



AUTHORISED MINUTES

**MINUTES OF THE NINTH MEETING OF POTATO COUNCIL
LTD HELD AT NASH COURT, OXFORD ON WEDNESDAY
7 MAY 2008**

- * Mr Dennis Heywood - Chair (Interim)
- * 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 member

- * Present

In attendance: Mrs Helen Priestley, CEO
Mrs Inga Martin, Company Secretary
Dr Mike Storey, R&D Director
Mr Steve Moore, Head of Finance & IT (Items 08/90 – 92)

Mr Steve Wellbeloved, CEMS (Item 08/87)

ACTIONS

08/78 APOLOGIES FOR ABSENCE

Apologies for absence were received from Messrs Cruickshank, Doig and Rankin.

08/79 DECLARATIONS OF INTERESTS (PCLP/08/38)

The Register of Members' interests had been revised and this was set out in PCLP/08/38. The Secretary reported that, since the Paper was produced, Mr Bambridge had declared some additional interests, and the Register would be updated accordingly. Mr Tapp confirmed that he is a Member of the Executive Committee of CUPGRA. *The updated Register is at Annex 4 to these Minutes (Members only.)*

08/80 MINUTES OF THE BOARD MEETING HELD ON 2 APRIL 2008 (PCLM/08/04)

The Minutes of the meeting held on 2 April 2008 were approved and signed as a true record.

08/81 MATTERS ARISING (PCLP/08/39)

SBEU Business Plan (Minute 08/57)

The Board had reaffirmed its request for a list of action points and asked staff to provide a progress report for its meeting in May. See Minute 08/82.

Planting Returns 2008 (Minute 08/58)

The Board noted that the planting returns had been issued during the week commencing 28 April; the statutory return date was 1 June 2008.

As previously reported, 185 growers had volunteered to take part in the E-submission pilot project. Passwords had been sent out to them under strictly confidential cover. The system was now open for access.

Mr Bradley, referring to *double-cropping*, asked what safeguards were in place to ensure that potatoes lifted early and replaced with another crop did not escape detection.

The Secretary pointed out that the onus was on each grower to provide accurate returns including his total plantings and failure to do so was a criminal offence. She would speak to the Field Officers about the practicalities of this.

Secretary

The Crop Loss Issue (Minute 08/58)

Media reports on this subject continued and there had now been suggestions that the levy collection system should be overhauled. See Minute 08/95.

Yield & Climate: a Statistician's Perspective (Minute 08/59)

In view of the volume of work to be dealt with at this meeting, the Board agreed that Dr Alder should be invited to present his report at the July meeting instead.

Memorandum & Articles of Association (Minute 08/64)

Following consultation with AHDB, it had been agreed that the Company Secretary would seek a legal opinion. The matter had wider implications for the structure and operations of Potato Council. See Minute 08/86.

Year of Food & Farming (Minute 08/66)

The Board had received a request for a further contribution to this project, in addition to the £25,000 provided by the BPC, but agreed that the potato sector had already contributed work equalling at least the £12,500 now requested, through the Grow Your Own Potatoes campaign. Staff had been asked to write to Sir Donald Curry to this effect.

The CEO reported that she had sent a letter, as requested, having first ascertained that the Board's approach was in line with what the other sector companies had decided to do. She had subsequently learnt that one of the other bodies may have agreed to make a further contribution. The Chair said that the AHDB Board had also received an invitation to provide funding.

International Levy Body Collaboration (Minute 08/72)

Details of the collaborative work were being gathered; an evidence file had been set up for this purpose, which would provide a comprehensive overview of activities and benefits, for reporting to the Board.

See Minute 08/89 regarding potential EU funding for marketing.

Operational Issues (Minute 08/75)

Following the sub-tenants' departure from Nash Court, staff had circulated details of the space available for a short term let. There had been no expressions of interest so far.

Members' Details (Minute 08/76)

The Secretary said that most Members had provided the information required for paying expenses. Collation of contact details for the website was nearing completion. Staff appreciated

Members' assistance and speedy response.

08/82 SBEU BUSINESS PLAN: PROGRESS REPORT (PCLM/08/40)

At the Board meeting in March, staff had been requested to carry out the following actions:

- Review the suitability of SBEU as the location for project work vis-à-vis other potential sites/suppliers.
- Carry out an investigation of opportunities for grant funding, through RDAs or other possible providers.
- Establish a clear view of the industry need for storage work, in respect of potatoes and other products.
- Engage an external consultant to contribute to these activities as appropriate.
- Report back to the Board within six months.

The R&D Director presented Paper PCLP/08/40, which gave a brief update report on steps taken to date. Several potential contractors had been identified and a small number had been approached to discuss how they might be able to help take the project forward.

The intention was to present the Board with full details at its July meeting, with a target date for completing the report in September 2008.

