

Independent Review of the National Fallen Stock Scheme and Company

Bob Bansback

13 April 2006

FOREWORD

The attached Report has been prepared in response to the request from Defra to review the operations of the National Fallen Stock Scheme and Company – and to make recommendations for the future. In the time available, I have concentrated on ensuring that I was able to obtain the views of as many Stakeholders as possible throughout the UK and to focus on analysing and addressing some of the major issues at stake for the future. Nonetheless, this is an independent Report and the opinions expressed are my own.

I have had considerable co-operation and help throughout the Review from a number of people and would like to record my specific thanks to Michael Seals, NFSCo Chairman and his Board members – Ian Duncan Miller, Walter Elliott, Eifion Evans, Willie Gordon and Neil Leach; also to Jason King at NFSCo, Sheila Carruthers at the RPA and to the representatives of the Devolved Administrations. These and very many other Stakeholders have been extremely patient and generous in giving up their time to answer my questions and discuss important issues. Finally, I would like to thank Rita Webb who has acted as my Secretary for this project.

There are considerable challenges facing the industry, the National Fallen Stock Company and other Stakeholders in the next few years on the issue of fallen stock collection and disposal. It is my hope that this report will play a small part in helping all parties to make progress and be successful.

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EXECUTIVE SUMMARY

1. INTRODUCTION

1.1 The Scope of the Review

- Identifying key lessons from the current situation
- Examining key future options when the current Government funding ceases
- Recommending the best future option for the post-subsidy situation
- Identifying necessary transitional steps to the new situation
- Establishing the future relationship between Government and Industry (with or without the Company) when Government funding ceases
- Ensuring effective compliance with the EU regulations when the Government funding ceases – including an effective infrastructure

1.2 The Context

The EU Animal By-Products Regulations brought into effect in May 2003 prohibited the burial or 'open burning' of livestock that have died through natural causes on-farm. In order to comply with this regulation, farmers are required to use the available infrastructure for collection and disposal of farmed livestock throughout the UK.

Agreement was reached with the farming industry on joint funding for a low-cost, voluntary National Fallen Stock Scheme to facilitate compliance with this EU regulation. The Government announced at the same time that it was setting up the National Fallen Stock Company to run the Scheme.

A Government grant has provided £20 million over a three year period to reduce the cost to farmers of compliance with the EU Regulation. (£2 million was subsequently allocated to RPA computer development costs.)

The primary aims of the National Fallen Stock Company are to:

- Establish a financial viable collection and disposal service which reduces the cost of collecting and disposing of fallen stock for farmers
- Manage the Scheme so as to maximise revenue and minimise costs
- Provide a Scheme that is as equitable as possible for all sectors
- Use any surplus funds to maintain low rates for the benefit of all farmers

1.3 Current Position of the Scheme

The approximate percentage uptake of the Scheme for the year to November 2005 was as follows:

Year Ending November 2005						
	Cattle	Calves	Sheep	Lambs	Pigs	Poultry
	%					
England	60-65	60-70	25-34	35-40	50-60	
Scotland	60-70	40-55	30-40	40-45	65-75	
Wales	55-60	40-50	28-34	32-38	50-60	
Northern Ireland	70-80	56-64	23-27	25-30	20-25	
UK	60-67	50-60	28-34	32-40	48-55	60-65

The current situation for the Company is significantly higher as membership is steadily increasing. As of April 2006 the estimates for the UK are as follows:

	%
Cattle and calves	66-72
Sheep and lambs	35-45
Pigs	52-57
Poultry	65-70

The Farmer Membership of the Scheme in relation to the % potential membership is as follows:

	England	Scotland	Wales	Northern Ireland	UK
Members	17,700	5,700	6,800	9,400	39,600
Members as % of Potential Total	54-58	50-55	53-57	62-67	55-61

Additionally there are almost 3,500 supplementary collection points.

On the basis of the current rates of increase in new members, it is forecast that by the end of June 2007, membership should have risen to about 45,000 – about 2/3 rds of the total potential. However, future membership levels will be influenced by price and subsidy changes over this period.

1.4 The Administration

The RPA operates a front-office call centre out of Workington alongside BCMS and other RPA call centres. The back office administration and 'trouble shooting' function operates out of RPA's office at Carlisle. Financial matters are dealt with by RPA's office at Reading.

Currently there are the equivalent of about 21 full-time staff operating on behalf of the Company at the three centres (N.B. April is a peak period for Company activity).

1.5 Financial Situation

The total turnover of the Company since November 2004 was £21 million, of which £17.4 million reflected collection costs on over 400,000 transactions which have been conducted since the scheme began.

The Government contribution up to the end of March is estimated at approximately £6.8 million out of the £18 million designated by Defra as available for the Company up to November 2007. Under realistic scenarios for the next eighteen months, there is likely to be £3-5 million unspent by November 2007.

HOW HAS THE SCHEME FARED?

1.6 An Overview

The Scheme has generally progressed well after a rather shaky start. Inevitably there were initial teething troubles resulting from the need to change the business model, problems in setting up the appropriate computer support systems, difficulties in handling the seasonal peak demand from the sheep industry during lambing and many infrastructure issues. However, since June 2005 the situation has significantly improved with membership rising steadily as well as evidence that the Company has been able to handle the seasonal peak of the 2006 lambing season – even in those parts of the UK where the problems were most acute.

1.7 Challenges Encountered

- Infrastructure problems
- Negative producer attitude to direct debits
- Difficulty of recruiting to farmers
- Fee structure concerns
- RPA administration has been generally effective but costly

1.8 Many Positive Features

- Good team-working
- Governance and financial management
- Proactive attitude of the Board members
- Low cost internal management structure
- Positive attitude of the collectors
- A good basis for moving forward

KEY ISSUES TO BE FACED

1.9 Uptake below potential because of:

- Infrastructure Issues
- Enforcement Issues
- Lack of Recruitment
- Unarticulated Case for the Regulation
- Seasonal Issues

1.10 Inadequate competition and rising costs

The evidence:

The Table below shows the changes in collectors prices since the start of the Scheme. On a national basis, 49% of prices offered have increased since the start of the Scheme compared with 32% remaining unchanged and 19% decreasing. Regionally, North West England has shown the highest number of increases.

	% Increased	% Unchanged	% Decreased
Scotland	75	24	1
Wales	52	32	16
N Ireland	49	6	45
England NW	83	11	6
England NE	43	45	12
England SW	19	57	24
England SE	20	49	31
UK	49	32	17

The variations by region for a sample of fallen stock price categories are extremely wide. Broadly it can be seen that the lowest figures tend to be in Northern Ireland and the highest in South East England. The difference between the highest regional average and the UK average ranges from +15% for adult cattle to over +200% for some lamb, pig and poultry categories.

Regional Average Prices for Fallen Stock Collection (£)

	Scotland	Wales	NI	NW	NE	SW	SE	UK
Bovine 12-24 months	54.48	83.78	55.85	75.08	67.64	72.17	99.56	72.65
Bovine 0-3 months	8.65	16.95	12.15	13.31	12.79	19.43	34.03	16.76
Sheep over 12 months	12.45	18.26	12.23	20.88	20.47	20.46	42.69	21.06
Lambs 2-12 months	11.72	13.08	10.00	13.75	12.65	16.57	35.83	15.76
Lambs 0-2 months	3.11	3.61	1.35	4.06	5.61	8.77	29.75	8.47
Pigs (30-150 kg)	17.84	39.48	13.00	26.18	26.55	38.08	47.73	29.84
Pigs (7-30 kg)	8.70	18.10	6.31	11.24	13.97	21.14	32.72	16.03
Pigs (0-7 kg)	2.91	5.29	1.12	3.17	6.15	10.07	21.87	7.08
Poultry per 10 kg	2.39	2.42	1.13	1.90	2.09	2.52	13.16	3.66

Comparisons were also made between the prices for the **national** average and the estimated price set out in the original Defra business plan for the Scheme. This showed that in all cases average prices are significantly higher than the expected cost. **It also demonstrates that the costs to producers (without subsidy) are substantially higher than was envisaged when the Scheme was set up.**

It also confirms the view that competitive pressures are not driving down prices; indeed, prices are tending to rise at present.

The reasons:

- The lack of Collectors in some areas
- Hunt kennel availability is diminishing
- Planning and environmental legislation and enforcement discourages new entrants
- Uncertainty about the future prevents investment
- Structural issues in the system results in farmers bearing cost increases
- Above all, higher fuel prices and the Waste Incineration Directive are driving up costs

1.11 The Impact on Producers of Fallen Stock Removal is significant, particularly for sheep

As can be imagined, this varies depending on the location, the livestock enterprise and mortality rates – amongst other factors. However, estimates have been made on the basis of calculations from enterprise costings and industry sources. The Table below reflects the results based on averages:

Fallen Stock Costs as % Estimated Total Costs of Production for Typical Farming Enterprises

Species	Enterprises	% Cost
Beef	English Lowland Suckler Herd*) less than 0.3
	English Beef Finishing Systems*)
Sheep	English Lowland Breeding Flock**	2.5 – 3.5
Pigs	Large Breeding and Feeding Herd	0.8 – 1.2
Poultry	Typical Large Broiler Unit	0.6– 0.7

N.B. these estimates are made before the subsidy is taken off

* assumes that Government funds over 24 month TSE cattle testing

** assumes full cost recompense for any scrapie testing

The above Table shows that, for most enterprises, the average cost of fallen stock disposal will amount to less than 1% of total costs (fixed plus variable). Nevertheless, in view of the small (or in some cases negative) net margins on farming enterprises, even this cost can represent a significant cost factor.

In the case of sheep, the percent cost was estimated at between 2.5% - 3.5% of total costs, which is a much higher cost than for other enterprises. The Table below shows that this can amount to over 4% of gross margins on a lowland sheep enterprise and **almost 2/3 rds of typical net margins for such a farm.**

Estimated Impact of Fallen Stock Disposal on a Typical English Lowland Sheep Breeding Flock

1.	Estimated Gross Margin per holding:	£44.76 per ewe
	Net Margin per holding:	£3.06 per ewe
	Numbers of ewes per holding:	556
2.	Annual cost for ewe disposal:	£355
	Annual cost for lamb disposal:	£697
	Annual membership to Scheme:	£28
	Total Cost:	£1,080
3.	Total Gross Margin per holding:	£24,887
	Total Net Margin per holding:	£1,701
4.	Total Cost as % Gross Margin:	4.3%
	Total Cost as % Net Margin:	63.5%

Source: Costings figures obtained from 'Business Pointers' Cattle and Sheep Business Costings for 2005/06' – EBLEX / Farmers Weekly

1.12 There is a slow movement to improving poor infrastructure

Poor infrastructure relates both to availability and cost of the service. The reasons for relatively slow progress have been:

- The Company has rightly been pre-occupied with its main responsibility
- There has been lack of ownership of the problem in some areas
- The seasonal issues for the sheep sector

1.13 The lack of investment in research and development in low-cost solutions

- Lack of Incentives to Invest
- Difficulties in Changing the EU Regulation
- Lack of sufficient funding/tax incentives

1.14 Particular difficulties in the sheep sector

While all sectors face problems in the animal by-products areas, the sheep sector is faced with the most demanding situation due to:

- Location and seasonality issue
- Fallen stock accounts for a higher proportion of production costs
- Enforcement more difficult than for other species
- Many sheep producers do not accept the burial ban

1.15 The prospect is for a deterioration of the situation if the subsidy is withdrawn

The LACORS views based on reports from the field are relevant: 'Without the subsidy from Government it is difficult to see how the Scheme can remain a competitive option in the longer term.'

It is vitally important that all parties are aware of this situation and that future actions take full account of it. **The increasing cost pressures on the animal by-products sector due to fuel costs and WID are currently the single most important factors underlying this concern.**

ISSUES IN A WIDER EU CONTEXT

1.16 Wide variations in the situation in other EU countries but burial has generally not taken place for some years

- There may be a competitiveness disadvantage for the UK, particularly for sheep
- There are lessons to be learned from other EU countries
 - a) On efficient structures for collection and disposal
 - b) On the widespread acceptance of the role of Government, or at least a central or regional authority

CRITICAL CRITERIA FOR SUCCESS AND PENALTIES FOR FAILURE

1.17 Proactive involvement of all stakeholders

It is essential that all Stakeholders work together to achieve the best result. This means Government, livestock producers, livestock organisations, collectors, renderers and enforcement authorities (in the short-term the RPA will also have a vital role to play).

1.18 Recognition that the system needs to change

The Company has progressed well so far in getting the Scheme off the ground and achieving a UK-wide membership of 40,000 producers. However, there will be a major adjustment necessary in the next phase of development.

1.19 Future developments need to be seen in a wider context

It is correct that the NFS Scheme has so far been focussed on the fallen stock collection and disposal process associated with complying with the EU regulations for animal by-products disposal. However, if progress is to be made it needs to be seen in a wider context. This broader perspective should bring in:

- the wider issue of farm waste, which now assume more importance following the Waste Framework Directive provisions
- the need to take on board the problems of the farmed fish industry whose waste disposal issues also come under the provisions of the ABPR (see Appendix 19)
- the wider needs of the Government's Animal Health and Welfare Strategy, in which effective disease surveillance and biosecurity are of considerable importance
- The need to explore the possibilities of co-ordinating better the associated arrangements for over 24 month cattle TSE testing and the scrapie testing of fallen stock

1.20 A vital need to have the right business model

1.21 The Stakes are High for Government and Industry

All Stakeholders have an interest in future success in this area - in particular, the Government and the livestock industry. Worst case scenarios might be as follows:

For Government

- the effects of non-compliance with a law which seeks to ensure an adequate degradation process essential to ensure reduction of BSE / TSE infectivity
- the pollution problems and impact on watercourses that can arise as a result of improper burial
- the potential for improper burial to act as a vector for transmission of disease to man, animals, birds and insects

- public dismay and criticism at a burial ban being ignored in part of the countryside with consequential major media criticism and impact on tourism on several parts of the country
- a consequential need for a major increased investment in enforcement procedures
- the possibility of UK fines due to the failure to implement an EU regulation
- an adverse reputation in EU discussions and negotiations on other related issues

For Industry (in addition to the impact on many of the above)

- widespread publicity to prosecutions leading to reducing public confidence in parts of the livestock industry
- biosecurity or other lapses leading to animal health risks and damaging the UK industry's reputation at a time when it is trying to re-establish itself in beef export markets.

1.22 A devolved solution?

The Company to date has operated on an overall UK basis. This has worked well, partly because particular Company issues affecting Scotland, Wales, Northern Ireland or England have been normally dealt with by the relevant Board Director. Defra and the devolved administrations have also handled issues relating to their respective responsibilities. The Scheme and the Company have therefore enjoyed the benefits of

- devolved resolutions of particular issues in Scotland, Wales and Northern Ireland
- UK co-ordination where relevant by Defra who have also dealt with English issues
- the economies of scale of a central UK administration

It is recommended that the continuation of a UK wide scheme is desirable, so long as there continues to be an adequate mechanism for devolved issues to be sorted out in Scotland, Wales and Northern Ireland.

A VISION AND A FUTURE STRUCTURE

1.23 A Vision for the Future

A system that within 5 to 7 years:

- ***is efficient and low-cost***
- ***commands confidence of all the stakeholders***
- ***has built-in incentives to drive greater efficiency***

1.24 An appropriate future structure

- In the next stage there is a clear case for the need for **central co-ordination** to deliver the vision because some body must take ownership of the change.
- NFSCo has won the confidence of the Stakeholders concerned and is the recommended body to take the next stage forward. It will need to recognise that it will need to modify and extend its role.

1.25 NFSCo's new role

NFSCo's new role should include its existing responsibilities in running the Scheme. However, it should look carefully at ways of reducing central administrative cost and particularly developing IT service efficiency. It should also become proactive in the following areas:

- Encouraging improved infrastructure through local solutions. This activity should focus on 'high cost' areas within regions as well as those with little competition.
- Exploring all opportunities for reducing cost by undertaking visits to best practice examples in other European countries and elsewhere
- Supervising a research and development programme focussed on developing ideas for lower cost solutions. These solutions should be explored in close co-operation with UK Government and EU officials who are responsible for the ABPR. A wide range of techniques should be explored, including the possibility of lower cost opportunities for non-ruminant animals; on-farm composting and the range of other possibilities based on world-wide research and development being undertaken
- Exploring additional functions which can sensibly be absorbed and also attract additional funding which can contribute towards the overhead costs of the Company
- Running business improvement schemes for various parts of the industry with a view to improving overall competitiveness. Techniques which should be explored would include benchmarking, value chain analysis and masterclasses.
- Attracting external sources of funding for its activities; this should include EU and Government sources, corporate memberships, collector contributions and other non-Governmental sources

1.26 An immediate issue

- If NFSCo in its new guise is to 'hit the ground running' when the period of the Government grant runs out, it needs to have an extension of the period of the current Government grant up to the end of 2008. On the basis of estimates made the Company will not fully utilise the existing funds by the end of November 2007. It is recommended that approval is sought for the period of the grant to be extended until the end of 2008.

THE ROLE OF GOVERNMENT

1.27 The necessity of positive involvement

Defra and the Devolved Administrations have already played a vital role in the first phase of the project. A continued proactive involvement is going to be important for the future success of the project. Simply leaving the industry to comply with the regulation and the enforcement authorities to prosecute in cases of non-compliance would be exposing Government to some of the worst-case scenarios set out earlier.

The National Fallen Stock Scheme has been a good example of Government/industry partnership working well. This relationship should continue to operate if a successful outcome is to be achieved.

1.28 Key Future Roles for Government (both Defra and Devolved Administrations) are:

- Closely monitoring the situation on uptake into the Scheme over the next eighteen months and reviewing the situation for particular species sectors, especially sheep
- Being aware that many farmers and collectors are convinced that the Scheme will not work without a continuation of the current subsidy
- Remaining actively involved with the Company through a seat on the Board. Particular responsibilities would include advice on regulation, liaison and links with other related schemes
- Supporting the Company in its request for research and development money, funding for infrastructure improvements, wider farm waste disposal etc.
- Helping the Company in its requests for funding to cover the 'public' benefits that Government receives from the Scheme e.g. disease surveillance and biosecurity improvement
- Giving added weight in discussions between the Company and the enforcement authorities, the Environment Agency, planning authorities etc
- Being prepared to help sort out 'devolved' issues which may arise from time to time
- Articulating more strongly the need for the legislation
- Proactively reviewing and seeking changes in the ABPR. There is growing evidence that this regulation is inflexible and disproportionate. Close liaison between Government and industry should result in sensible adjustments which should enable more practical and lower-cost solutions. It is recognised that this will not happen overnight.

1.29 Further requirements for government funding

The original intention was for Government funding to be phased out over a three year period and for industry to pick up the costs once a 'low-cost' structure had been put in place. It is important to understand that circumstances have changed, particularly due to:

- The sharp increase in energy costs
- The implications of WID and the consequential increased prices likely to be charged by the rendering industry

Interim funding is necessary to enable the industry to move from its current situation to the future position set out in the Vision.

This is required in the following areas:

- a) 'transitional' support to ease the transfer from Government to private ownership and to enable particular sectors who have specific problems to be given special help e.g. the sheep sector
- b) research and development to develop low cost solutions which will be compliant with the ABPR
- c) infrastructure improvement which will be geared to providing local or regional solutions
- d) business improvement measures – in particular, a special scheme which might be developed for the knacker industry
- e) proper rewards for the public goods being supplied by the Company in its new role
- f) extra activities such as any additional farm waste disposal responsibilities

1.30 Sources of Government Funding

Not all of this funding need (or should) come from the Defra (or devolved) animal health resources. For example, funds from RDR, business improvement and environmental budgets are all potentially relevant to different areas.

1.31 The NFSCo Business Plan

The funding bids for the Defra Animal Health budget and other sources should best be set out in the context of a business plan prepared by the Company. This would state objectives and strategy for the next five years as well as the budget for income and expenditure over the same period. It would show clearly other potential income sources for the Company (member subscriptions, corporate membership, collectors contributions to administration costs etc.) It would demonstrate how the funding would be used to deliver lower cost solutions for the industry so that dependence on Government money would reduce over time.

The Business Plan would also set out the different priority needs of the various sectors, namely:

For **sheep** – further support to cushion costs until lower cost solutions exist

For **cattle** – maintenance of the full cost recovery from the twenty four month BSE testing for the future

For **pigs** – the need to find specific non-ruminant solutions which may provide a better return for the industry; ensuring that solutions are consistent with good biosecurity

For **poultry** – pursuing low-cost solutions

For **collectors** – improving business efficiency

For **disposers** – obtaining improved value from the end product

1.32 Proposed future company structure

Retain current structure as far as possible

It has been recommended that it would be appropriate to have an overarching UK body to progress things. It is also noted that the existing Board structure has served the Company very well and provides a good basis for moving forward.

- It is recommended that the Company continues to be a Company Limited By Guarantee with ownership (or majority ownership) transferred from Government to farmer organisations.

A possible Ownership and Board Structure is set out in the Report. It is important that in addition to having ownership of farming organisations, the Board should have a member with good commercial and financial skills.

1.33 In relation to the executive functions, it is likely that the Board will want to appoint a General Manager who should preferably have commercial experience and knowledge of the British livestock industry. Most of the administrative functions will best be outsourced and work on this process should start up as soon as possible. It is recommended that the General Manager and all outsourced functions should operate from one site. The major challenge will relate to the necessary smooth transfer of the IT functions from the existing RPA operation to the new private outsourced organisation.

