

Director General's report

Helping to secure a future for British meat

This year has seen an enormous amount of effort and success by MLC staff across a range of fronts. My report highlights some of the key organisational and general activities conducted during the year, together with a summary of our financial performance. The achievements within cattle, sheep and pigs and red meat in general are reported separately.

This has been another difficult year for livestock farming families and MLC staff have been actively working in a number of ways to reduce the pressure being felt in the industry.

There are some fundamental structural issues that will need to be resolved within the industry and MLC staff will continue to work closely with industry organisations and Government to develop the optimal outcome.

Structured to deliver

We constantly review our structures to ensure the efficient delivery of our statutory remit. The Cattle and Sheep Strategy Councils and the British Pig Executive continually debate issues and develop strategies for the effective use of levy funds.

Staff at our four regional offices in England, at the MLC Cymru office in Aberystwyth and employees of Quality Meat Scotland in Ingliston have been particularly active in providing a source of support at local level throughout the year.

This structure has enabled us to react to local issues quickly and efficiently as well as providing an effective route for feedback to the centre.

The MLC Welsh Council, comprising key members of the industry in Wales, has identified a number of important issues to help develop the industry and working groups have been established to deliver against a set of objectives.

During the year Quality Meat Scotland (QMS), the body launched in November 1999 in conjunction with the NFUS and SAMW to undertake certain statutory functions on behalf of MLC in Scotland, appointed Neil Kilpatrick as chairman and Alasdair Muir as Managing Director.

The Phillips Report recommendations were studied closely by a working group comprising the Chairman, Director of Corporate Strategy and myself, together with the Deputy Chairman Paul Kirk, and the Consumer Commissioners Richard Moody and Diane McCrea. We are confident that our response not only addresses the issues but can also serve to improve Commission performance.

Gwyn Howells
Director General

Meat – an essential part of a balanced diet

Meat – essential part of balanced diet

It is widely recognised that red meat is an effective source of nutrients, minerals and vitamins and provides an important component of a healthy balanced diet.

MLC activity within the health, nutrition and education sectors helped towards the creation of nutritionally relevant Government standards being imposed for school meals. As a result, red meat, (comprising beef, sheep meat and pig meat), must now be served in primary schools at least twice a week and in secondary schools at least three times, delivering an estimated increase of 10,700 tonnes of red meat per year.

MLC was proud to host the first International Meat Secretariat (IMS) worldwide Marketing/Nutrition Communications Workshop in July. Its objective was to discuss, compare and, where possible, agree ways to communicate the nutritional benefits of meat. Participants from around the world included meat industry marketeers, nutritionists and academics working in the field of human nutrition.

Encouraging greater use of British meat

Consumer-focused product development is a critical driver for the future prosperity of the British red meat industry.

During the period the MLC's trade marketing team was heavily involved in encouraging the industry to develop innovative meat-based meal ideas to meet the ever-changing needs of consumers. A focus for much of this vital activity was the annual British Meat Awards which culminated in an awards ceremony in June. The event, attended by the Rt Hon Joyce Quin MP, Minister of State, saw a record 190 companies entering 842 products. The category winners reflected changes in consumer demand with two of the three being "hand held" meals/snacks.

Another example of success in product development was the promotion of the British Pork classic 'McRib' meal into 1,000 McDonalds outlets in August 2000.

Hard work behind the scenes by the trade marketing team continued to pay dividends. Successes included Virgin Trains agreeing that 99 per cent of meat products served would be British.

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Working to reduce red tape

We have continued to argue the case for amendments to existing and proposed EU and UK legislation to avoid red tape and ensure consumer and industry needs are best met. For example, MLC was instrumental in helping to amend EU legislation on beef labelling which could have resulted in product costs increasing by up to five per cent with no apparent benefit to the consumer.

The annual MLC Chairman's reception in Brussels was an excellent opportunity to ensure the GB position was well understood and represented on a number of key issues, including

beef labelling, the problems facing the pig sector, reform of the sheep regime, specified risk material rules and the Date Based Export Scheme. Some 80 guests attended, comprising Agricultural Counsellors, Agricultural Attachés, Commission and Council officials, and senior representatives from trade and industry organisations.

Also a reception for members of the European Parliament was held in Brussels in February 2001, co-hosted by the MLC, the National Farmers' Union of England and Wales and Jonathan Evans (MEP). There was a great deal of interest in the progress made in the UK to combat BSE as well as in the then recent Foot and Mouth Disease outbreak.

Communications

MLC again undertook a variety of communications activities to reach its audiences. The Outlook 2001 conferences providing and presenting forecasts of meat supply were held in London, Perth and Llandrindod Wells. The content and style ensured good attendance from across the meat supply chain. Agriculture Minister Nick Brown, Rural Development Minister Ross Finnie and Rural Affairs Minister Carwyn Jones were the keynote speakers at the London, Perth and Llandrindod Wells conferences respectively.

Media relations activity generated an estimated £3.1 million (equivalent advertising cost) of coverage to benefit British meat and the industry with significant numbers of TV and radio interviews.

Enhanced visibility on the world wide web was achieved through the launch of a number of websites including the revamped consumer (www.meatmatters.com) and corporate (www.mlc.org.uk) sites, together with a site for the British Meat Education Service (www.bmesonline.org.uk).

We are continually looking at ways to improve communications with levy payers, to help with technology interaction and to inform them how we are spending levies. In December we undertook our first open day when more than 160 farmers, industry organisation personnel and agricultural students came to Winterhill to hear presentations on MLC work. Feedback in the form of completed questionnaires indicated that visitors had found it a very useful and informative day.

MLC staff participated in 57 open meetings across the country during the levy increase consultation period. Regional staff, assisted where appropriate by head office personnel, explained the rationale behind the proposed levy increase. As a result of this consultation Commissioners increased the rates for cattle and sheep for the first time in four years.

Changes were sought to the onerous Date Based Export Scheme

www.meatmatters.com
www.mlc.org.uk
www.bmesonline.org.uk

At the request of the industry, MLC became the vehicle for the Pig Industry Development Scheme

Developing export opportunities

MLC staff worked to re-open export opportunities for British beef and expand those for sheep and pigs. We helped facilitate the first semen exports to New Zealand for five years and were involved in inward missions from both the EU and third countries including Italy, Greece and Russia.

We ensured that the task of developing beef exports remained in the media. Two notable highlights were the anniversary of the lifting of the beef ban on August 1 and permission for British beef to be displayed at the SIAL show in Paris in October during the continuing illegal French ban on British beef.

61 British meat companies were represented on the British Meat stand at SIAL. Afterwards, the traditional British Meat Dinner was held at the Grand Hotel in Paris and was attended by some 300 guests including key importers, exporters, officials and journalists.

Much effort was also spent seeking changes to the onerous Date Based Export Scheme before the work was put on hold by the outbreak of Foot and Mouth Disease (FMD).

We also worked closely with H.R.H. The Prince of Wales when he hosted a British beef dinner at Highgrove for ambassadors from overseas countries.

Crisis response and Foot and Mouth Disease

Industry defence and crisis management continues as a major activity. More than 90 different issues exercised MLC staff and brought about a variety of different tactics and actions.

Classical Swine Fever was a body blow to the pig industry just as signs of recovery were appearing. MLC's crisis response was co-ordinated from the Eastern region office and ranged from helping develop protocols to relieve welfare problems to development plans for the early return of pig meat on to the market from surveillance zones. Subsequently, at the request of the industry, MLC became the vehicle for PIDS (The Pig Industry Development Scheme), a levy-based scheme designed, among other things, to fund top-up payments to pig farmers in East Anglia who sold pigs into the Government's Welfare Disposal Scheme.

Investigations into the theoretical risk of BSE occurring in sheep caused media speculation at regular intervals during the year and the Sheep Strategy Council prepared a crisis plan. Media over-reaction to an FSA announcement in this area caused concern in other EU markets and Spanish importers cancelled orders for British lamb – a situation that required some rapid reassurance and explanation of the facts to correct.

Looking back, little did we think at the start of the year that Britain's worst ever FMD epidemic was on the horizon.

As the outbreak in February developed, our experience and expertise in issues management came to the fore. A project team

was selected to manage the day-to-day issues surrounding the disease as well as considering and developing solutions to the variety of problems facing the industry.

More than 2,500 media calls were handled during the first five weeks and over 100 media interviews conducted by trained staff. A specific FMD advice/information section was created on the website with more than 1,000,000 hits being recorded in the early weeks of the disease.

Staff from all sections manned a dedicated telephone call centre 12+ hours a day, seven days a week. This team responded to a wide range of questions and issues covering such areas as bio-security, emergency feeding arrangements and the repatriation of animals. They also provided details and interpretations of the variety of licensed movement schemes coming from Government. More than 3,000 telephone calls were handled during late February and March with many callers expressing their thanks for the service provided.

Proposals to relieve welfare problems and to help restart the marketing process were undertaken with the skill and insight expected of MLC staff and we contributed significantly to the weekly stakeholder meetings held by the Ministry.

More practical assistance was provided by Commercial Services staff who supplied support for the supervised movement of carcasses from farms to rendering plants and provided approval and supervision of cleansing and disinfection centres used in the long distance welfare movement scheme.

Staff matters

The average number of full- and part-time staff employed by the Commission during the year was 666, compared to 715 the previous year. Of those, only 176 were funded from the levy. The other 490 worked within our Commercial Services Division and were funded from fees charged.

As part of the continuing adjustments in MLC structure to meet changing requirements, an enhanced early retirement scheme was instigated for staff over 55 with more than 30 years' service.

A special FMD hotline gave advice to more than 3,000 callers by 31 March 2001 across a wide range of topics

176 levy-funded staff worked for the MLC during the year, down from 195 the previous year

MLC communicates its activities through public documents such as the three-year corporate plan

Financial performance

Review of operating results

The Commission generated a surplus of £1.4m for the year to 31 March 2001, compared with a deficit of £2.3m for the previous year.

Total operating income of £53.3m was £2.1m lower than in 1999/2000 (£55.4m) due to lower year-on-year receipts of net levy income (£1.6m) and lower fee and other income (£0.5m). The decrease in net levy income was largely attributable to the Classical Swine Fever and Foot and Mouth Disease outbreaks.

The operating expenditure decrease of £5.5m on the previous year to £52.3m came mainly as a response to the income shortfalls referred to above by reducing expenditure in the General Fund (see accounts note 3).

Our long-term targets for improving staff productivity ratios were not achieved for the year. This was because, although staff costs and numbers were reduced, expenditure was cut by an even greater amount in response to the lower income levels referred to above.

Cash management

The Commission's financial policy is based on the maintenance of cash neutrality. During the year to 31 March 2001 the surplus referred to above, and a changed working capital profile year-on-year, resulted in a £0.2m increase in consolidated cash holdings to £1.3m (£1.1m at 31 March 2000).

The Department for Environment, Food and Rural Affairs (DEFRA) fund on deposit is held outside the Commission's own cash resources and was set up to underwrite potential future redundancy costs. The fund increased by £0.2m during the year due to interest received on the cash deposited.

Open government

MLC embraces the principles of open government and seeks to communicate its activities through this publication and its annual three-year corporate plan, both of which are public documents. MLC consults widely with its stakeholders on the thrust of its strategic corporate plans for industry and on changes to statutory levy rates.

MLC has issued two documents to staff and Commissioners addressing, in part, their responsibilities towards open government.

Citizen's charter

The Commission seeks to comply with the principles of the Citizen's Charter. It has developed standards for customer and levy payer service against which it can measure its performance. A copy of the MLC Citizen's Charter leaflet can be obtained from Winterhill House.

Impact of Foot and Mouth Disease on financial performance

The impact of FMD on MLC financial performance was well managed during the financial year 2000/01. This was achieved by deferring promotion expenditure that would have been ineffective during the crisis.