08/83 OPERATIONAL SUMMARY: REPORT FROM THE CEO (PCLP/08/41)

The Chief Executive tabled a report on a range of management and operational issues, including departmental highlights.

Potato Council/AHDB

DEFRA had now published the advertisement for a new Potato Council Chair, the deadline for submitting applications being 27 May 2008.

The Delegation Agreement and MSFM had been produced but had not been formally adopted pending receipt of legal advice on company constitution (see Minute 08/86).

A number of trade publications had carried information about the recent statutory transfer as well as the forthcoming Levy Payer Dialogue, and there had been references to this project in various internal documents. So far the feedback had been modest.

The AHDB management team had visited Nash Court on 23 April, to meet staff and present some information about the forthcoming move to Stoneleigh, including proposed relocation terms. Whilst details of the timetable were still, inevitably, sketchy, the AHDB CEO had indicated that the admin functions were likely to transfer in a year's time, which market intelligence moving some six months later. This gave staff a little more clarity of the context for making their own plans, and they welcomed the visit, which was also attended by Dennis Heywood and Nick Tapp. Staff would meet on 9 May to discuss relocation issues, and AHDB were planning reconnaissance visits to the Stoneleigh area.

The sector company CEOs had been tasked with helping to develop options for AHDB organisational design, and each had been given a functional area to explore in detail; Mrs Priestley had been asked to look at Marketing, excluding quality marques. See also Minute 08/85.

An AHDB Westminster barbeque (an event 'inherited' from MLC) would be held on Wednesday 9 July, and Members were asked to put that date in their diaries. Over 200 MPs and industry stakeholders would be invited and each sector company had been allocated a certain number of places. Members asked for a copy of the entire list of intended invitees as soon as possible.

CEO

Levy & Finance Issues

The transition from BPC had gone very well and there had been no major problems or delays.

Levy collection rates were on par with earlier years and there had been no adverse impact of the statutory change. There were some issues related to newly registered 'collaborative' type companies, which the Board had been informed of at the previous meeting.

Expenditure was higher than recent reports had indicated, though within budget. This was caused by a number of unusual events, largely due to the transfer. The draw down from reserves was smaller than originally projected, due to increased income. (See also Minute 08/90)

Market Information

The Grower Panel project was going well, with 630 data forms (95% of target) having been received. Early crop information was now being recorded, following a slower than expected start to the season.

R&D

Contracts had been issued for the projects approved following the recent Committee meeting.

The team had been involved in a number of activities with other European organisations.

The CIPC Stewardship Plan had been finalised for release and various activities, in terms of publications and industry meetings, were in train.

The premises at SBEU had been improved, to comply with new fire regulations; that work was now complete.

KT/Supply Chain

The Board noted that the KT team was now depleted, following Mr Prentice's promotion to Seed & Export Manager and Mrs Jackson's resignation. A number of activities, including the West Midlands and East Midlands Potato Days, and a North Notts Storage Day, would go ahead. However, a number of other events had been put on hold, which would affect performance against the business plan.

Seed & Export

The new Seed & Export team were doing well, with excellent outputs.

There had been a very successful outward mission to Egypt.

There was a high level of interest in the forthcoming Potatoes in Practice on 7 August, and planning for other major events – Potato Europe and the Seed Industry Conference – was going well.

Marketing

The CEO reported that a number of consumer research projects had been completed, with very exciting results. These would be presented at a conference later in the year, and there would also be meetings with individual industry companies. The Board confirmed that they would welcome a presentation at a future meeting.

CEO

The International Year of the Potato had engendered vast amounts of media coverage; PCL had provided information and spokespersons.

The CEO was thanked for her report. Referring to the forthcoming relocation to Stoneleigh, Mr Papworth suggested that it might be sensible for PCL to hold one of its meetings there, later in the year. The Board agreed.

08/84 REPORT FROM AHDB BOARD MEETING: 7 APRIL 2008

The Chair said that this had been his first attendance at an AHDB Board meeting, and the first time he met the other sector company chairs. His impression was that they were strong people who expressed their views in an open and robust manner. He sensed that issues and concerns were fairly common across the organisations and that the frustrations which the PCL Board had experienced was not unique to that body.

One issue where there was strong agreement amongst the Chairs was that the CEOs should be actively involved in the development of the new organisation and its structure. Lindy Petts, the Tribal consultant who had been commissioned to help with this task shared that view, and the Board had responded positively to the suggestion. So, albeit rather late in the day, the CEOs had been asked to take part in this project and they had met as a group on 1 May to start the work.

