



Agriculture & Horticulture
DEVELOPMENT BOARD

A fresh perspective

Agriculture and Horticulture Development Board Annual Report and Accounts 2008/09

Final Draft – 16 June 2009



Agriculture and Horticulture Development Board Annual Report and Accounts 2008/09

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About AHDB

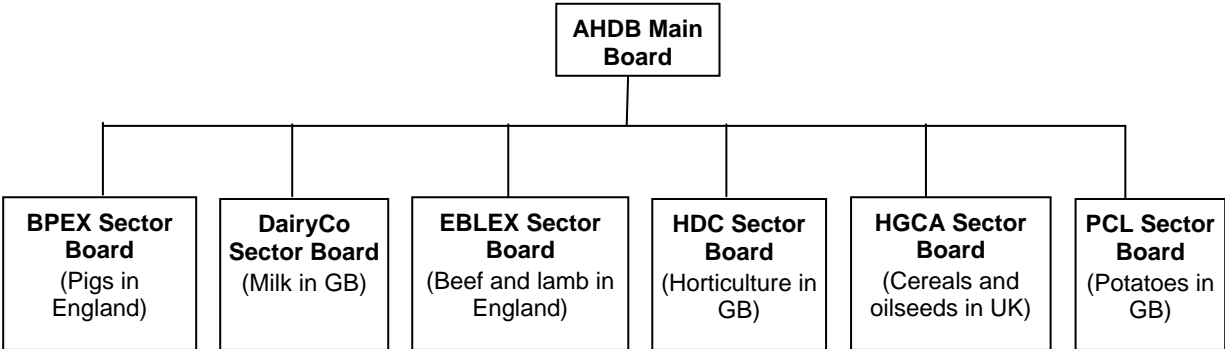
An independent levy board organisation whose work improves industry efficiency and competitiveness

The Agriculture and Horticulture Development Board (AHDB) is a levy board funded by the agriculture and horticulture industries. It sits as an independent knowledge house with a statutory purpose to:

- Increase efficiency or productivity in the industry
- Improve marketing in the industry
- Improve or develop services that the industry provides or could provide to the community
- Improve the ways in which the industry contributes to sustainable development.

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 with six sector boards representing the commodity sectors covered by its statutory remit and comprised of levy payers and other stakeholders from each sector. Each board has delegated functions from AHDB giving it the duty 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.



AHDB was established under the Agriculture and Horticulture Development Board Order 2008 and became operational on 1 April 2008.

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

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

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First Annual Report to the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers, Welsh Ministers and Northern Ireland Ministers, and Statement of Accounts for the year ended 31 March 2009.

Auditors: Comptroller and Auditor General, National Audit Office, 151 Buckingham Palace Road, London SW1W 9SS

AHDB Chairman's statement

2008/09 was a challenging year for AHDB: challenging in that five separate levy organisations came together as one with the twin objectives of reducing costs and providing more resources for frontline services and challenging in terms of the external environment within which these reforms took place. I am pleased to report that AHDB has had a successful first year and has been able to develop a strong foundation for further improvements in the years to come.

Delivering services to levy payers whilst undergoing substantial internal reorganisation has not been easy but all the objectives for the year have been met, new organisational arrangements have been put in place, a range of centrally provided services have been developed and plans for the relocation of all our activities onto one site at Stoneleigh in Warwickshire were agreed and were being implemented as we reached year end. All this change has a purpose to ensure that as an organisation we understand the external environment we are operating in and that we continue to provide the agricultural and horticultural sectors with cost-effective, relevant services, which support the sectors long-term sustainability.

Taking a long-term perspective, by 2050, it is predicted that world population will have risen by 50%; this will put huge pressures on global food resources. The challenge in the UK will be to produce more from less; our land, water and energy resources are not infinite, we have an environment to protect and we have to be mindful of the impact our sectors have on climate change. We need to understand these long-term concerns so that we can develop appropriate responses now. This is why AHDB devotes a considerable part of its overall budget to research and development and knowledge transfer. As an organisation we have a clear responsibility to identify the keys to future productivity growth and efficiency gains and then ensure that this knowledge is disseminated effectively to our levy payers.

Taking this agenda forward has, to say the least, been challenging. The AHDB Board has the ultimate responsibility for developing a strategic framework within which our six sectors operate. The Board also approves the annual corporate plan, which outlines in detail how resources will be deployed to meet the challenges we face and monitors performance against targets. This Board represents the six sectors but also has independent members who can provide that wider perspective which is so vital for success.

The Board met seven times during the year and held a strategy workshop as a prelude to developing the corporate plan for the coming year. Sub committees were established to manage the relocation to Stoneleigh and to consider joint marketing around a single quality assurance scheme. Standing committees of the Board – Audit, Remuneration and Nominations – met during the year; in each case dealing with significant agendas around the change process. Equally the Board has had to build strong links with the sector boards, which have a clear responsibility for developing a strategy for their sector, deciding on the activities to be undertaken to deliver that strategy, allocating levies to fund these activities and advising on the appropriate levy rates to finance the plan. All this was new in April 2008 and had to operate effectively from day one.

The fact that it did is a huge testament to the work put in by the AHDB Board and the sector boards. There were tensions as can be expected in any new organisation, but the overwhelming desire to secure a solution that is right for our sectors and meets the duties imposed on AHDB by the statutory framework we operate under was dominant, and has led to the strong position AHDB now finds itself in; a position which provides a strong platform for the future.

The Board has been supported in its work by a senior management team of very high calibre led by its chief executive, Kevin Roberts and supported by our staff, which have been highly professional and diligent in all they have done. The reports that follow, from the chief executive and my sector Board members, give a clear account of the scale and complexity of the issues managed by the senior management team during the year and the results that have been achieved; it has been a magnificent effort. Equally, my thanks go to all our key stakeholders who have supported the changes we have made and continue to advise us on the way ahead.

There is still work to be done. All our staff will be relocated to Stoneleigh by mid-2009 and a new building will be available by the end of 2010. New senior appointments, critical to the strategic and operational development of AHDB, will continue during the year. These will include a Chief Scientist to guide and lead an agenda which must underpin our drive to support the long term sustainability of agriculture and horticulture in the UK.

On a personal basis I would like to thank all those who have believed in the vision and have helped us to realise it. The future will be challenging but working together we can make a difference.

John Bridge
Chairman
Agriculture and Horticulture Development Board

AHDB Chief Executive's report

This is our first annual report and accounts and it records the opening of a new chapter in the work of the levy boards supporting the agriculture and horticulture sectors in the UK.

Introduction

Our first year to 31 March 2009 was extremely busy and complicated. Our priorities were threefold: firstly to deliver successfully the sector strategic plans without undue interruption, secondly to develop and start to populate the operational structure for AHDB moving forward, and finally to put in place the corporate governance policies and procedures to ensure AHDB continues to operate to the high standards set by the former levy boards.

Merging five former levy boards into one, keeping staff motivated, and developing an integrated structure that maintains a focus on levy payer needs has not been easy.

Our challenge of restructuring and relocation

Better co-operation and collaboration was the key outcome demanded of the Levy Board Review process. The AHDB change programme is designed not only to improve the efficiency of the whole organisation but also to drive greater co-operation and collaboration. Through relocation and co-location, to a single office at Stoneleigh Park in Warwickshire, AHDB is on course to deliver and improve on the potential £3.8 million annual savings and efficiencies identified in the latest Corporate Plan for 2009 to 2012. Co-location will also be the trigger for better working together.

Following an extensive staff consultation process a new organisation structure was finalised in January 2009 for the co-located AHDB levy board. To drive co-operation and collaboration the structure included:

- A single executive management team reporting to the chief executive that is charged with delivering co-operation and collaboration as well as effective delivery of sector plans
- The allocation of space within the new location on a functional basis rather than a sector basis – ie all R&D staff will sit together
- Two new senior roles; a Chief Scientist and a lead marketing function designed to encourage cross-sector co-operation in these areas
- The centralisation of the Market Intelligence function to ensure the inter-relationship and inter-dependencies of the sectors are understood better
- The centralisation of several administrative functions built on common systems – finance, human resources and IT.

There will be around 310 levy-funded posts within the new AHDB structure and about 220 of these will be co-located at Stoneleigh. The internal and external recruitment process to fill these posts was about 50% complete at 31 March 2009.

Part of the relocation programme is the plan to construct a new office building on the Stoneleigh Park site. This proposed building was planned to be purpose-built and leased from the property developers. Reflecting the economic downturn and changed market conditions the AHDB Board reviewed the financial case for lease compared to purchase and at its February 2009 meeting approved the purchase option as lower risk and more financially beneficial. The planning submission was completed by 31 March 2009 and submitted a few days later. Occupation of the new offices is planned for late 2010.

An important output from the September 2008 Board meeting was that relocation of all office-based employees to Stoneleigh should be separated from the new building timetable and should take place into temporary office accommodation as soon as practicably possible. There was a good financial case to relocate early linked to closing a number of sector offices, but the real benefits were non-financial, namely; removing uncertainty for staff and from service delivery, maintaining momentum in the change programme and driving forward the benefits that will come from co-location.

My transition team and I were in the advance guard moving to Stoneleigh in February 2009 and the majority of staff will relocate over the summer of 2009.

Another aspect of the restructuring and relocation was the IT infrastructure challenge. The Board approved a major project to update the IT infrastructure in preparation for relocation to Stoneleigh. One part was a new financial system, using the tried and tested Agresso software upgraded to include an integrated payroll and HR system. This was completed and tested on time and on budget during the reporting period.

The second part was to 'virtualise' all the existing sector servers onto new equipment and replicate the configuration at Stoneleigh. This means users continue to operate on familiar software packages and electronic filing systems – helping to protect the delivery of business as usual to stakeholders and minimise the risk of disruption when relocating. This project was also on time and on budget as at 31 March 2009. Once co-located, there will need to be a second phase to migrate us to a single AHDB operating platform, with common software.

Our role

The role of AHDB encompasses five key areas:

- i) To deliver sector strategies which meet the needs of levy payers
- ii) To deliver these activities within a sound corporate governance framework
- iii) To deliver a set of common administration services to benefit all our sectors
- iv) To identify delivery overlaps, such as the provision of market intelligence services to industry, where greater cross-sector collaboration will result in delivery and cost efficiencies
- v) To identify specific cross-sector issues 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, along with linking with other organisations to develop partnership-working arrangements to the advantage of our levy payers.

Our objectives and targets

The objectives, strategies and targets to deliver AHDB's statutory functions in 2008/09 were detailed in our rolling three-year Corporate Plan 2008 to 2011.

Performance against this plan and our targets are reported on by our six sector board chairmen in their sector reports on pages X to Y.

The business planning cycle starts in August each year and finishes the following March when Ministers sign off recommended levy rates. The new Corporate Plan for 2009 to 2012 on which the industry was consulted was published on our website in March 2009 – www.ahdb.org.uk.

Our funding

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. The annual levy rates for 2008/09 were recommended by the AHDB sector boards, through the AHDB Board and then approved by Defra ministers and devolved administration ministers in March 2008. The levy rates for 2008/09 can be found on page X.

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

During the year AHDB's levy collection function was maintained by legacy sector finance teams while a centralised group finance function and accounting system was being implemented, with a phased hand-over planned from April 2009.

We generated around £3.07m of additional funding from government and EU grants and other sources, largely as joint-funding for specific sector R&D and Knowledge Transfer projects. In addition, all net profits from the Meat & Livestock Commercial Services Limited operation were used to supplement levy income. For the year ended 31 March 2009 that operation contributed £385k (post tax).

Our financial results

The income and expenditure account for the year ended 31 March 2009 and the balance sheet at the same date are set out on pages X to Y.

Gross levy income of £48.49m was £2.63m higher than budget for the year (£45.86m) and £66k lower than in 2007/08 (£48.56m) while income from non-levy sources of £10.78m was £834k higher than budget for the year (£9.94m) and £7.1m lower than last year (£17.87m), predominantly due to the one-off nature of a number of grants received in the prior year.

Operating expenditure of £62.84m was £400k higher than budget for the year (£62.44m) and £8.07m lower than last year (£70.91m), linked to the additional grant monies received in the prior year referred to above.

The group generated a deficit on ordinary activities before interest and taxation of £3.57m, which was £3.07m lower than the budgeted deficit for the year (£6.64m) and a £909k lower deficit than last year (£4.48m).

Additionally, the impact of a Board decision to make provisions a year earlier than originally planned for exceptional reorganisation expenditure of £7.97m associated with the co-location of operations at Stoneleigh and other non-operating items resulted in a group retained deficit of £9.87m for the year, which was £5.28m higher than the budgeted deficit (£4.6m) and £5.81m higher than last years deficit (£4.06m).

The consolidated group accumulated fund stood at £15.55m as at 31 March 2009 - £10.45k lower than the opening position (£26m).

Our cash management

AHDB's long-term financial policy is based on the maintenance of cash neutrality. During the year to 31 March 2009 the retained deficit and working capital changes resulted in a £3.87m decrease in consolidated cash holdings to £18.87m (31/03/2008: £22.74m).

I am pleased to report that we take a conservative approach to investment of any surplus levy funds which meant that when the crises hit the financial markets last Autumn no levy funds were invested in high interest Icelandic banks or other similar investments. The issue did however spur us to re-examine our policy in this area and to ensure that investment risk was spread more widely.

Our approach to risk management

From when it first started operating the AHDB Board and management team followed risk management principles in all decision making and policy setting. Risk management is an integral part of our management philosophy and is commensurate with the responsibility we hold for effective use of levy payer funds. Each of our sector divisions also followed these principles in managing the delivery of the strategic activity plans on behalf of their sector boards. The Audit Committee and AHDB Board review our risk register on a regular basis, and risk management is integrated into the business planning process.

Our internal controls

As Accounting Officer, during this first year of operation, I had responsibility to the Board for putting in place effective corporate governance procedures that meet the requirements of HM Treasury and the National Audit Office and deliver on the commitments laid out in our published Management Statement and Financial Memorandum.

Our approach has been to review and assess the internal control systems of the five former levy boards and build a best-practice corporate governance framework for AHDB. I am pleased to report that by the year-end we had a good framework in place and details of this are reported within the 'statement on internal control' that can be found on page X to Y.

This is still work-in-progress and the Board and Senior Executive Team will continue to develop and fine-tune our internal controls during the year ahead.

Our people

On 1 April 2008 all the 335 staff from the five former levy boards were transferred under TUPE regulations to AHDB. 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.

For the staff it was a year of uncertainty. Understandably the planning process for the creation of the new levy board organisation was not a simple or quick process, and the knowledge of a forthcoming relocation to Stoneleigh for the new organisation was unsettling for many staff. To help keep everyone informed a staff intranet was launched in November 2008 to supplement a regular staff newsletter and sector team briefs.

The average number of levy-funded full- and part-time staff employed by AHDB during the year was 295.

An additional 199 full- and part-time staff were employed within our commercial subsidiary, Meat and Livestock Commercial Services Limited, and were funded from fees earned from commercial activities. An additional 25 people were funded from non-levy sources.

Our cross-cutting work

Cross-sector activity is forecast to increase once the organisation is co-located and key posts such as the Chief Scientist are appointed to help identify and co-ordinate these type of synergies. Examples of jointly-funded projects successfully delivered during 2008/09 included:

Technical work

During 2008/09 cross-sector collaboration across R&D and Knowledge Transfer projects was co-ordinated through the Agriculture and Horticulture Research Forum, chaired by AHDB Board member John Cross, and whose membership extended beyond AHDB divisional sectors to include the British Beet Research Organisation (BBRO) and the Processors and Growers Research Organisation (PGRO). Meetings are often attended by other interested parties such as BBSRC, HCC, NFU and Defra.

Joint work focused on areas such as soils and nutrient management, farm energy reduction and climate change.

Work on climate change included participating in the Defra-funded Farming Futures Project in partnership with the NFU, AIC and CLA. Farming Futures aims to raise awareness of climate change and encourage action to mitigate and adapt to climate change. AHDB sector teams helped to produce sector specific fact sheets on climate change and case studies where farmers explain the actions they are taking on their farms to adapt and mitigate climate change - from changing crops to renewable energy.

Food, health and nutrition education work

A cross-sector group on food and nutrition part-funds the popular and hugely successful www.foodfactoflife.org.uk website hosted by the British Nutrition Foundation (BNF). This is a free education resource about healthy eating, cooking and food skills providing quality resources to assist teachers in delivering the National Curriculum for Key Stages 1 and 2. During the year a *Food and Farming* module was launched and the site content was developed to also provide resources for Key Stage 3.

Economic work

Each of the six AHDB sectors supported The Smith Institute in pulling together a timely publication titled 'Feeding Britain' which examined the issue of food production and security in Britain towards 2050. This was successfully launched in March 2009 at a high-level breakfast workshop and provided a good platform for AHDB to get some of its detailed production knowledge and economic analysis in front of policy influencers and policy makers. A pdf of the Feeding Britain publication is available from the AHDB website.

Food assurance work

At its January 2009 meeting, the Board of AHDB agreed to provide a financial contribution to promote the Red Tractor Logo (exact sum still to be determined) and to pursue State Aid approval, which is a pre-requisite to any levy board support of the Red Tractor Logo (RTL).

The decision followed an industry consultation that showed an overall majority - but not across all sectors - in support of investing levy funds to help promote the RTL, which represents food produced to assured quality standards.

There is still a lot of detail to be sorted with Assured Food Standards and the National Farmers Union, along with the precise nature of the contribution to be delivered from each sector. It is accepted, however, that the horticulture ornamentals sector is not included within this food-related initiative.

Our partnership working

At AHDB we believe that partnership working is a more transparent, efficient and cost-effective way of achieving objectives than working alone. To this end, at all levels within the Group, we encourage our people to nurture sustainable working partnerships with national and major international organisations, government departments, other NDPBs and executive agencies, industry trade organisations and academic institutions in order to help deliver our statutory functions. Also farmers, growers and other stakeholders were represented on the main AHDB Board as well as on the sector boards.
the boards as well as on the sector boards.

An example of an event held at a group level was when the AHDB Chairman hosted a Westminster barbecue on 9 July 2008 where Ministers, MPs, Lords and senior civil servants met and informally discussed issues with AHDB and industry representatives.

The year ahead

It has been a privilege to work with the team at AHDB and I firmly believe we will see greater benefits in the year ahead from co-locating our people at Stoneleigh Park when full teamwork and wider sharing of best practice will be delivered.

Kevin Roberts
Chief Executive and Accounting Officer
Agriculture and Horticulture Development Board

BPEX Sector Report English Pig Sector

The extreme volatility of input costs, global recession, environmental and dietary concerns coupled with an ever more complex and demanding consumer were the challenges facing BPEX in 2008/09. BPEX remained focused on securing sustainable returns for all elements of the English pig meat supply chain.

Introduction

2008 was definitely a year of two halves. The year started with the production sector under intense pressure from high costs, low prices and processors struggling to cope with the aftermath of Foot and Mouth Disease (FMD) plus the associated backlog of pigs. By the end of the year, feed costs were lower, the slide in the value of sterling was boosting the competitiveness of British production and spending on pork and pork products was rising strongly despite the economic recession.

While moving in the right direction there is still a long way to go. For example, analysis of production costs and returns indicated that the average net loss for British producers in 2008/09 was about £11/pig, equivalent to total industry losses of £103 million. However, this picture had been repeated across the EU as producers struggled to cover the inflated cost of production arising from record feed costs.

Strategic objectives

The BPEX Board's business plan in 2008/09 continued the implementation of the Road to Recovery strategy with its focus on two main strategic objectives:

- To help the industry enhance value of English pork, pork products and pigs throughout the supply chain
- To help the industry improve its cost competitive position compared to our main EU competitors

Delivery of these strategic objectives was executed through four principal areas of activity:

- (1) Increasing demand for Quality Standard Mark (QSM) pork and pork products
- (2) Helping supply chain efficiency
- (3) Enhancing Government and EU relations
- (4) Providing quality market information and analysis

Financial summary

In recognition of the acute financial difficulties faced by pig producers due to dramatic increases in input costs, BPEX introduced a 10p per pig reduction in the producer element of the levy for the 2008/09 financial year.

Gross levy income of £6.92m was £291k higher than budget for the year (£6.63m) and £1.07m lower than in 2007/08 (£7.99m) due to the levy rate cut while, including its share of commercial services income, income from non-levy sources of £3.28m was £454k higher than budget for the year (£2.82m) and £1.59m lower than last year (£4.86m).

Given the acute challenges faced by the sector, operating expenditure on the same basis of £13.3m was £190k higher than budget for the year (£13.11m) and £552k higher than last year (£12.75m). This included a national field trial of an innovative PCV2 vaccine which enjoyed a 75% uptake by the industry and additional funding for the award winning 'Pigs Are Worth It' marketing and public relations campaign to secure sustainable returns to English pig producers.

The sector generated a deficit on ordinary activities before interest and taxation of £3.11m, which was £555k lower than the budgeted deficit for the year (£3.66m) and a £3.21m higher deficit than last year (surplus £0.1m).

The extra funding required to support this increased level of activity was met from BPEX strategic reserves. These were deployed in line with BPEX Board's financial reserves policy.

Excluding the impact of FRS 17 pension scheme items, the consolidated sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £2.85m as at 31 March 2009 - £4.1m lower than the opening position (£6.95m).

Report on strategy implementation

The BPEX business plan in 2008/09 focused on two principal strategic objectives and highlights in the delivery of these objectives included:

To help the industry enhance value of English pork, pork products and pigs throughout the supply chain

2008/09 saw the continuation of the innovative and award winning 'Pigs Are Worth It' (PAWI) marketing and PR campaign with the objective of securing a sustainable return to producers following significant increases in input costs. Activity ranged from the recording of 'Stand By Your Ham' campaign record, delivery of a petition to the Prime Minister, national radio and poster advertising campaigns supported by celebrity chefs and a farmer led documentary 'the inconvenient trough'. The campaign generated an estimated 184m opportunities for consumers to see the Pigs Are Worth It messages with a PR equivalent return on investment of 23:1 and contributed to the average price paid to producers increasing from 116.27 p per kg in April 2008 to 144.57 p per kg twelve months later.

Promotion of the Quality Standard Mark (QSM) was a central theme of the PAWI campaign and as a result usage of the QSM on both pork and pig meat products increased throughout the year. All leading multiple retailers supported the 'Love QSM Pork' campaign with Morrisons, Lidl, and Co-op joining Budgens, Waitrose and Marks and Spencer in stocking only QSM fresh pork demonstrating their commitment to an English pigmeat supply chain.

Further recognition of the need to identify more effective and efficient pigmeat supply chain solutions came in early 2009 when Defra Farming Minister Jane Kennedy announced the establishment of the Pig Meat Supply Chain Task Force. This aims to improve the resilience of the pigmeat supply chain through increased collaboration and achieving best practice throughout. It brings together key representatives, from all sectors in the pigmeat supply chain to increase collaboration between Government and the various sectors in the industry. The Task Force will examine areas of concern including labelling, public sector procurement, endemic disease and environmental issues throughout the supply chain.

Re-establishment of a number of key export markets for English pigs and pig meat was also achieved during the year. With the exception of pigmeat exports to China which should be finalised by the end of 2009, all major export markets lost as a consequence of the 2007 FMD outbreak were recovered. Demand for British pigmeat from these markets remained strong with exports in 2008 totalling 118,000 tonnes compared with 95,000 tonnes in the year prior to the FMD outbreak.

BPEX continued to work with health and education professionals to communicate the positive attributes of pork and pig meat products as part of a healthy balanced diet. The long-term value of this work was demonstrated in the robust demand for QSM pork and pigmeat products despite potentially negative reactions to the World Cancer Research Fund report intimating an increased risk of bowel cancer from red meat and processed red meat products together with the Irish dioxin feed contamination scare in December 2008.

Research into enhancing the quality of QSM pork and pigmeat products resulted in the publication of four knowledge transfer best practice guides 'Target Pork Quality' including a revised Blueprint; use of pH meters, chilling and maturation. Further research in this area including the inclusion of Chicory in pig diets to enhance growth rate and meat eating quality are ongoing.

Work to enhance food safety continued with the launch of the Zoonoses National Control Plan by BPEX in partnership with the Food Standards Agency. In addition to sampling and testing of pig meat in abattoirs to detect the prevalence of Salmonella antibodies, demonstration trials on farm and in abattoirs regarding best practice to minimise exposure of animals to salmonella and contamination during processing were launched.

BPEX activity with and on behalf of the English pig sector remained focused on providing its customers and consumers with a wholesome, nutritious and consistently delicious product.

To help the industry improve its cost-competitive position compared with our main EU competitors

The effective communication and application of new and existing best practice to the English pig sector through the BPEX Knowledge Transfer (KT) team is central to achieving the strategic objective of improving the industry's cost competitiveness.

During 2008/09 the KT team delivered two series of regional workshops providing practical pig husbandry solutions to almost 60% of the English industry. The team also worked with individual farms, large corporate businesses and KT Business Improvement Clubs to assist in improving physical performance and competitiveness resulting in an average improvement of 12% in their key performance indicators (KPIs).

This KT activity augmented a range of KT communications including monthly *Action For Productivity* user guides, trade magazine articles and the demonstration of new techniques and technologies through the BPEX innovation grant which commissioned eight separate projects during the year.

Highly motivated, skilled staff are key to improving on farm performance, competitiveness and profitability. BPEX continued its investment in a range of practical, flexible and relevant training programmes and materials. The 12 months to 31 March 2009 saw the continuation of two large established training groups in Yorkshire and East Anglia. More than 100 people embarked on the modules forming the Pig Industry Certificates of Competence. There were also 14 management courses, across the country, designed to improve man management and ensure practical knowledge and experience is successfully transferred to other staff. The Pig Industry Professional Register (PIPR) continued to grow in popularity throughout

2008/09 with a membership of more than 300 by the year-end and nearly 100 events were registered for PIPR accreditation. And BPEX provided one day 'Introduction to the industry' training to more than 40 representatives from organisations closely linked to the pig industry to provide them with a better understanding of the practical operation of the industry. 2008 also saw BPEX teamed up with the Nuffield Trust to create a Nuffield Award specifically for the pig industry. To deliver this programme of activity BPEX was successful in securing up to 70% project funding from the Rural Development Plan for England (RDPE) via five of the Regional Development Agencies.

BPEX also undertook a nationwide trial of three new PCV2 vaccines to combat the impact of Porcine Circovirus. More than 75% of the industry participated in the 10 month trial with initial results indicating in excess of an extra pig per sow per year in productivity and significant improvements in growth rate.

In response to an outbreak of Swine Dysentery in East Anglia BPEX, in conjunction with producers in the region, co-ordinated the establishment of a voluntary Swine Dysentery Charter whereby producers committed to declaring any incidence of this condition within their business so that the whole supply chain and other producers in their locality could take prompt appropriate measures to minimise the risk of spread.

Addressing the challenge of additional environmental legislation was a continuing theme. BPEX continued to work closely with industry organisations, Defra and the Environment Agency to ensure environmental objectives are achieved in a manner that is proportionate and practical and does not jeopardise the sustainability of pig production in England. BPEX also commissioned a number of research projects to investigate techniques to minimise the environmental impact of pig production and is a participant in the British Meat Processors Association Environmental Road Map initiative sponsored by Defra.

Ensuring the highest standards of pig welfare continued to be addressed in 2008/09. Results from the pioneering Pig Welfare Outcomes Project, which seeks to assess pig welfare from behavioural activity rather than being solely based on welfare input measures such as space allowances and husbandry techniques, were being reviewed at the year-end and next steps will be agreed. Further projects in this area included a farrowing environment project, environmental enrichment demonstration trials, and strategies to reduce tail biting. All of these were undertaken in partnership with Defra and the Royal Society for the Prevention of Cruelty to Animals (RSPCA). These initiatives not only assisted producers to provide the highest standards of pig welfare but are also a tangible point of differentiation from production standards in other parts of Europe that can be effectively communicated to consumers.

BPEX continued to assist the industry to reduce the regulatory burden through the interpretation of existing and emerging EU and UK legislation and evidence based timely responses to policy consultations. The BPEX online Food Chain Information service which aims to reduce the administrative burden of sending pigs to slaughter has been embraced by producers supplying more than 35% of all pigs in England. Further work in this area includes the piloting of electronic movement licenses for pig movements to slaughter which will provide tangible cost and time saving for producers, processors, local authorities and Defra.

While fluctuations in exchange rates significantly enhanced the cost competitiveness of the English pig industry during 2008/09 compared to other EU countries, it is only through addressing the fundamental pig performance KPIs that the industry can secure its future. The activity of BPEX, working with the English pig sector in the past 12 months in the areas of health, knowledge transfer and interpretation and pragmatic implementation of environmental policy, assisted the sector to improve these KPIs and in so doing close the gap in longer-term underlying competitiveness.

