



nfsc
Annual Report
2014

The Board



Robert Forrest - Scottish Director

MD of a 670 ha family farming business in East Berwickshire, and also a rural consultant and agricultural valuer. He is a Director of the Royal Highland Agricultural Society of Scotland, and of the Scottish Agricultural Arbiters & Valuers Association Council.



Ian Campbell MBE - Director Intensive Sector (Pigs)

Retired Regional Manager of the National Pig Association. MD of Unitron UK Ltd. Chairman of the UK branch of the European Pig Producers Association.



Campbell Tweed OBE - Northern Ireland Director

A suckler cow and sheep farmer from Larne. He is a former president of the UFU and has also served on various other organisations including the UK Hill Farming Advisory Committee and the NI NSA.

Eifion Evans - Welsh Director

Retired practising veterinary surgeon in North West Wales. Former President of the British Veterinary Association.

Michael Seals MBE - Chairman

Farms 250 acres arable and South Devon pedigree herd in South Derbyshire. NFSCo Chairman and Director England. Chairman of Animal Health and Welfare Board for England. Past Council Member NFU and Committee Chairman.



Charles Bourns - Director Intensive Sector (Poultry)

Runs a poultry farm in Gloucestershire. Previously held positions with the NFU Poultry Board, British Egg Industry Council and European Commission Poultry Advisory Group.

Neil Leach - Director

DEFRA Head of the Animal By-products Unit, with responsibility for advising on Government policy on animal by-products, including fallen stock. A Director of NFSCo since its creation in 2003.

NFSCo Administration

Ian Potter heads the team which is responsible for the day to day running of NFSCo CIC. His team offers a high quality personal service to both members and collectors from the NFSCo offices in Stanton, near Ashbourne, Derbyshire.

Chairman's Report

What a contrast 2014 has been to 2013! Back in early 2013 we witnessed some exceptionally bad weather, and this hit at lambing time alas. Losses were significant. This year, happily, the weather has been exceptional for all of the right reasons and the fallen stock losses are back to more normal levels - as can be seen from the trend graphs on the back page of this Annual Report. That's obviously great news for the livestock industry and farmers.

We cannot, though, sit on our hands and assume that weather-induced disasters will not come along again. Nor can we depend on Government to help bail the industry out, as was demonstrated in Wales, in the event of one - as has happened before in England and Scotland. Such are the level of budget cuts at the moment the Government is hard pressed, and getting more so.

That's why I have devoted a considerable amount of time this year to discussing a possible solution for the industry via a new disaster relief mutual fund. We're not there with it yet, and there is a degree of caution from some quarters. But it is absolutely clear that we need to move on from where we are now (which is effectively a policy of keeping our fingers crossed that bad weather doesn't strike, and then getting the begging bowl out to Government if it does) to one where we have a proper strategy in place for bad weather costs compensation. A well-thought out scheme will allow us to have a different kind of a conversation with Government if, and when, an event does happen.

On the shop floor at NFSCo the year has been dominated with the IT update, and the usual trials and tribulations that go with one! At the end of 2014 we were commencing acceptance testing of both the bespoke and general scheme software and the target is to re-schedule the roll out of the general scheme software for the end of March. The new software has also helped us offer collectors the option of their own bespoke collector scheme.



NFSCo Chairman Michael Seals, MBE, ARAgS

On the research front we have helped fund a major new report into the feasibility of chilling fallen stock carcasses on pig farms to enable fewer collections. The positive effect this could have on biosecurity is significant.

Financially the company continues to be in sound health. Although this year income is down as a result of the reduction in fallen stock numbers from the kinder weather the company is focussed on cutting costs and maintaining its service to all its customers.

