

Environment, Planning & Countryside

EPC(2)-04-06 (p4) (Annex C)

Regulatory Appraisal

The Sheep and Goat (Records, Identification and Movement) (Wales) Order 2006

Background

1. Council Regulation (EC) 21/2004 ("the Regulation") requires Member States to establish a system for the identification and registration of ovine and caprine animals and also amends Regulation (EC) No. 1782/2003 and Directives 92/102/EEC and 64/432/EEC.
2. The Foot and Mouth Disease (FMD) outbreak, which occurred in the UK in 2001, demonstrated the need for improvements to the existing identification and traceability rules that apply to sheep and goats. Certain enhancements have already been made to the domestic requirements following discussions with industry and these already go some way to meeting the objectives of the new Regulation. These include the introduction of the current "S" tag system, the main requirements being; holding of birth tags and tattoos, movement tags, replacement tags and movement documents.
3. One of the basic objectives of the Regulation is the tracing of animals, which is of crucial importance in the control of contagious diseases. The original proposal stated that 'It must be possible to determine rapidly and conveniently the place of origin of an animal or carcass and its movement throughout the Community. Animals must be adequately identified and registered according to the same requirements throughout the Community.'
4. In December 2003 the Regulation was adopted. This requires Member States to double identify all sheep and goats born on or after 9th July 2005, except those intended for slaughter at less than 12 months of age and not intended for export or intra-Community trade. There is however a provision under which the Commission may allow Member States to maintain their existing national identification system (except for animals involved in intra-Community trade) providing traceability between holdings can be demonstrated. The UK applied for derogation and it was discussed at SCoFCAH on 5 July 2005. The application was eventually granted provisional approval until 30 April 2006, pending a further review of the inspection system by 31 January 2006.
5. The recent FVO (Food and Veterinary Office) mission report recommended that "there was no further delay in the introduction of the regional legislation required to enforce the requirements of regulation (EC) No. 21/2004.

6. The Regulation also provides for movement documents to be completed and to accompany the animal during transit, for keepers to maintain holding registers and for the Competent Authority to maintain a central database of holdings from July 2005 and movements from January 2008. Our current system already meets most of these requirements.

Purpose and Intended Effect

7. The Order will provide an improved system of identification to aid traceability of sheep and goat movements and to link rules to the payments of EU subsidy.

8. Changes required to the current system to meet the requirements of Regulation EC No.21/2004 are:

- Tattoos can no longer be used as the primary means of identification;
- Animals have to be identified no later than 9 months after birth if kept in extensive or free-range conditions or "free range" conditions ; 6 months if kept in intensive conditions;
- Only officially approved ear tags can be applied;
- Issuing of tags will be controlled by an Ear Tag Allocation System (ETAS) to ensure manufacturers only issue tags with unique numbers – similar to the current cattle system;
- Minor changes to the movement document are required including details of the haulier involved. (Currently these details are not mandatory);
- Additional information has to be kept in the location's flock register including details of the person transporting animals from the location;
- Keepers will be required to record the CPH (County/ Parish/ Holding) of the location they receive animals from in the location's flock register;
- Keepers are required to make an inventory of the animals kept at the location on a set date annually. This data must then be sent to the Competent Authority within 30 days;
- Temporary paintmarks are no longer acceptable as the official means of identification for movement purposes;
- For the purposes of this Regulation the main holding will be defined as where the main buildings and livestock facilities are, together with all adjoining fields. If fields are separated from the farm by a road, stream or boundary (i.e. a hedge or fence), then these fields are considered part of the main site. Effectively, a holding will become the main site, plus any outlying parcels of land

wholly or partially within 5 miles. The 5-mile distance is measured ‘as the crow flies’, from the nearest borders between the main holding and the outlying land. Any outlying land that is partially within 5 miles of the main holding is all considered to be within the main holding.

Risk Assessment

9. Failure to implement European Union legislation could lead to the initiation of a case against both the UK Government and Welsh Assembly Government in the European Court of Justice, and affect Wales’ ability to trade with other Member States. There is furthermore a risk of cross compliance disallowance at national level if a Member State fails to implement in full the provisions of Regulation EC No. 21/2004, as it is a cross compliance measure. Failure to implement the legislation in a timely manner may damage the extension of the derogation on double tagging.