SUMMARY OF RECOMMENDATIONS

1.34 FOR NFSCo

- There is a need to set up a better basis for measuring uptake of the scheme in relation to potential stock numbers (Section 3.8)
- More accessible management information should be accessible for running the business (4.3)
- NFSCo needs to establish liaison and make appropriate visits to see best practice and the process for by-product collection and disposal in specific other Member States (particularly Netherlands, Denmark and Belgium) (5.4)
- NFSCo should assume new roles in the following areas: (7.3)
 - Encouraging improved infrastructure through local solutions
 - Supervising a research and development programme focussed on ideas for lower cost solutions
 - Exploring additional functions which can sensibly be absorbed into the organisation and offset overheads
 - Running business improvement schemes for relevant parts of the waste industry
 - Attracting external sources of funding for its range of activities from EU, Government, corporate memberships, collectors contributions and other non-Governmental sources
- NFSCo should work as soon as possible on its business plan for the next 5 years, which should include the case being made for funding requests from Government and non-Governmental sources (8.3.3)
- The new NFSCo Board should agree on the basis and terms for outsourcing the administration and call centre responsibilities to a private organisation (9.4)
- The executive functions and the outsourced administrative and call centre functions should all be based on one site if at all possible (9.5)
- Work on preparation for the outsourcing arrangements should be put in hand as soon as possible
- Review the Report and the Government response to it (Appendix 18)
- Agree the strategy for moving forward (Appendix 18)
- Get Buy-in for the Strategy from Stakeholders (Appendix 18)
- Agree on the Scaling down of subsidy rates to members (Appendix 18)

1.35 FOR NFSCO and GOVERNMENT

- There should continue to be an overall UK Scheme so long as the structure provides for devolved issues to be resolved within it (6.6)
- Immediate attention should be given to seeking an extension to the period of the existing grant to the end of 2008 (7.4)
- Agree to NFSCo becoming a farmer-owned company with a Board Structure as proposed (8.2,8.3)
- Agree to having more financial and commercial expertise to take the Company forward in its new role (8.3,8.4)

1.36 FOR GOVERNMENT

- Continue to be proactive in its involvement in the scheme in the following ways (8.2):
 - Closely monitoring future uptake, particularly for sheep
 - Remaining active in participation with the company, particularly through the seat on the Board
 - Giving added weight in NFSCo's discussions with other Government Departments and official bodies
 - Articulating more strongly the need for the regulation
 - Reviewing and seeking changes in the ABPR
- Supporting, where possible, requests for Government funding (when linked to a rigorously prepared business plan) in the following areas (8.3.3):
 - Transitional funding to ease the transfer to private ownership and to support sectors in particular difficulty
 - Research and (particularly) development funding towards establishing lower-cost solutions for by-product collection and disposal
 - Infrastructure improvements geared to providing local or regional solutions
 - Business improvement measures
 - Payment for public goods provided by the company e.g. better disease surveillance or improved biosecurity
 - Extra activities which are consistent with Defra's wider objectives e.g. disposal of all farm waste

NB not all these funding requests would relate to the Animal Health budgets of Defra and the Devolved Administrations

INTRODUCTION

2.1 The Scope of The Review

The formal scope of the Review is set out in Appendix 1. In essence the key elements have been:

- Identifying key lessons from the current situation
- Examining key future options when the current Government funding ceases
- Recommending the best future option for the post-subsidy situation
- Identifying necessary transitional steps to the new situation
- Establishing the future relationship between Government and Industry (with or without the Company) when Government funding ceases
- Ensuring effective compliance with the EU regulations when the Government funding ceases – including an effective infrastructure

2.2 Approach to the Review

The exercise has been undertaken in 5 ways:

- A review of relevant historical and current documentation (a list of the current regulations as well as the animal by-product categories and controls is in Appendix 2)
- An extensive series of consultations with key Stakeholders and Stakeholder organisations, usually on location but sometimes by telephone contact. Although these were 'off the record' meetings, the main views expressed are recorded, unattributed, later in the report. A list of the Stakeholders who were notified is set out in Appendix 3. Over fifty meetings were held throughout the UK - see Appendix 4. Written responses are included in Appendix 5.
- A questionnaire was sent to individual LASSA, RIO and UKRA members. It was compiled to enlist specific views on the arrangements which were not picked up in conversations with Trade Association representatives. A copy of the questionnaire is in Appendix 6 and the full results are in Appendix 7.
- Some statistical analyses were conducted on a range of issues including the uptake of members, estimated uptake of fallen stock, estimates of pricing and the impact on producer margins.
- Particular issues were dealt with in larger stakeholder groupings towards the end of the Review. Five of these meetings were held – for English cattle, sheep and poultry issues, Welsh livestock, Scottish livestock and for the pig industry. An equivalent stakeholder meeting also took place in Northern Ireland

With a limited time frame available, the focus of this review has been on the areas where most value could be added by an independent outside observer rather than spending time on issues that the existing Board, Defra staff and the RPA are more than capable of resolving and taking forward.

2.3 Description of History and Background

The EU Animal By-Products Regulations brought into effect in May 2003 prohibited the burial or 'open burning' of livestock that have died through natural causes on-farm. In order to comply with this regulation, farmers are required to use the available infrastructure for collection and disposal of farmed livestock throughout the UK.

Agreement was reached with the farming industry on joint funding for a low-cost, voluntary National Fallen Stock Scheme to facilitate compliance with this EU regulation. The Government announced at the same time that it was setting up the National Fallen Stock Company to run the Scheme.

The case for Government intervention in this situation results mainly from the public health risks from burial or 'open burning' of livestock and the needs for good biosecurity to accompany the arrangements for collection and disposal. It mirrors (albeit in a different form) the direct Government involvement in many other EU member States. This co-operation is a good example of the benefits from Government and industry working together to obtain a satisfactory solution.

There is a responsibility for EU member states to ensure adequate arrangements are in place and that sufficient infrastructure exists. A Government grant has provided £20 million over a three year period to reduce the cost to farmers of compliance with the EU Regulation. £2 million of this was subsequently allocated to the RPA for admin / IT development.

The primary aims of the National Fallen Stock Company are to:

- Establish a financial viable collection and disposal service which reduces the cost of collecting and disposing of fallen stock for farmers
- Manage the Scheme so as to maximise revenue and minimise costs
- Provide a Scheme that is as equitable as possible for all sectors
- Use any surplus funds to maintain low rates for the benefit of all farmers

The intention is that both Members (i.e. farmers) and Collectors should have a number of benefits from using this scheme for the collection and disposal of livestock.

- To the Member
 - Compliance with the EU Regulations as implemented in EU Law
 - Certainty of access to approved Collectors
 - Confidence that only approved Collectors are registered with the Scheme and that fallen stock will be disposed of correctly
 - Simplified administration i.e.:
 - One invoice per month from the Company rather than multiple invoices from Collectors

- One automatic payment per month by the Member to the Company by variable direct debit rather than several cheques to Collectors
- Taking care of payments to Collectors would be the job of the Company
- Reduced costs for farmers in the first three years of Scheme operation
- With increasing uptake, there should be reduced fallen stock costs extending into the longterm.
- To the Collector
 - Increased credibility with Members through being registered with the Scheme leading to increased business and therefore increased cashflow
 - Greater confidence and security of cashflow (reduced bad debt risk)
 - Simplified administration i.e.:
 - One invoice per month to the Company rather than numerous invoices to Members
 - One automatic payment per month from the Company to the Collector rather than numerous cheques from Members

2.4 How the Scheme Operates

Approved premises for the disposal of fallen stock and collectors register with the Scheme.

The Scheme is open to all farmed livestock owners and businesses in the UK for the collection and disposal of livestock. Government contributions are available to all farmed species including the following:

Cattle and calves

Sheep and lambs

Pigs

Poultry

Deer

Fish

The Scheme is also open to organisations responsible for disposal of farmed livestock as well as horse owners and other businesses on payment of a registration fee to gain access to Scheme-registered Collectors. Collection charges for these groups do not benefit from a Government contribution.

Members are able to register with the Scheme for the collection and disposal of livestock on payment of a fixed nominal annual registration charge per collection point. Registration is conditional on the Member authorising a variable direct debit mandate for the Company.

Additional registration charges are payable for each additional collection point registered as part of the same business.

Collectors wishing to participate in the Scheme are required to prove their pre-existing Approval status* and provide a tariff of collection/disposal charges for each category of livestock on a postcode basis prior to becoming registered. Collectors are able to outline any charges for additional services that they wish to provide.

The Scheme then proceeds as follows:

- A registered Member contacts a registered Collector when he requires the collection of fallen stock from his premises. Members are able to choose their own preferred registered local Collector
- The Collector collects and disposes of the fallen stock in accordance with the requirements of the EU Animal By-product Regulations. The Collector submits an invoice for his services to the National Fallen Stock Company on a monthly basis
- The Company applies a reduction (currently 50%) to the cost of services provided using the government contribution (for farmed livestock only) and requests electronic payment from the Member (using the direct debit mandate)
- The Company pays the Collector's invoice.

The Company provides the necessary administrative services to operate the Scheme. These services include:

- Maintenance of an up-to-date list of registered Members and Collectors (including their charges and areas of operation)
- Provision of relevant parts of this list to Collectors and Members as requested
- Receipt of Government funds
- Receipt of invoices from registered Collectors following the collection and disposal of fallen stock from registered Members
- Receipt of payments from registered Members for the collection and disposal of fallen stock by registered Collectors
- Payment of invoices from registered Collectors for the collection and disposal of fallen stock from registered Members
- Provision of dispute resolution, error rectification and bad debt notification services in relation to Scheme transactions to registered Members and registered Collectors
- Provision of a helpdesk for the Scheme related queries from both Members and Collectors.

* Intermediate plants and collection centres are approved by Local Animal Health offices of Defra, DARD, SEERAD and NAWAD for collection and disposal of stock as governed by separate, pre-existing processes. Responsibility for approval remains with the Local Animal Health offices and falls outside the scope of this Scheme. In Wales approval of plants is done by the Welsh Assembly Government.

The operational procedures of the Scheme in more detail, including the need for regular price setting, registration fees and dispute settlement procedures, are available on the NFSCo website.

2.5 The National Fallen Stock Company (NFSCo)

NFSCo was established as a private Company limited by guarantee in 2004 and the Memorandum and Articles of Association describe the objectives and rules under which it is run. One of the reasons behind the Scheme being set up in this way is the requirement from the EU that any state funding must be seen to benefit the primary producer.

In essence, the Government currently owns NFSCo as only it is entitled to apply for membership of the Company. Each Government member is allowed to nominate one Board Member. Defra, SEERAD, NAWAD and DARD have each nominated a non-Government appointee to the Board (normally a farmer). In addition there is a Government nominee on the Board. The Board have also nominated someone to represent intensive livestock interests. Current Board members are:

Michael Seals (Chairman)
Ian Duncan Miller
Walter Elliott
Eifion Evans
Willie Gordon
Neil Leach (Defra)

Stakeholders are divided into three groups – Government, Class A Stakeholders and Class B Stakeholders. Only Government and Class A Stakeholders can nominate Board members.

It is the responsibility of the Board to ensure the effective operation of the Scheme and the subsidy; the administration is currently outsourced to the Rural Payments Agency (RPA) – the Company staff have been kept to a minimum and limited to one full-time manager, who is seconded from Defra under the 'secondment to industry' scheme and works with administrative support at MLC's offices in Milton Keynes, sharing facilities with Assured British Meat (ABM).

2.6 Biosecurity

The Company has set out Biosecurity guidelines for the collection and disposal of fallen stock. The guidelines, which are set out in Appendix 8, show the care and priority given to biosecurity matters by NFSCo.

2.7 Current Position of the Scheme

The approximate percentage uptake of the Scheme for the year to November 2005 was as follows:

Table 1

Estimated percent uptake of the National Fallen Stock Scheme in the UK

Year Ending November 2005						
	Cattle	Calves	Sheep	Lambs	Pigs	Poultry
%						
England	60-65	60-70	25-34	35-40	50-60	
Scotland	60-70	40-55	30-40	40-45	65-75	
Wales	55-60	40-50	28-34	32-38	50-60	
Northern Ireland	70-80	56-64	23-27	25-30	20-25	
UK	60-67	50-60	28-34	32-40	48-55	60-65

The basis of the calculations for this are set out in Appendix 9. These estimates can only be regarded as broad approximations -- not least because some collections are made on a weight basis and there are variable sizes of containers. Some would argue that these figures overstate the percentage uptake, because the total potential deadstock population is higher than in the estimate.

The current situation for the Company is significantly higher as membership is steadily increasing. My estimate for early April 2006 is approximately as follows:

Table 2

Estimated Percent uptake of the National Fallen Stock Scheme as at April 2006 (UK figures)

	%
Cattle and calves	66-72
Sheep and lambs	35-45
Pigs	50-55
Poultry	65-70

The Farmer Membership of the Scheme in relation to the % potential membership is as follows:

Table 3

Farmer Membership of the National Fallen Stock Scheme as at End March 2006 and Estimated Percentage of Total Potential Membership

	England	Scotland	Wales	Northern Ireland	UK
Members	17,700	5,700	6,800	9,400	39,600
Members as % of Potential Total	54-58	50-55	53-57	62-67	55-61

Additionally there are almost 3,500 supplementary collection points. Again, these can only be considered broad approximations, not least because some will argue that potential membership is higher than has been suggested in the calculations. The basis of these calculations is set out in Appendix 11.

On the basis of the current rates of increase in new members, it is forecast that by the end of June 2007, membership should have risen to about 45,000 – about 2/3 rds of the total potential. However, future membership levels will be influenced by price and subsidy changes over the period.

There have been relatively few non-renewals and resignations. An analysis of why members have not renewed (Appendix 12) indicates that in the majority of cases this is due to 'no longer keeping livestock' or 'because the local hunt was offering a cheaper service outside the Scheme'. Only 4% of the sample indicated that they were unhappy with the service.

2.8 The Administration

The RPA operates a front-office call centre out of Workington alongside BCMS and other RPA call centres. The back office administration and 'trouble shooting' function operates out of RPA's office at Carlisle. Financial matters are dealt with by RPA's office at Reading.

Currently there are the equivalent of about 21 full-time staff operating on behalf of the Company at the three centres (N.B. April is a peak period for Company activity). This breaks down to 7 at the front office call centre, 14 at the back office at Carlisle and the equivalent of 1 person involved with the finance at Reading.

2.9 The Board and Meetings

Board meetings are held every three months and deal with major policy issues as well as reviewing the day to day running of the Company. The RPA also attend the Board meetings to give a regular report on the latest situation. Liaison between Defra and the Board is facilitated by the Defra representative on the Board.

The relationship between Defra and the Company (particularly the Board) has been positive. This has been a good example of a Government/Industry partnership working productively in the mutual interests of both parties. Both sides have played a part in bringing this about – it is certain that the Scheme and Company would not have operated nearly so efficiently had this not been the case.

Stakeholders meetings are held in London at least twice a year and are well attended by interested parties from throughout the UK. Issues brought up are generally resolved and dealt with efficiently, although in the past there has been frustration expressed by the pig industry and the farming interests in North Wales that their problems have not always been addressed adequately.

Collectors meetings have also been held around the country; there has been occasional frustration that not enough notice has sometimes been given, that they are held in inconvenient places and that there has not always been time to discuss issues. However, the meetings have been generally well appreciated by the companies concerned and have ensured that the Company is aware of issues affecting collectors.

2.10 The Financial Situation

The Company's Annual Report and Accounts give further information about what has been achieved since it was set up, as well as detailed financial information.

The 'cost-sharing' arrangement between Government and farmer currently results in the direct costs of collection and disposal being subsidised by 50%. The farmer is still fully liable for payment of his annual subscription as well as any other charges made by the collector (e.g. call-out charges). The Company can vary the 50% in future months.

Table 4 sets out some of the key financial figures since the start of the Scheme. It highlights the low costs of the Board and Company administration (1% of total turnover) but also the RPA development costs (12%), largely related to the development of IT systems.

Table 4

Key Financial Figures for the National Fallen Stock Company from November 2004 to March 2006

	(£'000)
Total Expenditure (RPA+Company Administration to March 2006)	21,090
of which:	
Total RPA Development Costs to date	2,481
Total RPA Running Costs	944
Total Scheme Collection Costs (incl. VAT)	17,400
Board/Company Administration/SVS Audits/Accountants/Legal	265

The Government contribution up to the end of March is estimated at approximately £6.8 million out of the £18 million designated by Defra as available for the Company up to November 2007. Appendix 13 sets out the likely development of the usage of Government funds under two scenarios (scenario 1 assumes a 50% Government subsidy to July 2006 and 30% thereafter; scenario 2 assumes a 50% Government subsidy to July 2006, 40% to July 2007 and 25% thereafter). Under either of these scenarios, there is likely to be £3-5 million unspent by November 2007.

3. HOW HAS THE SCHEME FARED?

Section 1 has summarised the facts, figures and basic workings of the Scheme to date. This section gives an overview and summary of its performance.

3.1 An Overview

The Scheme has generally progressed well after a rather shaky start. Inevitably there were initial teething troubles resulting from the need to change the business model, problems in setting up the appropriate computer support systems, difficulties in handling the seasonal peak demand from the sheep industry during lambing and many infrastructure issues. However, since June 2005 the situation has significantly improved with membership rising steadily as well as evidence that the Company has been able to handle the seasonal peak of the 2006 lambing season – even in those parts of the UK where the problems were most acute.

The figures in Section 2 showed that the uptake varies in different parts of the UK and by species: there is the highest membership percentage uptake in Northern Ireland. In relation to species, there is a generally good coverage for poultry and cattle, with the lowest uptake for lamb.

3.2 Problems encountered

Infrastructure problems, particularly to cover the seasonal demand of the sheep sector. This has been most apparent in North Wales, where there has been only one collector operating for several of the postal codes and in the South East and East of England - especially in areas where the livestock density is not great and costs have been high. There is a specific problem on the Isle of Wight where adequate infrastructure has not been available (see Appendix 13). In addition the pig industry has had problems, especially in parts of the country where there is a low pig population density and where previous collecting arrangements had not been operating.

Negative attitude to direct debits

Some producers were reluctant to join the Scheme for this reason. In many cases, initial resistance has broken down but it has frequently been cited as a factor that has slowed down recruitment. (The benefits resulting from insisting on a direct debit system have more than compensated from any downside factors.)

Difficulty of communication to farmers

Although a large majority of livestock producers have heard about the Scheme, many still do not understand it or have some (frequently unjustified) feelings against it. Communication is rarely easy and in a period of time when there have been other issues (notably the Single Farm Payment) to preoccupy producers, it is not surprising that the Company has found problems.

Fee structure

Some producers have felt that the fee structure discriminates against producers with smaller holdings. With the annual subscription being at a flat rate for all holdings, this charge has to be offset against the number of collections. In Scotland, where holdings are generally larger, the call-out figure is nearly ten times per year compared with about four in Northern Ireland where holdings are below the national average.

RPA administration

The RPA has been handling the day to day administration in an efficient way and has played a major role in establishing the Scheme and the Company. There is generally good customer care over the helplines. However, there was concern expressed by Board members about the fact that the RPA has been slow to respond to some more complex requests; the Company has also found that it is both slow and expensive to obtain management and other data from the database. RPA would argue that the requests from the Board have not always been precisely defined. Under the more recent Phase 2 development, standard reporting features are now available from the database and these are used to provide the regular management information which NFSCo require for their weekly reports. (NFSCo had requested this rather than going to the expense of a full MIS system.) RPA is also seen to be very expensive – and a recent report for the Board by Cornwell Management Consultants estimated that the administration costs could be approximately halved if the job was operated by a suitable company organisation in the private sector. Part of the reason for this is the result of operating from three different sites.

3.3 Many Positive Features

Good team-working

The Board, led by Michael Seals, has worked well together as a team and the relationship with Defra, DARD, SEERAD and NAWAD officials has generally been good. The RPA has also played its part in the teamwork. The secondment of the Defra executive to manage the Company has also worked well; particularly since he moved his base to Milton Keynes as this has helped to establish a separate identity for the Company from Defra.

Governance and financial management

The Company's governance and financial management is proceeding well in the context of its objectives. It had some difficult financial judgements to make, (e.g. setting the subscription level and increasing the subsidy) and these have generally turned out to be sound. However, if the Company moves to a more commercial situation, it will be essential to be able to access better financial and management data – and to be able to interrogate the database in a more flexible way.

Proactive attitude of the Board members

The Company's original remit was largely confined to setting up an effective low cost scheme for farmers. It was not given the responsibility for infrastructure improvement but Board members have been working beyond their remit and have tackled problems as they have occurred. A recent example has been the need for an interim collection centre in North Wales, where the proactive role of the Company has played an important part in moving things forward.

Low cost internal management structure

The internal management costs within the Company have been relatively low, as noted in Section 2. This has partly been the result of the Defra secondment, but also because facilities are being shared with Assured British Meat (ABM) in MLC's Office at Milton Keynes. This gives the Company a freedom to make decisions on how it wants to operate in the future.

Positive attitude of the collectors

80% of the collectors who completed the questionnaire (see Appendix 6) indicated that Scheme worked 'average', 'well' or 'very well' for them and they indicated strong support for its continuation.

A good basis for moving forward

In overall terms, the first fifteen months of the Scheme's operation has provided a good basis for tackling the next phase.

3.4 Views of Stakeholders

Some written responses sent in by Stakeholders are attached in Appendix 5. However most of the views expressed by Stakeholders were obtained in individual or collective meetings. Key issues to emerge were as follows:

3.4.1 Livestock Producers*

In relation to the **operation** of the Scheme, there was recognition that it was working well after a difficult start; however the subsidy had played an essential part in this. Many sheep producers in North Wales had been highly dissatisfied with the Scheme – particularly during the 2005 lambing season. There was also frustration that the Animal By-Products Regulation (ABPR) was extremely inflexible. Planning approval for building sites and new premises for collectors was also proving frustrating.

Sheep producers frequently voiced their opposition to the burial ban and felt that there was little justification for it – they thought that the legislation was too inflexible.

* Many of the views expressed by producers were replicated by the comments made in Scotland, Wales and Northern Ireland. These have not been repeated in the next three sections except where there was a distinctive emphasis.

Pig producers were disappointed that the Company had not used the period of Government funding to improve infrastructure and seek progress with lower cost solutions. They felt somewhat detached from the strategic direction of the Company. However, they supported the appointment of the representative of the intensive livestock sector.

As to the future, there were concerns particularly in the sheep sector. There were strongly expressed views that if the subsidy did not continue, there would be a reversion to previous practices and a strong temptation for sheep producers to bury their dead stock.

All producers emphasised the importance of finding lower cost solutions. In some cases, farmers would see additional costs as the 'nail in the coffin' in terms of continuing in livestock production. Priorities were to improve infrastructure and on-farm storage.

Pig producers urged the Company to become more proactive in facilitating solutions and exploring new techniques. They were concerned that there was a potential conflict between the requirements of the regulation and good biosecurity –particularly as the regulation has resulted in more transporting of pig carcasses rather than encouraging on-farm solutions.

