

Title: Deletion of the requirement for a special health mark for emergency slaughtered carcasses and meat IA No: FOODSA0091 Lead department or agency: Food Standards Agency Other departments or agencies:	Impact Assessment (IA)		
	Date: 08.09.2014		
	Stage: Final		
	Source of intervention: EU		
	Type of measure: Primary legislation		
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Summary: Intervention and Options			RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?	
-£0.34	-£0.33	£0.04	Yes/No	In/Out/zero net cost

What is the problem under consideration? Why is government intervention necessary?
Changes to EU food hygiene rules contained in Regulation (EU) 218/2014 mean that from 1 June 2014 restrictions on the marketing of meat from animals slaughtered outside of an approved slaughterhouse ('emergency slaughter meat') and the requirement for such meat to be specially health marked have been removed as long as the animal successfully passes the ante-mortem inspection and the carcass the post-mortem inspection by veterinarians.
Intervention is needed to amend English national food hygiene legislation, which sets out the form of the special health mark used in England, to bring it in line with these changes.

What are the policy objectives and the intended effects?
To bring English national legislation in line with directly applicable EU food hygiene legislation. This will bring legal clarity and help to ensure that food business operators (FBOs) can circulate emergency slaughter meat freely in all EU Member States or export it to third countries, which will bring economic benefits.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
Policy Option 1: Do nothing. Do not amend *The Food Safety and Hygiene (England) Regulations 2013*. This is the baseline against which all other policy options are appraised.
Policy Option 2: Amend *The Food Safety and Hygiene (England) Regulations 2013* to reflect changes to EU rules. This will provide clarity to the enforcement of the EU rules (i.e. that the enforcement official, the official veterinarian, will no longer need to apply a special health mark).
Alternatives have not been considered as the intervention is de-regulatory with potential benefits.

Will the policy be reviewed? It will/will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?			Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes/No	< 20 Yes/No	Small Yes/No	Medium Yes/No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded:		Non-traded:	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ **Jane Ellison** _____ Date: _____ **13/10/2014** _____

Summary: Analysis & Evidence

Policy Option 1

Description: Do Nothing: Do not amend *The Food Safety and Hygiene (England) Regulations 2013*

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: n/a

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	n/a	n/a	n/a

Description and scale of key monetised costs by 'main affected groups'

None. This is the baseline against which all other options are appraised.

Other key non-monetised costs by 'main affected groups'

None. This is the baseline against which all other options are appraised.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	n/a	n/a	n/a

Description and scale of key monetised benefits by 'main affected groups'

None. This is the baseline against which all other options are appraised.

Other key non-monetised benefits by 'main affected groups'

None. This is the baseline against which all other options are appraised.

Key assumptions/sensitivities/risks

This option assumes that the amendments are not introduced

Discount rate (%)

3.5

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: n/a	Benefits: n/a	Net: n/a	Yes/No	IN/OUT/Zero net cost

Summary: Analysis & Evidence

Policy Option 2

Description: Amend *The Food Safety and Hygiene (England) Regulations 2013* to reflect changes to EU rules

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -£0.34

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0.35	£0	£0.35

Description and scale of key monetised costs by 'main affected groups'

Industry: One-off costs: Familiarisation to farmers: £335,795 (PV); Familiarisation to slaughterhouses and cutting plants: £7,641 (PV)

Enforcement: One-off costs: Familiarisation to Official Veterinarians: £5,539 (PV).

Other key non-monetised costs by 'main affected groups'

No non-monetised costs identified and associated with this option.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0	£0	£0.01

Description and scale of key monetised benefits by 'main affected groups'

Industry: Ongoing benefits: removed requirements on slaughterhouses: £13,325 (PV)

Other key non-monetised benefits by 'main affected groups'

Industry: Ongoing benefits:

- Farmers will potentially receive a higher price for their emergency slaughtered animals.
- Facilitation of trade given that emergency slaughtered meat can be sold freely throughout European Member States and third countries.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
Assumes a small familiarisation cost to farmers, slaughterhouses & cutting plants, enforcement. Assumes that farmers may as a result of the policy receive a higher price for their products, and potential benefits to new entrants (slaughterhouses/cutting plants) who no longer need to purchase and apply the special health mark. Assumes neutral impact on consumers as emergency slaughter meat, although no longer identifiable, is not different in quality or safety from conventionally slaughtered meat.		