Risk management

As part of a wider performance management process, risk mapping and risk management relating to the delivery of the BPEX business plan was reviewed on a regular basis by the BPEX senior executive team and Board. The objective is to optimise the effectiveness and efficiency of delivery of the business plan by BPEX to English pig meat levy payers and its other primary stakeholders.

The sector team

During 2008/09 BPEX continued to develop its co-ordinated financial and business performance management system based on a cascade linkage from strategic objectives to individual business plan goals and activity tasks. This incorporated quantifiable outputs and outcomes. Progress on the delivery of these outcomes was monitored on a quarterly basis internally.

An annual external evaluation of the quality and delivery of BPEX services was undertaken with BPEX levy payers, allied industry, retail, food service and civil service stakeholders. Overall, 88% of respondents had used BPEX services over the last 12 months (compared with 76% in 2008 and 70% in 2007). The mean score on the quality of BPEX service (on a range of 1 excellent to 5 poor) was 1.85. There were improvements in all areas with mean scores ranging from 2.11 for *value for money* to 1.83 for *friendly and helpful*.

A brief look forward

As we move through 2009/10 the English pig production and processing sector has a golden opportunity. We have a strong market for our product due to the relatively high cost of both imported pigmeat and other meats. We have good export demand, especially for parts of the pig not normally eaten in this country. We have a relatively strong pig price and a production industry that is beginning to return to profitability and reduce the losses sustained in 2008. While this is placing pressure on processor margins, it should be of lasting benefit to the whole chain if much needed investment materialises. This would help to address the challenge of relatively poor industry Key Performance Indicators in conjunction with the launch of an ambitious national herd health improvement initiative to be delivered in partnership with Regional Development Agencies (RDAs). The year ahead will also see all elements of the sector working in closer partnership through the Defra Pigmeat Supply Chain Task Force to deliver the vision of a more resilient pigmeat supply chain through increased collaboration and achieving best practice. BPEX stands ready to help the industry exploit these opportunities and get the industry firmly back on the Road to Recovery.

Stewart Houston

AHDB Board Member and Chairman of BPEX Board

*Further information on the work of BPEX is available from www.bpex.org.uk
A list of BPEX Board members can be found on page X*

BPEX performance against target 2008/09

Key to Alert

Green = completed or on-track

Orange = slightly behind

Red = unlikely to be delivered without mitigating action

Strategy 1: Enhance the value of English pork and pork products throughout the supply chain

	Key outcome	Target	Performance	
Activity 1 Promote the attributes of English pig production in retail and foodservice sectors through an integrated PR programme	Improved wholesale and producer prices	Media coverage valued at 3x spend. DAPP to average 125p/kg	Consumer media coverage from Pigs Are Worth It campaign had a PR value of £5.6million representing a return on investment of 23:1 DAPP averaged 132.39p/kg for the financial year to 31 March 2009	Green
Activity 2 Promote the Quality Standard Mark through trade and consumer communications, focusing especially on ham	Greater use of the QSM on pork and pork products	5% increase in QSM pork usage as recorded in Pork Watch 15% increase in ham QSM usage	QSM usage on pork as recorded by Pork Watch was 64% up from 61%. QSM usage on ham products was 39% compared with 37% a year earlier	Orange
Activity 3 Promote pork and pork products as part of a healthy balanced diet	Health professionals, dietary advisors and regulators view pork and pork products positively when advising stakeholders	Monitoring of specialist media identifies a reduction in negative coverage/increase in positive coverage of pork and pork products in the diet. Establish health professionals attitude survey	Media monitoring identified 67 (31%) negative articles in 2008 relating to pork and pigmeat products which compares with 45 (17%) a year earlier. This increase results from three main issues – meat inflation, Irish dioxin pork scare, World Cancer Research Fund policy report. Despite the media reporting, the Millward Brown tracking study shows no change in the consumer's view of Pork as an unhealthy or as a fatty product. Focus group research with Practice Nurses identified the need for a very simple, non scientific, communications programme in relation to healthy eating and the nutritional benefits of pork within a balanced diet	Orange
Activity 4 Launch the Pig Environment Partnership (PEP) in conjunction with Defra, EA, NFU and NPA and promote English pork productions contribution to environmental sustainability	Stakeholder buy-in to the PEP resulting in a more positive producer attitude to environmental regulation, more efficient government regulation and a recognition by key stakeholders of the pig industry's contribution to environmental sustainability	Successful launch of PEP as measured by stakeholder attitudes	Launch of a Pig Environmental Partnership was postponed. However BPEX is participating in the British Meat Processors Association Environmental road map initiative supported by Defra. BPEX is also undertaking a number of research and demonstration projects investigating techniques to minimise the impact of the sector on the environment. An online Environment hub has also been launched by BPEX to provide advice and information to the industry relating to environmental topics, management techniques and legislation	Green

<p>Activity 5 Conduct market and consumer research to identify business opportunities that the English industry can exploit</p>	<p>A regular supply of quality data and analysis that adds value to individual businesses and BPEX</p>	<p>Overall customer satisfaction rating of 'excellent' or 'very good' with regard to service quality and relevance to my business</p>	<p>Annual BPEX survey of levy payers, allied industry, retail and food service companies reported that 88% of respondents had used BPEX services over the last 12 months (compared with 76% in 2008). Scores for all aspects of service quality and relevance were either excellent or good</p>
<p>Activity 6 Research into improvements in eating quality and consistency and disseminate to the English industry</p>	<p>A demonstrable increase in the eating quality of English pork and a reduction in variability in eating quality that leads to the expansion of the premium tier of retail and foodservice pork</p>	<p>Initiate two major projects on eating quality and consistency under the direction of the Pork Chain Unit based at Bristol University</p>	<p>Two consumer research projects completed and communicated to processors and wider stakeholder group. A chicory trial investigating the impact on growth rate and meat eating quality is currently being undertaken. Four best practice guides 'Target Pork Quality' produced: Revised Blueprint; use of pH meters, chilling, maturation and taste panels</p>
<p>Activity 7 Collaborate with FSA and industry in the introduction of a National Zoonoses Control Plan</p>	<p>A National Zoonoses Control Plan implemented and supported by all stakeholders that reduces the risk to consumers of food borne disease</p>	<p>Introduce a plan that has the full support of the industry, the FSA and the EU Commission</p>	<p>Zoonoses National Control Plan (ZNCP) successfully developed and launched in partnership with the Food Standards Agency. 12 on farm demonstration trials on methods to minimise the exposure of pigs to Salmonella completed. Tenders issued to conduct demonstration trials in all assured abattoirs on techniques to minimise contamination of pigs and carcasses during processing</p>
<p>Activity 8 Promote the re-establishment and subsequent enhancement of export markets in collaboration with Defra</p>	<p>The re-establishment of export trading patterns for breeding pigs, pork, pork products and offal to a range of EU and non-EU destinations</p>	<p>To gain access to all pre-FMD markets, using the ECUG priority list To achieve export volumes of 80% of pre-FMD levels by year end as measured by government statistics</p>	<p>Export health certificates secured with all targeted export markets for pigs and pigmeat products with the exception of pigmeat product exports to China which is expected to be finalised in mid 2009. Fresh and frozen pork exports totalled 118,000 tonnes in 2008 compared with 95,000 tonnes in 2006 pre FMD</p>

Strategy 2: Assist the English pig industry to improve its cost competitiveness to a level more comparable to our main competitors in the European Union

	Key outcome	Target	Performance
<p>Activity 1 Encourage the uptake of existing knowledge from competitors and the uptake of new and emerging techniques through a Knowledge Transfer programme</p>	<p>Productivity and performance in the English pig production sector improves in absolute terms and relative to our main competitors</p>	<p>To achieve a 10% improvement in productivity as measured by industry representative KPIs (pigs slaughtered per sow, mortality and growth rate)</p>	<p>Pig slaughtered per sow, mortality and growth rate KPIs improved by an average of 12% across all BPEX Knowledge Transfer pig benchmarking clubs.</p> <p>National productivity (Q4 2008 v Q4 2007) has altered as follows: Pigs slaughtered per sow: 20.92 v 20.44 Post weaning mortality (%): 5.4 v 6.7 Growth rates (g per day): 758 v 659</p>
<p>Activity 2 Commission research on pig health and welfare topics that offers the opportunity to reduce cost in practical application and can improve the industry's image</p>	<p>A flow of practical advice that can be transferred to producers through the KT activity</p>	<p>Commission 6 research projects and ensure the transfer of preliminary results</p>	<p>The major research project during the year has looked into PCV2 vaccines. Preliminary results presented in November 2008.</p> <p>Factors contributing to pleurisy was completed and will be presented during July 2009.</p> <p>The first 3-year British Pig Health Scheme (BPHS) project concluded and the second started. Results were presented at Pig Fair and producer workshops.</p> <p>NADIS was reviewed and during 2009/10 will be working with RDA project to look at improved disease recording and training of staff in disease recognition and control.</p> <p>The first RDA project to look at regional disease control started in March 2009.</p> <p>A project on best methods for improved Environmental enrichment began.</p> <p>BPEX is part of the stakeholder group within a new Defra sponsored project PIGSAFE, looking into improving the farrowing environment and addressing welfare for sows and piglets</p>

<p>Activity 3 Assist the pig industry in managing the introduction of environmental legislation. This will form part of Pig Environment Partnership</p>	<p>Pig producers and processors are fully informed of the application and implications of environment legislation and compliance costs are minimised</p>	<p>Customer satisfaction achieves a score of 70% satisfied or very satisfied with the service from BPEX</p>	<p>The BPEX Levy payer satisfaction for environment related service is over 70%. BPEX expertise is seen as the primary source of advice in this area</p>
<p>Activity 4 Assist the industry to reduce the regulatory burden through the interpretation of existing and emerging EU and UK legislation</p>	<p>A fully informed pig production and processing industry in England and policy makers that have a clear understanding of the actual and potential impact of regulations</p>	<p>Customer satisfaction achieves a score of 70% excellent or good service from BPEX</p>	<p>In the 2008 BPEX Annual Confidence and Service Quality Survey of those respondents that used UK and EU BPEX policy analysis surveys 74% recorded a score of good or excellent in terms of service quality</p>
<p>Activity 5 Disseminate market information and economic analysis to the English pig industry to enable the industry to make better business decisions</p>	<p>A regular flow of very good quality market information and analysis that is directly relevant to business needs</p>	<p>Customer satisfaction achieves a score of 70% satisfied or very satisfied with the service from BPEX</p>	<p>BPEX has established a new market intelligence area on the website including feed price commentary and live price updates. The market intelligence area has become the most visited area of the website and in the 2008 BPEX Annual Confidence and Service Quality Survey of those respondents that used BPEX Market intelligence services 83% recorded a score of good or excellent in terms of service quality and relevance to their business.</p>
<p>Activity 6 Provide the industry with feedback on pig health data both for individual businesses and at regional and national level</p>	<p>Improved pig health and welfare and the reduced use of veterinary medicines</p>	<p>5% increase in BPHS membership. Increased distribution of NADIS information to stakeholders</p>	<p>BPHS membership has declined by 30% with the launch of the new scheme in June 2008 and the introduction of more effective health feedback from the Meat Hygiene Service. A recruitment campaign is to be launched in April 2009. NADIS information is now disseminated via BPEX weekly, Pig World magazine as well as the NADIS database of pig producers and vets</p>
<p>Activity 7 Encourage more integrated and efficient supply chains through small scale grant aid and the dissemination of best practice examples</p>	<p>Greater co-operation between producers, processors and retailer/ foodservice companies that enhances the competitive position of individual supply chains</p>	<p>Support 10 supply chain projects. Secure the legacy of Red Meat Industry Forum (RMIF) output in this area and ensure its accessibility</p>	<p>A relationship management project involving a leading retailer, processor and producers has been established to identify more efficient and effective relationships throughout the pig meat supply chain. If successful this initiative will be applied to other supply chains in the English pig meat sector. Considerable interest has been shown in the BPEX business guide service with advice and support given to 63 businesses in the past year</p>

DairyCo Sector Report GB Milk Sector

DairyCo's inaugural year in operation coincided with another challenging year for our dairy industry. Volatility in world markets started to affect farmgate prices towards the end of the year resulting in increasing pressure on dairy farm profits increasing the demand and need for core DairyCo services such as Knowledge Transfer and Market Intelligence.

Introduction

DairyCo's first year saw a significant change in direction from its predecessor, the Milk Development Council. This strategic move saw more focus on the key areas of business management (including research and development and knowledge transfer), supply chain information and working on consumers' image of dairy farming; these all need further development and will generate the greatest benefit to dairy farmers.

Significant successes during the year included:

- Industry co-operation to establish clear lines of responsibility for issues and image management
- The expansion of the 'extension' team - with 14 regional officers (and more being recruited) now working with farmers in discussion groups to maximise profitability through the sharing of best practice
- The industry reports 'Factors affecting milk supply' and 'Ensuring a sustainable dairy supply chain' providing independent assessment of the issues facing the supply chain and the subsequent impact these may have.
- The DairyCo Datum website established as a leading source of information for the entire supply chain with over 65,000 file downloads per month.

DairyCo staff responded well to the challenges of the new organisation and as the Annual Benchmarking Survey showed, DairyCo's overall rating was up almost 5% on the same survey run by the Milk Development Council in 2007/08 - an extremely encouraging start.

Strategic Objectives

- Objective 1: Supply Chain Information (Market Intelligence)
 - *Provision of high quality information to help farmers and their representatives make the most of dairy markets and opportunities*
- Objective 2: Business Management
 - *Help dairy farmers increase their profits while meeting regulatory and environmental requirements – through better business management*
- Objective 3: Image Management
 - *Help promote a positive perception of dairy farming with consumers*
- Objective 4: Development of DairyCo
 - *Development of DairyCo towards a self-sustaining model*

Sector financial summary

Gross levy income of £6.67m was £76k lower than budget for the year (£6.75m) and £123k lower than in 2007/08 (£6.8m), reflecting lower milk production, while income from non-levy sources of £0.12m was £14k higher than budget for the year (£0.11m) and £275k lower than last year (£0.39m).

Operating expenditure of £5.53m was £1.12m lower than budget for the year (£6.65m) and £712k lower than last year (£6.24m). There has been under-spend across most areas within DairyCo reflecting both shortages in and difficulties in recruiting suitably qualified and experienced staff during this year of change, plus a commitment to a value-for-money approach. A major emphasis in DairyCo's first business plan was the development of the Knowledge Transfer team and the strengthening of the Market Intelligence team. Recruitment in both areas was an ongoing exercise throughout the year with a desire to ensure that the right people were in place to drive forward the DairyCo business plan.

The sector generated a surplus on ordinary activities before interest and taxation of £1.27m, which was £1.06m higher than budget for the year (£0.21m) and £314k higher than last year (£0.95m).

The consolidated sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £3.72m as at 31 March 2009 - £366k higher than the opening position (£3.35m).

Report on strategy implementation

Market Intelligence

During the reporting period DairyCo's market intelligence service made excellent progress in both the quality and usage of its output. The DairyCo Datum website was established as a leading source of information for the entire supply chain with over 65,000 file downloads per month.

Key successes included a number of well-received reports including *Factors affecting milk supply* and *Ensuring a sustainable supply chain* which provided high quality information upon which the supply chain can base discussions that move relationships within the chain forward.

The farmer-facing economic benchmarking service, Milkbench+, gathered momentum, with recipients of the service praising its value to their businesses. At the end of March 2009 this highly ambitious project was entering the next stage of its development with the highly sophisticated tool being rolled out to a wider audience.

Business Management

This activity programme has the incentive of helping dairy farmers increase their profits while meeting regulatory and environmental criteria. During 2008/09 significant positive progress was made.

For example, 110 Dairy Business Groups are up and running (target was 100) that focus on providing information to improve business skills and dairy farm businesses. Within these groups, surveys showed that 95% of farmers felt that their time in the business groups was well spent (target 80%) and that 85% reported that they had made changes to their enterprises as a result of attendance (target 70%).

The appointment of a Head of Knowledge Transfer and an expanding Knowledge Transfer (KT) team were vital to fulfil growing demand from dairy farmers.

The **feeding+** campaign, which focuses on improving the feeding efficiency of herds by practical on-farm learning of the nutritional and management elements of rationing, will be assessed in Autumn 2009, with evaluation of the programme through measuring changes in the Feed Conversion Efficiency of those receiving the learning.

The DairyCo Mastitis Control Plan commenced in early 2009. It is delivered to farm via trained vets – trial work shows good potential for better animal welfare and consequential cost savings in this important area.

DairyCo also undertook a detailed desktop review on the relationship between dairy farming and climate change. The research confirmed that there was comparability on carbon foot printing tools that had been through a recognised validation process.

With this knowledge, DairyCo led a high level supply chain meeting to share the outcomes of this work. Importantly DairyCo then worked with the industry to agree a route forward in dealing with GHG emissions from dairy farming. This includes engaging with the Carbon Trust to explore opportunities (such as sequestration) and providing more focused information for dairy farmers in addressing the 'hot spots' on individual dairy units.

Work continued on a pilot study to increase milk output per labour unit. 24 dairy farms, with a variety of systems and size, highlighted the importance of labour efficiency with a range of 12-25% of the costs of production. In monetary terms this has a range of 1.7 to 18.4 pence per litre (ppl), averaging 8.5ppl. Two outputs from this study, *Light Touch Efficiency Measures* and a *Labour Productivity Monitoring Tool* are now being trialled on farm allowing dairy farmers to measure labour efficiency in relation to specific dairy related tasks such as milking, feeding, bedding up, etc. Ultimately, this project will provide a robust dataset for benchmarking and case studies to share with dairy farmers wanting to maximise the efficiency of their paid and family labour.

DairyCo's **breeding+** genetic evaluation service continued to develop and had possibly the highest cost benefit to the industry. Genetic progress of the milking herd continued to go up, with a noticeable shift towards more emphasis on 'fitness' traits in relation to yield. The proof runs (three per year) included additional lactation information on older cows, meaning over 100 million records were processed in the evaluation system.

Image and Issues Management

During 2008/09 DairyCo worked with industry partners to agree a new Image and Issues Management strategy which commenced implementation in February 2009.

Part of this strategy included DairyCo ceasing to part-fund The Dairy Council which delivers issues management for human health and nutrition. From 1 April 2009, The Dairy Council was taken in-house at Dairy UK.

This decision by the industry to take on funding of one of its activities was a prime example of solving 'market failure' in the industry. As the industry is now funding issues management for human health and nutrition, DairyCo can channel levy funds into the under-supported activity of managing issues around dairy farming, its environmental impact and also animal health and welfare.

DairyCo's School Milk Project continued to flourish; in October 2008 DairyCo and HGCA began a jointly funded activity aimed at promoting milk and cereal through the introduction of school Breakfast Clubs across the Birmingham area. The trial will run through to the end of April 2009 with the provision of a full report of trial results.

The school milk facilitators also visited 683 schools over the year and distributed over 57,000 education materials.

Risk management

Risk management is embedded within the operation of DairyCo. The management team regularly reviewed its risk registers and additional risk registers were created where necessary for specific projects. The DairyCo Board received the sector risk register at each board meeting, and the audit committee reviewed it in more depth at its meetings.

The sector team

The whole team has worked very hard in making two transitions, the one from MDC to DairyCo – with a significantly different business plan - and the development and integration of AHDB. I am very proud of the work they have put in during difficult circumstances and the successes they have achieved. Although the process of change and development will continue next year, I am confident the team will rise to the challenge and the services we offer to dairy farmers will continue to become even more relevant and useful.

On behalf of the DairyCo Board I would like to re-emphasise our gratitude to all the people working on delivering improved DairyCo services to dairy farmers during great change for them personally as a result of our decision to co-locate to Stoneleigh, but also for being so committed to playing a part in ensuring a future for British dairy farmers.

A brief look forward

January 2009 saw the global market continue to tumble and the beginning of a series of farmgate price cuts which have once again caused concern among producers as they struggle with continuing high input costs. So, managing the volatility of the markets will be a key challenge over the coming year and that means relationships between farmers and milk buyers will remain key, with good communication channels essential.

DairyCo's strategies remain relevant, and indeed, more important than ever to levy payers who will face increased volatility in the sector.

Using the criteria of market failure and industry need we need to continue to focus on the following areas:

- **Market Intelligence**
 - *Provision of high quality information to help farmers and their representatives make the most of dairy markets and opportunities*
- **Business Management**
 - *Help dairy farmers increase their profits while meeting regulatory and environmental requirements – through better business management*
- **Issues and Image Management**
 - *To implement a dairy industry Issues & Image Management Strategy by the end of March 2010.*

Tim Bennett

AHDB Board Member and Chairman of DairyCo Board

*Further information on the work of DairyCo is available from www.dairyco.org.uk
A list of DairyCo Board members can be found on page X*

DairyCo performance against target 2008/09

Key to Alert
Green = completed or on-track
Orange = slightly behind
Red = unlikely to be delivered without mitigating action

Strategy	Key outcome	Target	Performance	
Objective 1: Supply Chain Information				
Provision of a world-class information service	Farmers have access to unbiased, high-quality information that assists in business planning and relationships	Annual survey of farmers shows an increase in 5% of awareness that DairyCo provides market information (MI), and an increase of 0.5 in the value placed on that service by those aware of it	Exceeded website file downloads 715,859 (65,078/month) vs budget of 576,000. Annual survey shows an increase in awareness of the service by 9% to 52% and an increase in value of that service of 0.2 to 6.37	
Objective 2: Business Management				
Sustainably mitigate the impact of dairy farming on climate change	Reduction in the amount of climate changing emissions produced per litre of milk	A detailed understanding and prioritisation of the issues for the next stage of work. Sufficient knowledge to set appropriate on farm targets	First project in a series has confirmed there was comparability on foot printing tools that had been through a recognised validation process. DairyCo will not need to develop a new model, but will work closely with the Validating body to ensure the process is robust and the latest research is captured in any future amendments	
Increase milk output per labour unit	More efficient labour utilisation, allowing increased time to reduce costs	Understanding of the main issues impacting efficient use of labour. Identification of solutions. Sufficient knowledge and understanding to set appropriate targets	Following a pilot study, two new tools have been developed and are being trialled: <ul style="list-style-type: none"> • Light Touch Efficiency Measures – dairy farmers can apply to their business to get an idea of labour performance, such as Litres/man/year • Labour Productivity Monitoring Tool – allows farmers to measure labour efficiency in relation to specific dairy related tasks 	
Improve feed efficiency on dairy farms	Increased milk output per kg of dry matter fed on the farms with which DairyCo is working	Feed efficiency on dairy farms with DairyCo works improves by 5%. On a typical cost of 4ppl this equates to 0.2ppl	The feeding+ campaign is half-way to completion and assessment will be made in Autumn 2009, with evaluation of the programme through measuring changes in the Feed Conversion Efficiency of those receiving the learning	

Improved business skills to help farmers take control of the future in their dairy businesses	Farmers actively planning and taking control of their farm businesses	100 dairy business groups achieving: <ul style="list-style-type: none"> - 80% of attendees agreeing that it is a good use of their time - 70% say they have applied what they have learned by making changes on the farm. 250 Milkbench datasets 5 What if? Courses run	110 business groups established; 270 group meetings held. <ul style="list-style-type: none"> - 95% of attendees agreed the meetings had been a good use of their time. - 85% had made changes on farm since attending. 147 Milkbench+ datasets collected 3 What If? Courses run successfully	
Ingrain proactive health management into the development of business strategy	An increase in the level of proactive health planning among dairy farmers. Positive messages for use in image management	A decrease in mastitis levels for those farmers engaged in the DairyCo mastitis plan by 20%. On typical figures this equates to a saving of 0.2ppl	Programme commenced early 2009 - First 2 training courses scheduled for April/May. This is a three year programme and all delivery elements are on target	
Effective promotion of the benefits of breeding and tools provided	Farmers make informed breeding decisions that lead to the best cows for maximising their profitability	Three proof runs produced. The annual survey of farmers finds that the value placed on the DairyCo's provision of genetic information increases by 10% during the year	All three proof runs published at the planned times and output improved during the year. 140,367 downloads from website (86% up on 2007). An increase of 10% in the awareness of the breeding+ service was achieved. However, a small drop in the value placed on that service from 4.54/10 to 4.37/10	
Objective 3: Issues and Image Management				
Defend and promote the image of dairy products and dairy farming	Consumers have a positive image of dairy products and dairy farming	Maintain or grow net dairy consumption intention among the public, as tracked by regular surveys	1.2% more people planning to consume more dairy in the future (data from Dairy Council survey). 75% of people questioned think farmers are doing a good job of looking after the welfare of their animals. 28% agree farmers could do more to reduce their environmental impact	
Objective 4: Development of DairyCo				
Increase in alternative funding	Non-levy monies are secured to fund DairyCo activities	Secure £250,000 of additional income or match funding, with £50,000 of that delivered within 2008/09	£12K from NWDA approved. There are also several significant applications for funding in train	
Ensure a smooth transition	The transition to DairyCo from the MDC is effected with minimal disruption	The annual survey of dairy farmers shows a positive reaction about the efficiency of the change for the factors within DairyCo's control	The annual benchmarking survey saw DairyCo's overall rating was 3.17 in 2009 (out of 5), up from 2.88 in 2007 and 3.04 in 2008	

EBLEX Sector Report English Beef and Lamb Sector

Rising input costs, the impact of the recession and environmental challenges combined to make much of 2008/09 a particularly testing year for the beef and sheep sector despite encouraging improvements in farmgate prices.

Introduction

Encouraging progress was made in export markets, with exports increasing in both volume and value terms in 2008. Farmers also welcomed the news they received a larger share of the retail price for beef and lamb, while Business Pointers showed an industry responding to calls to improve production efficiency.

However, changing consumer purchasing patterns, the weakening of sterling and the continued decline in livestock numbers had a significant impact on the business operations of the beef and lamb supply chains.

Last summer's rise in input costs posed considerable problems for the industry at a time when the majority of producers were still failing to make a net profit from their livestock enterprises. This was in spite of the increase in market returns for finished stock during the year.

The environmental footprint of beef and sheep production came under increased scrutiny from the media and international policy makers, while red meat consumption trends were challenged by, among others, the Food Standards Agency and the World Cancer Research Fund.

Strategy

EBLEX has a threefold strategy:

- Promoting better returns for the beef and lamb industry
- Championing the development of a sustainable industry
- Stimulating a profitable demand for quality beef and lamb.

Financial summary

Gross levy income of £13.54m was £1.77m higher than budget for the year (£11.77m) and £239k higher than in 2007/08 (£13.3m) while, excluding its share of commercial services income, income from non-levy sources of £6.27m was £559k higher than budget for the year (£5.71m) and £5.03m lower than last year (£11.3m) predominantly due to the one-off nature of a number of grants received in the prior year.

Operating expenditure on the same basis of £18.57m was £502k higher than budget for the year (£18.06m) and £7.65m lower than last year (£26.22m).

The sector generated a surplus on ordinary activities before interest and taxation of £1.24m, which was £1.82m higher than budget for the year (£0.58m) and £2.86m higher than last year (deficit £1.62m).

Excluding the impact of FRS 17 pension scheme items, the consolidated sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £3.21m as at 31 March 2009 - £344k lower than the opening position (£3.55m).

EBLEX's reserves policy requires the re-building of reserves by a further £1.4m over the next two years.

Report on strategy implementation

Promoting better returns for the beef and lamb industry

This leg of our strategy is focused on helping producers become more efficient by reducing their costs and focusing on key production metrics.

In the run up to the final year of Defra funding for the Beef Better Returns Programme, almost 20,000 English cattle and sheep producers were signed up to receive knowledge transfer materials. Better Returns Programme (BRP) producer manuals were produced and distributed at over 200 BRP events across the country last year. These included publications on pasture management, cattle housing, feeding growing and finishing cattle, sheep fertility and a manual on controlling sheep external parasites. The first stage of a new BRP engagement programme with colleges was also completed with the distribution of a BRP resource CD to students.

Last year also saw the reconvening of the Sheep BRP Steering Committee chaired by EBLEX Board member David Raine to review existing technology transfer activities.

The lack of a co-ordinated approach by Regional Development Agencies (RDAs) to accessing Rural Development Plan for England (RDPE) funding has meant progress has been piecemeal on supporting additional BRP activities. However, EBLEX and the Duchy College started a series of RDPE-funded events in the South West in late 2008, and regional programmes of events are also under way in the South East, North West, North East and Yorkshire.

