

**AUTHORISED MINUTES  
FOR CIRCULATION**



**MINUTES OF THE FIFTY-EIGHTH MEETING OF THE  
BRITISH POTATO COUNCIL HELD AT HARRINGTON HALL  
HOTEL HARRINGTON GARDENS SOUTH KENSINGTON  
LONDON ON WEDNESDAY 21 MARCH 2007**

- \* 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 Steve Moore, Head of Finance & IT (Item 07/10-15)

**07/01 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Messrs Stephens and Doig.

**07/02 PROFESSOR BAINBRIDGE**

The Chairman, on behalf of the Council, congratulated Janet Bainbridge on her appointment as Chair Elect of the Potato Sector Company. His primary concern was to ensure a smooth and well-managed transition from the BPC, to give the new body the best possible start. He wished Professor Bainbridge every success in her new post.

Professor Bainbridge thanked the Chairman for his good wishes and said she hoped to continue in the same vein.

**07/03 MINUTES OF THE COUNCIL MEETING HELD ON 5 DECEMBER 2006 (BPCM/06/04)**

The Minutes of the meeting held on 5 December 2006 were approved and signed as a true record.

**0704 MATTERS ARISING (BPCP/07/04)**

**Members' Honoraria (Minute 06/84)**

The Council was pleased to note that the Ministers had agreed that the honorarium paid to Members could be increased from £107.90 to £175.00 forthwith. This removed an inconsistency vis-à-vis payments made by some other levy bodies, which had been flagged up by Mr Littleboy; the Chairman thanked him for raising this.

**Potato Sector Co: Board Structure (Minute 06/86)**

The views expressed by Members had been passed to the Reform Team, through the Project Board. The Chairman Elect of LBUK had subsequently stated that decisions on size and structure would be matters for the sector company, within guidelines on governance and best practice.

**Co-operatives and Grower Groups (Minute 06/88)**

Letters had been sent to those companies which, according to information in the BPC's possession, were eligible to register as potato purchasers. The response had been muted; in fact, out of some 15 businesses, only four had so far complied. Reminders had been issued to others.

**Cost of Potato Production: A European Perspective (Minute 06/89)**

The Council noted that the report had been revised to take account of recent

changes, as recommended at the previous meeting, and that it had been distributed electronically. It had been turned into a 'living document' by converting it to pdf format, which would facilitate future revisions.

**Benchmarking Tool (Minute 06/90)**

Two new groups had been formed (Branston and Mease Valley) in addition to the ones listed in the latest Members' Briefing notes. Three of the groups had held their inaugural meetings.

The first training course for facilitators had been run, with participation from McCain, Greenvale and SAC; this was deemed successful. A group management training session for BPC staff had also been held.

**Levy Rate Proposals 2007/08 (Minute 06/96)**

The Council noted that its levy rate proposals for the forthcoming year had received Ministerial approval.

**British Potato 2007 (Minute 06/100)**

Members noted that Mr Peter Slack, a Derbyshire farmer and entertainer, had been booked as after-dinner speaker on 28 November.

**Grower Panel (Minute 06/91)**

The Council received a report on progress of this project. The Chairman said that there had been some problems but, generally, it was going very well.

Agromony & Yield Forms - The intended target was to have coverage of 650 crops, and this had now been exceeded. To date, 660 forms had been entered on the website and certified as free of critical errors.

Incentives - Participants were paid £100 per crop for completed data. So far, a total of £59,200 had been paid and, currently, there were potentially outstanding payments for 68 crops (£6,800).

Sales from Storage Forms - Such forms had been sent out to all those who had submitted documentation and who had crops in storage, comprising a total of 224 growers and 445 crops.

Mr Harley asked whether the BPC would be collecting information of financial values in respect of non-stored potatoes, such that price data would be available for the entire crop. That would be followed up with the MI team.

Agchem meeting - A meeting had been held on 15th December 2006 with the Industry Research Group (IRG), a consortium comprising Bayer, Syngenta, Dow, BASF and DuPont, at which the scope of the agrochemical data available had been explained. The intention had been to establish whether the companies were interested in purchasing the data, thus generating income for the BPC. The

Chairman said that the attendees had been impressed with the information, but needed to consider the offer in more detail, before the potential value to the companies concerned and, consequently, the likely level of income for the BPC, could be properly quantified.

The Chairman reminded the Council that the effort of collecting the agrochemical data, vis-à-vis the potential benefits, had been commented on at a previous meeting. There were currently no plans to discontinue the collection, though this would continue to be kept under review. The possibility of commercial sales of data was relevant to this, but so was the value of the data internally, in support of R&D and KT activities. For instance, a sample extracted from the Grower Panel of those applying Maleic Hydrazide as a sprout suppressant had been used as the basis for planning a fuller research project into this topic.

GP Website - So far the Grower Panel website had been actively promoted to Grower Panel members themselves, and to WAPS contributors. It had also been made available to any other levy payers who had sought access, but had not been actively promoted to others. It was now proposed to run a campaign to increase awareness of the facilities to non-Grower Panel levy payers in the summer of 2007.

Mr Bradley suggested that part of any income derived from the Grower Panel system should be used to communicate the results of the project to participants, to make this more meaningful to them and to encourage a greater level of involvement. The Chairman asked the Chief Executive to ensure that promotion of specific benefits to growers was included in the objectives for the GP project. It was recognised that this would require resources, which were not currently available within the small Market Information team.