However, FMD will have an enormous impact on the Commission's finances for the coming year with slaughterings predicted to be down by as much as 20 per cent. The clear implication of this is that, without support from DEFRA, expenditure plans will be cut at a time when promotional activity needs to be increased to recover the market.

Gwyn Howells

Financial performance

	2000/01	1999/00	1998/99	1997/98	1996/97
	£m	£m	£m	£m	£m
Summary results – Group					
Net levy	32.0	33.6	37.1	36.4	36.2
Fee and other income	19.2	19.7	16.3	14.7	14.5
HM Government agency	2.1	2.1	2.2	3.1	2.8
Total operating income	53.3	55.4	55.6	54.2	53.5
Operating expenditure	(52.3)	(57.8)	(56.7)	(53.1)	(54.2)
Operating surplus/(deficit)	1.0	(2.4)	(1.1)	1.1	(0.7)
Other net income/(expenditure)	0.4	0.1	0.1	0.2	(0.4)
Surplus/(deficit) for the year	1.4	(2.3)	(1.0)	1.3	(1.1)

	2000/01		1999/00	1998/99	1997/98	1996/97
	Actual	Target	Actual	Actual	Actual	Actual
Performance indicators						
The Commission has set itself the target of making services self-funding						
Services to industry income as a percentage of expenditure	102.09	100.00	107.59	111.40	109.90	107.80
The Commission is seeking further improvements in staff productivity						
Staff costs per £1 expenditure of levy dependent activities	0.17	0.15	0.15	0.14	0.13	0.14
Staff numbers per £1 million expenditure of levy dependent activities (adjusted for changes in the Retail Price Index)	5.75	5.27	5.40	4.90	5.00	4.90
The Commission seeks to restrict long term borrowings to a minimum						
Long term borrowings as a percentage of capital and reserves	0.70	0.00	0.00	0.00	0.00	0.00

The Commission has set itself the target of making services self-funding – a target for services to industry income as a percentage of expenditure has been set at 100%.

The Commission has set itself the target of improving staff productivity ratios by 2.5% per annum.

Performance against targets

Consumer related performance targets 2000–2003	Performance	On target
Enhance image of red meat on home market: <ul style="list-style-type: none"> • "important in a healthy/balanced diet", increase to 38% • "is good for you", increase to 33% 	44% achieved 34% achieved	Ahead Ahead

Central performance targets 2000–2003	Performance	On target
Raise the effectiveness of communications to levy payers	Introduced media evaluation system, re-launched corporate website and achieved backing of levy payers for levy increase	Yes
Introduce into the industry 10 new technologies or processes to address specific problems	5 introduced during the period	Yes
Improve operational efficiency by reducing the underlying overhead cost by 2.5% year on year	2.7% reduction achieved	Yes
Build to £1.3m operating surplus per annum for Commercial Services Division	Operating profit £695,000. Behind target due to state of agro-economic environment, FMD	No
Achieve IIP or equivalent standard	Working party established and started to address outstanding areas	Yes

BPEX performance targets 2000–2003	Performance	On target
Reduce the cost of production by up to 15p/kg deadweight by 2004	£1.4m committed to date in research projects to achieve this goal. Communication to producers included distribution of 1,343 CD-ROMs on pig husbandry	Yes
Establish the use of the Quality Standard Mark (QSM) on at least 90% of British pig meat at retail	Usage achieved: 84% on pork, 73% on bacon and 74% on ham	Yes
Achieve prompted consumer awareness of the QSM of 30%	Prompted awareness 79%	Ahead
Establish the extent and risk from zoonotic organisms and devise and implement a risk reduction programme	National survey completed. Programme plan devised.	Yes
Reduce levy funding of Stotfold Unit to zero	Reduced by 28% in period	Yes
Establish independent evaluation of advertising using econometric modelling	Recruited evaluation consultant, agreed model and delivered on all campaigns in reporting year	Yes

Sheep performance targets 2000–2003	Performance	On target
Enhance the image of lamb on the home market: <ul style="list-style-type: none"> • "popular among younger consumers" from 8% to 12% • "good for a variety of dishes" from 21% to 25% • "buying more often than a year ago" for 16–34 year olds from 9% to 15% • "proportion consumed by under 45s" from 33% to 35% 	No change achieved No change achieved Increased to 10% No change achieved	No No Below No
90% of British lamb sold by multiple retailers Dec–Apr produced to MLC Blueprint spec	Increased from 40 to 45%	Below
Gain the commitment of eight of the top EU importers of British lamb to joint promotional and marketing activities	On track until FMD outbreak put on hold	No
Increase use of rams with EBVs from 41% to 55%	47% in reporting period	Yes
Establish independent evaluation of advertising programmes using econometric modelling	Recruited evaluation consultant, agreed model and delivered on all campaigns in reporting year	Yes

Cattle performance targets 2000–2003	Performance	On target
Increase the home market share of British beef from 79% to 81%	FMD has negated this as a target in the medium term	No
Enhance the image of beef on the home market <ul style="list-style-type: none"> • "very nourishing" from 47% to 51% • "good quality at the moment" from 35% to 38% • "good for a variety of dishes" from 32% to 40% 	Increased to 49% Fallen to 31% due to scares No change achieved	Yes No No
Help industry achieve smooth reintroduction of OTMS cattle in food chain	Prospects for progress slowed due to BSE in Europe	No
Reduce the proportion of cattle carcasses classified as 4H or fatter from 24% to 18%	Down to 21%	Yes
Increase the rate of change in beef genetic performance from 0.6 to 0.7 EBVs per year	Confirmed at 0.67 in the period	Yes
Establish independent evaluation of advertising programmes using econometric modelling	Recruited evaluation consultant and agreed model	Yes

MLC Cymru report

The Welsh Council membership is drawn from a wide range of industry organisations. It acts as a focal point for discussion on the strategic development of the livestock and meat industry in Wales and recommends strategies to MLC.

The Council also supports the National Assembly for Wales and the Welsh Development Agency's Agri-Food Partnership on strategic issues within the livestock and meat industry in Wales, in addition to advising MLC on the delegation of funds to Welsh Lamb and Beef Promotions Ltd. It provides guidance to MLC in the management of levy funded MLC activity in Wales and supports the Welsh industry in the accessing of external funding for Wales. The Welsh Council also provides strategic input to the MLC species strategy councils for sheep and cattle.

During the year, the Welsh Council became firmly established as the focal point for MLC's work in Wales. The Council adopted a sub-group structure to focus on three issues of strategic importance to the industry in Wales:

- priorities for the sheep industry;
- developing MLC Cymru work in the areas of education, nutrition, diet and health;
- forecasting the longer-term needs of the industry and developing strategies to help the industry adapt.

The Council, working with the Livestock Auctioneers Association (LAA), secured a £25,000 grant from the National Assembly to introduce Quality Price Reporting in Welsh auction markets. It also developed a strategy to introduce food education in the National Curriculum in Wales.

Research

MLC Cymru continued to fund research projects at the Institute of Rural Studies (IRS), including looking at electronic identification of sheep and a breeding project to improve the maternal traits of the mule ewe. More work was done with the Institute of Grassland and Environmental Research (IGER), particularly looking at grasses with a high sugar content.

There were two major projects to attract European funds, one focusing on livestock improvement of beef cattle and sheep and the second on marketing and promotion of Welsh lamb and Welsh beef. This work made progress with the Welsh Development Agency and the National Assembly for Wales.

Gwyn Howells
General Manager, MLC Cymru

The Welsh Sheep Strategy continued to encourage the adoption of sire reference schemes and Scrapie genotyping

Welsh Sheep Strategy

The MLC Cymru managed Welsh Sheep Strategy continued to contribute significantly to the sheep industry by encouraging the adoption of sire reference schemes and Scrapie genotyping.

Five Technology Interaction and Resource (TIR) farms were instrumental in providing an efficient and novel way of communicating with farmers. This involved one enterprise becoming the TIR farm with a group of neighbouring farmers who pooled their expertise and focused on group learning by sharing ideas. Around that ring are 500 more farmers who received regular newsletters and were invited to open days at the TIR farm.

Farmers affiliated to the Strategy were involved in benchmarking their businesses to determine costs of production per kg liveweight as the first step towards improving their competitiveness.

Communication with farmers in Wales continued through the publication of newsletters, a conference and other farmer meetings. There were also a significant number of TV/radio interviews and press articles both in specialist farming and mainstream media.

Welsh lamb was the central feature of the British Meat stand at the Food and Drink Exhibition in Athens in early February

Quality Meat Scotland report

This was the first year of operation for Quality Meat Scotland (QMS). It has been a year full of challenges, both in building an effective organisation and in giving practical help to an industry in crisis, especially with the outbreak of Foot and Mouth Disease (FMD) that dominated the end of this reporting period. Throughout, QMS has provided a valuable and responsive service to farmers and the meat industry.

A three-year £15 million strategy

Work on the three-year £15 million QMS strategy for the future was delayed due to the outbreak of FMD, but by the end of March 2001 it was virtually finished. The approach to be taken by QMS builds on work completed by the organisation in its first year of operation.

Key themes include an emphasis on enhanced farm and quality assurance, coupled with investment in the "Specially Selected Scotch" brand. Much early work was done on establishing the brand look, consistency, developing future applications and communicating all this to the trade.

During the year, work had already started to link all of the elements of the chain from farm to retail shelf under the quality and farm assurance banner, presenting customers with a product that is assured from gate to plate. Under the QMS strategy, for the first time every element of the chain is set to be covered by the "Specially Selected Scotch" branding.

In practical terms, QMS is playing a catalytic role in embedding quality and farm assurance at each level of the process, from feed assurance, to beef, lamb and pork production, auction marts, hauliers, the Guild of Scotch Quality Meat Suppliers, and at the retail end, the Guild of Q Butchers.

Projects and initiatives

Other initiatives launched in the past year to benefit the meat industry in Scotland included a meat eating quality project, run in conjunction with MLC and the Scottish Executive. This project will provide the industry with vital information on how to produce meat that offers the optimum eating experience.

A Product Development project was also undertaken in partnership with Scottish Enterprise, which identified a significant number of manufacturing companies in Scotland prepared to consider producing meat products using the "Specially Selected Scotch" brand. QMS will continue working with Scottish Enterprise to find ways of stimulating product development to the benefit of the industry.

Alasdair Muir
Managing Director, Quality Meat
Scotland

Other activities undertaken by QMS over the past year included the implementation of some of the findings from the Dewar Durie report, which was produced for the Scottish Executive to look at the future of the sheep industry in Scotland. A key objective within the report is to provide Scottish-specific information and advice to the industry, including production trends, supply chain volumes, consumer attitudes and purchasing patterns. QMS is committed to the development of this resource.

Activity to promote "Specially Selected Scotch Pork" has been successful in 2000/2001, with a generic consumer campaign featuring 48-sheet billboards, 6-sheet supermarket panels, point-of-sale material and public relations. This activity helped to boost pork sales by more than 4 per cent during the promotional period.

Foot and Mouth Disease

The FMD outbreak began to impact on the meat industry in Scotland in February 2001. The demands placed on the industry required a swift response from QMS, and the organisation focused on providing the type of service demanded by an industry in crisis.

Key to this was the provision of authoritative information. Within a day of the start of the outbreak in Scotland, QMS set up and promoted a website designed to provide the industry with a "one stop" information point containing guidance and advice from all the organisations and agencies involved in the issue.

Foundations for the future

At the end of its first year of operation, QMS has provided a strong response to the FMD outbreak, and laid the foundations for the future by mapping out a strategy designed to utilise every pound of funding to make a real and sustained difference to the industry.

A strong and motivated team is now in place to deliver this plan and ensure that our effort is focused, meaningful and beneficial for farmers and the meat industry in Scotland.

