



Agriculture & Horticulture
DEVELOPMENT BOARD

Annual Report and Accounts 2009/10



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Auditors: Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

AHDB Chairman's statement

2009/10 has been another eventful year for both AHDB and our industry sectors.

Our restructuring programme, started in 2008/09, progressed at an exhilarating pace. By mid Summer we had moved to our new home at Stoneleigh, Warwickshire. Bringing our main office-based staff on to one site was a major logistical challenge, but was achieved while maintaining the high level of service delivery our levy payers deserve and expect. This is an enormous testament to the resilience and determination of all our employees and the high level of support which has come through the AHDB Board.

Some 150 employees chose not to relocate to Stoneleigh and the Board and I thank them for their past dedication and work. Replacements were successfully recruited and this has brought fresh ideas and new faces into AHDB, from which we will continue to benefit in the years to come.

The external environment within which we operate continues to be challenging. As was largely accepted last year, a rising world population, rising standards of living and changes in dietary requirements are going to result in very significant increases in the demand for food – a doubling from the current level over the next forty years. On the supply side the need to reduce greenhouse gases, the need to protect the environment and the need to conserve key inputs such as land, water and soils means we will have to produce more from less. It is encouraging to report that AHDB is increasingly being recognised as a major player in developing the agenda and the means to respond to this very challenging future scenario.

The AHDB Board understands well the challenges we face and has worked tirelessly throughout the year to develop the framework we need to deliver the services to levy payers that will make a difference; services that will support productivity growth and ensure the long-term profitability of agricultural and horticultural production.

The Board met six times during the year and held a strategy day in July 2009 to define and develop the framework upon which the three year Corporate Plan has been developed. The Board worked through its Standing Committees and more specialised time-limited committees (covering for instance the staff relocation programme and the new building at Stoneleigh) to very good effect. I am also happy to report that the strong links with the Sector Boards have been pivotal in delivering the services we do. At the end of the year we held a conference for all our Sector Board members to discuss future strategy and performance.

The Board has been supported throughout the year by a dedicated and very hard-working Senior Executive Team, which has had to ensure that the change programme remained on course whilst maintaining high standards in service delivery. Every day of the year has been a challenge, resources have been stretched and our infrastructure tested to the limit, but all our employees have displayed a resourcefulness and energy which bodes well for the future.

At year end we said goodbye to Kevin Roberts as our Chief Executive and welcomed Tom Taylor as his replacement. Those who formed the core of the Transition Team have also moved on. That team was always small, but highly effective and our collective thanks must go to all those who have steered us to where we are now.

We have continued to receive support from our key stakeholders during the year. Many have shared our vision, which has made our task that much easier, but we do recognise that the challenges that lie in the future will only be successfully addressed through concerted action.

**John Bridge, Chairman,
Agriculture and Horticulture Development Board**

AHDB Chief Executive's report

This is our second Annual Report and Accounts and it records a period of very significant organisational change as we co-located our main office-based employees from five locations to Stoneleigh Park, Warwickshire and started to bed down the new structure.

This was a challenging process for our employees and management team but the business benefits have been immediate in terms of starting to deliver some of the forecast annual cost savings. Efficiency savings are also starting to be realised along with the first early examples of cross-sector work on issues and projects, which will increase during the year ahead.

Kevin Roberts was Chief Executive and Accounting Officer throughout the 2009/10 financial year and I took up this post at the beginning of May 2010.

Our restructuring and relocation

Better co-operation and collaboration, along with £3.5 million in annual savings, were key outcomes from the levy board restructuring process identified in the business case written for Defra by Accenture in 2007. I'm pleased to report that we are well on the way to delivering these, and more.

During the previous financial year the Board had taken the decision to separate the relocation of all office-based employees to Stoneleigh from the new building timetable in order to remove uncertainty for employees, maintain momentum in the change programme and drive forward the cost and efficiency benefits that would come from co-location.

Temporary office accommodation at Stoneleigh Park was leased from the Royal Agricultural Society of England. A programme of works was undertaken to make the buildings operational as semi-permanent offices, and they were brought online ready for the main period of phased occupation by the divisional teams during June and July 2009.

A critical component of the transition plan was the delivery of a functioning IT infrastructure which was familiar to the employees to minimise the risks of disruption to 'business as usual' when they moved to Stoneleigh Park. This work to 'virtualise' all the existing sector servers onto new equipment and replicate the configuration at Stoneleigh was completed in time for the move. Most individuals had their desktop systems working within 48 hours of relocation. Inevitably there were some teething issues over the first few weeks which employees found frustrating but I commend everyone for their co-operation and patience during those early days.

As with so many of the projects during the year there was a highly commendable level of personal ownership

and commitment demonstrated by the teams involved. I would particularly like to acknowledge the work of the IT team for the prolonged period of seven day weeks and late nights they put in to ensure that the IT aspects of the relocation programme went as smoothly as possible.

The new telephone system was slightly more problematic with intermittent faults occurring over a number of weeks; this was ultimately resolved with BT identifying an installation error.

Another significant IT-related project was to migrate all the financial systems onto a single tried and tested software platform including an integrated payroll and HR system. The payroll aspects were delivered on time and without issue in April 2009. However, the most challenging aspect of work was the transfer of financial processes from legacy platforms. There was an underestimation of the sheer quantity of transactions along with the time needed to get many of the finance team fully up to speed on the new system. This led to some backlogs and delays which took a considerable time to clear fully. This had a knock-on effect on the timetable to embed all of the finance system features into some divisional operations, and this was only completed during the final quarter.

The introduction of a new financial system at the same time as a reorganisation, large scale change of personnel and relocation ideally would have been avoided. However, it was essential to consolidate the five legacy financial systems, and the risks were assessed and managed.

Overall the relocation went as planned and we managed to maintain service delivery to levy payers. At 31 March 2010 we were well settled into Stoneleigh Park and operating effectively. While we remain in temporary accommodation there will always be niggles to test the good humour of our employees, and the prospect of our new office building is something for everyone to look forward to.

Our people

April 2009 to March 2010 represented the highest risk period for AHDB with the physical relocation of the business and the need to retain as many skilled and experienced employees as possible during this process. The Business Case put together by consultants Accenture for Defra prior to AHDB becoming operational forecast that we would retain 35% of levy-funded employees. We have, through good management, good communication and good fortune retained more than 53%.

The new Senior Executive Team convened for the first time in April 2009 and Professor Ian Crute joined as AHDB Chief Scientist in May 2009.

The decision was taken early on to mitigate the risk from key leavers by asking some of these employees to remain working for a number of months where replacements still needed to be recruited and trained. This was done either by extending their full-time contracts for an agreed period or hiring them back part-time on a day rate, depending which represented best value for levy funds given the amount of support needed from an individual. 27 key employees provided bridging support in this way.

Around 330 employees were transferred into AHDB from the legacy levy boards on 1 April 2008. 154 people decided not to relocate and were made redundant and in total 150 new employees have been recruited. Through this process the organisation has lost some important experience and knowledge, as we knew we would. We have however also gained from the recruitment process – new people with new skills, new knowledge, new ideas, who are contagiously enthusiastic and unencumbered by the history of the old organisations. This new influx provided an unexpected boost to employee morale during a difficult time.

Internal communication has been a vital component to delivering a successful outcome to our transition plans and the Board and Senior Executive Team gave this a high priority throughout the year. Regular briefings, the development of an intranet, an employee newsletter, email alerts, divisional team meetings have all been regular facets of the strategy. There was also an impromptu BBQ outside the offices in the Summer as a way of introducing everyone to each other and valuable feedback was gained on what was working and what could be done better through a series of small informal employee lunches the Chief Executive hosted throughout the year.

A very effective employee conference was held on 1 October 2009 which created greater understanding and awareness of the organisation's strategies and laid down the challenge of driving better collaboration.

During the year AHDB employed an average of 289 levy-funded full-time and part-time employees, around two thirds of whom are based at Stoneleigh Park with the remainder working from home or regional offices. An additional 132 full-time and part-time employees worked within our commercial businesses and were funded from fee-earning activities. An additional 5 people were funded from non-levy sources.

443.5 working days were lost through sickness absence of levy-funded staff during the eight months (27 July 2009 to 31 March 2010) following relocation of AHDB operations to Stoneleigh Park. 559.5 working days were lost through sickness absence at the commercial business, Meat and Livestock Commercial Services Limited, during the same period.

The cost-benefit

AHDB's change programme was designed not only to improve the efficiency of the whole organisation but also to drive greater co-operation and collaboration. Through

relocation and co-location, to a single office at Stoneleigh Park in Warwickshire, AHDB is on course to deliver and improve on the potential £3.8 million annual savings and efficiencies identified in the latest Corporate Plan for 2010 to 2013.

The one-off cost for the whole two-year restructuring and relocation programme, was £12.9 million. This cost will have paid for itself within three years from the cost and efficiency savings being generated.

Co-location at Stoneleigh Park has also been the trigger for the start of better working together, but the rabbit warren nature of our temporary accommodation limits how far we can progress with this and a fully unified AHDB until we move into our new open plan offices.

Our new office building

Part of the relocation programme is to move to a an extremely energy efficient office building on Stoneleigh Park in Warwickshire. Planning permission was granted by Warwick District Council in February 2010 and our Stoneleigh-based employees are delighted at the prospect of only facing one more winter in our temporary offices, largely built as Summer pavilions for the agricultural show season and not designed for year-round occupation.

The building design and specification reflects an organisation in tune with its commitment to the environment and the well-being of its employees. The single storey, contemporary building will be built to the BREEAM standard of excellence for eco-friendly construction. It will be low cost to run and will provide space for up to 250 employees.

Inevitably in this recession period there have been difficulties in securing funding which meets Government requirements. We are pursuing a number of options with the aim of being settled in our new accommodation during the middle of 2011.

Our objectives and targets

Delivering good 'value for money' back to levy-payers is a cornerstone of AHDB policy, along with linking with other organisations to develop partnership working arrangements to the advantage of our levy payers.

The objectives, strategies and targets to deliver AHDB's statutory functions in 2009/10 were detailed in our rolling three-year Corporate Plan 2009 to 2012 (available on www.ahdb.org.uk).

Performance against this plan and our targets are reported on by our six sector board chairmen in their divisional reports on pages 9 to 41.

The business planning cycle starts in August each year and finishes the following March when Ministers sign off recommended levy rates. The new Corporate Plan for 2010 to 2013 on which the industry was consulted was published on our website in March 2010.

Our funding

AHDB is funded by a statutory levy paid by producers, growers and processors and AHDB is legally responsible for the collection of these levies. The annual levy rates for 2009/10 were recommended by AHDB sector boards, through the AHDB Board and then approved by Defra ministers and devolved administration ministers in March 2009. The levy rates for 2009/10 can be found on page 109.

For the year ended 31 March 2010 AHDB generated gross levy income of £48.2m, which was raised from the six sectors as follows:

Sector	AHDB Division	Gross levy income
Pigs in England	BPEX	£7.6m
Milk in GB	DairyCo	£6.8m
Beef and Lamb in England	EBLEX	£12.7m
Horticulture in GB	HDC	£5.3m
Cereals and Oilseeds in UK	HGCA	£9.9m
Potatoes in GB	Potato Council	£5.9m
		£48.2m

During the year AHDB's levy collection function was transferred to the centralised group finance function.

Funding of £4.75m from regional development agency Advantage West Midlands has been contractually secured to partially offset the exceptional reorganisation expenditure incurred in relocating to Warwickshire and the office costs of being based at Stoneleigh Park. The drawdown of this funding is linked to the completed construction of a BREEAM excellent building on plot 3 at Stoneleigh Park. During 2009/10 we drew down an initial sum of £1.1 million.

We generated a further £3m from other government and EU grants and other sources, largely as joint-funding for specific sector R&D and Knowledge Transfer projects.

Our financial results

Total income was £57.4m. Gross levy income of £48.2m was £0.3m lower than in 2008/09 (£48.5m) while income from non-levy sources of £9.2m was £1.6m lower than last year (£10.8m) mainly due to a significant reduction in turnover within Meat and Livestock Commercial Services Limited.

Operating expenditure of £57.1m was £5.7m lower than last year (£62.8m) mainly due to corresponding cost savings to offset the commercial income shortfall referred to above and the one-off nature of a key research and development programme in BPEX in the prior year.

The group generated a surplus on ordinary activities before interest and taxation of £0.3m, which was a £3.3m change on last year (deficit £3.6m). Further exceptional reorganisation expenditure of £1.2m and a £1.5m pensions movement resulted in a group retained deficit of £2.5m, which was £7.4m lower than last year's deficit (£9.9m).

The group accumulated reserve stood at £12.7m as at 31 March 2010.

Our cash management

AHDB's long-term financial policy is based on the maintenance of cash neutrality. Notwithstanding, during the year to 31 March 2010 the retained deficit and payment of exceptional reorganisation expenditure provided for as at 31 March 2009 resulted in a £7.8m decrease in consolidated cash holdings to £13.1m (31 March 2009: £20.9m).

Our approach to risk management

The AHDB Board and the Senior Executive Team followed risk management principles in all decision making and policy setting. Risk management is an integral part of our management philosophy and is commensurate with the responsibility we hold for effective use of levy payer funds.

A key risk register is maintained as a living document and reviewed monthly by the Senior Executive Team. In October 2009 this Team held a risk workshop to reassess, from first principles, all the hazards and risks for AHDB and then made recommendations to the AHDB Board. The Audit Committee and AHDB Board reviewed our risk register on a regular basis, and risk management is integrated into the business planning process.

Our internal controls

As Accounting Officer I have responsibility to the Board for continuing to develop and fine-tuning our corporate governance procedures to effectively meet the requirements of HM Treasury and deliver on the commitments laid out in our published Management Statement and Financial Memorandum. Details of these are reported within the 'statement on internal control' that can be found on pages 47 to 51.

Our cross-cutting work

Cross-sector value-added activity started to be delivered in the latter part of the year, once the organisation co-located at Stoneleigh Park and key posts such as the Chief Scientist were appointed to help identify and co-ordinate synergies. This cross-sector working is constantly being refined and will increase and be nurtured during the year ahead.

Early cost-efficiencies are ranging from saving costs by centrally buying things like Data Protection Registration, Insurances, IT equipment, stationery, etc to sector divisions identifying and undertaking mutually beneficial projects of all sizes on a bi-lateral or tri-lateral basis and sharing the costs.

In the key area of climate change we have set up a formal cross-divisional task force and this approach will be used for other key areas as we move forward along with more ad hoc project teams which will be disbanded after a shared project has been delivered.

There is still a lot more headway to be made in this area, but with the drive coming from both the bottom up as well as the top down we should see a steady improvement. Some examples of joint projects have included:

Technical work: the agriculture sector's Greenhouse Gas Action Plan has been presented to Defra by NFU/AIC/CLA in accordance with the Government's timetable. AHDB is a key player in advising on the underpinning science, the indicative measurement and the implementation of mitigation programmes. There remains strong concern from the team at AHDB that there is still a lot of work to be done around measurement and targets before the industry can commit to the Action Plan with confidence.

The Technology Strategy Board recently launched the Sustainable Agriculture and Food Innovation Platform, which will see investment of up to £90 million over the next five years in innovative technological research and development in areas such as crop productivity, sustainable livestock production, waste reduction and management, and greenhouse gas reduction. AHDB has been working closely with Technology Strategy Board to try and find ways for this funding stream to be of benefit to levy payers.

Food, health and nutrition education work

A cross-divisional group on food and nutrition part-funds the popular and hugely successful www.foodafactoflife.org.uk website hosted by the British Nutrition Foundation (BNF). This is a free educational resource about healthy eating, cooking and food skills providing quality resources to assist teachers in delivering the National Curriculum for Key Stages 1, 2 and 3. It also includes a popular Food and Farming module. The site receives around 80,000 visitors per month.

Developing industry skills: AHDB supported the 10 February 2010 launch of Lantra's new AgriSkills Strategy aimed at equipping farmers and growers with the right skills to ensure the industry is capable of delivering increased food production and tackling environmental challenges into the future.

AHDB's divisions generate information, tools and techniques to improve the efficiency and competitiveness of farmer/grower businesses. These are widely accessible but our challenge is encouraging greater uptake. We believe the AgriSkills Forum's initiative can help achieve this, which is why it has our full support and why skills features prominently within our 2010-2013 Corporate Plan.

Food assurance work

Assured Food Standards, who licence food suppliers to use the popular Red Tractor quality assurance mark on their products, faced the prospect of losing momentum in their efforts to extend the reach of the Red Tractor mark due to the fact that Defra's seed funding had ended. The AHDB Board felt that this was not in the best interests of levy payers and secured support from its Sector Boards to put funding into the business if EU State Aid Approval could be secured.

In September 2009 the European Commission granted State Aid approval for a promotional scheme to support foods covered by the Assured Food Standards Red Tractor quality assurance mark. AHDB subsequently provided £145k

to Assured Food Standards during the financial year, ending 31 March 2010. With regard to the provision of future funding, the AHDB Board and Sector Boards have agreed that a three-year funding stream of £1.0 million for 2010/11 to 2012/13 should be provided in the form of tapering support over the period, linked to a formal agreement with AFS and a business plan, to provide certainty and good governance to both sides. AHDB's marketing teams continue to work closely with the AFS team on promoting the benefits of assured food products.

Our partnership working

At AHDB we believe that partnership working is a more transparent, efficient and cost-effective way of achieving objectives than working alone. To this end, at all levels within AHDB we encourage our people to nurture sustainable working partnerships with national and major international organisations, government departments, other NDPBs and executive agencies, industry trade organisations and academic institutions in order to help deliver our statutory functions. Also farmers, growers and other stakeholders are represented on the main AHDB Board as well as on the Sector Boards.

An example of an event held at AHDB level was when the AHDB Chairman hosted a networking and briefing event in Westminster Abbey Gardens 15 July 2008. Around 100 Ministers, MPs, Lords and senior civil servants met and informally discussed issues with AHDB and 150 industry representatives. It was also an opportunity to showcase our wonderful quality local produce from across Britain.

The year ahead

In the short period I have been in post it is clear to me that there is a very professional and dedicated team at AHDB and I feel privileged to now be their Chief Executive.

Although the main restructuring and transition phase for AHDB is complete, there is still much work to be done to operate as a single organisation and generate the full potential benefits and efficiencies from sharing best practice and streamlining relevant processes and procedures.

I firmly believe the restructuring of the levy boards has come about at an opportune time. We face huge challenges as an industry to respond to the food security and climate change issues and by working together within a single AHDB we will be far more effective and cost-efficient in assisting our levy payers to profitably rise to the challenges ahead.

**Tom Taylor, Chief Executive and Accounting Officer,
Agriculture and Horticulture Development Board**

BPEX Sector Report

English Pig Sector

The past year presented significant challenges and opportunities to BPEX and its primary customers, English pig farmers and pig meat processors.

Introduction

The global financial crisis resulted in consumers looking to reduce food expenditure at home, work and eating out. This pressure on retail prices coincided with a period of historically high farm gate pig prices helped by Sterling's weakness against the Euro coupled with reduced European production. This helped English producers start to service the debt many had incurred.

The formation of the Pig Meat Supply Chain Task Force in March 2009, set up by Government to facilitate and help develop resilience throughout the pig meat supply chain, was timely to address both historical weakness and emerging tensions between high farm gate prices and what consumers were willing or could afford to spend on food.

Furthermore, in July 2009 BPEX embraced significant restructuring and relocation when the operation moved from Milton Keynes to Stoneleigh Park, Warwickshire, as the final element of the transition into the new Agriculture and Horticulture Development Board.

Financial summary

Gross levy income of £7.6m was £0.7m higher than in 2008/09 (£6.9m) while, including its share of commercial services income, income from non-levy sources of £2.6m was £0.7m lower than last year (£3.3m) mainly due to a significant reduction in turnover within Meat and Livestock Commercial Services Limited, of which BPEX takes a 33% share.

Operating expenditure on the same basis of £9.9m was £3.4m lower than last year (£13.3m) mainly due to the one-off nature of a key research and development programme in the prior year. It should also be noted that £0.3m of net operating expenditure for BPEX reported in Note 3a to the accounts relates to year-end pension accounting requirements that are not treated as operating expenditure in BPEX's management accounts.

The division generated a surplus on ordinary activities before interest and taxation of £0.3m, which was a £3.4m change on last year (deficit £3.1m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at £2.9m as at 31 March 2010.

Strategic objectives

The primary strategy of BPEX is to work with the English pig industry to achieve sustainable international competitiveness through reducing production and processing costs and maximising the value of its pork and pork products.

The core objectives are to assist English pig farmers and processors to:

- Improve cost competitiveness relative to the main EU competitors with particular concentration on herd health
- Increase the demand for pork and pork products and achieve greater year-on-year value for the industry

Report on strategy implementation

Improve cost competitiveness relative to the main EU competitors with particular concentration on herd health

The BPEX Knowledge Transfer (KT) team continued to work with groups of pig producers and within individual businesses to assist in the application of the latest global research and husbandry techniques to enhance physical pig production performance.

The KT team delivered more than 300 technical workshops, training days and business club meetings with owners, managers and stock workers. The outcome of this, with support and expertise from allied industry companies and veterinarians, has been to increase average daily liveweight gain from 738 to 776 grammes per day, reduce post weaning mortality from 5.7% to 4.6% and raise pigs finished per sow per year from 20.8 to 21.08.

The KT team also initiated the first ever European KT hub bringing together colleagues from across Europe to share knowledge, experience and approaches to delivering and applying new knowledge within pig businesses.

Following the success of the national porcine circo virus research project in 2008 and the continuation of the British Pig Health Scheme, BPEX maintained its focus on improving pig herd health. Ambitious regional health improvement programmes were launched, initially in Yorkshire and Humberside in July 2009 and then in East Anglia. The initiative, co-funded by the England Rural Development Programme through Regional Development Agencies and individual pig businesses, aims to co-ordinate a programme of veterinary surveillance and interventions between groups of producers within health clusters. The aspiration is to extend these programmes to other regions within England.

The importance of optimising pig welfare continued to be a point of significant differentiation between the UK and other EU countries. In Autumn 2009, following a trial, BPEX undertook a large scale pig welfare outcomes research project to establish tangible, evidence-based welfare scoring systems that can be applied to all production systems.

Highly motivated and skilled staff have a direct impact in attaining high levels of pig performance and welfare. BPEX continued to champion skills development within the industry. More than 70 people embarked on their certificates of competence during 2009/10 and 80 people joined the Pig Industry Professional Register to demonstrate Continuous Professional Development. In January 2010, 11 pig managers were accepted on the first phase of BPEX's unique 18 month Professional Managers Development scheme.

The impact of livestock production on climate change was a prominent issue and in December 2009 BPEX published two reports examining the pig industry's impact. The first was a Scoping Life Cycle Assessment of Pork Production, estimating the environmental impacts of pork production and identifying opportunities for improvement. The second, Pigs and the Environment, examined how BPEX could work to enhance the environmental sustainability of pork production. Building on these, BPEX is now engaged with Defra in developing an English pig industry environmental roadmap which will outline the next steps the industry can take to reduce further its impact.

The outcome of these and associated activities was a 4% growth in the breeding herd. The industry confidence index for producers as recorded in the annual BPEX survey recovered from 40.9 in 2008/09 to 45.8 in 2009/10, with 36% of businesses surveyed indicating an increased level of investment in 2010/11 compared with just 29% in 2009/10 and 14% in 2008/09.

Increase the demand for pork and pork products and achieve greater year-on-year value for the industry

The value and versatility of pork and pork products continued to be recognised, resulting in firm demand. Kantar World Food Panel data for the 52 week period to 24 January 2010 showed a 4% increase in the volume of pork purchased despite a 2% increase in price. Similar growth in pig meat products including bacon, sliced cooked meats and sausages was also achieved.

The growth in demand for pork and pig meat has been reflected in the demand for English Assured pig meat. A number of retailers committed to sourcing 100% British pork including the Co-op and Marks and Spencer, with discounters such as Aldi and Lidl significantly increasing the proportion of British pork sold.

During this period BPEX implemented the transition from the Quality Standard Mark to the Red Tractor scheme as part of an overall harmonisation of farm assurance schemes. A revised Red Tractor logo will be launched in April 2010 incorporating all the standards of the Quality Standard Mark covering production, welfare and quality. Using a variant of the Red Tractor logo that has widespread visibility with consumers, will be of benefit to the English pig industry.

The first stage in broadening the use of assurance across the independent retail butchers and foodservice market was put in place. A second phase will now be required at abattoir level to enable a number of small and medium sized abattoirs to produce product eligible to carry the Red Tractor.

The publication, in February 2010, of the Voluntary Code of Practice for the labelling of pork and pig meat products was endorsed by major retailers and food service companies. Launched by Secretary of State Hilary Benn, it aims to give clear and unambiguous information about country of origin on packs of pork, bacon and ham. The code was developed by the Pig Meat Supply Chain Task Force which represented a broad range of stakeholders from across the supply chain.

BPEX and Quality Meat Scotland researched the application of new technologies to assess the isotopic characteristics of meat samples which are dependent upon the geographical location of where the pig was reared. Controlled trials were very encouraging and a full field trial is now planned to distinguish with high levels of certainty if a meat sample has been derived from a UK pig farm or imported from another EU country.

The provision of accurate market intelligence, analysis and reports to enable individual businesses in the pig meat supply chain make more informed decisions remained a core BPEX industry service. During 2009/10 BPEX expanded the range of commercial prices and information on its website www.bpex.org.uk, from feed prices updated every 15 minutes through to in-depth category reports. This helped drive more than 20,000 unique visitors to the BPEX site every month with the Market Intelligence area consistently being the most frequently visited.

In the area of supply chain development BPEX led an industry consortium to be awarded a contract from Defra Animal Health to deliver a new electronic pig movement system in England and Wales by August 2012. Development of the service is now underway and it will also deliver for the first time, a pig herd register.

The delivery team

The challenge in 2009/10 was to maintain and build service quality while going through the transition and relocation to the new AHDB premises in Stoneleigh and establishing the revised structure.

The annual BPEX customer service quality survey undertaken in January 2010 indicated existing and new members in the BPEX team responded well to this challenge. Overall 80% of respondents described the BPEX service experience as excellent or good with average scores on a scale of 1 (excellent) to 5 (bad) increasing from 1.88 in 2008/09 to 1.56 in 2009/10.

BPEX strengthened its capabilities in the areas of environmental and pig health management, the latter partly funded through RDPE grants. The team also worked collaboratively with other AHDB Divisions in the areas of marketing, development, knowledge transfer, market intelligence and communications. This delivered cost savings, more effective co-ordination of cross-cutting agendas such as training and the environment and embracing new approaches from other Divisions in areas such as communications.

A brief look forward

In the coming year, BPEX will focus on helping the industry improve its competitive position through the innovative Two Tonne Sow campaign providing a single focus to enhance physical performance. This campaign will apply international research, development and knowledge transfer in the areas of breeding, nutrition, health, finishing buildings and training.

BPEX will also continue to support the industry's approach to environmentally sustainable pig meat production through the publication of the English Pig Industry's Environmental Roadmap.

The transition from the Quality Standard Mark to the Red Tractor will be completed as a way to differentiate the high quality welfare standards operated within the English pig meat supply chain to consumers.

Providing consumers with greater reassurance of the provenance of pig meat products will also be a theme in 2010/11, following the publication of the Pig Task Force Voluntary Code of Practice for the Labelling of Piguemeat Product in February 2010.


BPEX will also continue to seek cost and efficiency savings and best practice opportunities provided by being part of the Agriculture and Horticulture Development Board.

Stewart Houston CBE AHDB Board Member and Chairman of the BPEX Board

Further information on the work of BPEX is available from www.bpex.org.uk

A list of BPEX Board Members can be found on page 108

Key to Alert

	on-track
	slightly behind
	unlikely to be delivered without mitigating action

BPEX Division (English Pig Sector) performance against target 2009/10

Strategy	Key outcome	Target	Performance
Objective 1: Improve cost competitiveness relative to the main EU competitors with particular concentration on herd health			
An integrated Knowledge Transfer programme delivered through a regionally based KT team with head office support. Underpinned by practical development, demonstration and applied research projects. Focus on dissemination of production best practice, health and welfare including BPHS	Improvement in cost competitiveness particularly of those producers that BPEX works with directly	Average 5% pa improvement across KPIs as recorded by a combination of BPEX workshops, business clubs and Agrosoft national data	On target to achieve improvements. Pigs finished per sow and growth rates improving. Reduced mortality. The sharp winter weather is likely to have had some adverse impact on productivity which will become apparent later in the year. Cost of production much closer to EU competitors
Promotion of a skills framework delivered by Certificate of Competence (C of C) and PIPR (Pig Industry Professional Register)	Greater industry involvement in C of C and PIPR	15% pa increase in C of C awarded and participation in PIPR	Recruitment is slightly behind target. PIPR and the promotion of C of C are being re-launched. First senior managers course launched successfully
Advise the industry on more effective compliance with environmental regulations and improving resource efficiencies	Cost effective compliance with regulations and a positive influence on their development and interpretation. Recognition of BPEX as the authoritative source of quality information and practical advice in the areas of resource efficiency and environmental compliance	80% "very good" or "excellent" assessment of BPEX service in annual customer survey	2010 survey indicates that this is being achieved. Feedback from industry is very positive
Active participation in the Zoonoses National Control Plan	Risk of food borne illness reduced	On farm and on carcass Salmonella score reduced in line with national targets	Emphasis on Zoonoses Action Plan moved from farm to abattoir surveillance and scoring. Results awaited in 2010. FSA remains supportive
Support processor projects to improve meat eating quality	Increased uniformity of pork eating quality	10% pa reduction in variability as reported by abattoir survey	Causes of variation are understood according to the work of the BPEX Pork Chain Unit. Consumer feedback shows little concern. Future work to focus on measuring devices. An area of focus in the Task Force assessment of R&D priorities
Conduct regional pig health improvement programmes (subject to successful pilots in 2008/09)	Reduction in target diseases by region and improved pig health and welfare. Increased productivity margins	Completion of 1 regional programme by end of 2009/10 and 4 by end of 2013. A 95% reduction of target disease, a 5% reduction in antimicrobial usage and improved financial and production efficiency measures	Stage 1 of Yorkshire and Humberside Health project completed in December. Stage 2 on target. Second regional scheme agreed in East Anglia. Pig Health Manager and support staff appointed and other regions included in plan
Provide the industry with timely, high quality market intelligence including information from Brussels and insight into English consumer behaviour	A better informed sector that enables better decisions to be made	80% "very good" or "excellent" assessment of BPEX Market Intelligence by annual survey	The 2010 survey showed an overall improvement in satisfaction. Informal contact and use of the website does not indicate any problems
Effective and timely communication to levy payers that enables better engagement in our work	Levy payers are better informed about BPEX activity and engagement in better communications in the supply chain	80% "very good" or "excellent" assessment of BPEX work in the annual industry confidence survey	The 2010 survey showed a very good level of satisfaction (1.6 on a 1-5 scale) with more respondents likely to use BPEX services in the future. Web stats show rising usage

BPEX Division (English Pig Sector)

performance against target 2009/10 (continued)

Strategy	Key outcome	Target	Performance
Objective 2: Increase the demand for pork and pork products and achieve greater year-on-year value for the industry			
Market the differentiation of quality assured English/ British pork and pork products using a Quality Standard Mark as the main vehicle using a wide and up-to-date mix of marketing channels	Increased demand for Quality Assured pork and pork products	65% use of QSM on pork, 20% on bacon, 10% on ham and 30% on sausages from PorkWatch. 70% agreement with willingness to pay a few pence more for higher welfare	Targets being maintained despite some recent reductions in sales of British products. Demand for English pigs remains strong as evidenced by retail sales and the pig price
Defend the role of pork and pork products in the diet through nutrition, schools, consumer and trade media and international collaboration	Continued acceptance of the positive role of meat (pork) in a balanced diet	20% consumers agree that pork is important in a healthy diet	Targets being maintained. Publicity on meat and cancer has increased but not yet signs of consumer reaction. Coordinated action with EBLEX and industry organisations to challenge World Cancer Research Fund
Encourage more efficient working in the supply chain through a Supply Chain Support Package and local and regional food service support	Programme of Butcher's Roadshows to reward innovation	Minimum 7 Roadshows generating 1,200 product entries	Butchers Roadshows exceeded targets with the 7 Roadshows resulting in nearly 1400 new products. Further Roadshows planned
Promotion of exports through working with government on market access and targeted trade development activities	Access and exports to key third country markets – principally China with focus on fifth quarter exports. Also to Russia and continued access to Korea under revised requirements	Achieve export health certificate and plant approvals for China. Export growth of 5% for pigmeat and pigmeat products	Export volumes to the EU have declined slightly as cull sow availability has been lower. Third country exports set up strongly. Good progress on gaining access to China but likely to be 2010/11 before trade starts. H1N1 managed well and not now a major issue

DairyCo Division Report

GB Milk Sector

Despite an improvement in the professionalism and efficiency of the farming sector, falling milk prices continued to put pressure on dairy farm profits, increasing the demand and need for core DairyCo services such as Knowledge Transfer and Market Intelligence.

