

Title: Impact Assessment of the Poultrymeat Regulations Lead department or agency: DEFRA Other departments or agencies:	Impact Assessment (IA)
	IA No: DEFRA0211
	Date: 29/10/2010
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
Contact for enquiries: Ian Hill ian.hill@defra.gsi.gov.uk	

Summary: Intervention and Options

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

To protect consumers from misleading or confusing sales descriptions for poultrymeat and to ensure that poultrymeat is marketed to agreed EU standards. The Government is required to introduce measures to enforce EU legislation which has been directly applicable since 1 July 2008.

What are the policy objectives and the intended effects?

To introduce a regulation to enforce the EU poultrymeat marketing standards. To provide clear descriptions and marketing standards for poultry meat. To allow the UK industry to adapt its business with minimum change. To improve consumer confidence in the final product. The main rationale is to enhance the scope and reliability of relevant market information on product descriptions and methods of production of poultrymeat for the benefit of consumer.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Four policy options were considered during the policy making process, differentiated by the extent of implementation of the EU Directive in terms of frequency of inspections:

1. Targeted approach to the inspection regime
2. High level of enforcement;
3. Medium level of enforcements; and
4. Do nothing.

A targeted approach to enforcement was the selected option. Option 1 was selected, despite it being less universal, because it targets enforcement at suspected and non-compliant operators. The incremental benefits of the other options do not justify the significant increase in cost for enforcement at a higher frequency in the opinion of the enforcement agencies.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed
10/2014

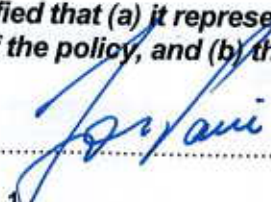
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

SELECT SIGNATORY Sign-off For final proposal 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 SELECT SIGNATORY:



Date: 16/2/2011

Summary: Analysis and Evidence

Policy Option

Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: - £4.23m
COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low	Optional	1	Optional	Optional	
High	Optional		Optional	Optional	
Best Estimate	£0.066m		£0.5m	£4.23m	
Description and scale of key monetised costs by 'main affected groups'					
<p>(A) Industry: Cost of compliance - (i) one-off £0; (ii) ongoing p.a. £228,260. Of which admin costs: (i) one-off £0; (ii) ongoing admin costs £9.3k.</p> <p>(B) Government: Inspection and Enforcement: (i) one-off £66,126; (ii) ongoing £272,390.</p> <p>NB. Due to the diverse structure and organisation of the poultrymeat supply chain it has not been possible to calculate the average annual costs for the different sized organisations.</p>					
Other key non-monetised costs by 'main affected groups'					
As the new regulation simply reinforces current legislation, there appear to be no significant additional costs to the industry, as the standards envisaged are already being met.					
BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low	Optional	0	Optional	Optional	
High	Optional		Optional	Optional	
Best Estimate	0		0	0	
Description and scale of key monetised benefits by 'main affected groups'					
See box below- It is difficult to estimate the scale of the key monetised benefits at present. In the longer term, the market position may become clearer to the overall advantage of all operators in the poultrymeat supply chain. As quality and higher welfare standards (i.e. free range) are very much down to an individuals' perception it has been difficult to assess the magnitude of the financial benefits to consumers, but it is possible they could offset some of present value of the costs.					
Other key non-monetised benefits by 'main affected groups'					
<p>Government - By creating a domestic regulation the UK will fulfil its EU obligations.</p> <p>Consumers - A dedicated enforcement SI will improve market transparency, labelling and consumer confidence in the final product.</p> <p>Industry - A new regulation will ensure that there is economic stability in the sector by protecting market share and ensuring that all businesses are able to compete on a level playing field.</p>					
Key assumptions/sensitivities/risks				Discount rate (%)	
Assumptions - The frequency of the targeted based enforcement that have been recommended will adequately cover the actual risks that will materialise.				3.5%	
Risks - The EU Poultrymeat Marketing Regulations (EU 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions. If we do not implement the Commission Regulation the UK is at risk of possible EU infraction procedures. Whilst it is difficult to clarify with any certainty the amount of any infraction penalty imposed for failing to fully implement the poultrymeat marketing rules, given the case law and the duration of the delay it is not unreasonable to suggest that they may be quite significant.					
Impact on admin burden (AB) (£m):		Impact on policy cost savings (£m):		In scope	
New AB: £0.01	AB savings: 0	Net: £0.01	Policy cost savings: 0	No	

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	01/01/2010				
Which organisation(s) will enforce the policy?	Food Standards Agency, Animal Health, Port Health Authority, Trading Standards.				
What is the annual change in enforcement cost (£m)?	£0.27m				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A	Non-traded: N/A			
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: N/A	Benefits: N/A			
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro See	< 20 costs	Small above	Medium	Large
Are any of these organisations exempt?	Yes	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	15
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	15
Small firms Small Firms Impact Test guidance	No	15
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	15
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	15
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	15
Human rights Human Rights Impact Test guidance	No	15
Justice system Justice Impact Test guidance	No	15
Rural proofing Rural Proofing Impact Test guidance	No	15
Sustainable development Sustainable Development Impact Test guidance	No	15

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option

Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: - £4.99m

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	£0.066m	£0.59m	£4.99m

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

(A) Industry: Cost of compliance - (i) one-off £0; (ii) ongoing p.a. £228,260. Of which admin costs: (i) one-off £0; (ii) ongoing admin costs £9.3k.

