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| **Title:**The Carcase Classification and Price Reporting Regulations (Northern Ireland) 2018 | **Regulatory Impact Assessment (RIA)** |
| **Date:** November 2018 |
| **Type of measure:** Subordinate legislation |
| **Lead department or agency:**Agriculture, Environment and Rural Affairs | **Stage:** Final draft |
| **Source of intervention:** EU Directive requiring domestic  |
| **Other departments or agencies:**N/A. | **Contact details:** Stephen Johnston  |
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| Tel. no. 028 90524804 |

**Summary Intervention and Options**

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| **What is the problem under consideration? Why is government intervention necessary?** In 2014 the EU Commission began a process of looking at the simplification and reduction of administration burden for beef, pig and sheep carcass classification and price reporting. Commission Delegated Regulation (EU) 2017/82 and Commission Implementing Regulation (EU) 2017/84 both supplement EU Regulation 1308/2016 as regards the Union scales for the classification of beef, pig and sheep carcasses and the reporting or market prices. The EU Regulation came into force in July 2018 and domestic legislation is required to be in place to implement these regulations. DAERA inspectors in the meat plants require legislative powers to enter the premises and to implement any controls. (At present, all NI meat plants have entered into a voluntary agreement with DAERA.)   |
| **What are the policy objectives and the intended effects?** The new regulations increased threshold for beef (bovines aged 8 months and over) from 75 to 150 per week and pig abattoirs from 200 to 500 per week (both on an annual average basis), which mandate the requirement to classify carcasses. They also bring in a requirement for pig abattoirs who are classifying to provide details of classification results, carcase weights, carcase presentation; this is currently done here only on a voluntary basis. There is also a requirement for abattoirs slaughtering over the new thresholds (500 pigs per week) to supply details of deadweight prices for certain weight categories of pigs, this detail will then be collated and sent, on a weekly basis, to the European Commission arrangements to be made by DAERA). There will be an additional deadweight category, U4 to be price reported to LMC for bovine carcases of other female animals aged from 12 months. Classification and price reporting will continue to be required for a major proportion of the bovine industry here. New regulation will apply to pig abattoirs.The EU rules provide a derogation for the marking of beef carcases and pig carcasses not to be compulsory if an official record is drawn up and includes for each carcase an individual identification by any unalterable means, the warm weight of the carcase and the result of the classification. All the carcases are cut, as a continuous operation, in a cutting plant approved in accordance with Regulation (EC) No 853/2004 of the European Parliament and of the Council and attached to the slaughterhouse. Similar derogations existed in the 2010 regulations. DAERA will consult with stakeholders to seek their views on implementing the new derogation, eg its implications for the operation of the supply chain and the extent to which it is important that the position is harmonised with other parts of the UK. The Department will take these views into account when considering whether to apply the derogation No such derogation is proposed for beef.We have asked stakeholders for comments on the use of derogations |
| **What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**Two options have been considered i) Option 1: Do nothing, and ii) Option 2: Do the minimum required to implement the EU requirements.Option 2 is preferred.The issue under consideration is a legal requirement under Commission Delegated Regulation (EU) 2017/82 and Commission Implementing Regulation (EU) 2017/84 which both supplement EU Regulation 1308/2016. Overall, the annualised net cost is estimated at less than £2,000, affecting only a few abattoirs.  |
| **Will the policy be reviewed?** The issue remains under consideration and is required under EU law. Once implemented, it will be reviewed. | **If applicable, set review date:**  |

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| **Cost of Mandatory Pig Classification and Price Reporting** |
| **Total outlay cost for business** £m | **Total net cost to business per year** £m | **Annual cost for implementation by Regulator** £m |
| <£0.002m | <£0.002m | - |

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| **Does implementation go beyond minimum EU requirements?** | **NO** **[x]**  | **YES** **[ ]**  |
| Are any of these organisations in scope? | **Micro**Yes [ ]  No [ ]  | **Small**Yes **[x]**  No [ ]  | **Medium** Yes **[x]**  No [ ]  | **Large**Yes [ ]  No [ ]  |

**The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.**

Approved by:       Date:

Summary: Analysis and Evidence Policy Option 1

Description:  Do nothing

**ECONOMIC ASSESSMENT (Option** 1**)**

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| **Costs (£m)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** |  |  |  |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesThere are no identifiable costs arising from this option. However, there may be a risk of infraction proceeding by the EU. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 linesNot applicable. |
| **Benefits (£m)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** |  |  |  |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines Not applicable. |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 linesNot applicable. |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesFull compliance with EU law could not be assumed and primary pig and beef producers could be affected.  |

**BUSINESS ASSESSMENT (Option** 1**)**

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| **Direct Impact on business (Equivalent Annual) £m** |  |  |
| **Costs:** | **Benefits:** | **Net:** |  |  |

**Cross Border Issues (Option** 1**)**

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| **How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 linesThe legislation is being implemented across the EU. As part of the consultation DAERA will seek stakeholders’ views on the derogation for the marking of beef and pig carcases, its implications for the operation of the supply chain and the extent to which it is important that the position is harmonised with other parts of the UK. |