Another point of concern for PCL was that, contrary to earlier promises, the advertisement for its new Chair had been published without members having an opportunity to see the document in draft form and being able to comment on it. The Board had been led to understand that its interim Chair would be involved in the recruitment of the new incumbent, initially at the short-listing stage and then, when that turned out not to be permissible, as part of the interviewing panel. They had now been told that this was not allowed either, under the OCPA rules. The interim Chair might be given details of the applicants for the post, but it was unclear whether he would be able to share these with the Board.

The Members asked that their strong disappointment over these matters be recorded in a letter to AHDB. As representatives of the potato sector, they understood how the industry operated, its needs, and the issues facing it. They were, therefore, well placed to provide a positive input in the recruitment process but they had been excluded from this, to the potential detriment of their industry.

Secretary

08/85 AHDB ORGANISATIONAL STRUCTURE (PCLP/08/42)

As reported earlier in the meeting (Minute 08/83), AHDB had agreed to involve the CEOs in developing the future structure for the organisation. Their task was to come up with three options within the framework which had been ratified by the AHDB Board at its meeting on 7 April; details were reproduced in PCLP/08/42. The

CEOs had held its first meeting on 1 May; they had been given a challenging timetable and were expected to come up with proposals in time for the AHDB meeting on 7 July.

The CEO suggested that it would be instructive to go through the key aspects of the AHDB paper, to ensure that the Board was fully aware of the framework within which the process must be set.

Levy payers were critical.

The Board welcomed this statement.

AHDB would be one organisation – not a group of separate entities – with each current sector company becoming a division of AHDB at the time of co-location at the latest.

In response to a question from Mrs Fell, the Chair said that this appeared to be generally accepted at the AHDB Board meeting, though it may be that some sectors would take longer than others to put this fully into effect.

It was likely that the current sector CEO role would change substantially, in the new scenario with the post holders reporting to the AHDB Chief Executive.

Mr Vermont said that the sector must have a head of staff of high calibre; there was an ambassadorial aspect both to this role and that of the Chair.

There would be a number of shared activities, for greater efficiency and economies of scale.

The latter point caused some consternation. Included in “shared activities” were HR, Finance and other support functions – which was all logical and acceptable; and policy, knowledge management and market intelligence – to be defined by the CEO group; however, also included were *some areas of R&D and some marketing functions.*

Mr Bambridge was dismayed to be faced with a ‘one-size-fits-all’ model, rather than a structure developed in response to clearly identified needs. He pointed out that, at its previous meeting, the Board had stated a clear preference for an organisational structure based on shared back office functions, with all customer facing activities being sector specific. It had been acknowledged that a move towards more sharing might be a natural progression from that starting point, based on an agreed need to work together, but that had to be by choice.

Mrs Fell felt that it was essential to pass on clear messages about the issues discussed: the need for ambassadorial and leadership roles; the Chair as both figurehead and deliverer; that there must be a sector focus to the external activities. She suggested that the strengths of sharing should be explored, not necessarily on a joint project basis but, for instance, in terms of experts from different disciplines working together and exchanging ideas.

Mr Tapp believed that selling the idea of shared support functions to levy payers would not be a problem, but promoting non-sectoral marketing and research functions would not be acceptable. He felt that Mrs Fell's interpretation of sharing may be a suitable solution.

The CEO did not see how the Board's preferred structure could be fitted into the criteria agreed by AHDB. As part of her brief for the functional review, she had been asked for proposals on bringing marketing together, and she foresaw that the result of the development project could be a matrix structure.

Mr Bambridge reminded the Board that at its previous meeting, during a discussion on quality marques, they had made some very strong comments about the fact that, in the potato sector, a base line of quality was a given, and that levy funded activities were there to add value. PCL must be measured on what it achieved in terms of influencing the industry and changing behaviour. This was reflected in the quality of its statistics, scientific work, research reports and other outputs. Letting those standards slip would be unforgivable.

Mr Vermont said that, despite promises of inclusiveness, involvement and autonomy, he sensed that the Board was being railroaded away from decisions which they had reached by informed debate, into certain areas where they did not wish to go, driven by forces which were not visible to them. The Members, using their industry knowledge and expertise, had agreed a "vision" for the sector, and it appeared that there was a process of gradually chipping away at that. The CEO had been asked by AHDB to pursue a course of action which would not, in the view of the Board, be beneficial to the potato sector.

It was agreed that the Chair should be asked to issue a strong, clear and unambiguous written statement of the Board's vision. This would be sent to the Chair and CEO of AHDB, and could also be used in communications with other sectors.

Chair

Once a written response was received from AHDB, the Board would decide whether to invite Dr Bridge to a meeting.

Members were asked to forward any comments to the Chair,

through the CEO.

Members

08/86 LEGAL STRUCTURE OF POTATO SECTOR COMPANY

The Secretary reported that, following discussion with AHDB, it had been agreed to seek a legal opinion on the most suitable structure for the company, in the current circumstances. A written statement was not yet available, but she was able to report the lawyer's interim opinion.

