

AUTHORISED

**MINUTES OF THE ELEVENTH MEETING OF POTATO
COUNCIL LTD HELD AT NASH COURT, OXFORD ON
WEDNESDAY 6 AUGUST 2008**

- * Mr Allan Stevenson - 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, CEO
 Mrs Inga Martin, Company Secretary
 Dr Mike Storey, R&D Director
 Mrs Kathryn Race, Marketing Director
 Mr Steve Moore, Head of Finance & IT (Items 08/136 – 140)
 Dr Rob Clayton, KT Manager (Item 08/143)

Mr Steve Wellbeloved, CEMS (Item 08//141)

ACTIONS**08/128 HAND-OVER TO NEW CHAIR**

Mr Dennis Heywood who had acted as interim Chair for the last six months, was delighted to introduce Mr Allan Stevenson, who

would chair his first Board meeting, following his recent ministerial appointment as Chairman of Potato Council Ltd.

Mr Stevenson said that he was honoured to accept the dual role of leading the PCL Board and representing the British potato industry as a Member of AHDB; he would spare no effort to do justice to the trust placed in him. He recognised that there were some major issues facing the Board during this time of change and he would work with his new colleagues in seeking to resolve these.

Members welcomed their new Chair and said that they would do all they could to help and support him. They also thanked Mr Heywood for his sterling work on their behalf during his interim appointment.

08/129 APOLOGIES FOR ABSENCE

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

08/130 DECLARATIONS OF INTERESTS

The Secretary reported that Mr Stevenson had declared a number of interests, which would be included in the Register of Interests. Mr Rankin had confirmed that he was now a Director of Greenvale AP Ltd

08/131 MINUTES OF THE BOARD MEETING HELD ON 2 JULY 2008 (PCLM/08/06)

The Minutes of the meeting held on 2 July 2008 were presented for adoption. The Secretary drew to Members' attention that, since these were circulated in draft form, a section had been added to item 08/114; this related to Mrs Fell's report on a visit to CUF.

The Minutes were accepted as a true record of the meeting and were signed by Mr Heywood who had chaired it.

08/132 MATTERS ARISING (PCLP/08/70)

Planting Returns 2008: Possible Evasion (Minute 08/106)

During a discussion on levy evasion, Members had suggested that it would be easier to help highlight possible omissions if they could have direct access to field based information through the internet. This was part of the longer term plans for the e-return project, which was still at an early stage of development.

There would be a formal hand-over of levy collection issues as part of the AHDB re-location. This aspect would be included in that process. In the meantime, information was available through staff (Oxford admin teams and Field Officers).

Correspondence with AHDB (Minute 08/106)

The interim Chair had written to AHDB, describing the PCL vision for organisational structure and a holding response had been tabled at the July meeting. Dr Bridge had now responded formally; his letter dated 16 July was received by the Board.

Marketing Activity (Minute 08/108)

There had been some discussion on sector spend versus sector authority. This was one of the issues which would be raised by the interim Chair as part of his handing-over to the permanent appointee.

SBEU Business Plan (Minute 08/116)

As requested, the schedule presented at the meeting had been updated; the revised version was presented to Members.

The target date for completing the SBEU Review was September 2008.

Salary Review (Minute 08/119)

The 4% salary increase had now been implemented and individual letters had been issued. Mrs Martin, on behalf of staff, thanked the Board for their recommendation.

Annual Accounts 2007/08 (Minute 08/120)

In response to a question from Members, the CEO confirmed that the auditors' management letter had been received within the last day or so, and she was required to produce a response. The auditors had raised a number of issues and Members were pleased to note that the Chairman, who had experience of such matters, would work with the CEO to help provide a suitable management response; the matter related to Potato Council's predecessor body, BPC.

Chairman

Communication Issues (Minute 08/110)

The Board received a progress report and noted that investigations were ongoing.

**08/133 OPERATIONAL SUMMARY: REPORT FROM THE CEO
(PCLP/08/75)**

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

AHDB Organisational Structure

The organisational structure adopted by AHDB was broadly in line with the PCL Board's preferred option, so that was a good outcome. This would now be the subject of staff consultation, on a sector company by sector company basis; for PCL assigned staff there would be a meeting on 8 August. It was felt that whilst this part of the consultation was on the top-line organisational structure, questions and comments from staff may help inform subsequent AHDB proposals.