Policy Option 2

Description: Implement EU Requirements

**ECONOMIC ASSESSMENT (Option** 2**)**

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| **Costs (£m)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Cost** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** |  **Optional** | **1** | **Optional** | **Optional** |
| **High** | **0Optional** | **Optional** | **Optional** |
| **Best Estimate** | **0.002** | **0.002** | **0.002** |
| **Description and scale of key monetised costs by ‘main affected groups’** Maximum 5 linesSet-up costs are not assumed for bovine processors, which are already affected by mandatory requirements.Set-up costs for porcine processors will be minimal, given voluntary arrangements already are in place and only a few will have to amend systems already operating. |
| **Other key non-monetised costs by ‘main affected groups’** Maximum 5 lines- |
| **Benefits (£m)** | **Total Transitional (Policy)** | **Average Annual (recurring)** | **Total Benefit** |
|  | (constant price) | Years | (excl. transitional) (constant price) | (Present Value) |
| **Low** | **Optional** |  | **Optional** | **Optional** |
| **High** | **Optional** | **Optional** | **Optional** |
| **Best Estimate** |  |  |  |
| **Description and scale of key monetised benefits by ‘main affected groups’** Maximum 5 lines The benefits have not been measured. The policy seeks to implement EU legislation requirements here. |
| **Other key non-monetised benefits by ‘main affected groups’** Maximum 5 lines- |
| **Key Assumptions, Sensitivities, Risks** Maximum 5 linesIt is assumed the legislation will ensure compliance with EU law.  |

**BUSINESS ASSESSMENT (Option** 2**)**

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| **Direct Impact on business (Equivalent Annual) £m** |  |  |
| **Costs: 0.002** | **Benefits:-** | **Net: 0.002** |  |  |

**Cross Border Issues (Option** 2**)**

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| **How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 linesThe legislation is being implemented across the EU. As part of the consultation DAERA will seek stakeholders’ views on the derogation for the marking of beef and pig carcases, its implications for the operation of the supply chain and the extent to which it is important that the position is harmonised with other parts of the UK. |

Evidence Base

Problem under consideration/Rationale for intervention;

In line with the simplification agenda, the Commission has reviewed existing EU rules where mandatory provisions are applied for abattoirs to categorise, classify and weigh carcases against common standards when animals are presented for slaughter. The aim has been to improve transparency by publishing price information and reduce administrative burdens ensuring efficient market operation which in turn helps producers plan.

Policy objective;

Key changes are that:

* It is mandatory for abattoirs to inform their suppliers of the classification outcomes for pigs (they already have to do this for beef)
* The throughput thresholds for the mandatory application of classification have been increased to 150 bovines/500 pigs a week as an annual average so that classification is focussed on commercial scale abattoirs
* Additional deadweight category, U4, to be price reported for bovine carcases of other female animals aged from 12 months

The changes do not represent a significant change in policy: it is understood that pig abattoirs classify and inform suppliers of classification outcomes and so this largely formalises current practice. In the EU, the increase in the thresholds is a deregulatory measure for some operators, but classification and price reporting will continue to be required for a major proportion of the industry here. A minimal number of pig processors will have increased regulation.

The preferred option, as described above, increases throughput thresholds for the mandatory application of classification as well as applying mandatory rules to pig processing. This will lead to a slight de-regulation in-line with EU policy.

Derogation – marking of carcases

Previously, derogations were provided in The Beef and Pig Carcase Classification Regulations (NI) 2010) for the marking of beef and pig carcases not to be compulsory if (i) a bovine carcase was labelled instead of being marked and (ii) an official record was kept in relation to an individual pig carcase instead of being marked.

[Commission Delegated Regulation (EU) No. 2017/1182](https://eur-lex.europa.eu/eli/reg_del/2017/1182/oj) provides a new derogation for the marking of beef and pig carcases not to be compulsory if instead:

1. an official record is drawn up and includes for each carcase at least:
	1. individual identification by any unalterable means,
	2. warm weight of the carcase, and
	3. result of the classification.
2. All the carcases are cut, as a continuous operation, in a cutting plant approved in accordance with Regulation (EC) No 853/2004 of the European Parliament and of the Council and attached to the slaughterhouse.

DAERA has not yet come to a view on implementing the above derogation in the 2018 regulations and will first seek the views of stakeholders on the derogation as part of its consultation. Stakeholders will be asked if they think the derogation on the marking of carcases should be provided in the 2018 regulations (i) for beef and pigs (similar to the 2010 regulations), OR (ii) for pigs only, OR (iii) not at all. They will also be asked the reason for their answer, for example the implications for the operation of the supply chain, and the extent to which it is important that the position is harmonised with other parts of the UK. The information gathered in the consultation will help to inform the Department’s decision in relation to the derogation.

Costs etc

The intervention is likely to cause a nominal increase to the burden of regulation for pig abattoirs here.

The increase in the throughput thresholds is a deregulatory measure which, on aggregate, will result in (albeit small) cost savings in the EU, but little impact is anticipated here.

The mandatory price reporting for pigs, which was previously voluntary, increases regulation which on aggregate will result in a cost increase for business.

The regulatory measure that ensures all pig abattoirs report their prices potentially adds a cost to eligible abattoirs that currently do not do so voluntarily. We understand that a small number could be affected.

The best estimate of the increased time needed to report prices is 2 hours a week. If the National Minimum Wage of £7.83 is assumed for those doing the reporting, this gives an estimate of the total cost increase of around £2,000 a year for the less than 5 abattoirs affected.

The increase in small business exemption means that classification is no longer a regulatory burden for a number of now exempt small businesses, however this is not counted as a cost saving to businesses because it is assumed that these abattoirs would continue to classify carcases using the same method.

Implementation of the derogation for the marking of carcases would not be expected to cause any additional regulatory burden; similar derogations existed in the 2010 regulations and similarly it would be for operators to choose if they wished to apply the new derogation in future.