There are many people to thank for their work during the year: the NFSCo Board for their time, input and advice; Ian Potter and his staff for their work at NFSCo's operations and administration base; Jane Rockingham, my PA; and Jane Hill and her team from Safferys for their financial acumen and input. I would also thank Jonathan Elliott for his chairmanship of the Collector Liaison Group, and for providing a useful interface between NFSCo and the collectors and David Lovatt of Brassingtons too, who was re-elected as an Associate Director. This position augments the work of the CLG and creates a direct link with the Lassa Executive to further cement relations between NFSCo and the collectors.

Michael Seals.

Operational Summary

Board meetings and Liaison with Stakeholders

As is the practice NFSCo held four Board meetings in 2014.

The Collectors Liaison Group, set up in 2012, also met again to interface between NFSCo and our collectors, and to help facilitate better communication.

The CLG is open to all collectors and processors who wish to channel their views and issues to NFSCo. The Chairman of the group is Jonathan Elliott, from Pointons, who was re-elected this year. During the year collectors raised many diverse concerns to the group. In addition the NFSCo Board appointed David Lovatt of Brassingtons as an associate director of NFSCo. His role is to support the work of the CLG and to liaise directly link with the Lassa Executive.

Software upgrade

2014 has been dominated by the modernisation of the software to keep it up to date, and the comprehensive user testing of the new options built within in it.

The additional functions - most of which are applicable to collectors rather than to farmers - are many and varied. In the main, though, the new software gives NFSCo and its administrators more functionality and flexibility, while the advantages to collectors centre on the efficiency of data input; the flexibility to operate multiple bespoke schemes and the facility for tiered access levels.

Bespoke collector scheme

NFSCo has continued to work on the bespoke collector scheme, with the roll out entirely governed by the completion of the new software.

At the end of the year at least two bespoke schemes were due for live testing and piloting.

Quarterly repricing

In order to increase the flexibility of the fallen stock scheme, NFSCo introduced optional quarterly re-pricing for GB collectors in 2012. This has been popular with collectors,

especially this year with the oil related volatility, and is now a central plank of the NFSCo re-tendering process. Farmers are sent prices from the collectors operating in their post code areas on an annual basis, and advised to look on the NFSCo website for updates which may take place through the year.

Collector rebate

Last year was a good year for NFSCo, with an end-of-year surplus thanks to our main income sources of the monthly farmer invoice administration fee, the monthly collector service fee, and the annual compliance statement, combined with our operational costs reduced. Our end of year bad debt position was also at low levels due to the hard work of Ian Potter Associate's staff.

At the start of 2014 the NFSCo board, working in conjunction with the Collector Liaison Group chairman Jonathan Elliott and associate director David Lovatt approved a collector rebate of 0.6%, which will be based on collectors' 2013 NFSCo jobs. The rebate meant the net cost to collectors in 2013 for NFSCo's services was 1.9%, plus VAT.

Compliance

In order to improve a member's compliance position, traceability and record keeping, January 2014 saw NFSCo once again distribute the Annual Compliance Statement, together with the Membership Certificate. The Compliance Statement enables a farmer to show any compliance inspector an up-to-date record of all fallen stock collections made via NFSCo through the year. It is printed on NFSCo watermarked paper to reduce the chances of it being misused.

A small administration fee of £4.65 + VAT is charged to cover the report generation and printing of the statement.

R & D

During the year NFSCo invested in research and development to either reduce costs or add value in the fallen stock supply chain. A summary of two research projects (one positive, and one which did not pass EU safety tests are included here:

1) Chilling fallen stock before collection

Chilling fallen stock on pig units could lead to improved management, reduced disease risk and potential cost savings in the supply chain, according to research funded by BPEX, NFSCo and the Foodchain and Biomass Renewables Association (Fabra).

Under current legislation, the collection and disposal of fallen stock represents a significant cost to pig units. In addition, on-farm storage, plus movements of fallen stock in transit between sites, can pose a serious risk to both biosecurity and the environment.

A study, carried out by Harper Adams University and Danish consultancy, Patriotisk Selskab, investigated the concept of chilling fallen stock, evaluating its potential for the UK pig industry. In Denmark and The Netherlands the industries have been chilling fallen stock on units since 2008.

