication initiative builds on the work conducted by the successful Cereals Industry Forum. The conclusions and messages emanating from this three-year industry-wide programme are relevant and appropriate to all levy-payers. This partnership reflects the ethos of HGCA which is to look ahead, take a longer-term view and prepare for the future.

This is the last annual report of the Home-Grown Cereals Authority. It has been a real privilege to lead the organisation in its final year. It is a tribute to the diligence and commitment of staff that we hand over a dynamic and customer-focused organisation to the successor body.

Change is inevitable and HGCA intends to play its part in determining the structure and culture commensurate with the needs of a rejuvenated and exciting arable industry.



Jonathan Cowens
Chief Executive, HGCA



Performance against targets 2007/08



Managing the process of Levy Board Reform

- Ensure a smooth transition from HGCA to the new sector organisation
All HGCA-controlled transitional issues completed ahead of time
- Manage HR strategy on behalf of HGCA and its staff in an appropriate manner
HR strategy remained central to all HGCA activities
- Maintain relationship with government agencies, agricultural departments and stakeholders
This continued throughout the transitional period
- Provide support for new AHDB Board and Shadow HGCA Sector Board
All tasks and responsibilities to both bodies discharged in a timely and productive manner
- Co-ordinate with Defra Whole Government Accounting Team and National Audit Office
All transitional issues discussed and co-ordinated with appropriate government bodies

Exploiting existing market opportunities

- Monitor and report on all markets
All markets monitored and information disseminated via Market Report (8,300 subscribers) and Prospects (2,645 subscribers)
- Ensure a strong RL focus on markets
Recommended Lists included information on varietal suitability for all markets
- Disseminate results from CIF management studies
29 case studies published from CIF programme as part of supply chain communication work
- Full Development of Phase II of CIF Strategy
New strategy developed
- Establish stronger international links
Meetings held with European counterparts to develop closer working across a range of market activities
- Publish consumer reports based on dunnhumby data
46 dunnhumby requests processed and reports produced

Developing new markets

- Proactively commission new research focused on biopolymers and biofuels
New project on the production of bio-alcohols from lignocellulosic waste materials produced in the agri-food chain
- Develop carbon accreditation procedures for industry's needs
Updated version of the Greenhouse Gas Calculator produced and published
- Service supermarket requirements on biofuels
Supermarkets contacted and consumer research organised
- Assess variety needs for biofuels and other industrial uses
RL booklet included information on wheat and oilseed rape for biofuel, and high erucic acid content rape
- Develop biopolymers programme and industry requirements
Programme outline written following discussions with key industry contacts including NNFCC and PIRA
- Develop strong industrial crop research programme
Currently funding 8 projects covering biorefineries, biofuels, biolubricants and biocomposites
- Strengthen links with Enterprise Award winning companies
All award-winning companies contacted every 6 months to assess progress
- Review HGCA's 'innovation' support package
Review carried out including stakeholder interviews and Enterprise Award winner survey



Producing cost-effectively to meet market needs

- Communicate the challenges and opportunities of climate change to the industry
Two-day R&D conference relating to climate change held and lead partner for the ARF Defra-funded programme (Farming Futures)
- Develop work on crop nutrition, in line with revised Defra fertiliser recommendations
Efficiency of use of soil nitrogen desk study completed and new soil nitrogen supply project funded
- Publish barley disease management guide
Project extended to include spring barley; guide scheduled for release in early 2009
- Further develop CropMonitor as an effective tool for disseminating agronomy information
Project to develop in-season disease monitoring approved
- Focus on improving the productivity and profitability of oilseed rape
Workshops held throughout England and Scotland covering oilseed rape establishment, nitrogen and fungicide application and market opportunities

Managing business risk and market volatility

- Disseminate details of policy changes and their implications
Regular articles in Market Report and Prospects along with 20 risk management courses held involving 427 delegates
- Report on the causes and persistence of market volatility, and define key issues for risk management purposes
Information communicated through regular market reports, risk management workshops and Market Outlook Conference
- Assess risk management techniques in relation to their application to grain and oilseed markets
Meetings held with EU organisations to compare risk management techniques
- Build management skills activities into industry professional development programmes
47 Arable Business Groups established across UK
- Develop links with processors to establish their risk management needs
Processor risk management course organised for the Processor Conference

Promoting grain within a healthy, balanced diet

- Help the industry to minimise chemical residues and toxins in grain through focused research, monitoring and knowledge transfer
Project report on fusarium mycotoxins in barley and oats published
- Continue to develop the wholegrain message
'All about oats' campaign developed and launched with support from Scottish Government and oat companies
- Develop oilseed rape message
BNF commissioned to produce a briefing paper on nutritional benefits of oilseeds
- Extend Farmhouse Breakfast into an annual, regional campaign for farming
9th 'Farmhouse Breakfast' campaign successfully held which included industry participation
- Link HGCA education and food campaigns with the Year of Food and Farming
All educational marketing included reference to the Year of Food and Farming
- Publish guidelines to prevent fusarium mycotoxins in wheat
Guidelines published



All indicate most agreement with each statement by selecting a number from 1 to 5			
	Strongly Agree	Neither Agree nor Disagree	Strongly Disagree
1. We have been able to work effectively with our partners	3	4	2
2. We have been able to work effectively with our customers	3	4	2
3. We have been able to work effectively with our levy payers	3	4	2
4. We have been able to work effectively with our staff	3	4	2
5. We have been able to work effectively with our contractors	3	4	2
6. We have been able to work effectively with our suppliers	3	4	2
7. We have been able to work effectively with our stakeholders	3	4	2
8. We have been able to work effectively with our regulators	3	4	2
9. We have been able to work effectively with our industry	3	4	2
10. We have been able to work effectively with our government	3	4	2

Securing external additional funds and developing new partnerships

- Explore and identify new partnership opportunities

Partnerships developed with Assured UK Malt, Agri-Technology Centre, NRSo, ACCS

- Improve HGCA links with national, devolved, regional, international and commercial partners

Productive links established with Defra, BERR, Scottish Government, Welsh Assembly, Regional Development Agencies, EU and international organisations

- Develop and implement more effective collaboration with other sector organisations

HGCA personnel active in levy board restructure with Finance Director seconded to AHDB

- Sustain and increase current levels of matched funding

R&D co-funding target (£9.8 million) exceeded by £500k

- Secure additional outside funding

Additional outside funding for 2007/08 of £570k (target £445k)

Developing more effective communication

- Segment customer contact data to ensure the delivery of requested HGCA information

Review carried out and new contact form developed

- Conduct grower benchmarking survey on HGCA services and delivery of information

Survey carried out with 459 responses

- Evaluate events according to take-up and attendees recall of message

All events evaluated; average shows score 8/10

- Undertake comprehensive review of HGCA publications to improve co-ordination, maximise cost-savings and improve marketing

New process for initiating publications introduced

Maintaining and improving HGCA operational efficiency

- Monitor financial reporting, budgeting and forecasting processes

All budgets and financial reporting successfully adjusted to the 9-month period ending 31 March 2008

- Recruit, retain and develop a highly-skilled, flexible team

Increased effort needed to keep HGCA at full capacity; training and development played a key role

- Monitor and recommend appropriate courses of action associated with the implementation of initiatives arising from the Levy Bodies Reform

Both the AHDB HR and Finance Fora actively supported and resourced where necessary

- Maintain/improve IT system security

IT security developed and enhanced

- Produce value statement for relevant HGCA projects

A detailed report concerning project value disseminated as part of an MSc dissertation conducted in-house



Managing the process of Levy Board Reform

To ensure a seamless transition to the new sector body within the Agriculture and Horticulture Development Board (AHDB) whilst maintaining service delivery

The Review of the Levy Boards was initiated in 2004. In September 2007 it was announced that HGCA would form part of a new body, the Agriculture and Horticulture Development Board, which would be located in Stoneleigh, Warwickshire from 2009. Against this backdrop of change, the nine-month Annual Business Plan from July 2007 to March 2008 was successfully delivered.

HGCA adopted a 'business as usual' policy to ensure that services to levy-payers were maintained. However, work with stakeholders and government agencies to deliver as smooth as possible transition took a significant amount of time. Working practices were adjusted to ensure that on Vesting Day, 1 April 2008, HGCA was ready for action.

Twelve-month processes were altered to nine months to accommodate a change in the financial year. The Annual Business Plan was amended accordingly, with timelines for achieving activities changed to March 2008. HGCA executives were involved in administering requirements that would enable the new body to move forward following Vesting Day.

HGCA has played an active part in determining future structures and has been involved in transition groups covering finance, HR and communications. The HGCA Finance Director has been seconded to AHDB to help the transition process. A good working relationship has been maintained with stakeholders, other levy boards and government agencies through the transition period.

During this time, HGCA worked to ensure that staff were supported and remained committed to delivering a high standard of service. The successful delivery of the Annual Business Plan with all activities and objectives achieved or, in many cases, exceeded, was testament to staff commitment. The results of the staff survey (*Figure 1*), conducted by an independent company, People Insight, showed a significant engagement with HGCA's activities and functions but was less positive when looking forward. Clear concerns exist over the outcome of the transition process. The survey had an excellent response rate with 93% of staff taking part.

Staff representatives have been working with Defra advisors and the management team at HGCA to help ensure that employment concerns are addressed. The Levy Board Reform process



involved a number of consultation periods and staff representatives prepared full and complete responses to ensure that AHDB was fully cognisant of how HGCA operates.

AHDB will incorporate a single overarching board with responsibility for strategy and direction, and a series of sector boards, one of which will cover cereals and oilseeds. Other sector boards include horticulture, English beef and lamb, English pigs, potatoes and milk (*Figure 2*).

The sector Board for cereals and oilseeds met for the first time in October 2007. HGCA staff have worked to develop new relationships and to service the requirements of the Board and its Chairman, Jonathan Tipple. Jonathan, a farmer from Kent, also sits on the AHDB Board.



Figure 1: HGCA staff survey

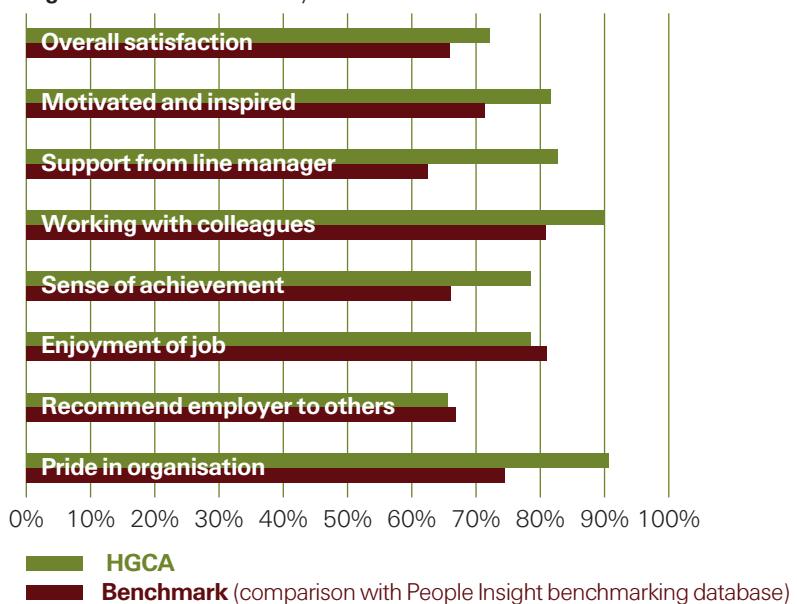
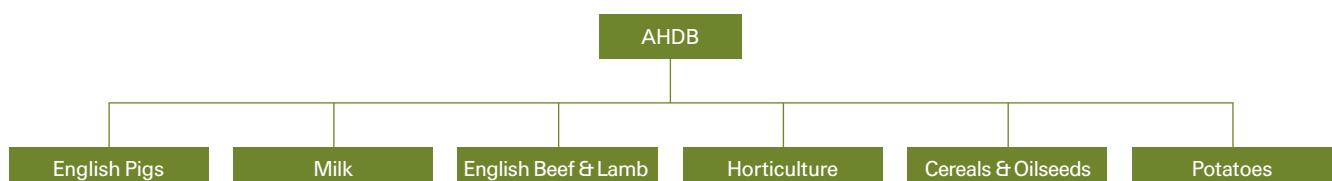


Figure 2: Agriculture and Horticulture Development Board structure





Exploiting existing market opportunities

To develop and report analyses of market conditions

HGCA information helps the industry to exploit existing market opportunities by raising awareness of the need to focus on price volatility and to be market-led in all decisions.

The Market Outlook Conference (*Figure 3*), held in October 2007, set the scene for the coming season and provided the industry with timely pointers for the year ahead. Predictions on market volatility and price, biofuels, climate change and policy reforms were key subjects prompting debate in 2007. A feature of the modern market is an increase in uncertainty against a background of reducing EU support. Increased price volatility has resulted, requiring the application of modern risk management tools to smooth any financial fluctuation.

The conference was followed by the Cereals Industry Forum Conference, a half-day event designed to convey the findings of the CIF project that had concluded its first phase. The Cereals Industry Forum (CIF) project was set up to improve the competitiveness of the cereals supply chain from seed to retail shelf. Conference papers covered supply chain challenges, and speakers promoted the HGCA Risk Management and Arable Business Group initiatives.