Introduction

DairyCo continued its strategy to increase the focus on business management and competitiveness through increased activity in Knowledge Transfer (KT) and Research and Development (R&D). This approach, begun two years ago, is now starting to bear fruit.

Significant successes during the year included:

- DairyCo successfully agreed an exciting collaboration with The Welsh Assembly Government to co-ordinate and build on the information and services delivered to Welsh dairy farmers – an excellent example of how partnership working can benefit the industry
- The expansion of the 'extension' team - with 16 regional officers now working with farmers meant DairyCo services being used by even more dairy farmers and the numbers of farmers engaged in DairyCo projects exceeding targeted levels
- The creation of a dedicated dairy enterprise benchmarking team working under the banner of Milkbench+ to roll out a producer-focused, standalone service that enables farmers to compare their business with others and find out just how efficiently individual businesses are operating
- The new DairyCo website (launched this year), created to become the hub of DairyCo's world class information and services, achieved over 700,000 page visits in just 6 months.

Financial summary

Gross levy income of £6.8m was £0.1m higher than in 2008/09 (£6.7m) while income from non-levy sources of £0.1m also in-line with last year (£0.1m).

Operating expenditure of £6.2m was £0.7m higher than last year (£5.5m) as the activity under the new DairyCo strategy developed and increased, particularly with more knowledge transfer services to farmers compared to the prior year.

The division generated a surplus on ordinary activities before interest and taxation of £0.7m, which was £0.6m lower than last year (£1.3m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at £4.9m as at 31 March 2010.

Strategic objectives

The following objectives were those agreed for the financial year 2009/10 and upon which we are reporting in this document.

- Market Intelligence: provision of high quality information to help farmers and their representatives make the most of dairy markets and opportunities
- Business Management: help dairy farmers increase their profits while meeting regulatory and environmental requirements through better business management
- Issues and Image Management: to implement a dairy industry Issues & Image Management Strategy by the end of March 2010
- Development of DairyCo: development of DairyCo towards a self-sustaining model.

Report on strategy implementation

Market intelligence

During the year the team continued to improve the quality and scope of the analysis and output produced with the DairyCo Datum website, maintaining its reputation as a leading source of information for the entire supply chain.

Key successes included the Company Strategy and Performance Report which aims to help farmers improve their understanding of, and relationship with, their milk buyer. The report received extensive press coverage and was welcomed by the NFU as another tool to bring farmers and processors closer together and to improve supply chain transparency.

Business management

This activity programme has the incentive of helping dairy farmers increase their profits while meeting regulatory and environmental criteria. During 2009/10, significant positive progress was made.

For example, 127 Dairy Business Groups were up and running (target was 120) that focused on providing information to improve both business skills and dairy farm businesses. Within these groups, surveys showed that 97%

of farmers felt that their time in the business groups was well spent (target 90%).

In addition, a new initiative, Impact Groups, was established. These groups are made up of a number of like-minded farmers who all wish to work on one specific issue on their farms. They meet on a small number of occasions, set objectives and a work plan and are then disbanded once the group has achieved its technical goal. The target for the year was for five groups but this was exceeded, with 13 groups formed, dealing with subjects ranging from cross-breeding to Johne's disease control.

All of this was achieved as the number of regional officers (Extension Officers) reached the targeted level of 16 in December 2009, from a base of 11 at the start of the year.

The DairyCo Mastitis Control Plan commenced in April 2009 and established itself as a significant support to vets and farmers. Mastitis remains one of the largest costs to the dairy industry and, along with fertility and lameness, represents a significant challenge to production in the majority of British dairy herds. Over 150 vets and consultants (against a first year target of 50) were trained to use the farm-specific plan which aims to reduce mastitis and its associated costs by at least 20% on participating farms. Over 300 farms engaged with the programme in this first year, against a target of 150.

The Milkbench+ project was further established during this year and developed into a service for farmers. A team of four Regional Officers was put in place to support dairy farmers in benchmarking their businesses and analysing the efficiency and profitability of their dairy enterprises.

During the year, over 175 datasets were collected and validated and targets for the second year have been set at 350 datasets - a robust figure from which DairyCo and the wider industry will be able to benchmark farms operating under similar systems or conditions nationwide as well as locally.

DairyCo R&D continued to provide the secretariat for the Environmental Plan for Dairy Farming (EPDF) group which collectively works together to highlight tools and services that can reduce the environmental impact of dairy farming. The EPDF group members helped to produce the measures for the targets in the Milk Roadmap: One year down the road document published in August 2009. This detailed the positive efforts and improvements already being made by British dairy farmers to reduce the impact of dairy farming on the environment. Tim Bennett, DairyCo Chairman, was appointed chair of the Milk Roadmap group.

The R&D team continued to improve the level, quality and scope of climate change work undertaken, to help to improve farm efficiency while continuing to reduce environmental impact with six factsheets and case studies that were made available in the winter of 2009. The team also started working to co-ordinate the industry's approach to measurement of carbon footprints in milk pools and fields to ensure robust and comparable data collection.

Following on from recent research, updated advice on the use of lupins as a forage crop was made available for dairy farmers. A factsheet was also made available detailing the options for weed control following changes in EU regulations on the use of pesticides. Studies of soil stabilisation methods for the construction of slurry lagoons showed that while this can be an effective low-cost procedure, its success varied depending on soil type. Control of worms sustainably (COWS), a programme for the sustainable control of parasites in cattle was developed by way of a booklet and will be promoted as the industry standard.

DairyCo's breeding+ genetic evaluation service continued to develop and provided possibly the highest cost benefit to the industry. Genetic progress of the milking herd continued to go up, with a noticeable shift towards more emphasis on 'fitness' traits in relation to yield. The proof runs (three per year) included for the first time information on crossbred cows and new breed evaluations for the Brown Swiss and Montbeliarde breeds. In addition, the year saw the launch of international evaluations for ease of calving.

Issues and image management

During 2009/10, DairyCo worked with industry partners (e.g. the farming unions and Dairy UK) to build a resource of information to enable the industry to proactively promote the good work that dairy farmers are doing. This resource was based on a review of the key concerns to consumers after an audit of historic media coverage established industry needs.

DairyCo's school milk activity continued, completing 1,820 activities in schools over the year and distributing over 88,000 education materials.

Development of DairyCo

During 2009/10, over £1m of additional income was secured and this will be delivered in future years. This includes a significant Supply Chain Efficiency Grant from the Welsh Assembly Government.

The delivery team

With the recruitment of five further Extension Officers and the new Milkbench+ team, DairyCo continued to provide excellent levels of service and delivery to British dairy levy payers at the same time as managing the relocation of the business from Cirencester to Stoneleigh – a challenging time for all.

I am very proud of and grateful to the whole team – both head office based and in the regions for their continued commitment to providing world class expertise to dairy farmers.

DairyCo is now receiving its back office support (i.e. HR, IT and Finance) from AHDB Central Services.

A brief look forward

GB milk production may stabilise slightly during 2010/11, and with better prices, production may creep up over the next two years, but this will be very dependent on milk prices and future supply chain developments.

The DairyCo team, having completed the move to Stoneleigh, and staffed to fit the business plan, is ready to deliver more as a consequence in the next financial year.

DairyCo's strategies remain relevant, and indeed, more important than ever to levy payers who will face increased volatility in the sector. Using the criteria of market failure and industry need we shall continue to focus on:

Objective 1: Ensuring farmers have access to world class information needed to improve competitiveness, GHG reduction and productivity.

Objective 2: Ensuring farmers have access to direct and indirect support to help them improve their profitability through better business management.




Objective 3: Ensuring dairy farming is reducing its impact on the environment.

Objective 4: Ensuring farmers understand the benefits of breeding and use the related tools.

Tim Bennett,
AHDB Board Member and Chairman of DairyCo Board

*Further information on the work of DairyCo is available from www.dairyco.org.uk
A list of DairyCo Board members can be found on page 108*

Key to Alert

	on-track
	slightly behind
	unlikely to be delivered without mitigating action

DairyCo Division (Milk Sector) performance against target 2009/10

Strategy	Key outcome	Target	Performance
Objective 1: Market intelligence			
Provision of a world-class market information service	Farmers have access to unbiased, high quality information that assists in business planning and relationships	<p>Quantitative: monthly target of website hits 60,000 and subscribers to fortnightly Dairy Market Update 3,900</p> <p>Qualitative: annual survey of farmers showing an increase of 0.3 in the value placed on the MI service by those aware of it</p> <p>Provision of economic costings of different production systems</p>	<p>Monthly target of website hits exceeded with final figure of 60,490. There were 4,160 subscribers to the Dairy Market Update in March 2010.</p> <p>The value farmers place on our dairy-specific market intelligence has increased by 0.37 of a point</p>
Objective 2: Business Management			
Provision of world-class technical information	Availability of world-class technical farming information to dairy farmers, KT and Issues and Image Management	<p>Numbers of requests for information from farmers</p> <p>Positive feedback from KT and I&I regarding provision of farming information</p> <p>Provision of labour KPIs for dairy farms to help make best use of labour</p> <p>Definitive information into best practice FYM and slurry application on a range of clover inclusion rates</p>	<p>The new DairyCo website launched in August has seen significant increases in page visits and downloads from the previous site with 775,040 page visits and 55,015 download publications in six months</p> <p>The labour project remains on track to be delivered on time despite delays due to bad weather in January. However, the FYM project has been delayed due to restructuring of IBERS – the research organisation carrying out the project</p>
The implications of climate change for dairy farming	Reduction in the amount of climate changing emissions produced per litre of milk	<p>Agree one model with the industry to measure GHG emissions and appropriate on-farm targets with associated solutions to support implementation of the DSCF milk roadmap</p> <p>Greater understanding of the opportunities (forage varieties) and threats (disease) in the regions of GB</p>	<p>Model based on PAS2050 and Carbon Trust accreditation agreed across industry</p> <p>Factsheets with solutions produced for farmers</p> <p>Opportunities for new forage species project delayed due to IBERS restructuring and is due May 2010</p>
Improve feed efficiency	Increased milk output per kg of dry matter feed	<p>Feed efficiency on dairy farms with which DairyCo works improves by 5%. Target is 400 farms. On a typical cost in excess of 6ppl this equates to 0.3ppl</p>	<p>Over 700 farmers have engaged with the feeding+ campaign and over 2,000 feeding+ technical information packs have been sent out to farmers and industry stakeholders. The changes in FCEs for a sample of participating farmers will be calculated and reported in July 2010</p>
Improve business skills	Farmers actively planning and taking control of their farm business and their future	<p>120 Dairy Business Groups achieving:</p> <ul style="list-style-type: none"> - 90% of attendees agreeing it is a good use of time - 80% have applied what they have learned <p>250 MilkBench+ datasets</p> <p>5 Impact groups</p> <p>30 Open meetings</p> <p>3 What If? courses successfully run</p>	<p>126 Dairy Business groups established. Up to January 2010, 94% of farmers agreed that it was a good use of their time and 85% had applied what they had learned. Surveys post January 2010 are running at 97% and 74%, respectively. However this is an incomplete survey</p> <p>190 Milkbench+ datasets were collected. The 250 target has been revised to 150 in May 2009</p> <p>13 Impact Groups established, most on the topic of cross-breeding</p> <p>57 Open Meetings were held</p> <p>6 What If? courses were conducted</p>

DairyCo Division (Milk Sector)

performance against target 2009/10 (continued)

Strategy	Key outcome	Target	Performance
Improve mastitis control	An increase in the level of proactive health planning and a reduction in mastitis levels. Positive messages for use in image management	A 20% decrease in mastitis levels for 200 farmers engaged in the plan. On typical figures this equates to a saving of 0.2ppl	326 farmers engaged with the DairyCo Mastitis Control Plan. Resulting reductions in the incidence of mastitis on these farms will be assessed once they have been on the plan for 12 months (first results to come in June 2010)
The benefits of breeding and related tools	Farmers make informed breeding decisions that lead to the best cows for maximising their profitability	Three genetic evaluation runs produced The usage of genetic evaluation information increases by 10% during the year	All planned Genetic evaluations released on time. 148,588 downloads in the year – an 8% increase on the previous year
Objective 3: Issues & Image Management			
Protect and promote the image of dairy farming	Create a positive environment towards dairy farming in which the industry can thrive	Quarterly monitoring of consumer attitudes towards dairy farming. Long term target is to see increasingly positive consumer attitudes towards the environmental impact of dairy farming and animal welfare	79% of respondents think that UK Dairy Farmers do a good job looking after their animals (2008: 75%, 2007: 75%). Source: joint Dairy Council and DairyCo Consumer Survey; telephone survey of 800 members of the public by Swift Research (June 2007, April 2008, June 2009). Weighted results
Objective 4: Development of DairyCo			
Increase in alternative funding	Non-levy monies are secured to fund DairyCo activities	Secure £250,000 of additional income or match funding, with £150,000 of that delivered within 2009/10	Over £2 million of additional income was secured but will be delivered in future years
Increasing levy payer awareness of DairyCo's products and services	Farmers maximising their profits from using DairyCo information	The annual survey of dairy farmers shows an increase in awareness of DairyCo products and services to the same level achieved by MDC or better	Results show big increase in value score for services amongst those who know DairyCo against those who do not However, awareness levels have dropped slightly on the previous year due to significant regional variations. Awareness is highest in Scotland, South East/Eastern/East Midlands & Wales but those in the North West and Yorkshire were much less likely to be aware of DairyCo services partly due to staff shortages in these regions which are now being rectified

EBLEX Sector Report

English Beef and Lamb Sector

Higher farm gate prices and slightly lower input prices, together with improved efficiency, improved the bottom line for many beef and sheep farmers.

Introduction

Continued progress in developing export markets in both value and volume helped the lamb price rise to an all-time high and brought a robust feel to the beef market. Home markets continued to be affected by the recession which influenced consumer purchasing patterns, particularly increasing the demand for beef mince, and challenged the established carcase balance model.

The environmental 'hoofprint' of ruminant production came under fierce scrutiny, particularly around the Copenhagen conference in December 2009. Climate change remains high on the agenda for politicians and journalists.

EBLEX Business Pointers figures showed that the combination of higher farm gate prices and slightly lower input prices, together with improved efficiency, had improved the bottom line for many beef and sheep farmers. However, they also illustrated that for some enterprises, profitability was still very dependant on the Single Farm Payment.

Strategic objectives

EBLEX has a threefold strategy:

- Promoting better returns for the beef and lamb industry
- Championing the development of a sustainable industry
- Stimulating a profitable demand for quality beef and lamb.

Financial summary

Gross levy income of £12.7m was £0.8m lower than in 2008/09 (£13.5m) while, including its share of commercial services income, income from non-levy sources of £4.3m was £2m lower than last year (£6.3m) mainly due to a significant reduction in turnover within Meat and Livestock Commercial Services Limited, of which EBLEX takes a 67% share.

Operating expenditure on the same basis of £17.2m was £1.4m lower than last year (£18.6m) mainly reflecting the lower income from levy and non-levy sources year-on-year, as noted above. It should also be noted that £0.7m of net operating expenditure for EBLEX reported in Note 3a to the accounts relates to year-end pension accounting requirements that are not treated as operating expenditure in EBLEX's management accounts.

The division made a deficit on ordinary activities before interest and taxation of £0.2m, which was a £1.4m change on last year (surplus £1.2m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at £2.8m as at 31 March 2010.

Report on strategy implementation

Promoting better returns for the beef and lamb industry

This strategy is focused on helping English producers to become more efficient by reducing their costs and improving competitiveness. It concentrates on activities carried out on-farm or near-farm.

During the year, Defra funding for the core activity in the Beef Better Returns Programme (BRP) came to an end. Both the beef and sheep BRP are now solely funded by EBLEX, though the team seeks to attract Regional Development Agency (RDA) funding for additional local activity wherever possible. The programmes now have more than 20,150 producer members receiving regular free information. In 2009, 6,500 producers attended 205 BRP technical events across England and 84% of those who attended said they took away something positive that could be usefully applied to their livestock business. BRP was also extended to colleges, with the first college lecturers training day held in October 2009.

EBLEX Business Pointers 2009, which benchmarks farm costings data to help businesses assess their performance and identify where improvements can be made, was launched in October 2009. The results showed that net margins are increasing for top performing beef and sheep enterprises in England. For the first time, cost per kilogram figures were released ahead of the main Business Pointers report showing full margins and costs for average and top third enterprises.

Change in the Air - The English Beef and Sheep Production Roadmap (Phase 1) was launched by EBLEX in November 2009. It followed a twelve month project working with Cranfield University and stakeholders to benchmark where the sector is in relation to greenhouse gas emissions (GHG) from beef and sheep production and what steps producers can take to cut their environmental impact. The Westminster launch included attendance from Minister Jim Fitzpatrick and NFU President Peter Kendall, among others. Supplied only on request, more than 1,000 copies were distributed and a further 1,200 downloaded from the EBLEX website.

Ten research projects were completed in the year, delivering a variety of findings on a range of topics. Projects on the value of chicory, stewardship pasture, integration of a variety of forage crops and weed control measures in the light of EU changes to pesticide regulations demonstrated the range of issues being researched in the area of forage alone. Demonstration projects in genetics showed the value of Estimated Breeding Values (EBVs) for bull selection and worm resistance in sheep.

More than 50,000 copies of the leaflet A Farmers Guide to EID produced by EBLEX, were distributed with the support of livestock auction markets, the National Sheep Association and NFU.

The regional team was restructured to offer an increased level of support to levy payers wishing to retail their own meat. A dedicated member of the team now offers guidance and training for this important and growing sector. To strengthen links with the processing sector a dedicated staff member now focuses on liaison and training around stock selection and classification.

Signet Breeding Services completed its integration with EBLEX, relocating to shared office space with the EBLEX Research and Development team at Stoneleigh Park.

Championing the development of a sustainable industry

EBLEX champions and defends the English beef and sheep industry through a corporate communications and issues management programme. It seeks to promote whole-chain activity designed to connect the beef and lamb supply chains.

The annual EBLEX communications survey of producers and livestock auctioneers in April 2009 found there was a 99% awareness of EBLEX and the work it does.

Open meetings for levy payers were held at Sedgemoor, Bishop Burton, Shrewsbury, Norwich, Bakewell and Exeter during the course of the year, attracting more than 400 individual producers.

The EBLEX Annual Conference was held in Warwickshire in October 2009. Speakers at the event, entitled Red Meat - The Challenges and Opportunities, included John Mabb, UK Market Manager for Meat & Wool New Zealand, and Professor Marcia Dutra de Barcellos, from the University of Rio Grande do Sul, Brazil. The EBLEX events team also ran successful stands at a host of shows throughout the year including The Royal Show, the Dairy and Livestock Show, Beef Expo, Sheep 2009 and AgriLive.

In May 2009, EBLEX published In The Balance? The Future of the English Beef Industry, which highlighted the 27% decline in the breeding herd between 1990-2007 and, with it, beef production. The aim was to give a snapshot of the industry and stimulate debate on the future of the sector.

In direct response to consumer interest and industry demand, EBLEX initiated a Halal Steering Group, made up of a cross-section of representatives from the industry, with the aim of highlighting areas of work to ensure the specific demands of the Halal sector are properly served. Research has been commissioned to properly assess the size and potential of the Halal sector.

Over the course of the year, EBLEX and its press team were in the front line of industry defence on a number of high profile issues. This included helping co-ordinate the industry to correct misinformation about the contribution of livestock to GHG emissions and to tackle the World Cancer Research Fund on errors in its 2007 report which suggests links between eating animal fats and colorectal cancer.

EBLEX continued to support the work of the All Party Parliamentary group on Beef and Lamb, holding several briefings across the year.

A comprehensive review of EBLEX's corporate website was begun in December 2009 with the aim of encouraging more people to use it as a tool for improving returns, gaining technical knowledge and keeping up to date on the latest industry news.

Stimulating a profitable demand for quality beef and lamb

This third leg of the EBLEX strategy focuses on adding value to beef and lamb beyond the farm gate by encouraging increased demand in home and export markets.

The success of EBLEX's involvement with international trade shows continues to pay dividends in terms of reputation and helping identify new export markets for English beef and sheep producers. In particular, EBLEX took part in the Gulfood exhibition in Dubai in February 2010, SIA in Paris in March 2010, and Anuga in Cologne in October 2009.

Statistics for 2009 as a whole show lamb exports topped £300m for the first time, with France being the major importer of British sheep meat. This has been helped by a reverse in the decline in the French lamb market, aided by EBLEX involvement in the multi-agency Agneau Presto campaign.

The autumn 2009 Simply Win promotion, which allowed consumers to enter a prize draw directly from on-pack labels, attracted 35,000 entries. This was the biggest single promotional activity EBLEX has undertaken at point of sale or consumption. Morrisons, Co-op, Budgens, Waitrose and Asda took part alongside independent retailers and foodservice sectors.

The summer Grillers Safari BBQ campaign reached 17.1m people and generated media coverage valued at £2.17m. Other consumer marketing activity saw the launch of the iFillet application, using a mobile or handheld device to show people how to cook steak. And a Donate a Dinner Christmas campaign with Crisis, backed by celebrity chef Angela Hartnett, proved very successful.

A Public Sector Tender Initiative was launched in December 2009 to provide a comprehensive guide to all involved in tendering and procuring beef and lamb in the public sector and its supply chain.

A cutting manual featuring a range of veal cuts was published in June 2009. In addition, a Halal cutting guide was prepared to demonstrate the differences to traditional butchery techniques when the lamb carcass is cut for the Halal market.

State aid approval was given in September 2009 to use levy money to promote the Red Tractor assurance mark. The decision to retain the Quality Standard Mark scheme and run this alongside Red Tractor has been welcomed by the trade.

The delivery team

Despite the disruptions caused by relocating many of the team from Milton Keynes to Stoneleigh Park in July 2009, the EBLEX team with support from AHDB Central Services, managed to maintain 'business as usual' and deliver against virtually all key performance indicators set out in the EBLEX business plan. This is a highly commendable performance.

A brief look forward

Whilst the decline in livestock numbers is slowing down, the industry will still have to cope with a short supply situation. The home market is likely to remain flat in terms of consumption due to the continued impact of the recession. Exports will be critical to maintain profitability on farm, and it is important processors maximise the opportunities afforded by fifth quarter exports. The sheep sector will need to come to terms with Electronic Identification (EID) in the coming year at farm level, and the trade will need, not only to maximise the opportunities afforded by exports, but also to address the increasing importance of the Halal market at home.

The environmental footprint of the beef and sheep sector is not just a challenge but affords the opportunity to demonstrate that England is a very good place to produce sustainable beef and lamb. It also gives the opportunity to show that by improving our efficiency we can improve our bottom line profitability as well as lower our carbon footprint.

John Cross,
AHDB Board Member and Chairman of EBLEX Board

*Further information on the work of EBLEX is available
from www.eblex.org.uk
A list of EBLEX Board Members can be found on page 108*

Key to Alert

—	on-track
—	slightly behind
—	unlikely to be delivered without mitigating action

EBLEX Division (Beef and Lamb Sector) performance against target 2009/10

Key outcome	Target	Performance
Strategy 1: Promoting better returns for the beef and lamb industry		
A continued flow of relevant knowledge and best practice opportunities	<p>Deliver a programme of research projects aligned to identified priorities over the next 5 years giving a total benefit of £3.5m to each of the cattle and sheep sectors (as measured by ongoing cost-benefit analysis)</p> <p>Develop Roadmap for climate change mitigation actions by October 2009</p> <p>All projects to meet individual milestones and budget targets</p>	<p>Sheep research projects live in 2009/10 cost £0.85m over their lifetime and have a 5-year value to industry of £6.5m</p> <p>Cattle projects have a cost of £1.25m and a 5-year value of £9m</p> <p>Report published November 2009</p> <p>On target</p>
Delivery of programmes to encourage uptake of knowledge and best practice by levy payers	<p>Beef BRP - Deliver min 70 events</p> <p>Maintain the number of active participants at min 10,000</p> <p>Develop partnerships with RDAs to co-fund Beef BRP activities. Plan in place by May 2009</p> <p>Achieve 10% adoption of ideas by BRP event attendees (Beef and Sheep)</p>	<p>95 cattle events April 09 – April 2010</p> <p>Over 14,000 beef producers listed</p> <p>BRP activities underway with most RDAs</p> <p>84% of event attendees have changed management practice since attending a BRP event. (October 09 BRP survey)</p>
	<p>Sheep BRP - Deliver min 40 events</p> <p>Maintain the number of active participants at min 9,000</p> <p>Develop partnerships with RDAs to co-fund Sheep BRP activities. Plan in place by May 2009</p>	<p>138 sheep events April 09 – April 2010</p> <p>Currently 11,000 sheep producers listed</p> <p>BRP activities underway with most RDAs</p>
Annual publication of fixed and variable costs of production, development and communication of benchmarking formats	In total, collect 800 high-level detailed datasets, and a series of qualitative reports measuring fixed cost, farmer attitudes to business tools and building costs	640 high level data sets now collected. Qualitative research completed and currently being analysed
Improved auction market price reporting	Increased hits on website for Market Reports on 2008/09 base	1 February to 31 March 2010 - 58,406. 2008/09 base for same period is 53,949
Improving meat quality	Visit at least 10 meat plants for detailed diagnostic consultancy visits during 2009/10	No additional visits since last update
Strategy 2: Championing the development of a sustainable industry		
A continued flow of proactive media, public relations and related communications activity	<p>Achieve mix of 40% beneficial media coverage for EBLEX activity</p> <p>Achieve stakeholder satisfaction rating of 75% in quarterly surveys</p> <p>Achieve stakeholder participation rate of 60% in EBLEX activity, measured by independently commissioned delivery survey</p>	<p>Year to end of February 2010, 58% beneficial media coverage achieved</p> <p>Feedback from the latest open meeting (Bakewell in February 2010) showed a 95% satisfaction rating among delegates</p> <p>Annual survey only. Data shows 77% of producers surveyed in April 09 received EBLEX material. 32% of producers had attended a BRP event. New report data is imminent</p>
Increase uptake of publications and visits to websites	<p>12,000 publications downloaded annually from EBLEX websites</p> <p>Year-on-year increase in website registrations of 15%</p>	<p>79,780 documents downloaded across corporate, retail and foodservice</p> <p>15,699 total website registrations as at 31 March 2010 (up 25% on April 09 figure)</p>
Maintain high profile for EBLEX activities with key parliamentarians	Hold at least 3 events for All Party English Beef & Lamb Group	Two events held since April 2009. A third event was cancelled in June 2009 at the last minute due to the expenses scandal
In liaison with Market Intelligence staff produce daily, weekly and monthly reporting as appropriate to audience	<p>Market pricing updated daily/weekly with 100% service standard.</p> <p>Intelligence service from Brussels at least weekly</p>	<p>Achieved</p> <p>Achieved</p>

EBLEX Division (Beef and Lamb Sector)

performance against target 2009/10 (continued)

Key outcome	Target	Performance
Strategy 3: Stimulating a profitable demand for quality beef and lamb		
High awareness of assurance mark as a differentiator, leading to proactive purchasing choice in store	<p>Consumer awareness figures and propensity to purchase figures to be agreed following State Aids approval for Red Tractor</p> <p>Measurement of brand awareness, brand trust, quality message, provenance message all to be conducted</p> <p>For public relations, deliver equivalent advertising value (EAV) of 1:10 minimum</p>	<p>State Aids agreed in September 2010</p> <p>QS beef 55%; QS lamb 45%; brand consideration 81%; provenance 71%; trust 66%; quality 71 %</p> <p>Latest figures show 1:18</p>
Co-funded programme of activity for Red Meat Information Service (meatmatters) and for schools, health care professionals	<p>EAV of 1:10 for RMIS programme</p> <p>Co-fund one additional curriculum resource with BNF/other sectors</p>	<p>To date the campaign has a 1:7 ROI</p> <p>The pilot launch of materials for Key Stage 3 and 4 on the website has been completed</p>
<p>Maximise visibility of mark in trade</p> <p>Undertake seasonal promotional programmes with scheme members in each sector of the supply chain</p> <p>Ensure seamless transition of trade support from QSM to RT if necessary</p>	<p>Target 85% on-pack usage on qualifying packs in multiples</p> <p>Maintain scheme membership at March 2008 levels, and increase product penetration in all sectors through the use of targeted promotional programmes throughout the year involving all multiples, 1,800 independent retailers, 1,500 foodservice operators and their respective supply chains</p>	<p>On Pack data: ASDA 50%, Budgens 35%, Somerfield 30%, Co-op 75%, Morrisons, Tesco, Sainsbury, Waitrose secondary labels only. RT support underway for licensed businesses</p> <p>Scheme membership is running ahead of March 2008 levels. A full range of promotional activities involving all sectors has been completed on target for both seasonal and tactical activity. RT promotional activity is underway with licensed multiples. Tactical promotional activity has been focused on under-utilised and new cuts</p>
<p>Provision of effective quality assurance scheme management, audit and legal controls</p> <p>Ongoing communication to all scheme members</p>	<p>Continued provision of a comprehensive audit system in line with LACORS guidelines</p> <p>The provision of full back-up resource to scheme members through a scheme hotline during office hours, and processing applications within 5 days of receipt</p>	<p>Scheme auditing is on target for the year. A VBL certificate has been issued by the RPA</p> <p>All scheme management services and hotline facility operating as normal and due to demand has been extended. Membership applications are being processed within four working days</p>
Delivery of a programme of activity to support the non-assured levy payer supply chains	To provide promotional material to 4,000 registered independent outlets (two seasonal distributions)	All targeted promotional activity has been completed with a significant number of additional tactical activities aimed at carcass utilisation activity and the promotion of under-used cuts
<p>Continued recovery of lost markets due to the 2007 FMD outbreak</p> <p>Increase exports of primal/consumer packed product</p> <p>Re-launch fifth quarter products into target markets</p> <p>Collaborate with French and Irish to promote lamb generically in France through Agneau Presto programme</p>	<p>English beef volume target + 5% on 2008/09</p> <p>English lamb volume target + 5% on 2008/09</p> <p>Overall fifth quarter export volumes to increase by 50% on 2008/09</p> <p>French market lamb decline to be slowed to no more than -2% pa</p>	<p>Reduced cow beef exports due to Ireland - partly compensated by increase to Netherlands. Exports up to key destinations: France +13%, Italy +69%, Spain +100%</p> <p>Sheep meat exports up 9% for the year to date vs 2008/9. France +6.5%, Belgium +40%, Italy +14%, Germany +20%</p> <p>Fifth quarter export volumes +90%</p> <p>Very slight decline but still ahead of target. Lamb performing better than beef in France</p>

HDC Division Report

GB Horticulture Sector

The reporting year involved considerable people and organisational changes, but new and old employees rose to the challenge. The flow of new research and associated technology transfer to the industry was maintained despite some fundamental shifts in the applied R&D funding landscape and some significant potential changes in the HDC contractor base.

