

Red Meat Levy Redistribution Scheme 2021

Introduction

1. This Scheme may be cited as the Red Meat Levy Redistribution Scheme 2021 (“the Scheme”).
2. The Scheme is made jointly by the Secretary of State, the Scottish Ministers and the Welsh Ministers (“the Ministers”) under section 35 of the Agriculture Act 2020 (c.21) to enable red meat levy collected by the levy body for one country in Great Britain to be paid to the levy body for another country in Great Britain.
3. The Scheme comes into force on the 1st April 2021 and remains in force unless suspended, revoked by the Ministers or brought to an end under paragraph 51.

Interpretation

4. In the Scheme:

“country” means a GB country, i.e. England, Scotland or Wales;

“GB” means Great Britain;

“government administration” means:

- (a) for England, the Department for Environment, Food and Rural Affairs;
- (b) for Scotland, the Scottish Government; and
- (c) for Wales, the Welsh Government;

“levy body” means:

- (a) for England, the Agriculture and Horticulture Development Board (“AHDB”);
- (b) for Scotland, Quality Meat Scotland (“QMS”);
- (c) for Wales, the person for the time being exercising the Welsh Ministers’ function of imposing levy on slaughterers under section 4 of the Red Meat Industry (Wales) Measure 2010 (nawm 3), currently Hybu Cig Cymru (“HCC”);

“red meat levy” means:

- (a) in relation to the levy body for England, producer levy imposed on slaughterers under Schedule 3 to the Agriculture and Horticulture Development Board Order 2008 (SI 2008/576);
- (b) in relation to the levy body for Scotland, producer levy imposed on slaughterers under Schedule 3 to the Quality Meat Scotland Order 2008 (SSI 2008/77);

(c) in relation to the levy body for Wales, the production component (within the meaning of Schedule 2 to the Red Meat Industry (Wales) Measure 2010 (nawm 3)) of levy imposed on slaughterers under section 4 of that Measure.

5. Calculations under the Scheme are based on animal movement data for cattle, sheep and pigs recorded in the following databases:

“ARAMS”, the Animal Reporting and Movement Service for England operated by Capita Customer Solutions Ltd;

“British Cattle Movement Service” or “BCMS”, the cattle movement database for GB operated by the Rural Payments Agency, an executive agency of the Department for Environment, Food and Rural Affairs;

“eAML2”, the electronic pig movement service for England and Wales operated by AHDB;

“EIDCymru”, the electronic sheep and goat recording system for Wales operated by the Welsh Government;

“ScotEID”, the livestock traceability system for cattle, sheep and pigs in Scotland, managed by Scottish Agricultural Organisation Ltd in partnership with the Scottish Government and the Scottish livestock industry.

“Sheep and Goat Inventory” is the system for identification and registration of sheep and goats established under Council Regulation (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC (retained EU law version).

6. If, during the subsistence of the Scheme, any or all of these animal movement databases is superseded by a new database which the levy bodies agree records equivalent data, information from the new database may be relied upon for calculations under the Scheme until such time as the Scheme is amended to reflect the existence of the new database.

Functions of levy bodies under the Scheme

7. The levy body for each country is responsible for:
- (a) calculating the amount of red meat levy to be transferred to the levy bodies of other countries under the Scheme;
 - (b) providing the levy bodies of other countries with invoicing for funds to be transferred under the Scheme;
 - (c) transferring funds due under the Scheme to the levy bodies of other countries;

- (d) taking into account bad debts when transferring funds under the Scheme;
- (e) sharing the administrative costs of the Scheme with the levy bodies of the other countries;
- (f) bringing any disputes regarding the Scheme to the attention of the government administrations;
- (g) together with the levy bodies of other countries, keeping the Scheme under review and reporting on the operation of the Scheme to the government administrations;
- (h) accounting for sums transferred under the Scheme in its annual accounts;
- (i) publishing the Scheme.

