EXPLANATORY MEMORANDUM TO

THE SHEEP CARCASE (CLASSIFICATION AND PRICE REPORTING) (ENGLAND) REGULATIONS 2025

2025 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Daniel Zeichner MP, Minister of State (Minister for Food Security and Rural Affairs) at the Department for Environment, Food and Rural Affairs confirms that this Explanatory Memorandum meets the required standard.

2.2 Gill Laishley, Deputy Director for Farming and Primary Processing, at the Department for Environment, Food and Rural Affairs confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Fiona McVicar at the Department for Environment, Food and Rural Affairs, Telephone: 02080268773 or email: redmeatanddairy.team@defra.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and Context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 These Regulations place obligations on the operators of larger abattoirs (regulated slaughterhouses) to classify sheep carcases from sheep aged less than 12 months, using a prescribed scale to assess fat class and conformation (shape). These operators must ensure sheep carcases are presented in a consistent way post-slaughter at the point of weighing and classification. The regulated slaughterhouses also must report these details, along with the price being paid for the carcase, to the supplier of the sheep, and to the body or bodies nominated by the Secretary of State. These measures are put in place for the purposes of monitoring and improving fairness and transparency in the market.

4.2 These Regulations also apply a licensing regime to classifiers and to automated classification methods. Provision is made for automated classification methods to first be subjected to an authorisation process before automated equipment using that method can be put forward for licensing in regulated slaughterhouses.

4.3 Additionally, these Regulations include identification and labelling requirements for carcases to which they apply, to ensure traceability of data back to the sheep from which carcases are obtained.

4.4 This instrument is largely based on the existing Carcase Classification and Price Reporting (England) Regulations 2018 (S.I. 2018/1164), which for several years have applied in the beef and pig sectors.

Where does the legislation extend to, and apply?

4.5 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.6 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

5. Policy Context

What is being done and why?

5.1 It is important that sheep meat producers get a fair price for their product. These Regulations, adopted alongside similar legislation that the devolved governments are introducing, will ensure that the market operates with greater transparency so that producers will understand whether they are receiving a fair price for their slaughtered animals. Regulated slaughterhouses will be required on a weekly basis to report price data by carcase classification for individual sheep aged under 12 months supplied for slaughter. Price reporting is a means of collecting data on the market which can be used for both policy formation, and for forward planning of livestock producers and other parts of the supply chain. The aggregated reported prices will be published and used to monitor the market.

5.2 Mandatory carcase classification and price reporting schemes have been in place in the beef and pork sectors for many years. The introduction of a mandatory scheme for the sheep sector is intended to bring the sheep sector in line with those sectors, as closely as possible. Some individual abattoirs slaughtering sheep have, for a long time, voluntarily adopted a common sheep carcase classification system, and some have additionally voluntarily reported prices to the Agriculture and Horticulture Development Board (AHDB). Even so, many abattoirs have set their own standards for trimming and presenting sheep carcases for classification and weighing. As a result, the operation of different voluntary systems means that carcase weights across the sector lacked consistency. Variations in carcase presentation led to different sizes of otherwise comparable carcases being weighed, and to non-comparable prices being quoted or recorded. Consequently, sheep farmers often struggled to negotiate appropriate payment for the quality of their carcases, or to have the necessary details they need to inform their business decisions and increase productivity.

5.3 Domestic powers provided in the Agriculture Act 2020 ("the 2020 Act") are being used to bring in new requirements to classify sheep carcases and price report, which is welcomed by the sheep industry. With the introduction of this legislation, abattoirs slaughtering at least 2,000 sheep per week as a rolling annual average, will be required to prepare the carcase of sheep under 12 months of age to prescribed specifications, prior to classification according to the longstanding, industry-recognised (S)EUROP grid using licensed classifiers and / or licensed automated classification methods.

5.4 The classification provides a consistent and robust mechanism for the classification of carcases based on shape (conformation classes each designated by one of the following letters: SEUROP), and fatness (fat classes designated on a numeric 1 to 5 assessment). During classification it will be mandatory to further subdivide fat classes 3 and 4 into subclasses of Low ("L") and High ("H") - with the exception of when

regulated slaughterhouse chooses to use subdivisions of Low ("-") Medium ("=") and High ("+") for both conformation classes (SEUROP), and fat classes (1 to 5). The meat industry is familiar with this carcase classification scale through the mandatory schemes for pig and beef carcases, and many abattoirs were already using it when operating voluntary classification systems for sheep carcases.

5.5 The regulated slaughterhouses must detail the classification result, weight and carcase presentation specification applicable to each carcase when they report the price. Abattoirs slaughtering between 1,000 to 1,999 sheep per week as a rolling annual average, can choose to opt-in to the mandated system, in which case they must meet the requirements of the Regulations. The approach of mandating abattoirs slaughtering at least 2000 sheep per week as a rolling annual average is intended to capture a high proportion (estimated at over 85%) of the sheep slaughtered, whilst avoiding adding additional regulatory and administrative burdens on smaller abattoirs.