Over 90% of attendees at both the conferences felt that the event was relevant to their business needs with 65% reporting that it was likely to positively influence their business practices.

To communicate the themes which emerged from the CIF project, the Supply Chain Partnership project was launched at the Conference. This cross-industry campaign includes an interactive area on the HGCA website to encourage discussion about the issues facing the cereals industry. The site offers a library of video clips, audio programmes, case-studies and a regular e-newsletter, together with live discussion forums to encourage debate.

The main industry issues identified by the CIF project include cost and price, communication and collaboration, duplicate testing, new product development and transport. Related findings for each theme will be taken in turn and explored in detail on the website. The first two – cost and price, and communication and collaboration – were initiated during the year and aim to help the industry exploit opportunities for progress.

British Cereal Exports (BCE) visited industry representatives from long-standing markets including Netherlands, Portugal and Spain in September. Promoting the quality of *ukp* and *uks* wheats on the export markets is an important part of maintaining and,



when availability allows, increasing market share. The *ukp* and *uks* export brands performed well in the marketplace during the year with *ukp* received by the Portuguese and Spanish and shipments of *uks* favourably received in Italy, Portugal and Spain.

BCE also attended the European Bourse in Antwerp. The Bourse provides the opportunity to showcase UK cereals and to promote the quality of UK grain and the export brands. Face-to-face discussion generated exchanges of information for buyers and sellers of UK wheat, enabling a better understanding of trading requirements.

Understanding your markets, whether overseas or local, is a key theme for HGCA information. During the year, a new version of the Cereals Industry Interactive Map (*Figure 4*) was launched. This aims to help growers identify and understand the requirements of their local market. It was developed to allow users to search for local opportunities, establish suitable varieties and identify supply chain requirements. Featuring a postcode search with links to local millers, processors, ports and oilseed crushers, the web-based tool offers customised reports and a complete overview of the local market.

A marketing training workshop 'Marketing in Practice' was held in March. The workshop was the first to be held in partnership with IGD and the dunnhumby Academy. It gave participants insights into marketing techniques with practical examples and exercises. Delegates were offered access to the dunnhumby database and information on consumer insights specific to their business and products.

Building on the dunnhumby information, a consumer and export market update monthly newsletter was launched in September. This provides readers with the latest information on consumer and export markets for cereal-based products.



Figure 3: Market Outlook Conference



Figure 4: Interactive cereals map

The screenshot displays the HGCA Cereals Industry Interactive Map website. At the top left is a navigation bar with links for 'HELP', 'ORGANISATION MAP', and 'EVENT MAP'. Below this is a map of the UK and Ireland with various regions highlighted in different colors. To the right of the map is a search bar titled 'ORGANISATION SEARCH' with fields for 'Name', 'Address', and 'Postcode'. Below the search bar is a section titled 'ORGANISATION DETAILS' for a selected organization, showing the following information:
- Name: HGCA
- Address: 21 Margaret Street
- Town/City: London
- Postcode: WC1A 1EE
- Tel: 020 7401 2227
- Fax: 020 7401 2295
- Email: hgca@hgca.com
- Web: www.hgca.com
- Click here to visit website
At the bottom of the page, there are two columns of 'CATEGORIES' with lists of items such as 'Agricultural Association', 'Agricultural Research', 'Agricultural Training', 'Agronomy', 'Business Services', 'Consumer', 'Food', 'Food Safety', 'Government', 'Industry', 'Marketing', 'Research', 'Science', 'Trade', and 'Voluntary'.

Developing new markets

To identify and develop new market opportunities for UK cereals and oilseeds

HGCA has been at the forefront in providing the industry with the capability to identify and develop new market opportunities.

The Renewable Transport Fuel Obligation (RTFO) came into operation on 15 April 2008. From this date all fuel companies will be obliged to include biofuels in their fossil fuels. The inclusion rate will start at 2.5% in 2008 rising to 5% by 2010. HGCA has contributed to the design and testing of the RTFO, and participated in a Steering Group and various stakeholder workshops.

The development of the biofuels market has created much debate over the past few months and so HGCA has worked to ensure that objective, independent information was available to all stakeholders (*Figure 5*). 15 April was named Biofuels Day and in the run-up to this, HGCA teamed up with the Renewable Energy Association and the NFU to launch a press campaign to explain the reality of biofuels. The campaign included a dedicated website (www.biofuelsday.co.uk).

To be sustainable, biofuels must demonstrate their environmental credentials. HGCA sponsored studies by Imperial College and ADAS to facilitate carbon accreditation schemes for biofuels. One output of the work was the development of a Greenhouse Gas Calculator to determine the carbon footprint of bioethanol and biodiesel. The calculator was updated this year and is available on the HGCA website. A further objective of the study was to develop farm-based audits to allow farmers to input data directly from their own farms to calculate their own carbon footprint for production of feedstock for biofuels.

As well as supporting the emerging biofuels market, HGCA is actively looking at other potential new markets for using cereals and oilseeds. In November, a three-year project to develop new technology to use straw for the production of biocomposites was launched. This aims to balance maximising yield of product whilst minimising waste and environmental impact. Products will be developed for packaging, horticulture, construction and shooting sports.

HGCA part-funded a project designed to reduce the carbon footprint of the lubricants industry by substituting mineral oil with rapeseed oil. The project will support this potential new market for oilseeds by developing suitable varieties for the lubricants industry with high yield, reduced polyunsaturated fats and cold tolerance.



HGCA is contributing to the Industrial Biorefining Technologies Initiative (IBTI) which will run for five years. The initiative joins industry with the BBSRC to provide a £5 million budget for research, development and demonstration projects to develop the UK biorefining capacity. The projects will develop new markets which exploit sustainable manufacturing processes.

HGCA encourages new industrial uses for cereals and oilseeds through its Enterprise Awards (*Figure 6*). During the year, six new awards were made to innovative ideas including: the development of durable straw fuel pellets; introduction of horticultural and erosion control mats made from blends of linseed fibre and wheat straw; promotion of an integrated range of biodiesel products from oilseed rape; and a marketing campaign to promote the use of biodiesel in independent garages in North-East England.

Agriculture has an important role to play in developing new environmentally-friendly processes to help reduce carbon emissions and establish new sustainable energy sources. Biofuels are one example, but renewable packaging from wheat starch or straw could also make a real difference. The effects of climate change and the growing understanding of the need to protect the environment could provide a stimulus to establish new sustainable practices that offer new markets for agriculture.

HGCA also promoted the development of new food products by sponsoring work on the value of wholegrain cereal foods and, in particular, oats in the diet.

Figure 5: Consumer survey results
Question – How likely are these factors to influence your decision to buy biofuel for your car?

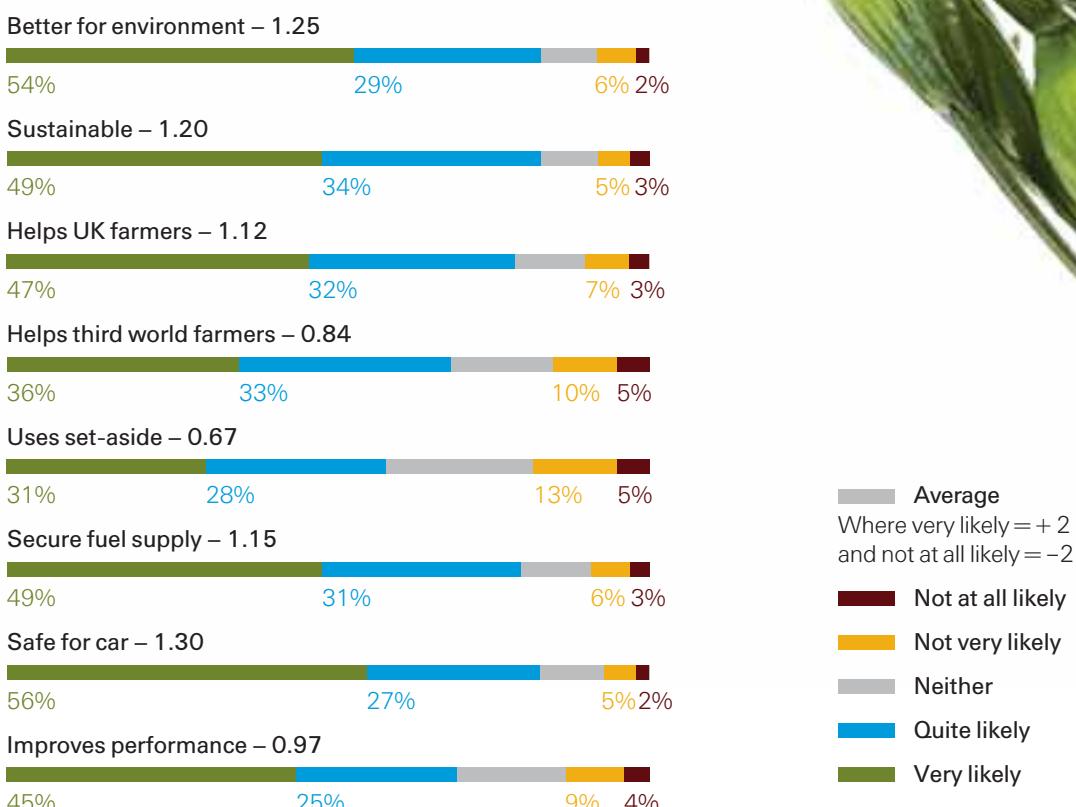
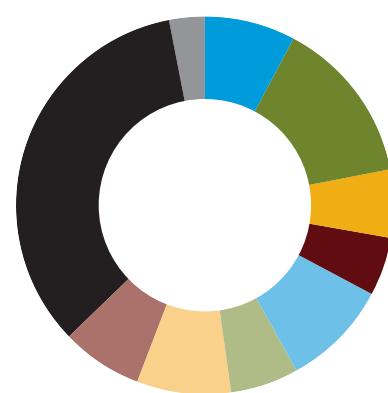


Figure 6: HGCA Enterprise Award spend by sector 2007

Sector	Spend	
Breakfast cereals	£27,500	8%
Beer & malt	£50,000	14%
Biscuits	£20,000	6%
Snacks	£18,000	5%
Bakery	£31,000	9%
Pet food	£20,000	6%
Animal feed	£30,000	8%
Pork	£25,000	7%
Industrial	£120,200	34%
Other	£9,000	3%



Producing cost-effectively to meet market needs

Developing practices that will deliver sustainable production of high-quality grain

Hotter, drier summers, milder wetter winters and more extreme weather events are just some of the possible effects of climate change. Preparing the arable industry and encouraging growers to adopt appropriate strategies was explored at the two-day HGCA R&D conference in January. The conference offered ways for growers to begin to adapt or mitigate effects of climate change and contribute to solutions.

One expected effect is that threats from both known and new diseases and pests is likely to increase. Presentations looked at ways of combating these threats and outlined ways that UK arable agriculture could adapt.

HGCA is a lead partner in the Farming Futures project, a Defra-funded initiative aimed at communicating information on the challenges and opportunities of climate change. The first phase saw the launch of a website and PR campaign focusing on case studies about growers who are already making changes to adapt to climate change. In December, funding was agreed for phase two which will promote the messages to a wider audience and will include on-farm events.

Choosing the right variety is vital to success in arable farming. The *HGCA Recommended Lists* provide the information needed to make this decision. During the year, 13 varieties were added to the *HGCA Recommended Lists*, while 22 were removed. Additions included three winter wheats, one winter barley, four spring barleys and four winter oilseed rape varieties.

Following the success of the *Crop Oracle* CD last year, a new version was released in February. The CD contains the latest HGCA information on varieties, crop management and business planning for cereals and oilseeds. New sections on grain storage and organic crops have been added to the disc. Publications issued during the last nine months were added, including *Guidelines to minimise risk of fusarium mycotoxins in cereals* and *Grain moisture – guidelines for measurement*.

HGCA published *Guidelines to minimise risk of mycotoxins in cereals*, designed to help growers identify risk factors. This includes a risk assessment (Figure 7), which identifies when testing for mycotoxins may be appropriate, taking account of factors including previous cropping, cultivations, region, weather and variety. The leaflet reviews information on fusarium mycotoxins in UK cereals over recent years and shows that UK crops are generally well below legal limits.



The guidelines are required reading for the Assured Combinable Crops Scheme, which also requests that growers work through the risk assessment.

Grain moisture - guidelines for measurement, including a step-by-step guide to common sources of error and how to avoid them, was also published. The leaflet is based on HGCA-funded research and survey work on grain moisture measurement, using wheat and barley from the 2006 and 2007 harvest seasons as well as earlier research.

The largest single project funded by HGCA, apart from the Recommended Lists, is the independent trialing of fungicide performance in winter wheat. During the year, a strategic review of this work was carried out resulting in some significant changes. The project will be managed in-house, with a Fungicide Working Party drawn from across the industry helping to interpret trials data and develop Knowledge Transfer (KT) activities. Part of the improved KT will be a newly designed web page on the HGCA website. The agrochemical industry is recognised as an important partner in the work and the closer relationship will lead to a better flow of new products for testing. The results from this work featured in the new *Wheat disease management guide* published in March.

A new *Encyclopaedia of cereal diseases* (Figure 8) was launched in April. This encyclopaedia was produced to help anyone involved in UK cereal production recognise diseases and learn about them. It includes rare diseases, some of which may increase in frequency with climate change.

