

**AUTHORISED MINUTES
FOR CIRCULATION**



**MINUTES OF THE FIFTY-SIXTH MEETING OF THE BRITISH
POTATO COUNCIL HELD AT THE ROYAL YORK HOTEL,
YORK ON TUESDAY 12 SEPTEMBER 2006**

- * Mr David Walker - Independent Member (Chairman)
- * Prof Janet Bainbridge - Second Independent Member
- * Mr Colin Bradley)
- * Mr Douglas Harley)
- * Mr James Harrison)
- * Mr Kevin Littleboy) Representing the Interests of Growers
- * Mr Richard Maddocks)
- Mr John Rix)
- * Mr Fraser Scott)
- Mr Alex Stephens)
- * Mr Duncan Worth)

- Mr Barry Leathwood - Representing the Interests of Employees
in the Industry

- * Mr Robert Doig) Representing the Industry Subsequent
- * Mr Richard Harris) to Production
- * Mr Nick Twell)

- * Mr Nick Vermont - Member with Special Marketing and
Distribution Knowledge

* Present

By invitation: Mr Brian Harding, Director of CPP Division, DEFRA (Items 06/51 –64)

In attendance: Mrs Helen Priestley, Chief Executive
Mrs Inga Martin, Secretary
Mrs Catherine Lange, Marketing & Comms Manager (Items 06/51 – 56)
Dr Denis Alder, Head of Market Information & Statistics (Item 06/58 - 59)
Dr Sue Cowgill, Project Manager, R&D (Items 06/61 – 64)
Mr Phil Bradshaw, Supply Chain Manager (Item 06/65)

Mr Steve Moore, Head of Finance & IT (Items 06/67 - 69)

Action

06/51 VISITOR

The Chairman welcomed Mr Brian Harding, Director of DEFRA's Crops, Plant & Produce Division, to the meeting. Mr Harding had responsibility for the levy board reform project and chaired the Project Board and the Strategic Steering Group.

06/52 APOLOGIES FOR ABSENCE

Apologies for absence were received from Messrs Leathwood, Rix and Stephens.

06/53 MINUTES OF THE COUNCIL MEETING HELD ON 6 JUNE 2006 (BPCM/06/02)

The Minutes of the meeting held on 6 June 2006 were approved and signed as a true record.

06/54 MATTERS ARISING (BPCP/06/29)

Research findings: consumer behaviour (Minute 06/32)

Subsequent to the meeting, this topic had been discussed with major retailers and packers. There had been overwhelming support for the view that this was a major issue which needed to be addressed through bold and impactful messages.

The Chief Executive said there was evidence that industry companies had taken on board the risks highlighted in the research and were considering positive steps to combat these, such as promotional activities and redesigned packaging. The Chairman was pleased to hear that some, having been alerted by the BPC to this very real issue, were seeking to address it through practical action.

Data on in-home & out-of-home potato consumption (Minute 06/32)

Details had been circulated to Members in the monthly briefing report for July.

Consumer-type information for potential suppliers (Minute 06/32)

The Council noted that this was in hand, and that staff were collating information.

Information from Europe (Minute 06/32)

It was noted that the next issue of the Retail Report would contain an EU special, and that there were plans to disseminate information on the BPC website and through the supply chains teams.

Grower Panel (Minute 06/35)

The documents had been redesigned to include the question of occupation period suggested by Members at the previous meeting.

As regards the potential for commercial sale of data, two meetings had now been held with Kynetec. They were consulting the agchem industry and staff were awaiting a response/proposal from them.

Access Policy (Minute 06/35)

It was reported that a statement of BPC access policy had been produced and this now appeared on the Grower Panel website.

BPC policy on reserves (Minute 06/37)

As requested, a report had been produced (see Minute 06/68).

Safe Potato Handling (Minute 06/38)

The BPC Supply Chain Manager had taken up the matter of co-funding with the NFU, the HSE and Grimme. Formal responses were awaited but Mr Bradshaw was confident of being able to secure contributions.

Opportunities for getting involved (Minute 06/39)

Staff had started to discuss this but felt that now was not a good time to raise it, due to pressures of harvest work and so forth. The idea would be progressed when things were a bit more quiet.

Strategic R&D: Potato Genome (Minute 06/41)

Letters had been issued as requested. Positive responses had been received from SEERAD, BBRSC and OSI, though so far there had been no response from DEFRA. SEERAD were arranging a meeting of potential sponsor departments, which would be held as soon as possible.

Research Reviews (Minute 06/41)

Drafts had been received for all but one of the reviews. The matter would now be considered by the R&D Committee at its next meeting.

06/55 CONSUMER INSIGHT PRESENTATION (MR NICK VERMONT)

At the previous Council meeting, Members had been interested to learn that McCain had recently carried out a major piece of consumer research. They had taken up Mr Vermont's offer to present the results.

Mr Vermont said that, after three decades of steady growth, year on year, the

company had experienced an abrupt and fundamental change in product sales some 18 months earlier, and they realised that the GB food market had changed for ever. The reductions in sales applied across the business – food service, retail and QSRs – and could be linked to a number of factors:

- Reports of increased levels of obesity, in the population as a whole and, particularly, in children;
- The “Jamie Oliver effect”, which was aligned to health scares and reached way beyond the school gate;
- The perception of ‘fresh is best’, which when applied to chilled ready prepared meals was, in some cases, anything but factual; and
- A range of food scares.