The agreed version would then be put to the AHDB Board for formal adoption at its meeting on 1 September, following which more detailed plans would be developed with inputs from the CEOs and HR managers. Once it had been decided which jobs would be required in future, proposals for redundancies would be put together, at which time there would be further consultation, first collective and then at individual level. This process would be carried out in sector company 'blocks', as there were variations in terms.

Relocation

It had now been decided to step up the plans for relocation to Stoneleigh, where temporary accommodation had been secured for around 200 people. The senior AHDB personnel were scheduled to move there in the autumn of 2008, and there would then be full relocation during April to September 2009. Building of the new office accommodation would not be complete until some time in the following year.

The Chairman said he was aware that AHDB were concerned that the continuing uncertainty would be detrimental to staff and they wished to be able to clarify the situation as soon as possible. Hence it had been agreed to change the priority from building- to people-related issues. Mr Heywood said that the subject had been mentioned at a previous AHDB meeting, in the context of risks of losing senior staff, though there had been no debate as such. It appeared that the situation had moved on in the intervening period. This was, perhaps, unavoidable at a time of change, with relatively infrequent Board meetings, but it did demonstrate how things could happen without PCL being able to influence them.

Opportunity to Change the Statutory Instrument

The CEO reported that the AHDB Order had been found to be lacking in certain aspects, which adversely affected one sector company's levy collection. It seemed, therefore, that a Parliamentary Amendment Order would be required, which might provide an opportunity to request other changes. In the case of PCL, reinstatement of a statutory register was likely to be a priority. So far, there was no information about the likely timetable for a submission. She would discuss the matter with the Secretary.

CEO

AHDB Westminster Barbecue

The CEO said that the feedback from the BBQ on 9 July was that this was a high quality and extremely well organised event. However, it was felt that, on balance, the costs outweighed any benefits to the potato sector and PCL would not, therefore, take part if the event was repeated in the following year.

Board related Costs

The Paper contained a reference to the fact that the costs of running the Board were considerably greater than those of its predecessor body. The Chairman said that the PCL structure, comprising a relatively large Board which met every month, as well as formal committees and working groups, would inevitably involve a certain cost. This was something which had been discussed with the AHDB Chair and CEO. The Chairman suggested that it would be sensible to explore ways of reducing activities, perhaps by meeting less frequently, holding some conference calls instead, and so forth. He appreciated that this was not the right time to make changes, but that might be worth considering for 2009. He would appreciate Members' views.

Members felt that there were good reasons for holding frequent meetings for the time being: the tasks which had to be attended to in setting up a new organisation and ensuring that it was functioning well; the organisational change process; and, Mr Tapp added, Members' concerns that unless the Board kept a close watch on matters, decisions might be taken in its name without consultation.

The Chairman asked Members to let him have their views and suggestions in time for the following Board meeting.

Members

Departmental Highlights

The CEO's summary contained reports on activities and issues

from each of the PCL functions, many of which were augmented by reports from Group Chairs and staff later in the meeting.

The Board noted the report.

08/134 AHDB ORGANISATIONAL DESIGN & NEXT STEPS (PCLP/08/78)

The AHDB's chosen organisational structure was set out in the Paper, for Members' information.

The organisation would be led by the CEO, with twelve direct reports: six Heads of sector companies, and Heads of finance, HR, communications and market intelligence; also a Chief Scientist and a Functional lead for Marketing.

Recruitment for a permanent AHDB CEO would commence shortly, following a formal process; the tender for head hunters was in train. There would be parallel, or staggered, recruitment for the Chief Scientist. The CEO said that there appeared to be different visions for this post; PCL management perceived it as an opportunity to build links with stakeholders/partners and to address the many major issues which senior staff were aware of but did not currently have the resources to address.

Recruitment for the senior marketing role was likely to be deferred until the investigation into branding (see minute 08/144) had been concluded.

Members agreed with the Chairman's view that the CEO of AHDB would be a key appointment and that selecting a candidate of the right calibre was a matter where the PCL Board would have a strong interest. Mr Heywood, whilst concurring with that sentiment, said that he was aware, from his own experience, that the Board was unlikely to be able to influence the decision.