CEO

### **Market Information Function**

The Chairman took the opportunity of complimenting Dr Alder, the BPC's Head of Statistics & Market Information, on his paper on current statistical trends, which was to be presented to the Market Information Committee on 22 March (MICP/07/04). This was an impressive piece of work and, the Chairman suggested, the challenge would be to ensure that the information it contained was promoted to the industry and actually used.

The Chairman also drew attention to another paper (MICP/07/06), which would be presented at the Committee meeting. This demonstrated how the NFU's view of the BPC's market information services had changed. Previously, at the time of the Council's last Quinquennial Review in 2005, the Union had publicly expressed a negative view. However, following fact finding meetings and presentations, this had changed and collection of information and market statistics were now activities which the NFU listed under the heading 'What the BPC does well and is valued by levy payers'.

It was agreed that both Papers would be circulated to Members.

**07/05 LEVY BODY REFORM**

The Chairman said that the discussion of this subject would be divided into four parts. First he would ask the Chief Executive to update Members on the development of Levy Board UK, as well as the activities of the Project Board. He would then invite Professor Bainbridge to report on the first meeting of LBUK, held on 5 and 6 March. The next item was a review by Members of the draft Statutory Instrument which had recently been published, considering what was included in the Order but also what was not. Finally, Members would be asked to comment on the report produced by Accenture.

**07/06 PROJECT UPDATE (BPCP/07/10)**

The Council noted the Paper which detailed the membership of Levy Board UK, as announced by the Secretary of State on 26 February. In addition to the six SectorCo Chairs, there were three independent members, plus the Chairman, Dr John Bridge. Mr Kevin Roberts, on secondment from the MLC, had been appointed interim CEO.

The DEFRA project team, headed by Mr Brian Harding, continued to lead the process. Ms Sue Whitehead, who had been closely involved with the Radcliffe Review, was the full time project manager of the Reform project. The Project Board and the reinstated Strategic Steering Group (SSG), involving levy board CEOs and Chairmen respectively, continued their activities and specific groups had been set up for pensions and communications; BPC staff were represented on both.

The SSG would be split into two advisory groups, comprising levy body Chairmen and stakeholder bodies respectively. The Chief Executive commented that the latter had a strong grower focus and thought that there may be some merit in suggesting involvement from industry stakeholders; this seemed particularly apt for the potato sector, where there were levy payers on both sides of the farm gate. The Chairman undertook to raise this.

Chairman

An important task in the immediate future was that of recruitment of Sector Company members. It had been suggested that the existing levy boards might wish to tender for the entire project, involving members for the six new organisations. The CEO said that the BPC did not have the resources to take on such a large project, but she had confirmed that we would be interested in managing the recruitment of members for Potato Sector Company.

The Council approved this approach.

Another issue to be considered was that of branding. Levy Board UK, as a future umbrella organisation for the agricultural industry, would need a corporate identity including an appropriate name. Members were asked to pass any suggestions to Professor Bainbridge. As regards the Potato Sector Co, in order to avoid unnecessary expenditure, and because of positive equity, it was likely that this would be incorporated in the name of BPC Ltd, retaining the same logo as before.

Members

The Chief Executive said that DEFRA would fund the costs of the various consultants used in the reform project, and the costs of the various project teams, as well as the honoraria and expenses of the LBUK members. However, they would look to the existing boards to cover the costs of the new sector companies, in terms of administration, accommodation and secretariat support. £20K had been included in the BPC budget for this.

Mr Littleboy said that this was a cause of concern to him as Audit Committee Chairman, and he asked that this be recorded. He thought that other levy boards, and their levy payers, might share that concern and he suggested that a joint response might be appropriate. Other Members concurred, making the point that they had been led to believe that funds contributed by existing levy payers would not be used to finance the setting up of the new industry companies. The point was also made, however, that they did not want to be, or appear to be, pedantic.

The Chairman agreed that, as a public body, charged with the management of levy collected funds, the Council had to be seen to act correctly at all times, even if the amount concerned was relatively small. It was a question of principle. He felt that the matter should be covered by a written direction from the Sponsoring Department.

Chairman

Professor Bainbridge commented that in any process of this kind there would inevitably be grey areas, and this may be one. LBUK were committed to openness and transparency and to working for the whole industry. She supported Mr Littleboy's suggestion of a joint approach.

The Chairman thanked Members for their comments. He summed up the discussion by saying that the Council had a duty to act prudently and correctly. However, the overarching aim was to get the new body up and running, and we would take all reasonable steps to help towards that.

#### **07/07 LBUK: REPORT FROM CHAIR ELECT OF POTATO CO**

Professor Bainbridge said that the 'Shadow' Levy Board had held its inaugural meeting on 5 and 6 March. She felt that each of the members had valuable experience and the group as a whole had an excellent skills mix. This first meeting had been mainly concerned with matters of policy, rules and regulations. The three independent members had each been given responsibility for a committee, covering audit, nominations and remuneration.