The 2007/08 EBLEX Business Pointers publication, giving analysis of on-farm costing data, showed that the vast majority of beef and sheep producers were making a net loss in the financial year to 31 March 2008. However the figures were an improvement on past years by as much as £109 per cow and £19 per ewe. Participating Business Pointers beef and sheep producers also made significant progress in key technical performance areas.

The daily liveweight gain for average beef lowland and LFA suckler producers improved from 1.06kg and 1.04kg in 2005/06 to 1.08 kg and 1.07kg respectively in 2007/08. LFA suckler herds also improved their calving period from 22 weeks to 16.1 weeks over the same period.

Sheep enterprises showed significant performance improvement. Lowland flocks increased the number of lambs reared per 100 ewes from 135 in 2005/06 to 139 in 2007/08, while LFA flocks recorded an increase from 136 to 141 lambs per ewe over the same period. Both lowland and LFA enterprises also reported significant increases in the percentage of lambs sold at slaughter.

A strategic review of the Business Pointers format was completed in early 2009. This envisages some changes in the collection and presentation of Business Pointers data and its future communication to producers, with an emphasis on driving use of the online 'What If?' costings calculator.

A number of R&D projects were completed during the year, including projects on the meat quality impact of feeding chicory to lambs, a review of water use in beef production and genetic selection for foot rot.

EBLEX also had input into two projects being run by Cranfield University comparing the environmental impact of beef and lamb produced in the UK with imported product. The results of this work will be used to inform the work of the EBLEX-led Beef and Sheep Environmental Roadmap group. This was set up in January 2009 with supply chain representatives to develop an industry strategy to guide the sector towards activities to reduce its environmental impact.

A portfolio of EBLEX R&D projects was made available on the website in December 2008.

EBLEX joined forces with the Livestock Auctioneers' Association to carry out market trials at Sedgemoor and Skipton to assess the financial and logistical impact of sheep Electronic Identification (EID) on market operations. This work will report in Spring 2009.

During the year EBLEX participated in the industry's JAB campaign encouraging producers to vaccinate against Bluetongue. EBLEX distributed JAB promotional material and circulated a BRP leaflet setting out best practice procedures for vaccination.

The first stage of EBLEX's processor benchmarking scheme started in February 2009. This involved identifying and approaching processors who would like to take part and the level of data required.

In April 2008 EBLEX assumed financial responsibility for Signet Breeding Services to ensure continuity of service provision to the beef and sheep sector.

Championing a sustainable industry

EBLEX champions and defends the English beef and sheep industry through a corporate communications and issues management programme.

A communications survey carried out in April 2008 showed 81% awareness of the EBLEX brand. It also revealed that half of those producers surveyed who had attended a Better Returns event said they had made changes on farm as a result.

Open meetings for levy payers were held at Gloucester, Ardingly and Carlisle during the year, while May 2008 saw renowned cattle handling expert Dr Temple Grandin address the second EBLEX National Producer Conference in Bristol. The conference, which attracted 200 delegates, continued the theme of 'take home one idea to apply on farm'. February's Outlook Conference, organised in conjunction with BPEX, was rescheduled to April 2009 due to severe weather conditions. A comprehensive shows and events programme saw EBLEX exhibit at the Royal Show, Smithfield, the Dairy and Livestock Show, Beef Expo and Sheep 2008. This was in addition to a presence at several regional shows.

The EBLEX 'What If?' farm costings calculator was made available on the EBLEX website in November 2008. Work was also undertaken improving the layout and accessibility of key sections of the website. A survey of users was carried out in March 2008 and will be used as part of a wider web review process.

Last year EBLEX submitted responses on behalf of the beef and sheep sector to several industry consultations and Parliamentary Committees. These included the House of Commons EFRA Committee inquiry into UK food supplies to 2050 and Food Standards Agency consultation on BSE testing and MHS charges. EBLEX also contributed to a collection of essays on the theme of 'Feeding Britain' published by The Smith Institute think tank. EBLEX also participated in the EU Beef Forecast Working Group and continued to support the activities of the All Party Parliamentary Group on Beef and Lamb.

March 2009 saw the publication of '*The Dynamics of Change*' – a report outlining the challenges posed by structural change in the sector and declining livestock numbers.

As consumer interest in the integrity of food production continued, EBLEX completed an industry-facing project to illustrate the domestic halal supply chain for lamb. This followed requests from processors and retailers seeking reassurance for Muslim consumers and from stakeholders keen to ensure that lamb remained a viable option on public sector menus. A

DVD and accompanying leaflets were produced, and launched at a public procurement seminar in March.

Work continued during the year on the levy-funded Meat and Education and Meat and Health websites. Activities included the publication of two editions of *Practice Nurse* and updates of teachers' resource packs and video clips. The 2008 Quality Standard Young Chef Challenge attracted entries from over 400 schools – the highest number of entries to date. The competition, aimed at students in Key Stage 3 and 4, complies with Design and Technology National Curriculum teaching guidelines. These emphasise practical cooking and healthy eating using simple ingredients.

During the year EBLEX led a co-ordinated red meat industry response to a number of high profile media stories, including the Irish dioxin feed contamination scare in December 2008, February 2009's update of the 2007 World Cancer Research Fund report, and the March 2009 launch of the Food Standard Agency's saturated fat campaign.

Stimulating a profitable demand for beef and lamb

This leg of EBLEX's strategy focuses on adding value to beef and lamb beyond the farm gate by raising demand in home and export markets.

A fresh promotional focus on the Quality Standard's core 'food values' of assurance and eating quality was launched in February 2009 with a new website www.simplybeefandlamb.co.uk. The Beefy and Lamby advertising campaign came to an end at the same time, after successfully being used as the vehicle to promote Quality Standard beef and lamb to consumers for four years.

Work commenced on a new advertising campaign which will break in the first quarter of 2009/10. This press and online campaign will position the Quality Standard Mark (QSM) as a beacon for great tasting beef and lamb, focusing on the scheme's robust assurance and eating quality criteria.

Last year saw the diversion of TV advertising spend into online advertising, TV sponsorship and press activity to reflect the changing media consumption of the QSM's target audience. This included online promotion of the Quality Standard Recipe Club, backed up by vodcasts and support from Quality Standard Ambassadors Oliver Rowe and Angela Hartnett.

November 2008 saw the development of a recipe networking campaign with social networking sites. This involved the posting of 14 Quality Standard 'How To' video clips featuring recipes demonstrated by London chef Ben Tish. A series of successful TV sponsorship idents on the UKTV Food Channel capitalised on the recessionary trend of 'cooking from scratch' by showing a family sitting down to a series of freshly prepared beef and lamb dishes to demonstrate the versatility of beef and lamb for weekday meals.

Credit crunch cookery was the subject of a winter offal promotion campaign featuring celebrity Chef Sophie Grigson. This had the theme of 'frugal food', and was supported with recipe leaflets and advertorials in regional and women's press.

Seasonal activity with Quality Standard advertorials and the 'Dish of the Day' press adverts focused on BBQ, Christmas, Valentine's Day and Easter. Two generic beef and lamb promotional kits were distributed to over 3,000 butchers, farm shops and retailers.

Membership of the Quality Standard Scheme increased during 2008/09 to 2,986 businesses representing 10,878 potential outlets. Promotional activity was undertaken with the major multiple retailers, independent retailers, foodservice operators and their suppliers during the year, timed to coincide with in-house promotions. Retailers also received copies of a new quarterly EBLEX Beef and Lamb Category Insight report, outlining key supply and demand trends.

Distributing Quality Standard promotional kits on a 'first-come, first served' basis was trialled using a 'Credit Cruncher' kit during early 2009. With all 1,000 kits taken up within two days, this has proved to be a cost-effective distribution method.

To help the foodservice sector weather the impact of the recession, EBLEX teamed up with chef Pierre Koffman for a series of master classes in cooking and preparing alternative cuts of beef and lamb. In a related project, a smaller version of the EBLEX Cutting Specification Guide was also produced for abattoirs focusing on 12 beef and lamb roasting joints from under used primals. EBLEX also provided ongoing support for three Mutton Renaissance events aimed at the trade sector, and published a glossy recipe book called 'Passion' – the successor to 'Glorious', featuring recipes from a number of regional chefs.

The declining French lamb market continued to be a focus for EBLEX export activity during the year under the industry's Agneau Presto campaign. This took first prize at the French E-marketing Awards for its recipe website which attracted over 220,000 visitors last year. This work was backed up with a number of Quality Standard promotions with major French multiple retailers, leading to a doubling of stores and chains stocking Quality Standard lamb.

Leading French chefs and food journalists from the Rosbifs Club were given a demonstration of English beef butchery techniques and a tour of Smithfield market in early 2009. This was part of an ongoing series of events with Club members.

International shows continue to be a mainstay of our overseas promotional efforts. EBLEX had a substantial presence at the SIA and SIAL shows in Paris, and exhibited for the first time at the Gulfood Exhibition in Dubai.

The UK Export Certification Partnership was launched by Defra in October with EBLEX as a key supporting partner. This initiative aims to identify export opportunities in non-EU markets and the steps needed to negotiate export health certificates for the UK. Following this EBLEX led a successful inward mission for Hong Kong state vets in December 2008 to look at BSE controls in the beef supply chain.

Three seminars for potential offal exporters were held in July 2008, focusing on market opportunities and the packaging and presentation for overseas markets. This led to EBLEX and the Meat Hygiene Service producing a revised set of offal inspection guidelines to help reduce knife damage in plants looking to export.

Risk management

Delivery of the EBLEX strategy was reviewed regularly by the EBLEX Board and by senior staff using a risk management register.

The sector team

With the exception of two areas, staff delivered against all Key Performance Indicators set out in the EBLEX Business Plan. Delays in recruiting press office staff meant EBLEX fell short of delivering an Advertising Equivalent Value of £700,000 for the year, and the strategic move away from TV advertising spend during the year impacted on the QSM's consumer awareness figures.

A brief look forward

The beef and sheep sector will have to respond swiftly and appropriately to a number of market drivers in the year ahead. These include the continuing decline in livestock numbers, substantial restructuring in the domestic processing sector and the impact of the recession on supply chain performance and consumer demand for beef and lamb.

The industry will also have to manage challenges posed by the implementation of sheep EID and an increasing focus on the environmental footprint of beef and lamb production.

John Cross

AHDB Board Member and Chairman of EBLEX Board

Further information on the work of EBLEX is available from www.eblex.org.uk

A list of EBLEX Board members can be found on page X

EBLEX performance against target 2008/09

Key to Alert
 Green = completed or on-track
 Orange = slightly behind
 Red = unlikely to be delivered without mitigating action

Strategy 1: Encouraging Better Returns

Key Outcome	Target	Performance	
A continued flow of relevant knowledge and best practice opportunities	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)	Ongoing: R&D programme for 2008/09 has 6 cattle projects, 7 sheep projects, 8 generic projects and 12 studentships. The cost benefit of the current portfolio when exploited of the next 5 years is estimated to be £3.8 for beef and £5.1M for sheep	
	Publish an R&D Activity Portfolio	R&D activity web pages are live on the EBLEX website	
Delivery of programmes to encourage uptake of knowledge and best practice by levy payers	Beef BRP - Deliver 80 events, 3 bulletins, 2 technical manuals, maintain and grow the number of active participants to 7,000. Develop working partnerships with regional bodies to co-fund Beef BRP activities	2 beef BRP technical manuals and 2 generic BRP manuals published and 3 bulletins. 141 BRP Beef events held (April 08 to March 09) 12,803 Beef BRP participants. Regional funding achieved for BRP events in SW, West Mids and SE regions. Funding plans are progressing with five other RDAs	
	Sheep BRP - Deliver 40 events, 2 bulletins, 1 technical manual, maintain the number of active participants at 9,000. Develop working partnerships with regional bodies to co-fund Sheep BRP activities	3 sheep manuals and 2 generic BRP manuals published and 3 bulletins. 11,552 Sheep BRP participants. 60 BRP Sheep events held (April 08 to March 09). Regional funding achieved for BRP events in SW, West Mids and SE regions. Funding plans are progressing with five other RDAs	
Annual publication of fixed and variable costs of production, development and communication of benchmarking formats	Publish benchmark data by 30 November 2008. Continued roll out of accessible costings format	Business Pointers farm costings data published on 21 November. Continued roll out of Snapshot costings. 'What If?' calculator now online on the EBLEX website	

Strategy 2: Championing a sustainable industry

A continued flow of proactive media, public relations and related communications activity	Return an annual Advertising Equivalent Value (AVE) of £700,000	April 08 to March 09 AVE of £666,300	
	A stakeholder satisfaction rating of 75% as measured by quarterly in house survey	A stakeholder satisfaction score of 93% was achieved	
Increase uptake of publications and visits to websites	250,000 annual visits to all EBLEX websites. 12,000 publications downloaded annually	Visits to all three EBLEX websites (corporate, retail and foodservice) are 275,692 for April 08 to March 09. Document downloads from both the document store and public areas during April 08 to March 09 stand at 100,732	
	Increase corporate website registrations to 9,000	12,521 corporate website registrations (April 2009)	

Strategy 3: Stimulating a profitable demand for beef and lamb

Key Outcome	Target	Performance	
Consolidate consumer awareness of the Quality Standard Mark	Maintain consumer awareness of the beef and lamb QSMs at 60% and 52% respectively	55% consumer awareness for beef QSM and 51% for lamb QSM (Jan 09 figures)	
	For public relations activity, deliver a benchmark ROI of 10:1	The return on investment (ROI) figure on Quality Standard Mark PR activity was 12:1	
Undertake a minimum of 4 promotional programmes with Quality Standard Scheme members in each sector of the supply chain	Maintain scheme membership at March 2007 levels, and increase product penetration in all sectors through the use of targeted promotional programmes throughout the year involving all multiples, 1800 independent retailers, 1500 foodservice operators and their respective supply chains	2,986 members of the Quality Standard Scheme (April 09) up from 2,704 a year before. A full programme of promotional activity ran across all sectors with activity focussed on 4 seasonal bursts. Over 7000 promotion kits were distributed to retail and foodservice sectors in addition to on pack activities in multiple retailers	
Delivery of a programme of activity to support the non assured levy payer supply chains	To provide promotional material to 4,000 registered independent outlets	Four seasonal promotions linked to Tuck-in were undertaken. With materials sent to all 4,000 registered non-QSM outlets in addition to cut charts and Christmas materials	
Recovery of lost markets due to the recent FMD outbreak to level anticipated for 2007/8. Increase exports of primal/consumer packed product. Re-launch fifth quarter products into target markets	English beef volume target - 36,500 tonnes. English lamb volume target - 55,000 tonnes. Stimulate exports of a range of red, white and green offal	Volume (% increase vs equivalent period for 2007/08) April 08 to January 09 figures: English Beef 50,000 tonnes (+40 %) English Lamb 46,000 tonnes (+24%) Series of offal marketing seminars held July 2008, and Hong Kong inward mission in November 2008	

HDC Sector Report

Horticulture Sector

The reporting year has seen HDC make significant strides forward with regards to international collaboration (agreement signed with Astredhor, France), start of Food Dudes roll out across Wolverhampton and R&D progress addressing labour issues. However, pesticide legislation, 91/414, passed by the EU represents a key challenge for the horticultural sector.

Introduction

During 2008 there were some key events that really put pressure on the industry. The very early Easter with snow on Easter Sunday made for very poor trade, particularly for the ornamentals sector. The extremely wet summer period and the problems with seasonal labour availability led to some considerable wastage of soft fruit. There were difficulties due to waterlogged fields during planting of field vegetables for the over-wintered crops. And in the run up to Christmas the retail garden centre trade suffered as high-street retailers desperately tried to entice shoppers into their stores. However, the falling strength of the pound boosted UK production sales especially in the landscape and nursery stock trade.

Many of the businesses in Horticulture are SME's and the credit crunch brought trading terms of up to 90 days and banks less willing to extend overdrafts and credit assurance. This led to a difficult the start to the 2009 season.

Despite these difficulties the industry continued to recognise the need for investment in the HDC R&D programme.

Strategic objectives

A summary of HDC's strategic objectives are to:

- Focus on identifying the most profit enhancing issues and commission relevant R&D
- Seek external funding and partnerships to help maximise relevant horticultural R&D
- Deliver an effective communications programme to ensure growers put into profitable practice the output of R&D, wherever relevant
- Sponsor targeted market research and product promotional activities where appropriate within the AHDB structure
- Actively manage an effective levy collection process with AHDB
- Contribute to the AHDB change process to deliver enhanced service efficiencies and reduced costs to benefit levy payers.

Financial Summary

Gross levy income of £5.26m was £776k higher than budget for the year (£4.49m) and £268k higher than in 2007/08 (£5m) while income from non-levy sources of £0.22m was £166k higher than budget for the year (£0.06m) and £50k higher than last year (£0.17m).

Operating expenditure of £4.83m was £195k lower than budget for the year (£5.03m) and £766k lower than last year (£5.6m).

The sector generated a surplus on ordinary activities before interest and taxation of £0.65m, which was £1.14m higher than the budgeted deficit for the year (£0.48m) and £1.08m higher than the deficit for last year (£0.43m), which will be added to the research reserve and be available for horticultural research in future years.

The sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £1.31m as at 31 March 2009 - £81k lower than the opening position (£1.39m).

Report on strategy implementation

Bulbs and Outdoor Flowers

The Cut Flower Centre in Lincolnshire enjoyed its second year of full production. Key new product development had identified the potential for scheduling delphiniums to produce continuous season supply of high quality stems, zinnia varieties with stronger stems and extended vase life, sedum production outdoors with high quality stems.

The daffodil industry lost the use of formaldehyde as a plant protection product for the control of basal end rot and stem nematode at the end of 2008. Experimental work was ongoing to find alternative products and refine hot water treatments. Some treatments were identified with efficacy of these pests and pathogens in small-scale trials, but their efficacy in long-term field scale trials is yet to be determined.

Field Vegetables

Crop protection continued to be the major concern with the EU pesticide legislation a priority topic at meetings during the year. Pesticide efficacy work aimed at finding new active substances for the field vegetable armoury was well supported with work on weed control for 13 vegetable crops. Anticipated restrictions in pesticide availability spurred the need to consider biopesticides to fill gaps and the Field Vegetable Panel commissioned a gap analysis for biopesticides with six main vegetable sectors being evaluated.

Improved management of pests and diseases through forecasting underpinned the pesticide portfolio with good projects including forecasting and control of Sclerotinia in lettuce and light leaf spot and powdery mildew in Brassicas.

Finding alternative non-chemical ways of protecting vegetable crops was also key with two HortLink projects creating a lot of interest. White rot control of onions was targeted by compost amended with a fungal agent and provided great results with keen interest from the British Onion Producers Association. Similarly a project looking for 'companion planting' solutions for salad and Brassica crops provided a lot of debate with further results eagerly anticipated.

Effort was made to help the propagation industry with the start of a good collaboration of contractors to solve the problem of disease spread in propagation trays. Aiming to kill resting spores of two major diseases, with a range of chemical and physical treatments, the early results show that 'pulsed light' and 'microwaves' on wetted treatments gave 100% kill of resting spores in trays. Optimising the propagation environment for a range of crops looked at minimising the bolting of transplanted celery, Chinese cabbage, endive and escarole in the field. Providing suitable 24hr average temperatures in propagation appears key.

Hardy Nursery Stock

The research programme identified two winter sprays as effective treatments for controlling the beech aphid, a persistent pest encountered by tree growers. Growers facing increasing difficulties in controlling powdery mildew were helped by a fungicide screening trial which identified that alternating programmes of Bravo 500 with Frupica, Nativo, Signum, Stroby, Switch or Talus provided most effective control.

A small number of incidences of Fusarium wilt in Hebe occurred in the UK. HDC research identified that disinfecting standing areas and re-used containers, along with the use of fungicide drenches of Cercobin and Octave, will significantly reduce incidence of infection.

Evaposensors are recognised as useful tools for regulating the use of mist for successful rooting of cuttings by plant propagators, but many growers have found them impractical to use.

HDC supported the development of a dedicated controller which enables the uptake of evaposensors by commercial growers.

Further technology transfer activity by HDC included the provision of pesticide checklist wallcharts for a range of HNS crops, factsheets on aquatic plant production and hot water sterilisation for re-use of pots. The latest research on rose crops was presented at the HTA British Rose Group and work on the non-uniformity of liner plants presented at the Contact 09 conference.

Mushrooms

Trichoderma green mould caused considerable problems in various parts of Europe with some outbreaks occurring in the UK. An HDC survey identified which strains were present on UK sites. This was followed up with successful work examining the factors and practises that influence the susceptibility of composts to infection by *Trichoderma* and other compost moulds.

Some mushrooms have a tendency to accumulate heavy metals and in particular the cadmium content of the horse mushroom *Agaricus arvensis* has been an issue. Work on low cadmium substrates showed that their use, in combination with higher pH of compost and casing, can successfully produce horse mushrooms with cadmium content below the EU regulatory limit. Guidance was produced for compost makers and growers.

During the year mushroom growers were kept informed on progress and recommendations arising from specific projects through articles in HDC News and via three HDC factsheets. The first on optimising spawn running of pasteurised compost, the second on identification and control of dry bubble disease and the third covered cobweb disease.

Protected crops

Reducing production costs, particularly through energy saving, and addressing environmental issues were a key focus for the sector this year. A ducted air and ventilation system for glasshouse environmental control is being assessed in a UK tomato production unit - the system was successfully installed and over the next two years will provide data on energy use, crop performance and pest and disease levels that will show if the system can provide commercial advantage.

The GrowSave communications initiative dovetailed with HDC's R&D energy-related projects to help growers to improve energy efficiency through a series of newsletters, energy saving training workshops and grower meetings. A website dedicated to energy information was made available to growers as part of this initiative.

Crop protection continued as a priority for a number of crops. The tomato and cucumber industries worked hard towards minimum pesticide use and HDC has several projects aimed at developing robust IPM programmes. The pepper industry reviewed the status of pest control in UK crops to inform future research in this area.

Ornamentals growers face difficult times with the discontinuation of the Long Term Arrangements for Extension of Use (LTAEU). HDC worked with growers to minimise the effect on the industry by liaising with the Pesticides Safety Directorate (PSD) to obtain Specific Off Label Approvals (SOLAs) for the most critical products.

Outbreaks of *Impatiens* downy mildew in summer 2008 caused concern and HDC responded by up-dating its Downy Mildew fact sheet and Code of Practice for growers. And a series of focus group studies provided valuable insights into consumer perceptions and preferences for Poinsettias, which will help to guide variety selection for future production.

Soft Fruit

Availability of seasonal labour continued to challenge many growers with several incidences of crops being ploughed in rather than harvested.

The strawberry and raspberry breeding programmes continued to deliver high quality new varieties to their respective industries. Glen Fyne, a new large, high yielding, main season raspberry was released from the Scottish raspberry breeding programme. The strawberry varieties, Sasha and Lucy were released from the East Malling strawberry breeding programme, both slightly earlier than Elsanta, with high yielding attractive fruit.

By monitoring evapotranspiration rates of strawberries and applying irrigation to match lost moisture, water usage on experimental field grown strawberries was reduced by 70% in comparison to regular scheduled irrigation events, with no impact on yields. This work offers great opportunity for the industry and further work was commissioned into water and nitrogen use efficiency in substrate grown strawberries.

Four fungicides and a foliar fertiliser mixed with a wetter were found to reduce downy mildew on blackberry. Two fungicides significantly reduced blackberry purple blotch and increased blackberry cane vigour. A SOLA has now been obtained as a result of this work for Signum on outdoor blackberry for the control of both of these diseases and work is ongoing by HDC to secure a SOLA for protected blackberry based on data from Europe.

HDC communications activities also included the provision of factsheets on blossom weevil and powdery mildew control in strawberry and optimum cane management in black and hybrid berries, crop walkers' guides for cane and bush fruit crops, and the translation of our Strawberry champion picker DVD into Bulgarian and Romanian. Also, in response to industry demand, a safety DVD for soft fruit growers was produced and distributed.

Tree Fruit

In 2008 HDC joined East Malling Research and the International New Variety Network in establishing the East Malling Rootstock Club (EMRC). The objective is to develop new rootstocks and improved rootstocks capable of delivering high yields of good quality fruit despite the adverse weather conditions and increased competition from weeds, pests and diseases that may arise from climate change and potential difficulties with pesticides use. Funding and support of the club is agreed for the first five years.

Diffuse Browning Disorder (DBD) caused considerable losses of Cox in store in recent years and the HDC has invested in a number of projects aiming to identify the cause and potential solutions. A link has been shown between the use of triazole pesticides and the occurrence of the disorder. Work is continuing on the cellular biochemistry involved, aiming to determine why fruit from some sites is more susceptible to the problem than similarly treated fruit from other sites.

Mussel scale is an increasingly serious pest on apple in some areas. The Dutch air temperature sum model was shown to be a reasonably useful method for estimating the timing of spray applications. Two different spray treatments were shown to provide a significant reduction in the number of scales on harvested fruits.

Growers were kept informed of the progress, results and recommendations arising from specific projects, but the main thrust of the technology transfer activity in the tree fruit sector was the updating of the Apple Best Practice Guide for launch in April 2009.

Crop Protection

The revision of European legislation under the EU Thematic Strategy, specifically 91/414/EEC, was the focus of Crop Protection issues during 2008.

Growers of edible crops saw new legislation for MRLs come into force on 1 September 2008, which had a major impact for growers of herbs and salad crops, and resulted in revocations of valuable approvals. Where possible, applications were submitted to re-instate approvals through amendment of EC MRLs.

The PSD announced that the Long Term Arrangements for Extension of Use (LTAEU) for non-edible crops would be replaced by individual SOLAs. Following industry consultation, a list of the required approvals was provided to the PSD.

New approvals were achieved using residues data generated through the HDC SOLA programme, and using data obtained from other Member States. In addition, through using the off label mutual recognition procedures a range of approvals were obtained for minor crops. Successes included:

- Approval for the use of 'Signum' boscalid +pyraclostrobin for the control of cane blight on raspberry and purple blotch on blackberry.
- Approval for the use of 'Shark' carfentrazone ethyl for use as a horticultural desiccant for the control of spawn re-growth in outdoor and protected crops of raspberry, blackberry and rubus hybrids.
- Approval for the use of 'Previcur Energy' was obtained for use on a range of crops including protected crops of aubergine, pepper, capsicum, melon, marrow, squash and chicory (witloof). Use on outdoor crops of spinach, chard and lettuce was also included and outdoor and protected crops of herbs and baby leaf crops and ornamental crops.
- Approval for the use of 'Cercobin' thiophante methyl on protected crops of aubergine, melon, squash and pumpkin, outdoor and protected strawberry and for use on apples, pears, crab apple and quince.
- Approval for the use of a new biorational product 'Serenade' bacillus subtilis for use as a horticultural fungicide on a wide range of horticultural crops early in 2009.

Generic and crop-specific promotion

HDC staff continued to Chair the 'Food Dudes in England Collaborative Group' – the key success of this group being the beginning of the roll-out of Food Dudes by the Wolverhampton Primary Care Trust (PCT) in January 2009. Bedfordshire PCT is embarking on a similar programme – this initiative also benefiting from evaluation funding from the Department of Health.

Further work by CCD Healthcare on the 'I'm in Season!' campaign, generated extensive media coverage and also assisted several of the UK crop associations with their own specific campaigns.

Results from HDC-funded work showed the influence on consumer purchasing trends by the addition of a 'Home Grown' label. A 'Home Grown' package of point-of-sale materials was subsequently produced to help industry capitalise on the consumers' desire to buy locally grown produce.

The sector team

The horticulture sector comprises 17 staff. Three of the technical team departed during the reporting year, with one further member of the team being on maternity leave for a significant part of the year. However, recruitment of replacements is well advanced and a full strength team, ready for the move to Stoneleigh, should be in place early in next financial year.

Risk management

The HDC Board and executive applied risk management principles in managing the delivery of the HDC strategic plan. The two key risks during 2008/09 were the risk to HDC from the relocation process and the loss of staff through this process, and the risk to the horticultural sector of the new EU 91/414 pesticide legislation. Strategies were put in place to mitigate these risks which remained ongoing at 31 March 2009.

A brief look forward

Labour availability for the UK horticultural sector will be challenging, particularly given the weakened state of sterling meaning that fewer seasonal migrants will view the UK as a viable option. Furthermore, with the quota of workers available from the Seasonal Agricultural Workers Scheme (SAWS) being restricted to Romania and Bulgaria, from which take-up has been poor, the increase of 5000 in the 2009 quota will have little impact unless eligibility is extended to non-EU countries (e.g. Russia, Ukraine).