The image of red meat

In recent years red meat eating has been under severe attack by a number of detractors who seek to undermine the industry.

MLC has undertaken a significant amount of work among consumers, retailers and foodservice customers to underpin the image of red meat in order to ensure that it retains its position at the centre of the British meal.

Total consumption of beef, lamb and pork in the calendar year 2000 was at its highest level for nearly a decade and on a par with annual consumption levels in 1991 and 1992, demonstrating the resilience of our products and the unique position they retain within the minds of British consumers.

A significant amount of work ensured that red meat remained at the centre of the British meal

Delivering the strategy

The main elements of the strategy are:

- To improve the image of red meat.
- To reassure consumers and healthcare professionals.
- To ensure meat is prepared and promoted in the way consumers are cooking and preparing meals today and in the future.
- To ensure younger consumers know about meat.
- To support the concept of choice to the consumer where alternative methods of production and delivery will meet particular consumer demand.
- To provide advice and information to industry and the media on specific issues.

Activity focused on five main areas: education; healthcare and nutrition; consumer and industry public relations; regional activity and new recipe development.

Education

The British Meat Education Service (BMES) focused on working in the education sector to raise awareness of the positive benefits of red meat in a balanced diet.

www.bmesonline.org, launched in September 2000, played a major part in extending the reach of BMES to a wider audience. The site provides an online catalogue of BMES resources, downloadable worksheets and activities for the classroom and an online diary of BMES events.

BMES continued to produce its twice-yearly Meat Video Magazine (MVM) for secondary teachers and students. MVM3 (April) focused on burger production for McDonald's, while MVM4 (August) launched bmesonline.org and focused on ready to cook pork and lamb meals developed by Hazelwood Foods.

"The Children Who Live On Planet Food", for primary schools, continued to be well received. At 31 March, over 3,000 copies,

which include details of the food children eat in different countries as well as recipe and activity cards, had been distributed.

Other activity included communicating with Welsh Assembly Members for better food-related education in Wales and research into the eating habits and nutritional knowledge of 17–21 year olds. The Scotbeef product development pack for advanced students was made available for teachers in England and Wales with amended notes.

Healthcare

The British Meat Nutrition Education Service (BMNES) concentrated on communicating with GPs and healthcare professionals to improve their understanding of the nutritional benefits of red meat. In 2000, 60 per cent of GPs had a positive view, compared to only 37 per cent in 1995.

Over 5,000 chapters of the "Food in Focus" resource packs were distributed, including the new chapter entitled "You and your heart", as well as "Pregnancy and lactation", "Babies and weaning" and "Weight and wellbeing".

Issues five and six of the "Food Track" newsletter focused on nutrition for the elderly and food safety. A total of 27,990 healthcare professionals were made aware of "Food Track" via media relations activity.

Twenty-four healthcare feature articles were placed in the media. These reached over 100,000 healthcare professionals, attracting over 500 responses.

A number of major research projects were undertaken to measure attitudes towards red meat amongst healthcare professionals, including Scottish practice nurses and school nurses.

Other activity included the production of Obesity Management Guidelines in English and Welsh and meetings with key opinion formers on a variety of nutrition topics.

Public relations

The British Meat Information Service (BMIS) continued to deliver against its strategic objectives, acting as a single point of contact for consumer media and delivering cost-effective red meat activity.

The flagship activity in this area was "Inspirations", a major media campaign to launch a new booklet of stylish aspirational recipes. The recipes were created for celebrities Lowri Turner, Linda Barker and Leslie Ash by chefs from the Butler's Wharf School in London.

In all, BMIS-generated media coverage reached over 46 million people, with an estimated PR value of £1.7 million. The ongoing value for money of the BMIS operations was illustrated by a cost to value ratio of 1:12.

Inspirations: a selection of delicious recipes inspired by celebrities and created by chefs from Butler's Wharf Chef School

REHSM Sheila Gardner getting the health and nutrition message across to local radio listeners while explaining a new MLC recipe

Spicy barbecued lamb koftas. MLC Home Economists developed a range of new recipes relevant to modern diets and lifestyles

Regional activity

The team of 12 Regional Education & Health Sector Managers (REHSMs) provided a valuable presence for MLC, supporting the education, health and general media campaigns across the UK.

With the demise of local authority education advisers, the regional team became more focused on direct communication with teachers. This was achieved through a new database, direct mailings and a programme of regular events.

The REHSMs' education strategy focused on showing how food and meat-related activities can be utilised in the classroom as part of the English, Scottish and Welsh curricula. This was achieved by a programme of events which attracted 2,609 teachers. Each returned to their classroom with improved food knowledge and BMES teaching resources compatible with their national curricula. The department also worked with 3,452 undergraduate teachers and maintained close relationships with teacher training institutions, including undertaking some fee-earning activities.

The REHSM team maintained a high profile for BMNES amongst healthcare audiences by attending all the major primary care events and running a series of presentations, which reached 2,961 health professionals with direct responsibility for advising patients/clients on nutrition and diet. Other activity included key study days on Obesity and Nutritional Vulnerability in Pregnancy in Liverpool, Sheffield and Newcastle.

The REHSM team also delivered against their objective of ensuring positive, year-round coverage for red meat in the regional media. Regular broadcasting slots were achieved on 12 BBC local radio stations with a total of 102 broadcasts.

Home economists

The MLC Home Economics Department continued to develop contemporary new recipes which position red meat as relevant to modern diets and lifestyles.

Recipes developed by the team were central to the "Tim Nice But Dim" advertising campaign featuring Harry Enfield, and the team was heavily involved in the production of the TV commercials, advising on meat preparation and presentation.

The Home Economists also produced the "Eat Our Words" booklet which contained a selection of 23 recipes presented in a new shortened style incorporating ingredients and method. Recipes from the booklet were distributed at the Agricultural Shows, providing consumers with entertainment and information about tasty new recipes.

The team supported BMIS activity by playing an important role in the creation of nine stylish and aspirational recipe photographs for the BMIS "Inspirations" booklet. It also continued to contribute to the overall supermarket training programme, carrying out around 30 courses.

Cattle sector report

The primary purpose of the Cattle Strategy Council is to identify and agree strategy and priorities for MLC activity in the beef sector and to review the work undertaken. The Council also assesses the resource requirements to deliver these strategies and recommends levy rates to the Commission.

The Strategy Council works closely with the Beef and Lamb Promotion Council in the development and implementation of the marketing and promotion strategy. Its membership is from a broad cross-section of the industry.

Beef consumption continued to rise again in the last year, reaching 955,000 tonnes. This was nearly 40,000 tonnes up on the year before and back to the best level since the early 1990s. This increase was helped by higher home production and an increase in prime cattle as a result of a rise in both heifer and young bull slaughterings.

Producer prices for cattle were fairly steady throughout the course of the year, although the wet autumn of 2000 affected cattle quality and weakened prices at that time.

The overriding influence on the market at the end of 2000 was the continental BSE crisis and the consequent collapse in beef demand in a number of European countries, particularly France, Italy and Germany where it fell by as much as 40 per cent. EU third-country trade in beef was reduced at the same time. Demand for beef in the UK was not adversely affected, but the market was weakened by the high availability of competitively priced beef from abroad.

Structural change in the cattle sector took place last year as rationalisation in the dairy sector continued and the suckler sector had started to adjust to the Agenda 2000 reforms. The outbreak of Foot and Mouth Disease has accelerated these changes.

Delivering the strategy

The five main elements of the strategy were:

- To increase the share of the domestic market.
- To ensure the British beef industry's competitiveness improves.
- To develop the market for beef at home and overseas.
- To signal to the industry the possible developments and implications beyond the Plan period (2003–2006).
- To work with Government in lifting the constraints to greater volumes of exports and recover the export markets for British beef.

Increase home market share

Maximising the demand for beef benefits the whole industry, and 2000 saw retail sales up by 5 per cent compared to 1999, with minced beef showing the greatest increase of 9 per cent.

Simon Mead

Manager, Cattle Strategy Council

Autumn saw the start of the new advertising and promotional campaign, which focused on demonstrating the ease and convenience of British Beef for quick midweek meals, under the theme “Beef, Nice and Simple”.

Harry Enfield’s “Tim Nice But Dim” character fronted the campaign, and total integration across all promotional channels was achieved to deliver the best possible impact upon consumers.

Using a well-known television character such as “Tim Nice But Dim” means that the TV advertising can be represented strongly at the point-of-sale, thereby extending the appeal of the advertising campaign and influencing consumers at the important decision point. This popularity of the “Tim Nice But Dim” character enabled us to extend the impact of the campaign through joint activity with companies providing money-off vouchers for products to accompany beef such as sauces, mustard and packet mixes.

Retail beef sales for September 2000 and February 2001, when the TV advertising ran, were 8.1 per cent and 9 per cent up compared with the same period the previous year.

The value of eating quality is well recognised as making a positive contribution to market share. One of the larger research initiatives undertaken by MLC has been the 10-year rolling Bovine Genome Mapping Project. Part of this is directed at eating quality and should deliver the factors enabling direct selection of breeding animals for superior eating quality in their slaughter offspring.

A major project was undertaken to examine the effect of High Voltage Electrical Stimulation (HVES) on beef carcasses. The trial compared HVES and hip suspension for maturation and concluded that eating quality was better from carcasses which had been hip suspended.

New research on factors controlling beef flavour was initiated and the planning was completed for a project to benchmark current levels of consumer satisfaction.

Improve competitiveness

“Making the most of your suckler cows”, a beef production leaflet, was one of the best, yet simplest, examples of Technology Interaction. The leaflet ensured the results of this research reached more than 10,000 beef farmers throughout the country, giving them ideas on how to improve their competitiveness.

Equally successful, but using a different medium were the “Profit for Technology” seminars held for producers in the West and South West, involving local centres of learning excellence and key MLC staff. This project was aimed at showing how computers and the latest software could benefit beef producers.

The measurement and evaluation of MLC activities in the beef sector were developed further, using independent auditing techniques wherever possible. The year saw a comprehensive review of the

British Meat Awards beef product of the year – marinated thinly sliced beef with wild roquette and red onion

Hip suspension of carcasses increases tenderness in several important muscle groups

The “Making the most of your suckler cows” leaflet suggests ways to save up to £45 per calf

future direction for the MLC’s beef research and technology interaction, with objectives of reducing production costs by 8p per kg over the next 5 years. This could eventually be worth as much as £90 million a year to producers.

Develop the market

Fundamental to our marketing activities is the belief that programmes must not only address current concerns and meet immediate objectives, but they must also take account of long-term ambitions and aspirations.

Examples of this include the extensive work on product development to extend the penetration of beef in the growing ready meal market, and the work to restore beef to school meal menus, following the bans because of BSE. At 31 March only three local authorities out of 200 still maintained their beef bans.

Signal future developments

The MLC Brussels office, together with the Corporate Strategy Division, played a critical role in signposting possible EU and UK legislative changes and forecasting beef supply and demand trends.

The Outlook 2001 conferences in England, Scotland and Wales helped to communicate these supply forecasts and other critical market drivers to stakeholders in the wider meat industry.

Recover the export markets for British beef

Much work has been undertaken in this area, stressing to overseas consumers, influencers and decision makers the changes made in the British beef industry. However, any significant export sales growth was severely hampered by the onerous requirements of the Date Based Export Scheme. Two companies were able to export to keen and eager EU member state customers, achieving an estimated 500 tonnes in the first 12 months from the lifting of the export ban in August 1999.

The autumn saw widespread publicity about BSE in mainland Europe and as a consequence many consumers abroad acknowledged that the UK had gone about the protection of human and animal health in a safe and effective fashion.

