

DRAFT WRITTEN PARLIAMENTARY STATEMENT

DAIRY FARMERS OF BRITAIN

I wish to inform the house about the problems affecting Dairy Farmers of Britain. PricewaterhouseCoopers were appointed as receivers and managers of Dairy Farmers of Britain Limited (DFOB), the agricultural milk co-operative, on Wednesday 3 June 2009. This followed an invitation by its Directors to DFOB's Bank, HSBC following a prolonged period of operational and financial restructuring during which they closed down several plants and members' debts were converted into shares. Their major contract to supply fresh milk to the Co-operative Group was not renewed and was due to end on 1 August.

For customers, employees, dairy farmer members and ex-members, hauliers and other supplying businesses, this has been very unwelcome news, and many of them will have lost significant sums of money.

I would like to pay tribute to the way in which all parties affected by the collapse of DFOB have worked together to try to minimise the immediate impact. The employees of DFOB have worked hard over the last few days, including the weekend, to ensure that arrangements have proceeded smoothly. The Receiver has, with the chair of DFOB's Member Council, held three meetings around the country to inform farmer members of the situation and their plans. He is, with the support of DFOB's bankers, HSBC, continuing to trade: farmers who remain with the business will receive a payment for their milk in the middle of this month and again at the end. The level of payment will depend on the price the Receiver can realise for the milk produced. He has not held farmer members to their contracts and I understand approximately half of DFOB's milk volume has moved to other buyers already, representing about a third of their members. He has also, through the hauliers, continued to collect milk from those remaining with the business.

I would also like to thank the industry as a whole for the constructive way they have worked together to try to ensure that the complex supply arrangements between DFOB and other businesses continue to operate smoothly. DFOB and NFU have set up helplines; farmers should not feel pressurised into signing up to contracts with alternative buyers that they might regret.

At the time of the Receiver's appointment DFOB employed around 1500 people, and had about 1800 farmer members. It supplied over 1 billion litres of milk a year, representing slightly under 10% of UK production. Its business was in Wales and England, with no farmer members or businesses in Scotland or Northern Ireland. Since 3rd June the Receiver has sold Lubborn creamery in Somerset and

negotiations are in place for other plants including Llandyrnog creamery in north Wales.

I have been in contact with the chairmen of the North West Development Agency and One North East to discuss how they can provide support and advice, in particular in relation to the Blaydon dairy and DFOB farmers in Cumbria and Northumberland. I have also written to the British Bankers' Association, and the Agricultural Industries Confederation, to ask their members to consider any short term cash flow problems faced by members sympathetically. Farmers facing credit difficulties can also discuss with Business Link their eligibility for the Enterprise Finance Guarantee Scheme and can contact HMRC's Business Payment Support Service - which may enable them to defer any payments due to HMRC such as taxes (PAYE, VAT, income or corporation tax) and national insurance.

Defra officials met yesterday with the Receiver, the chair of DFOB's Member Council, representatives from the Government Offices, the Regional Development Agencies and the insolvency service. The Receiver and officials have agreed to keep closely in touch on developments and on his plans for the remaining businesses. Officials have also kept in close touch with Dairy UK as the trade body representing the industry, and with the NFU.

Through all parties working together I hope that we can minimise the short term impacts on the industry and individuals, and maximise the chances of finding buyers for the remaining businesses, giving more certain long term prospects to farmers, employees, and other dependent businesses. But there remain difficulties in assisting all of them.

I will update the House as necessary.