The ongoing state of the economy will further impact on raising finance to invest, yet the opportunity to export or at least substitute more expensive imports will provide an invaluable opportunity for all.

Though a recession may lead to increased sales of UK-grown commodity products, without the support of the major retailers, little profit will find its way back to UK growers.

Neil Bragg

AHDB Board Member and Chairman of HDC Board

Further information on the work of HDC is available from www.hdc.org.uk

A list of HDC Board members can be found on page X

HDC performance against target 2008/09

Key to Alert
Green = completed or on-track
Orange = slightly behind
Red = unlikely to be delivered without mitigating action

1. Research and development

Strategy	Target	Performance	
<p>Strategy 1</p> <p>Within the levy budget, identify the most profit enhancing issues and commission relevant R& D, taking account of the varying needs of individual sectors, whilst accepting that each sector requires to be mindful of the following overriding strategies for HDC; Reducing costs of production, minimising impact on the environment, meeting the needs of the consumer, sustainable crop protection</p>	Maintain and develop effective sector strategies, which should embrace water, waste, energy and labour	Sector strategies have been discussed at panel meetings during winter 2008 and spring 2009 and will be finalised for publication in May 2009	Green
	Building on the cross panel review of new crop opportunities for growers develop R&D strategies for each sector	Sector R&D strategies continue to be developed and the new crop opportunities are being incorporated where appropriate. The Field Vegetables Panel funded some work on novel bean crops	Orange
	Ensure that the organic research programme is adequately addressed	This is now an integral part of each edible sector R&D strategy, which includes the target 'To develop environmentally acceptable pest and disease control strategies' A specific example is where the use of biological control, plant health promoters and copper is being investigated for the control of fireblight on pears	Green
	Water – finalise and publish sector specific water use efficiency and quality strategies and implement associated R&D programme. Continue to develop a programme of R&D which addresses the diffuse pollution (inc nitrogen, phosphorus and pesticides) issues for horticulture. Develop a science led risk management programme for microbial contamination in ready to eat crops (salads, soft fruit and herbs)	The water strategy will be presented at the April meeting of HDC Board, with the final draft to be produced in May 2009. Microbial contamination has been discussed with crop associations in Feb 2009. Communications on risk management and a decision support matrix regarding sampling of water will be progressed with collaboration from FSA in 2009	Orange
	Waste – develop best practice for handling green waste including the evaluation of nitrogen effects. Identify gaps in green waste handling not identified by WRAP	The use of composted green waste as a mulch in orchards has shown long term benefits in improved growth and yield due to moisture retention, weed suppression and slow release of nitrogen. Reasonable industry progress in most sectors	Green
	Energy/Emissions – contribute to the debate on Carbon Footprinting, ensuring that growers are adequately informed and guided	The energy strategy was reviewed in February 2009 and gaps identified. The HDC fellowship on carbon footprinting commenced in autumn 2008 and is actively engaging with industry. The fellowship will dovetail into the energy strategy, which will then be revised as appropriate. A site visit and forum on protected lettuce is scheduled for April 2009	Green
	Continue to develop IPM strategies to address existing and new pests and diseases	IPM work is continuing on protected edibles, with new work on protected lettuce pest control and further development of IPM systems for tomatoes and cucumbers. Work is currently underway to develop a commercial zero residue system of apple production which relies heavily on IPDM	Green

	Continue to maintain and adapt the SOLA programme to ensure growers have adequate chemical and biological crop protection products, particularly against the back-drop of the EU pesticide reviews and ongoing Government and public concerns	Continued discussions ongoing with UK manufacturers and plans are in hand to identify a strategy moving forwards. This will be particularly important for horticulture as the impact of EU legislation 91/414 takes full effect over the years to come	
	Ensure the cost effective transition of Long Term Arrangements for the Extension of Use (LTAEU) for Ornamental non-edible crops	The ornamentals sector was surveyed in April 2008. PSD is now processing the industry requirements and has started to issue SOLAs where appropriate. Developments have been circulated to the ornamental crop sector and propagators of soft fruit and tree fruit	
	Contribute to a horticultural and agricultural review of the UK contractor base	HDC staff participated in the National Horticultural Forum (NHF) report on the UK horticultural contractor base. HDC continues to contribute to the NHF discussions and development of an action plan. Discussions are ongoing regarding the provision of cut flower research facilities now that WHRI Kirton has closed	
	Identify new contractors within the UK, Europe and Overseas for (i) plant science research in order to maintain an adequate skills base and (ii) non-plant science disciplines (e.g. labour, IT)	HDC staff met with funders and contractors from Germany, Denmark, France, Rep. of Ireland, Holland and Canada. Key amongst these has been the signing of a Memorandum of Understanding and a further agreement with Astredhor, France	

2. External funding

Strategy	Target	Performance	
Strategy 2 Actively work with the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government and other funding bodies in such a way as to maximise the overall amount and relevance of horticultural research and development. Additionally where applicable, to develop cross company initiatives under the new AHDB structure where there is likely to be mutual benefit to all parties	Increase the proportion of complementary funding from government and other sources to supplement the levy contribution to horticultural research	Increasing collaboration with Teagasc with joint funded work on mushrooms, particularly on diseases such as Virus X and <i>Trichoderma</i>	
	Work with Defra/Environment Agency/Levy companies to obtain funding for the diffuse pollution programme	The Environment Agency is involved in the latest initiative to mitigate phosphates in watercourse for watercress industry, including financial contribution Ongoing liaison with the Catchment Sensitive Farming initiative contacts to increase awareness and understanding of the contribution of horticulture	
	Obtain funding from the Carbon Trust to establish a programme of grower energy audits	Funding was obtained from the Carbon Trust for a pilot project on energy saving (GrowSave) in 2007/08. Discussions with the Carbon Trust for follow-up funding need further progression	
	Identify collaborative research opportunities in Europe	Collaboration with Teagasc, Ireland on mushroom diseases	

3. Communications

Strategy	Targets	Performance	
<p>Strategy 3 Establish and maintain two-way communications with growers to ensure that all HDC and other funded research and development is put into profitable practice wherever relevant, taking due account of the disparate needs of the industry, and where appropriate giving best practice by interactions with the other new companies under AHDB</p>	Continue to deliver HDC and other R&D results in a timely and effective manner in a format that is clear, simple to understand and that can be readily adopted	HDC delivered an extensive array of publications to levy payers – notable amongst these were: four popular new Crop Walkers' Guides (Pot & Bedding, Bush Fruit, Cues/Toms & Peppers); greater electronic delivery of Grower Summaries and a new series of R&D articles in Horticulture Week magazine	
	Develop the use of electronic communications further to improve service and speed of delivery to levy payers	HDC's website and weekly email functions were continually updated throughout the reporting period with the introduction of hyperlinks to Grower Summaries being a notable improvement	
	Maintain and develop effective communications strategies	Both Soft Fruit and Hardy Nursery Stock sectors revised their communications strategies	
	Strengthen the technology transfer aspects of the research programme to improve the uptake/adoption by growers	HDC embarked on several high profile technology transfer programmes relating to the strawberry feed calculator and Evaposensor. Staff numbers have been low during this year – an issue that will be fully resolved shortly after this reporting period	
	Improve financial clarity of research projects to assist uptake	Increased financial data was included in several projects (ie Brassica modules, HNS Uniformity and the HTA Business Improvement Scheme. Further plans to include routine cost/benefit data	
	Actively work with other funding bodies in such a way as to maximise the overall amount and relevance of communications activities	Two factsheets on the mushroom diseases dry bubble and cobweb were produced and distributed to UK and Irish growers with joint funding by HDC and Teagasc	
	Introduce a programme to identify and translate relevant technical publications from overseas	The potential for translating a French document on recycling water on nurseries is being explored under the agreement with Astredhor	
	With others work with Defra to assist in a series of waste technology transfer events to equip growers to comply with the new waste regulations	In liaison with the EA, through the Agricultural Waste Stakeholders' Forum, the industry was kept informed of the new waste regulations	

4. Promotion

Strategy	Target	Performance	
Strategy 4 Where specifically identified as being appropriate, both internally and under the AHDB structure, sponsor targeted market research and product promotional activities	Continue to work with on-going promotional projects with the edibles sector to ensure development and expansion of the market for growers	A series of queries were run by The Centre for Value Chain Research using the dunhumby database for a range of edible crops including asparagus, carrots, peppers etc to help crop associations to develop their promotional strategy	
	Continue the current health/nutrition benefits campaign managed by CCD	HDC's generic promotional campaign was reviewed in July 08 and Jan 09 – the programme is set to continue for the duration of the contract (June 09)	
	Identify sector opportunities to help guide Grower Associations' promotional activity	Use of the dunhumby database to identify market opportunities, included a workshop for crop associations in June 08	
	Work with the NFU and other organisations to promote the Year of Farming and Food	HDC worked with the other sector companies to produce a <i>Food & Farming</i> module on the <i>Food - A fact of life website</i> , as part of this industry initiative	

5. Levy management/finance

Strategy	Target	Performance	
Strategy 5 In association with AHDB actively manage the levy collection process and ensure maximum levy collection	Ensure the new levy system is seen by the majority of growers as simple and equitable	Whilst successfully implemented in most sectors there have been some challenges to the change from area to sales by tree fruit growers. Also the change of the reference accounting date has caused some concern	
	Clearly communicate to growers how the new levy system works and the revised requirements for making returns and payments	Extensive publicity was given to the changes through the press, HDC News and individual letters to growers. This resulted in 99% of growers successfully making returns in accordance with the new Order	
	Reduce levy avoidance	In house checking of industry data continued during the year and the HDC Board engaged in identifying a new Field Agent to verify horticultural businesses against the database	

6. Change Management

Strategy	Targets	Performance	
<p>Strategy 6 Contribute to the overall change process under AHDB to ensure that Horticultural levy payers benefit from enhanced delivery of services, reduced administration costs and efficiencies therein</p>	Ensure the HDC has an effective outcome from the Levy Board reform process for growers	The concerns of the tree fruit sector over the changes in levy calculation method for apple and pear growers have been addressed by commissioning a report comparing storage costs across different crops and an independent economic evaluation of the effect of the changes	
	In real terms ensure on-going internal costs are maintained at current levels without diminishing effectiveness and focus during the transition	The on-going review of service providers and management of internal costs has enabled these to be maintained at current levels whilst continuing to maintain a comprehensive service to growers	
	Maximise benefits from the new computer system	HDC participated in the decisions on Group IT systems and have sought to ensure the benefits of the systems developed are retained with the AHDB IT structure	
	Review the Risk Management strategy	A Group risk management policy was agreed by the AHDB Audit Committee and the AHDB Board, both of which the HDC Chairman is a member of. Key HDC strategy delivery risks were integrated into the Group risk register	
	Ensure adequate governance procedures are in place	The HDC Chief Executive contributed to defining the corporate governance procedures through his position on the Senior Executive Team	
	Ensure incentives are in place to retain key staff and ongoing functions during the transition	A performance related incentive scheme was introduced to ensure the completion of key tasks during the transition	

HGCA Sector Report UK Cereals and Oilseeds Sector

HGCA is in a unique position to provide the cereals and oilseeds sector with independent and relevant information to help drive the industry forward.

Introduction

Despite a record world cereal crop in 2008 going some way to improving the global stock supply, cereals and oilseeds markets remained volatile and are predicted to be so for the foreseeable future. In the UK we experienced a record crop but quality was variable, particularly in areas that suffered from delayed harvest.

Higher input prices saw the cost of producing wheat rise significantly, representing a challenge to maintaining profitability. Against this background of increased costs and volatile markets, it is more important than ever that growers engage with HGCA to take advantage of the market information, latest research and business management tools.

Legislation focusing on the environmental impact of production, particularly pesticides, and the resultant loss of key products, presents a further challenge looking ahead. HGCA commissioned a report into the effects of product losses along with future research priorities and the results were delivered in April 2009.

Financial summary

Gross levy income of £10.06m was £110k lower than budget for the year (£10.17m), due to March 2009 quarter 'grain on farm' stocks being held back from sale in anticipation of higher prices in the June quarter, and £591k higher than in 2007/08 (£9.47m) while income from non-levy sources of £0.69m was £407k higher than budget for the year (£0.29m) and £155k lower than last year (£0.85m).

Operating expenditure of £11.92m was £226k lower than budget for the year (£12.15m) and £0.83m lower than last year (£12.76m).

The sector generated a deficit on ordinary activities before interest and taxation of £1.17m, which was £523k lower than the budgeted deficit for the year (£1.69m) and £1.27m lower than last year's deficit (£2.44m).

Excluding the impact of FRS 17 pension scheme items, the consolidated sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £2.16m as at 31 March 2009 - £4.44m lower than the opening position (£6.6m).

Report on strategy implementation

To exploit existing market opportunities

The turbulent financial markets across the world affected the grain markets, both global and UK. Against this backdrop of volatility, HGCA information helped the industry to exploit market opportunities and focus on protecting price. The HGCA Market Outlook Conference, held in October 2008, reported the latest information following a difficult harvest and gave the industry vital pointers for the season ahead.

HGCA's Cereal Industry Forum and Supply Chain Partnership work over the reporting period focused on duplicate testing, benchmarking and transport. Bringing together all sections of the industry in face-to-face discussions helped the industry exploit opportunities for progress. The current focus is on grain sampling to reduce the number of rejections at the point of delivery.

HGCA has developed *ukp* and *uks* wheat export brands for overseas bread and biscuit millers. British Cereal Exports' staff visited industry representatives from existing markets including Portugal and Spain to promote the quality of UK wheats. The export brands performed well in the marketplace, with both *ukp* and *uks* building their reputation amongst EU customers. In 2007/08, 1.6 million tonnes of wheat were exported. Export promotion was even more important during 2008/09 with over three million tonnes of UK wheat available for export; 23% of total production.

The Milling Wheat, Oilseeds and Malting Barley Conferences held in early 2009, helped develop links between processors and farmers. Establishing commercial and technical needs helps the industry make the most of the existing markets for UK grain and oilseeds.

To develop new markets

Cereals and Oilseeds for Biofuels: Environmental Assessment was published for farmers interested in growing crops for the biofuels market. The leaflet explains how biofuels produced from UK crops can deliver benefits in reducing greenhouse gas emissions from transport whilst conforming to social and environmental standards.

The Biofuel Greenhouse Gas Calculator, developed by Imperial College with HGCA funding, was updated and offers farmers the chance to see for themselves the impact that reducing N fertiliser has on their greenhouse gas emissions. The tool calculates the life-cycle greenhouse emissions resulting from production and supply of biofuels in the UK.

HGCA, together with the National Farmers Union and the Renewable Energy Association, provided independent information for a new biofuels website, www.biofuelsnow.co.uk. The website explains what biofuels are and why we are using them. It showcases what the UK biofuels industry is doing to ensure that the UK leads the world in producing biofuels that are sustainable and offer carbon savings. HGCA held a Biofuels Conference as part of the drive to communicate these positive messages and explore the future of UK biofuels.

As well as supporting the biofuels market, HGCA is looking at other potential new markets for cereals and oilseeds. With this in mind, HGCA conducted a review into *Industrial Uses for Crops: Markets for Bioplastics*, which detailed the drivers, barriers, feedstocks, and current and potential market opportunities for bioplastics.

To produce cost-effectively to meet market needs

The *HGCA Recommended Lists* provide farmers with the information they need to make decisions on choosing which varieties to grow. During the year, twenty-one varieties were added to the Lists for 2009/10 including new winter wheats from all four nabim groups.

The Crop Oracle CD, including RL *Plus*, was released in March 2009. As well as the Recommended Lists (RL) interactive tool, the CD includes HGCA agronomy guides and topic sheets and an introduction to business planning. This followed a campaign to raise awareness of the RL tool amongst growers including training at topic breakfasts and prominent coverage in the HGCA newsletter, *Grain Outlook*.

The independent trialling of fungicide performance is now managed in-house by HGCA. Results from the projects were delivered through the website and the new *Wheat and Barley Disease Management Guides*. The guides cover all aspects of cereal disease management on the farm, including the latest information on controlling important wheat and barley diseases together with updated fungicide performance ratings.

HGCA launched a major new campaign looking at the benefits of precision farming. 'Be PRECISE: Precision for efficiencies, savings and the environment', brought the concepts of precision farming to a new audience through a series of workshops and supporting material including a glossary and a new website.

The workshops covered three major areas; machine control and automation, variable rate and agronomy, and data management and interpretation. The events held aimed to give delegates sufficient confidence and knowledge to consider using precision farming. A total of 426 delegates attended with over 98% rating them as useful to their business needs.

To manage business risk and market volatility

2008/09 saw the conclusion of a three-year project (part-funded by Defra) to raise awareness and promote the use of risk management techniques to growers. Increasing the understanding of market volatility and business management strategies is a priority for HGCA in today's global market.

Advanced level three workshops were launched in November 2008, building on the successful intermediate and beginners' events. Over the course of the project, 928 delegates attended the risk management workshops with over 95% stating that the information would positively influence their business practices.

The Arable Business Groups initiative, established to help growers better understand their costs of production and the management tools available to them, continued to progress over the year and by March 2009 there were 50 groups. The groups are designed to provide a forum for discussion and exchanging ideas.

This concept is also at the heart of the Scottish Monitor Farms project, jointly funded by HGCA, Scottish Enterprise and the Scottish Government. The two farms, in Lothian and Angus, provided the focal point for a series of meetings throughout the year. Subjects discussed included precision farming, harvest results, reducing fuel costs and fertiliser strategies.

The volatile markets encouraged increasing numbers of growers and industry representatives to make use of HGCA's market information, whether through attending events to hear the market outlook papers, through the Arable Business Groups, via the market report or by visiting the website.

To promote grain within a healthy balanced diet

The 'Farmhouse Breakfast Week' campaign raises awareness of the nutritional value of breakfast and highlights the diverse range of regional products available. This year's campaign, using the slogan 'Think Breakfast', had over 1,600 events across the country and gained extensive media coverage.

The 'Wholegrain Goodness' and 'All About Oats' campaigns successfully promoted messages about the benefits of including wholegrains and oats in the diet. The campaigns were backed up by recipe booklets, websites and media briefings aimed at the consumer.

As well as raising awareness of the value of cereals and oilseeds in the diet, HGCA is committed to achieving recognition for grain as a safe ingredient of food and feed. Findings from HGCA-funded research were important in understanding factors contributing to the higher than usual concentrations of Fusarium mycotoxins in grain in 2008.

To develop new partnerships and secure additional external funds

The precision farming campaign, risk management project, Supply Chain Partnership and 'Farmhouse Breakfast Week' are some of the key areas of work that benefited from working with partners. In addition, HGCA held most of its conferences in association with stakeholder organisations. Collaborating with partners on campaigns, staging events or producing new publications enables knowledge, experience and costs to be shared.

HGCA placed particular emphasis on establishing closer relationships with agronomists during the year. This included a conference, a series of meetings and offering a special package of information free of charge.

HGCA secured new funding of £178,000 from non-levy sources for projects undertaken in 2008/09 and a further £367,000 has been secured for the next three years.

By engaging with other partners, HGCA attracted research and development co-funding of £10.3 million in the 2008/09. For every £1 of levy income spent on R&D projects, an additional £1.60 was obtained from non-levy sources.

To develop more effective communications

A new *Communications Strategy* for 2008/09 was implemented. This underpins all areas of HGCA communications to ensure that timely and relevant messages were delivered to the appropriate audience.

The levy-payer database is a vital communications tool as it enables customer relationship management. During 2008, a data cleansing project was undertaken which increased subscriptions to HGCA-published material, increased the number of email contacts and ensured that records were up to date.

A new publications and e-services catalogue was published to ensure that customers had easy access to HGCA information. Divided into easy-to-use sections, all the publications were listed by content.

The HGCA website was improved to ensure that it addresses customer needs. New mini-sites were added, the design refreshed and the search engine improved.

To maintain and improve HGCA operational efficiency

Ensuring a seamless transition to the new Cereals and Oilseeds Sector within AHDB, whilst maintaining service delivery, was a priority last year. HGCA adopted a 'business as usual' policy to ensure that all services to levy-payers were maintained.

Risk management

Managing risk continued to be an integral component of the HGCA sector's corporate governance procedures. These were reviewed this year and an updated risk register was constructed together with an information asset register to support the business during the transition period.

The sector team

The *Annual Business Plan 2008/09* was delivered on all counts despite the constant potential distraction of the ongoing transition and relocation of the sector's operations. A number of new initiatives were added to the Plan during the year in response to levy-payers' needs. Inevitably, as with any major reorganisation, staff resources become stretched when individuals leave the business and existing workloads are then shared amongst those that remain. The response from the staff and directors, in very challenging circumstances, has been magnificent and it is to their collective credit that all objectives were delivered on time and with such impact.

A brief look forward

There are a number of challenges that lie ahead for the cereals and oilseeds industry and consequently for HGCA strategy. The past five years have seen HGCA focus activities quite specifically on the needs of all parts of the supply chain. Its success has involved, at all stages, the co-operation and involvement of industry stakeholders. The system of committees and stakeholder groups which determine and monitor strategic delivery are an integral part of any future development and their continued operation will be vital to ensure business continuity.

Initially, the role of HGCA was to combat market failure within the cereals and oilseeds industry. Over time, it has become evident that the organisation occupies a unique position within the sector and is seen by stakeholders as fulfilling a role and remit that binds the supply chain in a way that others could not. Preservation of the independent status of the levy board is crucial if the industry is to tackle effectively the concerns arising from issues such as mycotoxins, changes to pesticide legislation and 'unknown' events that will inevitably test this important part of UK agriculture.

Jonathan Tipples
AHDB Board Member and Chairman of HGCA Board

*Further information on the work of HGCA is available from www.hgca.com
A list of HGCA Board members can be found on page X*

Key to Alert
Green = completed or on-track
Orange = slightly behind
Red = unlikely to be delivered without mitigating action

HGCA performance against target 2008/09

Strategy 1 - Ensuring full incorporation of HGCA within AHDB whilst maintaining service delivery

	Key activity	Target	Performance	
1.1	Ensure a full incorporation of HGCA within AHDB whilst maintaining service delivery	Manage HR strategy, maintain relationships with stakeholders and government, develop relationship with new Boards (AHDB and HGCA)	Annual business plan successfully delivered whilst positive contribution made to integration of HGCA within new AHDB structure	

Strategy 2 - Exploiting existing market opportunities

	Key activity	Target	Performance	
2.1	Review the potential and quantify the range and structure of current markets available	Current home and export markets reviewed and reported	Market reports published on time, publication subscription numbers increased	
2.2	Assess availability and suitability of UK grain in relation to current markets – both home and export	Undertake Planting Survey, Cereal Quality Survey and Outlook Conference	Surveys carried out/published and national/ regional outlook conferences were successful	
2.3	Develop links with processors to establish their commercial and grain quality needs in procurement	Host national, regional and sectoral conferences plus manage existing sector projects and wards	Milling, malting, oilseeds and biofuels conferences were successful	
2.4	Identify needs of key sectors of grain chain and provide marketing training for industry	Provide information and events appropriate to each sector	Supply Chain Partnership activities launched and haulage, benchmarking and sampling projects were developed	
2.5	Provide support for exporters of cereal and oilseed products	Provide export information and manage existing export awards	Export newsletter published quarterly and British Cereal Exports programme was effectively delivered via inward and outward mission programme. <i>ukp</i> and <i>uks</i> brands continue to be successfully promoted	

Strategy 3 - Developing new markets

	Key activity	Target	Performance	
3.1	Review range of new markets available to industry	New market reports published, biofuels/industrial uses reviewed and existing industrial Enterprise Awards managed	Reporting targets exceeded and www.biofuelsnow.co.uk website launched. Existing Awards project managed – with review underway	
3.2	Facilitate research and development of biofuel and industrial uses for cereals and oilseeds	Develop biopolymer strategy and work with National Non Food Crop Centre and other partners to deliver effective projects	Biopolymer strategy produced, carbon footprint work published and link established with Nottingham University's new Bioenergy Centre. Biofuels conference held	
3.3	Support new market development in the UK	Deliver effective campaigns and manage existing Enterprise Awards	Wholegrain goodness/oats/rapeseed oil campaigns undertaken and existing Enterprise Awards managed	
3.4	Support new market development in overseas markets	Identify new overseas market potential and provide support	British Cereal Exports completed successful liaison with European and North African partners via missions and communications programme	
3.5	Report changing market conditions and impact on new markets	Report on global market developments	Extensive press and TV coverage achieved. Market reports published weekly	

Strategy 4 - Producing cost-effectively to meet market needs

	Key activity	Target	Performance	
4.1	Provide the industry with independent information on varieties and stimulate the development of new varieties meeting market needs	Operate a viable and defensible Recommended Lists (RL) variety trials programme	Trials successfully completed, 21 new varieties added to 2009/10 Lists and an updated <i>Crop Oracle</i> CD released	
4.2	Support sustainable and competitive crop production through focused R&D and KT programmes	Manage R&D portfolio to ensure it cost-effectively meets industry needs, commission new R&D projects and explore opportunities for international collaboration	Project summaries and final reports published, good media coverage achieved, 33 new R&D projects approved, international links maintained and strengthened	
4.3	Produce and deliver technical information to help industry meet environmental targets	Deliver activities which help growers optimise pesticide and nutrient inputs whilst meeting environmental criteria	New precision farming initiative (in partnership with Natural England and Environment Agency) launched, climate change work undertaken (with the AHRF) and environmental impacts of biofuels publication updated	
4.4	Benchmark UK competitiveness in grain production	Develop 50 arable business groups, develop Scottish Monitor Farm projects and promote business management on farm	Developed and serviced 50 business groups, updated benchmarking service and two Scottish monitor farms worked well	
4.5	Deliver technical information to improve grower profitability and efficiency in the face of new challenges	Work with research providers, advisory sector and other partners to achieve targets for delivering integrated messages	Delivery targets exceeded (with 78 R&D events for over 5,000 delegates) and new partnerships were developed	

Strategy 5 - Managing business risk and market volatility

	Key activity	Target	Performance	
5.1	Report on causes and persistence of market volatility, and define key issues for risk management purposes	Articles and newsletters published	Regular uptake achieved, risk management newsletters published and HGCA website access levels were at record levels. Risk Management Level three Workshops introduced and 27 events held	
5.2	Assess risk management techniques in relation to their application to grain and oilseed markets	UK review undertaken and potential for international collaboration explored	Articles produced, presentations made and dialogue held with French, German and US partners	
5.3	Build management skills activities into industry professional development programmes	Deliver risk management courses, develop web-based materials and explore involvement of RDAs	Advanced level three workshops were launched (building on successful intermediate & beginner events), web information was produced and three RDAs were engaged. 27 events held	
5.4	Develop links with processors to establish their risk management needs	Needs assessed and materials developed	Papers produced for bakers, millers, maltsters and other processors	

Strategy 6 - Promotion grain within a healthy balanced diet

	Key activity	Target	Performance	
6.1	Enable a better understanding of the nutritional qualities of cereals and oilseeds	Manage nutrition-related PhD studentships and develop four nutrition campaigns ('Wholegrain Goodness', 'Farmhouse Breakfast', 'All about Oats' and Rapeseed Oil)	Student projects monitored and all four campaigns successfully delivered with excellent uptake and media coverage. Over 1,500 breakfast events held. New Breakfast Club pilot with DairyCo underway	
6.2	Support and monitor production of safe wholesome grain and grain products	Communicate value / safety of UK grain, disseminate food safety project results and identify new issues	Updated information on Fusarium mycotoxins on web and stakeholder meetings held. New major contaminants surveillance project funded	
6.3	Monitor trends in food and nutrition based on market research	Fund dunhumby Academy PhD and report on cereal products consumer trends	PhD studentship sponsored. Industry requests processed, reports published and seven e-newsletters circulated	
6.4	Communicate HGCA role in delivering nutritional information	Deliver 10 topic breakfasts and publish two articles	Topic breakfasts delivered papers also given at third party events and meetings. Articles published in <i>Consumer Research Bulletin</i> and <i>Grain Outlook</i>	
6.5	Develop a joint levy-board approach to collaboration on the communication of nutritional information	Develop joint ownership of nutrition website and 'Farmhouse Breakfast' and support 'Year of Food & Farming'	'Food a fact of life' joint website achieved 1.6 million hits/month. New secondary school resources being developed. Support received from DairyCo for 'Farmhouse Breakfast Week'. Support for 'Year of Food & Farming' included financial contribution, communications, Royal Show education programme	

Strategy 7 - Developing new partnerships and securing additional external funds

	Key activity	Target	Performance	
7.1	Explore and identify new partnership opportunities	Identify key partnerships and develop projects that attract support	Support for precision farming (from Natural England, Environment Agency and Scottish Government), risk management / supply chain (from YF and ONE), skills (from EEDA, YF and ONE), 'Farmhouse Breakfast' (industry) and export (BERR and IATC) achieved	
7.2	Improve HGCA links with national, devolved, regional, international and commercial partners	Positive contact made at regional, national and international levels	Productive partnerships developed at all levels	
7.3	Develop and implement more effective collaboration with other sector organisations	Maintain effective links with stakeholders and contribute significantly to AHDB restructure and relocation	HGCA has been a proactive partner with all its stakeholder organisations and played an important part in the AHDB developments	
7.4	Sustain and increase current levels of matched funding	Maintain or increase current levels of co-funding	R&D matched funding of £10.3 million per annum exceeded the £9.8 million target	
7.5	Secure additional outside funding	Secure additional funding of £100k for 2008/09 and secure £400k for 2009/10 and beyond	New funding of £178k achieved for 2008/09 year and, in total, additional funding amounting to £545k has been secured during 2008/09	

Strategy 8 - Developing more effective communications

	Key activity	Target	Performance	
8.1	Maintain and develop the efficiency and relevance of communication channels and activities	Effective communications (electronic, subscriptions, publications, events) undertaken and assessed	Contact database was improved, electronic subscriptions and web hits increased significantly and positive evaluations were received for HGCA's 115 events. New website has been refreshed and launched	
8.2	Further establish HGCA corporate identity and branding	HGCA brand awareness (in HGCA and third party output) developed	Grower benchmark surveys and feedback evaluations indicated positive satisfaction levels – areas for improvement also identified	
8.3	Develop internal communication function and strategy	Improve internal communications	Good internal HGCA communications maintained and new links developed with AHDB partners	

Strategy 9 - Maintaining and improving HGCA operational efficiency

	Key activity	Target	Performance	
9.1	Maintain and further develop HGCA's corporate governance procedures	Timely and effective financial budgeting / reporting undertaken and complied with corporate governance requirements	All reporting objectives achieved in line with corporate governance	
9.2	Develop and improve IT strategy	HGCA IT systems operated effectively whilst contribution made to AHDB restructure process	Full contribution made to AHDB restructuring whilst maintaining HGCA IT operations	
9.3	Ensure efficient and effective operation of HGCA	Maintain efficient cost effective operating office and retain / recruit / develop flexible team	HGCA operational activity maintained during transition	

PCL Sector Report GB Potato Sector

PCL's main challenges during the 2008/09 year of transition into AHDB, were to keep up with 'business as usual'; continue to ensure strong engagement with levy payers; and deliver against the published objectives, whilst at the same time managing a change process that will result in a significant loss of staff from PCL's main office in Oxford.