The development of LBUK would follow a process starting with external issues (the big picture), strategic context, and then activities, from which would follow decisions on resources and location. Whilst this was based on sound logic, it did mean that those issues which current levy body staff would be particularly interested in (jobs and location) would not be decided on for some time. The Board would meet on a monthly basis and, Professor Bainbridge said, it was her intention to visit Oxford after those meetings and report relevant issues to staff.

As mentioned earlier, one of the most pressing tasks was appointment of members

for the Potato Sector Co. There would be up to 12, including the Chair and one or two independents. Matters such as the mix of grower and industry representatives, geographical spread and so forth, would not be prescribed. Professor Bainbridge asked Members to let her have their views on these aspects, and also on whether it would be helpful to have members for any specific functional roles. She hoped that some of the BPC members would be interested in serving on the new board, as continuity was important; a mixture of experience and fresh blood would be ideal. It was also hoped that some Members would be willing to be part of the interview panel.

A joint advertisement was being drafted by DEFRA. Interviews would be held in central London, probably in mid-May. Panel members would be required to take part in the applicant sift as well, in accordance with best practice rules. It was expected that DEFRA would fund the process, though this had not yet been confirmed, nor had the amount of remuneration been fixed; this was a matter for the newly formed remuneration committee. Professor Bainbridge stressed that she would not approach any particular colleagues about applying for one of the posts but she hoped that there would be a good level of interest.

The Council's agreed stance, which had often been stated in the past, was that personal ability should be the paramount selection criterion, overriding aspects such as geographical location, sectoral representation and independence. Mr Maddocks suggested that, in view of the number of independents on the main board, we should press for one independent member of Potato Sector Co, in addition to the Chair. Other Members concurred

Mr Rix asked whether the purpose of LBUK had been defined, in the form of a mission statement or suchlike, as its role seemed to be constantly growing. Professor Bainbridge responded that the business case would be determined in the first instance.

*Notes of the first LBUK meeting have been published; they are attached at the Annex hereto.*

## **07/08 CONSULTATION ON THE DRAFT SI FOR LBUK (BPCP/07/02)**

The draft Statutory Instrument (SI) which would govern the activities of Levy Body UK, and its subsidiary companies, had been published by DEFRA, together with explanatory notes, in preparation for industry consultation. The documents were reproduced in the Paper. The Chairman said that Mrs Priestley and Mrs Martin had been involved in discussions with DEFRA officials during the drafting of the SI and had made numerous submissions on behalf of the BPC, many of which had been accepted. He thanked them for their efforts in this regard.

The Chief Executive went through the document and sought comments from Members to be included in the Council's formal response.

### **Dual levy rates**

The power to apply a higher levy rate to payments received after the due date had

been available to the BPC since 2002 and this had proved an excellent means of recouping some of the additional costs incurred in chasing late payments.

There was a reference to such a facility in the draft SI (para 6(4)), but staff felt that the power to charge a higher levy rate on late payments should be stated definitively, for the sake of clarity and avoidance of any doubt. The Council agreed.

### **Estimates**

The power to estimate plantings and purchases, in the absence of proper returns (as now), was welcomed. A facility in the new legislation (which had not been available to the BPC) was that a higher levy rate could be applied to estimates, subject to ministerial approval. This was a step forward. Currently, the BPC could exercise discretion on whether or not to accept a return received subsequent to the estimate. This could be of benefit both to the levy board and to the levy payer, and it was hoped that it could be done within the terms of the new legislation as well.

### **Reserve funds**

The property, rights and liabilities of the BPC would be transferred to LBUK (not to Potato Sector Co), so the funds would be held by that organisation, though hypothecated to the sector companies.

The point had previously been made, most strongly, that the potato industry expected its funds (existing reserves and future levies) to be used for the potato sector, and any intention to use them for other, non-potato sector, purposes would not be acceptable to the industry. The Chairman asked that this be reiterated.

### **Ballots**

One issue which remained contentious was that of voting rights in the ballot, which was provided for in the draft legislation. This was on a strictly 'one-levy-payer-one-vote' system, which ran directly contrary to the view of the BPC, namely that votes should be analysed both by number and by weighting. This 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.

This point had been put forward several times before, but, in view of the importance of the matter, staff were asked to restate it in the BPC's response.

In the past, weighting had been based on planted area for producers and tonnage for purchasers. The Council now suggested that an alternative basis could be *the amount of levy paid*; this would work for the BPC and, it was suggested, for other levy bodies too.

Members strongly felt that the Ministers, when considering the outcome of a ballot, should take into account the results of the votes, based on weighting, as described above.

### **Penalties and proceedings**

One issue which had been highlighted by the industry for a long time was a desire that the levy body should be given powers to apply sanctions at persuasive levels. Examples would be a *substantial* differential between ordinary and higher levy rates and the ability to apply estimates at a rate which provided an incentive to comply. Those who complied with the regulations resented the costs incurred by having to chase defaulters. No such 'penalties' were provided for in new draft legislation. Any differentials in levy rates would have to be justified in terms of recouping additional costs. This was disappointing.

However, there were some positive changes. Increasing the level of fines to a maximum of £5,000 for all offences (under the current legislation some attracted £1,000, some £5,000) was welcomed. Being able to bring a prosecution within 6 months from discovery was also a positive step.