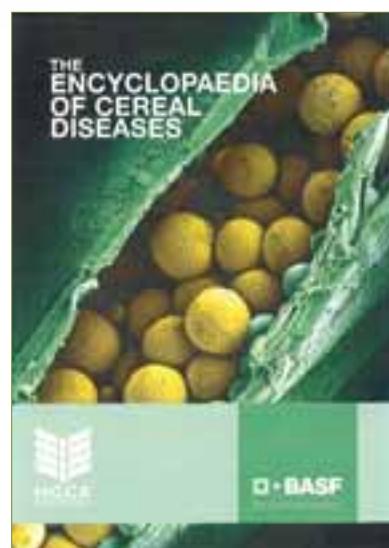


Figure 7: Risk assessment tool

Factor	Details	Risk	Score
Previous crop	Maize	6	<input type="text"/>
	Other	0	<input type="text"/>
Cultivation	Debris not mixed	4	<input type="text"/>
	Plough	0	<input type="text"/>
Rainfall at flowering	High	5	<input type="text"/>
	Moderate	2	<input type="text"/>
	Low	0	<input type="text"/>
Harvest conditions	Wet	3	<input type="text"/>
	Dry	0	<input type="text"/>
Wheat variety	RL resistance rating 4-5	1	<input type="text"/>
	RL resistance rating 6-7	0	<input type="text"/>
Region	High	4	<input type="text"/>
	Moderate	2	<input type="text"/>
	Low	1	<input type="text"/>
	Very low	0	<input type="text"/>
Your total score			<input type="text"/>

Risk	Total score
High	Over 15
Medium	10-15
Low	Under 10

Figure 8: Cereal disease publication



Managing business risk and market volatility

HGCA seeks to increase the awareness, understanding and use of risk management tools and business techniques

Promoting the benefits of price risk management to growers and the industry is an ongoing priority for HGCA. Raising awareness of market volatility and increasing the understanding of business management techniques is increasingly important in today's global market.

In the months between October and March, 36 grower risk management workshops were held; 21 at level one and 15 at intermediate level. The events gained excellent feedback. 95% of delegates found them relevant to their business needs and stated that the information gained would positively influence their business practice. As a result of grower feedback, intermediate workshops were developed to incorporate a new budget planning tool.

HGCA launched *HGCA business management – coping with price volatility* (Figure 9) at the Cereals Industry Forum Conference in October. The guide outlines all the HGCA activities in this area including e-services, Arable Business Groups, web services and tools and e-newsletters. Risk management was a key message at the conference, with presentations featuring case studies illustrating how farmers are using strategies and business management tools.

The Arable Business Groups initiative, established to help growers better understand their costs of production and the risk management strategies available to them, now has 32 established groups, with a further 18 groups in development. The groups are designed to provide a forum to discuss new ideas and highlight areas of concern. During the year, groups requested information and training on risk management, variety selection, disease control and soil management.

CropBench, an online tool to enable businesses to compare their costs of production, underpins the Arable Business Groups. This attracted new users and over 480 growers are now using it. A 'virtual group' concept was launched which aims to bring individual users together in new groups.

Following user feedback, a new version of CropBench was launched in January. This contains a number of improvements such as including straw values into gross margin calculations, a summary of unallocated overhead costs attributable to other enterprises, an improved comparison tool that calculates variance



within each cost category and a data export function that allows users to export data to excel for further analysis. The new version also features a multiple group membership allowing users to compare data with more than one group.

Establishing costs of production is vital to any business, and following the improvements to CropBench, users are now able to contrast their costs with a wider range of other users and groups, enabling a better understanding of efficiencies and greater opportunity to tackle areas of concern.

The Scottish Arable Monitor Farms project, jointly funded by HGCA, Scottish Enterprise and the Scottish Government, established two monitor farms; one in Lothian and one in Angus. On-farm meetings were held at both farms with discussion covering issues relating to farm practice, marketing, planning and financing.

Three Arable Business Groups were set up within each Monitor Farm group, and the first of these forums was established in Scotland. The CropBench tool was launched in Scotland, and each group facilitator received a copy of the CD.

Record high prices for wheat have encouraged increasing numbers of growers and industry representatives to make use of HGCA market information (Figure 10). Visitor numbers to the markets page of the website which provides daily updates, prices and analysis, grew, peaking in January with over 41,000 visitors interrogating the data. The *Market Report*, a weekly e-mail update, attracted new subscribers and is now received by 7,420 readers.

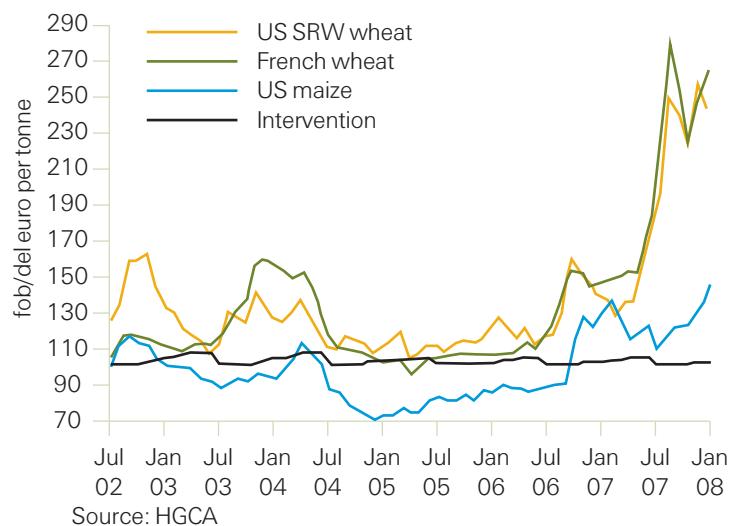
With market volatility here to stay, it is important that growers and the industry are kept informed of the latest news and analysis on markets and prices. Using this independent information, in conjunction with risk management strategies and HGCA business tools, growers can help protect themselves from market volatility.



Figure 9: HGCA business management events & services



Figure 10: World market volatility – rally caused by wheat supply events





Promoting grain within a healthy, balanced diet

To raise awareness of the value of cereals and oilseeds in a healthy balanced diet

HGCA provides independent information on the benefits of eating cereals and oilseeds products to encourage consumption and promote the role of UK agriculture in providing food for the nation.

The Flour and Grain Education Programme, a joint initiative with nabim, is designed to inform children about the benefits of UK cereals and farming. A wide number of resource packs, posters and information sheets were published aimed at making learning about cereals, from farm to plate, fun.

A new user-friendly website, The Grain Chain (www.grainchain.com), offers children a fun way to learn about healthy eating, how wheat is grown and how it is used for foods such as bread. Developed with input from teachers, it can be used both in the classroom and at home. It offers visual, up-to-date material including activity sheets, games and quizzes which cover farming, milling, cooking and nutrition. A teacher's section includes interactive white board activities, detailed lesson plans and curriculum details.

Two new resources were launched during the year. An education pack, 'Industrial uses for crops', looks at the non-food uses for crops. The pack explores the environmental benefits of the sustainable products that are being developed from renewable and biodegradable resources. A new poster 'the oats story' was also launched. This highlights the production of oats, the growing year, processing and use, as well as a 'did you know?' section looking at oat facts. The design and content complement the other education packs and posters available.

The 'Wholegrain goodness' campaign (Figure 11) – developed to encourage consumer interest in wholegrains – successfully promoted messages about the benefits of including wholegrains in the diet. It coincided with many manufacturers developing high profile advertising campaigns using wholegrains to sell their cereal products. The 'Wholegrain Week Diet' was launched; focusing on highlighting the wholegrain messages to consumers, activity was concentrated into one week, to build momentum and generate coverage. To help promote it, new recipes were developed including wholemeal breads, wholemeal chicken pasties and toast toppings.

A new campaign 'All about oats – natural vitality!' was launched in November in Glasgow. It aims to increase consumer awareness of the nutritional benefits of oats as part of a healthy balanced diet. A website including information on the nutritional benefits of oats, together with details of how oats are grown and processed went



live to coincide with the launch. It includes a range of recipes including snack ideas, evening meals and desserts, to promote the message that oats are not just for breakfast.

'Farmhouse Breakfast' aims to raise awareness of the nutritional value of breakfast and to highlight the quality and diversity of regional breakfast foods. The latest campaign was very successful with extensive national and regional media coverage. Themed as 'Farmhouse Breakfast – a great start!' the campaign encouraged children, parents and consumers to start the day with a healthy balanced breakfast. Schools participated in a range of events including breakfast games, school poster competitions and breakfast clubs. The event was launched by testing breakfast-making skills at a breakfast challenge event, where a team of farmers triumphed over students, working mums and college lecturers. A total of over 1,600 breakfast events took place across the country during Farmhouse Breakfast Week (Figure 12).

HGCA is a main sponsor of the Year of Food and Farming which started in September 2007 and runs until July 2008. The initiative, organised by Farming and Countryside Education (FACE) and backed by Defra, aims to educate children about farm life, from food production to living in the countryside.

As well as promoting the nutritional quality of cereals and oilseeds, HGCA is committed to achieving recognition for UK grain as a safe ingredient of food and feed. A research project monitored the wholesomeness of UK grain during the year. A *Signposts* leaflet highlighting the comprehensive range of HGCA information on best practice in grain storage for cereals and oilseeds was published. The new *Guidelines to minimise risk of fusarium mycotoxins in cereals* highlighted the generally low mycotoxin levels in UK grain compared with that of other European countries.



Figure 11: Nutrition campaigns

 **A GREAT START!**
Farmhouse Breakfast
www.farmhousebreakfast.com

 **WHOLEGRAIN GOODNESS**
Live Healthier!
www.wholegrainingoodness.com

 **ALL ABOUT OATS**
Natural Vitality!
www.allaboutoats.com

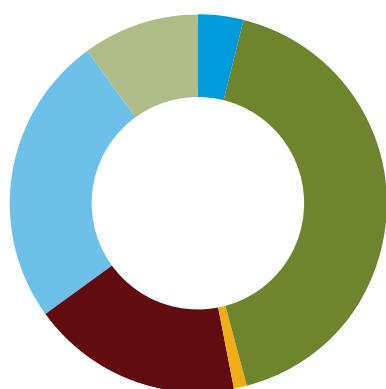


Figure 12: Breakdown of Farmhouse Breakfast events by type

Events	
Farmers Market	4%
School	42%
Hotel / B&B	1%
Retailer	18%
Caterer / Food service	25%
Other	10%

Securing external additional funds and developing new partnerships

To develop new partnerships and access additional funds

Developing new partnerships and working with other organisations helps deliver maximum value for levy-payers. Collaborating with partners on campaigns, to stage events or put together a new publication enables knowledge, experience and costs to be shared.

The 'Assured UK malt' campaign (*Figure 13*), funded by HGCA and five UK maltsters, has been running for three years. During the year, representatives visited the Brewing Convention and the trade fair BRAU Beviale, to meet customers and highlight the quality and traceability of UK malt.

HGCA is part of the Applied Research Forum, which brings together all the levy boards to ensure that opportunities for cross-sector research are maximised. The forum was an active partner in the Farming Futures project which looks at the opportunities and threats that climate change will have on UK agriculture. A further project is focusing on soil management and a website has been launched that brings together all relevant research across the levy boards.

In April, HGCA staff attended workshops in Berlin and Paris to contribute to the Eurocrop project, which aims to identify research priorities for the next ten years across the EU in relation to production and processing of cereals and oilseeds. This will ensure that the UK perspective is taken into account in the final report submitted to Brussels.

Links between the HGCA research department and organisations in New Zealand, Denmark, Australia, France and Ireland were established or developed. A joint workshop was held with the French organisation, Arvalis, in May to identify opportunities to work together. The Danish University, Aarhus, was involved in the HGCA fungicide performance trials, exchanging data and knowledge. Crop Marketing staff have developed similar exchanges of information with economists in Germany and France. These examples illustrate how working with comparable overseas organisations can provide better understanding, save time and money, and deliver value for levy-payers.

The HGCA Milling Wheat Conference, held in partnership with nabim, explored the fast-changing market and new developments in the industry. Working with nabim to stage the conference, enables HGCA to attract a wider audience. This helps promote the event through different outlets, and provides valuable insights from the millers' point of view, allowing for a balanced debate involving all sides. Delegates



at the one-day HGCA/PGRO Oilseeds heard the latest developments in agronomy and markets for oilseeds, peas and beans all in one day.

HGCA supported the AIC's winter roadshows during the year. The courses entitled, 'Slugs, solids and safety', focused on handling solid pesticide formulations and effective slug control, including baiting, calibration and safe pellet application. Over 450 events were held between December and March, with over 9,900 delegates trained. The Mycotoxin and Grain Storage Workshops were jointly held between HGCA and ACCS.

The LEAF Open Farm Sunday, a campaign designed to re-connect consumers with the vital role that farming plays in food production, has been supported by HGCA. This national farm open day, linked to the Year of Food and Farming, and co-ordinated by LEAF, invites visitors to hear and see the positive steps farmers are taking to look after the countryside while producing wholesome food in a secure environment.

HGCA secured £560,000 from non-levy sources for projects undertaken in 2007/08 and a further £417,000 has been secured for 2008/09 and beyond.

