

**AUTHORISED MINUTES
FOR CIRCULATION**



**MINUTES OF THE FIFTY-SEVENTH MEETING OF THE
BRITISH POTATO COUNCIL HELD AT HARRINGTON HALL
HOTEL HARRINGTON GARDENS SOUTH KENSINGTON
LONDON ON TUESDAY 5 DECEMBER 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

In attendance: Mrs Helen Priestley, Chief Executive
Mrs Inga Martin, Secretary
Dr Mike Storey, R&D Director
Mr Phil Bradshaw, Supply Chain Manager (Item 06/89-92)

06/81 APOLOGY FOR ABSENCE

An apology for absence was received from Mr Kevin Littleboy.

06/82 RE-APPOINTMENT OF COUNCIL MEMBERS

The Secretary said that the Sponsoring Department was waiting to announce the reappointment of BPC Council Members and wished to be sure that the biographical details to be included in the statement were accurate and up-to-date. The texts were tabled for Members' perusal, together with political activity questionnaires, which some Members had not yet completed; these forms were very important. Mrs Martin said that she would be happy to collate the documents or, alternatively, these could be forwarded direct to DEFRA.

Members

06/83 MINUTES OF THE COUNCIL MEETING HELD ON 12 SEPTEMBER 2006 (BPCM/06/03)

The Minutes of the meeting held on 12 September 2006 were approved and signed as a true record.

06/84 MATTERS ARISING (BPCP/06/43)**Marketing & Communication Issues (Minute 06/56)**

Grow Your Own Potatoes 2 – A Contractor, Tracy Coult, had been taken on to manage the project for the school year 2006/07. The target was to involve one in 5 schools (one in 20 for the previous year), which would be quite a challenge, but staff were confident of achieving this.

Stepping up Marketing Activities – Injecting additional funds into the Autumn campaign, which was at an advanced stage, would not give a good return. The intention was, therefore, that the challenge to come forward with proposals for additional projects would be transferred to the Summer 2007 campaign. The stakeholder campaign group had met on 30 November. A demonstration trailer unit had been procured, which would be used at future BPC events and which would also be available for industry hire. There had already been expressions of interest, from the trade and from producers who did their own marketing.

Market Size & Industry Structure (Minute 06/58)

Data distinguishing new and salad potatoes – Further examination indicated that industry interest in more detailed data was insufficient to warrant the costs of collection.

Communication of Information – The kind of information presented at the meeting was communicated through the various BPC channels, including Grower Gateway.

Grower Panel Update (Minute 06/59)

Lifting progress – The Market Info team had called all Panel Members who had reported that they still had fields to lift, in order to test the robustness of the systems. The Head of MI reported that this had resulted in very little change, less than 1%.

Interactivity – This was now in place.

Market Information Issues – The Market Information Committee had met on 23 November (See item 06/93)

SBEU Business Plan (Minute 06/63)

Cross Industry Consultative Group – The group had been formed and would meet on 13 December.

Visit to the Unit – Mr Maddocks had been invited to visit SBEU.

Emerging Issue: GMO (Minute 06/64)

A ‘what-if’ analysis had been carried out, as requested, and, after approval by Council Members, the CEO had made a submission on behalf of the BPC; DEFRA’s decision to approve the trialling of genetically modified potatoes had recently been announced. (See item 06/99)

Potato Genome – The BBRSC response had been forwarded to DEFRA, as requested. A meeting had been held at SASA on 29 November, which had been attended by the BPC. (See item 06/94)

Finance issues (Minute 06/69)

Expenditure details for Finance, Audit and IT had been included in the Members’ Update in October.

Members’ Honoraria (Minute 06/75)

The Chairman reported that he had applied to DEFRA for an increase in the daily honorarium paid to BPC Members, from £107.90 to £175.00. The Council noted that this was in line with the amounts paid by other levy bodies; a formal response was awaited.

06/85 LEVY BODY REFORM: PROJECT BOARD & STRATEGIC STEERING GROUP (SSG)

The Chief Executive said that the levy body reform project was progressing according to the published timetable, She presented a brief overview of recent developments.

Mr John Bridge, the newly appointed *Chairman Designate of Levy Board UK*, had

met Project Board members at a recent meeting, and he had also spent some time with the BPC Chairman.

Recruitment of three independent Members and six Sector Co Chairs, who together would make up the board of LBUK, had commenced. Details of applications were not yet available.

It has subsequently been announced that there were 50 applications for independent board members and 49 applications for sector co chairs; sifts will take place in December and interviews will be held in January 2007.

The Reform Team were busy preparing the *Statutory Instrument* (secondary legislation), which would govern the operations of the new bodies. Time was short and, therefore, any recommendations had to be submitted as soon as possible.

Another issue which was keeping the team occupied was that of *staff pensions*. Currently there was a wide range of arrangements, from final salary schemes to payments into individuals' personal pension plans. The intention was that, at least initially, these arrangements would all continue for existing staff who transferred into the new bodies, but be closed to new employees. They would be covered by a separate arrangement – either a new plan or one of the current schemes – probably run by LBUK. Any decision to harmonise the schemes would be taken at a later date.

Other issues which were under discussion were whether the transfer to the new organisation would attract *corporation tax* and whether the new bodies would be *VAT* registered. In the case of the BPC, if VAT could not be reclaimed, the effect on income would be a cut of ca 10%.