Turning to the matter of recruiting a Head of Sector for potatoes, Mr Heywood said that it was essential that the PCL Board have an input, not only at the selection stage but in the design of the post. All agreed. The CEO said that it was her understanding that the posts of Sectoral Heads were being defined at present, following a common model. Members were very concerned to think that, despite earlier assurances that they would be consulted and involved in matters related to their industry, they might be by-passed once again. Mr Bambridge said that they would, of course, accept that the posts should have the same core, in a structure like this. However, as had been clearly expressed and recorded at previous meetings, there were substantial differences between industry sectors, in terms of relationships and levy payer expectations. In the potato sector

there were particular demands for communication skills and those aspects had to be accommodated within the job as a whole.

Turning to the question of how the issue should be dealt with in practical terms, Mr Bambridge suggested that the Working Group on staff matters, which was chaired by Mr Heywood, was the right forum. The Board agreed.

The Chairman said that he was aware that there were some tensions and that there had, perhaps, been some miscommunications in the past. A clear dialogue between AHDB at senior level and the PCL Board was essential and he recognised that he had a role in establishing this. He assured Members that he shared their concerns and had already started to make these points to AHDB; discussions would continue.

Chairman

08/135 REPORT FROM AHDB BOARD MEETING: 7 JULY 2008

Mr Heywood, who had attended the meeting in his capacity of interim Chair, said that the principal item for discussion had been the proposals for organisational structure.

Support Functions

Levy collection would be a centralised function in future. Mr Bambridge suggested that it would be sensible to set out PCL's expectations in the form of key performance indicators, to be used for assessing performance. It was not a question of suggesting that current ways of doing things could not be bettered. On the contrary, there was an expectation that the amalgamation of sector companies would result in improvements, in terms of synergies and economies of scale. On the other hand, as representatives of the potato sector, Members had to take reasonable steps to ensure that benefits were not lost; that was a matter of risk management. Staff were asked to put together some relevant KPIs.

CEO

Mr Bradley made the point that, when considering this matter, due weight should be given to the side benefits from the current PCL levy collection activities, such as surveillance data, crop information, and source data for statistics and market intelligence.

Mr Heywood suggested that issues such as this should be discussed at AHDB meetings, something which had not so far happened. Mr Cruickshank felt that, based on previous experience, Members had cause to question whether it was safe to hand over this key function to AHDB, when there were several unknowns and new systems were not yet in place; that was a matter of trust.

The Chairman, summing up the discussion, said that Members must be satisfied that the transition process was sufficiently robust not to risk compromising their duty of care to levy payers. This matter would be kept under review.

08/136 FINANCE REPORT TO 30 JUNE 2008 (PCLP/08/71)

The Head of Finance presented a report for the first three months of the new financial year, to 30 June 2008. Mr Moore highlighted a number of items related to income: projected grower levy income had been increased to £4,869K, reflecting the revised planting estimate; and investment income had been increased to £140K. Rental income, on the other hand, had been reduced: the sub-tenants had departed and the uncertainty over the future meant that there was little scope for securing another tenant.

Expenditure had been reviewed by the budget holders. The paper detailed a number of adjustments, the overall effect of which was to increase the spend forecast by £15K.

After taking into account the effects of taxation, the forecast showed a draw down from reserves of £181K, which was an improvement of £26K compared to the original budget. This would leave the general reserve at £2,977K at the end of the year.

The Board noted the report.

08/137 LEVY PAYER RECORDS & COLLECTION REPORT (PCLP/08/72)

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.*

Change in legislation

The legislative change required substantial alterations to the legal application as well as amendments to documentation/ processes. As a result, there had been a temporary slow down in collection activity. There was an added complication in that the new Order came into effect three months from the end of a crop (tonnage) year.

Matters (civil and criminal) which arose under the previous legislation could still be pursued; that was provided for in the AHDB Order. This applied to tonnage levies for the period January to March 2008, which fell due on 30 June.

The delegation agreement between AHDB and PCL, which was

now available in final draft, confirmed that PCL was delegated to pursue debt collection whereas prosecutions would be carried out in the name of AHDB.

The Co-operative Issue

There were a small number of unresolved legal matters, which had arisen under the previous legislation; these related to collaborative type businesses which had claimed exemption from the duty to pay levies.

Two of the matters had been resolved; two had been held up pending clarification of the delegation point mentioned earlier; these would now proceed.

Area Monitoring

PCL carried out area monitoring, to establish that all potato plantings were properly returned and that those who should be on our Record of Levy Payers, were.