Background

The outcome of the levy body reform was that a public body – AHDB – would be set up, which would have a number of subsidiaries; each one would be a company limited by guarantee.

Potato Council Ltd had been incorporated in accordance with this, in October 2007. The company currently had one director (Dennis Heywood) and one secretary (Inga Martin).

The relevant legislation, The Agriculture & Horticulture Development Board Order of 2008, stated that AHDB was entitled to carry out a number of activities -

- itself, or
- through subsidiary companies

Statutory Transfer

In view of the above, arrangements were set up on the basis that Potato Council Ltd would take over the activities formerly carried out by the British Potato Council (BPC). Stationery and a range of other documents were designed to show that Potato Council Ltd was a subsidiary of AHDB.

The 2008 planting returns were produced and issued by Potato Council Ltd on behalf of AHDB .

All property rights and liabilities of the BPC, including contracts, were transferred to AHDB. It was always understood that the company would have no assets and liabilities and that it would be able to act only by delegation from AHDB.

Accounting Division

At its meeting in March 2008, the PCL Board agreed that PCL/Potato Council would become a division of AHDB – for accounting purposes. Hence all accounting documents would be in the name of AHDB–Potato Council.

At this time, the Board was advised that, irrespective of which accounting option was chosen, AHDB recommended that the separate limited subsidiary company should be retained, though this would have no assets and would not trade. This was for reasons of accountability and would require less corporate governance on the part of AHDB. Communications with the industry would be carried out in the name of the Company.

Issues

It was agreed to seek advice on the most appropriate legal structure, in view of -

- the Board's decision to become a division of AHDB for accounting purposes;
- the need to clearly state in business letters and similar documents whether or not a business is a limited company; and
- the fact that the planting returns had been issued by the limited company.

Possible Outcomes

The options considered were:

- Winding up the limited company
- Keeping the company dormant
- Acting in the name of the company, though only as delegated by AHDB.

Interim view

Operating as a division

There is no problem about this; it would mean AHDB carrying out activities in its own right.

The fact that the planting returns had been sent out by Potato Council Ltd was not a problem, as it had done so on behalf of AHDB. That organisation was entitled to do some things itself and to delegate other activities to its subsidiary.

However, in this scenario, it would be necessary to remove any reference to the limited company in letters or other business documents; acting otherwise would be unlawful. This would entail having to change a considerable volume of stationery, forms, texts, programs etc.

Winding up the Company

The advice was against winding up the company, in order to protect the name, but to keep it dormant. That would entail a minimum of activity, such as filing annual returns.

If the decision should then be reversed at a later date, the company could be resurrected; it would then be necessary to apply the new Memorandum & Articles, and appoint the members as directors.

Acting through the company

As previously stated, it was acceptable for AHDB to do some things itself and delegate some to its subsidiaries.

So, it could for instance delegate to the limited company the drawing up of business plans/creating strategies, etc, whilst collecting levies/issuing invoices in its own name.

If it was decided to continue acting in the name of the limited company, then it would be necessary to have the members appointed as directors.

However, this may cause problems from a tax point of view. That was not a matter for the lawyer to advise on.

Either way, it would be appropriate to review the Delegation Agreement.

Autonomy

The Secretary said that whether the sector company was set up as a division or as a separate limited company, legally, AHDB would be the ultimate decision-maker. Only AHDB (the sole member of the company) could pass resolutions; and the subsidiary could only do those things which it was authorised by AHDB to do. Politically, of course, the company would hold power as the body representing the potato sector. At the previous meeting, the Chair had quoted Mr Roberts describing the AHDB philosophy as “respecting the sovereignty of the sector companies in deciding on strategy whilst providing as effective delivery for the organisation as possible”.

Board Decision

In considering which way to go, the Board noted that recent official notices, such as the Ministerial announcement of levy rates and the advertisement for a Chair, referred to Potato Council Ltd. Also, a considerable amount of documentation had been produced in the

name of the company, including the levy payer dialogue booklets. Destroying these would not only entail a waste of resources but it could also cause confusion and give an unfortunate impression of the organisation. Furthermore, it was clear from the earlier discussion that all sector companies were expected to be integrated into AHDB by the time of the relocation at the latest; hence the time as a separate subsidiary would be limited in any event.

Having taken all these factors into account, the Board was minded to continue acting in the name of Potato Council Ltd for a period, with the intention of changing its legal status nearer the time of the move to Stoneleigh, when the company would become dormant. This meant that the new Memorandum & Articles of Association would be adopted and the Members would be appointed as directors. There was no intention to change from being a division in accounting terms.

These decisions were subject to two provisos: that they were in line with the awaited written legal opinion; and that they did not cause any taxation problems.

