



Corporate Plan 2012-2013

DRAFT1

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Introduction

DairyCo, the milk division of the Agriculture and Horticulture Development Board (AHDB), is entering its fifth year of operation with this plan.

DairyCo is a levy-funded, not-for-profit organisation working on behalf of Britain's dairy farmers.

The strategies and activities in this plan have been based on a review of AHDB objectives and the position of the dairy sector as identified in the AHDB PESTLE (please see AHDB Corporate Plan for more details) to ascertain what activities DairyCo needs to undertake to tackle issues not currently being dealt with sufficiently well to meet the needs of the industry.

DairyCo must work effectively with public and commercial industry partners (farmers, processors, retailers, other divisions of AHDB, governments in England, Scotland and Wales and their agencies) to ensure levy funds are used only in areas of market failure which can generate a clear benefit for dairy farmers. Clearly tackling the myriad of issues facing the industry is not DairyCo's sole responsibility.

This document will detail the strategies to be undertaken by DairyCo starting in April 2012. DairyCo anticipates that many of these will continue into years two and three of this plan as the Research Partnerships are embedded and it continues to interact with the industry through its Knowledge Transfer (KT) activities.

Over the period of this plan, DairyCo will reduce the accumulated cash reserves towards the target level agreed by the AHDB Board (£2.3 million – currently 32% of annual levy income). DairyCo will also continue to review the scale of services and, thus, the level of levy necessary to deliver the services needed by dairy farmers to ensure a profitable and sustainable future.

AHDB corporate objectives

DairyCo activities are undertaken in line with the objectives of the AHDB. These are to:

- Deliver value for money for levy payers in everything we do
- Improve efficiency and productivity in the industry to help levy payers have thriving businesses
- Improve marketing in the industry to help profitability and customer awareness
- Improve services that the industry provides to the community
- Improve ways in which the industry contributes to sustainable development.

DairyCo strategies to deliver against these objectives in the dairy sector are detailed in the table at the end of this document.

DairyCo in England, Scotland and Wales

DairyCo is aware that the needs of dairy farmers in the three countries of Great Britain (GB) do vary and DairyCo seeks to operate in the most appropriate manner in those countries. We work with the devolved administrations to identify the best way of operating in the different countries in GB.

Our core service is relevant to all countries (eg Market Intelligence – EU commodity prices), but is tailored to suit any individual needs, for example Welsh-specific Market Intelligence pages in some areas. The main area of difference is in the delivery of on-the-ground services to dairy farmers.

During the past year, DairyCo has delivered a groundbreaking arrangement with the Welsh Government (WG) regarding the delivery of its services in Wales. DairyCo KT activities were combined with those of the WG Farming Connect Dairy Development Programme to provide one set of co-ordinated activities in Wales. By combining DairyCo resources with the WG, DairyCo is able to deliver more for Welsh dairy farmers. Recent changes to Farming Connect have meant that the partners have changed but the DairyCo commitment to the partnership and our delivery continues.

Key achievements year-to-date

At the time of writing this plan (November 2011), DairyCo is eight months into the 2011/12 business year and has already made great progress towards this year's targets.

Highlights include:

Market Intelligence

The dairy Market Intelligence (MI) team has undergone a period of change with new staff recruited over the last 12 months and a restructuring process under the management of the AHDB MI service. In this period, priorities have been focused on core services for customers, such as the fortnightly Dairy Market Update and maintaining the core website service.

In addition, the team has successfully published several documents including Dairy Statistics – an insider's guide 2011, the Company Strategy and Performance Report, the Asymmetric Price Transmission Report and the Dairy Supply Chain Margins Report.

The dairy MI team is part of the AHDB MI Division and a range of activities are underway to identify and deliver cross-sector synergies in this area. The benefits of working with an integrated MI team include identifying improvements to the scope and timeliness of dairy data relating to farm inputs and consumer information.