Options

Option 1 - Do nothing

10. Continue with existing legislation

Option 2 – Make the legislation

11. The main requirements of the regulations are that sheep and goats be tagged with an individual identification number within 6 months of age (if intensively reared) or 9 months (if extensively reared). Currently this is 12 months. All movements to premises more than 5 miles from the main holding including common grazing, dipping and shearing will require movement documents. Individual eartags numbers will be allocated automatically by a central register and will be subject to an approval system to ensure quality and that tags are welfare-friendly. Movement documents will be amended to include haulier details and the information on the holding (flock/herd) register to be revised to include the recording of individual animal numbers, type of production, results of the latest inventory and animal movements.

Benefits

Option 2 – Make the legislation

12. Implementing double tagging would have precluded the mandatory use of movement (S) tags for animals born after 9 July 2005. These were introduced as a response to foot and mouth disease and are considered a vital component of our current system of traceability. Furthermore, in the run up to 2008, the Regulation does not provide for any practical measures that could provide equivalent traceability. Therefore we considered that double tagging would represent a retrograde step in terms of providing traceability between holdings and disease control. Quantifying the benefit of the (currently) high level of traceability is difficult, but the recent Cost-Benefit Analysis report into FMD control strategies (the

FMD CBA) allows us to get an indicative idea of the possible benefits to be realised by having good traceability in the event of an FMD outbreak.

13. More effective controls will reduce the duration of an outbreak and the number of infected premises, so reducing the economic and social costs associated with an animal disease outbreak.

14. There are some extra traceability benefits of implementing this option as it involves a tightening up of the current system. For example, movements outside the 5 mile holding would be subject to movement tags (or individual identification) and a movement document and all moves to slaughter would additionally require movement tags. These changes would improve our ability to track and trace animal movements between holdings. In the event of a disease outbreak, there would be more comprehensive information available for movements and S tags provide more reliable identification than temporary marks.

Costs

Identification Costs

15. The identification system introduced under this option would be similar to the existing system until electronic identification becomes mandatory. However there are a few changes that would be introduced to tighten up on tracking and tracing. These changes are as follows:

- Movements to premises more than 5 miles from the main holding must be accompanied by a movement document and must be reported to the local authority.
- Movements to slaughter or to a dedicated slaughter market would require the animal to be marked with an eartag rather than a temporary mark.
- Movements in excess of 5 miles from the main holding would require bought in animals to be marked with an eartag.

16. 5.5 million lambs were produced on Welsh Farms in 2003. 3.9 million were sold as finished lambs direct from farm of birth. 522,000 were sold as store lambs to be finished on another farm and approximately 1 million were ewe lambs either sold as breeding animals or retained as replacement, The slaughter figure for ewes and rams is estimated to be approximately 1 million ie roughly equivalent to the replacement figure but with no allowance for mortality on farm.

17. With the prohibition on the use of temporary marks all animals going to slaughter would need to be S tagged. This would include the 522,000 store lambs and possibly 50% of the ewe/ram slaughters. Tag costs range between 11 and 16 pence (13 p average) and labour costs estimated at 6 p per sheep (tag rate 4 per min 2 people engaged at an average of £7.00 per hour. Extra tag costs for 1 million sheep would be approximately £190,000.

18. It is estimated that some 70 percent of Welsh sheep holdings have all their land within 5 miles of the main holding. This is not to imply that 70 percent of sheep are kept on these holdings. The new regulations would not impact on existing tagging requirements. However, sheep moved between holdings outside the main holding would require to be identified with the flock no of the holding of departure or by their individual number. A precise figure is difficult to quantify but, based on total recorded movements on AMLS1 (the LA managed animal movement licensing system) in 2003 of around 5 million, it is likely to range from 1 to 3 million (up to 50 percent of moves would be from holding of birth, the new 5 mile definition will reduce the number of tags as moves occur within the main holding and any moves from main holding to temporary grazing and back will not require tags). Cost would range between £160,000 and £480,000. Offset against this would be the cost of marker and application time for temporary marks.

19. Sheep for intra-Community trade would need to be double tagged. However since numbers are relatively small and it is not possible to determine at which point the animals will be double as opposed to single tagged, these animals have been left out of the equation.

Movement documents and on-farm record keeping

20. The Regulation requires a movement document for all movements outside the 5 mile main holding. There would therefore be additional costs for completing movement documents for animals moving outside the 5 mile radius.

Cost based on number of movements

21. On the assumption that between 1 and 3 million extra sheep will be moved (paragraph 18 above) and that the average batch size is 30 an additional 33,000 -100,000 movement documents will need to be completed. Assuming 3 minutes to complete (50p, based on £10.00 per hour) and 35p for stamp the extra costs for completing movement documents would be between £28,000 and £85,000.