Mr Vermont said that McCain had spent many years building up a brand which stood for convenient and nutritious family meals; they had introduced oven chips, used sunflower oil and reduced saturated fat levels; and they had promoted their products in an open and truthful way. However, all this could be swept away by some irresponsible - mischievous at worst, sloppy at best - journalism, portraying certain extreme cases as common and frightening consumers. The result was that our products had become demonised.

The research findings showed that 18% of consumers had changed their eating habits in response to the unfavourable media reports. There had been a huge drop in penetration; the leavers were the light users, but there were also signs that families, i.e. heavy users, shared the same concerns. Processed food was presented as junk food and there was a perception that all chips were full of fat, despite years of stressing the <5% message.

Mr Vermont said that school catering was an area of concern. The intention of the new regulations was that children would be fed healthy food, either in their lunchboxes or in the canteen. In reality, however, large numbers of children were abandoning the canteens and buying their own food, without parental or educational controls. McCain had engaged with schools and canteen caterers in oven trials over a period of time, using new technology to produce ‘ovenable’ quality products. The results had been a 10% increase in take-up and reduced running costs - and the kids liked it. However, there were two major issues: Firstly, there would be a cost (the new, specialised ovens were not cheap), which would test the resolve of Government. Secondly, and particularly disturbing, the current guidelines limited the opportunity. These prescribed that deep-fried foods must only be served on two days in a single week, and this included food which had been deep-fried *as part of the manufacturing process*. Thus, there would be no incentive for schools to use the newly developed system. The really disappointing issue was that these changes had been introduced for purely political considerations.

Mr Vermont said that these matters were, of course, concerns for McCain. However, in view of the company’s considerable market share (16%), he suggested that the research findings had industry wide implications.

Mr Vermont went on to say that there was a need to regain brand trust, and the outcome of the project gave clear pointers. There was much cynicism amongst

consumers, who distrusted processing but trusted what was seen as honest and natural. It was clear that ‘the factory had got in the way’ and there was a need to reconnect to the product. In response to this, a poster had been created which demonstrated, with great clarity and impact, the few steps between the soil and the finished product: digging, washing & peeling, chipping and frying lightly in sunflower oil. This had been hugely successful.

McCain had developed a major, integrated promotional campaign, under the slogan “It’s all good”, which highlighted the healthy aspects of the product offering. This was aimed at a whole range of stakeholders, including suppliers, Government, schools and consumers. It incorporated educational work with school children and a review of packaging, to show clearer consumer information for fats, sugar and salt (both the FSA traffic lights and the % of GDA).

Mr Vermont finished his presentation by giving a preview of McCain’s new TV advertisement, a musical extravaganza entitled “Chips Glorious Chips”, which would be broadcast that evening for the first time.

In response to a question from Mr Bradley, Mr Vermont said that he had no evidence of what had been substituted for the reduced consumption, but he doubted that much, if any, related to other potato products.

The Chairman thanked Mr Vermont for his informative presentation and wished McCain great success with their campaign. The Members concurred.

06/56 MARKETING AND COMMUNICATIONS ISSUES

Mr Vermont gave a brief report on issues discussed at the Marketing Committee meeting held the previous day.

National Chip Week 2007

The Committee had considered and approved campaign proposals for the 2007 NCW (12 – 18 February). These had been developed with inputs from a group of industry representatives, who had met a couple of weeks earlier. The meeting had been useful in clarifying the needs of the fish friers, who played an important role in the campaign. The budget was £160K, which was at the same level as in 2006 and significantly lower than in the year before that.

Grow Your Own Potatoes 2

Staff had presented a project evaluation for the 2006 GYOP, which was deemed by all as highly successful. It had been agreed to continue the project for another year and to seek to involve an even larger number of schools (1,100 in 2006).

Autumn Campaign

The slogan for the autumn campaign was ‘Fact not Fiction’. This would seek to challenge the commonly held beliefs about potatoes, in terms of health and convenience, which had come to light in the recent BPC consumer research.

Stepping up Marketing Activities

The Chairman said that a few years earlier the message from some stakeholder bodies had been that marketing activities should be the domain of industry companies and that the BPC should do less in this regard. That message had changed, and new challenges had emerged (e.g. health, convenience) which could be addressed through generic marketing efforts, so it was right to consider whether more resource should be devoted to this BPC function. The Marketing Committee had discussed the potential for increased spend, and this had been endorsed by the Audit Committee at its meeting the evening before. The Council agreed that the Marketing Team should be asked to review their activities and, if appropriate, put forward proposals for additional projects, through the Marketing Committee.

Marketing
Manager

Committee Structure

Mr Vermont said that, as reported previously, there had been issues with the Committee: some members had been lost for various reasons and the level of recent attendance had not been good. It was now suggested that some of the work could be done through working groups set up for specific campaigns or activities, along the lines of the NCW mentioned earlier. That way individuals could be chosen for specific things which were relevant to their own sphere of interest and they would not have to make any longer term commitment. A Committee would still be there for strategic control, guidance and budget approval, but would only need to meet twice a year. The Chairman, summing up, said that this would be a way of widening engagement at tactical level, whilst the Committee retained control.