This positive progress was halted in February 2001 with the outbreak of Foot and Mouth Disease and the resultant export ban imposed on the UK. However, despite the ban, MLC continues to work at maintaining the hard-won relationships with importers, in preparation for the time when exports can once again be resumed.

Sheep sector report

The MLC strategy for the British sheep industry was determined by the Sheep Strategy Council, a group that includes farmers, auctioneers, abattoir operators, processors and retailers. The Council also ensures that levy payers' money is efficiently deployed in line with that strategy and adequate levy resources are available to meet the strategic needs of the industry.

Producer prices for lamb showed some recovery during the year as the effects of a smaller breeding flock impacted on both the volume and seasonality of supplies. From the early autumn when the main thrust of TV advertising started, the Standard Quality Quotation rose steadily until the dramatic impact of the FMD outbreak in mid-February 2001 arrested the recovery. Over the period from September to early 2001, prices were about 15 per cent up on the previous year. Export volumes during the year were on a par with the previous year, although demand for British product had been especially strong from December onwards when other European consumers showed an increased preference for lamb in the wake of the continental BSE crisis.

David Croston
Manager, Sheep Strategy Council

Delivering the strategy

The four main elements of the strategy during the period were:

- To stimulate demand for British lamb at home and overseas.
- To improve exporters' ability to compete and develop profitable opportunities for British lamb.
- To provide the British sheep industry with the means to improve its competitiveness against imported product, other meats and other foods.
- To address and manage issues that affect the industry.

Stimulate demand for British lamb

The 2000/2001 year saw a move towards a more integrated marketing approach under the "Tim Nice But Dim" banner, positioning lamb as speedy, versatile and convenient – "Lamb, Nice and Simple". Launched at peak television viewing time on Late Summer Bank Holiday Monday, a strong mix of lamb advertisements continued to be featured through until early October. The campaign pulled consumer, trade and PR activity into a coordinated programme of interrelated activity. Evaluation of the campaign demonstrated a significant lift in sales of frying and grilling lamb cuts featured in the advertisements – up 10.6 per cent in September and up 14.6 per cent in February compared with the same period the previous year.

To increase the use of lamb throughout the foodservice sector, British Meat Foodservice team launched the award winning "Guide to Lamb", a comprehensive reference booklet designed to motivate and inspire caterers to cook with lamb.

Available to all sectors of the foodservice industry, the Guide included recipes from development chefs as well as lamb dishes from recipe development competitions organised during the course of the year. Recipes featured in the Guide made use of the total carcass and provided menu solutions that were suitable for a number of foodservice operations.

Product development and greater integration of lamb into ready meals is a vital component of increasing demand for lamb into the future. As part of this activity the British Meat Awards, culminating in June, attracted a record number of lamb entries providing exciting winners in each of the three categories.

Lamb exports

Sales of retail packs of British lamb in Quick Lamb format increased in the Netherlands through the year and significant steps were taken in France and Belgium to consolidate relationships between British exporters and their importing customers. SIAL was an important exhibition in Paris in the autumn, where MLC staff provided the British industry with a combined shop window and working platform.

Industry competitiveness

The Northern Uplands Sheep Strategy (NUSS) was set up to improve the financial viability of hill sheep producers by increasing the number of lambs meeting the quality requirements of the market. This breed improvement project was led by the MLC technical team in partnership with the North of England Mule Society and the Northern Uplands Moorland Regeneration Programme. The three partners invested £150,000 between them which was match-funded by the Agriculture Development Scheme.

MLC continued to be managing partners of the Welsh Sheep Strategy whilst its role as manager of the Highlands and Islands Sheep Strategy was devolved to Quality Meat Scotland part-way through the year. The MLC maintained its co-partner role in this important project.

A number of research and development projects made significant progress through the year. A new hill sheep selection index worth up to £2/ewe/year was implemented into Sheepbreeder. A project on genetic resistance to nematode parasites will enter commercial trials in 2001 and preliminary results on high-sugar grasses indicated a 23 per cent increase in lamb output per hectare. Commercial uptake of the MLC Blueprint for lean and tender lamb increased again in the year from 40 to 45 per cent of multiple retail sales.

The Sheep Strategy Council commissioned a review of the research and development priorities for 2001 onwards which will form the future brief for industry researchers and the Research Steering Committee.

British Meat Awards lamb product of the year - Indian-style lamb steaks and Moroccan-style lamb steaks

More than 900 ram lambs were CT scanned

NUSS was set up to improve the financial viability of hill sheep farmers in Northern England

As part of continuing efforts to improve the quality of stock coming forward for slaughter, early delivery was taken of CT scanning technology from a major LINK research project at SAC funded by MLC and DEFRA. This led the Sheep Strategy Council to release pump priming funds to breeders in the major sire reference schemes. This levy support created encouraging commercial uptake in the first year. More than 900 ram lambs were CT scanned and the data fed into the revised Sheepbreeder analysis to provide the most accurate breeding values ever calculated for these breeding schemes.

Issues management

An important element of delivering this strategy is an effective communication programme with Government and the EU in Brussels. In addition to regular meetings, events such as the barbecue for London MPs and the Cardiff Lamb lunch held for Welsh Assembly Members provided a platform for keeping these vital audiences informed about industry issues.

The MLC team in Brussels was able to keep the Sheep Strategy Council constantly abreast of EU proposals, an example being the introduction of Specified Risk Materials (SRMs) for sheep which brought the rest of Europe closer to the situation in Britain.

The MLC worked closely with DEFRA on sheep tagging to ensure the industry was ready to adopt the system.

The MLC also played an important role in the consultation on the National Scrapie Plan (NSP). A research project had been commissioned which examined the relationship between the Scrapie genotype and performance traits. This showed there was no negative effect on performance by selecting for animals which were less susceptible to Scrapie. This provided the reassurance that the NSP would not adversely affect the financial viability of the industry.

Pig sector report

The British Pig Executive operates with maximum autonomy within MLC's statutory responsibilities and comprises leading individuals across the British pig industry. It consists of 12 people nominated by industry representative organisations.

Its objectives are to determine MLC pig strategy, to ensure that levy payers' money is deployed efficiently in line with that strategy and to ensure that adequate levy resources are available to meet the strategic needs.

It had been anticipated that 2000/2001 would be a year of much needed recovery. In the early part prices improved both in relation to previous years and compared with average prices in the rest of Europe. However, in August the pig sector was hit by Classical Swine Fever (CSF) in East Anglia. Although the number of cases was limited, the control measures taken, in a region with such a high pig density, had a substantial impact on producers and the supply of British pigs for slaughter.

The decline in pig breeding numbers, poor profitability and CSF resulted in a reduction in pig slaughterings. This impacted on the pig abattoir sector, resulting in significant overcapacity and accelerated rationalisation.

The outbreak of Foot and Mouth Disease in February 2001 accentuated the difficulties being faced by British pig producers and abattoirs.

Mick Sloyan
Manager, British Pig Executive

Delivering the strategy

The three main elements of the strategy were:

- To reduce production costs to a competitive European level.
- To defend and add value to the market by consumer and product segmentation.
- To develop market segmentation in key European markets.

Reduce production costs

The potential to reduce pig production costs by 15p/kg over four years exists through a combination of research and the effective communication of existing technology.

Wherever possible, co-funding of research is sought to maximise the investment for the benefit of the industry. In the last year £1.75 was added to every £1 of MLC levy invested in pig research through this co-funding activity.

The MLC Stotfold Pig Development Unit is a key resource in achieving the strategy. During the year a £1.8m study jointly

funded by MLC and DEFRA started to evaluate the effects of different housing and feeding systems on performance, carcass quality, health and welfare, food safety and the environment, aimed at reducing the cost of finishing pigs.

A number of other projects are also being undertaken at Stotfold and other research institutions, including the impact of aerial pollutants on the respiratory health of young pigs and the immunity of replacement breeding stock.

Effective and efficient transfer of new knowledge to pig producers is vital. To help achieve this a Stotfold website was launched (www.stotfoldpigs.co.uk). Also as part of the Agricultural Development Scheme 1,343 copies of a free interactive CD-based pig husbandry training package were distributed, reaching units accounting for 75 per cent of breeding sows. Production of a second, more advanced CD was started during the year.

A new Stotfold Newsletter was launched to encourage the uptake of best practice by producers. The first two issues focused on the opportunity to reduce costs by 50p per pig through phase feeding and on the new pig diseases PDNS and PMWS. During the year PDNS and PMWS began to have a serious economic impact on the pig industry. Our technical staff provided help in managing the diseases but there is a lot of important work still to be done.

Reducing costs and improving competitiveness is more than just cutting production costs. A number of initiatives were undertaken, including a project to develop greater cooperation in the supply chain and investment in the development of a risk management resource by the National Pig Association.

Defend and add value

The British industry has made considerable progress in enhancing animal welfare and adopting quality assurance schemes. These formed the basis of the marketing activity during the year, communicated to consumers through the British Meat Quality Standard Mark.

A long running, high profile advertising and promotional campaign communicated the consumer benefits of the Mark. This started with a national press campaign, moving on to the regional press. Consumer research showed high levels of consumer recognition of the Quality Standard Mark (QSM), a growing understanding of its benefits and improved usage on retail packaging and in parts of the foodservice market.

All other aspects of the work undertaken to defend and enhance the market for pig meat were integrated into the consumer communication of the QSM. PR activity was conducted with the media, policy makers and stakeholders. Recipe leaflets and meal ideas were distributed featuring the benefits of the QSM.

A high profile marketing campaign communicated the consumer benefits of the Quality Standard Mark

British Meat Awards pork product of the year was Oriental pork dipper

Support for Ladies in Pigs (LIPS) was increased substantially during the year. A new purpose-built mobile kitchen was provided to enable them to increase their activities. Support was also given to the National Pig Association, "It's Your Choice" campaign, in which pig farmers had the opportunity to meet consumers face to face to explain their case.

Sausages form a very important part of the British market and support continued for the British Sausage Appreciation Society.

The QSM was also a focus of work in the foodservice sector, a growing segment of the market in which pig meat is under-represented.

It is vital that pork and pork-based products are wholesome and safe and as part of that the risk from food-borne pathogens must be minimised. The MLC and DEFRA funded a project to determine the level of zoonoses in British pig production. The results were presented to a national conference in December 2000. Although the incidence of Salmonella in pig meat was relatively low, the industry was determined to act in order to reduce the risk further. The DEFRA Code of Practice for the Prevention and Control of Salmonella was immediately adopted by the farm assurance schemes and the industry pledged itself to the introduction of a Salmonella monitoring and reduction plan, coordinated by BPEX.

Develop market segmentation in Europe

This element of the strategy is planned to follow on from the segmentation work being developed on the home market. Until this can be fully implemented it is important that the profile of British pig meat is maintained in markets outside the UK. This continued to be achieved through participation in marketing events and trade shows in target markets and by working closely with DEFRA in trying to remove obstacles to trade with non-EU countries, such as the lack of export certification. At a time when the reputation of British exports may be questioned because of disease, it is important that direct contact is maintained with existing and potential customers. Considerable progress was achieved in both these, which will help British exporters, particularly once FMD restrictions are removed.

David Black Award

The annual David Black Award is for service to the pig industry and the winner in 2000 was BPEX Chairman Richard Campbell. The Award was presented at a prestigious breakfast held in London and attended by MPs from all sides of the house and members of the House of Lords. Agriculture Minister Nick Brown presented the award and used it as a springboard to launch the Pig Industry Development Scheme.

Commercial Services report

The Commercial Services Division (CSD) provides advice, logistics and inspection services to the meat and livestock industry on a commercial basis.

The division is managed separately within MLC and during the year to 31 March 2001, employed an average of 502 members of staff whose costs were fully accounted for within the division.

Any year-end profits are returned to MLC to supplement levy income.

