



Agriculture and Horticulture Development Board

CORPORATE PLAN 2010-2013

March 2010

This is the third AHDB Corporate Plan covering the three-year period April 2010 to March 2013. The performance targets contained in the plan are reported against on an annual basis in the AHDB Annual Report and Accounts, published in July each year.

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INTRODUCTION

An independent levy board working to improve industry efficiency and competitiveness

The Agriculture and Horticulture Development Board (AHDB) is a Non-Departmental Public Body funded by the agriculture and horticulture industries through statutory levies. It was established under the Agriculture and Horticulture Development Board Order 2008 and became operational on 1 April 2008.

AHDB is an independent, evidence-based organisation with the duty to improve the efficiency and competitiveness of various agriculture and horticulture sectors in parts of the UK representing about 75% of total UK agricultural output.

AHDB serves the six sectors of:

- i) Pig meat in England – BPEX division
- ii) Milk in Great Britain – DairyCo division
- iii) Beef and lamb in England – EBLEX division
- iv) Commercial horticulture in Great Britain – HDC division
- v) Cereals and oilseeds in the UK – HGCA division
- vi) Potatoes in Great Britain – Potato Council division

Levies raised from the six sectors it serves are ring-fenced to ensure they can only be used to the benefit of the sectors from which they were raised.

In order to deliver true sector focus AHDB is organised around six operating divisions representing the commodity sectors covered by its remit.

AHDB has completed its restructuring and relocation and 2010/11 will be the first full year for delivery of the £3.5m core cost savings and business efficiencies identified in the Accenture Business Case.

This Corporate Plan is the amalgamation of the three-year strategic plans developed by each sector board set within an AHDB strategic framework. It benefits from a consultation period with AHDB's key stakeholders, whose comments and observations are taken into account within the final published version.

ABOUT AHDB

AHDB statutory purpose

AHDB's statutory purpose is defined in the AHDB Order 2008 as:

- increasing efficiency or productivity in the industry;
- improving marketing in the industry;
- improving or developing services that the industry provides or could provide to the community;
- improving the ways in which the industry contributes to sustainable development.

AHDB philosophy

AHDB is one organisation and levy payers are at the heart of what it does. In implementing this philosophy the AHDB Board takes a sector-specific approach believing that by operating with divisions focused on each commodity sector, each with their own brand identity, and each with sector boards made up of levy payers and other stakeholders, makes it best placed to identify the sector priorities and devise and recommend appropriate strategies to meet those priorities.

AHDB role

- i) To deliver sector plans within a single organisation structure which meet the needs of levy payers
- ii) To deliver these plans within a sound corporate governance framework
- iii) To deliver a set of common administration services to benefit all its sector divisions
- iv) To identify delivery overlaps where greater cross-sector collaboration will result in delivery and cost efficiencies
- v) To identify specific cross-sector opportunities where collaboration, co-ordination and joint sector investment will deliver greater benefit to levy payers in terms of project output and cost.

Delivering good 'value for money' back to levy-payers is a cornerstone of AHDB policy. AHDB will also link with other organisations to develop partnership-working arrangements to the advantage of our levy payers.

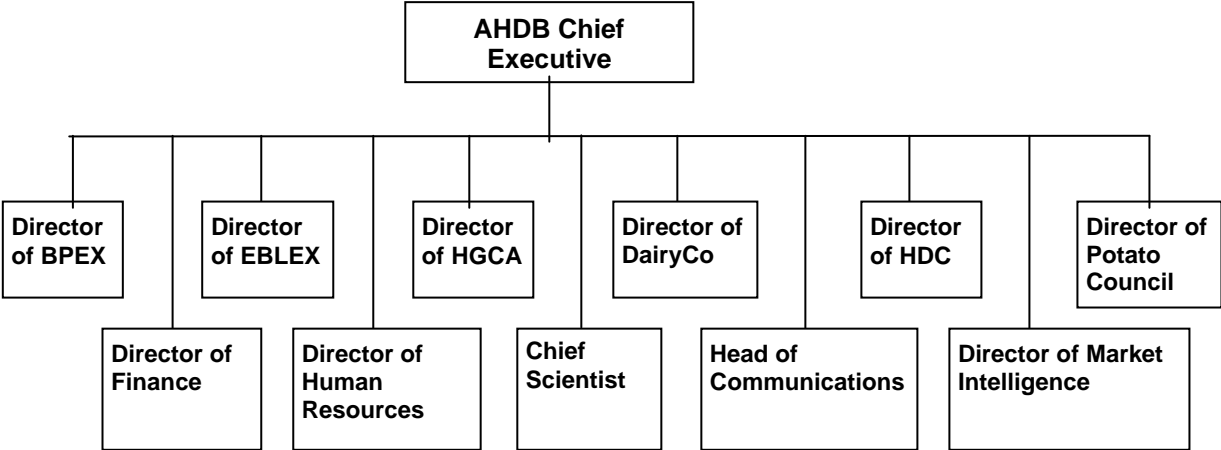
AHDB Vision: a thriving and sustainable sector, responding effectively to change.

AHDB Mission: to provide to the agriculture and horticulture sectors cost-effective, relevant services, which support the sectors' long-term sustainability.

AHDB structure

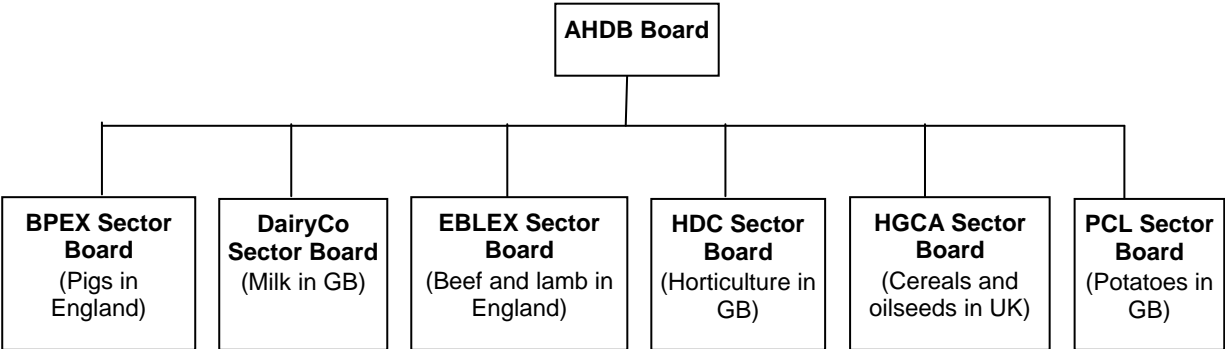
In order to deliver effective sector focus AHDB is organised divisionally with six sector divisions representing the commodity sectors covered by its statutory remit, these divisions are supported by some core shared services which are run centrally (eg finance). Each division is headed by a director who sits on the Senior Executive Team (SET), which is responsible for the implementation of the Corporate Plan. The SET is headed by the Chief Executive of AHDB and also contains each of the functional heads/directors (see diagram). The AHDB Board has agreed to also consider a functional lead for marketing should the need arise.

All staff are employed by AHDB with some in specific sector teams and others servicing more than one sector from shared services such as finance, HR and market intelligence. Sector specific activity is delivered under the established divisional sector brands of BPEX, DairyCo, EBLEX, HDC, HGCA and Potato Council.



Each sector division has a sector board comprised of levy payers and other stakeholders from the sector. Each sector board has delegated functions from AHDB to develop the most appropriate strategies to meet the challenges of the sector; to ensure the relevant levy rate is recommended in order to provide adequate funding for the required work; to monitor strategy implementation; and to approve remedies where performance deviates from plan. The sector board members are appointed by AHDB.

The main AHDB Board consists of the six chairs of the sector boards and four independent directors (including the chairman) – see page 111. The main AHDB Board members are appointed by the Secretary of State for Defra acting with the approval of the National Assembly for Wales, the Scottish Ministers and the relevant Northern Ireland department.



AHDB commercial subsidiaries: There are also a number of commercial subsidiaries within the AHDB group, the largest of which is Meat & Livestock Commercial Services Limited (MLCSL) a wholly owned subsidiary of AHDB. The three-year plan for MLCSL is included on pages 95-98. MLCSL is a separate company limited by guarantee supplying services primarily to the meat and livestock sectors. All its costs are fully accounted for within the company and it currently returns profits to the meat and livestock sectors to supplement levy funds.

AHDB funding and levy rates

AHDB is funded by a statutory levy (a parafiscal tax) paid by producers, growers and processors and AHDB is legally responsible for the collection of these levies.

Levies raised from each sector are ring-fenced to be used to benefit of the sectors from which they were raised.

In line with its sector-specific philosophy, the sector boards, on an annual basis, recommend the levy rate that should be applied across their sectors in order to fund the work programmes laid out in their sector strategic plans and published in this group corporate plan. (The main AHDB board assesses the recommendations from the sector boards and subsequently proposes the annual levy rates for approval by Defra ministers and devolved administration ministers).

This plan contains a 3% increase to the potato levy. It is recommended that all other levies remain unchanged for 2010/11. The levy rates for April 2010 to March 2011 are on page 110.

For the year ended 31 March 2009 AHDB generated gross levy income of £48.49m, which was raised from the six sectors as follows:

Division		Gross levy income
BPEX	Pigs in England	£6.92m
DairyCo	Milk in GB	£6.67m
EBLEX	Beef and Lamb in England	£13.54m
HDC	Horticulture in GB	£5.26m
HGCA	Cereals and Oilseeds in UK	£10.06m
PCL	Potatoes in GB	£6.04m
		£48.49m

AHDB audit and governance

Because it is a 'statutory' levy, the AHDB levy income comes under Treasury rules for the governance of public money. The National Audit Office (NAO) is responsible for the external auditing of the AHDB accounts and the Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. The AHDB Accounting Officer is the Chief Executive and he is accountable to Defra ministers and devolved administration ministers on the appropriate use of levy funds and corporate governance standards applicable to public bodies.

In July of each year AHDB publishes an Annual Report & Accounts (ARA) for the group which contains details on AHDB's corporate governance performance, financial accounts including sector specific income and expenditure reports, along with group and sector specific reports on strategy implementation and performance against the targets contained in the previous year's Corporate Plan. (Copies of annual reports can be found on www.ahdb.org.uk).

AHDB is not part of the Defra delivery network and it is managed separately from Defra, however many of its strategic programmes dovetail with those of Defra and its executive agencies. A Management Statement and Financial Memorandum sets out the broad framework within which AHDB, Defra and the devolved administrations are required to operate in their relationship. It determines the roles and responsibilities of each party and includes a list of returns that Defra requires from AHDB.

AHDB approach to risk management

The AHDB Board and management team follow best practice risk management principles in all decision making and policy setting. Risk management is an integral part of our management philosophy and ensures effective use of levy payer funds. The Audit Committee and AHDB Board review the risk register on a regular basis, and risk management is integrated into the business planning process.

THE AHDB CHANGE PROGRAMME

AHDB restructuring and co-location

The AHDB Board decided to relocate the organisation into temporary accommodation on Stoneleigh Park, in advance of the construction of a permanent office building, in order to bring forward the cost savings to be generated by co-location. The earlier move also removed uncertainty for staff.

The financial year 2009/10 was therefore a year of transition with the legacy operations being closed down, the physical relocation of staff to Stoneleigh Park and the new centralised structures being developed. This restructuring was largely completed by the end of Summer 2009 and cost and efficiency savings started to be generated from October 2009.

For the 2010/11 financial year savings are forecast to be around £3.8m – with the annual savings in back office costs of £2.6m, and when compared to the pre-levy board review structure the like for like front office costs will also show savings of £1.2m.

The key change management milestones, including overall transition costs, are given on the next page:

Key change management milestones	Performance	
By April 2008 – organisation vested, sector organisations created and existing levy board business transferred	Achieved in time for AHDB becoming operational on 1 April 2008	
By June 2008 – new co-located structures agreed	Achieved by October 2008	
By September 2008 – fundamental review of strategic plans by all sectors – Fresh Start review	Achieved – new plans were published within the 2009-2012 Corporate Plan	
By April 2009 – consolidation of back office activities	Achieved – completed in June 2009	
By September 2009 – consolidation of market intelligence	Achieved	
From April 2009 to September 2009 relocation of all main office-based employees to temporary office accommodation at Stoneleigh Park, Warwickshire	Achieved by end of July 2009	
Total transition costs to be within the Accenture Business Case forecast of £13 million	Achieved – transition costs £12.5 million	
Secure promised grant of £4.75 million from Advantage West Midlands towards transition costs and new building costs	Achieved – grant secured	
Cost and efficiency savings to start being realised from second half of the 2009/10 financial year	Achieved – savings started to be delivered from October 2009	
By Spring 2011 new office building at Stoneleigh Park to be completed.	The schedule is tight but progressing well	

New offices: AHDB has submitted a planning application to build suitable permanent office accommodation at Stoneleigh Park. This process is on-going and the project plan and timetable shows that building should be completed by Spring 2011. The AHDB Board has approved a capital expenditure budget of £11.5m for the new building. A sub-group of the board is overseeing the project and advises the board on progress.

Working together

Better co-operation and collaboration was the key outcome demanded of the Levy Board Review process. The AHDB change programme was designed not only to improve the efficiency of the whole organisation but to drive greater co-operation and collaboration.

Co-location has been the trigger for better working together assisted by the appointment of a Chief Scientist; the centralisation of several administrative functions; the centralisation of the Market Intelligence function; and a single executive management team charged with delivering co-operation and collaboration as well as effective delivery of the sector plans.

The next step in driving better collaboration will be to create cross sector working groups in key operational areas such as R&D and knowledge transfer. Appropriate expertise from our sector boards will provide advice into these groups.

THE BUSINESS PLANNING PROCESS

The AHDB business planning process is a sector-specific process within an agreed group planning framework bringing consistency in presentation and subsequent reporting.

The responsibility for setting the sector-specific strategies to deploy the levy income raised from the six separate agriculture and horticulture sectors is delegated to the boards of AHDB's sector organisations: BPEX, DairyCo, EBLEX, HDC, HGCA and the Potato Council.

The strategic framework has two components: a detailed analysis of the needs of each identified sector (pigs, milk, beef and lamb, horticulture, cereals and oilseeds, and potatoes), which can then be translated into programmes and services which allow individual producers in each sector to respond more effectively to market demands and pressures and a commitment through AHDB that these services will be delivered at the lowest cost possible, commensurate with high levels of quality.

The AHDB corporate plan amalgamates the six strategic plans developed by each of these sector boards.

The aim each year is to produce a rolling three-year corporate plan with well-articulated strategies and clearly measurable targets. The plan is consulted on with stakeholder organisations and trade associations and then as part of this corporate plan approval process, AHDB also seeks annual approval from Defra and devolved administration Ministers to the proposed sector levy rates for the year ahead.

The plan reflects AHDB's statutory purpose and, within that purpose, sets out:

- AHDB's sector objectives and key performance targets, the strategy for achieving those objectives, and an assessment of the financial and other resources required;
- an assessment of the risk factors that may significantly affect the execution of the plan, which links to the AHDB risk register;
- the sector levy rates needed to fund the plan.

The planning process starts in the summer/autumn of each year:

- **August:** AHDB Board and its sector divisions undertake a political, environment, social, technological, legislative and economic (Pestle) analysis of the operating environment.
- **September/October:** Each sector board works with its executive staff to review, change and update its sector specific business plan to reflect the changing needs of the sector.
- **October:** AHDB scrutiny team holds one-to-one strategic planning meetings with the sector directors and sector chairs to discuss the draft plans, the budgets and the presentation format.
- **November:** The six sector strategic plans are consolidated into AHDB corporate plan.
- **November:** The AHDB Board scrutinises and challenges the draft plan, comments are taken into account and the plan approved for industry consultation.
- **Mid-November to early January:** The draft plan goes out for a six week consultation with industry stakeholders.
- **January:** Industry feedback is taken into account within the final draft which is reviewed and agreed by the AHDB Board.
- **Late-January:** Final Plan goes to Defra and devolved administrations for Ministers to approve the recommended sector levy rates.
- **March:** The AHDB Corporate Plan is published on the AHDB website and made available internally.

- **March:** Levy payers are notified by the relevant AHDB sector organisation of the levy rates which will apply for the coming 12 months.

AHDB also produces, in July of each year, an Annual Report & Accounts (ARA) for the group which contains sector specific reports and performance against the targets contained in the previous year's corporate plan.

MARKET ANALYSIS

PESTLE market analysis

The sector-specific strategies in the following section are set using a PESTLE framework (Political, Economic, Sociological, Technological, Legislative and Environmental analysis), The AHDB Board has considered, in developing this analysis, the broad challenges and opportunities affecting the agriculture and horticulture sectors over the planning cycle. This analysis also identifies cross-sector issues that should be addressed in a co-ordinated way.

Political
Climate change: <ul style="list-style-type: none"> Adaptation to and mitigation of climate change is a key international, EU and UK Government policy priority, and will be one of the main drivers of food and farming policy
Diet and nutrition: <ul style="list-style-type: none"> Diet and nutrition issues remain a high priority for government, including a drive to combat obesity, heart disease and other drains on NHS resources through improved diet and nutrition (eg salt reduction in processed/manufactured product, reduction in saturated fat intake, 5-a-day fruit and veg message, daily intake of unrefined cereals, reduced meat and dairy consumption, alcohol awareness and reduction, school meals and reintroduction of home economics into the classroom). There is however a need for a more harmonious approach to these issues across Government departments and a firmer foundation in sound scientific evidence
Food policy and supplies: <ul style="list-style-type: none"> With concerns about volatile commodity markets, high food prices in 2007/08, longer term food security, climate change, and the ongoing food versus fuel debate the government is taking a deeper and more strategic interest in sustainable food supplies and in a range of wider food policy issues generally Whilst sections of the public and government have tended to see a reduction in the intensity of land usage (by farming) as socially and environmentally "good", food security concerns may temper this attitude informed by scientific arguments that indicate dual economic and environmental benefits from increasing the efficiency which production systems are managed There is growing concern about the need to increase the level of publicly-funded R&D and to direct it clearly towards the resolution of major challenges in order to increase longer term productivity on a sustainable basis
Domestic politics:

<ul style="list-style-type: none"> • There will be a UK General Election in 2010 which could lead to changes to some policy priorities • Diverse objectives/priorities amongst the devolved UK administrations can influence the overall pattern of agricultural and horticultural policy across the UK
<p>CAP:</p> <ul style="list-style-type: none"> • Some sectors continue to face difficulty in adjusting to the post-2005 support structure, and the need, with the removal of direct production subsidies for producers to focus more directly on the true financial performance of their businesses • The 2008 CAP 'Health Check' makes gradual adjustments to the support structure over 2009-2012. Further changes to the CAP are likely in the context of the forthcoming wider negotiations on the EU budget framework post-2013
<p>International trade:</p> <ul style="list-style-type: none"> • The WTO Doha Round negotiations collapsed in late 2008 and are currently suspended. At this stage it is not clear whether and when talks might resume. In the absence of a multilateral trade deal, bilateral trade agreements will continue to influence global trade flows in the short to medium term with potentially adverse impacts on long-term UK food security
<p>Other:</p> <ul style="list-style-type: none"> • Following the ratification of the Lisbon Treaty the incorporation of the European Parliament into decision taking on EU agricultural policy could result in the process becoming more convoluted • Higher priority on increasing skills development/ training during the economic downturn. A desire of Government to both up-skill to get people out of unemployment and to meet the changing needs of the workforce for businesses to remain competitive. This may lead to a clearer policy on skills development in agriculture/horticulture and food • There remains a need to secure adequate numbers of seasonal low skilled agricultural workers, for example through the SAWS scheme (Seasonal Agricultural Workers Scheme) • Growing non-UK ownership of parts of UK supply chains through merger and acquisitions and the consequential influence on the industry and on regional and national government (eg Cereals – US - Cargill; Cattle and sheep – Irish (ABP, Dawn, Dungannon, Linden Foods), Dutch - Vion; Pigs – Danish Crown; Dutch-Vion, Milk – Arla, Horticulture – Planet Thanet – Dutch RABO Bank)
<p>Economic</p>
<p>Economic growth:</p> <ul style="list-style-type: none"> • The key economic issue is the global economic recession, and when sustainable growth will re-start. Food inflation and lower household incomes have impacted on consumer spending patterns, and on premium sectors such as organic • The weaker £ has helped to boost exports but pushed up the prices of imported products and inputs, it has also stimulated the "home grown market" • Whilst interest rates may be expected to remain low for the immediate future the availability of credit, particularly for small and medium sized enterprises, may be restricted • Food inflation is now moderating. Global grain stocks have been replenished, but future price movements will depend on weather and crop developments, as well as the development of the biofuels market and future energy prices

Global trade:

- An increasingly interdependent global agricultural and international trade system exposes all countries to economic forces that can lead to fluctuating levels of supplies and prices of both agricultural products and inputs. Any further trade liberalisation through the WTO will further reduce protection provided by current CAP mechanisms

Energy prices and biofuels:

- Developments in the oil market remain an indicator of what is happening in the global economy and commodity markets in general. Crude oil prices are currently around \$60-65/barrel (p/b) (up on end-2008 lows of \$35 p/b but still below the \$150 p/b seen in 2008). Oil prices in the medium term are expected to be substantially higher in real terms than during the decade to 2008, and prices may be more volatile. The correlation between oil and grain markets is strong given a biofuels market that makes the connection between energy and grain markets tighter. (The correlation between CBOT maize and IPE Brent crude oil futures is now almost 64% although fundamentals in these two markets operate independently)
- The “Gallagher” review concluded that biofuels can be produced sustainably but feedstock production must avoid land that would otherwise be used for food production
- New international demands for feed and crops for biomass and biofuels will affect both arable and livestock sectors
- Domestic production of protected food crops is extremely vulnerable to fluctuation in energy costs

Supply chains:

- Stronger competition among multiple retailers through lower food retail prices achieved through lower prices paid to the rest of the supply chain
- There is increasing consolidation in the industry and differences in ‘market power’ at various points in the supply chains (eg small number of large supermarkets or foodservice operators (and some of their large processor suppliers) over suppliers), leading to wide variations in margins and fragmentation. The challenge is to foster more extensive collaboration and supply chain improvements
- Supply chains in some sectors are long and complex – they need to be more efficient and transparent for the sector to flourish

Other:

- Producers/growers and processors in all sectors face increasing production and regulatory costs – environmental compliance costs, cost of energy and raw materials, as well as feed, pesticides/herbicides, and particularly fertilisers
- All sectors show a growth of producer interest in direct selling (and artisan processing). Many are niche, but account for an increasing number of ‘signature products’ – links with food miles debate/support for more local food (growing interest from supermarkets to stock more), environment, food quality, food safety
- Quality assurance – important for differentiation of better quality products, but currently some schemes are not as valued as they could be. There remains confusion amongst consumers about the number of marks on food packaging

Sociological

Background trends:

- The trend has been for consumers to become more sophisticated and possibly ethical, although this trend has significantly slowed with the recent pressures on consumer spending power. The food market comprises a range of differentiated sub-markets. The industry needs to understand and respond to various consumer/market concerns about:
 - ethical issues (eg fair trade, food miles, food v. fuel, environmental v. animal welfare – conflicting attitudes);
 - food provenance and healthy eating continues to be in the news. Attitudes to public procurement of British/local foods strengthening;
 - sustainability of food production systems – concern over domestic organic production, interest in systems of production that have high animal welfare and environmental standards. Attitudes to using GM crops may be changing
 - food safety (eg combating incidences of food-borne diseases, plus some indication from Government to relax aspects of labelling to reduce waste);
 - changing attitudes to health and nutrition (eg obesity debate, linkages of food to medical problems – cancer
 - scepticism or lack of trust in the science (eg attitudes to GM, disease control, badger culling etc)

Demographic changes:

- Demographic changes – growing size of ABC 1's and their associated spending power and interest in more premium foods and products, and corporate social responsibility; impact on consumption of an ageing population
- Changing working practices will affect purchasing patterns, whether for the 'time poor' population or the rising number of unemployed

Skills and labour availability:

- Some shortages of (skilled) labour are partially met by workers from the new EU states. But there is a longer term need to develop skills and deliver relevant training to the indigenous population, particularly in the areas of technical specialism and the translation of science to practice
- The weak £-Sterling will make the availability of labour from Eastern Europe problematical
- Serious need to consider robotics

Impact of the recession:

- The impact of the recession on the ability of consumers to select on criteria other than price. The expected effect is both a move to purchasing more 'value foods' and less premium foods, purchasing of more raw materials in preference to ready meals, perhaps less concern about provenance and a possible reduction in out-of-home eating

Technological

IT:

- Poor understanding of IT in some sectors and inability to use performance-based measurement tools, as well as getting the benefits of buying and selling online. But growth of use of ICT through supply chain – potential for better more efficient supply chain co-ordination

<p>R&D:</p> <ul style="list-style-type: none"> • Need for R&D and accompanying knowledge transfer in all sectors to maintain competitiveness, and to respond to increased threat from diseases and pests which might affect supply • There are shortages of capability in the science base with the erosion of some key disciplines such as soil science, animal nutrition, weed science, crop pathology, etc. Also the age structure of the science base is problematic and there are issues of succession for some areas of applied science of relevance to agriculture/horticulture
<p>Biotechnology:</p> <ul style="list-style-type: none"> • Renewed interest in the benefits of biotechnology, including GM as a route to improving production efficiency/yield/human health
<p>Other:</p> <ul style="list-style-type: none"> • All sectors are subject to unforeseen factors that will affect their performance (eg disease, sharp increases in input costs, consumer problems) – need for contingency research and planning to indicate ways to best handle and analyse the impact of such issues • Need to consider management of nitrogen, phosphorus and other nutrients following the revision of the Defra Fertiliser Recommendations (RB209) and implementation of the Nitrates Directive and Environment Agency investigation of potential diffuse pollution • Coping with a reduced number of agrochemicals due to EU legislation and resistance to pesticides by pests
<p>Legislative</p>
<p>Compliance:</p> <ul style="list-style-type: none"> • Challenge and cost of complying with a wide range of environmental and other food regulations). Growing EU focus on food hygiene/safety and animal welfare/animal disease regulations • Producers/growers need a range of support - most do not have legal expertise in this area, particularly as regards horizon scanning regarding new regulations and taking a pre-emptive approach to EU proposals, e.g. water directive
<p>Environmental legislation:</p> <ul style="list-style-type: none"> • Potential major reduction in the number of pesticide actives due to revision of 91/419/EC, which has passed through European Parliament and is awaiting implementation • Potential impact of other EU plant health/sustainable use policy measures currently under review (pesticide residues, Sustainable Use Directive, Water Framework Directive etc)
<p>Promotional activity and state aids:</p> <ul style="list-style-type: none"> • Role of generic marketing and promotion activity within a changing EU market and regulatory framework (eg working with the state aid rules)

Environmental

Climate change:

- Agriculture and horticulture face significant challenges and opportunities in responding to climate change adaptation and mitigation. The Climate Change Act and the Government's Low Carbon Transition Plan will require the industry to reduce its GHG emissions. Various sectors are developing/implementing 'road maps' to identify the scope to reduce emissions and other environmental impacts. There is general recognition that the measurement of agricultural/horticultural emissions needs to be improved
- Copenhagen summit (December 2009) may lead to revised/new targets on global GHG emissions
- The environmental impact of the biofuels industry on land use change (and related N₂O emissions), both direct and indirect, is complex. More study is required for evidence-based decisions to be made

Agricultural productivity:

- Increasing agricultural productivity to meet food supply concerns, while doing so on a sustainable environmental basis to maintain and protect natural resources, poses both challenges and opportunities

Environmental background:

- Environmental issues may offer opportunities - from improving their reputational provenance (eg in assurance standards), to increased income (via Environmental Stewardship schemes), to reducing reliance on fossil fuels
- How best to link with voluntary schemes (eg LEAF, Pesticides Voluntary Initiative), advisory networks (eg Environmentally Sensitive Farming, Dedicated Catchment Officers), and use of specific tools (eg PLANET)
- Continuing pressures to lower energy use and intensity
 - The industry-led 'Campaign for the Farmed Environment' seeks to mitigate the removal of set-aside by encouraging voluntary action to expand and improve environmental management, and includes a range of national targets

Water and waste disposal:

- Water and waste disposal – water management, pollution control - coping with Water Framework Directive and related legislation, Nitrate Directive sets NVZs at about 70% of farmland and hence N_{max} levels for most arable land. Phosphorus – diffuse pollution

Pests and diseases:

- Agriculture and horticulture remain vulnerable to existing and new animal and plant diseases as well as the evolution of new strains resistant to chemical or genetic control methods. Together with government, the industry needs to develop appropriate preventative and contingency plans

COMMON THEMES

The sector-specific strategic plans are set against the market backdrop identified in the PESTLE. In responding to this analysis there are however a number of issues/opportunities that emerge which are common to all AHDB commodity sectors. These are:

1. Reducing GHG emissions per kilogram of food

The government, NGOs and the food industry are considering how best to address climate change. 18% (globally – 7% in UK) of all GHG emissions arise from agriculture and therefore this is an important issue that must and will be addressed. AHDB has a key role to play in helping the agriculture sector reduce the GHG emission per kilogram of food. The following objectives / activities are included in our sector plans:

- Ensuring the dairy roadmap targets are achieved
- Develop phase 2 of the red meat climate change roadmap
- Assist the cereals industry to meet its environmental expectations and legal requirements
- help pig producers and processors address the challenges posed by actions required to address climate change and environmental impact

2. Increasing sustainable productivity to meet the food security challenge

The most substantial change in the policy agenda since our last Corporate Plan has been the acceptance of the importance of food security. Although food security is not intended to represent self sufficiency, any improvement in productivity will enhance food security. AHDB can help deliver food security through its sector programmes aimed at improving sustainable productivity and adapting to climate change. AHDB believes it is possible to increase productivity without increasing inputs or land usage (and while reducing the GHG emission per kilogram of food). The following objectives / activities are included in our sector plans:

- Deliver practical health management programmes in the beef and sheep sectors
- Focus on helping the industry improve the health and welfare of the pigs they produce
- Improve the effectiveness and sustainability of horticulture crop protection
- Help the potato industry to reduce input costs and achieve better marketable yields
- Develop practices that will deliver sustainable production of high quality grain

3. Improving industry competitiveness

The core remit of AHDB and its sectors is to improve the efficiency and competitiveness of the agriculture sector. In discharging this remit AHDB should have a positive impact on items 1 and 2 above, but also improve the basic economic well-being of its levy payers. More profitable levy payers can contribute more effectively to programmes designed to protect the environment and improve the social sustainability of the rural communities they live in. The following objectives / activities are included in our sector plans:

- Across all AHDB sectors, improve the flow and uptake of technical knowledge transfer activity
- Support on farm efficiency improvements in the livestock sectors through benchmarking
- Improve the cost-effectiveness and sustainability of horticulture production

- Improve potato industry competitiveness by better crop and business management
- Improve profitability and efficiency of cereal/oilseed growers businesses through the delivery of technical information

4. Promoting a healthy balanced diet

There is an accepted high level of government and NGO interest in the health of the nation. There are no bad foods, only bad diets. AHDB actively promotes a balanced plate approach to a healthy diet. All of our sector commodities contribute to a healthy diet and we promote moderate consumption. The following objectives / activities are included in our sector plans:

- Input into the Food Dudes programme to promote fresh fruit and vegetable consumption in schools
- Deliver an enhanced image of red meat as a healthy, nutritious food within a balanced diet
- Raise the profile of the importance of the potato in the GB diet
- Promote grain within a healthy balanced diet

5. Developing industry skills

Skills development is central to business improvement and the achievement of a profitable, sustainable industry. As part of the Agri-Skills Forum AHDB supports an industry-owned strategy which seeks to embed skills development into everyday business practice, particularly in the areas of technical specialism and the transition of science into practice. The following objectives / activities are included in our sector plans:

- Promotion of a pig industry skills framework delivered by Certificate of Competence and Pig Industry Professional Register
- Improve business and technical dairy farming skills through direct and indirect work with farmers
- Improve marketing skills of grain chain firms
- Development and encouragement of the Young Leaders programme in the beef and sheep sectors

THE DIVISIONAL SECTOR STRATEGIC PLANS

The AHDB strategic framework

AHDB is committed to provide to the agriculture and horticulture sector a range of services which will improve competitiveness in the sector and contribute to its long-term sustainability, which is consistent with the Defra commitment to, 'profitable and competitive farm-based businesses' operating in a thriving farming and food sector.

