

## Summary: Intervention & Options

Department /Agency:  
Defra/

Title:  
Impact Assessment of The Beef and Pig Carcase  
Classification (England) Regulations 2010

Stage: Final

Version:

Date: 1 March 2010

### Related Publications:

Council Regulation (EC) No.1234/2007 as amended; Commission Regulation (EC) No.1249/2008

### Available to view or download at:

<http://www.defra.gov.uk/corporate/consult/carcase/index.htm>

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### What is the problem under consideration? Why is government intervention necessary?

The European Commission has recently consolidated legislation governing agricultural commodity markets into a single common organisation of the markets (Single CMO) regulation. This incorporates three regulations setting rules on the classification of and price reporting on beef, sheep and pig carcasses. Most of the EU implementing regulation does not represent any significant change, except in the way beef carcasses may be presented for classification and pricing. The UK is required to introduce measures to enforce EU legislation which was directly applicable from 1 January 2009.

### What are the policy objectives and the intended effects?

The policy objective is to implement the consolidated articles of the Single CMO on carcase classification and price reporting into domestic legislation across the UK. A secondary objective is to reduce the number of dressing specifications for beef carcasses used in the UK from 5 to 3 with the new UK specification recently approved by the Commission becoming the standard one used in GB. It is aimed at improving transparency in price reporting on cattle sold between farmers and the meat industry.

### What policy options have been considered? Please justify any preferred option.

The EU legislation must be implemented by domestic legislation. The new beef carcase dressing specification was one of several considered since 2000 by Government, the former Meat and Livestock Commission and industry. After considerable discussion between farmer organisations and meat industry, agreement finally was reached and the new UK specification was approved by the EU in 2008. Following consultation on the various derogations available to Member States under the new EU implementing legislation, all appropriate derogations are being adopted in England to help industry.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The policy will be reviewed in 2012.

**Ministerial Sign-off** For final proposal/implementation stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.*

Signed by the responsible Minister:

..... Date:

## Summary: Analysis & Evidence

<b>Policy Option:</b>	<b>Description:</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	<b>Yrs</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups' No tangible new costs have been identified for either Farmers or Livestock abattoirs Enforcement authorities (i.e. RPA): £64,000 (approx. per annum).
	<b>One-off</b> (Transition)		
	£		
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ 64,034.10</b>		<b>Total Cost (PV) £ 551,185.46</b>
Other <b>key non-monetised costs</b> by 'main affected groups' No significant non-monetised costs identified.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	<b>Yrs</b>	Description and scale of <b>key monetised benefits</b> by 'main affected groups' The benefits outlined in the following box, whilst welcomed by farmers and livestock abattoirs, are not quantifiable
	<b>One-off</b>		
	£		
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ N/A</b>		<b>Total Benefit (PV) £ N/A</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' Introduction of the new UK dressing specification is leading to increased transparency in price reporting. Shortening of the record retention period in the beef sector and exemption from record keeping for small-scale beef and pig operators will reduce the burden on industry.			

### Key Assumptions/Sensitivities/Risks

It is assumed that additional expenditure will be incurred from 2009. Discounting is applied from 2009 for a 10 year period.

Price Base Year 2008	Time Period Years 10	<b>Net Benefit Range (NPV)</b> <b>£ - 620,000 to - 482,300</b>	<b>NET BENEFIT (NPV Best estimate)</b> <b>£ - 551,185</b>
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What is the geographic coverage of the policy/option?	UK			
On what date will the policy be implemented?	1 January 2009			
Which organisation(s) will enforce the policy?	RPA			
What is the total annual cost of enforcement for these organisations?	£ 64,034			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£			
What is the value of changes in greenhouse gas emissions?	£			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro 0	Small 0	Medium 0	Large 0
Are any of these organisations exempt?	Yes	Yes	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)	
Increase of £ 0	Decrease of £	<b>Net Impact</b>	£ 0

Key: Annual costs and benefits: Constant Prices (Net) Present Value

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

The consolidation of a wide spectrum of agricultural commodity regulations into one Single Common Organisation of the Market Council Regulation (EC) (No.) 1234/2007 (the Single CMO Regulation) is now being completed through a series of Commission implementing regulations. The provisions of the Single CMO are directly applicable in all Member States and therefore require specific Statutory Instruments (SIs) across the UK to provide for domestic enforcement.