Accenture, the consultants commissioned by DEFRA, had taken part in various industry meetings, in the course of their evidence finding project. The available funds restricted them to two events per levy body. For the potato sector, these had been a meeting with BPC staff and attendance at a Potato Forum meeting on 8 November. Comments put to the consultants at that event were set out in LBRIM/06/02, which was included in the Council papers.

Accenture's brief was to collate evidence in preparation for the *Fresh Start* project, and they were due to report to the LBUK Chairman Designate in early 2007. They had gathered levy payer views through a structured telephone survey, and an online survey, which was more of an 'open to all'. The latter exercise had caused some raised eyebrows amongst BPC staff, who felt it lacked robustness and questioned its value. This had dented employee confidence in the reform process to some extent but, overall, *staff morale* was fairly good.

One contentious issue was that of *voting rights* in the ballot, which would be provided for in the new legislation. DEFRA had indicated that they would favour a 'one-levy-payer-one-vote' system, on the grounds that it was straightforward and democratic. This ran directly contrary to the view of the BPC, namely that votes should be analysed both by number and by weighting (area for producers and tonnage for purchasers). The Chairman made the point that, as the BPC had robust

and up-to-date information about its levy payers, such a system could be managed, as it had been in two Statutory Reviews. Furthermore, it was in line with the industry's concept of fairness, which had been reiterated by the Potato Forum and had the backing of the NFU Potato Issues Group.

06/86 POTATO SECTOR CO: BOARD STRUCTURE

The Chief Executive believed that the Reform team would be amenable to receiving recommendations on the size and structure of the future potato company; she asked Members for their views, which she could feed into the debate.

Members felt that, in order to adequately represent the diverse potato industry, the body would have to be sizeable, but not so large that it became unwieldy and cumbersome. After discussion, it was agreed to support the recommendation of the Potato Forum, that the total number of appointees should be 14 – 10 representing the interests of potato producers and 4 representing the industry beyond the farm gate. Members agreed that it would be important to have a good spread of representatives across sectors and also, preferably, with a geographical dimension. However, they further agreed that those aspects should be set out in a statement of intent and not be formalised in the legislation, thus retaining maximum flexibility. This reflected the strongly held view within the Council that the paramount selection criterion for members should be personal ability. With three independent members of LBUK and for the reasons explained, the meeting felt that there should be no statutory imposition of independent members in the Sector Co.

The Sector Cos would have an important role in advising the LBUK Chairman, hence the choice of members was critical. In response to questions from the meeting, the Chairman said that he did not expect that DEFRA would consult the Council on the selection. However, he made the point that the Sponsors had adopted a pragmatic stance so far, and hoped that there would be an opportunity for industry feedback. Members concurred, pointing out that the activities were funded by industry money.

06/87 BPC LEVY COLLECTION METHODOLOGY (BPCP/06/44)

The Chief Executive, who introduced the Paper, reminded the Council that the BPC's levy collection function, and the costs incurred in managing this, had been the subject of debate for a very long time. The issue had been reviewed, in some detail, by a working group in 2005, and the report on the project had been submitted to Radcliffe, via DEFRA. The outcome of this review was that the current system, which was based on dual area and tonnage levies, was the most robust and effective solution, but it came at a cost and that was something which had to be addressed by the industry. Over 50% of the collection costs related to monitoring and policing and to legal action.

The preferred option had been central funding, though SPS 'top-slicing', which would provide a virtually cost free collection system for the BPC; this had been dismissed by the Sponsors as unlawful. An alternative suggestion was a tonnage only levy, which though not risk free in terms of leakage and so forth, could result in considerable cost savings.

In the intervening period, the discussion on levies had taken in comparative information from other levy bodies. This highlighted even more clearly the benefits of the BPC's system – the fact that we know our levy payers; the market data which are obtained as a 'bye-product' of levy collection; the GIS information; the fairness of the system; and the relatively small amount of leakage. It was acknowledged that some levy bodies did not know the identity of their levy payers and that in some cases the amount of lost levy was high.

In the course of the levy body reform, the HGCA had stated that they were interested in setting up an area based levy collection system. If successful, this could provide opportunities for collaboration and cost sharing. However, there were many issues to be considered, such as increased burdens, and it remained to be seen whether the idea would receive industry and political support.

In the meantime, the BPC needed to consider what, if any, recommendations should be put forward for legislative change. As explained earlier in the meeting, drafting of the Statutory Instrument had started and any suggestions had to be put forward urgently. The Paper recommended the following actions:

- BPC to bring in an external auditor to review the current systems and advise on possible cost reduction opportunities/efficiencies, e.g. electronic submission of data; more heavy-handed enforcement ('pay or court'); opportunities for stronger penalties; and revisiting the possibility of obtaining SPS data, to underpin the monitoring and enforcement.
- BPC to set up an internal working group, headed by the internal auditor to explore the practicalities of a collection system based on tonnage levy.

The possibility of obtaining data from the SPS system and using this in the BPC's levy collection, was something which the Levy Review Group had raised. Initially this had been rejected by the Sponsoring Departments, as unlawful and unworkable. However, the Chief Executive said, lately there appeared to have been a shift towards greater acceptance. In practical terms, there would need to be some fundamental changes in both the Rural Payments Agency (RPA) and BPC systems, to make these compatible, so it could not be an immediate solution. At a recent meeting, a representative from the National Audit Office had given some very positive messages about collaborative opportunities.