Authentication Services

The year was characterised by an increase in producer awareness of the need for independence in the provision of classification assessments. Many producers sought advice on technical matters and managers were increasingly involved in discussing new business opportunities with abattoirs.

Training initiatives developed with the Welsh Primestock project resulted in 32 events with training delivered to 450 farmers from field staff to managers. At the end of the year, an important training and monitoring proposal with the Quality Price Reporting project was well advanced when the FMD crisis broke.

The department's restructuring programme was implemented successfully. The BSE Schemes activity was transferred to the Agency Services team, while the Authentication Services managerial areas were adjusted to reflect the change to a divisional structure in England and Wales from 1 April 2001.

Late in the year, as the FMD outbreak developed, the team was initially closely involved in supporting Agency Services in their control work and then took responsibility for the administration and field operations for the Cleansing and Disinfection facilities within the Longer Distance Movement Scheme.

The supply of Black Box data capture systems showed significant growth in the year, with most of the abattoirs contracted to slaughter Over Thirty Month Scheme cattle choosing the system. The introduction of beef labelling regulations stimulated interest in systems and label supply.

Agency Services

The first period saw the team busy with the verification work on a range of commodities (eg Input Tariff Quota), in addition to the Slaughter Premium, Over Thirty Month and Milk Quota schemes. Later in the year the team was heavily involved in delivering the arrangements for field operations for the Pig Welfare Disposal Scheme. As this work was reaching a conclusion, the transfer of the BSE Schemes work provided a significant challenge, which the team met successfully.

To complete the year, work to support disease controls and disposal of FMD animals and carcasses played a very prominent part with activity increasing by the day as schemes, such as the Livestock Welfare Disposal Scheme, developed.

European Food Safety Inspection Service (EFSIS)

EFSIS Holdings is a company limited by guarantee and jointly owned by MLC and Campden and Chorleywood Food Research Association. In turn EFSIS Holdings owns 100 per cent of the share capital in EFSIS Limited and EFSIS Certification. During the year, following the restructuring of Assured British Meat (ABM), EFSIS acquired Food Certification International and renamed the company EFSIS Certification. This gives EFSIS an accredited product certification ability to augment its existing portfolio of accredited inspection products.

EFSIS Limited continued to work closely with the UK multiple retailers to provide an accredited food safety inspection service of suppliers producing own label products. It continues to be market leader in this sector with approximately 70 per cent market share. EFSIS Limited also continued to build on its relationship with McDonalds and now inspects the meat supply chain and has plans to expand into other product areas.

EFSIS is able to reduce inspection time and cost by combining a variety of different inspections at the same time. This competitive advantage will lead to increased market share and sales growth.

Farm Inspection Services (FIS)

Accreditation to EN45004 was achieved after much hard work and, in addition, all the farm inspectors now hold the newly developed National Proficiency Test Council's Farm Inspection Award for cattle and sheep. Approximately 10,500 farms were inspected on behalf of Farm Assured British Beef and Lamb in addition to work on other schemes.

FIS was also successful in winning the contract to inspect and audit livestock auction markets in England and Wales. Unfortunately, due to FMD restrictions, all farm inspections were suspended for the last six weeks of the year.

Economics Services

Economics continued to expand the range of information and published services available during the course of the year. Two new titles were produced in the Country Fact File series to include the EU markets of Greece and Belgium. A report entitled "The International Beef Market" was also published to provide a comprehensive overview of the global beef industry. The report covers the UK, European and international markets, focusing on

aspects such as industry structure, trade, production, consumption, policy and prices.

New arrangements for the publication of daily price information mean that this will be available widely on the internet through various sites hosted by, among others, Farming On-Line, Farmers Weekly interactive and Farmgate. However, the restrictions imposed on the operation of auction markets at the end of February, as a result of FMD, meant that no price data was available from this source. This affected many of the services offered by the department, including the Telephone Information Service and various fax services.

Commercial HACCP

Commercial HACCP training for retail butchers started in April 2000 and to date over 2000 butchers in England have been trained. There is, and will be for some time to come, a need to provide continued HACCP training for butchers.

FMD has had only a slight effect on training in that those candidates who are in contact with stock from an infected area are advised to take the home study version of the training course.

The Proposed EC Regulations on Hygiene of Foodstuffs include plans to extend the requirement for HACCP to all food business operations. The Meat Managers Hygiene and HACCP course would provide a ready-made vehicle to deliver this training to any food sector. The infrastructure and resource for the modification, management and delivery of such a program already exists within the team.

Industry Strategy Consulting (ISC)

ISC further developed its role as the "project consultancy" arm of the Commercial Services Division during the year, with a prudent expansion in staff and increase in turnover and profit. There were two key factors in this.

First, there was further development of the "economics/engineering" work, including a major project looking at the viability of "Mobile Abattoirs" (this also highlighted the problems facing the small/medium abattoir sector).

Second, the ISC 'image' as "sectoral experts" was developed with GB national and regional development bodies and local government. This led to a wide variety of project work such as "The Future for Livestock Markets", "Best Practice in Developing Local Marketing Initiatives" and "Adding Value to Meat in Scotland".

FMD led to a considerable delay in the completion of some other projects, with one postponed.

Winterhill Conference Centre

Despite increased competition in its second year of trading, Winterhill Conference Centre in Milton Keynes continued to broaden its client base and remained a popular choice for key local companies. A major achievement during the year was the expansion of the Centre. The additional conference room – named the Woughton – seats 55 delegates in theatre style.

The FMD outbreak meant that some long standing internal bookings were cancelled as MLC's meetings and conferences with industry sectors could no longer take place. Unfortunately, given the short notice, it was not possible to re-sell the unexpectedly free capacity. However, use of the Centre by companies not engaged in agriculture was unaffected by FMD.

Training Services

Training Services continued to restructure to become a leaner and more cost-effective business. During the year, 42 courses were run for the multiple retail sector, covering issues such as meat quality, animal welfare, company specifications, customer care and selling skills. Our involvement in company training schemes was high, and post course assessments were carried out to ensure competence in the workplace.

Training Services continued to respond to enquiries, and over the year delivered one-off tailor-made courses to specific customer requirements, as well as certificated Hygiene and HACCP courses. Training Services are also an approved centre with the Meat Training Council for the delivery of Meat Industry NVQs.

Links were developed with Lantra to provide nationwide, one-day workshops to the land-based sector wishing to diversify their businesses. The FMD crisis postponed the intended activity for Lantra, together with a number of retailer courses, but it is envisaged that these will begin again after the crisis.

Signet Farm Business Consultancy

Signet is a partnership between the MLC and the Scottish Agricultural College. It has a team of consultants and technical support staff located throughout Britain, enabling it to service the agricultural industry.

Through its breeding services Signet provides pedigree breeders with objective information from which to make strategic decisions.

Signet commercial livestock services provide clients with whole farm business management advice from simple enterprise costings to planning, cash-flow budgeting and monitoring performance against comparative data.

However, with the continuing crisis in British livestock farming it was a difficult trading environment and Signet was restructured at the end of the year to address the challenges ahead.

Meat and Livestock Commission

Accounts for the year ended 31 March 2001

Introduction

The Accounts for the financial year ended 31 March 2001 have been audited by PricewaterhouseCoopers, approved by the Commission and subsequently approved by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the National Assembly for Wales.

Foreword

History of body and statutory background

The Commission was set up under the Agriculture Act 1967; its authority and the powers vested in it are described therein. The Commission took over the activities and assets of the Pig Industry Development Authority and the Beef Recording Association and has subsequently developed the activities of those organisations in pig and cattle production, together with similar activities in sheep production.

Form of accounts

The accounts have been prepared in the form directed by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the National Assembly for Wales with the approval of the Treasury in accordance with Section 19 (2) of the Agriculture Act 1967. The 2001 Annual Report has been prepared in accordance with standards issued by the Accounting Standards Board. A financial review, complying with the Voluntary Statement Operating and Financial Review issued by the Board, has been included in the Director General's Report. The segmental analyses of General Levy funded operating expenditure and income are in line with the activity identities applied by the Commission in preparing and reporting its Corporate Plan to the industry. The accounts include the results of the Commission and its subsidiaries: Signet Farm Business Consultancy, EFSIS Holdings Limited, EFSIS Limited, EFSIS Certification Limited and Farm Inspection Services.

Review of activities and subsequent events

The Commission's activities are described and reviewed in the appropriate sections of the report, including relevant references to events subsequent to the end of the year.

Commission

The names of the Chairman and other members of the Commission at 31 March 2001 are listed at the beginning of this report, and details of appointments and retirements during the year are given on page 66.

Director General's responsibilities

The Principal Accounting Officer at the Department for Environment, Food and Rural Affairs designated the Director General of the Meat and Livestock Commission as the Accounting Officer for the Commission. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

Statement on the system of internal financial control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Commission.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Finance Liaison Committee;
- regular reviews by the Commission of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Commission has an internal audit department, which was outsourced towards the end of the year, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is identified by a thorough analysis of the risks to which the Commission is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Commission's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Commission.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the executive managers within the Commission who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Results

The Income and Expenditure Account for the year ended 31 March 2001 and the Balance Sheet at the same date are set out on pages 50 to 53. The surplus for the year has been added to accumulated funds.

Government agency work

The Intervention Board continues to reimburse the Commission in respect of redundancy payments to fatstock staff, who were the subject of an agreement made following the demise of the Sheep Variable Premium Scheme in January 1992, where the Commission has been unable to retain those staff to carry out additional specified non-agency duties.

Fixed assets

The Commission's freehold properties were re-valued as at 31 March 1998. This valuation has been retained as the book value of land and buildings in accordance with FRS 15 'Tangible Fixed Assets' transitional provisions. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Notes 12 and 18 to the Accounts.

Research and development

In accordance with one of its principal objectives, the Commission is concerned with many areas of research and development. These activities are described in the report.

Euro

The Commission anticipates that it will not be materially affected by the introduction of the euro and has taken no actions so far in preparing for the changeover. However, a new accounting system was implemented from 2 April 2001 which the Commission ensured was euro compliant.

Employee involvement

Applications for employment by disabled persons are always fully considered, bearing in mind the requirements of the job and the aptitudes and abilities of the applicant concerned. In the event of members of staff being disabled, every effort is made to ensure that their employment with the Commission continues and the appropriate training is arranged. It is the Commission's policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Staff of the Commission are represented by the Institute of Professional Managers and Specialists (IPMS) with formal communication taking place through the Whitley Council. Regular consultation takes place with IPMS to ensure that their views are considered when decisions are made which are likely to affect the interests of employees. They are also kept informed on the Commission's financial status and business performance. Communication with all employees continues through organisational notices, written and face-to-face briefings and the general circulation of the Director General's Whitley Council Report.

The Commission's commitment to health and safety is demonstrated through the implementation of its Health and Safety Policy.

Employment legislation is continually monitored to ensure that the Commission's policies and procedures comply with any new developments.

Corporate Governance

A comprehensive statement detailing the Commission's compliance with best Corporate Governance practices follows on page 47.

Commission responsibilities for the financial statements

Under the Agriculture Act 1967 the Commission is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission's financial position at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Commission is required to:

- observe the Accounts Direction issued by the Secretary of State, 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 have been followed and disclose any material departures in the financial statements;
- prepare the financial statements on a going concern basis unless it is not appropriate to presume that the Commission will continue in operation.

The Commissioners confirm that they have complied with the above requirements in preparing the financial statements.

By order of the Commission

G Howells

Director General

Corporate Governance

The Commission supports the highest standards in Corporate Governance and complies with the Code of Best Practice for Board Members of Public Bodies published by HM Treasury.

Commission

Commissioners meet regularly and exercise full and effective control over the Commission. There are 15 Commissioners including the Chairman and Deputy Chairman, appointed by the Secretary of State for Environment, Food and Rural Affairs in conjunction with Scottish Ministers and the National Assembly for Wales. Commissioners are independent of management.