Costs to Welsh Assembly Government

22. To ensure that sheep and goats are allocated unique individual identification numbers it has been necessary to set up a new Eartag Allocation System (ETAS) alongside the one already operating for cattle and run by the British Cattle Movement Service (BCMS). The new function was provided and has been used since December 2005, prior to the FVO mission. The costs of setting up the new ETAS system fall to the Department for Environment, Food and Rural Affairs.

23. There would be ongoing annual maintenance and staff costs to operate this system. In addition, an eartag approval system will also be required. A specification for the approval of sheep tags has been drawn up. There will also be additional enforcement costs, but as these are currently unknown they cannot yet be quantified. The extent to which the workload will increase on each visit is dependent upon

a number of factors yet to be decided. It is likely that the work will continue under the auspices of the Rural Inspectorate for Wales within the National Assembly for Wales, Department for Environment, Planning and Countryside (NAWDEPC).

24. NAWDEPC will have access to a central computerised register of holdings and will be linked to a GB movements database (AMLS 2) in the near future. However both of these databases require upgrades as additional data fields are required by the new Regulation. It is estimated that for Great Britain there would be initial set-up costs of £60,000 and running costs of £168,000 p.a. These costs would be borne by Local Authorities.

25. Because a number of Articles in the Regulation are directly linked to the Single Payment (via Cross Compliance) there is a risk of disallowance if farmers do not comply fully with the requirements. £110m was paid in subsidy payments in Wales for 2003. The amount of any disallowance would depend on the degree of failure to comply by the industry or Government.

Competition Assessment

26. The competition filter was carried out on sheep premises in GB. The results suggest that the proposed legislation is unlikely to have a negative impact on competition in this sector. The cost of compliance with the proposed legislation will be greater for larger sheep and goat units, because they keep more animals. Headage costs should be broadly similar for all size of units.

27. Costs will also be higher for businesses that are buying in and selling a lot of animals. The cost of movement recording is more significant than baseline identification. However, although the Regulation may result in some changes to the number of holdings, it should not lead to significant changes in the structure of competition within the market.

28. A preliminary assessment indicates that the impact on costs varies significantly depending on the nature of the business. For dealers and farmers buying in many animals it is likely to be high when compared against the average net income for sheep keepers. The provisional figures available for 2002/3 suggest that net income for LFA cattle and sheep farms is £10,000 and for cattle and sheep lowland farms is £7,500.

29. Under this option, sheep for intra-Community trade would need to be double tagged. However since numbers are relatively small and it is not possible to determine at which point the animals will be double as opposed to single tagged, these animals have been left out of the equation.

Issues of equality and fairness

30. There is no unequal impact by gender, age, disability, or by race. The impact on particular income groups is not expected to be significant.

Consultation

With Stakeholders

31. In November 2005, the Welsh Assembly Government consulted on proposals to implement Regulation EC No. 21/2004. A list of consultees can be found at annex 1. The Scottish Executive and the Department for Environment, Food and Rural Affairs consulted separately. The consultation in Wales lasted for 8 weeks and closed 16 January 2006.

32. In light of the responses received to the consultation (summary of which can be found at annex 2) it was decided, that the date for the annual inventory should be retained at 1 January and that although the definition of holdings would be introduced as drafted, discussion with industry and UK administrations on options for change would continue.

With Subject Committee

33. This Order was notified to the Environment, Planning and Countryside Committee on 2 February 2005 (EPC(2)-02-05(p3)) and has remained on the list ever since. The Order has been selected for scrutiny at the Committee meeting to be held on 8 March 2006.

Monitoring and Review

34. Feedback will be provided by the industry and by the enforcement body when the Regulation is adopted and implemented in Wales.

Summary

35. The Regulation, adopted in December 2003, introduces in two stages the individual identification and movement recording of sheep and goats. From July 2005 sheep and goats must be individually identified by two marks, and the primary mark must be an eartag. However, the UK applied for a derogation from this double tagging requirement. The application was granted provisional approval until 30 April 2006, pending a further review of the inspection system by 31 January 2006. The other measures, which come into effect in 2005, have some impact on Wales.

36. In January 2008, electronic identification is likely to become mandatory for sheep, together with the recording of individual animals on the movement document and the on farm register. The January 2008 implementation date will be reviewed during 2006 and Member States can apply for a derogation from double tagging until the implementation of EID, in 2008, if they can demonstrate that their existing system provides traceability between holdings.

37. The approach recommended would allow Wales to continue with its current system of identification updated to take account of the requirements of Regulation 21/2004 (suitably tightened up) for the time

being. Most importantly, it will allow Wales to continue to track and trace animals on an individual basis throughout the 2005-2007 period, which is considered essential for the purposes of disease control.