Introduction

Fewer potatoes were planted for the 2008 crop following severe weather-related crop losses during the previous year. That total potato production for the year can be described as average – at 5.8 million tonnes – belies the challenges that faced the industry, again, this year. Extreme weather patterns posed a major challenge for growers in specific areas. The early crop season was promising, aided by strong annual inflation and lower import penetration due to poor exchange rates and increased transport costs but the main crop season was best described as stable.

There was opportunity and challenge in the current economic downturn. Tighter household budgets meant fewer eating out occasions or a trading down from full service restaurants to the quick service sector, where chips are a key menu item. The increase in meals prepared and eaten at home brought a return to more staple foods with a carbohydrate constituent. As a result, all potato sectors benefited with volume and value sales increases of fresh, frozen, crisps and other potato products. However, margins came under intense pressure as input costs increased, retail price competition intensified and the 'value' offer increased, in the fresh and processed sectors.

On the regulatory front, the threat of the EU pesticide review and its link to the water framework directive gathered momentum. It is no exaggeration to say that the way the industry responds and reacts to this critical challenge will determine its future. The Potato Council has a key role to play in this and work on the issue is progressing well.

Strategic objectives

1. To undertake an industry wide strategic review of Potato Council strategies and objectives, the outcomes of which will instruct PCL activity from 2009/10
2. To improve the competitiveness of the GB Potato industry
3. To arrest and reverse the decline in GB consumption

Financial summary

Gross levy income of £6.04m was £11k lower than budget for the year (£6.05m) and £24k higher than in 2007/08 (£6.01m) while income from non-levy sources of £0.2m was £16k lower than budget for the year (£0.22m) and £96k lower than last year (£0.3m).

Operating expenditure of £6.41m was £288k lower than budget for the year (£6.69m) and £944k lower than last year (£7.35m).

The sector generated a deficit on ordinary activities before interest and taxation of £0.17m, which was £261k lower than the budgeted deficit for the year (£0.43m) and £872k lower than last years deficit (£1.04m).

The consolidated sector accumulated fund following reallocation of central operating and exceptional reorganisation expenditure stood at £2.3m as at 31 March 2009 - £1.86m lower than the opening position (£4.16m).

Report on strategy implementation

Industry-wide strategic review

A comprehensive and in-depth consultation exercise was carried out. Under the heading 'Direction Through Dialogue', a document outlining key objectives across all PCL disciplines was mailed to all levy payers and key stakeholders who were invited to comment on the relevance and merits of all aspects of the PCL Business Plan. To add a quantitative element to the dialogue, a telephone survey was also conducted.

The exercise generated a massive response: in addition to hundreds of written responses, personal meetings were held with 10% of growers and one in three processor/packing businesses – the majority conducted by PCL Board members – to ensure that the PCL Board 'owned' these insights.

It is pleasing to report that there was widespread support for PCL strategic objectives and the programmes in place designed to achieve them. The overwhelming majority of levy payers were in favour of continuing the work undertaken and the way in which it is carried out. Importantly, a wealth of tactical suggestions emerged from the process, many of which have been embraced by the Board and the PCL executive team and incorporated into the 2009/10 Business Plan.

An added benefit of the review and dialogue was to afford a fuller insight into potato levy payers and to enable PCL to 'model' its grower levy payers so that it can more effectively target and communicate with them.

Improve GB competitiveness

PCL's approach to R&D is guided by the principle of focusing activity on areas of maximum benefit to levy payers. The targeted programme of R&D was enhanced by an active and engaged R&D Committee with a new Chair. A number of new projects were commissioned during the year including international disease diagnostics, managing blight populations and assessing the impact of pesticide withdrawals.

The programme was highly focused and the benefits effectively communicated to levy payers through a campaigning approach. So rather than simply reporting specific research outcomes, PCL has been able to package best practice advice and solutions and deliver these in innovative and practical ways.

Almost 2,500 levy payers attended R&D best practice forums of one kind or another – and feedback forms were completed by the attendees of these events to monitor their effectiveness: all scores across all events exceeded a '4' average for relevance and benefit where 1 is poor and 5 is excellent.

A number of successful overseas events and activities aimed at improving the industry's competitiveness were delivered in partnership with exporting companies.

A key measure for the year was to improve how much of the improved technical information available was put into practice. As part of PCL's grower collaboration project, five participating growers on five separate sites worked closely with PCL advisors and scientists to change agronomy practices in line with latest R&D outcomes and this proved highly effective in communicating and implementing improved practices.

For example, more than 360 levy payers benefited from personal demonstrations of these new and improved techniques which were also successfully communicated as case studies across a range of farming publications to a much wider audience. Effective supply chain partnerships were established and developed from this collaborative approach and savings – of up to £190/ha on seed and nitrogen alone - were identified.

The work of PCL in improving competitiveness was wide ranging; it was active in the review by the EU of the use of pesticides; it established and chaired a CIPC Stewardship group, was involved on the issue of acrylamide and wherever possible informed government and NGO activity across a range of issues of concern to the industry.

Reverse the decline in consumption

2008 was the UN International Year of the Potato and PCL helped communicate the key messages from this special activity within GB.

PCL promotes potatoes as part of a healthy and balanced diet and as a contemporary and convenient product for modern families.

Younger families and pre-family groups eat far less potatoes than other groups of the population and a strategic decision was taken to focus activity on changing the perceptions and habits of these low-users – a much more challenging marketing approach than simply to increase frequency among older consumers in the core demographic groups.

In taking this approach and targeting young family and pre-family groups of consumers, there were programmes directly communicating with children in their schools – most notably the 'Grow Your Own Potato' campaign which reached 10,000 primary schools throughout the country during 2008/09. Growers took an active part in this campaign with many farmers visiting schools to talk about growing potatoes and to help re-connect children with the countryside.

Consumer marketing and promotion activity was focused around measurable campaigns. While the key messages of versatility and convenience, good value and – especially – healthy continued to be communicated, price became a significant secondary message as the year progressed and consumers sought greater value for money at a time of economic downturn. The coverage achieved was phenomenal in respect of volume against the investment and the content was 'on message', with front page broadsheet and 'red-top' coverage, plus significant radio and TV pieces.

PCL was quick to respond to the step-changes by consumers in the face of the credit crunch. PCL's consumer campaigns shifted focus to exploit the positive 'good value' messages surrounding potatoes and research programmes identified areas of opportunity. These were presented to the industry and supply chain at a highly successful conference.

One-third of the potato crop is consumed as chips and the PCL Board continued to support this sector of the industry, through National Chip Week. This campaign continued to go from strength to strength, generating masses of consumer media coverage and maintaining the ubiquitous chip as a favourite and iconic British food loved by all.

Risk management

A formal risk management review process is established within PCL and during the year risks were reviewed regularly by the executive team and by the PCL Board. Two additional specific risk registers were developed this year; dealing with data issues and transition risks.

The sector team

A significant challenge during the year has been the impending organisational change and job losses brought about by PCL's integration into AHDB. However PCL team was not diverted from key tasks and responsibilities. Staff maintained focus with demonstrable outcomes; there are notable examples in the area of grower/industry events, the success of nutrition and value related consumer PR activities, engagement in issues management; pesticides and specifically CIPC. In addition, service developments have continued, such as developing e-planting returns to reduce costs.

A brief look forward

The issues that the industry will face in the coming years will continue to shape and challenge the strategic objectives set out in the PCL Business Plan.

The aim of improving competitiveness will be further stretched by regulatory changes, environmental considerations, climatic changes and an increasing demand for sustainable stewardship in the agricultural sector. The PCL's R&D programmes and allied Knowledge Transfer activities are already and will continue to be clearly focused on these challenges. New technologies may be required and PCL will be investigating these opportunities.

Understanding the consumer has become increasingly complex. Research programmes will continue to seek to identify the influences on consumers and how these affect demand. Continuing retail concentration will impact even more on supply chain relationships and the volatility caused by current economic pressures will demand quicker and smarter reaction. The importance of the foodservice market and its lack of loyalty to GB potatoes continues to be an issue. These challenges of the marketplace will increasingly influence the way in which PCL interfaces with its levy payers and shape the marketing and communications programmes.

Allan Stevenson
AHDB Board Member and Chairman of PCL Board

*Further information on the work of PCL is available from www.potato.org.uk
A list of PCL Board members can be found on page X*

Potato Council performance against target 2008/09

Key to Alert	
Green	= completed or on-track
Orange	= slightly behind
Red	= unlikely to be delivered without mitigating action

Objective 1: To undertake an industry wide strategic review of Potato Council strategies and objectives, the outcomes of which will instruct PCL activity

Strategy	Key Outcome	Target	Performance	
Undertake an industry wide consultation on PCL strategy	To obtain clear direction on PCL activity from 2009/10	Complete by June 2008	Completed on time. A massive response achieved which endorsed PCL strategic objectives and activities. Wealth of tactical suggestions fed into the 2009/10 plan	

Objective 2: To improve the competitiveness of the GB potato industry

Strategy	Key Outcome	Target	Performance	
Increase marketable yield (improve profitability)	An economically and environmentally sustainable industry	PCL Review potato sector R&D and KT strategy, to include consideration to cross sector linkages	R&D and KT strategies reviewed, modified and endorsed by R&KT Committee and Board following levy-payer consultation (Direction through Dialogue, July 2008). Outcomes of review communicated to levy payers and stakeholders September 2008.	
Reduce input costs (cost)	PCL adopt an R&D and KT strategy that is endorsed and utilized by the potato industry		Cross sector issues (slug control, water management, rhizoctonia and sclerotinia) identified and shared with AHDB sectors.	
Reduce defects (improve quality)	Commissioning & management of R&D projects against this strategy	Ongoing projects achieve their planned and stated outcomes and milestones	40 ongoing projects robustly monitored, on track and delivering (delivery expressed through KT)	
	Industry involvement in project development	New projects are identified and commissioned to address agreed priorities (stated in the business plan)	16 new projects (in line with agreed priorities) have been commissioned with a total programme value of £3.88 m	
	Effective KT delivery	SBEU runs according to its approved business plan	Existing business plan achieved and review of SBEU (precursor to development on new business plan) undertaken by working group	
	Increase in marketable yield of 5% (10 year target 15%)	Knowledge transfer campaigns on blight, aphid management, soils, water, storage, fertilizer recommendations, uniformity and bruising are undertaken and achieve their planned outcomes	All KT campaigns being executed successfully. Achievements include:-	
	Industry manages regulations effectively		Blight – delivery of www, text and email alerts through 2008 season. Continued improvement in hygiene and best practice	
	Pro-active co-ordination of industry responses on key issues		Aphid – successful service delivery through Aphmon, endorsement of future activity by aphid & virus working group	

			<p>Fertiliser – cost and efficiency savings delivered to >1200 through meetings and workshops</p> <p>Uniformity – new Marketable Yield guide & seed rates launched. New marketable yield stakeholder group established and 360 attending Grower Collaboration events</p> <p>Bruising – successful bruising forum 2008</p>	
Improve the flow and take-up of knowledge	There is a change in the priorities of industry/agronomists (away from retailers £cost risk & protocols)	Lessons learnt from projects in 07/08 instruct KT strategy for PCL	New documentation to help industry understand “critical paths” in agronomic R&D funding and delivery distributed to all levy payers. 70% literature uploaded onto PageSuite™ to allow easy “pick n mix” selection of documents to reduce print cost and allow better selection.	
	An improvement in the technical knowledge of agronomists	Grower collaboration project develops into an industry wide awareness campaign	Grower collaboration featured at 5 major summer events in 2008. Press coverage achieved in all major arable press featuring host-farmer case studies. Shortlist of future participants identified at PCL’s 1 st Marketable Yield forum. Features of Grower collaboration project incorporated into Scottish Govt. Potatoes in Partnership initiative	
	Growers are up taking known and new knowledge	PCL develops a range of agronomy courses on key issues, working with a professional training company, using grant funding	Discussions held with SAC (to explore distance learning opportunities), CUF (agronomy courses) and LANTRA. Ongoing	
Improve Supply Chain Relationships	Supply chains working together towards the common goal of economic sustainability	Regular dialogue by PCL staff and board members to address supply chain issues	Regular dialogue has been achieved through PCL’s committee structure, stakeholder meetings and through issues led forums and activities	
Accurate Market Intelligence	PCL has a thorough understanding of the business environment for potatoes and this instructs all PCL activity and is effectively communicated to industry	PCL undertakes the programme of market Information as detailed in the business plan, to include price and crop reporting, statistics on area, yield, production, supplies and disposals and retail and foodservice data	Potato Weekly (Price and Crop report), Euro Potato Report (monthly) supply estimates, Stock and utilisation reports all produced as timetabled. Additional relevant information (Consumption reports, TNS data etc.) communicated via website	
		PCL plays a central role in creating a new centralised marketing and statistics division ensuring that potato sector needs are met and new opportunities exploited	Grower panel project progressed satisfactorily and user guides produced suitable for future AHDB use	

An Increase in Exports to Counter Imports (NB. PCL will undertake activity on seed potato exports only due to market failure)	An increase in the number of countries GB exports to	Effective inward missions from at least two target countries	Inward missions from China and Egypt	
	An increase in the value of exports	Effective outward missions to countries identified as having good seed export potential	Outward missions (Turkey, Israel, Egypt) undertaken specifically, progress achieved in understanding and responding to immediate phytosanitary issues	
	A more co-coordinated export industry	Co-ordinate the GB seed industry presence at major international trade events to be agreed by industry	PCL lead concerted GB presence at Potato Europe 2008 in France. 9 GB potato companies represented. Event attended by over 10,000 international visitors from over 50 countries. Presence at 2009 event in Emmeloord planned. Seed Industry Event attracted 175 delegates and achieved strong feedback (average 4.1 where 5 is excellent)	
	Effective management of issues in export countries	Provide a range of generic GB tools for use by GB seed Exporters and Importers	PCL World Service distributed to 2200 global contacts. British Variety Database (also available in French, Spanish and Arabic) accessed by 2700 visitors	
To increase the % of growers using GB seed	Protection of the high health status of GB seed	Seed and Export Committee whilst now non statutory continues to drive seed and export strategy	Continued role for Seed and Export Committee in developing strategy and response to policy consultations	
	Retain freedom from quarantine diseases	Promotion of Safe Haven and drive to increase membership With industry partners organise specific KT event for the seed industry such as Potatoes in Practice	Wider benefits of Safe Haven scheme promulgated using new explanatory booklet. Non-participants surveyed to understand reasons for opting out. Record numbers (>700) attended Potatoes in Practice 2008. Attendees have received R&D reports specific to the trials	
	Promotion of the benefits of GB seed	Represent the seed industry on all seed consultations and regulatory negotiations to ensure the best outcome	Working with the Seed and Export Committee and other relevant stakeholders, a number of submissions were made to the Scottish Government and Defra in this financial year	
		Provide a range of generic GB tools for use by GB seed industry	The portfolio of tools was maintained and updated, including development of the variety database	

Objective 3: To Arrest and Reverse the Decline in GB Consumption

Strategy	Key Outcome	Target	Performance	
Constant understanding/monitoring of the consumer and marketplace	PCL is the expert about the potato consumer and marketplace	Research programme focusing on life stages and packaging is delivered that achieves planned outcomes	A major well attended 1 day conference “Smashing the credit crunch – how potatoes can be part of the solution” achieved good satisfaction scores (average 4.5 where 5 is excellent) and extensive post-event coverage. Category reports (looking in detail at life-stages and meal repertoires) distributed widely	
	Continuous programme of research and communication	Regular meetings are held with packers, processors and retailers to communicate outcomes and agree actions	Meetings held with (amongst others) Coop, Heinz, Tesco, Branston, Greenvale, McCain, Bartlett’s and PAS	
	Industry responds to the findings with resulting NPD, promotions etc	Quantitative information is produced monthly on the retail marketplace and this is effectively communicated	Continued production and distribution of Retail report (to 890 recipients)	
To have understood issues in GB foodservice PCL promotional activity always reflects consumer research findings				
Maintain/defend existing markets	Shift in attitudes towards potatoes as healthy	PR campaigns to promote the health and convenience benefits of potatoes that deliver against planned outcomes – better knowledge of nutrition benefits, maintain and increase potato meals consumed	Autumn 2008 “Love Potatoes” campaign achieved high AEV (up 50% on 2007) at 500% return on investment with consumer awareness (that potatoes are a healthy carbohydrate) increasing. Traffic through the website up to 30,000 per month	
Grow/develop new markets	For pre-family increase potato meals from 2/10 – 3/10	Develop existing ‘Grow your Own Potatoes’ scheme to 11,000 schools	Over 10 000 participating schools with partnerships established with Eco-schools, School Lunches, Morrison’s and The Sun. Important national TV coverage achieved	
	Maintain ‘older’ consumption at 8/10	Using Potato Day and Jacket Potato Bar tools increase the number of potato dishes on school menus	The number of potatoes in primary school menus has increased (but they may not be domestically supplied). The number of Jacket Potato Bars in secondary schools, has also grown but to a lesser degree and this target will continue	
	Engage school children in a growing project			
	To have completed a pilot programme to extend primary success in secondary schools			
	There is effective management of issues that affect consumption	National Chip Week 2008 is effectively executed and delivers planned outcomes	NCW achieved £3.6 M AEV (up 18% on previous year) comprising 710 press and broadcast items. 800 chip shops participated and the majority reported a positive impact on sales	

		Targeted activity within the profit sector of foodservice that improves the quality of potatoes served in this sector including the Great Potato Challenge 3	Food service research undertaken highlighting the impact of recessionary eating habits. Further communications plan in development. Great Potato Challenge 2009 student cook-off achieved positive coverage in food and agricultural trade press	
		Constant communication with industry ensures involvement in all PCL marketing activity	e-update (covering the full spectrum of marketing issues) emailed monthly to 2000 recipients	
		Pro-active and re-active media management	The media management programme was active during the period	
		A planned programme of dialogue with stakeholders (government, retailers, NGO's etc) relating to issues that could affect the consumption	Active engagement with FSA in response to consultation regarding food labelling and ongoing monitoring of LACA implementation of nutrient guidelines within schools (no adverse effects so far). Ongoing activity relating to pesticides (including CIPC, New Atkins Diet, Salt, GM, Saturated Fat, Acrylamide and LRT	

MLCSL Report

An AHDB Commercial Subsidiary Company

Meat & Livestock Commercial Services Limited (MLCSL) is a wholly owned subsidiary company of AHDB specialising in data, advice, logistics and inspection services to the red meat sector. It is run on a commercial basis. The Company is managed separately within AHDB. All its costs are fully accounted for within the Company and it returns profits to AHDB to supplement levy funds.

Introduction

During 2008/09 the MLCSL business operated within a very testing environment as meat processors and producers faced particularly difficult trading conditions as a consequence of the global downturn. The team worked hard to counter this through the development of new business opportunities. As part of this, two new services were added to its business during the reporting period. *MLCSL Consulting* (formerly Industry Consulting within the Meat and Livestock Commission) was transferred from AHDB in December 2008 and *MLCSL E-CO₂* was set up as a collaboration between CMS UK, Kite Consulting and MLCSL offering on-farm assessments of carbon footprint, energy and water usage.

MLCSL Managing Director John Heal retired in September 2008 and after a strongly contended appointment process, internal candidate Peter Phythian was appointed as Chief Executive of MLCSL.

The MLCSL Board took the decision to close the Agency Services side of MLCSL by September 2009 following the end of the Older Cattle Disposal Scheme (OCDS) in December 2008 and radical changes to the monitoring and surveillance of other Transmissible Spongiform Encephalopathy (TSE) material which comprised the vast majority of the Agency Services support work provided to the Rural Payments Agency (RPA) and Defra.

Performance against target

MLCSL worked to an annual financial target agreed by its Board of Directors. For 2008/09, despite a very challenging trading period, this was to contribute £596,000 (post tax) to supplement AHDB's red meat levy income. Actual out-turn provided a contribution of £385,000 (post tax).

MLCSL Board

The Board is comprised of senior executives from MLCSL and AHDB:

Kevin Roberts (Chairman), Chief Executive, AHDB
John Heal, Managing Director, MLCSL (to 30 September 2008)
Peter Phythian, Chief Executive, MLCSL (from 1 October 2008)
Jeremy Humphrey, Operations Director, MLCSL (from 1 October 2008)
Bernadette Garvey, Interim Director of HR and Corporate Services, AHDB
Shaun Tillery, Financial Controller, AHDB Meat Services

MLCSL Authentication services

Services provided to industry

The Authentication side of the business employed on average 100 people who delivered the following services during the year to 31 March 2009:

- Independent carcass classification services for cattle, sheep and pigs to the slaughtering sector
- Technical training to the industry on the selection of livestock for slaughter
- 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

There was a good increase in the beef, sheep and pig carcasses classified by the team as a percentage of British slaughterings for the 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
Cattle	55.6%	55.8%	58.9%	71.2%	72.1	81.0
Sheep	46.5%	47.6%	40.9%	42.5%	38.5	42.3
Pigs	63.3%	62.1%	62.1%	60.9%	61.9	64.9

Marketing of the Stun Assurance Monitor continued during the year. The Monitor provides an auditable stun process for slaughterhouses and there was encouraging 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 provided to the EBLEX Beef Better Returns Programme in England, with selection of cattle for slaughter training events delivered at abattoirs and auction markets.

Similar support was provided to Hybu Cig Cymru (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 carried out by the authentication team in red meat slaughterhouses throughout England and Wales for AHDB and HCC.

MLCSL Agency services

Services provided to industry

During the year the decision was taken to close the Agency Services department by September 2009, and this process was substantially complete at 31 March 2009.

The events that led to this decision centred on the fact that the majority of the supervisory contracts that Agency Services had carried out on behalf of Defra/RPA were coming to an end. This was as a consequence of Defra's Responsibility and Cost Sharing – Animal Health and Welfare Consultation, which led to an agreement with the industry to radically change the monitoring and surveillance of Transmissible Spongiform Encephalopathy (TSE) material with the responsibility moving from government to industry from the beginning of 2009.

The Agency Services side of the business employed on average 73 people who provided services to Defra and the RPA during the year. At the year end these staff were in the process of being made redundant or redeployed.

Services delivered during 2008/09 included:

- Services related to TSE Schemes for the Rural Payments Agency;
 - Monitoring of the sampling and disposal of Fallen Stock
 - Control of the storage and destruction of Meat and Bone Meal and Tallow
 - Surveillance and control of hide markets for the Older Cattle Disposal Scheme
 - Monitoring and control of hides from food chain cattle aged over thirty months
- Other service contracts:
 - A migratory bird surveillance and collection role in monitoring of Avian Influenza
 - Meat product inspection for the NHS in Wales
 - Surveillance of the disposal of sheep within the National Scrapie Eradication Scheme

MLCSL Consulting

The small MLCSL Consulting team provided project based consultancy services to individual companies, collaborative groups, the Regional Development Agencies, national government and the European Union.

During the course of the year it was involved with 27 fee paying projects with a total value of over £245,000.

The larger projects included a major piece of work for Defra reviewing the EU Carcase Classification System for beef and sheep, and in September 2008, the team started an 18 month project for Quality Meat Scotland entitled Adding Value to the Scottish Red Meat Supply Chain concerned with the better utilisation of edible offal and animal by-products by abattoirs in Scotland, together with waste management and environmental issues.

The team also completed projects such as:

- Reviewing fallen stock disposal for both the Isle of Wight Council and EEDA
- Developing a red meat strategy for the North West region of England (in partnership with EFPF)
- Reviewing the cost of key regulations on the red meat industry of Northern Ireland (in partnership with Promar) for the Livestock and Meat Commission and the Northern Ireland Red Meat Industry Taskforce,
- Looking at the disposal of TB reactor cattle for the Welsh Assembly Government
- Design and consultancy advice to three livestock markets
- Design and consultancy advice to aid the development of 15 small and medium sized meat plants (cutting plants and abattoirs).

MLCSL E-CO₂ assessments

Following the Kyoto agreement and the increasing focus on the high levels of greenhouse gases produced by agriculture, MLCSL established a joint venture with CMS UK and Kite consulting to look further into E-CO₂ (energy, water and carbon footprint).

During the year the consortium developed a carbon calculator for the Beef and Dairy sectors for on-farm assessment and to raise awareness for farmers, processors and manufacturers, of the potential savings that could be made in many cases to reduce energy and water usage, whilst calculating the carbon footprint.

The year ahead

Looking forward, MLCSL will work to build-up its new MLCSL Consulting service and to build and develop its E-CO₂ assessment business.

On its traditional carcass classification service it will look for new business opportunities and promote to the industry the value of providing such services on an independent accredited basis.

Selection for slaughter training will continue to support the EBLEX Better Returns Programme and additional selection training activity will be provided to HCC.

Kevin Roberts

Chairman of MLCSL Board and Chief Executive of AHDB



Agriculture and Horticulture Development Board

Financial Statements 2008/09

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Financial review of the year

Introduction

On 1 April 2008 the functions, responsibilities, assets and liabilities of the British Potato Council (BPC); Home Grown Cereals Authority (HGCA); Horticultural Development Council (HDC); The Meat and Livestock Commission (MLC) and the Milk Development Council (MDC) were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which was made on 28 February 2008.

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; and*
- *improving the ways in which the industry contributes to sustainable development.*

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

Corporate Governance

The AHDB board consists of 10 members. Four are independent (including the chairman) and the remaining six are also chairs of the sector boards. The Members are appointed by Ministers and are listed on page X.

In keeping with the combined code on corporate governance, the Board has appointed two committees - Audit and Remuneration.

In order to maintain sector focus, AHDB operates with six sector boards representing the commodity sectors covered by its statutory remit. The sector boards are made up of members, representing their specific sectors, appointed by AHDB. The primary function of the sector boards is to act in the very best interests of the sector at all times. Each board has delegated functions from AHDB giving it the duty 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, monitor strategy implementation and approve remedies where performance deviates from plan.

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

Funding

AHDB is funded by statutory levies paid by producers, growers and processors. Levies raised from each sector are ring-fenced to ensure they can only be used to the benefit of the sectors from which they were raised.

