

Industry Debate on the Future of the Agriculture and Horticulture Development Board

Final Report of the Defra Workshop held at
Stoneleigh Park on 15 March 2011

8 May 2012



Llywodraeth Cymru
Welsh Government



Department of
**Agriculture and
Rural Development**

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**Talmhaíochta agus
Forbartha Tuaithe**

MANNYSTRE O
**Fairms an
Kintra Fordèrin**



**The Scottish
Government**



defra
Department for Environment
Food and Rural Affairs

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Contents

Recommendations on the future of the AHDB: arising from the Industry Workshop on 15 March 2011	1
General	1
Scope of Recommendations	1
Recommendations	2
Section 1: Taking forward the debate with industry	4
Introduction	4
Industry Workshop on 15 March 2011.....	4
Background to the AHDB:	5
Section 2: Scope and Purpose of the Workshop	7
Section 3: Outcomes from Breakout Sessions.....	8
Breakout Session 1: Statutory Functions and Governance	9
Breakout Session 2: Statutory Levy and Other Funding Options	10
Annex A	13
AHDB Debate with Industry 15 March – Breakout Groups.....	13
Annex B	17
Extract from The Agriculture and Horticulture Development Board Order 2008 (Schedule 1 - Functions of the Agriculture and Horticulture Development Board)	17
Annex C	20
Workshop Programme	20

Recommendations on the future of the AHDB: arising from the Industry Workshop on 15 March 2011

General

A number of ideas and suggestions were put forward during two Breakout Sessions. Each session was divided into four cross-sector groups to ensure wide discussion and challenge. More detail on the themes and outcomes for each Group is provided in Section 3 of this Report.

Scope of Recommendations

- (i) Proposals to Ministers focus on 3 prime considerations:
- Identifying recommendations that stem from ideas or suggestions raised by a majority of participants in the Breakout Sessions and/or were identified as significant issues during Plenary and leaving to one side other possibilities that attracted minority support during discussion;
 - Ensuring recommendations that are consistent with Government policy on agriculture and the agri-food environment and take account of other cross-cutting policies, such as the Big Society and removal of red tape; and
 - Offering recommendations that may be both practical and achievable – subject to further investigation in some cases - and have the potential to contribute toward ensuring the AHDB becomes the main professional body on farming and agriculture in the UK, and one which delivers a top class service to levy-payers that represents a positive return on their investment.
- (ii) In arriving at proposals for a way forward it has been borne in mind that the Minister of State for Agriculture and Food has said that he sees the current debate with industry as offering an opportunity to:
- “Revitalize the AHDB and ensure it is the central professional body for the farming industry in the UK which delivers significant return on investment for all levy payers.”

Recommendations

- (iii) The recommendations are in two parts: (i) those that fall to Defra to take forward as the sponsoring body for the AHDB; and (ii) those for AHDB to pursue.

Recommendations for Defra

1. Review the scope for a voluntary top-up to the statutory levy, consistent with maintaining AHDB independence and applying Good Corporate Governance principles and publish outcomes by winter 2012.
2. Review, by winter 2012, the current method of calculating and collecting the statutory levy in the following areas:
 - Red meat levy
 - Vining peas
 - Fruit tree growers
3. As part of the review in paragraph 2 above, invite comments from industry on other levies that might be collected differently and consider any evidence that is provided.
4. By autumn 2012, introduce proposals to repeal or streamline statutory aims or functional requirements which impinge on the AHDB's operation.
5. By autumn 2012, review the scope for amendments to statutory governance, and administrative processes set out in the Management Statement, to limit Defra direct controls and reporting requirements subject to applying Good Corporate governance principles.

Recommendations for AHDB

1. By autumn 2012, review communications processes: improve contact and dissemination to industry bodies and levy-payers to enhance understanding of AHDB work/priorities.
2. Build upon existing phased plans to ensure administrative processes are more efficient and cost-effective and delivery greater value for money for all parts of industry.