3.4.2 Scotland

Generally, the Scheme had worked well although the uptake for sheep was still considerably below potential. There was praise for the role of the Company in Scotland.

It was the view of collectors that the existing mainland derogated areas should be reviewed as soon as possible. Farmers, however, remained strongly opposed to this. One Scottish collector had now discontinued collections from non-NFSCo members

Corporate membership of the Scheme by external bodies with an interest in its smooth functioning could be explored as an additional income source.

The issue of farmed fish waste needed tackling and the Company could have an important role as an additional source of disposal.

There was support for the continuation of a UK-wide Scheme.

3.4.3 Wales

Much attention was focussed on the problems in North Wales although, in other areas, the Scheme was operating satisfactorily.

Infrastructure issues, having only a single collector in some areas, and not having any rendering plant in Wales, were all holding back progress.

Enforcement was seen to be variable and dependent on infrastructure availability.

There was disappointment that biodigestion had been ruled out as good biosecurity pointed to on-farm solutions where possible.

The Company had been performing much better since August and the recent efforts by the Welsh Board Director had been appreciated.

There was a need for someone to take ownership of infrastructure problems – this should be a future role for the Scheme and Company.

3.4.4 Northern Ireland

The Scheme was functioning well and generally exceeding expectations. The role of collectors had been crucial as one collector refused to accept deadstock from anyone who was not a member of the Company.

Producers were unhappy with the burial ban 'Why can we bury humans but not lambs?' The membership fee discriminated against smaller producers.

In the future, producers felt there ought to be a clear focus on cost reduction. Any reduction in subsidy would be a backward step for producers. If funding was not forthcoming for a UK wide Scheme, producers would seek funding from DARD specifically for Northern Ireland.

3.4.5 Collectors

An analysis of the questionnaire is summarised in Appendix 7. In other discussions, the following points were made:

- There was general support for the Scheme. The main objections from some LASSA members related to the system used for the over 24 month cattle TSE testing which has a different arrangement to the National Fallen Stock procedure
- They particularly valued the Company in its role for collecting money and guaranteeing payment
- It was essential that the Government subsidy should be continued
- Repricing should be on an annual basis rather than every 6 months
- Some smaller operators, particularly the hunts, felt that the Scheme and Company favoured the larger companies

- Progress was held up by uncertainty in planning decisions; this discouraged investment and progress
- The RPA Computer operated very slowly
- Collectors could do more than just collect deadstock – there could be a role for them in the collection of all farm waste.

3.4.6 Renderers

Fallen Stock throughput was a relatively small proportion of their total business - (3–10% depending on the Company) – and at the more troublesome end!

In general, renderers supported the Scheme – but would be prepared to adjust to whatever structure was operating in the future.

There was major frustration with Government over the recent decision on tallow which was symptomatic of a climate which discouraged them from making investment decisions. (NFSCo has inevitably been dragged into the WID argument.)

There was scope for adding value to animal by-products, which would be of benefit to the industry e.g. through investing in bio-diesel and usage for power generation. However, it is important for Government to incentivise this more.

3.4.7 Countryside Alliance / Master of The Foxhounds Association

There was concern that this was a 'Defra Scheme' and this factor had been a disincentive for the hunt kennels to join up.

In addition, the hunts kennels had sometimes not joined the Scheme because of difficulty in bidding for specific postal code areas.

They would not be in favour of the continuation of a centralised Scheme once the subsidy had been used up– but would be prepared to accept this if it had the support of farming organisations.

They had a belief that they could potentially play a bigger role in the future if there was more flexibility – but uncertainty about their own future was a major issue at present.

3.4.8 LACORS (representing Local Authorities in Great Britain who are responsible for enforcement of the legislation through their Environmental Health or Trading Standards Officers)

Overall there has been an improvement in recent months in the operation of the Scheme and in its perception by farmers. The situation varies greatly from area to area so general comments were very difficult to make.

The Scheme worked best where there was already an infrastructure available. It was important to work out solutions on a local basis.

The major problem areas were in North Wales and in parts of East and South East England

There was support for the continuation of an overarching Company
Several local authorities advocated that NFSCo should retain its links with central Government

There was sympathy with farmers in some areas in view of the poor infrastructure

Many Local Authorities could not see the Scheme being viable without the continuation of the subsidy

Some Authorities would support NFSCo having an extended role with all farm waste.

Some Authorities suggested that compliance with the ABPR could be improved by having a link with cross-compliance for the Single Farm Payment

It was vital for livestock producers to be more convinced of the importance of the legislation

4. KEY ISSUES TO BE FACED

4.1 Overview

Section 2 summarised the facts and Section 3 set out an evaluation of the latest situation as well as the views of major Stakeholders. Section 4 turns to the future and sets out the key issues to be faced. Seven have been identified:

- The uptake of the Scheme is still well below the potential despite the availability of a subsidy
- The presence of inadequate competition and increasing costs are resulting in continued high prices for many farmers
- The impact on producers' returns is important, particularly for sheep
- There is some movement towards improving infrastructure but at a slow rate
- There is a lack of investment in research and development into lower cost solutions
- There are particular problems in the sheep sector
- There is the distinct prospect of the situation deteriorating if the Government subsidy is not renewed.

4.2 Uptake Below Potential

The figures set out in Section 2 indicate that the membership of the Scheme is at present less than two thirds of the potential – with membership in Northern Ireland achieving a higher percentage than the rest of the UK. This is despite the fact that the 50% subsidisation of costs has been operating since the middle of 2005. Higher membership means higher throughput which in turn should result in lower costs through better economies of scale. The major reasons for the less than optimum uptake are as follows:

4.2.1 Infrastructure issues

The high collection costs (even after subsidy) or the unsatisfactory infrastructure issues in some areas have continued to inhibit an increase in membership, with some producers resorting to alternative disposal methods. These methods may be perfectly legal (e.g. the local hunt may have decided not to join the Scheme but operate a cost effective local service). In other instances there is allegedly non-legal disposal taking place.

4.2.2 Enforcement

Collectors referred to weak enforcement in some areas of the country. LACORS does not accept this view although some Local Authorities have criticised the infrastructure within which farmers have to operate.

Recent information indicates that there have been forty prosecutions in England and Wales since early 2004 involving fallen stock disposal. (Some of these prosecutions combine with other misdemeanours.) There has been little publicity given to these, which has led to the impression that there has not been much prosecution under the legislation. It is also understandable that enforcing the regulation in some of the remoter areas of sheep production is far from easy. Traceability systems in cattle are much more advanced than those in sheep but, until better systems are in place, there is not going to be an audit trail that can make this part of the job any easier. It is also understood that the EU Food and Veterinary Office, in its visit earlier this year, has highlighted some inadequate checking for on-farm burial.

4.2.3 Lack of Recruitment

Until recently there has not been a major drive to promote the Scheme and recruit members. This has meant that there are still some producers who misunderstand the Scheme, are suspicious or do not even know about it. The key mechanism for recruitment is via the collector.

4.2.4 Unarticulated Case for the Regulation

There has not been a major drive to spell out the need for the regulation in the first place. This has resulted in producers (particularly sheep farmers) feeling that the ban on burial is not really necessary or is related to the need to comply with 'another of these EU regulations'.

4.2.5 Seasonal Issues

Even where a livestock producer has become a member of the Scheme, this does not necessarily mean that he will have all his animals collected under it. This has been particularly apparent when there are seasonal high periods for casualty animals – notably the lambing season.

4.2.6 Increasing Uptake

In conclusion, there is an immediate need to increase the uptake of the Scheme by addressing these issues. The current campaign has been an encouraging start. This has involved a variety of initiatives including setting up NFSCo's distinctive website, a new recruitment leaflet and some farming press adverts.

4.3 Inadequate Competition and Rising Costs

4.3.1 Analysis of the Position

The tables in Appendix 14 substantiate the concern that competition is not driving down prices. Table 5 shows that, on a national basis, 49% of prices offered have increased since the start of the Scheme compared with 32% remaining unchanged and 19% decreasing. Regionally, North West England has shown the highest number of increases. The total number of bids per region by postal code within the UK averages about 2.7.

Table 5

*Percent Change in Collectors Prices since the start of the Scheme**

	% Increased	% Unchanged	% Decreased
Scotland	75	24	1
Wales	52	32	16
N Ireland	49	6	45
England NW	83	11	6
England NE	43	45	12
England SW	19	57	24
England SE	20	49	31
UK	49	32	17

* Based on a sample of Collectors prices in each region

The variations by region for a sample of fallen stock categories are extremely wide – see Table 6. Broadly it can be seen that the lowest figures tend to be in Northern Ireland and the highest in South East England. The difference between the highest regional average and the UK average ranges from +15% for adult cattle to over +200% for some lamb, pig and poultry categories.

Table 6
Regional Average Prices for Fallen Stock Collection by region* (£)

	Scotland	Wales	NI	NW	NE	SW	SE	UK
Bovine 12-24 months	54.48	83.78	55.85	75.08	67.64	72.17	99.56	72.65
Bovine 0-3 months	8.65	16.95	12.15	13.31	12.79	19.43	34.03	16.76
Sheep over 12 months	12.45	18.26	12.23	20.88	20.47	20.46	42.69	21.06
Lambs 2-12 months	11.72	13.08	10.00	13.75	12.65	16.57	35.83	15.76
Lambs 0-2 months	3.11	3.61	1.35	4.06	5.61	8.77	29.75	8.47
Pigs (30-150 kg)	17.84	39.48	13.00	26.18	26.55	38.08	47.73	29.84
Pigs (7-30 kg)	8.70	18.10	6.31	11.24	13.97	21.14	32.72	16.03
Pigs (0-7 kg)	2.91	5.29	1.12	3.17	6.15	10.07	21.87	7.08
Poultry per 10 kg	2.39	2.42	1.13	1.90	2.09	2.52	13.16	3.66

**Figures based on a sample of collectors in each region (excluding subsidy)*

The comparison is also shown in Appendix 14 between the prices for the national average and the estimated price set out in the original Defra business plan for the Scheme. It shows that in all cases the average is significantly higher than the business plan price. This demonstrates that the costs to producers (without subsidy) are substantially higher than was envisaged when the Scheme was set up.

It also confirms the view that competitive pressures are not driving down prices; indeed, prices are tending to rise at present. The reasons for this are:

4.3.2 The Lack of Collectors in Some Areas

There is no clear statistically valid correlation between the number of collector quotations in various postal codes for the region and the price. Nonetheless, there is clear evidence that where infrastructure has not been well established in areas of low livestock density, travelling distances for collectors are inevitably longer and prices are higher.

4.3.3 Hunt Kennel Availability is Diminishing

Although the vast majority of hunts remain in existence, there are fewer outlets than used to be the case and this trend is likely to continue. Hunts are also less inclined to *collect* fallen stock although they are prepared to *dispose* of deadstock delivered to them by livestock producers who are hunt followers.

4.3.4 Planning and Environmental Legislation and Enforcement

A constant theme in discussion with knacker and incinerator operators as well as with the renderers is the frustration being encountered with regulations – particularly relating to planning decisions and environmental legislation. This is relevant for any potential new entrant and hence is not helping to enhance competition.

4.3.5 Uncertainty about the Future

Existing players in the industry also emphasise that they have been frustrated due to the constant changes and uncertainty on decisions at local as well as national level. This removes the incentive for them to invest lest there be a subsequent change in the situation.

4.3.6 Structural Issues in the System

Industry structural issues also play a part. There is some evidence to suggest that there may be more competition within the rendering industry than was previously the case; in addition to which there is some overcapacity. The fact remains that there are fewer companies in the industry than five years ago – with little sign of this situation changing. Renderers are key to finding longer-term solutions to the cost increases for producers. Working more closely with rendering companies in finding solutions is vital for future success.

4.3.7 Higher Fuel Costs and the Waste Incineration Directive

Finally, there are factors other than the lack of competition causing prices to rise. The impact of the Waste Incineration Directive and the ruling on tallow are factors which have added to the increase in fuel prices; this has resulted in cost increases which are likely to increase further later this year. This is a factor of major concern for the future.

4.3.8 Overall Impact

In overall terms there is no one factor causing prices to have risen, against the original intention of the Scheme. At the current period of time, it is clear that increasing costs are the critical factor.

4.4 The Impact on Producers of Fallen Stock Removal

As can be imagined, this has been variable depending on the location, the livestock enterprise and the mortality rates – amongst other factors. However, estimates have been made on the basis of calculations from enterprise costings and industry sources. Table 7 reflects the results based on averages; they should be taken as broad estimations based on the best available information. It would be helpful for the Company to develop improved information on this in the future.

Table 7

Fallen Stock Costs as % Estimated Total Costs of Production for Typical Farming Enterprises

Species	Enterprises	% Cost
Beef	English Lowland Suckler Herd*) less than 0.3
	English Beef Finishing Systems*)
Sheep	English Lowland Breeding Flock**	2.5 – 3.5
Pigs	Large Breeding and Feeding Herd	0.8 – 1.2
Poultry	Typical Large Broiler Unit	0.6– 0.7

* assumes that the Government funds over 24 month TSE cattle testing

** assumes full cost recompense for any scrapie testing

N.B. these estimates are made before the subsidy is taken off

The table shows that, for most enterprises, the average cost of fallen stock disposal will amount to less than 1% of total costs (fixed plus variable). Nevertheless, in view of the small (or in some cases negative) net margins on farming enterprises, even this cost can represent a significant cost factor. Added to which farmers are facing the added cost of the animal dying in the first place and associated veterinary / medicine costs associated with the death.

In the case of sheep, the percent cost was estimated at between 2.5% - 3.5% of total costs, which is a much higher cost than for other enterprises. Table 8 shows that this can amount to over 4% of gross margins on a lowland sheep enterprise and **almost 2/3 rds of typical net margins for such a farm.**

Table 8

Estimated Impact of Fallen Stock Disposal on a Typical English Lowland Sheep Breeding Flock

1.	Estimated Gross Margin per holding:	£44.76 per ewe
	Net Margin per holding:	£3.06 per ewe
	Numbers of ewes per holding:	556
2.	Annual cost for ewe disposal:	£355
	Annual cost for lamb disposal:	£697
	Annual membership to Scheme:	£28
	Total Cost:	£1,080
3.	Total Gross Margin per holding:	£24,887
	Total Net Margin per holding:	£1,701
4.	Total Cost as % Gross Margin:	4.3%
	Total Cost as % Net Margin:	63.5%

Source:– EBLEX / Farmers Weekly

4.5 Slow Movement to Improving Poor Infrastructure

4.5.1 What is Poor Infrastructure?

Responsibility for ensuring adequate infrastructure lies with Government and not the Company. Legally it can be argued that even if the infrastructure provides an expensive or slow service, it is 'adequate'. From the industry's point of view, **poor infrastructure relates both to availability and cost of the service**. The reasons for relatively slow progress have been:

4.5.2 The Company Has Been Pre-occupied with its Main Responsibility

The Company has up till now been primarily concerned with the effective basic running of the Scheme and this has been entirely correct as a priority. In addition, the legal remit of the Company does not permit it to engage in this activity – this therefore would have raised issues of finance and staffing. Latterly the Directors and staff have been more active in this area but there is undoubtedly a lot more to be done.

4.5.3 There has been Lack of Ownership of the Problem in some Areas

In the main, there has been some good response in trying to resolve infrastructure problems where they have been pointed out to Government and the Company. However there have been two exceptions to this:

- Issues have not always been pointed out or identified to the Company. There have been particular instances of this in the pig sector.
- At one stage no one was assuming ownership for sorting out infrastructure in North Wales.

It is good that these two issues appear now to have been tackled and that all parties are moving forward more satisfactorily.

4.5.4 The Seasonal Issues for the Sheep Sector

During the lambing season, there is a marked increase in the need for removal of fallen sheep and lambs. This creates a seasonal peak for a 8-10 week period in March/April greatly in excess of the incidence at other times of the year. Managing this seasonal need is a major challenge, particularly in parts of the country where there is a high sheep population, notably in North Wales. The need for temporary immediate collection centres can pose difficulties.

4.6 The Lack of Investment in Research and Development in Low-cost Solutions

The industry badly needs to make progress in finding ways of reducing cost. A major element of this is the need for more development work into solutions that either reduce cost or enhance the value of the raw material. The key issues here are:

4.6.1 Lack of Incentives to Invest

These range from some of the regulatory issues mentioned in Section 3.4 to the lack of competitive pressures to find better solutions. There is a general lack of industry funding of new plant – for example for releasing energy for potential use in power generation. There are some notable exceptions where companies have been pioneering new techniques and systems but in general there appears to be more investment in some Continental EU countries than has been the case here.

4.6.2 Difficulties in Changing the EU Regulation

The EU Animal By-Product Regulations (ABPR) were largely based on the precautionary principle; a risk-based approach would have suited the British situation better. It has been difficult up till now to get changes which would help new approaches and techniques for applying the principles behind the regulation in a more practical way. This has tended to stifle some initiatives that might have led to lower-cost solutions. This does not necessarily mean major changes in the ABPR which, in any case, would be politically difficult.

4.6.3 Lack of sufficient funding/tax incentives

There needs to be more funding for researching and developing lower-cost solutions. There appear to be plenty of ideas that are around in other European countries and further afield and this suggests that the funding needs to be more 'development' that 'research' oriented. In the case of the rendering industry there need to be more tax concessions to encourage investment in areas such as bio-diesel and electricity generation. These represent real potential for getting more returns from rendered animal by-products.

4.7 Particular Difficulties in the Sheep Sector

While all sectors face problems in the animal by-products areas, the sheep sector is faced with the most demanding situation due to:

4.7.1 Location and Seasonality Issue

Sheep are frequently in inaccessible rural areas, where transport links are difficult or non-existent and a shepherd may not see all his sheep for several days on end. Sheep are also unique in terms of the major seasonality issues already described in Section 4.5.4

4.7.2 Fallen Stock Accounts for a Higher Proportion of Production Costs

Figures quoted in Section 4.4 point to the cost burden for sheep producers being higher than that for other livestock sectors although this differs with the wide variation in systems of production and costs.

4.7.3 Enforcement more difficult than for other species

For reasons set out in 4.2.2 this is unlikely to change until traceability improves.

4.7.4 Many sheep producers do not accept the burial ban

There has been a history of burial on farms in many parts of the country since the imposition of BSE/TSE control meant that there was no longer a value on the disposal of deadstock. On-farm burial has not been seen to cause undue problems if carried out efficiently; the TSE dangers from the burial of young lambs is, in particular, is not seen by the industry to pose problems.

4.7.5 Impact on Uptake

All these factors have caused the uptake of sheep and lambs into the Scheme to be less than those for other species.

4.8 The Prospect of the Deterioration of the Situation if the Subsidy is Withdrawn

This was the widespread comment from many stakeholders – particularly from producers and collectors and especially in discussions on the sheep sector. The LACORS views here are also relevant: ‘Without the subsidy from Government it is difficult to see how the Scheme can remain a competitive option in the longer term.’ The issue at stake is the non-compliance with the requirements of the ABPR.

It is vitally important that all parties are aware of this situation and that future actions take full account of it. **The increasing cost pressures on the animal by-products sector due to fuel costs and WID are the single most important factors underlying this concern.**

5. ISSUES IN A WIDER EU CONTEXT

There was not the opportunity to carry out any in-depth work on the situation in other EU countries. The following results from a relatively quick analysis:

5.1 Wide Variations in the Situation in Other EU Countries

The situation in most other EU member states differs from the position in the UK – both in terms of the structure of the industry and the fact that burial of fallen stock has not taken place in many Continental EU countries for several years. Adjustment to the ABPR has therefore generally been an easier process than in the UK. (Nevertheless it is interesting to note that some other EU countries – particularly newer EU member states – have expressed interest in the UK ‘process’ of a National Fallen Stock Scheme and the National Fallen Stock Company.)

There are also differences between the various EU countries. In Germany, there is a regional structure based on the fact that fallen stock are seen very much as a ‘human health’ issue whereas in Denmark, the system operates through the Co-operative System which owns the rendering plants.

The proportion of fallen stock to total animal by-products in European countries is set out in Appendix 16. It can be seen that the relative importance of fallen stock can vary considerably in the different member states – from 6% in Italy to 17% in Germany; an EU average of around 12%. For the UK the latest figure is 8%.

5.2 Subsidisation and Competitiveness

The subsidy position in different member states has been reviewed. The key point is that the position again varies considerably, with some countries, such as Belgium, providing for subsidisation up to the maximum permitted by the EU (subsidies may cover up to 100% of collection of fallen animals but only 75% of disposal costs except for TSE tested animals for which 100% of costs can be provided). In other countries support is not provided.

In giving a quick assessment of the competitiveness issues, it appears that it is more likely to be in the sheep sector that there is a significant competitive disadvantage for the UK; other major EU sheep producing countries are more likely to have subsidised costs – and the proportionate cost of fallen stock disposal to UK sheep producers is greater than for other species.

5.3 Lessons to be Learned from Other EU Countries

5.3.1 More Efficient Structures for Collection and Disposal

There appear to be some very efficient systems operating in several EU member states. For example, in the Netherlands and Denmark there are highly sophisticated computerised systems for the collection, transport and processing of fallen stock; these appear to be linked with a constant search for more efficient solutions. (Alternative outlets are admittedly also being constantly sought by UK companies for MBM and tallow.) The evidence suggests that costs in Denmark and the Netherlands (without subsidy) are significantly less than those in the UK (although in view of the geographical differences, the comparison cannot be precise).

5.3.2 Recognition of the Role of Government, or at least a central or regional authority

There is a clear recognition that an effective service generally requires a degree of central or regional co-ordination – if only because of the public health aspects of the responsibilities. In some countries, for example the Netherlands, there is also a recognition of the importance of monitoring fallen stock for disease purposes.

5.4 The Need to Monitor Developments in Other EU Countries

It is important that lessons are learnt from the experience of the operation of fallen stock collection and disposal in other EU countries; visits to the Netherlands, Belgium and Denmark appear to be most relevant. In addition, there needs to be an assessment of the wider context of animal by-products disposal, so time on any such visits should be left aside to explore rendering facilities and transport logistics on by-products and farm waste in general. It is encouraging that the NFSCo Chairman will be involved in a series of visits with Defra to other EU member states in the near future.