Management Committee

The day-to-day management of the Commission is exercised by the Director General together with Directors and senior managers responsible for the major activities. The Committee advises the Commission on key strategic and corporate plan issues. The Director General and Directors participate fully in Commission meetings.

Audit Committee

The Audit Committee is comprised entirely of Commissioners, with written terms of reference which include provision for regular discussions with the external auditors and the Commission's Internal Audit Manager. The Audit Committee meets three times per year and reviews the annual accounts and the internal audit activity.

Remuneration Committee

The pay and benefits of the Director General and other Directors are determined by this Committee, which is comprised entirely of Commissioners. The Committee takes appropriate advice from specialist sources.

Going concern

In deciding to prepare the accounts on a going concern basis, Commissioners reviewed the Commission's budget for 2001/2002, and the agreed draft Corporate Plan 2001–2004 in the context of expected levies, other income and consequent cash flow implications. The Commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for the foreseeable future. For

this reason they continue to adopt the going concern basis in preparing the Commission's financial statements.

Payment policy

The Commission observes the principles of the CBI prompt payment code and it is the organisation's payment policy to settle terms before business is agreed, to ensure that suppliers are aware of them and to pay bills in accordance with those terms.

Report to the Secretary of State at the Department for Environment, Food and Rural Affairs, Scottish Ministers and the National Assembly for Wales by the auditors of the Meat and Livestock Commission pursuant to Sub Section (4) of Section 19 of the Agriculture Act 1967.

We have audited the financial statements on pages 50 to 78.

Respective responsibilities of Commission and Auditors

The Commission and Director General are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions as described on pages 42 to 46. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board and our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Agriculture Act 1967 and whether 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. We also report to you if, in our opinion, the Director General's report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information regarding Directors' and Commissioners' remuneration and transactions is not disclosed.

We read the other information contained in the financial statements and consider the implications for our report if we became aware of any apparent mis-statements or material inconsistencies with the financial statements.

We review whether the statement on pages 47–48 reflects the Commission's compliance with Treasury guidance 'Corporate Governance: Statement on the System of Internal Financial Control'. We report if it does not meet the requirements specified

by the Treasury, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error and that, 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Commission and of the group at 31 March 2001 and of the income and expenditure and cash flows of the group for the year then ended and have been properly prepared in accordance with the Agriculture Act 1967.

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.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Milton Keynes

Consolidated income and expenditure account

	Note	For the year ended 31-Mar-01	For the year ended 31-Mar-00
		£'000	£'000
Income - continuing operations			
Gross levy, fee and other income (page 51) HM Government agency and related services	2	52,010 2,084	54,091 2,123
		54,094	56,214
Expenditure - continuing operations			
General and Species promotion funds HM Government agency and related services	2	50,974 2,030	56,510 2,123
		53,004	58,633
Surplus/(deficit) on ordinary activities before interest	7	1,090	(2,419)
Interest receivable	10	9	55
Surplus/(deficit) on ordinary activities before taxation		1,099	(2,364)
Taxation	11	0	(4)
Surplus/(deficit) for the year on ordinary activities after taxation		1,099	(2,368)
Minority interests		291	57
Retained surplus/(deficit) for the financial year		1,390	(2,311)
Allocated to accumulated funds			
General	18	(604)	(1,298)
Beef promotion		206	13
Lamb promotion		352	192
Pork and Bacon promotion		1,436	(1,218)
		1,390	(2,311)

Consolidated income and expenditure account (continued) analysis of income and expenditure – continuing operations

Note	General Fund	Species Promotion Funds			Total
		Beef	Lamb	Pork and Bacon	
	£'000	£'000	£'000	£'000	£'000
For the year ended 31 March 2001					
Income					
Gross levy	14,727	5,624	5,494	6,923	32,768
Fee and other income	15,981	453	100	2,708	19,242
Total income	30,708	6,077	5,594	9,631	52,010
Expenditure					
Expenses of levy collection	335	92	164	140	731
Operating expenditure	31,336	5,720	5,078	8,109	50,243
Total expenditure	31,671	5,812	5,242	8,249	50,974
Operating surplus/(deficit)	(963)	265	352	1,382	1,036
For the year ended 31 March 2000					
Income					
Gross levy	16,375	6,034	5,772	6,201	34,382
Fee and other income	19,165	371	100	73	19,709
Total income	35,540	6,405	5,872	6,274	54,091
Expenditure					
Expenses of levy collection	395	94	184	120	793
Operating expenditure	36,611	6,220	5,473	7,413	55,717
Total expenditure	37,006	6,314	5,657	7,533	56,510
Operating surplus/(deficit)	(1,466)	91	215	(1,259)	(2,419)

MLC has no recognised gains and losses other than the surplus reported on page 50 and therefore no separate statement of total recognised gains and losses has been presented.

There are no unrealised surpluses on revaluation of properties (see Note 12).

Consolidated balance sheet

	Note	As at 31-Mar-01		As at 31-Mar-00	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12		5,904		5,784
Goodwill arising on acquisition	21		36		0
			5,940		5,784
Current assets					
Stocks	14	179		147	
Debtors – amounts falling due after more than one year	15	1,245		1,053	
Debtors – amounts falling due within one year	15	7,779		9,623	
Cash at bank and in hand	16	1,297		1,120	
DEFRA Fund on deposit		4,115		3,888	
		14,615		15,831	
Creditors – amounts falling due within one year	17	7,933		10,140	
Net current assets			6,682		5,691
Total assets less current liabilities			12,622		11,475
Creditors – amounts falling due after more than one year	17		335		367
Provisions for liabilities & charges	16		3,913		3,809
Net assets			8,374		7,299
Capital and Reserves	18				
Accumulated funds					
General		4,784		5,388	
Beef promotion		868		662	
Lamb promotion		754		402	
Pork and Bacon promotion		1,477		41	
			7,883		6,493
Revaluation reserve			740		740
Minority interests			(249)		66
			8,374		7,299

Commission balance sheet

	Note	As at 31-Mar-01		As at 31-Mar-00	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12		5,711		5,616
Investments	13		0		66
			5,711		5,682
Current assets					
Stocks	14	179		147	
Debtors – amounts falling due after more than one year	15	1,245		1,053	
Debtors – amounts falling due within one year	15	7,950		9,303	
Cash at bank and in hand	16	729		1,045	
DEFRA Fund on deposit		4,115		3,888	
		14,218		15,436	
Creditors – amounts falling due within one year	17	6,888		9,713	
Net current assets			7,330		5,723
Total assets less current liabilities			13,041		11,405
Creditors – amounts falling due after more than one year	17		276		367
Provisions for liabilities & charges	16		3,913		3,809
Net assets			8,852		7,229
Capital and Reserves	18				
Accumulated funds					
General		5,013		5,384	
Beef promotion		868		662	
Lamb promotion		754		402	
Pork and Bacon promotion		1,477		41	
			8,112		6,489
Revaluation reserve			740		740
			8,852		7,229

The accounts were approved by the Commission at a meeting on 20 June 2001 and signed on its behalf by:

P Barr
Chairman

G Howells
Director General

The accounts were approved by the Commission at a meeting on 20 June 2001 and signed on its behalf by:

P Barr
Chairman

G Howells
Director General

Consolidated cash flow statement

	Supporting notes	For the year ended 31-Mar-01	For the year ended 31-Mar-00
		£'000	£'000
Cash flow statement			
Net cash inflow/(outflow) from operating activities		539	(4,720)
Returns on investments and servicing of finance	(Note 20a)	9	55
Taxation – Group		(16)	(4)
Taxation – Minorities		0	(16)
Capital expenditure and financial investment	(Note 20b)	(713)	(236)
Acquisitions and disposals – Net cash acquired with subsidiary	(Note 21)	367	0
		186	(4,921)
Management of liquid resources	(Note 20c)	0	5,000
Financing – Loan repayments		(9)	0
Increase in cash		177	79
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		177	79
Cash (outflow) from decrease in liquid resources		0	(5,000)
Net funds at 1 April		1,120	6,041
Net funds at 31 March		1,297	1,120
Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities			
Operating surplus/(deficit) before non-operating income and charges		1,090	(2,419)
Depreciation		580	865
Prepayment of pensions		(192)	(61)
Deficit on disposal of fixed assets		23	67
(Increase) in stocks		(32)	(32)
Decrease/(increase) in debtors		1,749	(1,609)
(Decrease) in creditors		(2,679)	(1,531)
Net cash inflow/(outflow) from operating activities		539	(4,720)

Notes to accounts

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold properties, in the form directed by the Secretaries of State with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967.

The accounts meet, where appropriate to a non-departmental public body (NDPB), the provisions of the Companies Act 1985 and conform with applicable Statements of Accounting Practice and Financial Reporting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Consolidation

The Commission's subsidiaries, being Signet Farm Business Consultancy, EFSIS Holdings Limited and Farm Inspection Services have been consolidated with the results of MLC under the acquisition method of accounting. Here, the whole of the assets, liabilities, revenues and expenses of the subsidiaries are combined with those of the Commission. The figures for Minority Interests indicate how much of the profits and net assets are attributable to the Commission's joint venture partners.

Tangible fixed assets

Tangible fixed assets are stated at cost except freehold properties which are stated at a valuation. Net surpluses arising out of the inclusion of property valuations in the accounts are taken to the revaluation reserve.

Depreciation is provided so as to write off the net cost of tangible fixed assets over their estimated useful lives. The following annual rates of depreciation are applied on a straight line basis:

Freehold property	2% and 10%
Motor vehicles	33 $\frac{1}{3}$ % – 40%
Equipment	Varying between 20% and 33 $\frac{1}{3}$ %

Freehold land is not depreciated. Certain small value items of capital expenditure are written-off in the year of purchase.

The Commission has adopted FRS 15 'Tangible Fixed Assets' and has followed the transitional provisions to retain the book value of land and buildings which were revalued at 31 March 1998.

Stocks

Animal stocks relate to livestock at the Commission's pig development unit at Stotfold. Livestock is valued at the prevailing market value.

Ancillary farm stocks and other materials are valued at the lower of cost and net realisable value.

Levy income

Levy income is based on the latest available estimates of slaughterings and known exports of live animals and excludes value added tax.

HM Government agency reimbursement

This is based on actual expenditure incurred during the year plus a predetermined margin and excludes value added tax.

Fee and other income

Fee income is based on goods and services provided during the year and excludes value added tax.

Grant income is recognised at the time that the associated expenditure is incurred.

Investment income

Investment income is accounted for on an accruals basis.

Redundancy compensation

The cost of immediate and future payments is provided for in the year when the Commission has committed to making staff redundant and this has been announced. Where such payments fall due after more than one year, and are refundable by the Intervention Board and Agricultural Departments, they are offset against the total liability.

Taxation

The Commission is liable for taxation on investment income and capital gains. Provision is only made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future.

Leases

The costs of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

Repairs and renewals

Repairs and renewals expenditure is charged to the Income and Expenditure Account when incurred.

Pensions

The Commission operates a defined benefit pension scheme, the regular cost of which is charged to the Income and Expenditure Account as a constant percentage of employees' earnings. Variations from regular cost are credited/charged to the Income and Expenditure Account over the expected remaining service lives of current employees. Formal valuations of the scheme are normally carried out on a triennial basis by independent professionally qualified actuaries, to determine the required rates of contributions (see Note 9).

Research and development

Expenditure on research and development is charged to the Income and Expenditure Account as incurred.

Foreign currency translation

The Commission translates those of its currency transactions that are outstanding at the end of the year using the rate of exchange at the balance sheet date.

The Commission includes exchange differences that have arisen on transactions completed during the year in its profit and loss account.

