



**Isle of Man  
Government**

*Reillys Ellan Vannin*



# Industry Meeting Meat Plant update

**Date 11<sup>th</sup> December 2017**

<https://www.gov.im/categories/business-and-industries/agriculture/fat-stock-producers-information>

# Meeting outline

- ❑ Introduction - Hon. Geoffrey Boot MHK
- ❑ Presentation
  - Peter McEvoy
  - Tim Baker MHK
  - Andrew Lees
- ❑ FMA perspective
- ❑ MNFU perspective
- ❑ Minister's closing remarks
- ❑ Questions



# Minister's overview

- ❑ Strategic asset – abattoirs declining in UK
- ❑ Importance of sector
  - Economic (+multiplier effect)
  - Environmental – landscape
  - Social – 100's of family farms
- ❑ Financial support - £1M in additional sector support
- ❑ Food Security
- ❑ Food Strategy
  
- ❑ Thanks to FMA



# Tender update

- ❑ Update since February meeting
- ❑ Two tenders received
- ❑ Neither fully met the criteria –tender cancelled
- ❑ FMA running meat plant until transfer agreed
- ❑ Subvention ongoing whilst handover to ‘OpCo’ can be agreed



# Legal Aspects

- ❑ 'OpCo' a subsidiary company of FMA
- ❑ DEFA hold a 'golden share'
- ❑ Business adequately funded upon start-up
- ❑ OpCo takes over the operation from FMA 'as-is'
- ❑ No change to AMS or Marketing Act
- ❑ Ag House remains jointly owned by FMA & MMA

# Progress

- Stakeholder engagement
- FMA agreement to OpCo Mem & Arts
- AMS provisional agreement for FMA to form a subsidiary
- Preliminary pricing set (including grid)
- Core board confirmed
- High level delivery plan defined

# Priorities

## ❑ **Deliver sustainable Manx Agricultural Sector and Meat Plant operation:**

### ❑ **Key aspects:**

- New Operating Company & Management Team
- Better returns to farmers
- Improved operations
- More confidence
- Strategic partnership to access other markets



# Management Team

Chairman  
Tim Baker\*

\* Not a political role

FMA  
Director TBC

DEFA  
Peter McEvoy

Change Director  
Andy Lees

Industry  
Andy MacDonald

Commercial  
Robin B-Martin

Plant  
Manager  
TBC

Financial  
Controller  
Jodie Bufton

Farmer  
Director

Potential non-voting board role  
Yet to be defined



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# Approach

- ❑ Introduce UK related pricing mechanism
- ❑ Business to be driven by professional team
- ❑ Work collaboratively with all stakeholders
- ❑ Committed funding provides immediate certainty
- ❑ Search for strategic partner



# Strategic process

## Phase 1A: Turnaround

- Customer relations
- Operational discipline
- Build volume
- Supply management
- Effective communications

## Phase 1B: Strategic partnership

- Stabilise business
- Establish positive trends
- Explore marketplace for strategic partner

## Phase 2: Create long-term business model



# Proposed pricing

- ❑ Base price will be AHDB published price
- ❑ 50% live weight 50% dead weight for lamb
- ❑ Adjusted for UK industry deductions
- ❑ Transparent distribution charge to reflect actual distribution costs – (initially 12p) to be reviewed quarterly
- ❑ Follow matrix of major UK supplier



# Uk vs OpCo lamb matrix 2018

| UK grid | 1   | 2   | 3L | 3H  | 4L  | 4H  | 5   |
|---------|-----|-----|----|-----|-----|-----|-----|
| E       | -30 | 20  | 20 |     | -15 | -30 | -60 |
| U       | -30 | 10  | 10 |     | -15 | -30 | -60 |
| R       | -50 |     |    | -4  | -20 | -40 | -60 |
| O       | -75 | -10 | -5 | -15 | -50 | -60 | -60 |
| P       | R   | R   | R  | R   | R   | R   | R   |
|         |     |     |    |     |     |     |     |
| OpCo    | 1   | 2   | 3L | 3H  | 4L  | 4H  | 5   |
| E       | -30 | 20  | 20 |     | -15 | -30 | -60 |
| U       | -30 | 10  | 10 |     | -15 | -30 | -60 |
| R       | -50 |     |    | -4  | -20 | -40 | -60 |
| O       | -75 | -10 | -5 | -15 | -50 | -60 | -60 |
| P       | R   | R   | R  | R   | R   | R   | R   |