The Council approved the proposal.

06/57 LEVY BODY REFORM

The Chairman invited Mr Harding to address the Council in the matter of the levy body reform project, with which he was closely involved, and to give his view on the progress to date.

Mr Harding welcomed the opportunity to meet the BPC and learn about its work. In his current role, which he had held since the Spring of 2006, he was involved with all agricultural commodities; his division managed the sponsorship of all existing levy boards; and he was personally charged with implementing the restructuring of those boards, and with preparing for the Fresh Start project, pending the recruitment of the Chairman and CEO of Levy Board UK.

Mr Harding, who had not been involved in the earlier part of the reform project, said that it had been decided to embark on this without the benefit of a business case. He agreed that this was a major shortcoming, but that was something he had to accept. The timetable was set and stopping the process was not an option. That said, he genuinely believed that the time was right for taking a long hard look at the industry and exploring opportunities for more cross-sector activities and stronger

cohesion.

Since the announcement was made in June, a Project Board and a Strategic Steering Group had been set up, under the chairmanship of Mr Harding, and both groups had met and started their work. The most pressing matter now was recruiting the Chairman of LBUK, which would be a key post. A number of applications had been received, the shortlist had been drawn up and it was hoped to make an appointment before the end of November. The requirement for independence had been relaxed somewhat so that, whilst a current levy payer would not be eligible, someone who had a previous interest in the industry might, provided any potential conflicts were properly declared. It was felt that this issue had been dealt with in a reasonable and pragmatic manner.

The post of CEO for LBUK, as well as those of the three independent members, would be advertised shortly. Job specs had been circulated to the Project Board. There was then the matter of appointing Chairs for the six sector companies. There was still much to do but, all in all, Mr Harding was happy with progress. He stressed that Fresh Start would be the responsibility of LBUK, but consultants (Accenture) had been appointed to prepare for that project. One of their critical tasks would be to create some business case scenarios, e.g. LBUK with centralised support services, autonomous sector companies etc. Other important matters for discussion were pensions and state aid clearance.

In response to questions from Council Members, Mr Harding made the following comments:

Size of LBUK: The body would have a strategic role and would be responsible for certain specific matters of governance. It must be a lean organisation (a handful of people, not an army) and it would not be acceptable to create additional bureaucracy and/or costs.

LBUK funding: Details of budget were not available but he was confident there was sufficient finance.

Ring-fencing of sector generated income: This was still the intention.

Roles of various consultants: Ms Radcliffe was an independent reviewer, whose report did not include a business case. She had recommended Fresh Start. The work commissioned to Accenture would not duplicate anything done before, and would draw from it.

If there is no compelling business case: Whilst no huge savings were expected, it was likely that there would be some. The benefits were potentially in the value of one body dealing with Government, and increased synergies between the SectorCo operations.

Mr Vermont commented that the industry had many business issues to contend with and the amount of resource which could be diverted to considering aspects of the levy body reform had to be limited. He was concerned lest 'the baby would be thrown out with the bathwater'.

Mr Harding agreed with the Chairman that, in the midst of this major change process, it was important that the Council remained focused on its policies and activities. He was aware from previous projects that this was not always easy. It had been decided to invite existing Members to stay in their posts and, whilst individual invitations had not yet been issued, this process was in hand.

The Chairman thanked Mr Harding for providing information and sharing his views, openly and with clarity. He hoped that there would be other opportunities for communication throughout the reform process, and that Council Members – who were not only business experts but also had a good understanding of industry issues – would be fully consulted.

Mr Twell, on behalf of the BPC's Audit Committee, raised the issue of the Council's reserves, wondering whether there was any suggestion that these might be used for other, non-potato sector, purposes. Mr Harding responded that he had no reason to believe that this was on the cards. The Chairman said that any such intention would be entirely unacceptable to the potato industry and he suggested that anyone contemplating it would be wise to remember the promised 'nuclear button'.

BPC Industry Forum (LBRIM/06/01)

The Chairman said that the Industry Forum, comprising current and former BPC members, as well as an NFU representative, had met for the first time on 31 July. It was clear from the excellent debate that forum members remained passionate about their industry and keen to do all they could to achieve a good outcome from the Review. Mr Littleboy, who had been unable to attend the meeting, felt that the notes (LBRIM/06/01) did not fully reflect the importance of the supply chain aspects of the BPC's activities. The Chairman agreed that it was useful to reiterate that this was a crucial feature of the organisation, which had been recognised in the Radcliffe Report. Mr Harris commented that there had never been any dissenting comments in that regard; he agreed that the meeting had been very constructive and useful and was pleased that the Chairman intended to continue that process.

Mr Maddocks asked what was the current thinking on linking levy collection to the Single Payment Scheme. The Chief Executive said that central funding ('top-slicing') was not an option. The idea of receiving information from the RPA to support the levy collection activities had previously been said by DEFRA to be unworkable. However, that message now seemed to have softened somewhat.

06/58 MARKET SIZE AND INDUSTRY STRUCTURE (BPCP/06/30)

The Paper, which had been produced in response to a request from the Council, looked at the current size and structure of the industry and gave some statistical projections for the future. Dr Denis Alder, Head of Stats & MI, presented the report.