Mr Rix, considering the difficulties experienced by the RPA in managing the farm payments, was most doubtful that their systems were strong enough to cope with such additional demands; he feared that under such an arrangement much valuable data would be lost. He also pointed out that the SPS only had a confirmed term until 2012. Mr Maddocks concurred. Mr Worth felt that the BPC had a duty to explore possible cost saving solutions and that it might be necessary to lose some of the 'gold-plating'. Mr Stephens suggested that there may be some merit in considering some linkage to the Assured Produce regulations.

The Secretary said that, to be of any use in legal proceedings, the information would have to be in a suitable format and provided within tight timeframes. Rather

than the RPA providing the BPC with information for use in its activities, she would prefer to see a joint data collection system, designed to collect the correct information at the correct time for both parties.

The Council approved the suggested actions set out in the Paper.

Chief
Executive

06/88 CO-OPERATIVES AND GROWER GROUPS (BPCP/06/45)

The Secretary, who introduced the Paper, said that ever since the BPC was set up there had been complaints about one aspect of the legislation, namely that co-operatives were required to pay tonnage levy on potatoes handled on behalf of their grower members. Their complaint was that they had to pay twice – area levy as producers and tonnage levy through the group (levies paid tended to be recouped from members).

The following points were often made:

- Today's political philosophy said that co-operation is a Good Thing;
- Producers were encouraged to engage in such activities and work together;
- The BPC's policy ran contrary to this, in that group members were 'penalised' by having double levies imposed on them;
- This was not fair.

The situation had been exacerbated by the fact that a plethora of new style organisations had been, and were being, created - in keeping with the climate of co-operation and collaboration - many of which should be registered under the legislation.

Being aware of the strong feelings which this matter engendered, the Council had referred it to the Levy Collection Review Group, which met in 2005. None of the possible alternative collection methods, which had been identified by the Group, would resolve the 'Co-op issue'. Therefore, this could only be achieved by a statutory change. The Group's recommendation that *the legislation should be changed, so as to exempt from tonnage levy those potatoes which are handled by co-operative ventures on behalf of their members*, was accepted by the Council and passed to the Radcliffe Review through DEFRA.

Having recommended a statutory exemption from tonnage levy for such businesses, the Council had hoped that the matter would be picked up in the Fresh Start process and that it could be resolved relatively quickly. It was now clear that this would not happen and DEFRA had made the point that the BPC would be expected to come forward with proposals for change which were clear, could be translated into workable law and had full industry backing. DEFRA had also reminded the BPC that the current legislation had to be enforced, fairly and across the board.

Two issues arose from this:

- It was necessary to contact any businesses which were not currently registered (new grower groups) and invite them to register under the current Order.

- It was necessary for the Council to decide what, if any, recommendations should be put forward for an exemption in the new legislation which was being drafted as part of the Levy Body Reform.

Definitions

The Council always recognised that the critical issue would be finding a suitable definition, which adequately covered the desired result without inadvertently creating new, unforeseen anomalies. It had become clear that the position was more complex and difficult to legislate for than previously envisaged. The Secretary said that four distinct types of organisation had been identified in the course of her research:

Company A: Traditional Co-operative – Friendly Society, handling members’ produce as well as buying in supplies from non-members. *Registered with the BPC.*

Company B: Converted Co-operative – Company registered under the Companies Acts, owned by the members, distinguished by the concept of mutuality. *Registered with the BPC.*

Company C: New style Grower Group, set up to channel members’ potatoes to major customer. Company owned by the directors, not by members, so the concept of mutuality did not apply. The company contracted with the member growers and sold to the customer. *Not registered with the BPC.*

Company D: New style Grower Group - company set up to act as facilitator for customer; not to buy/sell potatoes, but provided a service; the supplying producers were paid by the customer; the company was paid a commission linked to the price of the potatoes, or the tonnage handled. *Not registered with the BPC.*

The Chairman asked at the start of the discussion whether there were any interests to be disclosed. Mr Harrison and Mr Vermont confirmed that they had business connections to declare.

Current legislation

The Secretary said that, in line with the very clear steer from the Sponsoring Department, action should start without delay to register the companies which came within the above definitions. The Council agreed. However, one member expressed a very strong reservation about including “Company D” within the definition of ‘Purchaser’, as set out in the current Order. It was suggested that any attempt to register such a business would be met with severe resistance, probably involving a legal challenge. The Secretary suggested that, in these circumstances, it would be preferable to seek Counsel’s Opinion on the definition in relation to that particular kind of organisation at this stage, rather than wait for possible litigation. (The fact that companies A, B and C were caught by the legislation was not in doubt.) The Council agreed.