Goodwill

Goodwill is calculated as the difference between the net realisable value of assets acquired and the consideration paid for those assets.

Goodwill is amortised, on a straight line basis, over the period of its anticipated useful economic life (see note 21, Acquisitions).

2. HM Government agency and related services

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Expenditure on behalf of HM Government		
Price reporting on behalf of Agriculture Departments	220	206
Market Support measures for the Intervention Board	1,810	1,917
	2,030	2,123
Reimbursed by		
Agriculture Departments	220	206
Intervention Board	1,864	1,917
	2,084	2,123
Surplus (Note 3)	54	0

3. General fund

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Income		
Gross levy	14,727	16,375
Expenses of collection	(335)	(395)
Net levy	14,392	15,980
Fee income		
Marketing	45	80
Export marketing	369	359
Industry development	24	106
Commercial services	14,611	14,837
Science & technology transfer	785	3,531
Other income	147	252
	15,981	19,165
Total net income	30,373	35,145
Operating expenditure		
Marketing	3,509	5,641
Export marketing	1,900	1,920
Industry development	2,740	3,186
Commercial services	14,324	13,790
Research	2,423	2,531
Science & technology transfer	2,691	5,453
Industry communications and species management	3,079	3,308
Other expenditure	575	548
Legal fees in relation to Phillips enquiry	95	234
Total operating expenditure	31,336	36,611
(Deficit) on ordinary activities before interest	(963)	(1,466)
Interest receivable (Note 10)	16	102
(Deficit) on ordinary activities before taxation	(947)	(1,364)
Taxation (Note 11)	(2)	9
(Deficit) for the year on ordinary activities after taxation	(949)	(1,355)
Minority interests	291	57
(Deficit) for the year on ordinary activities after minority interests	(658)	(1,298)
Surplus on HM Government agency and related services (Note 2)	54	0
Retained (deficit) for the financial year (Note 18)	(604)	(1,298)

4. Beef promotion fund

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Income		
Gross levy	5,624	6,034
Expenses of collection	(92)	(94)
Net levy	5,532	5,940
Fee income	453	371
Total net income	5,985	6,311
Operating expenditure		
Consumer advertising and promotion	1,878	1,127
Trade development and promotion	1,905	1,781
Product development	177	546
Grants to Scotch Quality Beef and Lamb Association	498	534
Grants to Welsh Lamb and Beef Promotion	277	297
Food service	603	667
Consumer research	116	80
European Quality Beef (see note below)	266	1,188
Total operating expenditure	5,720	6,220
Operating surplus on ordinary activities before interest	265	91
Interest receivable (Note 10)	(84)	(61)
Surplus on ordinary activities before taxation	181	30
Taxation (Note 11)	25	(17)
Surplus for the year on ordinary activities after taxation (Note 18)	206	13

European Commission assistance in the form of a grant from the European Quality Beef Fund, amounting to nil (2000: £1.65m) was offset against expenditure.

5. Lamb promotion fund

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Income		
Gross levy	5,494	5,772
Expenses of collection	(164)	(184)
Net levy	5,330	5,588
Fee income	100	100
Total net income	5,430	5,688
Operating expenditure		
Consumer advertising and promotion	1,908	1,621
Trade development and promotion	1,306	1,893
Product development	166	161
Consumer research	98	88
Export trade development	159	196
Food service	481	518
Grants to Scotch Quality Beef and Lamb Association	480	498
Grants to Welsh Lamb and Beef Promotion	480	498
Total operating expenditure	5,078	5,473
Operating surplus on ordinary activities before interest	352	215
Interest receivable (Note 10)	0	(18)
Surplus for the year before taxation	352	197
Taxation (Note 11)	0	(5)
Surplus for the year on ordinary activities after taxation (Note 18)	352	192

6. Pork and bacon promotion fund

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Income		
Gross levy	6,923	6,201
Expenses of collection	(140)	(120)
Net levy	6,783	6,081
Fee income	2,708	73
Total net income	9,491	6,154
Operating expenditure		
Consumer advertising and promotion	3,785	2,175
Trade development and promotion	2,926	3,894
Product development	233	230
Food Service	1,052	1,016
Consumer research	113	98
Export trade development	0	0
Total operating expenditure	8,109	7,413
Operating surplus/(deficit) on ordinary activities before interest	1,382	(1,259)
Interest receivable (Note 10)	77	32
Surplus/(deficit) for the year before taxation	1,459	(1,227)
Taxation (Note 11)	(23)	9
Surplus/(deficit) for the year on ordinary activities after taxation (Note 18)	1,436	(1,218)

7. Surplus/(deficit) on ordinary activities before interest

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
is stated after charging		
Depreciation of tangible fixed assets	580	865
Loss on sale of tangible assets	23	67
Leasehold property rents	194	185
Hire of equipment under operating leases	101	59
Vehicle leases	859	375
Auditors' remuneration:		
Compliance work	37	33
Consultancy and other work	16	19
Research and development	2,423	2,531

8. Employees

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
Numbers employed		
The average numbers employed by the Commission during the year were:		
Commercial activities		
Commercial Services	437	468
Staff seconded to the Signet Joint Venture	53	52
	490	520
Levy dependent activities		
Consumer, Trade and Export Marketing	67	71
Industry development	14	13
Research and development and technical support	37	43
Species Strategy and communications	28	31
Directorate, Finance, Personnel and Internal Services	30	37
	176	195
	666	715
Staff costs		
	£'000	£'000
Salaries	15,042	15,784
Aggregate travelling and subsistence	1,696	1,937
Social security costs	1,279	1,349
Other pension costs (see Note 9)	48	28
	18,065	19,098

8. Employees (continued) Directors' detailed emoluments

	For the year ended 31-Mar-01			For the year ended 31-Mar-00
	Salary & fees	Benefits	Total	
	£'000	£'000	£'000	£'000
G Howells, Director General	115	11	126	121
R Lowe, Marketing Director	82	7	89	89
R Bansback, Corporate Strategy Director	79	7	86	83
M Attenborough, Technical Director	77	8	85	82
K Roberts, Commercial Services & Finance Director	80	8	88	79
	433	41	474	454

Benefits in kind include the provision of a company car and private health cover.

Set out below are details of the pension benefits accrued at and earned by each of the executive directors during the year to 31 March 2001.

Directors' pension entitlement

	For the year ended 31-Mar-01		For the year ended 31-Mar-00
	Accrued entitlement	Real terms inc in year	
	£'000	£'000	£'000
G Howells, Director General	20	3	17
R Lowe, Marketing Director	3	1	2
R Bansback, Corporate Strategy Director	44	3	41
M Attenborough, Technical Director	9	2	7
K Roberts, Commercial Services & Finance Director	12	3	9
	88	12	76

The accrued 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.

8. Employees (continued) emoluments of members of the Commission

The Meat and Livestock Commission is advised by the Department for Environment, Food and Rural Affairs that the remuneration and expenses of members of the Commission were as follows:

Notes	For the year ended 31-Mar-01			For the year ended 31-Mar-00
	Salary & fees	Expenses	Total	
	£'000	£'000	£'000	£'000
D Curry, Chairman	67	29	96	94
P Kirk, Deputy Chairman	13	2	15	14
R Moody, Chair Consumers Committee	16	4	20	19
J Bundy	8	2	10	10
J Baker	8	1	9	8
R Green	8	3	11	13
L Walker	8	0	8	8
H Browning	8	2	10	8
R Campbell	8	5	13	15
R Roberts	8	2	10	12
J Ross	8	4	12	12
R Sadler	8	1	9	8
J Taylor	8	1	9	9
D McCrea	8	1	9	8
J Whitehead	8	6	14	13
	192	63	255	251

Notes:

There were no changes in the members of the Commission during the year. Emoluments of members of the Commission are accounted for by the Department for Environment, Food and Rural Affairs.

9. Pensions

The Commission operates a defined benefit pension scheme open to all employees in permanent service who are over age eighteen and are employed at least eight hours per week. The assets of the scheme are held in a separate trustee administered fund.

The cost of providing pensions, and associated balances, is included under Note 8 to these accounts. The most recent actuarial valuation of the scheme was carried out as at 1 April 2000 using the projected unit method. The main assumptions used for pension accounting purposes were that over the long term, the annual investment return would be 1.5 per cent higher than the annual increase in total pensionable remuneration, 3.5 per cent higher than the annual increase in present and future pensions, and 2.75 per cent higher than the rate of yearly growth in dividend income from existing investments.

The market value of the scheme's assets at 1 April 2000 was £210 million. The actuarial value of those assets was sufficient to cover 119 per cent of the value of the benefits that has accrued to members at that date, after allowing for increases in future earnings. On the actuary's recommendation, no company contributions will be made to the scheme until at least the next actuarial valuation which is anticipated to be as at 1 April 2003.

The pension credit for the year was (£144,000) compared to a credit for the 1999/2000 financial year of (£33,000).

10. Interest receivable

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Interest receivable	9	55
Allocated to accumulated funds		
General fund	16	102
Beef promotion	(84)	(61)
Lamb promotion	0	(18)
Pork and Bacon promotion	77	32
	9	55

The amount of interest receivable has been allocated to the various funds on the basis of their respective average net liquid funds position during the year.

11. Taxation

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Corporation tax at 30% (2000: 30%)	0	16
Prior year adjustments	0	(12)
	0	4
Allocated to accumulated funds		
General	2	(9)
Beef promotion	(25)	17
Lamb promotion	0	5
Pork and Bacon promotion	23	(9)
	0	4

The Commission is currently in discussion with the Inland Revenue regarding the tax treatment of surpluses arising from its commercial activities. No provision has been made for this in the accounts other than that noted above. If it is concluded that this surplus falls outside the tax exempt status afforded to the Commission's statutory levy income then the potential liability would be in the region of £0.75m.

12. Tangible assets

Group	Freehold property £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost or valuation				
As at 1 April 2000	5,061	853	1,332	7,246
Additions	252	20	587	859
Acquisitions	0	0	10	10
Disposals	0	(457)	(373)	(830)
As at 31 March 2001	5,313	416	1,556	7,285
Depreciation				
As at 1 April 2000	279	463	720	1,462
Charge for year	187	84	309	580
Relating to disposals	0	(288)	(373)	(661)
As at 31 March 2001	466	259	656	1,381
Net book amount as at 31 March 2001	4,847	157	900	5,904
Net book amount as at 31 March 2000	4,782	390	612	5,784

Commission	Freehold property £'000	Motor vehicles £'000	Equipment £'000	Total £'000
Cost or valuation				
As at 1 April 2000	5,061	853	918	6,832
Additions	252	20	526	798
Disposals	0	(457)	(292)	(749)
As at 31 March 2001	5,313	416	1,152	6,881
Depreciation				
As at 1 April 2000	279	463	474	1,216
Charge for year	187	84	263	534
Relating to disposals	0	(288)	(292)	(580)
As at 31 March 2001	466	259	445	1,170
Net book amount as at 31 March 2001	4,847	157	707	5,711
Net book amount as at 31 March 2000	4,782	390	444	5,616

Freehold properties were valued at 31 March 1998 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 Edwin Thompson and Co, Chartered Surveyors and Baring, Houston and Saunders, Chartered Surveyors. The present amount, after disposals, arising from this valuation is £4,510,000.

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 2001 of freehold property according to the historical cost convention is:	£'000
Cost	6,900
Depreciation	2,368
Net book amount	4,532

13. Subsidiaries

Signet Farm Business Consultancy

Signet Farm Business Consultancy is an unincorporated partnership between MLC and COSAC Ltd, an associate of Scottish Agricultural College. MLC has a 51 per cent share in the venture and has consolidated Signet as a subsidiary undertaking.

Signet offers an independent, scientifically-based consultancy service to farmers who principally produce meat animals and its place of business is Winterhill House, Milton Keynes.