As has been stated earlier in this document the role of AHDB is fivefold:

1. To deliver sector plans within a single organisation structure which meet the needs of levy payers
2. To deliver these plans within a sound corporate governance framework
3. To deliver a set of common administration services to benefit all its sector divisions
4. To identify delivery overlaps where greater cross-sector collaboration will result in delivery and cost efficiencies
5. To identify specific cross-sector opportunities where collaboration, co-ordination and joint sector investment will deliver greater benefit to levy payers in terms of project output and cost.

The AHDB Board will closely monitor the outputs and performance of each sector plan identified in the following pages.

AHDB corporate targets 2010/11

Deliver forecast annual cost and efficiency savings of £3.8 million per annum	Annually
New office building at Stoneleigh Park to be constructed within forecast budget.	By Spring 2011

Divisional sector strategic plans

The next six sections of this document identify AHDB's divisional sector strategic plans designed to address the key points raised in the Pestle analysis.

Each sector plan has been developed against a common framework:

- The first section is a market overview identifying the important sector trends in consumption, self-sufficiency and sector viability.
- Then there is a position audit of the sector against a traditional Strengths, Weaknesses, Opportunities and Threats analysis.
- The tabular section details the objectives and strategies with measurable outcomes and a risk analysis.

The final section of this document pulls together the key financial information underpinning the plan.

BPEX – ENGLISH PIG SECTOR DIVISIONAL PLAN

Introduction

The BPEX vision is an English pig production and processing sector that is resilient, sustainable and comprises internationally competitive supply chains which results in businesses that have the confidence to invest in their future.

The consequences of achieving this vision over the next 10 years will be an industry that is recognised as having reduced its impact on the environment through more efficient use of resources and the exploitation of environmental benefits such as energy generation and the use of natural fertilisers. A consequence of improved competitiveness will be the gradual achievement of greater market share on our domestic market, with the realistic prospect of returning to at least 75% self sufficiency from the current 48%. Competitiveness will be achieved not just through cost reduction but also through enhanced value as consumers continue to perceive English pork and pork products as a premium quality food.

The strategy outlined on the following pages has been developed by the BPEX Board, which consists of the Chairman, six producers, four processors and an independent member (listed on page 111). The Board meets six times a year. The strategy is executed by a dedicated team supported by others in AHDB.

An overview of the pigmeat sector and market place

The table below summarises the key market data for the pigmeat sector in the United Kingdom including forecasts for 2008 and 2009.

'000 tonnes	2005	2006	2007	2008	2009	2010
Production	706	697	739	728	715	809
Imports	910	943	970	968	980	895
Exports	123	124	133	140	129	133
Supplies available for consumption	1,493	1,516	1,576	1,556	1,566	1,570

The number of holdings with pigs in England has remained relatively stable in recent years with the latest published data showing a total of 9,700. However, data from industry assurance schemes shows considerable concentration with an estimated 1,650 assured producers accounting for more than 90% of production. There has also been continuing concentration in the processing sector with the three largest abattoir companies accounting for almost 70% of slaughterings in 2007.

Pig prices continued to rise during 2009 and peaked in mid year at 156 p/kg, a record in recent years. This helped to improve profitability for pig farmers. As the year progressed the differential in prices with the rest of the EU widened which put the English market under increasing pressure. As a result prices fell back during the autumn and early winter.

Pig production increased in 2009. This was due to a combination of improving productivity and latterly a small expansion in the breeding level. Average carcass weights also increased reaching record levels in the autumn of 2009. However, this was due in most cases to an

enforced delay in marketing as the profitability of the processing sector was pressured by cheap imports.

Consumption remained strong during 2009 despite the recession. Overall, the generally lower price of pork and pork products has helped demand. In the year up to autumn 2009 sales of pork and pork products, in value and volume terms, were higher than a year earlier.

Strategic direction

BPEX has two strategic objectives:

- To help English producers and processors become more efficient in comparison with other EU producers within the constraints of welfare and environmental regulations operating within the UK.
- To help English producers and processors maximise the value they get from the market by inspiring consumers to eat pork and pork and pork products, communicating the high welfare, assurance and environment standards to which we operate and defending the industry from unjustified criticism.

BPEX will act as a leader in the industry, as a catalyst for change, a knowledge house and a communicator to and on behalf of the industry. We will seek to yield a better return for levy payers than they can otherwise achieve individually. We will seek out mutually beneficial opportunities to work with others within AHDB. We will make maximum use of co-funding from non levy sources.

Key achievements to date

There has been a steady improvement in industry production Key Performance Indicators (KPI's) in which BPEX KT, R&D and training activities have had a significant influence.

The efficiency gap with the rest of the EU narrowed in 2008 as measured by the Interpig report and further improvements are likely in 2009. However, the gap still remains.

BPEX has helped to raise the profile of the industry with consumers and customers at a time of volatility and economic crisis.

We exploited the opportunity of a favourable exchange rate and helped the industry benefit from the credit crunch rather than suffer from it as in most of the rest of Europe.

We assisted the industry to deal with the consequences of disease outbreaks through coordination and response to the media. We also assisted government in the reopening of many export markets.

There has been a modest growth in the English breeding herd in 2009 and reinvestment in production and processing capacity is evident.

Drivers of change specific to the English pig sector

Political factors influencing the future of the pig sector will include the public debate on climate change and government reaction in terms of public policy. Concern about human nutrition and diet will remain and could be linked to the environment debate. Global food security issues will persist, especially in the context of likely feed price volatility. Tensions are likely to persist between the EU and certain member states about the timely approval of

new GM varieties which, if unresolved, could have a detrimental effect on the availability and price of feed.

Economic factors of importance will include relative economic recovery in the UK and the consequence for the value of Sterling. It seems likely that Sterling will strengthen over the next few years, albeit slowly against the Euro. Further growth in unemployment will put consumer spending under pressure but this may continue to benefit pork and pork products.

Societal trends such as the interest in provenance and pig welfare are likely to be renewed, especially if the economy recovers. Consumers are also likely to be influenced increasingly by new media channels such as the internet which will have implications for methods of communication. The availability of skilled labour could constrain a recovery in production.

Technical factors of importance to the industry will include the greater use of automation and robotics in processing to achieve efficiency and food safety, improved surveillance to detect existing and emerging pig diseases, breeding for disease resistance and advanced technology for traceability.

Legislative influences will focus on compliance with welfare regulations, measures to improve food safety, especially against salmonella infection, the introduction of responsibility and cost sharing mechanisms and the increasing importance of cross compliance in previously non subsidised sectors of agriculture.

Environment factors such as the potential for climate change could have an influence on the pig sector in the coming years. Pigs are found in all climate zones and are very adaptable. Waste disposal and energy generation could be opportunities. Acceptable and effective composting systems could provide solution for dead stock disposal. Rising global population could be an opportunity but pressure on resources could lead to more volatility in commodity prices.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Robust market demand for pork and pork products - Price points favourable compared to other meats, especially beef and lamb - Good range of formats from fresh pork to a variety of processed products - Growing reputation for high welfare and local production - Growing concentration in production and processing and some willingness to invest - Steady improvement in production efficiency due to new vaccines and investment 	<ul style="list-style-type: none"> - Fresh pork has a rather traditional image that constrains further growth - Investment in higher welfare system and a lack of investment in previous years has undermined cost competitiveness - Eating quality of pork can be variable with no on-line method of measurement - Imbalance of market power between retailers and the remainder of the supply chain - Dependence on increasingly volatile global commodity feed markets

Opportunities	Threats
<ul style="list-style-type: none"> - Considerable scope for differentiation and premiumisation - Price and product range to exploit the economic downturn - Scope for further improvement in productivity and competitiveness - Growing demand on a global basis especially for offals and lower value cuts 	<ul style="list-style-type: none"> - The financial crisis is causing retailers and foodservice companies to pressurise supplier prices - Globalisation of markets resulting in the EU losing market share and intensifying inter EU competition - Confidence to invest undermined by the prospect of poor or negative margins - Single issue pressure groups - Increasing volatility in feed and energy costs - Disruption caused by animal disease outbreaks

BPEX strategies 2010 - 2013

BPEX strategies will address the key drivers in the market and deliver our strategic objectives. We will

- Focus on helping the industry improve the health and welfare of the pigs they produce through our Knowledge Transfer team and thereby enhance our competitive position in Europe.
- Help producers and processors address the challenges posed by actions required to address climate change and environmental impact. We will assist the industry to enhance its position as a positive contributor to the environment and communicate this to customers.
- Work with the industry, government and welfare organisations to develop techniques that enhance the welfare of pigs.
- Help the industry secure good quality staff for the future by investing in support for continuous professional development.
- Differentiate our products and inspire consumers to buy quality assured, high welfare pork and pork products using innovative communications.
- Defend the industry from unjustified criticism and communicate our strengths to levy payers, stakeholders and the wider public.
- Ensure the industry has access to all available markets, especially outside the EU.
- Provide the industry with world class market intelligence about the whole supply chain that enables them to make profitable decisions.

BPEX will take advantage of the opportunities provided by the move into AHDB. Central support costs for services including finance, IT, office accommodation and HR will result in savings that will be used to pay back the cost of reorganisation over the next two to three years. Opportunities to work together with other sectors that deliver mutual benefit will be identified and realised.

There will be continued emphasis in our activity on enhancing competitiveness. There is forecast to be an increase in pig slaughter in England in 2010/11 due to breeding herd expansion and productivity growth. The resulting increase in levy income and reduced operating costs will be focussed almost entirely on KT R&D activity.

Strategy	Key outcome	Targets	Key risks	Key controls
BPEX Objective 1: Help English producers and processors become more competitive.				
Conduct regional pig health improvement programmes	Reduction in target diseases by region and improved pig health and welfare. Increased productivity margins	Completion of 2 regional programmes by end of 2011 and 5 by end of 2013. A 95% reduction of target disease, a 5% reduction in antimicrobial usage and improved financial and production efficiency measures	Lack of RDPE funding Lack of total participation within region Inability to use levy funds	Close contact with RDAs to secure funding Quantify financial benefits from pilots and promote widely Clarify position with Defra
Resource requirement: £1.39 million				
An integrated knowledge transfer programme delivered through a regionally based KT team with head office support. Underpinned by practical development, demonstration and applied research projects. Focus on dissemination of production best practice, health and welfare inc BPHS	Improvement in cost competitiveness particularly of those producers that BPEX works with directly	Average 5% pa improvement across KPIs as recorded by a combination of BPEX workshops, business clubs and Agrosoft national data	Lack of engagement by producers	Quarterly monitoring of participation in BPEX activity
Resource requirement: £0.77 million				
Promotion of a skills framework delivered by Certificate of Competence (C of C) and PIPR	Greater industry involvement in C of C and PIPR	15% pa increase in C of C awarded and participation in PIPR	Lack of engagement by producers Lack of funding by RDPE	Quarterly monitoring of C of C awards and PIPR participation Formal and regular contact with RDAs
Resource requirement: £0.1 million				
Advise the industry on more effective compliance with environmental regulations and improving resource efficiencies	Cost effective compliance with regulations and a positive influence on their development and interpretation. Recognition of BPEX as the authoritative source of quality information and practical advice in the areas of resource efficiency and environmental compliance	80% "very good" or "excellent" assessment of BPEX service in annual customer survey	Implementation of regulations perceived to be unreasonable	Maintain close contact with Defra, the EA and co-ordinate with the wider industry through the NFU
Resource requirement: £0.34 million				

Activity	Key outcome	Targets	Key risks	Key controls
Active participation in the Zoonoses National Control Plan	Risk of food borne illness reduced	On farm and on carcase Salmonella score reduced in line with national targets	Failure to reach targets	Quarterly monitoring of Salmonella scores Close liaison with the Food Standards Agency through the ZNCP Steering Group
Resource requirement: £0.21 million				
Support processor projects to improve meat eating quality and traceability	Increased uniformity of pork eating quality	10% pa reduction in variability as reported by abattoir survey	Lack of uptake by abattoirs and processors	Close contact with pig abattoirs through BMPA, AIMS and the BPEX Boar
Resource requirement: £0.20 million				
Review and revise communication channels used to engage with levy payers	Effective and timely communication to levy payers that enables better engagement in our work	Launch activity. Achieve 80% at Pig Fair. Positive feedback from David Black Award	Unable to identify better comms methods that are feasible and economic to deliver	Review market research and comms techniques used by other AHDB sectors including their effectiveness before investing in additional external research
Resource requirement: £0.344 million				
Communicate the “2 Tonne Sow” project and other initiatives focused on industry KPI’s	Enhancing the promotion and uptake of BPEX services and knowledge that make a tangible difference to individual pig and pig meat businesses	Increase recognition of industry KPI’s. 5% increase in web traffic. 60% awareness of Environmental Strategy.	Unable to target individual businesses due to lack of contacts relationship management database	Use existing assurance scheme databases as an interim solution prior to developing the pig herd register
Resource requirement: £0.15 million				
Deliver the eAML2 project in conjunction with Animal Health	Enhancing supply chain communication	Establish 90% eAMLs by April 2011	Resistance by industry to adopting electronic communication services	Provide third party interfaces for business wishing to retain paper base systems
Resource requirement: funded by Animal Health				
Promote price risk management techniques in conjunction with HGCA	Increase the understanding of risk management techniques relating to commodity trading	Conduct 4 workshops Achieve 80% satisfaction scores	Perceived complexity and cost benefit ratio of tools is a barrier to people participating in training	Include target audience in developing training course to ensure it is pitched at the right level and addresses their perceptions as well as knowledge gaps.
Resource requirement: £26k				

Strategy	Key outcome	Targets	Key risks	Key controls
BPEX Objective 2: Help English producers and processors maximise the value of their products.				
Ensure transition from QSM to Red Tractor	Straight replacement of QSM with RT	Monitor Sept 2008 benchmark of pork	Reduction in retailer commitment to Red Tractor	PorkWatch monitoring mitigation plans for major exchange rate movement
Resource requirement: £1.3 million				
Improve number of visitors to lovepork website	Greater understanding of QSM/RT and usage of recipes	5% increase on Sept 2009 levels	Lack of interest	Monthly monitoring of traffic
Resource requirement: £0.2 million				
Position pigs/pig meat as a positive in sustainability	Less pressure for legislative changes. Improved perception of pigmeat by policy makers and consumers.	Improvement in agreed measures	Negative perception builds	Regular contact with policy makers. Monitor consumer attitudes.
Resource requirement: £0.2 million				
Defend pork and pork products from health challenges	Pork viewed as "less fatty" and not a negative on health issues	5% point improvement from 37% "too fatty", and health to be agreed	Negative perception builds	Engagement with WCRF and others. Monitor attitude of health professionals.
Resource requirement: £0.78 million				
Gain greater consumer and market insight (managed through AHDB Market Intelligence)	Supply chain better informed of market changes and opportunities	70% reader satisfaction	Lack of recognition and use of information	Monitor use and update of information
Resource requirement: £0.825 million				
Assist exporters of pigmeat and genetics	Growth in pork and pork product and pig genetics exports	+ 5% pork & pork product exports +5% pig genetics exports Completion of certification and full opening of Chinese market by end 2010. Re-certification for South Africa agreed	Disease outbreaks close markets. Lack of recognition of BPEX services	Contingency plans in place with Defra and industry. Regular monitoring of industry feedback.
Resource requirement: £0.339 million				

DAIRYCO - GB MILK SECTOR DIVISIONAL PLAN

Introduction

With this plan DairyCo continues the thrust to increase the focus on business management and competitiveness through increased focus on Knowledge Transfer (KT) and Research and Development (R&D). This approach, begun two years ago, is now starting to bear fruit.

As identified in the overall AHDB PESTLE analysis of the environment facing the agricultural sector there are several key strategic themes:

- Reducing Greenhouse Gas emissions per kg of food
- Increasing sustainable productivity to meet the food security challenge
- Improving industry competitiveness
- Promoting a healthy balanced diet
- Developing industry skills.

The plan on the following pages sets out how the dairy sector needs to tackle these issues in England, Wales and Scotland.

It remains the firm intention of the DairyCo Board that while DairyCo continues to provide important services helping tackle these issues, it will also do its utmost to encourage the industry to ultimately take over the provision of these services – either on a commercial or voluntary basis.

DairyCo's non-executive board of 12 includes eight dairy farmers located across Scotland, England and Wales, who all operate very different production systems. As well as this high representation of farmers – which is appropriate considering the levy is only raised from dairy farmers – there are two independents on the board, plus one dairy processor, and the chairman. This board is responsible for devising the strategy and monitoring implementation.

The responsibility for overseeing the implementation of the strategy rests with the AHDB's Senior Executive Team, with the daily devising and implementation of projects and the communication of results to producers managed by a professional DairyCo team based in Stoneleigh, as well as field staff situated around the country.

An overview of the British dairy sector and market place

After many years of GB milk production in the region of 12 billion litres, the last four years has seen a sharp decline, dropping to a 40 year low in the 2008/09 milk year to less than 11 billion litres. GB milk production may stabilise slightly this year due to better weather, but current expectations from the DairyCo Intentions Survey are that production will continue on a downward trend in future years.

Farmer numbers have continued to fall steadily to 13,600 in 2008 compared to 26,600 in 1998.

Until a few years ago, despite farmer and cow numbers falling, milk production was maintained because cow yields increased to compensate for fewer cows, and the remaining farmers expanded fast enough to replace the farmers who left the industry.

However, lower farmer confidence in the long term future of dairying from those remaining in the industry has led to lower investment/expansion and milk production is now falling as those leaving are not being replaced fast enough by those farmers expanding. However, if confidence returns the milk production base could begin to grow again.

This fall in supply is coinciding with increased demand from consumers with sales of liquid milk increasing by 5.4% since 2005 to over 5 billion litres, and cheese sales also growing. In addition, sales of added value and branded products have increased significantly with sales of branded milk increasing from 5% to 10% of the market between 2005 and 2008, and sales of branded cheese increasing from 29% to 38% over the same period.

This increased demand and falling domestic supply has led to increasing net imports - now seeing continuous net imports of dairy products by volume for the first time in over 30 years.

Although production is falling, the professionalism and efficiency of both the farming and processing sectors of the industry has improved in recent years. Investment has occurred both on farms and in processing factories (particularly the liquid sector), but more investment is needed for the industry to achieve the optimum levels of competitiveness.

Efficiency on farm has increased over the past ten years with average milk yield increasing by 20% to 6,945 in 2008 according to Defra data. Average herd size has also increased over the past ten years by 35 to an average of 114 in 2008.

Milk prices have been volatile over the past two years with historic highs and, since 2009, significant price cuts. Although this meant better margins on farm in 2007/8, falling prices are now leading to lower confidence.

60% of the milk produced in GB is purchased by just five milk buyers, with 53% of the raw milk produced in the UK processed into liquid milk and 29% processed into cheese.

An assessment of Britain's dairy farming sector

Strengths	Weaknesses
<ul style="list-style-type: none"> • Cool and damp climate leading to good grass growth • Large herd size (by EU standards) • Resilient family farming sector • High levels of production efficiency on some units and processors undertaking investment in new plant • A wide range of market opportunities for some farmers • Heritage of fresh milk consumption – domestic demand for dairy is still good • Supply chain relationships among most highly developed in the world • Industry structure more developed than many EU counterparts 	<ul style="list-style-type: none"> • Variable production performance on farm • Poor quality training opportunities for the development of business skills • Lack of opportunities for expansion/new entrants • Variable quality of support • Recruitment and retention of quality staff • Weak supply chain relationships • Lack of world class processing in some markets • Poor export market • Fluctuating prices for milk - volatility

Opportunities	Threats
<ul style="list-style-type: none"> • Dedicated supply chains • Global growth in dairy consumption/demand • New and innovative products • New routes to market • Industry consolidation • Improved business performance • Low milk supply 	<ul style="list-style-type: none"> • Economic slowdown affecting consumer purchasing power and commodity prices • Increasing input costs • Environmental legislation • Regulatory burden • Climate change • Animal welfare and environment perceptions • Conflict within supply chains • Reduction in Government support • Pressure on land use • Increasing global competition • Nutritional concerns • Risk of infections and disease eg, TB, Bluetongue • Lack of throughput in processing plants • Volatility

As identified in the AHDB PESTLE analysis there are some key strategic issues/themes for all agricultural sectors. Particular issues within the AHDB PESTLE which are key drivers in the dairy sector are Climate Change, Supply Chain development, Global trade leading to increasing volatility and competition, and diet and nutrition. By looking at the SWOT analysis, the strategic themes which come out of the AHDB PESTLE and by examining what the dairy sector is doing well on its own we can identify what the priorities for DairyCo are.

Strategic Theme 1: Reducing Greenhouse Gas (GHG) emissions per kg of food

➤ **Dairy Sector Priorities**

- Ensure the Dairy Roadmap targets are achieved
- Ensure the necessary information relating to GHG emissions from dairy farming is available to farmers and policy makers through research and Knowledge Transfer

Strategic Theme 2: Increasing sustainable productivity to meet the food security challenge

➤ **Dairy Sector priorities**

- Creation of an industry-supported research strategy to help develop productivity
- Ensure industry drives research priorities through the DairyCo Research Advisory Forum
- Ensure appropriate technical information is available through our Knowledge Transfer services and farming information centre to facilitate increased production
- Undertake genetic evaluations to maximise sustainable productivity

Strategic Theme 3: Improving industry competitiveness

➤ **Dairy Sector priorities**

- Understanding of future demand in order for confidence to invest to exist – provide market intelligence
- Ensuring the technical information required by dairy farmers is available when they want it, in the format they want it, through our Knowledge Transfer services and farming information centre
- Support improving on farm efficiency through benchmarking – MilkBench+
- Managing volatility
- Undertaking genetic evaluations to maximise competitiveness through breeding the best cows.

Strategic Theme 4: Promoting a healthy balanced diet

➤ **Dairy Sector priorities**

- Ensure industry has sufficient information to both reactively and proactively communicate with consumers about dairy farming
- The dairy supply chain is already addressing this in relation to promoting the place of dairy products in the diet, so no market failure exists and DairyCo will leave this to the dairy supply chain.

Strategic Theme 5: Developing industry skills

➤ **Dairy Sector priorities**

- Reducing variation in technical and business skills through Knowledge Transfer.

We set out on page 32 how DairyCo will address these challenges throughout England, Wales and Scotland.

DairyCo's purpose

DairyCo exists to: *promote world class knowledge to British dairy farmers so they can profit from a sustainable future*

DairyCo's successful delivery of this will be demonstrated by: *world-beating dairy farmers thriving in a vibrant industry – without levy support*

DairyCo's role in the Dairy Sector

In supporting the industry in tackling the priorities identified above DairyCo must work effectively with public and commercial industry partners (farmers, processors, retailers, governments in England, Wales and Scotland and their agencies) to ensure levy funds are only used in the unique, unaddressed (ie, market failure) areas that can generate the greatest benefit for dairy farmers.

For example, DairyCo has a significant role to play in some of these areas, such as on farm competitiveness, which are currently not well developed in the industry.

However, it is clear that tackling the key issues facing the industry described previously is not DairyCo's sole responsibility. We expect that over the course of this business plan we will see more and more activities currently funded by the levy, being funded by other sources, or activities delivered by others in the supply chain.

The existing levy rate will be monitored carefully to ensure that only enough income is generated from the levy to tackle the priority areas of market failure.

For the 2010/11 year, it is proposed that levy rates will be maintained at 0.06ppl.

Tackling/addressing market failure

During the past year we have tackled market failure, with The Dairy Council, which provides promotion of the nutritional benefits of milk and dairy, now solely being funded by the industry. We are also now seeing the industry taking on the responsibility for this area through industry-funded consumer campaigns promoting milk and dairy products.

We have investigated, and will continue to investigate, all opportunities to tackle market failure. During the past year we have investigated one and concluded (based on industry views and the practicalities) that it was not possible to pass the activity to the industry. We are currently (October 2009) investigating another activity and are hopeful we will make an announcement early in the 2010/11 year.

We will continue to look for opportunities to support the industry in taking on activities we currently carry out with the statutory levy.

DairyCo in England, Scotland and Wales

DairyCo is aware that the needs of dairy farmers in the different countries of Great Britain do vary sometimes and DairyCo seeks to operate in the most appropriate manner in those countries. We work with the devolved administrations to identify the best way of operating in the different countries in GB.

Our core service is generally relevant to all countries (e.g. Market Intelligence – EU commodity prices), but is tailored to suit any individual needs (e.g. Welsh specific Market Intelligence pages in some areas). The main area of difference is in the delivery of on the ground services to dairy farmers.

During the past year we have entered into a ground breaking agreement with the Welsh Assembly Government (WAG) regarding the delivery of our services in Wales. This will mean that our on-the-ground KT activities will be combined with the WAG Farming Connect Dairy Development Programme activities to provide one set of co-ordinated activities in Wales. By combining our resources we will be able to deliver more for Welsh dairy farmers.

We have recently entered into discussions with Scottish stakeholders and the Scottish Government about how we should develop our services to dairy farmers in Scotland including our work on reducing greenhouse gas emissions, and whether the agreement we have made in Wales may also be applicable for Scotland. This may or may not be the case, but should be determined during this plan.

Over time we will also look at closer working with the regions of England via the RDA's.

Key achievements year to date

At the time of writing this plan (October 2009), we are six months in to the 2009/10 business year and have already made great progress towards this year's targets.

Highlights include:

In 2009/10, the market intelligence service will continue to develop to provide both the depth of information necessary to fully understand dairy markets, and to continue to develop farmer-facing economic benchmarking services.

The department has successfully published several documents, including two innovative new reports, *Factors affecting milk supply* and *Ensuring a sustainable supply chain* with another new report examining milk buyers' strategy and performance due in the coming months. Usage of the service continues to grow.

The team has continued to improve the quality and scope of the analysis and output produced and will continue to be strengthened throughout the remainder of the year.

In 2009/10 we will continue our work with AHDB, Defra, devolved administrations and others both nationally and internationally to provide farmers with simple, cost effective ways of reducing their impact on the climate, working within the Dairy Supply Chain Forum Roadmap framework.

DairyCo R&D provides support to the Environmental Plan for Dairy Farming (EPDF) group which collectively provides the measures against the targets set out in the Milk Roadmap. These measures helped to produce the *Milk Roadmap: One year down the road* document in August 2009 which detailed the positive efforts and improvements already being made by British dairy farmers to reduce the impact of dairy farming on the environment. Tim Bennett, DairyCo Chairman, now chairs the roadmap group.

The R&D team has continued to improve the level, quality and scope of climate change work undertaken, to help to improve farm efficiency while continuing to reduce environmental impact with several factsheets available in the autumn of 2009, and working to co-ordinate the industry's approach to measurement.

- **feeding+** - Continuation of the farm-level **feeding+** campaign to improve feed efficiency will be prioritised – the difference between the top 10% of farm businesses in efficiency of feed use and the average is 0.9ppl.
- **DairyCo Mastitis plan** – A targeted mastitis reduction plan to be implemented over a three year period, starting early 2009. This initiative will deliver benefits on three levels: improve longer term business profitability; increase levels of animal health and welfare and also deliver a positive message to consumers.

The DairyCo Mastitis Control Plan was launched in April and response from vets and consultants to the offer of training in the implementation of the plan has been very pleasing. We had targeted to train 50 vets/consultants as planned users and to have 150 farmers on the plan by end March 2010. Currently, we have over 100 plan users trained with 200 farmers on the plan and more coming on board all the time.

The **feeding+** campaign has now seen 500 farmers attending events throughout the country with over 1800 **feeding+** farm improvement folders distributed. In preparation for evaluating the project at the end of a two year period, we have baseline Feed Conversion Efficiency (FCE) figures from over 80 farms.

So far in 2009/10 **breeding+** has successfully introduced national calving ease evaluations for the Holstein breed and has made significant advances in Across-breed evaluations, which for the first time allows farmers to compare bulls from different breeds, to maximise the efficiency of their breeding programmes.

In 2009/10 DairyCo will focus on maintaining effective communication with dairy farmers to increase uptake of products and services and awareness of the role of DairyCo.

The annual survey carried out in January 2009 showed 66% of farmers recognising the DairyCo name and its activities. Concerted communications activity remains in place to increase this figure with press mentions for 2009/10 outstripping the previous year by 61%.

In 2009/2010 DairyCo will build a resource of information for the industry and consumers on the impact of dairy farming on the environment and how dairy farmers manage animal welfare. In addition, we will undertake identified Image Management activities eg, promoting milk in schools.

The knowledge base for the central resource of information is well underway with regular input and co-operation from industry. The first issue statements are now ready and we have worked with the industry on dealing with issues that have arisen in the media over the past 8 months.

DairyCo strategies 2010/11

Using the criteria of market failure and industry need (as generated by the PESTLE/SWOT) we need to continue to support the industry in developing its capacity to deal with the following themes:

- Strategic Theme 1: Reducing greenhouse gas emissions per kg of food
- Strategic Theme 2: Increasing sustainable productivity to meet the food security challenge
- Strategic Theme 3: Improving industry competitiveness
- Strategic Theme 4: Promoting a healthy balanced diet
- Strategic Theme 5: Developing industry skills

Examining what the industry is and is not already doing well, we are left with the following activities for DairyCo:

Objective 1: Ensure farmers have access to world class information needed to improve competitiveness, GHG reduction and productivity (Strategic themes 1,2,3,4,5)

We will collect world class information and provide via a “hub”. This will cover market intelligence, dairy farming information, and information for consumers. The “hub” will be our website, which will be developed into a repository of world class information, available in different formats for different customers.

Information and understanding are important for productive relationships and we will provide a world-class market intelligence service – Datum – which will be insightful, independent and impartial – yet challenging. This means farmers and their representatives will have access to unbiased, high-quality information to assist them in business planning and improving relationships. This will also help guide industry policy and future DairyCo strategy.

The farming information centre on the website will be developed into a one stop shop of dairy farming technical information over the lifetime of this plan to include links to third party information, and academic research papers from around the world. This will be done on a priority basis. Where gaps in technical farming information are identified in our five year R&D & KT strategies, work will be commissioned and the results published on our website and through other mediums. The farming information centre will also link to consumer-focused information on dairy farming to ensure the image of dairy farming is portrayed fairly and accurately. We will also ensure that schools and education programs are delivered to ensure our consumers of the future are fully informed about dairy.