Secretary

Secretary

New legislation

The Secretary reiterated the position of DEFRA, namely that the BPC was expected to come forward with recommendation which were 'draftable' and had the support of the industry. Proposals would not be accepted by Parliament unless they were clear, relevant and fair. Putting forward anything less might jeopardise the process. Mrs Martin suggested that there were four ways forward:

- Recommend keeping things as they were, on the grounds that introducing changes in response to one perceived unfairness might inadvertently lead to other, unforeseen problems;
- Try to distinguish 'real' co-operatives (probably linked to the concept of mutuality) and then make recommendations for exempting them only; or
- Find a solution to resolve all the problem identified in this examination.
- One suggestion put forward in the Paper was that those organisations who came within the ambit of co-operative/grower group might become producers, that is take on the responsibility for growing the potatoes themselves.

Mr Harley suggested that there may be some merit in moving away from the current tonnage levy system to one based on payment at one point of sale only. (Under the system which had been in place since 1999, tonnage levy was charged every time potatoes were moved; previously levy had been charged only at first point of sale.) Mr Harley's idea was that levy would be charged at the point where the potatoes were subjected to some 'process', e.g. washing, grading, packing, peeling and so forth. This would require an amendment to the current BPC definition of 'processing'. Producers would still pay area levy.

There were many issues to consider, such as the likely effect on income, to what extent the tonnage levy rate would need to be increased, and so forth. There was also a specific question of potatoes washed on farms, which needed some thought. An important consideration was that there were many industry players who handled potatoes prior to their being 'processed', and who would, in the proposed scenario, be exempt from statutory registration. They would, of course, need to be consulted. However, in principle, Members agreed that Mr Harley's suggestion had some merit and that it was right to explore it in detail. Mr Bradley, whilst concurring, felt that the idea of companies becoming growers should not be overlooked.

The Chairman said that the discussion had brought to light a number of contentious issues and it was clear that they evoked strong feelings. Unless these problems could be resolved before the hand-over to Potato Sector Co, the new organisation would have an inauspicious start and, he suggested, every reasonable effort must be made to come to an agreed position. The Chairman added that, unless a workable compromise could be designed, within the context of the current structure, consideration should be given to reverting to a grower only levy. Mr Doig believed that this would not be acceptable to the farming sector; many Members concurred and the point was made that such an arrangement would run contrary to the BPC's status as an industry wide body and to its policy of communicating through supply

chains.

The Chairman, having sought Members' views, said that the matter was complex and unless the right choices were made, there could be unforeseen and unfortunate consequences for the future. It was important to address the issues with an open mind and to consult all industry sectors. The suggestion for a change in tonnage levy put forward by Mr Harley deserved examination. In the first instance, staff were asked to prepare, urgently, some definitions and more detailed thoughts on the pros and cons, which could be used as the basis for this process.

Secretary

06/89 COST OF POTATO PRODUCTION: A EUROPEAN PERSPECTIVE (BPCP/06/48)

Mr Phil Bradshaw, BPC Supply Chain Manager, presented the report which was based on a study of comparative production costs in Netherlands and France, the two largest suppliers of processing potatoes into the UK. Mr Bradshaw reminded the meeting that the BPC had identified improving GB competitiveness as one of the two critical drivers for the potato industry and, as part of this, it was important to gain a better understanding of issues such as global competition. The study had demonstrated that there were similarities, between the subject countries themselves, and in comparison with the UK. One example of this was that many growers had little appreciation of their true costs of production. There were also some major differences, for instance in product specifications and labour usage. The processing sector was traditionally the more dynamic, but it was clear that much change lay ahead, across the sectors and markets covered by the report, some relevant factors being demographics, land values and forthcoming CAP and sugar reforms.

Mr Bradshaw felt that the report contained some very important learning points for the GB industry, such as the need for cost awareness, benchmarking and a shared risk approach, and, in order to gain maximum benefits, it was essential to promote the messages effectively. The intention was to make the report available to supply chains, as well as to individual producers, underpinned by a structured PR campaign. One of the authors, Mr Jay Wootton of Andersons Farm Consultants, would be available to present the findings to stakeholder groups and similar events. The report would be free of charge for levy payers, and priced £279 for others.

The study had been carried out between the Summer of 2005 and the Spring of 2006. The report had taken some time to prepare and copies had been circulated to Members shortly before the meeting. The Chairman commented that this was a high quality document and he asked Members to reflect on the contents and refer any questions direct to Mr Bradshaw.

Mr Vermont congratulated the authors on the report which he considered to be excellent. He warned, however, that there had recently been some changes which were sufficiently significant to cause a shift of balance between buyers and sellers. These related to issues which had been developing over a number of years and had only come to the fore in the last couple of months. There was a risk that, in these circumstances, the cost of production report might come across as out-of-date.

The Chairman accepted that the BPC must be careful not to give the wrong

impression. He asked Mr Bradshaw to consider whether a brief update on recent developments could be prepared and included with the report, when this was circulated.

Supply
Chain
Manager

06/90 BENCHMARKING TOOL: PROGRESS REPORT

Mr Bradshaw told the meeting that the BPC benchmarking tool was now fully developed, in line with best practice. A Web based data access system was in place; a number of pilot groups had been set up; there were provisions for professional facilitators; and DEFRA had recently approved the application for ADS funding. The system had been set up on the basis of very careful industry needs analysis, to ensure there was a proper business case, and there had been industry consultation and enthusiastic involvement from Council Members and other stakeholders.