5.6 The Regulations provide for only two methods by which sheep carcases can be classified. These are (1) an "automated" method (involving hardware and software), and (2) a non-automated ("visual") method (involving a person looking over the carcase to assess its classification). "Visual" classifiers must be licenced by the Secretary of State. "Automated" classification methods must first be tested and authorised for general use by the Secretary of State and must be operated by persons qualified to use such methods. Individual regulated slaughterhouses can only put forward automated technology for licencing by the Secretary of State for use on their specific premises, after that method of classifying carcases has been tested and authorised for general use.

5.7 We anticipate that some businesses will want to use automated sheep carcase classification methods. Provisions relating to automated classification methods come into force later than the rest of the Regulations. This delay is necessary because there is currently no suitable UK-wide visual carcase classification data to provide the necessary data sample to be able to assess and authorise automated classification methods. To remedy this, visual carcase classification data will be collected from across the UK during the initial period from when the legislation comes into force. This data can then be used to establish a representative sample of UK sheep carcases, on which automated classification methods can be tested, assessed and, if appropriate, approved.

5.8 Under the SI, the Rural Payments Agency (RPA), as an executive agency acting on behalf of the Secretary of State, has powers to monitor and enforce the requirements providing for sheep classification and price reporting. RPA can make on-the-spot checks which consist of scheduled and unannounced inspections, and, in cases of non-compliance, they can issue compliance notices and monetary penalty notices.

What was the previous policy, how is this different?

5.9 Previously sheep carcase classification and price reporting were voluntary under what is now assimilated EU legislation, and mandatory schemes were only in place for the beef and pig sectors. Voluntary sheep carcase classification was widely used to meet the requirements of both domestic customers and the EU market, to which about a third of UK sheep production is exported.

5.10 Sheep were commonly sold by a supplier to an abattoir on a "deadweight" basis (with sheep being sold live to an abattoir, with the price per kilo for their carcase weight being initially fixed as the expected value of their carcase based on its expected

carcase classification result). Defined bonuses or penalties were then applied to that initial price, based on the actual classification result for that carcase.

5.11 Most other sheep were sold "liveweight", with the market prices of live sheep being sold for slaughter being collated by the Livestock Auctioneers Association (LAA). A smaller number of sheep are slaughtered on a contract kill basis, where a live sheep is killed at an abattoir and its carcase is then returned to the sheep's owner. Neither of these markets fall within the scope of these Regulations.

5.12 All carcase classifications were made by non-licensed classifiers working in abattoirs. Whilst there was voluntarily price reporting of data from abattoirs to AHDB, this only created a relatively small data sample.

5.13 Specifications of carcase presentation varied depending on the abattoir and the destination market. It was, therefore, sometimes challenging for producers to understand and compare the actual prices they received.

5.14 These new regulations are largely based on the existing beef and pig regulations which have operated for many years in those sectors. They provide a mandated system for sheep carcase classification, using the well-established (S)EUROP grid, and for price reporting to align as far as possible all three red meat sectors.

6. Legislative and Legal Context

How has the law changed?

6.1 Assimilated law[1] contains provisions relating to (1) the mandatory classification of beef and pig carcases and an option to introduce mandatory classification of sheep carcases; and (2) the reporting of the market prices of certain classified carcases

6.2 Relevant assimilated law is Regulation 1308/2013 of the European Parliament and of the Council, supplemented by Commission Delegated Regulation 2017/1182 and Commission Implementing Regulation 2017/1184. These Regulations are implemented and enforced in relation to the beef and pig sectors by The Carcase Classification and Price Reporting (England) Regulations 2018 (SI 2018/1164) made under section 2(2) of, and paragraph 1A of Schedule 2 to, the European Communities Act 1972.

6.3 The powers we are now relying on to create this secondary legislation relating to the classification and market price reporting of sheep carcases are contained in the 2020 Act (section 40(1) and (2) as regards classification, and sections 23(2), 28(1) and (4) and 50(3) as regards market price reporting).

Why was this approach taken to change the law?

6.4 The powers in the 2020 Act envisage a regime for the mandatory classification and price reporting for sheep carcases, which brings this sector in line with beef and pig sectors.

[1] "Assimilated law" is EU-derived law which, when the UK left the EU, became purely domestic law. Before 1 January 2024, this body of law was known as "retained EU law".

7. Consultation

Summary of consultation outcome and methodology

7.1 Defra and Welsh Government jointly consulted stakeholders on proposals for a mandatory carcase classification and deadweight price reporting scheme for the sheep sector, and on the mechanisms for authorising automated classification methods that could be used for the classification of beef and sheep carcases in abattoirs slaughtering these species. This was a six-week targeted consultation that closed in March 2024. DAERA in Northern Ireland and Scottish Government also ran separate consultations on proposals to introduce similar legislation. Defra has been working with the devolved governments with the intention that devolved legislation will be aligned and sheep carcase classification and price reporting will become mandatory in all parts of the UK.

