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- **Courier services:** once ready to dispatch the FBO will likely have to pay for a courier service to deliver the relevant set of samples to a chosen laboratory.<sup>8</sup> Transporting samples to a chosen laboratory is a cost that producers will likely seek to minimise. This cost will also vary depending on geographical location and chosen courier service provider.<sup>9</sup> Conversations with a key industry stakeholder suggest that the maximum charge of transporting samples is £20 per set of samples.<sup>10</sup> This covers all identified courier options.
- **Laboratory charges:** using three quotes from accredited laboratories we were able to calculate an average charge per sample of £81.95. This price covers all required pathogen testing, but not water supply quality testing which would have to be included separately (but would also be required on a less frequent basis).
- **Sampling frequency:** will vary between FBOs that have differing FSMSs and associated risk levels. On average, and in most cases, it is presumed that FBOs will undertake the required pathogen sampling monthly. There may also be scope to reduce sampling frequency if an FBO is able to demonstrate a history of compliance, however this is not accounted for in our estimates.

20. Therefore, the total average estimated annual cost of all identified activities associated with sampling is £1,317 per RDM producer and £212,050 in total for industry.<sup>11</sup>

#### General Ongoing Costs

21. Maintenance and upkeeping of the FSMS will require ongoing record keeping and reporting.<sup>12</sup> These activities are imperative to the ongoing functioning of the FSMS, and record of them will be audited in some form by DHIs as part of official control delivery. As these associated tasks can be incorporated within and alongside other non-related activities, it is difficult to estimate the extra burden of time it will place upon RDM producers. However, in the absence of robust data, we have assumed the average time taken to complete the activities required for record keeping and reporting purposes to take, on average, 0.25 hours per day of

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<sup>8</sup> Many laboratories (such as the National Milk Laboratory) offer in-house courier services.

<sup>9</sup> Other courier options include (but are not limited to) third-party courier services, through the postal service or bypassing courier services altogether and delivering samples independently. These options would require the set of samples to be ice-packed which would incur an additional cost.

<sup>10</sup> This average estimate should be viewed as an approximation. As part of the consultation we encourage any contributions by affected businesses which will enable us to build upon our evidence base on this specific issue.

<sup>11</sup> Annual average laboratory cost of £983.40; Annual courier services costs £240; annual sampling processing productivity loss of £93.68 and; 161 RDM producers across England and Wales. Summing these figures provides us with the total cost estimates.

<sup>12</sup> Record keeping and reporting will include tasks such as (but not limited to): recording temperatures twice daily and updating training record, on a less frequent basis.

milking.<sup>13</sup> If we assume that RDM producer milk their cows five days a week, then the time spent on completing this activity is 1.25 hours a week or 65 hours a year.<sup>14</sup>

22. Therefore, the estimated total annual record keeping and reporting is £254 per RDM producer and £40,848 in total for industry.<sup>15</sup>

### Official Controls

23. The burden of official controls to an FBO as a result of this policy change is net zero.<sup>16</sup> Currently RDM producers are subject to four visits a year which, on average, total four hours.<sup>17</sup> Under this policy proposal, the frequency and duration of visits will change, but the productive time lost to official controls will remain constant at four hours per annum.<sup>18</sup>

### FSA Costs

#### Familiarisation costs

24. The proposed FSMS introduction will result in a familiarisation cost to Dairy Health Inspectors (DHIs) who will need to read and familiarise themselves with the changes. FSA enforcement data shows that there are 39 DHIs currently employed on a part-time basis.<sup>19</sup> However, as of January 14<sup>th</sup> 2019, there will be a team of 9 full-time DHIs, supported by 32 existing part-time DHIs.

25. The FSA estimates that an authorised DHI will invest approximately two hours reading and familiarising themselves with the FSMS requirements expected of FBOs. The familiarisation cost can be monetised by multiplying the total number of hours needed for DHIs to familiarise themselves with the changes by the average hourly cost of employing those officers. This is estimated at £1,313.<sup>20</sup>

#### Training costs

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<sup>13</sup> This assumption should be viewed as an approximation. As part of the consultation we encourage any contributions by affected businesses which will enable us to build upon our evidence base on this specific issue.

<sup>14</sup> Based on a 52-week year.

<sup>15</sup> Using the ASHE 2018 data, the median wage of a manager or proprietor in the agriculture or horticulture sector is £15.61 (including overheads). Based on the assumption that a RDM producer is producing RDM 5 times a week across 52 weeks of the year. 65 hours/year x 15.61/hour x 161 RDM producers = £39,579

<sup>16</sup> Whilst the likely effect to the average RDM producer with regards to the change in official controls is likely to be net-zero, inspection time will vary depending on the level of compliance. Furthermore, it is not understood if the policy change will have any significant impact on overall levels of compliance.