8. Further detail on how these functions are to be carried out is provided below.

Calculation Methods

Cattle

- 9. For cattle (including calves), if an animal moves from its country of birth to another country directly for slaughter the full red meat levy collected in the country of slaughter is returned to the country of birth.
- 10. Subject to paragraph 9 if an animal is born in one country and slaughtered elsewhere in GB, red meat levy collected in the country of slaughter is to be divided between an animal's country of birth and its country of slaughter, regardless of whether it has resided in another country during its lifetime.
- 11. The country of birth is to receive the **birth ratio** and the country of slaughter is to receive the **slaughter ratio**.
- 12. The **birth ratio** is calculated as follows:

$$\frac{\text{Age of animal when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{birth ratio (\%)}$$
- 13. The **slaughter ratio** is calculated as follows:

$$\frac{\text{Age of animal when slaughtered} - \text{age when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{slaughter ratio (\%)}$$
- 14. The age of the animal in these formulae is to be measured in months.
- 15. The **birth ratio** and the **slaughter ratio** for each animal are to be calculated by reference to BCMS individual animal movement data for cattle slaughtered in the previous quarter.

16. Levy apportionment is to be achieved by applying the **birth ratio** and the **slaughter ratio** to red meat levy collected for each animal in the previous quarter and paying funds due to other GB countries quarterly in arrears.
17. The Annex contains worked examples of this calculation.

Sheep

18. For sheep, red meat levy collected in GB is to be apportioned in accordance with the **apportionment ratio** for each country, which is the average of the **birth ratio** and the **slaughter ratio** for that country.
19. The **birth ratio** is the proportion of all GB breeding sheep residing in a particular country, determined by reference to the breeding population data in the Sheep and Goat Inventory most recently available at the start of each financial year.
20. The **slaughter ratio** is the proportion of all GB sheep in a particular country moved from a farm or collection centre to slaughter anywhere in GB in the previous calendar year, determined by reference to ARAMS, ScotEID and EIDCymru electronic movement data for that year.
21. Levy apportionment is to be achieved by applying the **apportionment ratio** to red meat levy for sheep collected across GB during the previous quarter and transferring funds between countries quarterly in arrears.
22. The Annex contains worked examples of this calculation.

Pigs

23. For pigs, red meat levy is to be redistributed between countries in accordance with quarterly cross-border pig movement numbers in the following eAML2 and ScotEID categories:
- (a) Farm to Farm;
 - (b) Farm to Market;
 - (c) Farm to Slaughter;
 - (d) Market to Farm;
 - (e) Market to Slaughter.
24. Each quarter the red meat levy ultimately payable for pigs which have moved across a border during that quarter will be calculated (“the notional levy”). The levy rate used to calculate the notional levy will be that of the country the pig has moved to (considered for these purposes to be the country where it will be slaughtered).
25. The notional levy will be apportioned as follows:

(a) Cross-border moves from Farm to Farm or Market to Farm are to be treated as a move from the pig's country of birth to its country of finishing. The pig's country of birth is to receive the **birth ratio** (40.6%¹) of the notional levy payable for pigs in these movement categories.

(b) Cross-border moves from Farm to Market, Farm to Slaughter and Market to Slaughter are to be treated as moves direct from the pig's country of birth to its country of slaughter. The pig's country of birth is to receive 100% of the notional levy payable for pigs in these movement categories.

26. The notional levy and its apportionment are to be calculated, and funds transferred between countries, quarterly in arrears.

27. The Annex contains worked examples of this calculation.

Payment Arrangements

28. Red meat levy payments are to be transferred between levy bodies quarterly in arrears as follows:

| Quarter | Data available for analysis | Transfer of funds |
|------------------------------|-----------------------------|-------------------|
| Q1 April, May June | End August | End September |
| Q2 July, August September | End November | End December |
| Q3 October November December | End February | End March |
| Q4 January, February March | Mid April | Mid May |

29. If, for reasons beyond the control of the levy bodies, it is not possible to transfer funds by the dates in this timetable, the funds are to be transferred as soon as possible after those dates.

30. Each levy body is to supply bank account details to the other levy bodies so that payments may be made by bank transfer.

¹ Based on the average life journey of the average pig which crosses a GB border during its life, The average pig lives for 172.4 days and leaves its country of birth at 70 days. The period spent in its country of birth is on average 70 out of 172.4 days, i.e. 40.6% of its life. The figure of 172.4 days is from the table on page 28 of the report "2018 pig cost of production in selected countries" published by AHDB. The figure of 70 days is based on consultation with the industry.

