

FOOD STANDARDS AGENCY CONSULTATION

PROPOSAL TO RECOGNISE ASSURED FARM STATUS IN SETTING THE FREQUENCY OF OFFICIAL ON-FARM INSPECTIONS IN THE DAIRY SECTOR

CONSULTATION SUMMARY PAGE

Date consultation launched:	Closing date for responses:
17 March 2010	9 June 2010

Who will this consultation be of most interest to?

Dairy farmers, farmers representatives, milk buyers and processors, enforcement bodies and those involved with the Assured Dairy Farms Scheme.

What is the subject of this consultation?

A proposal to reduce the frequency of official on-farm hygiene inspections in the dairy sector. The reduction would be introduced for those dairy farmers which have been assessed by Animal Health Dairy Hygiene as lower risk and which also have Assured Dairy Farm status.

What is the purpose of this consultation?

The overall objective of the proposal is to reduce the burden of official controls on dairy production holdings in England and Wales by recognising, where applicable, the hygiene aspects of the results of audits carried out by Assured Dairy Farms, while maintaining consumer safety.

Responses to this consultation should be sent to:

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Agriculture Team
FOOD STANDARDS AGENCY
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Is an Impact Assessment included with this consultation?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/> See Annex A for reason.
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Clicia ar 'Cymraeg'



To: Interested Parties

17 March 2010

PROPOSAL TO RECOGNISE ASSURED FARM STATUS IN SETTING THE FREQUENCY OF OFFICIAL ON-FARM INSPECTIONS IN THE DAIRY SECTOR

DETAIL OF CONSULTATION

The Whole Farm Approach and Earned Recognition

1. The Welsh Assembly Government's strategy for farming 'Farming Food and Countryside: Building a Secure Future' supports Defra's 5 Year Strategy "Putting Sustainable Development into Practice in Farming, Food and Animal Health and Welfare". It is aimed at:

- Reducing regulatory bureaucracy and costs, both for farmers and government.
- Improving the environmental and health and safety record of farming, by encouraging better farm practices.
- Streamlining and targeting enforcement activity on the basis of risk.
- Fostering a new, customer-focused relationship with farmers.

2. As part of this approach, the On-farm Inspections Project is developing a strategy for integrating on-farm advisory and enforcement visits in order to reduce the burdens on farmers and improve value for public money. It will achieve this through the following:

- Rationalised on-farm inspection visits where possible, including both the regulatory and voluntary sectors, resulting in more efficient working within the department and associated bodies and a reduced burden on farmers.
- Shared inspection data to reduce duplication of inspection effort and to reduce the burden on farmers and to enable regulators to build up a risk profile for individual farm businesses.
- Improved scheduling of necessary visits, including increased cross department/agency co-ordination to reduce the impact of visits on farmers.

A number of options for potential pilot projects were identified, one of which was



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inspection activity in the dairy sector.

3. At present in England and Wales, milk production holdings are subject to statutory inspections by Animal Health Dairy Hygiene (AHDH), on behalf of the Food Standards Agency, for compliance with food hygiene legislation¹. The majority are also audited for compliance with farm assurance scheme standards by Assured Dairy Farms (ADF). There is provision in legislation² for the recognition of such private quality assurance programmes in the risk prioritisation of official controls. The FSA has applied this principle to official controls in those primary sectors where food hygiene requirements had not applied prior to the introduction of new hygiene controls in 2006 and has now assessed whether the approach might be extended to the dairy sector where official controls on milk production premises have been established for many years.

Proposals

Key proposals:

- Dairy farms classified as Category 4 (lowest risk) at their last AHDH inspection and which have ADF status will have their official inspection frequency reduced. For these farms inspection would take place at least once every 10 years, as opposed to once every 19 - 24 months at present.
- Dairy farms classified as Category 3 at their last AHDH inspection and which have ADF status would in future be subject to official inspection at least once every 5 years as opposed to once every 13 - 18 months at present.
- In order that the above changes can be implemented, certain measures will first need be put in place to ensure that there is good co-operation between the FSA, AHDH and ADF.
- Consideration has been given as to whether changes could be made to the inspection frequency for higher risk category farms (Categories 1 and 2). Evidence from the FSA's analysis did not support a similar approach for AHDH higher risk farms at the present time. However, a further analysis and review of the potential to extend these changes to Category 2 farms will be carried out after the new procedures have been in operation for 12 months.

Background Information

The Assured Dairy Farms Scheme

4. Assured Dairy Farms (ADF) is an industry assurance scheme that sets and monitors standards for dairy farms. It represents 95% of milk production in England, Wales and Scotland and is part of Assured Food Standards, the umbrella body for farm assurance schemes in the UK that also manages the Red Tractor logo. Members have to meet standards set by the scheme and compliance is checked by regular on-farm inspections. These inspections are carried out on behalf of ADF by approved Certification Bodies which are independent of both ADF and scheme members. ADF also undertake random visits on-farm, independently of the Certification Bodies, to provide an additional check on the maintenance of standards.

¹ Regulations (EC) 852/2004 and 853./2004 on the hygiene of foodstuffs set out food hygiene requirements with which food businesses (including primary production) must comply and 854/2004 sets out the requirements for the organisation of official controls on products of animal origin.

² Regulation (EC) No 882/2004 on official feed and food –Recital 13..

5. Under the scheme inspection visits are made at least every 17 months (which ensures farms are assessed at different times of the year). However, farms found to be higher risk are visited more frequently, typically every 6-8 months. Assessment includes issues such as the structure and cleanliness of the milking parlour and of milk storage facilities milking routines and cow cleanliness etc. The farmer will be notified at the end of the visit of any non-conformances against the scheme standards. Any non-conformances regarded as critical will result in the immediate suspension of the farm's assured status (and thus the ability to sell any milk) and the suspension would only be lifted following satisfactory, corrective action. Other non-conformances, not considered to be critical, must be rectified within 60 days for the farm to retain its assured status, although this is being tightened to 28 days from April 2010.

Assessments to compare official controls and the ADF scheme

6. In carrying out its assessment, as a first step the FSA commissioned an independent evaluation and comparison by the University of Reading to assess and compare the approaches of both AHDH inspections and ADF audits with regard to monitoring and verifying compliance with the food hygiene legislation at milk production holdings. The final report identified a number of differences: AHDH inspections are more practical while ADF audits are broader; AHDH provide advice to farmers whereas ADF do not; AHDH inspections are generally less frequent but risk based, whereas ADF audits are routine unless there is evidence of non-conformance; AHDH visits are unannounced and include milking time; non-conformity leads to prosecution by AHDH, whereas ADF can halt milk collection.

7. A small working group was then set up to assess the feasibility and the extent to which the results of farm assurance audits could be taken into account when deciding the frequency of official controls. A statistical analysis was carried out on AHDH and ADF data from the past 4 years with the aim of assessing the similarities and differences between the outcome of ADF and AHDH inspections.

Outcome of the statistical analysis

8. The working group concluded that evidence from this analysis provided a good case for AHDH to take into account the outcome of ADF audits when assessing the appropriate inspection interval for lower risk farms. However, it did not support a similar approach for AHDH higher risk farms, where ADF assessments were not a good indicator of future compliance. More detail on the findings of the statistical analysis can be found annexed to the Impact Assessment.

9. On the basis of this evidence, proposals have been developed for public consultation on the principle that the frequency of official inspection should be reduced for lower risk category farms which are also members of the ADF scheme.

How the frequency of official inspections would be reduced

10. AHDH Operating Procedures set out a scoring system for farms and require inspectors to determine a risk rating category, based on the score, for each farm. The risk categories are 1, 2, 3, or 4 (category 1 being highest risk and category 4 being lowest risk). This categorisation also determines the inspection interval for the farm. Premises which sell unpasteurised drinking milk automatically fall into Category 1 because of the higher level of risk to public health associated with that product.

Category 4 farms

11. It is proposed that, for farms classified as Category 4 (lowest risk) at their last AHDH inspection and which have ADF status, ADF audit outcomes should in future be taken into account to determine future inspection intervals. For these farms inspection would take place at least once every 10 years, as opposed to once every 19 - 24 months at present.

12. In addition, the Category 4 farms chosen for AHDH inspection in any given year would be determined on a risk basis. Farms where ADF have identified relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to assess whether such farms should remain as Category 4. Of the remaining farms up to 10% would be selected for inspection.

Category 3 farms

13. It is further proposed that farms classified as Category 3 at their last AHDH inspection and which have ADF status would in future be subject to inspection at least once every 5 years as opposed to once every 13 - 18 months at present.

14. The Category 3 farms chosen for AHDH inspection in any given year would be determined on risk basis. Farms where ADF have identified 4 or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to assess whether such farms should remain as Category 3. Of the remaining farms up to 20% would be selected for inspection.

Category 1 and 2 farms

15. The inspection intervals for these higher risk farms would remain unchanged. The FSA intends to review after 12 months whether it is appropriate to extend recognition of ADF status in the frequency of inspections for category 2 farms once there is evidence that this does not propose a regulatory risk. This will be done in the light of further analysis.

