

**QUALITY MEAT SCOTLAND**  
**Minutes of the Twenty Fourth Meeting of the Board**  
**14 June, 2012 10.00am Broxburn**

**Present:**

J McLaren, Chairman  
J Craig  
H Graham  
J Gregor  
J Mackey  
G McKen  
A McNaughton  
R Parker  
J Scott  
D Sole  
P Thomas

**In Attendance:**

P Byrne, Accountant (Items 1 - 5)  
A McGowan (Items 9 - 11)  
C McLaren (Items 9 - 11)  
M Morgan (Sponsor Team)  
U Morton, Chief Executive

**Apologies**

A Peddie

**1**

**1.1 Declarations of Interest**

There were no declarations of interest.

**1.2 Minutes of the Meeting Held on 26 April, 2012**

The minutes of the meeting held on 26 April were approved and signed by the Chairman.

**2**

*Commercial in Confidence - Item withheld*

**3**

**Financial Report 2 months to 31 May, 2012 (paper 17-12/13)**

**3.1 Income & Expenditure**

Levy income was close to budget and assurance income was currently ahead of budget. External expenditure was below budget and overhead costs were in line with expectations.

**3.2 Balance Sheet**

The Balance Sheet showed a good cash position. The fixed term investments approved at the April Board would be completed in the coming week.

**3.3 Debtors**

The bad debt provision in the 31 March, 2012 accounts for a levy debtor was currently being pursued and also noted in the Financial Report. It was agreed that as the provision had been made, the figure would not be included in future Financial Reports unless the debt was recovered.

**3.4** Further investigations would be carried out to check if the abattoir was actively operating, possibly under another name. FSA would be asked what the affect would be on the slaughtering licence in the event an abattoir did not pay the statutory levy.

**4 Approval of Accounts for the Year Ended 31 March, 2012 (paper 18-12/13)**

Board members noted the deficit of £182k which had been adjusted slightly since the April Board meeting due to accruals. All references to Statement of Internal Control would be amended to read Governance Statement (page 12) and the supporting text adjusted accordingly. The Auditors had given an unqualified audit opinion and had no issues to raise. The Board approved the accounts for the year ended 31 March, 2012.

**5 Annual Board Healthcheck**

A self evaluation questionnaire was tabled for Board members to complete and return. Responses would be analysed to identify any issues and potential areas for improvement. Feedback would be provided at the September Board.

**6 Progress Report for Period 1 Apr – 6 Jun (paper 19-12/13)**

- 6.1 Senior managers were not in attendance for this agenda item due to the meeting taking place off site. Board members found the new reporting format useful.
- 6.2 In response to a query, the Chief Executive updated Board members on the assurance scheme assessors' changes to working arrangements.
- 6.3 A discussion took place on the increasing use of British promotions in multiple retailers rather than QMS brand labels with the main points made as follows:
- It is a particular problem this year due to the Queen's Diamond Jubilee and Olympics resulting in more use of Union Jack branding
  - *Commercial in confidence – bullet point withheld*
  - Consumers need to be encouraged to ask for Scotch
  - A significant amount of product is eligible for Scotch but branded as British to simplify packaging
  - The recession has made consumers less able to afford premium cuts
  - There are sustainability issues around retailers not listing Scotch and therefore not willing to pay the premium for it, although processors have paid the Scotch premium for their raw material
  - One major retailer plans to brand a range of Scotch Lamb in the autumn
  - There is regular contact with retailers by the marketing team including meetings arranged during the Royal Highland Show
  - Work will continue in promoting Scotch Beef to premium export markets as per the export marketing strategy

**7 Market Report (paper 20-12/13)**

- 7.1 One Board member queried the statement in the final paragraph on page 2 regarding lower domestic production volumes having an impact on beef exports. He suggested that it was lower domestic demand rather than production impacting on exports.

- 7.2 The EU/Brussels Review was tabled. It was noted there is an EU petition for an 8 hour limit on transporting of animals to abattoirs. Scotland has a 12 hour derogation for transporting animals which is again under review.

## **8 Committee Updates**

### **8.1 Scotch Lamb Marketing Strategy Group – J Scott**

The group discussed last year's successful Autumn campaign and had agreed this year's campaign would be in September/October. The Euro and export market were discussed and would be monitored and a further meeting arranged if the situation changed. There was concern about the lack of new people coming into the sheep industry. A good presentation was received from the Marketing team.

One Board member offered contacts within a producer livestock marketing co-op if the strategy group were considering further members. This would be progressed.

### **8.2 Scotch Beef Marketing Strategy Group – A McNaughton**

The group had received an update on the market situation, industry information and the retail campaign. Information on carcase weights, census data and age profiles was also provided. A creative for a campaign using sports figures was discussed as well as airport advertising, logo recognition, sales data and the drop in sales of higher value cuts. The Scotch Beef campaign would follow the same timetable as 2011/12.

Board members discussed the difficult economic climate giving processors and retailers problems in maintaining volumes and the premium. A query was raised on whether planned activity was appropriate for the current situation. It was noted opportunities existed in export markets with increased demand for protein in international markets. The situation would be kept under review.

### **8.3 Cattle & Sheep Standard Setting Body – J Mackey**

The Standard Setting Body (SSB) had met twice during May. The first meeting briefed members on Board discussions on the strategic direction of the assurance schemes, presentations were received on botulism and poultry litter, cryptorchidism, a Roslin Institute presentation on welfare issues and from the QMS Head of Marketing on points of difference in the standards to help market the end product. The second meeting discussed and agreed the changes to the standards including contingency plans for stockman absence, castration methods to be highlighted at point of sale, awareness of BVD status, medicine records, injection sites and a 3 week grazing ban for poultry litter use.