In the last four years, since the current arrangements were set up, the area of discovered plantings had ranged from around 3,000 to 1,500 hectares. In 2007 the area totalled ca 2,000 hectares, which on the face of it seemed disappointingly high. The Secretary pointed out that the area of undisclosed plantings had been 'distorted' by the crop loss issue; some growers had originally omitted those areas from their returns.

The 2008 survey was in progress; this comprised helicopter over-flying, with subsequent verification of the results ('ground-truthing') and linking plantings to growers. Whilst it was too early to provide any details of the results, in terms of discovered plantings, a substantial reduction from the previous year was anticipated.

Planting returns

The statutory return date was 1 June. To date PCL had received somewhat in excess of 80% of forms, on par with the situation at the same time last year. Reminders had been issued; plantings would be estimated in August/September; and levy bills would be sent out in October.

A new feature was that, where it was necessary to issue invoices based on estimated plantings, the levy would be charged at the higher levy rate.

This would be highlighted in all relevant documents.

Electronic submission of planting returns

The feedback from those who took part in the 2008 pilot project had been overwhelmingly positive. There were a few technical learning points which would be taken into account when plans were made for rolling out the project for the next season.

Staff would embark on a promotional campaign, seeking to encourage a larger number of growers to participate in 2009.

08/138 AREA LEVY: EXAMINATION OF EXTENDED PAYMENT OPTION (PCLP/08/61)

At the Board meeting in May, it had been suggested that it would be sensible to look again at the merits of accepting staged payments of the area levy.

The rationale for this was that it might be more palatable for growers faced with their levy bills to make several smaller payments over a period, rather than paying one annual amount. Staff had been asked to provide details of what such a change might entail.

The paper, which had been deferred from July, demonstrated that staged payments would result in considerable loss of investment income. The Finance & General Purpose Group had considered the matter at its meeting in July and recommended against introducing the suggested change, as this would have a seriously adverse effect on PCL income.

The Board unanimously accepted this recommendation and agreed to retain the existing arrangements for charging area levy.

08/139 AHDB ORDER: DEFINITION OF “CO-OPERATIVE” (PCLP/08/62)

The Secretary reported that one of the changes introduced by the AHDB Order was that co-operatives were exempt from paying tonnage levy on potatoes handled on behalf of their members. This was in response to a recommendation from a levy collection review group. Co-operatives had become increasingly unhappy about having to pay what they saw as double levies – area levy by the grower members and tonnage levy by the group.

The intention of the review group had been that the exemption should apply to existing (traditional) Co-operatives and that it should also provide a ‘model’ which other collaborative type organisations could fit into, although they may have to make some changes to the way they were set up.

The definition of co-operative in the AHDB Order was “a business carried on by a group of potato growers that stores, prepares for market or markets potatoes grown by its members.” The Secretary said that the new Order was a very lightweight piece of legislation with a minimum of definition, as demonstrated by this clause.

Some of new style collaborative companies had asked for clarification of how the new regulation would be enforced. They had been concerned that their exempt status might be challenged – now or in future.

The Board agreed that the most appropriate way to demonstrate exemption, and to avoid any misunderstanding and possible challenge, would be for a group to provide a copy of its membership agreement together with details of the members covered by it.

If an organisation bought potatoes from non-members as well (which was common in the case of co-operatives) and if such purchases totalled 1,000 tonnes or more in a year, they would be obliged to appear in the PCL’s records, make returns, and pay levy on those tonnages. The onus would be on a company in this situation to provide relevant information to PCL.

The Secretary said that she would contact the companies which had raised the matter and advise them of the Board’s decision. She would also issue a general note to tonnage levy payers.

Secretary

Members said that they would like to see a clearer, more specific definition of “co-operative” and suggested that the possible Parliamentary Amendment Order (see Minute 08/133) might be an opportunity for resolving this.

The Secretary said previous experience showed that an exemption which covered the variety of collaborative companies which now existed, whilst meeting the test of fairness and avoiding loop-holes, would not be easy to define. She suggested that it would be helpful to have suggestions from Members.

Members

08/140 REVIEW OF PCL RESERVE POLICY (PCLP/08/79)

The Head of Finance, who presented the Paper, reminded the Board that it had decided to maintain its financial reserves at a minimum level of £1.5m, which would enable it to manage its cash flow and provide a contingency.