Research and Development

Two Research Partnerships were launched in June 2011 and promise to be a valuable source of new knowledge and expertise in support of DairyCo. Within each Partnership there are 12-15 experimental projects, each with their own objectives and milestones, which are conducted by a consortium of research institutions, with one institution taking the lead. The Nottingham-led Partnership covers health, welfare and nutrition and the Scottish Agricultural College (SAC) Partnership covers soils, grass and forage. Each Partnership is valued at £500,000 per year and has a five-year life.

The benefits of this approach to Research and Development (R&D) funding are multiple. For the research team, it offers security of funding which helps build expertise in the staff team. It also brings academics closer to the industry. DairyCo has specialist R&D managers to look after the projects but also a number of specialist extension officers who will be part of the project management team. They will have two roles, firstly to bring their practical knowledge of the industry to bear on the research, making sure it stays relevant and, secondly, as a fast conduit for new knowledge to be taken to the industry. DairyCo also benefits from the existing funding that comes from other sources into the Partnerships which is used on

associated projects, often of a more fundamental nature. The final benefit is the opportunity to generate PhD projects which will increase the number of young scientists with a direct involvement in dairy science.

DairyCo has taken the lead in the industry on measuring greenhouse gas (GHG) emissions from dairy farms by committing to fund the measurement of average GHG emissions from a statistically robust selection of farms. This will demonstrate to consumers and the government that the industry is taking the issue of reducing GHG emissions from milk production seriously and will demonstrate what progress has been made over time. Data from 400 farms has been collated and analysed giving a national benchmark. The carbon cost of milk production is expressed as 'grams of carbon equivalent per litre of milk produced'.

The Dairy Roadmap was published in May 2011 with updated reports against targets and, for the first time, with support from retailers. The chairmanship now passes to Dairy UK from DairyCo but DairyCo will continue to help develop and support this important industry partnership.

Consumer Communication

In 2011/12 DairyCo has continued to develop robust evidence-based media statements covering a range of topics to promote the industry.

We have added to and expanded the consumer-facing website www.thisisdairyfarming.com which is now achieving first page rankings on Google for many relevant searches. The most obvious additions are the short video pieces from farmers and experts explaining how modern dairy farming works. DairyCo also gained radio and TV coverage to proactively communicate positive messages to better inform the public.

DairyCo contributes to the AHDB Schools and Education Programme along with other AHDB sector colleagues. Through partnership working with the British Nutrition Foundation, DairyCo builds on the existing investment of *Food a Fact of Life* www.foodafactoflife.org.uk, an online programme primarily targeting teachers. New materials for schools were successfully launched in January 2011.

Knowledge Transfer

Targets are being exceeded on the number of groups and forums that exist to facilitate farmer progress with business skills through Knowledge Transfer. The Planning for Profit workshops are proving to be successful and well rated by participants.

The DairyCo Mobility Score system is now the industry standard for assessing lameness and is part of the DairyCo Healthy Feet Programme, a national mobility improvement programme, that was launched at the Dairy Event in 2011. DairyCo has put together the package and trained "mobility mentors" who can be commissioned to develop a customised package from the programme for dairy farmers to reduce and control lameness. The value of the programme is that, by using a formal assessment process, the most significant problems are identified and addressed first.

The Milkbench+ team has transferred to MI. The uptake of the service has exceeded the target of 350 farmers in 2010/11 and continues to be popular with interest from retail supply

groups and the Princes Rural Action Plan. A report on industry-wide trends and a segmentation study will be published in winter 2011.

The partnership approach within Wales has been reviewed by the Welsh Government and received an excellent report overall. The arrangement continues with some changes in the delivery partners following the WG decision to re-tender the farming connects contracts.

Genetics

Breeding+ continues to enhance its services to assist the UK breeding industry. Two updates to international genetic evaluations were conducted and published in April and August. Uptake of the genetic indexes DairyCo produces continues to grow and a recent project commissioned with Promar International to highlight the financial benefit of using good quality genetics has received much press and industry interest. This work was backed up by a separate review published in August and conducted by AbicusBio (NZ) in conjunction with SAC, which showed that the aggregate benefits of genetic improvement in the UK dairy industry are estimated to have been between £2.2 billion and £2.4 billion since 1980.