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.04	Benefits: £0	Net: £0.04	Yes/No	IN/OUT/Zero net cost

Problem under consideration

1. Changes to EU food hygiene rules introduced by Regulation (EU) 218/2014 mean that from 1 June 2014 restrictions on the marketing of meat from animals slaughtered outside of an approved slaughterhouse ('emergency slaughter meat') and the requirement for such meat to be specially health marked have been removed as long as the animal successfully passes the required ante-mortem inspection and meat derived from that animal the post-mortem inspection undertaken by veterinarians.

Rationale for Intervention

2. Intervention is needed to amend English national food hygiene legislation to bring it in step with EU food hygiene legislation. This will mean removal of references to the form of the special health mark for emergency slaughter meat used in England¹ to ensure that the mark (covering carcasses and packaged meat) is no longer required.
3. This will ensure that there is no uncertainty for business or enforcement as to how emergency slaughter meat is health marked, labelled and traded.

Devolved Authorities (Scotland, Wales and Northern Ireland)

4. While the EU Regulation impacts on the marketing of emergency slaughtered meat throughout the UK, this Impact Assessment (IA) deals only with the costs and benefits as they affect stakeholders in England².

Consultation

5. This IA was part of a consultation on a proposed Statutory Instrument (SI), *The Official Feed and Food Controls (England) and The Food Safety and Hygiene (England) (Amendment) Regulations 2014* issued by the Food Standards Agency on the 1st August and closing on the 26th August 2014.
6. Four stakeholders commented on this IA: the Agriculture and Horticulture Development Board (AHDB); the British Meat Processors' Association (BMPA); the National Farmers' Union (NFU) and Which?, representing consumers' interests. None opposed the proposed option, two welcomed it and one expressed some concern; where relevant data is provided by stakeholders this has been included in this Final IA.
7. Industry sector stakeholders noted the relatively very small number of animals affected by emergency slaughter.
8. The FSA is obliged to publish a summary of stakeholders' comments within three months of the consultation closing (i.e. by 26th November 2014).

Background

The EU food hygiene legislation

9. EU food hygiene rules for FBOs are largely contained in Regulation (EC) No. 852/2004, which lays down basic food hygiene rules for all food businesses and Regulation (EC) No.

¹ This is laid down in Schedule 8 of *The Food Safety and Hygiene (England) Regulations 2013*.

² Food safety is a devolved area of policy and it is a decision for the Devolved Authorities whether to produce IAs on any particular issue.

853/2004 which lays down further specific rules for food businesses handling and processing certain animal origin products, and amendments to these two regulations.

10.Regulation (EC) No. 854/2004, lays down requirements for the organisation of official controls, including of official veterinarians (OVs) for the enforcement of the hygiene rules.

11.The new Regulation (EU) 218/2014 amends Regulation (EC) 853/2004 and the corresponding parts of Regulation (EC) 854/2002.

The conventional slaughter of animals

12.Usually the slaughter of animals for meat entering the food chain must take place in establishments approved and supervised by the competent authority (i.e. in the case of England, OVs of the Food Standards Agency). To show that a carcass has passed official controls and the meat can be marketed across the EU, a health mark, the form of which is set out in EU food hygiene law, is applied to the carcass by an OV. Products derived from such carcasses will bear an oval mark³ particular to that slaughterhouse or of other approved establishments which subsequently handle the meat.

13.Such oval marks are borne by all foods of animal origin handled by approved establishments including meat, fish and dairy products.

Emergency slaughter of animals

14.'Emergency slaughter' of animals outside approved establishments is permitted but only in cases where the animal has suffered an accident and cannot be transported to a slaughterhouse for welfare reasons (bovine animals are most commonly subject to emergency slaughter because of the relatively high value of these animals' meat). Sick animals cannot be considered for emergency slaughter. In order that the meat can enter the food chain a veterinarian (who will be from the private sector and employed for that purpose by the farmer) must carry out an ante-mortem inspection of the animal prior to slaughter and confirm that prior to the accident the animal was healthy and was eligible for slaughter. The slaughtered and bled animal must then be transported hygienically without undue delay to the slaughterhouse accompanied by a favourable ante-mortem assessment of the animal signed by the veterinarian. At the slaughterhouse, the carcass must pass a post-mortem inspection by the OV.