(B) Government: Inspection and Enforcement - (i) one-off £66,126; (ii) ongoing £364,139.

NB. Due to the diverse structure and organisation of the poultrymeat supply chain it has not been possible to calculate the average annual costs for the different sized organisations.

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

As the new regulation simply reinforces current legislation, there appear to be no significant additional costs to the industry, as the standards envisaged are already being met.

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

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

See box below- It is difficult to estimate the scale of the key monetised benefits at present. In the longer term, the market position may become clearer to the overall advantage of all operators in the poultrymeat supply chain. As quality and higher welfare standards (i.e. free range) are very much down to an individuals' perception it has been difficult to assess the magnitude of the financial benefits to consumers, but it is possible they could offset some of present value of the costs.

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

Government - By creating a domestic regulation the UK will fulfil its EU obligations.

Consumers - A dedicated enforcement SI will improve market transparency, labelling and consumer confidence in the final product.

Industry - A new regulation will ensure that there is economic stability in the sector by protecting market share and ensuring that all businesses are able to compete on a level playing field.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
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Assumptions - The frequency of the targeted based enforcement that have been recommended will adequately cover the actual risks that will materialise.

Risks - The EU Poultrymeat Marketing Regulations (EU 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions. If we do not implement the Commission Regulation the UK is at risk of possible EU infraction procedures. Whilst it is difficult to clarify with any certainty the amount of any infraction penalty imposed for failing to fully implement the poultrymeat marketing rules, given the case law and the duration of the delay it is not unreasonable to suggest that they may be quite significant.

Impact on admin burden (AB) (£m):	Impact on policy cost savings (£m):	In scope
New AB: £0.01	Policy cost savings: £0	No
AB savings: £0	Net: £0.01	

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	01/01/2010				
Which organisation(s) will enforce the policy?	Food Standards Agency, Animal Health, Port Health Authority, Trading Standards.				
What is the annual change in enforcement cost (£m)?	£0.36m				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: N/A		Benefits: N/A		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro See	< 20 costs	Small above	Medium	Large
Are any of these organisations exempt?	Yes	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties² Statutory Equality Duties Impact Test guidance	No	15
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	15
Small firms Small Firms Impact Test guidance	No	15
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	15
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	15
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	15
Human rights Human Rights Impact Test guidance	No	15
Justice system Justice Impact Test guidance	No	15
Rural proofing Rural Proofing Impact Test guidance	No	15
Sustainable development Sustainable Development Impact Test guidance	No	15

² Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option

Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: - £4.48m

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	£0.066m	£0.53m	£4.48m

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

(A) Industry: Cost of compliance - (i) one-off £0; (ii) ongoing p.a. £228,260. Of which admin costs: (i) one-off £0; (ii) ongoing admin costs £9.3k.

(B) Government: Inspection and Enforcement - (i) one-off £66,126; (ii) ongoing £303,113.

NB. Due to the diverse structure and organisation of the poultrymeat supply chain it has not been possible to calculate the average annual costs for the different sized organisations.

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

As the new regulation simply reinforces current legislation, there appear to be no significant additional costs to the industry, as the standards envisaged are already being met.

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

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

See box below- It is difficult to estimate the scale of the key monetised benefits at present. In the longer term, the market position may become clearer to the overall advantage of all operators in the poultrymeat supply chain. As quality and higher welfare standards (i.e. free range) are very much down to an individuals' perception it has been difficult to assess the magnitude of the financial benefits to consumers, but it is possible they could offset some of present value of the costs.

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

Government - By creating a domestic regulation the UK will fulfil its EU obligations.

Consumers - A dedicated enforcement SI will improve market transparency, labelling and consumer confidence in the final product.

Industry - A new regulation will ensure that there is economic stability in the sector by protecting market share and ensuring that all businesses are able to compete on a level playing field.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

Assumptions - The frequency of the targeted based enforcement that have been recommended will adequately cover the actual risks that will materialise.

Risks - The EU Poultrymeat Marketing Regulations (EU 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions. If we do not implement the Commission Regulation the UK is at risk of possible EU infraction procedures. Whilst it is difficult to clarify with any certainty the amount of any infraction penalty imposed for failing to fully implement the poultrymeat marketing rules, given the case law and the duration of the delay it is not unreasonable to suggest that they may be quite significant.