### **Levy thresholds**

The area levy threshold in the draft Order was retained at 3 hectares. Mr Littleboy wondered whether some flexibility could be applied to the wording, to the effect that LBUK would be empowered to change the threshold if required, subject to ministerial approval. Failing this, Members might wish to submit a request for an Amendment Order as soon as possible.

This would be included in the BPC's response.

### **Tonnage levy**

The Council was very pleased that the legislation provided an exemption from tonnage levy in respect of potatoes handled by co-operatives on behalf of their members. The BPC had made a formal submission for this, in response to strong industry requests.

The provision in the Order would satisfy the requirements of traditional co-operatives. It would also provide a model which other co-operative type ventures could use, subject to some adjustments to the way they operated. It was agreed that this was a satisfactory outcome.

### **Registration**

The Secretary said she regretted that the provisions for a register had been removed from the draft Order, as there was now no statutory obligation on levy payers to provide information about their businesses. LBUK/sector co would of course have to maintain a register (database) in order to charge levies and communicate with levy payers, and this was recognised in the explanatory notes.

### **Consultation questions**

The Council went through the questions set out in the consultative document and agreed responses.

What are your views on the power to estimate and a higher rate for late payment?

*We are in favour of both.*

Do you have any comments on the ballot and voting mechanism?

*Strongly in favour of weighted voting, as described above.*

In the course of the levy collection review in 2005, the review group had strongly recommended that data from the Single Payment system should be provided by the RPA and used to underpin the BPC's levy collection activities. The Secretary said that this matter had been raised at every possible opportunity in discussions with the Sponsoring Department. Mr Harley was very disappointed that, despite this, the issue had not been reflected in the revised legislation. The Council agreed that this would now be a matter for the successor body to pursue.

What are your views on the proposed enforcement sanctions?

*We welcome the additional measures, such as fixing penalties at level 5 on the standard scale (Max fine £5,000), and providing a facility for a higher levy rate on estimates. However, we regret that we have not been given the power to apply a penalty in terms of the differential between ordinary and higher levy rates, nor to apply an element of penalty in the levels of estimates.*

What are your comments on buyers submitting quarterly (rather than annual) returns, and exempting potato co-operatives from paying the buyer levy?

*Currently purchasers submit monthly returns and when asked about this in the past they said that they preferred that arrangement rather than quarterly submission. This needs to be revisited.*

*We are delighted about the decision to exempt co-operatives from paying tonnage levy on members' potatoes.*

### **Further consultation**

The Council agreed that it was very important that all trade associations and other stakeholder bodies should respond to the consultation. The Chief Executive was asked to write to all such organisations, on her own and the Chairman's behalf, raising the matter with them and offering to attend at relevant meetings.

CEO

### **Liability on Members**

Mr Littleboy referred to a matter which had been raised at the Audit Committee meeting the previous day, regarding the intended statutory transfer from the BPC to the new body. The question was whether the successor body could 'wash its hands' of any liabilities which were not in existence, or known, at the time of the transfer and whether in such circumstances the Members of the BPC could be held to be personally liable.

The Secretary said that, under the terms of the Order, there would be a transfer of property, rights and liabilities from the BPC to Levy Board UK, and this would include any contingent and potential liabilities. It was possible that the BPC would be asked by the other party to provide details of any such liabilities or other relevant items of which it was aware.

As regards personal liability, the Secretary did not believe that there would be any cause for concern, provided Members had acted honestly and in good faith. The duties imposed on them were set out in the Members' code of best practice, which contained a caveat regarding indemnity.

The Secretary was asked to obtain a formal assurance from DEFRA that this indemnity would apply in the situation described.

Secretary

### **Contracts of Employment**

In response to a question from Mr Vermont, it was confirmed that the TUPE rules would apply to the transfer. The Chief Executive was under the impression that the transferee would be LBUK, rather than the Potato Co, but this needed to be confirmed. The Secretary said that, either way, there were rules on consultation which would need to be applied at the due time.

## **07/09 FRESH START SURVEYS AND NEXT STEPS (BPCP/07/03)**

The report produced by Accenture had been circulated to the Council and Members were invited to raise any comments or queries. The consultants had carried out surveys of levy payers and other interested parties, to establish their views on the challenges facing the industry, as well as awareness of and satisfaction with the services provided by the existing levy boards. The report included in the Papers related specifically to the BPC but Members had also been sent a summary showing comparisons with the other bodies.

Mr Littleboy said that he would like to see a financial plan, not just in terms of costs, but also benefits for the industry.

Mr Fraser asked how representative the surveys were. The Chief Executive replied that, as far as the potato sector was concerned, the telephone part of the process was a stratified survey based on BPC data. The internet survey was a different matter altogether and the validity of adding those results in the top-line report might be questionable. On the other hand there did seem to be a reasonable level of correlation. The Chairman pointed out that the surveys were only one part of a process based on the Radcliffe Report.

A number of specific issues were touched upon during the discussion. For example, publishing best practice and other guides was generally supported by the industry, but devoting resource to specific remedial activities to help underperforming businesses was not, so the juxtaposition of such issues was not very helpful. Also, respondents had been asked to give a view on the BPC's performance of certain activities in which the organisation did not engage, such as quality assurance

schemes. So, there were some anomalies in the process which could have been prevented by consulting people who were familiar with the potato sector, as well as the BPC and its activities.