Introduction

The horticultural industry had a mixed year in 2009/10. In some sectors (e.g bulbs and outdoor flowers), the market continued to show a year-on-year decline, although there were some exceptions with individual lines. For others in the ornamentals sectors, the outlook was brighter, particularly for those supplying the garden centre market as one impact of the economic recession was to encourage the public to invest in their gardens both for pleasure and for 'grow your own produce' purposes. In contrast, the collapse in the new housing market resulted in a torrid year for those supplying the amenity sector. In the protected ornamentals sector energy prices continued to be a major concern.

For field vegetables, a reasonable Spring followed by a poor Summer due to adverse weather conditions particularly affected salad sales. For mushroom growers, a major ongoing concern was the impact of the Agricultural Waste Regulation on the storage and spreading to land of spent mushroom compost. The situation remains unresolved.

The start of the 2009 season was promising for strawberries (though less so for raspberries); demand was excellent and returns up on 2008 until the last week in June. Thereafter returns were low. Turnover figures overall are forecast to be higher for the 2009 soft fruit season, but costs also increased against low returns as supermarkets concentrated on value lines. For top fruit, the long dry period in the South East provided a light crop in terms of fruit size and weight. However, for British cherries, excellent crop set coupled with a strong demand saw returns at record levels.

Financial summary

Gross levy income of £5.3m was in-line with 2008/09 (£5.3m) while income from non-levy sources of £0.2m was also in-line with last year (£0.2m).

Operating expenditure of £5.4m was £0.6m higher than last year (£4.8m) reflecting higher year-on-year activity within the division.

The division generated a surplus on ordinary activities before interest and taxation of £0.1m, which was £0.6m lower than the surplus for last year (£0.7m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at £1.7m as at 31 March 2010.

Strategic objectives

HDC's strategic objectives 2009/10:

- Developing market opportunities
- Maintaining and improving HDC operational efficiency
- Enabling growers to produce crops cost effectively to meet market needs
- Development of effective crop protection control measures
- Developing more effective communication and R&D uptake
- Promoting horticulture

Report on strategy implementation

Developing market opportunities

This is a relatively small component of HDC's work. The main thrust of the effort during the year was in utilising an HDC contract with the Centre for Value Chain Research at the Kent Business School to gain access to the 'Dunhumby' data of consumer preferences. Some 20 reports were produced at the request of grower associations, mainly in the salad and vegetable sector. HDC also continued its engagement with the 'Food Dudes' programme and, with other partners in the programme, is looking to facilitate its expansion and commercial development.

Maintaining and improving HDC operational efficiency

The move to Stoneleigh Park created considerable challenges for the integration of HDC systems into AHDB systems. HDC took the opportunity to review its internal procedures and to streamline them as much as possible during the year to 31 March 2010, and this work is ongoing. A review of the employee base was also undertaken and a plan developed to re-balance issues with staff workload, which should allow more rapid turnaround of proposals and a more strategic and proactive approach to setting research priorities to benefit levy payers.

Enabling growers to produce crops cost effectively to meet market needs

Cost-effectiveness and sustainability of production became increasingly important themes, particularly with regard to optimisation on inputs. For example, grower interest in improving cost-effective nutrient inputs was addressed by projects in the Field Vegetables sector covering the nitrogen requirement of leeks, establishing best practice for determining soil nitrogen supply, and nutrient requirements for field grown herbs.

A strategic review of water use issues in horticulture was delivered, with other projects picking up water use on specific crops. For example, work on improving water use efficiency and quality in field-grown strawberries showed that the use of irrigation scheduling techniques saves significant quantities of water with two of the scheduling systems used delivering water savings of up to 75% compared to current industry practice.

A post-harvest storage study for the Tree Fruit sector compared the effects of establishing low oxygen conditions quickly after cooling through use of nitrogen flushing. It clearly demonstrated that sealing stores immediately after cooling improved fruit quality.

In the Ornamentals sector, a range of work was funded at the industry Cut Flower Centre in Lincolnshire, and work continued on methods to improve energy efficiency in Poinsettia production.

Development of effective crop protection control measures

Crop protection continued to be an important focus for all crop sectors within HDC. Research on topics related to crop protection accounted for approximately 50% of the HDC research expenditure. Included within this is the work done in the HDC Specific Off-label Approval (SOLA) programme which continued to deliver new SOLA recommendations for the industry across all sectors, without which the pesticides (including biopesticides) toolbox for all sectors of horticulture would be seriously impaired.

The impact of the European Union's Pesticides Thematic Strategy, and in particular the change from a risk-based regulatory framework to a hazard-based one, also saw significant input from HDC. Gap analyses resulting from the likely loss of pesticide products through the implementation of the new EU Regulation on plant protection products (EC 1107/2009, replacing Directive EC 91/414) were done for all sectors, and these fed through into the SOLA programme as well as informing research priorities.

A gap analysis was also done specifically relating to biopesticides in fruit and vegetables which helped generate interest in the use of biopesticides. This included work in the Field Vegetable sector to screen novel active substances to control a range of pests, diseases and weeds. Work on a biological option to control white rot in alliums provided excellent results and much interest from the industry.

In mushrooms, an extraction method was developed for detection of the *Trichoderma* green mould strains Th1, Th2 and Th4. The diagnostic is very sensitive with *T. aggressivum* detectable in Phase 3 compost at a 1 in 100,000 dilution (10 g in 1 tonne). It is expected that large scale screening will be possible with a 24 hour turnaround. The extraction method should be generic and could be utilised for other pathogens. An accurate, quantitative and predictive test for Mushroom Virus X is being developed and so far there has been sufficient sensitivity to detect Virus X in phase 3 compos which could potentially lead to certification of Virus X free product using a micro-array PCR test.

In fruit, a study of the biology and integrated control of western flower thrips in everbearer strawberries found that the distribution is widespread and that the pest over-winters on site. The predator *Amblyseius cucumeris* was shown to give some control. A new LINK project aims to develop improved controls. Following successful results in the first three years of trialling IPDM on protected raspberries two large scale trials were established on commercial farms in 2009 comparing the IPDM programme with the growers' standard regimes. The IPDM programme gave the same yield and quality as the grower regimes.

In protected edibles, projects addressing pest and disease priorities for all major protected edible crops have been undertaken. For example, swift action has ensured that two new projects were initiated since the new tomato caterpillar pest *Tuta absoluta* was first found in the UK in Summer 2009.

In ornamentals, a range of work continued including work on control of bacterial diseases in pot plants, development of fungicide programmes for control of white rust in Chrysanthemums, and control of 'pansy mottle syndrome'.

Developing more effective communication and R&D uptake

As in previous years, HDC continued to provide a significant communications output to ensure that the results of the research programme were effectively communicated to the industry, as well as helping the industry to address ongoing issues. HDC News, the in-house magazine sent to all levy payers, was a key vehicle for highlighting new projects, results from ongoing work, new SOLAs and key industry news.

A new route for HDC was to produce specific booklets, as supplements to HDC News, for the Soft Fruit, Tree Fruit and Field Vegetable sectors detailing all relevant HDC research in a 'one-stop shop'.

A wide range of other communications activities were undertaken across all sectors, ranging from weed control workshops for hardy ornamentals, a specific event for the use of LED lighting in horticulture, GrowSave workshops aimed at improving energy use efficiency in glasshouse crops and strawberry variety trial open days. A suite of factsheets for a range of pests and diseases were also produced or commissioned.

Promoting horticulture

Sector-specific projects were funded, including promotional work on carrots via the British Carrot Growers Association and support for the British Heather Growers Association to enable them to produce a display garden at RHS Hampton Court. HDC also contributed funds from the Field Vegetable sector, along with other AHDB sectors, to the development of the Red Tractor quality mark by Assured Food Standards.

The delivery team

A cornerstone to the delivery of the corporate plan was putting the requisite staffing structure in place for the future. The move from Kent to Stoneleigh Park required the recruitment of several technical, communications and administrative staff to replace those of the previous team who did not want to relocate. This included the appointment of a new Director of Horticulture (Dr Bill Parker) to replace the outgoing Chief Executive. A number of additional posts were also created to ensure that HDC can efficiently deliver the corporate plan. These included a Business Development Manager (Steve Tones), specifically tasked to maximise the opportunity for leveraging HDC money with other government and industry funds, and an Outreach Communications Manager (Ruth Ashfield), whose role will be to improve the flow of HDC information to smaller levy payers who make up some 80% of the levy payer base. At 31 March 2010, HDC had 14 staff in post and five vacancies.




A brief look forward

Underlying strategic issues will increasingly shape the future direction of the horticultural industry and hence HDC's research and knowledge transfer strategy in the coming year. These issues include the implementation of the Sustainable Use Directive for crop protection products, climate change mitigation and adaptation, energy costs, waste management, availability of labour and, increasingly, food security. The Ornamentals Sector remains a vital sector to HDC and needs re-positioning in the light of government emphasis on food security. At the same time, HDC will need to maintain an effective tactical research programme using an R & D contractor base under considerable financial pressure. Overall, this represents a significant challenge to HDC and to the industry it serves.

Neil Bragg, AHDB Board Member and Chairman of HDC Board

*Further information on the work of HDC is available from www.hdc.org.uk
A list of HDC Board Members can be found on page 108*

Key to Alert

	on-track
	slightly behind
	unlikely to be delivered without mitigating action

HDC Division (Horticulture Sector) performance against target 2009/10

Key activity	Key outcome	Target	Performance
Strategy 1: Developing market opportunities			
Assist industry to meet consumer demands through provision of market information	Engage grower associations with market data process	Produce minimum of ten sectoral market information reports based on Dunnhumby database accessed through VCR2	No further progress, HDC association with VCR2 likely to be discontinued
Work with key stakeholder groups e.g. RHS, HTA, BCGA, TGA to gather consumer preference data	Create a 'Horticultural Data Set' to allow informal strategic planning	Work with Director of Market Intelligence to facilitate creation of 'Data Set'	No further progress, HDC association with VCR2 likely to be discontinued
Identify sources of international market information of relevance to HDC sectors	Identify market information providers	Circulate international market data providers to HDC Board members	No resource within the MI Team to deliver work for HDC at present but opportunity identified to appoint external consultant to do scoping study (due for implementation June 2010)
Engage with PO's/crop associations to identify market opportunities	Added value products released. Maintain market share	Product development pilot project with a crop association	No progress due to lack of staff resource to address this issue
Review and revise HDC's IP policy	See positive financial return for levy payers R&D investment	Develop and publish new HDC IP Guidelines	Review of contract procedures and IP led by Michael Fogden in December 2009; yet to be completed.
Strategy 2: Maintaining and improving HDC operational efficiency			
Ensure continued commissioning and delivery of R&D to levy payers throughout relocation process	Ensure levy payer confidence during transition	Prepare list of commissioned projects to monitor sector output	All Panels continue to commission work commensurate with their budgets
Develop system for monitoring, reporting and budgeting within the Communications Department	Control of spending and improved transparency	Budgets prepared and procedures defined	Monitoring system for communication spend against budget put in place
Recruit, retain and develop a highly skilled, flexible team	Develop and strengthen the delivery to the levy payers	Recruit Head of Horticulture and redevelop Technical/ Communications teams	New Director of Horticulture. Developed Staff Plan, now implementing. However, recruits not in place in time to impact on delivery
Review internal protocols and procedures in collaboration with HDC contractor base and AHDB to further seek efficiency gains	Derive a common AHDB procedure to control and simplify results/requests	New standardised AHDB contracts New AHDB reporting/editing procedures	Work started to develop common contracts for AHDB. HDC procedures reviewed and new processes in place for 2010/11 financial year
Strategy 3: Enabling growers to produce crops cost effectively to meet market needs			
Consider and implement HDC R&D Review (2008) – including University of Reading industry survey	Continued levy payer driven R&D strategy	Development of labour R&D strategy. Start to develop and commission key projects	Rapidly changing political landscape during latter part of year meant that HDC needs to re-evaluate its approach to R&D Commissioning. This process is in hand
Investigate opportunities for obtaining additional (e.g. Regional Development Agency) funding to underpin key horticultural research	Develop and implement strategies on sustainable and efficient use of energy and water resources by industry. Commissioning and delivery of R&D and KT activities in identified gaps	Implementation of energy and water strategies	HDC Water Strategy recommendations still need to be implemented Full proposal developed for a strategic HortLINK project on sustainable crop protection in horticulture. Full engagement with new TSB Crop Protection call to ensure best outcome for HDC levy payers. Start made (with AHDB sectors) on engaging more with BBSRC to ensure pull-through of basic science
Look at international research funders (e.g. HAL, Astredhor, PT Boards etc.) to see if collaborative research and data exchange	Exchange of Memorandum of Understanding with potential partners	Negotiate and sign collaboration agreement with Astredhor. Negotiate and sign contracts on exchange of ornamental crop research information with Astredhor. Exchange vegetable research information with HAL	Agreement with Astredhor finalised. Need to appoint an intern to mine data from Astredhor to ensure value for levy payers identified and agreed by HDC Board (implementation due in summer 2010)

HDC Division (Horticulture Sector)

performance against target 2009/10 (continued)

Key activity	Key outcome	Target	Performance
Strategy 3: Enabling growers to produce crops cost effectively to meet market needs			
Securing external additional funds and developing new partnerships – for example develop sustainable partnerships between HDC and other funders for HDC sectors	Roll out Blackcurrant Grower Association model for other grower groups	Pea and cut flower grower groups to develop innovative Business Units as pilot studies	As indicated above, a major re-think on HDC strategy is required following external events (particularly changes at the University of Warwick, a major HDC contractor) and implications of state aid regulations.
Strategy 4: Development of effective crop protection control measures			
Develop a programme, including IPM and alternative strategies, for dealing with pests and diseases	Minimise impact to industry of 91/414 legislation	Develop robust IPM programmes	HortLINK project to provide model approach for long-term sustainable crop protection moved to full proposal. Start anticipated in October 2010 if approved in June 10.
Work with EU Minor Use Groups and other Member States to identify potential areas for co-operation	Minimise cost to UK growers whilst providing effective P&D control strategies	Identify key areas of interest	Approaches are being made to target partners; HDC staff fully engaged with EU Minor Uses Groups and with IR4 staff in the USA to ensure activities on residue data etc co-ordinated
Develop a database of biological control methods approved elsewhere in EU and US	Enables industry to liaise with manufacturers	Consider best means to deliver	Completed for vegetables and soft fruit as priority areas.
When revision to 91/414 is finalised evaluate risk to industry through loss of effective controls	Provides a mechanism to identify key gaps	If revision is finalised work with Crop Groups to update Gap analysis	Impact assessment work has now been delivered
Develop internal PDC Crop Protection information management system	Improved access and understanding of crop protection issues	Build a framework for an internal database	Recruitment for post of assistant Crop Protection Liaison Manager specifically to undertake this task was run in Jan-Mar 10, recruit starting in July 2010.
Strategy 5: Developing more effective communication and R&D uptake			
Consider and implement HDC Communications Review (2008) including University of Reading industry survey	Revise communications policies and methods to improve grower uptake of HDC R&D programme	Publish new HDC press policy. Hold Rose grower event to direct Downy Mildew R&D outputs	Policy under development, factsheet on rose downy mildew produced; Rose event due in Aug 10
Develop mechanism for introducing robust cost/benefit analysis data to Grower Summaries	Have financial data for implementing R&D to assist with uptake into the industry	Have 5% of HDC Grower Summaries with accurate cost/benefit analysis data	No progress but style and content of grower summaries now under review.
Feedback and review of HDC research and communications to Crop Association/ Panels (via HDC self-assessment forms) to assess and improve R&D update	To identify barriers to uptake by industry of HDC-funded R&D	Interview 10 soft fruit growers to review HDC labour-related communication	No progress
Raise awareness of HDC as a funder of applied horticultural R&D		Publish 3 grower case studies in HDC News.	No progress on case studies by new Director of Horticulture; has spoken at a range of grower events in the period Sept - March, including one for Welsh horticultural producers
Strategy 6: Promoting horticulture			
Maintain profile of horticultural crops as part of a balanced diet, healthy life style and sustainable	Increased awareness of value of fruit produce and increase greater sales	Continue contributing to AHDB-wide 'Food - A fact of life' initiative	Low-key input continued

HGCA Division Report

UK Cereals and Oilseeds Sector

HGCA remained focused on responding to emerging market developments and providing the necessary tools to drive business improvement across the supply chain.

Introduction

At 14.4Mt, the 2009 UK wheat harvest was some 2.8Mt down on the 2008 harvest, through a combination of lower area and lower yields. However increased opening stocks (up 60% on 08/09) went some way to compensate for the smaller crop.

With consumption up by less than 1%, including usage from a wheat-based bioethanol plant opening in the North East, the anticipated wheat exportable surplus was down by 37% to 2.2Mt for the 2009/10 season (July to June). For barley, the 2009/10 season brought a very large barley crop of 6.77Mt and this, combined with large opening stocks, resulted in abundant barley supplies of over 8Mt. With only a slight increase in consumption, the result was a large 146% increase in the export / intervention surplus.

For rapeseed, the UK crop reached 1.95Mt, down 1% on 08/09 as the result of a lower planted area. This season the UK became a net importer of some 0.27Mt of rapeseed by end-January 2010, most likely as a result of stock accumulation and higher UK crushings.

Financial summary

Gross levy income of £9.9m was £0.1m lower than in 2008/09 (£10m) while income from non-levy sources of £0.4m was £0.3m lower than last year (£0.7m).

Operating expenditure of £12m was £0.1m higher than last year (£11.9m).

The division made a deficit on ordinary activities before interest and taxation of £1.7m, which was £0.5m higher than last year's deficit (£1.2m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at a deficit of £0.8m as at 31 March 2010.

In addition to the deficit on ordinary activities before interest and taxation noted above, HGCA's accumulated fund deficit position has been caused by the fact that a revised calculation relating to allocation of exceptional reorganisation expenditure (see Note 3a to the accounts) resulted in a 10% increase in their share of costs, worth an additional £1.3m. A special contribution into the HGCA Pension Scheme of £350k was also required during the year to address the deficit in that Scheme.

Strategic objectives

HGCA has a seven-fold strategy for the cereals and oilseeds sectors:

- To exploit existing market opportunities
- To develop new markets
- Helping the industry produce cost-effectively to meet market needs
- To improve management of business risk and market volatility
- Promoting cereals and oilseeds within a balanced diet
- To develop new partnerships and secure additional funds
- To pursue more effective stakeholder communications.

Report on strategy implementation

To exploit existing market opportunities

A significant amount of work was carried out by AHDB's Market Intelligence Division to review HGCA's existing statistical work, such as the planting and cereal quality surveys, to ensure the scope, format and quality of information continued to meet industry requirements. The team also continued to deliver regular market intelligence publications and conduct high-profile speaking engagements at national and regional sector conferences.

The October 2009 Market Outlook Conference maintained its key position in the industry calendar with over 200 industry and grower delegates. This was followed by HGCA's first Scottish Outlook Conference in December, the nabim/HGCA Milling Wheat Conference in February 2010, and a successful Oilseeds and Pulses Conference with PGRO in January 2010 which attracted 280 delegates from across the supply chain.

In February 2010 British Cereal Exports set up its own dedicated harvest mini site for overseas buyers, which generated a steady flow of visits in its first month of operation. Outward missions were held in Autumn 2009 to Spain, Portugal, Holland and North Africa, and the 12th HGCA Bread Baking Workshop event in February 2010 continued to go from strength to strength with 16 delegates from nine countries using ukp and uks blends to bake their national breads.

To develop new markets

The first of the UK's grain-based biofuel plants started production in March 2010, and during the year HGCA started a number of new biofuel workstreams, including an economic project developing analysis of dried distillers grains (DDGS) and two new R&D projects looking at the value of DDGS for animal feed.

An internal biofuel strategy review saw HGCA consult with a wide range of sector stakeholders to assess industry awareness of HGCA research and provision of market intelligence related to the biofuels market. The team continued to play a major role in industry biofuel and bioplastic stakeholder groups, working with the National Non Food Crops Centre, WRAP and the British Plastics Federation among others.

HGCA's revised Greenhouse Gas Calculator was launched at the Cereals Event in June 2009, and the results of a commissioned project on growing crops for biofuels will be published to growers in Summer 2010.

An inward mission was held in March as part of BCE's activities which explored potential new market opportunities for milling wheat to Egypt and feed wheat to Morocco. Research work was also commissioned into buyers' understanding of the ukp and uks brands to help inform future BCE projects.

Helping the industry produce cost-effectively to meet market needs

Fifteen new varieties made the highly respected 2010/11 HGCA Recommended Lists (RL). The interactive RL tool, together with a number of updated agronomy guides and topic sheets, was included on Crop Oracle, which will be distributed to growers in summer 2010.

Two major publications – the Encyclopaedia of Arable Weeds and the Nitrogen for Winter Wheat Guidelines were distributed to growers, together with a Cereals Growth Stage guide aimed at spray operators. HGCA also updated the web version of its mycotoxin risk assessment tool, and launched a new version of its Grain Sampling Guidelines in time for harvest.

Events continued to form a key vehicle to communicate technical output during the year. HGCA continued its strong presence at the Cereals event and rolled out over 80 conferences, seminars and workshops for growers. A successful October 2009 R&D Conference focused on precision farming, and over 200 agronomists attended the HGCA Agronomists' Conference in December. A series of Level 2 'Be Precise' workshops exceeded expectations with almost 400 growers taking part, and HGCA also joined forces with the Scottish Agricultural College (SAC) for three winter workshops.

Three malting barley workshops were held in association with the Maltsters Association of Great Britain (MAGB) which looked at the challenges ahead for malting barley growers, particularly in Scotland.

An R&D strategy review was started to evaluate the portfolio of 150 R&D projects approved during the current strategy period and to identify potential research gaps for the 2011 to 2014 strategy period.

To improve management of business risk and market volatility

Autumn saw the continuation of the HGCA-run programme of 26 risk management workshops for growers. Originally funded by the Cereals Industry Forum, and in 2009/10 funded for the first time from levy income, this programme returned to a combination of basic Level 1 events to encourage more 'first time' growers to attend and intermediate Level 2 events.

Research showed the programme had been largely successful in moving growers from a general awareness of risk management to improved decision making, with attendees shifting away from spot trading to a greater use of forward contracts.

HGCA's Arable Business Group initiative continued, with more than 60 meetings of groups held during the year providing a useful forum for discussion and exchanging ideas. Speakers from HGCA's two Scottish Arable Monitor Farms also presented on their activities at the Scottish Outlook Conference and the SAC workshops.

Promoting cereals and oilseeds within a balanced diet

Social media and the internet played an increasing role in HGCA's consumer marketing work during 2009/10.

Recipe clips highlighting the ease with which wholegrains can be included in family meals were posted on HGCA's 'Wholegrain Goodness' website, gaining widespread coverage in consumer media. Over 35,000 copies of the accompanying recipe booklet were distributed, and a reprint was needed to meet demand.

Cooks were invited to submit recipe ideas using rapeseed oil for a competition run in conjunction with Delia Online. This attracted over 100 entries, with the winning recipe securing coverage in a range of food magazines.

The nutritional benefits and versatility of oats were showcased to food writers at a media summit in London in March 2010, with a video clip of the event posted on YouTube.

HGCA's annual Farmhouse Breakfast Week took place in January 2010 with over 1,700 events across the country. This was supported with a Twitter feed and Facebook page, and a dedicated website attracted 60,000 hits. HGCA also worked with DairyCo and BPEX on a number of Farmhouse Breakfast regional events.

HGCA's educational work continued, with an updating of the popular Grain Chain website, offering a wide range of tools and resources for teachers, and the Inspire! competition was launched with the Government's Licence to Cook Initiative. Aimed at teachers of 11 to 14 year olds, this competition aimed to promote inspiring lessons based around flour.

HGCA also met with other AHDB sectors during the year to look at ways of consolidating educational activities and progressing Red Tractor marketing activity.

To develop new partnerships and secure additional funds

Additional funding for a number of projects was secured this year. Scottish Enterprise and the Scottish Oat group agreed to continue funding the 'All About Oats' campaign until the end of the financial year. HGCA also secured financial support from the International Agri -Technology Centre for both BCE brand development work, and attendance at the 2010 Bourse grain trading event in Spain.

HGCA's 'Be Precise' precision farming initiative secured funding from Natural England for further events during 2010.

The replacement of Defra's LINK grant scheme with the Government's new Technology Strategy Board (TSB) grant programme presented new challenges for AHDB sectors. HGCA worked with colleagues in Potato Council and HDC to advise those proposing new TSB R&D projects on their suitability for levy board funding under the TSB rules.

HGCA continued to play a full role on the Defra/Industry AgriSkills forum initiative supporting the development of a strategy for promoting skills development in the agriculture and horticulture sectors.

To pursue more effective stakeholder communications

A longer term analysis of HGCA's stakeholder base started with a review of the target audience for HGCA subscriptions and publications, following on from the annual benchmarking survey completed in June 2009.

The survey found growers received more HGCA information via events, the website and through the farming press, with a growing number preferring to receive information via emails. Average satisfaction levels also increased across most areas of HGCA activity.

A focus on e-marketing of HGCA events proved successful, helping to reduce postage and print costs. A trial of free levy payer attendance at workshops and seminars during the year also proved successful and will be looked at for the 2010/11 events season.

The delivery team

This year proved to be an exceptionally challenging one for the HGCA team, with almost half opting for redundancy as a result of relocation to Stoneleigh Park in July 2009. This was carefully managed and the team ended the year with the majority of vacant posts filled, and having delivered HGCA's levy payer commitments and key performance targets.

The HGCA team focused on working with colleagues in other AHDB divisions on sharing best practice, and have actively searched for ways to collaborate to achieve improved results for levy payers.

A brief look forward

The continuing volatility of grain markets remains a constant challenge for growers and the supply chain. This, along with the impact of climate change on the global quality and availability of grain and oilseeds, and with further reform of the CAP, will drive an even greater focus on the industry's requirement to secure supplies over the short to medium term and strengthen the need for greater competitiveness in UK supply chains. This is achievable through improvements in both technical and business efficiency which will form key elements of HGCA strategy over the next three years.

Food safety issues will continue to preoccupy the supply chain, and provenance will move up the agenda as grain buyers look to meet consumer demand.




GM remains a key topic for debate, as climate change, the environment and the pressing need to feed a growing global population start to widen both government and industry discussions.