31. Prior to any bank transfer levy bodies are to provide other levy bodies with invoices clearly explaining:
- (a) how the payment was calculated for each species;
 - (b) what data was used;
 - (c) any netting off in relation to sums due.
32. In relation to pigs, where a welfare or disease cull or other demonstrable event means that the levy collected materially differs from the amount of levy on which the levy to be redistributed has been calculated, the levy bodies may account for that difference in the calculations for the next available quarter and revise the invoice for that quarter accordingly.
33. Invoicing may include sums relating to the reasonable cost of administering the Scheme, including the cost of accessing databases, calculated on the basis that administration costs are to be shared equally between the levy bodies.
34. Invoicing will include VAT due on the sums to be transferred, charged at the applicable rate at the time of invoicing.
35. The levy bodies are to make suitable arrangements for dealing with the impact of bad debts on the operation of the Scheme. Invoicing may include reasonable adjustments to the funds due to be transferred under the Scheme to take account of bad debts.
36. Within each levy body, invoicing is to be approved by the most senior person responsible for financial matters.
37. Funds transferred under the Scheme are to be treated by the levy bodies receiving them as if they were red meat levy collected by that levy body.

Disputes

38. The levy bodies are to raise any dispute that they have been unable to resolve between themselves about payments or other matters concerning the operation of the Scheme initially with officials of the relevant government administrations responsible for the levy bodies involved in the dispute.
39. Officials of the government administrations are to work together and with the levy bodies to seek to resolve the dispute by agreement.
40. Where a dispute cannot be resolved by agreement it is to be referred for determination to the relevant Ministers responsible for the levy bodies involved in the dispute.

41. The levy bodies must comply with any determination agreed by the relevant Ministers.

Review and Reporting

42. The levy bodies are to keep the operation of the Scheme under review.

43. Once a year, before the end of each calendar year, the levy bodies (either jointly or individually) are to report to the government administrations on the operation of the Scheme.

44. The report is to cover such matters as:

- (a) whether the Scheme remains fit for purpose;
- (b) recommended changes to the Scheme; and
- (c) any other Scheme matters which the levy bodies wish to bring to the attention of the government administrations.

45. If, over the course of the year, the levy bodies consider there is an urgent need to amend, suspend or revoke the Scheme they may inform the government administrations of this at any time.

46. The Ministers are to conduct and publish a strategic review of the Scheme within 6 months after it has been operating for 5 years, and every 5 years thereafter. The strategic review is to consider, amongst other things, whether the Scheme should continue.

Accounting

47. The levy bodies are to account for funds transferred under the Scheme in their annual accounts.

Publication

48. The levy bodies are to publish the Scheme on their websites, taking care to ensure that the version published is the most current and up-to-date version as last made or amended by the Ministers.

49. If the Scheme is at any time suspended by the Ministers this is to be clearly indicated on the published version of the Scheme. If the Scheme is revoked by the Ministers it is to be removed from the levy bodies' websites.

Termination of the Scheme

50. The Scheme may be revoked at any time by the Ministers acting jointly.

51. If, having completed a strategic review in accordance with paragraph 46, the Ministers are not able to agree whether the Scheme should continue, the Scheme may be brought to an end by one Minister giving notice to the other Ministers, within 6 months of the date of the strategic review, that the Scheme is to end 18 months after the date of the notice. The notice must include a reason or reasons for the Scheme being brought to an end.

Ministerial approval

52. The Scheme has been agreed by the Secretary of State, the Scottish Ministers and the Welsh Ministers and is signed on their behalf as follows.

For the Secretary of State for Environment, Food and Rural Affairs



19 March 2021

For the Scottish Ministers



19 March 2021

For the Welsh Ministers



19 March 2021
WG21-26

ANNEX OF WORKED EXAMPLES

Any dates or data mentioned in this Annex are provided for illustrative purposes only to aid understanding of the calculation methodology.

Calculating the levy apportionment for cattle (including calves)

(Paragraphs 9 to 17 of the Scheme)

BCMS animal movement data enables levy apportionment to be calculated at the level of individual animals, consolidated to arrive at the total funds to be transferred between levy bodies each quarter.