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# UK vs OpCo beef matrix 2018

| UK Grid | 1   | 2    | 3   | 4L  | 4H  | 5L   | 5H |
|---------|-----|------|-----|-----|-----|------|----|
| E       | -20 | 20   | 25  | 25  | 20  | -15  | R  |
| U+      | -20 | 14   | 18  | 18  | 14  | -15  | R  |
| -U      | -25 | 8    | 10  | 10  | 7   | -20  | R  |
| R       | -25 | -2   | 0   | 0   | -4  | -25  | R  |
| O+      | -30 | -12  | -10 | -10 | -15 | -35  | R  |
| -O      | -60 | -40  | -35 | -35 | -40 | -50  | R  |
| P+      | R   | -80  | -65 | -65 | -80 | -100 | R  |
| -P      | R   | -100 | -80 | -80 | R   | R    | R  |

  

| OpCo Grid | 1   | 2    | 3   | 4L  | 4H  | 5L   | 5H |
|-----------|-----|------|-----|-----|-----|------|----|
| E         | -20 | 20   | 25  | 25  | 20  | -15  | R  |
| U+        | -20 | 14   | 18  | 18  | 14  | -15  | R  |
| -U        | -25 | 8    | 10  | 10  | 7   | -20  | R  |
| R         | -25 | -2   | 0   | 0   | -4  | -25  | R  |
| O+        | -30 | -12  | -10 | -10 | -15 | -35  | R  |
| -O        | -60 | -40  | -35 | -35 | -40 | -50  | R  |
| P+        | R   | -80  | -65 | -65 | -80 | -100 | R  |
| -P        | R   | -100 | -80 | -80 | R   | R    | R  |

# What next - Operationally?

- Transfer arrangements from FMA to OpCo
- Company incorporation - 'Isle of Man Meat Company Ltd t/a Isle of Man Meats'
- Appoint Plant Manager
- Develop detailed policies
- Regular communications for all stakeholders
- Build volume and quality
- Maximise local market
- Develop and implement a comprehensive marketing strategy



# Procurement strategy

- ❑ Workshop to be convened by Andy MacDonald to develop procurement policy
- ❑ Requirement for a strong procurement process - open, fair and transparent
- ❑ Needs to reflect supply, customer demand, logistics and meat plant capacity considerations
- ❑ Effective booking system essential
- ❑ More communication and feedback to suppliers on performance vs market requirements
- ❑ Strategic partner will influence throughput requirements



# Other considerations

## ❑ Home/Contract kill

- Will be retained
- Increasingly important in home market
- Prices to be reviewed in due course

## ❑ Pigs

- To be retained
- Growth potential in home market
- Further work to support supply chain





# First '100 days' project plan

- ❑ Initial plan has already been developed
- ❑ Key Stakeholders have been involved
- ❑ Communication will be key to the all the businesses customers



## Allan Skillicorn

Good evening fellow farmers, friends and colleagues.

This past year has probably been one of the most pivotal in the history of the FMA. I would like to extend my sincerest thanks to my fellow Directors for their diligent contribution to the Company during this time and putting the industry at the fore front of everything they have done.

I cannot deny that the FMA has been struggling financially since derogation and it has been apparent for some time that its continuance has been dependant on increasing levels of Government financial aid.

In 2011 when something similar [to OpCo] was brought forward as NewCo the new Company had no meat on the bones and it died, but this time there is a plan!



# FMA

Earlier in the year, as you know, the Government took the decisions to put the operation of the Meat Plant out to tender and whilst we, as a Board, strived to keep our members informed we were, of course restricted, given the confidential procurement process combined with commercial sensitivity considerations.

The Board believes that OpCo provides an improved return for our members and a more sustainable future for the Meat Plant as well as limiting any liability to the FMA and its members and as such the Board concludes that transferring the business to OpCo is in the best interest of the Association.

I am encouraged by DEFA's continual commitment to the plant and believed that the plans underway will offer benefit to the industry.

End.