Farms producing milk from sheep, goats or buffaloes

16. Inspections carried out at farms producing sheep, goats' or buffaloes' milk would not be affected as they are not covered by the ADF Scheme.

Additional measures needed

17. In order to implement these new arrangements effectively, measures will need be in place to ensure that there is good co-operation between the FSA, AHDH and ADF. These will include-

- Changes to the scope of ADF audits to ensure that there is appropriate coverage of hygiene issues – eg greater inspection of equipment by ADF auditors.
- A written agreement between FSA and ADF setting out how the two organisations, plus AHDH, will work together and share information. This will also need to identify those non-conformances which will be considered relevant to require priority inspection by AHDH.
- FSA/AHDH representation on the ADF Board and/or Technical Advisory

Committee to enable exchange of information on conduct of audits/inspections, improve awareness of where standards exceed legislation requirements and resolve differences where there are matters relating to interpretation of the legislative requirements.

The FSA, AHDH and ADF will develop these arrangements so that they are in place before the new arrangements are introduced.

Review of the arrangements

18. Once the new system is established, an analysis would be carried out annually to monitor the percentage of farms which are categorised as low risk by AHDH and which continue to have less than 3 non-conformances at the ADF audit.

19. In addition, a review would be carried out 1 year after implementation when an analysis of category 2 farms will be undertaken. This would look for evidence of a greater correlation between AHDH risk categories and ADF assessments in order to consider whether official inspection frequency for category 2 farms might be reduced.

20. A full evaluation will be undertaken once the policy has been established for at least 5 years.

Consultation Process

21. The FSA set up a stakeholder group with industry representatives to take this work forward. It met four times: in March 2007, July 2008, September 2008 and July 2009. The last meeting in July 2009 discussed and agreed the options that would be put to public consultation.

Questions asked in this consultation:

- Q1: Stakeholders are asked to comment on the proposals to reduce official inspection frequency on lower risk dairy farms as identified above.
- Q2: Stakeholders are also asked to comment on the costs and benefits (both monetised and non monetised) identified in the draft Impact Assessment for Options 1, 2 and 3.
- We welcome comments from all stakeholders. Please send your response by email or post using the contact details given. All responses received as part of this consultation will be given careful consideration. These will be summarised and published on the Agency's website in due course.

Responses

Responses are required by close 9 June 2010. Please state, in your response, whether you are responding as a private individual or on behalf of an organisation/company (including details of any stakeholders your organisation represents).

Thank you on behalf of the Food Standards Agency for participating in this public consultation.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mike Pender', written in a cursive style.

Mike Pender
Food Standards Agency Wales

Enclosed

Annex A: Standard Consultation Information

Annex B: Impact Assessment

Annex C: List of interested parties

Queries

1. If you have any queries relating to this consultation please contact Vicki Reilly, contact details on cover sheet, who will be able to respond to your questions.

Publication of personal data and confidentiality of responses

2. In accordance with the FSA principle of openness our Information Centre at Aviation House will hold a copy of the completed consultation. Responses will be open to public access upon request. The FSA will also publish a summary of responses, which may include personal data, such as your full name and contact address details. If you do not want this information to be released, please complete and return the Publication of Personal Data form, which is on the website at <http://www.food.gov.uk/multimedia/worddocs/dataprotection.doc> Return of this form does not mean that we will treat your response to the consultation as confidential, just your personal data.
3. In accordance with the provisions of Freedom of Information Act 2000/Environmental Information Regulations 2004, all information contained in your response may be subject to publication or disclosure. If you consider that some of the information provided in your response should not be disclosed, you should indicate the information concerned, request that it is not disclosed and explain what harm you consider would result from disclosure. The final decision on whether the information should be withheld rests with the FSA. However, we will take into account your views when making this decision.
4. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

Further information

5. A list of interested parties to whom this letter is being sent appears in Annex C. Please feel free to pass this document to any other interested parties, or send us their full contact details and we will arrange for a copy to be sent to them direct.
6. A parallel consultation is being carried out in England.
7. Please let us know if you need paper copies of the consultation documents.
8. Please see the Impact Assessment at Annex B.
9. For details about the consultation process (not about the content of this consultation) please contact: [Food Standards Agency Consultation Co-ordinator](#), Room 2C, Aviation House, 125 Kingsway, London, WC2B 6NH. Tel: 0207 276 8633.

Comments on the consultation process itself

10. We are interested in what you thought of this consultation and would therefore welcome your general feedback on both the consultation package and overall consultation process. If you would like to help us improve the quality of future consultations, please feel free to share your thoughts with us by using the Consultation Feedback Questionnaire at <http://www.food.gov.uk/multimedia/worddocs/consultfeedback.doc>

11. If you would like to be included on future Food Standards Agency consultations on other topics, please advise us of those subject areas that you might be specifically interested in by using the Consultation Feedback Questionnaire at <http://www.food.gov.uk/multimedia/worddocs/consultfeedback.doc> The questionnaire can also be used to update us about your existing contact details.

Summary: Intervention & Options

Department /Agency: Food Standards Agency	Title: Impact Assessment of recognition of Assured Farm Status in setting inspection frequency for dairy farms.	
Stage: Consultation	Version: 1	Date: February 2010
Related Publications:		

Available to view or download at:

<http://www.>

Contact for enquiries: Karen Pratt

Telephone: 020 7276 8970

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

Food can pose a risk to human health if it is not produced, manufactured and handled hygienically. Consumers are not usually able to observe this, and it is difficult for food business operators credibly to inform consumers how far food safety risks have been minimised. Government intervention is necessary to address this information asymmetry. Milk production holdings are required to have official on-farm inspections ‘carried out without prior warning’ to ensure compliance with hygiene regulations. At the same time, the Government is committed to reducing burdens on farmers and improve value for public money wherever possible. An assessment has therefore been carried out on the potential for taking into account the audit results of farms with Assured Dairy Farm status in deciding the necessary frequency of those official inspections.

What are the policy objectives and the intended effects?

The policy objective is to take account of the audit results of farms that have Assured Dairy Farm (ADF) status and hence reduce the burden of inspection, while at the same time maintaining consumer safety. The intended effects are to reduce the costs of inspection on farms that have Assured Dairy Farm status without compromising consumer safety.

What policy options have been considered? Please justify any preferred option.

Option 1 - Do nothing - maintain full reliance on official inspections.
 Option 2 – Reduce official inspection frequency for lower risk (categories 3 & 4) farms that have Assured Dairy Farm (ADF) status.
 Option 3 – Option 2 plus extending the reduction of inspection frequency to intermediate risk farms (category 2) that have (ADF)status
 Option 2 - is the preferred option as evidence from the statistical analysis provides a good case for the outcome of ADF audits to be taken into account when deciding the relevant inspection interval for lower risk farms. Further analysis in the future may provide evidence on whether the policy could be extended to include Category 2 farms that have Assured Dairy Farms status as per Option 3.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? A review will occur after 12 months when an analysis of the risk categorisation of category 2 farms will be undertaken. A full evaluation will be undertaken once the full policy has been established for 5 years.

Ministerial/CEO Sign-off For Consultation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the Food Standards Agency Chair*:

.....Date:

* for **non-legislative** Impact Assessments undertaken by non-ministerial departments/agencies

Summary: Analysis & Evidence

Policy Option: 2

Description: Reduce inspection frequency for lower risk farms which have Assured Dairy Farm status.

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' <ul style="list-style-type: none"> Familiarisation costs to farms of reading and understanding the new procedures (26k); and cost to AHDH of amending each farm record (£4k). 	
	One-off (Transition)	Yrs		
	£ 30,000			
	Average Annual Cost (excluding one-off)			
	£		Total Cost (PV)	£ 30,000
Other key non-monetised costs by 'main affected groups' Costs of implementing IT systems at AHDH, increased ADF inspection time, training costs and the costs to the ADF of making their data available to AHDH.				

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' <ul style="list-style-type: none"> AHDH reduced frequency of inspections of lower risk farms (£319k) a year; and reduced costs for lower risk farmers as they will not have to accompany inspectors as often around their farms 	
	One-off	Yrs		
	£			
	Average Annual Benefit (excluding one-off)			
	£ 356,000		Total Benefit (PV)	£ 3.06 m
Other key non-monetised benefits by 'main affected groups'				

Key Assumptions/Sensitivities/Risks As is outlined in the main section, the calculations involve a number of assumptions including the number of non-conformance inspections which is subject to change depending on actual outturns.

Price Base Year 2009	Time Period Years 10	Net Benefit Range (NPV) £ 3.03 m	NET BENEFIT (NPV Best estimate) £ 3.03 m
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What is the geographic coverage of the policy/option?		England and Wales		
On what date will the policy be implemented?		[2010]		
Which organisation(s) will enforce the policy?		FSA, AHDH, ADF		
What is the total annual cost of enforcement for these organisations?		£ N/A		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off) England and Wales figures	Micro 0	Small 0	Medium 0	Large 0
Are any of these organisations exempt?	No	No	N/A	N/A

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

1. Reason for Intervention

1.1 Food can pose a risk to human health if it is not produced, manufactured and handled hygienically. Consumers are not usually able to observe this, and it is difficult for food business operators credibly to inform consumers how far food safety risks have been minimised. Government intervention is necessary to address this information asymmetry.

