Evaluation of the Meat Charging Discount Regime: Proposals for Revised Support System

FSA 25-12-04 - Report by James Cooper

1. Summary

1.1 This paper provides an update on progress towards a revised system of support for some abattoirs through our charging model for regulation. We ask the Board to consider a potential model for support; to provide decisions/steers on options within this model; and to agree to a public consultation on proposals.

2. Introduction

2.1 In June 2025, the Board agreed a rationale for future support around delivering 'public goods and benefits' in the form of maintaining or increasing diversity in both farming and consumer choice (a summary of discussion outputs is at Annex A). We have developed proposals for a revised system for support in line with the Board's rationale and steers. This has been made as simple as possible and would operate within the FSA's existing statutory powers.

2.2 We have devised a base model which would provide certainty around support for small abattoirs and tapered support which would minimise barriers to growth for these businesses (see Section 3 and Annex B). We have also considered the wider elements the Board raised and provide options on these for discussion (see paragraph 3.34 onwards).

2.3 Our work has been informed by analytical modelling and a further round of face-to-face engagement with industry stakeholders. Overall, there were strong objections from the industry to changes to the current discount system with the prevailing view that support should be increasing not decreasing, and that wider reform of the charging system was required. However, no evidence has been presented which would justify the continuation of universal support from public funds.

2.4 Within the context of the proposition of more targeted support for smaller businesses, the sentiment in stakeholder engagement was that the proposed model was the simplest which would align to the Board's rationale, provide increased certainty for operators in relation to the level of discount they may expect and provide transparency in how it was applied.

2.5 It is acknowledged that moving away from the current support system would have the process and financial management implications outlined in the section on Transition below (paragraph 3.37 onwards).

3. Evidence and Discussion

Proposed Model: Overview

3.1 The model we are proposing is illustrated in the diagram in **Annex B**. The model would provide for an annual determination of eligibility for support and the level of any support. It would place each abattoir in one of the following three categories based on their throughput as a proxy for business size. Support would be in the form of a discount to hours-based charges for Official Veterinarian (OV) / Meat Hygiene Inspector (MHI) resource deployed to meet operators' needs. It would provide:

- **Maximum support** - for premises with throughput up to Threshold 1
- **Tapered support** – for premises with throughput above Threshold 1 and below Threshold 2 based on a linear progression between maximum support and no automatic support.

- **No automatic support** – for premises with throughput above Threshold 2.

3.2 Each year, throughput for each premises would generally be based on a rolling 3-year average of historic throughput. Support would be provided by the FSA using existing legal powers through a discount applied to all eligible hours.

Proposed Model: Discussion/Detail

3.3 We are seeking Board agreement to recommending this approach and how each of these key parameters and/or levels might be set:

- Proxy for business size
- Maximum level of support (maximum percentage reduction on full cost)
- Threshold 1
- Threshold 2
- Discretionary support

Proxy for business size

3.4 As set out in our June 2025 paper, the need for support is strongly related to size, with the smallest premises experiencing the greatest proportional regulatory burden. The rationale for support is that this regulatory burden, on top of other burdens faced, puts the smaller abattoirs, and the wider public benefits they deliver, at risk. We therefore believe there is a case for size to be considered when designing a support system.

3.5 We considered a number of potential routes to establish business size, testing these in our engagement with stakeholders. It was determined that financial information such as turnover or profit while potentially the most robust was not readily obtainable for all and in any case would be administratively burdensome to process. Both throughput and chargeable hours used were also considered as potential options as this is data routinely reported to us. Use of hours data would be challenging because of the use of Poultry Inspection Assistants (PIAs) for certain controls in the poultry sector, whose hours are not captured on our systems. Throughput was therefore determined to be the most practical proxy for size.

3.6 Livestock Units (LSUs) are an established mechanism for comparing throughput between different species for red meat. There are a several different numerical definitions for LSUs depending on the precise purpose. We have identified two options set out in two pieces of legislation, one relating to Animal Welfare and the other relating to Official Controls (see Annex C). The use of LSUs / numbers of birds was supported by stakeholders who felt it important that there should be clear locus for determining throughput.

3.7 We recommend that the Board agrees to the principle of using throughput based on LSUs / numbers of birds as a proxy for business size and that we should consult on the detail of how this is achieved.