6. CRITICAL CRITERIA FOR SUCCESS AND PENALTIES FOR FAILURE

Before going into more detail about the future, there are critical issues to finding a successful outcome for the future.

6.1 Proactive Involvement of all Stakeholders

It is essential that all Stakeholders work together to achieve the best result. This means Government, livestock producers, livestock organisations, collectors, renderers and enforcement authorities (in the short-term the RPA will also have a vital role to play). The strengths in what has been achieved so far have been built around a collective will to make the Scheme work and the Company a success. Where things have not worked, there has frequently been a breakdown in the teamwork, either through lack of trust or unwillingness to take responsibility. Such instances have been rare.

6.2 Recognition that the System Needs to Change

The Company has progressed well so far in getting the Scheme off the ground and achieving a UK-wide membership of 40,000 producers. However, there will be a major adjustment necessary in the next phase of development. A *change* from a company owned by Government to one owned by farmers; a *change* from an efficient administration of a subsidy for producers to a company dedicated to achieving the lowest cost solution on fallen stock removal. Finally, a *change* from using a Government subsidy for reducing costs of removal to attracting external funds from Government and elsewhere to enable the industry to move towards a sustainable long-term solution.

6.3 Future Developments Need to be Seen in a Wider Context

It is correct that the NFS Scheme has so far been focussed on the fallen stock disposal process associated with complying with the EU regulations for animal by-products disposal. However, if progress is to be made it needs to be seen in a wider context. This broader perspective should bring in:

- the wider issue of farm waste, which now assume more importance following the Waste Framework Directive provisions
- the need to take on board the problems of the farmed fish industry whose waste disposal issues also come under the provisions of the ABPR (see Appendix 17)
- the wider needs of the Government's Animal Health and Welfare Strategy, in which effective disease surveillance and biosecurity are of considerable importance. There are a number of related issues here, not least the dangers associated with collectors' vehicles entering farm premises
- the need to explore the possibilities of co-ordinating better the associated arrangements for over 24 month cattle TSE testing and the scrapie testing of fallen stock. This could be even more relevant if surveillance of biosecurity arrangements were to be introduced.

6.4 A Need to have the Right Business Model

The current Board would be the first to admit that the existing structure and administration had to be put together in a rush. It has subsequently evolved and many features of the current arrangements have stood the test of time. However, it is imperative that thought is given to the most appropriate business model for the next phase.

6.5 The Stakes are High for Government and Industry

All Stakeholders have an interest in future success in this area - in particular, the Government and the livestock industry. Worst case scenarios might be as follows:

6.5.1 For Government

- the effects of non-compliance with a law which seeks to ensure an adequate degradation process essential to ensure reduction of BSE / TSE infectivity
- the pollution problems and impact on watercourses that can arise as a result of improper burial
- the potential for improper burial to act as a vector for transmission of disease to man, animals, birds and insects
- public dismay and criticism at a burial ban being ignored in part of the countryside with consequential major media criticism and impact on tourism on several parts of the country
- a consequential need for a major increased investment in enforcement procedures
- the possibility of UK fines due to the failure to implement an EU regulation
- a possible adverse reputation in EU discussions and negotiations on other related issues

6.5.2 For Industry (in addition to the impact on many of the above)

- widespread publicity to prosecutions leading to reducing public confidence in parts of the livestock industry
- biosecurity or other lapses leading to animal health risks and damaging the UK industry's reputation at a time when it is trying to re-establish itself in beef export markets. (Comments in the MLC Commercial Services submission are particularly relevant here – see Appendix 5)

(These lists of issues are not exhaustive but they do highlight the vital importance of finding the right solution)

6.6 A DEVOLVED SOLUTION?

6.6.1 The Company to date has operated on an overall UK basis. This has worked well, partly because particular Company issues affecting Scotland, Wales, Northern Ireland or England have been normally dealt with by the relevant Board Director. Defra and the devolved administrations have also handled issues relating to their respective responsibilities. The Scheme and the Company have therefore enjoyed the benefits of

- devolved resolutions of particular issues in Scotland, Wales and Northern Ireland
- UK co-ordination where relevant by Defra who have also dealt with English issues
- the economies of scale of a central UK administration

Partly for this reason there has not been any major stakeholder request for a devolved solution to the next stage. However, comments have been made by some livestock producers outside England that if the funding of a nation-wide scheme is inadequate on an overall UK basis, then they would be prepared to pursue a 'better-resourced' devolved scheme. This view will have to be borne in mind as planning for the next stage is reviewed. It is still quite possible for a UK company to administer a separately subsidised scheme in one part of the country.

It is recommended that the continuation of a UK wide scheme is desirable, so long as there continues to be an adequate mechanism for devolved issues to be sorted out in Scotland, Wales and Northern Ireland.

7. A VISION AND A FUTURE STRUCTURE

7.1 A Vision for the Future

A system that within 5 to 7 years:

- ***is efficient and low-cost***
- ***commands confidence of all the stakeholders***
- ***has built-in incentives to drive greater efficiency***

There needs to be a clear strategy defined to deliver the vision by 2011-2013.

Once the relevant strategic targets have been reached, the system for fallen stock collection and disposal could then be achieved either by:

- continuing with a centrally co-ordinated systems or
- a series of private arrangements between farmers and collectors or disposers

It is more likely to be the former solution but decisions on future directions beyond 2011 should be taken at a later date.

The challenge ***now*** is to identify the structure and strategy for moving from the current situation to the achievement of the future vision.

7.2 An Appropriate Future Structure

7.2.1 Options Considered

- a) A similar structure to the current company with the minimum changes (e.g. transferring ownership from Government to private sector)
- b) An overarching organisation but with major changes (e.g. a farmers' co-operative)
- c) The Company ceasing to exist after the Government subsidy runs out and private relationships developed on a local level between farmers and collectors

All stakeholders were asked to give their views on this. The vast majority rejected (c) and favoured a mixture of (a) and (b). However, there was no support for the establishment of a farmers' co-operative.

7.2.2 The Need for Central Co-ordination

In the next stage there is a clear case for the need of central co-ordination to deliver the vision because some body must take ownership of the change process identified in 6.2 and 6.3

NFSCo has won the confidence of the stakeholders concerned and is the recommended body to take the next stage forward. It will need to recognise that it will need to modify and extend its role.

7.3 NFSCo'S New Role

NFSCo's new role should include its existing responsibilities in running the Scheme as set out in Section 2. However, it should look carefully at ways of reducing central administrative cost and particularly developing IT service efficiency. It should also become proactive in the following areas:

- Encouraging improved infrastructure through local solutions. This activity should focus on 'high cost' areas within regions as well as those with little competition.
- Exploring all opportunities for reducing cost by undertaking visits to best practice examples in other European countries and elsewhere.
- Supervising a research and development programme focussed on developing ideas for lower cost solutions. These solutions should be explored in close co-operation with UK Government and EU officials who are responsible for the ABPR. They should explore a wide range of techniques including the possibility of lower cost opportunities for non-ruminant animals; on-farm composting and the range of other possibilities based on a world-wide research and development being undertaken.
- Exploring additional functions which can sensibly be absorbed and also attract additional funding which can contribute towards the overhead costs of the Company. This might include co-ordination of the Over 24 month BSE testing scheme and obtaining additional data on disease surveillance. In relation to the 24 month BSE testing; it has been pointed out that there is no surveillance of NFS Scheme material at present in contrast to what is being done for BSE testing. Additional surveillance for NFS material could be done at minimal cost if there was better co-ordination.
- Running business improvement schemes for various parts of the industry with a view to improving overall competitiveness. Techniques which should be explored would include benchmarking, value chain analysis and masterclasses.
- Attracting external sources of funding for its activities; this should include EU and Government sources, corporate memberships, collector contributions and other non-Governmental sources.

7.4 An Immediate Issue

The implications of the recommendations set out in 7.2 and 7.3 will need some careful thought over the next weeks and months while consultations are being carried out. However, there is one matter that merits urgent attention.

If NFSCo in its new guise is to 'hit the ground running' when the period of the Government grant runs out, it needs to have an extension of the period of the current Government grant up to the end of 2008. On the basis of the estimates made in Appendix 12 the Company will not fully utilise the existing funds by the end of November 2007. It is recommended that approval is sought for the period of the grant to be extended until the end of 2008.

This would enable NFSCo to work out any necessary phased reduction of the existing subsidy, plan ahead for the necessary change process and access sources of additional funding. It would also greatly facilitate the transfer of the administration from the RPA to the new private structure.

There should be a minimum of delay in setting in motion this request if Government and the existing Board are agreeable to this recommendation.

8. THE ROLE OF GOVERNMENT

8.1 The Necessity of Positive Involvement

Defra and the Devolved Administrations have already played a vital role in the first phase of the project. A continued proactive involvement is going to be important for the future success of the project. Leaving the industry to comply with the regulation and the enforcement authorities to prosecute in cases of non-compliance would be exposing Government to some of the scenarios set out in 6.5.

The National Fallen Stock Scheme has been a good example of Government/industry partnership working well. This relationship should continue to operate if a successful outcome is to be achieved.

8.2 Key Future Roles for Government (both Defra and Devolved Administrations) are:

- Closely monitoring the situation on uptake into the Scheme over the next eighteen months and reviewing the situation for particular species sectors, especially sheep (see Section 4.7)
- Being aware that many farmers and collectors are convinced that the Scheme will not work without a continuation of the current subsidy
- Remaining actively involved with the Company through the seat on the Board. Particular responsibilities would include advice on regulation, liaison and links with other related schemes
- Supporting the Company in its request for research and development money, funding for infrastructure improvements, wider farm waste disposal etc.
- Helping the Company in its requests for funding to cover the 'public' benefits that Government receives from the Scheme e.g. disease surveillance and biosecurity improvement
- Giving added weight in discussions between the Company and the enforcement authorities, the Environment Agency, planning authorities etc
- Being prepared to help sort out 'devolved' issues which may arise from time to time
- Articulating more strongly the need for the legislation
- Proactively reviewing and seeking changes in the ABPR. There is growing evidence that parts of this regulation are inflexible and disproportionate. Close liaison between Government and industry should result in sensible adjustments which should enable more practical and lower-cost solutions. It is recognised that this will not happen overnight.
- There will also be a need to tackle specific issues in particular parts of the UK; for example assessing the situation in the remote areas of Scotland, in line with the requirements of the Regulations.

However, any future Government involvement in the private company should not be such as to result in the Company needing to comply with Government procurement procedures.

8.3 Further Requirements for Government Funding

8.3.1 Areas for Government Funding

The original intention was for Government funding to be phased out over a three year period and for industry to pick up the costs once a 'low-cost' structure had been put in place. It is important to understand that circumstances have changed, particularly due to:

- The sharp increase in energy costs
- The implications of WID and the consequential increased prices likely to be charged by the rendering industry

Interim funding is necessary to enable the industry to move from its current situation to the future position set out in the Vision.

This is required in the following areas:

- a) 'transitional' support to ease the transfer from Government to private ownership and to enable particular sectors who have specific problems to be given special help e.g. the sheep sector
- b) research and development to develop low cost solutions which will be compliant with the ABPR
- c) infrastructure improvement which will be geared to providing local or regional solutions
- d) business improvement measures – in particular, a special scheme which might be developed for the knacker industry
- e) proper rewards for the public goods being supplied by the Company in its new role
- f) extra activities such as any additional farm waste disposal responsibilities

8.3.2 Sources of Government Funding

Not all of this funding need (or should) come from the Defra animal health resources. For example, the English Rural Development Plan (ERDP) from 2007 seems an appropriate place for possible grants for (c) above. Axis 1 money can be used for 'improving and developing infrastructure related to the development of agriculture and forestry.' There may be similar opportunities in the RDR proposals for Scotland, Wales and Northern Ireland, for example in Scotland the funding could become part of land management contracts (Tier 3). The draft Rural Development Plans for 2007 onwards are currently the subject of a consultation process; there could be an opportunity to influence this process.

Business Improvement Schemes (Item (d)) above could be funded through RDAs or through the Defra's ADS grant route (and similar funding in other parts of the UK). Defra and Devolved Administrations' environmental budgets would be appropriate for the Farm Waste Disposal work (Item (f) above)

8.3.3 The NFSCo Business Plan

The funding bids for the Defra Animal Health budget and other sources should best be set out in the context of a business plan prepared by the Company. This would state objectives and strategy for the next five years as well as the budget for income and expenditure over the same period. It would show clearly other potential income sources for the Company (member subscriptions, corporate membership, collectors contributions to administration costs etc.) It would demonstrate how the funding would be used to deliver lower cost solutions for the industry so that dependence on Government money would reduce over time. It is recommended that the Company should set up a small group, chaired by the NFSCo Chairman; this group would be tasked with the preparation of the Business Plan which would then be presented to the Board for discussion, approval and implementation.

The Business Plan would also set out the different priority needs of the various sectors, namely:

For **sheep** – further support to cushion costs until lower cost solutions exist

For **cattle** – maintenance of the full payment for the twenty four month BSE testing for the future

For **pigs** – the need to find specific non-ruminant solutions which may provide a better return for the industry

For **poultry** – pursuing low-cost solutions

For **collectors** – improving business efficiency

For **disposers** – obtaining improved value from the end product

9. PROPOSED FUTURE COMPANY STRUCTURE

9.1 Retain Current Structure as far as Possible

It has been recommended in 7.2.1 and 7.2.2 that it would be appropriate to have an overarching UK body to progress things. It is also noted that the existing Board structure has served the Company very well and provides a good basis for moving forward.

9.2 Company Ownership

It is recommended that the Company continues to be a Company Limited By Guarantee with ownership (or majority ownership) transferred from Government to farmer organisations. A possible ownership structure could be as follows:

National Farmers Union of England and Wales	3 shares*
Scottish National Farmers Union	1 share
Farmers Union of Wales	1 share
Ulster Farmers Union	1 share
National Sheep Association	1 share
National Beef Association	1 share
National Pig Association	1 share
British Poultry Council / British Egg Industry Council	1 share

There could also be a Government minority shareholding which would have the advantage of emphasising the Government interest in the Company.

9.3 Board Structure

In relation to the Board structure, it is important to note that the Company would be taking on additional responsibilities and would therefore need to reflect this in its new structure. It will be important to have additional expertise in two areas – commercial knowledge of the animal by-products area, and commercial, financial expertise combined with knowledge of the agricultural industry. However, it is also imperative that the Board does not get too large or unwieldy.

* NFU's 3 shares reflect that it will be representing the interests of cattle, sheep and poultry in England and also NFU Cymru's responsibilities in Wales.

A possible Board structure could be as follows:

Chairman	nominated by the NFU <i>after consultation with the other owners</i>
Scottish member	nominated by the SNFU
Welsh member	nominated by the FUW and NFU Cymru
Northern Irish member	nominated by the UFU
Intensive Livestock member	nominated by the first 4 members <i>after consultation with the other owners</i>
Independent expert on animal by-products industry	nominated by first 4 members <i>after consultation with the other owners</i>
Independent expert with financial and commercial knowledge	nominated by first 4 members <i>after consultation with the other owners</i>
Government representative	nominated by Defra <i>in consultation with SEERAD, NAWAD and DARD</i>

There could be provision for up to two members to be co-opted onto the Board.

It is probably not appropriate for LASSA members to be on the Board in view of possible conflict of interest (and LASSA accept this) but it is absolutely vital that there is the closest possible relationship between LASSA and the Board; from time to time the Board will wish to include LASSA representatives in the Board discussions, in the context of Stakeholder consultations. This will also apply to other organisations (e.g. RIO, UKRA). The success of the Company will partly depend on the development of good relationships with collectors, disposers and renderers.

9.4 NFSCo Executive Functions

In terms of the executive functions of the Company, the Board will wish to work out the most efficient business model based on their final decisions on Board structures and Company remit. However, it is likely that the Board will wish to appoint a General Manager who would preferably have some commercial experience and knowledge of the British livestock industry. This would free up time for the Chairman and other Board members to operate in a more strategic manner.

The General Manager's responsibilities would cover all aspects of the company's business. He/She would ensure that all outsourced functions were operating efficiently and in the company's interests. It will be essential for the Executive seconded by Defra works with the new manager for a significant period of time so that an efficient 'handover' can take place.

9.5 Operating on One Site

It is recommended that the administration and call centre functions are outsourced and that the General Manager (and any support staff) and the outsourced organisation operate on one site if at all possible. The report to the Board by the Cornwell Management Consultants has set out some helpful suggestions on the process involved.

9.6 Transfer of Outsourced Functions

There is an urgent need to draw up specifications for the core work of the Company to be outsourced, as it is desirable that there will need to be a tendering process during which short-listed companies will wish to visit Carlisle, Workington and Milton Keynes before they submit their final bids. Contractual arrangements with exit clauses and other conditions will all have to be drawn up with great care. Even if the current grant is extended to the end of 2008, there is not going to be much time to facilitate a satisfactory changeover.

In the case of the IT switch it is essential that there is access to satisfactory management information as well as a smooth functioning of the administrative function. The Cornwell report highlights the work which may be involved in setting up the appropriate systems:

- developing business procedures
- recruitment and training of staff
- provision of IT infrastructure
- new finance systems
- automated workflow
- new e-business portal
- testing
- marketing

The RPA have indicated that they will be willing to help as far as is needed in this process; but this does not take away from the need to make decisions on these issues as soon as possible.

Suggested timeframes for all this are set out in Appendix 18

10. SUMMARY OF RECOMMENDATIONS

10.1 FOR NFSCo

- There is a need to set up a better basis for measuring uptake of the scheme in relation to potential stock numbers (Section 3.8)
- More accessible management information should be accessible for running the business (4.3)
- NFSCo needs to establish liaison and make appropriate visits to see best practice and the process for by-product collection and disposal in specific other Member States (particularly Netherlands, Denmark and Belgium) (5.4)
- NFSCo should assume new roles in the following areas:
 - Encouraging improved infrastructure through local solutions
 - Supervising a research and development programme focussed on ideas for lower cost solutions
 - Exploring additional functions which can sensibly be absorbed into the organisation and offset overheads
 - Running business improvement schemes for relevant parts of the waste industry
 - Attracting external sources of funding for its range of activities from EU, Government, corporate memberships, collectors contributions and other non-Governmental sources
- NFSCo should work as soon as possible on its business plan for the next 5 years, which should include the case being made for funding requests from Government and non-Governmental sources (8.3.3)
- The new NFSCo Board should agree on the basis and terms for outsourcing the administration and call centre responsibilities to a private organisation (9.4)
- The executive functions and the outsourced administrative and call centre functions should all be based on one site if at all possible (9.5)
- Work on preparation for the outsourcing arrangements should be put in hand as soon as possible
- Review the Report and the Government response to it (Appendix 18)
- Agree the strategy for moving forward (Appendix 18)
- Get Buy-in for the Strategy from Stakeholders (Appendix 18)
- Agree on the Scaling down of subsidy rates to members (Appendix 18)

10.2 FOR NFSCO and GOVERNMENT

- There should continue to be an overall UK Scheme so long as the structure provides for devolved issues to be resolved within it (6.6)
- Immediate attention should be given to seeking an extension to the period of the existing grant to the end of 2008 (7.4)
- Agree to NFSCo becoming a farmer-owned company with a Board Structure as proposed (8.2,8.3)
- Agree to having more financial and commercial expertise to take the Company forward in its new role (8.3,8.4)

10.3 FOR GOVERNMENT

- Continue to be proactive in its involvement in the scheme in the following ways (8.2):
 - Closely monitoring future uptake, particularly for sheep
 - Remaining active in participation with the company, particularly through the seat on the Board
 - Giving added weight in NFSCo's discussions with other Government Departments and official bodies
 - Articulating more strongly the need for the regulation
 - Reviewing and seeking changes in the ABPR
- Supporting, where possible, requests for Government funding (when linked to a rigorously prepared business plan) in the following areas (8.3.3):
 - Transitional funding to ease the transfer to private ownership and to support sectors in particular difficulty
 - Research and (particularly) development funding towards establishing lower-cost solutions for by-product collection and disposal
 - Infrastructure improvements geared to providing local or regional solutions
 - Business improvement measures
 - Payment for public goods provided by the company e.g. better disease surveillance or improved biosecurity
 - Extra activities which are consistent with Defra's wider objectives e.g. disposal of all farm waste

NB not all these funding requests would relate to the Animal Health budgets of Defra and the Devolved Administrations

Independent Review of the National Fallen Stock Scheme and Company

Appendices

APPENDIX 1

Review into Future Arrangements for National Fallen Stock Scheme and National Fallen Stock Company

Scope

- Lessons learned from experience of setting up NFSCo and running Scheme to date e.g. management arrangements, financial provision and planning
- Examine options for future structure and governance arrangements for NFSCo when current government commitment to funding ceases. e.g. change of ownership of NFSCo, maintenance of current company
- Transitional arrangements for moving to a new structure
- Future links of Company and Scheme to Government after end of year 3 e.g. availability of possible future funding and surveillance requirements from Government
- Alternative sources of funding to Company after end of year 3
- Maintaining viability of Scheme when Government ceases to contribute towards collection and disposal costs
- Ability of NFSCo to create or enhance infrastructure in areas where this is lacking. (At the moment this is limited by the Company remit and it is also necessary to take account of role of Government)

APPENDIX 2

List of Legislation / Controls Relevant to Fallen Stock Collection and Disposal

1. Relevant Legislation

- Regulation 1774/2002 – the EU Animal By-products Regulation together with associated EU regulations and decisions
- Environmental Protection Act 1990
- Pollution, Prevention and Control (England & Wales) Regulations 2000 (as amended)
- Waste Incineration (England and Wales) Regulations 2002
- TSE Regulations
- Hazardous Waste Regulations 2005
- Planning Permission – operators are advised to contact their local planning authority and, where applicable, National Park Authority, for advice on the need for planning permission, if necessary using as Certificate of Lawfulness
- Control of Pollution (Amendment) Act 1989
- The Controlled Waste (Registration of Carriers and Seizure of Vehicles) Regulation 1991 (as amended)
- Agricultural Waste legislation

2. Animal By-Product Regulation Classification and Controls, April 2006

Regulation (EC) 1774/2002 divides animal by-products (ABP) into three categories:

Category 1 material very high-risk material (e.g. zoo animals, animals suspected or confirmed as being infected by a TSE and Specified Risk Material);

Permitted disposal methods include:

- incineration;
- rendering followed by incineration;
- pressure rendering in an approved plant followed by landfill.