1.2 Official on-farm inspections for milk production holdings are designed to address this information asymmetry by inspecting all farms to ensure compliance with hygiene regulations.

1.3 However, there is scope to reduce the burden of inspections by recognising relevant industry, quality assurance programmes to help prioritise and reduce the frequency of official inspections. An independent study and a pilot project have therefore been carried out in order to help assess the potential for recognising Assured Dairy Farm status.

2. Intended effect

2.1 The policy objective is to take account of the audit results (hygiene aspects only) of farms that have Assured Dairy Farm status in order to reduce the burden of official inspection, while at the same time maintaining consumer safety. The intended effect is to reduce the costs of inspection on farms that have Assured Dairy Farm status by reducing the frequency of official inspections but without compromising consumer safety.

2.2 It is expected that the policy would also provide incentives for farms to move towards lower risk categories through an improvement in their hygiene performance. Under the proposed policy, lower risk farms benefit by having a longer time interval between inspections than their higher risk counterparts.

3. Background

3.1 EC Regulations 852/2004 and 853/2004 on the hygiene of foodstuffs set out food hygiene requirements with which food businesses (including primary production) must comply. In addition, 854/2004 sets out the requirements for the organisation of official controls on products of animal origin. EC Regulation 882/2004 on official feed and food controls requires that official controls are carried out without prior warning. Under these arrangements, in England and Wales, milk production holdings are subject to official inspections by Animal Health Dairy Hygiene (AHDH) on behalf of the Food Standards Agency (the competent authority) for compliance with food hygiene legislation. The majority of these holdings are also audited for compliance with farm assurance scheme standards by Assured Dairy Farms (ADF), the industry assurance scheme that is part of Assured Food Standards.

3.2 As part of the Government Whole Farm Approach initiative, the On-farm Inspections Project is developing a strategy for integrating on-farm industry and enforcement visits. The purpose of the On-farm Inspections Project is to reduce the burdens on farmers and improve value for public money, whilst maintaining consumer safety. It will achieve this through the following outcomes:

- Rationalise on-farm inspection visits where possible including both the regulatory and voluntary sectors, resulting in more efficient working within the department and associated bodies and a reduced burden on farmers.

- Share inspection data to reduce duplication of inspection effort and to reduce the burden on farmers and to enable regulators to build up a risk profile for individual farm businesses.
- Improve scheduling of necessary visits, including increased cross department/agency co-ordination to reduce the impact of visits on farmers.

3.3 One area which was identified for consideration was inspection activity in the dairy sector.

Regulation (EC) No 882/2004 on official feed and food controls recognises in the recitals (paragraph 13) the use of relevant private quality assurance programmes for the risk categorisation of official controls. The FSA has applied this principle to official controls in relation to Annex 1 of Regulation (EC) No 852/2004 in those primary sectors where food hygiene requirements had not previously applied. There is therefore an interest to assess whether the approach might be extended to the dairy sector where official controls on milk production premises have been established for many years.

3.4 An independent study³ was carried out to assess and compare the approaches of AHDH (official) inspections and ADF (assurance scheme) audits to monitoring and verifying compliance with food hygiene legislation at milk production holdings in England and Wales. A number of aspects were looked at, including: assessor training, inspection focus and approach, risk establishment, reporting of outcomes, addressing contraventions and auditing. It was found that both organisations had similar training requirements. However, a number of differences were found: AHDH inspections are more practical while ADF audits are broader; AHDH provide advice to farmers whereas ADF do not; AHDH inspections are generally less frequent but risk based, whereas ADF audits are routine unless there is evidence of non-conformance; AHDH visits are unannounced and include milking time; non-conformity leads to prosecution by AHDH, whereas ADF can halt milk collection.

3.5 A further project was then carried out to assess the similarities and differences between the outcome of ADF and AHDH inspections in terms of the risk category applied to farms following audit/inspection. The aim of this project was to inform the feasibility and extent to which the results of farm assurance (ADF) audits could be taken into account when deciding the frequency of official controls (AHDH inspections).

3.6 Data on inspections/audits were drawn together from ADF and AHDH⁴ databases, underwent a matching exercise and were analysed. The analysis involved matching individual farm assessments across both schemes and comparing the outcome of the most recent visit from each scheme.

3.7 The main conclusions of the analysis:

- There appears to be a general correlation between the risk assessments of the two schemes (i.e. more farms assessed as low risk by ADF were assessed as low risk

³ Bailey, A., Aikman, P., Deaville, E., Garforth, C., Jukes, D. (2008) A technical assessment and comparison of the inspections carried out by Animal Health Dairy Hygiene and audits undertaken by Assured Dairy Farms. *Final report to the Food Standards Agency*. The School of Agriculture, Policy and Development, University of Reading, June 2008.

⁴ It should be noted that the data used in the analysis was drawn from a period when AHDH categorised farms as high, medium or low risk. During 2008-09, the FSA consulted on revised AHDH Operating Procedures which, amongst other things, included a revised risk rating and scoring system and farms are now categorised at primary inspections (based on their score) as either category 1, 2, 3, or 4 (category 1 being highest risk and category 4 being lowest risk). The general conclusions of the analysis are considered still to apply.

by AHDH than in other ADF categories; more farms assessed as high risk by ADF were assessed as high risk by AHDH than in other ADF categories), although the extent of alignment differs across AHDH risk categories.

- Where holdings are already in the AHDH low risk category, ADF risk assessments appear to be as good an indicator of future compliance as the previous AHDH risk categorisation.
- Where holdings are in the AHDH high risk category, ADF audits were not a good indicator of future compliance.
- Evidence for the use of ADF audits was less clear for the AHDH medium risk category

3.8 Further detail on the analysis can be found in Annex 1. Evidence from the analysis therefore provided a good case for AHDH to take into account the outcome of ADF audits when assessing the appropriate inspection interval for AHDH low risk farms. However, the analysis did not support a similar approach for AHDH high risk farms, where ADF assessments were not a good indicator of future compliance.

Proposal to reduce frequency of AHDH inspections

Diagram 1 illustrates how farms are inspected under the current system.