Dr Alder said that the total potato consumption (close to 6m tonnes per annum) had been steady for the last 20 years, with a slightly rising trend, driven by population

growth. The last three years had seen a drop in per capita consumption, which could be a cause for concern, though it was important to be aware that this might be a statistical 'blip'.

Total demand at retail level was relatively stable in the longer term, though there were seasonal variations, with the lowest sales in the summer and peaking during December and January. A comparison of fresh and processed demonstrated that fresh potatoes accounted for 50% of sales, in terms of both volume and value. For processed products the situation was more complex: for instance dehydrates accounted for 12% of volume and 1% of value; for crisps the ratio was 12% volume and 26% value.

Dr Alder gave some information on seasonality, overall and in terms of old crop and new potatoes. The Chairman commented that there was no data which distinguished new and salad potatoes. This was particularly disappointing, as the latter was a major growth sector. Mr Vermont said that retailers' coding systems were sufficiently sophisticated to identify this information and suggested that it could be obtained through some in-store analyses. Dr Alder to consider and discuss with the Chief Executive.

Head of
Stats &
MI

Information about eating habits from the Family Food Panel was useful, though 'gappy' in some respects. The data indicated that potatoes were eaten with 44% of out-of-home meals, compared to only 18% of meals eaten at home. In-home, fresh potatoes were most popular (67%) whilst out-of-home processed products prevailed (78% were chips). There had been some increase in eating out and some reduction in eating at home. Dr Alder said that the negative relationship between cost and usage appeared more pronounced in the food sector. Mr Vermont warned against overlooking the effect of waste. Caterers were very cost conscious, which could result in less waste in a high price year, though there may also be substitution.

The Chairman said that the industry was always challenged to take a longer term view and he suggested that this type of information had an important part to play in that. He wondered how best to get this across to levy payers. Mr Worth felt that the annual reviews produced by the Market Information team were very good. Mr Doig said that there were often misleading comments doing the rounds in the industry, which were based on factual inaccuracies and faulty interpretation. He suggested that the information presented at the meeting could be useful in correcting some of these. Mr Harris added that the Market Information Committee had asked for this information and had, in fact, convened a special meeting to consider it. The Chairman asked that Dr Alder consider how best to advise levy payers of the existence of the information.

Head of
Stats &
MI

The Chairman concluded that dissemination had, to some extent, to be self-selecting. There were those who chose to take up the information, whilst others declined. Professor Bainbridge said that this mirrored the situation with R&D and KT. The BPC could promote its products to a reasonable degree, but in the final event it was up to businesses whether they wished to take advantage of them; a sensible balance had to be struck.

Mr Vermont left the meeting at this point.

06/59 GROWER PANEL UPDATE

Mr Maddocks asked for a progress report on the development and operation of the Grower Panel project, with particular reference to crop clearance figures. Dr Alder said that panel members for 2006 had been selected and informed. There would be only two forms to complete this year and that process would shortly commence. In conjunction with this project, telephone surveys were carried out to establish the lifting progress. As with any statistical task, this was dealt with through sampling, and weighting, following a predetermined methodology. Currently, lifting of the 2006 crop was five days behind compared to the previous year, which was not very significant. Dr Alder said that he was satisfied with the progress and confident in the results.

Mr Doig felt that there had been a great deal of regional variation, in terms of yield and lifting progress, this year, as a result of which there seemed to be more questions than normal on this topic and there were those who questioned the accuracy of the BPC's data. Mr Bradley said that the published information seemed to be at variance with his own knowledge of local conditions. Other Members, however, pointed out that the situation in their regions differed. Mr Bradley was concerned that the later lifting, reduced yields and lower consumption were not being properly reflected. It was felt that the dynamics of this interaction could not be properly answered at this time. The Chairman said that the discussion showed that there were considerable regional variations, and this coloured individuals' understanding of the national crop, thus demonstrating the importance of having unbiased data and being able to see the total picture.

Mr Maddocks made the point that, following the discontinuation of the yield survey programme, there was now a greater onus on the Grower Panel and he wondered whether this was sufficiently robust: he had not been contacted. The Chairman responded that the decision to stop the yield digs had only been taken once the Council was satisfied that there was robust correlation between the two sets of data.

Mr Harley reminded the meeting that one of the major selling points of the Grower Panel system had been interactivity. In view of this he felt that the speed of getting data back to participants was, so far, rather disappointing. Dr Alder said that the team was working on this, and on other tasks, as quickly as possible.

The Chairman said that the discussion had raised a number of questions which required formal responses. He asked staff to prepare a report for the next Council meeting, through the Market Information Committee, such report to include a review of priorities and current resources.

Chief
Executive

06/60 MARKET INFORMATION ISSUES

Mr Harris reported that one result of the Council's decision to discontinue the yield survey programme, was that production figures would be available later than in the past. This was an important issue for the Committee members and they had been very disappointed not to have been consulted, due to a problem with

communications. After a full and open discussion, in the course of which they were able to vent their opinions, it had been decided to leave it to the BPC to come forward with a suitable solution, similar to the previous arrangements. The Chief Executive and Dr Alder had subsequently proposed the following process for publishing production figures:

- First estimate late June
- Provisional figures mid November
- Final figures January

The figures would be collated from various relevant sources, including the Grower Panel and participating industry companies.

