

COMPULSORY SCRAPIE FLOCKS SCHEME (Great Britain and Northern Ireland)

Scheme Background

The Compulsory Scrapie Flocks Scheme (CSFS) was introduced in 2004 in the UK as part of the GB National Scrapie Plan (NSP) and the Northern Ireland Scrapie Plan (NISP). It enables the UK competent authorities to implement the requirements of Community legislation (EU Regulation 999/2001 as amended) on action to eradicate Transmissible Spongiform Encephalopathies (TSEs) in ovine and caprine animals on farms where a case of Scrapie is confirmed. It was notified as State Aid N/N76/2004 (ex N263/2004) dated 16 June 2004. This is a re-notification of the CSFS State Aid under the block exemption rule for agricultural state aids (Commission Regulation 1857/2006).

Scrapie is a notifiable disease. Once a suspected case has been notified, clinical confirmation by an Animal Health (GB) or DARDNI Veterinary Service veterinary surgeon and by a laboratory examination is required by EU legislation. This aid scheme only applies after a case is confirmed in an animal when a veterinary enquiry has to be carried out to identify all animals to which a control option should be applied. Once a case of scrapie is confirmed, Defra, on behalf of the GB Competent Authorities, or DARD will fund the activities of one of the control options set out below on affected farms, depending on the type of scrapie confirmed and the option chosen by the Veterinary Services Manager responsible for advising on TSEs.

Aim of scheme:

Aid under the scheme is only available to farmers whose flock or herd has a confirmed case of scrapie. The Commission Regulation provides for control options to be applied once a case of scrapie has been confirmed on a holding. Under the legislation, once a case is confirmed, a veterinary inquiry takes place to identify all small ruminants on the farm/holding (including parents and last progeny if they can be identified).

As a result of more sensitive diagnostic tools leading to the discovery of a previously unknown form of scrapie, termed 'atypical' scrapie, and scientific developments that have produced a discriminatory test for Bovine Spongiform Encephalopathy (BSE), classical scrapie and atypical scrapie, the EU launched the TSE Roadmap in July 2005 to review the compulsory measures that are applied to flocks and herds with a confirmed case of scrapie. Regulations 727/2007, 1428/2007 and 746/2008 amended EU Regulation 999/2001 to allow a more flexible and proportionate response where classical or atypical scrapie is confirmed in a flock or herd.

There are two elements to this scheme:

Article 10.1 – Aid to compensate farmers for the costs of prevention and eradication of the animal disease incurred for the costs of tests and other screening measures, purchase and administration of vaccines, medicines slaughter and other destruction methods. (Up to 50% aid intensity)

Article 10.2 - compensation for losses caused by the disease. (Up to 100% aid intensity)

The Regulation now allows action based on one of the control options as follows:

In the case of a confirmed case of classical scrapie

1. *Whole Flock/Herd Slaughter*

Killing and completely destroying all the animals, embryos and ova on the holding identified by the veterinary enquiry.

2. *Genotyping the Flock*

Only sheep with certain genotypes may be retained for breeding within the flock. Of the unsuitable sheep, some genotypes must be sold, others may be kept for breeding, but not sold and others must be culled. Table 1 below illustrates the cull, slaughter, breeding and sale restrictions that will apply to CSFS sheep flocks.

Table 1: Genotype Consequences for CSFS Sheep Flocks

NSP Type	Genotype	Rams	Ewes
1	ARR/ARR	No action required Unrestricted Genotype Certificate issued	No action required Unrestricted Genotype Certificate issued
2	ARR/AHQ ARR/ARH ARR/ARQ	Not to be bought, sold, borrowed or used for breeding in this flock (derogation may be available) Must be slaughtered, but can enter the food chain Slaughter Form issued No compensation paid Lambs can be moved to one other holding solely for the purposes of fattening prior to slaughter	Can be brought on to the holding for breeding† Can only leave the holding if sold for breeding to another CSFS flock or to be slaughtered, in which case it can enter the food chain Restricted Genotype Certificate issued No compensation paid Lambs can be moved to one other holding solely for the purposes of fattening prior to slaughter
3	AHQ/AHQ AHQ/ARH AHQ/ARQ ARH/ARH ARH/ARQ ARQ/ARQ	Not to be bought, sold, borrowed or used for breeding in this flock Must be collected, culled and disposed of under CSFS arrangements Compensation paid	Not to be bought, sold, borrowed or used for breeding in this flock Must be collected, culled and disposed of under CSFS arrangements Compensation paid