15.In 2013 in England 5,885 animals were emergency slaughtered in 54 slaughterhouses⁴.

16.At the time the package of current EU food hygiene regulations was adopted, a view prevailed that emergency slaughter meat was of a lesser quality and unsuitable for marketing between EU Member States or for export to third countries. Consequently EU regulations have required such meat to be marketed solely in the country of slaughter and for the carcass and products derived from the carcass to bear a special health mark to distinguish it from meat slaughtered in an approved slaughterhouse. However, the UK has always considered that if the meat from such animals is considered fit for human consumption at post-mortem inspection then there should be no restriction on where the meat can be marketed, or a need for a special mark.

³ The form of the oval mark is set out in Regulation (EC) 853/2004, Annex II.

⁴ Source: Food Standards Agency Operations Group (York).

Change in view about emergency slaughter meat

17. A view has now prevailed among EU Member States that emergency slaughter meat from carcasses which have successfully passed the necessary veterinary inspections should not be treated differently from conventionally slaughtered meat. EU Regulations⁵ have therefore been amended to remove the requirement for a special health mark for emergency slaughtered meat and its restriction to the national market.
18. During consultation, the AHDB and the NFU considered that emergency slaughter meat does not constitute an increased risk to public health. Which? expressed concern that this may lead to sick animals entering the food chain, but the FSA is content that the requirement for an ante-mortem inspection ensures this will not happen; animals going to the slaughterhouse must be accompanied by a declaration from the veterinarian who carried out the ante-mortem inspection.

Amendment to the legislation

19. This amendment was proposed following discussions at a Hygiene Working Group in Brussels in October 2012 attended by Member State experts, including the UK, who indicated that they did not consider emergency slaughter meat a public health risk and supported its placing on the European internal market.
20. Following further discussions, the European Commission put in place draft amendments to the Regulations to enable this. In the Standing Committee of Food Chain and Animal Health of 22 May 2013, the Member States voted by Qualified Majority for the measure. Finally Regulation (EU) 218/2014 containing the amendment was published in the EU Official Journal on 8 March 2014 and applied from 1 June 2014.

Options Considered

Option 1: Do nothing – Do not amend *The Food Safety and Hygiene (England) Regulations 2013* to reflect changes to EU rules.

21. This is the baseline against which the policy option is appraised.
22. This policy option is rejected as English national legislation will continue not to reflect changes to EU hygiene rules (i.e. the English national rules will not reflect that the official veterinarian will no longer need to apply a special health mark) and to industry which subsequently handles such erroneously marked meat leading to potential confusion as to the age and provenance of the carcass and/or meat. Such marked meat could not be traded outside of the UK with no take up of possible economic benefits.
23. There is a risk with this option that the UK will be liable to infraction proceedings by the European Commission, since it would not be fulfilling its Treaty obligations to provide for the appropriate and correct enforcement of European food law.
24. The continued marking of such meat could cause uncertainty and confusion for enforcers and food businesses.

⁵ Regulation (EU) 218/2014 has amended Regulation (EC) 853/2004, which places special hygiene requirements on food business operators (FBOs) and to Regulation (EC) 854/2004, which sets out the requirements for competent authorities.

25. English national law will also be out of step with national law in the Devolved Authorities.

Option 2: Amend English national law

26. Amend *The Food Safety and Hygiene (England) Regulations 2013* to remove the requirements relating to the form of the special mark for emergency slaughter meat in England.

27. This is the preferred option because it will bring clarity to the enforcement of the EU rules (i.e. that the official veterinarian will no longer need to apply a special health mark and the meat can be marked like conventionally slaughtered meat) and allows the meat to be marketed in other EU countries bringing potential economic benefits.