Category 2 material represents high risk material (e.g. condemned meat and non ruminant fallen stock); and permitted disposal methods include:

- incineration
- rendering followed by incineration
- pressure rendering followed by disposal to landfill, use as a fertiliser or treatment in a biogas or composting plant
- for fish, ensiling or composting in accordance with rules which have yet to be established or
- for rendered fats, use in an oleochemical plant to produce tallow derivatives for technical use only.

Category 3 material, the lowest risk category (essentially that which is fit for human consumption) e.g. former foodstuffs of animal origin and raw meat and raw fish from food manufacturers and food retailers, hatchery waste (e.g. day old chicks, eggs etc) that did not show clinical signs of any disease communicable to humans.

Permitted disposal methods include:

- incineration
- rendering followed by incineration or landfill
- rendering followed by use in feedingstuffs or fertiliser (subject to the ban on feeding catering waste containing meat etc. to livestock and the restriction on the use of processed animal protein in feedingstuffs)
- use in petfood
- use in a technical plant
- treatment in a biogas or composting plant
- for rendered fats, use in an oleochemical plant to produce tallow derivatives.

N.B.: Entire bodies of dead ruminants are SRM (Category 1) only if the SRM has **not** been removed at the point of disposal. Up until that point they are deemed to be category 2 and must be transported as such.

APPENDIX 3

List of Stakeholders Notified about the Review and Invited to Comment

Assured British Meat
Assured British Pigs
British Egg Industry Council
British Horse Industry Council
British Pig Executive
British Poultry Council
Country Landowners and Business Association
Countryside Alliance
English Beef and Lamb Executive
Farmers Union of Wales
Federation of Scottish Aquaculture Producers
Genesis
Hybu Cymru
Licensed Animal Slaughterers and Salvage Association
Livestock Marketing Commission for Northern Ireland
Masters of the Foxhounds Association
Meat and Livestock Commission
National Beef Association
National Farmers Union - Cymru
National Farmers Union of England and Wales
National Pig Association
National Sheep Association
Quality Meat Scotland
Registered Incinerator Operators
Scottish National Farmers Union
Soil Association
Ulster Farmers Union
United Kingdom Renderers Association

Department of Agriculture and Rural Development for Northern Ireland
National Assembly of Wales Agricultural Department
Scottish Executive Environment and Rural Affairs Department
Rural Payments Agency

APPENDIX 4

List of Meetings Held and Those Directly Consulted

NFSCo Board:	Michael Seals Ian Duncan Miller Walter Elliott Eifion Evans Willie Gordon Neil Leach (Defra Board Member)
NFSCo	Jason King
Defra	Steve Wyllie Nafees Meah David Russell
SEERAD	Ian Anderson Martin Morgan Andrew Taylor
NAWAD	Jim Norrie Jackie Price
DARD	Ian Mckee Linda Meldrum David Graham
RPA	Ian Pearson Sheila Carruthers
NFU	Meurig Raymond Alastair Johnston Members of the NFU Livestock Board Charles Bourns
NFU Cymru	Dai Davies Peredur Hughes John Owen Ed Rees Mary James
ABM	Ian Frood
NSA	Peter Baber Peter Morris
SNFU	Bob Howat Nigel Miller Bob Carruth

Countryside Alliance	Darren Hughes
UFU	Kenneth Sharkey Cyril Millar Ian Stevenson
Ulster Renderers	Claire Thompson Nigel McIlwaine
UKRA	Paul Foxcroft Alan Lawrence
LASSA	David Lovatt Robert Whittle Diane Ashworth
LACORS	Gwyneth Beddoe
Cluttons	Sam Clutton
FUW	Derek Morgan Arwyn Owen
European Fat Processors and Renderers Association	Stephen Woodgate
Argent Energy Ltd	Doug Ward Chris Bond
NPA	Ian Campbell Barney Kay
Operations Group, MLC	John Heal
British Trout Association	Nick Read
Scotch Salmon Association	John Webster
Sir Donald Curry	

Together with several less formal meetings and conversations with individuals

I also attended two Board Meetings and one Stakeholder Meeting as well as six Stakeholder discussions related to specific issues

APPENDIX 5

Written Submissions Received by the Independent Review of the National Fallen Stock Company

1. Response on behalf of Assured British Pigs and AFS Assured British Chicken Production
2. Response from the Livestock Marketing Commission for Northern Ireland
3. Response from the Ulster Farmers Union
4. Response from NFU Cymru
5. Response from Midland Pig Producers Ltd
6. Response from the Farmers Union of Wales
7. Response from LACORS (The Local Authorities Coordinators of Regulatory Services)
8. Response from the Commercial Services Department of the Meat and Livestock Commission

1. Response on behalf of Assured British Pigs and AFS Assured British Chicken Production

Independent Study on the National Fallen Stock Scheme Commissioned by Defra

Response on behalf of Assured British Pigs and AFS Assured Chicken Production dated 19 January 2006

A copy of the note prepared by Bob Bansback dated 9 December 2005 was circulated to the Technical Advisory Committees of AFS Assured Chicken Production and Assured British Pigs Limited and the responses received are detailed below:-

AFS Assured Chicken Production

Response 1

The scheme for us is working well, we have a clean 12 cubic yard skip delivered as an exchange for the one on farm with fallen stock in, as this skip is just for our farm we have no biosecurity issues at all (the vehicle also goes through our own automatic wheel washer on entry to the farm).

We are now in the second year of the scheme & are pleased to have the 50% government discount. We have also managed to get a new collector into the scheme this year & some competition for business has been generated in this area, we are having our fallen stock collected cheaper this year than last by some 25% before the 50% government contribution is taken into consideration! We are able to keep our skip in an enclosed building so even during hot weather we have no problems with smell or flies.

All in all we are very pleased, but I am concerned about the future when the government aided scheme comes to an end.

Obviously we need to keep the NFS Co in place in some shape or form but it must be run as at present on a shoe string budget (just one employee) & none profit making! I believe we need to be looking for future funding to help to run an office (eg through Development Agencies) Are there any EU/UK environmental grants/subsidies available to help keep cost down in the future when the present scheme ends? All this must be considered soon & not when the present funds run out.

Collectors I have spoken to like the scheme, they know when they are going to get paid. One comment made was that it can easily cost £50 to chase a £100 overdue account! This should help to keep prices down.

This is my point of view & I know as a large broiler producer it has advantages to me that smaller growers or breeders will not be able to use.

Response 2

The NFSS has been a success in Northern Ireland both from a collection and biosecure standpoints.

We use both skips and wheelie bins (for smaller farms) for the NFSS although on farm incineration is also used within the group.

There was a slow but steady move to on farm incineration but the increase in both oil prices and the rate of subsidy has caused a rethink by a number of farmers. If the subsidized price charged by NFSS should change or when it disappears then on farm incineration will increase. This is the most preferred route.

Response 3

From my perspective and recent experience I have no criticism to offer, most poultry units I've been in contact with have made their own arrangements for carcass disposal and the NFSSCo does not appear to be a particular route.

Assured British Pigs

Response 1

The following comments reflect our views in respect of pigs

1. Generally inefficient and cumbersome. Poor at resolving issues, very inflexible.
2. NFSCo only exists to administer the subsidy on dead stock collection. Once this function has ceased, there is no need for NFSCo. To continue to run it at this point would add an unnecessary layer of cost.
3. Additional functions – Where NFSCo has failed is that it has allowed the subsidy offered by the Government to be taken up by the renderers. This was highly predictable and nothing has been done to stop this. It could only justify itself if it could negotiate better deals for the Industry that are then passed back to the farmers.
4. The funding is appropriate for the current structure.
5. The best way to reduce the cost of fallen stock would be to:
 - (i) Divert some subsidy somehow to encourage on-farm incineration
 - (ii) Negotiate as above with the renderers
6. Biosecurity with our collector is adequate. However, I am led to believe that this is an exception to the rule.

Why fund NFSCo once the Government scheme finishes? The scheme is not viable without Government funding and many farmers will continue to illegally bury as they are now.

The best use of Government funds would be to set up projects/equipment that will help solve the problem post the subsidy era.

Response 2

I have had the odd anecdotal complaint about cost and time taken for carcasses to be collected, but not huge numbers. I think the biosecurity concerns are related to the principle of a National Collection scheme rather than with any shortcomings in how specifically NFSCo works.

Looking at the list of issues, the only comment I would have is to reject the possibility of NFSCo being wound up. It would not help our cause if there was no ready option to legally dispose of fallen stock easily available for all.

Response 3

Although I do not use the collection service I know that those who have have been highly dissatisfied. The reason I did not even consider it was because there was no acceptable way of ensuring biosecurity or even a half decent service on a regular basis.

Response 4

The scheme has been effective and efficiently implemented with regards to our own farms, but it is very expensive with an annual cost of membership and collection being close to £1,500 annually. I do have concerns about bio-security with lorries collecting fallen stock from a number of farms at any one time. But possibly this is something each individual farmer, including us, should address by having the collection points at farm entrances rather than farm yards, but then there is a greater risk of the general public seeing all these dead animals.

2. Response from Livestock Marketing Commission for Northern Ireland

Evaluation of the National Fallen Stock Scheme

1. (a) National Fallen Stock Company (NFSCo) has operated at an acceptable level of effectiveness in Northern Ireland. At its inception there were a number of ‘teething problems’, mainly the reported time lapse for the collection of dead animals and collectors not arriving at agreed times. The majority of these issues have now been resolved. One of the main reasons for its effectiveness in NI is that a well established private collection infrastructure for fallen animals processed through OTMS already existed. This was necessary due to the geography of the region and only one licensed OTMS rendering plant in operation.

(b) Generally the NFSCo has operated an efficient cost/value for money in NI. In May 2005 the company announced that the discount offered to farmers who use the National Fallen Stock Scheme would be increased from 30% - 50%. However there have been isolated reports across the UK that lower collection charges were offered for private collections outside the Scheme. If these reports are proven correct it may have a negative impact on NFSCo.
More research should also be carried out on the viability of the collection fee based on the weight of the dead animal/s. The weighting process may be carried out at collection or rendering point.

(c) In the majority of cases NFSCo has been quite effective in dealing with problems. The five directors of the company board, nominated by the main UK farming organizations, have invaluable hands-on experience dealing with local problems, and knowledge of specific issues most relevant to their particular region. Waiting times for the collection of dead animals, was one of the most frequently occurring reported problems in 2005. NFSCo have been very proactive in finding a possible solution to this problem. The introduction of Dolva bins in January 2006 (large sealed boxes) will facilitate bulk collections so that collectors only need to visit a particular farm every few days.
2. NFSCo should continue, as it is the most effective method of disposing of fallen stock which meets EU Animal By-Products Regulation. If the company is to survive after the removal of Government funding, radical changes will be needed to the infrastructure of the Company. A more uniform collection price structure must be established, which will mean sourcing collectors in areas where numbers are insufficient. There must also be increased efficiency by encouraging the use of collection bins, particularly in peak lambing periods, which will reduce the number of pickups needed. A more developed infrastructure may encourage a greater level of participation.

If Government funding ceases ownership and management of NFSCo should be the sole responsibility of the Livestock Industry. It is essential that the views of the Industry are represented at all levels, which would not necessarily be the case if the company resorted to private ownership.
3. As stated at the stakeholders meeting, NFSCo have under spent Government funding in the first year. This surplus can be carried over to subsequent years, but any surplus

at the end of year three will be returned to government. The company should seek the views of Government on various options of capital expenditure. One example is the availability of incinerators or bio-digesters in areas where rendering is not readily accessible. This will have the desired effect of reducing the cost of fallen stock disposal. Biosecurity will also be improved as there will be a reduction in the distance collectors will have to travel with fallen animals.

A more formal farm liaison service may also be an option. This will ensure that problems and complaints will be addressed in a more direct approach, and anticipated problems resolved.

4. As stated previously, the possibility of a collection fee based on the weight of the animal/s should be considered.
5. Capital investment delivering incinerators or bio-digesters in areas where a rendering plant is not accessible. Alternatively collection centers situated in strategic locations would also reduce the cost of fallen stock disposal. Individual producers would have the option of delivering their fallen animal/s to a site, where adequate biosecurity measures would be established and controlled effectively by company officials.
6. It is important that the infrastructure of the company is improved to ensure that the disposal of fallen animals through the scheme is the most cost effective option for the UK Livestock Industry. This should also include a more definite management structure incorporating collectors, which may discourage the reported practice of NFSCo collectors offering a lower collection price for animals outside the scheme. These measures should have the desired effect of increasing participation, which is necessary as current membership falls short of what is needed when Government funding is removed.

3. Response from the Ulster Farmers Union



Ulster Farmers Union Response to the Evaluation of the National Fallen Stock Scheme and the National Fallen Stock Company (NFSCo) 23 January 2006

- 1a. The National Fallen Stock Company (NFSCo) would appear to be providing a fairly effective service for Northern Ireland livestock farmers based on the ongoing level of collections. From the outset it wasn't unexpected that there would be teething problems around the logistics of the scheme, and indeed farmers did report difficulties in a number of areas such as: getting accurate information from the fallen stock helpline; understanding how the service was charged; getting animals collected in a suitable timeframe; the unsatisfactory nature of some collection vehicles, and; the availability of collection services in the more remote areas of the Province. To a large extent many of these difficulties have been ironed out but there are issues of concern remaining that will be elaborated upon later.
- 1b. With a legislative ban on the burial of fallen stock throughout Northern Ireland the national fallen stock collection and disposal scheme represents the only real viable outlet for such animals for the vast majority of farms. Cost of the service has been a bone of contention since the inception of the scheme and the current 50% subsidy helps greatly to maintain its usage. There are issues of value for money which arise in relation to the £28 annual joining/admin fee and the disproportionate cost of collecting smaller animals such as calves and lambs. Further developments towards weight based collections across the species range would be desirable.
- 1c. The Fallen Stock Helpline, operators' points of contact, and the regional director of NFSCo have to a large extent dealt with local problems in a professional manner. Undoubtedly the largest problem throughout the past year has been the time taken to collect animals off farm, which UFU recognises is steadily improving with advances in local logistics. The method of payment for the service (direct debit only) has been problematic for many producers and would be a hindrance to greater uptake of the scheme – UFU would recommend that further examination is given to alternative payment methods. Another problem which commonly arises is the provision of services at weekends – dead farm animals can often deteriorate quickly in hot weather (and can be difficult to keep out of reach of scavenger animals). Reports received by UFU would also indicate that standards of certain collection vehicles used at weekends is inadequate – unsealed vehicles with winches used to haul animals aboard can result in biosecurity concerns amongst producers.
- 2a. NFSCo has operated reasonably well under its current structure for a new start-up company offering a nationwide service. The continuation of NFSCo will be dependent on a number of factors – continued Government financial support; collectors willingness to operate the service; usage of the scheme by producers, and most importantly cost effectiveness.
- 2b. The broad remit of NFSCo should be continued, as the scheme which it operates, offers the best means of complying with the requirements of the EU Animal By-

Products Regulation in respect of fallen animals. Whilst the existing model of the company is a reasonably good one it is important that the organisation operates as cost effectively as possible – unnecessary costs need to be taken out of the system and private tendering of scheme administration could offer one solution to this.

- 2c. Given that NFSCo is still in its infancy, and the fallen stock scheme that it operates continues to develop, it would be foolish to wind up the company at such an early stage. UFU believes that continued Government support for the scheme is vital to its existence and NFSCo is well placed to build on the Government / Industry partnership in this area. The viability of the scheme would no doubt be called into question if Government discontinued the co-financing arrangements with industry.
3. UFU believes that NFSCo should concentrate on its core function of providing a cost effective and efficient collection and disposal scheme for fallen animals across the UK. UFU cannot readily identify any additional functions that the company could take on to enhance its value to industry. Certainly there is no desire amongst producers for NFSCo to adopt any regulatory functions on behalf of Government.
4. In terms of funding there are a couple of areas where UFU would like to see further examination. The first relates to the annual membership fee (which currently stands at £28) – producers would welcome a reduction of this fee, or indeed an elimination of it altogether if it could be incorporated into the fee for each collection on farm. The second relates to the disproportionate nature of fees for certain categories of small animal (especially calves and lambs) – further development of weight based collections would be a welcome step forward. It may also be appropriate in the interim period to look at reduced fees for smaller animals when part of a larger consignment on the farm (for example small lambs collected with dead ewes).
5. An area that is worthy of further exploration is the provision of strategic collection centres where producers could deliver their fallen animals to a controlled site. This would help to reduce the number of calls to collect small quantities of deadstock from often inaccessible areas and could more efficiently make use of the haulage vehicles. It could also stimulate a greater uptake of the scheme amongst small scale producers who are put off by the cost of joining the scheme and the minimum collection charges.
6. Regarding the future of the National Fallen Stock Scheme it is essential that the funding allocated by Government for the first three years of the scheme is not lost. As a bare minimum the remaining funds should be rolled forward for another two year term. It would be entirely inappropriate if a scheme which currently offers a 50% collection and disposal subsidy was stepped down to a zero subsidy overnight. The Scheme needs to continue to grow and attract new members which will be key to the long term efficiency and competitiveness of the service. Investment in collection infrastructure (such as sealed vehicles, bulk bin facilities, central collection points etc) will be critical to the success of the service in the longer term. There already are a number of collectors who operate outwith the scheme (by offering certain services at lower cost) which has an undermining effect on the approved collectors in Northern Ireland. A professionally managed and centrally organised scheme which has full geographic coverage is much more desirable than a fragmented arrangement of independent collectors operating to a much lower level of service.

4. Response from NFU Cymru

NFU CYMRU

Tŷ-Amaeth – Agriculture House, Royal Welsh Showground
Llanelwedd, Builth Wells, Powys, LD2 3TU

Tel:01982 554200 Fax:01982 554201

Website: www.nfu-cymru.org.uk

Director: J Malcolm Thomas

Bob Bansback

Ein cyf/Our ref:

Eich cyf/Your ref:

E-mail: mary.james@nfu.org.uk

Dyddiad/Date: 24th January 2006

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Dear Bob

Independent Study on the National Fallen Stock Scheme Commissioned by Defra

Thank you for travelling to Builth Wells yesterday to meet NFU Cymru's leaders to discuss the operation of the National Fallen Stock Scheme and the National Fallen Stock Company.

Operation of NFSCo

There have been major difficulties with the national fallen stock scheme, particularly in North Wales. In other areas, the scheme complemented by hunt kennels operating outside of the scheme, has generally provided a service, which has ensured that fallen stock can either be delivered to the facility or have been recovered from farm within a reasonable time-scale. This has not been the position in North Wales and fallen stock remained uncollected on farm for up to 5 weeks last Spring during the peak collection period. NFU Cymru's concern is that whilst the only collection in north Wales, Cluttons, have generally since been able to cope with demand there has more recently again been evidence that as demand for collections increases the time-scale for collections appears to be slipping. Clearly, there is a strong seasonal factor in terms of demand for the collection service. NFU Cymru's prime concern is that there is presently not the infrastructure in North Wales for coping with the situation this we believe is the responsibility of the Welsh Assembly Government and clearly having only

one collector in the whole of North Wales is not ideal in either logistical or competitive terms. Whilst Cluttons have endeavoured to address the logistical difficulties of covering this large area by setting up intermediary sites at Bangor and on Anglesey neither of these sites have come to fruition. The Bangor site was stalled by planning refusal and our understanding is that Clutton's were unable to come to agreement with the owners over the lease of the Anglesey site.

Whilst Cluttons have committed to a pilot exercise from Oswestry, West to Merioneth using Dolav's which we welcome and which we hope will ease bio security concerns, our fear is that without intermediary sites in North West Wales that the dire circumstances endured by the industry last year will again be repeated.

My colleagues alluded yesterday to the psychological impact of having fallen stock building up on farm, to their bio-security concerns and to the image of the industry in the eyes of the general public given that even when piles of putrefying carcasses are covered the stench continues to prevail. Farming families should clearly not have to endure these circumstances. Farmers are concerned too, given that the burial of fallen stock is illegal, that their inability to get fallen stock moved off farm will compromise cross-compliance and thus their single farm payments and that the pragmatic approach exercised by Trading Standards last Spring may not be relied upon to continue.

NFU Cymru believes that there is a 'lack of ownership' of the problem in North Wales and that the shortcomings can only be overcome through the close co-operation of all parties. We fear that at present no one is taking full responsibility for the situation with each party believing it is the responsibility of the other.

Cost/Value

Whilst clearly no one is happy with having to meet disposal costs, which are an added burden on the cost structure of the industry, the fact that these have been mitigated by Government intervention has eased the position. There is however concern that were the industry, particularly in North Wales to have to bear the full brunt of collection and disposal costs when the scheme is not operating effectively and efficiently then there would be a significant backlash from the industry.

Dealing with problems

We have received no adverse feed-back from members on the operation of the help line. NFU Cymru has dealt directly with Directors of the NFSCo and with the National Assembly for Wales and with the collection companies involved to try and address difficulties as they have arisen.

Alternative Disposal Mechanisms

Because of the difficulties posed by the collection and disposal of fallen stock, NFU Cymru has tried to find acceptable alternative methods of disposal that would address farmers' concerns about delays in fallen stock collections and particularly bio-security issues. There is a genuine concern in the industry that vehicles travelling from one farm to another laden with decomposing carcasses and dripping detritus and liquid on farm lanes and yards poses a real disease threat and many would prefer to have their own bio digester for sheep and calves on farm to obviate this risk.

NFU Cymru presented to the National Assembly for Wales details of the Sistema 2000 system, which was at that time being used in Italy. The Assembly pursued this with the EC but were advised that it was not consistent with the requirements of the Regulation since there was no incineration/rendering of prions.

In the light of this advise, NFU Cymru suggested that the Assembly pursue with the EC the possibility of a system of vacuum extraction of the residue from bio-digestors with subsequent incineration/rendering of this material to address the prion disposal, the seasonality - which is significant part of the problem - and the bio security issues. It is understood that the EC had concerns at the frequency with which bio-digestors would be emptied.

Some farmers have contemplated putting in incinerators but these are cost prohibitive, emission requirements are stringent and planning permission is difficult to acquire.