Three Council Regulations governing the classification and price reporting of beef (Regulation 1186/90) sheep (Regulation 2137/92) and pig carcasses (Regulation 3220/84) across the EU have been consolidated into the Single CMO. New EU Commission legislation has also been adopted from 1 January 2009 incorporating the detailed rules governing the three sectors into a Single Regulation (Commission Regulation (EC) No.1249/2008). Beef and pig classification and deadweight price reporting continue to be compulsory for Member States but classification according to the community scale remains optional for sheep. A number of textual amendments will also need to be included in the new domestic legislation, The Beef and Pig and Carcase Classification (England) Regulations 2010 which will revoke and replace:

The Beef Carcase (Classification) (England) (Regulations 2004 (SI 2004/1317)

The Pig Carcase (Grading) Regulations 1994 as they relate to England (SI 1994/2155 as amended).

The consolidation of the existing SIs covering England into one represents a useful and timely simplification and updating of the domestic legislation. The changes are expected to be cost neutral to the industry. The Scottish Government, the Welsh Assembly Government and the Department of Agriculture and Rural Development in Northern Ireland are responsible for enforcing the EU Regulations in their respective jurisdiction and will be making similar domestic legislation.

#### **Industry impact of the new Regulations**

There is one substantive change to the beef classification provisions. That is, regarding the way in which beef carcasses are presented (their “dressing specification”) before being weighed and classified in price reporting abattoirs. In order to monitor prices of beef and pigs across the EU, the Commission require a reference specification to be adhered to by all price reporting abattoirs which can be adjusted to alternative approved specifications provided that agreed coefficients are used. Until now up to five dressing specifications have been used in the UK, only two of which were approved by the Commission and the specification which most abattoirs used (called “New EU specification”) was one never approved by the Commission because for many years it failed to gain industry wide consensus. In 2000 the Commission advised the UK to reduce the number of dressing specifications used and to gain industry consensus over a specification that they could approve for mandatory price reporting. This was eventually achieved in Spring 2007; the adjustment coefficients to the EU Reference specification were

agreed and the new specification (to be called the “UK specification”) was finally approved by the Commission in June 2008. The UK was left with three approved dressing specifications:

1. UK Specification
2. EU Reference Specification
3. Standard Specification

In moving from the new EU specification to the newly-approved UK specification there is a *perceived* advantage to the producer in that less trim will be removed from the carcass before weighing, classification and pricing. However, the market is likely to adjust to compensate for the cost of removal of that trim after classification. The real advantage is in improved transparency as the majority of the industry moves to an agreed specification and there is greater perceived price transparency. The Commission will be more reassured over the representative accuracy of GB price reporting as a result of the switch.

In adopting the approved UK specification, there are no tangible costs to either farmers or abattoirs.

There will continue to be no compulsory classification in the sheep sector as provided for in Article 42 of the Council Regulation (EC) No. 1234/2007.

The UK is proposing, subject to consultation, to apply various derogations available to it in the EU implementing legislation.

### **Developing policy in partnership with stakeholders**

Ongoing discussions over a long period have been held with interested stakeholders (including farmer organisations and the meat industry) to reach agreement on the new UK beef dressing specifications. Following the approval by the European Commission in mid 2008, Defra and the Rural Payments Agency (RPA) met with stakeholders on 3 July 2008 to discuss the implementation of the new UK beef dressing specification, the details of which were subsequently incorporated into Commission Regulation (EC) No. 1249/2008.

Following the meeting in July, RPA issued a guidance booklet and posters, which were circulated to abattoirs, industry bodies and other stakeholders clearly showing the correct dressing specifications. In order to raise awareness further RPA attended the Royal Smithfield Show, where the booklets and posters were available and the RPA inspectorate were on hand to explain the changes and provide advice to the industry. In addition, RPA issued a press release on the changes, which featured in several trade publications.