28. This option removes the risk of the UK facing infraction proceedings (as described in paragraph 23).

29. English national law will also be in step with national law in the Devolved Authorities.

Sectors and Groups Affected

Farmers: Beef and Dairy Holdings

30. Regulation (EU) 218/2014 does not have a direct impact on farmers. The amendment does not introduce any new requirements on farmers, or any changes to the process associated with emergency slaughter. The NFU agreed with the FSA's assessment that the Regulation will not result in increased costs for farmers.

31. Following this amendment, the only difference is that slaughterhouses and cutting plants no longer need to apply a special health mark. However, the FSA understands that emergency slaughtered meat was previously considered to be of lesser quality and therefore carried a lower price. The amendments are partly due to a change in this perception by EU Member States and emergency slaughtered meat is now considered to be no different than conventionally slaughtered meat. This means that farmers might now receive a higher price for their emergency slaughtered meat, which could represent a benefit.

32. While in practice only farmers that need to carry out emergency slaughter might be affected by the amendment, the FSA envisages that most livestock farmers would still want to familiarise themselves with changes to legislation governing the process of emergency slaughter, as it is impossible for farmers to predict whether or not they might find themselves in a position where emergency slaughter is necessary. The FSA assumes this would be all farmers holding bovine animals and so has used statistics provided by Defra (see Table 1) for dairy and grazing livestock which totals 40, 215. The table below indicates the holding sizes for beef and dairy farmers⁶:

⁶ Breakdown of English holdings with usual classifications of dairy and beef herds (Female beef/dairy herd - aged 2 years or more with offspring) by the standard labour requirement on the farm. These holdings may not be classified as beef/dairy holdings however they will have indicated that they have beef or dairy herds. Source: Defra Survey of Agriculture and Horticulture - June 2013.

Table 1: Number of Beef and Dairy Holdings Affected (England)

		Farms Size				
		<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Total</i>
Farm Type	<i>Beef</i>	11,676	6,103	3,503	5,708	26,990
	<i>Dairy</i>	2,891	2,317	2,113	5,904	13,225
	<i>Total</i>	14,567	8,420	5,616	11,612	40,215

Source: Defra

Slaughterhouses and Cutting Plants

33. Slaughterhouses and cutting plants (cutting plants is likely to include catering butchers) will be affected by the amendment as they will need to be aware of the changes. Before the amendment, meat derived from emergency slaughtered animals was required to be marked accordingly and sales were restricted to the domestic market. The new Regulation removes the requirement of a special health mark and allows emergency slaughtered meat to be freely marketed within the EU as long as the animal has passed the relevant inspections. This means that slaughterhouses and cutting plants no longer will be required to apply the special health mark and meat can be freely marketed within the EU market. FSA internal data shows that there are currently 208 slaughterhouses and 750 cutting plants in England (see Table 2a below).
34. The AHDB expressed a view that the Regulation will not result in increased costs to the sector.

Table 2a: Number of Slaughterhouses and Cutting Plants (England)

	Number	Number that handled emergency slaughtered meat (2013)
Slaughterhouses	208	54
Cutting plants	750	n/a
Total	958	n/a

Source: FSA

35. Currently the FSA does not hold information on the size of red meat slaughterhouses and cutting plants. To get an indication of size, we have based Table 2b on the size distribution in the Interdepartmental Business Register (IDBR) 2013⁷, category 10.11 (Processing and preserving of meat and production of meat products), which includes slaughterhouses and production of meat in carcasses and cuts. This results in the following distribution of size:

Table 2b: Indicative Categorisation of Slaughterhouse and Cutting Plant Size

	Micro	Small	Medium	Large	Total
Slaughterhouses	115	56	28	9	208
Cutting plants	414	201	101	34	750
Total	529	257	129	43	958

Source: ONS - IDBR

Private Sector Veterinarians

⁷ IDBR 2013, <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-313744>

36. Emergency slaughtered animals are subject to an ante-mortem inspection by a private veterinary surgeon at the place of the slaughter. This inspection must take place if the carcass and meat derived from it are to enter the food chain. After the inspection, the veterinarian signs a declaration that slaughter was undertaken in line with the requirements of Regulation (EC) 853/2004. This practice is unaffected by the new Regulation. The FSA therefore does not envisage that the new Regulation will have any impacts on the private veterinary sector.