NFU Cymru does however feel that the issue of bio-digesters or the like should be pursued with conviction by the Assembly/Defra with the EC. The Assembly is committed to an agenda of sustainability and it is neither economically nor environmentally sustainable to be hauling deadstock up to 80 miles for disposal.

Some have argued that to be considering alternative methods of disposal may further undermine the NFSCo but NFU Cymru believes that bio- digestors would ultimately be more bio-secure, cost effective, sustainable and the industry would be less vulnerable to lack of collection operators.

Future of NFSCo

You posed a number of scenarios for the future of the NFSCo including that of whether the company should continue roughly as present but under private ownership once Government pump-priming is discontinued.

Because of the inadequacies of the present arrangements NFU Cymru would be very loathe to advocate private/industry ownership of the company whether on a GB or a Wales basis. Unless the fundamental problem of an inadequate infrastructure in Wales can be addressed the company whether co-funded or in private hands cannot meet the needs of the livestock industry bearing in mind the legal obligations which farmers are now under in terms of the Animal By-Product Regulations.

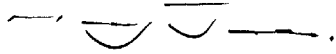
Government Funding

NFU Cymru is aware that there may be unspent Government funds remaining after subsidising charges in years 1 & 2 of the scheme. NFU Cymru is keen that this resource should be used and invested to explore what other methods of disposal might be reasonably used for the disposal of fallen stock, that is consistent with EC requirements. Whilst clearly these resources could be used to subsidise charges beyond the pump-priming initially envisaged, NFU Cymru is concerned that unless there is Research and Development in the field and a determination to progress the issues with the EC then the difficulties with which livestock producers are currently having to contend will merely continue into the future. This is not acceptable and there needs to be a concerted effort to find a legitimate and practical way forward.

Finally, you indicated yesterday that you were thinking of holding a meeting with interested parties once your findings were to hand and pre the recommendation stage. NFU Cymru would be happy to participate in this discussion.

Thank you again for meeting us in Builth Wells yesterday. We look forward to hearing from you in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mary James', with a horizontal line extending to the right.

Mary James
Deputy Director/Head of Policy
NFU Cymru

5. Response from Midland Pig Producers Ltd

NATIONAL FALLEN STOCK SCHEME REPORT

19TH DECEMBER 2005

Pig Sector Response:

1a *Effectiveness of Operation:*

Initially the combination of resistance tempered with an infrastructure that was unequipped to meet the demands following a change in legislation reflected somewhat unfairly on the Scheme.

Emerging from a serious recession within the sector, our company remains committed to the breeding and rearing of pigs but as a result of that decision has had to radically alter production systems. In particular the Company now has 22 contract rearing units (i.e. facility and labour are contracted, we provide pigs and all other inputs (feed, straw etc)).

1b *Cost/value for money:*

The introduction of new legislation has compounded the problem of reduced capital input into pig farming during the recession. 8 new incinerators, which comply with revised legislation for a standard breeding unit are circa £8,500 each, and have been installed at our main breeding units. In addition one upgrade at a cost of £2,600 has been undertaken. Average monthly fuel costs for these incinerators are around £180.

Based on these figures it is highly unlikely that the Company will install incinerators on contracted grow out units unless a range of measures could be agreed (i.e. longterm contract, unit owner to provide some of the capital required) and mortality rates on farm justified the expenditure. However, a recent comparison of costs of the NFSCo versus the installation of an incinerator on a contract rearing unit that was experiencing above average mortality rates, actually reflected that an incinerator would be cheaper.

Whilst the Company has registered its own sites, it has asked the contract rearers to register with NFSCo in their own name. However it must be stressed that costs for disposal of pigs owned by the Company are reimbursed. Essentially the reasoning behind getting the contract rearers to register is due in part to potential of the rearing contract being terminated by either party or where other livestock (not owned by our Company) is kept on farm.

However there has, possibly understandably, been reluctance by some rearers to do this – possibly for two reasons: many farmers are still sceptical of the Direct Debit system and/or cash flow.

1c *Dealing with problems:*

For a Company that uses the internet extensively in the course of its business, on-line invoicing has not proved to be a problem and queries that have been e-mailed are dealt with efficiently.

The key problem in the early days of the Scheme was trying to find the most efficient and cost effective collector for each of the units. With a geographical base encompassing most of the counties from Oxford across to the borders of Wales/Shropshire (Welshpool) as far north as Lancashire and across to North Yorkshire this has proved difficult.

Biosecurity is a key issue for pig producers and concern over the state of some of the vehicles and biosecurity procedures adopted by collectors, particularly in areas where the units are contracted and information is often third-hand has meant that the Company has tried to secure contracts with a limited number of collectors whose service is tried and tested first-hand (predominantly with those who use the Dolav system).

The Dolav system appears to be working fairly well. However problems can occur during extreme weather conditions and spates of high mortality. When either, or both of these occur there are cost implications (extra collections) and the potential for activists to exploit production practices in an unfair light.

One area that should perhaps be explored, although it has the potential to increase costs, is a system of regularly spot checking collectors vehicles to ensure best practice – i.e. biosecurity not breached etc.

2a *NFSCo continue roughly as it does at present but under private ownership:*

No major concerns on this point with the exception of implementing measures to ensure an infrastructure that meets the demands and a ‘cap’ on the fee structure to ensure fair charges irrespective of collection area.

2b *The broad remit of NFSCo be continued but the structure be radically altered? If so, how?*

No views expressed.

2c *The role of NFSCo no longer be necessary and the company be wound up over a period of time. If so, what, if anything, should replace it?*

No particular views expressed with the exception of the points raised at 2a.

3 *Are there additional functions that NFSCo could usefully take on which would enhance its value to the industry? If so, please give examples of these functions.*

No particular views expressed.

4 *Are there any other ways you would like to see NFSCo funded e.g. an alternative fee structure?*

Fee structures are often complicated and not always to the benefit of interested parties. However as highlighted previously, the issue of registering contracted rearing units would

benefit from review and maybe consideration given to a standard monthly rate (based on number of collections rather than weight).

5 *Are there other ways in which NFSCo could reduce the cost of fallen stock disposal?*

No views expressed.

6 *Are there any further comments you would like to make about any other aspect of the National Fallen Stock Scheme or NFSCo? For example, biosecurity, views on funding when the Government funding ceases and on how viable the scheme would be without Government funding, and views on stretching existing funding over a longer period.*

Without Government funding it is difficult to see how the cost could be borne by producers without having a detrimental effect on farming incomes. Composting seems to be allowed in other EU member states, this would be a far more cost effective method of disposal on sites of low mortality and the preferred method of disposal.

Jane Johnson
For and on behalf of Midland Pig Producers Limited

6. Response from the Farmers Union of Wales



Dr Nicholas Islwyn D. Fenwick, Policy Officer, Farmers Union of Wales, Llys Amaeth, Plas Gogerddan, Aberystwyth, Ceredigion, SY23 3BT

Tel: 01970 820820

Fax: 01970 820821

E-mail: nick.fenwick@fuw.org.uk

SENT TO:
bob_bansback@rmif.org.uk

20th January 2006

Dear Mr Bansback,

National Fallen Stock Scheme and the National Fallen Stock Company (NFSCo) -- List of issues to be considered

This consultation paper has been circulated to each of the Farmers Union of Wales' twelve County Branches for comment, and their responses have been taken into full account in drafting this response.

Firstly, it is perhaps worth pointing out that the FUW is fundamentally opposed to the burial ban, and believes that the widescale collection of dead animals from farms presents an extreme threat to animal and human health due to the inevitable problems of biosecurity.

1a. Effectiveness of operation

Because the NFSCo effectively act as a bridge between farmers and fallen stock collection businesses, the ability of NFSCo to deliver a service is severely limited by the number of collectors able to operate within each particular postcode area. Thus, while the effectiveness of the internal operation of the NFSCo may be exemplary, the actual effectiveness of the service provided to farmers has been extremely poor in vast areas of Wales. For example, during the lambing season of 2005 a significant proportion of NFSCo members regularly had to wait weeks for collections, despite only a quarter or so of farmers being members.

b. Cost/value for money

We are not aware of any benchmark against which the internal operations cost/value for money of the NFSCo can be gauged. However, in terms of the value for money of the collection service paid for by farmers, we would state that the value for money is extremely low, given the extremely poor quality of service referred to above and the high prices charged for that service.

c. Dealing with problems

The primary problems that affect NFSCo members include

- i. Extremely poor quality of service due to the inabilities of collectors to cope with seasonal demands
- ii. High collection prices due to transportation costs, incineration/rendering costs, fuel tax, etc.
- iii. Poor or non-existent competitiveness in areas where as few as one or two companies (or even one company operating under a number of different trading titles) have tendered for collection contracts.
- iv. High charges for extremely poor services in geographically remote postcode areas (effectively a 'postcode lottery').

Given the current structure of the NFSCo, many of the problems described above seem insurmountable, as they are related to the limitations of collection companies rather than those of the NFSCo itself. Thus, without a fundamental change in the nature of the NFSCo, and significant financial assistance from Government, it is difficult to envisage an acceptable solution to such problems, particularly given the seasonal nature of demand.

2a. Should the NFSCo continue roughly as it does at present but under private ownership

No

b. Should the broad remit of NFSCo be continued but the structure be radically altered? If so, how?

Yes

The NFSCo's structure must be radically altered in a way that addresses the problems described in the answers given above. We imagine that this would necessarily involve sufficient Government funding to ensure a system whereby all animals are collected within 48 hours even during periods of heavy demand (as opposed to the current system, which in many areas is incapable of coping with a fraction of the demand).

Members suggested that part of the remit should be to establish fallen stock collection depots around the country

c. Should the role of NFSCo no longer be necessary and the company be wound up over a period of time.

In the absence of a commonsense approach to burying animals, the NFSCo should continue to operate. Given the lack of any significant effort on the part of Government to prevent the introduction of such a ridiculous law as the burial ban, it is only appropriate that the scheme be fully funded by the Government.

The NFSCo should only be wound up when on-farm burial once again becomes legal.

- 3. Are there additional functions that NFSCo could usefully take on which would enhance its value to the industry? If so, please give examples of these functions.**

See answers given above, in particular the reference to local collection centres.

- 4. Are there any other ways you would like to see NFSCo funded e.g. an alternative fee structure**

NFSCo should be totally funded by the Government, given their complete failure to maintain a common sense approach to burial.

- 5. Are there other ways in which NFSCo could reduce the cost of fallen stock disposal?**

See above

- 6. Are there any further comments you would like to make about any other aspect of the National Fallen Stock Scheme or NFSCo? For example, biosecurity, views on funding when the Government funding ceases and on how viable the scheme would be without Government funding, and views on stretching existing funding over a longer period.**

As stated above, government funding should be continued and increased. It seems likely that the shortcomings of the scheme will be exacerbated if funding runs out, making the scheme itself unviable.

Concerns continue to be raised in relation to the biosecurity of transporting dead animals around the countryside. Given that the seasonality of demand may make some measures relating to the biosecurity of collection vehicles economically unviable, we believe that the Government should make funds available, via the NFSCo, in order to ensure the highest possible levels of biosecurity.

I trust that these and other issues will be discussed during the meeting next week.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N Fenwick', with a stylized, cursive script.

Nicholas Fenwick

7. Response from LACORS (The Local Authorities Coordinators of Regulatory Services)

National Fallen Stock Scheme and the National Fallen Stock Company (NFSCo) Questionnaire

Local Authorities Co-ordinators of Regulatory Services (LACORS)

The Local Authorities Co-ordinators of Regulatory Services (LACORS) aims to provide representation and support for local authorities throughout England, Wales and Scotland in the provision of regulatory services.

LACORS proactively encourages best practice and consistency by all local authorities in their enforcement of regulatory services, including animal health and welfare enforcement. LACORS also continues to work nationally to increase the profile of local authority work in this area through the development of partnerships with Central Government, the Devolved Administrations, the State Veterinary Service and other representative bodies.

LACORS utilises an established website, mailing lists and manages the work of the National Animal Health and Welfare Panel to provide a comprehensive communication network.

The National Animal Health and Welfare Panel is made up of nominated regional representatives from Local Authorities throughout England, Wales and Scotland. The members of the Panel are experts in the enforcement of animal health and welfare legislation. The National Animal Health and Welfare Panel contains a wealth of knowledge and experience that is respected throughout Local Authorities, Central Government and outside organisations.

LACORS also works with Local Authorities in the enforcement of food related policy, licensing, health and safety, registrations services and the wider trading standards remit.

LACORS Response

LACORS receives a range of ongoing feedback from local authorities about the National Fallen Stock Company (NFSCo) through our existing communication channels. Any consistent issues, or major individual problems, are communicated directly with the NFSCo.

This response has considered the ongoing feedback that has been received from local authorities over the past year. Specific communication has also been undertaken with a number of key local authority advisors in relation to the NFSCo review process, and again these views have been considered within the LACORS response provided.

It is clear that experiences in relation to the NFSCo vary from region to region, and therefore local authority animal health and welfare enforcement officers have varying views about certain key aspects of the NFSCo, and about the success of the scheme. In this response LACORS has tried to reflect differing views where relevant, but also provide a national view in other areas as appropriate.

In consideration of the differing regional experiences of the NFSCo, LACORS suggests that it would be beneficial for the NFSCo review process to communicate directly with a number of local authorities directly to consider their individual views. Local authorities have day to day direct contact with the

farming industry in their area, and therefore will have more practical knowledge of how the scheme is operating within their local community.

LACORS can provide a number of local authority animal health and welfare contacts should the review process wish to contact them directly.

LACORS hopes that the information within this response is useful to the review of the NFSCo, however should you require any further details please do not hesitate to contact us.

1. How do you feel that the NFSCo has been operating since its inception – in terms of:

- **effectiveness of operation**

The feedback from local authorities suggests that the effectiveness of the NFSCo varies depending upon the area within which you are located.

It is clear that the NFSCo can provide the most effective collection scheme where there are a greater number of collectors and disposal routes. However, there are key geographic areas that experience unacceptable delays in the collections made by the NFSCo, as a result of the limited collection and disposal infrastructure that is in place.

It seems that the areas that experience a consistently good service from the NFSCo already had a relatively large disposal infrastructure in place to cope with the disposal of fallen stock. In the main these areas also included a wider range of disposal options, including knacker yards and hunt kennels. Local authorities in such areas have also reported a relatively low take up for the scheme, as the increased number of operators ensures that prices remain competitive.

However, there is also a range of areas that would suggest the introduction of the NFSCo has considerably built upon the basic disposal infrastructure that was already in place, and therefore the NFSCo in these areas has been key to providing effective disposal routes for fallen stock.

There are still reports of areas with little choice in relation to collection under the scheme, or where there are large delays in collection. Predominantly such reports have related to North Wales, but other feedback has been received in relation to the collection of specific species in certain areas.

- **cost/value for money**

Again, it would seem that the value for money in relation to the fallen stock scheme varies from area to area, and again is dependent upon the collection and disposal infrastructure that is already in place.

Local authorities have found that where there are large number of collection options, both within and outside the scheme, then NFSCo prices were naturally more value for money and often considered as good. However, in the areas with the largest number of collection and disposal options it is often cheaper for the farmer to directly contact the collector outside the scheme.

Conversely there are also a number of areas that clearly suffer in relation to pricing due to the limited extent of the disposal options that are available within an area.

Concern has been expressed that the fallen stock scheme is of most financial benefit to the larger farmers, and provides little financial sense for small livestock keepers.

- **dealing with problems**

Local authorities recognise that the NFSCo have made attempts to rectify the problems associated with the fallen stock scheme, however there is concern that often the scheme has been slow to recognise some problems and appreciate fully the issues that are being faced.

Furthermore, despite the effort made by the NFSCo, there has been little success in alleviating a number of the high profile issues associated with the scheme, and therefore industry and public perception probably remains very much the same. For example, it is clear that the NFSCo has dedicated a range of effort and resource aimed at resolving collection issues associated with the lambing season in Wales, however it is unlikely that the situation will be resolved this year, and therefore the NFSCo will attract high profile bad press again on a specific issue.

2. In your view, should:

- a) NFSCo continue roughly as it does at present but under private ownership**
- b) the broad remit of NFSCo be continued but the structure be radically altered? If so, how?**
- c) the role of NFSCo no longer be necessary and the company be wound up over a period of time. If so, what, if anything, should replace it**

There is clear support from local authorities for a national collection scheme to remain in place, while providing necessary improvements to the scheme in specific areas. The NFSCo will also have to ensure that it continues to work to gain the full support of the farming industry, both through providing a cost effective and reliable service, as well as through proactive publicity.

Local authorities recognise that a privately owned scheme may bring benefits in certain areas in relation to efficiency and value, but there is concern that a privately owned company would not find it financially viable to operate in certain geographic areas. This would therefore leave some areas without a full collection service, and the NFSCo would no longer be providing a national scheme.

The NFSCo currently requires that collection services operating under the scheme carry out a higher level of cleansing and disinfection than is currently required under legislation. This has been in recognition of veterinary advice and industry concern. However, a privately owned company may no longer find it financially viable to request that collectors operate to conditions in excess of the legislative requirements. This would remove a key benefit of the scheme.

A number of local authorities have advocated that the NFSCo does need to retain some accountability to central government, though most probably at a distance. This would provide an element of accountability to the public in relation to overall standards, and ensure that a national coverage was retained.

It should also be recognised that there is clear concern within local authorities as to how the NFSCo will continue to remain competitive when the current government subsidy is removed. There will be little incentive for both collectors and farmers to operate through the NFSCo, rather than communicating directly. The NFSCo will need to ensure that it can provide added value to this relationship.

- 3. Are there additional functions that NFSCo could usefully take on which would enhance its value to the industry? If so, please give examples of these functions.**

A number of local authorities have suggested that the NFSCo should expand to the collection of all animal by-products from farm related premises, including feathers, seasonal slaughter by-products, other poultry waste and pet food.

Furthermore, farms are now subject to new environmental legislation that governs the disposal of a range of waste products from livestock and agricultural premises. All local authorities consulted agreed that the NFSCo could expand their collections scheme to provide a full waste disposal service for farming premises. It was suggested that this approach would help further compound the collection and disposal infrastructure available through the NFSCo, and therefore improve the overall service and cost of the scheme.

4. Are there any other ways you would like to see NFSCo funded e.g. an alternative fee structure.

LACORS can understand that a number of local authority representatives feel that in principle the NFSCo should be funded entirely by the farming industry, in line with other industries that pay in full for the appropriate disposal of their waste.

However, without the subsidy from government it is difficult to see how the scheme can remain a competitive option in the longer term. Furthermore, the scheme does play an important role in protecting both human and animal health.

Some local authorities have suggested that there is potential for the scheme to be linked to Single Farm Payment system, potentially offering fully compliant farmers with a further discount on the joining fee and collections under the scheme.

LACORS recognise that the continued funding of the NFSCo is a difficult area, and therefore recommend that the situation is fully researched and considered by Defra before a decision is reached.

5. Are there other ways in which NFSCo could reduce the cost of fallen stock disposal?

LACORS have found it difficult to identify areas where the costs of the scheme can be reduced, without significant financial support from central government.

The feedback from local authorities was quite clear that the main way to reduce pricing of both collection and disposal of animal by-products would be to ensure that the overall disposal infrastructure was developed further, thus increasing the competition. Many areas only have one collection / disposal route open to them.

However, it is difficult to assess how this can be practically achieved. It may be possible to proactively investigate whether the number of disposal options that are commonly available can be increased, or ensuring the business advice on establishing disposal businesses is clearly available. Alternatively, the NFSCo could look into investing directly in the national collection and disposal infrastructure.

6. Are there any further comments you would like to make about any other aspect of the National Fallen Stock Scheme or NFSCo? For example, biosecurity, views on funding when the Government funding ceases and on how viable the scheme would be without Government funding, and views on stretching existing funding over a longer period.

Local authorities are aware that the NFSCo experienced a lot of negative coverage from the media during the initial implementation stage. However, perception of industry has improved slightly, and clearly the take up in relation to the scheme has improved.

Local authorities clearly have different views in relation to the scheme because the success of the scheme varies across the country. Some areas clearly still have very few disposal options available, which causes delays in collection and less competitive pricing. Clearly in North Wales this is extremely evident.

Feedback from local authorities suggests that the route to solving this issue is accepting this issue exists, and really working to ensure that practical solutions are found that work to suit industry needs and legislative requirements.

8. Response from the Commercial Services Department of the Meat and Livestock Commission



MEMO

Date: 27th March 2006

To: Bob Bansback

**Copy: Kevin Roberts
Jeremy Humphrey
Duncan Sinclair**

From: John Heal

**Subject: National Fallen Stock Scheme and
National Fallen Stock Company**

Bob,

We met some weeks ago to discuss the NFSCo, which you are reviewing. At that time, you had sent MLC a consultation paper and I undertook to check to see whether MLC would be responding. As I understand it, MLC will not be responding and so I am writing to provide an Operations Group response, from the perspective of our involvement within the OTMS (now OCDS) and Fallen Stock Scheme for the RPA.

Our experience from working at disposal sites lead me to raise a number of points;

- **Whilst the situation with regard to cadaver age, ID and disposal is reasonably secure at over 24 months disposal sites, we believe the age of cadavers as well as the correlation of the ear tag against the documentation should be established on receipt at all disposal sites, i.e, knacker yards and kennels, and that a record should be kept, certainly of bovine cadavers, of the official identification, sex and breed.**

This would ensure that all cadavers requiring TSE sampling are captured and do not slip through the net.

We see this as vitally important to maintaining the integrity of the current Regulatory requirements and without it, our export potential could be threatened and attract

criticism from the EU Food and Veterinary Office (FVO).

It would also serve as a double check for the enforcement body, whether that be the SVS, RPA or Trading Standards, when farm records are checked against those at the disposal site.

It is important for the entire industry that there is strong control of animal identification and therefore it is essential to demonstrate that the fallen stock sector is compliant. The urgency is initially within the bovine sector, however, this will also become an issue within the ovine and caprine sectors as we move towards individual identification of these animals in 2008.

- Whilst I accept cost in the longer term is an issue, there is an opportunity to utilise MLC staff that are currently situated at disposal sites across GB, to carry out spot checks on National Fallen Stock Scheme material and may add further security to the disposal process.

Currently, the cost of this would be minimal as it could be integrated with the work already being done for the RPA on fallen stock.