By engaging with other partners, HGCA attracted research and development co-funding of £10 million in the 2007/08 financial year (*Figure 14*). To date, £8 million of outside funding has been secured for the 2008/09 R&D programme. For every £1 of levy income spent on R&D projects, an additional £2.60 is obtained from non-levy sources.

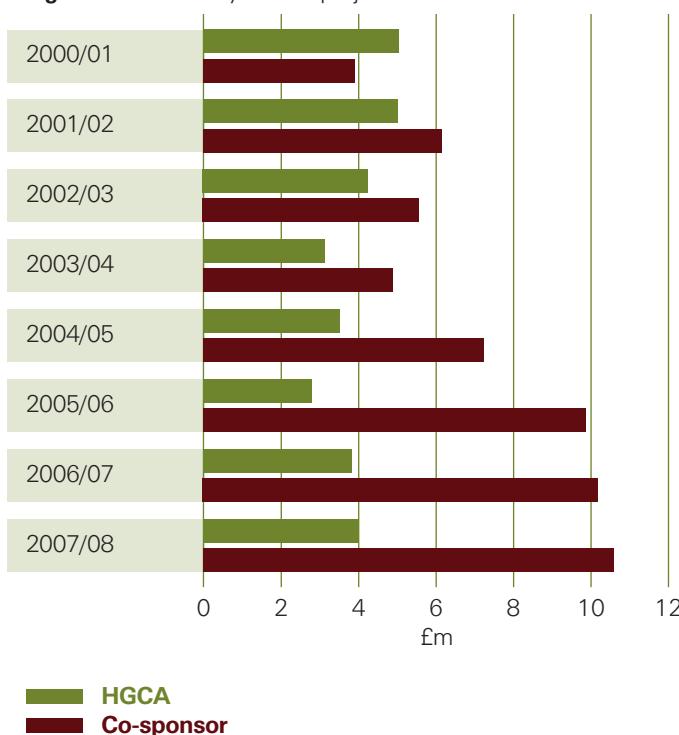
HGCA investment of £3 million in current LINK projects has helped to attract additional funding of £32 million over an eight-year period.



Figure 13: Malt assurance scheme



Figure 14: Summary of R&D project investment 2000-2008



Developing more effective communication

To increase awareness of HGCA activities

Effective communication to levy-payers is vital if the benefits of research and market information are to be realised. HGCA is constantly working to improve communication channels to ensure that relevant messages are reaching the target audience.

The HGCA website is an important channel for communicating all types of information from up-to-the-minute market prices, to research results from projects developed over a number of years. Visitor numbers grew during the last nine months, peaking in January 2008 when over 38,000 unique customers logged onto the site, with an average of nearly 9,000 pages viewed per day. Well over half looked at the market information pages, a reflection of the importance of independent analysis and latest price information, particularly when the market is as volatile as it has been over the last year.

To help direct visitors to the information they seek on the website, two new areas were developed together with new mini-sites. While the core areas of Research, Varieties and Markets remain clearly accessible from the home page, new tabs were added on Supply Chain and Environment. The Supply Chain pages disseminate the messages from the CIF project and show how HGCA is taking this work forward. The Environment pages focus on the work on climate change, renewable, sustainable land management and biodiversity.

HGCA information on grain storage is now available in a new grain storage mini-site. This new area provides easy access to information from all recent research with each key stage in the storage process having its own section. These contain relevant *Topic Sheets*, guides, posters, tools and video clips. A similar site was developed for milling wheat.

In conjunction with these mini-sites, a new style of *Signposts* publication was developed. These leaflets direct farmers and processors to a range of relevant HGCA publications and online tools. They focus on key areas where there has been significant change in recent years; for example, new varieties, pest or disease threats, or legislation. They also highlight new solutions provided by research. To date, *Signposts* cover grain storage (Figure 15) and milling wheat.

The press is a vital communication channel for HGCA. Grower benchmarking survey results consistently show press as second only to post as a channel for receiving information. HGCA was invited to contribute to several television and radio interviews, including national news channels during the year.



HGCA events have enabled direct contact with over 3,357 levy-payers in the last nine months through an extensive programme of conferences, workshops and topic breakfasts. This year's Milling Wheat Conference was recorded and replayed on the website to enable anyone who was unable to attend on the day to share the experience (Figure 16). Workshops covered disease management, oilseed rape, marketing and risk management.

A series of mycotoxin and grain storage workshops, held in association with ACCS, on the latest research and storage practices, were particularly successful, reaching a total audience of over 350. Concerns about fusarium mycotoxins during last season's harvest resulted in pressure on the whole grain chain to test wheat intended for human consumption. The workshops explained the HGCA fusarium risk assessment tool, developed to help the industry focus testing on wheat that may be at high risk, together with safe grain storage and effective cooling of grain in store.

These activities were underpinned by a new *Communications Strategy* developed to ensure that relevant messages are delivered to a targeted audience. It builds on the framework of outcomes and targets set out in the *HGCA R&D Strategy 2007-10*, which was developed after extensive stakeholder collaboration. The *Communications Strategy* considers the range of activities across HGCA from market information, export promotion, research and development and new product development, and ensures that timely and relevant messages are delivered to the customer in the most useful format.

Figure 15: *Signposts* leaflet

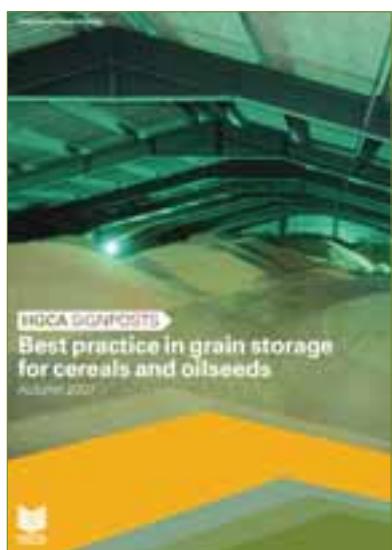


Figure 16: Webcast from Milling Wheat Conference





Maintaining and improving HGCA operational efficiency

To develop and improve the efficiency and cost-effectiveness of HGCA's operating processes

Each year, HGCA undertakes a survey of cereal growers to assess whether we are providing the services that the levy-payer requires and levels of satisfaction with HGCA performance. The results provide vital information, ensuring that levy income is spent effectively.

The latest survey showed that the areas that farmers were most satisfied with were 'information provided to manage price volatility' and 'funding a research programme for cereals and oilseeds' (*Figure 17*). Satisfaction levels have improved for services related to price volatility, non-food uses and crop marketing decisions over the last three years.

However, there was scope to increase information delivery by electronic routes, the HGCA database needed to be developed and kept up to date, and coverage in some regions could be improved.

With this in mind, HGCA launched a data cleaning programme of the Customer Information Database, to check that records are correct and to improve HGCA marketing information. Over 50% of records have been updated including information about arable farm size and predominant crop. This will allow better targeting of information to ensure that HGCA delivers information relevant to the recipient.

The process also enabled the collection of a significant number of new email addresses, improving our ability to communicate with stakeholders electronically.

As well as looking at assessing HGCA operating processes externally, HGCA carried out a PROBE (PROmoting Business Excellence) during the year. (PROBE is a specially-designed analysis study that helps organisations to understand how their performance and practices compare against world-class companies.) Each member of the group, chosen to be representative of staff across all levels and departments, completed a self-assessment questionnaire. With the help of a facilitator, the team reached a consensus score.

HGCA's strengths included leadership, customer satisfaction measurement and benchmarking. Accessibility, handling customer complaints and staff recognition were less satisfactory aspects. Participants suggested ways to address these issues and ensure that HGCA delivers the best possible service to customers and staff.



An internal review of HGCA publications was conducted, to ensure that they were produced in the most cost-effective manner and offered maximum benefit to the customer. Areas for improvement were highlighted, including better internal communications when putting together a new publication, the need for effective targeting via database segmentation and the need to establish a policy on when publications should be produced in hard copy and when an e-version should be considered. To date, a publication notification document has been drafted together with proposals for cost-effective and efficient stock management.

An MSc study looking at the financial benefit of levy-funding research was carried out by a member of HGCA staff. This looked at outputs from nine areas of research and aimed to attribute a value to the work. Using feedback from agronomists, the study showed that there is a substantial net financial gain for those cereals (*Figure 18*) and oilseeds levy-payers who use the R&D outputs.

The HGCA risk register, reviewed on a regular basis, identifies possible threats to the business. It covers a variety of possibilities from falling levy due to crop failure, to acts of terrorism and outlines the existing controls and raises actions that might be required should a threat arise. The risk register is fully integrated in the running of HGCA.

HGCA received an unqualified audit opinion on its statutory accounts. Internal audits during the period provided substantial assurance (see page 32). All finance reports were made to the HGCA Board as well as the new Board of the cereals and oilseeds sector body.

HGCA continued its drive to collect levy payments from companies and individuals that had not registered. To ensure the levy system is fair, anyone who should pay must do so. By strengthening its administration and audit processes, HGCA has made significant recoveries throughout the year.



Figure 17: 2006 and 2007 grower surveys - satisfaction levels for HGCA services

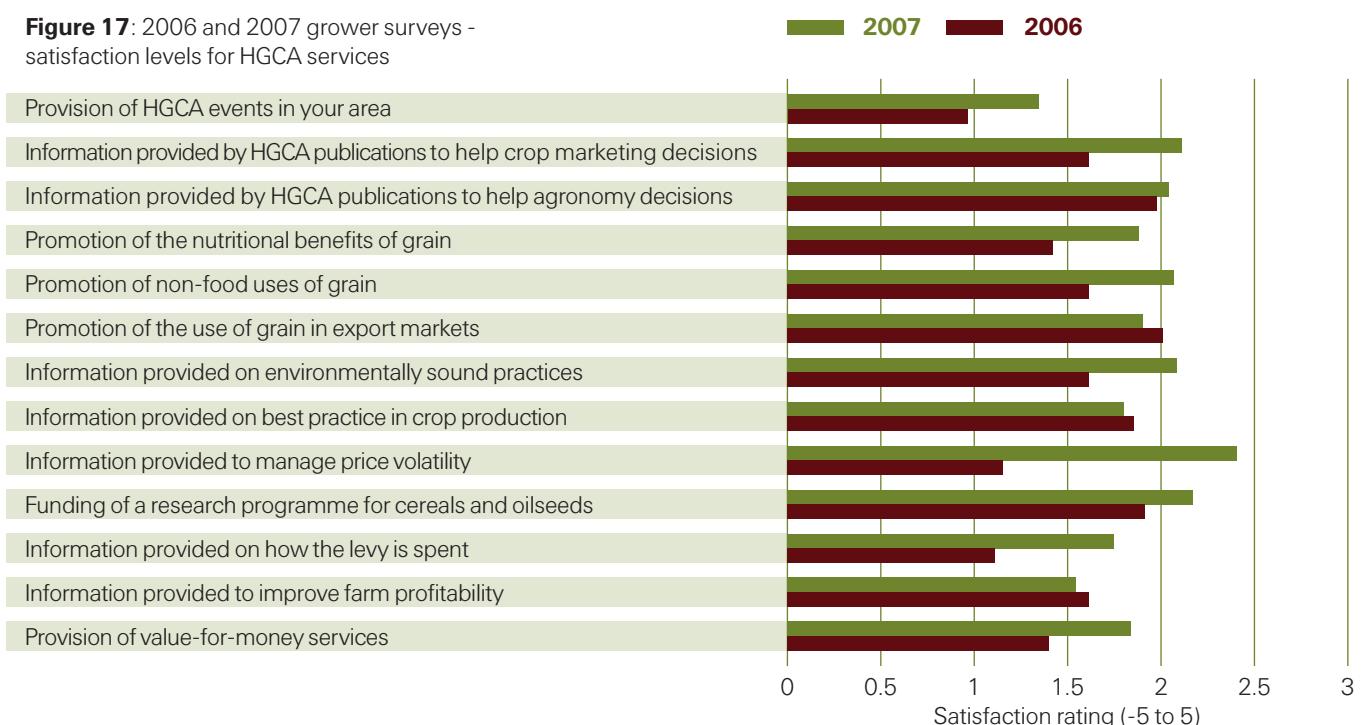
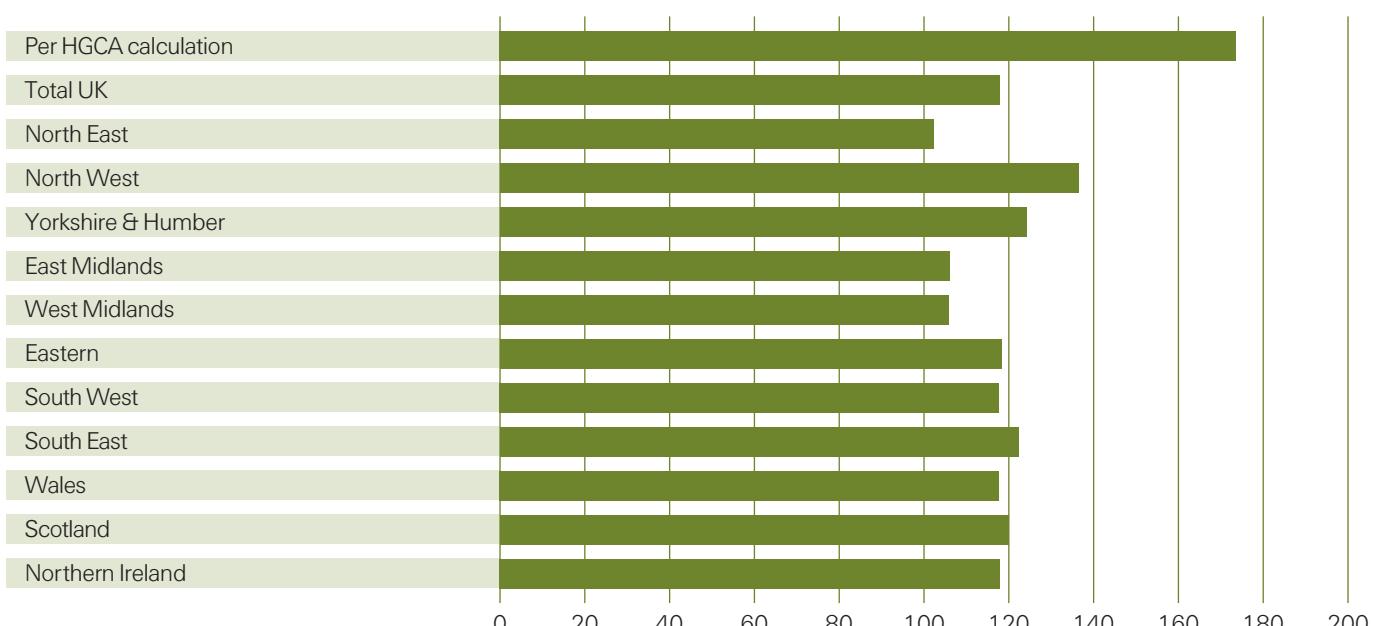