Enforcement: Official Veterinarians (OVs)

37. There will be a familiarisation cost to enforcement from the new Regulation. Official controls in slaughterhouses and cutting plants are carried out by Official Veterinarians (OVs) and they will need to be aware of the changes. After the introduction of the new Regulation, OVs need no longer apply the special health mark on emergency slaughtered meat; instead the conventional health mark will be used, as long as the meat has passed all relevant inspections.

38. FSA internal data shows that for the financial year 2013/14, there were 297 OVs (FTEs)⁸ located in slaughterhouses and cutting plants and these are identified as potentially affected by the proposal.

Consumers

39. The new Regulation removes the requirement that emergency slaughtered meat bears a special health mark. This potentially reduces consumer information as retailers will no longer be able to distinguish between conventionally and emergency slaughtered meat and therefore cannot pass on this information to consumers. As with conventionally slaughtered meat, emergency slaughtered meat needs to pass all relevant inspections before it is deemed fit for human consumption. Because of this, it is the view of the FSA that emergency slaughtered meat should not be considered different to conventionally slaughtered meat as there are no health or quality implications. Hence there is no information failure and the amendment is not considered to impose any additional costs on, or provide any benefits for, consumers.

Wider Impact

40. The new Regulation removes marketing restrictions on emergency slaughtered meat. Previously such meat could only be sold on the domestic market, whilst after the changes such meat can be sold freely on the European market. This represents a benefit in terms of lower market distortions.

Option Appraisal

Costs

Option 1: Do nothing

41. There are no costs or benefits associated with this option; this is the baseline against which the policy option is appraised.

⁸ Information obtained from FSA Operations Group York. OVs are hired so this figure is based on numbers charged for at April 2014.

42. There is a risk of loss of credibility for the FSA if it does not put in place arrangements to make English national legislation, for which it has policy responsibility, in line with EU food hygiene legislation, to ensure potential benefits can be realised.

Option 2: Amend the English national legislation

Industry

Familiarisation Costs to Beef and Dairy Holdings (One-Off Costs)

43. In practice, only farmers that need to carry out emergency slaughter are likely to be affected by the amendment. Under Option 2 we anticipate that most farmers would want to be aware of the changes and will need to read and familiarise themselves with the new Regulation. We envisage that it will take the relevant beef and dairy holdings (approximately 40,215 holdings as per Table 1) approximately half an hour (30 minutes) to read and become familiar with the changes. Multiplying this time by the ASHE (Annual Survey of Hours and Earnings)⁹, median hourly wage rate of a manager of a farm £12.82¹⁰, which is then uprated by 30% to account for overheads in line with SCM methodology¹¹ (£16.70¹² inclusive), yields a total cost to business (England only) of approximately **£335,795** (see table 3 below).

Table 3: Familiarisation Costs: Beef and Dairy Holdings (England) (£)

	Micro	Small	Medium	Large	Total
Beef	97,495	50,960	29,250	47,662	225,367
Dairy	24,140	19,347	17,644	49,298	110,429
Total	121,634	70,307	46,894	96,960	335,795

44. In order for 'one-off' transition and ongoing costs to be compared on an equivalent basis across policies spanning different time periods, it is necessary to 'equivalently annualise' costs (EACs) using a standard formula¹³. Under Standard HMT Green book guidance a discount rate of 3.5% is used. The total one-off familiarisation cost to farmers with beef and dairy holdings in England under this proposal is approximately £335,795 which yields an equivalent annual cost of approximately **£39,001** over a ten year period, as shown in Table 4 below.

Table 4: Equivalent Annual Familiarisation Cost: Beef and Dairy Holdings (England) (£)

	Micro	Small	Medium	Large	Total
Beef & Dairy Holdings	14,127	8,166	5,446	11,261	39,001

Familiarisation Costs to Slaughterhouses and Cutting Plants (One-Off Costs)

⁹ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=13101>

¹⁰ Wage rate obtained from Annual Survey of Hours and Earnings 2013, Median hourly wage rate of 'Managers and proprietors in agriculture and horticulture' was used, £12.82, <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-328216>

¹¹ SCM methodology <http://www.berr.gov.uk/files/file44503.pdf>

¹² £12.82(Managers and proprietors in Agriculture median hourly wage rate) *1.3 (overheads) = £16.70