Commenting on the feasibility report, Ian Campbell, Director of NFSCo, said: "This report is a useful start on a direction that may become more important as ABP directives adjust to a world where BSE is no longer the threat it was.

"There are some serious disease threats from outside these shores for the pig and poultry industries that will, and should, increase the awareness of producers on the damage that could occur to their business if strict bio-security controls are not exercised at farm perimeters. For example, PEDv is a gastro-enteritis disease that has devastated American pig production after arriving from China, and it has now just appeared in Europe in Ukraine. It effectively travels in faeces by contamination of people, vehicles or products, so the whole issue of hygiene becomes imperative. In Denmark, where carcasses are kept fresh by chilling them, the collection regime can operate on a six week cycle if sufficient storage is available. In Holland it is normally a two-weekly cycle."

It is understood that some cooling containers have already been purchased by UK producers. There is much work to do in this country before the potential value of fresh carcasses can be exploited by renderers in such a way that reduced costs can be fed back down the line through collectors to producers, but it has to be a useful ambition for all links in the chain.

NFSCo will look to be involved in pilot projects to assess what sort of farm storage might work best in UK circumstances and how that might suit collection vehicles.

2) No go for bioreducer technology, says EFSA

The European Food and Safety Authority - the EU's risk assessment body for food and feed safety - comprehensively rejected bioreduction technology on safety grounds. This is the technology used in the study into the degradation of animal carcasses carried out by Bangor University over the last few years, which NFSCo has kept a watching brief on in case the technology was deemed to have a role in disposal.

However, EFSA's scientific assessment not only determined that the technology cannot be considered to be a safe system of on-farm containment of animal by-products, but exposed significant flaws in the whole concept. These were that:

- there was a risk of a leak of pathogens when opening the bio reducer, therefore the system was not considered as a closed system;
- the design does not meet current requirements as laid down in the legislation;
- the HACCP plan was not considered to be adequate;
- the bio filter was ineffective and in the event of a leak in the vessel it could not be detected;
- bone and soil from the carcass were left in the vessel after the liquor was removed.

It was concluded that the proposed bioreduction method cannot be considered as a safe alternative method for on-farm containment of animal by-products.

The summary can be viewed by Googling "EFSA and bio reduction".

Study Tour

Study tour goes Dutch on monopoly collection

In May 2014 NFSCO joined a study tour to visit Rendac in the Netherlands. The company is a non-profit making private organisation controlled by the Government, and its core business is collecting fallen stock and processing Cat 1 and Cat 2 material. Currently it has 630,000 collections per year, which it picks up in 73 trucks, from 70,000 customers and through six locations.

Nothing surprising there so far, perhaps. However Rendac is the only company in the country which collects and renders fallen stock and, therefore, it has a monopoly. There is no alternative, and thus there is just one price list for the whole company, which is checked, controlled and published by the Government. Currently farmers pay Rendac €15 per tonne for large animal collections. There have been no subsidies for the past 4 to 5 years. If it makes a profit in one year then the prices are reduced the following year.

The IT was extremely impressive. Everything is based on a tag numbers and drivers do not have to leave the receipt for the farmers, or use any sophisticated handheld devices. All they

need to do is check the tag numbers match, and everything else is on the computer. The system is a live one, with regular updates as the day goes on. If another call comes in for a collection in the same area it can easily be added onto the list of collections. The system also plans the route for the drivers.

The collection of bad debts differs significantly to NFSCO, however. If a farmer doesn't pay he still has to collect the animal. Drivers cannot say no. Debts are chased up in the similar way to NFSCO, but at the end of the day if the farmer still doesn't pay the animals still have to be collected. These debts are reviewed at the annual pricing review. Direct outfits are all done in-house, with invoices issued every quarter.

The study tour was extremely informative - especially regarding the IT system. Further ones will be considered if there will be direct benefits to NFSCO or collectors.