Jonathan Tipples, AHDB Board Member and Chairman of the HGCA Board

Further information on the work of HDC is available from www.hdc.org.uk

A list of HGCA Board Members can be found on page 108

Key to Alert

	on-track
	slightly behind
	unlikely to be delivered without mitigating action

HGCA Division (Cereals and Oilseeds Sector) performance against target 2009/10

Key outcome	Target	Performance
Strategy 1: To exploit existing market opportunities		
Current home and export markets are reviewed and quantified	Report on market activities	Weekly market reports and Prospects circulated on fortnightly basis
UK grain availability and suitability is assessed	Deliver the HGCA Planting survey, and Market Outlook Conference	Planting Survey and Outlook conference rolled out in October 2009. Conference attracted 170 attendees Quality Survey completed November 2009
Links developed with processors to establish commercial & grain needs	Hold regional events appropriate to the sector Manage existing sector innovation projects	Scotland Outlook Conference held in December 2009 with 120 attendees 13 existing awards managed
Needs of key grain chain sectors identified and industry marketing training provided	Hold regional workshops, maintain an interactive website and publish key articles	9 articles published. Podcasts on two commercial case studies, materials testing, haulage content, innovation podcast and Grain Sampling guidelines available on website Series of risk management seminars held in Autumn 2009
Support provided for exporters of cereals and oilseeds products	Manage existing Export Awards and provide appropriate export marketing support	Existing Export Awards managed Claims for period July-December requested, collected and reviewed
Strategy 2: To develop new markets		
Review range of new markets available to industry	Produce economic assessments and provenance research report	Consumer e-newsletters published Provenance report published in Autumn 2009
	Monitor biofuel plant building	Update produced for Prospects publication
	Produce a range of press articles and stakeholder newsletters	Two articles in farmer and trade press 7 consumer and export newsletters + 5 industrial newsletters issued
Facilitate R&D for biofuel / industrial uses for cereals and oilseeds	Review biofuels strategy	Strategy review started in October 2009 with initial trial of ideas in January 2010
	Monitor R & D projects & disseminate results	6 industrial crops projects monitored Conference being held in Autumn 2010
	Work with NNFCC & KT Networks	Sponsor group meetings, and annual conference attended HGCA stakeholder on 1 NNFCC funded project
	Publish a revised carbon calculator	Revised calculator completed and published
	Develop and promote carbon reporting Monitor primary and secondary biofuel economics	EU Carbon Labelling project submitted in November 2008 3 Prospects articles published 2 Biofuels and industrial news Research on co-products commenced
	Assess potential for BCE activity in new markets	4 county briefs produced. New market paper produced Potential market report for West Africa completed
Strategy 3: Helping the industry produce cost-effectively to meet market needs		
Provide industry with independent information on varieties and stimulate development of new varieties meeting market needs	Operate viable Recommended Lists trials programme	Tenders for 2011 harvest trials awarded Winter oilseed rape 2010 trials inspected and reports prepared
	Disseminate information on new varieties Oversee cereals 2010 drilling	HGCA harvest results published on website and in the press at regular intervals during harvest 2009 Recommended Lists booklet distributed to stakeholders Spring barley plots established at Cereals 2010 site

HGCA Division (Cereals and Oilseeds Sector)

performance against target 2009/10 (continued)

Key outcome	Target	Performance
Strategy 3: Helping the industry produce cost-effectively to meet market needs		
Support sustainable and competitive crop production through focused R&D and KT programmes	Manage R&D project portfolio to ensure it cost-effectively meets industry needs (eg all projects / PhDs monitored and evaluated)	Monitoring meetings held in five key R&D areas
	Commission new research (as identified in R&D strategy)	7 projects, 1 extension and 3 PhDs commissioned
	Develop new R&D strategy for Jan 2011 launch	Proposals developed and a budget approved for the review
	Manage fungicide performance projects (for data on new activities and existing products)	Disease levels reported through Crop Monitor website Fungicide working group meetings held
	Help growers optimise pesticide / nutrients while meeting environmental criteria	Nitrogen management guidelines published in January 2009 Be PRECISE Phase 1 completed. Pilot training workshops for Phase 2 of project completed Topic Breakfasts on nutrition management and disease management held Nitrogen management and disease management featured in events across the year
	Co-ordinate environmental work (including climate change activities)	Ongoing meetings attended Ongoing discussions regarding AHDB-HGCA contribution to Farming Futures Climate Change project
Benchmark UK competitiveness in grain production	Support grower CropBench / arable business groups	External funding opportunities investigated All arable business groups facilitated
Deliver technical information to improve grower profitability and efficiency in the face of new challenges	Run Scottish Monitor farm project	Successful management of 2 farms
	Research project results published in grower friendly format	Publications during the year included: <ul style="list-style-type: none"> • Crop Research enews • Cereal Growth Stages key • Research in Focus articles published in Winter 2009 • Project Progress 15 'Fungicide performance in oilseed rape' delivered in February 2010 • Wheat disease and barley disease management guides • Five agronomy workshops held with a further 3 in Scotland
Strategy 4: To improve management of business risk and market volatility		
Report on causes and persistence of market volatility, and define key issues for risk management purposes	Publish market volatility articles	Completed
Assess risk management techniques in relation to their application to grain and oilseed markets	Publish price risk management articles comparing & contrasting different methods	Completed
	Explore international collaboration in EU (e.g. with France and Germany)	Meetings with French and German partners planned for Spring
Build management skills activities into industry professional development programmes	Continue risk management training programme - 20 courses	Programme of 26 Risk Management courses completed
	Develop web-based training materials	Articles in Prospects published New Crop Pricing Planner launched online in Spring 2009
Develop links with processors to establish their risk management needs	Disseminate risk management information at processor conferences	Courses held after Outlook Conference in October and Scottish Outlook conference in December
	Identify processor needs and devise suitable risk management programme	Survey undertaken and results analysed

HGCA Division (Cereals and Oilseeds Sector)

performance against target 2009/10 (continued)

Key outcome	Target	Performance
Strategy 5: Promoting cereals and oilseeds within a balanced diet		
Enable a better understanding of the nutritional qualities of cereals and oilseeds	Manage existing portfolio of nutrition-related PhD studentships to ensure benefit delivery	All nutrition PhDs completed
	Further develop Wholegrain Goodness campaign	New recipes developed and 40,000 booklets distributed 3 videocasts uploaded onto website
	Further develop Farmhouse Breakfast campaign	1,700 events organised 60,000 web hits (50% increase on 2008/09) £2.9 million advertising value equivalent achieved
	Start All about Oats campaign involving health professionals	New recipe campaign Media summit held – short video produced
	Develop Rapeseed Oil campaign	Online competition developed with accompanying press articles
	Manage portfolio of food safety projects and identify new issues	Fusarium mycotoxin stakeholder group meetings held
	Report on consumer trends in cereal products (e.g. 5 articles and web-based output)	3 requests processed, and 2 e-newsletters produced 6 Dunhumby reports produced
Develop an AHDB approach to collaboration on the communication of nutritional information	Maintain joint nutrition website	Web hits evaluated monthly: 2.9 million hits achieved in March 2010
	Promote joint ownership of Farmhouse Breakfast	Support achieved from DairyCo
	Maintain grain chain education activities	Grainchain website updated Inspire! Competition launched in partnership with nabim
	Secure new funding of £400k for 2010/11 and beyond	Secured funding from UKTI for European Bourse
Strategy 6: To develop new partnerships and secure additional funds		
Explore and identify new partnership opportunities Improve HGCA links with national, devolved, regional, international and commercial partners	Identify key partnership opportunities (e.g. industrial uses, grain chain, market development, R&D, BCE & trade development)	Memorandum of understanding with TSB drafted Ongoing support for Precision Farming project from NE and SAOS, risk management / supply chain (from Yorkshire Forward and ONE), skills (from EEDA, YF and ONE), Farmhouse Breakfast (industry) and export (BERR & IATC) achieved
	Positive contact made with Defra, Natural England, BERR, FSA and other agencies	Contact made at national and regional levels Precision farming and marketing partnerships established with NE, EA & BERR
	Improve network contact with devolved administrations & regional agencies	Good relationships continue and HGCA is on SSFF groups SEEDA, EEDA & EMDA and on Land Skills East steering group
	Exploit sponsorship and commercial income where appropriate	Opportunities being sought
Develop and implement more effective collaboration with other AHDB Divisions	Play a part in developing an AHDB and HGCA strategy for skills development	All events registered for BASIS/NRoSO CPD points where relevant HGCA is an active partner in the new Skills Forum initiative and is part of East of England Landskills consortium Agriskills Forum programme published March 2010
Sustain and increase current levels of matched funding	Maintain or increase current levels of co-funding (R&D @ £9.8m, Crop Marketing @ £400k)	On schedule
	Seek Knowledge Transfer co-funding of at least £50k	Reports drafted to claim final money from SAOS and Natural England for the Be Precise project
Secure additional outside funding	Secure additional funding of £100k for 2009/10	£160k achieved (from NE, EA, RDAs, Scottish Government, EU and industry)

HGCA Division (Cereals and Oilseeds Sector) performance against target 2009/10 (continued)

Key outcome	Target	Performance
Strategy 7: To pursue more effective stakeholder communications		
Maintain and develop the efficiency and relevance of communication channels and activities	Produce & deliver 2009/10 Communications Plan	Strategy published for 2009/10 reviewed
	Ensure effective delivery of HGCA information via customer contact database	Database update ongoing 64% of all email contacts take e-subscriptions
	Assess communications delivery via benchmark survey, customer feedback and analysis of usage	Grower benchmark survey completed and utilised
	Enhance functionality and uptake of electronic communications (eg Knowledge Centre, arable business management tools)	Range of projects reviewed
Further establish HGCA corporate identity and branding	Ensure corporate publications adhere to branding guidelines	New staff member appointed with responsibility for monitoring adherence to HGCA and AHDB corporate branding guidelines
Develop internal communication function and strategy	Improve internal communications (via staff survey, team meetings, etc)	Staff survey planned for Summer 2010. Monthly staff briefings held

Potato Council Division Report

GB Potato Sector

2009/10 saw Potato Council deliver a highly ambitious programme to assist the industry grow consumer demand for potatoes whilst providing technical solutions that improve yield, reduce cost and improve competitiveness.

Introduction

2009/10 was a year of massive change for Potato Council. It saw huge changes in personnel at all levels, culminating in the appointment of Rob Clayton as Director at the year end. The relocation from Oxford to Stoneleigh was completed as planned in July 2009, and several back-office functions were migrated to AHDB Central Services. This transition programme presented major risks to the ongoing service delivery to levy payers, but I am very pleased that this was done successfully and my thanks go to the whole team for maintaining our standards throughout this very challenging year.

The 2009 crop season brought various production challenges that badly affected large numbers of growers. For many, costs of production were higher than previously, due in part to high costs of inputs - especially fertilisers. Crops still in store in early summer, much later than normal, combined with higher than average yields nationally resulted in a surplus of more than 200,000 tonnes of potatoes. Quality was highly variable with late season conditions affecting quality in different ways around the country. The impact on price was particularly challenging for those growing without identified markets or contracts, as customer pressure reduced margins for most in the industry.

Potato demand fared well during the continuing credit crunch with consumers nostalgically returning to cooking from scratch with raw ingredients and spending more time eating in the home. However, rice and pasta continue to threaten the market with younger consumers eating much fewer potatoes than their parents and we continue to face long term structural decline in the demand for potatoes.

The GB's seed potato export sector continued to thrive with 89,000 tonnes exported; an increase of nearly 9% on previous years. The consequences of EU regulations such as the Water Framework Directive and the Pesticides Review became much more focused in 2009/10 and the industry was able to develop its practical, technical and research responses to these threats to crop production. Other challenges included emerging new disease threats and further regulation on Potato Cyst Nematode control.

Potato Council continued to play a key supporting role by tackling challenges through carefully prioritised research, development and knowledge transfer activities, dynamic issues management and a targeted programme of marketing activities.

Financial summary

Gross levy income of £5.9m was £0.1m lower than in 2008/09 (£6m) while income from non-levy sources of £0.5m was £0.3m higher than last year (£0.2m).

Operating expenditure of £6.5m was £0.1m higher than last year (£6.4m).

The division made a deficit on ordinary activities before interest and taxation of £0.1m, which was £0.1m lower than last year's deficit (£0.2m).

The divisional accumulated reserve following allocation of central exceptional reorganisation expenditure stood at £1.2m as at 31 March 2010.

Strategic objectives

- Assist the industry to grow the domestic and overseas market for British Potatoes
- Help the industry improve its competitiveness through improved crop and business management
- Help the industry meet and manage environmental and skills related constraints and regulatory requirements.

Report on strategy implementation

Assist the industry to grow the domestic and overseas market for British Potatoes

The Potato Council marketing team continued to grow its evidence base through newly commissioned consumer insight and market research. The evidence supported development and launch of a new strategy based around five simple threads: understanding, educating, promoting, influencing and engaging. The research also confirmed a need to develop activities relating to low potato user groups dominated by young families and younger people, whilst maintaining a broad set of activities for the higher volume older consumer.

Numerous campaigns throughout the year focused on the health attributes, vitamin content, natural fat free status and convenience of the potato. Over £5m worth of positive press coverage was secured over the year and National Chip Week increased its visibility with well timed high profile TV and national radio coverage.

New staff recruits brought with them new ideas to combat the threat from rice and pasta and their 'supercarb' campaign helped to raise the profile of the potato as a valued and highly nutritious vegetable rather than just an energy providing carbohydrate. Consumer opinion has shifted significantly with over 1 million more customers perceiving potatoes as healthy. Using opportunities like DEFRA's Fruit and Vegetable Task Force, significant efforts were made throughout the year to raise the potatoes profile both as a highly nutritious food and candidate for 5-a-day status as well as an efficient user of resources (e.g. water).

In seed export promotion, Potato Council continued its valuable collaborations with Scottish Government and participated in inward and outward missions to Turkey, Pakistan and Morocco seeking to reduce the risk of crop rejection by better understanding phytosanitary and plant quarantine arrangements. Additionally the Potato Council provided support to export companies dealing with specific issues encountered in these countries, along with Syria and Egypt. Activities were summarised and distributed through Potato Council's international magazine 'World Service'. The profile of GB's seed export business was enhanced through a co-ordinated presence at two major international shows: Fruit Logistica and Potato Europe in the Netherlands with over 50,000 visitors.

Help the industry improve its competitiveness through improved crop and business management

Potato Council continued to fund R&D in agreed priority areas during 2009/10. A £366k investment through LINK resulted in significant leverage of £3.18m funding with new projects starting on a range of pest, disease and quality issues. In response to new pesticide and potato cyst nematode (PCN) regulations, work was commissioned to plug gaps arising in crop protection. This included additional projects on blight along with large studies on aphid and virus control, herbicide evaluations and new PCN product efficacy and host tolerance/resistance trials.

Exciting new research partnerships were initiated with New Zealand and Australia to evolve the use of new DNA-based techniques; starting one season in the Southern hemisphere as one closed in the North effectively doubled the speed of research. New disease threats reinforced the need to continue development of the Safe Haven Scheme.

Storage research continued at Potato Council's Sutton Bridge Experimental Unit and the team achieved East Midlands Development Agency (EMDA) support for a new building programme which will allow future research into areas such as green technologies. We plan to have our new research store commissioned by September 2010.

Research results were delivered to industry through an ambitious programme of events supported by press work, website and new literature. Open events throughout the year attracted 3,500 visitors and Potato Council's involvement in Scottish Government's delivery programme saw numbers increase by more than 80%.

New publications on crop nutrition and seed rates were carefully targeted to growers of known varieties and offered levy payers the opportunity to save more than £200/ha on input costs. The monthly magazine, Potato Council Update, was updated and the new version, 'Tubertalk', offered customers a much easier signpost to relevant activities. Meanwhile a new on-line publications library driven by PageSuite, TM technology was launched and by the year end was receiving more than 1,000 page downloads per month.

British Potato 2009 was Potato Council's biggest event of the year and attracted over 5,500 visitors, 10% more than previous events. Visitors were able to meet the new team and learn more about Potato Council's e-services including Grower Panel market analyses, on-line plant returns and newly uploaded marketing research. Seminar attendance doubled on previous events to over 800 and the technological focus was supported with YouTube seminar footage and new animations for application of store treatments.

During relocation to Stoneleigh Park, Market Information was centralised and strong links have been maintained to ensure levy payer business needs are serviced. Further business support was delivered through the Potato Council's Business Improvement and Health and Safety programmes which collectively attracted over £270k of sponsorship and additional funding.

Help the industry meet and manage environmental and skills related constraints and regulatory requirements

With over 4 million tonnes of potatoes stored each year, Potato Council's leadership of a whole-industry stewardship group has been vital in ensuring essential storage chemicals remain available and are used diligently. A new Code of Best Practice was published, contractors briefed, monitoring data submitted to government and operator training programmes introduced. The activity was recognised by the Advisory Committee on Pesticides as a best practice example of industry working in partnership with regulators.

Potato Council made numerous contributions to consultations or formal stakeholder discussions across a range of pest and disease related subjects. As well as programmes initiated in response to pesticide and PCN legislation, Potato Council through AHDB contributed to the development of the AgriSkills strategy and is currently exploring how and whether to further develop its training offer to industry.

The delivery team

During July 2009, Potato Council relocated from Oxford to Stoneleigh Park to become a fully integrated division of AHDB. With the move came considerable upheaval and high staff turnover, however Potato Council retained key knowledge and expertise and attracted enthusiastic, talented newcomers and a highly competent management team. Extensive coaching and training was undertaken ensuring the whole team is fully up-to-speed and able to work with new AHDB Central Services in the most effective way.

The team remained focused throughout this process and positive feedback from levy payers has confirmed that 'business as usual' was delivered seamlessly.

A brief look forward

We ended the year with greater confidence than we began, and with support for a very small levy increase, which we plan to continue to increase in tiny increments to sustain the service capability demanded by our industry. Now operating with a full head count, Potato Council will remain focused on key challenges facing the sector. Research will seek to deliver benefit by targeting projects to improve crop and business management and engagement with levy payers will be enhanced through additional 'on the road' activities that ensure all have the opportunity to meet the team.

Vital research into consumer behaviour will continue. This will help inform marketing activity to tackle negative perceptions and poor understanding of the health attributes of the potato within the diet, with consumers, key stakeholders and opinion formers.

We plan to play a more strategic role in the future within an AHDB team that has the potential for greater influence both domestically and internationally in policy development and regulation. We need to maintain our international networks and seek opportunities for greater co-operation especially in developing research solutions to current challenges.




Activities for the seed export team will focus on continued protection of high health status of seed potatoes by supporting the Safe Haven Scheme. Potato Council's Board will continue to improve performance through review exercises and supporting committees will be restructured to ensure fitness for purpose. The leadership team will work with colleagues from across AHDB to ensure synergies are maximised and efficiencies adopted wherever possible and will be reaching out to meet more levy payers in 2010.

Allan Stevenson,
AHDB Board Member and Chairman of the Potato
Council Board

*Further information on the work of PCL is available
from www.potato.org.uk*

*A list of Potato Council Board Members can be found on
page 108*

Key to Alert

	on-track
	slightly behind
	unlikely to be delivered without mitigating action

Potato Council Division (Potato Sector) performance against target 2009/10

Strategy	Key outcome	Target	Performance
Objective 1: Assist the industry to grow the domestic and overseas market for GB potatoes			
Understand the consumer and the marketplace	<p>PCL communicates with levy payers, retailers, NGO's etc about the market, the product and the constraints that affect consumption and long term sustainability</p> <p>Continuous programme of research and communication</p> <p>Industry responds to the findings with resulting NPD, promotions etc</p> <p>To have understood issues in GB foodservice</p> <p>PCL promotional activity always reflects consumer research findings</p>	<p>Prepare evidence base on which communication and relationships can be built.</p> <p>Research programme for 2009/10:</p> <ul style="list-style-type: none"> Retail-focus on 4 areas: health, indulgence, convenience and value, specifically targeting the younger life stages to reach an optimum proposition Consumer –update behaviour knowledge in the home via consumer diary approach Foodservice –shift the focus from research in profit sector demand side to supply side 	<p>Five new research projects commissioned and communicated to industry:</p> <ul style="list-style-type: none"> Targeting younger life stages: looking at lighter user attitudes to potatoes to build optimum value proposition In home behaviour: consumer diary data purchased at reduced cost through AHDB contract. Two pieces of analysis carried out looking at need states and heavy/medium/light users Potato purchasing: looking at how consumer attitudes have changed since the recession and how they view the potato offering Online shopping: understanding how potatoes are bought online as this is a growing channel Foodservice: see below
		Regular meetings with retailers, packers and processors to communicate research outcomes and agree actions	Regular meetings held with packers and processors
		Monthly quantitative information on the retail marketplace-effectively communicated using information from centralised MI	Continued production and distribution of the retail report (910 recipients). Information from MI used as basis for articles delivering additional value
<p>Industry defends existing markets</p> <p>Grow and develop new markets</p>	<p>Improve demand in the target groups</p> <p>Maintain consumption in the older demographics</p> <p>Effective proactive and reactive management of issues that affect consumption</p> <p>6% increase in attitudes towards potatoes as the 'healthier carbohydrate' amongst the pre and young family target</p> <p>Educate children about the role of potatoes in a healthy diet</p>	Deliver generic PR campaigns that promote health, convenience and versatility benefits of potatoes	Love Potatoes Campaign 2009 achieved £2.4M AEV of coverage - a 1000% return on investment. Traffic to the website increased to 50,000 visits per month. One million more pre and young family consumers think potatoes are healthy
		Using the promotional vehicle increase 'experiential marketing*' to young families (*face to face, improve image, encourage stand out, word of mouth)	37 event days handing out approximately 40,000 samples of potatoes and 60,000 recipe leaflets
		Develop and execute generic EU Potato Promotion across 4 countries-Sept 09 for three years leveraging £750k grant funding over the period	The funding bid was not submitted for 09, however, a bid for 10 has been submitted to the EC in conjunction with France and Belgium
		Further develop 'Grow your Own Potatoes' scheme and increase participation by 20%	Over 11,300 participating schools (equivalent to half of all primary schools). The scheme was developed to include new resources and the educational website re-launched
		Promote use of potatoes during compulsory practical cookery lessons. Work with 'Licence to Cook' to increase number of potato dishes by 10%	Discussions with Licence to Cook have taken place. DCSF Real Meals Cook Book contains 9 potato recipes and 2 potato serving suggestions
		Targeted activity within foodservice profit sector that improves quality of potatoes-including "Great Potato Challenge"	Focus shifted to research and working with industry to look at PCL's focus. Seminar held at BP2009 and new publication launched covering demand and supply side research projects
		Full industry review-National Chip Week following Dialogue	Review carried out and NCW received Board approval. £3.4M AEV of coverage - a 2000% return on investment. 650 chip shops took part in perfect portion awards and 400 chip shops took part in a free chips promotion

Potato Council Division (Potato Sector)

performance against target 2009/10 (continued)

Strategy	Key outcome	Target	Performance
Objective 1: Assist the industry to grow the domestic and overseas market for GB potatoes			
Work with the seed export sector and relevant authorities to increase seed exports	<p>Industry capitalises on new market opportunities</p> <p>Increase in value of exports</p> <p>More co-ordinated industry</p> <p>Closer relationships with key export countries at official level</p> <p>Increase in export tonnage from the 2006/08 average (82,000 t)</p> <p>Effective management of issues</p>	<p>Effective inward missions from at least two target countries</p> <p>Effective outward missions to countries identified as having good seed export potential</p> <p>Co-ordinate GB seed industry presence at major international trade events to be agreed by industry</p> <p>Assist industry where issues arise in export countries working with the relevant authorities as appropriate</p> <p>Provide a range of generic GB tools for use by GB seed exporters and importers</p>	<p>Inward and outward missions carried out involving Morocco, Turkey, Pakistan. Also supported externally organised mission to China</p> <p>PCL attendance at two major international trade shows, highlighting the benefits of British seed potatoes. Including first time attendance at the largest European fresh produce event</p> <p>Seed potato exports 7% above 3 year average target</p> <p>Export enquiries / assistance provided to industry involving more than 10 countries</p>
Work with industry and the relevant authorities to ensure the seed potato requirements of the GB industry can be met by domestic supply	<p>Protection of the high health status of GB seed</p> <p>Retain freedom from quarantine diseases</p> <p>Promotion of the benefits of GB seed</p>	<p>S & E Committee continues to drive seed and export strategy</p> <p>Promotion of Safe Haven Scheme and participation</p> <p>Organise KT event for seed industry such as Potatoes in Practice-with industry partners</p> <p>Represent seed industry for seed consultations and regulatory negotiations</p> <p>Provide a range of generic GB tools for use by GB seed industry</p>	<p>Maintained Safe Haven Scheme membership at 60% of British seed area</p> <p>Successful delivery of Potatoes In Practice 2009 (650 visitors)</p> <p>Industry representation and liaison to Government on wide-ranging issues including; Dickeya, PCN, seed potato classification and EU 'Better Regulation'</p>
Objective 2: Help the industry improve its competitiveness through improved crop and business management			
<p>Increase marketable yield</p> <p>Reduce input costs</p> <p>Reduce defects</p> <p>Improve supply chain relationships</p>	<p>An economically and environmentally sustainable industry</p> <p>PCL adopt an R&D and KT strategy that is endorsed and utilised by the potato industry</p> <p>Commissioning & management of R&D projects against this strategy</p> <p>Industry involvement in project development</p> <p>Effective KT delivery</p> <p>Increase in marketable yield of 5%</p> <p>Measurable contribution of R&D and KT to reduce input costs/improve on 35% of growers agreeing that Potato Council helps reduce production costs (from 2008 benchmark)</p>	<p>Knowledge transfer campaigns on storage (energy use and sprouting), crop nutrition, marketable yield, blight and aphid management are planned and undertaken and contributions to business improvement are clearly stated and understood by industry</p> <p>Campaign-relevant past research and literature reviewed and framed in a financial context</p> <p>Ongoing R&D projects achieve their planned and stated outcomes and milestones</p> <p>New projects are identified and commissioned to address agreed priorities</p> <p>Regular dialogue with industry stakeholders and media</p>	<p>All Knowledge Transfer campaigns delivered to budget. New opportunities and threats presentations developed to highlight contributions to business</p> <p>Business improvement contributions were published under a new 'PCL by numbers' activity which underpinned industry's major trade show BP2009 attracting 5,500 visitors</p> <p>Historic literature (e.g. for planter accuracy) republished</p> <p>R&D strategy and priorities reviewed by RKT Committee and 9 new research projects commissioned</p> <p>Ongoing programme of 36 projects completed successfully and to budget</p> <p>Programme of technical events undertaken (including one national, 6 regional and 25 local events) with 7,000 visitors in attendance</p> <p>Technical programme supported by regular liaison with trade associations (PPA, FPSA, BPTA, NFU) and technical press activities (achieving >£1.2M AVE)</p>

Potato Council Division (Potato Sector)

performance against target 2009/10 (continued)

Strategy	Key outcome	Target	Performance
Objective 2: Help the industry improve its competitiveness through improved crop and business management			
Strategy 2.2: Accurate Market Intelligence	PCL has thorough understanding of the business environment for potatoes and this informs all PCL activity and is communicated to the industry effectively	PCL undertakes programme of market Information as detailed in the business plan-including price and crop reporting, statistics on area, yield, production, supplies and disposals, retail/food service data	All products delivered on time and retail/food service data uploaded onto website
Objective 3: Help the industry meet and manage environmental constraints and regulatory requirements			
Strategy 3.1: Understand and manage regulation and policy Improve flow and uptake of knowledge	Industry understands the consequences of new and proposed legislation, recognises PCL role and takes part in its development (improve on 50% from 2008 benchmark) Industry understands the contribution of PCL R&D and KT and applies the knowledge (improve on 48% from 2008 benchmark) Industry has a clear vision of the contribution of genomics	Regular dialogue with industry and stakeholders and appropriate outputs relating to pesticides, environmental and H&S issues arising from current and proposed legislation	Leadership of Industry CIPC stewardship Developed and co-ordinated response on new EU PCN Directive New training package launched in partnership with HSE Stakeholders informed of environmental and regulatory requirement through Soil, Water and Energy Forums Maintained liaison with government agencies, ensured industry awareness and provided technical responses for issues including Acrylamide mitigation and GM potato trials Pesticide gap analysis completed and used in developing PCL response strategy to govt and EU Contributed to Government R&D strategy and policy development at stakeholder meetings and by participation in activities of the Production Group of the Defra Food Task Force
Raise agronomist and producer skills	Technical ability of agronomists improves and is measurable by industry	PCL develops a range of agronomy courses on key issues, working with a professional training company using grant funding	Course development discussed with stakeholders and skills audit of industry underway (will report in 2010)

Meat and Livestock Commercial Services Ltd Report

An AHDB Commercial Subsidiary Company

Meat and Livestock Commercial Services Limited (MLCSL) is a wholly owned subsidiary company of AHDB specialising in data, advice, logistics and inspection services to the food supply sector. It is run on a commercial basis. The Company is managed separately within AHDB. All its costs are fully accounted for within the Company and it returns profits to AHDB to supplement levy funds.

Introduction

During 2009/10 the MLCSL business operated within a very testing environment as food processors and producers faced particularly difficult trading conditions as a consequence of the global downturn. The MLCSL management team worked hard to counter this through the development of new business opportunities.

At the forefront of the new business drive were the two new services which were added to MLCSL's portfolio during the previous financial year - MLCSL Consulting (formerly Industry Consulting within the Meat and Livestock Commission) and MLCSL E-CO2 (a collaboration between CMS UK, Kite Consulting and MLCSL) offering on-farm assessments of carbon footprint, energy and water.

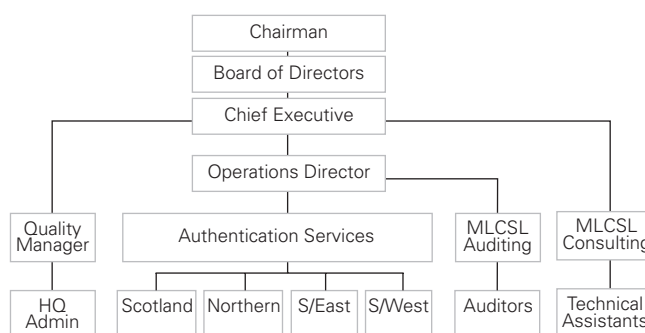
Management of MLCSL

The management of MLCSL is overseen by a Board comprised of senior executives from MLCSL and AHDB. At 31 March 2010 these were:

Kevin Roberts (Chairman), Chief Executive, AHDB
Peter Phythian, Chief Executive, MLCSL
Jeremy Humphrey, Operations Director, MLCSL
Bernadette Garvey, Interim Director of HR and Corporate Services, AHDB
Shaun Tillery, Director of Finance and Business Services, AHDB

Following the year-end Tom Taylor replaced Kevin Roberts and Jackie Dubery replaced Bernadelle Garvey.

MLCSL organisational structure 31 March 2010



Risk management principles are embedded into the management processes and procedures and are manifested through the following MLCSL management principles:

- To maintain a Risk Management register to provide an interactive record for the team to use as the basis for policy delivery
- To ensure issues of risk are identified, communicated day to day at individual levels, training courses, briefing and management meetings
- To remain well informed, building intelligence in all areas of existing and potential business activity
- To stay close to customers, building effective business relationships
- To communicate effectively with staff with sound information relayed up and down the line management chain.

The average number of full-time and part-time staff employed by MLCSL during the year to 31 March 2010 was 130. These were fully funded from fees earned from commercial activities.

Financial performance

MLCSL worked to an annual financial target agreed by its Board of Directors. For 2009/10, despite a continued challenging trading environment, this was to contribute £180,000 (post tax) to supplement AHDB's red meat levy income. Actual out-turn provided a surplus of £31k.

Report on business performance

Authentication and equipment

The Authentication side of the business employed on average 99 people who delivered the following services during the year to 31 March 2010:

- Independent carcase classification services for cattle, sheep and pigs to the slaughtering sector
- Technical training for the selection of livestock for slaughter to the industry
- Development and sales of slaughter line data capture equipment
- Sales, servicing and support of pig classification equipment (Introsopes)
- Marketing of a Stun Assurance Monitor for sheep and pigs
- Carcase label sales for cattle, sheep and pigs.