Mr Harris commented that it would be unrealistic to expect that any major change, like the one discussed, could be implemented without one or two teething problems. The proposals had been accepted by the Committee, there had been no adverse comments, and the matter was now closed.

The Council noted the situation and agreed with Mr Harris that it was important to adopt a long term view when setting policies, but also to be prepared for making changes where that was warranted. Proper involvement of the Market Information Committee was explicit in our decision making process and it must be seen to be so.

The Chairman thanked Dr Alder for his presentation and he left the meeting.

06/61 R&D ISSUES

Dr Sue Cowgill, R&D Project Manager, joined the meeting.

World Potato Congress (WPC)

The Chairman reminded the Council of some issues which had been raised in the R&D Strategy Document: the lack of succession planning and consequent risk of eroding the knowledge base when experts retired or left for other reasons; changes in Government research strategy; the expectation that applied R&D will be undertaken by the industry; and the need for international co-operation. He had invited other levy funded bodies to a meeting at the recent WPC in Boise, Idaho, for a preliminary discussion of these topics, and there had been representation from New Zealand, USA, Canada, South Africa, Australia and CIP. Others, e.g. France and Sweden, had been unable to be there but had expressed an interest in taking part in later discussions.

All who were there had confirmed that they recognised the issues as important and relevant to them. There were some potential conflicts but, in general, the idea of information sharing and collaboration had been strongly accepted. The Chairman said that, if the enthusiasm expressed at the meeting persisted once the attendees returned home, and if a sufficient number of countries, say three, wanted to be involved, then he would be happy to take the matter forward. The issue was not confined to R&D alone.

Professor Bainbridge thanked the Chairman for taking a lead in this important matter. She went on to introduce a number of R&D subjects.

06/62 SEED MANAGEMENT & CROP UNIFORMITY (BPCP/06/35)

At its previous meeting the Council had asked for an assurance that there were arrangements for critically evaluating this important project, which had been commissioned to Cambridge University Farm (CUF), in terms of relevant science, whether it would fulfil the original vision, and whether the results were correctly communicated, as well as the level of take-up by growers.

Professor Bainbridge said that the quality of the science was undoubted. However, it was very important for the results to be disseminated widely – not just to a small number of initiated growers. The need to convince the Council that project work constituted good value for money and provided useful results for the industry, applied to all R&D work. In this case, though, because of the technical complexity of the work, it had been necessary for the BPC to manage that part of the process to a degree which did not normally occur.

The Paper explained the actions taken by staff to assess the uptake of the seed management work. Dr Cowgill said that the outcome would help in developing the KT programme for the follow up project on crop uniformity. A number of industry contacts had been consulted in the course of the review so far. Mr Harris said that one of them considered the work to be excellent whereas another was far less complimentary, an interesting discrepancy. Professor Bainbridge responded that it was important to establish the reasons for such variations and whether there were any particular blockers.

Staff recommended that an independent consultant be engaged to assess the degree of new knowledge penetration in the industry, carry out a cost/benefit analysis, and establish the existence and size of barriers to uptake, at a cost of £8K. (The total cost for the project (2004 – 2007) was £562.7K).

The Council approved this proposal.

R&D
Director

The Chairman said that Mr Allen of CUF had taken the results of this work to USA, where some major growers had adopted them. There had been presentations on related subjects at the recent WPC. Mr Harley commented that this was highly technical work, which not everyone would relate to; it was important to keep a balance.

06/63 STRUCTURE OF SBEU BUSINESS PLAN (BPCP/06/36)

Professor Bainbridge reminded the meeting that the BPC's Unit at Sutton Bridge was acknowledged as a unique facility for storage research work. The Operations Manager, Adrian Cunnington had given a very well received presentation and he had been asked to produce a business plan. The Paper set out the proposed outline for this project, for Members' comments.

The Chief Executive explained that the current business plan would expire the following spring and the future of the Unit would depend on a certain amount of capital expenditure. The Chairman added that, under Treasury Rules, planned Capex must be flagged up at an early stage.

Mr Harris said that he had recently spoken to a senior business man who was based in America but did business in Europe and elsewhere. He had made two comments which Mr Harris thought his fellow Members would be interested in: firstly, he had congratulated Mr Cunnington on his excellent presentation at the WPC; secondly he thought SBEU science was excellent and that the customer service provided by the team was first class.

The Council approved the outline of the business plan, as set out in the Paper. Mr Worth suggested, and all agreed, that it would be sensible to involve some industry representatives, including BPC Members, in this project. That was particularly important as the potential for cross sector (non-potato) work should be considered.

R&D
Director

Mr Maddocks had told the Chief Executive that he had never been to Sutton Bridge and wished to do so. The local Manager would make contact and set up a visit. Any other Members interested in visiting the Unit were invited to let staff know.

Members

06/64 EMERGING ISSUE: GMO (BPCP/06/37)

An announcement that BASF, a company based in Germany, had applied to DEFRA for permission to carry out field trials of genetically modified potatoes in the UK in 2007, had engendered a great deal of media interest. The BPC had received a number of enquiries both from the press and from consumers.