The Chief Executive said that, with all these factors in its favour, the project should be deemed a success. However, it was true to say that the model had been less popular in some sectors, e.g. seed, and some supply chains had given it less enthusiastic support than others. So, for a variety of reasons, the BPC had fallen behind some other levy bodies which had developed similar products. Some of them had invested a considerable amount of resource, funded by large Government grants, in individual on-farm consultations. Mr Harley made the point that there was also a matter of industry structure: potatoes were complex compared to certain other sectors.

Members agreed that the level of uptake was disappointing, though not surprising. Mr Worth felt that the concept was good but, at a practical level, it had not come up to expectations. Inputting the data was hard work and interpreting the results could be confusing. Mr Rix, who had used a similar system for another product, had found loading the data slow and laborious. Discussions with colleagues had been a much more meaningful way of gathering comparative cost information. Joining forces with other levy bodies, for instance for combined farm visits, was not really practical, due to different content and crop timetables. Mr Bradshaw felt that stronger alignment with the Food Chain Centre was the way forward, as it provided better prospects for long term funding. It was useful to tap into any of their groups which had already been set up for other products, and which had an interest in potatoes; there had been some successful examples of this.

Mr Bradshaw asked the Council for a steer on how best to take the project forward and on how to prioritise the grant funding which had now been made available. In view of the uneven level of support, it would not be effective to spread this across the board. It was agreed that staff would select ten groups, according to predetermined criteria, and concentrate the resources on those, with the aim of bringing them up to a satisfactory level, over the next 12 months. The success of the project would then be assessed against that objective. The pay-back for the participants would be the information and understanding they developed through taking part in the project.

Supply
Chain
Manager

06/91 GROWER PANEL: UPDATE

Mr Bradshaw, on behalf of the Market Information team, gave a brief

demonstration of the Grower Panel project, showing samples of the input screens, as well as various documents and outputs. The target number of fields for 2006/07 was 650 (550 in the previous year), of which 407 had been appointed. The next data request form was for storage & sales and this would be sent out in January 2007.

The system was now fully interactive. Individual information was treated in confidence and never disclosed to third parties. However, Grower Panel participants could, provided they had obtained usernames and passwords, access their own information as well as aggregated data for all contributors.

One of the foreseen benefits of the GP project was that statistics related to usage of chemicals might be of value to the agro-chemical industry. This was being explored (see item 06/97).

06/92 SAFE POTATO HARVESTING TRAINING PROJECT: PROGRESS REPORT (BPCP/06/54)

Mr Bradshaw reported that this Health & Safety / training project was progressing according to timescale – completion for delivery by Summer 2007 - and within budget. All the sequences had been filmed; storyboards and script were due for completion by mid-January 2007. The Council had stipulated that the project should include both harvesting and grading (in-field and in-store) and that had been taken on board. Grading would be dealt with as a separate module, to avoid diluting the messages, but it would form part of the overall training package. It had proved possible to achieve this within the agreed budget. Discussions were continuing regarding financial contributions from the project partners, NFU, HSE and Grimme. The Council noted the information.

The Chairman thanked Mr Bradshaw for his excellent presentation and useful information; he then left the meeting.

06/93 MARKET INFORMATION COMMITTEE: CHAIRMAN'S REPORT

Mr Harris provided a brief report on matters discussed at a very well attended meeting of the Market Information Committee on 23 November 2006.

DEFRA Contract

The Committee had noted that the BPC had been successful in its bid for this contract, at a price of £43,000 per annum over three years. The reduction in value (from £50K) corresponded to a reduction in data requirements, so the Committee agreed that, all in all, this was a very satisfactory outcome.

Production & human consumption

The Committee had received an update on key GB statistics and noted, in particular, that total 2005 production had been revised from 5.6 to 5.8 m tonnes; and that carried over stocks from that season had been amended from 128K tonnes to 435K tonnes, which was far more realistic. Members had expressed improved

confidence in the quality of the information presented, following the introduction of the Grower Panel.

Benchmarking at European level

The Committee had been asked to consider an opportunity to use the BPC benchmarking model in collaborations with the North European Potato Growers (NEPG). After a full discussion it had been agreed that it would be appropriate to co-operate with NEPG on the mechanics of data collection but not, at this stage, to share information with them.

MI Team

Mr Harris completed his report by complimenting Dr Alder and Mr Burrow on the quality of their work and their presentations to the Committee.

06/94 R&D ISSUES

Professor Bainbridge reported that, since the previous Council meeting, the R&D Committee had met twice, on 2 October and 16 November.

Cambridge University Farm (CUF)

Professor Bainbridge said that she had met Mr Eric Allen and Dr David Firman of CUF, together with Drs Storey and Clayton and subsequently Mr Allen had attended the November meeting of the R&D committee. A full report of the discussions was reported in the Minutes (RDCM/06/04).

Potato Genome

A meeting had been held at SASA with SEERAD, BBSRC and DEFRA during the previous week, to discuss funding for GB involvement in the global potato genome work. The indication was that support would be provided, but there was an expectation of match funding from the industry, via BPC.

The Chairman said this was very welcome news, and pointed out that Government funding for a contract worth some £850K had now been secured, which would not have been forthcoming but for the efforts of the BPC in bringing the Departments together.

Sutton Bridge Experimental Unit

Following agreement on the scope of the SBEU business plan at the last Council meeting, a cross industry consultative group had been set up, under the chairmanship of Duncan Worth. Staff had been working to prepare background information and analysis documents in advance of the first meeting, which would be held later in the month.