The next phase in the process was development of the business case for LBUK and its subsidiaries, and decisions on future activities. Members were reminded that they would be able to contribute to the debate through the Council and through the Chair Elect of Potato Sector Co.

**07/10 BPC LEVY COLLECTION: AUDIT OF CURRENT ARRANGEMENTS (BPCP/07/11)**

At its previous meeting the Council had agreed that an external auditor should be brought in to examine the current systems and advise on possible cost reduction opportunities/efficiencies.

The Chief Executive said that the auditor, David Kean of South Cost Audit, was still working on the project, but she had received a preliminary report from him. In this Mr Kean commented on the fact that the system was process driven; there was a conglomeration of different IT applications, some of which were off-the-shelf but several had been developed in-house; there was some overlap and duplication; and there was overdependence on one technical person. (This was recognised in the BPC's risk register.) It may be possible to contract certain activities out.

The Chief Executive said that this was still work in progress. When the final audit report came to hand, the matter would be discussed with the Directors and, subsequently, with the relevant staff.

Mr Vermont commented that there seemed to be a great deal in the audit report about risk management but, from what he had heard, little in terms of evidence of potential cost savings.

**07/11 LEVY COLLECTION: TONNAGE LEVY INVESTIGATION (BPCP/07/04)**

In its efforts to seek cost savings, the Council had agreed 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 BPC auditor had commenced the process by interviewing a number of merchants, to establish whether their systems would be able to cope with such a change. These interviews followed a set pattern, including questions on systems, perceived benefits and disadvantages, and general feedback, comments and recommendations. The responses had been uniformly negative.

In parallel with this, a letter had been received on behalf of the Potato Processors' Association, expressing strong reservations about the suggested change. There were concerns about the risk of losing valuable statistics and market information (this being a major output from the planting returns); the likelihood of levy leakage; and a fear that processors might be perceived as Government tax collectors, to the detriment of customer relations. There was a strong correlation between these

comments and the points put to the auditor by the merchant interviewees. Mr Harris said that there was unanimity amongst the processors and their views accorded with those of their supplying producers. He also made the point that they mirrored the recommendations of 2005 Levy Collection Review Group. Mr Vermont reminded the meeting that this subject had been discussed on numerous occasions since the BPC's inception and the answer had always been the same.

The Chairman said that market information was clearly perceived as very valuable within the industry. One of the reasons for developing the Grower Panel had been to safeguard this, in case the planting returns were to be abandoned. The fact that market information was valued, was borne out by the NFU document referred to earlier (see 07/04), which also listed levy collection as one of the things the BPC does well. He wondered, though, whether the responses reported to the Council were truly representative and whether, had the consultation with purchasers been carried out with more forethought and better planning, the results would have been less negative. Would there be any merit in discussing the issue further with stakeholder bodies, in conjunction with consultation on the future structure? The Council responded that the issue had been taken as far as was appropriate and that raising it again would be counterproductive.

The Council agreed, therefore, that the investigation of an alternative levy collection system based on tonnage had been concluded. The result was that there was no appetite for such a change within the industry. The Chairman undertook that he or the Chief Executive would relay that decision when meeting stakeholder bodies.

**07/12 LEVY COLLECTION: PAYMENT AT ONE POINT OF PROCESS (BPCP/07/12)**

In the course of the discussion of how Co-operative enterprises were affected by levy collection, at the Council's meeting in December 2006, Mr Harley had 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.

Staff had explored the idea, looking at potential benefits and disadvantages, and these were summarised in Paper 07/12. There would be a simpler system, with a smaller number of levy payers and levy would only be collected once in each supply chain. Conversely, there would be a substantial reduction in levy income and, if it was desired to make up the shortfall, the tonnage levy rate would need to be more than doubled. There was also a potential problem about purchasers' identifying what potatoes had already been subjected to a levy charge.

One potentially contentious issue was that a proportion of the trade would not attract levy at all. Whilst this aided simplification, it ran contrary to many industry

players' view of fairness. Mr Vermont pointed out that this was precisely the reason why there had been so strong a feeling against the original 1997 Order, which provided for tonnage at first point of sale only, that the industry had successfully canvassed for a legislative change two years later. The principle, which still held good, was that every business in the industry should contribute financially to its levy body.

Mr Worth felt that changes in the way an industry operated should be reflected in the legislation governing it. He regretted that there was not stronger support for the idea of tonnage levy at one point of process. Mr Harrison shared that regret.

The Chairman thanked Members for their contributions to the debate. His overarching aim was to hand over the best possible systems to the successor body. The BPC's levy collection was something which engendered strong feelings, and there was a very real dilemma between the issues of costs and fairness. The examination of two possible alternatives – tonnage only and levy at one point of process – had been embarked on in an effort to help address the former. However, it was clear from the responses from Council Members and other industry respondents that there was not the appetite for introducing such changes. Staff would continue their efforts to reduce the costs of the existing, dual levy system but any fundamental changes would be matters for the future.

**07/13 FINANCIAL REPORT TO END FEBRUARY 2007 (BPCP/07/05)**

Mr Moore presented the Paper, which showed that the forecast area levy remained at £4,659K but the tonnage levy had been reduced, resulting in a total projected income of £5,809K. The projected expenditure stood at £6,299K. The current forecast indicated a draw-down from reserves of £256K, which would leave £2.687m; the minimum reserve level, i.e. exit costs, was £1.662m.