- *In 2010/11, the market intelligence service will continue to develop to provide the depth of information necessary to fully understand dairy markets. It will contribute to the debate on possible methods of managing volatility and milk buyer performance. (Strategic themes 1,2,3,5).*
- *In 2010/11 we will focus on developing the farming information centre to provide world class technical information to dairy farmers, the DairyCo KT team and for Image Management. Particular areas of focus in 2010/11 include the development and implementation of a strategic research plan which will have industry support and be supported in its development by the DairyCo Research Advisory Forum (Strategic themes 1,2,3,5).*
- *In addition we will provide a consumer-facing website about dairy farming. (Strategic themes 4)*

Objective 2: Ensure farmers have access to direct and indirect support to help them improve their profitability through better business management (Strategic themes 1,2,3,5)

DairyCo will provide Knowledge Transfer services, through a team of 16 extension officers based around the country. They will deliver practical support to help farmers develop their businesses through open meetings, discussion groups and other services. DairyCo's aspiration is to engage with even more farmers. In addition, we will provide tools and information to farmers via third parties. A good example of this is our mobility scoring tools being used by farmers supplying Tesco as part of its supply chain partnership.

In 2010/11 we will focus on the following KT projects:

- **Mobility Scoring** – *Implementing the DairyCo mobility scoring system on more farms and helping to reduce the incidence of lameness in their herds. (Strategic themes 1,2,3,5)*
- **Business Skills** – *DairyCo will support the development of farmers' business and technical capability through discussion groups, open meetings, etc supported by other tools and services. The difference in costs between the top 10% and the average cost of production is in excess of 5ppl - better business management and benchmarking will allow farmers to identify and tackle areas where they can improve business performance. If an extension officer assists two discussion groups of 10 farmers implement best practice and improve profitability by 0.5ppl during the year, this would more than cover the costs of that extension officer. (Strategic themes 1,2,3,5)*
- **DairyCo Mastitis Control Plan** – *A targeted mastitis reduction plan to be implemented over a three year period, will continue. This initiative will deliver benefits on three levels: improve longer term business profitability; increase levels of animal health and welfare and also deliver a positive message to consumers. Based on working with 750 farms over three years, savings on clinical mastitis costs to dairy farmers is estimated to be over £2.7million. (Strategic themes 1,2,3)*
- **MilkBench+** - *We will work with over 350 dairy farmers in 2010/11 to support them in benchmarking their businesses through our MilkBench+ system in order to improve profitability. It is our intention to collect data proportionately through GB. In addition, we will provide a report analysing the key performance indicators to optimise efficiency on different farming systems. Targets for future years will increase after first year rollout of the new team, to 500 in year two. (Strategic themes 1,2,3,5)*

Objective 3: Ensure that dairy farming is reducing its impact on the environment (Strategic theme 1)

Further reducing the environmental impact of dairy farms and ensuring regulation is realistic, while maintaining profitability, is crucial for the sustainability of the British dairy industry. In particular, reducing GHG emissions per litre of milk produced is of paramount importance to the dairy industry. This will enable DairyCo and others to promote the positive efforts being made across the industry to decrease the environmental impact of dairy farming.

The industry developed the Milk Roadmap in May 2008 which details targets that the industry needs to meet by the reporting years of 2010, 2015 and 2020. DairyCo will, in collaboration with partners (including other sectors of AHDB), undertake research to ensure farmers can improve sustainability which will help to further reduce environmental impact. At the same time, this will improve farm profitability and ensure that the industry is able to meet the targets laid out in the Milk Roadmap.

- *In 2010/11 we will continue our work with AHDB, Defra, devolved administrations, Dairy UK, farming unions and others both nationally and internationally to provide farmers with simple, cost effective ways of reducing their impact on the climate working within the Dairy Supply Chain Forum Milk Roadmap framework in England, and the similar initiatives currently being set up in Scotland and Wales. We will also be working across AHDB on the issue of GHG emissions and mitigation to enhance our activities and avoid duplication. (Strategic theme 1)*
- **Climate change R&D** – *This programme will continue the fact finding work already in progress and will provide practical information to help farmers manage the challenges of climate change and reduce the impact of milk production on climate change as cost effectively as possible (again we will link with other AHDB sectors where possible). (Strategic theme 1)*

Objective 4: Ensure farmers understand the benefits of breeding and use the related tools. (Strategic themes 1,2,3,5)

Breeding has a considerable impact on profitability, as demonstrated by the fact that 80% of the increase in milk yield over the past 20 years can be attributed to improved breeding – giving a total annual economic benefit of well over £10m per year on all traits evaluated. Although the benefits cannot be seen quickly, breeding has a huge impact over time. However, not all farmers use it to its maximum potential so we need to encourage its use.

During 2010/11 the **breeding+** genetic evaluations service will continue to be developed to help farmers maximise their business potential through breeding. In particular we will continue to develop indices with new technologies such as genomic evaluations, and with more traits such as mastitis resistance. We will review the national breeding objectives, and as part of this will also investigate the impact of breeding on GHG emissions. Additional efforts will be focused on increasing the transfer of knowledge about genetics to more farmers. (Strategic themes 1,2,3,5)

Strategy	Key Outcome	Targets	Key Risks	Key Controls
DairyCo Objective 1: Ensure farmers have access to world class information needed to improve competitiveness, GHG reduction and productivity				
Provision of a world-class market information service	Farmers have access to unbiased, high-quality information that assists in business planning and supply chain relationships	Quantitative: Monthly target of website hits 70,000 and subscribers to fortnightly Dairy Market Update 4,000	Availability of skilled staff. Perceived or actual bias. Depth of analysis. Depth of challenge. Not able to obtain sufficient economic data	Appropriate retention, and training procedures. Sign off procedures. Staff and time to undertake work. Constant review and contingency plans for data collection
Provision and uptake of world class technical information with more and more farmers using it	Farmers increasingly using world class technical farming information via our website and staff so that they maximise their competitiveness, productivity and minimise GHG emissions per litre	The usage of our website increases to 1,600,000 page visits during the year. We have 77,000 downloads, uses or requests for our tools, publications and materials. How would you rate the performance of DairyCo on a 1-5 scale = target 3.7/5	Lack of suitable researchers to undertake the projects. Farmers not open to change existing practices. Lack of farmer awareness of information availability. Lack of marketing of services. Lack of training for staff. Lack of quality control	Ensure outcomes of research activity are delivered in a manner that will give farmers the confidence to change. Ensure research is fully integrated with Knowledge Transfer networks. Sufficient resources allocated to communicate to levy payers. On time and on message communications to levy payers. Management control. Feedback on services from levy payers to ensure quality at right level
Protect and promote the image of dairy farming	Provision of high quality information to consumers which helps create a positive environment towards dairy farming in which the industry can thrive	We have increasing usage of our consumer websites (launch Mar 2010), leading to positive consumer attitudes towards dairy farming	Lack of awareness of emerging issues. Insufficient scientific knowledge. Lack of industry co-operation. Lack of accessibility to target audiences	Close media monitoring and regular tracking of critical issues. Retain high level of scientific awareness. Close communication and liaison with industry. Close co-ordination with lobbyists
Resource requirement: £2,206k				

Strategy	Key Outcome	Targets	Key Risks	Key Controls
Objective 2: Ensure farmers have access to direct and indirect support to help them improve their profitability through better business management				
Improve business and technical dairy farming skills through direct and indirect work with farmers	Farmers actively planning and taking control of their farm business and their future to optimise productivity and competitiveness by implementing best practice and new research	Moving to measuring overall effect of activities on profitability of farms. Plan to work directly with dairy farmers on 8,000 occasions to support the profitability of their businesses. This will be based on achieving the targets for the individual knowledge transfer activities. Some of these are: 350 farmers on MilkBench+, 120 Discussion Groups, 400 farmers on DairyCo Mastitis Plan	Poor quality training and management of staff. Poor tools and systems for use with farmers. Resistance from farmers due to inertia	Communication of importance of cost control. Delivery of proof that planning works for a more secure future. Rigorous training and performance management system. Suitable retention and progression in place for staff. Peer review of tools and systems. Using case studies and industry champions
Resource requirement: £2,447k				
Objective 3: Ensure that dairy farming is reducing its impact on the environment				
Support achieving the targets in the Milk Roadmap for reducing GHG emissions	Reduction in the amount of climate changing emissions produced per litre of milk through achieving roadmap targets and provision of appropriate information	The industry is on track to achieve the highest priority targets in the Milk Roadmap –(currently encouraging 65% of dairy farmers to nutrient plan, improving water and energy use efficiency by 5-15%, and utilisation of new technologies to reduce environmental impact.)	Not having the necessary research to inform priorities and policy. Many different on farm climate change models cause confusion. Farmers not interested in tackling challenges	Use of robust, globally-accepted analysis and review strategies. Try to achieve industry consensus on approach to use. Use case studies and champions in industry to promote benefits
Resource requirement: £145 k (Please note that much of the spend in other areas contributes to tackling this area)				
Objective 4: Ensure farmers understand the benefits of breeding and use the related tools				
Ensure farmers understand the benefits of breeding and use the related tools	Farmers make informed breeding decisions that lead to the best cows for maximising their profitability	Three genetic evaluation runs produced. The average PLI of semen used increases over the year by 8 points from the new base (set in January 2010). We develop our evaluation systems to include more key traits	Failure to recognise the benefits of genetic services by some farmers. Failure to deliver timely and accurate genetic evaluations	Careful use of targeted communication to tailor messages appropriately. Monitoring contractor's delivery
Resource requirement: £855k				

EBLEX – ENGLISH BEEF AND LAMB SECTOR DIVISIONAL PLAN

Introduction

The EBLEX Board undertook a strategic review in September 2009 and decided that more focus should be placed upon industry support activities linked to two clear objectives:

- Improving production efficiency.
- Helping the red meat industry to add value.

Accordingly this Plan emphasises that nearly all our levy-funded activities contribute towards trying to achieve one or other of these key objectives. Gone is a previous Strategic Objective entitled 'Championing the development of a Sustainable Industry', and it has been emphasised that the provision of appropriate market information and the provision of an issues management PR service are activities applicable to both the two core objectives.

The EBLEX Board recommends no change to levy rates for 2010/11. Levy income is expected to be £12.2m net of collection costs.

EBLEX will end the 2010/11 year with reserves of around £4.8m in line with the EBLEX Board's reserves policy, having taken the EBLEX sector's share of AHDB transition costs as a one-off charge in 09/10.

Nick Allen took over from Richard Lowe as EBLEX Sector Director in October 2009.

The EBLEX Board has representatives from all sectors of the beef and lamb industry, and is responsible for devising this strategy and monitoring its implementation.

The responsibility for overseeing the implementation of the strategy rests with the AHDB's Senior Executive Team, with the daily devising and implementation of projects and the communication of results to producers managed by a professional EBLEX team based in Stoneleigh and regionally around England.

An overview of the English cattle/sheep sector and market place

The underlying profitability of the beef and lamb sector remains fragile and very dependent on the favourable exchange rate. By recent historical standards finished livestock prices have remained high in 2009, although in real terms the beef price is still lower than it was in the 1980's. Analysis of beef and sheep enterprises for the 08/09 financial year published in the EBLEX Business Pointers update shows that most producers continue to struggle to move into profitability, once fixed costs are taken into account. A continued slow reduction in home production levels of both cattle and sheep is anticipated over future years.

Consumption trends have suffered a small decline during 2009 as a result of the recession, with some switching from the more expensive red meat proteins into poultry and pork. Lamb has suffered from this trend more than beef, unsurprisingly because it is the dearest of the meats in terms of average retail price per kg. In the medium term however, red meat consumption is anticipated to be reasonably robust with little change to consumption levels per capita.

Cattle

The table below summarises the key GB market data for beef, including EBLEX forecasts (at September 2009) to 2011.

'000 tonnes	2007	2008	2009(f)	2010(f)	2011(f)
Production	882	862	862	855	840
Imports	301	308	294	305	310
Exports	67	92	94	90	90
Supplies available for consumption	1,116	1,078	1,062	1,070	1,060

On the supply side, supplies of beef remain tight both within the UK and also throughout the EU, with continuing restrictions on imports from Brazil, and strong UK exports to continental Europe (helped by a weak sterling). Demand for beef has been slightly affected by the recession, with retail volume sales in the 52 weeks to 4 October down 3.4% against the previous 52-week period. This compares to overall meat and poultry retail volumes being only 0.4% down. However, generally higher retail prices mean that overall retail value sales of beef are up 6.4%, in line with the trend for overall meat and poultry.

Following the increases to cattle prices in the first half of 2008, they have remained firm throughout 2009. However the underlying profitability of the beef sector remains fragile as the industry continues to adjust to the decoupling of support payments, and both the dairy and suckler herds are expected to continue to fall, together by 2.7% in 2009 and by 2.5% in 2010 to 3.4 million cattle. Around half of the beef entering the food chain in the UK derives from the dairy breeding herd.

Lack of money and general producer uncertainty has meant little investment by most suckler calf producers, and this is the sector of the beef industry which based on our Business Pointers analysis for 08/09 has struggled the most to approach profitability and continues to show large losses. Despite the artificially enhanced Single Farm Payment in 2009, due to a very weak sterling exchange rate, the majority of suckler herds will rely on a reducing Single Payment in the coming years which will provide less of a financial safety net. Unless the current improvement in the price of weaned calved continues, together with a greater ability to control on farm costs, the economic situation outlook remains poor for suckler producers.

As with the other livestock sectors, increasing regulation and environmental legislation is placing an increasing cost burden on UK beef and dairy herds.

Sheep

The table below summarises the key GB market data for sheep meat, including EBLEX forecasts (at September 2009) to 2011.

'000 tonnes	2007	2008	2009	2010(f)	2011(f)
Production	325	326	307	297	285
Imports	128	127	130	130	135
Exports	70	88	90	90	90
Supplies available for consumption	383	365	347	337	330

Mainly due to the impact of sterling's weakness against the euro, lamb prices have been consistently above 2008 levels throughout 2009. With some 30% or so of UK sheepmeat output exported to continental Europe the farm gate price for lambs has received a welcome boost, despite the fact that demand for lamb has been affected in the home market by the economic recession more than any other protein. Retail volume sales for the 52 weeks to 4 October were 9.8% lower than the equivalent 52 week period to October 2008. Lamb is alone amongst competing proteins in also having experienced a fall in the value of retail sales for the Moving Annual Total to October, with the value down 1.2% (source, TNS).

The EBLEX Business Pointers figures show that producers of sheep flocks are improving their production cost performances through technical improvements. These figures come against a background of spiked costs from March 2008 to March 2009 when the data was captured, for outgoings like spend on fertilisers, animal feed and energy prices.

It is clear producers are responding to the challenges in the industry and improving their technical performance against a difficult economic background. The top third are showing significant improvement while those at the average level are also displaying encouraging signs of improvement in physical performance.

Beyond 2009 the factors currently affecting the UK flock will continue to impact. The implementation from January 2010 of electronic identification (EU regulation) could have an impact on ewe numbers. As a result the lamb crop is projected to fall over the medium-term although improvements in productivity (lambs per ewe) may offset some of the decline in production.

Global supplies from New Zealand are also expected to be tighter, reflecting poor returns in the sheep sector for NZ producers. However the UK has in recent years been the destination for around 40% of the NZ exports to the EU which operate under a quota system, and in the near term NZ import volumes are expected to be reasonably static.

English beef and lamb levies

EBLEX is funded through a levy paid on all sheep and beef animals slaughtered in England. There are approximately 56,000 cattle and 48,000 sheep holdings in England, and 220 abattoirs. Levy rates are currently £4.57 per head of cattle and 67p per head of sheep. Levies are paid approximately in the ratio 24:76 abattoir:producer. Because of the obvious administrative efficiencies which accrue, levy is collected by EBLEX on those animals slaughtered at an English abattoir rather than on those animals which are born or raised on an English farm. This methodology for collection is increasingly being challenged by levy-funded organisations in Wales and Scotland who are concerned that the point of slaughter should not be the defining criterion for levy allocation.

Drivers for change specific to the English beef and lamb sector

The AHDB PESTLE analysis earlier in this Plan very comprehensively sets out the background context within which the English beef and lamb sector operates. Especially pertinent to EBLEX are;

- The challenges of climate change, and the role that EBLEX can play in assisting a reduction in greenhouse gas emissions from livestock production. We also have the obligation on behalf of the industry to defend it from unwarranted attack, despite the fast-growing orthodoxy that the developed world should reduce meat consumption.

- The coincidence of the anti-red meat message from an environmental point of view with one from a diet/nutrition point of view, which is unhelpful for consumers and policymakers when distorted or false evidence is quoted by anti-meat lobbyists.
- The need for increased business competitiveness at farm level, with wider monitoring of costs and productivity.
- Policy and legislative developments concerning EID, further changes to CAP etc.
- The economic backdrop especially in relation to exchange rates and international trade.

<p>Strengths</p> <ul style="list-style-type: none"> • Availability of extensive grass-based grazing • Extensive production systems in sympathy with environmental requirements • Good animal welfare standards • A variety of breeds and production systems to meet differing domestic and export demand requirements • Comparable production costs and productivity with the rest of the EU • Ability to segment markets and to identify niche market opportunities • Strong independent whole chain assurance schemes • Use of arable by-products 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Supply chain not well integrated with imbalance of buying power. • Lack of collaboration amongst producers • Low herd/flock size • Poor nutrient management • Limited exploitation of advancing animal and plant genetics • Variable carcass quality • Low profitability amongst average performing producers • Low level of reinvestment • Lack of skilled on-farm labour • Low producer bargaining power in the supply chain • Inefficient supply chains • Low ability to add value to animal by-products • Processing overcapacity • High meat hygiene inspection costs
<p>Opportunities</p> <ul style="list-style-type: none"> • Scope for improved productivity • Robust domestic consumer demand for home-produced meat • Strong global demand for red meat • Export opportunities for some by-products • Scope to displace imports • Scope for greater producer collaboration and supply chain integration • Scope to increase the take up of technological advances • Scope to both reduce production costs per kg and reduce GHG emissions per kg concurrently • Scope to improve marketing skills • Halal market growing both in the UK and worldwide 	<p>Threats</p> <ul style="list-style-type: none"> • Animal disease outbreaks • Rising production costs • Aging farmer population and few new entrants • Sheep EID (Electronic Identification) • Prolonged economic downturn • Government cost sharing plans • Low cost third country suppliers • Climate change (adaptation and mitigation - pressures to reduce GHG emissions from livestock, and challenge to meat consumption) • Single issue pressure groups (anti-meat eating, animal welfare, environmental) • Health issues: association of meat products with human disease (e.g. colorectal cancer)

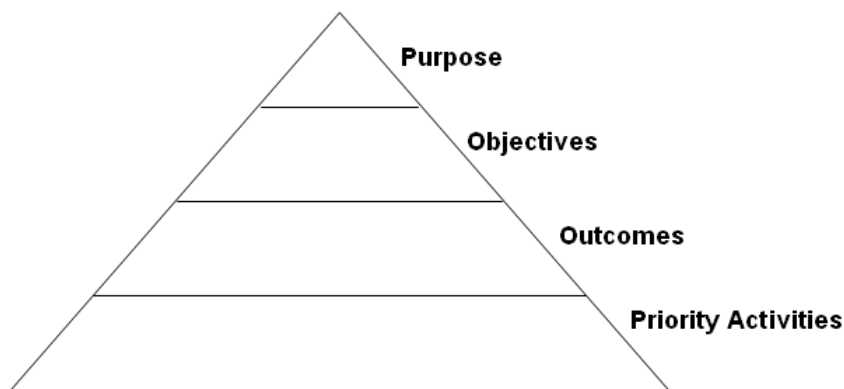
EBLEX strategies 2010 - 2013

The EBLEX Board's strategic review, in September 2009, reaffirmed that EBLEX's primary focus should be to enhance the profitability and sustainability of the English Beef and Lamb sector, and that as far as possible the focus of all our business activity should be to improve the efficiency of livestock production and to help the meat industry to add value.

The key principles underpinning the deployment of English beef and lamb levy funds are that;

- we work to deliver a return to our levy payers
- we are objective and are led by the scientific facts, market analysis and consumer insight
- we work within the EU State Aid regime.

EBLEX's fundamental Purpose is translated into two key Objectives. These Objectives are themselves translated into ten Outcomes, which describe "what good looks like", and for each of these outcomes we have established a set of strategic activities where we feel that EBLEX can contribute towards the achievement of the outcomes.



The EBLEX Purpose: To enhance the Profitability of the English Beef and Lamb Sector.

The two key Objectives are:

1. To help the Beef and Lamb Supply Chain to be More Efficient
2. To help the Beef and Lamb Meat Industry to Add Value

Under our objective to Help the Beef and Lamb Supply Chain to be More Efficient, we will focus on four key Outcomes:

- 1. Research & Development programmes which are capable of delivering practical improvement opportunities for primary producers.**

We will concentrate on improving genetic selection methods for significant market traits, improving growth rates through better feed methods, improving animal health and welfare through health planning and better biosecurity, and providing practical responses to climate change mitigation and adaptation.

- 2. Implementable ideas which are communicated to producers**

We will focus on developing the effectiveness of our branded Better Returns programmes, aiming to convert R&D outputs into actionable steps for producers to implement on their farms and develop skills in relation to best practice. Key areas of concentration will be the importance of selecting the right animals at the right time for slaughter, communicating how

to improve fertility of breeding animals, improving the use of practical animal health management programmes and the wider uptake of nutrition management tools.

One big dividend from wider involvement in and adoption of our Better Returns messages will be a reduced carbon footprint for beef and sheep producers in England. Almost exclusively there is an overlap between initiatives which reduce the net greenhouse gas emissions from each livestock production system and those which reduce cost for producers. A lower financial cost per kg carcass weight of meat produced invariably means a lower carbon-equivalent cost per kg too.

3. Producers knowing their costs of production and how these can be reduced

A prerequisite for a programme of knowledge transfer to help producers become more efficient is measurement. More producers need to measure more of the costs of their production system more often. EBLEX will continue to monitor the enterprise profitability of a large sample of producers in each production system type through our annual Business Pointers survey, but additionally we will refine web-based benchmarking tools and our What If? calculator.

4. Processors are more efficient

Whilst there is no great history of collaborative benchmarking of costs in the abattoir sector there is clearly an advantage to the industry in becoming more efficient. EBLEX will seek to develop tools to monitor specific areas of cost such as utility costs, waste disposal costs. In addition we will seek to identify specific business improvement and skills improvement projects to enhance profitability such as carcass utilisation and understanding meat yield, as well as practical fast measures of eating quality.

Under our Objective to Help the Beef and Lamb Meat Industry to Add Value, we will also focus on four key Outcomes:

1. The image of red meat as a healthy nutritious food is enhanced

We will re-launch our integrated communications programme to support the image of red meat. The ultimate target for this programme is the end-consumer but we will focus our programme on those who have influence on what consumers think about food/meat. Our primary constituencies for communication are healthcare professionals, education sector professionals and consumer press journalists. This communications work is based on scientific objectivity rather than propaganda, but is founded on the premise that many opponents of red meat have little regard for such objectivity.

2. Trade development opportunities are exploited in the home market

We will maintain and develop the trade demand for assured supply chains, and will optimise the use of our quality scheme logos (Red Tractor and Quality Standard Mark) in their respective trade channels. We will work to extend market opportunities for Halal meat across all sectors. Not only is the Halal sector an important contributor to the price of cull ewes but it represents the sub-sector of the sheepmeat sector with the most growth potential. We will also support farm shop and direct selling operations with best practice knowledge transfer.

3. Quality assured beef and lamb is identified to aid informed consumer choice

We will work closely with Assured Food Standards (AFS) to integrate the scheme administration for the Red Tractor and Quality Standard Mark schemes, including licensing,

database management and audit regimes. We will execute seasonal and tactical trade promotions to highlight the schemes and to differentiate quality assured beef and lamb.

Whilst advertising support for the schemes is not affordable to anything like the extent of previous years, we will seek to improve consumer awareness and understanding of the schemes and the value of assured beef and lamb, through web and press-based campaigns. The integration of the AHDB sectors' marketing effort with the continued promotion of the Red Tractor by AFS offers some exciting possibilities for EBLEX to sharpen the trade's focus on assurance.

4. Export opportunities are maximised for abattoirs

It needs only a cursory examination of the history of livestock prices to show how much we need healthy export markets to help to provide strong underpinning to farm gate prices. When export markets have been closed to us, then livestock farmers suffer.

We will continue to be the driving management force of the Agneau Presto campaign in France to promote lamb as a modern versatile and convenient meat solution. This programme is co-funded by the Irish and the French and early results have been very encouraging in what is our biggest export market. We will nurture export opportunities through the rest of the EU, continuing to exploit branding opportunities for exporters.

We will also seek to facilitate access to third country markets outside of the EU, notably for 5th quarter/offal export opportunities as well as Halal sheepmeat into Middle Eastern and North African markets.

Two further Outcomes are relevant to both Objectives:

- 1. Appropriate market information is available to those who need it.**
- 2. An issues management service is provided for the red meat and livestock sectors.**

An essential role for EBLEX is to provide a regular flow of reliable and accurate market intelligence, information and analysis, delivered to those levy payers who need it whether in paper or electronic formats. This is an area where market failure exists without a levy board in operation to provide objective and timely price and market reporting.

EBLEX will continue to forge strong links with livestock and meat industry trade associations at both regional and national level as a further bridge to industry. We will continue to provide a policy monitoring and analysis service regarding how developments are likely to impact on the meat industry at domestic, EU and international level.

To assist the efficient functioning of the market EBLEX has a key role to play in ensuring that industry understands the implications of regulations such as EID (electronic identification of sheep), as well as the impact of the search for political/societal solutions to the challenges of climate change. The red meat industry has a large part to play in climate change mitigation, as referred to above, but there is a requirement for some objectivity and balance in the way in which the industry is portrayed. It will be very advantageous to EBLEX to have at its disposal the AHDB Chief Scientist to add gravitas and perspective on this subject.

Following the publication of the dairy industry Roadmap in 2008 and learnings from DairyCo, EBLEX will publish its Roadmap on climate change in the red meat sector in the third quarter of 2009/10 and it is anticipated that this will be revisited with a "Roadmap Report - One Year On" towards the end of 2010/11. The objective is to move away from some of the rhetoric on this subject and ultimately establish on a practical level just what individual producers can do to improve their productivity and profitability and thereby also reduce their GHG emissions.

Strategy	Key outcome	Targets	Key risks	Key controls
EBLEX objective one: Help the beef and lamb supply chain to be more efficient				
<ul style="list-style-type: none"> Improved genetic selection methods for significant market traits Develop increased animal nutrition through improved feed methods High animal health and welfare through health planning biosecurity Practical responses to climate change mitigation and adaption Better integrated system management 	R&D delivers practical improvement opportunities	<ul style="list-style-type: none"> Deliver a programme of research projects aligned to identified priorities over the next 5 years giving a total benefit of £3.5m to each of the cattle and sheep sectors (as measured by ongoing cost-benefit analysis) Develop Phase 2 of the Climate Change Roadmap for publication by year end. All projects to meet individual milestones and budget targets. 	Poor quality or inappropriate research proposals/poor research team management	Use identified R&D priorities to focus activity. Review as necessary. Use of project management techniques by R&D contractors
Resource requirements £1,450,00				
<ul style="list-style-type: none"> Communicate breeding tools and systems and how to use them effectively Importance of selection of animals to produce saleable carcasses Nutrition management understanding and tools Communicate how to improve fertility Practical health management programmes 	Implementable ideas are communicated to producers and skills relating to best practice are delivered	<ul style="list-style-type: none"> Deliver 110 meetings and events covering KT and skills development 30% adoption of ideas by BRP event attendees measured by survey Maintain active participants at min 10,000 Develop partnership arrangements with RDA's to co fund BRP activities and increase skills relating to best practice Target Programme in 8 regions 	Poor uptake by the primary producer/producer apathy. Restricted event activity due to disease controls. eg. FMD. No funding support from regional bodies	Use all available means of communication and focus on key messages defined by core products
Resource requirements £800,000				
<ul style="list-style-type: none"> Business Pointers analysis linking cost to technical improvements Continue to refine web-based tools and benchmarks Costs and benefits of environmental schemes and animal disease Deliver programme of BRP events 	Producers know their costs and how to improve	<ul style="list-style-type: none"> To deliver benchmark costings information to the beef and sheep producers in England Business pointers publication made available to all English producers and distributed to all members of the BRP programme currently @ 23,000 Develop and encourage web based tools uptake to be measured by downloads from the website 	Poor uptake of costings tools by the primary producer/ producer apathy, leading to BRP/KT work not being financially focussed	Incorporation of costings into BRPs
Resource requirements £300,000				

Strategy	Key outcome	Targets	Key risks	Key controls
<ul style="list-style-type: none"> • Communicate opportunities for more efficient waste disposal at abattoirs and cuttings plants • Develop tools to benchmark utility costs in abattoirs • Improve carcase utilisation and understanding of meat yield through increased knowledge and skills development • Practical fast measures of eating quality • Identify business improvement projects to enhance profitability 	Processors are more efficient	<ul style="list-style-type: none"> ▪ Benchmark figures produced for the first time on Utilities costs in abattoirs ▪ Meat Quality plant visits ▪ Development and encouragement of the Young Leaders programme ▪ Development of new cuts in both standard and premium ranges ▪ Develop a marketing awareness course for the sector 	Poor engagement from trade associations representing supply chain links	Steering group of key stakeholders to be chaired by EBLEX Chairman
Resource requirements £300,000				
EBLEX supporting services meeting both objective one and objective two				
<ul style="list-style-type: none"> ▪ Regular flow of reliable market intelligence and analysis, delivered across media platforms. ▪ Trade, press and website communication delivering news on KT activity 	Appropriate market information is available	<ul style="list-style-type: none"> ▪ Increased traffic to the Market information on EBLEX website (specific target for visits tbc) ▪ Maintain and develop the trade website as the focus for knowledge transfer and best practice initiatives 	Non-engagement could lead to decline in market transparency. Poor sector engagement with IT and the internet. Inability to effectively monitor uptake of printed publications	Ensure internal comms channels are used to support external activity. Rigorous ongoing evaluation of communication activity. Ensure all outputs are appropriately branded
<ul style="list-style-type: none"> • Nurture strong links to trade associations at regional and national level • Government/EU/International relations (incl regional) policy monitoring and analysis. • Ensure industry understanding of issues, like EID and climate change 	Issues management is provided for red meat and livestock sectors.	<ul style="list-style-type: none"> ▪ Attendance by Regional Managers at main trade association meetings target 80% (NFU, NBA, NSA) ▪ Develop Library of industry resources on relevant issues i.e. EID, Climate Change, Water usage, Religious Slaughter 	Poor uptake of messages by stakeholder media. Lack of stakeholder engagement with key messages. Poor implementation of comms strategy. Livestock farming gets negative image in political circles due to GHG emissions	Effective promotion of websites. Monitor publication uptake through existing databases
Resource requirements £1,830,000				

Strategy	Key outcome	Targets	Key risks	Key controls
EBLEX objective two: Help the beef and lamb meat industry to add value				
<ul style="list-style-type: none"> • Relaunch Integrated comms programme for beef and lamb to the consumer, led by PR to lifestyle/health journalists • “Influence the influencers”; • Nutritional advice delivered to healthcare professions • Delivery of beef and lamb education programmes tailored to teachers • Maintain up to date knowledge of international research into Human Nutrition 	Enhanced image of red meat as healthy, nutritious food	<p>Milward Brown tracking of consumer attitudes to Beef and Lamb as part of a healthy nutritious diet.</p> <p>“Red meat is important in a healthy diet” to be at least maintained at 36%</p> <p>“Red meat is too fatty” to be maintained at 65% or less</p>		Open communication with stakeholders to set expectations. Work with AFS and other AHDB market staff to develop collaborative campaign
Resource requirements £500,000				
<ul style="list-style-type: none"> • Maintain and develop assured supply chains into all sectors, optimising use of RT, QSM marks • Identify and develop quality brands based around AFS assurance • Halal-specific projects to extend market opportunities across all sectors • Support farm shop and direct selling operations 	Trade development opportunities exploited in home market	<p>RT to increase on-pack distribution in supermarket from current 68% to 80% of qualifying packs</p> <p>Maintain QSM support for non-supermarket supply chains pending development of AFS licensing</p> <p>Establish Halal Steering Committee to meet x3 and monitor a Halal Business Plan</p> <p>Ensure promotional activity fits with farm shop operations</p>	Falling membership of assurance schemes and the threat of increased competition and market penetration from commodity product. Danger of lack of commitment from sections of trade if move to Red Tractor assurance mark	QSM scheme management, communication to the membership and the maintenance of key account contacts. Undertake comprehensive communications exercise to ensure full understanding of issues
Resource requirements: £2,090,000				

Strategy	Key outcome	Targets	Key risks	Key controls
<ul style="list-style-type: none"> • Work closely with AFS to integrate RT/QSM scheme administration, including membership hotline, database and audit regime • Seasonal and tactical RT/QSM promotions to differentiate quality assurance beef and lamb • Improve consumer understanding and value of assured beef and lamb through web and press-based campaigns 	Quality assured beef/lamb identified to aid consumer choice	Develop specific RT communication material and campaign proposal by May 2010 - campaign targets (tbc) Agree awareness measurement in conjunction with AFS (tbc) Undertake 4 seasonal promotional campaigns for each sector boosted by tactical activity where possible	Delay in processing new applications, high audit failure rates and breakdown in approved farm and processor assurance schemes	A rigorous management process linked to the regular audit review process. TAC inputs
Resource requirements: £1,500,000				
<ul style="list-style-type: none"> • Facilitate 3rd country access (ex EU) • Nurture EU market opportunities • Explore new market opportunities, e.g. halal and 5th Quarter especially to 3rd countries • Identify branding opportunities for exporters and capitalise on existing brands • French Lamb and Beef Market opportunities exploited • Help stabilise and increase consumption through joint generic promotion 	Export opportunities maximised for English abattoirs by improved knowledge and understanding of the export market and preparation skills development	5% increase in English Beef and Lamb Exports 50% increase in English Beef and Lamb offal exports Certificates for 3 rd Country market access Stable consumption in France of lamb	Increasing costs of production and distribution	Management of activity levels based on a critical assessment of need
Resource requirements: £2,770,000				

HDC – GB HORTICULTURE DIVISIONAL SECTOR PLAN

Introduction

The HDC aim is: “To make a major contribution to the profitability of the GB horticultural industry by being a top class, efficient and progressive facilitator of near-market horticultural research and development and the associated technology transfer”.