4	ARR/VRQ	Not to be bought, sold, borrowed or used for breeding in this flock Must be slaughtered, but can enter the food chain Slaughter Form issued No compensation paid	Not to be bought, sold, borrowed or used for breeding in this flock Must be slaughtered, but can enter the food chain Slaughter Form issued No compensation paid
5	AHQ/VRQ ARH/VRQ ARQ/VRQ VRQ/VRQ	Not to be bought, sold, borrowed or used for breeding in this flock Must be collected, culled and disposed of under CSFS arrangements Compensation paid	Not to be bought, sold, borrowed or used for breeding in this flock Must be collected, culled and disposed of under CSFS arrangements Compensation paid

* In a small number of cases it may not be possible to produce an outcome consistent with one of the 15 known genotypes.

In these cases, the animal will be collected and culled and compensation paid at the applicable rate

† Flocks which contain Type 2 ewes will be subject to additional restrictions (see paragraph 14.2.1 for further details)

N.B. Only semen from rams of ARR/ARR genotypes and embryos carrying at least 1 ARR allele and no VRQ allele may be used on holdings where action has been taken.

Lambs under three months of age intended for slaughter in the UK are exempt from CSFS requirements. Lambs of unknown genotype are currently not allowed to go for slaughter in the UK. There are at present no agreed monitoring procedures in place to ensure that lambs do not go for export. During the two year restriction period lambs of unknown genotype that are bred by T1 rams can be sold for slaughter (unrestricted). Also during this period a sample of annual culls slaughtered for human consumption in accordance with the sample size table in EU Regulation 999/2001 Annex III, Chapter All, Part II point 5 and all fallen stock over 18 months of age must be TSE tested.

- Along with the above measures concurrent genotype based breeding and slaughter restrictions will also apply to sheep moved on or off the farm for specific purposes. Certain restrictions also apply in respect of goats.
- The culling of sheep may be delayed for a period of up to five breeding years where the level of the ARR allele in the breed or holding is low or to avoid inbreeding.

In the case of atypical scrapie

1. Whole Flock/Herd Slaughter

Killing and completely destroying all the animals, embryos and ova on the holding identified by the veterinary enquiry.

2. Monitoring the flock/herd

All the animals in the affected flock/herd are identified. The animals from the affected holding must be subject to a period of intensified

TSE monitoring for a period of two years from the date of detection of the last case. All animals over 18 months of age that are slaughtered for human consumption and all fallen stock over 18 months of age must be TSE tested. Live animals, embryos and ova must not be exported to other member States or 3rd countries.

The extent to which these various options will be applied will depend on the outcome of a veterinary examination of relevant factors pertaining on each affected holding to determine the most appropriate control option. The decision in each case will be taken by Animal Health in GB and the Veterinary Service in Northern Ireland acting as the Competent Authority on the basis of the most effective and best value control of scrapie. However, the option for whole flock/herd cull will only be used in the most exceptional of circumstances.

Following the action taken under the options above, the Regulation requires that movement and TSE testing restrictions are applied for a two year period from the date the case of scrapie was detected.

How the scheme operates

1. *Whole Flock/Herd Slaughter Option*

In Great Britain (GB), third party contractors to Defra - selected by tender - collect the animals and deliver them to an approved facility for brain stem and cerebellum removal, slaughter and subsequent disposal. For classical cases, the genotype of a maximum of 50 animals is ascertained. Similar arrangements are in place in Northern Ireland (NI).

2. *Genotyping Flock Option*

In GB, all the sheep in the flock are blood sampled by Animal Health. Samples are taken from sheep and transported to a private laboratory to be genotype tested (the private laboratory contracted to Defra following a public procurement exercise). Sheep are identified according to genotype using EID by Animal Health Vets. A contractor to Defra, (contracted under the public procurement exercise for the National Scrapie Plan mentioned above) supplies the EID. When the results are known unrestricted Certificates are issued by Animal Health for the animals that have the most resistant genotype (ARR/ARR) and ewes with one ARR allele and no VRQ allele respectively. The animals that are not scrapie resistant and cannot be used for breeding or enter the food chain are slaughtered and disposed of in the same way as under option 1. This applies in NI also. In NI, blood sampling and EID application are carried out by Private Veterinary Practitioners (PVPs) under contract to DARD, and genotyping is carried out by a private laboratory contracted to DARD.

