

**POTATOES
SHADOW SECTOR
COMPANY**

AUTHORISED

**MINUTES OF THE FIFTH MEETING OF THE POTATOES
SHADOW SECTOR COMPANY HELD AT NOBEL HOUSE,
SMITH SQUARE, LONDON ON WEDNESDAY 9 JANUARY 2008**

- * Prof Janet Bainbridge - Chair
- * Mr Tony Bambridge) - Growers
- * Mr Colin Bradley)
- * Mr Jim Cruickshank)
- * Mr Robert Doig)
- * Mr Graham Nichols)
- Mr Tim Papworth)
- * Mr Fraser Scott)
- * Mr Alex Stephens)
- * Mr Duncan Worth)
- Mr David Rankin) - Grower/packers
- * Mr Nick Tapp)
- * Mr Nick Vermont - Processor representative
- * Mrs Fiona Fell) - Independent members
- * Mr Dennis Heywood)
- * Present

In attendance: Mrs Helen Priestley, BPC Chief Executive
Mrs Inga Martin, Company Secretary

ACTIONS

08/01 CHAIR'S OPENING REMARKS

The Chair said that the Board had met in camera the previous evening, to discuss a number of ongoing matters. She thanked those Members who had been able to attend and said that, in her opinion, whilst frank and open exchange of views was always encouraged, it was sometimes helpful to be able to air issues in an informal setting.

The Board had agreed that the BPC directors would be invited to attend future meetings, and they would also have a standing invitation to the pre-meeting dinners.

One concern which had been raised at earlier meetings was that there was a lack of information about AHDB intentions and activities and the Board felt kept out of the planning process. This sense of exclusion had not abated and Members suggested that AHDB should be encouraged to send a representative to Board meetings. The Chair was asked to pursue this.

Chair

08/02 APOLOGIES FOR ABSENCE

Apologies for absence were received from Messrs Papworth and Rankin. Mr Nichols was obliged to absent himself for part of the meeting (items 08/05 – 08), to keep a prior appointment.

08/03 DECLARATIONS OF INTERESTS

There were no new declarations of interests.

08/04 MINUTES OF THE BOARD MEETING HELD ON 27 NOVEMBER 2007 (PCM/07/04)

The Minutes of the meeting held on 27 November were approved and signed as a true record.

08/05 MATTERS ARISING (PCP/08/01)

Levy Rate Proposals 2008/09 (Minute 07/40)

The levy rate proposals put forward by the Board had been approved by AHDB at its meeting on 10 December 2007.

Corporate Plan (Minute 07/42)

The PCL plan, along with those of the other sector companies, had been incorporated into the AHDB Corporate Plan. This was set out in Paper PCP/08/02.

Risk Assessment (Minute 07/44)

The risk assessment report was re-submitted – see item 08/11.

Communications with staff (Minute 07/44)

Two Board members, Nick Vermont and Nick Tapp, had visited Nash Court on 11 December 2007 to meet staff. Minutes of the meeting, detailing the questions raised by staff and the answers

given, were presented to the Board, together with a supplementary note prepared by Messrs Tapp and Vermont.

The latter document listed a number of questions and issues where there was lack of information. Mr Tapp said that most of these related to the intended structure and activities of AHDB – which were not addressed in the AHDB Corporate Plan - and until those matters had been resolved it was not possible to obtain proper answers.

The Chair said that the questions raised by members and those highlighted by staff (see also item 08/10) would be collated into one list, which would be sent to the Board members before being referred to AHDB.

Secretary

The point was made that DEFRA issued newsletters, updating both staff and stakeholders on the levy body reform, but these had not been sent to Shadow Board Members. The Secretary was asked to obtain both versions and circulate them to Members.

Secretary

DEFRA were subsequently consulted and confirmed that the staff newsletters were more detailed and contained everything that was in the stakeholder version. Board Members have been added to the circulation list.

Mr Worth highlighted one of the points in the paper, namely that the PCL Board felt that they should drive AHDB, not the other way around. In the absence of clear messages, there was a perception that decisions were taken by AHDB without consultation with the sector companies. This might not be factual, but unless proper information was forthcoming to demonstrate the contrary, that impression would persist and lead to increasing levels of distrust and cynicism.

Members stated, forcefully, that they wished to be involved in the decision making process, not be faced with faits accomplis. They were motivated in this by their desire to do what was best for their industry.