08/87 BENCHMARK PROPOSALS

Mr Tapp, who chaired the working group on communications, said that he had received a report on the benchmarking projects which the BPC had carried out on a regular basis to assess the views of levy payers. He had agreed that it would be helpful for the Board to receive a presentation on the system so that they could judge whether this would be a useful complement to the forthcoming Dialogue project.

The Board welcomed Mr Steve Wellbeloved, who had run four benchmark surveys for the BPC. The first one, in 1999, had been commissioned to establish the reasons for an apparent discrepancy of views within the organisation as to what its image was amongst levy payers. The exercise had been repeated three times up to and including 2004, in the course of which a solid base of data had been built up which could be used for comparisons. There had been no benchmark project in 2006, as by then the BPC was part of the major levy body reform process, including the Accenture survey.

Participants had been selected randomly, though always the same numbers – 250 growers in two size bands, and 100 purchasers. The questions were in four categories – demographic, such as crop area, market serviced and age, which were used for reference; benchmarks which did not alter and which were used to set the starting point and then to assess progress; strategic, which related to core issues; and tactical. The first two categories were static; the

second two varied according to what was current and relevant. The data was for internal use and to inform debate.

Mr Wellbeloved gave some examples of questions which had been asked in previous surveys, demonstrating how the results could be analysed over time or according to size, market sectors or, for instance, whether the respondents were favourably or unfavourably disposed towards the organisation.

The CEO suggested that a quantitative review such as this one could be a helpful tool to use in conjunction with the Dialogue project, which was to a large extent subjective. It would also provide hard figures which would be useful in supporting activities and backing up arguments in future debates. The Board agreed.

In response to a question from Members, Mr Wellbeloved confirmed that the cost for a survey covering the same numbers as in the past (250 growers and 100 purchasers) would be £10K to £11K. It needed to be established whether the same size groups were still relevant. The project could be ready to run in a couple of months' time.

Mrs Fell suggested that it would be sensible to probe, as part of the survey, what, if any, effect the transfer from BPC to AHDB had had on respondents. Mr Vermont, agreeing, thought that it would also be useful to check to what extent the larger scale changes in agriculture over recent years had affected their views.

The Board approved the proposals for a benchmark study, and requested the CEO to progress this as quickly as possible, reporting through the working group on communications. The Chair thanked Mr Wellbeloved for his presentation and he left the meeting.

CEO

Mr Papworth commented on the lack of negotiation on terms before approving the proposals. The CEO responded that she could have gone out to competitive tender but another provider would not have the background knowledge of the industry, the levy payers or the organisation, nor the past data.

08/88 LEVY PAYER DIALOGUE (PCLP/08/48)

The CEO tabled packages comprising the finished version of the Dialogue workbook, some impactful examples of BPC/PCL materials, a list of levy payers who had been targeted for visits, and a map showing their locations. Once the meetings had been held, the list would be updated accordingly. Members commented that there was a shortage of planned visits in Herefordshire.

The workbooks would be sent out to all levy payers within the

next few days, together with a covering letter from the Chair and a fax back form, where those levy payers who did not want a meeting could record their views.

Members had taken part in a Dialogue workshop the previous afternoon, which they had found valuable. The CEO would circulate a note of what had been covered. She would also confirm when the workbooks had been sent out.

CEO

Messrs Bambridge and Papworth had held their first Dialogue meeting and reported that this had gone very well. They had set aside 1.5 hours for the meeting but had found it difficult to keep within that limit, even though they had prepared well; they recommended group events rather than one-to-ones, wherever possible.

Mr Bradley asked whether it would be sensible to hold mixed meetings in terms of attitude to the levy body. The CEO felt that it would be best to aim for relatively homogenous groups as that was likely to be more constructive. The Field Officers, Terry Hunt and Mark Colmer, would be happy to help with information if required. She stressed the importance of providing feedback.

The Chair complimented the CEO and Marketing Director and their staff on having put together such an excellent project in a relatively short time, and he wished the Members good luck with their meetings.

08/89 EU FUNDING FOR POTATO PROMOTION (PCLP/08/53)

The Board noted that there was an opportunity for PCL to take part in a joint promotional project for potatoes, which was financed on a 50/50 cash basis with the EU. This was an extension of a successful three year project involving France, Netherlands and Belgium.

The proposal was for PCL to invest £250K per annum, which would provide a total of £750K from EU funds, for the three years commencing 2010. CNIPT in France would coordinate the submission for the consortium and Kathryn Race would manage the project for PCL.

Each participant had to make its submission through its national government, which would decide whether it could go ahead. The Paper listed the relevant restrictions and controls, and set out the timetable leading to a final submission to the EU in January 2009.

The Board approved the proposals.