3. Review current operation of AHDB Board and sector boards with a view to introducing mechanisms that ensure they are fully accountable to levy-payers: this might include, for example, holding annual meetings of industry bodies and individual levy-payers to update them on actions and seek further input on improving AHDB policies.
4. Improve export promotion activities within relevant sectors with the stated aim of increasing UK market access in European and international markets.
5. Introduce a more strategic approach to R&D and knowledge transfer which takes account of the needs of all levy-payers: and implement a system which ensures more effective means of achieving knowledge transfer across sectors.
6. Ensure that regular, and so smaller, levy increases or decreases are introduced (e.g. 3-5 years maximum): which could also limit the extent of consultation required with each sector if increases or decreases were left longer: such consultation itself should be more focused, less time-consuming and more responsive to levy-payers' needs.
7. Under the leadership of the new Chair, ensure AHDB strategies are comprehensive and cross-cutting and are sensitive to Government priorities in the agricultural and agri-food sector.
8. Create better links between industry and consumers and consumer bodies and, as needed, others in the supply chain and identify and help take forward cost effective opportunities for mutually beneficial initiatives which deliver improved outcomes and increased market share.
9. Review with industry the scope for AHDB targeted involvement in identifying, developing and contributing to a cross-sector long-term strategy aimed at promoting and increasing specialist, technical and other skills in the farming and agri-food industries covered by sector boards.

Section 1: Taking forward the debate with industry

Introduction

1.1 The Coalition Government's 2010 Review of Arms Length Bodies (ALBs) contributed to its commitment to radically increase the transparency and accountability of all public services. Defra was required to examine its network of ALBs to look at the scope for increasing accountability, improving efficiency and reducing their number and cost.

1.2 On 14 October 2010, the Minister for the Cabinet Office, Francis Maude, announced the outcome of the Review. In respect of the Agriculture and Horticulture Board (AHDB), he said the Board was:

“Under consideration – Initiate debate with industry about future of body, including non-public sector options.”

Industry Workshop on 15 March 2011

1.3 Defra decided to meet the requirement to initiate a debate by holding an industry-wide workshop, of representatives from the industry and individual levy-payers, on 15 March 2011 at Stoneleigh Park near Coventry. A full list of participants is at **Annex A**.

1.4 The debate would allow participants to consider whether AHDB was: operating effectively to meet the needs of industry; helping to maximize market possibilities; linking strategically with Government priorities; and ensuring the most effective and appropriate delivery mechanisms were used. It would be able to consider the possibility of a non-statutory funding structure.

1.5 March 2011 was chosen because Defra was conscious that the AHDB was holding its own industry-wide consultation (between November 2010 and January 2011) on its draft Corporate Plan for 2011-2014. An earlier date might have caused overlap, or confusion, with the AHDB's consultation. However, it was clear that the AHDB's Corporate Plan would need to recognize outcomes from the Workshop and when the Plan was

published, on 1 April 2011, the Chief Executive's Foreword contained the following statement:

“To fulfil the commitment made in the 2010 Cabinet Office Review of Arms Length Bodies to initiate a debate with industry on the future of AHDB, Defra held a Workshop on 15 March 2011 with representatives of the agriculture and horticulture industry, the wider food chain and individual levy payers.

There was strong support for our work to be continued and suggestions for possible improvement in a number of areas, including Board governance, flexibility between sectors, communication with levy payers and a lighter touch from Government, if it could be achieved. The Minister of State for Agriculture and Food will review the Workshop outputs and consider how they should be taken forward. We anticipate implementing any subsequent Ministerial direction during the life of this Plan.”

Background to the AHDB:

1.6 The AHDB was established by legislation (The Agriculture and Horticulture Development Board Order 2008) on 1 April 2008. This followed the independent Radcliffe Review of the then five statutory agricultural and horticultural levy bodies (the British Potato Council, the Horticultural Development Council, the Home Grown Cereals Authority, the Milk Development Council and the Meat and Livestock Commission). The AHDB replaced those bodies as the single levy body for the industry.

1.7 The AHDB's remit extends, for the most part, to the whole of GB (UK for cereals and oilseeds) though there are separate arrangements for red meat in Scotland and Wales. Its activities are funded primarily by statutory levies on the industry, which are set by UK Agriculture Ministers each year on the basis of advice from AHDB.