Diagram 1

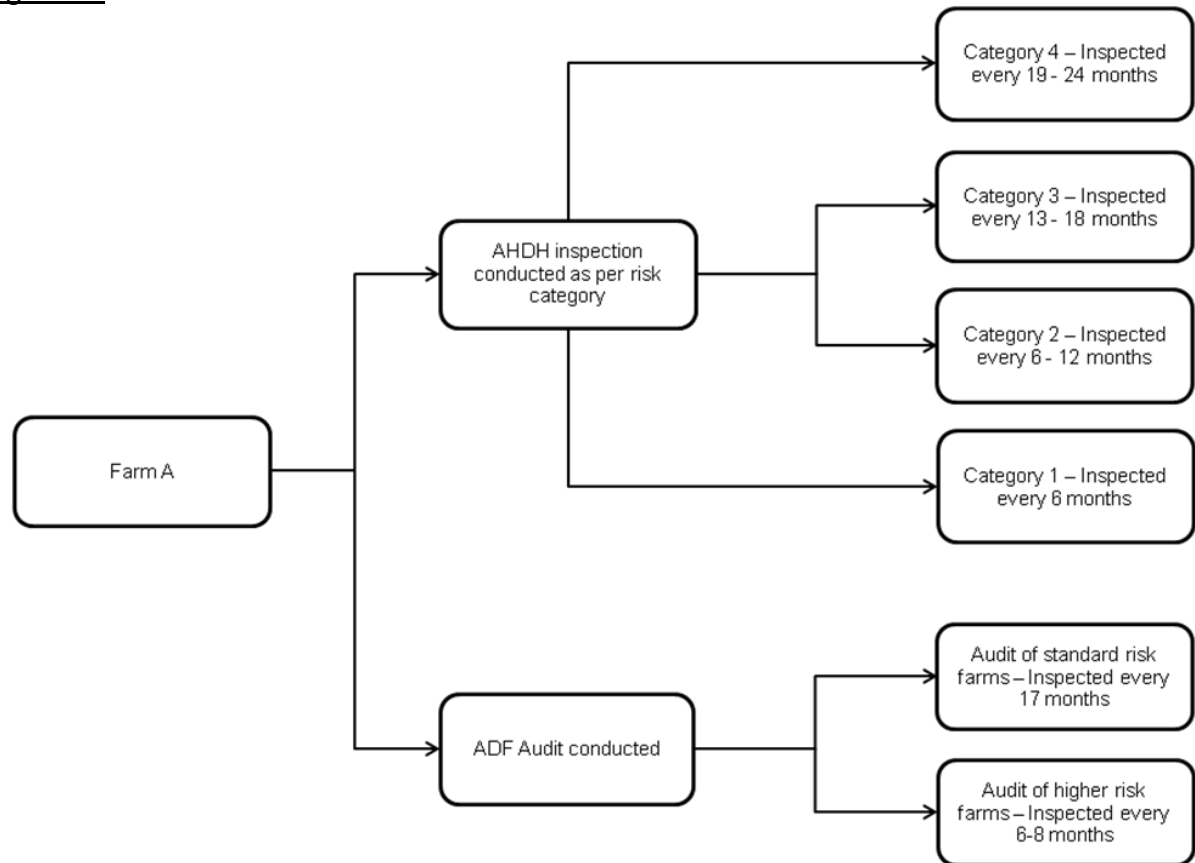
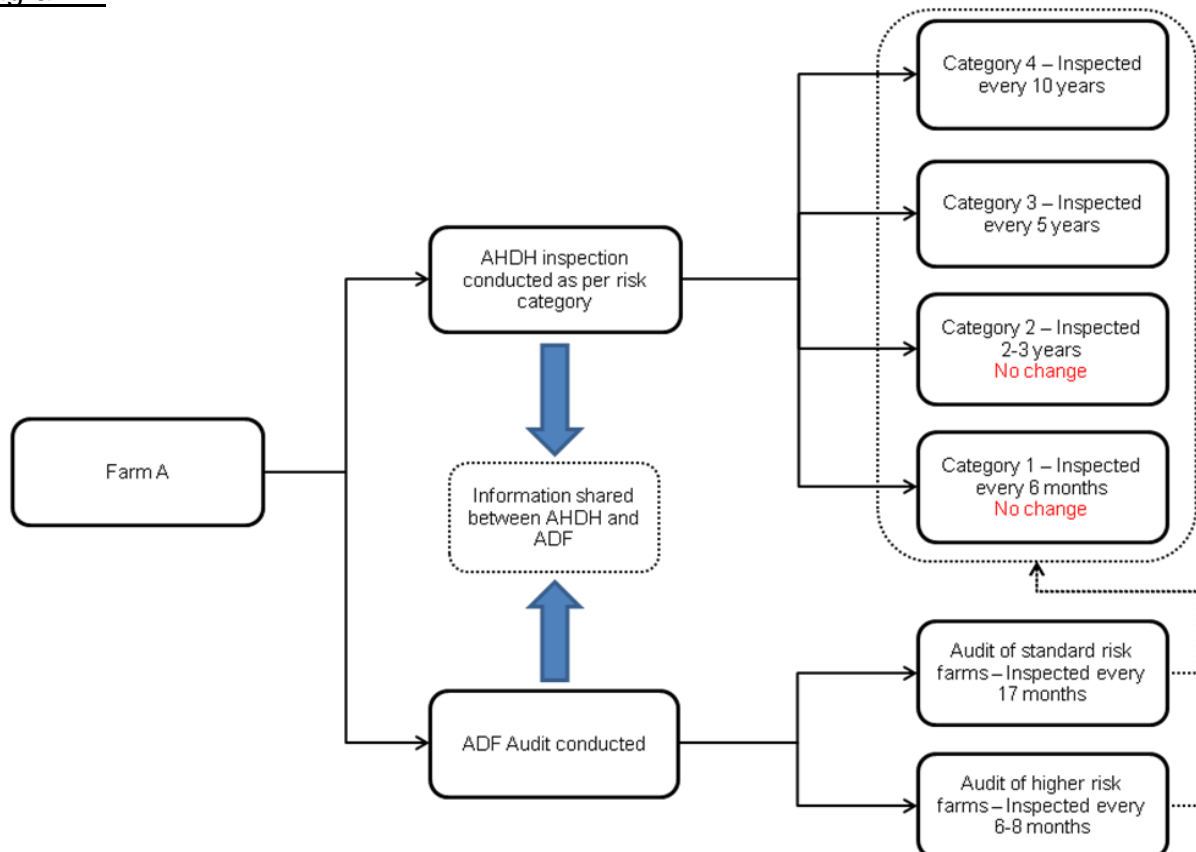


Diagram 2 illustrates how farms will be inspected under option 2.

Diagram 2



3.10 Tables 1 and 2, below, present the effects of options 2 and 3 respectively on all farm categories and how the inspection frequency will change. Equivalent figures for *Option 1: Do nothing and maintain full reliance on official controls* appear in column 2 of the tables.

Option 2

3.11 Reduce official inspection frequency for lower risk farms (categories 3 and 4) that have Assured Dairy Farm status. If ADF find relevant non-conformances beyond those which are permitted under the risk category, then those farms will be prioritised for AHDH inspections. We have estimated the number of non-conformances as outlined in the table below.

Table 1

Category of Dairy Farm	Current frequency of Official Monitoring inspections (Option 1)	Proposed frequency of Official Monitoring inspections	Prioritised Inspections if ADF find non-conformances
Category 4	Every 19 – 24 months	At least every 10 years	Farms that are identified with relevant non-conformances by the ADF will be prioritised for inspection by the AHDH to determine whether they can remain category 4 farms. Evidence suggests that 15% of ADF inspections receive a relevant non-conformance (around 11% of Category 4 farms).
Category 3	Every 13 – 18 months	At least every 5 years	Farms where ADF have identified 4 ⁵ or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to assess whether such farms should remain as Category 3. Evidence suggests that 10% of ADF inspections will have 4 or more relevant non-conformances (around 7% of Category 3 farms).

⁵ This is subject to change

Option 3

3.12 Option 2 plus extending the reduction of inspection frequency to include intermediate risk farms (category 2) that have Assured Dairy Farm status. Note, this option would be dependent upon further analysis showing a stronger correlation between AHDH and ADF risk categories (see below).

Table 2

Category of Dairy Farm	Current frequency of Official Monitoring inspections Option 1	Proposed frequency of Official Monitoring inspections	Prioritised Inspections if ADF find-non conformances
Category 2	Every 6 – 12 months	At least every 2 – 3 years	Farms where ADF have identified 4 ⁶ or more relevant non-conformances at the most recent audit will be prioritised for inspection to enable AHDH to assess whether such farms should remain as Category 3. It has been assumed for this purpose that 10% ADF inspections of category 2 farms will have 4 or more relevant non-conformances (around 7% of Category 2 farms).

3.13 Option 3 is dependent on the outcome of future statistical analysis and will only be pursued if the analysis provides the necessary evidence that a reduction in inspections to intermediate risk farms (category 2) will not have an adverse effect on consumer safety. It is therefore included for completeness.

Farms not certified by ADF

3.14 The above arrangements would only apply to dairy farms supplying cows' milk to milk purchasers who are members of ADF, which represents around 95% of all cows' milk producers. The arrangements in relation to inspections carried out at dairy farms processing their own cows' milk who are not members of ADF or farms supplying cows' milk to purchasers who are not members of ADF, would not be affected. Likewise arrangements in relation to inspections carried out at farms producing sheep, goats' or buffaloes' milk would not be affected as these are not currently part of the ADF Scheme.

4. Options

Option 1 - Do nothing - maintain full reliance on official inspections.

Option 2 - Reduce official inspection frequency for lower risk farms (categories 3 and 4) that have Assured Dairy Farm status.

Option 3 - Option 2 plus extending the reduction of inspection frequency to intermediate risk farms (category 2) that have Assured Dairy Farm status (dependent on the outcome of future statistical analysis).

⁶ This figure is subject to change depending on the statistical evidence when a review is carried out

4.1 Option 2 is the preferred option as evidence from the statistical analysis provides a good case for AHDH to take into account the outcome of ADF audits when assessing the appropriate inspection interval for **lower** risk farms. There may be scope to extend the approach to category 2 farms as per Option 3 however, this is dependent on further statistical analysis (see above and implementation and review section).

4.2 There is currently no evidence to support a similar approach for all ADF farms, some of which will be AHDH **high** risk farms, due to an increase in consumer safety risk and application of the precautionary principle.⁷

4.3 Table 3, below, summarises the number of dairy farms affected and their current risk category status (see table 1 and 2 above)⁸. It is assumed that 95% of milk production is by members of ADF. The table below shows the number of farms in each category.

Table 3 – Number of farms per category

Category	Number of farms
4	261
3	4,240
2	4,458
1	1,914
Total Farms Affected	10,873

Benefits: Methodology for Estimating Benefits

4.4 The main benefit of the proposal is the longer time period between AHDH inspections, without any compromises to consumer protection. In order to estimate the benefits, it is necessary to calculate the difference between the current frequency of inspections and the new frequency of inspections under the proposals, and the subsequent change in the number of inspections in any given year.

4.5 As is shown in diagram 1, under current procedures a farm in Category 4 can currently expect an inspection every 19 to 24 months. Accordingly, the intermediate value of 22 months between inspections has been used to calculate the number of inspections in a given year⁹. The same process is also used for the other risk categories relevant to this proposal, which presents the current number of inspections.

4.6 Under the proposal, farms in each category are subject to a cyclical official monitoring inspection which is dependent on the current risk categorisation of the farm, as shown in table 2. For example, a category 4 farm will be inspected at least once over a ten year period compared to currently an inspection occurring between every 19 and 24 months. When ADF carry out their regular audits and find relevant non-conformances¹⁰ beyond those which are permitted under the relevant risk category (see table 1 and 2), then those farms will be prioritised for an official monitoring inspection by AHDH. The number of permitted non-conformances varies according to the category of the farm e.g. a

⁷ HM Treasury, Green Book

⁸ Source: ADF

⁹ An average has been used and is achieved by summing 19 and 24 months divided by 2, which equals 21.5 which has been rounded to 22

¹⁰ Relevant non conformance – relevant hygiene non-conformances are to be agreed between FSA/AHDH and ADF.

category 4 farm will be prioritised for inspection by AHDH, if **one** or more relevant non-conformance is found during the ADF audit. Table 4 includes information of the assumed number of relevant non conformances that will trigger an additional inspection, plus the estimated % of non-conformances used in the analysis.