The strategy to secure Genomic evaluations has delivered a partnership with North America and Italy. The first evaluations using genomic data have been tested and the first run in 2012 is expected to incorporate the new data. The potential for increased rates of genetic gain using genomics is yet to be realised but expectations remain high. Monitoring of the average genetic merit of sires used on farm shows an increased trend and exceeds the target.

The Genetics Advisory Forum has bedded in well and has helped develop the DairyCo strategy on breeding.

Strategies and activities in 2012/13

DairyCo's strategies and activities are set out in the following table. They are a continuation of recent developments and they focus on supporting the competitiveness of British dairy farming with high quality technical and business information. Our increased investment in KT will be maintained.

DairyCo will also increase its investment in Research. Great Britain is the ninth largest milk producer in the world and, as such, it is important that it maintains sufficient research and research capability to assist the industry in developing and maintaining its position within the world.

Significant developments in 2012/13 will be:

- The launch of a Continuing Professional Development (CPD) register
- Recruitment to our Healthy Feet Programme
- The roll out of the Planning for Profit business management workshops
- The launch of genetics KT
- The continued development and promotion of www.thisisdairyfarming.com
- The continued development of our website and delivery approach

We will be working with more farmers than ever before due to our expanded high quality service.

DairyCo strategies 2012/13

AHDB STRATEGY	DAIRYCO STRATEGY	OUTCOME	GENERAL KPI
<p>Improve ways in which the industry contributes to sustainable development</p>	<p>To gather information to fill knowledge gaps in the GB dairy industry in support of the DairyCo KT services and the issues and image management.</p>	<p>Reduced GHG cost per litre of milk produced.</p>	<p>Deliver DairyCo component of Dairy Roadmap to time and budget.</p>
<p>Improve efficiency and productivity in the industry to help levy payers have thriving businesses</p>	<p>Research To gather information to fill knowledge gaps in the GB dairy industry in support of the DairyCo KT services and the issues and image management.</p> <p>Genetics Provide breeders with state-of-the-art breeding tools and the knowledge to use them.</p> <p>KT Product Managers Use existing information and knowledge to develop DairyCo packages suitable for use in the industry by DairyCo (or their agents).</p>	<p>Improved technical and business performance on GB dairy farms. High quality research information to support dairy farms with technical and business development.</p> <p>Breeding companies make faster genetic progress in their breeding programmes. Farmers make better breeding decisions to maximise profitability and improve the Animal Health & Welfare (AHW) position.</p> <p>Improved technical and business performance on GB dairy farms including measures of AHW. Lower barriers for farmers to use DairyCo tools.</p>	<p>Deliver Research Partnership plans to time and budget. Receive Annual Report 1 Aug 2012.</p> <p>Average Profitable Lifetime Index (PLI) of semen used increases by 15 points compared to the previous year.</p> <p>Deliver specialist training services to 1,200 farmers through a range of delivery systems by May 2013 (includes PRAP and Wales).</p>

	<p>KT Improve the efficiency of milk production systems on British dairy farms to world class levels by running a programme of engagement with dairy farmers through a regional team.</p>	<p>The industry meets the different market demands through world class standard milk production across the range of production systems and farm sizes.</p>	<p>Deliver KT via the EO network to 3,500 individual farmers as face-to-face work using a combination of discussion groups, impact groups, open meetings and events.</p>
	<p>Milkbench+ Improve the efficiency of milk production systems on British dairy farms to world class levels by running a service which allows economic performance to be benchmarked with peers.</p>	<p>Producers have an improved understanding of their own economic performance and manage their business more effectively.</p> <p>Wider learning from aggregated data feed into DairyCo strategy development.</p>	<p>Complete data entry for 520 per year.</p> <p>November 2013</p>
	<p>MI Improve the efficiency of milk production systems on British dairy farms to world class levels by providing market information and analysis.</p>	<p>Producers have the information available to them to make better informed business decisions in the buying of inputs and selling of outputs.</p>	<p>Update monthly for 50 contracts.</p>