1.8 The AHDB's statutory purposes are to:

- (i) Increase efficiency or productivity in the industry;
- (ii) Improve marketing in the industry
- (iii) Improve or develop services that the industry provides or could provide to the community
- (iv) Improve the ways in which the industry contributes to sustainable development.

1.9 The functions of the AHDB are set out in Schedule 1 of the 2008 Order and appear at **Annex B** to this Report.

Section 2: Scope and Purpose of the Workshop

2.1 A full Workshop Programme is at **Annex C**. As well as a scene-setting speech from the Minister for Agriculture and Food, James Paice, the Workshop included presentations by senior figures from Defra, NFU and AHDB. Two Breakout sessions were held to allow mixed-sector groups to discuss two main issues: (i) Statutory Functions and Governance of the AHDB; and (ii) Statutory Levy and Private Funding Options. A Plenary Session allowed participants question the AHDB Chair (John Bridge) about the AHDB's priorities.

2.2 It is worth highlighting some of the main issues touched on by the Minister of State, which have a bearing on any consideration of the AHDB. In particular, the Minister stated, either directly or in response to a Question and Answer session, that:

- AHDB was still a relatively young organisation and that needed to be borne in mind. There was a future for the AHDB, or some other over-arching body.
- There were big challenges facing the industry (e.g. rising food prices, economic instability, and ensuring competitiveness) which could only be tackled if the industry was able to take on more responsibility for its own future.
- AHDB had the potential to deliver a strategic vision for the future.
- It could drive the research agenda, drive down production costs, push exports and be considered as the professional arm of the industry.
- But in the end the type of body that should be in place, its overall structure and objectives, was a matter for the industry.
- There were obvious constraints (in terms of Govt. control) that had to be recognised if the decision was to keep the AHDB on a statutory footing funded by a parafiscal tax.
- Flexibility was crucial and should be taken into account when looking at what AHDB should deliver: there were huge potential strengths in bringing sectors together but a degree of flex was needed
- Difficult for an individual farmer to access services AHDB has to offer. Need to show farmers value for money for their levy.

2.3 Publication of this Report and actions identified in it, has been delayed to await decisions by the Minister for the Cabinet Office on the outcomes of the Government's 2010 Review of Arms Length Bodies (ALBs).

Section 3: Outcomes from Breakout Sessions

3.1 The purpose of the Workshop was to gather together a wide audience of industry representatives, and individual levy-payers, to look at pivotal issues around the future structure, governance and funding of the AHDB. Plenary sessions and presentations were largely scene setting and led into Q and A sessions or interactive Breakouts (see below).

3.2 Two Breakout Sessions were run and participants (in four groups) were asked to identify around 5 core actions or issues that they believed needed to be addressed. The outcomes from those sessions are recorded in tables below. Individuals were also offered the opportunity to feed back in writing to facilitators in the Breakout sessions any personal views that they did not feel had been fully picked up in their Group, and comments received are outlined at the end of this Section.

3.3 A number of core themes emerged both during Plenary and in Breakout sessions, where discussion also built on that in Plenary. The core themes can be summarized as follows:

- i. **Flexibility:** Participants believed that the AHDB had the capacity to operate more flexibly, both within sector bodies and across sectors: delivering better outcomes for sectors or industry as a whole.
- ii. **Exports:** Participants believed that AHDB could do more to increase the profile and competitiveness of UK industry in global export markets.
- iii. **Statutory Levy:** Participants generally accepted that a statutory levy was the appropriate way to fund the AHDB: albeit that some ideas were put forward for improving levy collection and/or topping up levies.
- iv. **Communication:** Participants believed that AHDB could more effectively communicate with levy-payers on issues such as knowledge transfer and priorities.
- v. **Research and Development:** Participants believed that AHDB could more effectively design its R&D and Knowledge Transfer approaches to produce more meaningful cross-cutting outcomes.
- vi. **Strategy:** Participants believed that AHDB could look more strategically across sectors to improve outcomes for industry as a whole.
- vii. **Government control:** Participants felt there should be less central Government control and more relaxed governance structures.