**07/14 DRAFT BUSINESS PLAN & BUDGET 2007/08 (BPCP/07/13)**

The Chief Executive presented a draft Business Plan for the period 1 July 2007 to 31 March 2008. The financial reporting period had been curtailed to 9 months, to coincide with the intended vesting day for the intended change to a new levy body.

The Plan was based on the established strategy maps, which Members were familiar with, but there had been a number of changes in emphasis, which would be reflected in future activities. Examples were variety & taste, sustainability and bureaucracy & compliance. A summary would be issued.

CEO

Details for specific departments, such as R&D, SBEU and Seed & Export, had been approved through the respective functional Committees. There had been no recent meeting of the Marketing Committee, due to the ongoing changes in committee structure. However, the marketing strategy had been approved before that process started and this was reflected in the Plan.

The document contained a budget forecast for the period ended 31 March 2008, (£2,684.2K) with comparative figures for the previous 12-month period (£2,972.8K). Members noted that these were not directly proportional, as the BPC

expenditure was not always evenly spread over the year. The figures for R&D included £374K still available to commission projects over the 9 months.

The Business Plan would be submitted to DEFRA by 31 March 2007, in accordance with the Management Statement & Financial Memorandum (MSFM). Any comments put forward by Members in the interim period would be taken into account.

Subject to this, the Council approved the Business Plan and Budget for the period ending 31 March 2008.

**07/15 AUDIT COMMITTEE**

Mr Littleboy reported that the Audit Committee, at its meeting the previous afternoon, had received the financial statement and the draft business plan. There had been a discussion on likely financial implications for the BPC, arising from the levy body reform (see item 07/07 above)

Mr Maddocks left the meeting at this point.

**07/16 R&D ISSUES**

Professor Bainbridge gave a report on ongoing issues, as well as items discussed at the R&D Committee meeting on 1 March 2007.

**International collaboration on R&D**

At a very productive meeting held in South Africa at the beginning of March, several areas of non-competitive interest had been identified. (See also Minute 07/20). Collaboration in the exploitation of disease diagnostics was of particular interest for the R&D function. The Committee would look at any proposals that might be put forward.

**Potato Genome**

Following the meeting held with SEERAD, BBSRC and DEFRA about funding for GB involvement in the global potato genome work, the Research Council had invited the Wellcome Sanger Institute to carry out sequencing. Their response was awaited.

**Sutton Bridge Experimental Unit**

The cross industry consultative group which had been set up, under the chairmanship of Duncan Worth, to help develop the SBEU business plan had submitted its draft report to the Committee. There would now be wider stakeholder consultation, before the final report was presented to the Committee in May, and to the Council in June.

Professor Bainbridge said it was recognised that SBEU was a unique industry resource, but this could not be maintained in a viable condition without investment.

Regional Development Agencies were a possible source of funding and the Operations Manager had been advised to explore this.

### **Research Topic Reviews**

*Exploiting resistance* – Dr Stuart Wale of SAC had given a very good presentation from the Topic Review which the BPC had commissioned, and several recommendations were being taken forward as projects.

*Powdery Scab workshop* – A workshop had been held in December 2006 and had involved both industry and researchers in identifying challenges and discussing possible approaches. A number of recommendations had been made and endorsed by the Committee, and these would now be taken forward.

### **R&D Projects**

The following three projects had been supported by the Committee and were presented for endorsement by the Council; all were for one year:

*Black dot: expanding the applicability and interpretation of black dot diagnostics* – SAC, ADAS, SBEU and SCRI: £78K for one year.

This was a very good project and the Committee had agreed that a one year extension was appropriate to ensure that there was the practical ability to interpret real-time PCR diagnostics and develop risk assessments for black dot. Close collaboration with industry would be crucial to ensure that the threshold levels for the tests and their interpretation reflected commercial criteria

*Investigation of Dickeya on GB potatoes* – CSL: £33K for one year.

This study would follow on from the *Dickeya (Erwinia chrysanthemi)* topic review recommendations, which were considered and endorsed by both the Seed Sectoral Group and the R&D Committee. The project would establish the importance of the disease in GB and there were good links with the Government PHSI monitoring that provided synergies and cost efficiency for the levy investment.

*Spraying: testing potato varieties for susceptibility to PMTV* – SASA & CSL: £35K for one year.

This project addressed issues regarding variety susceptibility and symptomless infection. This information would improve understanding of the use of new PMTV diagnostics and assessment of risk, to inform management decisions. The project integrated with, and exploited, the major BPC funded research on diagnostics (R253) where synergies with powdery scab work could be achieved, and was thus an example of optimising levy spend.

The Council ratified the decisions.

### **Knowledge transfer**

The challenges to ensure delivery of information from the CUF programme had been debated by the Committee and between staff and CUF at several meetings over the past six months or so. The Committee had considered and approved the

following proposal:

- using five grower collaboration sites to challenge CUF to demonstrate deliverables.

A second proposal which had also been approved was:

- gaining understanding of how technical information flows (or not as the case may be) in the supply chain; this had been termed the 'blocker' project.

The BPC's KT Manager would start work on these projects in the current season.