Compensation

Compensation is paid directly to the farmer by Animal Health on behalf of the GB Competent Authorities or DARD in NI for any sheep, goat, embryo or ovum that has to be destroyed under the control measures. Payments are made within 30 days of receipt of confirmation of collection of animals for slaughter/destruction has been received. This is required under the EU legislation. The compensation rates are based on average UK market values. Similar rates will apply in the GB and NI for ewes and lambs but compensation for rams in NI is based on actual market value of individual rams. Compensation is only paid for animals with genotypes that prevent entry into the food chain and are culled under these measures. These amounts are set out in the legislation.

The compensation rates for this aid scheme are kept under review. Any amendment to this scheme will be notified to the Commission.

3. *Restocking after whole flock cull or genotype and selective cull*

Some farmers may decide to restock after culling. Depending on the particular circumstances of the affected sheep flock and at the discretion of the Veterinary Services Manager, limited assistance may be provided to enable them to genotype replacement sheep to find sheep of the required genotypes. This is typically 2 tests per animal to be replaced and is done to ensure that animals with scrapie susceptible genotypes are not included in the restocking. In exceptional cases, if replacement animals are scarce, a limited number of additional tests may be provided. Payments are made by Animal Health and are issued within 30 days of valid claims with original proofs of purchase having been received.

4. *TSE Tests of culled and dead-on-farm animals from scrapie affected flocks/herds during the 2 year restriction period*

TSE testing of culled and dead-on-farm sheep and goats over 18 months of age is necessary during the period of restrictions which applies when the holding has reached the status of ARR/ARR rams and ewes with at least one ARR allele and no VRQ allele and where the flock/herd is being intensively TSE monitored under the monitoring option for 'atypical' scrapie affected flocks. In GB dead-on Farm animals will be collected under the part of Defra TSE Surveillance arrangements for testing fallen sheep and goats as required under Commission Regulation 999/2001 as amended. Where a derogation from Fallen Stock legislation exists (for example on remote islands) third party contractors are used to collect and dispose of the carcasses. In each case, the animal is decapitated and the carcass incinerated and the head sent to the Veterinary Laboratory Agency (VLA), a Defra agency, to be tested. The brain stems of annual cull animals over 18 months old are removed at abattoirs and sent to the VLA to be tested (approved State Aid 263/2003 section 9). Animal Health collect the culled animals for delivery to an abattoir where MHS representatives will remove the brain stem. Private contractors will transport it to VLA for testing (as under approved State Aids N264/2003 section 9).

Negative results delivered within 24 hours will allow animals to go into the food chain.

Similarly, in NI dead on farm sheep over 18 months are collected under the TSE Surveillance arrangements operated by DARD and delivered to a central sampling point where the brain samples are extracted and thereafter transported to DARD Veterinary Science Division (VSD) laboratory for testing. State Aid Notifications N263/2003 and 264/2003 sections 9 refer. Culled sheep over 18 months are sampled at abattoirs under existing TSE arrangements and the sample transported to the VSD laboratory for testing. Negative results within 24 hours will enable animals to enter the food chain.

Eligible costs for which aid is paid

The costs of the necessary activities to implement the scheme in accordance with the requirements of EU Regulation 999/2001 as amended will be borne by the current NSP GB budget in Great Britain or by the DARD NISP budget for Northern Ireland. From data since the original CSFS was implemented to date, in the few cases where whole flock cull was implemented the average cost was £70,000 as the flocks were generally larger than the average of 500 animals used in the original state aid application; the average cost of Genotyping and selective culling a flock is £55,000 and we estimate that it will cost approximately £11,000 to monitor a flock/herd with scrapie for two years.

The estimated numbers of affected flocks/herds in 2008/2009 are 10 sheep flocks and two goat herds with classical scrapie and 15 sheep flocks with atypical scrapie. Of the 10 Sheep flocks with classical scrapie, we would normally expect to genotype and cull five of them and monitor five. On this basis, annual cost for sheep flocks is estimated to be £440,000.

At the time of re-notification, Commission Decision 746/2008, which permits Member States to monitor flocks with classical scrapie as an alternative to genotyping and culling, has been suspended by the European Court of Justice pending a hearing which is currently expected to take place in early 2009. If, as a result of this hearing, the suspension of Commission Decision 746/2008 is lifted, we expect that the monitoring option would be applied in the majority of cases, and costs would reduce accordingly.