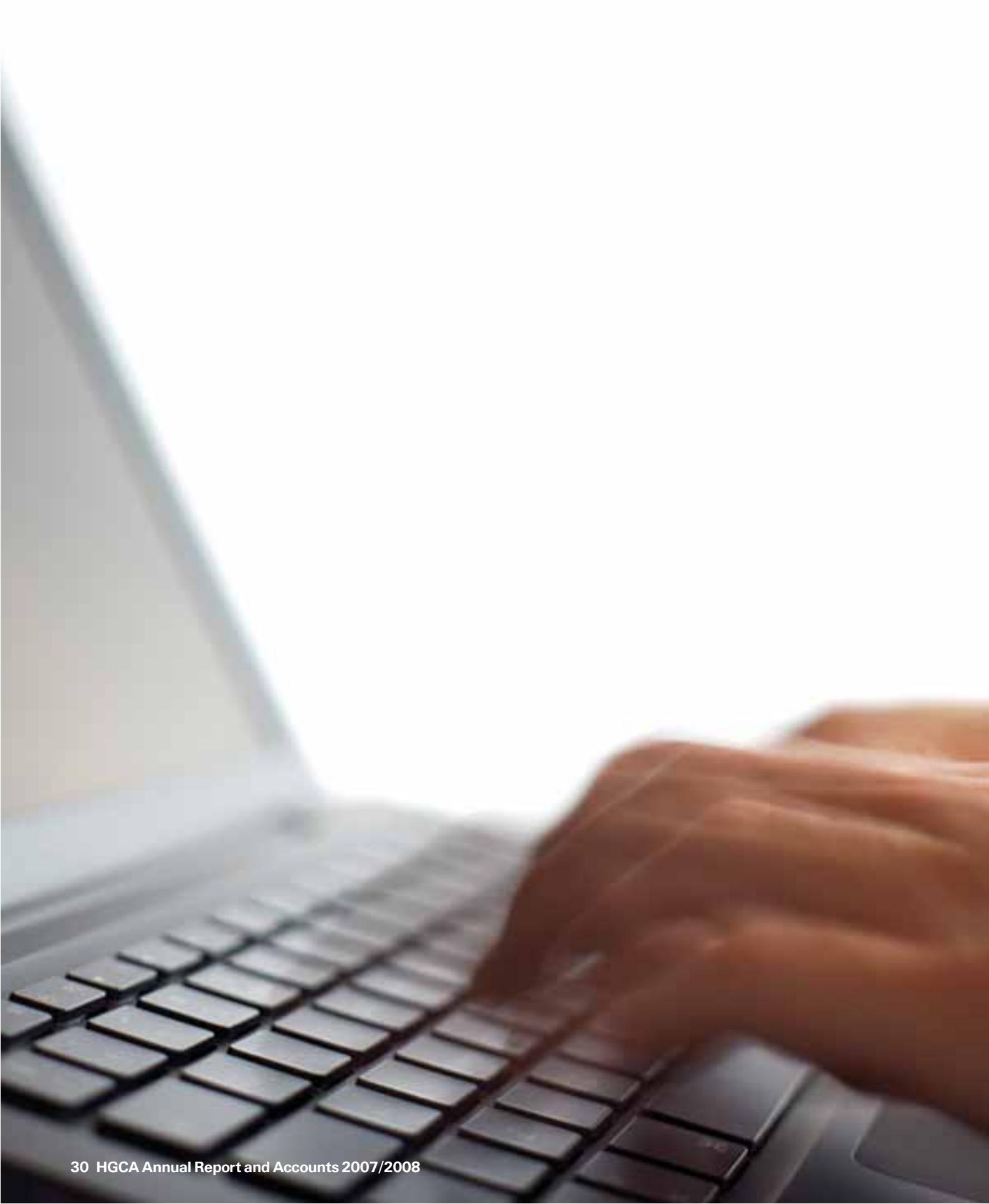
Figure 18: Cereals R&D outputs pence per tonne average benefit per region







Financial Statements 2007/08



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Financial review: nine months to 31 March 2008

Introduction

The Home-Grown Cereals Authority (HGCA), established by the Cereals Marketing Act 1965 has, with its subsidiary company, a remit to improve the production and marketing of cereals and oilseeds grown in the UK.

Going concern

In accordance with the Defra Levy Bodies Reform, on 31 March 2008 all of the functions of HGCA were transferred to the successor non-departmental public body, the Agricultural and Horticultural Development Board, and HGCA was abolished. These accounts are accordingly prepared for the nine month period commencing from the last set of audited accounts to the date of abolition. As the functions will continue, it is appropriate to prepare the accounts on a going concern basis. All transfers of assets, rights and liabilities were made at book value and, consequently, no adjustment is required to the value of assets and liabilities in the accounts.

Financial results

HGCA's result shows a deficit of £1.5m (2006/07 deficit £0.2m) compared with a budget deficit of £1.3m (ie relevant nine month period extracted from the annual budget which forecasts an annual deficit of £1.4m). This deficit against budget is due to higher grant and investment income (+£0.3m), phasing of project expenditure (-£0.3m), lower support costs (+£0.2m) and the pension augmentation payment (- £0.5m). An accumulated surplus on the General Reserve (Income and Expenditure Account) of £3.1m is carried forward.

For the fifth year, HGCA has fully implemented the Pension Accounting Standard FRS 17. The pension plan actuary has calculated a plan liability at 31 March 2008 of £748k (2007 £1k). In these accounts the actuary's calculation has been revised to take account of HGCA's special contribution of £500k which was paid into the plan in June 2008. Again this year, expenditure has been reported on an activity basis to provide better information to stakeholders on the allocation of funds.

Payment policy

It is the policy of HGCA to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced.

Employees

HGCA is supported by a dedicated team of permanent staff. The Executive Directors meet regularly and are charged with disseminating policy to staff through a system of team briefings and departmental meetings. HGCA has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur.

Details of the key functions of HGCA, its Board members, committees and senior management are shown on pages 54 and 55.

Crop Evaluation Limited

A wholly owned subsidiary company, Crop Evaluation Limited manages the variety trials for *HGCA Recommended Lists for cereals and oilseeds*.

Grant assisted projects

HGCA continued its success in securing project funding from non-levy sources. New funding from EEDA, The Scottish Government and Scottish Enterprise has supplemented support from Defra, BERR and IATC. Projects valued at £9.5 million have benefited from this additional funding in the last seven years.

Research projects

The total value of research projects managed by HGCA at 31 March 2008 stood at £57.1m (2007 £59.4m). This comprised funding from HGCA of £14.3m (2007 £16.6m) and co-sponsorship, for example, through LINK programmes of £42.8m (2007 £42.8m).

Corporate governance

HGCA is governed by members of the Board who are appointed by Ministers. The Board's Chairman and Deputy Chairman are independent and the other Board members represent the interests of producers, traders and processors.

In keeping with the combined code on corporate governance, the Board has appointed three committees namely, Audit, Finance and Remuneration and has set up advisory committees from the industry for each of the services it provides. Ministers appoint Board members and determine their salaries. Board members are corporately responsible for the overall operation of HGCA and stewardship of its funds. The day-to-day management of HGCA is in the hands of full-time Executive Directors, led by the Chief Executive. The Chief Executive has responsibility for managing HGCA's business and, with the Director of Finance and Business Services, for the control and security of HGCA's assets, preparation of the accounts and compliance with the *Standing Orders and Standing Financial Instructions* laid down by the Board.

Internal auditors carried out a number of audits of our internal control systems during the year based on a plan agreed by the Audit Committee and Board at the outset of the year. The annual reports on Corporate Governance and Risk Management provided substantial assurance that risks material to the achievement of HGCA's corporate aims, objectives and measures are adequately managed and controlled.

Auditor

HGCA's external auditor is the Comptroller and Auditor General and the subsidiary, Crop Evaluation Limited, is audited by PricewaterhouseCoopers LLP. Services are limited to the statutory audit. Items over and above this are by arrangement.

Statement of the Accounting Officer's responsibilities

Under the Cereals Marketing Act 1965, the Ministers*, with the consent of HM Treasury, have directed HGCA to prepare for each financial year (or appropriate period) a statement of accounts in the form and on the basis set out in the Accounts Direction. A copy of their Direction is shown on page 17 of the HGCA Annual Report and Accounts (1996/97) or can be obtained from HGCA. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HGCA and of its income and expenditure, recognised gains and losses and cash flows for the financial period.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Ministers*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government *Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis

The Accounting Officer of the Department for Environment Food and Rural Affairs has designated Kevin Roberts as Accounting Officer of HGCA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HGCA's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

* Ministers

*The Secretary of State for Environment, Food and Rural Affairs
Cabinet Secretary for Rural Affairs and the Environment, The Scottish Government
Minister for Rural Affairs, Welsh Assembly Government
Minister for the Department of Agriculture and Rural Development, Northern Ireland*

Statement on Internal Control

Scope of responsibility

My appointment as Accounting Officer of AHDB, carries with it overall responsibility for ensuring that a sound system of internal control was maintained that supported the achievement of HGCA's policies, aims and objectives, approved by Ministers whilst safeguarding public funds and HGCA's assets for which the Accounting Officer was personally responsible in accordance with the responsibilities assigned to that individual in *Managing Public Money*.

The HGCA Chairman and Chief Executive attended liaison meetings with invited representatives from the UK Agriculture Departments as required. These meetings review HGCA's progress in key areas, eg service delivery and risk management, and enable Agriculture Departments to comment on performance and accountability arrangements.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of HGCA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in HGCA for the period ended 31 March 2008 and up to the date of approval of the *Annual Report and Accounts* and accords with Treasury guidance.

Capacity to handle risk

Strategic leadership on risk management issues comes from the Audit Committee, which is able to draw on the expertise of the Board with experience of the private sector and other government bodies.

The risk and control framework

The Risk Register, established in 2004, ranks risks in terms of probability and impact; appropriate actions have been identified and risk owners appointed for each risk.

A formal risk management review process is established within HGCA and is reviewed by the Directors on a quarterly basis and by the Audit Committee three times a year.

The prime area of risk identified was 'Change in status of HGCA'. Measures implemented to reduce this risk included proactive co-operation with the Levy Body Reviewer, and continuing collaboration with the other Levy Bodies and Defra.

The second most significant risk was 'Act of terrorism'. HGCA has a Disaster Plan which was implemented effectively as a result of the two major incidents of terrorism in London. The Directors regularly review business continuity plans in order to minimise the impact of such events on service delivery.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Directors and managers within HGCA who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

HGCA embraces the principles and requirements of good corporate governance and has established the following processes in maintaining and reviewing the effectiveness of the system of internal control:

- a non-executive Board which meets five times per annum to consider planning and strategic direction
- an executive Directors' Group which meets monthly to develop strategy and the plans for its delivery and to monitor progress via regular management reports
- comprehensive budgeting systems with an annual budget which is reviewed and approved by the Finance Committee and the Board of HGCA and submitted to Agricultural Departments throughout the UK
- regular reviews by HGCA's Finance Committee of periodic and annual financial reports against forecasts
- regular reports from the Board of HGCA's subsidiary, Crop Evaluation Limited, relating to business internal control
- three reports from the Audit Committee to the Board relating to internal and external audit, internal control, and risk management
- maintenance of an organisation risk register
- maintenance of a disaster recovery plan

The Audit Committee appointed Moore Stephens LLP to undertake the internal audit function, which is conducted in accordance with the Government Internal Audit Standards. They submit regular reports, which include their independent opinion on the adequacy and effectiveness of HGCA's system of internal control together with recommendations for improvement.

Disclosure of audit information to the Comptroller and Auditor General

So far as the Accounting Officer is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.