### **Rationale for Government Intervention**

Council Regulation (EC) No. 1234/2007 (as amended) and the EU Commission implementing rules (Commission Regulation (EC) No. 1249/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions.

### **The approach**

The UK intends to enforce the Community provisions using certain derogations as appropriate, which are contained in the EU legislation as set out below:-

#### **For Beef:**

- the requirements on classification of carcasses of adult bovine animals shall not be compulsory for approved establishments which slaughter not more than 75 animals per week as an annual average.

### **For Pigs:**

- the Community classification scale shall not be obligatory in those slaughterhouses slaughtering not more than 200 clean pigs per week on an annual average are slaughtered.

Views obtained during the consultation were fully supportive of the use of the above two derogations.

It is also proposed to implement the derogation laying down that the pig carcase need not be marked (except where a pig carcase is marketed uncut in another Member State) subject to the identification of the pig carcase and the retention of the necessary records, as RPA consider that this provision can be appropriately enforced.

The consultation responses confirmed that there is no need for use of the derogation relating to slaughterhouses which slaughter only pigs born and fattened in their own breeding establishments and which cut up all the carcasses.

## **Economic Analysis**

### **General**

All abattoirs inspected by the RPA so far in England & Wales have adopted the necessary changes to the specification where it was appropriate to do so. The slight modification to the carcase in terms of additional weight that will now be left on the carcase (pissle sheath area) is so minimal that no price adjustments have been made nor are any reductions in price expected. There is a more robust position in monitoring this area, in that there will be clear definitions as to what can be removed – thus any item or area not covered by coefficients, must not be removed. The reduction in the expected use of approved carcase dressing specifications for the UK, reduced from 5 at one time down to 3 under the new system, are unlikely to have a clearly measurable effect on administration costs. However, what is beneficial is that it will make the whole area of 'dressing specifications for beef carcasses' much more transparent.

In Scotland, there are sixteen participating abattoirs, of which eight deadweight price report using the UK specification only. The remaining eight abattoirs use both the UK and the standard specification, the latter for private and butchers' cattle which are not classified.

### **Sectors affected**

Those in the EU involved in the production and slaughter of beef and pigs (i.e. farmers and slaughterhouses), and the UK enforcement authorities which are required to enforce the Regulations. Most of the implementing regulation does not represent any significant change, except in the way beef carcasses may be presented for classification and pricing which is in response to a request from the UK to standardise dressing specifications used by the UK industry (as described above). Farmers and abattoirs will benefit from the proposed simplified record-keeping and registration arrangements.

### **Enforcement**

In England, the RPA will continue in their current enforcement role. The inspection and enforcement arrangements, however, will undergo some changes under the new regulation. These are related to the fact that although there is a derogation proposed for abattoirs that

slaughter not more than 75 adult bovine carcasses and not more than 200 pig carcasses per week, extra inspection visits are required under the new EU legislation. Where an abattoir slaughters less than this number the inspector would be frequently required to return on an additional day (or days). The enforcement costs cover abattoir inspection visits, average staff travel time and subsistence, average inspection time, and additional visits where appropriate.

In Scotland these inspections are carried out by the Scottish Government's Meat and Livestock Inspectors and in Northern Ireland by DARD inspectors.

The proposed Beef and Pig Carcase Classification (England) Regulations 2010 include some changes on enforcement and offences as follows:-

**Enforcement Notices.** This provision provides for the issue of a written notice if an authorised officer believes that an offence has been committed under the Regulations.

**Penalties.** If there is reason to believe that a person has committed an offence, the draft Regulations provide that a person may be given a written notice; a penalty notice may be of any amount up to a maximum of £5,000 depending on the seriousness of the offence.

**Offences.** The draft Regulations list the range of offences. They provide for those committing an offence to be subject to prosecution which would result in a fine.

## **Economic impact**

### **A. Benefits to stakeholders**

These can be summarised as follows:-

(a) The change in dressing specification – this should improve transparency in price reporting on cattle sold between farmers and the meat industry.

(b) A proposed shortening in the period for the retention of records in the beef sector.

