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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EC) 1760/2000 as regards electronic identification of bovine animals and deleting the provisions on voluntary beef labelling

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1. INTRODUCTION

Regulation (EC) No 1760/2000 and in particular bovine identification and voluntary beef labelling were described as "*information obligations with special importance in terms of the burdens they impose on businesses*" in the Communication from the Commission to the Council and the European Parliament (COM (2009)544) "Action Programme for Reducing Administrative Burdens in the EU". This Regulation establishes a system for the identification and registration of bovine animals and labelling of beef and beef products (including voluntary labelling) and includes provisions for double ear tags, holding registers, cattle passports and national computerised databases.

Community rules on the identification and traceability of bovine animals were reinforced in 1997 in the light of the Bovine Spongiform Encephalopathy (BSE) crisis by introducing conventional tagging. At that time electronic identification (EID) was not sufficiently technically developed to be introduced but has considerably improved during the last 10 years. EID based on (Radio Frequency Identification) RFID introduced, among other things, a faster and more accurate reading of individual animal codes directly into data processing systems (enabling faster traceability of potentially infected animals or infected food). This saves labour costs for manual readings but at the same time, increases equipment costs. Thus, the existing legislation on bovine identification does not reflect these latest technological developments.

The overall general objectives of this proposal in terms of *animal identification* are the following:

1. To support the competitiveness of the sector;
2. To reduce administrative burden and simplify procedures in relation to animal passports and holding registers
3. To contribute to better animal and public health through a faster and more accurate system for bovine traceability

The general objective in terms of *beef voluntary labelling* is:

1. To reduce unnecessary administrative burden concerning beef labelling

2. POLICY OPTIONS

Different **policy options** are analysed in this report for bovine EID and beef labelling:

2.1 Bovine EID

OPTION 1: “DO NOTHING” (OR STATUS QUO) REGIME (BASELINE SCENARIO):

No change to the current provisions would mean that bovine animals would continue to be identified by two conventional visible ear tags and there would be no reduction in the current administrative burden. The current legal framework does not prohibit Member States from using electronic identifiers on a voluntary basis, but this must be done in addition to the official visible tags. As no harmonised technical EU standards have been established, different types of electronic identifiers and readers with different RFID frequencies could be used in different places.

OPTION 2: VOLUNTARY REGIME WITH TWO SUB-OPTIONS: OPTION 2 will introduce EID as a tool of official identification. It would not be possible for a Member State to opt for the “Do Nothing” scenario under option 2. EU Member States may opt for a mandatory introduction on their territory (OPTION 2A) or to allow farmers to decide whether to introduce it (OPTION 2B). The establishment of harmonised technical standards for EID and reading equipment on EU level would be essential to this option (unlike option 1). However, these standards will not go beyond ISO international standards.

Option 2a: Introduction of electronic identification is voluntary at EU level, and **individual Member States have the possibility to opt for a mandatory regime in their territory**. In case the Member State opts for the *mandatory regime*, the same obligation as under OPTION 3 would be applicable in that Member State (e.g.: each bovine animal is to be identified by one conventional visible ear tag AND one electronic identifier, either an ear tag or bolus). In case the Member State opts for the *voluntary regime*, bovine animals could then be identified by:

1. two conventional ear tags, or
2. One conventional visible ear tag AND one electronic identifier (i.e. an electronic ear tag or a bolus) that has been officially approved.

Option 2b: Introduction of electronic identification is voluntary at EU level, and **individual Member States do not have the possibility to opt for the mandatory regime**. Under the voluntary regime, bovine animals could be identified by:

1. two conventional ear tags, or
2. One conventional visible ear tag AND one electronic identifier (i.e. an electronic ear tag or a bolus) that has been officially approved.

OPTION 3: MANDATORY REGIME

Each bovine animal is to be identified by one conventional visible ear tag AND one electronic identifier (ear tag or bolus). Unlike Option 1, this option would require the development of EU legal obligations for EID and reading equipment which would not go beyond ISO international standards.