The Chair thanked Messrs Vermont and Tapp for taking on the task of visiting the BPC office on behalf of the Board. The Secretary extended her own thanks on behalf of staff, saying that the visit had been very well received.

08/06 AHDB CORPORATE PLAN: 2008 - 2011 (PCP/08/02)

The AHDB Corporate Plan, which incorporated the plans of the various sector companies, had been circulated to stakeholder bodies as part of the industry consultation.

The section related to PCL had contained some typographical, errors which had now been corrected. The revised version was presented to the Board for comments.

Mr Tapp said that he found the part of the report which related to AHDB extremely disappointing, in that it lacked information about organisational structure, management or activities. As regards the financial section, this seemed to be a repeat of the Accenture business case, without any details.

Mr Cruickshank commented that the document contained the bare bones of a plan, but not any 'meat'; it didn't demonstrate how the new business would actually work.

The Chair felt that these comments were fair: the plan was at a very high level and there were still numerous unknown factors in terms of functional plans. The formal staff consultation had only been completed just before Christmas and until that process was finalised, no clear actions could be started in respect of planning for the re-location, centralisation and so forth; it was still not known what would be included in that process.

Members agreed that the Board must be involved in drawing up plans for the future organisation and activities. It was not clear to them to what extent the sector company would be directed by AHDB or what level of autonomy it would have. It was assumed that the 'Delegation Agreement', which was mentioned in the Corporate Plan but which had not been seen by the Board, would be an important document in that respect. Members said that they expected not only to be shown a draft of the document but also to be able to discuss this before it was finalised.

Mr Bambridge asked about the memorandum & articles of association for PCL. The Secretary said that these were generic documents, containing the usual terms which could be expected in such documents. She was asked to circulate them.

Secretary

Mr Doig pointed out that the financial section in the Report mentioned a commercial services subsidiary and asked for clarification of this. To be included in the list of questions for AHDB.

The Corporate Plan was now subject to industry consultation, with a target date for responses being end-January. The stakeholder bodies being consulted are listed in Annex 1 to these Minutes.

08/07 CRITICAL TIMINGS (PCP/08/03)

The Board received a timetable of activities and milestones for the next 18 months, leading up to the proposed co-location. The Chair suggested that this should be a reference document which was reviewed at each Board meeting. It could then be used to check progress and to record further steps as more information came to hand. It was important to bear in mind that some of the items were within the company's control and others were not. The likely time for co- and re-location was shown as Summer 2009 and it was impossible to more specific; the actual date might be anywhere between, say, June and September 09.

In response to a question from Mrs Fell, the Chair said that PCL would not achieve legal status until 1 April 2008, so communications with levy payers could not start in earnest until that date; preparations would start earlier.

The timetable is set out in Annex 2.

08/08 INDUSTRY CONSULTATION: LEVY PAYER DIALOGUE PROJECT (PCP/08/04)

The Board had agreed to undertake a review with the industry to ensure that all levy payers had an opportunity to help develop future activities and that levy income was spent in the most effective and appropriate way. Mrs Priestley presented the Paper which she had prepared, setting out proposals for the project.

Mr Bambridge pointed out that the industry had been subjected to a barrage of reviews in recent years (Quinquennial, Radcliffe, functional and levy body reform), as a result of which there was a state of 'consultation overload'. Other Members commented that, today generally, there was a plethora of consultative exercises, which were not always meaningful, to the extent that the whole concept had become somewhat tainted. All agreed that it was important to engage with the industry in an imaginative way, to ensure buy-in and to establish that the new organisation had an industry mandate for its proposed activities.

This would be linked to previous consultations, the message to levy payers being that the PCL had taken note of previous inputs and come up with certain proposals in response to these, which were now presented for adoption. It would provide an opportunity for clear communications about PCL to the industry. The project would be referred to as *Levy Payer Dialogue*.

In practical terms, inclusion of issues relevant to particular

functions would be chosen by the individual Working Groups referred to below (see item 08/09). These would then be amalgamated into one document or presentation. Communication with levy payers would be based on specific issues or questions, to make it meaningful. As the project was developed, consideration would be given to the most effective methods of communicating. It was generally agreed that smaller meetings were likely to be more successful, particularly for growers. The important thing was that every levy payer was able to request a meeting. Mrs Priestley suggested that larger scale, open meetings might be suitable at a later stage in the process, as part of the review.

Mr Bradley pointed out that many levy payers who had a negative view of the BPC were unaware of what the organisation actually did and the services available. He had found from personal experience that inviting them to visit the head office, meet staff and learn about their work could be very worthwhile for all parties. He suggested that such visits should be considered as part of the project. The Chair made the point that telephone/conference calls could also be useful.