Financial results

AHDB's result shows a deficit of £9.9m compared with a budget deficit of £4.6m. This variance against budget is mainly due to exceptional costs of £8m, which the Board decided to provide for a year earlier than originally planned, offset by higher levy income of £2.6m. In addition a proportion of the Advantage West Midlands grant budgeted at £0.8m was deferred to 2009/10. A surplus on the Accumulated Fund (Income and Expenditure Account) of £15.5m is carried forward.

Comparative figures in the consolidated income and expenditure account and cash flow statement, including all associated notes, for the year ended 31 March 2008 have been restated to reflect a full 12 month position for the HGCA and PCL sectors, who both published accounts for a 9 month period to 31 March 2008 last year in order to achieve a consistent alignment of year-end dates throughout the AHDB group. The comparative balance sheets did not require restatement. The impact of this has been to increase income over the 9 month published accounts by £3.12m for last year's comparatives and increase expenditure by £5.65m - a net deficit of £2.53m.

Pension Schemes

In accordance with Treasury accounting guidelines for the year ended 31 March 2009, AHDB has adopted the full accounting requirements of FRS 17: 'Retirement Benefits'. There are legacy pension schemes from MLC and HGCA with recognition of pension assets of £11m and £0.7m respectively in the AHDB balance sheet. These assets are owned by the MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

Fixed assets

AHDB's freehold properties were professionally re-valued as at 31 March 2009 and no significant change in valuation has taken place since that date. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Note 6 to the accounts and the Statement of changes in reserves.

Employees

Employees from the legacy levy boards were transferred to AHDB on 1 April 2008 under TUPE (Transfer of Undertakings regulations).

AHDB is supported by a dedicated team of permanent staff. The Senior Executive Team meets regularly and is charged with disseminating policy to staff through a system of sector team briefings and departmental meetings. AHDB has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur.

Details of AHDB Board members, statutory committees and sector board members are shown on pages X.

During the year AHDB has consulted on transition issues with the union Prospect with regard to members formerly in MLC and BPC and with staff representatives in the sectors.

Payment policy

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

Auditor

The external auditor of AHDB and its subsidiaries is the Comptroller and Auditor General. Services are limited to the statutory audit.

Statement of the Accounting Officer's responsibilities

Under the Statutory Instrument 2008 No 576, the Ministers*, with the consent of HM Treasury, have directed AHDB to prepare for each financial year (or appropriate period) a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of AHDB and of its income and expenditure, recognised gains and losses and cash flows for the financial period.

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

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

The Accounting Officer of the Department for Environment Food and Rural Affairs has designated Kevin Roberts as Accounting Officer of AHDB.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding AHDB's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

* **Ministers**

The Secretary of State for Environment, Food and Rural Affairs

Cabinet Secretary for Rural Affairs and the Environment, The Scottish Government

Minister for Rural Affairs, Welsh Assembly Government

Minister for the Department of Agriculture and Rural Development, Northern Ireland

AHDB Statement on Internal Control 2008/09

Scope of responsibility

On 1 April 2008 the assets and liabilities of five former Non-Departmental Public Bodies - the Meat and Livestock Commission, the Home-Grown Cereals Authority, the British Potato Council, the Milk Development Council and the Horticultural Development Council - were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was effected by a Statutory Instrument, the Agriculture and Horticulture Development Board Order 2008.

My appointment as Accounting Officer of the newly formed AHDB from 1 April 2008, carries with it overall responsibility for ensuring that a sound system of internal control is maintained that supports the achievement of AHDB's policies, aims and objectives, approved by Ministers, whilst safeguarding public funds and AHDB's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

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

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of AHDB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in AHDB for the period ended 31 March 2009 and up to the date of approval of the *Annual Report and Accounts* and accords with HM Treasury guidance.

Capacity to handle risk

Strategic leadership on risk management issues comes from the Audit Committee, which is able to draw on the expertise of the Board with experience of the private sector and other public sector bodies. Executive leadership comes from the Chief Executive supported by senior managers who are equipped to deal with assessing and managing risks in their respective sectors and/or specialist business areas. Guidance is provided by the Audit Committee via the Chief Executive and good practice feedback is provided by the internal auditors Grant Thornton.

The risk and control framework

The AHDB Risk Register, established in April 2008, ranks risks in terms of probability and impact; appropriate actions have been identified and risk owners appointed for each risk.

A formal risk management review process, including the assessment of risk appetite for each risk area, is established within AHDB and is periodically reviewed by the senior managers and also by the Audit Committee. Throughout the year reliance has also been placed on established risk management procedures within the six operating levy sectors of AHDB. Each levy sector board and management team are involved in assessing risk appetite, identifying risks and determining actions required. This

process also encompasses common risks relating to AHDB as a whole including transition risks connected with relocation to Stoneleigh. Risks to information are managed via compliance with IT data policies in force within each sector of AHDB and monitored via the risk registers of each sector. These policies incorporate provisions for the security of operation of the main computer systems and the control of the use of laptops and memory sticks.

These processes resulted in the production of a consolidated AHDB wide Risk Policy and Register which were approved by the Board on 3 March 2009, in advance of the co-location of all sectors planned for July 2009.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Senior Executive Team within AHDB who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance and has established the following processes in maintaining and reviewing the effectiveness of the system of internal control:

- The AHDB Board which meets several times during the year to consider planning and strategic direction
- A senior executive team led by the Chief Executive which meets monthly to develop strategy and the plans for its delivery, also the development of future governance and constitutional arrangements and to monitor progress via regular management reports
- comprehensive budgeting systems with an annual budget which is reviewed and approved by the Board of AHDB and submitted to Agricultural Departments throughout the UK
- regular reviews by AHDB's Board of quarterly financial reports against budget and forecasts
- quarterly reports from the boards of AHDB's subsidiaries and six sectors which are reviewed by the AHDB Board
- reports from the Audit Committee to the Board relating to internal and external audit, internal control, and risk management
- development and maintenance of an AHDB risk register initially covering transition risks and subsequently covering all sector activities
- development of an AHDB risk policy approved by the Board on 2 March 2009.

From 1 April 2008 the Interim HR Director was appointed as Head of Internal Audit. Following an external tender, the Audit Committee then, in August 2008, appointed Grant Thornton LLP as internal auditors, whose work is conducted in accordance with the Government Internal Audit Standards. They submit regular reports, which include their independent opinion on the adequacy and effectiveness of AHDB's risk management, governance and control processes together with recommendations for improvement.

The areas reviewed were those identified through AHDB's assessment and evaluation of risk and this review programme was approved by the Audit Committee. Grant Thornton have carried out this work and reported back to management and to the Audit Committee. In line with emerging best practice there is always further scope to improve the risk management, governance and internal control processes. In particular procurement was identified and agreed as an area which required improvement and management have plans in place to implement system and procedure changes to strengthen this area following the relocation of staff to the new base at Stoneleigh Park.

At the end of the year, with the exception of the area of procurement, the Internal Auditor reported that, overall, the controls reviewed were adequate.

The prime area of risk identified was 'Transition to Stoneleigh – Loss of key personnel' and recognising the importance of carrying on business as usual. Measures implemented to reduce this risk included extensive staff consultation, the provision of a good relocation package and the commencement of a proactive approach to the recruitment of internal and external staff.

The second most significant risk identified also related to the move to Stoneleigh but specifically the technical and physical aspects of setting up co-location in temporary offices at Stoneleigh. Measures implemented to mitigate the risk included the project being monitored on a monthly basis via a Board relocation sub-group, the appointment of external professional project managers, and the recruitment of an internal project manager and an interim IT manager.

Disclosure of audit information to the Comptroller and Auditor General

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

Kevin Roberts
Chief Executive and Accounting Officer
Agriculture and Horticulture Development Board

Remuneration report

Membership of the Remuneration Committee

Membership of the Remuneration Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee - Professor Chris Bones - is an independent AHDB Board member. The other members of the Committee as at 31 March 2009 were Tim Bennett, Stewart Houston and Allan Stevenson. Membership is reviewed periodically or on termination of a member's appointment.

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

The remuneration of Board members is determined by Defra Ministers. From 1 April 2008 the daily rate payable to Board members was £307.50 and for the Chairman £512.50.

There are no pension arrangements or performance related emoluments in place for any Board members.

The Remuneration Committee's function is to:

- Advise Defra on the remuneration of AHDB Board members.
- Set the remuneration for the sector board members.
- Advise the Board, in consultation with Defra, on the performance objectives and remuneration terms linked to these objectives for the AHDB Chief Executive
- Advise the Board on the total remuneration packages for the senior managers in the AHDB group, including pay, benefits and pension arrangements – in particular the ongoing recruitment of the senior executive team based at Stoneleigh
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

In detail, the Remuneration Committee is specifically charged with determining AHDB's policy on the remuneration of those covered by the scope of this Committee to ensure that these packages are appropriate to attract, retain and motivate senior staff of appropriate calibre in line with the needs of AHDB and the industry.

In this context the Remuneration Committee will give full consideration to the best practice provisions for remuneration policy, contracts and compensation. Specifically bonus payments made to senior staff and the Chief Executive were and continue to be based on assessment of individual performance against written and agreed targets.

See tables on following pages for full details of the remuneration of the Board, Chief Executive and senior executive staff.

Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chairman of the Board's recommendation concerning the salary and incentive scheme for the Chief Executive on an annual basis. Specifically bonus payments made to senior staff and the Chief Executive were and continue to be based on assessment of individual performance against written and agreed targets.

Proportion of remuneration which is subject to performance conditions

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

The proportion of remuneration of the Chief Executive which is subject to performance conditions is in a range of 20%-25% and for senior staff 5%-15%.

Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of any Board Member for any of the reasons specified in the SI 2008 No. 576 (Schedule 2, section 2).

Board members may resign by notice given in writing to the Secretary of State or other Ministers, if appropriate. No notice period is required and no termination payments apply.

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

Remuneration of senior executive staff

Set out below are details of the remuneration of AHDB's senior executive staff during the year to 31 March 2009. Benefits include the provision of a company car and private health cover. No other non-cash benefits were provided.

	For the year ended 31-Mar-09			Restated	Restated	Restated
				For the year ended 31-Mar-08		
	Basic salary	Bonus	Benefits	Basic salary	Bonus	Benefits
£'000	£'000	£	£'000	£'000	£	
Kevin Roberts: AHDB Chief Executive	165-170	25-30	7,600	155-160	-	7,300
Bernadette Garvey: Interim HR Director	85-90	10-15	1,100	85-90	-	1,100
Richard Lowe: EBLEX Chief Executive	125-130	0.5	8,000	125-130	-	7,700
Mick Sloyan: BPEX Chief Executive	90-95	0.5	1,100	85-90	-	1,100
Jonathan Cowens: HGCA Chief Executive	110-115	0.5	1,000	110-115	10-15	1,000
Gordon Bennett: Interim Finance Director	80-85	-	600	75-80	5-10	600
Helen Priestley: PCL Chief Executive *	100-105	0.5	6,000	75-80	5-10	6,000
Ken Boyns: DairyCo Chief Executive	80-85	-	-	80-85	-	-
Martin Beckenham: HDC Chief Executive	70-75	0.5	-	70-75	-	-

* Helen Priestley was on maternity leave for part of the year ended 31 March 2008.

The job titles for legacy levy board Chief Executives were retained during the year ended 31 March 2009 pending the outcome of further group organisational developments during 2009/2010.

Comparative figures for the year ended 31 March 2008 have been restated to reflect a full 12 month position for the HGCA and PCL sectors, who both published accounts for a 9 month period to 31 March 2008 last year in order to achieve a consistent alignment of year-end dates throughout the AHDB group.

Contracts of employment for senior executive staff

Set out below are details of the contracts of employment for AHDB's senior executive staff as at 31 March 2009.

	Contract start date	Contract expiry date	Contract notice	Unexpired term
Kevin Roberts: AHDB Chief Executive	01-Jan-09	31-Dec-10	12 months	21 months
Bernadette Garvey: Interim HR Director	19-Sep-88	Indefinite	6 months	Not applicable
Richard Lowe: EBLEX Chief Executive	23-Mar-99	Indefinite	12 months	9 months
Mick Sloyan: BPEX Chief Executive	21-Nov-77	Indefinite	6 months	Not applicable
Jonathan Cowens: HGCA Chief Executive	01-Nov-94	Indefinite	6 months	3 months
Gordon Bennett: Interim Finance Director	05-Oct-98	Indefinite	6 months	3 months
Helen Priestley: PCL Chief Executive	05-Jul-99	Indefinite	3 months	3 months
Ken Boyns: DairyCo Chief Executive	20-Jun-01	Indefinite	6 months	Not applicable
Martin Beckenham: HDC Chief Executive	01-Sep-96	Indefinite	3 months	4 months

The unexpired term relates to the number of months service remaining of AHDB's senior executive staff under notice of redundancy as at 31 March 2009.

Pension Scheme particulars of senior executive staff

Set out below are the Pension Scheme particulars of AHDB's senior executive staff during the year to 31 March 2009.

	Pension Scheme details	Employees contribution rate	Employers contribution rate
Kevin Roberts: AHDB Chief Executive	MLC Defined Benefit Scheme	4%	8%
Bernadette Garvey: Interim HR Director	MLC Defined Benefit Scheme	4%	8%
Richard Lowe: EBLEX Chief Executive	MLC Defined Benefit Scheme	4%	8%
Mick Sloyan: BPEX Chief Executive	MLC Defined Benefit Scheme	4%	8%
Jonathan Cowens: HGCA Chief Executive	HGCA Defined Benefit Scheme	0%	25.1%
Gordon Bennett: Interim Finance Director	HGCA Defined Benefit Scheme	0%	25.1%
Helen Priestley: PCL Chief Executive	BPC Defined Contribution Scheme	3.5%	6.5%
Ken Boyns: DairyCo Chief Executive	MDC Defined Contribution Scheme	5%	12.5%
Martin Beckenham: HDC Chief Executive	Private pension arrangement	0%	17%

Pension entitlement of senior executive staff: Defined Benefit Schemes

Set out below are details of the pension benefits accrued at and earned by each of AHDB's senior executive staff who were members of a Defined Benefit Scheme during the year to 31 March 2009.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement as at 31-Mar-09	Real terms inc in year	Annual entitlement as at 31-Mar-08	As at 31-Mar-09	Real terms inc(dec) in year	As at 31-Mar-08
	£'000	£'000	£'000	£'000	£'000	£'000
Kevin Roberts: AHDB Chief Executive	45.50	0.2.5	40.45	874	236	591
Bernadette Garvey: Interim HR Director	25.30	0.2.5	25.30	315	96	207
Richard Lowe: EBLEX Chief Executive	20.25	0.2.5	20.25	373	112	225
Mick Sloyan: BPEX Chief Executive	40.45	0.2.5	40.45	545	170	362
Jonathan Cowens: HGCA Chief Executive	5.10	0.2.5	5-10	84	19	58
Gordon Bennett: Interim Finance Director	10.15	0.2.5	10-15	218	22	176

Pension entitlement of senior executive staff: Defined Contribution Schemes

Set out below are details of the pension benefits accrued at and employer's contributions made of AHDB's senior executive staff who were members of a Defined Contribution Scheme during the year to 31 March 2009.

	Employer's contributions		Cash equivalent transfer value	
	For the year ended 31-Mar-09	For the year ended 31-Mar-08	As at 31-Mar-09	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Helen Priestley: PCL Chief Executive	7	6	-	-
Ken Boyns: DairyCo Chief Executive	10	9	61	62
Martin Beckenham: HDC Chief Executive	11	11	-	-

AHDB does not operate a pension scheme for legacy PCL and HDC employees. However, it does pay premiums at a defined rate of annual salary to an approved personal pension scheme acceptable to AHDB. All pension arrangements are the responsibility of the employee and AHDB has no liability for the performance of the selected scheme or the provision of any future pension. Consequently there is no Cash Equivalent Transfer Value in relation to Helen Priestley's and Martin Beckenham's pension.

Total accrued pension

The accrued annual pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year.

The increase in the additional pension earned during the year excludes any increase for inflation.

Cash equivalent transfer value (CETV)

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

Changes in regulations led to the MLC Pension Scheme Trustees revising the transfer value basis in October 2008. The new basis generally results in higher transfer values than those calculated on the previous basis and this explains part of the increase in the transfer values between 31 March 2008 and 31 March 2009.

Emoluments of AHDB Board Members

Set out below are details of the emoluments of AHDB's Board Members during the year ended 31 March 2009.

	For the year ended 31-Mar-09
	£'000
John Bridge (Chairman AHDB)	90.95
Tim Bennett (Chairman DairyCo sector board)	45.50
Stewart Houston (Chairman BPEX sector board)	45.50
John Cross (Chairman EBLEX sector board)	45.50
Neil Bragg (Chairman HDC sector board)	40.45
Jonathan Tipples (Chairman HGCA sector board)	45.50
Allan Stevenson (Chairman PCL sector board from 21 July 2008 to 31 March 2009)	30.35
Dennis Heywood (Chairman PCL sector board from 1 April to 21 July 2008)	15.20
Lorraine Clinton (Independent Director AHDB)	20.25
Clare Dodgson (Independent Director AHDB)	10.15
Christopher Bones (Independent Director AHDB)	10.15

The emoluments of AHDB's Board Members during the year ended 31 March 2008 were paid by Defra.

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly

[NAO Report to go here]

Consolidated income and expenditure account for the year ended 31 March 2009

	Note	For the year ended 31-Mar-09 £'000	Restated For the year ended 31-Mar-08 £'000
Income			
Gross levy	2a	48,494	48,560
Non-levy sources	2a	10,777	17,873
Total income		59,271	66,433
Operating expenditure			
Levy collection	2a	(1,290)	(1,311)
Core strategic activities	2a	(59,777)	(67,375)
Current pension service cost	9(4)	(1,774)	(2,226)
Total operating expenditure		(62,841)	(70,912)
Deficit on ordinary activities before interest and taxation		(3,570)	(4,479)
Notional cost of capital	24	(601)	(994)
Exceptional reorganisation expenditure	5	(7,965)	-
Interest receivable	10	759	1,324
Other finance income	9(4)	1,211	1,248
Deficit on ordinary activities before taxation		(10,166)	(2,901)
Taxation	11	(309)	(224)
Minority interests	7	-	(3)
Deficit on ordinary activities after taxation		(10,475)	(3,128)
Reserves distribution		-	(1,267)
Reversal of the notional cost of capital	24	601	994
Retained deficit for the financial year		(9,874)	(3,401)

Consolidated statement of total recognised gains and losses

		For the year ended 31-Mar-09 £'000	Restated For the year ended 31-Mar-08 £'000
Deficit for the financial year		(9,874)	(3,401)
Actuarial loss recognised in the pension scheme	9(6)	(2,282)	(10,330)
(Deficit)/surplus on revaluation of freehold property		(741)	114
Total (losses) and gains relating to the year		(12,897)	872

Consolidated balance sheet
as at 31 March 2009

	Note	As at 31-Mar-09		As at 31-Mar-08	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Property, plant and equipment	6		5,324		6,089
Financial assets					
Investments	7		75		157
Current assets					
Stocks	8	50		-	
Trade and other receivables	14	10,409		13,617	
Defra Fund	15	2,020		1,927	
Short term investments - cash on deposit		-		4,785	
Cash at bank and in hand		18,866		17,950	
Total current assets		31,345		38,279	
Current liabilities	17	(11,227)		(13,740)	
Net current assets			20,118		24,539
Total assets less current liabilities			25,517		30,785
Non-current liabilities					
Provisions	18	(8,316)		(425)	
Other payables	17	(31)		(41)	
Defra underwrite for redundancy	15	-		(1,927)	
Total non-current liabilities			(8,347)		(2,393)
Net assets excluding pensions			17,170		28,392
Pensions					
MLC Pension Fund	9(6)	11,000		13,600	
HGCA Pension Fund	9(6)	678		(248)	
Total pension asset			11,678		13,352
Net assets including pensions			28,848		41,744
Reserves					
Accumulated funds	19		15,548		26,003
Revaluation reserve	19		1,618		2,385
Pension reserve:					
MLC Pension Fund	9(6)	11,000		13,600	
HGCA Pension Fund	9(6)	678		(248)	
Total pension reserve			11,678		13,352
Minority interests	7		4		4
			28,848		41,744

The accounts were approved by the AHDB Board at a meeting on 15 June 2009 and signed on its behalf by:

John Bridge
Chairman

Kevin Roberts
Chief Executive

AHDB balance sheet
as at 31 March 2009

	Note	As at 31-Mar-09		As at 31-Mar-08	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Property, plant and equipment	6		5,024		5,717
Financial assets					
Investments	7		300		372
Current assets					
Stocks	8	50		-	
Trade and other receivables	14	9,244		12,562	
Defra Fund	15	2,020		1,927	
Short term investments - cash on deposit		-		4,786	
Cash at bank and in hand		17,556		16,670	
Total current assets		28,870		35,945	
Current liabilities	17		(10,159)		(12,902)
Net current assets			28,870		35,945
Total assets less current liabilities			24,035		29,132
Non-current liabilities					
Provisions	18	(8,316)		(425)	
Other payables	17	(31)		(41)	
Defra underwrite for redundancy	15	-		(1,927)	
Total non-current liabilities			(8,347)		(2,393)
Net assets excluding pensions			15,688		26,739
Pensions					
MLC Pension Fund	9(6)	11,000		13,600	
HGCA Pension Fund	9(6)	678		(248)	
Total pension asset			11,678		13,352
Net assets including pensions			27,366		40,091
Reserves					
Accumulated funds	19		14,093		24,364
Revaluation reserve	19		1,595		2,375
Pension reserve:					
MLC Pension Fund	9(6)	11,000		13,600	
HGCA Pension Fund	9(6)	678		(248)	
Total pension reserve			11,678		13,352
			27,366		40,091

The accounts were approved by the AHDB Board at a meeting on 15 June 2009 and signed on its behalf by:

John Bridge
Chairman

Kevin Roberts
Chief Executive

Consolidated cash flow statement for the year ended 31 March 2009

	Note	For the year ended	<i>Restated</i> For the year ended
		31-Mar-09	31-Mar-08
		£'000	£'000
Net cash outflow from operating activities	16a	(2,190)	(5,848)
Net cash outflow relating to exceptional reorganisation expenditure		(74)	-
Returns on investments and servicing of finance			
MLC reserves distributions to QMS and HCC *		-	(1,267)
Interest received		756	1,324
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(634)	(207)
Receipts from sale of tangible fixed assets		7	68
Payments to joint venture		(365)	(365)
Taxation			
Tax paid		(105)	(385)
Pensions			
Pension contributions paid		(1,171)	(532)
Decrease in cash	16b	(3,776)	(7,212)

The consolidated cash flow statement includes the Defra fund on deposit, which is held outside AHDB's own cash resources and was set up to underwrite potential future redundancy costs (see Note 15).

* The MLC reserves distribution of £1,267k for the year ended 31 March 2008 relates to pre-devolution ruminant reserves settlements to QMS and HCC of £11k and £526k respectively, agreed by the MLC Board of Commissioners during the year ended 31 March 2005 in addition to final reserves distributions of £519k and £211k to QMS and HCC respectively agreed by the MLC Board of Commissioners at their final meeting on 26 March 2008.

Notes to the accounts

1. Statement of accounting policies

The accounts are prepared in accordance with the Agriculture and Horticulture Development Board Order 2008 and the accounts direction issued by the Secretary of State for the Environment, Food and Rural Affairs. The accounts direction requires compliance with HM Treasury's Financial Reporting Manual (FRM) and any other guidance issued by HM Treasury. The financial statements also comply with Generally Accepted Accounting Practice in the United Kingdom (UK GAAP) to the extent it is meaningful and appropriate in the public sector context.

The financial statements have been prepared for the year ended 31 March 2009 and were approved by the AHDB Board at a meeting on 15 June 2009.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets.

Agriculture and Horticulture Development Board

On 1 April 2008 the functions, responsibilities, assets and liabilities of the Meat and Livestock Commission (MLC); Home Grown Cereals Authority (HGCA); British Potato Council (BPC); Milk Development Council (MDC); and Horticultural Development Council (HDC) were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which received approval from UK Ministers and was laid before the Westminster Parliament on 13 November 2007 and approved by the Scottish Parliament on 23 January 2008.

As the legacy Levy Boards referred to above combined to form AHDB on an equal footing, merger accounting principles have been applied in the creation of the new NDPB. In this respect, the results and cash flows of all the legacy Levy Boards have been brought into the financial statements of AHDB from 1 April 2008. Corresponding figures have been restated by including the results for all the legacy Levy Boards for the previous year to 31 March 2008 and their balance sheet date, adjusted as necessary to achieve uniformity of accounting policies.

Consolidation

AHDB's subsidiaries, being Meat and Livestock Commercial Services Limited; Crop Evaluation Limited; Sutton Bridge Experimental Unit Limited; DairyCo Limited; Milk Development Council Holdings Limited; and Milk Development Council Evaluations Limited, have been consolidated with the results of AHDB under the acquisition method of accounting.

The consolidated income and expenditure account, consolidated statement of recognised gains and losses, balance sheet, consolidated cash flow statement and notes 1 to 19 form the accounts of AHDB and of its subsidiary undertakings for the year ended 31 March 2009. Intra-group transactions and balances are eliminated fully on consolidation. All consolidated entities in the AHDB group follow UK GAAP.

The minority interest (10%) in Milk Development Council Evaluations Limited's retained reserves, are disclosed separately on the face of AHDB's consolidated balance sheet.

AHDB groups' interest in the Dairy Council is accounted for as a joint venture in the consolidated financial statements, as it has joint control over its operating and financial policy. Here, AHDB's share of the assets and liabilities are shown on the face of the balance sheet.

Tangible fixed assets

Tangible fixed assets include assets purchased directly by AHDB and assets for which the legal title transferred to AHDB under the Agriculture and Horticulture Development Board Order 2008. In accordance with the requirements of the Government FRoM, tangible fixed assets are stated at the lower of replacement cost and recoverable amount, which is the higher of net realisable value or value in use, except for plant and equipment which are stated at cost, where there is no material difference.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to AHDB and the purchase value exceeds the capitalisation threshold of £1,000.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are recognised in the income and expenditure account.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that a provision for impairment may be required. Residual values are calculated at the prices prevailing at the date of acquisition or revaluation.

Freehold properties are revalued annually at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom. Net surpluses arising out of the inclusion of property valuations in the accounts are taken to the revaluation reserve.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:

Freehold buildings: 10 to 50 years

Leasehold buildings: Life of lease

IT – computer hardware and software: 1 to 5 years

Plant and machinery: 3 to 10 years

Furniture and fittings: 1 to 5 years

Motor vehicles: 2.5 to 5 years

Freehold land is not depreciated.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Short term investments

Short term investments include cash deposits with an original maturity of 21 days or more.

Cash

Cash includes cash at bank and in hand, deposits and short-term deposits with an original maturity of less than three months.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are shown within current liabilities.

Trade payables and other current liabilities

Trade payables and other current liabilities are stated at cost.

Value Added Tax

AHDB charges output VAT on levy and other qualifying fee and commercial services income and reclaims input VAT on the goods and services its buys.

Provisions

A provision is recognised in the balance sheet when AHDB has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

Pensions

AHDB operates both defined benefit and defined contribution schemes for the benefit of employees.

Defined benefit scheme

The amounts charged to operating surplus in respect of the defined benefit scheme is the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Defined contribution scheme

The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by AHDB for the accounting period in respect of this scheme.

Levy income

AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain; and cereals and oilseeds sector in the UK.

Levy income is based on the latest available estimates of sector-specific levy quantities, as billable within the provisions of Schedule 3 of the AHDB Order 2008.

Red meat levies

Red meat levies consist of two parts: the producer levy and the slaughterer/exporter levy. The producer element is collected and held on trust for AHDB by slaughterers and exporters who pay the levy direct to AHDB. Levy is calculated on the number of animals slaughtered or exported and these details are notified to AHDB through the completion of regular returns. Abattoirs inform AHDB on a weekly basis of the number of animals which it has slaughtered that were subject to levy. Smaller abattoirs are permitted to submit returns on a less frequent basis. In all cases the

number of animals slaughtered are broken down by category, i.e. pigs, cattle, sheep, calves. Slaughterers are required to pay the levy due within 15 days of the end the month, for animals slaughtered in that month. Exporters submit a return within 30 days of the end of the month giving the number of animals exported during the previous month. Upon receipt of the return, AHDB calculates the levy due and issues an invoice for payment.

The value of red meat levies recognised in the accounts of AHDB is a combination of actual levy invoices raised for animals slaughtered or exported within the period 1 April to 31 March and an estimate for any missing levy returns for the same period.