¹³ The annuity factor is essentially the sum of the discount factors across the time period over which the policy is appraised. The equivalent annual cost formula is as follows:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left(\frac{1}{1+r_i} \right)$$

45. Under Option 2, there will be a one-off cost to red meat slaughterhouse and cutting plants staff for reading and familiarisation with the new Regulation. The FSA understands that large slaughterhouses in practice do not accept carcasses of animals for processing that have undergone emergency slaughter because the optimal processing speeds to which large slaughterhouses normally work would not make this financially viable. In contrast, smaller slaughterhouses would not have the same constraints and are able to handle individual carcasses. Given this, we envisage that large slaughterhouses will not wish to familiarise themselves with changes that explicitly concerns emergency slaughter, and would therefore not incur familiarisation costs. However, we envisage that all other size categories of slaughterhouses and cutting plants will want to be aware of the amendment. The AHDB considered that the Regulation will not result in any increased costs for the slaughterhouse sector beyond those expressed in the IA.

46. We envisage that it will take slaughterhouses and cutting plants (approximately 958 approved establishments as per Table 2) approximately half an hour (30 minutes) to read and become familiar with the changes. Multiplying this time by the ASHE (Annual Survey of Hours and Earnings)¹⁴, median hourly wage rate of a manager in a slaughterhouse and cutting plant of £12.82¹⁵, which is then uprated by 30% to account for overheads in line with SCM methodology¹⁶ (£16.70¹⁷ inclusive), yields a total cost to business (England only) of approximately **£7,922** (see table 5 below).

Table 5: Familiarisation Costs to Slaughterhouses and Cutting Plants (England) (£)

	Micro	Small	Medium	Large	Total
Slaughterhouses	959	467	233	-	1,659
Cutting plants	3,458	1,682	841	280	6,263
Total	4,418	2,149	1,075	280	7,922

47. In order for 'one-off' transition and ongoing costs to be compared on an equivalent basis across policies spanning different time periods, it is necessary to 'equivalently annualise' costs (EACs) using a standard formula¹⁸. Under Standard HMT Green book guidance a discount rate of 3.5% is used. The total one-off familiarisation cost to h slaughterhouses and cutting plants (England only) in this proposal is £7,922 which yields an equivalent annual cost of **£920** over a ten year period, as shown in Table 6 below.

Table 6: EAC Familiarisation Costs to Slaughterhouses and Cutting Plants (England) (£)

	Micro	Small	Medium	Large	Total
EAC	513	250	125	33	920

Enforcement

Familiarisation Costs (One-Off Costs)

¹⁴ <http://www.statistics.gov.uk/statbase/product.asp?vlnk=13101>

¹⁵ Wage rate obtained from Annual Survey of Hours and Earnings 2013, Median hourly wage rate of 'Managers and proprietors in agriculture and horticulture' was used, £12.82, <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-328216>

¹⁶ SCM methodology <http://www.berr.gov.uk/files/file44503.pdf>

¹⁷ £12.82(Managers and proprietors in Agriculture median hourly wage rate) *1.3 (overheads) = £16.70

¹⁸ The annuity factor is essentially the sum of the discount factors across the time period over which the policy is appraised. The equivalent annual cost formula is as follows:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left(\frac{1}{1+r_i} \right)$$

48. The Regulation will impose a one-off cost to enforcement officials who will need to read and familiarise themselves with the Regulation. Official controls in slaughterhouses are delivered by Official Veterinarians (OVs). There are currently 297 OVs (FTE) identified as potentially being affected by the new Regulation. Familiarisation costs can be measured in terms of time costs and are therefore quantified by multiplying the time it takes for an official to read and familiarise him/herself with the Regulation by their hourly wage rate. We envisage that one it will take 30 minutes per OV to familiarise themselves with the Regulation. The hourly wage rate of an OV is £37.30¹⁹ (inclusive of overheads²⁰). Multiplying this wage rate by the time required for familiarisation (half an hour) and then again by the number of OVs affected (see Table 3) results in a total familiarisation cost to enforcement authorities of **£5,539**.
49. As outlined in the Industry cost section above, In order for one-off costs to be compared to annual costs on an equivalent basis across the time span of the policy, one-off costs are transformed into Equivalent Annual Costs (EACs) by dividing the one-off cost by an annuity factor²¹. Under Standard HMT Green book guidance a discount rate of 3.5% is used.. The total one-off familiarisation cost to enforcement authorities is £5,539 which yields an equivalent annual cost of **£643** (England only) over a ten year period.