Table 1: Summary of means of official identification in one bovine animal for each option

	Option 1 "Do Nothing scenario"	Option 2 VOLUNTARY " EU MS may opt for a mandatory regime " 2A	Option 2 VOLUNTARY " stakeholders may voluntarily choose EID" 2B	Option 3 "Mandatory at EU level"
Conventional ear-tag	2	1 (for EU MS going mandatory) 2/1 (for EU MS under 2B)	1 (<i>willing to use EID</i>)/ 2 (<i>not willing to use EID</i>)	1
Electronic transponder (ear- tag or bolus)	0	1 (for EU MS going mandatory) 1/0 (for EU MS under 2B)	1 (<i>willing to use EID</i>)/ 0 (<i>not willing to use EID</i>)	1

2.2 Voluntary beef labelling

Two different scenarios are analysed for voluntary beef labelling:

OPTION 1 – do nothing (baseline scenario): no change in the current system

OPTION 2 – abolishing the voluntary beef labelling. The specific provisions on voluntary beef labelling would be deleted from Regulation (EC) No 1760/2000

3. ANALYSIS OF THE OPTIONS

3.1 Bovine EID

This analysis is based on three sources: i) an external study finalised in 2009¹; ii) data supplied by Member States competent authorities and iii) data collected during stakeholder consultations. The analysis shows that direct costs and benefits are not distributed equally along the food chain. Costs, which are mainly related to equipment (transponders and readers), are mainly borne by farmers. However, the full financial benefits of the electronic device (such as from early e-reading at farm gate level), are for downstream actors in the food chain (e.g. markets, assembly centres and slaughterhouses). Additionally, CAs profit from the fact that all data can be automatically computerised, reducing labour costs. The study concludes that the voluntary option (2A) for the introduction of EID in the bovine sector on the basis of harmonised standards would be the preferred option.

Impacts of option 1 “Do nothing” regime (Baseline scenario)

No change to the current provisions would mean that each bovine animal is to be identified by two conventional visible ear tags. If keepers want to use electronic identifiers on a voluntary basis, this would be in addition to the two official tags. OPTION 1 does not address the problems as reported by several CAs in audit reports (Food and Veterinary Office (FVO) Overview Report 9505/2003). There would also be no reduction of the administrative burden for the sector. Most interviewees consider that the current system for identification and

¹ Study on the introduction of electronic identification (EID) as official method to identify bovine animals within the EU : http://ec.europa.eu/food/animal/identification/bovine/docs/EID_Bovine_FinalReport_04062009_en.pdf

traceability is effective but could be improved. For instance, accurate tracing of bovine animals in case of emergency may be difficult due to the fact that holding registers are not always up to date. For example, there could be missing documentation; badly organised data and documentation; delays, mistakes or an absence of reporting certain events (births, movements, deaths) to the central database; and the recording of animal movements through markets & assembly centres is not always respected.

Most of the interviewees consider that the current traceability system is efficient and effective but could be improved. Some stakeholders are convinced of the added value of a fully integrated EID system in which electronic identification is a pre-requisite. Farmers that are not engaged in any field trials and/or research on the subject reject the idea of mandatory introduction of EID: *they do not see any added value by simply replacing a conventional ear tag with an electronic one.*

The main concern in this option is *the lack of harmonised EU technical standards*. Each MS can select the standards it wants and this approach may lead to a lack of harmonisation. If technologies used in a given MS are not the ones selected in another MS, electronic exchange of data would not be possible in case of export from one MS to another and the benefits of having EID systems would be lost. No change to the current provisions would mean that each bovine animal has to be identified by two conventional visible ear tags. The individual traceability of bovine animals is guaranteed. If keepers want to use electronic identifiers, the current legislation allows for doing so but only *in addition* to the two official (conventional) ear tags, resulting in a total of three means of identification. If farmers decide to go this way despite no harmonisation of technical standards, this option would be more expensive compared to option 2 (voluntary) and to option 3 (mandatory) since animals would need **three instead of two identifiers**.

Impacts of option 2 Voluntary regime

Under OPTION 2 is not possible to predict exactly which EU Member States and/or which holdings would introduce EID on a voluntary basis, making specific calculations for these two sub-options in the cost model difficult. Therefore, the total cost of OPTION 2 is expected to be in a range between OPTION 1 and OPTION 3. After all, if under OPTION 2A EID would become **obligatory** in a specific Member State, this would entail identical costs to OPTION 3. Therefore, cost figures per MS would be as in Annex VI as well as at the Study on the introduction of electronic identification (EID) as an official method to identify bovine animals within the EU. There is no definitive data available on *which EU MS would decide to go for OPTION 2A or 2B* and guessing this information in this report would be difficult. However, this report has already referred to a number of EU MS which have decided to go for bovine EID on a voluntary basis.

