



## **Minutes of the Forty First Board Meeting held on Wednesday 12 March 2014**

### **MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 15 January 2014 were approved.

### **MATTERS ARISING (and not on the agenda)**

A protocol is now being finalised for Red Tractor with further discussions being had with Freedom Foods.

Members were told Red Tractor have been advised of the amended Real Welfare protocol and they, in turn, have informed their assessors.

A visit to the UK from CNCA is planned for w/c 17 March however we have been advised that they are now not looking at pigs on their visit which is very disappointing. The AQSIQ Minister is coming to the UK in April to sign an understanding regarding BSE etc. and our CVO is visiting China in April so pressure is being kept up.

A visit to Denmark has been organised for late March to gain understanding of their processes regarding meat inspection.

There is an outstanding issue on processed products which requires further investigation. BPEX is also seeking clarity on what the flags mean on products – does this denote origin? From April 2014, if a pack says origin x, then x must mean born, reared and slaughtered.

Members were told the media coverage following the launch of the Farmageddon book has been very low. The industry gathered well before the launch to co-ordinate a response, including NFU, AHDB, Poultry Council, NPA, Red Tractor. This group will now continue to discuss the common use of the term “factory farming”.

### **AFS STRATEGY AND THE PIG SECTOR**

A presentation was given on who and what Red Tractor is. A new set of Red Tractor standards are being issued in October 2014 to provide more clarity to producers and auditors. Stakeholder engagement has a “bottom up” principle, with wide consultation on proposed developments to standards. The scheme has now been in operation for 20 years, 15 of which has carried the Red Tractor logo. The total staff headcount is 17 following a full team reorganisation in the past 12 months, which has made the organisation more efficient for a lower cost.

The consumer logo appears on £11 billion worth of products every year and is recognised by 65% of primary shoppers. Examples of usage were shown including a recent KFC national press campaign, Aldi leaflets and the banner ad on an England football match in 2013. Red Tractor are now looking at a “made with” collaboration with retailers on their ready meals.

The Red Tractor communication and marketing plan were presented, including the use of “Red Tractor Week” each year.

One member asked about the reserves policy and was told that reserves are equal to costs to deliver commitments and wind up the company in full.

Another member said no detail had been given on how the scheme plans to develop over the next 5 years. He was told a three year technical plan has been drawn up to include the new standards effective October 2014, with a five year plan being drafted. The focus is on enforcement of existing standards.

Red Tractor was urged to have more focus on farm communications as producer understanding and buy-in is key.

There was a concern that if BPEX financial support diminishes over the 5 years, then there is a risk of BPEX having a lesser stake in RT. The answer was that regardless of levy input, Red Tractor is committed to remain highly integrated with BPEX. The contribution from BPEX for 2014/15 was agreed.

## **DAPP**

The board was told of the sample changes to the current DAPP data due to some processors stopping contributions as previously advised. The sample size is now circa 65,000 pigs (approximately 50-60% of the available pigs) which means that the DAPP is now at risk.

For example if a company has a system problem meaning they cannot supply data, which happens on occasion, then we would not have enough data to calculate the DAPP. In order to address this weakness, MI have been looking at supplementing the DAPP processor data with comparable data from sellers. This accounts for 26-28k additional pigs however this is not yet being published.

Audits have taken place on 5 of the 6 new suppliers to prevent duplication and ensure consistent data with the specification of the current DAPP.

The impact of including this new data is showing an average increase of 1.57p over the 4 week period for which data has been collated. Analysis has been done on weight, probe and grade and results are broadly the same.

One member asked why the DAPP price has increased if the number of pigs in the sample has decreased. He was told there are approximately 8,000 pigs that are unspecified as standard or non-standard, but line by line analysis shows these are not showing an obvious price increase. As per the current specification, anything that is paid on slaughter is included.

There are some inconsistencies on overnight payments which require further investigation, but it is a very small and insignificant number, therefore we should assume that the increase is due to market conditions.

A member asked when, if agreed, the new DAPP could be published? He was told that the new providers are supplying data one week later than current suppliers, so if agreed today, then the new DAPP would be published in three weeks' time.

Due to confidentiality, specific analysis, could not be shared but it was explained comparisons between the new data, pre-Christmas sample and current sample had been done to identify any anomalies. For example, the whole of 2013 DAPP data can be analysed by taking out Karro and Cranswick and comparing with 2014 data. This analysis has not shown any obvious anomalies.

It was suggested auditing be done more often than annually as is current, to give more confidence in DAPP. It was explained that this could be done, however the data is analysed by the Market Intelligence team for anomalies on a weekly basis through due diligence systems.

The question was posed as to whether there was Northern Ireland is included in the new data. It was confirmed that whilst we receive some data from NI, it is not included in the DAPP. A member said other processors may come back into DAPP if the price is Red Tractor standard pigs only and includes Northern Ireland.

After discussion, it was decided not to proceed with a DAPP utilising both processor and producer data. Instead a new price using producer data would be produced. In addition a new price for standard only pigs would be produced using processor data. The coverage of the processor price would be UK (i.e. including Northern Ireland) subject to obtaining comparable data from a representative sample of processors in Northern Ireland. If this is not possible, a Great Britain price would be produced.