## □ Graham Crowe

- Sept 2016 AMS joined tripartite as ‘fourth’ stakeholder party
- Since tender initiation AMS has had no further involvement (perceived conflict of interest)
- Attended meeting 3 weeks ago re tender cancellation
- Requested by FMA to use ‘golden share’ to allow formation of OpCo
- Approval ‘in principle’ to be confirmed in writing once FMA clarifications are satisfied.



# AMS

6 years ago the AMS was approached by the FMA with a request to use its golden share to give its approval to the sale of IoM Meats to Government for £1. At that time the view was taken that the proposal was premature and unacceptable, partly because it was not inclusive of all producers. It would have offered a route to market for some, but not all of us.

Since then, several attempts have been made to recover the business and transition it to a more financially sustainable position with better outcomes for producers.

During the latter part of 2016, Society was invited to join the tripartite Industry working group which was up and running. This group was tasked with investigating options for the future of the plant. As we all know this concluded with the consensus decision to go out to tender, and this was announced at the meeting in St John's back in February.



# AMS

Following that, the AMS had no further involvement in the tender process because we were deemed by the Attorney General to have a conflict of interest. As a body we had no input into IoM Meats tender bid, though some directors have offered advice in a personal capacity. Society representatives were invited three weeks ago to meet again in the same forum to hear the news that the tender process had been stopped. The Department then proceeded to outline the alternative proposal that you have heard tonight.

Two weeks ago a special Society meeting was called which DEFA attended and made their presentation to all board members and answered preliminary questions.

FMA have subsequently formally requested Society to utilise the golden share to allow the formation of OpCo. This has been agreed in principle, but is subject to written final confirmation following clarification of issues raised by the FMA. Despite the recorded reservations of some members, AMS Board believe that provided the proposal is fully inclusive, it offers the best chance of a positive outcome for suppliers, the factory, the retailers and consumers.

# AMS

For the record, Society have also asked the Department to communicate the reasons why our Association's tender failed to meet the requirements of the procurement team. This is important as it brings to an end 50 years of continuous operation of the Island's slaughter facility by the FMA.

Whilst the proposal outlined leaves in place the structure of AMS and the 2 Associations, FMA's only involvement and rights will be a minority representation at Board level. Society were already in the process of reviewing its future role and responsibilities which will almost certainly have changed in the light of this latest development.

End.



I would like to start by thanking everybody involved in the process that has got us to where we are today.

I would like to thank them for all the hard and occasionally repetitive work that they have put in since the beginning of the Tri-party process. Now 18 months after the tri-party started we are faced with another difficult decision.

Does the Manx National Farmers Union support the proposals put forward by the Minister and his department to have a new commercial board running the meat plant?

We have really struggled to form anything close to unanimous Union Policy based on the outline of the proposals.

Our members have very wide ranging views and opinions coupled with a certainly justified amount of distrust.





We petitioned our full Union Board and our full Meat and Livestock committee with the limited information we did have. As well as the day to day feedback we get from producers.

One key element was agreed by all of them is that a fundamental lack of profitability in livestock sectors on Island means that change is necessary.

Major shifts do need to happen to place Manx farming on a level and competitive playing field with our UK counterparts.

And as this is now the only option currently on the Table which already has both Dept and Ministerial approval then as a Union we will recommend our members will have to be cautiously optimistic in supporting it.

Thanks the minister for securing funding.



They won't necessarily be able to make long-term financial business decision until the new board do the work of finding the much needed strategic partnerships that the proposals so intrinsically rely on for success.

Once that partnership has been achieved only then will it really be the first steps to a more viable and profitable agricultural sector on the whole island.

Thank you.



# Key messages - Minister

- ❑ Strategic partner key to future success
- ❑ New structure and strategy being implemented
- ❑ UK related pricing will deliver better returns to Agriculture
- ❑ DEFA/Government commitment secured
- ❑ Real change in meat plant management
- ❑ Industry support for the Meat Plant essential



# Questions?

- ❑ Meeting to close at 2030
- ❑ Room to be vacated at 2045
- ❑ Copy of tonight's presentation available from <https://www.gov.im/categories/business-and-industries/agriculture/fat-stock-producers-information/>

**Thank you for attending!**