Following a year in which the Signet business generated significant operating losses, the MLC wrote the value of its investment in Signet down from £66k to zero to reflect a permanent diminution in the value of the investment (see below).

EFSIS Holdings Limited

EFSIS Holdings Limited is a company limited by guarantee. The MLC has a 60 per cent stake in the venture, Campden and Chorleywood Food Research Association (CCFRA) holding the remaining 40 per cent. EFSIS Holdings Limited owns 100 per cent of the issued share capital of EFSIS Limited and EFSIS Certification Limited, a company acquired during the year (see note 21, Acquisitions).

EFSIS provides an independent audit service designed for the food, drink and allied industries and has offices in Milton Keynes and Chipping Campden.

Farm Inspection Services

Farm Inspection Services (FIS) is an unincorporated partnership between MLC and Signet of which MLC has a 50 per cent share.

FIS conducts farm inspections for the FABBL quality assurance scheme. Its principal place of business is Winterhill House, Milton Keynes.

Investments

	2001 £'000	2000 £'000
Signet	0	66
EFSIS	0	0
FIS	0	0
	0	66

14. Stocks

	Group As at 31-Mar-01	Commission As at 31-Mar-01	Group As at 31-Mar-00	Commission As at 31-Mar-00
	£'000	£'000	£'000	£'000
Animals	161	161	131	131
Ancillary farm stocks and other materials	18	18	16	16
	179	179	147	147

15. Debtors

	Group As at 31-Mar-01	Commission As at 31-Mar-01	Group As at 31-Mar-00	Commission As at 31-Mar-00
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year				
Pension prepayment as at 1st April 2000	1,053	1,053	992	992
Employers' contributions paid	48	48	28	28
Transfers from income & expenditure account	144	144	33	33
Prepayment as at 31 March 2001	1,245	1,245	1,053	1,053
Amounts falling due within one year				
Levy income receivable	3,408	3,408	3,526	3,526
Debtors for fee and other income	2,162	1,343	2,824	1,826
Amounts owed by subsidiary undertakings	0	1,242	0	895
European Quality Beef Grant	942	942	2,525	2,525
Prepayments and accrued income	695	480	471	394
Other taxation and social security	37	0	40	0
Loan to SAC (see Note 23)	0	0	100	0
Intervention Board	4	4	137	137
DEFRA	531	531	0	0
	7,779	7,950	9,623	9,303

16. DEFRA underwrite for redundancy

	Group As at 31-Mar-01	Commission As at 31-Mar-01	Group As at 31-Mar-00	Commission As at 31-Mar-00
As at 1 April 2000	£'000 3,809	£'000 3,809	£'000 3,609	£'000 3,609
Amounts received and applied for:				
Expenses incurred	(129)	(129)	(6)	(6)
Interest	233	233	206	206
As at 31 March 2001	3,913	3,913	3,809	3,809
DEFRA fund on deposit	4,115	4,115	3,888	3,888
Net claims to be submitted to DEFRA	(202)	(202)	(79)	(79)
Provision as above	3,913	3,913	3,809	3,809

DEFRA funds are held under the terms of redundancy agreement with DEFRA which governs the uses to which the fund may be applied.

17. Creditors

	Group As at 31-Mar-01	Commission As at 31-Mar-01	Group As at 31-Mar-00	Commission As at 31-Mar-00
Amounts falling due within one year				
Trade creditors	5,418	5,185	8,013	7,837
Other creditors	1,497	778	1,071	913
Redundancy creditor (net)	148	148	373	373
Intervention Board	191	191	0	0
DEFRA	0	0	38	38
Corporation tax	17	16	16	16
Other taxation and social security	624	570	629	536
Bank loan	38	0	0	0
	7,933	6,888	10,140	9,713
Amounts falling due after more than one year				
Redundancy creditor (net)	276	276	367	367
Bank loan	59	0	0	0
	335	276	367	367

Included in the redundancy creditor (net) above are redundancy compensation payments receivable from the Intervention Board and Agricultural Departments, which are offset against redundancy compensation liabilities, as follows:

Amounts falling due within one year				
Redundancy compensation payments	832	832	831	831
Less amounts receivable from: Intervention Board	761	761	753	753
	71	71	78	78
Amounts falling due after more than one year				
Redundancy compensation payments	2,614	2,614	3,488	3,488
Less amounts receivable from: Intervention Board	2,338	2,338	3,121	3,121
	276	276	367	367

The maturity profile of the carrying amount of the group's bank loan at 31 March 2001 was as follows:

Within 1 year	38	0	0	0
Between 1 and 2 years	38	0	0	0
Between 2 and 5 years	21	0	0	0
	97	0	0	0

The rate of interest chargeable on the loan is 1.00% per annum over the HSBC base rate, as published from time to time.

Security for the loan is provided by a debenture over the assets of EFSIS Certification Limited, and a guarantee from EFSIS Holdings Limited.

18. Capital and reserves

Group	General Fund	Species Promotion Funds			Total
		Beef	Lamb	Pork and Bacon	
	£'000	£'000	£'000	£'000	£'000
Accumulated funds					
Balance as at 1 April 2000	5,388	662	402	41	6,493
Surplus/(deficit) for the year	(604)	206	352	1,436	1,390
Balance as at 31 March 2001	4,784	868	754	1,477	7,883
Commission	General Fund	Species Promotion Funds			Total
		Beef	Lamb	Pork and Bacon	
	£'000	£'000	£'000	£'000	£'000
Accumulated funds					
Balance as at 1 April 2000	5,384	662	402	41	6,489
Surplus/(deficit) for the year	(371)	206	352	1,436	1,623
Balance as at 31 March 2001	5,013	868	754	1,477	8,112
Revaluation Reserve		£'000			
Balance as at 1 April 2000 and 31 March 2001		740			

19. Results of the Commission

As permitted by Section 230 of the Companies Act 1985, the Commission's income and expenditure account has not been included in these financial statements.

Its surplus for the year amounted to £1,623,000 (2000: deficit £2,237,000).

20. Notes to the cashflow statement

	For the year ended 31-Mar-01	For the year ended 31-Mar-00
	£'000	£'000
Note 20 a Returns on investments and servicing of finance		
Interest received	9	55
Note 20 b Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(859)	(1,201)
Receipts from sale of tangible fixed assets	146	965
	(713)	(236)
Note 20 c Management of liquid resources		
Funds on deposit as at 31 March 2000	0	5,000
Transfer (to) cash	0	(5,000)
Funds on deposit as at 31 March 2001	0	0

	1 April 2000	Cash flow	Acquisition	31 March 2001
	£'000	£'000	£'000	£'000
Analysis of net funds				
Cash at bank and in hand	1,120	177	0	1,297
Bank loan falling due within one year	0	0	(38)	(38)
Bank loan falling due after more than one year	0	0	(59)	(59)
Total	1,120	177	(97)	1,200

21. Acquisitions

On 14 January 2001 the group purchased Food Certification International Limited (FCI) for a total consideration of £2. The acquisition was made through EFSIS Holdings Limited, a subsidiary of MLC. FCI also changed its name to EFSIS Certification Limited on the date of acquisition.

No adjustments were required to the book values of the assets and liabilities of the company in order to present the net assets of the company at fair values in accordance with group accounting principles. Details of the assets and liabilities acquired, together with the resultant amount of goodwill arising, are set out below. Goodwill is amortised on a straight line basis over a period of 5 years.

From the date of acquisition to 31 March 2001 the acquisition contributed £257k to turnover and £12k to surpluses.

The book value of the assets and liabilities have been taken from the management accounts of FCI Limited at 31 December 2000.

	Fair value
	£'000
Tangible assets	10
Debtors for fee and other income	132
Cash at bank and in hand	367
Trade creditors	(11)
Other creditors	(436)
Other taxation and social security	(17)
Bank loan, falling due within one year	(37)
Bank loan, falling due after more than one year	(69)
	(61)
Minority interests	25
Net assets acquired	(36)
Goodwill	36
Consideration	0

22. Financial commitments

	Group As at 31-Mar-01	Commission As at 31-Mar-01	Group As at 31-Mar-00	Commission As at 31-Mar-00
	£'000	£'000	£'000	£'000
Capital expenditure commitments				
Contracted for	33	33	169	169
Approved research projects				
Within one year	2,133	2,133	2,219	2,219
Thereafter	1,750	1,750	1,366	1,366
	3,883	3,883	3,585	3,585
Operating leases				
As at 31 March 2001 the Commission was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:				
Property				
Within one year	24	24	31	31
Between two and five years	63	56	54	54
Thereafter	24	24	24	24
	111	104	109	109
Vehicles				
Within one year	228	228	77	77
Between two and five years	457	457	666	666
	685	685	743	743
Equipment				
Within one year	2	2	11	11
Between two and five years	91	91	41	41
	93	93	52	52

23. Related party transactions

MLC is a Non-Departmental Public Body (NDPB) funded by the meat and livestock industry and sponsored by the Department for Environment, Food and Rural Affairs (DEFRA). DEFRA is a Government department which is regarded as a related party and during the year MLC undertook work related to the Foot and Mouth Disease outbreak, on behalf of DEFRA, to the value of £560k.

The loan to the Scottish Agricultural College is to fund a venture with Agrosoft UK Limited, under the terms of which Signet Farm Business Consultancy will have access to additional pig industry data and further consultancy opportunities.

EFSIS Limited sold services to EFSIS Certification Limited to the value of £65k pre-acquisition.

All other transactions are with subsidiaries within the group and exempt from disclosure under FRS8.

Model Accounts direction

Meat and Livestock Commission

Accounts direction given by the Minister of Agriculture, with the approval of the Treasury, in accordance with Section 19 of Chapter 22 of the Agriculture Act 1967.

The annual accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement the Meat and Livestock Commission shall prepare accounts for the financial year ended 31 March 2001 and subsequent financial years in accordance with:

- (a) Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance;
- (b) other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
- (c) any other specific disclosures required by the Secretary of State;

except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

Signed by authority of the Minister of Agriculture

Margaret M Beckett

Dated 9th October 2001

Management Committee

Gwyn Howells Director General

Gwyn has overall responsibility for the day-to-day management of MLC and ensures the policies formulated by Commissioners are implemented. Gwyn joined MLC in 1992 as Marketing Director and became Director General in 1999.

Mike Attenborough Technical Director

Mike is responsible for the industry's research programme in the development of new processes and technologies to yield competitive advantage and also in the use of technology to defend the industry. He joined MLC in 1996.

Bob Bansback Corporate Strategy Director

Bob is responsible for the strategic planning, policy and forecasting activity carried out by the Commission. He also manages MLC's Government and EU relations. Bob joined the Commission in 1969.

Tony Blackburn Operations Group Manager

Tony, who has been with the MLC since its formation, manages the day-to-day operations of the Commercial Services Division, which is a net contributor to MLC funds.

Bernadette Garvey Personnel and Benefits Manager

Bernadette has responsibility for providing a full human resource and benefit service to all staff. She is also involved in developing and implementing policies to improve the effectiveness of the Commission and to support its changing needs. Bernadette has been with the MLC since 1988.

Richard Lowe Marketing Director

Richard is responsible for managing the advertising and promotional activity for beef, lamb and pig meat in line with the objectives set out by the strategy councils and BPEX in the light of recommendations from the promotion councils. He joined the MLC in 1999.

Nicky O'Reilly Head of Corporate Communications

Nicky, who joined the MLC in early 1998, is responsible for communicating the role of MLC through shows, publications and the media. She also manages the network of regional offices.

Kevin Roberts Director of Commercial Services and Finance

Kevin, who joined the MLC in 1993, is responsible for managing the finances of the MLC and making sure the relevant controls are in place. He is also charged with seeking out new business opportunities and maximising the profitability of the Commercial Services Division to supplement the levy income.

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