<p>Improve communication in the industry to help profitability and customer awareness</p>	<p>Marketing Communications Provide a network of effective internal communications.</p>	<p>Well-informed staff and Board.</p>	<p>61% of GB dairy farmers can name one DairyCo service or product.</p>
	<p>Develop the DairyCo brand to improve farmer awareness of, and trust in DairyCo products and services.</p>	<p>Better recognition of levy value and improved farmer performance.</p>	

	Provide the public with a balanced and credible information source for dairy farming.	More balanced debate in the media and for consumers.
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Deliver value for money for levy payers in everything we do	Central		
	Work with sector partners and central teams to deliver best value for money.	Levy is kept to lowest reasonable level to deliver the services needed.	Achieve 14% of levy or less as share of central costs in 2012-13.

Improve services that the industry provides to the community	Wales		
	Improve the efficiency of milk production systems on Welsh dairy farms to world class levels by providing co-ordination between service providers to ensure maximum benefit.	Efficient use of resources from a number of providers in a co-ordinated way.	61% of Welsh dairy farmers can name one DairyCo service or product

DAIRYCO					
	10/11 Actual	11/12 Forecast	12/13 Budget	13/14 Budget	14/15 Budget
INCOME					
Gross levy	6,832	6,921	6,850	6,850	6,850
Less bad debt			-30	-30	-30
Fee and grant income	293	268	300	300	200
Commercial Services Income	0	0	0	0	0
Non-levy income	293	268	300	300	200
TOTAL INCOME	7,125	7,189	7,120	7,120	7,020
EXPENDITURE					
DIRECT					
R&D and Knowledge Transfer	-3,650	-4,051	-4,147	-4,017	-4,017
Trade Development	-770	0	-314	-313	-314
International	0	0	0	0	0
Supply Chain Integration	0	0	0	0	0
Market Intelligence	-579	-1,146	-1,190	-1,205	-1,220
Communications	-695	-1,222	-967	-966	-967
Commercial services	0	0	0	0	0
TOTAL DIRECT EXPENDITURE	-5,694	-6,419	-6,617	-6,502	-6,517
SUPPORT					
Sector Specific Administration	-567	-382	-390	-390	-390
HR and Corporate Services					
HR & Legal / Payroll	-109	-121	-132	-132	-132
Facilities	-213	-270	-275	-254	-232
Finance and Business Services					
Finance	-120	-99	-89	-86	-84
Levy Collection	-39	-43	-43	-41	-40
Procurement	-17	-20	-20	-20	-21
IT	-146	-153	-146	-137	-137
Main Board / Advisory	-74	-65	-64	-64	-64
Corporate Communications	-28	-28	-31	-32	-33
R&D	-37	-31	-50	-53	-56
TOTAL SUPPORT EXPENDITURE	-1,350	-1,211	-1,240	-1,209	-1,189
TOTAL EXPENDITURE	-7,044	-7,630	-7,857	-7,711	-7,706
Operating Surplus/(Deficit)	81	-441	-737	-591	-686
NON-OPERATING ITEMS					
Income	0	0	0	0	0
Interest receivable	4	8	35	35	35
Interest payable	0	0	0	0	0
Taxation	4	0	-12	-12	-12
Exceptional reorganisation expenditure	-51	-28	-20	-12	0
Other non-operating costs	-91	-18	0	0	0
Net FRS17 Entries	0	0	0	0	0
Share of Commercial Services Returns	0	0	0	0	0
TOTAL NON OPERATING ITEMS	-134	-38	3	11	23
Retained Surplus/(Deficit)	-53	-479	-734	-580	-663
Support Exp. Excl MI % of Income	18.9%	16.8%	17.4%	17.0%	16.9%
Opening reserves	4,928	4,875	4,396	3,662	3,082
Retained surplus/deficit	-53	-479	-734	-580	-663
Closing reserves	4,875	4,396	3,662	3,082	2,419