Although there are not many goat herds in UK compared with sheep flocks, the goat herds that we do have tend to be large milking goat herds of 700-1000 animals. They would be monitored in the first instance at a cost of £22,000 per annum but if they had to be culled the owners may request individual valuation of the animals as they are generally of high value in the range of £250-£500 per animal. If two 1000 animal goat herds are culled, estimated cost would be between £500,000 and

£1,000,000. Eligible costs will be as follows for the various options that may be applied under the Regulation.

1. *Whole flock/herd cull*

In Great Britain (GB), third party contractors to Defra - selected by tender - will collect the animals and deliver them to an approved facility for slaughter and subsequent disposal. Similar arrangements are being put in place in NI. The following eligible costs comply with Article 10 point 1 (a) & (b) of EU Regulation 1857/2006.

- Slaughterer's fees including removal of brain stem and cerebellum; (Work being carried out by Contractor)
- Transportation of carcasses to disposal operator; (Work being carried out by Contractor)
- Disposal costs. (Work being carried out by Contractor)
- In the case of classical scrapie affected flocks/herds, TSE testing of a sample of annual culls over 18 months of age and all fallen stock over 18 months of age for the duration of the two year restriction period if the holding is restocked within that period.

2. *Genotype and selective cull*

The following eligible costs comply with Article 10 point 1 (a) & (b) of EU Regulation 1857/2006.

Firstly, there will be the costs of genotyping which break down as:

- testers' [vets'] fees; (Work being carried out by Animal Health in GB and Private Veterinary Practitioners under contract to DARD in NI)
- costs of test kits; (Work being carried out by Animal Health in GB and DARD in Northern Ireland)
- transport costs of samples; (Government meets cost of postage of samples to approved laboratories)
- laboratory fees for carrying out the tests; (Work being carried out by Contractor)
- TSE testing of a sample of culled and dead-on-farm sheep and goats over 18 months old during the two year restriction period. (Work being carried out by VLA and Contractor in GB and the DARD VSD in NI)

Secondly, there will be costs associated with identification of the genotyped sheep, which break down as:

- costs of EID; (EID supplied by Contractor)
- blood sampling and administration of EID, covered in Vets' fees above

3. *Monitoring option for flocks/herds affected by 'atypical' scrapie*

Animal Health in GB and SVS Health in Northern Ireland will monitor the affected flocks in accordance with the requirements of the EU Regulation. The eligible costs comply with Article 10 point 1 (a) & (b) of EU Regulation 1857/2006. The only eligible costs are:

- Collection and TSE testing of all culled sheep and goats over 18 months old during the two year restriction period (Work being carried out by VLA and Contractor in GB and the DARD VSD in NI)
- Collection and TSE testing of all dead-on-farm sheep and goats over 18 months of age (Work being carried out by VLA and Contractor in GB and the DARD VSD in NI)

4. *Compensation*

Compensation under the scheme complies with Article 10 point 2 (a)(i), (b) & (c) of EU Regulation 1857/2006. As required by EU Regulation, under whole flock/herd cull and genotyping and selective culling options compensation will be paid for any sheep, goat, embryo or ovum that has to be destroyed as a result of the preventative and eradication action required by that Regulation. Standard rates of compensation are set out in UK national legislation. They are £90 for a male sheep or goat, £65 for a female sheep or goat and £40 for a lamb or kid (i.e. an animal under 12 months of age). They are based on current UK average market rates. Compensation rates will be kept under review. We will not compensate over 100% in accordance with Article 10.2(b).

Rams

In GB a compensatory assistance payment of up to £500 is paid directly to farmers by Defra to compensate the farmer who has to purchase a replacement ram with the ARR/ARR genotype, since such rams are in short supply and attract higher prices. The compensatory assistance payment complies with Article 10 point 2 (a)(i), (b) & (c) of EU Regulation 1857/2006. The owner has to provide proof of slaughter of the original ram, which could not be used for breeding in the affected flock because of the genotype, and a Bill of Sale or other suitable documentary evidence providing proof of purchase of the replacement ram, before payment is made. The replacement ram should be bought within the next breeding year following slaughter of the original ram. Payment is £500 or any lesser amount shown on the bill of sale. Where the slaughtered ram is of genotype that cannot enter the food chain, a standard rate of compensation (£90) is paid within 30 working days of slaughter and destruction. This amount is deducted from any compensatory assistance payment made in respect of this ram's purchased replacement. Payment is by bank giro credit or cheque issued within 30 days of receipt of original proof of purchase by the Animal Health Central Operations team.