In summary it was agreed that new pig price series would be produced by AHDB Market Intelligence that would replace the current DAPP (Deadweight Average Pig Price) after a transition period of 6 months during which the existing DAPP and new price series would be published in parallel.  
Decision - A new weekly pig price series will be produced based on data provided by processors. The price will be an average for the United Kingdom if possible (Great Britain and Northern Ireland) and will relate to Standard Pigs only

Standard Pigs are defined by exception. They are not pigs which are priced on the basis of an explicit premium (other than weight and grade) for a defined attribute.  
All major abattoirs and selected medium scale abattoirs will participate on a voluntary basis. They will provide data for their entire week's kill, excluding inter-company traded pigs. AHDB MI will edit the data to include only Standard Pigs.

The data specification will remain as at present, which is individual pig data including cold weight, probe and gross price. The gross price includes all weekly paid bonus payments (such as, but not exclusively overnight lairage payments) and is before deductions (such as, but not exclusively meat inspection charges, classification, levy and insurance). Bonus payments paid in arrears and conditional on the achievement of contractual terms are excluded.

Northern Ireland prices supplied will be for pigs of Northern Ireland origin only. The prices will be adjusted if required to ensure the specification is comparable. These adjustments will be determined by AHDB MI based on documentary evidence. They will be reviewed regularly.

The average price will be published on the Wednesday after the week of kill. This will be known as [working title] the UK SAPP (Standard Average Pig Price)  
A written agreement will be signed between AHDB MI and participating processing companies. This will contain the agreed specification, auditing arrangements and a [6] month notice period of withdrawal of voluntary cooperation.

A new weekly pig price series will be produced based on data provided by sellers  
The price will be an average for Great Britain and will relate to all pigs sold by participants.  
Participants will be a combination of individual pig businesses and marketing groups.  
A representative sample of sellers will participate on a voluntary basis. AHDB MI will determine that the sample is representative based on an objective statistical assessment.

The data specification will remain as at present, which is individual pig data including cold weight, probe and gross price. The gross price includes all weekly paid bonus payments (such as, but not exclusively overnight lairage payments) and is before deductions (such as, but not exclusively meat inspection charges, classification, levy and insurance). Bonus payments paid in arrears and conditional on the achievement of contractual terms are excluded.

The average price will be published in the second week after the week of kill. This will be known as [working title] the GB PAPP (Producer Average Pig Price).  
A written agreement will be signed between AHDB MI and participating sellers. This will contain the agreed specification, auditing arrangements and a 6 month notice period of withdrawal of voluntary cooperation.

The DAPP will continue to be calculated and published for a transitional period of 6 months  
The sample will consist of the existing members (as at 12 March)  
The specification for prices would remain unchanged. The DAPP will be published on the Wednesday following the week in question.

Timetable -The calculation of the UK SAPP is conditional on the cooperation of all major and selected medium sized abattoirs. It was agreed that this would be known by the close of business on 14 March 2014.

If cooperation is confirmed the UK SAPP could be available for publication within 4-6 weeks. The main determinant will be the recruitment of additional sample members in Northern Ireland.  
The calculation of the GB PAPP could be available for publication within 4-6 weeks. The main determinant will be confirming participation by sellers sufficient to generate a representative sample.  
The 6 month transitional period for the publication of the DAPP will begin at the date of the first publication of the UKSAPP and GBPAPP.

EU reference price - The EU Reference Price will continue to be calculated using data from the existing DAPP sample for the time being. When all the major and medium sized abattoirs participate in price reporting the EU reference price will be based on this extended sample using all collected pig data. This will be confirmed in the written agreement.

#### **BUSINESS PLAN 2014/15 DELIVERY**

An update was presented on the current BPEX team restructure. The current budget is showing a net underspend with an additional amount from the sale of Stoffold. This includes the committed spend to AFS for Red Tractor for the coming year. The revised budget was agreed by the BPEX Board.

#### **DISEASE PREVENTION STRATEGY**

Members were told that PEDv is now in many countries around the world. While no cases have been found in the UK the threat is very real and we need to be clear on what we should do if this happened. Alongside this, we also need to look at threats of ASF, FMD and CSF.

Early identification is imperative to stop diseases spreading but the focus is on keeping the disease out of the UK. The most significant risk is from animal to animal products. NPA have asked Red Tractor to speak to producers to double check labels on food products to ensure they don't contain animal products and plasmas.

Lorry washing is also vital. In Denmark, a scheme has been set up whereby a certificate is produced to give livestock vehicles a clean bill of health. This has been communicated very well and producers have been instructed to turn away vehicles that do not present this certificate on arrival.

Protocols need to be pulled together ready for implementation should an outbreak occur in the UK. An Emerging and Exotic Disease Roundtable meeting organised by the Pig Health and Welfare Council is scheduled for 10<sup>th</sup> April 2014. One member asked if it was possible to introduce legislative measures regarding disease outbreak. They were told that the majority of restrictions and protocols are voluntary as only a small amount of diseases are classed as notifiable.

Defra has published a report following Operation Walnut which contains actions that need to be taken by the industry. This will also be discussed at the roundtable on 10<sup>th</sup> April.

#### **POST HORSEGATE IMPACTS ON THE PIG SECTOR**

There was insufficient time remaining for this item and will therefore be brought to another meeting.

#### **ANY OTHER BUSINESS**

The Board was informed that a change in CAP reform is a potential threat to outdoor pig producers by arable farmers and what they can claim for. If a producer has more than 75 hectares of land, they will now have to have a minimum of three crops per year on that land and obviously pigs don't count towards this.