The Board had asked the SSB to consider the definitions of assurance status and the SSB had concluded that no change was needed and further information at point of sale was required.

Also discussed were the compilation of a wider database and proposals to assist with animal handling. The proposed changes to the Cattle & Sheep Assurance Scheme Standards will come to September Board for approval.

### **8.4 Commercial in Confidence – item withheld**

#### 8.5 Audit Committee – H Graham

The Committee approved the accounts for the year ended 31 March, 2012. The risk register was reviewed with minor amendments made, a draft Fraud Policy and draft Bribery Policy were discussed and would come to the September Board for approval. The minutes of the Audit Committee meeting would be circulated to the Board.

The Fraud, Bad Debt and Financial Irregularity report was tabled and approved for submission to Scottish Government subject to confirmation of the reason for the bad debt provision not being the same as the figure in the Financial Report.

#### 8.6 Remuneration Committee – D Sole

The Committee reviewed the Terms of Reference amendment on succession planning. A paper on succession planning would be discussed at the next Remuneration Committee and brought to the Board for approval. The Expenses policy was reviewed and amended to include a staying with friend or relative allowance (in line with Scottish Government policy) and the rate for accommodation in London would be reviewed. A report on appraisals and training needs had been received with no areas of concern raised.

The Sponsor Team would confirm the Scottish Government rate for London accommodation.

#### 8.7 Pig Forum – G McKen

Forum members were briefed on the fall in pig throughput, rising feed prices and the Euro situation resulting in a fall in product from Europe. The pig industry had invested to improve efficiency, however, there was not an increase in sow numbers. The current pig monitor farm project was now complete and a replacement is to be confirmed.

An increase in respiratory diseases was linked to three strains of pig flu and the situation was being monitored. A major retailer had increased use of the Scottish SPCA branding. A Specially Selected Pork promotion is currently underway.

### **9 Royal Highland Show Briefing**

The Head of Communications gave a presentation on the planned activities at the Royal Highland Show.

### **10 Update on Brand Leakage Project, Assurance Definitions in Auction Markets & Beef Taste Trial (paper 21-12/13)**

#### 10.1 Brand Leakage Project

The variations to the brand leakage project from the original proposal were noted. Introductory letters would be issued in June and the opportunity taken to discuss the project with processors at the Highland Show.

#### 10.2 Assurance Definitions Within Auction Markets

Board members were updated on discussions at the Cattle & Sheep Standard Setting Body on the assurance definitions. The Board discussed the Assured Farm option and concluded that there was potential for confusion by using this terminology. It was agreed:

- The definitions would remain as Scotch Assured, Farm Assured and Non Assured.
- The strengthening of the standards in this area along with a communications plan would help reinforce the message about ensuring the assurance status of animals is correctly identified at point of sale.
- The Chairman and Chief Executive would reiterate this message in future visits to auction marts.

### 10.3 Beef Taste Trial

The new EU Regulation due to come into force in 2014 requiring mince labelling to include fat content and collagen/meat protein ratio was discussed. The Board approved the trial to measure collagen content of mince from different ages of cattle and also agreed that joint funding of this work should be explored with FSA.

## **11 Assurance Standards for approval (papers 22-11/12, 23-12/13 & 24-12/13)**

### QMS Auction Mart Standards

11.1 The proposed changes to the Auction Mart Standards including the further amendments in the June update paper were approved.

### 11.2 QMS Feed Assurance Scheme Standards

The proposed changes to the Feed Assurance Scheme standards were approved.

### 11.3 QMS Haulage Assurance Scheme Standards

The amendments to the Haulage Assurance Scheme Standards were approved.

## **12 Factors to Measure Achievement of Critical Success Factors (paper 25-12/13)**

12.1 Board members were asked for comments on the paper and also a view on frequency and timing of reviewing the measures.

12.2 Board members reviewed and approved the measures of achievement of critical success factors. After considering the resource requirements of reporting agreed future reviews would be in June and November.

## **13 Draft Board Meeting Dates 2013/14 (paper 26-12/13)**

The draft Board Meeting Dates 2013/14 were approved.

## **14 Chief Executive's Report (paper 27-12/13)**

### Update on Export Marketing and Business Development Representatives

Interviews for the German post have taken place and an offer made to one of the candidates. Interviews for the Nordic representative will take place on 19 and 20 June.

## **15 Chairman's Report**

15.1 The Chairman had attended a number of meetings and events with the Chief Executive. In addition he had also been at the SSPCA AGM, Moray and Nairn Monitor Farm, Taste of Grampian, FSA dinner and a meeting held by the Cabinet Secretary to discuss challenges and opportunities for the beef sector. The report prepared for this meeting would be circulated to Board members.

- 15.2 The Chairman met the Cabinet Secretary on 16 May and the discussion covered levy repatriation, auction marts and their role in levy collection, Scottish cows slaughtered in England and critical mass, brand leakage and CAP reform. CAP reform was also discussed including Single Farm Payment per hectare payments in the Baltic States in relation to production costs and how there may be a case to argue for Scotland to receive higher payments due to its higher production costs.
- 15.3 Two Board members were congratulated on their nominations in the Farmers Weekly Awards and the Chief Executive for being nominated for a Meat Management Award.
- 15.4 Board appraisals would take place in July.

**16 Any Other Business**

SEPA consultation

A response to the SEPA consultation on better regulation would be considered in particular in relation to the potential for reputational damage caused by the proposed introduction of fixed penalties.

**17 Date of Next Meeting**

The next Board meeting is at 10am on Thursday, 27 September in the NFUS Board Room. The Board Away Day will take place on Wednesday, 26 September with further details to follow nearer the time.