Horticultural levies

Levy is payable on vegetables grown in the open (except potatoes where there are separate arrangements), fruit, flowers and bulbs, hardy and nursery stock, protected crops and herbs. There is a threshold above which levy becomes payable, such that if a horticultural growers' adjusted sales figure, made during the accounting year of the grower that ended in any year ending 31 March, is £60,000 or more, levy will be due. The Order provides details of the adjustments that may be applied to establish the adjusted sales figure. With the exception of mushrooms, the levy is calculated as a percentage of the adjusted sales figure. Levy due is payable on invoice. Any person liable to pay horticultural levy completes the appropriate form and returns it to AHDB on, or by, 30 June each year. The information provided must be sufficient to enable levy to be calculated by AHDB for the year ending 31 March that year and must be certified by an accountant who meet the requirements specified in the Order unless AHDB has agreed that an accountants certificate is not required.

The basis of levy on mushrooms differs from all other horticultural produce. The levy is based on litres of mushroom spawn, or compost containing mushroom spawn used or sold, and differential rates apply to agaricus and non-agaricus mushrooms. Levy becomes due if, in any year ending 31 March, a person buys more than 700 litres of mushroom spawn or compost containing mushroom spawn. The levy is payable on invoice.

The value of horticulture levies recognised in the accounts of AHDB is based on actual levy invoices raised for horticultural products sold during the year before and notified to AHDB within the period 1 April to 31 March.

Milk levies

A person who buys milk from a producer pays a levy to AHDB which the buyer deducts from the price paid to the producer. Levy is also payable by those producers who sell their milk direct to the public from their holding, as defined in the Order. Milk levy is based on volume. Milk buyers notify AHDB at the end of every month the amount of milk bought in that month. Direct sellers of milk are required by 14 May each year to notify AHDB of the amount of milk produced on that holding for the previous year ending 1 April. The Levy due from both buyers and direct sellers is payable on invoice.

The value of milk levies recognised in the accounts of AHDB is a combination of actual levy invoices raised for milk produced or sold direct and notified to AHDB within the period 1 April to 31 March and an estimate for any missing levy returns for the same period.

Potato levies

Potato buyers as well as potato growers are required to pay levy. The levy on potato growers is based on area planted, with a minimum threshold at which levy becomes payable of 3 hectares. Buyers of potatoes are levied on weight, with a minimum threshold at which levy becomes payable of 1,000 tonnes bought in any year ending 30 June. Each year growers must submit a return by 1 June giving details of the area planted, or intended to be planted that calendar year, and the identity of the fields planted. The levy due is paid to AHDB by 1 December following. Buyers liable to pay levy submit monthly returns to AHDB by the 28th day of each month giving the tonnage bought in the previous month. Levy is payable on invoice.

The value of potato levies recognised in the accounts of AHDB is a combination of actual levy invoices raised for potatoes grown and notified to AHDB and potatoes bought within the period 1 April to 31 March and an estimate for any missing levy returns for the same period.

Cereals and oilseeds levies

The cereal levy has two elements - a grower levy and a buyer levy. A buyer of cereals must deduct the grower levy element from the price paid and hold it on trust for AHDB. 5% of the combined grower and buyer levy is then taken as commission by the buyer and the remainder paid to AHDB. For oilseeds there is only a grower levy and so a buyer must deduct all the levy from the price paid to the grower and hold it on trust, which must then be paid to AHDB. It is the growers responsibility to pay the levy direct to AHDB based on the weight of cereals or oilseeds sold if they are bought by either the appropriate authority, or a buyer outside the UK, or a company registered outside of the UK.

A levy is also payable on cereals that are processed, with differential rates applying dependent on whether the cereals are processed into feedingstuffs or non-feedingstuffs. The lower rate being applicable to cereals processed into animal feed. Returns for cereals are required at the end of each quarter by any person liable to pay levy. The return includes the amount of cereal bought, processed or sold, on which levy is due. However, where the weight of cereal bought is less than 250 tonnes in any year ending in June, or less than 1000 tonnes processed annually, then an annual return may be completed. For oilseeds, twice yearly returns are required providing details of oilseeds bought in the previous 6 month period ending 30 June and 31 December. Any person who is liable to pay levy has 28 days from the dates specified in the legislation to submit a return for cereal and oilseed to AHDB. Payment of the levy to AHDB is then required within 21 days from the end of the 28 day return period.

The value of cereals and oilseeds levies recognised in the accounts of AHDB is a combination of actual levy invoices raised for cereals grown and bought and oilseeds grown within the period 1 April to 31 March and an estimate for any missing levy returns for the same period.

Fee and commercial services income

Fee and commercial services income is based on goods and services provided during the year.

Government grant income

Government grant income to AHDB is for the delivery of specific programmes of work and is recognised in the income and expenditure account in the period in which it becomes receivable.

Research and development expenditure

Research and development expenditure is charged to the income and expenditure account as incurred, on an accruals basis.

Grant and other operating expenditure

Grant and other operating expenditure are charged to the income and expenditure account as incurred, on an accruals basis.

Foreign exchange

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the consolidated income and expenditure account.

Operating leases

The costs of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Redundancy expenditure

The cost of immediate and future payments is provided for in the year when AHDB has committed to making staff redundant and this has been announced. Where such payments fall due after more than one year, and are refundable by the Rural Payments Agency, they are offset against the total liability.

Exceptional reorganisation expenditure

Exceptional reorganisation expenditure relating to AHDB's co-location at Stoneleigh is accounted for centrally and re-allocated back to sectors on the basis of their respective pre-Levy Board Review support costs as per the Accenture AHDB Business Case Report (24 August 2007). This was deemed to be the fairest means of apportioning exceptional reorganisation expenditure back to sectors by the AHDB Board.

Investment income

Interest receivable and investment income are accounted for on an accruals basis.

Taxation

The financial statements reflect a policy that AHDB is liable for taxation on its commercial surpluses, as adjusted for non-taxable items of income and expenditure. Provision is only made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no intention to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Capital charge

A notional average cost of capital employed during the year is shown in the income and expenditure account, in accordance with HM Treasury's Accounts Guidance. The prescribed rate of interest during the year was 3.5%.

2a. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2009

	Note	EBLEX sector	BPEX sector	HGCA sector	PCL sector	DairyCo sector	HDC sector	AHDB corporate centre	AHDB group total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income									
Gross levy		13,536	6,921	10,063	6,036	6,674	5,264	-	48,494
<i>Non-levy sources:</i>									
Fee and grant income		1,111	699	692	200	486	221	-	3,409
Less share of income of joint venture		-	-	-	-	(367)	-	-	(367)
Commercial services income		5,158	2,577	-	-	-	-	-	7,735
<i>Sub-total non-levy sources</i>		6,269	3,276	692	200	119	221	-	10,777
Total Income		19,805	10,197	10,755	6,236	6,793	5,485	-	59,271
Operating expenditure									
Levy collection		(281)	(133)	(395)	(456)	-	(25)	-	(1,290)
<i>Core strategic activities:</i>									
Research and development and knowledge transfer		(2,293)	(4,548)	(5,318)	(2,662)	(2,020)	(3,752)	-	(20,593)
Promotion		(6,295)	(3,235)	(1,145)	(1,351)	(547)	(140)	-	(12,713)
International		(201)	(208)	(427)	(124)	-	-	-	(960)
Supply chain integration		(126)	(137)	(393)	-	-	-	-	(656)
Market intelligence		(1,226)	(743)	(850)	(331)	(632)	-	-	(3,782)
Communications		(963)	(213)	(1,188)	(67)	(475)	-	-	(2,906)
Support		(1,579)	(1,286)	(1,733)	(1,415)	(1,402)	(914)	(2,287)	(10,616)
Share of expenditure of joint venture		-	-	-	-	(449)	-	-	(449)
Commercial services		(4,735)	(2,367)	-	-	-	-	-	(7,102)
<i>Sub-total core strategic activities:</i>		(17,418)	(12,737)	(11,054)	(5,950)	(5,525)	(4,806)	(2,287)	(59,777)
Current pension service cost	9(4)	(867)	(433)	(474)	-	-	-	-	(1,774)
Total operating expenditure		(18,566)	(13,303)	(11,923)	(6,406)	(5,525)	(4,831)	(2,287)	(62,841)
Deficit on ordinary activities before interest and taxation		1,239	(3,106)	(1,168)	(170)	1,268	654	(2,287)	(3,570)
Exceptional reorganisation expenditure	5	-	-	-	-	-	-	(7,965)	(7,965)
Reallocate AHDB corporate centre deficit to sectors		(2,148)	(1,392)	(3,204)	(1,770)	(958)	(780)	10,252	-
Interest receivable	10	130	158	231	109	69	62	-	759
Share of interest receivable in joint venture	10	-	-	-	-	-	-	-	-
Other finance income	9(4)	733	367	111	-	-	-	-	1,211
Deficit on ordinary activities before taxation		(46)	(3,973)	(4,030)	(1,831)	379	(64)	-	(9,565)
Taxation	11	(168)	(84)	-	(26)	(13)	(17)	-	(308)
Share of taxation in joint venture	11	-	-	-	-	(1)	-	-	(1)
Minority interests	7	-	-	-	-	-	-	-	-
Retained deficit for the financial year		(214)	(4,057)	(4,030)	(1,857)	365	(81)	-	(9,874)

2b. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2008

	Note	EBLEX sector	BPEX sector	Restated HGCA sector	Restated PCL sector	DairyCo sector	HDC sector	AHDB corporate centre	Restated AHDB group total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income									
Gross levy		13,297	7,986	9,472	6,012	6,797	4,996	-	48,560
<i>Non-levy sources:</i>									
Fee and grant income		6,046	2,237	847	296	760	171	-	10,357
Less share of income of joint venture		-	-	-	-	(366)	-	-	(366)
Commercial services income		5,255	2,627	-	-	-	-	-	7,882
<i>Sub-total non-levy sources</i>		11,301	4,864	847	296	394	171	-	17,873
Total income		24,598	12,850	10,319	6,308	7,191	5,167	-	66,433
Operating expenditure									
Levy collection		(252)	(134)	(355)	(513)	-	(57)	-	(1,311)
<i>Core strategic activities:</i>									
Research and development and knowledge transfer		(2,327)	(3,013)	(5,697)	(2,865)	(2,047)	(4,292)	-	(20,241)
Promotion		(12,869)	(3,612)	(1,361)	(1,580)	(1,733)	(254)	-	(21,409)
International		(181)	(232)	(478)	(167)	-	-	-	(1,058)
Supply chain integration		(721)	(408)	(594)	-	-	-	-	(1,723)
Market intelligence		(1,179)	(654)	(848)	(422)	(492)	-	-	(3,595)
Communications		(1,223)	(198)	(1,150)	(53)	(522)	-	-	(3,146)
Support		(1,485)	(1,508)	(1,748)	(1,750)	(1,067)	(994)	-	(8,552)
Share of expenditure of joint venture		-	-	-	-	(376)	-	-	(376)
Commercial services		(4,850)	(2,425)	-	-	-	-	-	(7,275)
<i>Sub-total core strategic activities:</i>		(24,835)	(12,050)	(11,876)	(6,837)	(6,237)	(5,540)	-	(67,375)
Current pension service cost	9(4)	(1,133)	(567)	(526)	-	-	-	-	(2,226)
Total operating expenditure		(26,220)	(12,751)	(12,757)	(7,350)	(6,237)	(5,597)	-	(70,912)
Deficit on ordinary activities before interest and taxation		(1,622)	99	(2,438)	(1,042)	954	(430)	-	(4,479)
Interest receivable	10	142	314	436	215	70	141	-	1,318
Share of interest receivable in joint venture	10	-	-	-	-	6	-	-	6
Other finance income	9(4)	800	400	48	-	-	-	-	1,248
Deficit on ordinary activities before taxation		(680)	813	(1,954)	(827)	1,030	(289)	-	(1,907)
Taxation	11	(30)	(66)	(56)	(55)	(16)	-	-	(223)
Share of taxation in joint venture	11	-	-	-	-	(1)	-	-	(1)
Minority interests	7	-	-	-	-	(3)	-	-	(3)
Deficit on ordinary activities after taxation		(710)	747	(2,010)	(882)	1,010	(289)	-	(2,134)
Reserves distribution		(942)	(325)	-	-	-	-	-	(1,267)
Retained deficit for the financial year		(1,652)	422	(2,010)	(882)	1,010	(289)	-	(3,401)

2c. Analysis of income and expenditure: Actual compared to budget 2008/09

	Note	Actual	Budget	Variance
		£'000	£'000	£'000
Actual for the year ended 31 March 2009				
Income				
Gross levy		48,494	45,858	2,636
<i>Non-levy sources:</i>				
Fee and grant income		3,409	2,318	1,091
Less share of income of joint venture		(367)	-	(367)
Commercial services income		7,735	7,625	110
<i>Sub-total non-levy sources</i>		10,777	9,943	834
Total income		59,271	55,801	3,470
Operating expenditure				
Levy collection		(1,290)	(1,266)	(24)
<i>Core strategic activities:</i>				
Research and development and knowledge transfer		(20,593)	(20,935)	342
Promotion		(12,713)	(12,754)	41
International		(960)	(1,101)	141
Supply chain integration		(656)	(270)	(386)
Market intelligence		(3,782)	(3,755)	(27)
Communications		(2,906)	(3,300)	394
Support		(10,616)	(9,760)	(856)
Share of expenditure of joint venture		(449)	(450)	1
Commercial services		(7,102)	(7,150)	48
<i>Sub-total core strategic activities:</i>		(59,777)	(59,475)	(302)
Current pension service cost	9(4)	(1,774)	(1,700)	(74)
Total operating expenditure		(62,841)	(62,441)	(400)
Deficit on ordinary activities before interest and taxation		(3,570)	(6,640)	3,070
Exceptional reorganisation expenditure	5	(7,965)	-	(7,965)
Interest receivable	10	759	899	(140)
Share of interest receivable in joint venture	10	-	-	-
Other finance income	9(4)	1,211	1,200	11
Deficit on ordinary activities before taxation		(9,565)	(4,541)	(5,024)
Taxation	11	(308)	(55)	(253)
Share of taxation in joint venture	11	(1)	-	(1)
Minority interests	7	-	-	-
Retained deficit for the financial year		(9,874)	(4,596)	(5,278)

3. Staff numbers and related costs

	For the year ended 31-Mar-09			For the year ended 31-Mar-08		
	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff	<i>Restated</i> Staff with a permanent (UK) employment contract	<i>Restated</i> Other staff engaged on the objectives of AHDB	<i>Restated</i> Total staff
Numbers employed						
The average full time equivalent numbers employed by AHDB during the year were:						
Commercial activities						
Commercial services	214	7	221	222	-	222
Other fee earning and grant-supported activities						
Non-levy activities	10	-	10	12	-	12
Levy dependent activities						
Research and development and knowledge transfer	91	-	91	93	-	93
Promotion	50	-	50	55	-	55
International	7	-	7	9	-	9
Supply chain integration	5	-	5	10	-	10
Market intelligence	30	3	33	30	1	31
Communications	30	2	32	32	2	34
Support	82	6	88	79	4	83
	295	11	306	308	7	315
	519	18	537	542	7	549
Staff costs						
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	16,621	327	16,948	16,370	145	16,515
Social security costs	1,579	8	1,587	1,576	5	1,581
Other pension costs - current service costs (note 7(4))	1,774	-	1,774	2,226	-	2,226
	19,974	335	20,309	20,172	150	20,322

4. Other expenditure

	For the year ended 31-Mar-09	<i>Restated</i> For the year ended 31-Mar-08
	£'000	£'000
Deficit on ordinary activities before interest is stated after charging/(crediting)		
Rentals under operating leases:		
Leasehold property rents	662	606
Vehicle leases	342	351
Hire of equipment	91	91
Research and development expenditure	15,312	13,680
Non-cash items:		
Depreciation	645	545
Profit on disposal of property, plant and equipment	(1)	(39)
Loss on disposal of property, plant and equipment	3	1
Impairment of property, plant and equipment	5	-
Provision provided for in year	1,547	-
Auditors' remuneration and expenses	185	205

5. Exceptional reorganisation expenditure

	For the year ended 31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000
Redundancy	(4,556)	-
HGCA pension fund enhancement	(2,000)	-
Property lease termination	(1,335)	-
Other transition costs	(74)	-
Total exceptional reorganisation expenditure (Note 15)	(7,965)	-

6. Property, plant and equipment

Group	Freehold property £'000	Short leasehold property £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost or valuation					
As at 1 April 2008	5,522	311	245	3,612	9,690
Additions	-	-	-	635	635
Disposals	-	-	(17)	(69)	(86)
Impairment	-	-	-	(5)	(5)
Revaluation	(972)	-	-	-	(972)
As at 31 March 2009	4,550	311	228	4,173	9,262
Depreciation					
As at 1 April 2008	-	(213)	(84)	(3,304)	(3,601)
Charge for year	(231)	(21)	(65)	(328)	(645)
Relating to disposals	-	-	8	69	77
Revaluation	231	-	-	-	231
As at 31 March 2009	-	(234)	(141)	(3,563)	(3,938)
Net book amount as at 31 March 2009	4,550	77	87	610	5,324
Net book amount as at 31 March 2008	5,522	98	161	308	6,089

AHDB	Freehold property £'000	Short leasehold property £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost or valuation					
As at 1 April 2008	5,150	311	244	2,758	8,463
Additions	-	-	-	635	635
Disposals	-	-	(17)	(69)	(86)
Impairment	-	-	-	(5)	(5)
Revaluation	(900)	-	-	-	(900)
As at 31 March 2009	4,250	311	227	3,319	8,107
Depreciation					
As at 1 April 2008	-	(213)	(84)	(2,449)	(2,746)
Charge for year	(218)	(21)	(65)	(328)	(632)
Relating to disposals	-	-	8	69	77
Revaluation	218	-	-	-	218
As at 31 March 2009	-	(234)	(141)	(2,708)	(3,083)
Net book amount as at 31 March 2009	4,250	77	86	611	5,024
Net book amount as at 31 March 2008	5,150	98	160	309	5,717

Freehold properties were valued at 31 March 2009 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £4,550k.

There is no potential liability for deferred tax arising from the revaluation of these properties, nor from chargeable gains which have been rolled over against the original cost of these properties.

The net book amount at 31 March 2009 of freehold property according to the historical cost convention is:		£'000
Cost		8,262
Depreciation		(5,330)
Net book amount		<u>2,932</u>

7. Investments

Dairy Council

MDC Holdings Limited holds a 50% share of Dairy Council Limited (DCL) with the other 50% held by Dairy UK Limited. The financial results of the entity up to 31 March 2009 are included in the consolidated accounts of the AHDB group, on the basis that it is a joint venture. The group's share of DCL's results for the years (shown as part of the financial results for the DairyCo sector in the analysis of income and expenditure by segment in Note 2), and assets and liabilities at the years ended (shown as part of the AHDB group consolidated balance sheet) are as shown below. MDC Holdings Limited resigned as a member of DCL on 1 April 2009 (see Note 25: Post balance sheet events).

	Group For the year ended 31-Mar-09 £'000	AHDB For the year ended 31-Mar-09 £'000	Group For the year ended 31-Mar-08 £'000	AHDB For the year ended 31-Mar-08 £'000
Share of turnover of joint venture	367	-	366	-
Share of loss before tax of joint venture	(81)	-	(5)	-
Share of tax of joint venture	(1)	-	(1)	-
Share of loss after tax of joint venture	(82)	-	(6)	-

	Group As at 31-Mar-09 £'000	AHDB As at 31-Mar-09 £'000	Group As at 31-Mar-08 £'000	AHDB As at 31-Mar-08 £'000
Share of fixed assets	6	-	13	-
Share of current assets	173	-	185	-
Share of current liabilities	(104)	-	(41)	-
Share of net assets	75	-	157	-

Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the British potato industry's research and development facility, Sutton Bridge Experimental Unit, and is based in Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for the PCL sector in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB group consolidated balance sheet. SBEU generated a retained deficit of £13k for the year ended 31 March 2009 (2008: deficit £13k) and its net assets were £185k as at 31 March 2009 (31 March 2008: £198k).

	Group As at 31-Mar-09 £'000	AHDB As at 31-Mar-09 £'000	Group As at 31-Mar-08 £'000	AHDB As at 31-Mar-08 £'000
AHDB investment in SBEU	-	300	-	372

Other subsidiary undertakings

Meat and Livestock Commercial Services Limited

Meat and Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides authentication and agency services to the red meat industry and is based in Milton Keynes. MLCSL's financial results for the years have been consolidated as part of the financial results for the EBLEX and BPEX sectors respectively in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB group consolidated balance sheet. MLCSL generated a retained deficit of £94k for the year ended 31 March 2009 (2008: surplus £408k) and its net assets were £1.36m as at 31 March 2009 (31 March 2008: £1.45m).

Crop Evaluation Limited

Crop Evaluation Limited (CEL) is a company limited by shares, with AHDB holding a £1 nominal value ordinary share representing 100% of the issued share capital of the company. CEL works to produce the annual HGCA Recommended Lists for cereals and oilseeds and is based in London. CEL's financial results for the years have been consolidated as part of the financial results for the HGCA sector in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB group consolidated balance sheet. CEL generated a nil result for the year ended 31 March 2009 (2008: Nil result), as expenditure was equally matched by sales revenue, and its net assets were nil as at 31 March 2009 (31 March 2008: Nil).

DairyCo Limited

On 1 April 2008 the functions, responsibilities, assets and liabilities of the Milk Development Council (MDC) were transferred to AHDB. This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which received approval from UK Ministers and was laid before the Westminster Parliament on 13 November and approved by the Scottish Parliament on 23 January 2008. Enacted through a Delegation Agreement between AHDB and DairyCo Limited (a company limited by guarantee incorporated on 27 October 2007, with AHDB acting as the sole guarantor) dated March 2008, AHDB delegated its statutory functions with respect to the dairy industry to DairyCo Limited. The Delegation Agreement also allowed for the transfer of legacy MDC's assets and liabilities to DairyCo Limited as at 1 April 2008. DairyCo Limited generated a nil result for the year ended 31 March 2009 (2008: Nil), as expenditure was equally matched by sales revenue, and its net assets were nil as at 31 March 2009 (31 March 2008: Nil).

To ensure consistency throughout the AHDB group, the Delegation Agreement between AHDB and DairyCo Limited was terminated via a Hive Out Agreement between the party's that transferred DairyCo Limited's assets and liabilities as at 31 March 2009 to AHDB.

Milk Development Council Holdings Limited

Milk Development Council Holdings Limited (MDC Holdings) is a company limited by guarantee, with DairyCo Limited acting as the sole guarantor. The extent of DairyCo Limited's investment is the guarantee of £1 in the event of MDC Holdings being wound up. MDC Holdings key purpose is to hold equity shares in other companies, to enter joint ventures and to make investments for AHDB on behalf of dairy farmers in Great Britain and is based in Cirencester. MDC Holdings holds 900 £1 shares in Milk Development Council Evaluations Limited (90% of total share capital). MDC Holdings' financial results for the years have been consolidated as part of the financial results for the DairyCo sector in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB group consolidated balance sheet. AHDB became the sole guarantor of MDC Holdings on 1 April 2009 (see Note 20: Post balance sheet events). MDC Holdings generated a retained surplus of £1k for the year ended 31 March 2009 (2008: £1k) and its net assets were £2k as at 31 March 2009 (31 March 2008: £1k).

Milk Development Council Evaluations Limited

Milk Development Council Evaluations Limited (MDC Evaluations) provides statistical analysis and reporting of Bull and Cow performance in the United Kingdom and is based in Cirencester. MDC Evaluations' financial results for the years have been consolidated as part of the financial results for the DairyCo sector in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB group consolidated balance sheet (see minority interests below). MDC Evaluations generated a retained surplus of £4k for the year ended 31 March 2009 (2008: £32k) and its net assets were £46k as at 31 March 2009 (31 March 2008: £42k).

All of these subsidiary undertakings are registered in England and Wales.

Minority interests

As noted above, MDC Evaluations generated a retained surplus of £4k for the year ended 31 March 2009 (2008: £32k), resulting in a minority interests (10%) figure in the consolidated income and expenditure account of nil (2008: £3k). Its net assets were £46k as at 31 March 2009 (31 March 2008: £42k), resulting in a minority interests (10%) figure in the consolidated balance sheet of £4k (31 March 2008: £4k).

8. Stocks

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Stock of printed material	50	50	-	-

9. Pensions

1) Information about the Schemes

Introduction

AHDB operates a number of approved retirement benefit arrangements in the UK encompassing both Defined Benefit sections and Defined Contribution sections.

MLC Pension Scheme

AHDB operates a contributory Pension Scheme to legacy MLC members which includes both defined benefit and defined contribution sections. The assets of the Scheme are held separately from those of AHDB, being invested with investment managers. Within the defined benefit section, the scheme has provision for pensions in payment to be increased by 5% per annum or the percentage shown in the Pension Increases Order if lower. If the percentage shown in the Order exceeds 5% per annum there is provision in the scheme for pensions in payment to be increased beyond 5% per annum at the discretion of the Trustees in agreement with AHDB. Contributions to the Scheme are charged to the income and expenditure account and are determined by a qualified actuary on the basis of valuations using the projected unit method.

The actuarial gain/(loss) due to demographic experience, including any assumption changes, and investment return different from that assumed during the prior year were £9.6m and (£33.8m) respectively. The large asset loss over the year ended 31 March 2009 has been the main reason for the reduction in the surplus position as at 31 March 2009.

The MLC Pension Scheme surplus has been restricted by £14.6m to comply with Paragraph 37 of FRS 17 (i.e. only £11.0m can be recovered via reduced future contributions). In previous years the DC section was open to new entrants which meant the value of future contributions of potential new DC members could be used in the calculation of the recoverable surplus.

As part of the AHDB transitional arrangements any new employees now join the new AHDB Pension Scheme, so the MLC DC section is now effectively closed to new entrants. This means the calculation can only include the value of future contributions for the current membership. We have calculated this to be £1.8m for the DC section and £9.2m for the DB section, giving a total recognisable surplus of £11.0m.

HGCA Pension Scheme

Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed at 1 April 2007. The actuarial report as at 1 April 2007, issued to the Trustees in June 2008, valued the Scheme's assets at £10.2m and the Scheme's liabilities at £11.7m indicating a funding deficit of £1.5m. (Liabilities refer to the benefits accrued in respect of past service and based on projected pensionable salaries). Agreement on a recovery plan was reached between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit. This plan specified a lump sum contribution of £0.5m which was paid in June 2008 with the balance of £1m being paid monthly over 3 years from 1 April 2008. In addition, AHDB have contributed at a rate of 25.1% of pensionable salary on a monthly basis from 1 April 2008. The next full actuarial valuation will be as at 1 April 2010.