R&D Projects

The following two projects had been supported by the Committee and were presented for endorsement by the Council:

*The development of methods to control volunteer potatoes in a range of vegetable crops. The Arable Group. Total cost £377K; **BPC contribution: £28K over 3 years.***

BPC had been notified that the project on volunteer control using modified vision systems, which had been developed with the HDC, had been approved by LINK. However, confirmation was awaited of the start date, due to the uncertainty on finances because of the DEFRA moratorium on R&D funding. It was hoped that the work could commence in the Spring of 2007.

*The use of CIPC vapour to control sprouting in commercial potato stores. Glasgow University and SBEU. **Cost: £195K over 3 years.***

The aim of the project was to explore the opportunity to reduce CIPC input, maintain sprout control and minimise residues by using a CIPC vapour rather than a particulate fog. The total cost for the three year project was £195K, of which £125K was a grant to Glasgow University.

The Council ratified the decisions.

Research Topic Reviews

Eight topic reviews had been undertaken and draft reports considered by the Committee at the meeting on 2 October. The topics included:

- Insecticide resistance;
- Maleic Hydrazide (MH) and volunteer control;
- Aggressiveness of blight;
- Free living nematodes and TRV;
- Pesticides in waste water;
- Skin finish in store;
- Ethylene for storage;
- *Erwinia chrysanthemi*

A number of actions were being undertaken by staff, which had been identified from the reviews at the November Committee meeting, including MH usage surveys, using the grower panel; collating information on insecticide resistance; and carrying out blight aggressiveness tests on material from the Fight Against Blight programme.

Pesticide Residue Minimisation

The FSA report on residue minimisation had been published and the task was now to flag up with stakeholder bodies those aspects which were relevant to potatoes.

Acrylamide

Dr Storey reported that a group of EU experts had met to draft guidelines.

R&D and KT

The Chairman referred to the Committee meeting on 2 October, when Mr Eric Allen had been included in the discussion on the uptake of CUF research results. At an earlier meeting, Mr Allen had given his view that delivery of advice via some agronomists was a limiting factor, as they were working under severe pressures, had insufficient time for details and, in some cases, lacked the necessary knowledge and skills to interpret technical information. Mr Allen believed that, as a result, there had been missed opportunities to achieve increased yields, perhaps as much as 15%, and reduce costs.

The Chairman wondered if this demonstrated the need for technical directors of the major supply chains to take responsibility for driving information down to the agronomist and whether this, in turn, might be an opportunity to take KT closer to these organisations. This would require changes in operation and, obviously, more discussion, but higher marketable yields and lower costs were a prize worth going for.

The R&D Director reminded the meeting that the BPC had commissioned an independent consultant to check the level of uptake of research results throughout the industry.

06/95 POTATO STORAGE CONFERENCE 2007 (BPCP/06/51)

The Council received a progress report on preparations for the Potato Storage event which would be held at the Olde Barn Hotel, Grantham on 16 January 2007. The venue could accommodate a total of 200 delegates and, so far, half that number had booked places.

06/96 BUDGET AND LEVY RATE PROPOSALS FOR 2007/08 (BPCP/06/46)

The Council received paper BPCP/06/46, which showed projected annual forecasts over the next four years. This showed that, with expenditure frozen at the 2006/07 levels, reserves would decline, but remain within an acceptable level, until 2009/2010. A managed reduction in reserves, whilst keeping sufficient funds to cover exit costs in the event that the organisation should be wound up, was agreed BPC policy.

The Chief Executive pointed out that, in view of forthcoming levy board changes, 2007/08 would be the final full year for which the BPC was required to submit budget and levy rate proposals. The Council had agreed an increase in the Marketing spend for one year only, and that was reflected in the paper.

Members agreed that the financial situation in the Industry was such that it would not be appropriate to seek an increase in levy rates for the forthcoming season. On the proposal of Mr Twell, seconded by Mr Harris, the Council determined to make

the following recommendations for area levy rate in respect of 2007 and tonnage levy rate in respect of 2007/08:

Area Levy

That the ordinary levy rate, applicable to payments received by the due date, be set at £39.00 per hectare of planted area, and that the higher levy rate, applicable to payments received after the due date, be set at £44.00 per hectare.

Tonnage Levy

That the ordinary levy rate, applicable to payments received by the due date, be set at 17 pence per tonne of potatoes purchased for human consumption, and that the higher levy rate, applicable to payments received after the due date, be set at 19 pence per tonne.

06/97 FINANCIAL REPORT TO END OCTOBER 2006 (BPCP/06/47)

The Council received a financial report for the period ended 31 October 2006. Grower income remained at £4,659K, as previously forecast, whereas projected expenditure had been increased to £6,348K, to take account of the additional marketing spend mentioned earlier. The Chief Executive said that this would pose quite a challenge.

Mr Maddocks pointed out that when the introduction of the Grower Panel was discussed, one of the selling points had been the opportunity of marketing chemical usage information to the agrochemical industry; he wondered whether there was anything to report about this potential income stream.

The Chief Executive responded that when she first made contact with the agrochemical companies, they said that they would prefer a coordinated discussion through Kynetec. A couple of meetings had been held with that organisation, but these had been laborious and far from successful. It turned out that they would prefer to sell information to the BPC and when they eventually made an offer for Grower Panel data, the amount they had in mind was derisory.