The need to review this arose from the Auditors’ decision that the total area levy income (12 months) should be included in the accounts to 31 March 2008; these were for nine months only, due

to the change of accounting reference date (previously 30 June). The paper demonstrated that, in order to meet its obligations and avoid running out of cash, the total reserves should be maintained at a level of £2.8m as at 31 March each year.

Mr Cruickshank stressed that this was purely a reflection of timing, as the result of a rather unexpected treatment of income, determined by the external auditors. It did not in any way affect the amount of funds available to the company; nor would it hasten the point in time when, *in the absence of corrective action*, the PCL's reserves would be exhausted (current projection 2011/12).

Members accepted the recommendation but asked whether the information could be presented in graphical form over a period. The Chairman agreed that this would be helpful and asked staff

CEO

08/141 PCL CORPORATE PLAN: 2009/12 (PCLP/08/77)

One of the major tasks to be undertaken by the PCL Board was developing a business plan for the sector, which would be incorporated into the industry wide AHDB Corporate Plan for the following four years. The CEO reminded the meeting that, when looking at this matter a year previously, it had been decided to carry out a major communications project – Levy Payer Dialogue – the aim of which was twofold: to seek a mandate from the industry and to help inform the planning for the next period. In the meantime the message was one of 'business as usual'. The Board had commissioned a benchmark telephone survey, to augment the mainly qualitative Dialogue with some quantitative data.

Timetable & Format

Mrs Priestley said that the finalised sector plan had to be submitted to AHDB by 6 October and to enable that, it must be put before the PCL Board on 1 October for ratification. Hence the timetable was challenging, though achievable. Senior PCL staff would develop departmental plans during the latter part of August; a Strategy sub-group would meet on 2 September; and the outputs from that discussion would be available in mid-September, following review by the Chairman and CEO. The various functional committees would be asked for inputs to the debate and meetings had been scheduled, to enable that to be done. The Plan would follow a predetermined format, provided by AHDB.

**Levy Payer Dialogue: Summary of Recommendations
(PCLP/08/76)**

The Board received a report on the analysis of this project which had covered a cross section of levy payers, by size and type of business, market sector and location. Over 126 levy payers had taken part, accounting for 8% of area and 26% of tonnage; this was a valid sample for a qualitative survey. The great majority had given their views in face-to-face meetings with Board Members and senior staff, but several had sent back written feedback forms.

The paper showed that the respondents could be divided into four distinct groups: wholly negative to PCL and in favour of abolishing it; generally negative, but positive towards some activities, such as Grow Your Own Potatoes (GYOP) and large events like BP2007; broadly positive, but expressing certain entrenched negative views, for instance that National Chip Week promotes imports; and positive towards PCL.

The analysis of responses showed few consistencies and views on functions/issues were often wide-ranging; some felt that more should be spent on marketing and less on R&D; some had exactly the opposite view. Activities which were particularly well supported across the board were PCL as a voice of the industry, large industry events such as BP2007 and, especially, GYOP. In particular, there were mixed views on KT activities, the Market Information function and National Chip Week, suggesting that these might be due for review.

The feedback on levy collection included: concerns that growers, who account for some 80% of levy income, did not get a fair share of return; a range of suggestions for alternative collection methods; and mixed views on whether levy rates should increase or activities be reduced. The decision not to allow crop loss levy relief in 2007, and the way this had been handled, received much negative comment. There was an expectation that the levy body reform would result in savings and there were calls for levy payers to choose how their particular investment should be spent.

The meeting agreed that it was very important to acknowledge the very active participation from levy payers and to demonstrate that their comments and suggestions had been taken on board. The fact that these were so disparate and wide ranging, meant that the response needed careful thought. However, in the Chairman's view, this could be done in a very positive way, for instance by highlighting certain projects and altering the emphasis between others.

Mr Bradley, referring to the levy relief issue, suggested that a

constructive response would be for PCL to carry out some research into the risks of crop loss, linking this to the work on climate change, and to publish the findings in order to help growers assess their own risks.

The Board agreed that the next step would be production of an executive summary report on the Dialogue project, the feedback from respondents (both positive and negative), and examples of actions which PCL intended to carry out in response. This report would be made available to all levy payers.

CEO

Levy Payer Benchmark Survey: Presentation of Results

Mr Steve Wellbeloved attended to present the interim results of a survey of levy payers' views.