The Paper was in two parts. The first reproduced a briefing document published by the Soil Association, annotated with BPC comments on various points and claims contained in the document. The second part set out a statement of the BPC's position on this subject. In response to questions from Members, the Chairman said that part 1 of the paper was not a response to the Soil Association: the purpose of the document was to aid our own understanding of this complex topic. Reports and comments tended to be emotionally charged and it was important to try to separate these from factual information.

Professor Bainbridge stressed that there would be a long time between a trial and genetically modified potatoes hitting the plate – perhaps six years if all went according to plan and there were no hitches. She believed, however, that if the proposals did go ahead, then the BPC should be prepared to provide full information, clearly and dispassionately.

The Council reaffirmed the BPC's position on the topic, as set out in part 2 of the paper. Mr Doig stressed that it was not the BPC's role to defend GMOs. Mr Harley agreed that the BPC had to be wholly neutral.

Mr Bradley made the point that the discussion so far had centred entirely on the science and ignored the consumer angle when, in fact, that was the real issue. All

agreed with his suggestion that the Marketing team should carry out some ‘what-if’ analyses.

Chief
Executive

Mr Harding left the meeting at this point.

R&D Project Proposals

Professor Bainbridge sought Council endorsement for the following two projects which had been accepted by the R&D Committee:

Extracting DNA from soils and applying the method to PCN assessments: *collaboration between CSL at York and Food Institute in NZ. Cost: £64K over two years.*

Skin spot – to develop and validate a diagnostic to quantify pathogen loading for improved risk assessments: *SAC and SBEU, with the diagnostics being developed by CSL. Cost: £10.6K over six months.*

The Council ratified the Committee’s decisions.

Potato Genome

Dr Cowgill had attended a meeting of the American Potato Association and Solanaceae workshop, where she learnt that ca 60% of the required funding had now been secured. USA had paid \$10m and there had been contributions from China and Ireland. As reported previously, a meeting was to be set up by SEERAD, who had responded positively to the letter from the BPC. Professor Bainbridge reported that she had now learnt that this included DEFRA as well. The Chairman asked that a copy of the BBRSC response be sent to DEFRA (Mr Brian Harding).

R&D
Director

The Chairman thanked Dr Cowgill for her contribution and she left the meeting, as did Professor Bainbridge.

06/65 SUPPLY CHAIN INDUSTRY CONTACT ASSESSMENTS (BPCP/06/31)

At its meeting in June the Council had agreed that it would be helpful to receive a presentation on supply chain matters, such as communications, activities, issues and successes. In response, the Supply Chain Managers had produced a report which showed, for all major industry companies, the level of engagement with the BPC, at different organisational levels and in different functions; this was demonstrated by a star rating system. Mr Phil Bradshaw attended and presented the Paper to the Council.

Mr Bradshaw told the meeting that there had been some notable successes, where businesses which had previously been negative towards the BPC had recognised the value of the services provided and had, therefore, shifted their stance. Some others were traditional supporters of the BPC and were very helpful to staff. Others still had yet to be persuaded of our value. Particular challenges were focusing resources for grower groups and the best way to communicate with non-aligned producers. He went on to say that grower engagement needed dramatic messages.

The soil workshops were an example of successful events. There had been several joint activities with the NFU and the working relationship with that organisation was excellent. Mr Bradshaw said that one learning point, which would inform future activities, was that customers wanted a more tailored approach, which recognised their particular business needs.

The Chief Executive added that there were some companies who engaged with the BPC and contributed, but who would never endorse a development council, as such bodies were contrary to their business philosophy. Also, growers often liked to see activities with an immediate impact, such as Grow Your Own Potatoes and KT projects on raising awareness of cross-compliance, but were less keen on longer term development type work.

The aim of the BPC's supply chain staff structure was to communicate at a senior level in industry companies. Mr Harley commented that things were much improved in that regard. The Chairman said that there were some organisations where Supply Chain staff found it difficult to 'break into' the higher echelons. Mr Harris thought that the important thing was for staff to communicate at whatever level or function they could; the message would filter through to some degree.

In response to questions about the benchmarking programme, Mr Bradshaw said that he was still awaiting DEFRA's decision on the BPC's grant application. Also, the project was being kept in low-profile mode while growers were busy harvesting.

The Chairman thanked Mr Bradshaw for his presentation and he left the meeting.

06/66 REPORT OF AUDIT COMMITTEE

Mr Littleboy said that, at its meeting the previous evening, the Audit Committee, had considered various accounts and budget matters (see Minute 06/68). There were a couple of other issues to bring to the Council's attention.

Annual Report & Accounts: 2004/05

The annual report and accounts for the year ended 30 June 2005 had now been published. Copies were available for Members.

Auditors

Since the National Audit Office assumed responsibility for auditing the Council's accounts, they had subcontracted this work to Mazars. NAO had now decided to offer tenders to selected firms, for the next three years, and Mazars had not been invited to bid.

06/67 BUDGETS FOR 2007/08 AND EFFECT ON FINANCIAL RESERVES (BPCP/06/33)

The Chairman reminded the Council that, at its meeting in December, they would be requested to agree levy rate proposals for 2007/08, and to approve the outline

budget for the period in question.

To help Members prepare for this, and in response to a request at the previous meeting, the Head of Finance & IT had prepared a Paper, which gave background information and explained the various reserves: General reserve (exit costs in the case of wind-up); Designated reserve (aggregate redundancy obligations); and Revaluation reserve (in respect of land & buildings at SBEU).