Impact on admin burden (AB) (£m):		Impact on policy cost savings (£m):		In scope
New AB: £0.01	AB savings: £0.	Policy cost savings: £0	Net: £0.01	No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England		
From what date will the policy be implemented?			01/01/2010		
Which organisation(s) will enforce the policy?			Food Standards Agency, Animal Health, Port Health Authority, Trading Standards.		
What is the annual change in enforcement cost (£m)?			£0.3m		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: N/A	Benefits: N/A	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro See	< 20 costs	Small above	Medium	Large
Are any of these organisations exempt?	Yes	Yes	Yes	No	No

Specific Impact Tests: Checklist

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Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
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Economic impacts		
Competition Competition Assessment Impact Test guidance	No	15
Small firms Small Firms Impact Test guidance	No	15
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	15
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	15
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	15
Human rights Human Rights Impact Test guidance	No	15
Justice system Justice Impact Test guidance	No	15
Rural proofing Rural Proofing Impact Test guidance	No	15
Sustainable development Sustainable Development Impact Test guidance	No	15

³ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	<u>Partial Impact Assessment:</u> www.defra.gov.uk/corporate/consult/poultrymeat-regs/20100318-consult-annexc.pdf
2	
3	
4	

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	£0.066	0	0	0	0	0	0	0	0	0
Annual recurring cost	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5
Total annual costs	£0.566	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	0	0	0	0	0	0	0	0	0	0
Total annual benefits	0	0	0	0	0	0	0	0	0	0

* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

Problem under consideration

EU Council Regulation 1906/90 and Commission Regulation 1538/91 (as amended) laid down directly applicable rules on poultrymeat marketing standards in the EU. On 1 July 2008 these were replaced by Council Regulation 1234/2007 (the single CMO) and Commission Regulation 543/08 to incorporate some provisions previously in the Council regulation but now transferred to Commission competence. The new EC regulations are directly applicable and make no changes of substance.

Certain elements of the poultrymeat marketing rules are currently enforced through other legislation such as the Food Safety Act, the Consumer Protection from Unfair Trading Regulations, and Weight and Measures Act; as well as domestic Secondary legislation covering Food Labelling, Food and Feed Hygiene, Poultry meat (water content) regulation and Products of Animal Origin (Import and Export). However, general provisions relating to food hygiene or food labelling have limited use in respect of capturing all elements of the specific poultrymeat marketing rules. Having an appropriate SI in place will ensure that enforcement authorities can take the necessary action to gain the immediate and necessary compliance with the marketing rules.

The proposed Poultrymeat Regulations (England) 2010 will introduce bespoke enforcement tools to enable the directly applicable EC provisions to be fully enforced for the first time. This will be the first time bespoke provisions will be put in place. In most cases the named enforcement bodies (Animal Health, Food Standards Agency, Port Health Authority Inspectors and Trading Standards Officers) are those that already have a presence in the various establishments.

The Poultrymeat (England) Regulations 2010 will apply to England. Separate but similar legislation will be made by Wales, Scotland and Northern Ireland.

Rationale for Government Intervention

Council Regulation (EC) No.1234/2007 as amended and the EU Commission implementing rules (Commission Regulation (EC) 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions fully. The underlying rationale is to improve market information and thereby the transparency of the market particularly for the benefit of consumers.

Policy Objective

To introduce a domestic regulation to enforce the EU poultrymeat marketing standards. To provide clear marketing descriptions and standards for poultrymeat. To allow the UK industry to adapt its business with minimum change. To improve consumer confidence in the final product. The main rationale is to enhance the scope and reliability of relevant market information on product descriptions and methods of production of poultrymeat for the benefit of consumer and ensure market stability.

The intended enforcement approach, will meet minimum EU inspection requirements where specified, and enable a targeted enforcement approach to minimize the burden on stakeholders.

Options Considered

The following enforcement options have been considered:

Option 1: Targeted enforcement - A targeted approach to enforcement would be taken when there is a degree of flexibility in the law. All Article 12, 16 and 20 checks would continue to be carried out at all specified locations and at the specified frequency.

Option 2: High level of enforcement. - All Article 12, 16 and 20 checks carried out at all specified locations and at the specified frequency. Specified checks carried out at all establishments detailed in Article 8 on an annual basis.

Option 3: Medium level of enforcement – All Article 12, 16 and 20 checks carried out at all specified establishments. Article 8 checks carried out at 50% of specified establishments.

Option 4: Do nothing. – Without an appropriate SI in place enforcement authorities will not be in a position to take the necessary action to gain the immediate and necessary compliance with the EU marketing rules. Without effective enforcement we would expect the UK to be subject to costly EU infraction proceedings and also risk a potential fine. So this option has been ruled out.