Maximum level of support

3.8 The current maximum support offered is a 90% discount on charges in England and Wales. This has not been set higher partly to help ensure that there is a cost incentive for effective industry use of OV and MHI time. Stakeholders advised this issue was discussed at length in the development of the current system and a 90% maximum discount was considered to be sensible.

3.9 We recommend the Board agrees to retaining the maximum support for England and Wales at 90%.

Threshold 1

3.10 Threshold 1 (T1) essentially defines what we consider to be a small abattoir for the purposes of support. The intention is that this will become a fixed definition helping provide certainty for businesses and, subject to continued Ministerial support for the policy, operators with throughput at or below this threshold would receive the maximum discount on all eligible OV/MHI hours used to support their operations.

3.11 We have considered a number of routes for defining T1. The simplest and most robust is to use the Official Controls Regulation (OCR) definition of low-capacity plants. This is defined as less than 1,000 LSU per annum for red meat and 150,000 birds per annum for poultry.

3.12 As a more qualitative approach FSA Operations carried out an exercise to determine, based on their professional experience and judgement, what the typical characteristics of micro, small, medium and large abattoirs are. (These are illustrated in Annex D). Comparing these assessments to the throughput LSUs of those plants resulted in an indicative range of values generally higher than the legislative definitions. Adopting this more qualitative approach would incorporate more plants in the definition of small but would also increase the risk of challenge if businesses feel they have been incorrectly categorised. It was not universally supported by stakeholders with concerns around consistency of judgement. If preferred, this approach would need further development to increase robustness.

3.13 While there is a strong relationship between need for support and business size the correlation is not perfect. The tapered approach we propose between T1, and Threshold 2 (T2) (see below) means that businesses falling just outside our “small” category would not experience a cliff edge and would still get a significant discount. Careful placement of T2 could further mitigate this risk.

3.14 Equally there is a risk that some businesses which do fall in the small category may not rely on the discount for their viability or do not meet the rationale agreed by the Board. To address this would require some form of means testing and access to financial and/or other information which is currently impractical and may create costs in excess of the revenue saved from the reform. We do not think this risk can be further mitigated in initial implementation and it is no more severe than under the current system. We could, however, revisit this if deemed necessary in future iterations.

3.15 We **recommend** the Board agrees that Threshold 1 (T1) should be set using the OCR definition of low-capacity plants.

Threshold 2

3.16 The primary purpose of T2 is to define the end point of the tapered support; given the Board has previously indicated there should not be universal support. The placing of T2 is dependent on the relative weight placed on the two different roles the taper would fulfil.

3.17 As touched on above, the first role of the taper is to avoid a 'cliff edge' change in support; this reduces the potential for loss of support to be an immediate barrier to growth in small plants. Based on this argument T2 should be set to allow a small plant at T1 to grow to a realistic extent with continuing support during that growth. Realistic growth for plants of this size might be for example to add a second production line or to work additional days.

3.18 The **second role** of the taper is to help equalise the 'average regulatory burden' across plant size. The additional regulatory burden experienced by the smaller plants does not completely stop at T1 but rather decreases gradually with increasing size. This is illustrated in more detail in the graph at **Annex E**. The taper could therefore be used as a mechanism to further equalise the average regulatory burden between the smaller and larger plants. This has the benefit of more directly linking support to the role and impact of the FSA whilst delivering the wider benefits identified.

3.19 Within the context of overarching objections to change, the general stakeholder view was that equalising regulatory burden provides the strongest rationale for support provided this does not result in one group of operators being better off than is necessary to equalise that burden. It should also be noted that having maximum discount below T1, using the above recommended approach for setting T1, on average equalises the regulatory burden for those small businesses in this way.

3.20 The taper could also be used as a mechanism to manage budgets within Spending Review (SR) periods. We would need to bid for discount funding as part of each SR settlement. Within each SR period we will expect some variation between the settlement and our budgets due either to cost increases or efficiency savings within the current charging system. The ability to modify the position of T2 (and hence the angle of the taper) annually would provide a mechanism to manage these variations .This would have an impact on the level of discount for businesses falling within the taper but as T1 would be fixed, the variation would be least for the smallest businesses benefiting from the taper in line with the rationale for support agreed by the Board.