3.4 The following are the main agreed outcomes from each of the Breakout Session Groups:

Breakout Session 1: Statutory Functions and Governance

Group 1

1. Ring fence levies
2. Lighter touch from Government, slacken controls, redraft Management Statement;
3. Sector flexibility on how levy is spent;
4. Single voice on cross-cutting R&D agenda (e.g. soils, water)
5. Importance of regular reviews because of speed of change
6. Powerful voice on export market access
7. Focus on wealth creation as a part of mission statement

Group 2

1. R&D as a priority
2. Export Promotion
3. KT – further and faster
4. Demonstrate value for money
5. Less Central Control – more transparency, less government control

Group 3

1. More power for the levy payers: AHDB too distanced from levy payers.
2. Currently too much high level activity in AHDB: strategy unconnected to levy payers' needs.
3. Better methods of communication to levy payers needed.
4. Flexibility between sectors needed: technical strength lies in sectors.
5. Duties of AHDB need to be clearly defined (not aspirations): added value to sectors + VFM.
6. Crises management – e.g. in case of disease outbreak –Levy payer must know where to go in an emergency and that must be the Sector.

Group 4

1. AHDB should deliver vfm and an effective return on investment (i.e. levy).
2. Sectors should have the final say on what each wants from AHDB.
3. Within constraint of 2. above, AHDB should operate flexibly to ensure lateral outcomes are delivered in a global market.
4. R&D should be better designed and undertaken to meet needs of all levy-payers (and better disseminated i.e. improved knowledge transfer).
5. There should be a more strategic approach across different sector bodies to better promote industry competitiveness.
6. There was a need to work more directly with consumers and the wider supply chain to deliver improved outcomes for industry.

Breakout Session 2: Statutory Levy and Other Funding Options

Group 1

1. Keep statutory levy – effective way of collection.
2. More freedom for AHDB.
3. Still a young organization in transition – further tweaking needed.
4. Look at MSFM and build in greater AHDB freedom on delivery.
5. Need clear communications to Cabinet Office that still want statutory levy with greater freedom on delivery. Relationship with Govt. needs to be looked at and possibly a new structure for this found.

Group 2

1. Statutory levy model needs less Government control; lighter touch.
2. Greater accountability to levy payers.
3. Horticulture Sector – reopen SI to correct thresholds.
4. Explore levy collection process for innovative alternatives.
5. If move towards voluntary model it should be on 'contractual model' – would only be possible in some sectors. Would need to serve needs of levy payers.

6. Voluntary levy would not give scope for any longer-term strategic R&D/Planning because drive will be for immediate returns.

Group 3

1. Keep the Statutory Levy : a future solution might be seeking an alternative form of compulsory “subscription”
2. Be as flexible as possible : compulsory levy used in a private sector way (i.e. cut restraints imposed on it being a public levy such as state aid and procurement constraints).
3. Consider a hybrid scheme of compulsory levy with a voluntary top up.
4. Balance between added value to all sector requirements: need for AHDB to show where value is added to sectors.

Group 4

1. More regular consultation on smaller levy increases (3-5 years maximum) to minimize the burden on industry.
2. The statutory levy should be topped up (e.g. by retailers) on a voluntary basis.
3. Notwithstanding 2. above, there was no viable alternative to a statutory levy (a voluntary approach would risk non-payment).
4. Requiring AHDB activities to be limited to the sector in which the levy was collected was inhibiting.

3.5 A range of other issues were either discussed in different Groups across both Breakout Sessions but not put forward as specific actions because they did not achieve majority support, or individuals identified issues (via a feedback sheet) which they did not believe had been reflected in discussion. Because these are, by their nature, minority views, they do not form part of the Recommendations arising from this Report but are worth identifying for the sake of completeness. They include:

- R&D needs to encompass the challenge of sustainable intensification in all sectors. (Generic research could include e.g. carbon accounting, life cycle analysis).
- Levy Board research needs to be coherent with that funded by others (e.g. Defra, Research Councils)