- We discussed the controls that NFSCo has in place regarding the legitimacy of invoicing and I know you felt the current arrangements offer little opportunity for fraud. All I would say is that should there be an audit function required at any point, then my staff would be able to offer an efficient service, again dovetailed with their current activity in this area.
- Finally, should a decision be taken to invite tenders for the operation of the NFSCo Helpline at any time in the future, then I would be interested as we would be well placed to submit a competitive bid.

I hope this is helpful Bob, if you feel we could be of any further assistance, do not hesitate to call.

APPENDIX 6

National Fallen Stock Scheme Questionnaire

1. How has the fallen stock scheme worked for you?

Very well / well / average / poorly / very poorly

(Circle whichever most closely corresponds to your view)

2. In moving forward, would you prefer:

(on the assumption that the existing regulations remain unchanged)

a) A continuation of the current system with the company much as at present except under private ownership

Yes	No

(please tick one of the boxes)

b) A continuation of a national organization but with important differences compared with the present situation

Yes	No

(please tick one of the boxes)

If yes, please specify what changes

c) The discontinuation of the company and its system with a return to previous trading arrangements with no central coordination

Yes	No

(please tick one of the boxes)

3. Any other comments you would like to make

4. I am operating in England, Scotland, Wales, Northern Ireland (please delete where applicable)

Please return completed questionnaire in the enclosed prepaid envelope. All individual responses will be treated in the strictest confidence.

APPENDIX 7

Summary of Results of Questionnaire to Collectors

1. How has the fallen stock scheme worked for you?

Very well	8
Well	8
Average	13
Poorly	2
Very poorly	5

2. In moving forward, would you prefer:

a) Continuation

Yes	17
No	19

b) Continuation with differences

Yes	12
No	10

Additional comments:

‘Excellent scheme – no changes required’

‘To use authorised carriers of deadstock. With legal vehicles instead of farmers being allowed to transport their own deadstock’

‘I have ticked the YES box in section B but would only choose this option if there was to be a continuation of government funding’

‘A price should be fixed per all haulage and disposal, so farmers can contact who ever instead of a price was between haulages’

‘Re monthly invoicing should be allowed to invoice after month end, instead of current delay. (i.e. Jan 06 – invoice raised end of Feb 06)’

‘Require prompt collections as at present it contradicts good bio-security practice’

‘Renders, incinerators be taken out of collectors part. The band of workings knackers. Hunt Kennels would carry on collecting material at reasonable manner’

‘National organization but no need to change anything’

'Improved system access online, links to collectors and tighter controls on some collectors'

'Knacker men have too much power. The Fallen Stock fax only seem to go to registered knacker men and now the OTM has finished, we are out of work'

'More flexibility on time to collect stock!'

'Farmers do not like the direct debit service (a different payment method)'

'At least a yearly contract'

'I would like it to stay the same as it is'

c) Discontinuation of the company

Yes	9
No	25

3. Other comments:

'To encourage farmers more to join the scheme'

'If there will not be any government funding then I cannot see any point in having a national organization and therefore option C would be my choice'

'The paper work involved maybe a little too much. Also time consuming looking for a farmer to sign'

'You will still need to give a incentive to farmers'

'The scheme will not work without subsidy. Knackerman might be happy to continue but farmers will have no incentive to remain as members. The burial ban will also take a backward step if this happens. No carrot and no stick!!!!'

'Some means of trying to get more farmers to join the scheme'

'Works very well'

'The only benefits of the scheme in the future would be to the stakeholders in NFSCo and would only succeed in driving prices up for the farmers'

'Farmer do not trust system. Unwilling to give bank details. The paper to operate on monthly account.'

'The 50% sub by the Government must continue or the scheme will fail. The farmers will not be able to afford the full cost, and will simply not use the scheme if they have to pay the full cost'

'The system works very well. To disband it and take away Gov contribution will result in 1000s of tons buried again and ... prosecution

'The reduction in size of de 20g allow area animal welfare officers to carry out more checks + enforce none burial'

'I am a carrier for OTMS only registered by LASSA. When xxx lost contract for fallen Stock in xxx the Knacker man that got contract comes from xxx so therefore we are doomed. Vans stood idle'

'I prefer NFSCo system'

'When entering the class into the internet it would be easier if any additional collection point post codes and addresses were available. This would save calling the NFSCo helpline all the time.

'Do not approve of having to pay for each linked having when it has already been registered by the owner. I farm with 5 links unfairly generates over £100'

'OTMS have stopped. Knackers. Hunt Kennels have to fall back on to NFSS to remain in business'

'If the Government funding expires in 2007 they will just continue to bury the dead stock. As I do think that some of them still do it now'

'Very difficult for the small operator to thrive'

'The farmer has lost all his choices of who he wishes to collect from his promises, he is told where he can and cannot go'

I am operating in:

England	26
Scotland	8
Wales	2
Northern Ireland	2

Total of completed questionnaires: 42

APPENDIX 8

NATIONAL FALLEN STOCK SCHEME: BIOSECURITY CONDITIONS

Introduction

- 1) The primary aim of these guidelines is to stop taking disease from one farm to another while fallen stock are being collected under the National Fallen Stock Scheme. Some diseases can be readily spread to other farms on dirty protective clothing or vehicles.
- 2) These guidelines must be followed by collectors approved under the scheme when collecting fallen stock for disposal. It is also in the interests of farmers/livestock keepers to ensure that collectors comply with these guidelines when on livestock premises.
- 3) As the Scheme involves the collection and disposal of fallen stock that have died and the reason may not be readily apparent, it is particularly important that you comply with these guidelines. Disease is not always apparent, especially in its early stages and there is a real risk of collectors taking disease from one premises to another if these sensible precautions are not taken.
- 4) The most important biosecurity measures are:
 - a) to ensure that methods of working are designed to minimise the movements of people, vehicles or equipment into areas where farm animals are kept, including fields, sheds or other holding areas;
 - b) pending collection under this scheme farmers must remove fallen stock to a designated area of their premises to which livestock do not have access and where appropriate (e.g. poultry, young stock, small ruminants etc.) stored in leakproof, vented and covered containers. The fallen stock should be collected from that area;
 - c) whenever possible the fallen stock collection vehicle should not enter any part of the premises where there are livestock and the collectors should keep out of such areas as well.
- 5) Only collectors who have been approved under the Scheme will be allowed to collect fallen stock from farmers/livestock keepers.
- 6) It is a condition of Scheme approval that collectors comply with the biosecurity measures set down in these conditions. Those found to be in breach of this guidance may have their scheme approval revoked. Where any person is aware or suspects that this guidance is not being followed they should report it to the NFSCo helpline Phone No to be advised. This information will be passed to the National Fallen Stock Company Ltd to consider further action. This may include further investigation of the alleged breach. Where the breach is substantiated this may result in the removal of the collector from participation in the Scheme.

- 7) All collectors must ensure all their operators / drivers have adequate training and /or experience, and shall certify to this effect for each driver, and retain a record of that training or experience. All vehicles will carry a copy of the NFSCo Biosecurity conditions. Where any complaints arise concerning the practice of any operator then, an inspection and assessment, and possibly further training will be required as directed by the National Fallen Stock Co.

GUIDANCE FOR FARMERS AND LIVESTOCK KEEPERS

Suspected Notifiable Disease

- 8) If you suspect that your stock may be infected with or have died from any notifiable disease you must notify the Divisional Veterinary Manager at your local Animal Health Divisional Office immediately for further investigation. Sudden and unexpected deaths in livestock must be reported to the local AHDO so that they can consider if an Anthrax investigation is necessary. You must not arrange for anything to be collected under the scheme until you have discussed this with the DVM. (include references to NI equivalent officer)

On-farm Collection Point – responsibilities of the farmer or keeper

- 9) Wherever possible, the farmer must transfer the fallen stock, once discovered, to a specially designated area on their holding, from where it can be easily picked up by collectors with minimum risk of spreading any disease. Ideally, this should be an area of hard dry ground away from any surface water, or a hard standing area, capable of being cleansed and disinfected, away from livestock, and with easy vehicular access. The farmer is responsible for liaising with the collector to ensure the operator / driver knows the location of the collection site.
- 10) If it is not possible to designate a single allocated area, the farmer must choose a site that minimises the risk of spreading any disease affecting the fallen stock to other livestock. It is important to remove fallen stock from the vicinity of other livestock as soon after discovery as possible. On all types of farms, you must store these carcasses etc. while waiting collection - away from other livestock, vermin and scavenging wildlife. The use of lidded containers can be considered for small carcasses e.g. young lambs in a plastic sack & placed in a bin. You also need to ensure that feedstuffs and watercourses are protected from any discharges from the fallen stock and any disinfectants used. Every farm is different and the keeper must carefully assess the choice of collection site, and take into account the other activities such as dwelling houses, walkers roads and public access,
- 11) Pig and Poultry holdings in particular may already have, or wish to consider, storing carcasses in suitable containers whilst awaiting collection. Examples of good practice include the use of dedicated covered containers that are of a suitable construction to store the number and size of carcasses that could be expected to occur in between pick-ups. Biosecurity would be improved further if these were capable of being picked up mechanically and tipped into the collection vehicle. Farmers may wish to discuss with their nominated collectors whether they have suitable vehicles to facilitate this type of arrangement and consider choosing a collector which is able to use such vehicles. It is

recommended that farmers discuss their specific biosecurity arrangements with their vet or farm advisor, this is a requirement of some Farm Assurance schemes.

- 12) It is recognised that in many cases, particularly on large pig and poultry holdings, collection is on the basis of the disposal operator picking up a full skip/container of material and replacing it with an empty skip/ container. This could pose a biosecurity risk and farmers may wish to consider improving biosecurity by making arrangements with the disposal operator to permit the skip/container to remain on the holding and the contents transferred by mechanical means to the collection vehicle rather than the skip/container being exchanged with an empty one not originating from the holding. Again, farmers may wish to discuss with their nominated collectors whether they have suitable vehicles to facilitate this type of arrangement and consider choosing a collector which is able to use such vehicles.
- 13) It is a condition of the Scheme that the collection vehicle must take all reasonable steps to minimise the spread of disease from farm to farm. This means that the collection vehicle must arrive on the premises and leave it in a **clean condition**. For the purpose of these conditions this means no visible evidence of manure or slurry on the outside of the vehicle and no discharges or similar coming from the part of the vehicle used to transport the fallen stock. The farmer must ensure direct access to the collection site, without the vehicle going 'off road' or through yards or tracks heavily contaminated with mud or manure.

Frequency of collection

- 14) You must notify the collector you have fallen stock to collect as soon as possible. Collection will normally take place by close of business on the next working day following notification but exceptionally may be longer depending on facilities for on-site storage e.g. at pig and poultry units where collection may be on a regular basis of every second or third day or where there might otherwise only be small volumes of fallen stock for collection e.g. new born lambs and piglets where you may need to wait a little longer. You can discuss this with the collector. Although it may for example still be economical to pick up small quantities if it is on the route that day for the farmer's nominated collector in other cases it may not be.
- 15) Farmers wishing to deliver their own fallen stock to a collection centre must
- a) Make arrangements in advance, with the collector for the receipt of the fallen stock. It is at the collection centre's discretion whether to accept material in this way.
 - b) Transport their own fallen stock only.
 - c) Use a vehicle / trailer which is clean, fully enclosed (a flexible sheet roof is acceptable) and sealed to avoid any loss of fluids while in transit.
 - d) Cleanse and disinfect their vehicle, particularly the load section used to carry the fallen stock, after every such delivery. The farmer should consider carrying out this cleansing before returning to the farm, to minimise any risk of introducing disease back onto the farm.

GUIDANCE FOR COLLECTORS

Introduction

- 16) It is essential that all those involved with on-farm collections are fully aware of, and are trained in how to carry out the necessary biosecurity measures at every collection. Approved collectors must be able to provide such training to the staff that go out collection the fallen stock.
- 17) As well as observing the following guidance collectors should also comply with any reasonable requests made by the farmer, or his appointed representative, to the collector for additional biosecurity measures especially if the farm has a recognised high herd health status. Examples of such include:
- a) collection staff to keep out of livestock buildings;
 - b) keep to a designated route on the farm; and,
 - c) to use specific disinfectants etc. provided by the farm.
- 18) It is particularly important that collectors should comply with all appropriate Health and Safety guidance. This will include protecting themselves against any diseases which they may pick up from the livestock and preventing physical injury while loading heavy deadstock.

Collection of fallen stock during an outbreak of a Notifiable Disease

- 19) It may be necessary to require that enhanced biosecurity measures are adopted by, or other restrictions are applied to, farmers and contractors if there is an outbreak of a notifiable disease. Any such additional conditions will be made available at the appropriate time.

Making arrangements for the collection of fallen stock

- 20) You must normally arrange for collection of fallen stock to take place by close of business on the next working day following notification from the farmer. At the point of notification you should confirm with the farmer:
- a) where the fallen stock are to be collected from; and
 - b) how you should access the premises and where to park your vehicle.

Vehicles and trailers

- 21) The collector must furnish to the NFSCo the registration number of all vehicles used, or to be used by the collector.
- 22) Vehicles must comply with the relevant provisions of the Animal By-Product Regulations 2003 and any additional local bye laws when collecting and transporting carcasses. Fallen stock must be transported in a vehicle that is lined with impervious easily cleaned material and that is equipped with an adequate sized tank to collect all blood and liquids released from the carcass. The vehicle must have a leak proof floor that is drained into a sump tank fitted to the vehicle.

For dealing with the larger fallen stock it is recommended that the vehicle is equipped with a winch or other mechanical device for loading the carcase. The vehicle must have a secure door and sealed cover. A flexible sheet roof is acceptable provided it is secure, impermeable, easy to clean, tight fitting and vermin proof and prevents the escape of liquids. You should be aware of advice to farmers at paragraphs 11 and 12 above about the type of vehicle and collection arrangements which are recommended for pig and poultry farms in particular. You should at all times comply with any vehicle Licensing and Traffic Regulations particularly those regarding the loading and unloading of vehicles on the public highway and the proper licensing of vehicles.

23) Before arrival at each and every farm, you must ensure that the outside of vehicles or trailers used to collect dead stock are cleansed and disinfected to the same standards required by the Transport of Animals (Cleansing and Disinfection)(England) Order 2003 and its equivalent in Scotland, Wales & Northern Ireland before the vehicle enters any premises. The inside and outside of the vehicle and fallen stock part of the vehicle or trailer must also be thoroughly cleansed and disinfected before the first pick up of the day.

24) All collectors should fit automatic wheel and arch spray systems capable of cleaning wheels and wheel arches, to all vehicles. As a minimum at the start of the scheme all collectors must carry on the vehicle, at all times, a portable hand operated spray wash containing a general disinfectant mixed and ready for use in disinfecting wheels and external areas of the vehicle. The hand operated wash should use a disinfectant knapsack spray with a capacity of not less than 15 litres, carried on the vehicle and stored outside the drivers cab. All vehicles will be required to carry a spillage kit including granules for use in the event of a spillage or leakage from a vehicle. Care must be taken to prevent materials, including liquids, entering water courses according to the requirements of relevant legislation. You must only use disinfectants that are approved under the General Orders of the Diseases of Animals (Approved Disinfectants) Order 1978 at the specified dilution rates and in compliance with the labelling instructions. Information on approved disinfectants can be found on the Defra website at:

www.defra.gov.uk/animalh/diseases/control/testing_disinfectants.htm.

25) You could be required to use disinfectants approved for other purposes if there is an outbreak of a notifiable disease.

26) On arrival, you should ideally park your vehicle on hard standing away from live farm animals and visibly free of animal excreta, slurry etc. You should not normally take collection vehicles or trailers into areas where farm animals have access. The farmer must use his own equipment or vehicles to remove fallen stock from fields or buildings, to the collection site.

27) Before you leave the premises you must cleanse and disinfect your vehicle of all visible contamination with manure, slurry or similar material (including where appropriate, cleaning of the inside of vehicles, especially foot wells and pedals). If this is not possible, the outside of the vehicles and trailers must be cleansed and disinfected before they are taken onto another premises with farm animals.

This may mean returning direct to the approved collection/disposal premises for a full clean-down before making another collection visit.

- 28) On return to approved premises, the parts of the vehicle used for transporting the fallen stock must be thoroughly washed clean and disinfected as soon as practicable after the animal carcass is unloaded and must not be re-used until it is cleaned. In no event should the vehicle remain uncleaned for a period exceeding two hours after being emptied. Any blood or body fluids from the animal shall be transported and disposed with the animal.

Clothing and Footwear

- 29) You must wear robust protective clothing and footwear while handling fallen stock. Collectors must carry personal protection equipment (gloves and eye protection for use where appropriate in accordance with any Health and Safety Guidelines). The purpose of the protective clothing is to prevent street clothes from being contaminated with manure, slurry, blood or other discharges from the fallen stock. Protective clothing must be cleansable and disinfectable after each premises has been visited and must be put on at the start of the visits and removed at the end, and stored outside the drivers cab.
- 30) For the purposes of this Scheme it is considered that waterproof protective clothing and waterproof boots (with steel toe caps, if necessary) are used in most circumstances. These must be cleansed and disinfected before entering the premises and again at the end of the visit just before leaving the premises.
- 31) Before you leave the premises, check that there is no manure or other animal product (e.g. mud, slurry, animal faeces, droppings, excretions) to be seen on your footwear, outer clothing, vehicle or anything else taken with you. Remove any visible contamination and cleanse with disinfectant.

Equipment

- 32) You must clean all equipment that you use before arrival and departure, making use of any facilities available. Take great care when cleaning electrical apparatus or tools (e.g. hoists and pulleys) and observe health and safety rules.

Transitional arrangements

- 33) It is recognised that the standards required by the NFSCo scheme are greater than those required by the Animal By-products regulations, so the following timescales are set to allow collectors to upgrade their equipment:
- 34) Tanks for the containment of any fluids must be installed on all vehicles and functional by the end of one year from the commencement of the scheme.
- 35) Wheel and wheel-arch spray systems must be installed on all vehicles and functional by the end of one year from the commencement of the scheme.
- 36) Complaints concerning farmers or collectors should be directed to the NFSCo help line. Each and every complaint will be treated on its individual merit. The initial response will be to discuss by telephone: if no improvement is effected, or

if complaint(s) persist a written warning may follow, and in extreme cases the Board of NFSCo may suspend or exclude the farmer or collector.

APPENDIX 9

Calculation of % Uptake of National Fall Stock Scheme – England

1. Figures from RPA for 12 months ending November 2005 (converted to numbers of animals)

Adult cattle	20,300
Calves	60,600
Adult sheep	90,000
Lambs	300,000
Adult Pigs	25,000
Younger pigs + piglets	442,000

2. Estimated Total Fallen Stock for potential collection

(all census figures from June 2005 returns)

a) Total adult cattle (less those over 24 months which go for 24 TSE testing)

1-2 year old cattle:	1,483,000
0-1 year old cattle:	704,000
Total	2,187,000

Assumed Mortality rate: 1.5%

Total Estimated mortalities: = 2,187,000 x 0.015 = **32,805**

b) Total Calves

Total Breeding herd = 2,064,000

Calving Rate = 0.9

Total estimated calves = 2,064,000 x 0.9 = 1,858,000

Assumed Mortality rate = 5%

Total Estimated Mortalities = 1,858,000 x 0.05 = **92,900**

c) Total Adult Sheep

Total Sheep over 1 year: 7,837,000

Assumed Mortality rate: 4%

Total Estimated Mortalities: 7,837,000 x 0.04 = **313,480**

d) Total Lambs

Total Breeding Flock: 7,289,000

Assumed lambing rate: 110%

Total lamb births: 8,018,000 (7,289,000 x 1.1)

Assumed Mortality rate: 10%

Estimated Mortalities: 8,018,000 x 0.1 = **801,800**

e) Total Adult Pigs

Total Adult pigs: assuming mortality rate of 4%

Estimated Mortalities: 1,150,000 x 0.04 = **46,000**

f) Total Younger Pigs

Total Breeding herd = 386,000

Pigs born/Sow/Year = 20.5

Total Pig births = 386,000 x 20.5 = 7,913,000

Assumed Mortality rate: 10% = **791,300**

3. Recorded Estimates of Numbers taken as % of Total Mortalities

	Estimates from RPA figures	Estimated total Mortalities	Estimated Intake as % Mortalities	
			Specific	Range
Adult cattle	20,300	32,805	62	60-65
Calves	60,600	92,900	65	60-70
Adult sheep	90,000	313,480	29	25-34
Lambs	300,000	801,800	37	35-40
Adult pigs	25,000	46,000	54	50-60
Young pigs	442,000	791,300	56	50-60

These figures must be regarded as approximate estimates carried out with the best available data.

Calculation of % Uptake of National Fall Stock Scheme – Scotland

1. Figures from RPA for 12 months ending November 2005

(converted to numbers of animals)

Adult cattle	10,300
Calves	15,700
Adult sheep	57,540
Lambs	153,000

2. Estimated Total Fallen Stock for potential collection

(all census figures from June 2005 returns)

a) Total adult cattle (less those over 24 months which go for 24 TSE testing)

1-2 year old cattle:	485,448
0-1 year old cattle:	581,167
Total	1,066,615

Assumed Mortality rate: 1.5%

Total Estimated mortalities: = 1,067,000 x 0.15 = **16,005**

b) Total Calves

Total Breeding herd = 697,000

Calving Rate = 0.9

Total estimated calves = 697,000 x 0.9 = **627,000**

Assumed Mortality rate = 5%

Total Estimated Mortalities = 627,000 x 0.05 = **31,350**

c) Total Adult Sheep

Total Sheep over 1 year: 4,137,000

Assumed Mortality rate: 4%

Total Estimated Mortalities: 4,137,000 x 0.04 = **165,500**

d) Total Lambs

Total Breeding Flock: 3,193,000

Assumed lambing rate: 110%

Total lamb births: 3,512,300

Assumed Mortality rate: 10%

Estimated Mortalities: 3,512,300 x 0.1 = **351,230**

3. Recorded Estimates of Numbers taken as % of Total Mortalities

	Estimates from RPA figures	Estimated total Mortalities	Estimated Intake as % Mortalities	
			Specific	Range
Adult cattle	10,300	16,005	64%	60-70%
Calves	15,700	31,350	50%	40-55%
Adult sheep	57,540	165,500	35%	30-40%
Lambs	153,000	351,230	44%	40-45%
Adult pigs			70%	65-75%
Young pigs			70%	65-75%

These figures must be regarded as approximate estimates carried out with the best available data.