The Board had commissioned the survey at its May meeting, agreeing that a quantitative review would 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. There had been four such surveys during the BPC's tenure, most recently in 2004, so there was a wealth of comparative data collected over time.

The participants – 250 growers in two size-bands - had been selected randomly. 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.

The results presented at the meeting were based on 140 records (4.6% of the population) which was sufficient to be statistically valid. Analysis of the remaining data continued. The respondents were senior industry people (85%+ directors or partners) accounting for over 5,000 hectares of plantings. In terms of age, 61% were aged over 50, 13% over 65 and only 10% below 35.

The survey covered face-to-face contact (42% said they had met someone from PCL but, on probing, 72% could not give a name and 28% said the contact was more than five years ago); other methods of contact – post, phone and email (an interesting finding was that nearly 59% of respondents said they used the internet for business purposes); and levels of awareness (27% were aware of Potato Council unprompted and 88.5% after questioning; 68% said they had heard of AHDB). Asked for their

views on the change from BPC to PCL, nearly 72% agreed it was not much more than a change of name whereas 22.5% said it was a fresh start and expected to see things change in future.

In terms of awareness of campaigns, National Chip Week, storage advice and KT activities featured highly. When asked how they would divide the budget, R&D and Marketing each came out at just under 30%, with KT, Seed & Export and Market Information put at 14% each. However, a more detailed analysis showed that a small number (4%) would devote 91% of spend to marketing and a slightly larger group (6%) would use 78% of the budget on R&D and KT. Activities which scored particularly highly were improving demand for potatoes, defending chemicals and educational work.

When asked about their preferred approach when reserves came to an end, 33% said they would support raising levies, whilst 65% would cut activities. It appeared that processing growers were more in favour of cutting, than those growing for the fresh market. When probed, respondents appeared to find it easier to specify what they would protect, rather than what they would cut. Unsurprisingly, those who had expressed a hostile view of PCL were unanimously in favour of cutting.

Mr Wellbeloved said that his team were busy collating the remaining data and once that was done, it would be possible to carry out even more detailed analysis. Mr Bradley suggested that it would be useful to look at the results by age group.

Members agreed that the survey had provided a great deal of very interesting and valuable data, which would be further enhanced when the results were fully analysed, and that the project had been worthwhile. The next step was deciding how to make use of the outputs.

The CEO was heartened by the consistency between the results of the dialogue project and the benchmarking survey. She felt that these could be a useful tool in a review of communication methods. For instance, it had come to light that some levy payers were not interested in information about certain work which PCL carried out for consumers and which was valued by them.

Looking at the project in a strategic context, the Chairman felt that it might help to illustrate the end game to levy payers, rather than concentrating on the inputs. For instance, in terms of R&D, it might help define the desired outcomes, that is how the results could translate to their own businesses. He went on to say that the information obtained through the survey could help inform the Members' strategic thinking as they embarked on preparing the corporate plan; we now had evidence-based data for that

process.

Details of the benchmarking survey would be included in the PCL Corporate Plan. Members suggested that the results might be of interest to AHDB and the other sector companies, and wondered whether it would be helpful to circulate information to the Chairs. The Chairman agreed to consult the CEO of AHDB on this issue.

Chairman

The Board thanked Mr Wellbeloved for his informative presentation and he left the meeting.

Notes of PCL Working Group on Communications (WGC/08/02)

The Board received the notes of the second meeting of the Communications Group. This had been held on 9 July 2008.

Completing the PCL Corporate Plan: Discussion

The CEO said that the tasks now before the Board, working through the Strategy sub-group, were to consider whether the overarching objectives – increasing potato consumption, and maximising the proportion of home grown supply – were still relevant; to review the SWOT analysis carried out last year; and to consider what particular factors should be included in the process. An example might be the effect of rising energy costs. It would also be appropriate to review the budget figures to check whether the emphasis was still right.

The Chairman suggested that major issues to be included in the analysis were quality, professionalism and the cost of capital in a highly volatile economic environment, when there was uncertainty over future support from the Banks.

Mr Bambridge added sustainability, competition with other crops, and the importance of consumer support. Mr Vermont, referring to the economic decline, warned against focusing too much on potatoes in that respect. Other products were facing the same challenges and no matter what happened, people had to eat. The CEO, quoting the recent consumer research findings, made the point that consumers said they considered potatoes to be a solution to price pressures, but this was not reflected in their behaviour. Mr Vermont said that convenience would always be a significant factor.