Costs and benefits

Benefits to Government / the taxpayer: Council Regulation (EC) No.1234/2007 as amended and the EU Commission implementing rules (Commission Regulation (EC) 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions. By creating a domestic regulation the UK will fulfil its EU obligations and eliminate the risk of infractions.

Benefits to industry - The regulations are necessary to ensure that there is economic stability in the sector and that poultrymeat businesses are able to compete on a level playing field. This has become more important since 1 May 2010 when Council Regulation 1047/09 extended the definition of poultrymeat to also apply to poultrymeat preparations, doubling the scope of the EU regulations. This is a growing sector and a bespoke enforcement Regulation will protect market share and legitimate poultry producers and processor's businesses.

In the longer term, the market position will become clearer to the overall advantage of the new Regulations to all operators in the poultrymeat supply chain, although the time frame and actual financial benefit is indeterminate and unquantifiable at the present time.

Benefits to consumers – Honest and transparent labelling of food is an increasing area of interest for consumers. The additional labelling requirements in the Poultrymeat Regulations, which limit the use of supplemental terms, will ensure that consumers have access to more transparent market information on which to make their choice and differentiate between the ranges of poultrymeat and poultrymeat preparations on the UK market.

The Regulation will give the Competent Authority powers to enforce the EU Standards which will give assurance to consumers that the marketing rules are being enforced and there is legal recourse if consumers are misled.

As quality and higher welfare standards (i.e. free range or barn reared) are very much down to an individual perception's it has been difficult to estimate the magnitude of the financial benefits to consumers accurately, but it is possible that these unquantifiable benefits could offset some of present value of the costs. In the course of both the consultation exercise and subsequent reviews efforts will be made to fill any knowledge gaps, particularly the ongoing benefits to consumers.

Costs to industry - Defra and the Devolved Administrations have engaged with stakeholders to assess the likely costs to the poultry industry in UK of implementing poultrymeat marketing

standards as envisaged by the EU Directive. Enforcement agencies and representatives of poultry farms, abattoirs and cutting plants were asked about their current marketing standards and whether they would need to make changes to these as a result of a Directive and what they would estimate the costs of any changes to be. As the new Regulations simply reinforce current EU legislation, the poultrymeat industry confirmed that there are no significant additional costs, as they have been meeting the standards envisaged since 1990.

The poultrymeat industry already meets the detailed recordkeeping standards required and are subject to inspections from assurance schemes so stakeholders confirmed that there will only be minimal additional administrative costs. On this basis an hour per year for the 230 special marketing term producers and 344 food business operators at the farmer pay rate of £16.26 per hour has been added to the administrative costs for the registration and inspection of special marketing term producers and food business operators.

There is some evidence that some slaughterhouses and cutting plants may not be meeting all the requirements of the EU Regulation, so that they may incur additional costs for water absorption analysis. In particular, the additional costs of the public analyst (£240 abattoirs and £207 for cutting plants), labour (one hour labour at the farmer pay rate of £16.26 per hour) and the postage and packing (estimated at £15) per samples for water content analyses have been accrued to seven slaughter houses (six samples per annum), 129 cutting plants (four samples per annum) and 52 combined slaughterhouses and cutting plants (six samples per annum). For more details see Annex 3.

Costs to taxpayers (Government inspection and enforcement) - The EU Poultrymeat Marketing Standards requires Member States to carry out inspections at set frequencies. It is envisaged that on farm inspections will be made by Animal Health in England, Wales and Scotland; and in Northern Ireland by DARD inspectors. It is envisaged that inspections at the slaughterhouses / cutting plants will be made by the Food Standards Agency in England, Wales and Scotland; and in Northern Ireland by DARD inspectors. It is envisaged that checks at the retail level will be carried out in England, Wales, and Scotland; and in Northern Ireland by Trading Standards Officers or Environmental Health Officers. It is envisaged that checks of imports will be carried out by the Port Health Authority.

In estimating the costs to Government the following enforcement options were considered:

Option 1: Targeted enforcement - A targeted approach to enforcement would be taken when there is a degree of flexibility in the law. All Article 12, 16 and 20 checks would continue to be carried out at all specified locations and at the specified frequency. However, the Article 8 checks would be performed by initially targeting known non compliant establishments, although the inspection programme would ensure that all listed locations would be inspected at least once every 4 years. This is in line with the current Food Standards Agency and TSO approach to targeted enforcement.

Option 2: High level of enforcement - All Article 12, 16 and 20 checks carried out at all specified locations and at the specified frequency. Specified checks carried out at all establishments detailed in Article 8 on an annual basis. It could be argued that the enforcement of Article 8 at this frequency places a significant enforcement cost and administrative burden on Defra and its agencies. This is because the majority of the establishments requiring inspection are already part of assurance schemes and subject to regular checks from internal and external auditors. Therefore, enforcement of the Article 8 checks at such a high level would add to the administrative burden for food business operators and is in excess of other food marketing checks.