The Board confirmed that they wished staff to be involved in the process, both taking part in meetings, preparing documentation and PowerPoint presentations, and helping with the administrative support work. The point was made that with smaller gatherings, the latter could be kept to a minimum.

All agreed that it was essential to record the outcomes of meetings and to provide feedback to participants.

In terms of communicating with the industry, Mr Bambridge felt that, whilst there may be a range of views within the Board, it was important to deliver a positive message. Mrs Priestley suggested that the tone should be 'honest but positive'. The meeting agreed.

The Chair thanked Mrs Priestley for preparing and presenting the proposals. She asked Members to confirm their support for the project and their willingness to take an active part in meetings and other communication events. They did so.

Mr Stephens asked to what extent Board Members would be 'visible' to levy payers. The Secretary said that the BPC had adopted a policy of openness and transparency in terms of their business contact details, which were published in relevant documents and on the website. This had made a very positive impression. Members confirmed that, in practice, the number of contacts had been quite manageable.

The Board agreed to adopt a similar policy of openness, once the PCL obtained legal status in April. In preparation for this, the Secretary would do a check of contact details to ensure that there was no breach of privacy. Secretary

08/09 WORKING GROUPS (PCP/08/05)

The Board agreed that a number of Working Groups would be set up, in order to optimise the targeting of resources and to help spread the workload during the very busy time leading up to the statutory transfer. Some of these Groups (relating to Marketing, R&D/KT, Market Intelligence and Communications), would be of limited duration, being specifically charged with preparing for the Levy Payer Dialogue project (see item 08/08). The Groups related to Finance and Staff would be longer lasting.

The Board approved the following details:

Marketing (domestic and overseas)

Membership

Nick Vermont (Chair)

Dennis Heywood

Nick Tapp

Tim Papworth

Fraser Scott

Staff

Kathryn Race, Mark Prentice,
Helen Priestley

R&D/KT

Membership

Fiona Fell (Chair)

Duncan Worth

Tony Bambridge

Alex Stephens

Rob Doig

Staff

Mike Storey, Rob Clayton
Helen Priestley
Adrian Cunnington (re SBEU)

Market Intelligence

Membership

Fraser Scott (Chair)

Colin Bradley

Graham Nichols

Staff

Denis Alder, Kathryn Race, Phil Bradshaw
Helen Priestley

Each one of these Groups would be responsible for choosing

what particular issues relating to its particular function would be included in the Levy Payer Dialogue project. The Groups would interface with relevant AHDB teams or personnel; and they would liaise with functional BPC committees and/or staff groups as appropriate.

In each case, there were also specific issues to be considered and addressed. For the *Marketing* Group, it was appropriate to liaise with the AHDB marketing sub-group, chaired by independent member, Chris Bones, exploring amongst other things how 'centralising crisis management' would be defined. The brief of *R&D/KT* included consideration of the SBEU business plan. *Market Intelligence* incorporated the benchmark and futures market projects, work in Europe, future charging policy and internal work pressures.

The Chair said that Mr Chris Bones was due to visit Nash Court on 11 January, to meet the BPC's Marketing Director, find out about the work of the team, and discuss future plans. Mrs Priestley said that she would also attend that meeting.

Communications

Membership

Nick Tapp (Chair)
Tony Bambridge
Rob Doig
Tim Papworth
Alex Stephens

Staff

Helen Priestley and Directors

The Group would be charged with overseeing the *Levy Payer Dialogue* project and to take a leading role in ensuring clarity and consistency of messages to the industry.

Finance and General Purpose

Membership

Jim Cruickshank (Chair)
Fiona Fell
David Rankin

Staff

Steve Moore, Helen Priestley

The initial task for this Group was to take responsibility for presentation of and debate on PCL's finances during the *Levy Payer Dialogue* project. Longer term considerations were future levels of activity, levy rates and generation of non-levy income. It would liaise with the AHDB working group of finance specialists.

StaffMembership

Dennis Heywood (Chair)

Nick Vermont

Nick Tapp

Duncan Worth

Graham Nichols

Staff

Inga Martin, Helen Priestley

The brief of this Group included ensuring clarity of communication between PCL Board and staff; and interfacing with AHDB regarding staff retention and other personnel issues; it would liaise with the AHDB HR Forum. The overarching aim (for the Group and for PCL as a whole) was to maintain staff motivation during the transitional period.