Therefore, under the proposed system:

The number of inspections in a year = total of the number of farms which are prioritised for an inspection due to the existence of non conformances + remaining number of farms who have their cyclical official monitoring inspection

Estimating the number of non-conformances

4.7 As outlined above, in order to estimate the total number of inspections under the proposed system, it is necessary to estimate the number of AHDH inspections carried out as a result of exceeding the permitted number of non-conformances in the ADF audit. As the proposed system is currently not in operation, this has been estimated from a combination of results of statistical analysis and internal judgement/opinion, and is subject to change. Table 4 below shows the estimates for farms receiving an ADH inspection, exceeding the permitted number of non-conformances.

Table 4 – Estimated percentage of farms of relevant non conformances per category

Farm Category	Estimated % of ADH inspections exceeding relevant non-conformances ¹¹	Source
Category 4	15% (or 11% of total category 4 farms)	The data suggested that ADF found one or more non conformances at 49% of Category 4 farms. However, a lower estimate has been used as review of a sample of audit reports suggested that not all of these non conformances would be relevant to AHDH
Category 3	10% (or 7% of total category 3 farms)	The data suggests that ADF found 4 or more non conformances at 8% of Category 3 inspections, and this has been rounded to 10%.
Category 2	10% ¹² (or 7% of total category 2 farms)	This is an estimate
Category 1		Outside the scope of this proposal

5. Costs and benefits of options

Option 1 Do nothing – maintain full reliance on current inspections

There are no incremental costs and benefits of the do nothing option.

Option 2 – Reduce official inspection frequency for lower risk farms (categories 3 and 4) that have Assured Dairy Farm status

¹¹ ADF audit farms at least every 17 months so the number of farms receiving relevant non conformances has been annualised on the basis of a 17 month interval between audits.

¹² This is subject to change

Category 4 Benefits

5.1 Under the current system, category 4 farms are visited every 19 – 24 months which means that on average¹³ there are currently 148 AHDH inspections per year to category 4 farms.

5.2 Under the proposed system, category 4 farms will be prioritised for their official monitoring inspection by AHDH when ADF find relevant non-conformances which exceed the permitted number of non conformances. We have estimated that 15% of category 4 farms inspected by ADF will receive one or more relevant non-conformance and will be prioritised for inspection by AHDH, which equates to 28 farms to be visited per year¹⁴. The remaining farms have a cyclical official monitoring inspection at least every 10 years which equates to 23 inspections per year¹⁵. Under the new system there will be a total of 51 inspections per year to category 4 farms, compared with 148 currently, resulting in a 65% reduction in the number of inspections to category 4 farms per year.¹⁶

	Category 4
Current number of inspections	148
Prioritised inspections due to 1 relevant N/C	28
Official Monitoring inspections	23
Proposed number of inspections	51
Reduction in the number of inspections	97
% Reduction	65%

5.3 The benefits of the new proposal will result from cost savings to both the FSA and farmers as a result of fewer official inspections. For each inspection carried out by AHDH the FSA is charged £134¹⁷. As a result of inspections being reduced from 148 to 51 per year the cost to the FSA of AHDH inspections is reduced from £19,784 to £6,829 resulting in a saving to the FSA of £12,955 per year for category 4 farms. The table below details how this has been calculated.

	Category 4
Current number of inspections per year	148
Cost per inspection	£134
Current cost to AHDH	£19,784

¹³ Taking 22 as mid-point month

¹⁴ ADF inspections occur every 17 months, and so the figure is annualised: $((261/17)*12)*15\% = 28$

¹⁵ $(261 - 28)*(0.1) = 23$

¹⁶ This modelling is static and does not consider any dynamic effects such as non-conformances leading to risk re-categorisation, some farms in both non-conformances and official monitoring inspections categories etc.

¹⁷ Animal health Service Agreement 2009/10.

Proposed number of inspections per year	51
Cost per inspection	£134
Estimated cost to AHDH	£6,829
Reduction in inspections per year	97
Cost per inspection	£134
Saving per year	£12,955
Rounded	£13,000

5.4 The reduction in the number of inspections will manifest into savings for farmers as a result of them escorting inspectors around their facilities less frequently. To calculate the cost saving to a farmer, a cost per inspection for a farmer has been estimated as outlined in the table below. All figures are in line with the methodology outlined in the Standard Cost Model, except that 2009 figures have been used for consistency.

Average hours with inspector	1.75
Hourly wage rate	12.02
Overhead inflator	30%
Hourly Rate plus overheads	£15.63
Business as Usual (BAU) Deflator	43%
Wage rate plus overheads less BAU	£8.91
Cost per farm (Hours * Wage)	£15.59

5.5 Under the current system the total cost of escorting inspectors for category 4 farmers is £2,301 while under the proposed system it will cost farmers £1,507 per year, a saving of £1,507 per year. The table below details how the benefits to farmers in category 4 have been calculated.

	Category 4
Current number of inspections per year	148
Farmer cost per inspection	£15.59
Current total cost for farmers	£2,301
Proposed number of inspections per year	51
Farmer cost per inspection	£15.59
Estimated cost to farmers	£794
Reduction in inspections per year	97
Farmer cost per inspection	£15.59
Total saving per year	£1,507
Rounded	£2,000

Category 3 Benefits

5.6 Under the current system category 3 farms are visited every 13 – 18 months which means that on average¹⁸ there are currently 3,371 AHDH inspections per year to category 3 farms.

5.7 Under the proposed system, category 3 farms will be prioritised for their official monitoring inspection by AHDH when ADF find relevant non-conformances which exceed the permitted number of non conformances. We have estimated that 10% of category 3 farms inspected by ADF will receive four or more relevant non-conformance and will be prioritised for inspection by AHDH, which equates to 299 category 3 farms to be visited per year¹⁹. The remaining farms have a cyclical official monitoring inspection at least every 5 years which equates to 788 inspections per year²⁰. Under the new system there will be a total of 1,088 inspections per year to category 3 farms meaning a 68% reduction in the number of inspections to category 3 farms per year. The table below shows the effects on the number of inspections to category 3 farms²¹.

Table 9 - Number of inspections in Category 3 England and Wales	
	Category 3
Current number of inspections	3,371
Prioritised inspections due to 3 or more relevant N/C	299
Official Monitoring inspections	788
Proposed number of inspections	1,088
Reduction in the number of inspections	2,283
% Reduction	68%

5.8 As a result of inspections being reduced from 3,371 to 1,088 per year the cost to the FSA of AHDH inspections is reduced from £451,654 to £145,729 a saving to the FSA of £305,925 per year for category 3 farms. The table below details how this has been calculated.

¹⁸ Taking 16 as an average

¹⁹ ADF inspections occur every 17 months, and so the figure is annualised: $((4,240/17)*12)*10\% = 299$

²⁰ $(4,240 - 299)*(0.2) = 788$

²¹ This modelling is static and does not consider any dynamic effects such as non-conformances leading to risk re-categorisation, some farms in both non-conformances and official monitoring inspections categories etc.

Table 10 - Summary of Benefits to FSA England and Wales	
	Category 3
Current number of inspections per year	3,371
Cost per inspection	£134
Current cost to AHDH	£451,654
Proposed number of inspections per year	1,088
Cost per inspection	£134
Estimated cost to AHDH	£145,729
Reduction in inspections per year	2,283
Cost per inspection	£134
Saving per year	£305,925
Rounded	£306,000

5.9 The benefits for farmers are the savings from not escorting inspectors around their farms (see table 7 for the cost per farm). Under the current system the total cost of escorting inspectors for category 3 farmers is £52,537 while under the proposed system it will cost farmers £16,951 per year, a saving of £35,585 per year. The table below details how the benefits to farmers in category 3 have been calculated.