The Paper set out a number of scenarios regarding expenditure, e.g. frozen, increased by inflation and so forth, all based on the same assumptions, for the period up to 2009/10. The Council noted that, for the second year running, there had been an increase in the registered potato area and this, as well as the consequent increase in income and planned cost savings, had been incorporated in the statistical trend line. It was further noted that, based on the listed assumptions, which were approved by the Council, current activities could be sustained within the projected income for the period in question.

06/68 DRAFT ANNUAL ACCOUNTS: 2005/06 (BPCP/06/34)

Mr Moore presented the Annual Accounts for the year ended 30 June 2006, which were in draft form. The audit review was in progress, the ‘signing off’ meeting was scheduled for 25 September, and the final accounts would be presented to the Council for approval at its meeting in December. The Chairman said that, at the Audit Committee meeting on 11 September, it had been agreed that Note 5 to the Accounts could be misleading, in that it showed an increase to his remuneration. A note would, therefore, be inserted to show that this related to the period when he worked full time.

Mr Harley said that he would find it useful to see details of the expenditure under the heading of Finance, Audit & IT. The Chairman asked that a breakdown of these items be circulated to all Members.

Head of
Finance &
IT

06/69 BPC COMMITTEE MEMBERSHIP

The Council’s agreed policy was to review the membership of BPC Committees on a regular basis.

Seed Sectoral Group

The appointment of the following four new members (industry representatives) was ratified by the Council: Mr Tim Halliwell of Wm Fraser, Potterton, Aberdenshire; Mr Charles Gray of CB Gray, Portsoy, Banffshire; Mr James Foskett of James Foskett Farms Ltd, Woodbridge, Suffolk; and Mr Alistair Melrose of A J Allan (Brechin) Ltd, Brechin, Angus.

R& D Committee and Market Information Committee

The membership of these two committees was under review; details would be

reported in due course.

06/70 SEED & EXPORT ISSUES

The Chief Executive reported that the SSG meeting on 31 August had been held at the offices of SASA in Edinburgh, and had included a tour of the premises.

PCN

A letter had been sent to SEERAD requesting implementation of compulsory PCN testing of land used for production of farm saved seed, as early as possible, as agreed in the 2005 consultation on plant health regulations. SEERAD had acknowledged receipt and confirmed that the matter would be considered.

Better Regulation in plant varieties & seeds area

DEFRA and SEERAD had embarked on consultation on legislative changes, which included National Listing and continued VCU testing. Iain Dykes would be working with the industry to produce a response.

Export activities

The Group had received progress reports on a range of export activities, as well as a review of the Safe Haven Scheme.

Industry events

Potatoes in Practice had been very successful. There had been a record attendance of 530, of whom 130 were growers.

Work was on target for the 2006 Seed Potato Event: Crieff Hydro on 2 and 3 November.

06/71 REGISTRATION AND LEVY COLLECTION ISSUES: UPDATE (BPCP/06/32)

The Council received the following report concerning issues related to registration and levy collection

Planting Returns: Review

Period pre-2002

All matters relating to previous years had been resolved. In a number of cases it was necessary to mount prosecutions (England & Wales) or make reports to the Procurator Fiscal (Scotland); in some instances this led to Court Hearings and convictions, but most producers decided to make returns before matters went that far.

Returns: 2002 - 2004 (England, Scotland & Wales – Prosecutions)

Cases relating to levy payers in England and Wales were handled through the BPC's in-house prosecution system.

Most matters had now been resolved. A total of 1,169 cases (123 purchasers and the rest producers) had been referred to the Legal team for action. Offences included failure to make returns and alleged false returns. 213 producers and 18 purchasers (including two 'continuing offences') had been summonsed by Oxford Magistrates Court. The great majority had provided the outstanding returns in response to this; 25 (20 producers and 5 purchasers) were convicted, fined and ordered to pay costs.

Staff believed that their determination to pursue all defaulters, through the Courts if necessary, was now quite well understood. Some producers and purchasers decided to go to the wire before agreeing to comply, but few let it go as far as a Court hearing. The objective was to use other forms of persuasion (e.g. phone calls) and to reduce the number of reports to the Magistrates; this had been effective.

Returns: 2005 (England, Scotland & Wales – Prosecutions)

Whilst the great majority of returns had now been received, a disappointing 230 had had to be referred to Legal (137 in the previous year). Thirty-one producers had been prosecuted; 24 had complied but, unfortunately, seven had not and they had been convicted by the Court, fined and ordered to pay costs. (Four of these had still not complied, so may have to be prosecuted again – 'continuing offence'.) They would be pursued with overdue returns for 2006. The next Court hearing was scheduled for 3 November 2006.

Purchasers: Outstanding Tonnage Returns

Good progress had been made: out of the cases referred to the Legal team for 2003 - 2005, all but 1 had been resolved.