One of the main advantages of the voluntary approach, regardless of whether it is OPTION 2A or OPTION 2B, is based on the fact that actors would have time to familiarise themselves with the EID system and identify the added value it would bring in particular circumstances. The voluntary option approach leaves open the possibility of EU Member States and the private actors organising themselves, so they can evaluate if it is really an improvement: to consider regional differences, different types of production and whether it is flexible enough to be supported by the public authorities. Already now, bovine EID is permitted in several MS and used by farmers/private operators because of commercial interests and management requirements. If the introduction of EID became voluntary, it can be assumed that this regime

would be chosen by the keepers that currently make use of the immediate benefits for farm management. This is a completely private decision taken for economic reasons (*market driven*) by each operator. However, these actors are also prepared to consider voluntary EID depending on what the Commission proposes in terms of regulatory benefit. For instance, if individual information were recorded centrally there should be no *need to maintain on farm holding registers or use movement documents* (which are necessary even if passports are not required); *allowing reporting from third parties* (e.g. transporters - so that the keeper does not have to report off movement as it is already in place for other species) would also be an incentive. Also, it was highlighted that there would be significant benefits if the off movement could be recorded at a critical control point (i.e. a market or slaughterhouse). By including these other changes in the regulation, users will identify quantifiable regulatory benefits, and would *therefore decide by themselves to use EID*. Full extrapolation at the Member State level or at EU level would, however, remain arbitrary and could quickly lead to wrong conclusions. However, the voluntary approach may lead to negative consequences in short term, as the EU could be faced with different situations in different MS leading to a certain level of confusion in terms of identification. In the case of intra-EU trade it may become rather difficult to trace which kind of official identification is being used. Similar to OPTION 1, some EU MSs (and stakeholders) consider that the current system for bovine identification and traceability is fully operational and satisfactory as it is. With respect to consumer confidence, under OPTION 2 it will be difficult to determine the difference between EID-meat and conventionally-tagged-meat, so there should be no impact. However, national or regional systems for *traceability* may gain accuracy and speed for those EU MS deciding to go for Option 2A which would strengthen consumer confidence.

Impacts of option 3: " Mandatory regime"

This option may not be the best approach as some stakeholders (e.g. small farmers) would be disadvantaged economically, but it would be the most efficient option in terms of consumer protection (traceability), **reduction of administrative burden, and to avoid risks related to the co-existence of two systems of identification**. This option would be justifiable in terms of better coherence with EU policies on EID in other animal species (e.g. sheep). The analysis of OPTION 3 (mandatory) leads to the conclusion that most of the costs are borne by the farmers while benefits are distributed all along the food chain. One main criticism from stakeholders is that it is not those who pay who actually benefit from the investment. The *Study* makes a distinction under OPTION 3 between the approach by which all bovine animals need to have an electronic identifier *within the first year* of the new regulation coming into effect (*one-off regulation-see Table 8*) and a *transitional approach* which would entail only newborn animals getting an electronic identifier. Some stakeholders (in particular representatives of the meat industry) have expressed their preference for the mandatory option and the "*within one year*" implementation. Option 3 would not lead to the problems described under OPTION 2 related to the coexistence of two different systems of animal identification. OPTION 3 would imply all stakeholders using EID allowing optimal improvements for traceability in terms of accuracy and speed.

In relation to the economic impact on stakeholders, the most affected group would be **livestock farmers** because they bear the costs of tagging. A comparison of electronic reading and manual reading (option 3 versus option 1), clearly demonstrates that the increase in equipment costs (identifiers and readers) is not automatically compensated by the saving of labour costs for farmers. Some EU MS may choose to compensate farmers for the costs of tagging by making use of rural development funds and other types of public state aids.