2) Principal assumptions

The principal assumptions used to calculate the different Scheme liabilities include:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-09 % pa	31-Mar-08 % pa	31-Mar-09 % pa	31-Mar-08 % pa
Price inflation	2.90	3.60	3.00	3.70
Rate of increase in pay	4.40	5.10	4.50	5.20
Rate of increase of pensions in payment*	2.90	3.60	3.00	3.70
Rate of increase for deferred pensioners*	2.90	3.60	3.00	3.70
Discount rate	6.70	6.80	6.70	6.20

* in excess of any Guaranteed Minimum Pension (GMP) element

Under the mortality tables and projections adopted, the assumed future life expectancies at age 65 are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
Male currently aged 65	21.20	21.20	21.95	21.95
Female currently aged 65	24.20	24.20	24.88	24.88
Male currently aged 50	22.60	22.60	-	-
Female currently aged 50	25.60	25.60	-	-
Male currently aged 45	-	-	21.95	21.95
Female currently aged 45	-	-	24.88	24.88

	MLC Pension Scheme		HGCA Pension Scheme	
	Long term rate of return expected		Long term rate of return expected	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
	%	%	%	%
Scheme assets	5.80	6.20	4.86	7.01

3) Assets

The major categories of assets as a proportion of total assets are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
	%	%	%	%
Equities	28.67	29.87	35.40	43.70
Corporate bonds	13.40	11.87	49.50	46.30
Gilts	57.71	58.01	-	-
Annuities	-	-	5.30	5.10
Cash	0.22	0.25	9.80	4.90

4) Components of defined benefit cost for the year ended 31 March 2009

Analysis of amounts charged to operating surplus:

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09	For the year ended 31-Mar-08	For the year ended 31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000	£'000	£'000
a. Current service cost	(1,300)	(1,700)	(474)	(526)
b. Past service cost	-	-	-	-
c. Previously unrecognised surplus deducted from past service cost	-	-	-	-
d. Total charged to operating deficit	(1,300)	(1,700)	(474)	(526)

Analysis of the amount (charged)/credited to other finance income:

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09	For the year ended 31-Mar-08	For the year ended 31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000	£'000	£'000
e. Interest on Scheme liabilities	(10,800)	(9,800)	(758)	(678)
f. Expected return on assets in the Scheme	11,900	11,000	869	726
g. Net credit to other finance income	1,100	1,200	111	48
Total I&E charge before deduction for tax (tax nil) d + g	(200)	(500)	(363)	(478)

Analysis of the amounts recognised in STRGL:

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
h. (Loss)/gain on assets	(33,800)	(1,600)	503	234
i. Experience (loss)/gain on liabilities	(1,100)	1,500	15	836
j. Gain on change of assumptions (financial and demographic)	10,700	24,700	-	-
k. Effect of the limit in paragraph 37 of FRS 17	21,400	(36,000)	-	-
l. Total (loss)/gain recognised in STRGL before adjustment for tax	(2,800)	(11,400)	518	1,070

5) History of experience gains and losses

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09	For the year ended 31-Mar-08	For the year ended 31-Mar-09	For the year ended 31-Mar-08
a. (Loss)/gain on Scheme assets:				
Amount (£'000)	(33,800)	(1,600)	503	234
% of Scheme assets at end of year	-18.56%	-0.75%	4.47%	1.93%
b. Experience (loss)/gain on Scheme liabilities:				
Amount (£'000)	(1,100)	1,500	15	836
% of Scheme assets at end of year	-0.60%	0.71%	0.13%	6.90%
c. Total actuarial (loss)/gain recognised in STRGL:				
Amount (£'000)	(2,800)	(11,400)	518	1,070
% of Scheme assets at end of year	-1.54%	-5.36%	4.61%	8.83%

6) Reconciliation to the balance sheet

	MLC Pension Scheme		HGCA Pension Scheme	
	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000
a. Market value of Scheme assets	182,100	212,700	11,243	12,115
b. Actuarial value of Scheme liabilities	(156,500)	(163,100)	(10,565)	(12,363)
c. Surplus/(deficit) in the Scheme	25,600	49,600	678	(248)
d. Irrecoverable surplus	(14,600)	(36,000)	-	-
e. Pension asset/(liability) recognised in balance sheet (before allowance for deferred tax (deferred tax nil))	11,000	13,600	678	(248)

Analysis of the movement in surplus/(deficit) during the year

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Surplus/(deficit) in the Scheme at start of year	13,600	24,968	(248)	(2,075)
Contributions paid	400	532	771	1,235
Current service cost	(1,300)	(1,700)	(474)	(526)
Other finance income	1,100	1,200	111	48
Actuarial (loss)/gain	(2,800)	(11,400)	518	1,070
Surplus/(deficit) in the Scheme at end of year	11,000	13,600	678	(248)

7) Changes in disclosed assets and liabilities

Change in Scheme Liabilities:

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Scheme liabilities at start of year	(163,100)	(186,600)	(12,363)	(12,684)
Employer service cost	(1,300)	(1,700)	(474)	(526)
Interest cost	(10,800)	(9,800)	(758)	(678)
Scheme participants' contributions	(200)	(200)	(52)	(49)
Actuarial gain/(loss)	9,600	26,200	2,812	1,321
Benefits paid from Scheme assets	9,300	9,000	270	254
Scheme liabilities at end of year	(156,500)	(163,100)	(10,565)	(12,362)

Change in Scheme Assets:

	MLC Pension Scheme		HGCA Pension Scheme	
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Fair value of assets at start of year	212,700	211,600	12,115	10,610
Expected return on assets	11,900	11,000	869	726
Actuarial losses on assets	(33,800)	(1,600)	(2,294)	(251)
Employer contributions	400	532	771	1,235
Scheme participants' contributions	200	200	52	49
Benefits paid	(9,300)	(9,000)	(270)	(254)
Fair value of assets at end of year	182,100	212,732	11,243	12,115

8) Summary of prior year amounts

	MLC Pension Scheme				
	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-07 £'000	As at 31-Mar-06 £'000	As at 31-Mar-05 £'000
Scheme liabilities at end of year	(156,500)	(163,100)	(186,632)	(189,800)	(164,200)
Fair value of assets at end of year	182,100	212,732	211,600	214,500	188,900
Surplus/(deficit) in the Scheme at end of year	25,600	49,632	24,968	24,700	24,700
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-07 £'000	For the year ended 31-Mar-06 £'000	For the year ended 31-Mar-05 £'000
Experience (loss)/gain on liabilities	(1,100)	1,500	1,100	6,200	(2,700)
Actuarial (losses)/gains on assets	(33,800)	(1,600)	(5,000)	21,600	(4,700)

	HGCA Pension Scheme				
	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-07 £'000	As at 30-Jun-06 £'000	As at 30-Jun-05 £'000
Scheme liabilities at end of year	(10,565)	(12,362)	(12,684)	(10,562)	(9,718)
Fair value of assets at end of year	11,243	12,115	10,610	10,025	9,239
Surplus/(deficit) in the Scheme at end of year	678	(247)	(2,074)	(537)	(479)
	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 30-Jun-07 * £'000	For the year ended 30-Jun-06 * £'000	For the year ended 30-Jun-05 * £'000
Experience (loss)/gain on liabilities	15	836	127	(187)	76
Actuarial (losses)/gains on assets	(2,294)	(251)	223	225	552

9) Defined Contribution Schemes

MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 109 members as at 31 March 2009 (31 March 2008: 123 members). The current employee and employer contribution rates are 5% and 7% respectively. The cost to AHDB of operating the Scheme during the year ended 31 March 2009 was £213k (2008: £222k) and the value of outstanding contributions as at 31 March 2009 was £17k (31 March 2008: £18k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

DairyCo Pension Scheme

The DairyCo Pension Scheme is a Defined Contribution scheme and had a total of 41 members as at 31 March 2009 (31 March 2008: 42 members). The current employee and employer rates are 5% and 12.5% respectively. The Scheme is provided by NFU Mutual. The cost to AHDB of operating the Scheme during the year ended 31 March 2009 was £155k (2008: £144k) and the value of outstanding contributions as at 31 March 2009 was nil (31 March 2008: nil). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

10) Group Personal Pension Plans

AHDB Pension Scheme

The AHDB Pension Scheme is a Group Personal Pension Plan, whereby AHDB has selected a pension Scheme and provider that it believes to be suitable for its employees, and had a total of 12 members as at 31 March 2009 (31 March 2008: no members). The current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10% respectively. The Scheme was originally provided by Invesco but this was transferred to Threadneedle during the year. The cost to AHDB of operating the Scheme during the year ended 31 March 2009 was £18k (2008: nil) and the value of outstanding contributions as at 31 March 2009 was £1k (31 March 2008: nil).

British Potato Council Pension Scheme

The British Potato Council Pension Scheme (BPC Pension Scheme) is a Defined Contribution scheme and had a total of 39 members as at 31 March 2009 (31 March 2008: 46 members). Members contribute 3.5% of pensionable salary while the employer's contributions are age-banded, ranging from 5.5% at age 30 to 11% at age 51 and above. The Scheme is provided by AXA Sun Life. The cost to AHDB of operating the Scheme during the year ended 31 March 2009 was £121k (2008: £134k) and the value of outstanding contributions as at 31 March 2009 was nil (31 March 2008: nil). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

HDC

HDC has no pension scheme but contributes defined amounts to employees' personal pension plans as follows: Admin staff 4%; managers 6% or 10%; Chief Executive 17%. The cost to AHDB of this arrangement during the year ended 31 March was £46k (2008: £50k) and the value of outstanding contributions as at 31 March 2009 was nil (31 March 2008: nil).

10. Interest receivable

	For the year ended	Restated
	31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000
Interest receivable	759	1,318
Share of interest receivable in joint venture	-	6
	759	1,324
Allocated to accumulated funds		
EBLEX sector fund	130	142
BPEX sector fund	158	314
HGCA sector fund	231	436
PCL sector fund	109	215
DairyCo sector fund	69	78
HDC sector fund	62	141
	759	1,324

The amount of interest receivable has been allocated to the various funds on the basis of their respective average funds position during the year.

11. Taxation

	For the year ended	Restated
	31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000
Current tax		
UK corporation tax on commercial profits for the period	(54)	(40)
UK corporation tax on interest income for the period	(213)	(397)
(Under)/over provision in respect of prior years	(41)	214
Tax on profit on ordinary activities	(308)	(223)
Share of taxation in joint venture	(1)	(1)
	(309)	(224)
Allocated to accumulated funds		
EBLEX sector fund	(168)	(30)
BPEX sector fund	(84)	(66)
HGCA sector fund	-	(56)
PCL sector fund	(26)	(55)
DairyCo sector fund	(14)	(17)
HDC sector fund	(17)	-
	(309)	(224)

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK (28%, 2008: 30%). The differences are explained below:

	For the year ended	Restated
	31-Mar-09	For the year ended 31-Mar-08
	£'000	£'000
Surplus on ordinary activities before tax	193	133
Surplus on ordinary activities multiplied by standard rate in the UK 28% (2008: 30%)	54	40
Effects of:		
Surplus on non-taxable activities	277	437
Under/(over) provision in respect of prior years	31	(214)
Current tax charge for the year	308	223
Share of taxation in joint venture	1	1
	309	224

12. Deferred taxation asset

	Group	AHDB
	£'000	£'000
Depreciation in excess of tax allowances recoverable against future taxable profits	56	56
Deferred tax asset as at 1 April 2008	56	56
Deferred tax (charge)/credit in the income and expenditure account for the year ended 31 March 2009	-	-
Deferred tax asset as at 31 March 2009	56	56

13. Financial instruments

Because of the nature of its activities and the way in which AHDB is financed, it is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which FRS 13 mainly applies.

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

Credit and liquidity risk

AHDB is exposed to the usual credit risk and cash flow risk associated with invoicing on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Interest rate risk

AHDB is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate.

Foreign currency risk

AHDB's exposure to foreign currency risk is not currently significant.

14. Trade receivables and other current assets

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Levy income receivable	6,988	6,988	7,691	7,691
Debtors for fee and other income	1,249	655	1,394	903
Amounts owed by group undertakings	-	342	-	123
Prepayments and accrued income	941	936	1,035	1,027
Deferred tax (Note 12)	56	56	56	56
VAT	-	-	141	275
Other taxation and social security	-	-	-	-
Car loans	4	4	4	4
Department for Environment, Food and Rural Affairs (Note 22)	232	213	2,579	2,421
Rural Payments Agency (Note 22)	906	17	717	62
Natural England (Note 22)	33	33	-	-
	10,409	9,244	13,617	12,562
Intra-government balances				
Balances with central government bodies	232	213	2,579	2,421
Balances with public corporations and trading funds	939	50	717	62
Sub-total: Intra-government balances	1,171	263	3,296	2,483
Balances with bodies external to government	9,238	8,981	10,321	10,079
	10,409	9,244	13,617	12,562

15. Defra Fund

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
As at 1 April	(1,927)	(1,927)	(4,051)	(4,051)
Amounts received and applied for:				
Repayment to Defra	-	-	2,300	2,300
Expenses incurred	-	-	-	-
Interest	(93)	(93)	(176)	(176)
As at 31 March	(2,020)	(2,020)	(1,927)	(1,927)
Defra fund	2,020	2,020	1,927	1,927
Net claims to be submitted to Defra	-	-	-	-
Liability as above	2,020	2,020	1,927	1,927

The Defra fund on deposit is held outside AHDB's own cash resources and was set up to underwrite potential future redundancy costs. These monies were originally transferred to MLC during the 1994/1995 financial year. The agreement we have with Defra governing the use of the fund to meet potential future redundancy cost is due to expire in March 2010. Notwithstanding, should the Secretary of State at any time decide in his discretion that there is no possibility of any liability arising, then he may terminate the agreement by giving AHDB written notice of this decision. On 1 April 2008 the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB.

16. Notes to the cashflow statement

	For the year ended 31-Mar-09	<i>Restated</i> For the year ended 31-Mar-08
	£'000	£'000
Note 16a Reconciliation of operating deficit to net cash outflow from operating activities		
Deficit on ordinary activities before interest	(3,570)	(4,479)
Joint venture	365	365
Depreciation	645	545
Current pension service cost	1,774	2,226
Surplus on disposal of fixed assets	2	(38)
(Increase)/decrease in stocks	(50)	31
Decrease/(increase) in debtors	3,208	(1,313)
Decrease in creditors	(4,564)	(3,185)
Net cash outflow from operating activities	(2,190)	(5,848)

	1-Apr-08	Cash flow	31-Mar-09
	£'000	£'000	£'000
Analysis of net funds			
Note 16b Cash at bank and in hand :			
Defra fund	1,927	93	2,020
Cash and cash equivalents	17,950	916	18,866
	19,877	1,009	20,886
Short term investments - cash on deposit	4,785	(4,785)	-
Total	24,662	(3,776)	20,886

17. Trade payables and other current liabilities

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	(5,075)	(4,775)	(7,216)	(6,926)
Redundancy creditor (net)	(24)	(24)	(20)	(20)
Accruals and deferred income	(2,263)	(1,738)	(2,291)	(1,642)
Other creditors	(401)	(376)	(2,431)	(2,431)
Corporation tax	(395)	(205)	(191)	(184)
VAT	(465)	(352)	-	-
Other taxation and social security	(445)	(351)	(950)	(867)
Amounts owed to subsidiary undertakings	-	(179)	-	(191)
Defra underwrite for redundancy (Note 15) *	(2,020)	(2,020)	-	-
PIDS fund	(75)	(75)	(73)	(73)
Pension augmentation	-	-	(500)	(500)
Bank overdraft	-	-	(12)	(12)
Central Science Laboratory (Note 22)	(50)	(50)	(50)	(50)
Veterinary Laboratories Agency (Note 22)	(14)	(14)	-	-
Food from Britain (Note 22)	-	-	(6)	(6)
Amounts owed to other sectors within the AHDB group	-	-	-	-
	(11,227)	(10,159)	(13,740)	(12,902)
Intra-government balances				
Balances with central government bodies	(2,860)	(2,576)	(1,141)	(1,051)
Balances with public corporations and trading funds	(64)	(64)	(56)	(56)
Sub-total: Intra-government balances	(2,924)	(2,640)	(1,197)	(1,107)
Balances with bodies external to government	(8,303)	(7,519)	(12,543)	(11,795)
	(11,227)	(10,159)	(13,740)	(12,902)
Amounts falling due after more than one year				
Redundancy creditor (net)	(31)	(31)	(41)	(41)
Intra-government balances				
Balances with bodies external to government	(31)	(31)	(41)	(41)

* As stated in Note 15: Defra Fund, the agreement we have with Defra governing the use of the fund to meet potential future redundancy cost is due to expire in March 2010, hence the liabilities move from non-current liabilities as at 31 March 2008 to current liabilities as at 31 March 2009. Notwithstanding, the exact timing of this outflow is uncertain.

Included in the redundancy creditor (net) above are redundancy compensation payments receivable from the Rural Payments Agency, which are offset against redundancy compensation liabilities, as follows:

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Redundancy compensation payments	(73)	(73)	(124)	(124)
Less amounts receivable from:				
Rural Payments Agency	61	61	104	104
	(12)	(12)	(26)	(26)
Amounts falling due after more than one year				
Redundancy compensation payments	(65)	(65)	(132)	(132)
Less amounts receivable from:				
Rural Payments Agency	34	34	91	91
	(31)	(31)	(58)	(58)

18. Provisions for liabilities and charges

	Group			AHDB		
	1-Apr-08	Movement	31-Mar-09	1-Apr-08	Movement	31-Mar-09
	£'000	£'000	£'000	£'000	£'000	£'000
18a Property dilapidation provisions:						
Caledonia House (HGCA)	(225)	-	(225)	(225)	-	(225)
Nash Court (PCL)	(200)	-	(200)	(200)	-	(200)
	(425)	-	(425)	(425)	-	(425)
18b Provisions relating to relocation to Stoneleigh:						
Redundancy	-	(4,556)	(4,556)	-	(4,556)	(4,556)
HGCA pension fund enhancement	-	(2,000)	(2,000)	-	(2,000)	(2,000)
Property lease termination	-	(1,335)	(1,335)	-	(1,335)	(1,335)
	-	(7,891)	(7,891)	-	(7,891)	(7,891)
	(425)	(7,891)	(8,316)	(425)	(7,891)	(8,316)
	Timing of associated cash flow	Uncertainties				
18c Explanation of provisions relating to relocation to Stoneleigh:						
Redundancy - Nature of obligation: Relates to the redundancy cost of staff not relocating to AHDB's new headquarters location in Stoneleigh Park, Warwickshire. All affected staff had been notified of their situation as at 31 March 2009 and were on notice. Redundancy terms are specific to the individual's legacy sector organisation.	Concentration of redundancy payments in July 2009	No material uncertainties				
HGCA pension fund enhancement - Nature of obligation: Relates to the cost of enhancing the HGCA pension fund for qualifying staff over the age of 50 who will be made redundant as a result of the move to Stoneleigh. This results in an increase to the individual's Pensionable Service as if they had remained in Pensionable Service until their 60th birthday.	July 2009	Range between £1.9m and £2.1m on this provision				
Property lease termination - Nature of obligation: Relates to the cost of early termination of property leases for HGCA (London), PCL (Oxford) and HDC (Kent)	Mainly July 2009	No material uncertainties				

A grant of £4.75m from Advantage West Midlands, the Rural Development Agency for the West Midlands, is receivable during the year ending 31 March 2010, to partially offset the relocation expenditure highlighted above.

19. Reserves

Group	Pension funds	EBLEX sector fund	BPEX sector fund	HGCA sector fund	PCL sector fund	DairyCo sector fund	HDC sector fund	AHDB corporate centre	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds									
Balance at 1 April 2008	13,352	3,549	6,951	6,601	4,159	3,352	1,391	-	39,355
Transfer of excess depreciation on revalued assets	-	-	26	-	-	-	-	-	26
Pension scheme movements (Note 9):									
Actuarial loss	(2,282)	-	-	-	-	-	-	-	(2,282)
Contributions paid	1,171	(264)	(136)	(771)	-	-	-	-	-
Deficit on ordinary activities after taxation	(563)	2,068	(2,599)	(463)	(87)	1,324	699	(2,287)	(1,908)
Exceptional reorganisation expenditure	-	-	-	-	-	-	-	(7,965)	(7,965)
Reallocate AHDB corporate centre deficit to sectors	-	(2,148)	(1,392)	(3,204)	(1,770)	(958)	(780)	10,252	-
Balance as at 31 March 2009	11,678	3,205	2,850	2,163	2,302	3,718	1,310	-	27,226
Revaluation reserve									
Balance as at 1 April 2008	-	1,042	1,169	-	174	-	-	-	2,385
Transfer of excess depreciation on revalued assets from the General fund to the Revaluation reserve	-	-	(26)	-	-	-	-	-	(26)
Revaluation	-	(1,010)	328	-	(59)	-	-	-	(741)
Balance as at 31 March 2009	-	32	1,471	-	115	-	-	-	1,618

AHDB	Pension funds	EBLEX sector fund	BPEX sector fund	HGCA sector fund	PCL sector fund	DairyCo sector fund	HDC sector fund	AHDB corporate centre	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds									
Balance at 1 April 2008	13,352	2,580	6,466	6,601	4,169	3,157	1,391	-	37,716
Transfer of excess depreciation on revalued assets	-	-	26	-	-	-	-	-	26
Pension scheme movements (Note 9):									
Actuarial loss	(2,282)	-	-	-	-	-	-	-	(2,282)
Contributions paid	1,171	(264)	(136)	(771)	-	-	-	-	-
Deficit on ordinary activities after taxation	(563)	2,131	(2,568)	(463)	(74)	1,401	699	(2,287)	(1,724)
Exceptional reorganisation expenditure	-	-	-	-	-	-	-	(7,965)	(7,965)
Reallocate AHDB corporate centre deficit to sectors	-	(2,148)	(1,392)	(3,204)	(1,770)	(958)	(780)	10,252	-
Balance as at 31 March 2009	11,678	2,299	2,396	2,163	2,325	3,600	1,310	-	25,771
Revaluation reserve									
Balance as at 1 April 2008	-	1,042	1,169	-	164	-	-	-	2,375
Transfer of excess depreciation on revalued assets from the General fund to the Revaluation reserve	-	-	(26)	-	-	-	-	-	(26)
Revaluation	-	(1,010)	328	-	(72)	-	-	-	(754)
Balance as at 31 March 2009	-	32	1,471	-	92	-	-	-	1,595

Exceptional reorganisation expenditure relating to AHDB's co-location at Stoneleigh has been accounted for centrally and re-allocated back to sectors on the basis of their respective pre-Levy Board Review support costs as per the Accenture AHDB Business Case Report (24 August 2007). This was deemed to be the fairest means of apportioning exceptional reorganisation expenditure back to sectors by the AHDB Board and the calculation to support this can be seen below:

	EBLEX sector fund	BPEX sector fund	HGCA sector fund	PCL sector fund	DairyCo sector fund	HDC sector fund	Total
	£	£	£	£	£	£	£
Pre LBR 'backoffice' cost per Accenture	2,203,282	1,428,491	3,286,954	1,815,500	983,078	799,789	10,517,094
% Pre LBR 'backoffice' cost per Accenture	20.95%	13.58%	31.25%	17.26%	9.35%	7.60%	

20. Results of AHDB

AHDB's income and expenditure account is consolidated with its subsidiaries, as detailed in Note 7. AHDB generated a deficit of £9.69m for the year ended 31 March 2009 (2008: deficit £4.48m).

21. Financial commitments

	Group	AHDB	Group	AHDB
	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
Capital expenditure commitments				
Contracted for	-	-	-	-
Approved research projects				
Within one year	9,589	9,274	10,747	10,747
Thereafter	12,091	12,091	11,105	11,105
	21,680	21,365	21,852	21,852
Operating leases				
As at 31 March 2009 AHDB was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:				
Property				
Within one year	143	139	37	26
Between two and five years	286	280	25	19
Over five years	16	16	569	569
	445	435	631	614
Vehicles				
Within one year	39	39	63	63
Between two and five years	167	167	174	174
	206	206	237	237
Equipment				
Within one year	46	46	17	17
Between two and five years	31	31	68	65
	77	77	85	82

22. Related party transactions

AHDB is a Non-Departmental Public Body (NDPB) funded by statutory levies and sponsored by the Department for Environment, Food and Rural Affairs (Defra). Defra is a Government department which is regarded as a related party. Defra is the sponsoring department of the other executive agency's and NDPB's listed below and by virtue of their relationship with Defra are also regarded as related parties.

	For the year ended 31-Mar-09	As at 31-Mar-09	Restated For the year ended 31-Mar-08	As at 31-Mar-08
	£'000	£'000	£'000	£'000
	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):
Defra:				
Provision of market information	369	-	324	-
ADS and other grants	297	-	250	-
Inspection services	160	-	300	-
Consultancy services	35	-	77	-
Grant funding for Red Meat Industry Forum	32	-	750	-
Agriculture Development Scheme: Business improvement in the dairy sector	29	-	108	-
Reporting of cereal price information to the European Commission	2	-	2	-
Post-FMD promotional support grant	-	-	3,246	-
Beef Better Returns project	-	-	820	-
AHDB transition project support	-	-	254	-
Pig disease control project	-	-	184	-
Staff seconded to Defra	-	-	47	-
Sub-total	924	-	6,362	-
Year end debtor	-	232	-	2,579
Rural Payments Agency:				
Inspection services	2,911	-	2,931	-
Provision of market information	36	-	36	-
Teenage Girls campaign	-	-	32	-
Sub-total	2,947	-	2,999	-
Year end debtor	-	906	-	717
Natural England:				
Provision of market information	35	-	-	-
Sub-total	35	-	-	-
Year end debtor	-	33	-	-
Animal Health:				
Provision of market information	52	-	-	-
Sub-total	52	-	-	-
Year end debtor	-	-	-	-
Central Science Laboratory:				
Contribution to specific projects	(378)	-	16	-
Sub-total	(378)	-	16	-
Year end creditor	-	(50)	-	(50)
Veterinary Laboratories Agency:				
Contribution to specific projects	(31)	-	-	-
Sub-total	(31)	-	-	-
Year end creditor	-	(14)	-	-
Food from Britain:				
Joint projects	-	-	29	-
Sub-total	-	-	29	-
Year end creditor	-	-	-	(6)

During the year no main board directors, sector board members, senior executive staff or other related parties has undertaken any material transactions with AHDB. Levies were paid by a number of main board directors but these were on an arms length basis and the amounts are not considered material.

23. Contingent liabilities

At 31 March 2009 AHDB had a contingent liability relating to the possible replacement of air conditioning units at Caledonia House, which has been disputed with the Landlord. The value of this contingent liability is £111k.

24. Notional cost of capital

HM Treasury requires Non-Departmental Public Bodies to make a notional charge in their accounts for the cost of capital employed in their activities. The notional cost of capital represents the opportunity cost of the investment provided by the levy payers. In the year ended 31 March 2009 this was determined by applying 3.5% (2008: 3.5%) to the average capital employed by AHDB during the year, and indicates the return on the investment that an investor would otherwise be able to expect at the same level of risk.

25. Post balance sheet events

Milk Development Council Holdings Limited resigned as a member of Dairy Council Limited and AHDB became the sole guarantor of Milk Development Council Holdings Limited on 1 April 2009 (see Note 7: Investments).

26. Date authorised for issue

AHDB's financial statements are laid before each House of the UK Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly. FRS 21 requires AHDB to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by AHDB to the Secretary of State for Defra. The authorised date for issue is 1 July 2009.

Board and committee 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) – from 21 July 2008

Dennis Heywood, PCL (GB potatoes) – to 21 July 2008

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

A register of AHDB Board member interests was maintained and can be obtained by writing to: Administration, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TL

Statutory committees

AHDB Audit Committee

Clare Dodgson (Chair)

Neil Bragg

Lorraine Clinton

John Cross

Jonathan Tipples

Audit Committee terms of reference are published on www.ahdb.org.uk

AHDB Remuneration Committee

Chris Bones (Chairman)

Tim Bennett

Stewart Houston

Allan Stevenson

Remuneration Committee terms of reference 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
Frank Momber, beef farmer, Hampshire.
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 - from 1 April 2009

Ian Douglas, grain trade consultant

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

Rad Thomas, combinable crops farmer, Leicestershire

Stewart Vernon, combinable crops farmer, North East

Alex Waugh, flour milling industry

Colin West, brewing and malting industry

PCL Board (Potatoes, GB)

Allan Stevenson (Chairman) – from 21 July 2008

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

AHDB levy rates by sector from 1 April 2008 to 31 March 2009 (exclusive of VAT)
Except for Cereals and Oilseeds rates which ran from 01 July 2008 to 31 March 2009

SECTOR	Levy rate for 2008/09	Higher rate for late payment
Pigs (England)	£ per head	£ per head
Producer	0.75	0.825
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	£39.00 per hectare	£44.00 per hectare
Buyers of potatoes	£0.17 per tonne	£0.19 per tonne

AHDB office addresses

Main office

Agriculture and Horticulture Development Board
Stoneleigh Park
Kenilworth
Warwickshire
CV8 2TL

T: 02476 69 2051
E: info@ahdb.org.uk
W: www.ahdb.org.uk

Main sector offices

(Note: the sector offices close in July/August 2009 as part of the restructuring and co-location of AHDB operations)

Pigs (in England)

BPEX
Winterhill House
Snowdon Drive
Milton Keynes
MK6 1AX

Horticulture (in Great Britain)

HDC
Bradbourne House
East Malling
Kent
ME19 6DZ

Milk (in Great Britain)

DairyCo
Stroud Road
Cirencester
Gloucestershire
GL7 6JN

Cereals and Oilseeds (in UK)

HGCA
Caledonia House
223 Pentonville Road
London
N1 9HY

Beef and Lamb (in England)

EBLEX
Winterhill House
Snowdon Drive
Milton Keynes
MK6 1AX

Potatoes (in Great Britain)

Potato Council
4300 Nash Court,
John Smith Drive
Oxford Business Park
Oxford, OX4 2RT

European offices

Brussels
AHDB Meat Services
61 Rue de Trèves
1040 Brussels
Belgium

France
AHDB Meat Services
13 bis rue Paul Séramy
77300 Fontainebleau
France

Tel: 00 322 230 8668

Tel: 00 331 6071 0449

[BACK COVER]

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