- Changes in the structure of the industry, driven by the market, will dictate the need for the Statutory listed functions. These functions must be defined on an individual sector basis.
- AHDB diverts focused attention from supporting the sectors it covers owing to the need to perform its corporate and governance functions.
- There were major cross-sectoral issues (e.g. organic marketing, but especially in R&D) in which the levy boards must respond together
- Scope was needed for funds to be diverted to an organic fund from organic levy payers or to ensure that the needs of organic levy payers were met across all sectors.
- Ring-fencing of levies was essential to keep growers, especially smaller growers, onboard and help combat avoidance of payment.
- AHDB needs to continue to show it is delivering more value for money than previous levy boards and should focus specifically on R&D and not promotion/marketing.
- Devolution within red meat sector, with separate levy bodies in England, Scotland, Wales and Northern Ireland, is unhelpful to pursuing some strategic aims and policies.

Annex A

AHDB Debate with Industry 15 March – Breakout Groups

Group 1

Brian Harding – **Defra**

Neil Bragg – **AHDB**

Jonathan Tipples – **AHDB**

Norman Bagley - **AIMS Policy Director**

Nick Baird – **Levy Payer**

Jonathan Barber - **NSA**

Adrian Barlow – **English Apples and Pears Ltd**

Andrew Barr – **Levy Payer**

Tina Barsby - **NIAB**

Marcus Bates – **British Pig Association**

Jim Begg - **Dairy UK**

Dr Anthony Biddle – **PGRO**

Laura Biddick-Bray – **Lantra**

Caroline Boyd – **The Scottish Government**

Huw Bowles – **Organic Trade Board**

Tim Breitmeyer – **Country Land & Business Association**

Duff Burrell – **Levy Payer**

Note taker – Guy Attenborough (AHDB)

Group 2

Jeremy Cowper – **Defra**

John Bridge – **AHDB**

Allan Stevenson - **AHDB**

Dr Rosemary Collier - **University of Warwick**

David Cotton – **Royal Association of British Dairy Farmers**

Nia Wyn Davies – **Farmers' Union of Wales**

Simon Davenport – **British Protected Ornamentals Association**

James Daw – **Levy Payer**

Martin Evans – **British Carrot Growers Association**

Alastair Findlay – **British Onions**

Bill Graham – **FACE**

Michael Hambly – **Levy Payer**

Richard Harris - **Potato Processors Assoc**

Gerry Hayman – **British Tomato Growers' Association**

Kim Haywood – **National Beef Association**

John Hoyles – **British Beet Research Organisation**

Philip Hudson – **NFU**

Note taker - Sharon Anderson (AHDB)

Group 3

David Cooper – **Defra**

Tim Bennett – **AHDB**

Clare Dodgson – **AHDB**

Richard Jacobs – **OF&G**

Nigel Jenney – **FPC**

Barney Kay – **National Pig Association**

Nic Lampkin – **Organic Research Centre/Institute of Organic Training & Advice**

Dr Margi Lennartsson – **Garden Organic**

Richard Lister – **Levy Payer**

Dr Penny Maplestone – **British Society of Plant Breeders Ltd**

Peter Morris - **NSA**

Tim Mudge – **British Herb Trade Association**

Liz Murphy – **IMTA**

Lisa Penny – **Welsh Assembly Gov't**

David Piccaver – **British Leafy Salad Association**

John Picken – **NFU Scotland (Vice President)**

Duncan Rawson - **European Food and Farming Partnerships**

Note taker - Alex Dasi-Sutton (Defra)

Group 4

Sue Popple – **Defra**

Andrew Robinson – **Defra**

Professor Christopher **Bones** – **AHDB**

Lorraine Clinton – **AHDB**

John Cross - **AHDB**

Phillip Effingham – **Levy Payer**

Salvador Potter – **PGRO**

Martin Riggall - **PVGA**

Siôn Roberts – **European Food and Farming Partnerships**

Paul Rooke - **AIC**

Stephen Rossides - **BMPA**

Dr Mike Solomon – **East Malling Research**

Natalie Smith – **Sainsbury's**

John Speers – **Northern Ireland Dept**

John Speirs – **The Scottish Government**

Huw Thomas – **NFU Cymru**

Andrew Walker – **ADAS**

David Walker – **Fresh Potato Suppliers Association**

Alex Waugh- **NABIM**

Peter Whitehead - **IGD**

Representative - **Horticulture Trades Association**

Note taker – Kevin Ruston (Defra)

Annex B

Extract from The Agriculture and Horticulture Development Board Order 2008 (Schedule 1 - Functions of the Agriculture and Horticulture Development Board)

This schedule has no associated Explanatory Memorandum

1. Promoting or undertaking scientific research.
2. —(1) Promoting or undertaking inquiry—
 - (a) as to materials and equipment, and
 - (b) as to methods of production, management and labour utilization.