Dr Bill Parker has taken over as Director of HDC. He had previously run the ADAS Horticultural team. The HDC team has been rearranged into specific teams - a Vegetable Team devoted to field vegetables and protected edible crops, a Fruit Team covering soft fruit and top fruit; and an Ornamentals Team covering protected ornamentals, bulbs and outdoor flower and nursery stock. Whilst individuals have been allocated to the teams this does not prevent them working across the piece on strategic issues such as the impact of the Water Framework Directive and the European Union’s (EU) Pesticides Thematic Strategy. (The Fruit team operates close to the industry in Kent, and the Crop Protection Liaison Manager (CPLM) and senior Vegetable technical manager are based at STC Ltd, Cawood, Yorkshire).

On the technical side, climate change and the assessment of the impact of the ‘Carbon footprint’ of horticulture sectors is ongoing work. Professor Gareth Edwards-Jones is continuing his research fellowship with HDC and is going to draw together a strategic group from panels to really see what the industry needs to do to move forward both in terms of project work and funding sources.

Last year reference was made to the National Horticultural Forum (NHF) report by Dr Brian Jamieson which addressed the potential problems which we were likely to face with an apparently shrinking applied R&D infra-structure. This was made more apparent in the first part of 2009 with the University of Warwick’s closure of the Kirton experimental site. Attempts by industry and HDC representatives to mount a rescue of the station failed to meet any positive support from the University and there are increasing fears now about remaining applied R&D sites and their future viability, both because of the lack of underpinning centralised funding and the overheads university finance departments attribute to such facilities, even where they were ‘gifted’ them for use in support of the industry. HDC is really challenged here to ensure that it does everything possible to a) secure the physical resources for allowing applied R&D to be done from (see Strategy 6 below); and b) stimulates and encourages the skills agenda both in terms of identifying mentors for the future entrants and also encourages new entrant routes into the industry (see Strategy 4 below).

An overview of the GB horticulture sector and market place

Bulbs and Outdoor Flowers (BOF)

- The market continues to show an overall decline year-on-year although in the period May to July 2009 there were some signs of growth.
- Certain crops such as gladioli and sunflowers are now being grown on a very large scale by a small number of growers, although the total area is down as smaller growers exit. There has also been a massive increase in the area of sweet william. The daffodil bulb harvest appears to be average. There is a trend for growers to plant later-flowering varieties as they recognise that there is a strong demand for late flowers.

- Successful growers have reduced their unit costs as a result of larger-scale operations and investment in mechanisation. This trend is set to continue.
- Lily and tulip bulb prices continue to be low; competition from Holland continues to be fierce. To a certain extent this is a result of distress selling due to over-supply in the Dutch market (for lilies in particular), but another factor is the high level of mechanisation employed in Holland compared to the UK. This gives the Dutch growers a huge cost advantage.
- UK retailers (multiples and florists) continue to demand UK-grown seasonal flowers so the outlook continues to be positive. The bulb market is volatile and 2010 could well be a challenging year for bulb-based flower growers.

Hardy Nursery Stock (HNS)

- Growers supplying the garden centre market have had a good season, with growth in plant sales on the back of a very good spring following a cold and snowy late winter period. Summer sales were satisfactory. The better performance seems to be linked to more active sales teams with staff out on the road. 'Grow your own' has been a big feature and has helped bring new and younger customers into garden centres.
- Suppliers to DIY stores have had a reasonable year, though there have been reports of late cancelled orders. B & Q also raised payment terms to 90 days, and some suppliers may be re-assessing dealings with DIY stores as a result.
- Amenity growers have had a much tougher time, with sales declines of 18% being fairly typical. This is primarily due to the collapse of the house building market and a cut back on garden maintenance by house owners feeding through to lower demand for plants.
- Looking forward, the main issues are the longer-term impact on availability of pesticides of changes in the EU regulatory framework, water availability and difficulties with abstraction rights etc. in the future, the availability of seasonal staff and the skill levels of permanent staff. The impact of peat use reduction targets could also become more important.

Field Vegetables (FV)

- The year shows a mixed picture across the different sectors of the vegetable industry with regards to volumes and values. This will affect the incomes for some growers more than others but the overall picture is viewed as a similar income level to last year.
- With an eye on the future, the depletion in herbicides is seen as a key challenge in many of the sectors for the coming year. Whilst work undertaken by HDC has identified new alternatives, difficulties associated with Approval of these actives in UK are leaving growers bereft of herbicides. Crops are going to be weedier and consequently either less productive or more expensive to produce.
- In many crops, particularly salads, poorer UK-wide weather later in the summer after a reasonable start to the spring has reduced sales and led to difficulties in moving crop.
- In summary, the outlook across the sector is mixed but overall production and returns appear stable. Loss of plant protection products is seen as a genuine concern now and for the foreseeable future.

Mushrooms (M)

- On the positive side, there has been a purple patch for sales due to the weakness of the Euro and labour is still available from the GLA pool although many overseas workers are now leaving the UK. There has been capacity expansion to replace imports. Consumer demand also seems to favour UK-grown local produce, partly due to concerns about climate change

- The organic sector has struggled to stop a sales decline due to the credit crunch and adverse publicity on health benefits; however, this does seem to have plateaued. Small and medium-sized growers not are investing in their businesses.
- Of major concern is the spreading of relevant waste on agricultural land to confer agricultural benefit to the land under the Agricultural Waste Regulation where spent mushroom compost may be classified as a waste product, whereas elsewhere in Europe it is considered to be an agricultural fertiliser. This regulation may be critical to competition from the rest of Europe and may seriously disadvantage UK growers who have not been properly consulted.
- Supermarkets are beginning to discuss price drops. Compost quality has also been variable, but has tended to be more stable in the latter part of the year. UK production of compost has diminished due to imports of 'phase 3' compost from Holland as growers seek a more consistent product..

Protected Crops (PC)

- Energy prices continue to be a major concern. Although this year's trend in prices has been downward for gas and electricity, the underlying trend in the longer-term is still likely to be upward. Thus the main concern remains finding suitable, viable alternatives with a long-term future when our natural resources start to become an issue in the not too distant future.
- Fertiliser prices are also reducing, but whether either the fertiliser or gas prices return to previous lows is very doubtful. Any decreases will put additional monies back on the bottom line. The reduction in fertiliser price has been bought about by the credit crunch and not, as hoped, by factories becoming more efficient or additional ones coming online.
- Returns to the sector from the retailers are static as they have been for a number of years. Any increase has been as a result of a shortfall in availability and long-term increases have not materialised. Some of our businesses have been adversely affected due to competition from a certain area in Kent.

Soft Fruit (SF)

- The start of the 2009 season was promising for strawberries; demand was excellent and returns up on 2008 until the last week in June. Thereafter returns were low. Raspberry tonnage remained static in 2009, but returns were lower than 2008. Blackberry tonnage again increased but returns were poor due to oversupply.
- UK blueberries are starting to come through in greater volumes from the first planted plantations, although the growers found themselves in an oversupply situation due to a clash with low cost, imported Polish berries of the same variety, for a period mid-season.
- Premium lines for all fruit lost ground in the early part of the season, in large part due to retailers selling at low weights and high retail values - this pack was not perceived as value for money by the consumer.
- Turnover figures overall are forecast to be higher for the 2009 soft fruit season, but costs are also increasing against low returns as supermarkets concentrate on value lines.
- Labour has not been an issue in 2009, but in the future a replacement, or the continuation of SAWS post 2010, will be essential for the survival of the Horticultural Industry as a whole.

Tree Fruit (TF)

- Rewards to UK apple growers are set by the later sendings of Southern Hemisphere fruit, which in 2008 provided good prices to start the season. Unfortunately the effects of the world economic crash coincided with the start of the UK season and prices drifted away. Fruit quality was however excellent for the year. The decline in crop protection products

continued to give concerns and problems. The organic apple sector was hard hit by the economic downturn, although those marketing through specialist organic marketing organisations and box schemes fared better than those supplying multiples. The move towards disease-resistant varieties is now an urgent goal for the sector.

- The production area of pears has declined significantly in the UK over the past 10 years due to challenges of yield, quality and pest control, but the demand for British-grown fruit is strong. One of the UK multiples in conjunction with a marketing organisation has funded a “concept pear” orchard to look at modern growing systems and water management techniques. It is hoped that the results will spur the pear sector to invest in future orchards with more confidence.
- Excellent crop set coupled with a strong demand for British cherries saw returns at record levels for this crop. Investment by the sector in covering systems and new orchards were finally justified. The sector is reasonably well covered by crop protection products.
- Problems with the marketing of UK plums marred the season for some growers. The small acreage of UK apricots had its best season so far, with very high quality fruits making exceptional returns. We are likely to see an expansion in protected crops within the sector in the future.
- UK nut growing remains very much a niche, with Kent Cobs and Filberts maintaining their place on the multiples shelves. It is unlikely that the sector as a whole will expand in the foreseeable future.
- The 2009 top fruit season sees a large European crop of good quality following a very large Southern Hemisphere crop which is still to clear from UK shelves. The long drought in the South East has provided a light crop in terms of fruit size and weight. It is likely to be a very challenging marketing climate for 09/10.

Drivers of change in the GB horticulture sector

The UK horticultural industry is extremely diverse, covering over three hundred crops and many diverse production systems. Yet it faces many common key issues. These issues, often beyond the control of the individual or business, will strongly shape the future direction of HDC's activities, from R&D programme through to the communications activities which facilitate uptake of new knowledge and processes by the industry.

Underlying strategic issues include pesticide availability, energy costs, waste management, availability of labour and, increasingly, food security. Positioning ornamentals research and knowledge transfer within the institutional funding landscape is becoming increasingly problematic as policy focus shifts towards food security.

The impacts of climate change mitigation and adaptation are also increasingly important. These are currently being manifested in carbon footprinting/life-cycle analysis studies to help identify the true ‘carbon cost’ of horticultural production. However, this will need to move on to how best to use this information to move towards ‘lower carbon’ production methods.

For HDC itself, the changing institutional landscape with the ending of the HortLINK programme, the introduction of the Technology Strategy Board (TSB) crop protection programme, and the winding down of Defra funding for production research means that we need to adapt our approach and our staff resource base to meet a range of new challenges (such as finding funds to leverage HDC inputs for work in the ornamentals sector) and

opportunities (such as TSB programmes), but including how best to manage our applied R & D contractor base.

These challenges mean that HDC will have to:

- a) develop explicit strategies to address these areas; and
- b) ensure that the financial resources are available to ensure that cross-cutting strategic projects for the benefit of the whole industry can be commissioned at Board level without the need to draw on funds allocated specifically to panels.

Alongside the strategic work, there will remain a need to commission research projects required to meet specific sector needs. This effectively means striking a balance between the funding of strategic projects and traditional 'bottom-up' tactical projects funded out of budgets allocated to panels - the latter will still form the bulk of HDC commissioned research.

All these challenges are manifested within our corporate strategic themes, which are outlined below. Specific actions for these are detailed in the subsequent tables.

Summary and succinct SWOT analysis for UK horticultural production

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Technically advanced production • Well developed assurance schemes • Backed by decades of high quality R&D • Better awareness of health benefits of fruit & vegetables • Excellent 'quality of life' message for UK ornamental production • World-renowned research institutions • Sophisticated food and ornamental supply chain • Healthy foodstuffs (some claimed as superfoods) • Fashion trends for healthy eating, local produce and gardening • UK supermarkets world leaders in efficiency in distribution • Effective arrangements for applied R&D through the HDC • Strong knowledge transfer of latest R&D via HDC and crop consultants 	<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Climate change – wider range of crops – longer growing season • New market for diverse range of ornamental plant species • Varietal development conferring positive production and resistance attributes • Tunnel production to extend season • Nutrient recycling from waste water • Mechanisation/robotics • Product development and added value • Proven intervention programme (Food Dudes) to increase fruit and vegetable consumption – Large saving of NHS costs • Trend towards local sourcing including Farmers markets and box schemes • Greater production specialisation • Waste reduction on farm and post-harvest • Biotechnology – accelerated delivery of desirable characteristics in new varieties
<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Decreasing government funding for R&D over last 30 years • Shortage of skilled labour • Low return on investment • Slow and expensive legislative system for biopesticide approvals • Poor level (250g/day) of fruit & vegetable consumption by UK population in comparison to recommended 400g /day • No nutrient recirculation from domestic waste water system • Low proportion of workforce and management level with high level training • Lack of accurate cropping/market data • Contracting supply and ancillary industry • Reliance on non sustainable resources e.g. peat, plastics, gas and oil for heating. • Fractured & weak wholesale markets • Ageing growers and workforce • Loss of local greengrocers • Independent crop consultants retiring without successors • Lack of strategic policy direction 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Closure of research facilities due to reduced Government funding for primary horticulture • Pesticide availability (legislation) • Availability and rising costs of nutrients • Shortage of seasonal labour (hand harvesting for many crops) • Closure of specialist university courses • Water availability – competition from domestic population • Climate change – new pests and diseases and lack of winter 'kill off' • Flooding – potential loss of low lying land with rising sea levels • Pollination concerns due to bee population decline • Planning issues e.g. polytunnels • Skill shortages: insufficient experienced personnel for effective applied research and KT • Failure to address poor public and political perception of production horticulture • Public acceptance of biotechnology • Capital expense of re-investment in new glass and sustainable energy sources.

HDC strategies 2010 - 2013

1. Expanding the market for horticultural products

Horticultural production and procurement for both food crops and ornamentals is a global business, but UK horticulture may not be realising its full potential in terms of what it can offer both the UK market and, potentially, new overseas markets. Although traditionally HDC has not committed significant resources to understanding better the market in which the various horticultural sectors operate, we intend to utilise the wider Market Intelligence resources in AHDB to start to address this issue for HDC. We regard making progress in this area as a foundation for helping to track where UK horticulture is going in business terms, which in turn will help HDC target its activities better.

2. Improving the cost-effectiveness and sustainability of horticultural production

Significant rises in fuel prices, fertiliser costs and associated inputs are having broad-ranging implications on the industry. Glasshouse heating for production is obviously affected, though all sectors are experiencing significant transport, distribution and storage cost increases. Other input costs, such as some fertilisers, have increased by over 150% - having a dramatic influence on the profitability of production. HDC needs to fund work which helps develop and promote the more efficient use of energy and water. The availability of good, reliable and willing labour is becoming an increasingly important issue for horticulture. Mechanisation may be considered a more widely available future option, but working outdoors in biological systems, the challenges are still great and a strategic view is required of what is already available in this area and what HDC can do to improve appreciation and uptake of new technologies by growers.

Although much of the tactically-orientated research work funded by HDC is aimed at improving the profitability and viability of horticultural production, the relatively limited financial resource at our disposal means that we must add value to core HDC R&D and communications activities through new co-funded initiatives with UK partner organisations. These could include Regional Development Agencies (RDAs), Unitary Authorities (UA), Technology Strategy Board, Local Authorities (LA), food retailers and pesticide manufacturers. Equally, building partnerships with overseas R & D and knowledge transfer funders such as HAL (Australia), Astredhor (France), and the Netherlands PT Board is essential to ensure that HDC does not duplicate work already done elsewhere, as well as drawing in additional knowledge which could be of benefit to the UK industry.

3. Improving the effectiveness and sustainability of horticultural crop protection

Following on from our previous Corporate Plan, one of the major issues which we have to contend with is the impact of the EU Pesticides Thematic Strategy, particularly the new authorisation directive which replaces EC/91/414. This has fundamentally shifted the system from a risk- to a hazard-based approach. This was ratified by both the EU Commission and Parliament in the February of 2009. At the time of writing this foreword we are still having our full impact assessments made but recognise that such studies will not be final as definitions for some of the hazard criteria being used to assess active ingredients (a.i.s) have not been fully established - such as the definition of endocrine disrupters. However we have through our CPLM established extremely good working relations with officials at Chemicals Regulatory Directorate (CRD, previously the Pesticides Safety Directorate, PSD) and this has helped enormously to move the previous long-term arrangements for extension of use (LTAEU) for pesticides use in minor crops into specific Off-label Approvals (SOLAs). However, significant on-going challenges remain to ensure that the UK horticultural industry is equipped with a sustainable armoury of plant protection product, whether based on conventional chemistry, novel approaches or biocontrols.

4. Improving HDC communication with the industry to broaden access and applicability of HDC outputs

HDC is dependent on effective communication with its stakeholder base to ensure that the return on investment represented by outputs from the research programme is properly channelled back out to the industry. Such communication needs to address a range of audiences with specific messages which may require both novel and traditional methods of knowledge transfer. Improving the applicability of the message and making potential financial benefits clear to growers is essential. At the same time, assessing the actual impact that HDC-funded research is having on the industry is difficult and will need to be improved.

5. Improving the political, corporate and public understanding of UK horticulture

The contribution that UK horticulture can make to the nation's diet, food security and well-being (via the ornamentals sector) is considerable and under-recognised, both by government decision-makers and the general public. The attractiveness of production horticulture and applied horticultural research as career options is also key to ensuring that the industry thrives in the future. HDC has a facilitating role in working in partnership with other stakeholders to ensure that these goals are met, for example by its continued input into Food Dudes to promote fresh fruit and vegetable consumption in schools, through the funding of 'new blood' via studentships and Knowledge Transfer Partnerships (KTPs), and through its involvement with the Defra taskforce on increased consumption of domestic fruit and vegetables.

6. Improving HDC operational efficiency

To be able meet the challenge of efficient delivery in the face of considerable organisational change, HDC must concentrate on integrating its processes with those of AHDB as well as ensuring it has a highly competent, motivated staff base with the technical tools to function effectively. Immediate priorities include reviewing the staff complement, and devolving budgetary control within the communications team as much as possible to ensure better planning, control and efficiency of delivery. We will be creating a specific communications role to broaden our outreach to growers to improve further our engagement with the industry and ensure that the R & D and knowledge transfer programmes fully meet industry needs.

Levy trends and income

The current business climate is driven, in many cases, by spiralling energy and related transport costs. The trend for supermarkets to concentrate on 'value' lines in the fresh produce sector has also put pressure on companies' ability to grow and market their products effectively and profitably. These factors have seriously affected the finances of many companies. However, so far, these trends have not been reflected in a serious drop in levy income, although it may take some time for these issues to impact on business turnover and hence their levy contribution. The table below shows the income assigned to the various HDC sectors from 2003 when the apple and pear producers were first fully integrated.

For 2003-08 the grand total of levy collected has been £29.28m (TBC). This should be viewed against a background of falling numbers of levy payers (down from 2,904 in 2003 to 2,001 in 2008), indicating that the remaining levy payers are generally making a higher contribution. This is representative of business consolidation within the industry.

In response to concerns expressed about the levy arrangement for apples and pears as a result of the new Statutory Instrument (SI) a full review was commissioned utilising Professor Sean Rickard's expertise. A report has been prepared and comments have been gathered from various parties but as the recommendations have potential far-reaching affects for all Horticulture, consultation with all interested parties such as Cropping Associations has been undertaken.

Table: Trends in a) levy raised (2003-08) and b) number of levy payers (2003-07)

a) Levy income

Levy Year	Bulbs & Outdoor Flowers	Cross Panel	Field Vegetables	Hardy Nursery Stock	Mushrooms	Protected Crops	Soft Fruit	Tree Fruit	Grand Total
2003	118,207	455,605	1,364,264	637,212	158,627	1,150,211	458,228	274,162	4,616,516
2004	132,171	48,554	1,590,569	691,399	158,391	1,225,303	540,257	277,889	4,664,533
2005	140,897	62,353	1,617,942	643,085	126,455	1,258,819	618,580	287,702	4,755,833
2006	137,388	96,543	1,610,801	631,910	105,638	1,296,351	683,010	295,431	4,857,072
2007	145,000	51,000	1,819,000	577,500	125,000	1,277,000	749,000	379,000	5,122,500
2008	165,015	51,015	1,854,671	579,167	124,910	1,302,186	802,793	379,788	5,259,545
2009*	170,252	104,201	1,812,430	495,185	117,045	1,232,763	808,087	341,740	5,081,704

b) Number of growers

Levy Year	Bulbs & Outdoor Flowers	Cross Panel	Field Vegetables	Hardy Nursery Stock	Mushrooms	Protected Crops	Soft Fruit	Tree Fruit	Grand Total
2003	155	315	560	520	29	624	253	448	2904
2004	164	104	656	560	27	679	283	438	2911
2005	152	114	594	518	24	627	272	422	2723
2006	145	91	583	490	21	605	266	417	2618
2008	116	79	509	381	15	470	219	212	2001

*2009 is the current levy year 2009/10 (AHDB levy) – forecast based on forms returned to January 2010
Where a grower's levy has been allocated over more than one sector he/she will be counted again

Note the grower numbers assigned to specific crop groups relates to what the levy payer has asked to be assigned to. The cross panel group is where no request for a specific group has been made

Activity	Key Outcome	Targets	Key risks	Key controls
HDC strategy 1: Expanding market opportunity for horticultural products				
1. Improving industry awareness of and ability to utilise available market information	Growers aware of and able to utilise market information effectively	Ten sector market reports	Failure by industry to recognise, value or utilise market information	Publicity and promotion
2. Obtaining/generating consumer preference data	Consumer preference data available in form suitable for growers	In consultation with AHDB Market Intelligence, obtain consumer preference data	Inability to obtain/generate suitable data independently	External stakeholder participation (e.g. RHS, HTA, BCGA, TGA)
3. Identifying international market information sources	Scope and evaluate market information sources	Brief HDC Board members on findings	Lack of HDC staff time to deliver	AHDB support or outsourcing
4. Identifying market opportunities	Market share upheld. Added value products marketed.	Pilot product development project initiated with one crop association	Constraints due to corporate exclusivity needs and marketing plan content	Communication with PO's and crop associations
5. Review/revision of IP policy	Financial return on R&D investment	Revise HDC IP guidelines in consultation with AHDB legal advisor	Conflicts of interest between HDC and contractors	Robust negotiations and legal framework
HDC strategy 2: Improving the cost effectiveness and sustainability of horticultural production				
1. Implement HDC R&D Review (2008) including University of Reading industry survey	Balanced integrated R&D and KT strategy and action plans fully meeting the needs of industry, government and consumers	Develop agreed strategies for water use, energy use, GHG reduction, labour and waste, and detailed time-based action plan for crop protection	Lack of HDC staff time to implement	Leadership / management by BDM and close involvement of key stakeholders (HDC staff, Board, panels and grower associations)

Activity	Key Outcome	Targets	Key risks	Key controls
2. Adding value to core HDC R&D/KT activities through new co-funded initiatives with UK partner organisations (e.g. RDAs, UAs, other LAs, food retailers, pesticide manufacturers)	Approved co-funded initiatives on the contribution of horticultural production to biodiversity, environmental goods and services, local community regeneration and sustainable regional economic development	Approved co-funded projects providing delivery of high-quality horticultural products, minimising energy, pesticide and water use, and communicating these findings to all stakeholders	Lack of funding and industry interest / uptake	Leadership / management by BDM, close involvement of key stakeholders (HDC staff, Board, panels and grower associations and AHDB legal support)
3. Building partnerships with overseas R&D/KT funders (eg. HAL, Astredhor, PT Board) to explore opportunities for information exchange and collaborative research	Full exchange of information with Astredhor, HAL and PT Board as specified in collaboration agreements	Memoranda of Understanding and Collaboration Agreements to be signed with Astredhor, HAL and PT Board	Lack of staff time to implement agreements, and pre-existing national or commercial confidentiality restrictions.	Leadership / management by Business Development Manager (BDM), close involvement of key stakeholders (HDC staff, Board, panels and grower associations and AHDB legal support)
4. Securing additional industry co-funding for applied R&D/KT	Additional grower associations operating under the levy substitution model.	Pea grower group and cut flower grower group to set up pilot studies	Lack of grower interest/commitment and HDC staff time to implement	Leadership / management by BDM, close involvement of key stakeholders
HDC strategy 3: Improving the effectiveness and sustainability of horticultural crop protection				
1. Develop a programme, including IPM & alternative strategies, for dealing with pests and diseases.	Minimise impact to industry of 91/414 legislation	Develop robust IPM programs & novel crop protection methods, mainly using HortLINK-based project	Development of resistance and alternative pests	Constant monitoring of P & D in conjunction with industry consultancy organisations & official surveys where appropriate
2. When revision to 91/414 is finalised evaluate risk to industry through loss of effective controls	Completed sector-based gap analyses	If revision is finalised work with Crop Groups to update Gap analysis	91/414 revision may not be fully implemented at this stage	Regular contact with ECPA and other interested parties
3. Develop a database of biological control methods approved elsewhere in EU and US	Enables industry to liaise with manufacturers to identify possible solutions to sector-specific problems	Consolidated analysis of product and opportunity completed by March 2011	Lack of adequate new a.i.s reaching the UK market; costs of product registration	New products and actives being listed on Annex I to directive 91/414

Activity	Key Outcome	Targets	Key risks	Key controls
4. Work with EU Minor Use Groups and other Member States to identify potential areas for co-operation on minor use issues	Minimise cost to UK growers whilst providing effective P & D control strategies	Identify key areas of interest through sector-based gap analyses and work to fill gaps	Lack of adequate new a.i.s reaching the UK market	Working within CRD Availability Action Plan Group & monitoring new product introduction by liaison with agrochemical industry
5. Develop internal HDC Crop Protection information management system	Improved access and understanding of crop protection issues	Build a framework for an internal database	Loss of key HDC staff resource	AHDB database amalgamation
HDC strategy 4: Improving HDC communication with the industry to broaden access and applicability of HDC outputs				
1. Implementing HDC Communications Review (2008) including University of Reading industry survey	Fully revised communications policy and approaches implemented to maximise grower uptake of HDC R&D output	Apply the revised HDC communications policy and approaches in all subsequent communications activities	Loss of HDC identity	Collective planning, management and implementation by all Communications Managers
2. Incorporation of robust cost/benefit analysis in Grower Summaries	All financial data necessary routinely made available and used for CBA in Grower Summaries	Accurate cost/benefit analysis data to be included in 5% of Grower Summaries	Contractors lack capability	Induction, training and mentoring of key consultants in each crop sector in cost benefit analysis
3. Monitoring, evaluating and maximising the effectiveness and impact of HDC research & communications activities	Barriers to industry uptake of HDC-funded R&D analysed, understood and minimised by effective KT and communication actions	Crop Association/Panels to collect data and evaluate the effectiveness and impact of HDC R&D, and specify actions needed to overcome barriers to uptake	Unclear industry feedback	Initiation and management of data collection and analysis by BDM

Activity	Key Outcome	Targets	Key risks	Key controls
4. Raising awareness and appreciation of the HDC's value to horticulture as a funder of applied R&D/KT	Universal backing from UK horticultural businesses for the HDC's work and continued existence	To plan and undertake a three-year media and promotional campaign to build industry understanding and appreciation of HDC's achievements based on grower-sponsored case studies, strategic issue features and on-line interactive debates	Grower appreciation may be undermined by HDC's incorporation into AHDB, issues with the current levy payment system, and difficulties of positively influencing the large number of individual businesses.	Collective planning and management of the media and promotion campaign by BDM and all Communications Managers
HDC strategy 5: Improving the political, corporate and public understanding of UK horticulture				
1. Improving awareness of horticulture's contribution to a balanced diet, healthy lifestyle and sustainable environment	Universal understanding of the value of dietary fruit and vegetables to health and wellbeing	To maintain active participation in the AHDB's 'Food - A fact of life' initiative	Failure of government and NDAs to deliver the coherent and consistent messages needed to achieve lasting change in consumer attitudes	Leadership and co-ordination by BDM
2. Facilitating the uptake of Food Dudes in all UK primary schools	Ten-year doubling in UK consumption and sales of fresh produce	To facilitate/pump prime (with WCF and FPC) a 6-year national roll-out of the FD programme.	Cutbacks in DoH/PCT's/school funding due to cutbacks in public expenditure associated with the global financial crisis	Leadership and co-ordination by BDM
3. Supporting industry initiatives to promote horticulture and plant sciences as viable, worthwhile career options	Supply of educated and skilled people from educational institutes correctly matched to the demand from horticultural businesses	Continue funding a mix of HDC Ph.D studentships, KTP projects and CASE awards; devise and implement an effective 'intern' programme'; build sector specific training programmes in partnership with other stakeholders	Lack of industry support	Joint leadership, management and promotion to industry by Director of Horticulture (DoH) and BDM

Activity	Key Outcome	Targets	Key risks	Key controls
HDC strategy 6: Improving HDC operational efficiency				
1. Maintaining R&D and KT commissioning and delivery throughout AHDB transition period	Levy payer confidence and commitment maintained; contractor base underpinned where possible	Continually updated list of commissioned projects	Loss of staff	Quarterly review by HDC Board, panels and grower associations
2. Developing financial management system and procedures for HDC communications	Financially transparent KT management system providing full operational control	Defined system and procedures and fully costed budget	Excessive bureaucracy/inefficiency	Quarterly review by DoH and HDC Board; compliance with AHDB procurement policy
3. Recruiting, retaining and developing a fully competent and efficient delivery team	Full complement of capable, trained staff delivering quality R&D and KT output	Team structure revised to meet delivery commitments, and extra staff recruited as needed	Further loss of retained or newly recruited staff	Effective progressive staff induction, training, appraisal and career development systems & processes
4. Improving HDC internal systems and processes	Effective and efficient internal systems and processes aligned with those of AHDB	Updated systems and processes for financial management, project facilitation, project appraisal, procurement, contracting, project management, publications and event management	Gaps, failures and deficiencies in AHDB systems and processes	Quarterly review by DoH and HDC Board; compliance with AHDB procurement policy

HGCA - UK CEREALS AND OILSEEDS SECTOR DIVISIONAL PLAN

Introduction

This three-year sector plan outlines in broad terms how HGCA intends to meet the challenges of the next three years

HGCA's vision is 'To be essential to the home grown cereals and oilseeds industry'. Its mission is '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'

We aim to provide high quality cost-effective services, designed to meet the needs of levy payers, whilst taking account of both the consumer and environment. And we achieve this through working closely with levy payers to ensure that there is an effective exchange of knowledge and understanding along the grain chain, to generate and disseminate independent information to help support a competitive and sustainable cereals and oilseeds industry.