Option 3: Medium level of enforcement - All Article 12, 16 and 20 checks carried out at all specified establishments. Article 8 checks carried out at 50% of specified establishments. As with option 1 it could be argued that the enforcement of Article 8 at this frequency places a

significant enforcement cost and administrative burden on Defra and for food business operators. This is because the majority of the establishments requiring inspection are already part of assurance schemes and subject to regular checks from internal and external auditors.

Option 4: Do nothing. – Without an appropriate SI in place the UK will be in breach of its EU obligations and enforcement authorities will not be in a position to take the necessary action to gain the immediate and necessary compliance with the EU marketing rules. So this option has been ruled out.

Table 1. Summary of total costs in year 1

Costs in year 1	Option 1 Targeted approach to enforcement £	Option 2 High level of enforcement £	Option 3 Medium level of enforcement £
A) INDUSTRY	228,260	228,260	228,260
Compliance costs	218,927	218,927	218,927
Admin costs	9,333	9,333	9,333
B) GOVERNMENT	338,516	430,265	369,239
Enforcement costs	298,062	389,811	328,785
of which: one-off	66,126	66,126	66,126
Border inspections	40,454	40,454	40,454
Total	566,776	658,525	597,499

For a more detailed breakdown of costs, see annex 3.

For the purpose of calculating the net present valuation (NPV), a 3.5% discount rate and a 10 year period are deemed appropriate.

A comparison between the overall costs of Options 1, 2 and 3 can be seen in table 2 below.

Table 2. Comparison of Costs (over 10 year period)

Comparison of Costs (over 10 year period)		
Option 1	Avg (recurren)	£500,650
	NPV¹	£4,227,598
Option 2	Avg (recurren)	£592,399
	NPV⁴	£4,990,639
Option 3	Avg (recurren)	£531,373
	NPV¹	£4,483,109
	Avg (recurren)	NPV
Cost difference between Options 1 & 2	£91,749	£763,041
Cost difference between Options 1 & 3	£30,723	£255,511
Net Present Value		

This suggests that the choice of a targeted enforcement regime (Option 1) would deliver £0.76m and £0.25m in savings (in NPV terms) over 10 years compared with a high (Option 2) and medium (Option 3) enforcement regime respectively.

Risks and Assumptions

Assumptions - The frequency of the targeted based enforcement that has been recommended will adequately cover the actual risks that will materialise.

Risks - The EU Poultrymeat Marketing Regulations (EU 543/2008) are directly applicable and therefore the UK must adopt appropriate domestic measures to enforce the provisions. If we do not implement the Commission Regulation the UK is at risk of possible EU infraction procedures. Whilst it is difficult to clarify with any certainty the amount of any infraction penalty imposed for failing to fully implement the poultrymeat marketing rules, given the case law and the duration of the delay it is not unreasonable to suggest that they may be quite significant.

Administration burden and policy savings calculations

Administrative Burden – costs to industry

As this measure is not new, and the UK industry has been meeting the majority of its requirements since 1990, it does not significantly impact the UK poultrymeat industry. However there is a new requirement for special marketing term producers and processors to register with and be inspected by Animal Health and the Food Standards Agency respectively. This will lead to an administrative burden to special marketing term producers and Food Business Operators, which can be estimated as the costs of completing and returning a form provided by the enforcement body; and giving regulators access to the premises to carry out inspections. On this basis an hour per year for the 230 special marketing term producers and 344 Food Business Operators at the farmer pay rate of £16.26 per hour has been added to the admin costs. The total admin burden is £9,333 per annum.

Policy cost savings

As seen in the costs section of the IA, this policy increases annual costs for businesses rather than introduces any policy cost savings for businesses affected. The total annual increase in business costs is £0.23 million.

Wider Impacts

All those in the EU involved in the production, slaughter, processing, sale (both wholesale and retail, including supermarkets) and purchase of poultrymeat are affected by the EU Poultrymeat marketing Standards. Third country exporting countries and importers are also affected as meat imported from third countries will also have to be marketed in the Community in accordance with these rules. It is only possible to market poultrymeat under the descriptions laid down in Regulation Council Regulation (EC) No.1234/2007 for each Member State.

The provisions of Commission Regulation (EC) No. 543/2008 are directly applicable in UK law and are well established and familiar to most commercial producers, processors and retailers so the new Regulation is unlikely to significantly affect on the UK poultry industry.

Developing policy in partnership with stakeholders

Ongoing discussions on the implementation of the EU poultrymeat marketing standards have been held with key stakeholders (including farmer organisations, consumer groups, poultrymeat

processors, trade organisations and retailers) over a long period. A 12 week consultation was completed on 17 June 2010.