It had appeared, at that stage, that the discussions had come to an end. However, some of the agrochemical companies had then made direct contact, indicating that they were interested in what the BPC had to offer. A meeting with five of the major concerns had been scheduled for 15 December, when staff would give a presentation of the available information, and explore whether there was an opportunity for commercial exploitation. If not, careful consideration would have to be given to whether there was any valid reason for collecting the data in question. That would only apply if there was any use for the information within the BPC. Mr Mark Prentice, a member of the KT team, had been asked to examine this.

The Chairman pointed out that information about chemicals was particularly laborious for Grower Panel members to provide and for staff to analyse. Therefore, unless a real need existed – commercially or internally – collecting the data should be discontinued.

Chief
Executive

06/98 AUDIT COMMITTEE REPORT

In the absence of Mr Littleboy, Mr Twell presented a report on the Audit Committee meeting held the previous evening.

Audit matters

The meeting had been attended by a representative of the National Audit Office, as well as the external and internal auditors.

The Committee had received a report from the internal auditors. Most of the action points reported previously had been dealt with, and the rest were receiving attention.

The external auditors had also attended the meeting. Their report had not been finalised, but it was clear that there would be a clean management letter.

Since the NAO were given responsibility for auditing the BPC, they had sub-contracted this to Mazars. They had given notice that the contract would change, but were unable to give details

It has subsequently been confirmed that the new firm to audit the BPC will be PriceWaterhouseCooper.

BPC Procurement

The Committee had reviewed the BPC procurement rules and agreed to increase the limit for expenditure requiring the full tender process, from £20K to £25K.

Risk Management

The Risk Register had been revised; there were no particular matters of concern.

Annual Report & Accounts to 30 June 2006

Whereas the financial statements had been completed, the text for the annual report was still to be finalised. It was acknowledged that completing the report took too long, and this needed to be remedied.

06/99 MARKETING AND COMMUNICATIONS ISSUES

Review of Marketing Committee (BPCP/06/50)

At its previous meeting, the Council had approved a proposal to change the way the Marketing function operated. The intention was that there would still be a Marketing and Communications Committee, but some of the more tactical work would be done through working groups set up for specific campaigns or activities. 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. The Committee would still be there for strategic control, guidance and budget approval, but would only need to meet twice a year. This was seen as a way of widening engagement at tactical level, whilst the Committee retained control.

Staff had developed the concept in more detail, as set out in paper BPCP/06/50, and the working group idea had been tested at a recent meeting to discuss the 2007 Summer health campaign. There had been some lessons learnt but, overall, the event had worked very well.

Turning to the matter of membership for the Committee itself, the Chief Executive said that appointments would be by personal invitation and she was aiming for senior industry people (MD/CEO level). She would draw up a list of proposed industry representatives and circulate this to the Council for comments. Suggestions for grower members would be appreciated. Mr Vermont confirmed that he was willing to remain as Committee Chairman.

Members

Issues Management: GMO trials

The Chief Executive said that, as reported previously, she had made a submission to DEFRA, against the application for permission to trial genetically modified potatoes. Before doing so, she had sought inputs from Council members and other relevant parties, and the letter had been approved by Members, before it was sent to the Department. It had been made very clear in the letter that the BPC was in favour of science but believed that consumer concerns were such that carrying out GMO trials at this time could cause serious damage to the image of potatoes.

The President of the NFU had raised the matter and questioned the BPC's stance in this. Mrs Priestley had provided a detailed response and sent him copies of the letter of submission and other relevant documents. It was important for Council members to be fully aware of this issue and also to be aware that permission had been given to commercial production of starch potatoes in certain other European countries.

Council Members reiterated their support for the BPC position.

06/100 British Potato 2007

The Council received a detailed report on preparations for the BP2007 event to be held at Harrogate on 28 & 29 November.

In line with the Council's instructions, attendees would be 'badged' on arrival, so that relevant information could be collected. This would be handled by a professional company, outside the entrance hall; arrangements would be made for cover, in case of inclement weather.

There would be complimentary tickets for students, Council and Committee members and for BPC staff, but not for any other class of attendee.

There would be three conventions on the first day, for fresh, processed and seed. These would be planned with inputs from the industry. All subjects would be strategic, rather than technical, and details of the speakers would be circulated in due course.

The industry dinner on the evening of day 1 would be held at the Majestic Hotel in Harrogate, which could accommodate ca 500 guests. The potato industry award would be presented at the start of this event. Although a reasonable charge would be made for the dinner tickets, there was a need for some subsidy to cover costs. The Council agreed that the price (3 course meal and coffee) should be set at £45 per head, including a welcome drink, and that up to £5,000 of BPC funding should be allowed to cover eventualities.

Members felt that it may be a good idea to have an after dinner speaker or some other entertainment, but only if a person of the right calibre could be found. Staff were asked to put forward suggestions.

Chief
Executive

06/101 SEED & EXPORT ISSUES

Mr Harley gave a brief report on current issues, following an SSG meeting on 30 November 2006.