Key stakeholder and partner organisations include:

- National Farmers' Union
- National Farmers' Union of Scotland
- Country Landowners Association
- Ulster Farmers Union
- Agricultural Industries Confederation (AIC)
- The Grain and Feed Trade Association (GAFTA)
- National Association of British and Irish Millers (nabim)
- Maltsters Association of Great Britain (MAGB)
- British Poultry Council (bpc)
- Institute of Brewing and Distilling (IBD)
- British Society of Plant Breeders (BSPB)
- various environmental, educational and consumer organisations

Overview of the UK cereals and oilseeds sector and the market place

The cereals and oilseeds sector - growers, traders and processors

Cereals and/or oilseeds are grown on around 70,000 holdings across the UK (source: Defra). There are 52,947 contacts on HGCA's database of which 26,085 are 'active growers'.

In 2006/07 the number of registered UK cereal traders and processors was as follows:

	Number	Tonnage (million)
Cereal traders	556	17.9
Cereal feed processors	354	5.8
Other cereal processors	75	7.6

UK supply and demand for cereals and oilseed

(July-June years)	<i>Million tonnes</i>							
	Wheat		Barley		Oats		Total Cereals	
	2008/09 [#]	2009/10 [*]	2008/09 [#]	2009/10 [*]	2008/09 [#]	2009/10 [*]	2008/09 [#]	2009/10 [*]
Opening Stocks	1.719	2.756	0.760	1.203	0.064	0.102	2.642	4.168
Production	17.227	14.5-15.2	6.144	6.5-6.8	0.784	0.7-0.77	24.283	21.7-22.5
Imports	1.303	0.9-1.1	0.140	0.09-0.10	0.020	0.02	2.440	2-2.3
Total Availability	20.249	18.2-19.1	7.044	7.8-8.1	0.868	0.8-0.9	29.365	26-29
Human and Industrial Consumption (of which home grown)	6.837	7.1-7.5	1.769	1.7-1.8	0.419	0.4-0.44	20.027	20-21
Usage as Animal Feed (of which home grown)	5.627	-	-	-	0.399	-	17.757	-
Seed	6.726	6.5-7.0	3.069	3.1-3.5	0.239	0.2-0.25	0.239	-
Other	6.645	-	-	-	0.239	-	0.019	0.018
Total Domestic Consumption	13.970	14-14.9	5.029	5.0-5.5	0.681	0.67-0.7	20.765	20.5-22
Balance	6.279	3.3-5.1	2.015	2.3-3.1	0.187	0.1-0.22	8.600	4-8.5
Exports	3.523	2-2.5	0.812	0.6-1.0	0.085	0.07-0.08	4.438	2.7-4
Intervention Stocks	0	0	0	0	-	-	0	0
Exports / Intervention Stocks (b)	3.523	2-2.5	0.812	0.6-1.0	0.085	0.07-0.08	4.438	2.7-4
Commercial End-Season Stocks	2.756	1-2.2	1.203	1.3-2.5	0.102	0.08-0.1	4.168	2.5-4

Source: DEFRA / HGCA / Strategie Grains

actual harvest data * harvest forecast

2009 HGCA Planting Survey results (compared with 2008)

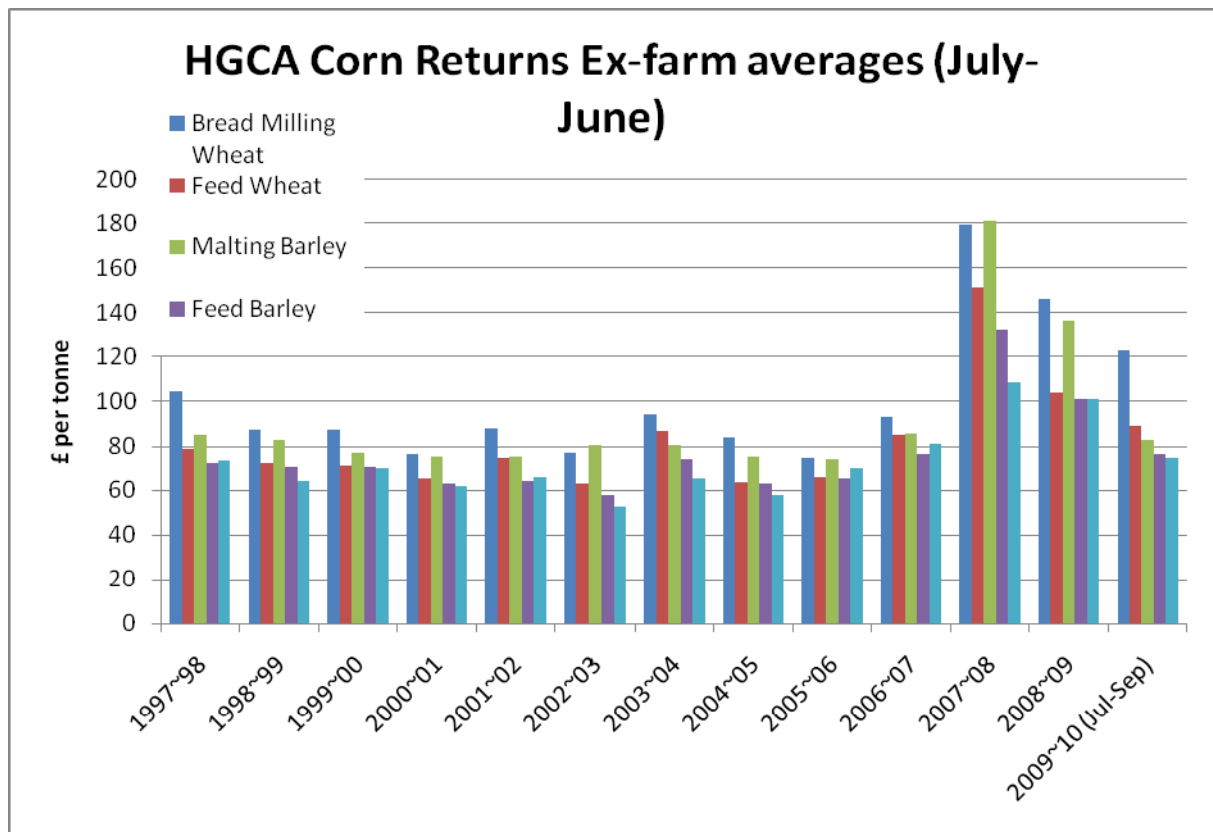
- Wheat plantings decreased from 2.07 Mha to 1.87 Mha (-9.6%)
- Barley plantings increased from 1.0 Mha to 1.14 Mha (+13.4%)
 - Spring Barley plantings increased from 0.60 Mha to 0.73 Mha (+22.0%)
 - Winter Barley plantings increased from 0.41 Mha to 0.42 Mha (+0.9 %)
- Oats plantings decreased from 0.133 Mha to 0.129 Mha (-2.8%)
- Total Cereals plantings decreased from 3.21 Mha to 3.15 Mha (-1.8%)
- Oilseed rape plantings decreased from 0.598 Mha to 0.555 Mha* (-7.3%)

Grain market developments to watch in the three years to 2012/13

The main arable developments relevant to the period under review are:

- Rapidly production costs
- Volatile markets and their management
- Volatile currency markets
- Very opaque fertiliser markets difficult to manage
- Extreme weather conditions
- Environmental legislation
- Policy developments (intervention rules, CAP Reform and Single Farm Payments, biofuels, The Renewable Fuels Directive, food safety legislation, trade etc)
- GM and biotechnology
- UK and international biofuels

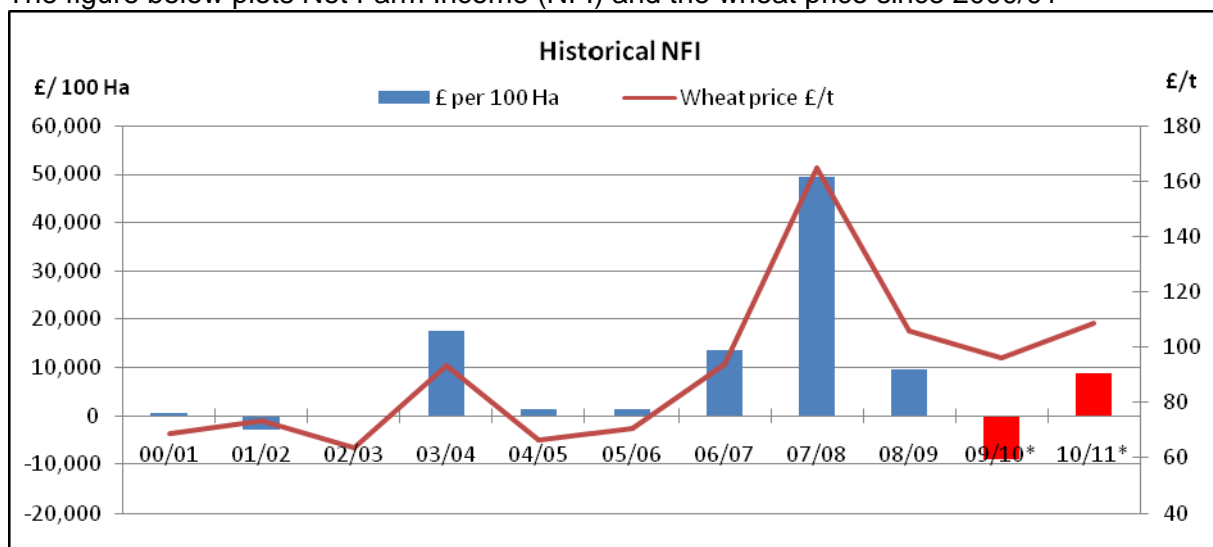
Prices and trends at farm-gate



Arable farming incomes

Farm incomes are directly related to the price of commodities and foreign exchange rates. Current incomes have become dramatically volatile in line with commodity values and input costs. High fertiliser prices and now lower grain prices show negative income for the 2009 crop. However, possible forward grain sales when grain values were stronger are not captured by this model.

The figure below plots Net Farm Income (NFI) and the wheat price since 2000/01



An assessment of the UK the cereals and oilseeds sector

This sector plan is based on a series of consultations with industry stakeholders. In recent years this has included:

- 2004 - Cereal Industry Review
- 2005 - HGCA Response to Cereal Review
- 2006 - Radcliffe Review and HGCA Fresh Start strategic session
- 2006/07 - R&D, CEL and other HGCA activity strategic reviews
- 2007 - Accenture Fresh Start consultation
- 2008 - HGCA strategy sessions

During these sessions, cereals/oilseeds sector strengths, weaknesses, opportunities and threats have been identified.

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Relatively high and consistent grain yields • Production close to main domestic users • A good export terminal network and proximity to overseas markets • Strong investment in agronomic management, risk management, R&D • Investment in variety evaluation via RL's • Industry making great strides on non-mineral oil-based fuels (Green Grains) • Reputable assurance and traceability systems • Growing understanding among farmers of MI • Increasing awareness of the benefits of Futures Markets among producers • Polarisation of farm businesses leading to greater efficiencies • Very positive health messages for consumers 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Too few producers know cost structure • On-going reliance on SFP • Fragmented approach to controls on food safety and quality • Related livestock sectors in decline • Lack of consistent profitability • Limited farmer understanding of grain marketing options and processes • Slow uptake of business and risk management tools • Insufficient supply chain collaboration • Imperfect communications along grain chain • Mistrust between buyers and sellers • Challenges to communicate MI to farmers • Declining investment in R&D and KT • Declining UK based scientist and technical base • Lack of new blood in R&D • Poor investment in skills and NPD • Low level of awareness of the nutritional benefits of cereals esp. Wholegrains
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Considerable scope to improve relationships along supply chains • More efficiencies opportunities in grain production and marketing • Making better use of break crops • Developing risk management techniques and uptake • Storage facilities allowing flexibility in marketing • Facilitating better communications within supply chains 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Declining livestock numbers • Fewer UK based plant breeders • Reduced investment in plant breeding and science • EU and UK legislation limit availability of crop pesticides • Wider application of NVZ legislation • Volatile energy and input costs • Increasing gap between good and bad producers in relation to MI • Unpredictable cash flow (credit) for businesses

Opportunities continued	Threats continued
<ul style="list-style-type: none"> • Playing a major part in improving land management and the environment • Understanding where R&D discoveries are being made that are relevant to cereals and oilseeds • Developing renewables and polymers sectors • New legislation of level on non-oil based fuel • Growing understanding of EU and international markets • Growing global trend for food and fuel demand • Opportunities from the new food security agenda in UK • Consumers switching to local foods 	<ul style="list-style-type: none"> • Increasing speculation leading to greater volatility • Increasing competitive environment in global markets • Volatile exchange rates • Declining availability of production for export markets/drift to grade 4 • Lack of innovation in NPD and technologies • Consumer perceptions of new technologies/food scares • Ill informed media coverage from lobby groups • A major plant disease outbreak • Growing skills shortages • Perception that UK Government processes are applied differently elsewhere in EU • Legislation discouraging and holding back arable sector development • Changing nature of agricultural support • More environmental and water legislation adding cost • Labour access and transport issues • Policy continuing to be driven by environment rather than food production

Market condition factors and likely future challenges

The potential grain market developments outlined in the previous sections of this HGCA Plan and the SWOT analysis above help to identify the key factors and challenges that HGCA and its industry stakeholders face.

Industry weaknesses and opportunities for improvement emphasised the need for UK growers, traders and processors to work together to maximise market opportunities (both current and new).

A recent feature of arable production has been the significant increase in input costs whilst grain markets have experienced substantial market and price volatility.

Agriculture also has a responsibility to contribute to delivering sustainable production and meeting consumer needs on health and nutrition.

On-going and extensive industry consultation (e.g. Radcliffe Review and Accenture Fresh Start Review) has confirmed the important role that HGCA has to play in meeting the above challenges. To do this effectively HGCA must excel in its communications and offer value-for-money services.

HGCA has an excellent track record in supporting industry in the drive to improve the production, wholesomeness and marketing of UK grain. A number of success stories are documented in HGCA's Annual Report. This Sector Plan will ensure future successes are achieved.

At a time when central government funding is under pressure and being distributed through regional routes, HGCA and the other AHDB Sector organisations will work together to attract additional outside fund for essential industry projects.

HGCA strategies 2010 – 2013

Eight priority areas have been identified as needing particular HGCA focus. These have been translated into eight 'key strategies' to form the basis of HGCA's three year sector plan

Key strategies:

- i) Exploit existing market opportunities
- ii) Develop new markets
- iii) Produce cost-effectively to meet market needs
- iv) Manage business risk and market volatility
- v) Promote grain within a healthy balanced diet
- vi) Secure additional external funds, develop new partnerships and review HGCA strategy
- vii) Develop more effective communications
- viii) Maintain and improve HGCA operational efficiency

Activities to achieve these strategies have been formulated and are included in the tables at the end of this section. Outcomes and targets have also been collated. The finance team have also done an estimate of likely resource and budget implications (summarised at the back of this document). Levels of activity and budget allocations under each strategy are well defined for 2010/11. Figures for 2011/12 and 2012/13 will be confirmed in detail following discussions involving HGCA Board and AHDB.

HGCA approach

To maintain an HGCA position of being essential to the arable industry, we will:

- Identify clearly our levy-payers and customers
- Define and understand the needs of each group of customers
- Deliver information and services which meet these needs
- Monitor our performance and apply on-going improvements

This *Three Year Sector Plan* outlines in broad terms how HGCA intends to meet these challenges in the next three years. This Plan will provide the basis for HGCA's more detailed *Annual Business Plans* and the *Annual Reports*. Each document serves specific purposes which will enable HGCA to achieve its vision and mission.

Activity	Key outcomes	Targets	Key risks	Key controls
HGCA strategy 1: To exploit existing market opportunities				
Develop and report analyses of market conditions and future needs of each grain chain sector	1.01 Increased awareness in the industry of developments and opportunities in the home and export markets for UK production	Grain and oilseed markets investigated and the outcomes communicated	<ul style="list-style-type: none"> • Reduced UK crop size reduces market opportunities • Food safety or consumer problem limits market potential for UK grain • Change in value of £ affects export potential • Alternative market information services developed by third parties 	<ul style="list-style-type: none"> • Issues management communications programme in place • Maintain links with buyers • HGCA continues to deliver unrivalled independent and valued services
	1.02 HGCA is recognised as the UK knowledge house for availability and suitability of UK grain production in relation to current markets requirements-both home and export	Grain supply situation monitored, estimated and communicated		
	1.03 Raised awareness in the production sector of the commercial and grain quality procurement needs of processors	Good communications with processors established		
	1.04 Improved marketing skills of grain chain firms	Marketing skills activity developed		
	1.05 Increased exports of cereals and oilseed products	Business activity supported		
Resource requirement: £1,128K				
HGCA strategy 2: To develop new markets				
Identify and develop new market opportunities for UK cereals and oilseeds	2.01 Raised awareness of new market opportunities to the industry	<ul style="list-style-type: none"> • Economic assessment of potential new food and industrial markets undertaken and development of new products and initiatives stimulated 	<ul style="list-style-type: none"> • Reduced UK crop size reduces market opportunities • Food safety or consumer problem limits market potential for UK grain 	<ul style="list-style-type: none"> • Issues management communications programme in place
	2.02 Supported research and development of biofuels and industrial uses for cereals and oilseeds	<ul style="list-style-type: none"> • Portfolio of R&D and Enterprise Awards projects on industrial uses managed and new projects set up 		
	2.03 Increased new market development in the UK	<ul style="list-style-type: none"> • Existing Enterprise Awards portfolio continued • New support for innovation 		

Activity	Key outcomes	Targets	Key risks	Key controls
	2.04 Increased development of markets overseas	<ul style="list-style-type: none"> • Support for existing and new export trade continued • Direct support for export trade provided • Need for BCE activity in new markets assessed 	<ul style="list-style-type: none"> • Environmental lobbying leads to delay in renewable industry development 	<ul style="list-style-type: none"> • Credible & independent information supplied to inform the debate • Divert some resources to maintaining existing markets
	2.05 Met export business market intelligence needs	<ul style="list-style-type: none"> • Reports produced on global market developments 		

Resource requirement: £1,492K

HGCA strategy 3: To produce cost-effectively to meet market needs

Develop practices that will deliver sustainable production of high quality grain	3.01 Maintenance of database of independent information on varieties and stimulate the development of new varieties meeting market needs	<ul style="list-style-type: none"> • Viable and defensible RL trials programme • Information on new varieties disseminated • R&D project portfolio managed to ensure it cost-effectively meets industry needs • New research commission (as identified in R&D strategy - with co-funding and overseas collaboration if appropriate) • Fungicide performance project delivered • Growers assisted to optimise pesticide / nutrients whilst meeting environmental criteria • Environmental work coordinated (including climate change activities) • Carbon accounting procedures further developed • Business management improvement on farm promoted • Proportion of farmers that know their costs increased • Delivered integrated messages through working with others • Research project results published in grower friendly format • Strong relationships with advisory sector 	<ul style="list-style-type: none"> • UK research base unable to deliver HGCA needs • Communications with producers disrupted such as FMD • Environmental targets changed • Cost of meeting environmental targets too high • Single issue groups too influential in developing legislation • Period of sustained profitability 	<ul style="list-style-type: none"> • Urge Government to maintain adequate research base • Alternative mechanisms ready to use and make use of website communication • Provide information on industry • Development work to mitigate increases • Provide legislators with independent data • Continue to communicate with producers
	3.02 Enhanced sustainable and competitive crop production in UK through focused R&D programmes			
	3.03 Assisted industry to meet its environmental expectations and legal requirements			
	3.04 Assist UK industry to raise its competitiveness			
	3.05 Improve profitability and efficiency of growers businesses through the delivery of technical information			

Resource requirement £5,141K

Activity	Key outcomes	Targets	Key risks	Key controls
HGCA strategy 4: To manage business risk and market volatility				
Increase awareness, understanding & usage of risk management tools and business techniques	4.01 Assisted industry in coping with market volatility	<ul style="list-style-type: none"> • Study conducted on market volatility on behalf of industry 	<ul style="list-style-type: none"> • Trade reluctance to engage with process – perceive HGCA interference in their market • An industry risk management contractor or partner loses credibility 	<ul style="list-style-type: none"> • Engage, inform and involve wherever possible during the roll out of the programme • Ensure all partners are checked in advance
	4.02 Ensured that management skills activities are included in industry professional dev. programmes	<ul style="list-style-type: none"> • Risk management training programme undertaken • Use of Knowledge Centre extended 		
	4.03 Been aware of processors risk mgmt needs	<ul style="list-style-type: none"> • Market volatility discussed with industry 		
		<ul style="list-style-type: none"> • Risk management information disseminated at processor conference • Processor needs identified and suitable risk management programmes devised 		
Resource requirement: £188K				
HGCA strategy 5: To promote grain within a healthy balanced diet				
Raise awareness of the value of cereals and oilseeds within a healthy balanced diet. Achieve recognition for UK grain as a safe food and feed ingredient	5.01 Raise consumer understanding of the nutritional qualities of cereals and oilseeds 5.02 Promoted the production of safe and wholesome grain and grain products 5.03 Raise awareness of trends in food and nutrition based on market research 5.04 Raise awareness of the nutritional benefits of eating cereals 5.05 Partner an AHDB approach to collaboration on the communication of nutritional information	<ul style="list-style-type: none"> • R&D programme continued • <i>Wholegrain Goodness</i> campaign further developed • <i>Farmhouse Breakfast</i> campaign further developed • <i>All about Oats</i> campaign developed • <i>Rapeseed Oil</i> campaign developed • Value and safety of UK grain effectively communicated for animal feed (inc mycotoxin issues) • Portfolio of food safety projects run • Work with Kent Business School • Report on consumer trends in cereal products produced • Grain Chain education activities continued • Joint nutrition website maintained 	<ul style="list-style-type: none"> • A major food scare for UK cereals and oilseeds • Official advice at odds with HGCA programme • Partnership approach does not yield all hoped for benefits • KBS loses access to consumer data 	<ul style="list-style-type: none"> • Support industry to avoid this and have contingency prepared • Issues management communications programme in place • HGCA play an active part to ensure effective collaboration • Seek other sources
Resource requirement: £873K				

Activity	Key outcomes	Targets	Key risks	Key controls
HGCA strategy 6: To develop new partnerships & secure additional funds				
Develop new partnerships and access additional external funds for HGCA and the grain industry	6.01 Established new partnership opportunities 6.02 Improved HGCA links with national, devolved, regional, international and commercial partners 6.03 Develop collaboration where there is direct benefit to HGCA or its stakeholders 6.04 Sustain and increase current levels of matched funding 6.05 Secure additional outside funding	<ul style="list-style-type: none"> • Key partnership opportunities identified • Contact with UK and Devolved Governments maintained and developed • Resources and mechanisms developed to improve HGCA work with regional and devolved partners • Productive partnerships sought with international agencies • Commercial income streams reviewed and developed, where appropriate • Identification of where staff input would increase the value of the activity to HGCA • Current levels of co-funding for R&D and marketing maintained or increased • Ensure previously approved outside funding is received and used on HGCA projects • New and additional non-levy funding secured 	<ul style="list-style-type: none"> • Key funders withdraw support • Insufficient resources to tap into funds, esp. Regional ones • Criteria for grant uptake too difficult 	<ul style="list-style-type: none"> • Seek new funders • Consider joint AHDB approach • Seek changes to criteria
Resource requirement: See Strategy 8				
Activity	Key outcomes	Targets	Key risks	Key controls
HGCA strategy 7: To develop more effective communications				
Increase awareness of HGCA activities	7.01 Maintained and developed the efficiency and relevance of communication channels and activities 7.02 Further establish HGCA corporate identity and branding 7.03 Develop internal communication function and strategy	<ul style="list-style-type: none"> • Communications Plan for 2010/11 published • Customer contact database developed to ensure the delivery of requested HGCA information • Grower attitudinal benchmarking survey on HGCA services conducted and information delivered • Subscription take-up for HGCA newsletters increased • Functionality and appeal of electronic communications improved • Event planning managed to ensure information delivered effectively • Events evaluated according to take up and attendees recall of message • Quality and quantity of HGCA press coverage maintained 	<ul style="list-style-type: none"> • Inability to identify levy payers • Industry attendance at meetings declines • Remain in separate buildings longer than expected 	<ul style="list-style-type: none"> • Develop database further • Use other forms of communications • Combine with other organisations holding meetings

Activity	Key outcomes	Targets	Key risks	Key controls
		<ul style="list-style-type: none"> • Corporate publications adhere to branding guidelines • Brand awareness increased • Coordinated approach to internal communications 		<ul style="list-style-type: none"> • Hold more formal meetings
Resource requirement: See Strategy 8				
Strategy 8: To maintain and improve HGCA operational efficiency				
To regularly review and improve HGCA's operating efficiency and corporate governance	8.01 Improved efficiency of delivery and reduce relative operating costs	<ul style="list-style-type: none"> • Financial reporting, budgeting and forecasting processes effective • Operational efficiency increased • Corporate Governance requirements met • AHDB structure delivered measurable benefits • Productivity raised through greater use of IT • AHDB MI division meets HGCA expectations • Relationship with HGCA Board improved • Up to date risk management capability maintained 	<ul style="list-style-type: none"> • IT systems failure 	<ul style="list-style-type: none"> • Develop off-site raw data and application simultaneous back up.
Resource requirement: For strategies 6, 7, 8: £2,233K				
Total resource requirement £11,055K				

POTATO COUNCIL - GB POTATO SECTOR DIVISIONAL PLAN

Introduction

Stakeholders have been able to input to the planning process through the Potato Council Board committees which have led the development of strategic needs up to the Board.

This plan reflects the decision of the Potato Council Board to recommend the planned levy increase which was reported in the Corporate Plan a year ago. Feedback from levy payers suggested that having regular small annual levy increases was the preferable approach. The need for a levy increase is to maintain the essential service delivery demanded by growers and their industry customers to meet the challenges ahead. The increase from the 2010/11 year is a small increase and is the first since 2001 after 8 years of maintaining an unchanged levy rate. The Potato Council and its predecessor body have been operating with regular annual deficits as a result of drawing down inherited reserves to support the activities required by industry. During the last decade, costs have been contained and the numbers of staff have been reduced, but in real terms there has been a significant reduction in levy income, which the Board believes cannot continue.

In future, the Potato Council focus will be on delivering the R&D and Knowledge Transfer needs for the industry to maintain competitiveness supported by relevant marketing activity. Being part of AHDB will deliver significant cost savings; were it not for these, a higher levy increase would have been necessary to maintain service. The Potato Council will ensure that it delivers excellent value to levy payers and leverage maximum benefit to the industry in all that it does.

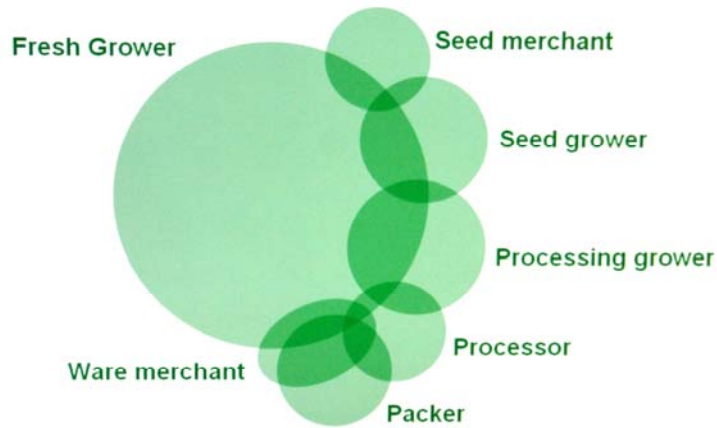
Potato Council's role is to deliver value where there is a market failure need not being met by the commercial sector. Demand for this work is increasing as the challenges faced by all levy payers continue to mount. A strong and vibrant Potato Council, within AHDB, is more important than ever to the industry and this Corporate Plan shows how it will deliver to meet the needs of the potato sector from 2010 to 2013.

Overview of the potato sector and market place

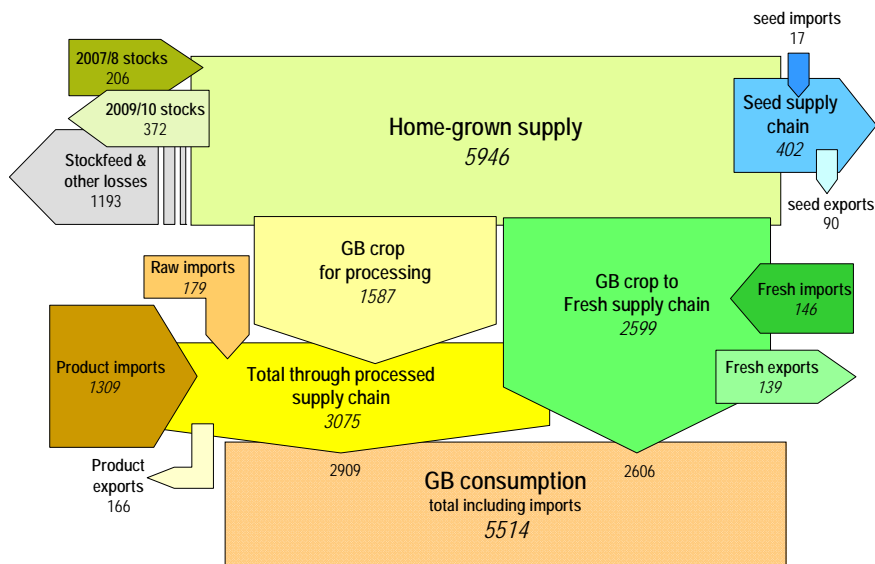
The GB Potato industry is a complex and changing one. There is considerable overlap between businesses and a number of trading patterns across companies that make statistical analysis a challenge. The diagram on the next page is based upon the number of levy payers by sector business type, all of whom have a different role to play in the industry.