7.2 In total there were 17 responses to the Defra/Welsh Government consultation, 11 via the online survey, and 6 written responses (these responses followed the survey format, and one included an additional letter). During the consultation Defra and Welsh Government jointly ran a stakeholder event to promote the consultation. Respondents included: the National Farmers Union (NFU) Livestock Board, British Meat Processors Association (BMPA), Association of Independent Meat Suppliers (AIMS), The Livestock Auctioneers Association Ltd (LAA), Farmers' Union of Wales (FUW) (following consultation with the twelve County Branches of the Union), National Farmers Union Cymru (NFU Cymru) Livestock Board, National Sheep Association (NSA), National Beef Association (NBA), Rare Breeds Survival Trust (RBST), The Agriculture and Horticulture Development Board (AHDB), Hybu Cig Cymru - Meat Promotion Wales (HCC). In addition, 4 abattoirs and 2 manufactures of automated classification equipment responded.

7.3 Overall, the majority of responses agreed with each of the proposals which were outlined in the consultation. Respondents also provided suggestions about improving and refining some of the proposals. In particular, although a majority of respondents agreed with a proposal on providing for the authorisation of automated sheep classification methods, a small number of respondents commented that they had concerns about delaying the use of existing automated classification technology (i.e. Video Imaging Analysis), due to the need for government to collect sufficient UK sheep sector data before this method can be tested to check if it meets the criteria required. A summary of responses was sent to respondents on 21st October 2024.

7.4 It should be noted that a previous consultation on the introduction of a mandatory sheep carcase classification and price reporting scheme was conducted in 2018. The outcome of this was also supportive of the policy. This consultation followed the Government's announcement that it would consult on introducing measures to improve fairness and price transparency for producers in the livestock sector following the Groceries Code Adjudicator (GCA) Call for Evidence undertaken in 2017. However, the introduction of this policy was delayed due to the global covid pandemic and the impact of the war in Ukraine. In addition, with the UK having since voted to leave the EU, it was recognised that the circumstances that underpinned the initial consultation had changed, and it was agreed to repeat the consultation.

8. Applicable Guidance

8.1 RPA will update the existing guidance available on Gov.UK in advance of the first commencement date to include the sheep carcase classification and price reporting requirements contained in these Regulations.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because economic evidence, in the De Minimis Assessment, demonstrates the net impact on business of this policy will be less than £1.2 million. As a result, these Regulations have been assessed as having a low level of impact on businesses, charities or voluntary bodies.

Impact on businesses, charities and voluntary bodies

9.2 The impact on businesses, charities or voluntary bodies is estimated to be less than £1.2 million.

9.3 The legislation does impact small or micro businesses.

9.4 To minimise the impact of the requirements on small or micro businesses (employing up to 50 people), the approach taken is to create an exemption from the Regulations based upon the number of sheep slaughtered per week in the abattoir. Abattoirs will only be automatically subject to the requirements of the new Regulations if they kill at least 2,000 sheep per-week as a rolling annual average. Abattoirs which kill between 1,000-1,999 sheep per week can choose if they would like to opt into the mandatory scheme. This will avoid forcing additional regulatory and administrative burdens on smaller abattoirs.

9.5 There is no, or no significant, impact on the public sector because the RPA already has an established abattoir inspection regime. This includes many of the larger abattoirs, some of which also slaughter sheep. The RPA has also confirmed that current funding is sufficient to incorporate the additional demands of these Regulations.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is three-stage: firstly, the collection of baseline data; secondly, the on-going monitoring and enforcement of the scheme, and thirdly, an evaluation of the RPA's routine monitoring together with a survey of users.

10.2 Sheep carcase classification baseline data will be collected and collated weekly from abattoirs required to price report data within the requirements of the Regulations.

10.3 The RPA will be responsible for monitoring and enforcing the requirements of the Regulations. It will provide Defra with annual statistical results of RPA enforcement inspections.

10.4 A survey with users of the visual and automated classification methods and price reporting will inform the Defra policy team. This together with the ongoing monitoring results will enable an assessment of the effectiveness of the Regulations.

10.5 This information will provide an indication of whether, and to what extent, the scheme has met its objective of enhancing the information available to producers and the wider industry.

10.6 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Minister Zeichner has made the following statement: Economic evidence, in the De Minimis Assessment, demonstrates the net impact on business of this policy will be less than £1.2 million. This is comfortably below the threshold for the inclusion of a Post

Implementation Review and, as there are no known factors that would make it particularly desirable to include a review provision in the SI, it can be concluded that the inclusion of a review provision is inappropriate.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister of State (Minister for Food Security and Rural Affairs) at the Department for Environment, Food and Rural Affairs has made the following statement regarding Human Rights:

"In my view the provisions of the Sheep Carcase (Classification and Price Reporting) (England) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").