Financial Update

NFSCO is a Community Interest Company, with the profits reinvested in the business to reduce the administrative cost of fallen stock collection.

We operate an extremely efficient business, with just five full time administration people running the scheme. Our income is derived through a commission on invoices to the collectors, plus an administration fee of £1.75 for members who receive statements by post, or a reduced fee of £1.25 for those opting for email invoicing – but only if a member uses the service in the same month.

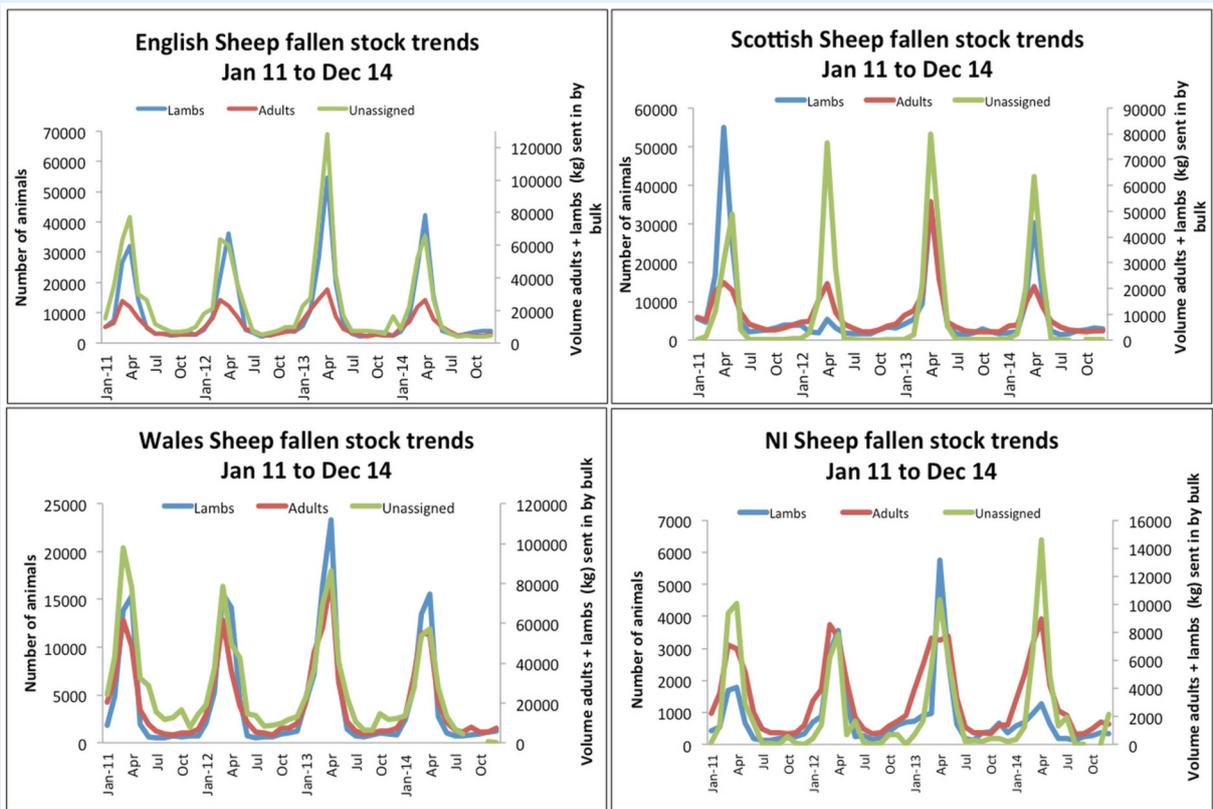
Turnover for 2014 was slightly down on 2013 due to the better weather reducing stock losses.