Other issues

Two of the Members were absent from the meeting and they needed to be consulted on their proposed membership of the Working Groups.

The Chair would be an ex officio member of all the Groups.

Each Group would agree its own terms of reference and modus operandi. They would be advisory groups, reporting to the Board and would not themselves have decision making powers. Meetings would be started as soon as possible and each Group was expected to present a brief update at the February Board meeting.

Formal Committees

The Board agreed that PCL would retain the formal system of functional Committees set up by the BPC. One rule was that each Committee should be chaired by a PCL Member and to accommodate that, certain changes were required. The following appointments were agreed:

Marketing Strategy Committee – Chair: Nick Vermont

Mr Vermont said that this Committee, comprising senior industry people, had recently been re-constituted. It was a strategic forum and met twice a year. More operational matters were dealt with through ad hoc advisory groups with industry involvement. The Board agreed to keep this structure.

R & D Committee – Chair: Fiona Fell

Seed & Export Committee – Chair: Robert Doig

Market Information Committee – Chair: Fraser Scott*

* This Committee to be jointly chaired by Fraser Scott and Richard Harris.

It was agreed that all existing members would be invited to continue serving on the Committees following the transfer from BPC to PCL. Chair

The BPC Audit committee had been asked by DEFRA to continue in being until the final BPC Accounts had been finalised, signed off and laid before the Parliaments.

08/10 KNOWN UNKNOWNNS (PCP/08/08)

There were numerous items which were not yet known to the Board, but which needed to be confirmed in the course of the forthcoming change, and development of the new organisational structure. Staff had sought to identify those issues, activities and decisions and these were listed in the Paper, for Members' consideration.

The Board agreed that the list should be amalgamated with the issues raised earlier (see item 08/05), before being referred to AHDB. One further question was raised at the meeting, namely how AHDB would recoup monies from the sector companies and how that would work vis-à-vis the management fee. There was also the question about the commercial services subsidiary (see item 07/06). The updated list is at Annex 3 (Members only).

One issue which had featured throughout the discussions at this meeting was Members' unease that they, as representatives of the potato sector, did not feel involved in and au fait with the plans of AHDB. Because of a lack of communication, there was some cynicism and suspicion that things were being done and decisions made without any inputs from them. They did not feel they had enough information about the work of the AHDB functional review groups.

The Chair was responsible for the AHDB review group on R&D and she explained, by way of an example, how she was dealing with that task. She had consulted widely with groups and individuals, taking part in a large number of meetings and other relevant events; she had actively engaged with the BPC's R&D

Director and his colleagues; and met the Applied Research Forum. The subject matter was complex and involved a great deal of work and, whilst AHDB had hoped to receive a final report at its February 2008 meeting, that was not feasible. The Group would, however, present its findings as soon as possible.

As mentioned earlier, there was also an AHDB review group for marketing. This was headed by Mr Chris Bones, who was due to visit Nash Court on 11 January. The Chair commented that the meeting would provide an excellent opportunity for exploring how that group was operating.

Positive meeting held; notes circulated to the Board Members.

Mr Worth said that the remit of the Board was to help develop the future of the potato sector and for Members to be able to do so effectively, they needed to be aware of plans and proposals. Mr Tapp, concurring, said that the company should be able to comment on and influence all issues which were potato specific or where there were shared interests. Recommendations from AHDB review groups should come to the company before being referred to the Board for decisions.

The Chair said she believed that the Potatoes Shadow Board was held in high esteem by those to whom it was accountable for the way it was conducting its affairs, and that its communications came across as assertive rather than aggressive. She was wholly in support of openness and transparency and, whilst not wishing to overburden Members with paperwork, she would be very happy to circulate AHDB papers to them, if wanted.

Members

The Chair went on to say that she was due to meet the CEO of AHDB, accompanied by the Secretary, in a week's time to discuss a number of specific issues. She would raise the matters discussed at this meeting with him.

Chair

08/11 RISK ASSESSMENT (PCP/08/06)

A number of potential risks had been identified in the course of the development of the Corporate Plan. Staff had analysed these, using a three-dimensional model, covering probability, impact and controls, and the results were set out in the paper, for members' consideration.

Risks with high scores included *dilution of potato identity, lack of income for agreed activities, failure to achieve cost savings,* and – particularly – *loss of key staff.*

The Board agreed that two other issues should be scored as

high risks – *levies not collected due to transition to AHDB and levy payer dissatisfaction with PCL leads to calls for a ballot.*

The risk analysis document would be used as one of the working papers for the Working Groups. These would adopt the risks relevant to their activities, keep the document under review, revise and update as appropriate, and report to the Board.