Example 1

An animal is born in England, moves to Wales for immediate slaughter at 24 months. The levy collected at slaughter is £4.34 (the Welsh levy rate). The entire sum goes to England under paragraph 9 of the Scheme (no calculation needs to be done).

Example 2

An animal is born in Wales, moves to England for finishing aged 9 months before slaughter in England aged 27 months. The levy collected at slaughter is £4.05 (the English levy rate).

The birth ratio of the levy goes to Wales and is calculated as follows:

$$\frac{\text{Age of animal when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{birth ratio (\%)}$$

$$\frac{9}{27} \times 100 = 33\%$$

Wales receives 33% of £4.05 = £1.34

The slaughter ratio goes to England. This is calculated as follows:

$$\frac{\text{Age of animal when slaughtered} - \text{age when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{slaughter ratio (\%)}$$

$$\frac{18}{27} \times 100 = 64\%$$

England receives 67% of £4.05 = £2.71

Example 3

An animal is born in Wales, moves to England at age 11 months before moving to Scotland at age 24 months where it stays before being slaughtered in Scotland at 72 months. The levy collected at slaughter is £4.20 (the Scottish levy rate).

The birth ratio of the levy goes to Wales and is calculated as follows:

$$\frac{\text{Age of animal when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{birth ratio (\%)}$$

$$\frac{11}{72} \times 100 = 15.2\%$$

Wales receives 15.2% of £4.20 = £0.64

The slaughter ratio goes to Scotland. This is calculated as follows:

$$\frac{\text{Age of animal when slaughtered} - \text{age when moved from birth country}}{\text{Age of animal when slaughtered}} \times 100 = \text{slaughter ratio (\%)}$$

$$\frac{61}{72} \times 100 = 84.8\%$$

Scotland receives 84.8% of £4.20 = £3.56

Calculating the levy apportionment for sheep

(Paragraphs 18 to 22 of the Scheme)

The birth ratio based on 2019 data:

| Country | Breeding sheep (head) | Proportion |
|----------|-----------------------|------------|
| England | 6,225,000 | 48.1% |
| Scotland | 2,763,082 | 21.4% |
| Wales | 3,947,139 | 30.5% |
| | 12,935,221 | |

The slaughter ratio based on 2019 data:

| Country of final holding | Animals moved to slaughter anywhere in GB | Proportion |
|--------------------------|---|------------|
| England | 4,691,541 | 56.1% |
| Scotland | 1,434,793 | 17.1% |
| Wales | 2,240,990 | 26.8% |
| | 8,367,324 | |

The apportionment ratio (average of birth and slaughter ratio) based on 2019 data:

| Country | Apportionment ratio |
|----------|---------------------|
| England | 52.1% |
| Scotland | 19.3% |
| Wales | 28.6% |
| | 100% |

If total red meat levy income for sheep across GB in Quarter 2 (July, August and September) of 2020 is £2 million, this would be apportioned as follows:

| Country | Levy apportionment |
|----------|--------------------|
| England | £1,042,000 |
| Scotland | £ 386,000 |
| Wales | £ 572,000 |
| | £2,000,000 |

Calculating the levy apportionment for pigs

(Paragraphs 23 to 27 of the Scheme)

For pigs, it is not possible to follow each animal's life, as each cross-border movement is recorded in isolation, unconnected to previous movements. However, on a quarterly basis it is possible to identify all of the cross-border movements which can be grouped into the categories mentioned in the Scheme and percentage allocations applied to them as set out in the Scheme.

Examples

1. Data from eAML2 data indicates that in 2019 75,358 pigs moved from an English **farm** to a Welsh **farm**. The levy rate in Wales was £1.05 per head. For this group of pigs the notional pig levy ultimately payable in Wales is £79,126. 40.6% of this is redistributed to England, i.e. £32,125.
2. In the same year 91,977 pigs moved from a Welsh **farm** directly to **slaughter** in England. These likely included some pigs originally born in England, although it is not possible to identify which. The levy rate in England was £0.85 per head. For this group of pigs the notional pig levy ultimately payable in England is £78,180, 100% of which is redistributed to Wales.

This process is repeated through all the country pairing permutations and all the cross-border movement categories for each pairing to arrive at the total funds to be transferred between countries.