There are many interrelationships between these business types and some of our larger levy payers are active in many of these areas at once. For example, some larger purchasers have also become significant growers as they have vertically integrated to improve supply chain efficiency and many have also integrated horizontally.

For Potato Council, this means that there is less segmental uniformity in our industry than in the past and the needs of our levy payers are becoming more diverse. Our resources are becoming more technically specialised and we need capability to respond to industry needs at all levels and with breadth; e.g. from financial benchmarking to potato cyst nematode research procurement.



This diagram represents the physical flow of potatoes through our industry:



(Figures for 2008-09 crop year, in thousands of metric tonnes fresh potato equivalent**)

- The GB Potato industry delivers at sales value £743m at farm gate and £3.5bn at consumer level**.
- Production is stable (with weather related fluctuations) at 130,000 ha (6m tonnes), but with a 5 year downward trend.
- Yield has doubled from 1960 to year 2000 due to better agronomy/application of knowledge with some fluctuations due to weather. In recent years, yield appears to be dipping. Have we reached a plateau with current technology?

(**Information source: AHDB Market Intelligence)

- **Potato supply:**

- Free market (outside CAP regime).
- Production now from fewer growers with 70% less in 10 years.
- Potato production is a capital intensive, high risk operation.
- Increasing proportion of the crop is grown on contract, but not sufficient to stabilise market prices.
- Imports have doubled in the last 20 years and that has been driven by processed potatoes.
- Total exports are just 25% total imports by volume.
- GB is an exporter of high quality seed and has seen a 30% increase in the last 10 years.
- The lack of good growing land for potatoes could impact on production longer term.

- **Potato consumption:**

- Annual consumption is 94kg/head (fresh equivalent) and is stabilising, but under threat.
- 50:50 fresh versus processed consumption.
- 60:40 in home versus out of home consumption.
- Year on year growth within fresh and processed categories.
- Recession has contributed to increased consumption which could quickly reverse.
- Research indicates that fresh potatoes are price inelastic at retail level.
- Consumption is skewed towards older customers; for example 66% potatoes are purchased by the 45years+ age groups. If consumption habits are carried through the life stages, potato consumption will decline significantly.
- Potatoes have largest carbohydrate market share at 66% but have difficulty in competing with pasta and rice.

The GB potato industry continues to change in a number of ways:

- Grower numbers continue to shrink rapidly but long term production levels remain relatively stable.
- Purchaser base is consolidating and there are few traditional potato merchants left.
- Crop is increasingly grown on contract to stabilise supply chain costs.
- There are fewer retail customers.
- High barriers to entry are unlikely to reverse this position.

Potato Council is unusual within the AHDB sectors in having a direct relationship with its levy payers based on a system of registered acres and purchaser returns for levy income. When combined with our use of new media technologies and the reduction in our levy payers, Potato Council's job to provide bespoke and targeted information and other benefits for levy payers becomes easier.

Uptake by growers of membership of Assured Produce, represented at consumer level by the Red Tractor logo, continues to increase. When combined with other assurance schemes such as LEAF Marque, Marks and Spencer Field to Fork, assured potato production is almost mandatory for the marketing of produce. With the announcement of RTL sales now exceeding £10bn a year including approximately £1bn from potatoes, this demonstrates the importance for such assurance schemes.

From the consumer perspective, the GB average potato consumption per head remains one of the highest in the world. However, the overall long term trend is downwards as younger

consumers are eating fewer potatoes than their parents. Based on the high market penetration for potatoes (97%), it remains a challenge to reverse this decline and achieve growth. There is significant competition from alternative carbohydrates, in particular from further processed pasta and rice that have been developed with strong convenience benefits to consumers. Chips remain one of the most popular formats of potato in the GB diet. Although this format has been threatened by misconceptions around the role of the potato in a balanced diet, there has been considerable good work to successfully counteract this, for example through National Chip Week and the delivery of the autumn and summer campaigns that highlight the important positive attributes of the potato.

It is important to understand the role of potatoes as part of a balanced diet. Potatoes are rich in nutritional value. Although they are officially classed as a starchy carbohydrate, they are technically a vegetable. Potatoes are a good source of B vitamins, iron and fibre; in addition to being an excellent energy source. As the British diet remains a focus in society there is a growing opportunity to leverage the nutritional importance of the potato.

The credit crunch has resulted in consumers eating out less and when they do, “trading down” to quick service outlets where chips are a key menu item. Scratch cooking has enjoyed a resurgence and consumers have reverted to more nostalgic British style meal options that generally feature potatoes. Potato Council needs to build on this opportunity further in particular through highlighting potatoes as good quick mid-week solutions. On the other hand, the growth of “value” brand potatoes has created challenges for the industry, in particular the packer and processor levy payers.

The GB processing industry has become high value added and is not geared up to successfully supply the processed lower value sector of the market. The split between fresh and processed potato consumption is now equal. Based on the growth of imported processed potato products this increases the pressure on the GB supply base. Whilst we recognise the problem, there is no easy solution other than to drive the competitiveness of growers and to leverage the provenance of GB potatoes. The current low penetration in the foodservice sector is an opportunity where the adoption of the Red Tractor logo could be utilised to highlight the assured quality of home grown potatoes. Clearly this is an area for further focus in the future.

There are further influences on the competitiveness of the sector. Extreme weather conditions as a result of climatic changes can create a major challenge to growers in specific areas. Regulatory developments, for example, the EU Pesticide Review, the Water Framework Directive and challenges for increased agricultural stewardship will all gather momentum and further challenge the sector. The Potato Council has a key role to play in all these agendas.

The key elements of the PESTLE that is contained in the AHDB corporate plan that are important to the Potato Council are summarised as follows:

Political
<ul style="list-style-type: none"> ▪ Growing acceptance that R&D investment should be better focussed on the applied end of the spectrum. ▪ Government drive to help combat obesity is an opportunity to promote the role of potatoes in balanced eating.
Environment
<ul style="list-style-type: none"> ▪ Growers/processors are faced with growing environmental challenges: <ul style="list-style-type: none"> - Impact of climate change in its various dimensions. - Resource protection, the challenge of managing the dual role of growing produce and protecting specific environments. - Water and waste disposal.

- Pressures for lower energy use; coping with increased costs.
<ul style="list-style-type: none"> ▪ Potential that belonging to environmental stewardship schemes can give a grower, for example in improving provenance through assurance standards.
Social
<ul style="list-style-type: none"> ▪ Renewed interests in the benefits of biotechnology as a route to improving efficiency/yield. ▪ Coping with reduced number of agrochemicals due to EU legislation and resistance to pesticides.
Legislative
<ul style="list-style-type: none"> ▪ Challenge and cost of complying with regulations. ▪ EU regulation on pesticide reduction.
Economic
<ul style="list-style-type: none"> ▪ Impact from periodic low prices and profitability. ▪ Quality assurance, important for quality differentiation but many schemes not as valued as they could be.

Strategic direction

This is the updated Potato Council Corporate Plan for 2010/2013. In preparing this plan, the Board gave guidance to its functional committees (Research & Knowledge Transfer, Marketing Strategy, Market Intelligence & Statistics, and Seed & Export) on the strategic direction for Potato Council. Committee chairs then reported back the development of the plan and functional activities to the Board. This plan consolidates the work of the Board and its committees, which include a wide cross section of the industry leadership. We have also directly consulted industry stakeholders in the formulation of this plan.

The plan has been prepared after a successful transition of our core business to Stoneleigh. During this period, Potato Council has retained some key highly experienced and knowledgeable colleagues and has also attracted some high calibre new talent to join the teams. A period of high operational risk is over and as the new team is embedded, the risk continues to reduce, but full integration is likely to take until the end of the current financial year which is the start date for this plan.

Aims

In the context of only delivering where there is market failure, our key aims are to:

- Increase the competitiveness of our levy payers
- Sustain demand for potatoes grown by our levy payers

Objectives

We will achieve this by prioritising 5 key objectives:

1. Improve industry competitiveness by better crop and business management
2. Sustain demand for potatoes
3. Leverage the importance of the potato
4. Exploit high value seed markets
5. Act as the industry voice in conjunction with relevant stakeholders to meet and manage environmental and regulatory requirements and help raise the skill base

Understandably during the last year, the integration process has had an impact on the overall focus for the teams. Going forward, Potato Council plans to increase focus on the strategic challenges facing the sector and to update plans/tactics accordingly. In addition, Potato Council recognises it needs to focus more on actively engaging with key levy payers to highlight the delivered activities and benefits to the industry.

As a sector business within AHDB, Potato Council will support collaborative activity where it can drive efficiency and deliver cost savings or benefits to our levy payers in the potato sector.

2010/2011 will be a challenging year for the industry and Potato Council will aim to drive all planned activities - **better...simpler...faster**

The key implications from the updated SWOT, summarised at the end of this section, will be addressed by the Potato Council through our departmental focus:

- **In R&D** we will focus on improving the competitiveness of the sector through improved crop and business management across a broad range of targeted research activities that will benefit levy payers and support improved marketable yield.
- **In Marketing** we will continue to provide industry with consumer and market research to inform their business decisions and highlight marketing opportunities. By deepening our understanding, we will address the engagement of the younger/low user consumer and improve the impact of our marketing campaigns. We will continue to work towards changing the negative perception of the potato from the health perspective and work with key stakeholders and opinion formers to raise the profile of the importance of the potato in the GB diet. We will also focus on ways to encourage the increased use of potatoes in the foodservice sector.
- **In Knowledge Transfer** we will continue to improve the flow and uptake of knowledge throughout the supply chain ensuring that value derived from R&D is clearly communicated in a way that different parts of the chain understand. Cutting edge communication technologies will continue to be evaluated and integrated with tried and tested activities. We will also ensure that we continue to develop best practice “storage knowledge” through the upgrade of **Sutton Bridge Experimental Unit**.
- **In Seed & Seed Export** we will continue to protect the high health status of seed potatoes by supporting the Safe Haven scheme. We will ensure that sufficient R&D resource is applied to seed industry needs. We will also identify activities that will further develop the seed export opportunity and address trade challenges where appropriate.
- **Within the wider AHDB organisation** we will ensure that we maximise any generic cross-sector initiatives that can better benefit the Potato sector levy payer through collaborative ways of working for example, through the Defra fruit and vegetable task force initiative. We will use the opportunity to develop best practice and add value through cross-group working especially in areas where potatoes can take a leading role.

Key **new** activities to the plan for 2010 include:

- *Development of an influencing plan to raise the profile of the strategic importance of potatoes nutritionally and as part of a food security agenda.*
- *Development of “best practice” grower case studies to identify further support/management change for levy payers for the future.*
- *Further consumer research to better understand and target the non-users through creating an optimum value proposition to challenge alternative carbohydrates.*

Objectives and strategies 2010 - 2013

We have developed five objectives to deliver our key aims along with associated strategies. These strategies have been assessed by our Board, committees and executive team for market failure. We have prioritised activities that have a high chance of success and a high potential impact; these objectives have been developed with and endorsed by the relevant Potato Council committees. The detail is contained in the tables at the end of this section.

Objective 1 - Improve industry competitiveness by better crop and business management

Undertake further targeted R&D and communicate findings in levy customer friendly ways that increase competitiveness and adoption of both new knowledge and existing under exploited knowledge.

Strategy 1: Increase marketable yield through R&D.

Potato Council's programme of R&D will focus on projects that will specifically address issues that impact on marketable yield and the reduction in defects. Project funding will be guided by industry prioritisation and concentrated in those areas that are likely to make the greatest difference and where there is a high likelihood of success. Specific focus for 2010/11 research will be:

- Issues arising from the EU Review of pesticides, including a crop pest/disease survey.
- Collaboration with other relevant AHDB sectors, for example slug and weed control.
- Addressing the challenges from the PCN Directive.

Research gaps identified through a review of ongoing projects (Soils & nutrients, Independent variety trials) will be prioritised for commissioning in 2012. Potato Council will also encourage new entrants to the industry through identifying suitable PhD studentship projects.

BENEFIT	Levy payers will benefit from targeted R&D that will improve marketable yield and profitability.
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Strategy 2: Understand depth of knowledge implementation across the industry and improve Knowledge Transfer activities.

Adoption of new technologies from R&D is crucial to the success of the industry. Whilst the campaign approach has achieved success over recent years, we need to improve our understanding of the technical abilities and knowledge implementation across the industry to better target new more effective KT initiatives.

New information to the industry will be communicated through a variety of tools, including some significant improvements:

- Improved usability of the website:
 - Easy to browse publications software (Page SuiteTM)
 - User friendly crop input calculators
- New publications and events including Potatoes in Practice 2010
- Process challenge exercises

Further development of the PCL Business Improvement Programme for 2010/11 will help growers improve their understanding of costs and address areas of weakness. Potato Council will focus on:

- Most efficient use of inputs e.g. fertiliser, seed, land bank, water
- Best exploitation of outputs e.g. whole crop marketing, quality uniformity, marketable yield
- Targeted management of constraints e.g. pest, disease, water

These will be delivered in a financial context that will bring together the technical, the business, and the producing and purchasing components of the industry.

Potato Council will also work with AHDB colleagues to seek out efficiencies that can be achieved through leveraging as one body that will benefit the potato sector. For example, Agricultural sub-group on water management.

Potato Council will continue to support the Safe Haven Certification Scheme and other activities that aim to help protect the industry’s high health status and protect against non-endemic diseases such as Ring Rot and Dickeya.

Market Intelligence has been centralised through integration. Potato Council will work closely with the newly formed team to ensure synergy opportunities are identified that benefit levy payers.

BENEFIT	Levy payers will benefit from better focussed/targeted knowledge sharing that will identify opportunities for improved efficiencies with “tools for the job”.
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Strategy 3: Exploit the potential for storage research through capital investment in the Sutton Bridge Experimental Unit (SBEU).

Industry consultations confirmed that storage R&D and Knowledge Transfer is crucial. Following the agreement of a new business plan for Sutton Bridge during 2009/10 and subject to external grant funding, a programme of capital investment has been instigated that will provide SBEU with a state-of-the-art storage facility to deliver further storage research:

- Alternative sprout suppressants
- Energy and airflow management
- Seed storage and disease control
- Residue free storage

BENEFIT	Levy payers will have a stronger storage research capability fit for purpose for the future.
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Objective 2 - Sustain demand for potatoes

Development of high impact coordinated campaigns, informed through further insight that will engage with consumers, in particular targeting the low user/younger groups and that will optimise GB potato production.

Strategy 1: Develop new insight to inform targeted campaigns.

A strong evidence base is crucial to effective targeting and messaging designed to encourage growth. Potato Council will continue to undertake a programme of consumer research and tracking, as an industry resource. Additional consumer research will be conducted to identify crucial insight that will help industry reach low user groups. This research will inform Potato Council’s promotional activities.

In addition, insight activity will also focus on key data in the foodservice and retail marketplaces.

BENEFIT	Levy payers will have access to unbiased, high quality research information and targeted promotional campaigns that will assist them in growing volume/sales.
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Note that Potato Council is currently bidding for an EU grant (in association with 3 EU countries). If successful, this grant will deliver £750k additional **non-levy** funding over 3 years to 2012, specifically for generic fresh potato promotion, within GB.

Strategy 2: Promote the role of the potato and challenge pasta and rice as less attractive alternatives.

Work will also continue with industry to promote the role of potatoes as part of a balanced diet and to ensure that carbohydrate alternatives are challenged.

Potato Council will undertake high impact co-ordinated campaigns addressing any misconceptions surrounding the convenience and nutritional benefits of potatoes specifically targeting the lower user groups of pre and young families.

The Potato Council’s existing work with school children is particularly popular and Grow Your Own Potatoes (GYOP) which seeks to improve children’s understanding of the role of potatoes within healthy and balanced eating will continue.

Chips have received considerable negative press in the past. Potato Council will continue to run “National Chip Week” to celebrate the nation’s love of chips and continue the work in correcting misconceptions about their place in a healthy balanced diet.

Potato Council will build on the success of “Love Potatoes”, which already has influenced 1 million more consumers that “potatoes are a healthy option”.

In addition, Potato Council will undertake a programme of issues management. On industry’s behalf, Potato Council will continue to influence: retailers, food service operators, consumer press, government departments covering health, education and food & agriculture as well as organisations such as the Food Standards Agency and British Nutrition Foundation. Handling of media enquiries, challenging cases of misrepresentation and disseminating reliable facts on key topics will be included.

BENEFIT	Levy payers will benefit from continued improvements in consumer perception of potatoes versus their carbohydrate competitors.
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Objective 3 - Leverage the importance of the potato

Development of an agenda to raise awareness to the importance of the potato from the health perspective and as a key component in a food security plan working through key stakeholders and opinion formers.

Strategy: Create a compelling influencing and communication plan to deliver key messaging.

Dietary health and food security as important issues to the nation is gathering momentum. The unique benefits that potatoes deliver in both of these areas needs better recognition by government and key influencers. This will have significant benefits for industry and a plan to emphasise “*the importance of the potato*” will be developed and delivered across marketing and R&D functions.

Food service is a significant market sector that is price driven/lower value which has a high degree of imported processed products. Through leveraging activities there is an opportunity to influence procurement practice in the cost sector. Within the profit sector there has been increased interest in provenance that would play to the strengths of the potato industry that we will exploit.

BENEFIT	Levy payers will benefit from overall improvements in consumer perception of potatoes and as a key strategic agricultural crop, important to the diet of British consumers.
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Objective 4 - Exploit high value seed markets

Work collaboratively with seed growers to maximise domestic and export opportunities through protection of the high quality status of seed and continue to develop robust trading/technical relationships with overseas markets.

Strategy: Help seed growers to further grow their export markets through trade shows, inward and outward mission activity.

Exports continue to provide valuable growth opportunities for the seed potato industry. Potato Council will coordinate its promotion in selected overseas markets and will work in partnership with industry and government to encourage overseas plant health officials to understand and acknowledge our excellent phytosanitary standards. It will also work to resolve any arising export issues. Trade show activity and inward and outward missions are the key tools.

BENEFIT	Levy payers will benefit from attracting overseas interest through a non competitive coordinated approach based on a firm foundation of providing leading quality seed potatoes.
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Objective 5 - Act as the industry voice in conjunction with relevant stakeholders to meet and manage environmental and regulatory requirements and help to raise the skill base

Understand and manage regulation and policy without bias, communicate clearly to the industry and contribute to improving agronomist and producer skills.

Strategy: Understand the legislation to be effective at translation into actions for the industry.

Potato Council will keep the sector aware of important developments and put the industry’s case and the evidence base to those preparing and implementing legislation. Issues such as biotechnology, pesticides, acrylamide, CIPC, water, soils and climate change are likely to be high priority and the Potato Council can provide a lead within AHDB.

The burden of compliance and issues relating to industry’s use of energy and pesticides are key ongoing threats to the potato sector’s economic and environmental sustainability. These issues will be integral to all R&D and communication activities. Managing such issues in a holistic way can create an outcome where compliance occurs, and where there is a positive financial outcome For example, reduced input costs and better marketable yields. This “policy meets production” approach has been well received by levy payers in the past.

Activities designed to improve information flow and knowledge uptake will run parallel to R&D and communication activity. This work will involve altering attitudes and behaviours throughout the potato supply chain. During 2010/11, surveys into the uptake of new information and how it is utilised will be conducted.

Potato Council will also actively engage with AHDB and in particular the Chief Scientist on key issues that are not potato specific, such as consumer attitudes to Biotechnology, the lack of new entrants to the sector and the declining GB science base.

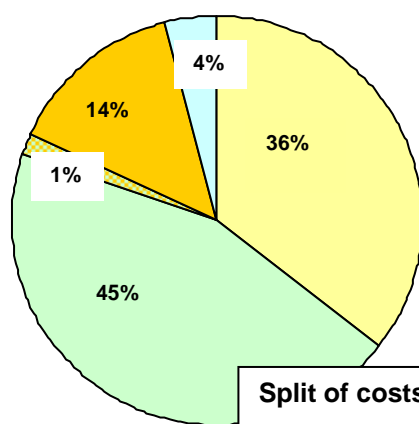
BENEFIT	Levy payers will have sources of knowledge that will enable them to take action to reduce costs/improve profitability.
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Summary of Strategy Spend

(Note excludes staff costs)

Marketing- delivered by team of 4		
Key Activities	Benefits	For
Sustain potato demand Leverage importance Challenge the role	Improved perception for potatoes	Growers Seed growers Packers Processors Merchants
£1308k (Last year plan 1128k)		

Seed & Export-delivered by team of 3		
Key Activities	Benefits	For
Exploit high value seed export	Attract overseas interest via non competitive coordinated approaches	Seed growers
Meet industry seed requirements from GB source	Protect high health status of GB potatoes	Seed growers Ware growers Packers Processors
£154k (Last year plan 129k)		



Split of costs by team

Knowledge Transfer-delivered by team of 7		
Key Activities	Benefits	For
Improve KT activities	Improved efficiency through focussed/targeted knowledge sharing	Growers Packers Processors Seed growers
Translate research and legislation into action	Sources of knowledge to aid levy payer to reduce costs/improve profitability.	Growers Packers Processors Seed growers
£503k (Last year plan 375k)		

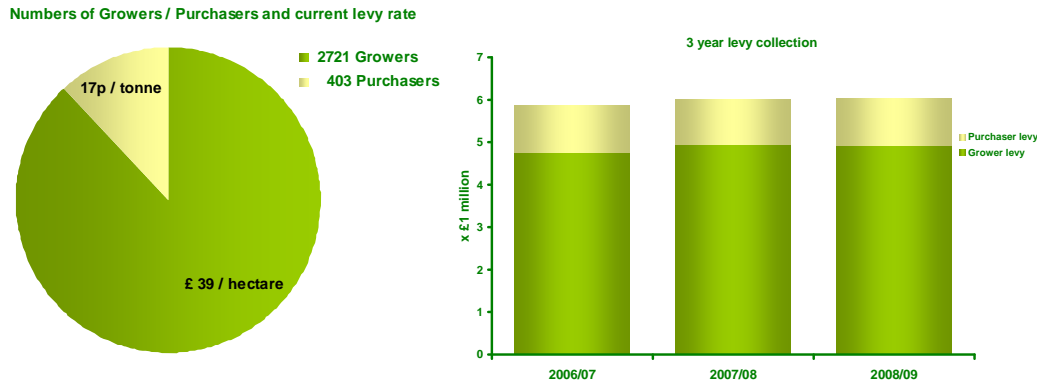
Research and Development- delivered through team of 3 +		
Key Activities	Benefits	For
Improve marketable yield, reduce defects Optimise resources	Targeted R&D on agronomy and crop protection, storage and utilisation	Growers Seed growers Packers Processors
£1640k (Last year plan 1212k)		

Issue management delivered through all functions

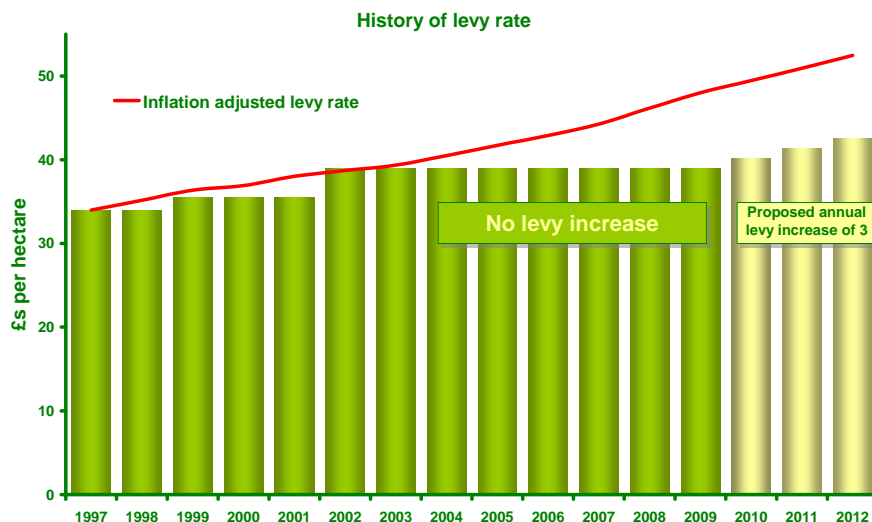
Sutton Bridge Experimental Unit- team of 8		
Key Activities	Benefits	For
Conduct and deliver storage research and KT	Capability fit for future purpose	Growers Packers Processors Seed growers
£61k		

The Levy

Levy is paid on the area planted by growers (of more than 3 hectares) and the tonnes purchased by purchasers (of over 1000 tonnes/yr). No levy is collected for the purchase of seed. The graphic below shows the split between the number of grower and purchaser levy payers, the levy rate currently applied and the previous 3 year levy collection history.



- There are a number of large growers and processors. 45% of the potato growing area is controlled by just 10% of the Levy payers.
- The **Levy rate** has remained **unchanged** for the past **8 years** as demonstrated on the graph below. Activities by the Potato Council have been a result of continual reduction in overheads and drawing down from reserves to allocate sufficient budget to the project work. We need to apply small incremental increases each year so that the work required by industry is delivered effectively. With a proposed 3% increase the grower levy rate will be £40.17. (If the rate had been maintained in line with inflation it would have been £49.45 in 2010.)



- There has been a pressing need to do even more activity and as there is likely to be more pressure on public funding areas, the need to have sufficient income available will become increasingly important to deliver levy payer needs.

Potato Council financial strategy

The approach to managing Potato Council finances will be to apply strong financial disciplines as follows:

- As part of AHDB, Potato Council will budget for a break even position each year and no longer use the reserves.
- The financial budget will be based on the activities required to deliver the Corporate Plan.
- Potato Council Board has agreed to maintain a minimum reserve level of £2m; this reserve will be reviewed from time to time within the policy of AHDB. The total reserve includes a designated reserve for the potential redundancy of staff in the event of a cessation of Potato Council.
- There is an assumed annual levy rate increase of approximately 3% from 2010/11 onwards.
- The levy rate increase will be reviewed annually as part of the corporate planning process based on the cost to deliver the needs of levy payers.
- Budgeted income will be projected on a planted area of 120,000 hectares for the 3 years of this plan.

Levy rates require ministerial approval on an annual basis therefore the levy rates in these financial projections are only an indication of our future plans.

Crop Assumptions

	2008/09 Actual	2009/10 Budget	2009/10 Forecast	2010/11 Budget	2011/12 Budget	2012/13 Budget
Crop area registered for levy (ha)	123,986	120,000	124,000	120,000	120,000	120,000
Yield (tonnes per ha)	45.0	46.0	45.0	45.0	45.0	45.0
Tonnage	5,579,370	5,520,000	5,580,000	5,400,000	5,400,000	5,400,000
Tonnage used for human consumption	67.1%	70.0%	68.0%	68.0%	68.0%	68.0%
Weight into food chain	3,740,968	3,864,000	3,794,400	3,672,000	3,672,000	3,672,000
Movements in chain	1.70	1.77	1.70	1.70	1.70	1.70
Tonnage for levy	6,359,645	6,839,280	6,450,480	6,242,400	6,242,400	6,242,400

Growers Levy Rate

	2008/09 Actual	2009/10 Budget	2009/10 Forecast (£)	2010/11 Budget (£)	2011/12 Budget (£)	2012/13 Budget (£)
Levy Rate if paid by due date note 1	39.00	39.00	39.00	40.17	41.38	42.62
Average effective rate	39.81	39.88	39.80	40.99	42.22	43.49
Recoverable levy	4,935,883	4,761,672	4,935,200	4,919,280	5,066,858	5,218,864
				3% increase	3% increase	3% increase

Purchasers Levy Rate

	2008/09 Actual	2009/10 Budget	2009/10 Forecast (£)	2010/11 Budget (£)	2011/12 Budget (£)	2012/13 Budget (£)
Levy Rate if paid by due date note 1	0.170	0.170	0.170	0.175	0.180	0.186
Average effective rate	0.173	0.173	0.173	0.178	0.184	0.189
Recoverable levy	1,100,219	1,171,363	1,115,933	1,112,333	1,145,703	1,180,074
				3% increase	3% increase	3% increase

Financial Forecasts

	2008/09 £000's Actual	2009/10 £000's Budget	2009/10 £000's Forecast	2010/11 £000's Budget	2011/12 £000's Budget	2012/13 £000's Budget
Grower Income	4,936	4,762	4,935	4,919	5,067	5,219
Purchaser Income	1,100	1,171	1,116	1,112	1,146	1,180
Other Income	58	43	43	43	43	43
Total Income note 2	6,094	5,976	6,094	6,075	6,256	6,442
% change					3%	3%
Total Expenditure	(6,265)	(6,698)	(6,127)	(6,197)	(6,377)	(6,542)
% change					3%	3%
Operating Surplus/(Deficit)	(171)	(722)	(33)	(122)	(121)	(100)
Investment Income note 3	109	140	46	44	74	72
Surplus/(Deficit) Before Tax	(62)	(582)	13	(78)	(47)	(28)
Tax on Investment Income	(25)	(28)	(10)	(10)	(16)	(16)
Surplus(Deficit) after tax	(87)	(610)	3	(88)	(63)	(44)
Transition Costs						
<i>Redundancy, Pension and Transition charge</i>	(1,770)		(93)			
<i>Release from Designated Reserve</i> note 4			565			
(Charge) / Release to General Reserve	(1,857)	(610)	475	(88)	(63)	(44)
Opening General Reserve	3148	2976	1291	1766	1678	1615
Closing General Reserve	1291	2366	1766	1678	1615	1571
Designated Reserve note 5	1011	1011	446	446	446	446
Total Realisable Reserves	2302	3377	2212	2124	2061	2017
Revaluation Reserve note 6	115	174	115	115	115	115
Total Reserves	2417	3551	2327	2239	2176	2132

Notes

1. If the levy is paid after the due date, the levy payable increases by £5 per hectare and 2p per tonne
2. Total income is calculated using historical information on for example; yields and tonnage moved into the food chain
3. Investment Income is based on 3.5% of the opening reserve except 2009/10 & 2010/11 where a rate of 2% is used.
4. This is the release of dedicated reserve for redundancy payments made in 2009 .
5. The designated reserve is the sum ring fenced to fund redundancy for the PCL staff who transferred to AHDB
6. This is the increase in the value of land at SBEU, since it was purchased.

PCL have agreed to maintain a minimum Realisable Reserve of £2m.