3.21 We are therefore asking the Board to:

- **decide** whether our design of the taper should focus solely on growth **or** also include explicit consideration of equalising regulatory burdens.
- **agree** that T1 should be fixed and T2 *could* change annually to help with financial management within SR budget variation.

Discretionary support

3.22 The current discount scheme provides some support for all businesses regardless of size. Our evidence gathering and stakeholder engagement has not identified any justification to continue this universal support. However, it is recognised that exceptional circumstances may occur and from a legal perspective we should not completely fetter our discretion to address them should Ministers request us to.

3.23 We are therefore asking the Board to:

- **agree** to proposing that the automatic level for all businesses beyond T2 should be set at zero.
- **note** that we should retain the discretion to apply support in exceptional circumstances (subject to Ministerial agreement and additional funding) to businesses beyond T2.

Game Handling Establishments and Multi-species Establishments.

3.24 Discounts for Game Handling Establishments (GHEs) under the current discount scheme are determined in the same way as for red meat establishments. The game sector processes both large and small animals. Intelligence indicates that the majority of GHEs are micro or small in size, however, there are some which are part of medium and larger establishments which process red meat. We propose to develop an approach to GHEs that most effectively mirrors the wider model.

3.25 Multi-species establishments other than GHEs tend to be either red meat only or birds only. For these establishments we propose to use LSUs / numbers of birds or, for any establishments processing both some form of combination, to determine throughput and therefore discount eligibility according to the model.

3.26 On both these issues we feel more information is required to deliver the final approach and will seek views on this during the consultation. We would welcome any Board views on these issues.

Northern Ireland

3.27 The Board has noted the differences in industry structure in Northern Ireland where, unlike in England and Wales, large slaughterhouses particularly in the red meat sector provide services to many small producers, including those that would generally be delivered by smaller abattoirs in England and Wales. Comparative statistical data provided by the industry in Northern Ireland supports this.

3.28 Northern Ireland stakeholders have advised that this structure creates additional challenges to abattoir efficiency, for example due to the need to maintain strict separation of animals and meat to help meet the requirements of assurance schemes or to ensure that meat is returned to the producer. Large abattoirs in NI have been characterised as “several small abattoirs under the same roof.” While this will impact on overall operational efficiency the extent to which this affects the efficient delivery of our controls and therefore provides a rationale similar to that in England and Wales for some discount on the grounds of helping to equalise regulatory burden is less clear.

3.29 An additional complexity in Northern Ireland is that animals may be moved across the border to the Republic of Ireland for slaughter. This creates a competitive pressure with plants in the Republic, where charges for Official Controls are notably less than those in Northern Ireland. Removing the discount from large plants in Northern Ireland may further increase this pressure.

3.30 Our Northern Ireland stakeholder engagement indicated that for large red meat abattoirs additional costs will most likely be passed to farmers. Although these costs are often relatively small Northern Ireland Ministers may wish to ensure farmers are not impacted. It is not the same in respect of support to large poultry abattoirs, where engagement indicated that increased costs will be passed to consumers with a very high dilution effect per ‘portion’ and therefore minimal increases in retail prices.

3.31 The proposed model for England and Wales could be applied equally in Northern Ireland ensuring a consistent approach for the few smaller abattoirs there. Northern Ireland Ministers would have the option to request discretionary application of some discount to other abattoirs reflective of the unique situation to avoid negative impacts on smaller farmers.

3.32 We therefore propose that our advice to Northern Ireland Ministers is based around the same model as in England and Wales, whilst highlighting the structural differences and associated challenges for the Northern Ireland agri-food sector which ministers would have the potential to address by requesting a discretionary approach to support Northern Ireland operators under the model.

3.33 Does the Board agree with this proposed approach?

Additional Elements

3.34 The model with the ability to apply discretion in exceptional circumstances addresses the specific aims set out in the June Board paper and direction set by the Board. At the June Board we were also asked to consider a number of additional factors in designing the model including features to incentivise compliance and encourage operators to make improvements.

3.35 Discussions both internally and with stakeholders identified that such considerations could lead to increased complexity in the support system and the systems required to operate it, and that there are other mechanisms for addressing non-compliance and driving good behaviour already in place. It should also be borne in mind that as the new system would no longer provide universal support the discount could only be used to incentivise those operators in receipt of it. Our initial assessment is therefore that we should not include such elements in the initial implementation but not exclude the possibility of their inclusion and keep them in mind in any future iterations of the system.

