

Summary

- 1 The Agriculture and Horticulture Development Board ('AHDB') intends to undertake research and development projects and preliminary feasibility studies in relation to the agricultural sector.
 - 1.1 These projects will be financed by parafiscal taxes.
 - 1.2 They will be undertaken in compliance with:
 - (a) the EU agricultural block exemption regulation¹ ('ABER').
 - (b) the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020²; and
 - 1.3 This scheme updates the AHDB R&D scheme of 2011³ to comply with changes in EU law.

The Agriculture and Horticulture Development Board

- 2 AHDB undertakes activities in relation to the cereals and oilseeds sector in the United Kingdom, the horticulture, milk and potato sectors in Great Britain, and the English pig and English beef and lamb sectors. Products of these sectors are listed in Annex I of the Treaty on the Functioning of the European Union. The research and development activities that will be administered and performed under this scheme will benefit producers in these sectors and economic operators in the supply chain of agricultural products to consumers.
 - 2.1 Statutory levies are used by AHDB to undertake work to assist with the development of the relevant sectors, notably work that would not be done under normal market conditions. This results from the fact that producers in these sectors, and also in many cases processors and other economic operators in the supply chain to consumers, are too small to be able to resource such areas of work themselves.

Legal basis

- 3 AHDB was set up under powers provided by Sections 87-91, 93, 94, 96 and 97 of the Natural Environment and Rural Communities Act 2006. Those powers enabled the statutory imposition of parafiscal levies.
 - 3.1 The Agriculture and Horticulture Development Board Order 2008 ('AHDB Order') created AHDB and set up the levy arrangements by which its activities are funded.

¹ Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union. OJ L 193, 1.7.2014, pp. 1-75.

² OJ C 204, 1.7.2014, pp. 1-97.

³ Aid scheme SA.32620 (2011/X), notified under EU General Block Exemption Regulation 800/2008. The reason underlying the renotification of this scheme is the transfer by the Union of the relevant regulatory provisions from GBER to ABER for the period 2014 to 2020.

- 3.2 AHDB is a non-departmental public body, whose sponsoring department is the Department for Environment, Food & Rural Affairs.

Purpose, Scope and Accountability

- 4 AHDB is established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character within the scope set out in Article 2 of the AHDB Order.
- 4.1 Article 3 of the AHDB Order states the purposes for which AHDB is run; these are all in the public interest. They include increasing efficiency or productivity in the industry, improving marketing in the industry, improving or developing services that such an industry provides or could provide to the community, and improving the ways in which such an industry contributes to sustainable development.
- 4.2 Schedule 1 of the AHDB Order indicates the functions of AHDB, including 'promoting or undertaking scientific research'.
- 5 Services may be provided by AHDB but where value for money can be obtained, services may be procured from other organisations. Contracts will be awarded on the basis of market principles in line with Union procurement rules.
- 5.1 The AHDB structure may engage in commercial activities through a wholly-owned subsidiary company, established under Article 5 of the AHDB Order. Any commercial activities will be only a small proportion of the overall activities undertaken, and such activities will be ring-fenced to prevent cross-subsidisation. Separate accounts will be kept for such activities. This company will not carry out activities funded by State aid, except where it is contracted to do so through open and transparent procurement.
- 6 The UK Government controls the expenditures of AHDB and its companies by exercising a right of approval of the business plan for all its activities. An agreement between the UK Government and AHDB ensures that the latter will act in accordance with the public sector requirements.
- 6.1 The UK Government will retain control over the use of state resources as described in relevant State aid schemes.

The Scheme

- 7 The aim of the Scheme, which will be administered by AHDB, is to undertake research and development projects in relation to agricultural products derived from the agricultural sectors for which AHDB has a statutory responsibility, using parafiscal taxes as described above that are obtained from operators in those sectors and supported by other state resources and private funding.
- 7.1 AHDB will undertake research and development intended to improve the efficiency and quality of production of Annex I products for the benefit of consumers, and to increase consumption.
- 7.2 While the principal beneficiaries will be the growers and producers of the agricultural products, the activities will be of interest to all operators in the sector or sub-sector concerned, including throughout the processing and supply chain from growers/producers to consumers.
- 8 The scheme will apply to products listed in Annex I of the Treaty on the Functioning of the European Union and will comply with the requirements of ABER¹, notably Chapter I and Article 31, and the guidance set down in the Union's Guidelines².

- 8.1 AHDB will take into proper consideration the principles set out in the Commission Communication '*Framework for State aid for research and development and innovation*'⁴.
- 9 AHDB will create and maintain web pages on the internet where it will publish the following information in relation to each project under this scheme:
- (a) A statement that the project will be carried out;
 - (b) A description of the goals of the project;
 - (c) An indication of the date when the results of the project are expected to be published on the internet, and that those results will be freely available to all businesses in the relevant sector or sub-sector at no cost;
 - (d) An indication of the place where those results will be published, which may be in the form of a link that will provide access to that place of publication;
- 9.1 The results referred to above will:
- (a) be made available on the internet for at least five years;
 - (b) not be given to members of any particular organisation before being so published on the internet except insofar as they may be provided to participants in the project for the purposes of the project including to enable such participants to contribute to the development and presentation of the results.
- 9.2 The results of the Scheme will thus be made available promptly through unrestricted publication. As exceptions:
- (a) results believed to be commercially significant may be withheld from publication pending protection of relevant intellectual property rights and commercialisation by transparent means; and
 - (b) publication of the results may be delayed in order to avoid prejudicing the proper interests of research students, for example the submission of theses based upon the project, in accordance with the requirements of the academic institution with which they are registered for a degree.
- 10 AHDB will grant aid under this scheme directly to the research and knowledge-dissemination organisation.
- 10.1 AHDB will not make payments to:
- (a) businesses active in the agriculture sector based on the price of the agricultural products;
 - (b) any undertaking that is subject to an outstanding recovery order following a previous Commission Decision declaring an aid illegal and incompatible with the internal market.
- 10.2 The aid intensity will not exceed 100% of the eligible costs, which will be restricted in accordance with Article 31(6) of Regulation 702/2014 to:
- (a) Personnel costs (researchers, technicians and other supporting staff, to the extent that they are employed on the project);
 - (b) Costs of instruments and equipment to the extent and for the period used for the project. If such instruments and equipment are not used for their full life for the project, the eligible costs will be the depreciation costs corresponding to the life of the project, based on generally accepted accounting principles;

⁴ OJ C 198, 27.6.2014, pp.1-29.

- (c) Costs of buildings and land, to the extent and for the duration of the project. For buildings, the eligible costs will be the depreciation costs corresponding to the life of the project, based on generally accepted accounting principles. For land, costs of commercial transfer or actually incurred capital costs will be eligible;
- (d) Costs of contractual research, knowledge and patents bought or licensed from outside sources under arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- (e) Additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

10.3 The following are excluded from this scheme:

- (a) Projects that exceed €40 million per undertaking if more than half of the eligible costs of the project are incurred through activities categorised as fundamental research;
- (b) Projects that exceed €20 million per undertaking if more than half of the eligible costs of the project are incurred through activities categorised as industrial research or categorised as industrial research and fundamental research taken together;
- (c) Projects that exceed €15 million per undertaking if more than half of the eligible costs of the project are incurred through activities categorised as experimental development;
- (d) Feasibility studies in preparation for research activities that exceed €7.5 million per study.

11 This scheme will be published in the form of this document on the internet at:
<http://www.ahdb.org.uk/about/Procurement.aspx> .