(c) Exemption of small-scale operators from record keeping unless they choose to adopt the Community scale for carcase classification in the beef sector.

Although specific questions were included in the consultation document, stakeholders were unable to provide any quantifiable (financial) assessment in relation to these benefits or an indication as to whether the proposed provisions would enable them to keep records in a different way. Stakeholders actually expressed serious concern at the extent of the shortening of the record retention period and, in response to the views expressed, the period is therefore being reduced to a lesser extent in the beef sector than that originally proposed.

### **B. Costs to stakeholders**

No tangible new costs have been identified for farmers or livestock abattoirs.

## **Implementation**

The EU rules on the implementation of the Community scales for the classification of beef, pig carcasses and the reporting of prices thereof are directly applicable and came into effect from 1 January 2009.

## **Information gathering and Evaluation**

No information was provided by the industry on the reduction in administrative costs as a result of the reduced record keeping requirements as part of the consultation exercise.

The impact of the policy will be reviewed in 2012.

### **Consultation outcome**

A wide range of stakeholders representing the market chain were consulted on these Regulations. There were seven responses to the consultation, predominantly from industry representative bodies. The main comments were in relation to the weight threshold for bovine animals, the requirements on monitoring of the classification of bovine carcasses for 'small-scale' operators, the proposed reduction in the period for the retention of records, the proposed derogation laying down that pig carcasses need not be marked provided they are identified and appropriate records are kept and the proposed introduction of enforcement and penalty notices.

There was support for use of the two derogations providing that those that slaughter not more than 75 adult bovine carcasses per week and not more than 200 pig carcasses per week should be exempt from compulsory classification scales unless they opted to use them for beef. The new Regulations will therefore provide for these two derogations.

In view of concerns expressed that the proposed record retention period was too short, Defra has decided to extend this from the period proposed at consultation.

Further clarification on the weight threshold of bovine carcasses, enforcement notices and the level and application of penalty notices will be included in the Guidance Note for industry.

A number of the responses covered classification and price reporting in the sheep sector, not covered by these new Regulations. Defra is considering further the application of EU legislation to the sheep sector and will issue further guidance in due course as appropriate.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes



## **Background Analysis**

The additional enforcement costs of the new Regulations cover abattoir inspection visits, average staff travel time and subsistence, average inspection time and additional visits where appropriate.

Additional UK annual enforcement costs are estimated at £64,000.

## **Specific Impact Tests**

### **Competition Assessment**

There will be no adverse effects on competition from this measure. It should lead to increased transparency in carcase classification and hence in market price reporting. Although these would not be sufficiently tangible to enable them to be measured in money terms, they should improve the clarity and consistency of pertinent market information.

### **Small Firms Impact Test**

It is proposed that the UK will apply certain derogations available to it in the EU implementing the EU implementing legislation. Under these proposals, small abattoirs will be exempt from compulsory classification scales and will not be required to keep records, unless they opt to implement the Community classification scale for beef.

In the beef sector compulsory price reporting shall not apply to abattoirs that kill less than 20,000 cattle per year or send for slaughter up to 10,000 cattle per year, with the exception of those who are designated by Government to do so to make up the required national kill numbers for price reporting in the regulation.

## **Legal Aid**

The proposal provides for flexible enforcement through new penalty notices up to a maximum of £5,000. There is likely to be no practicable impact on Legal Aid.

## **Sustainable Development**

The proposal will not have an effect on sustainable development.

## **Carbon Impact Assessment**

The proposal will have no effect on carbon emissions.

## **Other Environmental Issues**

The measure has no implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution.

## **Health Impact Assessment**

The proposal will not directly impact on health or wellbeing and will not result in health inequalities.

### **Race/Disability/Gender**

There are no limitations on meeting the requirements of the proposal on the grounds of race, disability or gender. The proposal does not impose any restriction or involve any requirement which a person of a particular racial background, disability or gender would find difficult to comply with. Conditions apply equally to all individuals and businesses involved in the activities covered by the proposal.

### **Human Rights**

The proposal is consistent with the Human Rights Act 1998.

### **Rural Proofing**

There is no identified impact on rural communities at this stage.