Calculation of % Uptake of National Fall Stock Scheme – Wales

1. Figures from RPA for 12 months ending November 2005

(converted to numbers of animals)

Adult cattle	4,919
Calves	9,765
Adult sheep	72,179
Lambs	170,168
Adult Pigs	32
Younger pigs + piglets	345

2. Estimated Total Fallen Stock for potential collection

(all census figures from Dec 2004 returns)

a) **Total adult cattle** (less those over 24 months which go for 24 TSE testing)

1-2 year old cattle:	249,000
0-1 year old cattle:	<u>328,000</u>
Total	577,000

Assumed Mortality rate: 1.5%

Total Estimated mortalities: = 577,000 x 0.015 = **8,655**

b) **Total Calves**

Total Breeding herd = 491,000

Calving Rate = 0.9

Total estimated calves = 491,000 x 0.9 = 442,000

Assumed Mortality rate = 5%

Total Estimated Mortalities = 442,000 x 0.05 = **22,100**

c) **Total Adult Sheep**

Total Sheep over 1 year: 5,765,000

Assumed Mortality rate: 4%

Total Estimated Mortalities: 5,765,000 x 0.4 = **230,600**

d) **Total Lambs**

Total Breeding Flock: 4,612,000

Assumed lambing rate: 110%

Total lamb births: 5,073,000

Assumed Mortality rate: 10%

Estimated Mortalities: 5,073,000 x 0.1 = **507,300**

3. Recorded Estimates of Numbers taken as % of Total Mortalities

	Estimates from RPA figures	Estimated total Mortalities	Estimated Intake as % Mortalities	
			Specific	Range
Adult cattle	4,919	8,655	57	55-60
Calves	9,765	22,100	44	40-50
Adult sheep	72,179	230,600	31	28-34
Lambs	170,168	507,300	34	32-38
Adult pigs			55	50-60
Young pigs			55	50-60

These figures must be regarded as approximate estimates carried out with the best available data.

Calculation of % Uptake of National Fall Stock Scheme – Northern Ireland

1. Figures from RPA for 12 months ending November 2005

(converted to numbers of animals)

Adult cattle	9,741
Calves	15,653
Adult sheep	10,519
Lambs	30,864
Adult Pigs	1,900
Younger pigs + piglets	16,600

2. Estimated Total Fallen Stock for potential collection

(all census figures from June 2005 returns)

a) **Total adult cattle** (less those over 24 months which go for 24 TSE testing)

1-2 year old cattle:	389,000
0-1 year old cattle:	457,000
Total	846,000

Assumed Mortality rate: 1.5%

Total Estimated mortalities: = 846,000 x 0.015 = **12,690**

b) **Total Calves**

Total Breeding herd = 587,000

Calving Rate = 0.9

Total estimated calves = 587,000 x 0.9 = 528,000

Assumed Mortality rate = 5%

Total Estimated Mortalities = 528,000 x 0.05 = **26,400**

c) **Total Adult Sheep**

Total Sheep over 1 year: 1,066

Assumed Mortality rate: 4%

Total Estimated Mortalities: 1,066 x 0.04 = **42,640**

d) **Total Lambs**

Total Breeding Flock: 1,027,000

Assumed lambing rate: 110%

Total lamb births: 1,129,700

Assumed Mortality rate: 10%

Estimated Mortalities: 1,129,700 x 0.1 = **112,970**

e) **Total Adult Pigs**

Total Adult pigs: assuming mortality rate of 4% = 96,000

Estimated Mortalities: 96,000 x 0.04 = **3,880**

f) **Total Younger Pigs**

Total Breeding herd = 37,000

Pigs born/Sow/Year = 20.5

Total Pig births = 37,000 x 20.5 = 758,500

Assumed Mortality rate: 10% = **75,850**

3. Recorded Estimates of Numbers taken as % of Total Mortalities

	Estimates from RPA figures	Estimated total Mortalities	Estimated Intake as % Mortalities	
			Specific	Range
Adult cattle	9,741	12,690	77	70-80
Calves	15,653	26,400	59	56-64
Adult sheep	10,519	42,640	25	23-27
Lambs	30,864	112,970	27	25-30
Adult pigs	1,900	3,880	149	45-50
Young pigs	16,600	75,850	22	20-25

These figures must be regarded as approximate estimates carried out with the best available data.

APPENDIX 10

Estimated Uptake of Members of the Scheme

Out of the 140,000 or so holdings with livestock in the UK, it is inconceivable to expect NFSCo to be able to recruit into membership all the farmers in these holdings. It is only possible to give an approximate estimate of optimum target membership.

Starting from the census data, holdings have been converted into numbers of farmers. From these totals, there have been further deductions to take account of:

- Very small holdings, which would find it uneconomical to join up
- Dairy producers, whose dairy cows are collected free under the over 24 months testing scheme
- Farmers in derogated areas of Scotland, who would have little incentive to join the scheme

On this basis, the total estimates for UK potential members is estimated to be:

('000)

England	Scotland	Wales	Northern Ireland	UK
31.5	10.0	12.5	14.5	68.5

NFSCo members as at the end of March and the % of the total potential were:

England	Scotland	Wales	Northern Ireland	UK
17,697	5,693	6,828	9,411	39,629
%				
56	57	55	65	58
54-58	50-55	53-57	62-67	55-61

Although there should be a significant health check around the estimates, it seems reasonable to assume that the end of March, NFSCo had brought into membership almost 60% of the potential.

APPENDIX 11

Analysis of Reasons why Members have Chosen Not to Renew Their Membership

No longer keep livestock/have given up farming	50
No reason given (majority of these contacted us by letter)	37
Local hunt/local service available	34
Retiring	17
Joined scheme but have never used it so don't wish to renew	9
Have made other arrangements	7
Only keeping a few animals	7
Unhappy with service	7
Cheaper outside scheme	5
Have access to incinerator	5
Member deceased	2
Horse owner – no benefit to joining scheme	1
Too expensive	1

Source: NFSCo

APPENDIX 12

Estimated Government Funds Remaining Unused by the end of November 2007

Government contribution to end of March 2006 (estimated) **£6.8m**

Proposed Scenario 1

	Government Contribution	Scheme Collection Costs (inc VAT)
April '06	£600k	£1.2m
May '06	£400k	£800k
June '06	£400k	£800k
July '06	£240k	£800k
August '06	£240k	£800k
September '06	£240k	£800k
October '06	£240k	£800k
November '06	£300k	£1m
December '06	£300k	£1m
January '07	£400k	£1.3m
February '07	£480k	£1.5m
March '07	£600k	£2m
April '07	£360k	£1.2m
May '07	£240k	£800k
June '07	£240k	£800k
July '07	£240k	£800k
August '07	£240k	£800k
September '07	£240k	£800k
October '07	£240k	£800k
November '07	£300k	£1m
Total	£6.54m	£20m
<ul style="list-style-type: none"> • Scheme collection costs to end of November 2007 (estimated) • Government Contribution from March 2006 to November 2007) 		£20m £6.54m
(Based on 50% to July 2006 then at 30% to November 2007)		
<ul style="list-style-type: none"> • Government contribution to end of November 2007 (estimated) • Remaining Government Funds (forecasted) at November 2007 		£13.3m £4.7m

Proposed Scenario 2

	Government Contribution	Scheme Collection Costs (inc. VAT)
April '06	£600k	£1.2m
May '06	£400k	£800k
June '06	£400k	£800k
July '06	£320k	£800k
August '06	£320k	£800k
September '06	£320k	£800k
October '06	£320k	£800k
November '06	£400k	£1m
December '06	£400k	£1m
January '07	£520k	£1.3m
February '07	£600k	£1.5m
March '07	£800k	£2m
April '07	£480k	£1.2m
May '07	£320k	£800k
June '07	£320k	£800k
July '07	£200k	£800k
August '07	£200k	£800k
September '07	£200k	£800k
October '07	£200k	£800k
November '07	£250k	£1m
Total	£7.57m	£20m
<ul style="list-style-type: none"> • Scheme collection costs to end of November 2007 (estimated) • Government Contribution (from March 2006 to November 2007) 		£20m £7.57m
(Based on 50% to July 2006, 40% to July 2007 then 25% to November 2007)		
<ul style="list-style-type: none"> • Government contribution to end of November 2007 (estimated) • Remaining Government Funds (forecasted) at November 2007 		£14.37m £3.63m

Total Estimated Unused Funds: Between £3m and £5m

APPENDIX 13

Isle of Wight – Fallen Stock Collection

- The hunt kennel ceased on the Isle of Wight collecting fallen stock on the 5/6 March 2005. This was partly to do with the hunting ban but also because it was not prepared to take the necessary steps to comply with the Animal By-Product Regulations (in particular the rules for operating its incinerator).
- The other disposal facilities on the island (a zoo and a knacker yard) were not sufficient to cope with the volume of fallen stock arising on the island.
- Removal of the service provided by the hunt kennel meant that the National Fallen Stock Company (NFSCo) was unable to offer to farmers on the island the guaranteed service at reasonable prices for all species that was available elsewhere in the country.
- In March 2005 the Company wrote to those farmers on the island who had either previously shown interest in the Scheme or who had already joined, explaining what had happened and refunding any membership fees already paid.
- A letter and report were sent to the Secretary of State on the 9 March 2005 on behalf of the Isle of Wight Council applying for a temporary derogation permitting burial of fallen stock on the Isle of Wight. In response local enforcement authorities on the Island were requested by Defra to take a sympathetic approach to farmers who had difficulties finding a disposal outlet in the absence of a Scheme. Guidance notes were issued to the local NFU office for distribution to members (16 March 2005).
- In relation to cross compliance requirements, although the "Animal By-Products Regulation" (Regulation (EC) No 1774/2002) is not one of the Statutory Management Requirements, there is an over-riding requirement for farmers to comply with all of the cross compliance requirements that may be affected by the on-farm burial of fallen stock e.g. the Groundwater Regulations etc. Therefore, provided burial is carried out in accordance with the controls set-out by Defra there would not be a cross-compliance issue.
- BCMS have confirmed that where cattle have been buried (with the agreement of both the local authority and the Environment Agency and in accordance with the controls set-out then provided the back page of the passport is completed to show the Holding the animal was on at time of death, date of death and signature of keeper then the cattle movement controls will be adhered to. In addition, farmers must also state that disposal was by "Burial on death holding as per agreement with local authorities".
- To assist in tracking/processing these cases the BCMS have requested that these passports are forwarded with some kind of covering note that shows the local authority agreement e.g. date of contact etc.

- Defra, along with representatives of the NFSCo and the local authorities, expressed a willingness to facilitate the setting up of an on-island disposal operation although doubt has recently been raised by the local authority as to their involvement. It is hoped that an early meeting can take place to expedite this.
- Information relating to the setting up of an intermediate/incinerator plant was forwarded to representatives of the farming community in November 2005 and the Company, along with the SVS and Defra remain committed to assisting in the setting up of such a facility.

APPENDIX 14

Numbers and Price Movements of Collectors Bids

One measure of the competitive pressure in the industry structure is the extent to which:

- there is more than one company bidding to do the collections in the postal areas
- the extent to which the prices have changed over time
- the variation in the highest and lowest prices in the various regions

Table 1

Nos of Bids Per Postal Code area

	Average	Lowest
Scotland	2.0	1
Wales	3.4	1
N Ireland	2.0	2
N W England	4.2	1
SW England	3.0	3
SE England	1.9	1
NE England	2.2	1

Table 2

% Changes in Prices over time

	% Increased	% Unchanged	% Decreased
Scotland	75	24	1
Wales	52	32	16
N Ireland	49	6	45
England NW	83	11	6
England NE	43	45	12
England SW	19	57	24
England SE	20	49	31
UK	49	32	17

Table 3
Average Prices per Region for selected categories in the UK for
Feb – August 2006

(£)

	Scotland	Wales	NI	NW	NE	SW	SE	UK
Bovine 12-24 months	54.48	83.78	55.85	75.08	67.64	72.17	99.56	72.65
Bovine 0-3 months	8.65	16.95	12.15	13.31	12.79	19.43	34.03	16.76
Sheep over 12 months	12.45	18.26	12.23	20.88	20.47	20.46	42.69	21.06
Lambs 2-12 months	11.72	13.08	10.00	13.75	12.65	16.57	35.83	15.76
Lambs 0-2 months	3.11	3.61	1.35	4.06	5.61	8.77	29.75	8.47
Pigs (30-150 kg)	17.84	39.48	13.00	26.18	26.55	38.08	47.73	29.84
Pigs (7-30 kg)	8.70	18.10	6.31	11.24	13.97	21.14	32.72	16.03
Pigs (0-7 kg)	2.91	5.29	1.12	3.17	6.15	10.07	21.87	7.08
Poultry per 10 kg	2.39	2.42	1.13	1.90	2.09	2.52	13.16	3.66

Table 4
Highest Average Regional Price Compared with UK Average

(£)

	Highest Regional Average	UK Average	% Increase
Bovine 12-24 months	83.78	72.65	+15
Bovine 0-3 months	34.03	16.76	+103
Sheep over 12 months	42.69	21.06	+103
Lambs 2-12 months	35.83	15.76	+127
Lambs 0-2 months	29.75	8.47	+251
Pigs (30-150 kg)	47.73	29.84	+60
Pigs (7-30 kg)	32.72	16.03	+104
Pigs (0-7 kg)	21.87	7.08	+209
Poultry per 10 kg	13.16	2.42	+444

Table 5
Lowest Average Regional Prices Compared with UK Average

(£)

	Lowest Regional Average	UK Average	% Decrease
Bovine 12-24 months	54.48	72.65	-25
Bovine 0-3 months	8.65	16.76	-48
Sheep over 12 months	12.23	21.06	-42
Lambs 2-12 months	10.00	15.76	-37
Lambs 0-2 months	3.11	8.47	-63
Pigs (30-150 kg)	13.00	29.84	-66
Pigs (7-30 kg)	6.31	16.03	-61
Pigs (0-7 kg)	1.12	7.08	-84
Poultry per 10 kg	1.13	2.42	-53

Table 6
Average UK Price Compared with Original Business Plan Estimate (£)

	Average Price	Business Plan	% Increase
Bovine 12-24 months	72.65	62	+17
Bovine 0-3 months	16.76	13	+29
Sheep over 12 months	21.06	19	+11
Lambs 2-12 months	15.76	10	+58
Lambs 0-2 months	8.47	6	+41

RPA figures for a selection of categories from a sample of postal codes in different regions was used to estimate the figures in Tables 1 to 6. Although a representative sample was taken and the data will not be an exact estimate of the situation, the sample calculation will still provide an approximation. The prices are those for the current period. (i.e. 6 months commencing February 2006)

Table 1 shows the average number of bids per region together with the lowest for any particular postal code

Table 2 shows per region the % of price increases, decreases and unchanged prices since the original quotations were made.

Table 3 shows average prices per region and the straight average for the UK as a whole.

Table 4 compares the average for the highest region with the UK average.

Table 5 compares the average for the lowest region with the UK average.

Table 6 compares the average regional price with that in the original business plan (see excerpt in Appendix 15) for cattle, calves, sheep and lambs. It is difficult to make comparisons on pigs and poultry but, generally, they show a similar pattern.

APPENDIX 15

EXCERPT FROM ORIGINAL DEFRA BUSINESS PLAN – September 2004

SCALES OF CHARGES FROM COLLECTORS

In absence of committed scales of charges from Collectors for the collection and disposal of fallen stock, the analysis considers a range of possible costs for each main category of each species as summarised in the following table.

These figures are based on discussion with the Collection industry which were extrapolated to provide complete data. The collection cost for some species may be zero in some areas however to ensure that meaningful data, national 'average' minimum charges have been used.

For clarity, costs below are per head though it is anticipated that the Scheme will pursue a standard bag weight basis for poultry, new born lamb, piglet and fish mortalities (these costs are based on costs of disposal per tonne from industry sources divided through by average animal weight at a cost per head).

	COST RANGES (PER HEAD)		
Species	Low	Medium	High
Bovine 12-24 mths	30.00	62.33	120.00
Bovine 6-12 mths	20.00	41.40	80.00
Bovine 3-6 mths	10.00	26.00	50.00
Bovine 0-3 mths	2.00	12.93	25.00
Sheep Over 12 mths	9.00	18.67	35.00
Sheep 2-12 mths	4.00	9.77	23.50
Sheep 0-2 mths	0.50	6.11	17.00
Deer Over 12 mths	15.00	33.60	80.00
Deer Under 12mths	10.00	23.67	60.00
Pigs / Breeding (over 150kg)	10.50	19.10	30.00
Finishing / fattening (30-150kg)	6.30	11.46	18.00
Growers / Weaners (7-30kg)	1.30	2.36	3.70
Piglets / suckling (0-7kg)	0.25	0.45	0.70
Poultry	0.10	0.17	0.29
Fish	0.11	0.20	0.30

Table 1. Collector Charges

APPENDIX 16

Fallen Stock and Overall Animal By-Product Tonnages in European Countries

Country	Fallen Stock from Farms	Total ABP	
		Cat 1 & 2	Cat 3
Austria	33,500	151,000	127,000
Slovenia	10,300	18,500	NIL
Germany	385,300	874,000	1,387,000
Italy	115,000	168,000	1,722,000
Ireland	54,000	161,000	254,000
Portugal	18,500	45,000	146,000
Sweden	27,000	79,000	156,000
Denmark	151,000	238,000	291,000
Finland	16,200	16,000	55,000
Slovakia	3,800	4,300	44,000
Norway	7,200	42,000	109,000
Netherlands	137,000	244,000	807,000
Hungary	36,800	25,500	64,000

Source: Private Communication

APPENDIX 17

THE SITUATION FOR FARMED FISH

Background

There are estimated to be about 860 fish farming sites in Great Britain – three quarters of these being in Scotland. Total GB production amounts to over 150,000 tonnes – with salmon being the main fish produced. A few companies are the dominant force in the Scottish salmon industry. Trout production is also getting more concentrated with 30 large farms accounting for 95% of total production.

An estimated 6,000 to 8,000 tonnes of farmed fish mortalities are produced annually. Currently farms mostly macerate fish found dead and then ensile the material on site for subsequent collection by waste management specialists. The larger fish farming companies have established links with waste operators.

Special Circumstances for Fish

Small volumes are involved compared with the situation for farmed livestock
Many fish farms are linked to companies selling the finished product
No dedicated disposal facility are available in the UK for fish farm mortalities
A significant proportion of the Scottish salmon farms are not on the mainland
Category 2 fish material has traditionally been sent from Scotland (and the Scottish Islands) to Norway but this arrangement is understood to have been closed
Renderers do not wish to have more than a very small amount of fish waste in their processes; many renderers do not wish to process any fish waste.

Fish Waste and the National Fallen Stock Scheme

State Aid Approval was achieved at the end of 2005 for the inclusion of fish waste in the National fallen stock Scheme. Discussions are underway with the industry to see how the Scheme can operate in practice for farmed fish waste.

- Initially, it appears that many of the features of the Scheme will replicate the service provided to livestock producers. However, collections will not be the preferred solution on many fish farms in view of the very small quantities involved. Approved 'drop-off' points could be made available in the same way as fallen livestock can be dropped at approved hunt kennels and knackers' yards. Secured sealed containers would be used for this purpose.

The fish farmers would be eligible for use of Government money for subsidising their costs over an initial period making use of the existing Government grant. The Company has written round to registered fish collectors indicating that it is exploring the viability of such a scheme.

Other Issues on Farmed Fish Waste

Both the Scottish Salmon Producers Association and the British Trout Association indicated that they thought it unreasonable for fish waste to be brought within the provisions of the ABPR.

The industry welcomes, in general, the possibility of alternative outlets for fish waste and would like to participate in the Scheme as soon as possible. They indicate that they are paying too much for disposal at present.

There are specific biosecurity issues relating to the famed trout sector but a solution to these should be possible.

The industry is aware of better solutions to fish waste disposal that should result in lower costs to the industry. These solutions could be either localised 'on-farm' techniques or through investment by companies in factory processes. Norway seems to have got some of the answers. Further funding for and progress in research and development in this area would be welcomed as the process seems to be moving very slowly.

APPENDIX 18

INDICATIVE TIMETABLE UP TO THE END OF JUNE 2007

(NB this will need to be revised at each stage)

NFSCo Review Report to Defra	mid April 2006
NFSCo to initiate Business Plan process	early May 2006
Government puts Report out to consultation	mid May 2006

	Short Consultation Process	12 week Consultation Process
Consultation completed and Government response	end July 2006	mid September 2006
New Company structure agreed with Government and Stakeholders	early September	late October
Business Plan submitted to the (new) Board	mid October	early December
Business Plan approved by Board and immediate funding requests made	end October	mid December
Specification for outsourced work agreed Tenders invited	mid November	early January 2007
General Manager appointed	December/January	February/March
Further funding requests prepared	December	February
Short-listed companies from tender drawn up	end January 2007	end March
Agreement reached with successful Outsourced company	end February	end April
Handover starts	mid March 2007	mid May 2007

APPENDIX 19

Glossary of Initials

ABM	Assured British Meat
ABPR	Animal By-Product Regulations
ADS	Agricultural Development Scheme
BSE	Bovine Spongiform Encephalopathy
DARD	Department of Agriculture and Rural Development for Northern Ireland
ERDP	English Rural Development Plan
FUW	Farmers Union of Wales
LACORS	Local Authorities Co-ordinators of Regulatory Services
LASSA	Licensed Animal Slaughterers and Salvage Association
LMC	Livestock Marketing Commission for Northern Ireland
MLC	Meat and Livestock Commission
NAWAD	National Assembly of Wales Agricultural Department
NFSCo	National Fallen Stock Company
NFU	National Farmers Union of England and Wales
QMS	Quality Meat Scotland
RIO	Registered Incinerator Operators
RPA	Rural Payments Agency
SEERAD	Scottish Executive Environment and Rural Affairs Department
SNFU	Scottish National Farmers Union
UFU	Ulster Farmers Union
UKRA	United Kingdom Renderers Association
WFD	Waste Framework Directive
WID	Waste Incineration Directive