Table 11 - Summary of Benefits to Farmers England and Wales	
	Category 3
Current number of inspections per year	3,371
Farmer cost per inspection	£15.59
Current total cost for farmers	£52,537
Proposed number of inspections per year	1,088
Farmer cost per inspection	£15.59
Estimated cost to farmers	£16,951
Reduction in inspections per year	2,283
Farmer cost per inspection	£15.59
Total saving per year	£35,585
Rounded	£36,000

5.10 The total annual benefits of option 2 are £355,972 which is comprised of £318,880 for FSA and £37,072 for farmers.

Table 12, below, summarises the benefit of option 2 to the FSA

Table 12 - Summary of Benefits to FSA England and Wales			
	Category 4	Category 3	Total
Current number of inspections per year	148	3,371	3,518
Cost per inspection	£134	£134	£134
Current cost to AHDH	£19,784	£451,654	£471,438
Proposed number of inspections per year	51	1,088	1,138
Cost per inspection	£134	£134	£134
Estimated cost to AHDH	£6,829	£145,729	£152,558
Reduction in inspections per year	97	2,283	2,380
Cost per inspection	£134	£134	£134
Saving per year	£12,955	£305,925	£318,880
Rounded	£13,000	£306,000	£319,000

Table 13, below, below summarises the benefit of option 2 to Farmers

Table 13 - Summary of Benefits to Farmers England and Wales			
	Category 4	Category 3	Total
Current number of inspections per year	148	3,371	3,518
Farmer cost per inspection	£15.59	£15.59	£15.59
Current total cost for farmers	£2,301	£52,537	£54,838
Proposed number of inspections per year	51	1,088	1,138
Farmer cost per inspection	£15.59	£15.59	£15.59
Estimated cost to farmers	£794	£16,951	£17,746
Reduction in inspections per year	97	2,283	2,380
Farmer cost per inspection	£15.59	£15.59	£15.59
Total saving per year	£1,507	£35,585	£37,092
Rounded	£2,000	£36,000	£37,000

Costs for category 3 and 4

5.11 We have assumed that farmers will need to read the new procedures and will spend between 15 and 30 minutes to familiarise themselves with the change. The familiarisation cost is quantified by multiplying an hourly wage rate for farm managers of £15.63²² by an average of the reading time of between 15 and 30

²² Wage rate obtained from The Annual Survey of Household Earnings (2009) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Farm Manager' is used (£15.63 including 30% overheads)

minutes. This equates to a familiarisation cost of £26,377. The table below shows the familiarisation cost for each category.

Table 14 - Summary of Costs per category to farms England and Wales	
<i>Category 4</i>	
Reading time (hours)	0.375
Farm manager hourly rate	£15.63
Cost per farm	£5.86
Number of farms	261
Familiarisation costs	£1,529
<i>Category 3</i>	
Reading time (hours)	0.375
Farm manager hourly rate	£15.63
Cost per farm	£5.86
Number of farms	4,240
Familiarisation costs	£24,848
Total	£26,377
Rounded	£26,000

5.12 We have estimated a cost to AHDH of adapting their procedures to collaborate and utilise the audits carried out by ADF. This consists of 3 minutes to update each farm record on the AHDH database, and there will be 261 category 4 farms and 4,240 category 3 farms whose records need to be updated. We have used an hourly wage for a public service employee of £17²³ per hour. To calculate the cost of updating the systems the wage rate is multiplied by the number of records that need to be modified leading to a one off cost of £3,850 which rounded is £4,000.

Therefore the total one off cost is £30,000 (£26,000 familiarisation cost to farmers plus £4,000 to AHDH of updating records).

Non monetised costs

5.13 There will also be other costs in some cases including increased audit duration, additional equipment inspection and iauditor training. For training it is unclear whether such costs would be absorbed e.g. training incorporated into normal training procedures or whether separate training events would be required.

We invite stakeholders to provide detailed descriptions and a detailed breakdown of any non monetised costs.

²³ Wage rate obtained from The Annual Survey of Household Earnings (2009) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Public Service And Other Associate Professionals' is used (£17.11 including 30% overheads)

Option 3

Benefits

5.14 This option will extend the reduction of AHDH farm inspections to category 2 farms as well as category 3 and 4 farms, and this will result in the same cost savings as in option 2, plus extra savings resulting from the inclusion of category 2 farms. This option is dependent on the outcome of future statistical analysis and will only be pursued if the analysis provides the necessary evidence to support that a reduction in inspections to intermediate risk farms (category 2) will not have an adverse effect on consumer safety. It is therefore included for completeness.

5.15 Under the current system, category 2 farms are visited every 6 – 12 months which means that on average²⁴ there are currently 6,687 AHDH inspections per year to category 2 farms.

5.16 Under the proposed system, category 2 farms will be prioritised for their official monitoring inspection by AHDH when ADF find relevant non-conformances which exceed the permitted number of non conformances. We have estimated that 10% farms inspected by ADF will receive four or more relevant non-conformance and will be prioritised for inspection by AHDH, which equates to 315 category 2 farms visited per year²⁵. The remaining farms have a cyclical official monitoring inspection at least every 2 to 3 years which equates to 1,719 inspections per year²⁶. Under the new system there will be a total of 2,034 inspections per year to category 2 farms meaning a 70% reduction in the number of inspections to category 2 farms per year. The table below shows the effects on the number of inspections to category 2 farms²⁷.

Table 15 - Number of inspections in Category 2 England and Wales	
	Category 2
Current number of inspections	6,687
Prioritised inspections due to 3 or more relevant N/C	315
Official Monitoring inspections	1,719
Proposed reduction in number of inspections	2,034
% Reduction	70%

5.17 As a result of inspections being reduced from 6,687 to 2,034 per year the cost to the FSA of AHDH inspections is reduced from £896,023 to £272,567 a cost saving to the FSA of £623,457 per year for category 2 farms. The table below details how this has been calculated.

²⁴ Taking 9 as an average

²⁵ ADF inspections occur every 17 months, and so the figure is annualised: $((4,458/17)*12)*10\% = 315$

²⁶ $(4,458 - 315)*((0.33+0.5/2)) = 1,719$

²⁷ This modelling is static and does not consider any dynamic effects such as non-conformances leading to risk re-categorisation, some farms in both non-conformances and official monitoring inspections categories etc.

Table 16 - Summary of Benefits to FSA England and Wales	
	Category 2
Current number of inspections per year	6,687
Cost per inspection	£134
Current cost to AHDH	£896,023
Proposed number of inspections per year	2,034
Cost per inspection	£134
Estimated cost to AHDH	£272,567
Number of reduced inspections per year	4,653
Cost per inspection	£134
Saving per year	£623,457
Rounded	£623,000

5.18 The benefits for farmers are again the savings from not escorting inspectors around their farms (see table 7 for the cost per farm). Under the current system the total cost of escorting inspectors for category 2 farmers is £104,226 while under the proposed system it will cost farmers £31,705 per year, a saving of £72,521 per year. The table below details how the benefits to farmers in category 2 have been calculated.

Table 17 - Summary of Benefits to Farmers England and Wales	
	Category 2
Current number of inspections per year	6,687
Farmer cost per inspection	£15.59
Current total cost for farmers	£104,226
Proposed number of inspections per year	2,034
Farmer cost per inspection	£15.59
Estimated cost to farmers	£31,705
Number of reduced inspections per year	4,653
Farmer cost per inspection	£15.59
Total saving per year	£72,521
Rounded	£73,000

5.19 The total annual benefits of option 3 are £1,051,949 comprising of £942,336 for FSA and £109,613 for farmers.

Table 18, below, summarises the benefit of option 3 to the FSA

Table 18 - Summary of Benefits to FSA England and Wales				
	Category 4	Category 3	Category 2	Total
Current number of inspections per year	148	3,371	6,687	10,205
Cost per inspection	£134	£134	£134	£134
Current cost to AHDH	£19,784	£451,654	£896,023	£1,367,461
Proposed number of inspections per year	51	1,088	2,034	3,173
Cost per inspection	£134	£134	£134	£134
Estimated cost to AHDH	£6,829	£145,729	£272,567	£425,125
Number of reduced inspections per year	97	2,283	4,653	7,032
Cost per inspection	£134	£134	£134	£134
Saving per year	£12,955	£305,925	£623,457	£942,336
Rounded	£13,000	£306,000	£623,000	£942,000

Table 19, below, summarises the benefit of option 3 to Farmers

Table 19 - Summary of Benefits to Farmers England and Wales				
	Category 4	Category 3	Category 2	Total
Current number of inspections per year	148	3,371	6,687	10,205
Farmer cost per inspection	£15.59	£15.59	£15.59	£15.59
Current total cost for farmers	£2,301	£52,537	£104,226	£159,064
Proposed number of inspections per year	51	1,088	2,034	3,173
Farmer cost per inspection	£15.59	£15.59	£15.59	£15.59
Estimated cost to farmers	£794	£16,951	£31,705	£49,451
Number of reduced inspections per year	97	2,283	4,653	7,032
Farmer cost per inspection	£15.59	£15.59	£15.59	£15.59
Total saving per year	£1,507	£35,585	£72,521	£109,613
Rounded	£2,000	£36,000	£73,000	£110,000

Costs

5.20 Familiarisation costs for farmers will include the familiarisation costs from option 2 plus the familiarisation cost for category 2 farms. A wage rate of £15.63²⁸ per hour has been applied to a farm manager and is multiplied by the reading time

²⁸ Wage rate obtained from The Annual Survey of Household Earnings (2009) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Farm Manager' is used (£15.63 including 30% overheads)

which is between 15 and 30 minutes. This equates to a familiarisation cost of £52,498. The table below shows the familiarisation cost for each category.