The MLCSL managers put in place a strategic authentication marketing strategy and as a result the increase in the Beef, Sheep and Pig carcasses classified by the team as a percentage of British slaughterings showed another good increase for the financial year (see Fig 2).

Carcases classified by MLCSL as percentage of British slaughtering

	2003/04	2004/05	2005/06	2006/07
Cattle	55.6%	55.8%	58.9%	71.2%
Sheep	46.5%	47.6%	40.9%	42.5%
Pigs	63.3%	62.1%	62.1%	60.9%

	2007/08	2008/09	2009/10
Cattle	72.1%	81%	80%
Sheep	38.5%	42.3%	61%
Pigs	61.9%	64.9%	70%

Marketing of the Stun Assurance Monitor continued during the year. The Monitor provides an auditable stun process for slaughter houses and there was continued interest from many quarters including the role it could potentially play in assurance of pre-stunning for the Halal market.

A significant amount of service and support was contracted to the EBLEX Beef and Sheep Better Returns Programmes in England. Selection of cattle and lambs for slaughter training events were delivered at abattoirs and auction markets.

Similar support was provided to Meat Promotion Wales (HCC) with its busy programme of both sheep and cattle selection for slaughter training days in Wales. Enrolment and delivery of these events was by MLCSL authentication staff, and a number of shows were also attended to support the programme.

Levy audits were also carried out throughout England and Wales for AHDB and HCC.

MLCSL Consulting

The consultancy side of the business, formerly known as 'Industry Consulting', continued to handle a wide range of projects within the meat and livestock and wider food industry.

During the course of the year consultancy projects involved the following elements or combinations of topics in particular:

- **Economic** - evaluation and analysis.
- **Strategic** - evaluation and planning, for sector and company.
- **Company** - performance and efficiency assessment; technical and economic benchmarking, business planning, operational costing, technical and financial assessment.
- **Technical/engineering** - advice, assessment and design of:
 - Livestock handling systems, livestock markets
 - Meat plant assessment and design, for new and upgraded slaughtering and meat processing facilities
 - Electronic data capture and control systems
 - Waste disposal and environmental issues
 - By-product processing
 - Engineering project management
- **Marketing** - market assessment, customer analysis and product development.
- **Supply chain** - assessment of value and power chains; supply chain development and quality assurance, meat and food hygiene/safety assessment and training, training for meat plant operations.
- **Project planning and evaluation**
- **Funding** - sourcing project funds, feasibility studies and financial planning.

Projects included a sheep classification review for Defra, an environmental review of the red meat sector for WRAP, a strategic review of the beef sector for the North West Regional Development Agency, and a project on adding value to the red meat sector for Quality Meat Scotland.

MLCSL Auditing

The MLCSL auditing service further evolved during the year in order to continue to provide an independent auditing service to the GB agriculture and food industry. Two distinct auditing services were provided:

1. Supply chain inspections
2. Energy inspections

Supply chain inspections

The audit team worked on behalf of a number of the major certification bodies, inspecting the supply chains of the GB agriculture and food industry. As part of these contracts the skilled and trained inspectors undertook inspections on every aspect of these supply chains, from animal feed production, to whole farm inspections; from animal health and welfare at local shows to major sales.

Energy inspections

In conjunction with CMS UK and Kite Consulting, MLCSL has developed an E-CO2 (energy, water and carbon footprint) assessment software tool to assist farmers, processors and manufacturers. It is designed to raise awareness of the potential savings to be made through reductions in energy and water usage, whilst calculating the carbon footprint.

During the year MLCSL and CMS UK helped a number of businesses put money back in their own pocket by making substantial savings on their energy costs whilst reducing their carbon footprint.

Trials at 25 dairy farms showed that, on average, these businesses saved £684 (11% of the annual energy bill) on energy usage, and £1,361 (26% of the annual water bill) on water in a single year, without compromising production. The energy savings were sub-divided as follows:

- Average lighting saving: £73
- Average water heating saving: £277
- Average milk cooling saving: £153
- Average other energy saving: £108

MLCSL Agency Services

The MLCSL Board had taken the decision during the 2008/09 financial year to close the Agency Services department of MLCSL. This decision followed the end of the Older Cattle Disposal Scheme (OCDS) in December 2008 and radical changes to the monitoring and surveillance of other Transmissible Spongiform Encephalopathy (TSE) material which comprised the vast majority of the Agency Services support work provided to the Rural Payments Agency (RPA) and Defra. The process of closing the department and redeploying or making the staff redundant was substantially done during the previous financial year, and concluded during the first quarter of 2009/10.

A brief look forward

A key objective for MLCSL over the next year is to develop new sources of income to replace the loss of the Agency Services revenues as well as continuing to drive cost efficiency within the business as a route to margin enhancement. Business focus will concentrate on:

- Developing greater returns from the carcase classification services and within this, promote to the industry the value of providing such services on an accredited basis
- Extending the support it gives to the EBLEX Better Returns Programme and HCC with the provision of expertise to deliver selection for slaughter training days as part of their knowledge transfer programmes
- Seeking to identify opportunities from within the wider family of AHDB
- Continuing to develop the E-CO2 energy inspection service through greater penetration within the industry
- Building further on its new consultancy service, MLCSL Consulting, which has an established reputation across the meat and livestock sector.

Tom Taylor,

Chairman of MLCSL Board and Chief Executive of AHDB



Agriculture & Horticulture
DEVELOPMENT BOARD

Agriculture and Horticulture Development Board Financial Statements 2009/10

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Financial review of the year

Introduction

On 1 April 2008 the functions, responsibilities, assets and liabilities of the British Potato Council (BPC); Home Grown Cereals Authority (HGCA); Horticultural Development Council (HDC); The Meat and Livestock Commission (MLC) and the Milk Development Council (MDC) were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which was made on 28 February 2008.

AHDB's statutory purpose is defined in the AHDB Order 2008 as:

- Increasing efficiency or productivity in the industry
- Improving marketing in the industry
- Improving or developing services that the industry provides or could provide to the community
- Improving the ways in which the industry contributes to sustainable development.

AHDB's mission is to provide to the agriculture and horticulture sectors cost-effective, relevant services, which support the sectors' long-term sustainability.

Corporate governance

The AHDB Board consists of 10 members. Four are independent (including the Chairman) and the remaining six are also chairs of the Sector Boards. The members are appointed by Ministers and are listed on page 107.

In keeping with the combined code on corporate governance, the Board has appointed three statutory committees - Audit, Remuneration and Nominations.

In order to maintain sector focus, AHDB operates with six Sector Boards representing the commodity sectors covered by its statutory remit. The Sector Boards are made up of members, representing their specific sectors, appointed by AHDB. The primary function of the Sector Boards is to act in the very best interests of the sector at all times. Each board has delegated functions from AHDB giving it the duty to develop the most appropriate strategies to meet the challenges of the sector; to ensure the relevant levy rate is recommended in order to provide adequate funding for the required work, monitor strategy implementation and approve remedies where performance deviates from plan.

Internal auditors carried out a number of audits of internal control systems, including those operating within sector divisions, during the year based on a plan agreed by the Audit Committee and Board. The annual reports on corporate governance and risk management provided substantial assurance that risks material to the achievement of AHDB's corporate aims, objectives and measures are adequately managed and controlled.

Funding

AHDB is funded by statutory levies paid by producers, growers and processors. Levies raised from each sector are ring-fenced to ensure they can only be used to the benefit of the sectors from which they were raised.

Financial results

AHDB's results show a deficit of £2.5m compared with a budget deficit of £2.2m. A surplus on the Accumulated Fund (Income and Expenditure Account) of £12.7m is carried forward.

Pension schemes

In accordance with HM Treasury accounting guidelines for the year ended 31 March 2010, AHDB has adopted the full accounting requirements of IAS 19: 'Accounting for Retirement Benefits in Financial Statements of Employers'. There are legacy pension schemes from MLC and HGCA with recognition of pension assets and liabilities of £3.6m and £1.2m respectively in the AHDB balance sheet. These assets are owned by the MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

Fixed assets

AHDB's freehold properties were professionally re-valued as at 31 March 2010 and no significant change in valuation has taken place since that date. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Note 9 to the accounts and the statement of changes in reserves.

Employees

Employees from the legacy levy boards were transferred to AHDB on 1 April 2008 under TUPE (Transfer of Undertakings regulations).

AHDB is supported by a dedicated team of permanent staff. The Senior Executive Team meets regularly and is charged with disseminating policy to staff through a system of divisional team briefings and departmental meetings. AHDB has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur.

Details of AHDB Board members, statutory committees and Sector Board members are shown on pages 107-108.

During the year AHDB has consulted on transition issues with the union Prospect with regard to members formerly in MLC and BPC and with staff representatives in the divisions.

Payment policy

It is the policy of AHDB to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced.

Auditor

The external auditor of AHDB and its subsidiaries is the Comptroller and Auditor General. Services are limited to the statutory audit.

Disclosure of audit information to the Comptroller and Auditor General

So far as the Accounting Officer is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

Statement of the Board's and Chief Executive's responsibilities

In accordance with Article 13(4) of the AHDB Order, the Ministers*, with the consent of HM Treasury, have directed the AHDB to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of AHDB and of its income and expenditure, recognised gains and losses and cash-flows for the financial period.

In preparing the accounts, the AHDB is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Ministers*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Environment Food and Rural Affairs has designated the Chief Executive as the Accounting Officer of the AHDB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the AHDB's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

* Ministers

The Secretary of State for Environment, Food and Rural Affairs

Cabinet Secretary for Rural Affairs and the Environment, The Scottish Government

Minister for Rural Affairs, Welsh Assembly Government

Minister for the Department of Agriculture and Rural Development, Northern Ireland

Statement on internal control 2009/10

Scope of responsibility

During the period from the date of approval of AHDB's last Annual Report and Accounts on 24 June 2009, the organisation has had three separate Accounting Officers in post. As Chief Executive between 1 April 2009 and 2 April 2010 and Interim Chief Executive between 3 April and 30 April 2010, Kevin Roberts and Richard Lowe respectively fulfilled the role of Accounting Officer within AHDB, with me taking over the role from 1 May 2010.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of AHDB's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

AHDB is a Non-Departmental Public Body established under the Agriculture and Horticulture Development Board Order 2008 and became operational on 1 April 2008. AHDB levy income comes under Treasury rules for the governance of public money. The Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. The AHDB Accounting Officer is accountable to Ministers and devolved administrations on the appropriate use of levy funds and corporate governance standards applicable to public bodies. A Management Statement and Financial Memorandum sets out the broad framework within which AHDB and Defra are required to operate in their relationship.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of AHDB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been under development within AHDB for the period ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance with any key weaknesses and actions taken to address these, caused by our major reorganisation project during the year, discussed below.

Capacity to handle risk

Leadership

Leadership is given to the risk management process via the AHDB Board, Sector Boards, the Audit Committee and the Senior Executive Team (SET). As Chief Executive between 1 April 2009 and 2 April 2010 and Interim Chief Executive between 3 April and 30 April 2010 Kevin Roberts and Richard Lowe respectively acted as sponsor of AHDB's corporate governance and risk management programme with the Director of Finance and Business Services (FABS) and Director of Human Resources and Corporate Services (HRCS) acting as key programme managers.

Risk management awareness and training

A SET risk management workshop, facilitated by Grant Thornton, took place on 20 November 2009. The workshop covered a number of important areas, such as identifying and defining risks, and establishing a framework and 'meta-language' for risk management within AHDB. A key output from this exercise was an updated corporate risk register, which is discussed below.

Key changes in AHDB's risk environment

The key area of risk facing AHDB at the start of last year was its relocation to Stoneleigh, with the consequential loss of key personnel, as well as the technical and physical aspects of co-locating five legacy organisations in temporary offices on the Stoneleigh Park site. The key risks associated with this complex project were effectively managed via a project-specific risk register, detailed implementation plan and regular progress reports considered by the AHDB Board and SET.

The residual key risk remaining in the organisation in connection with the AHDB transition at the end of the year relates to compromised operational service delivery as management time is still diverted on resolving outstanding reorganisation issues, such as systems convergence. Other key risks remain in the areas of income source reduction and managing potential Pension Scheme deficits. A new key risk added to the risk register during last year was in relation to the General Election, and the implications of a change in Government policy on the status of arms length bodies such as AHDB.

The risk and control framework

The key components of AHDB's risk and control framework are discussed in overview below:

Risk management policy

AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework and covers AHDB's approach to risk management, roles and responsibilities and key aspects of the risk management process.

Risk appetite

At its January 2009 meeting the AHDB Board approved a formal Statement on Risk Appetite that provided guidance to management on the level of risk considered appropriate against key areas of strategic interest.

Risk register

AHDB has a comprehensive corporate risk register, fully updated following the SET risk management workshop on 20 November 2009 referred to above. The register identifies headline and sub-risks and scores these on a pre and post control basis by likelihood and impact, noting any key preventative and remedial controls in place. The register is kept up-to-date on an ongoing basis and is presented to each SET, AHDB Board and Audit Committee meeting.

Anti-fraud policy

AHDB is committed to ensuring that the risk of fraud in all its forms is minimised. An important part of this approach is its anti-fraud policy, which informs staff of AHDB's approach to the serious issue of fraud and incorporates a fraud response plan.

Standing Instructions (SI)

AHDB's Standing Instructions (SI) define the operating procedures for the organisation and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation.

Corporate Plan

AHDB's Corporate Plan is produced annually for the forthcoming three-year period and sits at the apex of its planning hierarchy. Strategic plans for all sector divisions within the organisation are included. Key activities, outcomes and targets are presented in the context of a sector-specific SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. A risk management component is also included, which ensures that key risks are identified at the planning phase and an appropriate control environment constructed to pro-actively manage these. The Corporate Plan provides an essential context for the development of business plans and budgets.

Divisional business plans and budgets

Divisional business plans are produced annually for the forthcoming 12-month period and underpin the three-year Corporate Plan as well as informing the annual financial budgeting process. Financial budgets are produced annually for the forthcoming 12-month period.

Agresso management information system

AHDB's financial systems framework is underpinned by its new Agresso management information system, which went live from 1 April 2009. All appropriate end-user staff had to be trained in the use of the Agresso system during the year, particularly in the areas of purchase requisitions and expenses.

Financial reporting framework

A wide range of routine financial reports are produced and distributed by AHDB's FABS function on a monthly basis. These form a reporting hierarchy that allow senior managers to drill down from a high level of strategic information into detailed operational analysis where the need arises. Financial reporting is facilitated via Agresso's Excelerator reporting tool, which allows us to populate Excel templates with financial data direct from the Agresso database.

Non-financial reporting framework

All sector divisions within AHDB utilise comprehensive and robust non-financial performance measurement and evaluation frameworks where actual against planned performance is reported to their respective Sector Boards at each meeting, to the AHDB Board on a quarterly basis and to the industry on an annual basis as part of the Annual Report and Accounts and Corporate Plan documents.

Reserves

Separate reserve evaluation exercises have been undertaken for most sector divisions within AHDB during the year ended 31 March 2010. A clear and robust reserves evaluation demonstrates transparency and accountability to levy payers, good financial management and justification of the amount of reserves carried by a sector division.

Treasury policy

The AHDB Board approved a new treasury policy on 1 March 2010, which is effective from 1 April 2010. In broad terms AHDB policy is to identify, mitigate, manage and control financial risks and the treasury policy document covers the key areas of debt, interest rate, cash and investment and currency and exposure management, as well as banking relationships and bank account operation.

Procurement policy and protocol

A procurement policy and protocol was developed during the year and will be fully adopted by the organisation as part of a phased implementation programme during the 2010/11 financial year.

Information security framework

AHDB has controls in place to provide reasonable assurance that information in its widest sense is handled accurately and securely. These controls underpin the requirement that all information used for operational purposes and financial reporting purposes needs to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other parts of Government.

Although AHDB doesn't have a nominated Security Officer, each divisional Director has been nominated as an Information Asset Owner (IAO) and is responsible for proper data handling within their area of responsibility. IAO's undertake a quarterly risk assessment and report through the AHDB Accounting Officer to Defra, as well as taking specific actions to reduce any identified risk. Furthermore, all staff within AHDB are required to participate in a Data Handling e-learning package developed by the Cabinet Office. All databases have been reviewed for data risk and for last year AHDB has had no data-related incidents to report.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the SET within AHDB who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in its management letter and other reports.

Between 1 May 2010 and up to the date of approval of the Annual Report and Accounts I have undertaken a comprehensive review and handover process on all key matters of corporate governance within AHDB with Richard Lowe. In addition to this, I have undertaken a detailed induction and familiarisation programme with all divisional teams within AHDB and with Defra's sponsorship team. This process has been underpinned by both Kevin and Richard signing a formal statement of corporate governance and control as AHDB Accounting Officers during their respective tenures from 1 April 2009 and up to the date of approval of the Annual Report and Accounts.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance and has established the following processes in maintaining and reviewing the effectiveness of the system of internal control:

AHDB Board

The AHDB Board, which met six times last year, has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within AHDB. This included determining the level of risk that is acceptable in specific areas of activity. It did this by its policy and overall approach.

Audit Committee

The broad thrust of AHDB's Audit Committee Charter is that the Audit Committee supported the Accounting Officer with a constructive and challenging approach. The remit of the Audit Committee, which met six times last year, is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the statement on internal control as well as considering the planned activity and results of both internal and external audit.

In reviewing the effectiveness of AHDB's internal control the Audit Committee has undertaken the following key activities:

Internal control: Gained an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

Financial reporting: Gained an understanding of the current areas of greatest financial risk and how management is managing these effectively. Asked management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks.

Internal audit: Reviewed the activities and organisational structure of the internal audit function and ensured no unjustified restrictions or limitations are made. Ensured that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis. Ensured that management responded to recommendations made by the internal auditors.

External audit: Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations has been placed on the scope. Reviewed the performance of the external auditors. Considered the independence of the external auditor, including reviewing the range of services provided in the context of all services acquired by AHDB. Ensured that significant findings and recommendations made by the external auditors are received and discussed on a timely basis. Ensured that management responded to recommendations by the external auditors.

The AHDB Senior Executive Team (SET)

SET members are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department actively addresses the risks and escalates risks up to the SET for their attention as appropriate.

Internal audit

AHDB's internal audit function is outsourced to Grant Thornton, and operates to standards defined in the Government Internal Audit Standards. The internal audit function has a central role in assessing the robustness of the implementation of the risk management strategy across AHDB. It provides information on the various strengths and weaknesses of the approach, and advises on where improvements are necessary and desirable for the good governance of AHDB. The purpose, authority and responsibilities of internal audit are set out in AHDB's Internal Audit Charter.

In accordance with the Government Internal Audit Standards, the scope of internal audit encompassed the whole of the AHDB's risk management practices, governance practices and internal controls. Grant Thornton's agreed work plan is derived from AHDB's assessment and evaluation of risks as documented in the risk register. Grant Thornton prepared an internal audit plan based on the risk profile determined in the register.

The strategic and annual internal audit plan was discussed and agreed with the Audit Committee on 24 March 2009, with modifications being agreed during the year. The strategic audit plan identified key risks relevant to internal audit and the assurance to be provided on specified controls mitigating the risks.

All reviews were completed in accordance with the agreed 2009/10 plan, or agreement reached to defer or cancel the scheduled reviews. These reviews, together with other activity undertaken by internal audit, were as follows:

- Risk management: To provide support to the SET in revising the corporate risk register, ensuring this is fully aligned to the Corporate Plan and appropriately profiled.
- Corporate governance: To establish the extent to which revised constitutional arrangements have been implemented.
- Data transfer: To review the process undertaken to transfer financial data from legacy Sector finance systems to the new Agresso system and assess the adequacy of this process.
- Estates: To understand and assess the progress made in achieving the estates strategy and establish the implications of any delays.
- Pensions: To review the adequacy and sufficiency of pension arrangements.
- Operational embeddedness: To assess the extent to which core financial processes have been embedded throughout AHDB and provide assurance that there is a robust internal control framework in place.
- Agresso implementation and controls around procurement: To provide assurance that the purchasing module in Agresso ensures that AHDB has a robust procurement control framework in place.
- Procurement: To review the adequacy and sufficiency of AHDB's procurement policies and procedures, tendering arrangements and value for money controls.
- Cross sector synergies: To establish to what extent there are arrangements in place that identify and facilitate cross sector working opportunities.
- Research: To understand the current different arrangements for commissioning and managing research across the Sectors to ensure the adequacy and sufficiency of these arrangements.
- IT: To assess the adequacy of AHDB's virtualisation arrangements.

These reviews generated 14 high-level, 41 medium-level and 6 low-level recommendations, a good proportion of which were actioned by management during the year.

In addition, Grant Thornton was involved in the review and update of AHDB's Internal Audit Outstanding Actions Tracker Schedule to provide assurance that the control environment has been improved and recommended actions taken.

At the end of the year, the Internal Auditor reported that, overall, the controls reviewed were adequate in most areas but that further work was required in the area of procurement. The areas reviewed were those identified through AHDB's assessment and evaluation of risk. In line with emerging best practice there is always further scope to improve the risk management, governance and internal control processes.

Significant internal control issues

The major transition project referred to above did inevitably impact on our control environment, particularly over the first half of the financial year when processes and systems migrated were from legacy Levy Board finance functions onto the new AHDB platform based in Stoneleigh from June 2009 onwards.

Significant internal control issues raised by internal and external audit are discussed in the overview below:

Procurement: Not all divisional sectors fully utilised Agresso's procurement functionality during the course of the year ended 31 March 2010 and, to address this, alternative electronic workflow processes were created but these slowed down the accounts payable transactional processing cycle causing some delay in supplier payments. By the end of the year all divisions were creating purchase requisitions via Agresso, which enhances control and will further facilitate the more effective processing and payment of supplier invoices. Furthermore, to drive AHDB's whole procurement agenda forward, a Procurement Controller was recruited into the FABS team from mid April 2010.

Segregation of duties: Concern was raised by internal audit that the Agresso electronic procurement workflow process allowed a single manager to both approve a purchase requisition and the corresponding invoice for relatively small values up to £10k and recommended that the authorisation process at least points to a secondary authoriser. It was managements view that this would fundamentally slow down the authorisation and payment process for relatively small suppliers and a compromise position on 'cradle to grave'-type transactions agreed, which consists of generating a report from Agresso on a monthly basis and undertaking a sample test of qualifying transactions.

Bank reconciliations: Due to the inherent complexities of integrating several legacy bank accounts into one AHDB account and the delayed handover of documentation from legacy finance functions over the first quarter of 2009/10, bank reconciliations were only part-completed during the second quarter of the year and were finalised during the fourth quarter. Routine, weekly bank reconciliations were introduced during May 2010.

Financial reporting framework: AHDB's financial reporting hierarchy has been developed during the year and, due to prioritisation of workloads as a result of the Stoneleigh transition, only became fully embedded during the final quarter of the year ended 31 March 2010. Furthermore, recognising the fact that AHDB's finance function was fundamentally under-resourced during last year a new Management Accountant was recruited into the team from late April 2010.

**Tom Taylor,
Chief Executive and Accounting Officer
Agriculture and Horticulture Development Board**

Remuneration report

Membership of the Remuneration Committee

Membership of the Remuneration Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee - Professor Chris Bones - is an independent AHDB Board member. The other members of the Committee as at 31 March 2010 were Tim Bennett, Stewart Houston and Allan Stevenson. Membership is reviewed periodically or on termination of a member's appointment.

Policy on the remuneration of the Board, Chief Executive and senior staff (audited)

The remuneration of Board members is determined by Defra Ministers. From 1 April 2009 the daily rate payable to Board members was £307.50 and for the Chairman £512.50. There are no pension arrangements or performance related emoluments in place for any Board members.

The Remuneration Committee's function is to:

- Advise Defra on the remuneration of AHDB Board members
- Set the remuneration for the Sector Board members
- Advise the Board, in consultation with Defra, on the performance objectives and remuneration terms linked to these objectives for the AHDB Chief Executive
- Advise the Board on the total remuneration packages for the senior managers in the AHDB Group, including pay, benefits and pension arrangements – in particular the ongoing recruitment of the senior executive team based at Stoneleigh
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

In detail, the Remuneration Committee is specifically charged with determining AHDB's policy on the remuneration of those covered by the scope of this Committee to ensure that these packages are appropriate to attract, retain and motivate senior staff of appropriate calibre in line with the needs of AHDB and the industry.

In this context the Remuneration Committee will give full consideration to the best practice provisions for remuneration policy, contracts and compensation. Specifically bonus payments made to senior staff and the Chief Executive were and continue to be based on assessment of individual performance against written and agreed targets.

See tables on the following pages for full details of the remuneration of the Board, Chief Executive and senior executive staff.

Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chairman of the Board's recommendation concerning the salary and incentive scheme for the Chief Executive on an annual basis. Specifically bonus payments made to senior staff and the Chief Executive were and continue to be based on assessment of individual performance against written and agreed targets.

Proportion of remuneration which is subject to performance conditions

None of the remuneration of any AHDB Board member is subject to performance conditions.

The proportion of remuneration of the Chief Executive which is subject to performance conditions is in a range of 20%-25% and for senior staff 5%-15%.

Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of any Board member for any of the reasons specified in the Statutory Instrument 2008 No. 576 (Schedule 2, paragraph 2(3)).

Board members may resign by notice given in writing to the Secretary of State or other Ministers, if appropriate. No notice period is required and no termination payments apply.

Senior AHDB staff are appointed on permanent contracts. Their notice periods range from 3 to 6 months to reflect the business needs of the organisation. Two exceptions to this were Kevin Roberts and Richard Lowe who were on 12 months notice, which relates to the legacy terms of directors from the former Meat and Livestock Commission (MLC).

Remuneration of senior executive staff (audited)

Set out below are details of the remuneration of AHDB's senior executive staff during the year to 31 March 2010. Benefits include the provision of a company car, private health cover and, where applicable, other miscellaneous allowances and holiday buy-back arrangements. No other non-cash benefits were provided. For starters and leavers during the year, as detailed in the contracts of employment section below, remuneration is stated for the period in post only.

	For the year ended 31-Mar-10					For the year ended 31-Mar-09
	Basic salary £'000	Bonus £'000	Redundancy paid £'000	Benefits £	Total £'000	Total Remuneration £'000
Kevin Roberts: Chief Executive (Note 1)	160-165	35-40	–	23,485	220-225	195-200
Jackie Dubury: Director of Human Resources and Corporate Services (Start date with AHDB 15-Mar-10, equivalent annual salary: £80k-£85k)	0-5	–	–	400	0-5	–
Bernadette Garvey: Interim HR Director (Note 2)	80-85	10-15	–	7,600	100-105	100-105
Nick Allen: Director of EBLEX Sector (Start date 1-Oct-09 in role, equivalent annual salary £70k-£75k)	35-40	–	–	3,180	35-40	–
Richard Lowe: Deputy Chief Executive (Note 3)	125-130	5-10	–	7,880	140-145	135-140
Mick Sloyan: Director of BPEX Sector	85-90	0-5	–	10,395	100-105	95-100
Rebecca Geraghty: Director of HGCA Sector (Start date in role 1-Jun-09, equivalent annual salary £65k-£70k)	55-60	0-5	–	2,210	60-65	–
Jonathan Cowens: HGCA Chief Executive (Leave date 10-Jul-09, equivalent annual salary £110k-£115k)	30-35	5-10	85-90	–	125-130	115-120
Shaun Tillery: Director of Finance and Business Services (Start date in role 1-Sep-09, equivalent annual salary £80k-£85k)	45-50	–	–	3,675	50-55	–
Gordon Bennett: Interim Finance Director (Leave date 10-Jul-09, equivalent annual salary £75k-£80k)	20-25	5-10	145-150	–	175-180	80-85
Rob Clayton: Interim Director of Potato Council Sector (Start date in role 22-Feb-10, equivalent annual salary £65k-£70k)	5-10	–	–	580	5-10	–
Sandra Ziles: Director of Potato Council Sector (Start and end dates 7-Sep-09 and 21-Feb-10 respectively, equivalent annual salary £80k-£85k)	35-40	–	–	3,130	40-45	–
Helen Priestley: Potato Council Chief Executive (Leave date 13-Aug-09, equivalent annual salary £100k-£105k)	40-45	5-10	35-40	660	85-90	110-115

Remuneration of senior executive staff (audited) (continued)

	For the year ended 31-Mar-10					For the year ended 31-Mar-09
	Basic salary £'000	Bonus £'000	Redundancy paid £'000	Benefits £	Total £'000	Total Remuneration £'000
Ken Boyns: Director of DairyCo Sector	80-85	5-10	–	7,415	90-95	80-85
Bill Parker: Director of HDC Sector (Start date 25-Aug-09, equivalent annual salary £60k-£65k)	35-40	–	–	4,665	40-45	–
Martin Beckenham: HDC Chief Executive (Leave date 31-Aug-09, equivalent annual salary £65k-£70k)	25-30	5-10	115-120	3,250	150-155	70-75
Ian Crute: Chief Scientist (Start date with AHDB 1-Sep-09, equivalent annual salary: £95k-£100k) (Note 4)	55-60	–	–	5,155	60-65	–
Andrew Birnie: Director of Market Intelligence (Start date with AHDB 9-Nov-09, equivalent annual salary: £80k-£85k)	30-35	–	–	3,505	35-40	–

Note 1: Kevin Roberts left AHDB on 2 April 2010. His redundancy entitlement, accounted for in the AHDB income and expenditure account for the year ended 31 March 2010 but not paid, was £218k. His benefits for the year ended 31 March 2010 included £7k for outstanding holiday pay at the date of his leaving.

Note 2: Bernadette Garvey left AHDB on 30 April 2010. Her redundancy entitlement, provided for in the AHDB income and expenditure account for the year ended 31 March 2010 but not paid, was £135k.

Note 3: Richard Lowe will leave AHDB on 31 July 2010. His redundancy entitlement, provided for in the AHDB income and expenditure account for the year ended 31 March 2010 but not paid, is £96k.

Note 4: In addition to Ian Crute's basic salary he was also paid a further £14k for consultancy work undertaken with third party organisations. This was recovered by invoicing those organisations at a pre-determined daily rate.

Contracts of employment for senior executive staff (audited)

Set out below are details of the contracts of employment for AHDB's senior executive staff as at 31 March 2010.