Summary and preferred option

The UK is planning to enforce EU Poultrymeat Marketing standards using a **targeted risk based approach (option 1)** were possible to ensure compliance with the EU legislation.

The EU rules on the marketing of Poultrymeat are directly applicable and came into effect on 1 July 2008. It is expected that the Poultrymeat Regulation (England) 2010 will come into force on 1 December 2010.

It is envisaged that on farm inspections will be made by Animal Health in England, Wales and Scotland; and in Northern Ireland by DARD inspectors. It is envisaged that inspections at the slaughterhouses / cutting plants will be made by the Food Standards Agency in England, Wales and Scotland; and in Northern Ireland by DARD inspectors. It is envisaged that checks at the retail level will be carried out in England, Wales, and Scotland; and in Northern Ireland by Trading Standards Officers or Environmental Health Officers.

Background Analysis - The UK poultry meat market

Every year the UK poultry meat industry rears over 850 million chickens, 17 million turkeys, 19 million ducks and around 100,000 geese. The UK poultry meat industry is characterised by a high degree of concentration, with five companies controlling 80% of chicken production. The main companies are vertically integrated, and have a diverse product range to include other meats and prepared foods. The majority (50 – 60%) SMT broilers are reared in units either owned or operated by one of the large companies or with the remainder grown by independent farmers on contract to one or more integrated companies. Approximately 5% of chickens are grown under extensive systems. Of this approximately 1% are produced organically.

At a retail level the poultry industry is worth around £3.4 billion to the UK economy every year. Primary products, such as whole birds, breasts, legs, and drumsticks, remain the single largest category with over 40% of the total market. The convenience of portions, like breasts or thighs, is continuing to be more popular than the traditional roast dinner. With free-range and organic products at 6% we are increasingly putting a higher value on food. The popularity of poultrymeat preparations, ready meals and ready to cook products is also on the rise. The ability of poultry to provide healthy and convenient meals is a key factor in this development. Over 30% of poultry products now sold fall into these categories.

During 2007 the UK imported 560,000 tonnes of poultry, and exported 310,000 tonnes. Our trading partners are mainly EC countries with 71% of imports and 89% of exports coming from or going to Member States. However, there are significant amounts of poultrymeat imported from third countries such as Thailand, and Brazil. Every year poultrymeat imports are worth around £1 billion and poultrymeat exports are worth nearly £400 million to the UK economy.

Specific Impact Tests

Statutory equalities duties

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.

Economic Impacts

Competition Assessment - The UK poultry meat industry is characterised by a high degree of concentration, with five companies controlling 80% of chicken production. The measure has no impacts on competition as it applies to all businesses over a certain threshold and it will not significantly affect opportunities for entry for new enterprises.

Small Firms Impact Test - The nature of the poultrymeat supply chain is such that most if not all individual holdings employ a very small numbers of individuals. Despite this however some consideration of the impact on small businesses is required. Therefore the UK has used a derogation in the EU legislation so that the Regulations do not apply to the direct supply of small quantities of poultrymeat by a producer with an annual production of under 10,000 birds where the meat comes from poultry slaughtered on the producer's farm and is supplied to the final consumer; or a local retail establishment directly supplying such meat to the final consumer as fresh meat.

Environmental impacts

Greenhouse gas assessment - As the nature of chicken production and marketing is likely to remain the same, the proposed Regulations will have no effect on greenhouse gas emissions.

Wider environmental issues - As the nature of chicken production and marketing is likely to remain the same, the proposed Regulations have no wider environmental implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution.

Social impacts

Health and well-being - The Proposal will not directly impact on health or well being and will not result in health inequalities.

Human Rights - The Proposal is consistent with the Human Rights Act 1998.

Justice System - As offences in the regulation are summary offences only, with no prospect of custody upon conviction and as the proscribed behaviour will be carried out by those employed in the trade, there will be no impact on legal aid.

Rural Proofing - The majority of producers are based in rural areas and the Regulations will not have a negative effect on the rural community.

Sustainable Development

The Proposal will not have an effect on sustainable development.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

As part of Defra's policy cycle, a post implementation review of new legislation is required to be carried out. The review will evaluate the effectiveness of the selected enforcement strategy.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

This will include monitoring of implementation activity, consideration of actual costs and benefits (in particular to seek suitable information and data to fill the current knowledge gap, especially regarding consumers' benefits) of the policy with stakeholders and enforcement bodies. To assess the level of non compliance and effectiveness of the targeted approach to enforcement.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The approach will include seeking formal comments and feedback from industry on costs and benefits; and the formal assessment and monitoring of non compliance data from enforcers. This will provide a view of the costs and benefits across the sector and enable the effectiveness of a targeted approach to enforcement to be accurately assessed to ensure that it does not lead to an unexpected increase in the level of non-compliance.