Erwinia chrysanthemi

This bacterial disease posed a threat to both the seed and ware market. No traces had been found in the Scottish industry, but the risk would increase with global warming. The SSG had commissioned a study by Dr John Elphinstone of SCL and Dr Ian Toth of SCRI, who had presented their findings at the recent meeting. The final report on the project would be published before the end of December.

Consultation on statutory regulations

DEFRA were in the process of consulting on the seed certification scheme, plant health regulations etc, asking the industry whether these were all really needed. SEERAD appeared less enthusiastic about contemplating removal.

China

China and the UK had finally reached agreement on the imports of mini-tubers, raising the hope that similar protocols might be introduced for field grown seed potatoes in future.

Potato Russia 2007

The Potato Russia event would be held from 21 to 23 August 2007. There would be a British Pavilion for GB industry companies, along the same lines as earlier international events; details available from BPC Oxford.

Safe Haven Certification Scheme

The Chairman commented on the disappointing rate of take up (ca 30%) of this Scheme, which had now been in place for a full year, suggesting that the trade could have been more proactive and shown stronger leadership. Mr Harley thought that there might be more scope for that if Erwinia Chrysanthemi became a real, immediate threat.

Mr Doig suggested that many had been put off by the severe rules of participation, and he wondered whether there was any scope for relaxing these, so long as it did not weaken the system as a whole. Mr Harley pointed out that the rules had been agreed following full consultation with the industry and it would not be right to change them unilaterally. The Chief Executive agreed that it would not be right to drop the standards.

06/102 REGISTRATION AND LEVY COLLECTION ISSUES: UPDATE (BPCP/06/53)

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)

The number of overdue returns which had had to be referred to Legal was 230 (137 in the previous year). Twenty-nine producers had been prosecuted; 22 complied but, unfortunately, seven did not and they had been convicted by the Court, fined and ordered to pay costs. (One of these has still not complied, so may have to be prosecuted again – ‘continuing offence’.) That matter would be pursued with overdue returns for 2006.

Returns: 2006 (England, Scotland & Wales – Prosecutions)

Whilst the great majority of returns had been received, a disappointing 245 had not and they were being referred to Legal. So far, 12 producers had been prosecuted; all but one had complied and he was convicted by the Court, fined and ordered to pay costs. The next Court hearing was scheduled for 19 January 2007.

In Scotland, one case of failure to provide a planting return had been referred to the Procurator Fiscal, who had commenced a prosecution. It was known that the producer concerned was now busy completing a return and it remained to be seen whether the Court was prepared to withdraw the action.

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. For 2005/06 there had only been five difficult cases, one resulting in a conviction.

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 – 99%; Quarter 4 – 96.8%

Legal Debt Collection

To date, the number of cases passed to our legal debt collection team for action, covering the last seven years was 3,572 (2,758 producers and 814 purchasers). Of these, 3,541 (2,743 and 798 respectively) had been cleared. Area levy wise, £3,994.7K had been collected, leaving £16.1K outstanding. The relative tonnage levy figures were £356.7K and £10.5K respectively.

Planting Returns 2007

This would be the third year of using the map-based planting return form. It had been deemed very successful. Staff intended to keep the format largely unchanged, with only one modification: where part fields had been planted, the producer would be asked to mark around the planted area, rather than the field. This was to make it easier to locate plantings in the monitoring work.

Area Levies for 2006

These fell due on 1 December 2006 and invoices had been issued before the end of October, in line with legal requirements. Experience showed that producers needed to be reminded to send their payments in good time if they wished to pay at the ordinary levy rate (£39 per ha). An awareness campaign about this had been carried out, in various BPC publications, including the website.

Audit of Producers' Records

As reported in the last update, staff had carried out a review of producers' records, for data protection purposes and to ensure that information was targeted carefully. Survey forms were sent out with the area levy invoices; there had been a good level of response: some 1,100 forms had been returned and there had been no negative comments.

06/103 APPLICATION OF THE COUNCIL'S SEAL (BPCP/06/39)

The Secretary reported that at a meeting held the previous day, the Trustees had executed a Deed, to amend the Pension Scheme rules. This was a routine matter, to comply with the changes imposed by "A Day". The Deed had to be executed by the Council too, as principal employer, and that required the application of the Seal. This was approved by the Council and Messrs Stephens and Leathwood were authorised to sign the document, which was duly done.

06/104 INFORMATION PAPERS

The Council received the following information papers:

Minutes of the 2nd meeting of the BPC Potato Industry Forum held on 8 November 2006 LBRIM/06/02

Minutes of the 36th meeting of the Seed Sectoral Group held on 31 August 2006 SSGM/06/03

Minutes of the 9th meeting of the Market Information Committee held on 23 November 2006 MCIM/06/03

Minutes of the 21st meeting of the Audit Committee held on 11 September 2006 ACM/06/02

Minutes of the 42nd meeting of the Marketing & Communications Committee held on 11 September 2006 MCM/06/03

Minutes of the 47th and 48th meetings of the R&D Committee held on 2 October and 16 November 2006 RDCM/06/03& 04

06/105 ANY OTHER BUSINESS

Chairman's appointment

The Chairman informed the Council that he had been appointed as Honorary Fellow of the Scottish Crop Research Institute (SCRI).

06/106 DATE OF NEXT MEETING

It was agreed that the next meeting of the Council would be held in London on Tuesday 6 February 2007.