Table 20 - Summary of Costs per category to farms England and Wales	
<u>Category 4</u>	
Reading time (hours)	0.375
Farm manager hourly rate	£15.63
Cost per farm	£5.86
Number of farms	261
Familiarisation costs	£1,529
<u>Category 3</u>	
Reading time (hours)	0.375
Farm manager hourly rate	£15.63
Cost per farm	£5.86
Number of farms	4,240
Familiarisation costs	£24,848
<u>Category 2</u>	
Reading time (hours)	0.375
Farm manager hourly rate	£15.63
Cost per farm	£5.86
Number of farms	4,458
Familiarisation cost	£26,122
Total Familiarisation cost	£52,498
Rounded	£52,000

5.21 There will be a cost to AHDH of adapting their systems to collaborate and utilise the audits carried out by ADF. It has been assumed that each farm record on AHDH database will require updating which is expected to take 3 minutes per record. The costs of updating the database for category 4 and 3 farms have been calculated under option 2 and under this option the cost of category 2 farms will be measured. There are 4,458 farms listed as category 2 farms, and it believed that it will take three minutes for a public sector employee at a wage rate of £17.11²⁹ which along with category 4 and 3 farms it is expected to cost a one off £7,664.

5.22 Therefore the total one off cost is £60,000 (£52,000 familiarisation cost to farmers plus £8,000 to AHDH of updating records).

²⁹ Wage rate obtained from The Annual Survey of Household Earnings (2009) (<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>). Median hourly wage of a 'Public Service And Other Associate Professionals' is used (£17.11 including 30% overheads)

Non monetised costs

5.23 There will also be other costs including increased audit duration, additional equipment inspection and auditor training. It is unclear whether such costs would be absorbed e.g. training incorporated into normal training procedures or whether separate training events would be required.

We invite stakeholders to provide detailed descriptions and a detailed breakdown of any non monetised costs.

We invite stakeholders to comment on the Benefits and Costs Section and comment if they are content with the assumptions made. The figures used are therefore subject to change in the light of comments received.

6. Administrative Burden Costs

6.1 There are no additional administrative burden costs for the preferred option.

7. Consultation

7.1 The FSA set up a stakeholder group with industry representatives to take this work forward. It met four times: in March 2007, July 2008, September 2008 and July 2009. The last meeting in July 2009 discussed and agreed the options that would be put to public consultation

8. Enforcement

8.1 A written agreement will be required between FSA, AHDH and ADF setting out how the organisations will work together and share information.

8.2 FSA/AHDH representation on the ADF Board and/or Technical Advisory Committee would enable exchange of information on conduct of audits/inspections, improve awareness of where standards exceed legislation requirements and resolve differences where there are matters relating to interpretation of the legislative requirements.

8.3 Mechanisms for exchange of information between AHDH and ADF will be important. ADF's new database should be in place by April 2010 and will facilitate improved access to information on the results of audits. There is a need to consider in detail what, how and when information will be passed to AHDH e.g. loss of ADF certification, number of hygiene non-conformances at each audit, any critical non-conformances, date of last inspection. Information will also need to pass from AHDH to ADF on matters such as prosecutions and changes to legislation/guidance.

8.4 Greater inspection of equipment by ADF auditors: ADF have indicated a willingness to include this in their audits.

9. Implementation and Review

9.1 It is proposed that once a revised policy is agreed, it will be monitored annually. A review will occur after 12 months when an analysis of the risk categorisation of category 2 farms will be undertaken. This will help inform whether the policy for reducing the frequency of inspections could be extended to include category 2 farms (option 3). A full evaluation will be undertaken once the full policy has been established for at least five years.

Specific Impact Tests: Checklist

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	No
Sustainable Development	No	Yes
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	Yes	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	No	Yes

Competition Assessment

The preferred option may provide an advantage for low risk (category 3 and 4) farms but encourages higher risk farms to increase compliance with hygiene regulations and also makes better use of enforcement resources.

Small Firms Impact Test

Small firms are a feature of dairy farms, with around 98.73% being micro firms.³⁰ Therefore the proposed option will be highly beneficial to the small firms sector.

Sustainable development

Impacts under the three pillars of sustainable development (environmental, economic and social) have been, and continue to be, considered in this Impact Assessment in the main evidence base. Option 2 is the relatively more sustainable option because it reduces the costs of inspection on farms that are low risk and have Assured Dairy Farm status without compromising consumer safety.

Race/Gender/Disability equality issues

The FSA does not envisage an impact

Rural proofing

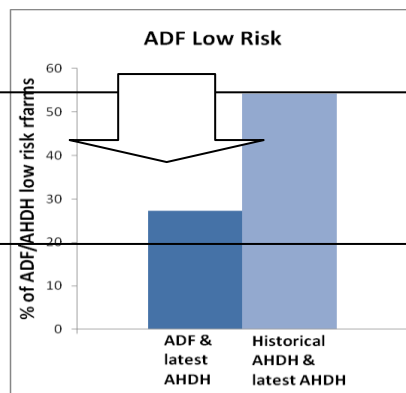
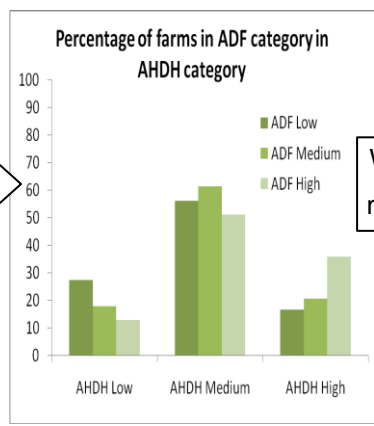
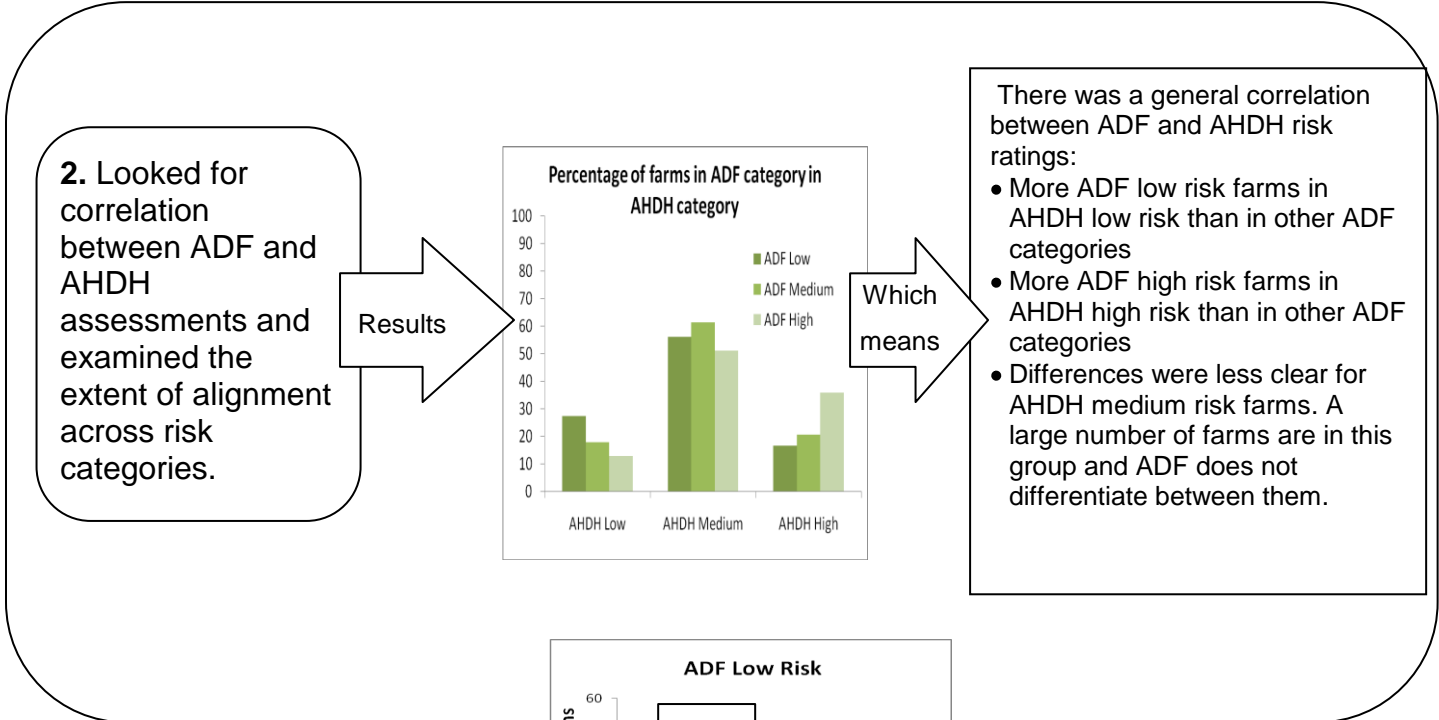
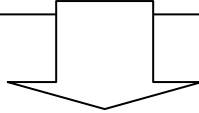
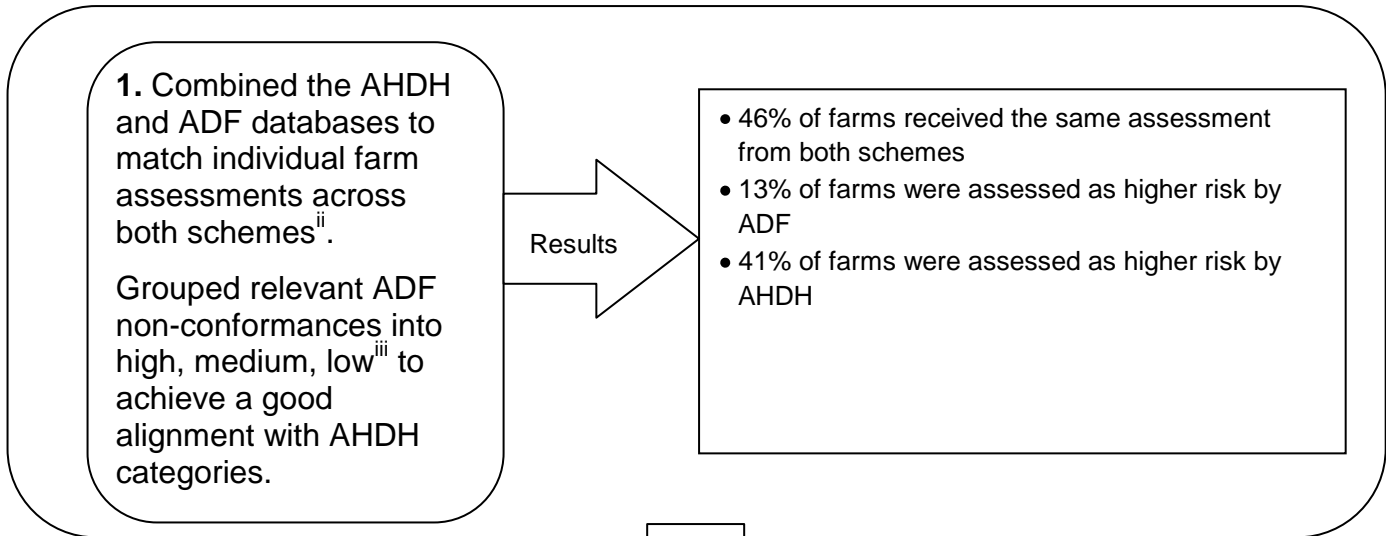
The proposal would positively impact rural areas, as dairy farms are located in rural areas. However, the present rural/urban balance would remain unaffected.