Levy Debt: Rates of Collection

2002 area levy	99+ %
2003 area levy	99+ %
2004 area levy	99+%
2005 area levy	99+%
2001/2002 tonnage levy	99+%
2002/2003 tonnage levy	99+%
2003/2004 tonnage levy	99+%

2004/2005 tonnage levy	99+%
2005/2006 tonnage levy	Quarter 1 – 99+%; Quarter 2 – 99%; Quarter 3 – 97.3%

Legal Debt Collection

To date, the number of cases passed to our legal debt collection team for action, covering the last seven years was 3,558 (2,758 producers and 800 purchasers). Of these, 3,514 (2,731 and 783 respectively) had been cleared. Area levy wise, £3,976.1K had been collected, leaving £34.2K outstanding. The relative tonnage levy figures were £349.4K and £10.5K respectively.

Planting Returns 2006

This was the second full year of using the map-based planting returns. After an encouraging start, the rate of receipt had slowed down and there were still 390 producers who had not submitted their forms. Their plantings would be estimated under our statutory powers. Habitual defaulters were handled through the Legal fast track system.

Efforts to keep administrative costs down continued. However, it inevitably proved necessary to report some cases for prosecution and that was expensive – particularly in Scotland.

Area Levies for 2006

These would fall due on 1 December 2006. Invoices would be issued during the week commencing 16 October. Levy rates were £39 per ha for payments received by the due date; £44 per ha for late payments. Where returns had not been received, the levy would be based on estimated areas.

Audit of Producers' Records

The Secretary reported that a review of records would be carried out, for data protection purposes and to ensure that information was targeted carefully. Survey forms would be sent out with the levy invoices.

Planting Returns for 2007

The Secretary told the meeting that the format of the return would be reviewed later in the autumn. One intention was to reduce the 'size' of the documents by using less colour, whilst retaining the corporate style, thus speeding up the scanning onto the electronic record system. Mrs Martin said that the systems were excellent but there was always room for improvement. The final version would be presented for approval in December.

06/72 REGISTER OF MEMBERS' INTERESTS (BPCP/06/38)

The Register of Members' Interests had been circulated prior to the meeting and a

number of amendments were notified to the Secretary. *The revised Register is annexed to these Minutes (Members only)*

06/73 APPLICATION OF THE COUNCIL'S SEAL (BPCP/06/39)

On the proposal of Mr Worth, seconded by Mr Harrison, the Council approved the application of its seal to the following documents, which had been authenticated by Mr D F Walker and Mr J R Harris:

- A lease between the BPC and its sub-tenants
- A licence to underlet, between the BPC, its sub-tenants and its superior landlord
- A rent deposit deed

(Authentication on 6 and 7 July respectively)

- A novation agreement

(Authentication on 12 and 13 July respectively)

06/74 MEMBERS' HONORARIA (BPCP/06/40)

DEFRA had confirmed that, as part of the annual review of Civil Service salaries, they had increased the allowances payable to Levy Board Members, by 3.25%.

The Council agreed to increase the honorarium from £104.50 to £107.90 per day.

Following a discussion on the disparity of honoraria paid to members of different levy boards, the Chairman was requested to raise this at the forthcoming meeting with Sponsoring Departments.

Chairman

06/75 ARRANGEMENTS FOR DECEMBER COUNCIL DINNER (BPCP/06/41)

The Council confirmed that it wished to continue the tradition of inviting Members' partners, as well as past Members and their partners, to a dinner on the evening before the December meeting. For past Members and guests, all costs, including accommodation would be borne by them, rather than the Council. The same applied to the cost of the meals of Members' partners. The BPC would, however, make the bookings, so as to get the benefit of group terms. (For the purpose of this arrangement, 'past Member' denoted that the person had left the Council at least a year previously.)

06/76 DATES FOR COUNCIL MEETINGS IN 2007

The Council agreed the following dates for meetings in 2007:

<u>Dates</u>	<u>Venue</u>
Monday 5 & Tuesday 6 February	Harrington Hall, London
Monday 16 & Tuesday 17 April	Harrington Hall, London
Monday 4 & Tuesday 5 June	Nash Court, Oxford

The Secretary said that one of the issues discussed at the Forum meeting on 31 July was that of Co-operatives and Producer Groups. The Forum had reinforced the Council's recommendation that potatoes handled by co-operative type ventures should be exempt from tonnage levy. It had been recommended that the consultants might meet with representatives of the sector, as part of the pre-Fresh Start consultation. Discussions with industry contacts indicated that they would be happy to take part in a meeting.

The Chairman said that the comments made by Mr Harding earlier in the meeting indicated that the DEFRA team were on target and that they were confident of being able to deliver on time – Vesting Day April 2008. The most pressing task was recruitment of the personnel for LBUK and that was clearly being progressed with all speed. Only when the 'shadow board' was in place could Fresh Start begin in earnest. The Strategic Steering Group was due to meet later in the week (14 September) and further information might be gleaned then.

The Chairman concluded by saying that he remained committed to clear and open communications with the industry. He intended to call another meeting of the Potato Forum when there were substantive developments to report.

Chief Executive: working arrangements

The Secretary reported that the Chairman, following consultation with relevant Members, had agreed to a request from Mrs Priestley to reduce her working time to four days per week. This was in line with the Council's policy on flexible working for parents of young children. Business demands would take preference, but the intention was that she would not work on Fridays. The Council approved this decision.

06/79 DATE OF NEXT MEETING

It was agreed that the next meeting of the Council would be held in London on Tuesday 5 December 2006.