In Northern Ireland, compensation under the scheme complies with Article 10 point 2 (a)(i), (b) & (c) of EU Regulation 1857/2006. Compensation for all rams culled under these measures is based on the individual market value of each ram established by DARD's team of valuation officers. In these circumstances, no further payment is made to assist with the purchase of ARR/ARR rams to replace culled rams of less scrapie resistant genotypes.

High value animals

Compensation under the scheme complies with Article 10 point 2 (a)(i), (b) & (c) of EU Regulation 1857/2006. Under this aid scheme in GB where a flock or herd owner has high value animals that are to be culled and destroyed, they have the option of having them valued at their own expense, before they are culled, to determine an appropriate level of compensation. Farmers have to use Valuers from an approved list. No compensatory assistance payment is then made for any ram whose value is determined in this way. Conversely if GB Competent Authorities feel the affected flock/herd is of very poor quality, they have the option of having the animals valued at the expense of the Competent Authority. Such valuations are binding on the Competent Authority and the owner.

In NI, DARD already have an in-house team of valuation officers who will determine compensation payable on high-value sheep. Where a valuation is disputed recourse to an independent valuer would be available and the valuation would be binding on the owner and the Department

5. *TSE testing during the two year restriction period*

Eligible costs for TSE testing during the two year restriction period comply with Article 10 point 1 (a) & (b) of EU Regulation 1857/2006. For classical scrapie cases where either whole flock/herd slaughter or genotype and selective cull option is applied to the affected flock/herd, TSE testing is required of a sample of culled and dead-on-farm sheep and goats over 18 months old during the two year period of restriction from the date when type 1 rams and type 1 & 2 ewes only are on farm after. Costs will differ for culled and dead-on-farm testing as the latter are more expensive to collect. Wherever possible existing contracts will be used. Costs involved will be for removal and transport of brain stem or heads by private contractor to VLA and testing of samples at VLA laboratories. In NI, a contractor will collect fallen sheep and goat carcasses on-farm and deliver to a central sampling point. Brain samples will be extracted and transported at DARD's expense to VSD, where the samples will be tested for TSEs. Where culled animals are intended for the food chain, transport costs will be high as 24 hour turn round for results is required to allow the animal into the food chain.

For atypical scrapie where the monitoring option is applied, TSE testing is required of all culled and dead-on-farm sheep and goats over 18 months old

during the two year period of restriction from the date of detection of the scrapie case. Once the whole flock/herd cull option for atypical scrapie affected flocks/herds has been carried out, there are no further eligible costs as the holding is then free of all restrictions under Regulation 999/2001 as amended.

Compliance with State Aid Rules

This scheme complies with European Commission's (EC) State Aid Regulation 1857/2006 Article 10 point 1 (a) & (b) for the subsidised services involved in implementing the requirements of EU Regulation 999/2001 as amended as set out above. All payments in relation to these services are paid directly by Defra for GB affected flocks/herds and DARD for Northern Ireland flocks/herds to the relevant providers of the services.

The compensation payable under this scheme for animals compulsorily slaughtered and destroyed complies with European Commission's (EC) State Aid Regulation 1857/2006 Article 10 point 2 (a)(i), (b) & (c).

Eligible business must be classified as a "small or medium sized enterprise" which means that the beneficiaries of this scheme (as opposed to service providers) must have

- less than 250 employees,
- less than €50 million annual turnover or €43 million balance sheet equity, and
- Is not owned at a rate of 25% by other companies.

The scheme also complies with Article 10. (3) (4) (5) (6) (7) & (8) EC Regulation 1857/2006 in the following respect:-

Eligible costs under this scheme are not covered by any insurance scheme or any other cost that would not have been otherwise incurred if disease had not been confirmed in the affected flock/herd.

Payments will be made as a result of action to comply with EU Regulation 999/2001 as implemented by UK national TSE Regulations.

Scrapie is not a disease for which Community legislation provides for specific charges for control measures.

This scheme does not relate to aid which community legislation provide that cost should be borne by the agricultural holding.

Scrapie is one of the diseases mentioned in the list of animal diseases established by the World Organisation for Animal Health and/or in the Annex of Council Decision 90/424/EEC.

Aid under the scheme will be paid as soon as possible after costs are incurred and animals destroyed, generally within 28 days.