### **Workshops**

Dr Story reported that three very successful workshops had been held on blight, storage and water/soils. The first two had been concerned with reporting new R&D, in particular changing blight populations and ensuring that the industry had a consistent message from the research group and not interpretation that could have been put out by the individual agchem manufacturers.

The following week the BPC would be hosting an EU supported meeting as part of the Eurocrop initiative to help identify the research requirements for a competitive crop delivery in 2015, post the next CAP reform.

### **Potato Storage 2007**

Dr Storey complimented the SBEU, KT and Supply Chain teams on the way they had collaborated to achieve a very successful storage event.

In response to a question from Mr Littleboy, Professor Bainbridge said that the number, and in most cases the quality of research proposals coming forward was now much better than before; there were still some which had not been sufficiently well thought through, but in general the situation had improved. She added that the scientists who were still active were of high calibre, but there were big questions over future succession.

## **07/17 SEED & EXPORT ISSUES**

Mr Harley gave a brief report on current issues, following a Seed Sectoral Group meeting on 22 February 2007.

### **Erwinia chrysanthemi Report**

The Group had made the point that this report, compiled by Drs Elphinstone (SCL) and Toth (SCRI), should be used to emphasise the benefits of the Safe Haven Scheme. This was coming along, though the uptake was still slow.

### **Variety Database**

Suzanne Willers, Oxford based member of the seed & export team was in the

process of updating the Variety Database, which incorporated IVT information.

### **Consultation on statutory regulations**

The consultation on the seed certification scheme, plant health regulations etc, was still in progress; this contained a major section on potatoes.

### **Estima Potatoes**

SEERAD had continued the practice of virus testing Estima potatoes post-harvest, to establish whether or not the tolerance had been exceeded. The threshold was 4% and any samples above this level were downgraded. DEFRA, however, were now taking an opposite view, raising concerns that there was an uneven playing field for Estima growers north and south of the Border.

### **Potato Russia 2007**

So far, 15 GB companies had applied to take part in the Potato Russia event, which would be held from 21 to 23 August 2007; details available from BPC Oxford.

### **Safe Haven Certification Scheme**

The rate of take up of this Scheme remained rather disappointing (ca 30%), and the Chairman asked whether it would be appropriate to increase the level of promotional activity. The Chief Executive said that this could be done, but the seed industry appeared to be content with the current situation. The risk of brown rot infection as well as the concern over *Erwinia chrysanthemi* (see above) were reasons for highlighting the existence of the Scheme and the benefits which could be derived from following the agreed protocols. Mr Harley said that there was evidence of improved practices, such as the increased use of clean boxes.

### **Brown Rot**

The Chairman asked the R&D Director to comment on this subject, following the recent reports of an outbreak of brown rot in a pack-house.

Dr Storey said that the diseased sample had been intercepted and the outbreak of brown rot had been contained. A recent meeting of stakeholders had been advised that the bacterium had been found in three English watercourses, which had not previously been known to be infected. Details would be posted on the DEFRA website.

In response to a question from Mr Harrison regarding eradication, Mr Harley said that Scotland could claim brown rot-free, and *chrysanthemi*-free status, but that was not possible for England. There were not the resources within DEFRA to carry out any meaningful eradication programme. Dr Storey added that this was purely a matter of shortage of money. DEFRA staff had indicated that they would be happy to contribute practical help to any industry-funded eradication projects.

**07/18 MARKETING AND COMMUNICATIONS ISSUES**

Mr Vermont presented a report on current issues.

**Review of Marketing Committee**

As reported previously, the Council had approved a proposal to change the way the Marketing function operated. The Marketing and Communications Committee would become a steering committee, responsible for strategic matters. It was anticipated that this would meet twice a year, in May/June and October. Invitations to serve on this Committee would shortly be issued.

More tactical work would be done through working groups set up for specific campaigns or activities. A call for expressions of interest had been successful and it was now intended to run a number of half-day meetings during the period May to July. Subjects to be covered included: Foodservice, Children's strategy, market research gap analysis, health campaigns and National Chip Week 2008.

Any Council Members interested in serving on the main Committee or taking part in specific projects were invited to contact the Marketing Manager, Catherine Lange. Members

**Fact not Fiction Campaign**

This campaign had been very successful, in terms of media cover and advertorials, and it had achieved an AEV of £766K.

**National Chip Week 2007**

This, the 16<sup>th</sup> NCW, had achieved phenomenal results. An important aspect of the campaign had been the attempt to break five 'local world records', all of which had been accomplished. This had attracted a huge amount of media interest (AEV £2.87m, which was higher than in the previous year), with not a single negative comment. There had been a 35% increase in the website hits.

**Grow Your Own Potatoes**

The Marketing Committee had set an extremely challenging target for the number of schools to take part in the 2007 GYOP project. Staff had risen to this challenge and, so far, 4,000 schools had signed up (1,100 participated in 2006).

**BPC Promotional Vehicle**

The vehicle would shortly be available for hire, at good rates, by industry companies. Further details to be announced.

**07/19 YEAR OF FOOD AND FARMING (BPCP/07/06)**

The Paper contained a letter from Sir Don Curry, where he gave detailed information about aspirations and plans for the Year of Food & Farming, and asked for a financial contribution from the BPC, in the sum of £25K. The project would run from September 2007 to July 2008 and the aim was to reconnect children with agriculture; this was very much in line with the BPC's work with schools, such as GYOP.