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

The review will use the costs and benefits identified in this impact assessment as the baseline and the levels of non-compliance that are recorded in year 1.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Stakeholders and enforcers are content that the benefits of a risk based approach to enforcement are proportionate to the costs imposed on industry and government.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]

Enforcement bodies will keep accurate records of non-compliance and give regular reports to Defra.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

N/A

ANNEX 2

Detailed breakdown of enforcement costs

1. Animal Health enforcement - on farm inspections (estimated) = £140,074

Article 12 checks to ensure that any method of production (MoP) or feed claims are made in accordance with Annex V of Commission regulation 543/2008.

- Production Units: initial check, follow checks for compliance with criteria.
- Records: No. birds kept by method of production (MoP); No. birds sold (by MoP); Customer names and addresses; and for all free range MoPs date of first access to range (*thereafter continuous*).
- For Feed SMT - Feed Supplier details; quantities and composition of feed supplied;

There are approximately 230 premises registered to use the Free Range and / or feed Special Marketing Terms (SMTs). The EU Regulation requires that SMT producers are inspected once per crop.

2. Port Health Authority (PHA) enforcement = £40,454

The Port Health Authority (PHA) will conduct inspections on poultrymeat imported from third countries to establish compliance with Article 8. Imports from third countries represent only 5% of the total UK poultrymeat production.

The enforcement officers will carry out physical and documentary checks to ensure that whole carcasses & cuts are correctly graded, labelled and stored. The PHA will perform the following checks;

- Labelling checks in relation to its name (e.g. type of cut), presentation (partially eviscerated, with/without giblets), class (Grade A or B), weight category and storage temperatures.
- Water content if there are serious grounds for suspecting irregularities.
- 100% Certificate checks if meat is labelled with Special Marketing Terms

The frequency of checks on imported meat is not specified so there is more scope for a targeted approach to enforcement, which we believe could be justified. The PHA have agreed that a 2% inspection rate would be adequate as the 90% of imports come from a limited number of 'assured' producers in Brazil and Chile.

3. Local Authority enforcement: £0

Local authorities already visit a range of food premises to check compliance with food standards and labelling legislation. Local authorities will consider compliance with the Poultrymeat Regulations as part of existing visits. The Agriculture Departments consider that the frequency can be determined with regard to the existing regime laid down in Food Law Code of Practice (<http://www.food.gov.uk/multimedia/pdfs/codeofpracticeeng.pdf>). It is likely that any checks undertaken by local authorities will be focused at a wholesale / retail warehouse level, at which they already have an enforcement presence.

4. Food Standards Agency enforcement:

Option 1 - Article 12, 16 and 20 checks carried out at all specified establishments. Article 8 checks carried out at abattoirs/cutting plants based on targeted enforcement = £91,862.

Option 2 - Checks carried out at specified establishments on an annual basis = £183,611.

Option 3 - Article 12, 16 and 20 checks carried out at all specified establishments. Article 8 checks carried out at 50% of abattoirs/cutting plants = £122,585.

The costs given above are the totals of each element listed below in this section.

The EU poultrymeat regulations requires that abattoirs (with a throughput in excess of 10,000 birds per annum) slaughtering birds that will be marketed using the SMTs are registered and have a records audit on a quarterly basis. The Food Standards Agency will carry out checks to ensure that whole carcasses and cuts are correctly graded, labelled and stored. They will also check that any supplemental terms used in the marketing do not mislead the consumers and in particular that reference to age at slaughter or length of fattening period is only made when the product meets the SMT terms detailed in Article 11 of the Commission regulation.

4.1 Quality checks –

There are 16 abattoirs, 75 joint abattoirs / cutting plants and 253 cutting plants in England. In accordance with Article 8(2) the Food Standards Agency should carry out checks to ensure that poultrymeat carcasses and cuts are correctly graded and labelled. The different enforcement options are detailed below.

Option 1 = £31,080. To carry out targeted enforcement audits at plants with regard to the regime laid down in Food Law Code of Practice (England).

Option 2 = £122,829. Annual checks on whole carcasses and all 14 cuts of poultrymeat at the specified establishments.

Option 3 = £161,803. Annual checks on whole carcasses and all 14 cuts of poultrymeat at 50% of plants to alternate each year.

4.2 Water content checks: £41,769

In accordance with Articles 16 and 20 the enforcement officers will carry out supervisory audits to ensure that water absorption in poultrymeat does not exceed the technically unavoidable values. The enforcement officers will carry out an audit of the Food Business Operators (FBO) records to ensure that they are taking samples of frozen and quick frozen chickens to monitor water absorption during chilling at the required frequencies, recording the results of their checks and marking batches appropriately.