Marketing
Director

08/90 DRAFT ANNUAL ACCOUNTS 2007/08 (PCLP/08/43)

The Head of Finance & IT presented the Annual Accounts for the final BPC reporting period, 1 July 2007 to 31 March 2008. The external auditors had recently started their final audit, so the figures were subject to change.

The reporting period was for nine months, due to the decision to change the financial year end. Mr Moore reported that the auditors were likely to decide that the full 12 months' income should be included, against nine months' expenditure. This was in line with NAO's rule that the total income should be recognised when it fell due. He confirmed that this would not have any tax implications.

The Board noted the report

08/91 REGISTRATION AND LEVY COLLECTION REPORT (PCLP/08/44)

The Board received a report showing matters dealt with and matters still to be resolved, in terms of levy collection and chasing defaulters. *Details are at Annex 1.*

08/92 FINANCIAL MANAGEMENT (PCLP/08/45)

The AHDB management team had requested that the PCL Board ratify the financial authorisation policies of Potato Council. Three items required approval:

- Levels for procurement and invoice approval;
- Revised bank mandates (two signatories from within the panel of five, comprising the CEO, the three Directors and the Head of Finance & IT);
- Arrangements for investing surplus cash funds.

One change to the first item was agreed, namely that purchase orders and invoices required Board approval where the amount exceeded £100K.

Staff confirmed, in response to a question from Members, that the need to compare two prices for small value items (up to and including £250) was not onerous.

The Board approved the authorisation policies. *Details are at Annex 2.*

08/93 SUPPLY CHAIN (PCLP/08/46 – CONFIDENTIAL)

The Board considered the issue of communications with levy payers, currently and in future. It was agreed that this matter would be given further thought at the next meeting; staff were requested to provide additional information.

Mr Papworth left the meeting at this point.

08/94 COMMUNICATIONS WITH STAKEHOLDERS (PCLP/08/47)

The Board agreed that it was essential for Potato Council to have a positive and constructive relationship with all its industry stakeholders, and that this was an opportune time to review current arrangements and decide whether changes were appropriate.

The Paper listed the principal industry organisations and demonstrated that there were strong links and regular communications. The Council’s corporate and business plans were circulated in draft form and the stakeholders were encouraged to be actively involved in developing these plans. The organisations were represented on the PCL’s functional committees and there were regular meetings, both at strategic and operational levels.

Members were pleased to note that there were robust arrangements for communicating and interacting with stakeholder bodies, but agreed that there were a number of gaps which should be addressed.

National Farmers’ Unions – There were excellent arrangements for regular communications at operational level. However, there was a need to identify a Board Member who could re-establish, and maintain, contact with the NFU at Presidential and Vice-Presidential level. Mr Papworth was nominated.

It was agreed that a similar arrangement would be suitable for maintaining formal contact with senior personnel at NFU Scotland. Mr Cruickshank was nominated.

The Chair confirmed that he would contact Messrs Papworth and Cruickshank and formally invite them to take on the role of communicating at senior level with the NFU and NFU(S) respectively. Chair

The CEO reported that a meeting had been arranged, to introduce the Interim PCL Chair to NFU horticulture and potato Chair &

officials.

CEO

Potato Processors' Association – The Director General of the PPA had been a long-serving Member of the BPC, thus ensuring very close links between the two organisations. This was no longer the case and the Board agreed that it was appropriate to develop a new connection. Mr Fraser Scott, who jointly chaired the Market Information Committee with Mr Richard Harris, agreed to take on that role.

Fresh Produce Consortium – In the past, the FPC had had a potato packers' group (now defunct), which had been a useful vehicle for communicating with that sector of the industry. Mr Bambridge felt that re-establishing such a forum for discussing issues of sector-specific concern would be very valuable. He recognised that any such initiative had to come from the packers themselves and PCL could have no role, apart from one of encouragement. It was suggested that a group based loosely on the PPA model, though much smaller and less complex, might be suitable.

It was agreed that this issue should be raised with the packers on an informal basis and that it should be included in the business at the forthcoming conference (see Minute 08/83).

CEO

Mr Vermont pointed out that this was a complex area, and there were potential pitfalls; he would recommend that anyone seeking to set up a trade body should take good legal advice.

08/95 CROP LOSS & LEVY COLLECTION METHODOLOGY (PCLP/08/49)

There continued to be reports in the press on the subject of crop loss and the fact that the BPC had decided, at its meeting in September 2007, not to allow levy relief. More recently, there had been some calls for a change in potato levy collection methodology.

The Secretary, who introduced the Paper, said that from the British Potato Council's inception in 1997 until it was wound up at the end of March 2008, it had collected levies from both growers and purchasers. It was recognised from the start that such a dual system was neither the simplest, nor the cheapest, method of funding, and it had always been envisaged that this would be reviewed at a later stage.