Kevin Roberts
Interim Chief Executive and Accounting Officer, AHDB

9 June 2008

Remuneration report

Membership of the Remuneration Committee

The Members of the Remuneration Committee are non-executive Board Members appointed by the Board. It consists of a Chairman and at least three Board Members. The Chairman of the Board is the Chairman of the Committee. Membership at 31 March 2008 consisted John Page (Chairman), Douglas Morrison, Ivor Murrell, Sotiris Papasolomontos and Christopher Ritson.

Membership is reviewed every three years or on termination of a Member's appointment. With the exception of the Chairman of the Board, Members may serve on the Committee for a maximum of six consecutive years. The Chairman of the Board will serve on the Committee for the duration of his or her appointment as Chairman of the Board.

Policy on the remuneration of the Board and Chief Executive (audited)

The remuneration of the Board is determined annually by Defra. With effect from April 2007, the Chairman received £27,367 per annum, the Deputy Chairman £9,464 per annum and remaining Board Members £4,710 per annum.

The Chief Executive's salary and conditions of service are determined by the Chairman of the Board. The salary is reviewed annually with adjustments taking account of performance. The most recent review was on 19 September 2007, when the Remuneration Committee recommended that the annual salary of the Chief Executive should increase by 6% with effect from 1 October 2007.

The Committee considers all aspects of remuneration and determines the specific remuneration packages including service contracts, basic annual salaries, bonus schemes and benefits in kind for all HGCA staff.

Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chairman of the Board's recommendation concerning the salary and incentive scheme for the Chief Executive on an annual basis.

In order to achieve this, the Committee is provided with a report summarising public sector guidelines and a schedule detailing outturn against Defra approved targets.

On this basis, the Remuneration Committee recommended a bonus for the Chief Executive for the period ended 31 March 2008 of £10,684 (2007 £10,000).

Proportion of remuneration which is subject to performance conditions

None of the remuneration of any Board Member is subject to performance conditions.

Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of any Board Member for any of the reasons specified in the 1965 Act (Schedule 1, paragraph 4). Board Members may resign by notice given in writing to the Secretary of State or other Ministers, if appropriate. No notice period is required and no termination payments apply.

The notice period for the Chief Executive is determined by the Board. The Chief Executive's service contract is terminable by either party, and requires six months' notice. No termination payments apply.

Remuneration of Board Members (audited)

HGCA Board Members	Appointment start date / end date	2008(9m)		2007(yr)	
		£'000	Remuneration	£'000	Remuneration
John Page (Chairman)	3 June 04 / 31 March 08	21		27	
Christopher Ritson (Deputy Chairman)	3 June 00 / 31 March 08	7		9	
John Best	3 June 03 / 31 March 08	4		5	
Andrew Davies	3 June 05 / 31 March 08	4		5	
Ian Douglas	3 June 05 / 31 March 08	4		5	
David Halligan	7 July 04 / 31 March 08	4		5	
Peter Knight	3 June 05 / 31 March 08	4		5	
Rad Thomas	3 June 05 / 31 March 08	4		5	
Julian Hasler	3 June 02 / 31 March 08	4		5	
Douglas Morrison	3 June 00 / 31 March 08	4		5	
Sotiris Papasolomontos	3 June 99 / 31 March 08	4		5	
Ivor Murrell	3 June 04 / 31 March 08	4		5	
Michael Sheppard	3 June 99 / 31 March 08	4		5	
Jonathan Tipples	3 June 01 / 31 March 08	4		5	
Stewart Vernon	3 June 05 / 31 March 08	4		5	
Ted Wright	3 June 06 / 31 March 08	4		5	

The Group charge for Board members' remuneration also includes the emoluments £17k (2007 (yr) £19k) of the Chairman and Directors of Crop Evaluation Limited, and of the Advisory Committee Chairmen whose combined emoluments amounted to £14k (2007 (yr) £24k).

Remuneration report (continued)

Remuneration of Directors (audited)

HGCA Executive Directors	Joined HGCA	Salary		Benefits in kind	
		2008 9m £'000	2007 yr £'000	2008 9m £'000	2007 yr £'000
Jonathan Cowens <i>Chief Executive</i>	1 Nov 04	89.3	114.6	0.5	0.7
Gordon Bennett <i>Finance and Business Services</i>	5 Oct 98	61.8	79.9	0.7	1.0
Alastair Dickie <i>Crop Marketing</i>	1 Aug 99	72.6	93.8	0.7	1.0
Professor Graham Jellis <i>Research and Development</i>	1 Jun 99	65.4	84.7	1.0	1.3
Dr Alan Almond <i>Business Development</i>	1 Jun 88	57.4	74.2	0.4	0.7

Salary includes gross salary and bonuses. Executive Directors participate as normal members of the HGCA Pension Plan which is a non-contributory defined benefit scheme (note 16).

Pension arrangements (audited)

HGCA Executive Directors	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement at 31.03.08 £'000	Real increase during period £'000	at 31.03.08 £'000	at 30.06.07 £'000	Real increase during period £'000	
Jonathan Cowens <i>Chief Executive</i>	6.1	1.5	84.9	66.2	18.7	
Gordon Bennett <i>Finance and Business Services</i>	11.0	1.2	276.4	245.2	31.2	
Alastair Dickie <i>Crop Marketing</i>	12.2	1.4	306.0	270.0	36.0	
Professor Graham Jellis <i>Research and Development</i>	11.2	1.3	282.3	249.6	32.7	
Dr Alan Almond <i>Business Development</i>	21.7	1.5	277.8	264.4	13.4	

Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increases in accrued pension entitlement and in the value of the CETV

The increases have not been adjusted for inflation because the Revaluation Order indices, used in accordance with the Pensions Scheme Act 1993, are declared annually and are not appropriate for the nine month reporting period of these accounts.



Kevin Roberts
Interim Chief Executive and Accounting Officer, AHDB
9 June 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I have audited the financial statements of the Home-Grown Cereals Authority for the period ended 31 March 2008 under the Cereals Marketing Act 1965. These comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Balance Sheet, the Consolidated Cash-flow Statement, the Consolidated Reserves incorporating the Statement of Total Recognised Gains and Losses and the related notes. These Financial Statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Home-Grown Cereals Authority, Accounting Officer and Auditor

The Home-Grown Cereals Authority and the Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with the Cereals Marketing Act 1965 and Ministerial directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Home-Grown Cereals Authority's and Accounting Officer's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Cereals Marketing Act 1965 and Ministerial directions made thereunder. I report to you whether, in my opinion, the Financial Review, included in the Annual Report, is consistent with the Financial Statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Home-Grown Cereals Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Home-Grown Cereals Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Home-Grown Cereals Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information includes the Chairman's Statement, the Chief Executive's Report, the performance against targets 2007-2008, the narrative on pages 10 to 27, the unaudited part of the Remuneration Report and the unaudited notes to the Financial Statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the Financial Statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Home-Grown Cereals Authority and Accounting Officer in the preparation of the Financial Statements, and of whether the accounting policies are most appropriate to the Home-Grown Cereals Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the Financial Statements give a true and fair view, in accordance with the Cereals Marketing Act 1965 and Ministerial directions made thereunder, of the state of the Home-Grown Cereals Authority's affairs as at 31 March 2008 and of its deficit, recognised gains and losses and cash-flows for the period then ended
- the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Cereals Marketing Act 1965 and Ministerial directions made thereunder
- the Financial Review, included within the Annual Report, is consistent with the Financial Statements

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Tim Burr
Comptroller and Auditor General
19 June 2008

National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP

Consolidated income and expenditure account

for the nine months ended 31 March 2008

	Notes (p43-52)	2008(9m) £'000	2007(yr) £'000
Expenditure			
Service delivery - what we did			
Research, development and variety evaluation		3,330	3,848
Export and market development		1,700	1,695
Market services		651	723
Grant assisted projects		308	804
Strategy - Board, CEO and business development		466	553
		6,455	7,623
Communications - delivering the message	2	1,373	1,793
<u>Support costs - making the operation work</u>	3	1,739	1,802
		9,567	11,218
Income			
Revenue sources which fund our services			
Levy income	4	7,058	9,459
Grant assisted projects		264	831
Other income including grants	5	755	766
		8,077	11,056
Operating deficit for period before tax		(1,490)	(162)
Notional cost of capital*		(212)	(310)
Taxation	10	(16)	(40)
Net operating deficit after tax		(1,718)	(512)
Reversal of the notional cost of capital		212	310
Deficit for the year after taxation		(1,506)	(202)

* calculated at 3.5% p.a.

The notes on pages 43 to 52 form part of these accounts.

All income and expenditure relates to continuing operations.

Consolidated balance sheet

as at 31 March 2008

	Notes (p43-52)	2008 £'000	2007 £'000
Reserves			
General reserve		3,101	4,703
Designated reserves	12	3,252	3,500
Pension reserve		-	299
		6,353	8,502
Fixed assets and long-term investments	13	137	111
Current assets			
Debtors			
Levy income receivable		1,872	2,245
Trade debtors, other debtors and prepayments		458	611
		2,330	2,856
Cash and short-term investments		7,087	7,775
		9,417	10,631
Less: Current liabilities			
Provision for taxation	10	19	51
Project cost creditors		1,372	1,397
Other creditors and accruals	14	1,337	866
		(2,728)	(2,314)
Net current assets		6,689	8,317
Total assets less current liabilities		6,826	8,428
Provisions for liabilities and charges	15	(225)	(225)
Net assets excluding pension (liability)/asset		6,601	8,203
Pension (liability)/asset	16	(248)	299
Net assets		6,353	8,502

The notes on pages 43 to 52 form part of these accounts.

Approved by the Audit Group on 5 June 2008 and signed on its behalf by:



Kevin Roberts
Interim Chief Executive and Accounting Officer AHDB
9 June 2008

Balance sheet (excluding subsidiary company)

as at 31 March 2008

	Notes (p43-52)	2008 £'000	2007 £'000
Reserves			
General reserve		3,101	4,703
Designated reserves	12	3,252	3,500
Pension reserve		-	299
		6,353	8,502
Fixed assets and long-term investments	13	137	111
Current assets			
Debtors			
Levy income receivable		1,872	2,245
Trade debtors, other debtors and prepayments		458 2,330	611 2,856
Cash and short-term investments		7,087	7,775
		9.417	10,631
Less: Current liabilities			
Provision for taxation	10	19	51
Project cost creditors		1,164	1,190
Due to subsidiary		165	204
Other creditors and accruals	14	1,380 (2,728)	869 (2,314)
Net current assets		6,689	8,317
Total assets less current liabilities		6,826	8,428
Provisions for liabilities and charges	15	(225)	(225)
Net assets excluding pension (liability)/asset		6,601	8,203
Pension (liability)/asset	16	(248)	299
Net assets		6,353	8,502

The notes on pages 43 to 52 form part of these accounts.

Approved by the Audit Group on 5 June 2008 and signed on its behalf by:

Kevin Roberts
Interim Chief Executive and Accounting Officer AHDB
9 June 2008

Consolidated cash-flow statement

for the nine months ended 31 March 2008

	2008(9m) £'000	2007(yr) £'000
Cash outflow from operating activities	(541)	(170)
Returns on investments and servicing of finance		
Interest received	305	394
Capital expenditure		
Purchase of tangible fixed assets	(104)	(115)
Taxation	(48)	(17)
Pension benefits		
Special contribution payment	(300)	-
(Decrease)/increase in cash	(688)	92

Notes to consolidated cash-flow statement

**1 Reconciliation of operating deficit before tax
to cash outflow from operating activities**

Operating deficit before tax	(1,490)	(162)
Retirement benefits	(96)	(25)
Decrease in debtors	526	179
Increase in creditors	746	74
Depreciation of tangible fixed assets	78	173
Investment income	(305)	(409)
 Cash outflow from operating activities	 (541)	 (170)

Cash flows £'000	31.3.08 £'000	30.6.07 £'000
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2 Analysis of changes in net funds

Cash at bank and in hand	(688)	7,087	7,775
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Consolidated reserves

as at 31 March 2008

Reserve movements incorporating the statement of total recognised gains and losses

	General reserve		Designated reserve	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 July	5,002	4,930	3,500	2,963
Reverse pension scheme liabilities charged to designated reserve	-	(537)	-	537
	5,002	4,393	3,500	3,500
Statement of total recognised gains and losses				
Deficit for the year after tax	(1,506)	(202)	-	-
Special pension contribution	500	300	-	-
FRS 17 - Retirement Benefits:				
Actuarial (losses)/gains on pension scheme	(1,143)	511	-	-
Total recognised gains and losses	(2,149)	609	-	-
Total before reallocation	2,853	5,002	3,500	3,500
Pension scheme liabilities reallocated	248	-	(248)	-
Reserves at 31 March	3,101	5,002	3,252	3,500
General reserve analysis				
General reserve	3,101	4,703		
Pension reserve	-	299		
	3,101	5,002		

Notes to the accounts

1 Statement of direction and main accounting policies

These Financial Accounts have been prepared in the form that the Secretary of State for Environment, Food and Rural Affairs, the Cabinet Secretary for Rural Affairs and the Environment (The Scottish Government), the Minister for Rural Affairs (Welsh Assembly Government) and the Minister for the Department of Agriculture and Rural Development, Northern Ireland have, with the approval of HM Treasury, directed under Section 21(2) of the Cereals Marketing Act 1965.