4.3 SMT records audit: £5,733

There are 8 abattoirs and 38 joint abattoirs / cutting plants processing SMT birds in England. In accordance with Articles 11 and 12(5) these are required to undergo a SMT records audit four times per year.

4.4 Ongoing Policy work / administration costs: £13,280

A Food Standards Agency EO and HEO policy team will interpret the regulation, carry out reporting requests and deal with Local Authorities regarding non-compliance. They have estimated that this will take 160 hours per annum. This will not vary significantly for any variation in enforcement strategy.

5. One-off costs: £66,126

One-off costs will arise in year one only and will be associated with training, creation of IT systems and MOC amendment.

5.1 Animal Health training: £27,910

This is new work for Animal Health they will need to be trained how to properly inspect the poultry houses and complete the paperwork.

5.2 Animal Health Database: £1,036

This is new work for Animal Health so they will need a new IT system to record details of inspections.

5.3 Food Standards Agency Training and contract amendment: £37,180

This is new work for the Food Standards Agency they will need to be trained how to quality assess and properly grade the poultry they will be inspecting.

Annex 3

A detailed breakdown of costs to industry and government is provided in the following tables.

Table 5. Total costs in year 1

Costs in year 1	Unit Costs		Number		Aggreg'd costs	Aggreg'd costs	Aggreg'd costs
	per unit/ plant/ farm	£	of unit/ plant/ farm	£	Option 1 ¹ targeted approach to enforcement £	Option 2 High level of enforcement £	Option 3 Medium level of enforcement £
A) INDUSTRY							
Compliance costs					218,927	218,927	218,927
Farms	0		230	0	0	0	0
Abattoirs & cutting plants:					218,927	218,927	218,927
<i>Slaughter houses</i>	1,627 ¹		7	11,386	11,386	11,386	11,386
<i>Combined slaughterhouse and cutting plants</i>	1,627 ¹		52	84,604	84,604	84,604	84,604
<i>Cutting plants</i>	953 ²		129	122,937	122,937	122,937	122,937
Admin costs	16.26		574		9,333	9,333	9,333
Total industry costs					228,260	228,260	228,260
B) GOVERNMENT							
Enforcement costs: inspections					298,062	389,811	328,785
of which:							
Feedmills and feed suppliers				0	0	0	0
Retailers				0	0	0	0
Farms			230	140,074	140,074	140,074	140,074
Abattoirs & cutting plants			344	78,582	170,331	109,305	109,305
<i>Overhead costs (ongoing)</i> ³				13,280	13,280	13,280	13,280
<i>Overhead costs (one-off)</i> ⁴				66,126	66,126	66,126	66,126
Border inspections					40,454	40,454	40,454
Total government costs					338,516	430,265	369,239
Overall total					566,776	658,525	597,499

¹ Cost for public analyst fee (£240), P&P (£15) and labour (£16.26) x 6 times per annum.

² Cost for public analyst fee (£207), P&P (£15) and labour (£16.26) x 4 times per annum.

³ Cost for FSA policy work.

⁴ Cost for training, AH database and Food Standards Agency MOC amendment.

Table 6. Total costs in year 2

Costs in year 2	Unit Costs		Number		Aggreg'd costs	Aggreg'd costs	Aggreg'd costs
	per unit/ plant/ farm	£	of unit/ plant/ farm	£	Option 1 targeted approach to enforcement £	Option 2 High level of enforcement £	Option 3 Medium level of enforcement £
A) INDUSTRY							
Compliance costs					218,927	218,927	218,927
Farms	0		230	0	0	0	0
Abattoirs & cutting plants:					218,927	218,927	218,927
<i>Slaughter houses</i>	1,627 ¹		7	11,386	11,386	11,386	11,386
<i>Combined slaughterhouse and cutting plants</i>	1,627 ¹		52	84,604	84,604	84,604	84,604
<i>Cutting plants</i>	953 ²		129	122,937	122,937	122,937	122,937
Admin costs	16.26		574	9,333	9,333	9,333	9,333
Total industry costs					228,260	228,260	228,260
B) GOVERNMENT							
Enforcement costs: inspections					231,936	323,685	262,659
of which:							
Feedmills and feed suppliers				0	0	0	0
Retailers				0	0	0	0
Farms			230	140,074	140,074	140,074	140,074
Abattoirs & cutting plants			344	78,582	170,331	109,305	109,305
<i>Overhead costs (ongoing)</i> ³				13,280	13,280	13,280	13,280
Border inspections					40,454	40,454	40,454
Total government costs					272,390	364,139	303,113
Overall total					500,650	592,399	531,373

¹ Cost for public analyst fee (£240), P&P (£15) and labour (£16.26) x 6 times per annum.

² Cost for public analyst fee (£207), P&P (£15) and labour (£16.26) x 4 times per annum.

³ Cost for FSA policy work.