Previous reviews

There had been a number of reviews over the years, including a major cross-industry review in 2005, when a number of possible

alternative systems had been considered. After careful consideration the Group had agreed not to recommend a change to the way levies were collected. Each of the possible alternatives had some benefits, particularly cost savings. However, each one had disadvantages, such as levy leakage and volatility in income levels. It was further agreed that the problems of the current system – complexity and relative cost – were outweighed by the perceived benefits:

- The levy body knows its customers;
- The data collected for levy charging purposes are also a source of valuable market information;
- There is a relatively small risk of levy leakage;
- The system is robust and fulfils the principle of fairness.

In 2007 the BPC had set up an internal working group to explore the practicalities of a collection system based on tonnage levy. This had involved visits to a number of industry businesses. The response, both from individual merchants and from the PPA, had been extremely clear and uniformly negative.

Levy Body reform

The major review of levy bodies and the subsequent legislative amendment, could have been an opportunity for introducing changes to the way levies were collected. However, DEFRA/AHDB had stated that, with so many other changes in terms of structure and future re-location, this would be a step too far. It had, therefore, been agreed to keep the same levy collection methodology for the time being. Any future change would require a Parliamentary amendment Order.

Crop Loss

One of the factors in the various alternative collection methods considered over the years, was that of crop loss. Under the current system, in the absence of levy relief, the risk of crop loss fell on the producer concerned, who has to pay levy on potatoes which failed to materialise. Under other systems, based on tonnage and/or turnover, the risk would fall on the levy body. This aspect had been included in the deliberations of the various Reviews, particularly the one in 2005. The Group had recognised that this was an inevitable part of the area levy system but, as stated before, it had been agreed that, taken as a whole, the current arrangement was preferable.

When considering, in September 2007, whether to introduce a facility for crop loss levy relief, the BPC had received a recommendation from the Shadow PCL not to do so. The

company had been consulted on this, as a levy relief allowance could have had a major detrimental effect on its future income. The rationale for the decision (which was annexed to the Paper) had been circulated to all interested parties.

Many growers, who had lost potatoes in 2007, remained unhappy about the Council's decision and had repeatedly called for a change of policy. There had been media-reported NFU support for those calls. There had also been suggestions that, in order to avoid such problems in future, the dual levy collection arrangement should be replaced by a tonnage only system.

The Board noted that, as explained in the Paper, the matter of levy collection methodology had been reviewed and debated, with industry involvement, on several occasions during the BPC's tenure. Members agreed that the matter would, no doubt, be reviewed again in future – perhaps in a few years' time - with a view to introducing fundamental changes. For the foreseeable future, however, that was not an option.

Members thought that the subject of collection methodology might be raised by levy payers in the forthcoming Dialogue project; for instance there may be calls for changing the balance between area and tonnage levies. The Secretary reminded the Board of the following restrictions:

- Any changes to the levy rates (currently £39/£44 per hectare for growers' levy and 17p/19p per tonne for buyers' levy) required *Ministerial approval*.
- Levy rates were determined annually, within the "ceilings" set out in the AHDB Order: £50 per hectare and 25 pence per tonne.
- Increasing these statutory maxima would require a *Parliamentary Amendment Order*.

Mr Bradley suggested that it would be sensible to look again at the merits of accepting staged payments of the area levy. It was agreed that staff would put forward details at the Board meeting in July.

CEO

08/96 FUNCTIONAL COMMITTEES AND SUB-GROUPS

The purpose of this agenda item was to enable Committee and Group Chairs to raise any relevant issues.

Research & KT Committee

Mrs Fell said that the Committee wished to extend the

membership to include a further Board member. Mr Bambridge accepted an invitation to join the Committee.

Finance Sub-Group

The CEO said that this Group would meet as soon as a suitable date could be found.

Sub-Group on Personnel

The Chair said that the Personnel Group would meet immediately following the Board meeting.

08/97 NATIONAL CHIP WEEK 2008: EVALUATION (PCLP/08/50)

The Board received a detailed report on the results of the 2008 NCW campaign, and was pleased to note that the AEV (advertising equivalent value) was £3m, nearly 20 times the spend. The budget for 2008/09 remained at £160K.

In response to a question from Mr Nichols, the CEO explained that the National Fish Friers' Federation, whilst not making a direct financial contribution to the project, helped to promote it in a very positive way. The many individual fish friers who took part in the campaign, gave away free portions of chips.

The Chair congratulated staff on an excellent campaign.

08/98 REVIEW OF AGRONOMY RESEARCH GROUP: CAMBRIDGE UNIVERSITY FARM (PCLP/08/51)

The Board had learnt at its previous meeting that Cambridge University had commissioned a major academic review of the Agronomy Research Centre at Cambridge University Farm, and that Professor Janet Bainbridge had accepted an invitation to chair this. The review group, which included a number of senior academics, would report its findings to the Senate of the University. There would also, in parallel, be an independent financial review. The group would report by the end of June 2008, the target date for implementing the recommendations being September, in time for the new academic year.