However, OPTION 3 may positively reduce the risks of mistakes when identifying, registering and/or notifying animal movements, resulting in potential reductions of the Direct Payment and other CAP schemes compared to OPTIONS 1 and 2. The impact of the use of RFID transponders in **dairy and veal automation** is described in detail in **Annex XXI**, concluding that the use of the RFID transponders for farm automation is beneficial for beef farming, although less beneficial for dairy farms that already have a high degree of automation. On the other hand, electronic reading would be more cost efficient **for markets, assembly centres and to a lesser extent, for slaughterhouses**. These stakeholders move animals frequently and they will face only the costs of reading equipment and no costs of tagging. The impact for EID suppliers (companies) may depend on the how the EU Member State decides to organise supply among them (for example, call for tender, national bodies, single supplier/government per EU MS, etc). Some stakeholders (in particular representatives of the meat industry) have expressed their preference for the mandatory option and the “within one year” implementation. There would be budgetary consequences for the **competent authorities** as current IT systems would need to be adapted to cover electronic identification. The *Study* concluded that CAs would profit from the fact that all data would be automatically computerised, **saving labour costs** and **reducing administrative burden** for the competent authorities. EID may have a positive impact in terms of easing CA's activities like auditing the Direct Payment and other CAP schemes (as inspectors are already likely to be equipped with readers for electronic reading of sheep and goats). Competent authorities may benefit more from OPTION 3 than from Options 2 and 1. The possible impact on **consumer** prices will be minor compared to OPTION 1. On the assumption that an increase in the price for meat would need to occur to set off the increase in production costs caused by EID, meat prices would rise by a maximum of 1%.

The summary tables below provides information on the economic impacts of the estimated cost of all official bovine recording tasks for the baseline scenario (Option 1 but referred in the tables as Option 3) and the mandatory option (Option 3 but referred in the tables as Option 1) per task and for all actors. There the total cost in excess of the baseline scenario can be retrieved. The cost of the Mandatory option (referred as option 1 in the table) reflects the variations depending on whether electronic ear-tags and boluses are used.

Table 2: cost comparison for the mandatory and baseline options per task and under two scenarios

	Task 1: Preparatory	Task 2: Identification	Task 3: Reading	Task 4: ID transfer	Task 5: Processing by CA	Task 6: Removal & recycling	TOTAL
SCENARIO 1 : EID BUT NO e-reading AND NO e-transfer							
Option 1: E-ear tag	148.412	201.585	84.671	42.335	20.283	9.774	507.060
Option 1: Bolus	148.412	274.737	84.671	42.335	20.283	21.177	591.615
Option 3: Do Nothing	0	177.145	84.671	42.335	20.283	9.774	334.208
Difference for E-ear tag	148.411,5	24.440,4	0,0	0,0	0,0	0,0	172.852
%		13,80%	0,00%	0,00%	0,00%	0,00%	51,72%
Difference for Bolus	148.411,5	97.592,6	0,0	0,0	0,0	11.402,9	257.407
%		55,09%	0,00%	0,00%	0,00%	116,67%	77,02%
SCENARIO 2: EID AND e-reading AND e-transfer							
Option 1: E-ear tag	158.186	201.585	308.010	127.788	0	9.774	805.344
Option 1: Bolus	158.186	274.737	309.086	127.788	0	21.177	890.975
Option 3: Do Nothing	0	177.145	84.671	42.335	20.283	9.774	334.208
Difference for E-ear tag	158.186,3	24.440,4	223.339,4	85.453,2	-20.283,3	0,0	471.136
%		13,80%	263,77%	201,85%	-100,00%	0,00%	140,97%
Difference for Bolus	158.186,3	97.592,6	224.415,7	85.453,2	-20.283,3	11.402,9	556.767
%		55,09%	265,05%	201,85%	-100,00%	116,67%	166,59%

Table 3: cost comparison for the mandatory and baseline options per each type of actor (in 1000 Euros and in %) and under two scenarios