Accounting policies

- i) The accounts are prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, and the accounting and disclosure requirements given in the *Financial Reporting Manual (FReM)*, insofar as these are appropriate to HGCA and are in force for the financial year for which the accounts are prepared.
 - ii) The accounts have been prepared under the historical cost convention. The financial effect of re-valuing fixed assets was considered to be immaterial and therefore they have been disclosed at their historical cost value.
 - iii) Income has been accounted for on an accruals basis. In respect of the annual return for cereals and the six-monthly returns for oilseeds, where income is due for a period which extends beyond the term of these accounts, the accrual is calculated pro-rata to previous returns.
 - iv) Depreciation is provided on fixed assets on the following bases:
 - a) fixed assets costing not more than £5k – in full in the year of acquisition
 - b) fixed assets costing more than £5k – in equal amounts over a 3 to 5 year period
- Surpluses arising on the sales of fixed assets are recognised in the income and expenditure account.
- v) HGCA operates a pension scheme providing benefits based upon final pensionable salary. The assets of the scheme are held separately from those of HGCA, being invested with insurance companies in managed funds. The contributions are determined by a qualified actuary with reference to the triennial valuations. HGCA has fully implemented the Pension Accounting Standard FRS 17. The cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Any surplus arising will be held to pension reserve; any overall liability is charged to the designated reserve. The scheme assets are valued at market value; the scheme liabilities are actuarially calculated and discounted to present value using a sterling AA rated bond index; according to the difference, a pension scheme asset or liability is shown on the balance sheet.
 - vi) Current asset investments are stated at the lower of cost or market value.
 - vii) A notional average cost of capital employed during the year is shown on the income and expenditure account, in accordance with the Treasury's Accounts Guidance. The prescribed rate of interest during the year was 3.5%.
 - viii) Leased assets: Rentals payable under operating leases are charged to the income and expenditure account as incurred.
 - ix) FRS 12: Events with uncertain outcomes that could potentially lead to liabilities for HGCA are not accrued for in the Accounts but are instead listed separately as contingent liabilities.
 - x) Other policies are, where applicable, disclosed in the relevant Notes to the accounts.
 - xi) On 1 April 2008 the functions, responsibilities, assets and liabilities of the Home-Grown Cereals Authority (HGCA) were transferred to its successor, the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008) which received approval from UK Ministers and was laid before the Westminster Parliament on 13 November 2007 and approved by the Scottish Parliament on 23 January 2008.

In accordance with the *FReM*, these accounts have been prepared on a going concern basis as HGCA's services will continue to be provided by AHDB.

The *HGCA Annual Report and Accounts 2007/08* were authorised for issue by the AHDB Accounting Officer on 9 June 2008.

Notes to the accounts

2 Communications costs - delivering the message	2008(9m) £'000	2007(yr) £'000
Research and Development knowledge transfer	556	713
Website, customer database and IT support	442	554
Events, seminars and publications	375	526
	1,373	1,793

3 Support costs - making the operation work	2008(9m) £'000	2007(yr) £'000
Finance, Human Resources and Facilities Management	549	616
Rents, rates and office maintenance	403	503
Depreciation	78	173
Legal, other fees and expenses	109	104
Insurances	28	41
Audit fees and expenses - external	29	23
Audit fees and expenses - internal	49	12
Special pension contribution	500	300
FRS 17 current service cost adjustment	(6)	30
	1,739	1,802

Notes to the accounts

4 Levy income

On 1 August 1987 the Home-Grown Cereals Authority Levy Scheme (Approval) Order 1987 (SI 1987/671) came into force. This was later amended with effect from 1 July 1990 by the Home-Grown Cereals Authority Levy (Variation) Scheme (Approval) Order 1990 (SI 1990/1316) and with effect from 1 July 1991, by the Home-Grown Cereals Authority Levy (Variation) Scheme (Approval) Order 1991 (SI 1991/1302), and with effect from 1 July 1997 by the Home-Grown Cereals Authority Levy (Variation) Scheme (Approval) Order 1996 (SI 1996/2843), and with effect from 1 August 2001 by Home-Grown Cereals Authority Levy (Variation) Scheme (Approved) Order 2001 (SI 2001/2687). The 1987 Scheme, as amended, provides for the imposition of levies on growers, dealers and processors of cereals. The Home-Grown Cereals Authority Oilseeds Levy Scheme (Approval) Order 1990 (SI 1990/1317) came into force on 1 July 1990 and provides for the imposition of levies on growers and dealers in oilseeds.

Levy rates were set by the Home-Grown Cereals Authority (Rate of Levy) Order 2007 (SI 2007/1084) which specified a cereal grower levy of 40p (2006/07 40p) per tonne, a cereal dealer levy of 43.3p (2006/07 43.3p) per tonne, processor (animal feed) levy of 4.0p (2006/07 4.0p) per tonne and a processor (other) levy of 8.25p (2006/07 8.25p) per tonne on deliveries of cereals as specified in the Order in the period 1 July 2007 to 30 June 2008. It also specified an oilseeds grower levy of 65p (2006/07 65p) per tonne and an oilseeds dealer levy of 65p (2006/07 65p) per tonne for the same period on deliveries of oilseeds as specified in the Oilseeds Levy Scheme. In the case of the dealer levies in relation to oilseeds and cereals, the dealer is entitled to recover from the grower from whom he has made the purchases, a sum equal to the respective grower levy.

Levy rates and income are stated exclusive of VAT.

		Cereal Growers £'000	Cereal Dealers £'000	Processors Feed £'000	Processors Other £'000	Oilseeds Growers £'000	Total 2008(9m) £'000	Total 2007(yr) £'000
Levy income								
Cereals levy:	Grower	5,087	-	-	-	-	5,087	6,931
	Dealer	-	420	-	-	-	420	572
	Processor (feed)	-	-	162	-	-	162	229
	Processor (other)	-	-	-	481	-	481	614
Oilseeds levy:	Grower	-	-	-	-	1,202	1,202	1,236
Correction to prior year provision of final quarter out-turn		3	-	4	14	(40)	(19)	257
Income from levy gross		5,090	420	166	495	1,162	7,333	9,839
Commission paid to dealers for levy collection		(255)	(20)	-	-	-	(275)	(380)
Income from levy net		4,835	400	166	495	1,162	7,058	9,459
Tonnes – millions		12.7	12.7	4.5	6.0	1.8		
Levy rates – pence per tonne		40	3.3	4	8.25	65		

5 Other income

		2008(9m) £'000	2007(yr) £'000
Publications and miscellaneous income		147	132
Defra services		128	109
Bank interest receivable		305	409
Other grants		85	61
Other finance income (note 16)		90	55
		755	766

Notes to the accounts

6 Staff employment costs	2008(9m) £'000	2007(yr) £'000
Salaries	2,011	2,331
Social security costs	191	203
	2,202	2,534
Short term contracts	67	68
Pension current service costs	320	463
Special pension contribution	500	300
	3,089	3,365

The above staff employment costs include costs relating to staff:

- (i) taken on to carry out project work funded by grant income.
- (ii) on outward secondment for whom £47k (2007 nil) has been recovered (see notes 5 and 17).

7 Staff numbers	2008	2007
<i>Average number of employees by activity (whole-time equivalents)</i>		
Research, development and variety evaluation	11	12
Export and market development	8	9
Market services	14	14
Grant assisted projects	3	3
Strategy - Board, CEO and business development	4	4
Communications - delivering the message	19	18
Support activities - making the operation work	11	10
	70	70

8 Research and Development project expenditure and commitments

Expenditure is charged against income in the year in which the work is undertaken. As at 31 March 2008 commitments for contracted projects amounted to £10.6 million (30 June 2007 £7.4 million).

9 Crop Marketing project expenditure and commitments

Expenditure is charged against income in the year in which the work is undertaken. As at 31 March 2008 commitments for contracted projects amounted to £1.5 million (30 June 2007 £1.5 million).

Notes to the accounts

10 Taxation

Corporation tax is chargeable on interest receivable and the net trading income which accrues from the trading functions of HGCA.

	Group and Company 2008(9m) £'000	2007(yr) £'000
Corporation tax at 20% (2007 19%)	19	40
Taxation charged to income and expenditure account	16	40

Tax reconciliation

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year differs from the standard tax rate for the reasons explained below:

	Group and Company 2008(9m) £'000	2007(yr) £'000
Deficit on ordinary activities before tax	(1,490)	(162)
Tax at 30%	(447)	(49)
The tax effect of:-		
Income not chargeable for tax purposes	(2,303)	(3,155)
Expenses not deductible for tax purposes	2,778	3,267
Small companies rate	(9)	(23)
Current tax charge	19	40

Notes to the accounts

11 Profit of parent company

HGCA's income and expenditure account is consolidated with the subsidiary, Crop Evaluation Limited. HGCA's deficit for the period amounted to £1,506k (2007 deficit £202k). HGCA's results for the period are identical to the Group's consolidated results because Crop Evaluation Limited reported neither profit nor loss for the period – expenditure of the subsidiary was equally matched by sales revenue. (2007 CEL nil result).

12 Designated reserves

Should the Group be wound up there would be considerable outstanding liabilities stretching over a number of years for contractual commitments. It was agreed with Defra that a reserve fund of £3.5m be maintained to contribute towards covering such liabilities. The FRS 17 pension fund valuation at 31 March 2008 calculated a pension liability of £248k.

13 Fixed assets and long-term investments

	Group and Company	2008	2007
	£'000	£'000	
Furniture and equipment			
Cost at 1 July 2007	1,668	1,608	
Additions	104	115	
Disposals	(309)	(55)	
Cost at 31 March 2008	1,463	1,668	
Depreciation provision at 1 July 2007	1,557	1,439	
Charge for the year	78	173	
Disposals	(309)	(55)	
Depreciation provision at 31 March 2008	1,326	1,557	
Net book value at 31 March 2008	137	111	

Subsidiary undertaking

HGCA holds a £1 nominal value ordinary share in a subsidiary undertaking, which represents 100% of the issued share capital of Crop Evaluation Limited (CEL). CEL, registered in England and operating in the United Kingdom, is working to produce the annual *HGCA Recommended Lists for cereals and oilseeds*.

Notes to the accounts

14 Other creditors and accruals

	Group	Company	
	2008 £'000	2007 £'000	2008 £'000
Other taxes and social security costs	396	168	438
Pension augmentation	500	300	500
Sundry creditors and accruals	441	398	442
	1,337	866	1,380
			869

15 Provisions for liabilities and charges

	Group and Company	2008 £'000	2007 £'000
Provision at 30 June 2007		225	225
Provision at 31 March 2008		225	225

Under the terms of the Caledonia House lease, on its expiry in 2017, HGCA is required to re-instate the office premises to their original condition. In accordance with Financial Reporting Standard 12 on provisions, HGCA has recognised and capitalised the full cost of this re-instatement as part of the cost of fixed assets. This cost is being depreciated over the remaining period of the lease, giving rise to an additional depreciation charge of £29k per year. This means that by the expiry of the lease, HGCA will have charged the Income and Expenditure account with the full expected cost of re-instatement.

16 Pension scheme

HGCA operates a non-contributory pension scheme providing defined benefits to its members based on final pensionable salary. The assets of the scheme are held separately from those of HGCA, being invested with insurance companies. The scheme has provision for pensions in payment to be increased by 5% per annum or the percentage shown in the Pension Increases Order if lower. If the percentage shown in the Order exceeds 5% per annum there is provision in the scheme for pensions in payment to be increased beyond 5% per annum at HGCA's discretion. Contributions to the scheme are charged to the income and expenditure account and are determined by a qualified actuary on the basis of valuations using the projected unit method.

Actuarial valuations are usually prepared on a triennial basis; however, the latest valuation has been completed at 1 April 2007, a year early, in order for a recovery plan to be approved with the trustees. The actuarial report as at 1 April 2007, issued to the Trustees in June 2008, valued the scheme's assets at £10.2m and the scheme's liabilities at £11.7m indicating a funding deficit of £1.5m. (Liabilities refer to the benefits accrued in respect of past service and based on projected pensionable salaries). Agreement on a recovery plan has been reached between the HGCA pension plan trustees and the new employer, the Agriculture and Horticulture Development Board, concerning the funding of the deficit. This plan specifies a lump sum contribution of £0.5m to be paid in June 2008 with the balance of £1m to be paid monthly over 3 years from 1 April 2008. The new employer will contribute at a rate of 25% of pensionable salary from 1 April 2008. The next full actuarial valuation will be at 1 April 2009.

HGCA paid contributions for the year to 31 March 2008 at the rate of 23.6% of pensionable salaries; a special contribution of £500k, accrued in these accounts, was paid in June 2008. In addition, HGCA paid the costs of Group Life Insurance insured with Canada Life. The only contributions from the members were additional voluntary contributions. The pension service cost for the period was £327k including £7.1k in respect of Group Life Insurance cost. (2007 £471k including Group Life £8.2k).