Mrs Fell asked whether it would be in order for her to circulate the SWOT analysis to the R&D and KT Committee, as members would be asked to contribute to the process. This was approved.

The Chairman, summing up the discussion, said that Members

would participate in a number of meetings, working with the CEO, to help develop a high quality Corporate Plan which met the needs of the potato sector. He would chair a meeting of the Strategy sub-group on 2 September and review the outputs with the CEO. The results of these deliberations, augmented by inputs from the functional committees and other relevant sources, would then form the draft Plan which would be presented to the Board for ratification on 1 October.

08/142 SEED & EXPORT ISSUES

Potatoes in Practice: 7 August 2008

The R&D Director reported that PiP, which was sponsored by PCL, was a major field event in Scotland. It was run by SAC and SCRI, with involvement from Crop Care. This was an opportunity to demonstrate the results of levy funded research and KT, as well as work funded by DEFRA and the Scottish Government. This year, Kathryn Race had been invited to give a presentation on the PCL's consumer marketing work. It was expected that the level of attendance would be high, poor weather notwithstanding.

The CEO said that, the following day, there would be an industry conference run under the auspices of the International Year of the Potato. Both the PCL Chair and R&D Director were amongst the speakers. The event would be attended by a delegation from China. There was to be an industry dinner and the PCL Chairman would present a special potato industry award, paid for by PCL, to an outstanding industry-leader (to be announced).

Post-meeting note: The recipient was Mr Jim Godfrey.

Mr Papworth wondered whether this event would be an opportunity for some industry dialogues. The Chairman said that he would take every opportunity to represent the PCL and the potato sector. He had several media interviews arranged, as well as his speech, and he would talk to as many levy payers and other industry players as possible; he was hopeful of coming away with a great deal of feedback.

Chairman

08/143 PROPOSED REGULATION FOR PLANT PROTECTION PRODUCTS (PPPs) (PCLP/08/74)

The Board received a presentation from the KT Manager, Dr Rob Clayton.

At its meeting in July, the R&D Director had reported on proposed regulations for plant protection products which would have a major impact on available pesticides for potato production, in this country and in Europe. The Board had noted that, at a meeting of

the Council of Ministers on 24 June, the vote had been to carry forward a qualified majority in support of the proposals which had been brokered by the Slovenian Presidency. This would now go to a European Parliament vote in September/October 2008 with a view to revising the legislation. Potato Council had taken a lead, with HDC, in developing an AHDB response to the EU Commission.

The submission on behalf of the industry had made the point that the proposals, which would serve to eliminate many plant protection products currently in use, would have an immediate and serious adverse impact on the industry and its ability to supply consumers with the required quantity and quality of potatoes. This was a matter of great concern.

Dr Clayton said that he had spent the last couple of weeks researching the EU parliamentary process and the progress of this particular piece of legislation; what he learnt did not alleviate those concerns. The underlying principle was one of moving from a risk-based to a hazard-based assessment. This was very significant.

There was a compromise position developed by the EU Commission, which defined "compound" hazard criteria. It was estimated that this would result in the withdrawal of 15% of PPPs, with 24% substituted over time. It was probable that the impacts would be in 3 and 10 to 15 years.

The consequences of the Parliamentary approach, by comparison, would be far more severe, with 40% of PPPs withdrawn, 71% substituted over time, and 85% not approved over 10 years. The list of products expected to be substituted included CIPC. The impacts of these proposals would be felt more immediately, some as soon as the following year.

Members reiterated their concerns over these potentially disastrous developments. They agreed that, rather than being confined to agriculture, this was a matter of macro-economics, which should be addressed at the highest political level. It had to be acknowledged that there was a varied audience, so messages had to be developed with care. To consumers a suggestion of fewer chemicals may be welcome. However, it was essential to raise awareness of the wider context: there were implications for food security and inflation.

Dr Clayton provided details of actions taken so far, in terms of informing and influencing, as well as continuing to gather and analyse information. A special edition of Grower Gateway, which would be circulated within the next few days, was devoted to the issue; this contained information for levy payers about the

proposals and their implications, as well as advice on how to contact parliamentarians and other decision makers.