	Big breeders	Small Breeders	Market & assembly centers	Slaughter-houses	Competent Authorities	TOTAL
SCENARIO 1 : EID BUT NO e-reading AND NO e-transfer						
Option 1: E-ear tag	294.497	106.018	50.310	35.838	20.397	507.060
Option 1: Bolus	358.064	115.603	50.310	47.241	20.397	591.615
Option 3: Do Nothing	203.163	27.176	49.377	34.209	20.283	334.208
Difference for E-ear tag	91.333,7	78.841,9	932,7	1.629,9	113,7	172.852
%	44,96%	290,12%	1,89%	4,76%	0,56%	51,72%
Difference for Bolus	154.900,5	88.427,4	932,7	13.032,7	113,7	257.407
%	76,24%	325,39%	1,89%	38,10%	0,56%	77,02%
SCENARIO 2: EID AND e-reading AND e-transfer						
Option 1: E-ear tag	652.424	106.018	13.748	33.041	114	805.344
Option 1: Bolus	716.821	115.603	13.912	44.525	114	890.975
Option 3: Do Nothing	203.163	27.176	49.377	34.209	20.283	334.208
Difference for E-ear tag	449.260,6	78.841,9	-35.629,1	-1.167,9	-20.169,6	471.136
%	221,13%	290,12%	-72,16%	-3,41%	-99,44%	140,97%
Difference for Bolus	513.657,6	88.427,4	-35.464,5	10.316,4	-20.169,6	556.767
%	252,83%	325,39%	-71,82%	30,16%	-99,44%	166,59%

3.2 Voluntary beef labelling

Two different scenarios are present for voluntary beef labelling:

Option 1 – do nothing (baseline scenario): no change to the current system

Option 2 – abolish the voluntary beef labelling. The specific provisions on voluntary beef labelling would be deleted from Regulation (EC) No 1760/2000, however, compulsory labelling for the origin of beef would remain unchanged.

Economic impact of preferred option compared with baseline: the administrative procedure to approve voluntary indications on beef labels would disappear. Operators would be able to continue using existing labels. Consumer information would not be at risk as all labelling indications would fall under existing horizontal EU legislation that would be applicable to beef in the same manner as it is currently already applicable for other meats. The "EU project on baseline measurement and reduction of administrative costs" calculated a possible reduction of administrative burden of €362,000. Annex VIII gives a detailed overview of the impacts on different operators.

4 THE PREFERRED OPTIONS

4.1 Bovine EID

It could be concluded that **“OPTION 3: Mandatory”** is not the best approach at the moment as some stakeholders (e.g. small farmers) are disadvantaged economically, but it would be the most efficient option in terms of **consumer protection (traceability), reduction of administrative burden and avoidance of risk in intra-EU trade**. **“OPTION 1: Do Nothing”** may lead to different technical standards and to negative intra-EU trade consequences. In

addition, this option does not fulfil the expectations of the sector in terms of reduction of administrative burden. The **“OPTION 2B: Voluntary at stakeholder level”** was not considered as a valuable option by most of the interviewees as it might result in the establishment of two different systems in every EU MS, and ultimately two different markets, leading to confusion with possible impacts on the efficiency of the current traceability system. The change in the identification system **can be best introduced on a voluntary basis (OPTION 2A) with the possibility for each EU MS to decide** if it wants to introduce EID on a mandatory basis in its national territory. EU Member States have very different farming practices and sector organisations. For these reasons, it would be advisable to recommend that it is up to each Member State to work collaboratively with all actors in the food chain to identify the added values of EID and to secure its acceptance so that EID can be made compulsory at the right moment. Each MS could decide to introduce EID by law at a convenient time and not be pushed into it. **OPTION 2A** may limit problems linked to the co-existence of two different systems of identification compared to **OPTION 2B**. In terms of reduction of administrative burden, **OPTION 2A** is preferable to **OPTION 2B**. In conclusion, even if electronic identification entails higher costs compared to conventional identification, it has been demonstrated that benefits can occur for businesses in specific cases. It is only when considering regulatory and business benefits together that EID is likely to be accepted by the actors. Therefore the *preferred option would be a voluntary regime (option 2) with the possibility for Member States to introduce a mandatory regime at national level (sub-option 2A.)* The effectiveness, efficiency and coherence of Option 2A could be assessed some time after implementation. On the basis of this evaluation, the Commission could further reflect on the need to strengthen the mandatory implementation of EID at EU level.

4.2 Voluntary beef labelling

It can be concluded that Option 2 is the preferred option.