Notes to the accounts

16 Pension scheme (continued)

For purposes of FRS 17 disclosure, the Actuary has prepared a valuation as at 1 April 2007, updated to 31 March 2008. The Actuary has calculated a scheme deficit at 31 March 2008 of £248k (30 June 2007 surplus £299k) having used the following assumptions to assess the present value of the scheme's liabilities:

	31.3.08	30.6.07	30.6.06
Rate of inflation	3.7%	3.4%	2.8%
Salary escalation	5.2%	4.9%	4.3%
Increase to pensions in payment	3.7%	3.4%	2.8%
Statutory revaluation	3.7%	3.4%	2.8%
Discount rate (pre and post retirement)	6.2%	5.8%	5.2%

The fair value of the assets held in the scheme at 31 March (prior years at 30 June) with the expected rate of return for each category of asset is shown in the table below.

Scheme surplus calculation	2008 £'000	2007 £'000	2006 £'000			
Bonds	5,608	5.1%	4,771	5.4%	4,331	4.7%
Equities	5,297	9.4%	5,557	8.1%	4,345	7.6%
Annuity contracts	621	6.2%	603	5.8%	643	5.2%
Cash and other net assets	589	4.6%	353	5.1%	649	4.5%
Property	-	-%	-	-%	57	7.8%
Total market value of assets	12,115	11,284	10,025			
Present value of liabilities	(12,363)	(10,985)	(10,562)			
Pension (liability)/asset	(248)	299	(537)			

The effect of retirement benefits calculated in accordance with FRS 17 is included in the Financial Statements as follows:

	2008(9m) £'000	2007(yr) £'000
Amounts charged to income and expenditure		
Current service cost	320	463
Total operating charge	320	463
Analysis of credit to other finance income		
Expected return on pension scheme assets	570	605
Interest on pension scheme liabilities	(480)	(550)
Net return	90	55
Amounts recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	(377)	223
Experience gains and losses arising on the scheme liabilities	(123)	127
Changes in assumptions underlying the present value of the scheme liabilities	(643)	161
Actuarial (loss)/gain recognised in STRGL	(1,143)	511
Movement in deficit during the year		
Deficit in scheme at beginning of the year	299	(537)
Movement in year:		
Current service cost	(320)	(463)
Contributions	826	733
Other finance income	90	55
Actuarial (loss)/gain	(1,143)	511
(Deficit)/surplus in scheme at end of the year	(248)	299

Notes to the accounts

16 Pension scheme (continued)

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets:					
Amount £'000	(377)	223	225	552	81
Percentage of scheme assets	(3.2%)	2.0%	2.2%	6.2%	1.0%
Experience gains and losses on scheme liabilities:					
Amount £'000	(123)	127	(187)	76	(168)
Percentage of the present value of the scheme liabilities	(1.0%)	1.2%	(1.8%)	0.8%	(2.0%)
Total amount recognised in statement of total recognised gains and losses:					
Amount £'000	(1,143)	511	22	(522)	311
Percentage of the present value of the scheme liabilities	(9.2%)	4.7%	0.2%	(5.4%)	3.8%

17 Related parties

HGCA undertakes commercial transactions with the following related parties:

Defra is the principal sponsor Department for HGCA. As separately identified within the sources of income on page 45, Defra paid contributions of £128k (2006/07 £109k) for services provided. These comprised £79k (2006/07 £105k) for the provision of market information; £2k (2006/07 £2k) for the reporting of cereal price information to the European Commission; £nil (2006/07 £2k) in reimbursement of certain costs associated with the corn returns; £47k for staff seconded to Defra (2006/07 £nil); Defra was also charged with ADS (Agricultural Development Scheme) grants and other Defra grants due to HGCA £242k (2006/07 £811k). At 31 March 2008 the amount owing to HGCA from Defra was £138k (2007 £243k).

Food from Britain (FFB) is a non-departmental public body sponsored and substantially funded by Defra. HGCA and FFB undertake joint projects in respect of the promotion of British food abroad. Payment in respect of joint projects was £29k (2006/07 £71k). At 31 March 2008 HGCA had £6k owing to FFB.

Central Science Laboratory (CSL) is an Executive Agency of Defra. HGCA has contributed £199k to specific CSL projects during the year (2006/07 £445k). At 31 March 2008 HGCA had no amounts owing to or from CSL (2007 £58k).

18 Operating leases

At 31 March 2008, annual lease commitments for rent and service charges under non-cancellable operating leases, falling due within one year, amount to £265k (2007 £265k) and £78k (2007 £84k) respectively.

Land and buildings

	31 March 2008 £'000	30 June 2007 £'000
Expiring within 1 year	-	-
Expiring within 2-5 years	-	-
Expiring after 5 years	343	349
Total	343	349

The land and buildings lease has a break clause on 29 September 2009. Should this clause be invoked, a penalty of £265k would become payable, together with the balance of the annual rental instalment inclusive of VAT.

For the current period, the charge to income and expenditure for rent was £199k and for service charge was £95k.

Notes to the accounts

19 Financial instruments

FRS 13 - Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

The nature of its activities and the way it is financed, mean that HGCA is not exposed to the degree of liquidity, interest rate or foreign exchange risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which FRS 13 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing HGCA in undertaking its activities, or for trading. The fair values of all its financial assets and liabilities approximate to their net book values. In line with FRS 13, short-term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures.

20 Post balance sheet events

HGCA's Financial Statements are laid before the Scottish and Westminster Parliaments, the Northern Ireland Assembly and placed in the Library of the Welsh Assembly. FRS 21 requires HGCA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by HGCA to appropriate Ministers. The authorised date for issue is 3 July 2008.

21 Performance against key financial targets (unaudited)

	2008 Actual £'000	2008 Budget £'000	2008 Variance £'000
Expenditure			
Service delivery - what we did			
Research, development and variety evaluation	3,330	3,405	75
Export and market development	1,700	1,455	(245)
Market services	651	588	(63)
Grant assisted projects	308	260	(48)
Strategy - Board, CEO & business development	466	461	(5)
Communications - delivering the message	1,373	1,350	(23)
Support costs - making the operation work	1,745	1,395	(350)
FRS17 current service cost adjustment	(6)	-	6
	9,567	8,914	(653)
Income			
Revenue sources which fund our services			
Levy Income	7,058	7,022	36
Grants	349	334	15
Investment income	305	211	94
Publications and miscellaneous income	195	26	169
Defra services	80	83	(3)
Other finance income	90	-	90
	8,077	7,676	401

Notes to the accounts

22 Financial statistics (unaudited)	2004 £'000	2005 £'000	2006 £'000	2007 £'000	2008* £'000
Balance sheets					
Assets employed					
Fixed assets and long-term investments	3,309	3,794	169	111	137
Net current assets	3,415	3,627	8,486	8,317	6,689
Pension asset	-	-	-	299	-
	6,724	7,421	8,655	8,727	6,826
Financed by					
General reserve	3,024	3,721	4,930	4,703	3,101
Designated reserve	3,008	3,021	2,963	3,500	3,252
Pension reserve	-	-	-	299	-
Pension liabilities	492	479	537	-	248
Provision for liabilities and charges	200	200	225	225	225
	6,724	7,421	8,655	8,727	6,826
Operating accounts					
Income					
Levy income	9,096	9,362	9,495	9,459	7,058
Grant income	629	452	903	892	349
Investment income	127	159	248	409	305
Other income	252	230	286	296	365
	10,104	10,203	10,932	11,056	8,077
Expenditure					
Service delivery - what we did	7,012	7,221	7,029	7,623	6,455
Communications - delivering the message	1,435	1,385	1,384	1,793	1,373
Support services - making the operation work	1,456	1,501	1,718	1,802	1,739
	9,903	10,107	10,131	11,218	9,567
Operating (deficit)/surplus before tax	201	96	801	(162)	(1,490)
Notional cost of capital	(250)	(259)	(285)	(310)	(212)
Taxation	-	(3)	(14)	(40)	(16)
Net (deficit)/surplus after tax	(49)	(166)	502	(512)	(1,718)
Credit of notional cost of capital	250	259	285	310	212
Result for the year	201	93	787	(202)	(1,506)
Movement in value of long term investments	421	539	342	-	-
Transfer to/(from) reserves	622	632	1,129	(202)	(1,506)
FRS 17 net (income)/costs taken to designated reserve/pension reserve	87	65	80	(25)	(96)
General reserve	3,024	3,721	4,930	4,703	3,101

* 9 month period to 31 March 2008

Board and Committee structure

(1 July 2007 – 31 March 2008)

The HGCA Board, whose Members are appointed by the UK Agriculture Ministers, is responsible for HGCA's strategic direction. A register of Members' interests is kept by the Personal Assistant to the Chief Executive and is available for inspection at HGCA by prior appointment.

Membership of Advisory Committees is approved by the Board, following nominations by industry representative bodies.

HGCA Board Members

John Page *Chairman*, Independent
Christopher Ritson *Deputy Chairman*,
Independent
John Best, UFU
Andrew Davies, NFU
Ian Douglas, AIC
Julian Hasler, NFU
David Halligan, GAFTA
Peter Knight, nabim
Douglas Morrison, NFUS
Ivor Murrell, MAGB
Sotiris Papasolomontos, AIC
Michael Sheppard, UGP
Rad Thomas, NFU
Jonathan Tipples, NFU
Stewart Vernon, NFU
Edward Wright, bpc

David Doyle, GAFTA
retired 30 September 2007
Mike Giffin, NFU
Arthur Hill, NFU
appointed 1 October 2007
Clive Jolliffe, NFU
resigned February 2008
Kevin Littleboy, NFU
David McCreath, GAFTA/AIC
David Sheppard, AIC
Jonathan Tipples, Board representative

Alex Waugh, nabim
Heather Wheeler, Defra *retired 2007*
Richard Wilson, Lloyd Animal Feeds
appointed 2007

Research & Development

Research & Development manages a programme of near-market research and communicates the results to improve the production, storage and utilisation of cereals and oilseeds.

R&D Advisory Committee

Anthony Hornshaw *Chairman*, NFU
David Anker, NFU
Philip Bennion, NFU
Richard Broadbent, MAGB
appointed 1 October 2007
Mark Charlton, nabim
Andrew Cragg *Vice Chairman*, NFU
Nigel Davies, MAGB
retired 30 September 2007
David Ellerton, AIC
Graham Furey, UFU
Julian Hasler, NFU
appointed 1 October 2007
Mark Leggott, NFU
Andrew Moir, NFUS
appointed 1 October 2007
Dinah Nicholson, bpc
Adrian Peck, NFU
retired 30 September 2007
Andrew Perry, UGP
Huw Phillips, NFUS
Daniel Squier, NFU
Steve Stokes, GAFTA
Norman Wisely, NFUS
retired 30 September 2007
David Cooper, Defra observer

HGCA Board Committees

Audit
Christopher Ritson *Chairman*
John Best
Ian Douglas
Julian Hasler
Stewart Vernon

MD Advisory Committee

Julian Gibbons *Chairman*, NFU
Allan Coxon, NFU
Janet Godfrey *Vice Chair*,
Education Adviser
Mark Isaacson, AIC
Henry Johnston *Vice Chairman*, UFU
retired 30 September 2007
Tim McClelland, UFU
appointed 1 October 2007
Alex Waugh, nabim
Duncan West, NFU
Ian Whiteford, NFUS
Christopher Ritson, Board representative

R&D Advisory Committee

Finance

John Page *Chairman*
David Halligan
Douglas Morrison
Christopher Ritson
Jonathan Tipples

Market Information

Market Information provides daily independent data and analysis to assist the industry in marketing and processing cereals and oilseeds to become more profitable.

Market Information Cereals Committee

HGCA Advisory Committees

Crop Marketing

British Cereal Exports (BCE)

BCE drives forward the export promotion of UK wheat, barley and oats.

BCE Advisory Committee

George Forbes *Chairman*, NFUS
Michael Adams, AIC
Richard Beldam, NFU
retired 30 September 2007
Steve Bumstead, NFU
David Cater, UGP
Keith Davies, GAFTA
Mark Dordery, GAFTA
appointed 1 October 2007

Market Information Cereals Committee

Sotiris Papasolomontos, *Chairman*
Julia Anderson, nabim
Brian Cole, Frontier
Guy Gagen, NFU
Stephen Game, Amylum
Angela Gibson, Glencore Grain
Lindsay Holmes, Defra
Robin Manning, Defra
Jennie Richards, MAGB
Cecilia Pryce, Louis Dreyfus *retired 2007*
Rupen Raithatha, NFU *retired 2008*
Robin Reid, Bowmans
Paul Rooke, AIC
Karen Stark, Defra *appointed 2007*
Nigel Stevenson, Centaur Grain
Darren Stretton, Defra

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Glossary

ACCS	Assured Combinable Crops Scheme
AIC	Agricultural Industries Confederation
ARF	Applied Research Forum
BBSRC	Biotechnology and Biological Sciences Research
BERR	Department for Business, Enterprise & Regulatory Reform
BNF	British Nutrition Foundation
Defra	Department for Environment, Food and Rural Affairs
IGD	Institute of Grocery Distribution
LEAF	Linking Environment and Farming
MSc	Master of Science
NFU	National Farmers' Union of England and Wales
NNFCC	National Non-Food Crops Centre
NRoSO	National Register of Sprayer Operators
PGRO	Processors and Growers Research Organisation
R&D	Research and Development
RL	Recommended Lists

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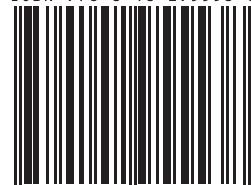
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