Issues related to SBEU would be added to the analysis, following the Chair's meeting with the AHDB CEO.

Secretary

08/12 BP2009

The BPC's flagship event, British Potato 2007, held at the Yorkshire Show Ground, Harrogate in November, had been extremely successful. At its meeting on 4 December the Council had agreed to recommend to PCL that the BP format continue, and that a similar event be arranged in 2009.

Mrs Priestley said that for a number of years the BPC had contracted with a specialist firm, CEMS (Steve Wellbeloved and Des Vickers) who were responsible for organising the event and who adopted the commercial risk. Under this arrangement the event could be BPC branded, while not putting levy funds at risk.

The Board accepted the recommendation and agreed that BP2009 would be held in November 2009, at Harrogate. A provisional booking of the show ground had already been made, as there was a very long lead-time, and this would now be confirmed. Members agreed that, in view of current and ongoing uncertainties, this was not the right time to consider another venue.

08/13 OPERATIONAL BUSINESS PLAN: UPDATED (PCP/08/07)

The Board received the Business Plan for the period April 2008 to March 2009, which had previously been adopted, and which had now been revised and cross-checked against the three-year Corporate Plan, to remove any discrepancies.

08/14 ANY OTHER BUSINESS

Members' expenses

Staff asked whether the remuneration provided for members' attendance at meetings would suffice to cover the additional days needed for the Working Group meetings. The Members believed that there was sufficient allowance but if this proved to

be a problem, the situation would need to be reviewed.

08/15 DATE OF NEXT MEETING

It was agreed that the next meeting of the Potatoes Shadow Sector Board would be held in Oxford, at 8.30 AM on Wednesday 6 February 2008.

Working Group meetings were scheduled as follows (all at Oxford):

Finance Group – 3 PM on Tuesday 5 February

Marketing Group – 4.30 PM on Tuesday 5 February

R&D Group – Wednesday 6 February, following Board meeting

Staff Group – subsequently scheduled for Thursday 31 January.

Meeting 09/01/08

PCM0801 AUTHORIZED

Potato Council Limited

List of Stakeholder Bodies in the Potato Sector

British Potato Marketing Association (BPMA)

British Potato Trade Association (BPTA)

Fresh Produce Consortium (FPC)

National Farmers Union (NFU)

National Farmers Union of Scotland (NFU(S))

National Federation of Fish Friers (NFFF)

Potato Processors Association (PPA)

Pre-Basic Growers' Association

Potato Council Limited Critical Timings

This timetable was adopted by the Board at its meeting on 9 January 2008. It will be reviewed at subsequent meetings, to check progress against plans, and to add items as the process develops.

Levy Payer Dialogue refers to the process of consulting the industry on the PCL Corporate Plan.

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| January 08 | <ul style="list-style-type: none"> ▪ Working Groups set up – Agree terms of reference and set out plans. ✓ ▪ PCL makes decision regarding formal committees on R&D, Marketing, MI, SSG and audit. ✓ |
| February 08 | <ul style="list-style-type: none"> ▪ Working Groups report back to PCL Board. ▪ PCL Branding is agreed. |
| March 08 | <ul style="list-style-type: none"> ▪ Working Groups submit final inputs regarding Levy Payer Dialogue to Board. ▪ Dialogue plan documentation finalised. |
| April 08 | <ul style="list-style-type: none"> ▪ Statutory transfer to AHDB and start of PCL. ▪ PCL Business Plan 08/09 starts. ▪ PCL Levy Payer Dialogue commences. ▪ Levy Payer communication regarding PCL can begin. |
| June 08 | <ul style="list-style-type: none"> ▪ PCL Board members take active role in Levy Payer Dialogue (April to June). |
| July 08 | <ul style="list-style-type: none"> ▪ PCL three month Levy Payer Dialogue ends. |
| August 08 | <ul style="list-style-type: none"> ▪ PCL considers results of the project. ▪ Marketing / R&D/ MI Working Groups fold. |
| September 08 | <ul style="list-style-type: none"> ▪ Business Plan for 09/10 prepared. |

- December 08
 - PCL submits levy rate proposals to AHDB.

- April 09
 - (Original co-location date).
 - Business Plan for 09/10 commences.

- Summer 09
 - Likely time for co- and re-location.

January 08