3.36 Does the Board **agree** with this approach, or should we seek further views from stakeholders on additional elements through consultation?

Transition

3.37 The move to a revised support system will take time, not only for the industry to adjust but also for our systems to change. The Board has supported moving closer to its agreed rationale and objectives for a revised support system next financial year (2026/27) as far as possible under the existing system while acknowledging it is sensible to allow sufficient time for the revised system to be operational.

3.38 Adopting the proposed approach to support means departing from the current approach of moving towards full cost recovery. We will need to bid for specific funding in each SR to maintain the scheme, so we only currently have funding certainty for the next 2-3 years (year 3, while part of this SR period, is reviewed alongside development of the next SR). Following the Board's June steer the discount process for 2026/27 will begin the transition to fulfilling the new rationale under the existing scheme allowing us to spread the change over the next three years within this SR with transition complete by 2029/30.

3.39 Does the Board **agree** with making this timetable the basis for transition for our consultation and economic analysis?

3.40 The Board is also asked to **note** ongoing work to identify efficiencies where possible within the current charging regime which would continue beyond the delivery of a revised system of support. Simplifying the discount scheme in the way proposed will facilitate these wider improvements.

4. Conclusions

4.1 This paper presents our thinking on how future meat charging support could be structured and applied in line with the rationale agreed by the Board and the direction it has given. We have held further discussions with industry via engagement sessions over the Autumn and, subject to the Board's agreement, our proposals will be tested with stakeholders via a formal 12-week public consultation. An indicative timeline can be found at **Annex F**. The Board's response to the steers and questions in this paper would be appreciated and will help shape the consultation. Where the Board does not provide a view, we will assume that the Board is content with the recommended proposals.

Annex A

Summary of outputs from the FSA Board's future meat charging support discussion on 18 June 2025

At its June 2025 meeting, the Board:

- Recognised the importance of a future support system that is simplified and operational within existing legislative parameters.
- Acknowledged that smaller businesses face a greater proportional regulatory burden; the importance of the discount to their viability; and the importance of continued support for small and some medium-sized abattoirs in the interests of consumers, businesses, the wider rural economy and supporting diversities in food supply.
- Agreed there were no persuasive arguments or evidence for providing support to large abattoirs forthcoming, whilst noting the differences in industry and agriculture systems structure in Northern Ireland.
- Discussed the need to provide for growth by avoiding cliff edges and how support could be targeted to recognise other factors such as compliance with standards and animal welfare.

Annex B

Proposed Base Support Model

The proposed model illustrated below provides a simple route for determining eligibility for support and the level of that support for a financial year. Operator throughput would be used to determine the level of support, if any, in terms of percentage discount that would be applied to all eligible hours of Official Veterinarian (OV) / Meat Hygiene Inspector (MHI) time deployed to support operations in a financial year.

Various options for use as a proxy for determining operator size (and hence eligibility for support) have been explored including number of operating days per week, numbers of employed staff and hours of OV time required. Due to common understanding, simplicity and effectiveness at identifying smaller and larger businesses, we have determined that the best proxy for business size is throughput in legislative Livestock Units for red meat and numbers of birds for poultry. The taper would provide for growth and avoid cliff edges. Throughput could be based either on the previous year or on a 3-year rolling average.

Annex C

Livestock Unit Conversion Rates

Species	**Assimilated Regulation 1099/2009 / Regulation (EU) 1099/2009 (Animal Welfare)**	**Assimilated Regulation 2019/624 / Regulation (EU) 2019/624 (Specific rules for the performance of official controls on the production of meat…**
	Conversion Rate (in Livestock Units)	
Adult bovine animals live weight < 300kg and equidae	1	1
Other bovine animals	0.50	0.50
Pigs with a live weight of over 100 kg	0.20	0.20
Other pigs	0.15	0.15
Sheep and goats	0.10	0.05
Lambs, kids and piglets of less than 15 kg live weight	0.05	0.05
Small (< 100 kg life weight) Deer	N/A	0.05
Other Large Game	N/A	0.2

Annex D

Qualitative descriptions of the characteristics of different operators by size

Source: FSA Operations Directorate

Annex E

Equalising Regulatory Burden

Annex F

Indicative Timeline