The University had embarked on industry consultation and had contacted PCL in this regard. Details of the project, as well as a list of questions, were set out in Paper PCLP/08/51, which was presented by the R&D Director. The formal deadline for submissions was 14 May but the University had agreed to extend this until later in the month. The matter was on the agenda for the

Research & KT Committee meeting on 15 May.

The Chair said that Dr Bridge had requested that responses be forwarded through AHDB. He asked Members to send their comments to Dr Storey. Members

08/99 PCL: CRITICAL TIMING (PCP/08/52)

The Board received the updated reference document and agreed some changes. *See Annex 3 to these minutes.*

08/100 COMMITTEE MINUTES

Seed Sectoral Group

The Board received the Minutes of the SSG meeting held on 28 February 2008 (SSGM/08/01).

Mr Tapp was surprised to see that there had been little support for translating the British Potato Variety Base into Russian, as this was a booming market. (There would be translations into French, Spanish and Arabic.)

Marketing Strategy Committee

The Minutes of the meeting held on 26 February 2008 (MSCM/08/01) had not yet been circulated.

08/101 ANY OTHER BUSINESS

Communication Strategy

Mrs Fell asked what the intentions were regarding determining a strategy for communicating with the industry. It was agreed that this would be dealt with, once the Dialogue project had been completed, through the Sub-Group on Communications.

The Board would be kept informed.

08/102 DATE OF NEXT MEETING

It was agreed that the next Board meeting of Potato Council Ltd would be held in Oxford, at 8.30 AM on Wednesday 2 July 2008.



REGISTRATION AND LEVY COLLECTION REPORT

Civil Matters

This relates to levy collection/ pursuing overdue debts

Historical

During the BPC's tenure, a total of 6,225 overdue debts were collected, amounting to £6.25m

Current

The outstanding debts total ca £150k. It is likely that some of these matters will result in Court hearings, as the growers have indicated that they will seek to defend our claims.

Criminal Matters

This covers failure to register, failure to make returns or provide information, making false statements

Historical

During the period from 2001, when such matters were brought in-house:

- 2,200 cases have been dealt with
- 307 levy payers have been summonsed
- 37 have been convicted **

Current

All but 5 returns have now been collected; there are also some growers who failed to register under the previous legislation.

Change in Legislation

Matters (civil and criminal) which arose under the previous legislation can still be pursued. This is provided for in the AHDB Order. Such actions will be brought under delegated authority from AHDB. This applies to tonnage levies for the period January to March 2008, which will fall due on 30 June.

The legislative change required substantial alterations to our legal application as well as amendments to our documentation/processes. As a result, there has been a temporary slow down in collection activity.

** Fines totalling £20,845 have been applied; and the Courts have ordered costs totalling £8,540 to be paid.

Under the previous legislation the maximum fine for most offences was £1000. Under the new Order, all offences carry a maximum fine of £5,000.



FINANCIAL MANAGEMENT: PROCUREMENT AND AUTHORISATION LEVELS – AS AGREED BY BOARD ON 7 MAY 2008

Procurement Levels

Financial Value (£)	Description	Procurement Action
Up to and including 250	Small Value	Compare two prices
Above 250 up to and including 5,000	Low Value	Minimum two written quotations
Above 5,000 up to and including 25,000	Medium Value	Minimum three written quotations
Above 25,000	High Value	Tender action required

Financial Authorisation Levels

Grade	Purchase Order Approval (up to & including)	Invoice Approval (up to & including)
Chairman or CEO	£100,000	£100,000
Director	£20,000	£20,000
Head of Department	£10,000	£5,000
Grades 10 & 11	£3,000	£3,000
Grades 8 & 9	£500	£500
Special Dispensation		
Office Service Assistant	Up to £250	Nil
Purchase orders and/or invoices above £100,000 require Board approval		



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.

- | | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. ✓ ▪ Levy Payer communication regarding PCL can begin. ✓ |
| May 08 | <ul style="list-style-type: none"> ▪ PCL Levy Payer Dialogue commences. ▪ PCL Board members take active role in Levy Payer Dialogue (May to July). |
| July 08 | <ul style="list-style-type: none"> ▪ PCL Levy Payer Dialogue ends. ▪ PCL considers results of the project. |
| September 08 | <ul style="list-style-type: none"> ▪ Outcome of the Dialogue project. ▪ Marketing / MI Working Groups fold. ✓ (April 08) ▪ R&D Working Group folds. ▪ Business Plan for 09/10 prepared. |

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

- April 09
 - Some functions may co-locate.
 - Business Plan for 09/10 commences.

- Summer/autumn 09
 - Possible time for co- and re-location.

May 2008