Benefits

Industry

Farmers may receive a higher price for emergency slaughtered meat (Ongoing Benefit)

50. At the time the package of current EU food hygiene regulations was adopted in 2004, a view prevailed amongst EU Member States that emergency slaughter meat was of a lesser quality and was therefore required to bear a special health mark and could only be marketed in the country where the slaughter took place. It is conceivable that the new Regulation could result in benefits to farmers, who after the change then might receive a higher price for their emergency slaughtered animals as the market potential of the meat is now the same as that of conventionally slaughtered meat. Stakeholders were asked whether farmers might now receive a higher price for emergency slaughtered meat but no further data was received and the FSA currently does not hold information about a potential price differential between conventionally and emergency slaughtered meat. This potential benefit is therefore not monetised. In 2013, there were 5,885 cases of emergency slaughtered meat in England.

¹⁹ Data from FSA Operations York.

²⁰ Overheads based on Operations travel, Operations laundry and essential support costs - <http://www.food.gov.uk/sites/default/files/multimedia/pdfs/enforcement/meat-cost-data1415-presentation.pdf> (see page 9 for details)

²¹ The annuity factor is essentially the sum of the discount factors across the time period over which the policy is appraised. The equivalent annual cost formula is as follows:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left(\frac{1}{1+r_i} \right)$$

Slaughterhouses and Cutting Plants

Removal of requirement to apply a special health mark

51. Before the amendment, slaughterhouses and cutting plants handling emergency slaughtered meat were required to purchase a special health mark to be applied by the OV to emergency slaughtered meat. After the amendment, slaughterhouses and cutting plants will no longer be required to purchase and apply this health mark as the conventional health mark will now be applied to emergency slaughtered meat. As the purchase of the special health mark is a sunk cost (it cannot be recovered), and slaughterhouses and cutting plants will still need to apply the conventional health mark, we envisage that the impact of these changes will be minimal on slaughterhouses and cutting plants currently operating in the industry.
52. There may however be benefits to future entrants into the market as after the amendment, future entrants (slaughterhouses and cutting plants) would not be required to purchase the special health mark. Internal FSA data over the past few years (2011/12 to 2013/14) shows that the average number of new entrants into the market (slaughterhouses/cutting plants) is around 30 businesses per annum. The cost of the health mark in Great Britain is £51.60²² per mark, which would result in a per annum future benefit to industry of **£1,548**.
53. Previously emergency slaughtered meat was considered to be of lesser quality and we therefore anticipate that *farmers*, after the amendment, might be able to receive a higher price for their emergency slaughtered meat. We do not envisage that the same applies to *slaughterhouses* or *cutting plants*. It is our assumption that slaughterhouses/cutting plants will continue to buy animals (emergency slaughtered or not), then apply an appropriate mark-up that would cover costs and bring in a certain profit. We therefore do not anticipate that the amendments would result in any changes in prices received by slaughterhouses/cutting plants from products derived from emergency slaughtered animals, as a result of the amendment. Stakeholders were asked whether these assumptions seemed reasonable and while industry generally welcomes the change, no economic data was received to substantiate this assumption or not.

Wider Benefits

Fewer distortions in the market (Ongoing Benefit)

54. The new Regulation removes sales restrictions on emergency slaughtered meat. Previously such meat was considered of lesser quality and could therefore only be marketed in the country where the slaughter took place. After the amendments, emergency slaughtered meat can be sold freely throughout European Member States and third countries and this represents a benefit in terms of reduced market distortions.
55. Presently, the FSA does not know much about the market for emergency slaughtered meat, or the potential for such meat to be sold on the European market. The FSA's understanding is that the number of animals per annum that are subject to emergency slaughter is low, and that meat derived from such animals is usually sold locally. It might be the case that this approach would continue, and the removal of sales restrictions may therefore not have a large impact. However, currently the FSA does not hold sufficient information to monetise this potential benefit. The AHDB considered that the relatively small amount of meat from emergency slaughtered animals is unlikely to have any market effect on price even were it to

²² The mark itself costs £33, plus £10 courier and VAT (20%) = £51.60

enter a wider market. The BMPA noted that its members (largely bigger meat processors) do not anyway receive emergency slaughtered meat.