Analysis of the Strengths, Weaknesses, Opportunities and Threats of the sector

STRENGTHS	WEAKNESSES
<p>Industry Structure</p> <ul style="list-style-type: none"> ▪ Highly integrated and rationalised ▪ Relatively stable production ▪ Contract/commitment approach exists between growers/buyers ▪ Heavy investment on farm and supply chains ▪ Strong co-operation via PCL on key issues ▪ Sector supported by strong strategic/applied science ▪ GB Sector is world lead in environmental sustainability <p>Growers & Supply Chain</p> <ul style="list-style-type: none"> ▪ World leading grower base ▪ High quality production vs. competition through high quality specs' and expertise ▪ Good compliance to protocols vs. competition ▪ High commitment to storage: 3.5-4m tonnes (~50:50 fresh: process) ▪ Responsive industry to consumer needs-e.g. health ▪ Good career prospects for industry entrants <p>Product</p> <ul style="list-style-type: none"> ▪ Valuable domestic market (£743m ex-farm; £3.5 bn consumer value) ▪ High consumer penetration at 97% ▪ Sophisticated, leading GB retail environment ▪ Demonstrates positive characteristics-healthy, filling, value for money ▪ Further growth potential in chilled product development ▪ Perceived as inherently "British", engaging current consumers ▪ Favourable climate ▪ Island status has safeguarded market and health status of crop ▪ Excellent break crop in the rotation <p>Export</p> <ul style="list-style-type: none"> ▪ Seed industry free from certain organisms (Ring rot, Dickeya etc) ▪ Key exporter of seed ▪ Safe Haven scheme recognised worldwide ▪ Government support in export ▪ Increasing range of proprietary varieties for export <p>Industry Bodies</p> <ul style="list-style-type: none"> ▪ PCL has track record in improving competitiveness ▪ Trade strengths through relevant organisations such as NFU's BPTA, PPA, FPSA. 	<p>Environment</p> <ul style="list-style-type: none"> ▪ Limited availability of land and clean soil (issues of soil-borne pathogens) ▪ High user of energy, water and fertiliser, pesticides; residue concerns ▪ Lacks knowledge of performance in relation to carbon/water footprints ▪ Reliance on CIPC sprout suppressant that is a huge industry risk <p>Growers and Supply Chain</p> <ul style="list-style-type: none"> ▪ Grower base can be significantly change averse ▪ Variance between top 20% of growers and others (80/20 rule) ▪ Older age profile of industry at upper end across all sectors ▪ Lack of promotional, marketing, NPD expertise within industry ▪ Industry failing to use new knowledge effectively or is this KT failure? ▪ Significant defects affect marketable yield, estimated at £90 m loss pa ▪ Packing/processing rejects not utilised industrially (flake, granular) ▪ Storage profile creates major need for reinvestment e.g. bulk for processing <p>Product</p> <ul style="list-style-type: none"> ▪ Significant rise of processed imports over time ▪ Age profile skewed to older consumers/ heavy users ▪ Misperception of nutritional status and lack of positive endorsement <p>Export</p> <ul style="list-style-type: none"> ▪ Lack of promotional resources vs. overseas competition ▪ Increasing financial risk in seed production ▪ Increased freight costs via sea/air will impact exports (and imports) <p>Financial</p> <ul style="list-style-type: none"> ▪ Retailer dominance has affected farm gate ▪ Significant increase in external costs e.g. energy, fertiliser and transport ▪ Price and credit availability has affected ability to undertake capital investment <p>Knowledge Gaps</p> <ul style="list-style-type: none"> ▪ General lack of understanding/knowledge of some critical diseases ▪ Slow rate of varietal improvement and uptake ▪ Limited penetration of KT at middle-lower end of grower ability/scale ▪ Limited understanding of key components of physiology, biochemistry ▪ Lack of 'health related' research in pipeline ▪ Lack of new industry entrants - growers, scientists and technologists

OPPORTUNITIES	THREATS
<p>Technology</p> <ul style="list-style-type: none"> ▪ Compulsory food education/cookery in schools ▪ Improvements in food processing ▪ Develop understanding of key issues such as diseases, pests, inputs/costs ▪ Further develop KT ▪ Utilise communication developments for KT ▪ Store control/building design to improve efficiency e.g. energy losses ▪ Advanced computing for improved knowledge e.g. CIPC & PCN ▪ Accelerate exploitation of DNA technologies e.g. PCR diagnostics ▪ Genomics/GM technology, but longer term <p>Product/Consumer</p> <ul style="list-style-type: none"> ▪ Improve potato perception for versatility, convenience, health ▪ Capitalise on move towards scratch cooking, "naturalness" ▪ Exploit 'Britishness' through differentiation on quality rather than price ▪ Address competition from pasta/rice ▪ Engage consumer press with access to reliable potato information ▪ Develop further 'brand' opportunities for fresh/processed <p>Export</p> <ul style="list-style-type: none"> ▪ Increasing demand for British seed potatoes ▪ Collaboration/education to develop demand/tackle export restrictions ▪ GB science & technology delivering solutions for seed industry issues <p>Collaboration</p> <ul style="list-style-type: none"> ▪ Cross sector linkages through AHDB ▪ Address sustainability from environmental/economic viewpoints ▪ Further engage with levy payers/stakeholders ▪ Generic EU potato promotion across until 2012, subject to funding 	<p>Climate Change</p> <ul style="list-style-type: none"> ▪ Growing risk of adverse and unpredictable climate conditions ▪ Introduction of new pathogens affecting field and storage ▪ Increased virus/blight/pest and volunteer potato pressure <p>Legislation</p> <ul style="list-style-type: none"> ▪ Limited pesticides availability, high cost alternatives will affect production ▪ Water and soils will impact on current growing practices ▪ Labour impact on availability of workers and/or costs ▪ Environmental e.g. water and fat disposal in processing sector ▪ Acrylamide: potential to damage fresh and food service sectors <p>Product/Consumer</p> <ul style="list-style-type: none"> ▪ Diminishing cooking skills, changing eating habits ▪ Imports (ref eastern Europe) ▪ Further growth of rice & pasta ▪ Negative media coverage e.g. waste, pesticides, GM ▪ FSA saturated fat campaign, impact on chips ▪ Trading climate influencing industry to sell on price, as a commodity <p>Export</p> <ul style="list-style-type: none"> ▪ Increased competition from developing seed industries e.g. China, India ▪ Tightening of import conditions in some export markets ▪ Increase move to ware in Scotland impacting on clean land for seed <p>Research</p> <ul style="list-style-type: none"> ▪ Declining GB research base, a lack of practitioners for KT process ▪ Reduced crop-specific funding due to government policy e.g. LINK ▪ Science results slower to come through than required for key issues ▪ Fractures in research chain from basic science to applied research <p>Growers & Supply Chain</p> <ul style="list-style-type: none"> ▪ Reduced margins/cash flow issues a potential risk to supply base ▪ Large scale production not always compatible with precision farming ▪ Lack of succession/skills drain into other industries

Strategy	Key outcome	Targets	Key risks	Key controls
Potato Council objective 1 – Improve industry competitiveness through better crop and business management				
<p>Increase marketable yield through R&D</p> <p>Understand depth of knowledge implementation across the industry and improve Knowledge Transfer activities</p> <p>Exploit potential for storage research through capital investment in Sutton Bridge Experimental Unit</p>	<ul style="list-style-type: none"> • R&D and KT strategies endorsed/ utilised by industry • Projects commissioned and managed against strategy and involve industry • Effective delivery of business-relevant KT • Increase in marketable yield by 5% • Measurable contribution of R&D and KT to reduce input costs: improve on “35% of growers agree that PCL helps reduce production costs” (2008 benchmark) • Successful re launch of SBEU capability and facilities*. • Focus of SBEU work to increase activity on seed and energy management in storage <p>*Subject to grant funding for capital project in 2009/10</p>	<ul style="list-style-type: none"> • Ongoing projects achieve their planned and stated outcomes and milestones • New projects commissioned to respond to the EU pesticides review, and address priorities for reducing defects and improving storage management • Review of ongoing research on soils and nutrients and the independent variety trials has identified commissioning requirements for 2012 onwards. • Knowledge transfer campaigns on blight, aphid management, water, energy management and business improvement are delivered, contributions to business improvement are clearly stated and understood by industry • Regular dialogue with industry, stakeholders government and media • SBEU develops according to its revised business plan (following review during 2009) • SBEU deliver research and best practice storage KT in accordance with Service Agreement with R&D and Communications departments 	<ul style="list-style-type: none"> • Government sponsors support cross-cutting R&D rather than crop specific programmes • Projects do not deliver planned outcomes • Weather / disease / legislation affects planned R&D and KT (and marketable yield target) • Researchers fail to deliver relevant proposals • Knowledge is not taken up • SBEU unable to meet targets for research and KT delivery 	<ul style="list-style-type: none"> • Continue close relationships with AHDB Chief Scientist, DEFRA and RERAD • Continue engagement with AHRF • Adherence to R&D management principles (commissioning, monitoring, industry involvement) • Proactively communicate with research base • Prioritise activity and contract-out where appropriate. • Develop capability at SBEU so that storage R&D and KT for GB is not compromised
Resource requirements: (£'000) excl staff costs: 226k(KT); 1640k(R&D); 61k (SBEU). Total = 1927k				
<p>Ensure PCL supplies accurate market intelligence through centralised function</p>	<ul style="list-style-type: none"> • Potato Council has thorough understanding of business environment for potatoes and this instructs all activity. 	<ul style="list-style-type: none"> • <i>PCL/AHDB</i>* undertakes programme of market Information, to include weekly price& crop reporting, trend statistics on annual area, yield, production, supplies & disposals, imports, exports and retail trends (TNS-sourced) plus food service market analysis data. 	<ul style="list-style-type: none"> • Lack of clarity around PCL needs • Contracted services providing key statistical/ sector expertise not renewed in timely manner, leading to loss of capacity 	<ul style="list-style-type: none"> • Ensure full engagement by staff, PCL board and the MI committee. Ensure KPI's are well documented and internal matrix management works

Strategy	Key Outcome	Targets	Key Risks	Key Controls
	<ul style="list-style-type: none"> • Outputs are effectively communicated to industry 	<ul style="list-style-type: none"> • Under contract to DEFRA, provide monthly balance sheet of supplies and disposals, regional area, yield, production statistics. • Improve awareness and utility of the grower panel as an online source of current price and crop data • Provide monthly European reports on crop conditions and prices • Through MI committee maintain continuous review of statistical quality standards, relevance and timing of key outputs to agreed service levels <p style="text-align: center;"><i>*Centralised function</i></p>	<ul style="list-style-type: none"> • Inadequate communication between AHDB-MI, PCL, Levy Collection, IT Services and PC MI contractors • Central TNS contract negates current potato industry syndicate, resulting in significant cost increases for many packers with joint TNS-PCL arrangements 	<ul style="list-style-type: none"> • Review MI contracted services in timely fashion and ensure roll-over of contracts as required • Put robust communication plan in place • Review TNS contract arrangements to ensure no net cost increases to current syndicate members
Resource requirements (£'000) excludes staff costs: part of centralised cost allocation				
Potato Council objective 2 - Sustain demand for potatoes				
Develop new insight to inform targeted campaigns	<ul style="list-style-type: none"> • Understand and communicate to industry macro consumer food trends and the impact for potatoes • Build robust evidence base around consumer attitudes and behaviour for the shopping/preparation of potatoes • Understand low users of potatoes; develop 'crucial insight' to sustain demand • Findings steer NPD, promotional activity within industry 	<ul style="list-style-type: none"> • Provide update on ongoing impact of recession/recovery on potato consumption • Understand segmentation of consumer needs for fresh potatoes • Communicate initial research findings that will impact on reaching low user groups • Communicate new insight to key stakeholders through planned events • Run bi-annual retail conference • Monthly communication of quantitative retail marketplace information –supported by central MI team 	<ul style="list-style-type: none"> • Industry does not engage to support necessary change 	<ul style="list-style-type: none"> • Industry involvement and regular communication to deliver buy in

Strategy	Key outcome	Targets	Key risks	Key controls
	<ul style="list-style-type: none"> Industry receives information on both retail/foodservice markets <p><i>NB: All PCL's consumer marketing activities are based on the outcomes of research.</i></p>	<ul style="list-style-type: none"> Effective information is provided on foodservice marketplace-steered by industry needs. 		
Resource requirements (£'000) excludes staff costs: 244k				
<p>Promote the role of potatoes and challenge pasta/ rice</p>	<ul style="list-style-type: none"> Increase number of school participating in –Grow your own potatoes project from 45% to 65% 6% increase in positive attitudes that chips can be eaten as part of a healthy balanced diet. Evidence of collaborative campaigning with industry. Arrest decline in share within meal occasions Improve perception within pre/ young family markets by 6% in attitudes towards: <ul style="list-style-type: none"> - Potatoes being healthy - Likely to cook potatoes for a weekday meal - Convenience 	<ul style="list-style-type: none"> Develop existing scheme and increase number of participating schools by 1300 Run National Chip Week, as driver to change attitudes towards chips-deliver against 3 yr outcome Consistent messaging through industry collaboration that feeds/supports all campaigns-PCL/industry driven Deliver generic PR-led marketing campaign that changes attitudes towards potatoes and deliver towards 3 yr outcomes, within target low user groups Develop and execute generic EU Potato Promotion with France and Belgium from Sept '10 - leveraging £750k grant funding over 3 years <p><i>EU will make decision on the application-June 2010. Should funding not be achieved-marketing campaigns will continue at current budget levels.</i></p>	<ul style="list-style-type: none"> National Chip Week threatened by concern over nutritional profile/ misconceptions over high spend Industry not engaged -multipliers needed to achieve critical mass from PCL spend are not achieved Negative media coverage for potatoes EU does not award grant. 	<ul style="list-style-type: none"> Demonstrate value of the work Regularly consult and communicate with industry <p>Proactive and reactive issues management</p>
Resource requirements (£'000) excludes staff costs: 984k				

Strategy	Key outcome	Targets	Key risks	Key controls
Potato Council objective 3 - Leverage the importance of the potato				
<p>Create a compelling influencing and communication plan to deliver key messaging</p>	<ul style="list-style-type: none"> Recognition from Government and key influencers that the potato can play an important role in dietary health and food security, results in tangible benefits for the Potato Industry. <p><i>(NB: All PCL's consumer marketing activities are based on the outcomes of research)</i></p>	<ul style="list-style-type: none"> Build evidence base illustrating contribution to health and food security- 3 key issues identified Potential partners identified and communication plan in place to engage with stakeholders-evidence of relationships underway for target groups Learn lessons from overseas potato boards 	<ul style="list-style-type: none"> Government change impacts priorities and opportunities. Failure to make effective contact/ stakeholder engagement 	<ul style="list-style-type: none"> Prepare preparatory work-have contingency in place to effectively respond to any changes
Resource requirements (£'000) Excludes staff costs: 80k				
Potato Council objective 4 - Exploit high value seed market				
<p>Help seed growers to further grow their export markets through trade shows, inward/outward mission activity</p> <p><i>(NB. PCL will only undertake activity on seed potato exports, due to lack of market failure in the ware sector)</i></p>	<ul style="list-style-type: none"> Industry capitalises on opportunities identified Value/tonnage of exports continue upwards trend Continued buy in from joined up industry Closer relationships with key export countries at official level-on plant health, quarantine and import Effective management of issues in export countries that otherwise impact on trade 	<ul style="list-style-type: none"> Inward missions from min' 2 target countries Effective outward missions to countries identified by industry consultation with good seed export potential Attend major international trade events as agreed by industry Assist industry where issues arise in importing countries working with relevant authorities Provide range of generic tools for use by seed exporters and importers Identify collaborative opportunities in overseas markets working with relevant authorities and research-with plan to maximise Identification of common export phytosanitary issues, collation of existing information, preparation of appropriate reports and future recommendations (one issue per year) 	<ul style="list-style-type: none"> Lack of engagement prevents involvement Country selection perceived as biased GB seed industry consolidates and works together negating need for PCL Overseas countries don't fully contribute to the work The process identifies large gaps in knowledge. 	<ul style="list-style-type: none"> Sell technical role of PCL Transparent/ robust communication Proposals must be clearly defined and assessed by export trade, relevant scientific experts and R&D colleagues. Identify future action through seed/R&D/ KT committee
Resource requirements (£'000) Excludes staff costs: 89k				

Strategy	Key outcome	Targets	Key risks	Key controls
<p>Ensure GB potato industry can be adequately supplied with seed potatoes</p>	<ul style="list-style-type: none"> • Protection of high health status of GB seed • Retain freedom from quarantine diseases • Promotion of benefits of high health seed 	<ul style="list-style-type: none"> • Seed and Export Committee continues to drive seed and export strategy • Visible promotion of Safe Haven Scheme to ensure industry uptake remains in excess of 60% seed area so that scheme delivers wider benefits • Hold specific KT events for the seed industry such as Potatoes in Practice and Seed Industry Event • Represent seed industry on all seed consultations and regulatory negotiations to ensure the best outcome and profile of Potato Council • Provide range of generic tools for use by GB seed industry 	<ul style="list-style-type: none"> • Complacency towards Safe Haven Scheme • Ring Rot outbreak on Safe Haven farm • Promoting benefits of GB seed-political repercussions • Ware industry increases reliance on farm saved seed 	<ul style="list-style-type: none"> • Continue communication • Work up crisis management plan • Work with Seed and Export Committee • Work with industry and authorities to ensure long term plant health not compromised.
<p>Resource requirements (£'000) excludes staff costs: 65k</p>				

Strategy	Key outcome	Targets	Key risks	Key controls
Objective 5 - Act as the industry voice in conjunction with relevant stakeholders to meet and manage environmental and regulatory requirements and help to raise the skill base				
Understand the legislation to be effective at translating into actions for the industry	<ul style="list-style-type: none"> Industry understands the consequence of new/proposed legislation, recognises PCL role and takes part in its development (Improve on 50% from 2008 benchmark) Industry understands contribution of PCL R&D and KT to business agenda and applies knowledge (Improve on 46% from 2008 benchmark) Industry has clear vision of the potential contribution of genomics and biotechnology Technical ability of agronomists and store managers improves and is measurable by industry 	<ul style="list-style-type: none"> Development of central industry platform to facilitate best practice for pesticide stewardship and delivers ongoing CIPC stewardship initiative Successful development of user interface for PCN management model Successful development and delivery of new PCL website, providing tools required by industry (seed and fertiliser calculators) Case studies developed to understand where levy-derived information is used within businesses and how it can be better targeted to suit business need Technical/advisory information delivered through range of media-5 open days (SBEU x 1), 30 targeted meetings, PC update, Grower Gateway, agronomist and storage bulletins Grower collaboration project achieves additional funding from Government and includes 3 additional sites. PCL vision agreed through consultation and contributes to AHDB position PCL works with AHDB sector colleagues to ensure potatoes are represented within an agricultural training agenda. SBEU becomes more involved in agricultural training 	<ul style="list-style-type: none"> Businesses unable to operate under regulatory constraint Industry cannot agree value of collaborations Businesses fail to recognise value of training Consumer perception of Biotechnology affects demand New facility at SBEU not ready for summer KT event and/or 2010/11 season to undertake environmentally focused trials 	<ul style="list-style-type: none"> Early proactive involvement in relevant policy activities Active involvement with the AHRF KT group to exploit synergies between AHDB and other agencies Active participation in AHDB CMS working group Planned stakeholder meetings to ensure "buy in" Robust scientific debate/liaison with industry Industry participation in development and course accreditation Proposed funding stream requires completion by April 2010
Resource requirements (£'000) excludes staff costs: £277k				

NOTE: Total excluding staff costs is £4.071m. £345k is budgeted for incidental expenditure including staff travel and expenses.

MEAT AND LIVESTOCK COMMERCIAL SERVICES LTD - COMMERCIAL SUBSIDIARY PLAN

Introduction

Meat and Livestock Commercial Services Limited (MLCSL) provides data, advice, logistics and inspection services to the Agricultural industry on a commercial basis. The commercial operation is managed separately within AHDB. All costs are fully accounted for within the operation and the profits returned to AHDB for the current benefit of the red meat industry.

At the time of writing MLCSL had completed a very challenging but in the circumstances successful half year to October 2009, continuing to develop new business opportunities with both the red meat industry and the wider AHDB remits. Its four businesses – Authentication Services, MLCSL consulting, Auditing and Equipment – are operating within a testing environment as processors and producers face particularly difficult trading conditions.

Authentication services and equipment

Services provided to industry

The Authentication side of the business employed on average 100 people who delivered the following services during the half year to October 2009;

- Independent carcass classification services for cattle, sheep and pigs to the slaughtering sector
- Technical training for the selection of livestock for slaughter to the industry
- Development and sales of slaughter line data capture equipment
- Sales, servicing and support of pig classification equipment (Introsopes)
- Marketing of a Stun Assurance Monitor for sheep and pigs
- Carcass label sales for cattle, sheep and pigs

The MLCSL managers put in place a strategic authentication marketing strategy and as a result the increase in the Beef, Sheep and Pig carcasses classified by the team as a percentage of British slaughterings showed another good increase this for the first six months of the financial year (see fig 1).

Fig 1. Carcasses classified by MLCSL as percentage of British slaughtering

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 Up to Oct 09
Cattle	55.6%	55.8%	58.9%	71.2%	72.1%	79.0%	80%
Sheep	46.5%	47.6%	40.9%	42.5%	38.5%	42.3%	61%
Pigs	63.3%	62.1%	62.1%	60.9%	61.9%	66.3%	65%

Marketing of the Stun Assurance Monitor continued during the year. The Monitor provides an auditable stun process for slaughter houses and there was continued interest from many quarters including the role it could potentially play in assurance of pre-stunning for the Halal market.

A significant amount of service and support was contracted to the EBLEX Beef Better Returns Programme in England. Selection of cattle for slaughter training events were delivered at abattoirs and auction markets.

Similar support was provided to HCC in Wales with its busy programme of both sheep and cattle selection for slaughter training days. Enrolment and delivery of these events was by MLCSL authentication staff, and a number of shows were also attended to support the programme.

Levy audits were also carried out throughout England and Wales for AHDB and HCC.

MLCSL Consulting

The consultancy business, formerly Industry Consulting, continued to handle a wide range of projects within the meat and livestock and wider food industry, in particular those involving the following elements or combinations of topics, in summary:

- **Economic** - evaluation and analysis.
- **Strategic** - evaluation and planning, for sector and company.
- **Company** - performance and efficiency assessment; technical and economic benchmarking, business planning, operational costings, technical and financial assessment.
- **Technical/engineering** - advice, assessment and design:
 - livestock handling systems, livestock markets,
 - meat plant assessment and design, for new and upgraded slaughtering and meat processing facilities,
 - electronic data capture and control systems,
 - waste disposal and environmental issues,
 - by product processing,
 - engineering project management.
- **Marketing** - market assessment, customer analysis and product development.
- **Supply chain** - assessment of value and power chains; supply chain development and quality assurance, meat and food hygiene/safety assessment and training, training for meat plant operations.
- **Project planning and evaluation**
- **Funding** - sourcing project funds, feasibility studies and financial planning.

MLCSL Auditing

MLCSL auditing is a new division within MLCSL and evolved in order to provide an independent auditing service to the agriculture and food industry of GB.

There are two distinct services:

1. Supply chain inspections
2. Energy inspections

Supply chain inspections

The division has worked on behalf of a number of the major certification bodies, inspecting the supply chains of the agriculture and food industry throughout GB. The skilled and trained inspectors carry out inspections on every aspect of these supply chains, from animal feed production, to whole farm inspections; from animal health and welfare at local shows to major sales.

Energy inspections

In conjunction with CMS UK and Kite Consulting MLCSL has developed an E-CO2 (Energy, Water and Carbon Footprint) assessment software. This is designed to raise awareness, of the potential savings (to **Farmers, Processors** and **Manufacturers**) to be made through reductions in energy and water usage, whilst calculating the carbon footprint.

Together, MLCSL and CMS UK have been helping farmers put money back in their own pocket by making substantial savings on their energy costs whilst reducing their carbon footprint.

Example of potential savings to dairy farmers :

Trials at 25 dairy farms, showed that on average we helped these businesses save £684 (11% of the annual energy bill) on energy usage, and £1,361 (26% of the annual water bill) on water in a single year.

Without compromising production, these farms saved on average £2,045 in a single year. The energy savings were split as follows:

- *Average Energy Saving: £684*
- *Average lighting saving: £73*
- *Average water heating saving: £277*
- *Average milk cooling saving: £153*
- *Average other energy saving: £108*

SWOT analysis for MLCSL

Strengths	Weaknesses
<p>Classification</p> <ul style="list-style-type: none"> • Independent service provision • GB classification remit provides national coverage for consistency • Authentication Services is the market leader • Seen as essential to provide independent assurance within the supply chain • Technical expertise and industry knowledge • Selection for Slaughter courses provide vital technical input and contact with producers • Position and credibility within the industry • Communication; staff appreciation of company goals • Experienced, versatile, technically competent, well trained and respected workforce • Trusted to deliver. <p>Equipment and labels</p> <ul style="list-style-type: none"> • Products supported by 'MLCSL' brand/image • Reliability – maintenance of quality products which perform well • Appropriately designed to meet customers needs • Competitively priced with a modular approach to development and sales • Sales promoted by the field team who are known and trusted by prospective customers • Ability to react and deliver new requirements for labels, data capture systems, both for existing systems and new areas e.g. for vet stations. 	<p>Classification</p> <ul style="list-style-type: none"> • Subjective as opposed to objective classification methods for beef and sheep • Ageing workforce • Investment constraints and resources • Distribution of key relief staff • Lack of incentives for sales • Age profile of team – need to reduce average age to assist successional planning • Lack of information/contacts in some areas of possible opportunity <p>Equipment</p> <ul style="list-style-type: none"> • Ageing technology but new systems now available as replacement • Market reaching saturation for kill line data capture and associated systems

Opportunities	Threats
<p>Classification</p> <ul style="list-style-type: none"> • Growth for services driven by supply chain initiatives • Growing support as marketing of finished stock shifts to direct deadweight selling • Greater support as awareness of the value of independence is raised though industry training initiatives • Support for services by producer groups/representative bodies • UKAS Accreditation to EN ISO/IEC 17020 for classification services raises the USP • Objective sheep and beef classification methods – technical support and capital funding possibilities to assist industry to adopt the technology • Commercial services to sector companies within AHDB <p>Equipment and labels</p> <ul style="list-style-type: none"> • Beef labelling regulations driving traceability and need for data capture • Efficiency drives within the abattoir sector • EID for sheep driving increased need for data capture of sheep tags at slaughter • New business structure will allow more investment in improving existing and developing new equipment. 	<p>Classification</p> <ul style="list-style-type: none"> • Poor service delivery • Apathy to the value of independent classification service by producers • Loss of UKAS Accreditation status • Competitors <ul style="list-style-type: none"> - Abattoirs own staff - Self employed individuals offering cut down classification service • Visual Imaging Analysis VIA – industry uptake of this technology • Change in EU legislation, ending of regulated classification schemes, reduced need for products • Withdrawal of support for services by whole sectors of industry. e.g. pig slaughtering dominated by few companies • Reduction in livestock availability/production • Abattoir rationalisation • Debts resulting from above • Low staff morale and commitment • Outbreak of animal disease causing livestock standstill, fall in industry activity

MLCLS strategies 2010 - 2013

A key objective for MLCSL over the next three years is to develop new sources of income to replace the loss of RPA work.

- MLCSL will work to further develop greater returns from the carcass classification services and within this, promote to the industry the value of providing such services on an accredited basis.
- It will also look to extend the support it gives to the EBLEX Better Returns Programme and HCC with the provision of expertise to deliver selection for slaughter training days as part of their knowledge transfer programmes.
- It will also seek to identify opportunities from within the wider family of AHDB.
- MLCSL will continue to work with CMS UK and Kite consulting to further develop the E-CO₂ project looking for greater penetration within the industry during 2010.
- MLCSL will also look to build on its new consultancy service, MLCSL Consulting, which has an established reputation across the meat and livestock sector.

Further cost efficiencies will be tried to be identified as an additional route to increase margins.

BUDGET SUMMARY AND PROJECTIONS

Introduction

AHDB is required by Defra to produce a budget and financial projections, together with proposed levy rates, within a rolling three year corporate planning cycle in order to obtain ministerial approval for those levy rates. This is the third annual budget and projections for AHDB which covers the three financial years from 1 April 2010 to 31 March 2013.

The AHDB budget is comprised of the six sector budgets together with the financial forecasts' for our commercial activities and shared support services.

The tables which follow show the amount of levy income forecast for each sector for 2010-2013. The financial projections from 2011-2013 incorporate the expected additional savings resulting from co-location in Stoneleigh of £3.8m per annum.

A summary table of the levy rates for April 2010 to March 2011 is included on page 110.

Budget summary 2010/11

Operating performance

Combined total operating income of **£54.45m** is budgeted for 2010/11 (see cell E7, Table 1) with operating expenditure of **£54.72m**, resulting in a budgeted operating deficit of **£265k**.

Non-operating items

The non-operating income of **£3.75m** budgeted for 2010/11 (see cell E20, Table 1) relates to a grant to support our relocation to the Stoneleigh Park site from Advantage West Midlands.

The transitional re-organisation costs of **£10.25m** have been allocated to AHDB's support services (see cell A28, Table 8) and will be 'repaid' by Sectors, either in the form of an upfront funds transfer (see line 31 in Tables 2 to 8), which we refer to as 'accelerated payback', or over an extended period of just over 3 years (in the case of HGCA (Table 4) and HDC (Table 7)). In this way the deficit in AHDB support services of **£10.25m** as at 31 March 2009 (see cell A34, Table 8) is reduced to zero by 31 March 2013 (see cell G34, Table 8).

Levy rates

Sector levy rates for 2010/11 are the same for all sectors as those operated in 2009/10 apart from in the Potato sector, where there is a 3% increase over the 2009/10 rate. A summary of levy rates for April 2010 to March 2011 is on page 110.

Financial projections two years 2011-2013

All levy rates are assumed to remain unchanged, with the exception of PCL where, again, a 3% year-on-year increase in rates is proposed.

The underlying projection for the two years 2011-2013 is an operating deficit of **(£81k)**.

AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD

Income and expenditure: Group

Table 1

Line No	A	B C D			E F G			
	Actual	Full year '09/10			Corporate plan projection			
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13	
	£'000	£'000	£'000	£'000	£'000	£'000		
Income								
1	Gross levy	48,494	49,604	48,191	1,413	49,365	49,230	49,118
2	Levy collection	(1,290)	(1,235)	(1,469)	234	(1,250)	(1,255)	(1,263)
3	Net levy	47,204	48,369	46,722	1,647	48,115	47,975	47,855
4	Fee and grant income	3,042	2,006	1,541	465	1,482	1,428	1,428
5	Commercial services income	7,736	5,000	5,053	(53)	4,854	4,906	4,906
6	Non-levy income	10,778	7,006	6,594	412	6,336	6,334	6,334
7	Total income	57,982	55,375	53,316	2,059	54,451	54,309	54,189
Expenditure								
8	Research and development and knowledge transfer	(20,593)	(19,532)	(20,458)	926	(22,399)	(22,617)	(22,484)
9	Promotion	(12,713)	(13,047)	(13,405)	358	(12,868)	(12,237)	(11,844)
10	International	(960)	(1,363)	(1,281)	(82)	(731)	(743)	(718)
11	Supply chain integration	(656)	(738)	(351)	(387)	(362)	(365)	(333)
12	Market intelligence	(3,782)	(3,043)	(3,344)	301	(3,400)	(3,479)	(3,398)
13	Communications	(2,906)	(4,057)	(3,595)	(462)	(3,147)	(3,090)	(3,015)
14	Support	(10,616)	(8,791)	(7,825)	(966)	(7,413)	(7,480)	(7,344)
15	AHDB central recharges	-	-	-	-	-	-	-
16	Share of expenditure of joint venture	(449)	-	-	-	-	-	-
17	Commercial services	(7,102)	(4,386)	(4,491)	105	(4,396)	(4,416)	(4,416)
18	Total expenditure	(59,777)	(54,957)	(54,750)	(207)	(54,716)	(54,427)	(53,552)
19	Operating surplus/(deficit)	(1,795)	418	(1,434)	1,852	(265)	(118)	637
Non-operating items								
20	Income	-	1,000	2,410	(1,410)	3,750	-	-
21	Interest receivable	759	108	344	(236)	60	128	128
22	Interest payable	-	-	-	-	(88)	(280)	(280)
23	Taxation	(309)	(78)	(54)	(24)	(24)	(51)	(51)
24	Exceptional reorganisation expenditure	(7,965)	(2,497)	(4,779)	2,282	(600)	-	-
25	Other non-operating costs	-	(175)	1,017	(1,192)	(16)	16	36
26	Net FRS 17 entries	(563)	(350)	-	(350)	(350)	-	-
27	Share of commercial services' returns	-	-	-	-	-	-	-
28	Total non-operating items	(8,078)	(1,992)	(1,062)	(930)	2,732	(187)	(167)
29	Retained surplus/(deficit)	(9,873)	(1,574)	(2,496)	922	2,467	(305)	470
Reserves								
30	Opening accumulated funds	25,421	15,548	15,548	-	13,974	16,441	16,136
31	Retained surplus/(deficit)	(9,873)	(1,574)	(2,496)	922	2,467	(305)	470
32	AHDB group accumulated funds transfers	-	-	-	-	-	-	-
33	Closing accumulated funds	15,548	13,974	13,052	922	16,441	16,136	16,606
34	Revaluation reserve	1,618	1,618	1,618	-	1,618	1,618	1,618
35	Total reserves	17,166	15,592	14,670	922	18,059	17,754	18,224

Income and expenditure: EBLEX
Table 2

Line No	A	B C D			E F G			
	Actual	Full year '09/'10			Corporate plan projection			
	'08/'09	Forecast	Budget	Variance	'10/'11	'11/'12	'12/'13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	13,536	13,197	12,851	346	12,444	12,036	11,628
2	Levy collection	(281)	(259)	(261)	2	(244)	(236)	(228)
3	Net levy	13,255	12,938	12,590	348	12,200	11,800	11,400
4	Fee and grant income	1,111	782	705	77	700	700	700
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	1,111	782	705	77	700	700	700
7	Total income	14,366	13,720	13,295	425	12,900	12,500	12,100
	Expenditure							
8	Research and development and knowledge transfer	(2,293)	(2,093)	(2,122)	29	(2,850)	(2,850)	(2,850)
9	Promotion	(6,295)	(7,049)	(6,806)	(243)	(6,860)	(6,510)	(6,110)
10	International	(201)	(376)	(376)	-	-	-	-
11	Supply chain integration	(126)	(170)	(170)	-	-	-	-
12	Market intelligence	(1,226)	(779)	(779)	-	(1,040)	(1,040)	(1,040)
13	Communications	(963)	(1,541)	(1,504)	(37)	(790)	(790)	(790)
14	Support	(1,579)	(609)	(470)	(139)	(597)	(597)	(597)
15	AHDB central recharges	-	(721)	(730)	9	(703)	(703)	(703)
16	Share of expenditure of joint venture	-	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(12,683)	(13,338)	(12,957)	(381)	(12,840)	(12,490)	(12,090)
19	Operating surplus/(deficit)	1,683	382	338	44	60	10	10
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	93	8	-	8	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	-	(2)	-	(2)	-	-	-
24	Exceptional reorganisation expenditure	-	-	-	-	-	-	-
25	Other non-operating costs	-	-	-	-	-	-	-
26	Net FRS 17 entries	(134)	-	-	-	-	-	-
27	Share of commercial services' returns	293	93	121	(28)	13	29	29
28	Total non-operating items	252	99	121	(22)	13	29	29
29	Retained surplus/(deficit)	1,935	481	459	22	73	39	39
	Reserves							
30	Opening accumulated funds	3,419	5,354	5,354	-	4,506	4,579	4,618
31	Retained surplus/(deficit)	1,935	481	459	22	73	39	39
32	AHDB group accumulated funds transfers	-	(1,329)	-	(1,329)	-	-	-
33	Closing accumulated funds	5,354	4,506	5,813	(1,307)	4,579	4,618	4,657
34	Revaluation reserve	32	32	32	-	32	32	32
35	Total reserves	5,386	4,538	5,845	(1,307)	4,611	4,650	4,689

Income and expenditure: BPEX
Table 3

Line No	A	B C D			E F G			
	Actual	Full year '09/10			Corporate plan projection			
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	6,921	7,875	7,365	510	8,505	8,715	8,820
2	Levy collection	(133)	(147)	(139)	(8)	(162)	(165)	(170)
3	Net levy	6,788	7,728	7,226	502	8,343	8,550	8,650
4	Fee and grant income	699	700	-	700	-	-	-
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	699	700	-	700	-	-	-
7	Total income	7,487	8,428	7,226	1,202	8,343	8,550	8,650
	Expenditure							
8	Research and development and knowledge transfer	(4,548)	(2,947)	(2,445)	(502)	(3,010)	(3,227)	(3,347)
9	Promotion	(3,235)	(3,142)	(3,142)	-	(3,079)	(3,079)	(3,079)
10	International	(208)	(159)	(113)	(46)	-	-	-
11	Supply chain integration	(137)	(150)	-	(150)	-	-	-
12	Market intelligence	(743)	(733)	(716)	(17)	(825)	(825)	(825)
13	Communications	(213)	(323)	(269)	(54)	(520)	(520)	(520)
14	Support	(1,286)	(803)	(400)	(403)	(460)	(460)	(460)
15	AHDB central recharges	-	(466)	(673)	207	(470)	(470)	(470)
16	Share of expenditure of joint venture	-	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(10,370)	(8,723)	(7,758)	(965)	(8,364)	(8,581)	(8,701)
19	Operating surplus/(deficit)	(2,883)	(295)	(532)	237	(21)	(31)	(51)
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	139	8	39	(31)	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	-	(2)	-	(2)	-	-	-
24	Exceptional reorganisation expenditure	-	-	-	-	-	-	-
25	Other non-operating costs	-	-	-	-	14	16	36
26	Net FRS 17 entries	(66)	-	-	-	-	-	-
27	Share of commercial services' returns	145	46	60	(14)	7	15	15
28	Total non-operating items	218	52	99	(47)	21	31	51
29	Retained surplus/(deficit)	(2,665)	(243)	(433)	190	-	-	-
	Reserves							
30	Opening accumulated funds	6,907	4,242	4,242	-	3,002	3,002	3,002
31	Retained surplus/(deficit)	(2,665)	(243)	(433)	190	-	-	-
32	AHDB group accumulated funds transfers	-	(997)	-	(997)	-	-	-
33	Closing accumulated funds	4,242	3,002	3,809	(807)	3,002	3,002	3,002
34	Revaluation reserve	1,471	1,471	1,471	-	1,471	1,471	1,471
35	Total reserves	5,713	4,473	5,280	(807)	4,473	4,473	4,473

Income and expenditure: HGCA
Table 4

Line No	A	B C D			E F G			
	Actual	Full year '09/'10			Corporate plan projection			
	'08/'09	Forecast	Budget	Variance	'10/'11	'11/'12	'12/'13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	10,063	10,395	10,719	(324)	10,685	10,716	10,770
2	Levy collection	(395)	(413)	(433)	20	(428)	(428)	(429)
3	Net levy	9,668	9,982	10,286	(304)	10,257	10,288	10,341
4	Fee and grant income	692	354	600	(246)	240	240	240
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	692	354	600	(246)	240	240	240
7	Total income	10,360	10,336	10,886	(550)	10,497	10,528	10,581
	Expenditure							
8	Research and development and knowledge transfer	(5,318)	(5,495)	(5,537)	42	(4,758)	(4,802)	(4,380)
9	Promotion	(1,145)	(748)	(1,205)	457	(648)	(654)	(596)
10	International	(427)	(495)	(516)	21	(429)	(433)	(394)
11	Supply chain integration	(393)	(418)	(181)	(237)	(362)	(365)	(333)
12	Market intelligence	(850)	(635)	(785)	150	(550)	(555)	(506)
13	Communications	(1,188)	(1,160)	(1,160)	-	(1,005)	(1,014)	(924)
14	Support	(1,733)	(1,607)	(1,060)	(547)	(1,392)	(1,405)	(1,281)
15	AHDB central recharges	-	(1,226)	(1,340)	114	(1,911)	(1,911)	(1,911)
16	Share of expenditure of joint venture	-	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(11,054)	(11,784)	(11,784)	-	(11,055)	(11,139)	(10,325)
19	Operating surplus/(deficit)	(694)	(1,448)	(898)	(550)	(558)	(611)	256
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	231	11	-	11	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	-	(3)	(40)	37	-	-	-
24	Exceptional reorganisation expenditure	-	-	-	-	-	-	-
25	Other non-operating costs	-	-	-	-	-	-	-
26	Net FRS 17 entries	(363)	(350)	-	(350)	(350)	-	-
27	Share of commercial services' returns	-	-	-	-	-	-	-
28	Total non-operating items	(132)	(342)	(40)	(302)	(350)	-	-
29	Retained surplus/(deficit)	(826)	(1,790)	(938)	(852)	(908)	(611)	256
	Reserves							
30	Opening accumulated funds	6,193	5,367	5,367	-	3,577	2,669	2,058
31	Retained surplus/(deficit)	(826)	(1,790)	(938)	(852)	(908)	(611)	256
32	AHDB group accumulated funds transfers	-	-	-	-	-	-	-
33	Closing accumulated funds	5,367	3,577	4,429	(852)	2,669	2,058	2,314
34	Revaluation reserve	-	-	-	-	-	-	-
35	Total reserves	5,367	3,577	4,429	(852)	2,669	2,058	2,314

Income and expenditure: PCL
Table 5

Line No	A	B C D			E F G			
	Actual	Full year '09/10			Corporate plan projection			
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	6,036	6,051	5,933	118	6,031	6,213	6,399
2	Levy collection	(456)	(342)	(586)	244	(342)	(352)	(362)
3	Net levy	5,580	5,709	5,347	362	5,689	5,861	6,037
4	Fee and grant income	200	43	43	-	43	43	43
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	200	43	43	-	43	43	43
7	Total income	5,780	5,752	5,390	362	5,732	5,904	6,080
	Expenditure							
8	Research and development and knowledge transfer	(2,662)	(2,608)	(2,671)	63	(2,812)	(2,820)	(2,914)
9	Promotion	(1,351)	(1,405)	(1,354)	(51)	(1,587)	(1,632)	(1,697)
10	International	(124)	(333)	(276)	(57)	(302)	(310)	(324)
11	Supply chain integration	-	-	-	-	-	-	-
12	Market intelligence	(331)	(334)	(339)	5	(343)	(353)	(366)
13	Communications	(67)	-	-	-	-	-	-
14	Support	(1,415)	(695)	(433)	(262)	(411)	(511)	(480)
15	AHDB central recharges	-	(410)	(1,039)	629	(399)	(399)	(399)
16	Share of expenditure of joint venture	-	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(5,950)	(5,785)	(6,112)	327	(5,854)	(6,025)	(6,180)
19	Operating surplus/(deficit)	(170)	(33)	(722)	689	(122)	(121)	(100)
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	109	25	140	(115)	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	(26)	(7)	-	(7)	-	-	-
24	Exceptional reorganisation expenditure	-	(93)	-	(93)	-	-	-
25	Other non-operating costs	-	-	-	-	-	-	-
26	Net FRS 17 entries	-	-	-	-	-	-	-
27	Share of commercial services' returns	-	-	-	-	-	-	-
28	Total non-operating items	83	(75)	140	(215)	-	-	-
29	Retained surplus/(deficit)	(87)	(108)	(582)	474	(122)	(121)	(100)
	Reserves							
30	Opening accumulated funds	4,159	4,072	4,072	-	2,101	1,979	1,858
31	Retained surplus/(deficit)	(87)	(108)	(582)	474	(122)	(121)	(100)
32	AHDB group accumulated funds transfers	-	(1,863)	-	(1,863)	-	-	-
33	Closing accumulated funds	4,072	2,101	3,490	(1,389)	1,979	1,858	1,758
34	Revaluation reserve	115	115	115	-	115	115	115
35	Total reserves	4,187	2,216	3,605	(1,389)	2,094	1,973	1,873

Income and expenditure: DairyCo
Table 6

Line No	A	B C D			E F G			
	Actual	Full year '09/10			Corporate plan projection			
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	6,674	6,725	6,323	402	6,700	6,550	6,401
2	Levy collection	-	(37)	-	(37)	(37)	(37)	(37)
3	Net levy	6,674	6,688	6,323	365	6,663	6,513	6,364
4	Fee and grant income	119	40	80	(40)	331	277	277
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	119	40	80	(40)	331	277	277
7	Total income	6,793	6,728	6,403	325	6,994	6,790	6,641
	Expenditure							
8	Research and development and knowledge transfer	(2,020)	(2,686)	(2,975)	289	(4,365)	(4,352)	(4,341)
9	Promotion	(547)	(677)	(898)	221	(694)	(362)	(362)
10	International	-	-	-	-	-	-	-
11	Supply chain integration	-	-	-	-	-	-	-
12	Market intelligence	(632)	(562)	(725)	163	(642)	(706)	(661)
13	Communications	(475)	(605)	(662)	57	(832)	(766)	(781)
14	Support	(1,402)	(846)	(1,203)	357	(596)	(607)	(619)
15	AHDB central recharges	-	(570)	-	(570)	(563)	(563)	(563)
16	Share of expenditure of joint venture	(449)	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(5,525)	(5,946)	(6,463)	517	(7,692)	(7,356)	(7,327)
19	Operating surplus/(deficit)	1,268	782	(60)	842	(698)	(566)	(686)
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	69	30	110	(80)	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	(14)	(8)	(14)	6	-	-	-
24	Exceptional reorganisation expenditure	-	-	-	-	-	-	-
25	Other non-operating costs	-	(175)	(31)	(144)	(30)	-	-
26	Net FRS 17 entries	-	-	-	-	-	-	-
27	Share of commercial services' returns	-	-	-	-	-	-	-
28	Total non-operating items	55	(153)	65	(218)	(30)	-	-
29	Retained surplus/(deficit)	1,323	629	5	624	(728)	(566)	(686)
	Reserves							
30	Opening accumulated funds	3,352	4,675	4,675	-	5,113	4,385	3,819
31	Retained surplus/(deficit)	1,323	629	5	624	(728)	(566)	(686)
32	AHDB group accumulated funds transfers	-	(191)	-	(191)	-	-	-
33	Closing accumulated funds	4,675	5,113	4,680	433	4,385	3,819	3,133
34	Revaluation reserve	-	-	-	-	-	-	-
35	Total reserves	4,675	5,113	4,680	433	4,385	3,819	3,133

Income and expenditure: HDC
Table 7

Line No	A	B C D			E F G			
	Actual	Full year '09/10			Corporate plan projection			
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13	
	£'000	£'000	£'000	£'000	£'000	£'000		
	Income							
1	Gross levy	5,264	5,361	5,000	361	5,000	5,000	5,100
2	Levy collection	(25)	(37)	(50)	13	(37)	(37)	(37)
3	Net levy	5,239	5,324	4,950	374	4,963	4,963	5,063
4	Fee and grant income	221	87	113	(26)	168	168	168
5	Commercial services income	-	-	-	-	-	-	-
6	Non-levy income	221	87	113	(26)	168	168	168
7	Total income	5,460	5,411	5,063	348	5,131	5,131	5,231
	Expenditure							
8	Research and development and knowledge transfer	(3,752)	(3,703)	(4,708)	1,005	(4,604)	(4,566)	(4,652)
9	Promotion	(140)	(26)	-	(26)	-	-	-
10	International	-	-	-	-	-	-	-
11	Supply chain integration	-	-	-	-	-	-	-
12	Market intelligence	-	-	-	-	-	-	-
13	Communications	-	(428)	-	(428)	-	-	-
14	Support	(914)	(524)	(289)	(235)	(237)	(180)	(187)
15	AHDB central recharges	-	(356)	(148)	(208)	(354)	(354)	(354)
16	Share of expenditure of joint venture	-	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-	-
18	Total expenditure	(4,806)	(5,037)	(5,145)	108	(5,195)	(5,100)	(5,193)
19	Operating surplus/(deficit)	654	374	(82)	456	(64)	31	38
	Non-operating items							
20	Income	-	-	-	-	-	-	-
21	Interest receivable	62	15	55	(40)	-	-	-
22	Interest payable	-	-	-	-	-	-	-
23	Taxation	(17)	(4)	-	(4)	-	-	-
24	Exceptional reorganisation expenditure	-	-	-	-	-	-	-
25	Other non-operating costs	-	-	-	-	-	-	-
26	Net FRS 17 entries	-	-	-	-	-	-	-
27	Share of commercial services' returns	-	-	-	-	-	-	-
28	Total non-operating items	45	11	55	(44)	-	-	-
29	Retained surplus/(deficit)	699	385	(27)	412	(64)	31	38
	Reserves							
30	Opening accumulated funds	1,391	2,090	2,090	-	2,475	2,411	2,442
31	Retained surplus/(deficit)	699	385	(27)	412	(64)	31	38
32	AHDB group accumulated funds transfers	-	-	-	-	-	-	-
33	Closing accumulated funds	2,090	2,475	2,063	412	2,411	2,442	2,480
34	Revaluation reserve	-	-	-	-	-	-	-
35	Total reserves	2,090	2,475	2,063	412	2,411	2,442	2,480

Income and expenditure: AHDB support services
Table 8

Line No	A	B C D			E F G		
	Actual	Full year '09/'10			Corporate plan projection		
	'08/'09	Forecast	Budget	Variance	'10/'11	'11/'12	'12/'13
	£'000	£'000	£'000	£'000	£'000	£'000	
	Income						
1	Gross levy	-	-	-	-	-	-
2	Levy collection	-	-	-	-	-	-
3	Net levy	-	-	-	-	-	-
4	Fee and grant income	-	-	-	-	-	-
5	Commercial services income	-	-	-	-	-	-
6	Non-levy income	-	-	-	-	-	-
7	Total income	-	-	-	-	-	-
	Expenditure						
8	Research and development and knowledge transfer	-	-	-	-	-	-
9	Promotion	-	-	-	-	-	-
10	International	-	-	-	-	-	-
11	Supply chain integration	-	-	-	-	-	-
12	Market intelligence	-	-	-	-	-	-
13	Communications	-	-	-	-	-	-
14	Support	(2,287)	(3,707)	(3,970)	263	(3,720)	(3,720)
15	AHDB central recharge	-	4,183	4,311	(128)	4,830	4,830
16	Share of expenditure of joint venture	-	-	-	-	-	-
17	Commercial services	-	-	-	-	-	-
18	Total expenditure	(2,287)	476	341	135	1,110	1,110
19	Operating surplus/(deficit)	(2,287)	476	341	135	1,110	1,110
	Non-operating items						
20	Income	-	1,000	2,410	(1,410)	3,750	-
21	Interest receivable	-	-	-	-	60	128
22	Interest payable	-	-	-	-	(88)	(280)
23	Taxation	-	-	-	-	(16)	(35)
24	Exceptional reorganisation expenditure	(7,965)	(2,404)	(4,779)	2,375	(600)	-
25	Other non-operating costs	-	-	1,048	(1,048)	-	-
26	Net FRS 17 entries	-	-	-	-	-	-
27	Share of commercial services' returns	-	-	-	-	-	-
28	Total non-operating items	(7,965)	(1,404)	(1,321)	(83)	3,106	(187)
29	Retained surplus/(deficit)	(10,252)	(928)	(980)	52	4,216	923
	Reserves						
30	Opening accumulated funds	-	(10,252)	(10,252)	-	(6,800)	(2,584)
31	Retained surplus/(deficit)	(10,252)	(928)	(980)	52	4,216	923
32	AHDB group accumulated funds transfers	-	4,380	-	4,380	-	-
33	Closing accumulated funds	(10,252)	(6,800)	(11,232)	4,432	(2,584)	(1,661)
34	Revaluation reserve	-	-	-	-	-	-
35	Total reserves	(10,252)	(6,800)	(11,232)	4,432	(2,584)	(1,661)

Income and expenditure: Commercial services
Table 9

Line No	A	B C D			E F G		
	Actual	Full year '09/10			Corporate plan projection		
	'08/09	Forecast	Budget	Variance	'10/11	'11/12	'12/13
	£'000	£'000	£'000	£'000	£'000	£'000	
	Income						
1	Gross levy	-	-	-	-	-	-
2	Levy collection	-	-	-	-	-	-
3	Net levy	-	-	-	-	-	-
4	Fee and grant income	-	-	-	-	-	-
5	Commercial services income	7,736	5,000	5,053	(53)	4,854	4,906
6	Non-levy income	7,736	5,000	5,053	(53)	4,854	4,906
7	Total income	7,736	5,000	5,053	(53)	4,854	4,906
	Expenditure						
8	Research and development and knowledge transfer	-	-	-	-	-	-
9	Promotion	-	-	-	-	-	-
10	International	-	-	-	-	-	-
11	Supply chain integration	-	-	-	-	-	-
12	Market intelligence	-	-	-	-	-	-
13	Communications	-	-	-	-	-	-
14	Support	-	-	-	-	-	-
15	AHDB central recharge	-	(434)	(381)	(53)	(430)	(430)
16	Share of expenditure of joint venture	-	-	-	-	-	-
17	Commercial services	(7,102)	(4,386)	(4,491)	105	(4,396)	(4,416)
18	Total expenditure	(7,102)	(4,820)	(4,872)	52	(4,826)	(4,846)
19	Operating surplus/(deficit)	634	180	181	(1)	28	60
	Non-operating items						
20	Income	-	-	-	-	-	-
21	Interest receivable	56	11	-	11	-	-
22	Interest payable	-	-	-	-	-	-
23	Taxation	(252)	(52)	-	(52)	(8)	(16)
24	Exceptional reorganisation expenditure	-	-	-	-	-	-
25	Other non-operating costs	-	-	-	-	-	-
26	Net FRS 17 entries	-	-	-	-	-	-
27	Share of commercial services' returns	(438)	(139)	(181)	42	(20)	(44)
28	Total non-operating items	(634)	(180)	(181)	1	(28)	(60)
29	Retained surplus/(deficit)	-	-	-	-	-	-
	Reserves						
30	Opening accumulated funds (consolidated in EBLEX/BPEX)	-	-	-	-	-	-
31	Retained surplus/(deficit)	-	-	-	-	-	-
32	AHDB group accumulated funds transfers	-	-	-	-	-	-
33	Closing accumulated funds	-	-	-	-	-	-
34	Revaluation reserve	-	-	-	-	-	-
35	Total reserves	-	-	-	-	-	-

AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD

Consolidated balance sheet

Table 10

Line No	A	B	C	D	E
	As at 31-Mar-09	As at 31-Mar-10	As at 31-Mar-11	As at 31-Mar-12	As at 31-Mar-13
	£'000	£'000	£'000	£'000	£'000
Tangible fixed assets:					
1	5,324	5,069	14,564	14,166	13,338
Financial assets:					
2	75	-	-	-	-
Current assets:					
3	50	-	-	-	-
4	10,409	10,500	10,290	10,084	9,983
5	2,010	-	-	-	-
6	18,876	9,508	10,523	10,480	11,642
7	31,345	20,008	20,813	20,564	21,625
8	(11,227)	(9,485)	(9,318)	(8,976)	(9,539)
9	20,118	10,523	11,495	11,588	12,086
10	25,517	15,592	26,059	25,754	25,424
Non-current liabilities					
11	(8,316)	-	-	-	-
12	(31)	-	(8,000)	(8,000)	(7,200)
13	(8,347)	-	(8,000)	(8,000)	(7,200)
14	17,170	15,592	18,059	17,754	18,224
Pensions:					
15	11,000	11,000	11,000	11,000	11,000
16	678	678	678	678	678
17	11,678	11,678	11,678	11,678	11,678
18	28,848	27,270	29,737	29,432	29,902
Reserves					
Accumulated funds:					
19	5,354	4,506	4,579	4,618	4,657
20	4,242	3,002	3,002	3,002	3,002
21	5,367	3,577	2,669	2,058	2,314
22	4,072	2,101	1,979	1,858	1,758
23	4,675	5,113	4,385	3,819	3,133
24	2,090	2,475	2,411	2,442	2,480
25	(10,252)	(6,800)	(2,584)	(1,861)	(738)
26	15,548	13,974	16,441	16,136	16,606
27	1,618	1,618	1,618	1,618	1,618
Pension reserve:					
28	11,000	11,000	11,000	11,000	11,000
29	678	678	678	678	678
30	11,678	11,678	11,678	11,678	11,678
31	4	-	-	-	-
32	28,848	27,270	29,737	29,432	29,902

AHDB LEVY RATES 01/04/10 TO 31/03/11

The Agriculture and Horticulture Development Board Order 2008 requires AHDB to raise levies relating to each sector. The levy rates for each year are proposed by the sector boards in the light of their strategic plans. Annual approval by Defra and devolved administration ministers is required for all levy rates, including higher rates for late payment of levy. Ministers approved the levy rates for 2010/11 on XXX March 2010.

The Potato Council Board levy rate has been increased by 3% for the 2010/11 financial year. All other levy rates remain unchanged from 2009/10.

SECTOR	Proposed levy rate 2010/11	Higher rate for late payment
Pigs (England)	£ per head	£ per head
Producer	0.85	0.935
Slaughterer/exporter	0.20	0.22
Beef and Lamb (England)	£ per head	£ per head
Cattle (excluding calves)		
Producer	3.495	3.845
Slaughterer/exporter	1.075	1.183
Calves		
Producer	0.07	0.077
Slaughterer/exporter	0.07	0.077
Sheep		
Producer	0.505	0.556
Slaughterer/exporter	0.165	0.182
Milk (GB)	Pence per litre	Pence per litre
Buyers and direct sellers of milk	0.060	0.066
Cereals and oilseeds (UK)	Pence per tonne	Pence per tonne
Cereal grower	40.00	44.00
Cereal buyer	3.30	3.63
Cereals processor standard rate	8.25	9.075
Cereals processor reduced rate	4.00	4.40
Oilseeds	65.00	71.5
Horticulture (GB)	% sales turnover	% sales turnover
Horticulture products	0.50	0.55
Mushroom spawn	Pence per litre	Pence per litre
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
Potatoes (GB)		
Potato growers	£40.17 per hectare (An increase of +£1.17)	£45.32 per hectare
Purchasers of potatoes	£0.1751 per tonne (An increase of +£0.0051)	£0.1957 per tonne

AHDB BOARD AND SECTOR BOARD MEMBERS

AHDB Board

Independent members:

John Bridge (Chairman)
Chris Bones
Lorraine Clinton
Clare Dodgson

Sector Board Chairs:

John Cross, EBLEX (English beef and lamb)
Jonathan Tipples, HGCA (UK cereals and oilseeds)
Neil Bragg, HDC (GB horticulture)
Tim Bennett, DairyCo (GB milk)
Stewart Houston, BPEX (English pigs)
Allan Stevenson, PCL (GB potatoes)

Biographical details of Board Members are published on www.ahdb.org.uk

Divisional Sector Boards

BPEX Board (pigs, England)

Stewart Houston (Chairman)
Adam Couch, processor
Jon Easey, pig producer, East Anglia
Clive Francis, independent member
John Godfrey, pig producer, Lincolnshire and Yorkshire
Bob Howe, processor
John Hughes, processor
Richard Longthorp, pig producer, East Yorkshire
John Rowbottom, pig producer, Yorkshire
Mike Sheldon, pig producer, Buckinghamshire
Bill Thurston, processor
Meryl Ward, pig producer, Lincolnshire

DairyCo Board (milk, GB)

Tim Bennett (Chairman)
Kevin Beaty, dairy farmer, Cumbria
Kenneth Campbell, dairy farmer, Kirkcudbrightshire
Neil Cutler, dairy farmer, Hampshire
Richard Davis, dairy farmer, Bedfordshire
Julia Hawley, dairy farmer, Leicestershire
David Homer, dairy farmer, Wiltshire
Stewart Jamieson, dairy farmer, Dumfriesshire
Trevor Lloyd, dairy farmer, Anglesey
Arthur Reeves, processor, Bristol
Ian Martin, independent member
Jonathan Vickers, independent member

EBLEX Board (beef and lamb, England)

John Cross (Chairman)

Jonathan Barber, sheep breeder, Norfolk

Malcolm Corbett, hill farmer, Newcastle Upon Tyne

James Fanshawe, beef farmer, Northamptonshire

David Fleetwood, processor

John Hoskin, mixed livestock and arable farmer, Dorset and Cornwall

Peter Kingwill, livestock auctioneer in South West,

Alistair Mackintosh, mixed livestock and arable farmer, Cumbria

Professor Robert Pickard, independent member

Mike Powley, beef farmer, York

David Raine, mixed livestock hill and lowland farmer, Cumbria

Kevin Swoffer, independent member

Simon Warren, technical consultant to red meat supply chain

Ryan Williams, processor

HDC Board (horticulture, GB)

Neil Bragg (Chairman)

John Adlam, Norfolk - expertise in hardy nursery stock

Ian Ashton, Southampton - expertise in hardy nursery stock

Peter Cornish, Yorkshire - expertise in field vegetables

Harriet Duncalfe, Cambridgeshire - expertise in soft fruit

Nicholas Dunn, Worcestershire - expertise in hardy nursery stock

Phillip Effingham, Lincolnshire - expertise in field vegetables

Gordon Flint, Lincolnshire - expertise in bulbs and outdoor flowers

David Hand, West Sussex - expertise in protected crops

Richard Hirst, Norfolk - expertise in field vegetables

Tracey Hull, Lincolnshire - expertise in protected crops

Mark Komatsu, Bradford-upon-Avon - expertise in mushrooms

Carol Paris, North Somerset - expertise in retail

Will Sibley, Essex - expertise in tree fruit

Paul Singleton, independent member

HGCA Board (cereals and oilseeds, UK)

Jonathan Tipples (Chairman)

John Cunningham, animal feed industry, N Ireland

Ian Douglas, merchant/exporter, Berwickshire

Michael Hambly, combinable crops, beef farmer and co-operative member, Cornwall

Arthur Hill, combinable crops farmer, West Midlands

David Houghton, specialist malting barley and wheat farmer, North Scotland

Charles Matts, combinable crops farmer, Northamptonshire

Adrian Peck, combinable crops farmer, Cambridgeshire

John Pidgeon, independent member

Guy Smith, combinable crops farmer, Essex

Radbourne Thomas, combinable crops farmer, Leicestershire

Stewart Vernon, combinable crops farmer, County Durham

Alexander Waugh, flour milling industry, Surrey

Colin West, brewing and malting industry, Essex

PCL Board (Potatoes, GB)

Allan Stevenson (Chairman)

Tony Bambridge, grower, Norfolk

Colin Bradley, grower, Lancashire

Jim Cruickshank, grower, Aberdeenshire

Robert Doig, grower, Perthshire

Fiona Fell, independent member

Dennis Heywood, independent member

Graham Nichols, grower, Gloucestershire

Tim Papworth, grower, Norfolk

David Rankin, grower/packer

Fraser Scott, grower, Berwickshire

Alex Stephens, grower, Cornwall

Nick Tapp, grower/packer

Nick Vermont, processor

Duncan Worth, grower, South Lincolnshire

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