(2) Promoting or undertaking inquiry under sub-paragraph (1) includes promoting or undertaking—

 - (a) the discovery and development of—
 - (i) new materials, equipment and methods, and
 - (ii) improvements in those already in use,
 - (b) the assessment of the advantages of different alternatives, and
 - (c) the conduct of experimental establishments and of tests on a commercial scale.
3. Promoting the production and marketing of standard products.
4. Promoting the better definition of trade descriptions and consistency in the use of trade descriptions.
5. Developing, promoting, marketing or operating—
 - (a) standards relating to the quality of products, or
 - (b) systems for the classification of products.
6. Developing, reviewing or operating schemes for the certification of products or of operations connected with production or supply of products.
7. Undertaking the certification of products, the registration of certification trade marks, and the functions of proprietors of such marks.

- 8.** Providing or promoting the provision of—
 - (a) training for persons engaged in or proposing to be engaged in the industry, and
 - (b) their education in subjects relevant to the industry.
- 9.** —(1) Promoting—
 - (a) the adoption of measures for securing safer and better working conditions, and
 - (b) the provision and improvement of amenities for persons employed.

(2) Promoting or undertaking inquiry as to measures for securing safer and better working conditions.
- 10.** Promoting or undertaking research for improving arrangements for marketing and distributing products.
- 11.** Promoting or undertaking research into matters relating to the consumption or use of goods and services supplied by the industry.
- 12.** Promoting arrangements—
 - (a) for co-operative organisations,
 - (b) for supplying materials and equipment, and
 - (c) for marketing and distributing products.
- 13.** Promoting the development of export trade, including promoting or undertaking arrangements for publicity overseas.
- 14.** Promoting or undertaking arrangements for better acquainting the public in the United Kingdom with the goods and services supplied by the industry and methods of using them.
- 15.** Promoting or undertaking the collection and formulation of statistics.
- 16.** Advising on any matters relating to the industry (other than remuneration or conditions of employment) as to which the appropriate authority may request the Board to advise, and undertaking inquiry for the purpose of enabling it to advise on such matters.
- 17.** Undertaking arrangements for making available information obtained, and for advising, on matters with which the Board is concerned in the exercise of any of its functions.
- 18.** Engaging in any form of collaboration or co-operation with other persons in performing any of their functions.
- 19.** Promoting or undertaking research into the incidence, prevention and cure of industrial diseases.

20. Promoting or undertaking arrangements for encouraging the entry of persons into the industry.

Annex C

Workshop Programme

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|-----|--|-------------|
| 1. | Arrival and registration | 10.00-10.30 |
| 2. | Welcome and introduction
(Brian Harding – Chair) | 10.30-10.35 |
| 3. | AHDB and wider context: followed by Q and A
(Defra Minister of State) | 10.35-11.00 |
| 4. | Coffee break | 11.00-11.20 |
| 5. | Case for the AHDB
(Jeremy Cowper – Head of Defra Crops Hub) | 11.20-11.30 |
| 6. | Breakout Session: does the Case for AHDB stand? | 11.30-12.15 |
| 7. | Lunch | 12.15-13.00 |
| 8. | Wider farming agenda and levies
(Peter Kendall - President NFU) | 13.00-13.15 |
| 9. | Breakout session: different levy models | 13.15-14.00 |
| 10. | AHDB's priorities and agenda
(John Bridge - AHDB Chair) | 14.00-14.15 |
| 11. | Plenary/Q and A session: achieving best outcomes
(Brian Harding and John Bridge) | 14.15-14.45 |
| 12. | Way forward
(Chair – Brian Harding) | 14.45-14.55 |