The Chief Executive said that she was involved in the project, through membership of the working group, as well as the collaborative group on nutrition, which she chaired.

Members felt that this was an important, high profile initiative for the agricultural industry and it was right for the Council to make a financial contribution. Professor Bainbridge, whilst concurring, suggested that the point should be made that, whilst the amount requested for this project was relatively modest, the BPC also contributed considerably more, through work in kind, expertise and so forth.

The Council agreed to make a financial contribution of £25,000 to the Year of Food and Farming project.

**07/20 COLLABORATIVE OPPORTUNITIES: REPORT ON MEETING**

The Chairman reminded the Council that, at the most recent World Potato Congress, he had suggested that there might be collaborative opportunities, both in the fields of R&D and marketing, which a number of countries could engage in. This had been progressed at a recent meeting in South Africa, which he had attended together with the R&D Director and the Marketing Manager. There had been representatives from Australia, New Zealand and Canada as well.

The Chairman said that this had been an extremely successful event. The participants had demonstrated mutual respect for each others' expertise and interest in the work undertaken in their respective countries. There was a real wish to share and collaborate and each participant had undertaken to take part in at least one joint project.

**07/21 APPLICATION OF THE COUNCIL'S SEAL (BPCP/07/07)**

On the proposal of Professor Janet Bainbridge, seconded by Mr Barry Leathwood, the Council approved the application of its Seal to the following document:

Minute of Variation and Extension of Lease, in respect of first floor offices, Rural Centre, West Mains of Ingliston, Newbridge, Midlothian, between the Scottish Agricultural and Rural Development Limited and British Potato Council.

The Lease had been extended to the end of June 2009, at a rent of £13 per square foot, subject to six months' notice; there would be a full rent review in February

2009.

The application of the Seal had been authenticated by Mr Richard Harris on 15 February and by Mr David Walker on 19 February 2007.

**07/22 REGISTRATION AND LEVY COLLECTION ISSUES: UPDATE (BPCP/07/08)**

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. Our determination to pursue all defaulters, through the Courts if necessary, was now quite well understood. Some producers and purchasers went to the wire before deciding to comply, but few let it go as far as a Court hearing. Our 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.

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) had been convicted, fined and ordered to pay costs.

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

The number of overdue returns which had to be referred to Legal was 230 (137 in the previous year). Twenty-nine producers had been prosecuted; 22 had complied but, unfortunately, seven had not and they had been convicted by the Court, fined and ordered to pay costs.

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

The great majority of returns had been received, and the number of unresolved matters was now 58, including 23 non-returns, 9 returns under query, 2 non-registrations and 9 alleged false statements.

So far, 35 producers had been prosecuted; all but one had complied and *he had been convicted by the Court, fined and ordered to pay costs. The next Court hearing* was scheduled for 26 March 2007.

Three cases of failure to make proper returns had been referred to the Scottish solicitors, who would make reports to the Procurator Fiscal if the producers did not comply.

### **Purchasers: Outstanding Tonnage Returns**

On the purchaser side, good progress continued and there were only 3 cases where returns were outstanding for the 2005/06 season, as well as 2 purchasers who had not registered.

### **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	99+%

### **Legal Debt Collection**

To date, the number of cases passed to the BPC legal debt collection team for action, covering the last seven years was 3,684 (2,862 producers and 822 purchasers). Of these, 3,591 (2,778 and 813 respectively) had been cleared. Area levy wise, £4,094.4K had been collected, leaving £143.7K outstanding. The relative tonnage levy figures were £370.9K and £11.5K respectively.

### **Planting Returns 2007**

The Council noted that this year's returns were being printed, for dispatch before the end of April.

### **Area Monitoring 2006**

This project was nearing its conclusion, and it was now clear that earlier

projections were understated. The total area of undeclared plantings would be in the region of 1,100 hectares, very close to the figure for the previous season.

Of this, 57% related to undeclared areas (average 15.6 ha); and 43% related to unregistered producers found to be planting (average size 20 ha); many of those used to be registered in the past and had 'forgotten' to re-register.

**07/23 INFORMATION PAPERS**

The Council received the following information papers:

BP 2007: Progress Report	BPCP/07/09
Minutes of the 37 <sup>th</sup> meeting of the Seed Sectoral Group held on 30 November 2006	SSGM/06/04
Minutes of the 38 <sup>th</sup> meeting held on 22 February 2007 will follow	SSGM/07/01
Minutes of the 22 <sup>nd</sup> meeting of the Audit Committee held on 4 December 2006	ACM/06/03
Minutes of the 49 <sup>th</sup> meetings of the R&D Committee held on 1 March 2007	RDCM/07/01

**07/24 ANY OTHER BUSINESS**

**Christmas Dinner**

The Council had developed a tradition of holding a special dinner prior to its December meeting and to invite partners and former members to this. Mr Littleboy suggested that, as this was to be the final year of the BPC, it would be appropriate to make the annual dinner a bit more special.

This was agreed in principle; details to be discussed.

Chairman

**07/25 DATE OF NEXT MEETING**

It was agreed that the next meeting of the Council would be held in Oxford on Tuesday 5 June 2007.