	Contract start date	Contract expiry date	Contract notice	Unexpired term
Kevin Roberts: Chief Executive	1-Jan-09	02-Apr-10	–	–
Jackie Dubury: Director of Human Resources and Corporate Services	15-Mar-10	Indefinite	6 months	Not applicable
Bernadette Garvey: Interim HR Director	1-Oct-07	30-Apr-10	6 months	1 month
Nick Allen: Director of EBLEX Sector	1-Oct-09	Indefinite	6 months	Not applicable
Richard Lowe: Deputy Chief Executive	1-Apr-08	31-Jul-10	12 months	3 months
Mick Sloyan: Director of BPEX Sector	1-Oct-02	Indefinite	6 months	Not applicable
Rebecca Geraghty: Director of HGCA Sector	1-Jun-09	Indefinite	6 months	Not applicable
Jonathan Cowens: HGCA Chief Executive	1-Nov-04	10-Jul-09	–	–
Shaun Tillery: Director of Finance and Business Services	1-Sep-09	Indefinite	6 months	Not applicable
Gordon Bennett: Interim Finance Director	5-Oct-98	10-Jul-09	–	–
Rob Clayton: Interim Director of Potato Council Sector	22-Feb-10	Indefinite	6 months	Not applicable
Sandra Ziles: Director of Potato Council Sector	7-Sep-09	21-Feb-10	–	–
Helen Priestley: Potato Council Chief Executive	5-Jul-99	13-Aug-09	–	–
Ken Boyns: Director of DairyCo Sector	1-Feb-07	Indefinite	6 months	Not applicable
Bill Parker: Director of HDC Sector	25-Aug-09	Indefinite	6 months	Not applicable
Martin Beckenham: HDC Chief Executive	6-Aug-97	31-Aug-09	–	–
Ian Crute: Chief Scientist	1-Sep-09	Indefinite	6 months	Not applicable
Andrew Birnie: Director of Market Intelligence	9-Nov-09	Indefinite	6 months	Not applicable

The contract start date is the date at which the employee took up their current position. The unexpired term relates to the number of months service remaining of AHDB's senior executive staff under notice of redundancy as at 31 March 2010. In the event of an early termination of a contract of employment for senior executive staff, no additional liabilities exist for AHDB over and above the specified contract notice period.

Pension scheme particulars of senior executive staff (audited)

Set out below are the pension scheme particulars of AHDB's senior executive staff during the year to 31 March 2010.

	Pension scheme details	Employees contribution rate	Employers contribution rate
Kevin Roberts: Chief Executive	MLC Defined Benefit Scheme	4%	8%
Jackie Dubury: Director of Human Resources and Corporate Services	AHDB Group Personal Pension Plan	5%	10%
Bernadette Garvey: Interim HR Director	MLC Defined Benefit Scheme	4%	8%
Nick Allen: Director of EBLEX Sector	MLC Defined Benefit Scheme	4%	8%
Richard Lowe: Deputy Chief Executive	MLC Defined Benefit Scheme	4%	8%
Mick Sloyan: Director of BPEX Sector	MLC Defined Benefit Scheme	4%	8%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme	0%	25.1%
Jonathan Cowens: HGCA Chief Executive	HGCA Defined Benefit Scheme	0%	25.1%
Shaun Tillery: Director of Finance and Business Services	MLC Defined Benefit Scheme	4%	8%
Gordon Bennett: Interim Finance Director	HGCA Defined Benefit Scheme	0%	25.1%
Rob Clayton: Interim Director of Potato Council Sector	BPC Defined Contribution Scheme	3.5%	6.5%
Sandra Ziles: Director of Potato Council Sector	Private pension arrangement	–	–
Helen Priestley: Potato Council Chief Executive	BPC Defined Contribution Scheme	3.5%	6.5%
Ken Boyns: Director of DairyCo Sector	MDC Defined Contribution Scheme	5%	12.5%
Bill Parker: Director of HDC Sector	AHDB Group Personal Pension Plan	4%	8%
Martin Beckenham: HDC Chief Executive	Private pension arrangement	0%	17%
Ian Crute: Chief Scientist	Private pension arrangement	–	–
Andrew Birnie: Director of Market Intelligence	Private pension arrangement	–	–

Pension entitlement of senior executive staff: defined benefit schemes (audited)

Set out below are details of the pension benefits accrued at and earned by each of AHDB's senior executive staff who were members of a defined benefit scheme during the year to 31 March 2010.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement as at 31-Mar-10 £'000	Real terms increase in year £'000	Annual entitlement as at 31-Mar-09 £'000	As at 31-Mar-10 £'000	Real terms increase/ (decrease) in year £'000	As at 31-Mar-09 £'000
Kevin Roberts: Chief Executive	50-55	5.0-7.5	45-50	1,174	118	874
Bernadette Garvey: Interim HR Director	25-30	0-2.5	25-30	421	27	315
Nick Allen: Director of EBLEX Sector	10-15	0-2.5	5-10	145	16	103
Richard Lowe: Deputy Chief Executive	25-30	2.5-3.0	20-25	509	48	373
Mick Sloyan: Director of BPEX Sector	45-50	0-2.5	40-45	703	36	545
Rebecca Geraghty: Director of HGCA Sector	10-15	3.0-3.5	5-10	81	9	60
Jonathan Cowens: HGCA Chief Executive	–	–	5-10	–	–	84
Shaun Tillery: Director of Finance and Business Services	15-20	0-2.5	10-15	145	15	97
Gordon Bennett: Interim Finance Director	–	–	10-15	–	–	218

Pension entitlement of senior executive staff: defined contribution schemes (audited)

Set out below are details of the pension benefits accrued at and employer's contributions made on behalf of AHDB's senior executive staff who were members of a defined contribution scheme during the year to 31 March 2010.

	Employer's contributions	
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Jackie Dubury: Director of Human Resources and Corporate Services	–	–
Rob Clayton: Interim Director of Potato Council Sector	3	–
Helen Priestley: Potato Council Chief Executive	3	7
Ken Boyns: Director of DairyCo Sector	10	10
Bill Parker: Director of HDC Sector	3	–
Martin Beckenham: HDC Chief Executive	5	11

AHDB does not operate a pension scheme for ex-Potato Council and HDC employees. However, it does pay premiums at a defined rate of annual salary to an approved personal pension scheme acceptable to AHDB. All pension arrangements are the responsibility of the employee and AHDB has no liability for the performance of the selected scheme or the provision of any future pension.

Total accrued pension

The accrued annual pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the additional pension earned during the year excludes any increase for inflation.

Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Emoluments of AHDB Board members

Set out below are details of the emoluments of AHDB's Board members during the year ended 31 March 2010. No Board members were members of any Pension Scheme provided by AHDB and no other cash or non-cash benefits were provided.

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
John Bridge (Chairman AHDB)	90-95	90-95
Tim Bennett (Chairman DairyCo Sector Board)	45-50	45-50
Stewart Houston (Chairman BPEX Sector Board)	45-50	45-50
John Cross (Chairman EBLEX Sector Board)	55-60	45-50
Neil Bragg (Chairman HDC Sector Board)	40-45	40-45
Jonathan Tipples (Chairman HGCA Sector Board)	45-50	45-50
Allan Stevenson (Chairman Potato Council Sector Board from 21 July 2008)	45-50	30-35
Dennis Heywood (Chairman Potato Council Sector Board from 1 April to 21 July 2008)	–	15-20
Lorraine Clinton (Independent Director AHDB)	20-25	20-25
Clare Dodgson (Independent Director AHDB)	10-15	10-15
Christopher Bones (Independent Director AHDB)	10-15	10-15

The emoluments of AHDB's Board members during the year ended 31 March 2010 were paid on the basis that a certain number of planned days were worked. This is subject to further reconciliation during the first quarter of the year ending 31 March 2011 and may give rise to further adjustments to the amounts actually paid.

Tom Taylor,
Chief Executive and Accounting Officer,
Agriculture and Horticulture Development Board

The Certificate and Report of the Comptroller and Auditor General to the Houses Of Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Agriculture and Horticulture Development Board for the year ended 31 March 2010 under the Natural Environment and Rural Communities Act 2006. These comprise the Group Income and Expenditure Account, Group and Parent Statements of Changes in Reserves, Group and Parent Statements of Financial Position, Group and Parent Statements of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board and Chief Executive and the auditor

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agriculture and Horticulture Development Board's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agriculture and Horticulture Development Board; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Agriculture and Horticulture Development Board's and the Group's affairs as at 31 March 2010 and of the Group's deficit, changes in the Agriculture and Horticulture Development Board's and Group's reserves and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Ministerial directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Ministerial directions issued under the Natural Environment and Rural Communities Act 2006; and
- the information given in the Chairman's Statement, Chief Executive's Report, Sector Reports and Financial Review, included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP

23 June 2010

Consolidated income and expenditure account

for the year ended 31 March 2010

	Note	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Income			
Gross levy	3	48,187	48,494
Non-levy sources	3	9,199	10,778
Total income		57,386	59,272
Operating expenditure			
Levy collection	3	(1,228)	(1,290)
Core strategic activities	3	(53,829)	(59,777)
Current pension service cost	13d	(1,143)	(1,774)
Past pension service cost	13d	(918)	–
Total operating expenditure		(57,118)	(62,841)
Surplus /(deficit) on ordinary activities before interest and taxation		268	(3,569)
Notional cost of capital	22	(793)	(1,235)
Exceptional reorganisation expenditure	5	(1,176)	(7,965)
Interest receivable	7	14	759
Other finance (expenditure)/income	13d	(894)	1,211
Pension curtailment loss	13d	(606)	–
Deficit on ordinary activities before taxation		(3,187)	(10,799)
Taxation	8	(101)	(309)
Deficit on ordinary activities after taxation		(3,288)	(11,108)
Reversal of the notional cost of capital	22	793	1,235
Retained deficit for the financial year		(2,495)	(9,873)

All the organisation's activities are in respect of continuing operations.

The notes on pages 69 to 105 are an integral part of these consolidated financial statements.

Consolidated statement of changes in reserves

for the year ended 31 March 2010

	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Minority interest £'000	Total reserves £'000
Balance as at 1 April 2008	26,003	13,352	2,385	4	41,744
Deficit for the year	(9,873)	–	–	–	(9,873)
Pension (loss)/gain	–	(2,282)	–	–	(2,282)
Deficit on revaluation	–	–	(741)	–	(741)
Other recognised income and expenditure	–	(2,282)	(741)	–	(3,023)
Transfers to pension reserve	(608)	608	–	–	–
Transfers to revaluation reserve	26	–	(26)	–	–
Reserves transfers	(582)	608	(26)	–	–
Balance as at 31 March 2009	15,548	11,678	1,618	4	28,848
Balance at 1 April 2009	15,548	11,678	1,618	4	28,848
Deficit for the year	(2,495)	–	–	–	(2,495)
Minority interest acquisition	4	–	–	(4)	–
Pension (loss)/gain	–	(9,568)	–	–	(9,568)
Deficit on revaluation	–	–	(316)	–	(316)
Other recognised income and expenditure	–	(9,568)	(316)	–	(9,884)
Transfers to pension reserve	(321)	321	–	–	–
Transfers to revaluation reserve	–	–	–	–	–
Reserves transfers	(321)	321	–	–	–
Balance as at 31 March 2010	12,736	2,431	1,302	–	16,469

Reserves are allocated to the reporting segments as detailed below:

EBLEX	2,846	2,400	–	–	5,246
BPEX	2,895	1,200	1,187	–	5,282
HGCA	(836)	(1,169)	–	–	(2,005)
Potato Council	1,244	–	115	–	1,359
DairyCo	4,926	–	–	–	4,926
HDC	1,661	–	–	–	1,661
Minority interest	–	–	–	–	–
Total	12,736	2,431	1,302	–	16,469

Pension reserve

All assets and liabilities in relation to the MLC and HGCA Pension Schemes, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are separately ring-fenced from AHDB's normal operating activities and relate to the red meat (i.e. EBLEX and BPEX) and HGCA divisions respectively only, having no financial impact on any other division within AHDB.

HGCA accumulated reserve position

HGCA's accumulated fund deficit position has been caused primarily by a deficit on ordinary activities before interest and taxation of £1.7m and the fact that a revised calculation relating to allocation of exceptional reorganisation expenditure resulted in a 10% increase in their share of costs, worth an additional £1.3m (see Note 3a.). A special contribution into the HGCA Pension Scheme of £350k was also required during the year to address the deficit in that Scheme.

AHDB statement of changes in reserves

for the year ended 31 March 2010

	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance as at 1 April 2008	24,528	13,352	2,211	40,091
Deficit for the year	(9,689)	–	–	(9,689)
Pension (loss)/gain	–	(2,282)	–	(2,282)
Deficit on revaluation	–	–	(682)	(682)
Other recognised income and expenditure	–	(2,282)	(682)	(2,964)
Transfers to pension reserve	(608)	608	–	–
Transfers to revaluation reserve	26	–	(26)	–
Reserves transfers	(582)	608	(26)	–
AHDB investment in SBEU	(72)	–	–	(72)
Balance as at 31 March 2009	14,185	11,678	1,503	27,366
Balance at 1 April 2009	14,185	11,678	1,503	27,366
Deficit for the year	(2,438)	–	–	(2,438)
Minority interest acquisition	4	–	–	4
Pension (loss)/gain	–	(9,568)	–	(9,568)
Deficit on revaluation	–	–	(316)	(316)
Other recognised income and expenditure	–	(9,568)	(316)	(9,884)
Transfers to pension reserve	(321)	321	–	–
Transfers to revaluation reserve	–	–	–	–
Reserves transfers	(321)	321	–	–
Balance as at 31 March 2010	11,430	2,431	1,187	15,048

Reserves are allocated to the reporting segments as detailed below:

EBLEX	1,903	2,400	–	4,303
BPEX	2,423	1,200	1,187	4,810
HGCA	(836)	(1,169)	–	(2,005)
Potato Council	1,359	–	–	1,359
DairyCo	4,920	–	–	4,920
HDC	1,661	–	–	1,661
Total	11,430	2,431	1,187	15,048

Consolidated statement of financial position

as at 31 March 2010

	Note	As at 31-Mar-10		As at 31-Mar-09		As at 31-Mar-08	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, plant and equipment	9	3,975		5,251		5,986	
Intangibles	10	43		73		103	
Investments	11	–		75		157	
Pension asset	13f	3,600		11,678		13,600	
Total non-current assets			7,618		17,077		19,846
Current assets							
Inventories	14	–		50		–	
Trade and other receivables	15	10,988		10,409		13,617	
Cash and cash equivalents	16	13,149		20,886		24,662	
Total current assets			24,137		31,345		38,279
Total assets			31,755		48,422		58,125
Current liabilities							
Trade and other payables	17	(12,802)		(11,227)		(13,740)	
Total current liabilities			(12,802)		(11,227)		(13,740)
Non-current liabilities							
Trade and other payables	17	–		(31)		(41)	
Defra underwrite for redundancy		–		–		(1,927)	
Provisions	18	(1,315)		(8,316)		(425)	
Pension liability	13f	(1,169)		–		(248)	
Total non-current liabilities			(2,484)		(8,347)		(2,641)
Net assets			16,469		28,848		41,744
Reserves							
Accumulated funds			12,736		15,548		26,003
Total pension reserve			2,431		11,678		13,352
Revaluation reserve			1,302		1,618		2,385
Minority interests	11		–		4		4
Total reserves			16,469		28,848		41,744

The financial statements on pages 61 to 105 were approved by the AHDB Board at a meeting on 14 June 2010 and signed on its behalf on 18 June 2010 by:

John Bridge
Chairman

Tom Taylor
Chief Executive and Accounting Officer

AHDB statement of financial position

as at 31 March 2010

	Note	As at 31-Mar-10		As at 31-Mar-09		As at 31-Mar-08	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, plant and equipment	9	3,668		4,951		5,614	
Intangibles	10	43		73		103	
Investments	11	300		300		372	
Pension asset	13f	3,600		11,678		13,600	
Total non-current assets			7,611		17,002		19,689
Current assets							
Inventories	14	–		50		–	
Trade and other receivables	15	10,316		9,244		12,562	
Cash at bank and in hand	16	12,503		19,576		23,383	
Total current assets			22,819		28,870		35,945
Total assets			30,430		45,872		55,634
Current liabilities							
Trade and other payables	17	(12,898)		(10,159)		(12,902)	
Total current liabilities			(12,898)		(10,159)		(12,902)
Non-current liabilities							
Trade and other payables	17	–		(31)		(41)	
Defra underwrite for redundancy		–		–		(1,927)	
Provisions	18	(1,315)		(8,316)		(425)	
Pension liability	13f	(1,169)		–		(248)	
Total non-current liabilities			(2,484)		(8,347)		(2,641)
Net assets			15,048		27,366		40,091
Reserves							
Accumulated funds			11,430		14,185		24,528
Total pension reserve			2,431		11,678		13,352
Revaluation reserve			1,187		1,503		2,211
Total reserves			15,048		27,366		40,091

The financial statements on pages 61 to 105 were approved by the AHDB Board at a meeting on 14 June 2010 and signed on its behalf on 18 June 2010 by:

John Bridge
Chairman

Tom Taylor
Chief Executive and Accounting Officer

Consolidated statement of cash-flow

for the year ended 31 March 2010

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Cash-flows from operating activities		
Deficit on ordinary activities before taxation	(3,187)	(10,799)
Adjustment for:		
Notional cost of capital	793	1,235
Interest receivable	(14)	(759)
Depreciation	588	645
Current pension service cost	1,143	1,774
Past service cost	918	–
Other finance income/(expenditure)	894	(1,211)
Pension curtailment cost	606	–
(Loss)/surplus on disposal of property, plant and equipment	(2)	7
Impairment of property, plant and equipment	1,059	(5)
Decrease/(increase) in inventories	50	(50)
(Increase) decrease in trade and other receivables	(579)	3,208
Increase/(decrease) in trade and other payables	1,928	(4,565)
(Decrease)/increase in provisions	(7,001)	7,891
	383	8,170
Tax paid	(410)	(105)
Pension contributions paid	(3,882)	(1,171)
Cash-flows from operating activities	(7,096)	(3,905)
Cash-flows from investing activities		
Interest received	14	756
Payments to acquire property, plant and equipment	(671)	(634)
Receipts from sale of property, plant and equipment	16	7
Cash-flows from investing activities	(641)	129
Decrease in cash	(7,737)	(3,776)
Balance at 1 April	20,886	24,662
Net change in cash and cash equivalents	(7,737)	(3,776)
Balance at 31 March	13,149	20,886

AHDB statement of cash-flow

for the year ended 31 March 2010

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Cash-flows from operating activities		
Deficit on ordinary activities before taxation	(3,210)	(10,809)
Adjustment for:		
Notional cost of capital	793	1,235
Interest receivable	(9)	(759)
Depreciation	588	632
Current pension service cost	1,143	1,774
Past service cost	918	–
Other finance income/(expenditure)	894	(1,211)
Pension curtailment cost	606	–
(Loss)/surplus on disposal of property, plant and equipment	(2)	7
Impairment of property, plant and equipment	1,059	(5)
Decrease/(increase) in inventories	50	(50)
(Increase)/decrease in trade and other receivables	(1,072)	3,318
Increase/(decrease) in trade and other payables	2,911	(4,685)
(Decrease)/increase in provisions	(7,001)	7,891
	878	8,147
Tax paid	(220)	(105)
Pension contributions paid	(3,882)	(1,171)
Cash-flows from operating activities	(4,102)	(3,938)
Cash-flows from investing activities		
Interest received	9	759
Payments to acquire property, plant and equipment	(664)	(635)
Receipts from sale of property, plant and equipment	16	7
Cash-flows from investing activities	(639)	131
Decrease in cash	(7,073)	(3,807)
Balance at 1 April	19,576	23,383
Net change in cash and cash equivalents	(7,073)	(3,807)
Balance at 31 March	12,503	19,576

Notes to the financial statements

1. Principal accounting policies

The accounts are prepared in accordance with the Agriculture and Horticulture Development Board Order 2008 and the accounts direction issued by the Secretary of State for Environment, Food and Rural Affairs. The accounts direction requires compliance with HM Treasury's Financial Reporting Manual (FReM) and any other guidance issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDPB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NDPB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Since this is the first year in which the NDPB has prepared financial statements under IFRS, the comparatives have been restated from accounting principles generally accepted in the UK (UK GAAP) to comply with IFRS. Disclosures required under IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 2.

Accounting convention

The consolidated accounts have been prepared on a going concern basis, under the historical cost convention, modified to account for the revaluation of tangible fixed assets in line with IAS 16 'Property, plant and equipment'.

Consolidation

The consolidated financial statements incorporate the financial statements of the AHDB and its subsidiaries. Where necessary, adjustments are made to bring the accounting policies under UK generally accepted accounting principles (UK GAAP) used in the individual financial statements of the subsidiaries into line with those used by the AHDB in its consolidated financial statements under IFRS. Inter-company transactions are eliminated. There is further information regarding the consolidation and investments of the group in Note 11.

Segmental Reporting

In addition to presenting the consolidated financial results and financial position in the financial statements, we provide a breakdown of those results and balances into our business segments in line with IFRS 8 'Segmental Reporting'. The presentation of segmental information is based on management responsibilities that existed at 31 March 2010 and the external and regulatory environments in which we operate. Our business segments are EBLEX, BPEX, HGCA, Potato Council, DairyCo, HDC, and AHDB corporate. The segmental reporting disclosures can be found in Note 3.

Levy income

AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain; and cereals and oilseeds sector in the UK.

Levy income is based on the latest available estimates of sector-specific levy quantities, as billable within the provisions of Schedule 3 of the AHDB Order 2008.

The value of levies recognised in the financial statements, is a combination of actual levies invoiced during the year, and an accrual for any non-invoiced levy income for the same period.

a) Red meat levies

Red meat levies consist of two parts: the producer levy and the slaughterer/exporter levy. The producer element is collected and held on trust for AHDB by slaughterers and exporters who pay the levy direct to AHDB. Levy is calculated on the number of animals slaughtered or exported and these details are notified to AHDB through the completion of regular returns. Abattoirs inform AHDB on a weekly basis of the number of animals which they have slaughtered that were subject to levy. Smaller abattoirs are permitted to submit returns on a less frequent basis. In all cases the number of animals slaughtered are broken down by category, i.e. pigs, cattle, sheep, calves. Slaughterhouses are required to pay the levy due within 15 days of the end of the month, for animals slaughtered in that month. Exporters submit a return within 30 days of the end of the month giving the number of animals exported during the previous month. Upon receipt of the return, AHDB calculates the levy due and issues an invoice for payment.

Notes to the financial statements

1. Principal accounting policies (continued)

Levy income (continued)

b) Horticulture levies

Levy is payable on vegetables grown in the open (except potatoes where there are separate arrangements), fruit, flowers and bulbs, hardy and nursery stock, protected crops and herbs. There is a threshold above which levy becomes payable, such that if a horticultural grower's adjusted sales figure, made during the accounting year of the grower that ended in any year ending 31 March, is £60,000 or more, levy will be due. The Order provides details of the adjustments that may be applied to establish the adjusted sales figure. With the exception of mushrooms, the levy is calculated as a percentage of the adjusted sales figure. Levy due is payable on invoice. Any person liable to pay horticultural levy completes the appropriate form and returns it to AHDB on, or by, 30 June each year. The information provided must be sufficient to enable levy to be calculated by AHDB for the year ending 31 March that year and must be certified by an accountant who meets the requirements specified in the Order unless AHDB has agreed that an accountants certificate is not required. The basis of levy on mushrooms differs from all other horticultural produce. The levy is based on litres of mushroom spawn, or compost containing mushroom spawn used or sold, and differential rates apply to agaricus and non-agaricus mushrooms. Levy becomes due if, in any year ending 31 March, a person buys more than 700 litres of mushroom spawn or compost containing mushroom spawn. The levy is payable on invoice.

c) Milk levies

A person who buys milk from a producer pays a levy to AHDB which the buyer deducts from the price paid to the producer. Levy is also payable by those producers who sell their milk direct to the public from their holding, as defined in the Order. Milk levy is based on volume. Milk buyers notify AHDB at the end of every month the amount of milk bought in that month. Direct sellers of milk are required by 14 May each year to notify AHDB of the amount of milk produced on that holding for the previous year ending 1 April. The Levy due from both buyers and direct sellers is payable on invoice. The value of milk levies recognised in the accounts of AHDB is a combination of actual levy invoices raised for milk produced or sold direct and notified to AHDB within the period 1 April to 31 March and an estimate for any missing levy returns for the same period.

d) Potato levies

Potato buyers as well as potato growers are required to pay levy. The levy on potato growers is based on area planted, with a minimum threshold at which levy becomes payable of three hectares. Buyers of potatoes are levied on weight, with a minimum threshold at which levy becomes payable of 1,000 tonnes bought in any year ending 30 June. Each year growers must submit a return by 1 June giving details of the area planted, or intended to be planted that calendar year, and the identity of the fields planted. The levy due is paid to AHDB by 1 December following. Buyers liable to pay levy submit monthly returns to AHDB by the 28th day of each month giving the tonnage bought in the previous month. Levy is payable on invoice.

e) Cereals and oilseeds levies

The cereal levy has two elements - a grower levy and a buyer levy. A buyer of cereals must deduct the grower levy element from the price paid and hold it on trust for AHDB. 5% of the combined grower and buyer levy is then taken as commission by the buyer and the remainder paid to AHDB. For oilseeds there is only a grower levy and so a buyer must deduct all the levy from the price paid to the grower and hold it on trust, which must then be paid to AHDB. It is the growers responsibility to pay the levy direct to AHDB based on the weight of cereals or oilseeds sold if they are bought by either the appropriate authority, or a buyer outside the UK, or a company registered outside of the UK.

Levy is also payable on cereals that are processed, with differential rates applying dependent on whether the cereals are processed into feeding stuffs or non-feeding stuffs. The lower rate being applicable to cereals processed into animal feed. Returns for cereals are required at the end of each quarter by any person liable to pay levy. The return includes the amount of cereal bought, processed or sold, on which levy is due. However, where the weight of cereal bought is less than 250 tonnes in any year ending in June, or less than 1000 tonnes processed annually, then an annual return may be completed. For oilseeds, twice yearly returns are required providing details of oilseeds bought in the previous 6 month period ending 30 June and 31 December. Any person who is liable to pay levy has 28 days from the dates specified in the legislation to submit a return for cereal and oilseed to AHDB. Payment of the levy to AHDB is then required within 21 days from the end of the 28 day return period.

Notes to the financial statements

1. Principal accounting policies (continued)

Government grants

Government grant income to AHDB is for the delivery of specific programmes of work and is recognised in the income and expenditure account in the period in which it becomes receivable. Grant and other operating expenditure are charged to the income and expenditure account as incurred, on an accruals basis.

Research and development expenditure

Research and development expenditure is charged to the income and expenditure account as incurred, on an accruals basis. Research and development expenditure is not capitalised to the statement of financial position, due to the Statutory Instrument preventing AHDB from restricting access of other parties to future benefits of the research activities undertaken by AHDB. Consequently as a result the research and development expenditure does not meet the requirements for capitalisation under IAS 38 'Intangible Assets'.

Finance and operating leases

Operating lease rentals are charged to the income and expenditure account in equal annual instalments over the lease term.

Leasing agreements, which transfer to the Group substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment and the capital elements of the leasing commitments are shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance. Transactions which may give rise to exceptional items are principally costs associated with AHDB's co-location at Stoneleigh as they meet the criteria required by IAS 1 'Presentation of Financial Statements' by being the costs of a fundamental reorganisation or restructuring.

Capital charge

A notional average cost of capital employed during the year is shown in the income and expenditure account, in accordance with the Treasury's Accounts Guidance. The prescribed rate of interest during the year was 3.5%.

Property, plant and equipment

Property, plant and equipment include assets purchased directly by AHDB and assets for which the legal title transferred to AHDB under the Agriculture and Horticulture Development Board Order 2008.

Expenditure on property, plant and equipment of £1,000 is capitalised when it is probable that the asset will generate future economic benefits. On initial recognition, assets are valued at cost and any costs attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and are carried at fair value. Land and buildings are stated at their fair value based on an annual professional valuation as at the end of the financial year. All non-property assets are deemed to be short-life or low value assets and are valued on the basis of depreciated replacement cost as an approximation of fair value.

Depreciation is calculated so as to write off the cost or valuation of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:

- Freehold buildings: 10 to 50 years
- Leasehold buildings: Life of lease
- Plant and machinery: 3 to 10 years
- Furniture and fittings: 1 to 5 years
- Motor vehicles: 2.5 to 5 years
- IT – Computer hardware and software: 1 to 5 years

Freehold land is not depreciated.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises the cost of direct materials and those costs that have been incurred in bringing the inventories to their present condition.

Trade receivables

Notes to the financial statements

1. Principal accounting policies (continued)

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for impairment of trade receivables is established when there is objective evidence that the AHDB will not be able to collect all amounts due according to the original terms. Bad debts are written off when identified.

Provisions

A provision is recognised where there is a legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions that are payable over a number of years are discounted to net present value using a discount rate appropriate to the particular provision concerned.

Pensions

AHDB operates both defined benefit and defined contribution schemes for the benefit of employees.

a) Defined benefit scheme

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of recognised income and expense. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset and liability are shown gross in the notes to the financial statements.

Past service costs are recognised immediately to the extent that benefits are already vested. Otherwise such costs are amortised on a straight-line basis over the period until the benefits vest.

Settlements are recognised when a transaction is entered into that eliminates all further legal or constructive obligations for benefits under a scheme.

Curtailments are recognised when a commitment is made to a material reduction in the number of employees covered by a scheme.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost.

The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within interest income and expense respectively.

Applying the requirements of IFRIC 14, as AHDB has an unconditional right to a refund of surplus from the MLC and HGCA Pension Schemes during the lifetime of those Schemes or when they wind up there is no limit on the asset that AHDB can show as part of its statement of financial position.

b) Defined contribution scheme

The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by AHDB for the accounting period in respect of this scheme.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

All foreign exchange differences are taken to the income and expenditure account in the year in which they arise.

Financial instruments

AHDB does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables.

2. First time adoption of IFRS

As stated in Note 1, this is the first year in which AHDB has prepared financial statements under IFRS. The first time transition from UK GAAP to IFRS has resulted in no impact on AHDB's reported financial position, financial performance and cash flows.