The Board agreed that it was essential to continue these efforts and every opportunity should be taken to inform, challenge and influence. The Chairman confirmed that he would include the issue prominently in his speech, and other communications, at the Conference in Scotland on 8 August

Chairman

08/144 **MARKETING ISSUES**

Corporate Edge Presentation: Feedback

At its meeting in July the Board had noted that AHDB had engaged a brand consultancy to explore the issue of a common quality assurance brand for GB agriculture. Marcus Mitchell of Corporate Edge, the firm which had been commissioned to carry out the study, had presented to a number of Board Members the previous evening. The Chairman asked that a brief statement of Members' conclusions be included in the Minutes, for the record.

Mr Mitchell had explained that their brief was to take soundings from the sector companies and other relevant industry stakeholders, before presenting initial thoughts to AHDB in September. If the outcome was positive, they would then carry out a full feasibility study. He confirmed that the work had been commissioned in the context of the AHDB's initiative to integrate and consolidate the six levy bodies' resources. He mentioned that there were aspects of state aid regulations which might impinge on the project and they would take further advice on that.

The Chairman had suggested that it was appropriate to establish the overarching aim of the project: whether this was to reinvigorate the *Red Tractor* brand or to explore opportunities for the sector companies to synergise their marketing spends.

Members had said that if they were presented with opportunities for collaborative marketing activities which would benefit their sector, these would be embraced.

However, they did not see that a quality marque, such as the Red Tractor, would have any role to play in that. This was a measure of the quality of production systems, not the quality of the product. The sectors were so different in terms of target markets, geography and customers' expectations that it was difficult to see how a common brand could be applied in any meaningful way. A marque may be effective in certain sectors, where there were concerns over food safety, animal welfare, and so forth. However, in the potato sector, where basic standards were a given, and quality was broadly determined by retailers or manufacturers,

whose brands were widely trusted by the consumer, contributing to some common symbol would not be a good use of levy funds.

08/145 MARKET INFORMATION ISSUES

Minutes of MI Committee meeting (MICM/08/02)

The Board received the Minutes of a meeting of the Market Information Committee held on 24 July 2008.

08/146 PCL: CRITICAL TIMINGS (PCLP/08/73)

The Board received the updated reference document. See *Annex 2 to these minutes*.

08/147 ANY OTHER BUSINESS

The Chairman, referring to the urgent need to appoint a Vice-Chair (see Minute 08/132), asked Members to contact him if they were interested in seeking that appointment or, indeed, if they wished to nominate a Board colleague. He would welcome views on selection criteria, and would also be interested to know how Members saw the Vice-Chair role, going forward.

Members

08/148 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 3 September 2008.



LEVY PAYER RECORDS AND 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 £61.9K (growers) and £29K (buyers). It is possible that some of these matters will result in Court hearings, as a few 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

There are 562 outstanding planting returns for 2008; the statutory return date was 1 June. All but 4 planting returns for 2007 have been received.

There are 62 purchaser businesses with one or more outstanding tonnage returns.

** 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.



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. ✓ ▪ 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). ✓ |
| Jul 08 | <ul style="list-style-type: none"> ▪ PCL Levy Payer Dialogue ends. ✓ |
| Aug 08 | <ul style="list-style-type: none"> ▪ PCL considers results of the project. ✓ |

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|-----------------------|---|
| 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. ▪ Corporate plan for 09/12 prepared |
| 1 October 2008 | <ul style="list-style-type: none"> ▪ Corporate plan (draft) presented to AHDB sub-group |
| 17 November 2008 | <ul style="list-style-type: none"> ▪ Corporate plan cleared by AHDB Board |
| 18 Nov to 22 Dec 2008 | <ul style="list-style-type: none"> • Industry Consultation |
| December 08 | <ul style="list-style-type: none"> ▪ PCL submits levy rate proposals to AHDB. |
| January 2009 | <ul style="list-style-type: none"> • Corporate Plan submitted to Ministers |
| February 2009 | <ul style="list-style-type: none"> • Plan cleared by Ministers |
| March 2009 | <ul style="list-style-type: none"> • Levy rates confirmed |
| 1 April 2009 | <ul style="list-style-type: none"> • Effective date of levy rates for 2009/10 |
| April 09 | <ul style="list-style-type: none"> ▪ Some functions may co-locate. ▪ Business Plan for 09/10 commences. |
| Summer/autumn 09 | <ul style="list-style-type: none"> ▪ Possible time for co- and re-location |

August 2008