We invite stakeholders to comment on the above assessments.

³⁰ According to SIC data – reference here

Annex 1: Summary of Analysis Comparing Outcome of AHDH inspections and ADF Audits

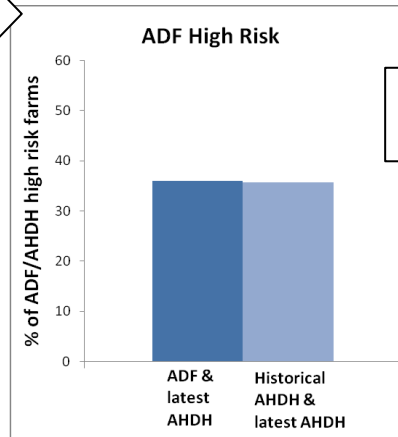
As part of their official inspections on dairy farms AHDH classify the risk of each farmⁱ. Farms that are members of farm assurance schemes are also audited by ADF, with non-conformances against the ADF standard recorded. This analysis aimed to determine the feasibility of using ADF audit results to inform AHDH inspection frequency by comparing the risk categorisation of farms following their AHDH inspections with the number of relevant non-conformances following their ADF audit and considering the similarities and differences in categorisations from both schemes. The following diagram summarises the steps of the analysis along with the main results of each step:



3. Looked at assessments through comparing historical AHDH and ADF assessments to the latest AHDH rating.

This should suggest which scheme is a better indicator of future compliance.

Results

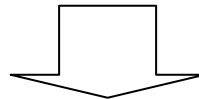


Which means

Previous AHDH assessment as **low** risk is a better indicator of future compliance than ADF assessment.

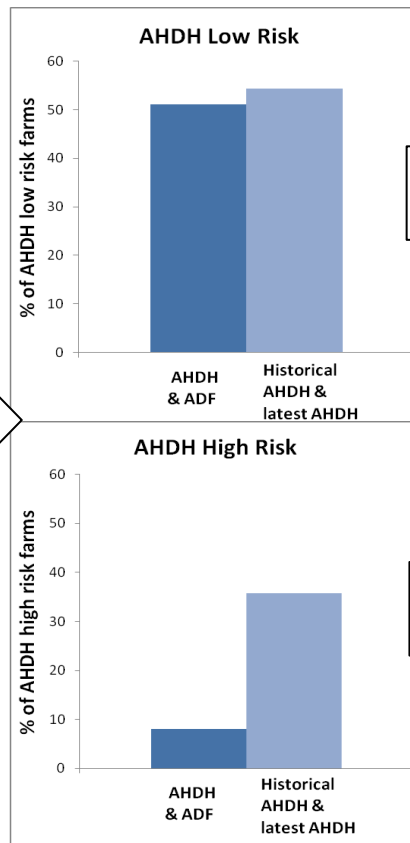
Which means

ADF assessment as **high** risk is as good an indicator of future compliance as the previous AHDH assessment.



4. Looked at assessments through comparing historical AHDH assessments to the latest AHDH and ADF assessments. This should suggest which scheme is a better indicator of future compliance.

Results



Which means

Where AHDH has already assessed farms as **low** risk, ADF assessment is as good an indicator of future compliance as previous AHDH assessment.

Which means

Where AHDH has already assessed farms as **high** risk, the previous AHDH inspection is a better indicator of future compliance than the ADF assessment

Conclusions

- For category 3 and 4 farms (approximately equivalent to low) the ADF assessment can be used to determine AHDH inspection frequency. The ADF assessment was comparable to the AHDH assessment in predicting future membership of the low risk category– 54% of farms assessed as low risk by AHDH were assessed at their next AHDH inspection as low risk, while 51% were assessed as low risk (receiving 0 n/cs) in their ADF audit. Therefore limited additional risk would be introduced by using ADF assessments.
- For category 2 farms (approximately equivalent to medium, and some overlap with high) AHDH inspection frequency should remain unchanged. There is currently no evidence from this analysis to support the use of ADF assessments for medium risk farms.
- For category 1 farms (approximately equivalent to high) AHDH inspection frequency should remain unchanged. Analysis suggests that the ADF assessment was not a good indicator of future compliance for high risk farms.
- Following the analysis, a random selection of visit records were reviewed where the assessments from both schemes had differed (i.e. farms were assessed as high risk in one scheme and low risk in another). This indicated that the ADF data included some issues that would not be considered relevant to AHDH assessment of risk and could have reduced the extent of alignment between the schemes. It was therefore agreed to repeat the analysis prior to the implementation of the proposed policy and refine the policy as necessary.

¹ Data used in the analysis was drawn from the period Jan 04 to May 08 when AHDH categorised farms as high, medium or low risk. During 2008-09, the FSA consulted on revised AHDH Operating Procedures which, amongst other things, included a revised risk rating and scoring system and farms are now categorised at primary inspections (based on their score) as either category 1, 2, 3, or 4 (category 1 being highest risk and category 4 being lowest risk). The mapping between the old and new risk categorisations is: categories 3 and 4 approximately equivalent to low, category 2 approximately equivalent to medium, and some overlap with high and category 1 approximately equivalent to high.

ⁱⁱ Matching on a combination of postcode and holding number and using assessments where farms received visits from both AHDH and ADF within 6 months of each other.

ⁱⁱⁱ Non-conformances (n/cs) were taken from the hygiene part of the ADF standard, and grouped with low as 0 n/cs, medium as 1-5 n/cs and high as greater than 5 n/cs.

Interested Parties List/ Rhestr o Bawb â Diddordeb

Cate	Barrow	ADAS Wales
		Chartered Institute of Environmental Health
Julie	Barratt	Wales
V	Taylor	Country Land and Business Association
Moss	Jones	Farm Assured Welsh Livestock
Nick	Fenwick	Farmers' Union of Wales
Heather	McCalman	Grassland Development Centre, IGER
Alan	Horine	Guild of Welsh Lamb & Beef Suppliers
Kirsten	Smith	Hybu Cig Cymru
Gwyn	Howells	Hybu Cig Cymru - Meat Promotion Wales
Sion Aron	Jones	Hybu Cig Cymru/Meat Promotions Wales
Trevor	Johnson	Minton Treharne Davies Ltd
Mary	James	National Farmers Union Cymru
Ed	Rees	National Farmers Union Cymru
Peter	Howells	National Farmers Union Cymru
Helen	Davies	National Sheep Association Cymru Wales
Margaret	Dalton	National Sheep Association Cymru Wales
Stella	Owen	NFU Cymru
Dylan	Morgan	NFU Cymru
Barrie	Jones	Royal Welsh Agricultural Society
Gareth	Walters	Trading Standards Institute (Wales)
	Worthington	
David	n	Welsh Assembly Government
Wynfford	James	Welsh Assembly Government
Rory	O'Sullivan	Welsh Assembly Government
Stephen	Wall	Welsh Assembly Government
Paula	Whitfield	Welsh Assembly Government
Elinor	Plow	Welsh Food Alliance
Don	Thomas	Welsh Lamb and Beef Promotions
Jane	Shepherd	Welsh Local Government Association