Notes to the financial statements

3a. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2010

	Note	EBLEX division £'000	BPEX division £'000	HGCA division £'000	Potato Council division £'000	DairyCo division £'000	HDC division £'000	AHDB corporate centre £'000	AHDB group total £'000
Income									
Gross levy		12,670	7,564	9,929	5,938	6,744	5,342	–	48,187
Non-levy sources:									
Fee and grant income		866	896	342	436	99	153	1,229	4,021
Commercial services income		3,452	1,726	–	–	–	–	–	5,178
Sub-total non-levy sources		4,318	2,622	342	436	99	153	1,229	9,199
Total income		16,988	10,186	10,271	6,374	6,843	5,495	1,229	57,386
Operating expenditure									
Levy collection		(243)	(123)	(431)	(390)	(22)	(19)	–	(1,228)
Core strategic activities:									
Research and development and knowledge transfer		(2,124)	(2,318)	(5,184)	(2,755)	(2,669)	(4,319)	–	(19,369)
Promotion		(6,916)	(2,948)	(752)	(1,327)	(683)	(47)	–	(12,673)
International		(361)	(123)	(352)	–	(1)	–	–	(837)
Supply chain integration		(200)	(235)	(320)	(403)	–	–	–	(1,158)
Market intelligence		(759)	(660)	(638)	(308)	(516)	–	–	(2,881)
Communications		(1,217)	(310)	(978)	(31)	(585)	(225)	–	(3,346)
Support		(1,300)	(1,091)	(2,284)	(1,236)	(1,675)	(797)	(60)	(8,443)
Share of expenditure of joint venture		–	–	–	–	–	–	–	–
Commercial services		(3,415)	(1,707)	–	–	–	–	–	(5,122)
Sub-total core strategic activities:		(16,292)	(9,392)	(10,508)	(6,060)	(6,129)	(5,388)	(60)	(53,829)
Current pension service cost	13d	(667)	(333)	(143)	–	–	–	–	(1,143)
Past pension service cost	13d	–	–	(918)	–	–	–	–	(918)
Total operating expenditure		(17,202)	(9,848)	(12,000)	(6,450)	(6,151)	(5,407)	(60)	(57,118)

Notes to the financial statements

3a. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2010 (continued)

	Note	EBLEX division £'000	BPEX division £'000	HGCA division £'000	Potato Council division £'000	DairyCo division £'000	HDC division £'000	AHDB corporate centre £'000	AHDB group total £'000
Surplus on ordinary activities before interest and taxation		(214)	338	(1,729)	(76)	692	88	1,169	268
Reallocate exceptional reorganisation expenditure 2008/09 on new basis		488	148	(1,002)	(556)	580	342	–	–
Exceptional expenditure	5	(673)	(386)	2,918	(4)	–	–	(3,031)	(1,176)
Allocation of AHDB net corporate centre surplus to divisions		(302)	(226)	(765)	(423)	(69)	(80)	1,865	–
Interest receivable	7	4	3	–	2	6	2	(3)	14
Other finance expenditure	13d	(534)	(266)	(94)	–	–	–	–	(894)
Pension curtailment (loss)/gain	13f	400	200	(1,206)	–	–	–	–	(606)
Deficit on ordinary activities before taxation		(831)	(189)	(1,878)	(1,057)	1,209	352	–	(2,394)
Taxation	8	(63)	(32)	–	(1)	(4)	(1)	–	(101)
Retained deficit for financial year		(894)	(221)	(1,878)	(1,058)	1,205	351	–	(2,495)
Depreciation included in core strategic activities expenditure	4	(3)	(95)	(58)	(92)	(22)	(3)	(315)	(588)

AHDB entity

AHDB's income and expenditure account is consolidated with its subsidiaries, as detailed in Note 11. AHDB had a deficit of £2,438k for the year ended 31 March 2010 (2009: deficit £9,689k).

Assets and liabilities

Assets and liabilities have not been separately reported by division.

Exceptional reorganisation expenditure

Exceptional reorganisation expenditure relating to AHDB's co-location at Stoneleigh has been accounted for centrally and allocated to sector divisions on the basis of their respective pre-Levy Board Review support costs, which were updated during last year as reflected within the reallocation line seen above. This was deemed to be the fairest means of apportioning exceptional reorganisation expenditure back to sector divisions by the AHDB Board.

Notes to the financial statements

3b. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2009

	Note	EBLEX division £'000	BPEX division £'000	HGCA division £'000	Potato Council division £'000	DairyCo division £'000	HDC division £'000	AHDB corporate centre £'000	AHDB group total £'000
Income									
Gross levy		13,536	6,921	10,063	6,036	6,674	5,264	–	48,494
Non-levy sources:									
Fee and grant income		1,111	699	692	200	119	221	–	3,042
Commercial services income		5,159	2,577	–	–	–	–	–	7,736
Sub-total non-levy sources		6,270	3,276	692	200	119	221	–	10,778
Total income		19,806	10,197	10,755	6,236	6,793	5,485	–	59,272
Operating expenditure									
Levy collection		(281)	(133)	(395)	(456)	–	(25)	–	(1,290)
Core strategic activities:									
Research and development and knowledge transfer		(2,293)	(4,548)	(5,318)	(2,662)	(2,020)	(3,752)	–	(20,593)
Promotion		(6,295)	(3,235)	(1,145)	(1,351)	(547)	(140)	–	(12,713)
International		(201)	(208)	(427)	(124)	–	–	–	(960)
Supply chain integration		(126)	(137)	(393)	–	–	–	–	(656)
Market intelligence		(1,226)	(743)	(850)	(331)	(632)	–	–	(3,782)
Communications		(963)	(213)	(1,188)	(67)	(475)	–	–	(2,906)
Support		(1,579)	(1,286)	(1,733)	(1,415)	(1,402)	(914)	(2,287)	(10,616)
Share of expenditure of joint venture		–	–	–	–	(449)	–	–	(449)
Commercial services		(4,735)	(2,367)	–	–	–	–	–	(7,102)
Sub-total core strategic activities:		(17,418)	(12,737)	(11,054)	(5,950)	(5,525)	(4,806)	(2,287)	(59,777)
Current pension service cost	13d	(867)	(433)	(474)	–	–	–	–	(1,774)
Total operating expenditure		(18,566)	(13,303)	(11,923)	(6,406)	(5,525)	(4,831)	(2,287)	(62,841)

Notes to the financial statements

3b. Analysis of income and expenditure by segment: Actual for the year ended 31 March 2009 (continued)

	Note	EBLEX division £'000	BPEX division £'000	HGCA division £'000	Potato Council division £'000	DairyCo division £'000	HDC division £'000	AHDB corporate centre £'000	AHDB group total £'000
Deficit on ordinary activities before interest and taxation		1,240	(3,106)	(1,168)	(170)	1,268	654	(2,287)	(3,569)
Exceptional expenditure	5	–	–	–	–	–	–	(7,965)	(7,965)
Allocation of AHDB net corporate centre surplus to divisions		(2,148)	(1,392)	(3,204)	(1,770)	(958)	(780)	10,252	–
Interest receivable	7	130	158	231	109	69	62	–	759
Other finance expenditure	13d	733	367	111	–	–	–	–	1,211
Deficit on ordinary activities before taxation		(45)	(3,973)	(4,030)	(1,831)	379	(64)	–	(9,564)
Taxation	8	(168)	(84)	–	(26)	(13)	(17)	–	(308)
Share of taxation in joint venture	8	–	–	–	–	(1)	–	–	(1)
Retained deficit for the financial year		(213)	(4,057)	(4,030)	(1,857)	365	(81)	–	(9,873)
Depreciation included in core strategic activities expenditure	4	(5)	(90)	(191)	(116)	(43)	(6)	(194)	(645)

Notes to the financial statements

4. Income and expenditure on ordinary activities before interest and taxation

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Surplus/(deficit) on ordinary activities before interest is stated after charging/(crediting)		
Rentals under operating leases:		
- Leasehold property rents	483	662
- Vehicle leases	316	342
- Hire of equipment	267	91
Research and development expenditure	15,092	15,312
Exchange losses	26	–
Non-cash items:		
Depreciation	588	645
Profit on disposal of property, plant and equipment	(2)	(1)
Loss on disposal of property, plant and equipment	–	3
Impairment of property, plant and equipment	–	5
Provision provided for in year	539	7,891
Auditors' remuneration and expenses	183	200

5. Exceptional reorganisation expenditure

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Redundancy	246	(4,556)
HGCA pension fund enhancement	2,000	(2,000)
Property lease termination	–	(1,335)
Relocation	(495)	–
Recruitment	(381)	–
IT infrastructure	(648)	–
Temporary office refurbishment	(304)	–
Winterhill House running costs: August '09 to March '10	(298)	–
Other transition costs	(237)	(74)
Impairment of market value of Winterhill House	(1,059)	–
Total exceptional expenditure	(1,176)	(7,965)

Notes to the financial statements

6. Staff numbers and related costs

	For the year ended 31-Mar-10			For the year ended 31-Mar-09		
	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff
Numbers employed						
The average full time equivalent numbers employed by AHDB during the year were:						
Commercial activities						
Commercial services	132	–	132	214	7	221
Other fee earning and grant-supported activities						
Non-levy activities	5	–	5	10	–	10
Levy dependent activities						
Research and development and knowledge transfer	93	1	94	91	–	91
Promotion	48	1	49	50	–	50
International	4	–	4	7	–	7
Supply chain integration	4	–	4	5	–	5
Market intelligence	31	–	31	30	3	33
Communications	33	1	34	30	2	32
Support	76	6	82	82	6	88
Total levy dependant activities	289	9	298	295	11	306
Total	426	9	435	519	18	537
Staff costs	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	15,189	312	15,501	16,621	327	16,948
Social security costs	1,335	–	1,335	1,579	8	1,587
Other pension costs - current service costs (Note 13d)	1,143	–	1,143	1,774	–	1,774
Past service cost (Note 13d)	918	–	918	–	–	–
Defined contribution scheme costs	484	–	484	553	–	553
Total staff costs	19,069	312	19,381	20,527	335	20,862

Notes to the financial statements

7. Interest receivable

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Interest receivable	14	759
Share of interest receivable in joint venture	–	–
	14	759
Allocated to accumulated funds		
EBLEX division fund	4	130
BPEX division fund	3	158
HGCA division fund	–	231
Potato Council division fund	2	109
DairyCo division fund	6	69
HDC division fund	2	62
AHDB corporate centre	(3)	–
	14	759

Notes to the financial statements

8. Taxation

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Current tax		
UK corporation tax on commercial profits for the period	(12)	(54)
Adjustment for timing differences on capital allowances	–	(10)
UK corporation tax on interest income for the period	(4)	(213)
Under provision in respect of prior years	(85)	(31)
Tax on profit on ordinary activities	(101)	(308)
Share of taxation in joint venture	–	(1)
	(101)	(309)
Allocated to accumulated funds		
EBLEX division fund	(63)	(168)
BPEX division fund	(32)	(84)
HGCA division fund	–	–
Potato Council division fund	(1)	(26)
DairyCo division fund	(4)	(14)
HDC division fund	(1)	(17)
	(101)	(309)

The tax on commercial profits assessed for the year differs from the small companies rate of corporation tax in the UK 21% (2009: standard rate 28%). The differences are explained below:

	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Deficit on ordinary activities before taxation	(3,187)	(10,799)
Add back notional cost of capital	793	1,235
Adjusted deficit on ordinary activities before taxation	(2,394)	(9,564)
Adjusted deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	670	2,678
Effects of:		
Income not chargeable for taxation purposes	14,618	14,553
Expenditure not deductible for taxation purposes	(15,304)	(17,285)
Standard UK corporation tax 28% (2009: 28%) on interest receivable	(4)	(213)
Under provision in respect of prior years	(85)	(41)
Adjustment for small companies rate of corporation tax in the UK (21%)	4	–
Current tax charge for the year	(101)	(308)
Share of taxation in joint venture	–	(1)
	(101)	(309)

Notes to the financial statements

9. Property, plant and equipment

Group	Land £'000	Buildings £'000	Buildings under construction £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation									
As at 1 April 2008	1,900	3,622	–	311	1,798	1,044	483	245	9,403
Additions	–	–	–	–	635	–	–	–	635
Disposals	–	–	–	–	(69)	–	–	(17)	(86)
Impairment	–	–	–	–	(5)	–	–	–	(5)
Revaluation	110	(1,082)	–	–	–	–	–	–	(972)
As at 31 March 2009	2,010	2,540	–	311	2,359	1,044	483	228	8,975
As at 1 April 2009	2,010	2,540	–	311	2,359	1,044	483	228	8,975
Additions	–	–	355	–	260	3	53	–	671
Disposals	–	–	–	–	–	–	–	(57)	(57)
Impairment	–	–	–	–	–	–	–	–	–
Revaluation	(330)	(1,221)	–	–	–	–	–	–	(1,551)
As at 31 March 2010	1,680	1,319	355	311	2,619	1,047	536	171	8,038
Depreciation									
As at 1 April 2008	–	–	–	(213)	(1,731)	(924)	(465)	(84)	(3,417)
Charge for year	–	(231)	–	(21)	(250)	(30)	(18)	(65)	(615)
Relating to disposals	–	–	–	–	69	–	–	8	77
Revaluation	–	231	–	–	–	–	–	–	231
As at 31 March 2009	–	–	–	(234)	(1,912)	(954)	(483)	(141)	(3,724)
As at 1 April 2009	–	–	–	(234)	(1,912)	(954)	(483)	(141)	(3,724)
Charge for year	–	(176)	–	(15)	(270)	(30)	(18)	(49)	(558)
Relating to disposals	–	–	–	–	–	–	–	43	43
Revaluation	–	176	–	–	–	–	–	–	176
As at 31 March 2010	–	–	–	(249)	(2,182)	(984)	(501)	(147)	(4,063)
Net book amount as at 31 March 2010	1,680	1,319	355	62	437	63	35	24	3,975
Net book amount as at 31 March 2009	2,010	2,540	–	77	447	90	–	87	5,251
Net book amount as at 31 March 2008	1,900	3,622	–	98	67	120	18	161	5,986

Notes to the financial statements

9. Property, plant and equipment (continued)

AHDB	Land £'000	Buildings £'000	Buildings under construction £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation									
As at 1 April 2008	1,790	3,360	–	311	1,795	193	483	244	8,176
Additions	–	–	–	–	635	–	–	–	635
Disposals	–	–	–	–	(69)	–	–	(17)	(86)
Impairment	–	–	–	–	(5)	–	–	–	(5)
Revaluation	110	(1,010)	–	–	–	–	–	–	(900)
As at 31 March 2009	1,900	2,350	–	311	2,356	193	483	227	7,820
As at 1 April 2009	1,900	2,350	–	311	2,356	193	483	227	7,820
Additions	–	–	355	–	252	4	53	–	664
Disposals	–	–	–	–	(3)	–	–	(54)	(57)
Impairment	–	–	–	–	–	–	–	–	–
Revaluation	(320)	(1,231)	–	–	–	–	–	–	(1,551)
As at 31 March 2010	1,580	1,119	355	311	2,605	197	536	173	6,876
Depreciation									
As at 1 April 2008	–	–	–	(213)	(1,679)	(103)	(483)	(84)	(2,562)
Charge for year	–	(218)	–	(21)	(298)	–	–	(65)	(602)
Relating to disposals	–	–	–	–	69	–	–	8	77
Revaluation	–	218	–	–	–	–	–	–	218
As at 31 March 2009	–	–	–	(234)	(1,908)	(103)	(483)	(141)	(2,869)
As at 1 April 2009	–	–	–	(234)	(1,908)	(103)	(483)	(141)	(2,869)
Charge for year	–	(176)	–	(15)	(270)	(30)	(18)	(49)	(558)
Relating to disposals	–	–	–	–	–	–	–	43	43
Revaluation	–	176	–	–	–	–	–	–	176
As at 31 March 2010	–	–	–	(249)	(2,178)	(133)	(501)	(147)	(3,208)
Net book amount as at 31 March 2010	1,580	1,119	355	62	427	64	35	26	3,668
Net book amount as at 31 March 2009	1,900	2,350	–	77	448	90	–	86	4,951
Net book amount as at 31 March 2008	1,790	3,360	–	98	116	90	–	160	5,614

Notes to the financial statements

9. Property, plant and equipment (continued)

Freehold properties were valued at 31 March 2010 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £3,000k.

There is no potential liability for deferred tax arising from the revaluation of these properties, nor from chargeable gains which have been rolled over against the original cost of these properties.

The net book amount at 31 March 2010 of freehold property according to the historical cost convention is:

	£'000
Cost	8,617
Depreciation	(5,330)
Net book amount	3,287

Notes to the financial statements

10. Intangibles

Group	Software licenses £'000
Cost or valuation	
As at 1 April 2008	287
Additions	–
Disposals	–
Impairment	–
Revaluation	–
As at 31 March 2009	287
As at 1 April 2009	287
Additions	–
Disposals	–
Impairment	–
Revaluation	–
As at 31 March 2010	287
Depreciation	
As at 1 April 2008	(184)
Charge for year	(30)
Relating to disposals	–
Revaluation	–
As at 31 March 2009	(214)
As at 1 April 2009	(214)
Charge for year	(30)
Relating to disposals	–
Revaluation	–
As at 31 March 2010	(244)
Net book amount as at 31 March 2010	43
Net book amount as at 31 March 2009	73
Net book amount as at 31 March 2008	103

Notes to the financial statements

10. Intangibles

AHDB	Software licenses £'000
Cost or valuation	
As at 1 April 2008	287
Additions	–
Disposals	–
Impairment	–
Revaluation	–
As at 31 March 2009	287
As at 1 April 2009	287
Additions	–
Disposals	–
Impairment	–
Revaluation	–
As at 31 March 2010	287
Depreciation	
As at 1 April 2008	(184)
Charge for year	(30)
Relating to disposals	–
Revaluation	–
As at 31 March 2009	(214)
As at 1 April 2009	(214)
Charge for year	(30)
Relating to disposals	–
Revaluation	–
As at 31 March 2010	(244)
Net book amount as at 31 March 2010	43
Net book amount as at 31 March 2009	73
Net book amount as at 31 March 2008	103

Notes to the financial statements

11. Investments

Dairy Council

Milk Development Council Holdings Limited (MDC Holdings) resigned as a member of Dairy Council Limited (DCL) on 1 April 2009 but up to that point held a 50% share with the other 50% held by Dairy UK Limited. The financial results of the entity up to 31 March 2009 were included in the consolidated accounts of the AHDB Group, on the basis that it was a joint venture.

The Group's share of DCL's results for the years (shown as part of the financial results for the DairyCo division in the analysis of income and expenditure by segment in Note 3), and assets and liabilities at the years ended (shown as part of the AHDB Group consolidated balance sheet) are as shown below.

	Group For the year ended 31-Mar-10 £000	AHDB For the year ended 31-Mar-10 £000	Group For the year ended 31-Mar-09 £000	AHDB For the year ended 31-Mar-09 £000	Group For the year ended 31-Mar-08 £000	AHDB For the year ended 31-Mar-08 £000
Share of turnover of joint venture	–	–	367	–	366	–
Less intra-group transactions	–	–	(367)	–	(366)	–
Share of loss before tax of joint venture	–	–	–	–	–	–
	–	–	(448)	–	(375)	–
Share of tax of joint venture	–	–	(1)	–	(1)	–
Share of loss after tax of joint venture	–	–	(449)	–	(376)	–

	Group For the year ended 31-Mar-10 £000	AHDB For the year ended 31-Mar-10 £000	Group For the year ended 31-Mar-09 £000	AHDB For the year ended 31-Mar-09 £000	Group For the year ended 31-Mar-08 £000	AHDB For the year ended 31-Mar-08 £000
Share of fixed assets	–	–	6	–	13	–
Share of current assets	–	–	173	–	185	–
	–	–	179	–	198	–
Share of current liabilities	–	–	(104)	–	(41)	–
Share of net assets	–	–	75	–	157	–

The £75k group share of net assets was extracted from DCL via the DairyCo division receiving services to that value from Dairy UK Limited during the year ended 31 March 2010.

Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the potato industry's research and development facility, Sutton Bridge Experimental Unit, and is based in Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for the Potato Council division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated balance sheet. SBEU had a nil result for the year ended 31 March 2010 (2009: deficit £13k) and its net assets were £300k as at 31 March 2010 (31 March 2009: £185k).

Notes to the financial statements

11. Investments (continued)

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
AHDB investment in SBEU	–	300	–	300	–	372

Other subsidiary undertakings

Meat and Livestock Commercial Services Limited

Meat and Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides data, advice, logistics and inspection services to the red meat industry and is based in Stoneleigh. MLCSL's financial results for the years have been consolidated as part of the financial results for the EBLEX and BPEX divisions respectively in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated balance sheet. MLCSL had a retained surplus of £31k for the year ended 31 March 2010 (2009: surplus £221k) and its net assets were £1.56m as at 31 March 2010 (31 March 2009: £1.53m).

Crop Evaluation Limited

Crop Evaluation Limited (CEL) is a company limited by shares, with AHDB holding a £1 nominal value ordinary share representing 100% of the issued share capital of the company. CEL works to produce the annual HGCA Recommended Lists for cereals and oilseeds and is based in Stoneleigh. CEL's financial results for the years have been consolidated as part of the financial results for the HGCA division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated balance sheet. CEL generated a nil result for the year ended 31 March 2010 (2009: Nil result), as expenditure was equally matched by sales revenue, and its net assets were nil as at 31 March 2010 (31 March 2009: Nil).

Milk Development Council Holdings Limited

Milk Development Council Holdings Limited (MDC Holdings) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £1 in the event of MDC Holdings being wound up. MDC Holdings' key purpose was to hold equity shares in other companies, to enter joint ventures and to make investments for AHDB on behalf of dairy farmers in Great Britain and is based in Stoneleigh. As at 31 March 2009 MDC Holdings held 900 £1 shares in Milk Development Council Evaluations Limited (90% of total share capital). MDC Holdings' financial results for the years have been consolidated as part of the financial results for the DairyCo division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated balance sheet. MDC Holdings generated a retained surplus of £1k for the year ended 31 March 2010 (2009: £1k) and its net assets were nil as at 31 March 2010 (31 March 2009: £2k). In order to simplify AHDB's group structure, a Hive Out Agreement transferred MDC Holdings assets and liabilities as at 31 March 2010 to AHDB.

Milk Development Council Evaluations Limited

Milk Development Council Evaluations Limited (MDC Evaluations) provided statistical analysis and reporting of Bull and Cow performance in the United Kingdom and is based in Stoneleigh. MDC Evaluations' financial results for the years have been consolidated as part of the financial results for the DairyCo division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated balance sheet (see minority interests below). MDC Evaluations made a retained surplus of £9k for the year ended 31 March 2010 (2009: surplus £4k) and its net assets were £1k as at 31 March 2010 (31 March 2009: £46k). In order to simplify AHDB's group structure, a Hive Out Agreement transferred MDC Evaluations assets and liabilities as at 31 March 2010 to AHDB. Furthermore, on 31 March 2010 AHDB purchased the 100 £1 shares in MDC Evaluations held by United Dairy Farmers Limited and became its sole shareholder, resulting in no minority interests at that date (2009: 10%).

All of these subsidiary undertakings are registered in England and Wales.

Minority interests

MDC Evaluations made a retained surplus of £9k for the year ended 31 March 2010 (2009: surplus £4k), resulting in a minority interests (10%) figure in the consolidated income and expenditure account of nil (2009: nil). As noted above, AHDB's purchase of the 100 £1 shares in MDC Evaluations held by United Dairy Farmers Limited resulted in no minority interests at that date (2009: 10%, worth £4k).

Notes to the financial statements

12. Financial instruments

Because of the nature of its activities and the way in which AHDB is financed, it is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which IFRS 7 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing AHDB in undertaking its activities, or for trading. The fair values of all its financial assets and liabilities approximate to their net book values. In line with IFRS 7, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures.

Credit and liquidity risk

AHDB is exposed to the usual credit risk and cash-flow risk associated with invoicing on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Interest rate risk

AHDB is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate.

Foreign currency risk

AHDB's exposure to foreign currency risk is not currently significant, as income and expenditure is predominantly transacted in Sterling. Some residual exposure to foreign exchange transaction risk remains though, caused mainly by some expenditure being transacted in Euro's. Wherever possible, it is the responsibility of divisional management working with the finance function to minimise the risk of loss arising from transactional exposure.

13. Pensions

13a. Information about the Schemes

Introduction

AHDB operates a number of approved retirement benefit arrangements in the UK encompassing both Defined Benefit (DB) sections and Defined Contribution (DC) sections.

MLC Pension Scheme

AHDB operates a contributory Pension Scheme providing defined benefits to legacy MLC members based on final pensionable salary. The assets of the Scheme are held separately from those of AHDB, being invested with insurance and investment companies. The Scheme has provision for pensions in payment to be increased by 5% per annum or the percentage shown in the Pension Increases Order if lower. If the percentage shown in the Order exceeds 5% per annum there is provision in the Scheme Rules for pensions in payment to be increased beyond 5% per annum by the Trustees with AHDB's consent. Contributions to the Scheme are charged to the AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations using the projected unit method.

As part of the AHDB transitional arrangements any new employees now join the new AHDB Pension Scheme, so the MLC DC section is now effectively closed to new entrants.

HGCA Pension Scheme

Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed at 1 April 2007. The actuarial report as at 1 April 2007, issued to the Trustees in June 2008, valued the Scheme's assets at £10.2m and the Scheme's liabilities at £11.7m indicating a funding deficit of £1.5m. (Liabilities refer to the benefits accrued in respect of past service and based on projected pensionable salaries). Agreement on a recovery plan was reached between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit. This plan specified a lump sum contribution of £0.5m which was paid in June 2008 with the balance of £1m being paid monthly over 3 years from 1 April 2008 and, in this respect, AHDB paid an additional £351k to augment the Scheme during the year ended 31 March 2010. In addition, AHDB have contributed at a rate of 25.1% of pensionable salary on a monthly basis from 1 April 2008. The next full actuarial valuation will be as at 31 March 2010. Over the year redundancies resulting from the relocation of AHDB to Stoneleigh resulted in additional benefits arising in the HGCA Pension Plan for which AHDB contributed £2,918k to cover this cost.

Notes to the financial statements

13. Pensions (continued)

13b. Principal assumptions

The principal assumptions used to calculate the different Scheme liabilities include:

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-10 % pa	31-Mar-09 % pa	31-Mar-08 % pa	31-Mar-10 % pa	31-Mar-09 % pa	31-Mar-08 % pa
Price inflation	3.80	2.90	3.60	3.80	3.00	3.70
Rate of increase in pay	4.30	4.40	5.10	4.30	4.50	5.20
Rate of increase of pensions in payment*	3.80	2.90	3.60	3.80	3.00	3.70
Rate of increase for deferred pensioners*	3.80	2.90	3.60	3.80	3.00	3.70
Discount rate	5.50	6.70	6.80	5.50	6.70	6.20

* in excess of any Guaranteed Minimum Pension (GMP) element

Under the mortality tables and projections adopted, the assumed future life expectancies are as follows:

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-10	31-Mar-09	31-Mar-08
Male currently aged 65	21.6	21.2	21.2	21.6	21.95	21.95
Female currently aged 65	24.6	24.2	24.2	24.6	24.88	24.88
Male currently aged 50	23.8	22.6	22.6	23.8	–	–
Female currently aged 50	26.8	25.6	25.6	26.8	–	–
Male currently aged 45	–	–	–	–	21.95	21.95
Female currently aged 45	–	–	–	–	24.88	24.88

	MLC Pension Scheme Long term rate of return expected			HGCA Pension Scheme Long term rate of return expected		
	31-Mar-10 %	31-Mar-09 %	31-Mar-08 %	31-Mar-10 %	31-Mar-09 %	31-Mar-08 %
Scheme assets	5.9	5.8	6.2	5.9	4.86	7.01

Notes to the financial statements

13. Pensions (continued)

The rate of return on each asset class has been determined as follows:

Equity: The rate adopted is 8.8% pa, which is 0.1% higher than the rate adopted as at 31 March 2009. This reflects the increase in inflation but is offset by a reduction in expected real returns.

Bonds: The rate adopted is 4.6% pa and is a weighted average rate for the Scheme target bond allocation. This is based on a rate of 4.4% pa on fixed interest gilts, 4.5% pa on index linked gilts and 5.0% pa on corporate bonds.

13c. Assets

The major categories of assets as a proportion of total assets are as follows:

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-10 %	31-Mar-09 %	31-Mar-08 %	31-Mar-10 %	31-Mar-09 %	31-Mar-08 %
Equities	31.46	28.67	29.87	36.00	35.40	43.70
Corporate bonds	13.60	13.40	11.87	45.00	49.50	46.30
Gilts	54.94	57.71	58.01	–	–	–
Annuities	–	–	–	4.00	5.30	5.10
Cash	0.00	0.22	0.25	15.00	9.80	4.90

13d. Components of defined benefit cost for the year ended 31 March 2010

Analysis of amounts charged to income and expenditure account:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
a. Current service cost	(1,000)	(1,300)	(1,700)	(143)	(474)	(526)	(1,143)	(1,774)	(2,226)
b. Past service cost	–	–	–	(918)	–	–	(918)	–	–
c. Pension curtailment (loss)/gain	600	–	–	(1206)	–	–	(606)	–	–
d. Total charged to income and expenditure account	(400)	(1,300)	(1,700)	(2,267)	(474)	(526)	(2,667)	(1,774)	(2,226)

Notes to the financial statements

13. Pensions (continued)

13d. Components of defined benefit cost for the year ended 31 March 2010 (continued)

Analysis of the amount (charged)/credited to other finance income:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
e. Interest on Scheme liabilities	(10,100)	(10,800)	(9,800)	(695)	(758)	(678)	(10,795)	(11,558)	(10,478)
f. Expected return on assets in the Scheme	9,300	11,900	11,000	601	869	726	9,901	12,769	11,726
g. Net (debit)/credit to other finance income	(800)	1,100	1,200	(94)	111	48	(894)	1,211	1,248
Total I&E charge before deduction for tax (tax nil) d + g	(1,200)	(200)	(500)	(2,361)	363	478	(3,561)	(563)	(978)

Analysis of the amounts recognised in statement of changes in reserves:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
h. (Loss)/gain on assets	(12,300)	(33,800)	1,600	2,403	(2,294)	(251)	(9,897)	(36,094)	(1,851)
i. Experience (loss)/gain on liabilities	(600)	(1,100)	1,500	(5,371)	2,812	1,321	(5,971)	1,712	2,821
j. Gain on change of assumptions (financial and demographic)	–	10,700	24,700	–	–	–	–	10,700	24,700
k. Effect of the limit in paragraph 37 of IAS 19	6,300	21,400	(36,000)	–	–	–	6,300	21,400	(36,000)
l. Total (loss)/gain recognised in statement of changes in reserves before adjustment for tax	(6,600)	(2,800)	(11,400)	(2,968)	518	1,070	(9,568)	(2,282)	(10,330)

For the HGCA Pension Scheme, the experience gain on Scheme liabilities of £15k for the year ended 31 March 2009 is a component part of the £518k total gain recognised in the Statement of Changes in Reserves before adjustment for tax stated above.