<sup>17</sup> Twice to inspect premises and sample produce and twice to sample produce only. Average time taken for an inspection is 1 hour; sampling taking 0.5 hours.

<sup>18</sup> Duration will be increased to an average of 2 hours as DHIs will be required to audit the RDM producer's paperwork associated with their bespoke FSMS and; frequency will be reduced to two visits per year, as the requirement for sampling-specific visits will not be required anymore.

<sup>19</sup> These DHIs are predominantly Meat Health Inspectors (MHIs); however, they have also been trained in dairy and are back-filled in their red meat plants to go out and deliver dairy inspections, on average of one day a week.

<sup>20</sup> Basing an average DHI salary of £25,620 on a 40-hour working week, we calculate the hourly rate as £16.01 (including overheads). £16.01/hour x 41 DHIs x 2 hours to familiarise = £1,313 total cost to FSA.

26. There are no explicit training costs associated with this policy change. Due to the recruitment of a new team of full-time DHIs (see paragraph 24) there will however be a £30,000 cost to the FSA to deliver enhanced training to these individuals. Whilst this training will deliver guidance on all aspects of dairy, it will also have a focus on current RDM controls. Due to the fact that this training is in response to structural changes in the employment of DHIs rather than legislative changes in RDM production requirements, we have discounted this cost (or apportioned any of it) from our cost estimations.

#### Official Controls

27. There is a net-zero cost to the FSA with respect to the change in delivery of official controls. As a result of the proposed policy shift, compliant RDM producers can expect less frequent, but longer inspections that amount to the same total annual productive time lost (see paragraph 23). It necessarily follows that the average time spent inspecting sites by DHIs will remain constant. Therefore, there is no change in the costs to deliver official controls.

#### Total Costs

28. The total costs associated with Policy Option 2 over a 10-year appraisal period are £2,545,366 with a Net Present Value (NPV) of £2,193,254. Industry will assume 99.95% of total costs imposed as a result of this policy. As such, the Earned Annual Net Cost to Business (EANDCB) is £254,649. Benefits were not monetised, therefore the total net cost over the appraisal period is -£2,545,366 with NPV of -£2,193,254.

### BENEFITS

#### Consumers Benefits

##### Improved Confidence

15. No monetised benefits to consumers have been identified. Despite this, the increased measures required of RDM producers will have a positive impact on RDM consumers: they will have greater assurance over the product they are purchasing.

#### FBO Benefits

##### Enhanced Quality Assurance

16. No monetised benefits have been identified to RDM producers. However, the change could possibly impact FBOs positively if they demonstrate greater and sustained compliance which may attract more custom, or indeed attract RDM consumers from other non-complying competitors. However, this effect is likely to be somewhat muted, or entirely, by the necessary increases in production costs to the RDM producer associated with this policy change.

#### FSA Benefits

##### Proportional Regulation

17. No monetised benefits have been identified to the FSA. As official controls of RDM production are enforced by the FSA, through its Dairy Operations unit, it is the agencies legislative duty to protect consumers by reducing any risk associated with the production, supply or consumption of RDM. The requirement for RDM producers to adopt a bespoke FSMS, along with appropriate verification activities, will demonstrate that the FSA is a modern, flexible and competent regulator.

## **WIDER IMPACTS**

### **Small and micro business assessment**

18. The UK food industry is comprised of mainly small and micro businesses (generally greater than 90%) and therefore the greatest impact from new measures in the UK will, in most cases, be on small and micro businesses. For this reason, the FSA assesses the impact on small and micro businesses as standard when undertaking impact assessments.

19. Most RDM producers across England and Wales are small or micro businesses. As a result, the FSA does not foresee the policy change to have a significantly disproportionate effect on small or micro businesses.

#### Unavoidable impact

20. Due to the high density of small and micro businesses in the English and Welsh RDM market, it is unfeasible to exempt said businesses from the proposed policy change as this would fail to achieve the intended effect of reducing unacceptable food-related risks to consumer health. That said, the FSA intends to make every effort to minimise burdens on small or micro businesses through providing clear guidance and general information to RDM producers.

### **Competition Assessment**

#### Reduction in number of RDM producers

21. The proposed policy change will place an additional burden on RDM producers in the form of increased production costs. If RDM producers are unable to transfer these costs on fully to the consumer, then it may force some producers to drop out of the market. This would lead to a reduction in the number of active RDM producers, which would necessarily reduce competition. As demand for RDM is largely contained locally, any reduction in competition could result in supply imbalances on a per area basis.



## Appendix

**Figure 1: Spatial mapping of current RDM producers in England, Wales and Northern Ireland**