Consumers

56. The FSA does not envisage that the new Regulation imposes any costs or benefits on consumers. Although emergency slaughtered meat no longer needs to bear a special mark, so cannot be distinguished from conventionally slaughtered meat meaning retailers will no longer be able to identify this distinction and pass on this information to consumers, the FSA does not consider emergency slaughtered meat to be different from conventionally slaughtered meat as it has passed all necessary inspections and is therefore in all respects the same. The impact on consumers is therefore minimal.

Summary of Total Costs and Benefits

57. The new Regulation will generate a total one-off cost to industry (England only) of £343,717 (Present Value (PV)), consisting of familiarisation costs to farmers of £335,795, (PV) and to slaughterhouses and cutting plants of £7,922 (PV). It will also generate a one-off familiarisation cost to enforcement of £5,539 (PV).

58. The amendment will also generate benefits to industry to the extent that farmers will receive a higher price for their emergency slaughtered animals (non-monetised), and to future entrants into the market (slaughterhouses and cutting plants) which no longer will be required to purchase and apply a special health mark; generating a total ongoing benefit of £15,480 over 10 years. Applying a discount rate of 3.5% as per HMT Green book guidance yields a present value benefit of £13,325).

59. The net impact on industry is therefore a total net cost of £328,237 (£330,112 (Net Present Value (NPV) over ten years), and a net cost to society of £333,776 (£335,651 (NPV over ten years)).

Table 7: Summary of Total Costs and Benefits (£)

COSTS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total	EAC per annum	PV
INDUSTRY													
Farmers: Familiarisation	335,795	0	0	0	0	0	0	0	0	0	335,795	39,001	335,795
Slaughterhouse: Familiarisation	7,922	0	0	0	0	0	0	0	0	0	7,922	920	7,922
Total Industry	343,717	0	0	0	0	0	0	0	0	0	343,717	39,921	343,717
ENFORCEMENT													
Familiarisation	5,539	0	0	0	0	0	0	0	0	0	5,539	643	5,539
Total Costs	349,256	0	0	0	0	0	0	0	0	0	349,256	40,564	349,256

BENEFITS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total	EAC per annum	PV
INDUSTRY													
Farmers: Higher price	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slaughterhouse: Removed requirements	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	15,480	1,548	13,325
Total Benefits	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	15,480	1,548	13,325

NET IMPACT	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total	EAC/p.a	NPV
Net Industry	-342,169	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	-328,237	-38,373	-330,392
Net Society	-347,708	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	1,548	-333,776	-39,016	-335,931

OITO Status

60. The amendment appraised in this impact assessment falls within the scope of OITO as it is a legislative change. The policy is currently assessed as an IN as we have been able to monetise familiarisation costs, but have failed to monetise many benefits arising as a result of the proposal.

Evaluation of Policy

61. The FSA supports this policy change as it removes burdens on business and we do not envisage that the removal of these particular controls would result in unintended consequences that could have a harmful impact on consumer health. This position is supported by key sector stakeholders. The FSA has supported this outcome throughout EU negotiations. In addition, the EU regulations are directly applicable. Evaluating the policy at the UK level would not be proportionate unless the UK believed that the policy might have unintended consequences. While Which? expressed concern that meat from sick animals might enter the food chain, the FSA is content that the ante-mortem inspection by a veterinarian – and the veterinarian's declaration accompanying the animal to the slaughterhouse – means that public health protection is not changing; prior to the introduction of the new Regulation emergency slaughter meat was anyway allowed to enter the UK food chain.

62. There should be no change to the enforcement of the emergency slaughter itself, but once the meat from the carcass concerned has entered the food chain it will not be distinguishable from conventionally slaughtered meat and will not therefore be subject to a different level of enforcement.

63. For the reasons set out in paragraphs 55 and 56, the FSA has not planned any evaluation of this policy.