Thanks to the efforts of Ian Potter's administrative staff our bad debts remain low, and other cost savings initiatives - such as a drive to encourage email invoicing and e-membership - benefited the bottom line. Consequently the finances of the company remain in good shape. A detailed set of accounts is available by request from our registered office:

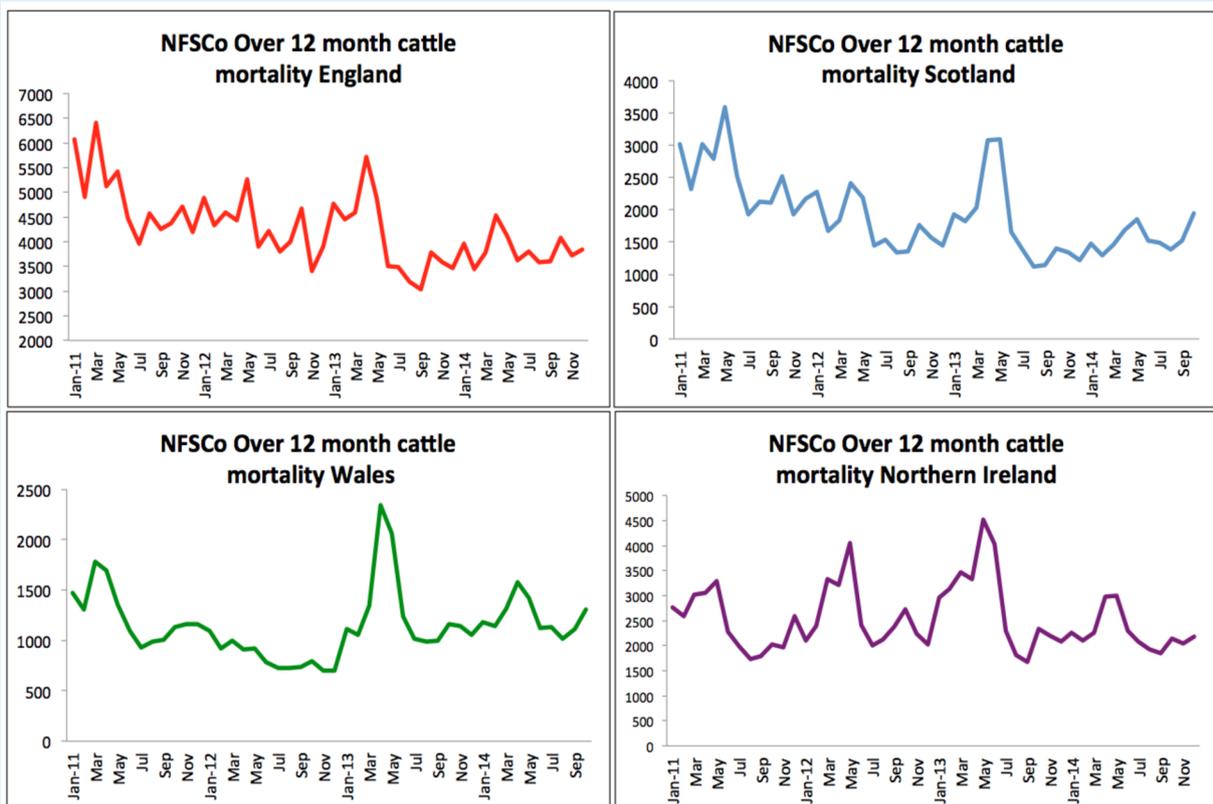
**NFSCO,
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Peterborough, PE1 1NG.**

The following graphs plot the fallen stock figures for England Scotland, Wales and Northern Ireland, as recorded by NFSCo. The figures do not include all collections, just those put through the NFSCo scheme. Consequently conclusions should be drawn according to the trends, rather than the specific figures. From these we can see that sheep mortality for 2014 has returned to average levels after the bad weather spike in 2013. Cattle deaths continue to decline over time in England, Scotland and Northern Ireland.

Sheep fallen stock trends...



Cattle fallen stock trends...





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