Notes to the financial statements

13. Pensions (continued)

13e. History of experience gains and losses

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
a. (Loss)/gain on Scheme assets:									
Amount (£'000)	(12,300)	(33,800)	(1,600)	2,403	(2,294)	(251)	(9,897)	(36,094)	(1,851)
% of Scheme assets at end of year	-5.76%	-18.56%	-0.75%	14.73%	-20.40%	-2.07%	-4.30%	-18.67%	-0.82%
b. Experience (loss)/gain on Scheme liabilities:									
Amount (£'000)	800	(1,100)	1,500	94	15	836	894	(1,085)	2,336
% of Scheme assets at end of year	0.37%	-0.60%	0.71%	0.58%	0.13%	6.90%	0.39%	-0.56%	1.04%
c. Total actuarial (loss)/gain recognised in the Statement of changes in Reserves:									
Amount (£'000)	(6,600)	(2,800)	(11,400)	(2,968)	518	1,070	(9,568)	(2,282)	(10,330)
% of Scheme assets at end of year	-3.09%	-1.54%	-5.36%	-18.19%	4.61%	8.83%	-4.16%	-1.18%	-4.59%

13f. Reconciliation to the statement of financial position

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	As at 31-Mar-10 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-10 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-10 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000
a. Market value of Scheme assets	213,600	182,100	212,700	16,314	11,243	12,115	229,914	193,343	224,815
b. Actuarial value of Scheme liabilities	(201,100)	(156,500)	(163,100)	(17,483)	(10,565)	(12,363)	(218,583)	(167,065)	(175,463)
c. Surplus/(deficit) in the Scheme	12,500	25,600	49,600	(1,169)	678	(248)	11,331	26,278	49,352
d. Irrecoverable surplus	(8,900)	(14,600)	(36,000)	–	–	–	(8,900)	(14,600)	(36,000)
e. Pension asset/(liability) recognised in statement of financial position (before allowance for deferred tax (deferred tax nil))	3,600	11,000	13,600	(1,169)	678	(248)	2,431	11,678	13,352

Notes to the financial statements

13. Pensions (continued)

13f. Reconciliation to the statement of financial position (continued)

Analysis of the movement in surplus/(deficit) during the year:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Surplus/(deficit) in the Scheme at start of year	11,000	13,600	24,968	678	(248)	(2,075)	11,678	13,352	22,893
Contributions paid	400	400	532	3,482	771	1,235	3,882	1,171	1,767
Current service cost	(1,000)	(1,300)	(1,700)	(143)	(474)	(526)	(1,143)	(1,774)	(2,226)
Past service cost	–	–	–	(918)	–	–	(918)	–	–
Pension curtailment (loss)/gain	600	–	–	(1,206)	–	–	(606)	–	–
Other finance income	(800)	1,100	1,200	(94)	111	48	(894)	1,211	1,248
Actuarial (loss)/gain	(6,600)	(2,800)	(11,400)	(2,968)	518	1,070	(9,568)	(2,282)	(10,330)
Surplus/(deficit) in the Scheme at end of year	3,600	11,000	13,600	(1,169)	678	(248)	2,431	11,678	13,352

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2010 of £3,482k (2009: £771k) includes the additional Scheme augmentation component of £351k (2009: £351k) referred to in 13a as well as the £2,000k enhancement triggered by the AHDB transition and provided as at 31 March 2009 and £918k of redundancy cost paid into the Scheme by AHDB.

Notes to the financial statements

13. Pensions (continued)

13g. Changes in disclosed assets and liabilities

Change in Scheme liabilities:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Scheme liabilities at start of year	(156,500)	(163,100)	(186,600)	(10,565)	(12,363)	(12,684)	(167,065)	(175,463)	(199,284)
Employer service cost	(1,000)	(1,300)	(1,700)	(143)	(474)	(526)	(1,143)	(1,774)	(2,226)
Interest cost	(10,100)	(10,800)	(9,800)	(695)	(758)	(678)	(10,795)	(11,558)	(10,478)
Scheme participants' contributions	(200)	(200)	(200)	(20)	(52)	(49)	(220)	(252)	(249)
Actuarial gain/(loss)	(44,000)	9,600	26,200	(5,371)	2,812	1,321	(49,371)	12,412	27,521
Past service cost	—	—	—	(918)	—	—	(918)	—	—
Pension curtailment (loss)/gain	600	—	—	(1,206)	—	—	(606)	—	—
Benefits paid from Scheme assets	10,100	9,300	9,000	1,435	270	254	11,535	9,570	9,254
Scheme liabilities at end of year	(201,100)	(156,500)	(163,100)	(17,483)	(10,565)	(12,362)	(218,583)	(167,065)	(175,462)

Change in Scheme assets:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000
Fair value of assets at start of year	182,100	212,700	211,600	11,243	12,115	10,610	193,343	224,815	222,210
Expected return on assets	9,300	11,900	11,000	601	869	726	9,901	12,769	11,726
Actuarial losses on assets	31,700	(33,800)	(1,600)	2,403	(2,294)	(251)	34,103	(36,094)	(1,851)
Employer contributions	400	400	532	3,482	771	1,235	3,882	1,171	1,767
Scheme participants' contributions	200	200	200	20	52	49	220	252	249
Benefits paid	(10,100)	(9,300)	(9,000)	(1,435)	(270)	(254)	(11,535)	(9,570)	(9,254)
Fair value of assets at end of year	213,600	182,100	212,732	16,314	11,243	12,115	229,914	193,343	224,847

Notes to the financial statements

13. Pensions (continued)

13h. Summary of prior year amounts

MLC Pension Scheme						
	As at 31-Mar-10 £000	As at 31-Mar-09 £000	As at 31-Mar-08 £000	As at 31-Mar-07 £000	As at 31-Mar-06 £000	As at 31-Mar-05 £000
Scheme liabilities at end of year	(201,100)	(156,500)	(163,100)	(186,632)	(189,800)	(164,200)
Fair value of assets at end of year	213,600	182,100	212,732	211,600	214,500	188,900
Surplus/(deficit) in the Scheme at end of year	12,500	25,600	49,632	24,968	24,700	24,700
Experience (loss)/gain on liabilities	800	(1,100)	1,500	1,100	6,200	(2,700)
Actuarial (losses)/gains on assets	31,700	(33,800)	(1,600)	(5,000)	21,600	(4,700)

HGCA Pension Scheme						
	As at 31-Mar-10 £000	As at 31-Mar-09 £000	As at 31-Mar-08 £000	As at 31-Mar-07 £000	As at 31-Mar-06 £000	As at 31-Mar-05 £000
Scheme liabilities at end of year	(17,483)	(10,565)	(12,362)	(12,684)	(10,562)	(9,718)
Fair value of assets at end of year	16,314	11,243	12,115	10,610	10,025	9,239
Surplus/(deficit) in the Scheme at end of year	(1,169)	678	(247)	(2,074)	(537)	(479)
Experience (loss)/gain on liabilities	(5,371)	2,812	1,321	127	(187)	76
Actuarial (losses)/gains on assets	2,403	(2,294)	(251)	223	225	552

* HGCA had an accounting reference date of 30 June up until 2007, when it was changed to 31 March.

Notes to the financial statements

13. Pensions (continued)

13i. Defined Contribution Schemes

MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 68 members as at 31 March 2010 (31 March 2009: 109 members). The current employee and employer contribution rates are 5% and 7% respectively. The cost to AHDB of operating the Scheme during the year ended 31 March 2010 was £135k (2009: £213k) and the value of outstanding contributions as at 31 March 2010 was £11k (31 March 2009: £17k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

DairyCo Pension Scheme

The DairyCo Pension Scheme is a Defined Contribution scheme and had a total of 26 members as at 31 March 2010 (31 March 2009: 41 members). The current employee and employer rates are 5% and 12.5% respectively. The Scheme is provided by NFU Mutual. The cost to AHDB of operating the Scheme during the year ended 31 March 2010 was £121k (2009: £155k) and the value of outstanding contributions as at 31 March 2010 was £9k (31 March 2009: nil). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

13j. Group Personal Pension Plans

AHDB Pension Scheme

The AHDB Pension Scheme is a Group Personal Pension Plan, whereby AHDB has selected a pension Scheme and provider that it believes to be suitable for its employees, and had a total of 77 members as at 31 March 2010 (31 March 2009: 12 members). The current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10% respectively. The Scheme is provided by Threadneedle. The cost to AHDB of operating the Scheme during the year ended 31 March 2010 was £120k (2009: £18k) and the value of outstanding contributions as at 31 March 2010 was £16k (31 March 2009: £1k).

British Potato Council Pension Scheme

The British Potato Council Pension Scheme (BPC Pension Scheme) is a Defined Contribution scheme and had a total of 19 members as at 31 March 2010 (31 March 2009: 39 members). Members contribute 3.5% of pensionable salary while the employer's contributions are age-banded, ranging from 5.5% at age 30 to 11% at age 51 and above. The Scheme is provided by AXA Sun Life. The cost to AHDB of operating the Scheme during the year ended 31 March 2010 was £77k (2009: £121k) and the value of outstanding contributions as at 31 March 2010 was £5k (31 March 2009: nil). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

HDC

HDC has no pension scheme but contributes defined amounts to employees' personal pension plans as follows: admin staff 4%; managers 6% or 10%. The cost to AHDB of this arrangement during the year ended 31 March was £31k (2009: £46k) and the value of outstanding contributions as at 31 March 2010 was nil (31 March 2009: nil).

14. Inventories

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Stock of printed material	–	–	50	50	–	–

Notes to the financial statements

15. Trade and other receivables

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Amounts falling due within one year						
Levy income receivable	4,359	4,359	6,988	6,988	7,691	7,691
Receivables for fee and other income	1,290	640	1,305	711	1,450	959
Amounts owed by group undertakings	–	–	–	342	–	123
Prepayments and accrued income	5,213	5,191	941	936	1,035	1,027
VAT	–	–	–	–	141	275
Car loans	1	1	4	4	4	4
Department for Environment, Food and Rural Affairs (Note 20)	85	85	232	213	2,579	2,421
Rural Payments Agency (Note 20)	40	40	906	17	717	62
Natural England (Note 20)	–	–	33	33	–	–
	10,988	10,316	10,409	9,244	13,617	12,562
Intra-government balances						
Balances with central government bodies	85	85	232	213	2,720	2,696
Balances with public corporations and trading funds	40	40	939	50	717	62
Sub-total: Intra-government balances	125	125	1,171	263	3,437	2,758
Balances with bodies external to government	10,863	10,191	9,238	8,981	10,180	9,804
	10,988	10,316	10,409	9,244	13,617	12,562

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Up to 3 months past due	3,868	3,868	–	–	–	–
3 to 6 months past due	229	229	–	–	–	–
Over 6 months past due	883	883	–	–	–	–
	4,980	4,980	–	–	–	–

Notes to the financial statements

16. Cash and cash equivalents

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Balance at 1 April	20,886	19,576	24,662	23,383	31,874	30,595
Net change in cash and cash equivalents	(7,737)	(7,073)	(3,776)	(3,807)	(7,212)	(7,212)
Balance at 31 March	13,149	12,503	20,886	19,576	24,662	23,383
Balances at 31 March were:						
Short term investments	–	–	2,010	2,010	6,705	6,706
Commercial banks and cash in hand	13,149	12,503	18,876	17,566	17,957	16,677
Balance at 31 March	13,149	12,503	20,886	19,576	24,662	23,383

17. Trade and other payables

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Amounts falling due within one year						
Trade payables	(3,760)	(3,704)	(5,075)	(4,775)	(7,216)	(6,926)
Redundancy payable (net)	(270)	–	(24)	(24)	(20)	(20)
Accruals and deferred income	(3,816)	(3,522)	(2,263)	(1,738)	(2,291)	(1,642)
Other payables	(480)	(390)	(401)	(376)	(2,431)	(2,431)
Corporation tax	(14)	(6)	(395)	(205)	(191)	(184)
VAT	(1,786)	(1,425)	(465)	(352)	–	–
Other taxation and social security	(452)	(374)	(445)	(351)	(950)	(867)
Amounts owed to subsidiary undertakings	–	(1,253)	–	(179)	–	(191)
Defra underwrite for redundancy *	(2,033)	(2,033)	(2,020)	(2,020)	–	–
PIDS fund	(75)	(75)	(75)	(75)	(73)	(73)
Pension augmentation	–	–	–	–	(500)	(500)
Bank overdraft	–	–	–	–	(12)	(12)
Central Science Laboratory (Note 20)	(116)	(116)	(50)	(50)	(50)	(50)
Veterinary Laboratories Agency (Note 20)	–	–	(14)	(14)	–	–

Notes to the financial statements

17. Trade and other payables (continued)

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Food from Britain (Note 20)	–	–	–	–	(6)	(6)
Amounts owed to other sectors within the AHDB group	–	–	–	–	–	–
	(12,802)	(12,898)	(11,227)	(10,159)	(13,740)	(12,902)
Intra-government balances						
Balances with central government bodies	(4,285)	(3,838)	(3,325)	(2,928)	(1,141)	(1,051)
Balances with public corporations and trading funds	(116)	(116)	(64)	(64)	(56)	(56)
Sub-total: Intra- government balances	(4,401)	(3,954)	(3,389)	(2,992)	(1,197)	(1,107)
Balances with bodies external to government	(8,401)	(8,944)	(7,838)	(7,167)	(12,543)	(11,795)
	(12,802)	(12,898)	(11,227)	(10,159)	(13,740)	(12,902)
Amounts falling due after more than one year	–	–	–	–	–	–
Redundancy payable (net)	–	–	(31)	(31)	(41)	(41)
Intra-government balances						
Balances with bodies external to government	–	–	(31)	(31)	(41)	(41)

* The Defra underwrite for redundancy was set up to underwrite potential future redundancy costs and is held as part of AHDB's own cash resources, although it is completely ring-fenced in a separate bank account. All interest earned on the Defra fund is credited against the redundancy underwrite fund, and not taken to the income and expenditure account, as we are deemed to hold the funds on trust for Defra. As the interest is simply reinvested and put to no further use it is deemed to be not subject to UK corporation tax.

These monies were originally transferred to MLC during the 1994/95 financial year. The agreement we have with Defra governing the use of the fund to meet potential future redundancy cost expired on 31 March 2010. On 1 April 2008 the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB.

Notes to the financial statements

17. Trade and other payables (continued)

Included in the redundancy creditor (net) in the previous table are redundancy compensation payments receivable from the Rural Payments Agency, which are offset against redundancy compensation liabilities, as follows:

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Amounts falling due within one year						
Redundancy compensation payments	–	–	(73)	(73)	(124)	(124)
Less amounts receivable from Rural Payments Agency	–	–	61	61	104	104
	–	–	(12)	(12)	(20)	(20)
Amounts falling due after more than one year						
Redundancy compensation payments	–	–	(65)	(65)	(132)	(132)
Less amounts receivable from Rural Payments Agency	–	–	34	34	91	91
	–	–	(31)	(31)	(41)	(41)

18. Provisions for liabilities and charges

	Dilapidations provision £000	Redundancy provision £000	HGCA Pension fund enhancement £000	Onerous lease provision £000	Total provisions £000
As at 1 April 2008	(425)	–	–	–	(425)
New provisions	–	(4,556)	(2,000)	(1,335)	(7,891)
Utilisation of provision	–	–	–	–	–
As at 31 March 2009	(425)	(4,556)	(2,000)	(1,335)	(8,316)
As at 1 April 2009	(425)	(4,556)	(2,000)	(1,335)	(8,316)
New provisions	–	(343)	–	–	(343)
Utilisation of provision	225	4,415	2,000	571	7,211
Release of provision	–	45	–	88	133
As at 31 March 2010	(200)	(439)	–	(676)	(1,315)

Notes to the financial statements

18. Provisions for liabilities and charges (continued)

Explanation of provisions as at 31 March 2010	Timing of associated cash-flow
Dilapidations Relates to the cost of dilapidations on the ex-British Potato Council property lease in Oxford.	2014
Redundancy Relates to the redundancy cost of staff notified of their situation as at 31 March 2010 and on notice. Redundancy terms are specific to the individuals legacy sector organisation.	Between 1-Apr-10 and 31-Jul-10
Onerous lease Relates to the cost of early termination of ex-British Potato Council property lease in Oxford.	Between 1-Apr-10 and 31-Jul-14

Notes to the financial statements

19. Financial commitments

	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000	Group As at 31-Mar-09 £000	AHDB As at 31-Mar-09 £000	Group As at 31-Mar-08 £000	AHDB As at 31-Mar-08 £000
Capital expenditure commitments						
Contracted for	–	–	–	–	–	–
Approved research projects						
Within one year	11,136	11,136	9,589	9,274	10,747	10,747
Thereafter	8,856	8,856	12,091	12,091	11,105	11,105
	19,992	19,992	21,680	21,365	21,852	21,852
Operating leases						
As at 31 March AHDB was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:						
Property						
Within one year	564	564	143	139	37	26
Between two and five years	557	557	286	280	25	19
Over five years	4	4	16	16	569	569
	1,125	1,125	445	435	631	614
Vehicles						
Within one year	283	283	39	39	63	63
Between two and five years	416	416	167	167	174	174
	699	699	206	206	237	237
Equipment						
Within one year	164	164	46	46	17	17
Between two and five years	108	108	31	31	68	65
	271	271	77	77	85	82

Property lease commitments within one year predominantly relates to leases for temporary office accommodation on the Stoneleigh Park site and between two and five years predominantly relates to the four year lease remaining on the ex-British Potato Council property in Oxford.

Vehicle lease commitments relate to a number of vehicle contract hire agreements, each of which has their own individual terms but are typically for a three year period. These contract hire agreements are held with a number of different vehicle leasing companies.

Equipment lease commitments relate to photocopier leases which expire in 2010.

Notes to the financial statements

20. Related party transactions

AHDB is a Non-Departmental Public Body (NDPB) funded by statutory levies and sponsored by the Department for Environment, Food and Rural Affairs (Defra). Defra is a Government department which is regarded as a related party. Defra is the sponsoring department of the other arms length bodies listed below and by virtue of their relationship with Defra are also regarded as related parties.

	For the year ended 31-Mar-10 £'000	As at 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	As at 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	As at 31-Mar-08 £'000
	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):
Sponsoring Government Department						
Defra						
Provision of market information	428	–	369	–	324	–
ADS and other grants	214	–	297	–	250	–
Inspection services	99	–	160	–	300	–
Consultancy services	24	–	35	–	77	–
Grant funding for Red Meat Industry Forum	–	–	32	–	750	–
Agriculture Development Scheme: Business improvement in the dairy sector	–	–	29	–	108	–
Reporting of cereal price information to the European Commission	93	–	2	–	2	–
Post-FMD promotional support grant	–	–	–	–	3,246	–
Beef Better Returns project	–	–	–	–	820	–
AHDB transition project support	–	–	–	–	254	–
Pig disease control project	–	–	–	–	184	–
Staff seconded to Defra	–	–	–	–	47	–
Sub-total	858	–	924	–	6,362	–
Year end debtor	–	85	–	232	–	2,579
Total sponsoring Government Department	858	85	924	232	6,362	2,579
Other arms length bodies Sponsored by Defra						
Rural Payments Agency						
Inspection services	863	–	2,911	–	2,931	–
Provision of market information	–	–	36	–	36	–
Teenage Girls campaign	–	–	–	–	32	–
Sub-total	863	–	2,947	–	2,999	–
Year end debtor	–	40	–	906	–	717
Natural England						
Provision of market information	20	–	35	–	–	–
Sub-total	20	–	35	–	–	–
Year end debtor	–	–	–	33	–	–

Notes to the financial statements

20. Related party transactions (continued)

	For the year ended 31-Mar-10 £'000	As at 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	As at 31-Mar-09 £'000	For the year ended 31-Mar-08 £'000	As at 31-Mar-08 £'000
	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):
Animal Health						
Provision of market information	178	–	52	–	–	–
Sub-total	178	–	52	–	–	–
Year end debtor	–	–	–	–	–	–
FERA						
Contribution to specific projects	(379)	–	(378)	–	16	–
Sub-total	(379)	–	(378)	–	16	–
Year end creditor	–	(116)	–	(50)	–	(50)
Veterinary Laboratories Agency						
Contribution to specific projects	(64)	–	(31)	–	–	–
Sub-total	(64)	–	(31)	–	–	–
Year end creditor	–	–	–	(14)	–	–
Total other Arms Length Bodies Sponsored by Defra	618	(76)	2,625	875	3,015	667
Other Government organisations						
Food from Britain						
Joint projects	–	–	–	–	29	–
Sub-total	–	–	–	–	29	–
Year end creditor	–	–	–	–	–	(6)
Total other Government organisations	–	–	–	–	29	(6)

A Board member, Allan Stevenson, is also a Director of the Scottish Crop Research Institute (SCRI). During the year, AHDB had transactions with SCRI amounting to £88k excluding VAT (2009: £95k). As at 31 March 2010 AHDB owed SCRI £1k (31 March 2009: £45k). No other AHDB Board members, Sector Board members, senior executive staff or other related parties has undertaken any material transactions with AHDB. Levies were paid by a number of AHDB Board members but these were on an arms length basis and the amounts are not considered material.

Notes to the financial statements

21. Contingent liabilities

As at 31 March 2010 AHDB had a contingent liability relating to the possible replacement of air conditioning units at Caledonia House, which has been disputed with the Landlord. The value of this contingent liability is £56k (31 March 2009: £111k).

As at the date of signature of the statements of financial position some uncertainty existed in relation to the financing of AHDB's proposed new headquarters building on the Stoneleigh Park site, caused by current HM Treasury-imposed restrictions on public sector borrowing. In the event of AHDB's headquarter building not progressing then a combination of potential grant repayments, capital expenditure write-offs and abortive professional fees would total approximately £2m.

22. Notional cost of capital

A charge, reflecting the cost of capital utilised by AHDB, is included in the income and expenditure account. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities.

23. Post balance sheet events

There were no significant post balance sheet events.

About AHDB

An independent levy board with a pivotal role improving industry efficiency and competitiveness

The Agriculture and Horticulture Development Board (AHDB) is a Non-Departmental Public Body funded by the agriculture and horticulture industries through statutory levies.

It is an independent, evidence-based organisation with the duty to improve the efficiency and competitiveness of various agriculture and horticulture sectors in parts of the UK representing about 75% of total UK agricultural output.

In order to deliver true sector focus AHDB is organised around six operating divisions representing the commodity sectors covered by its remit. Each division has an advisory board comprised mainly of levy payers. These boards are appointed by the AHDB Board to develop the most appropriate strategies to meet the challenges of the sector; to ensure the relevant levy rate is recommended in order to provide adequate funding for the required work; to monitor strategy implementation; and to approve remedies where performance deviates from plan.

The six sectors served by AHDB are:

- i) Pig meat in England – through its BPEX Division
- ii) Milk in Great Britain – through its DairyCo Division
- iii) Beef and lamb in England – through its EBLEX Division
- iv) Commercial horticulture in Great Britain – through its HDC Division
- v) Cereals and oilseeds in the UK – through its HGCA Division
- vi) Potatoes in Great Britain – through its Potato Council Division

Levies raised from the six sectors are ring-fenced to ensure they can only be used to the benefit of the sectors from which they were raised.

AHDB Board, statutory committees and sector boards

AHDB Board at 31 March 2010

Independent members:

John Bridge (Chairman)
Chris Bones
Lorraine Clinton
Clare Dodgson

Sector Board Chairs:

John Cross, EBLEX (English beef and lamb)
Jonathan Tipples, HGCA (UK cereals and oilseeds)
Neil Bragg, HDC (GB horticulture)
Tim Bennett, DairyCo (GB milk)
Stewart Houston, BPEX (English pigs)
Allan Stevenson, PCL (GB potatoes)

Biographical details of Board members are published on www.ahdb.org.uk

A register of AHDB Board member interests was maintained and can be obtained by writing to: Administration, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TL

Statutory committees at 31 March 2010

AHDB Audit Committee

*John Bridge (Chairman)
Neil Bragg
Lorraine Clinton
John Cross
Jonathan Tipples

** John Bridge was chair of the Audit Committee on a temporary basis to cover sickness absence and this was approved by the National Audit Office.*

Audit Committee terms of reference are published on www.ahdb.org.uk

AHDB Remuneration Committee

Chris Bones (Chairman)
Tim Bennett
Stewart Houston
Allan Stevenson

Remuneration Committee terms of reference are published on www.ahdb.org.uk

AHDB Nomination Committee

Clare Dodgson (Chairman)
John Bridge
Chris Bones

Nomination Committee terms of reference are published on www.ahdb.org.uk

Sector boards at 31 March 2010

English Pig Sector Board

Stewart Houston (Chairman)
Adam Couch, processor
Jon Easey, pig producer, East Anglia
Clive Francis, independent member
John Godfrey, pig producer, Lincolnshire and Yorkshire
Bob Howe, processor
John Hughes, processor
Richard Longthorp, pig producer, East Yorkshire
John Rowbottom, pig producer, Yorkshire
Mike Sheldon, pig producer, Buckinghamshire
Bill Thurston, processor
Meryl Ward, pig producer, Lincolnshire

GB Milk Sector Board

Tim Bennett (Chairman)
Kevin Beaty, dairy farmer, Cumbria
Kenneth Campbell, dairy farmer, Kirkcudbrightshire
Neil Cutler, dairy farmer, Hampshire
Richard Davis, dairy farmer, Bedfordshire
Julia Hawley, dairy farmer, Leicestershire
David Homer, dairy farmer, Wiltshire
Stewart Jamieson, dairy farmer, Dumfriesshire
Trevor Lloyd, dairy farmer, Anglesey
Arthur Reeves, processor, Bristol
Ian Martin, independent member
Jonathan Vickers, independent member

English Beef and Lamb Sector Board

John Cross (Chairman)
Jonathan Barber, sheep breeder, Norfolk
Malcolm Corbett, hill farmer, Newcastle-Upon-Tyne
James Fanshawe, beef farmer, Northamptonshire
David Fleetwood, processor
John Hoskin, mixed livestock and arable farmer, Dorset and Cornwall
Peter Kingwill, livestock auctioneer in South West
Alistair Mackintosh, mixed livestock and arable farmer, Cumbria
Frank Momber, beef farmer, Hampshire (died Sept 2009)
Professor Robert Pickard, independent member
Mike Powley, beef farmer, York
David Raine, mixed livestock hill and lowland farmer, Cumbria
Kevin Swoffer, independent member
Simon Warren, technical consultant to red meat supply chain
Ryan Williams, processor

GB Horticulture Sector Board

Neil Bragg (Chairman)
John Adlam, Norfolk - expertise in hardy nursery stock
Ian Ashton, Southampton - expertise in hardy nursery stock
Peter Cornish, Yorkshire - expertise in field vegetables
Alan Davis, Somerset - expert in protected ornamentals
Harriet Duncalfe, Cambridgeshire - expertise in soft fruit
Nicholas Dunn, Worcestershire - expertise in hardy nursery stock
Gordon Flint, Lincolnshire - expertise in bulbs and outdoor flowers
David Hand, West Sussex - expertise in protected crops
Richard Hirst, Norfolk - expertise in field vegetables (Retired Oct 2009)
Tracey Hull, Lincolnshire - expertise in protected crops
Mark Komatsu, Bradford-upon-Avon - expertise in mushrooms
Carol Paris, North Somerset - expertise in retail
John Sedgwick, Fife Scotland - expertise in field vegetables
Will Sibley, Essex - expertise in tree fruit
Paul Singleton, independent member
Gary Taylor, Essex - expertise in protected edibles

UK Cereals and Oilseeds Sector Board

Jonathan Tipples (Chairman)
John Cunningham, animal feed industry, N Ireland
Ian Douglas, merchant/exporter, Berwickshire
Michael Hambly, combinable crops, beef farmer and co-operative member, Cornwall
Arthur Hill, combinable crops farmer, West Midlands
David Houghton, specialist malting barley and wheat farmer, North Scotland
Charles Matts, combinable crops farmer, Northamptonshire
Adrian Peck, combinable crops farmer, Cambridgeshire
John Pidgeon, independent member
Guy Smith, combinable crops farmer, Essex
Radbourne Thomas, combinable crops farmer, Leicestershire
Stewart Vernon, combinable crops farmer, County Durham
Alexander Waugh, flour milling industry, Surrey
Colin West, brewing and malting industry, Essex

GB Potato Sector Board

Allan Stevenson (Chairman)
Tony Bambridge, grower, Norfolk
Colin Bradley, grower, Lancashire
Jim Cruickshank, grower, Aberdeenshire
Robert Doig, grower, Perthshire
Fiona Fell, independent member
Dennis Heywood, independent member
Graham Nichols, grower, Gloucestershire
Tim Papworth, grower, Norfolk
David Rankin, grower/packer
Fraser Scott, grower, Berwickshire
Alex Stephens, grower, Cornwall
Nick Tapp, grower/packer
Nick Vermont, processor
Duncan Worth, grower, South Lincolnshire

Levy rates 01/04/09 to 31/03/10

Sector	Levy rate 2009/10	Higher rate for late payment
Pigs (England)	£ per head	£ per head
Producer	0.85	0.935
Slaughterer/exporter	0.20	0.22
Beef and lamb (England)	£ per head	£ per head
Cattle (excluding calves)		
Producer	3.495	3.845
Slaughterer/exporter	1.075	1.183
Calves		
Producer	0.07	0.077
Slaughterer/exporter	0.07	0.077
Sheep		
Producer	0.505	0.556
Slaughterer/exporter	0.165	0.182
Milk (GB)	Pence per litre	Pence per litre
Buyers and direct sellers of milk	0.060	0.066
Cereals and oilseeds (UK)	Pence per tonne	Pence per tonne
Cereal grower	40.00	44.00
Cereal buyer	3.30	3.63
Cereals processor standard rate	8.25	9.075
Cereals processor reduced rate	4.00	4.40
Oilseeds	65.00	71.5
Horticulture (GB)	% sales turnover	% sales turnover
Horticulture products	0.50	0.55
Mushroom spawn	Pence per litre	Pence per litre
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
Potatoes (GB)		
Potato growers	£39.00 per hectare	£44.00 per hectare
Buyers of potatoes	£0.17 per tonne	£0.19 per tonne

AHDB registered office

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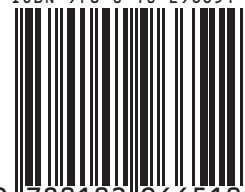
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