RESPONSIBILTY AND COST SHARING FOR ANIMAL HEALTH – ARRANGEMENTS IN CERTAIN OTHER COUNTRIES

Introduction

1. In the context of the consideration of responsibility and cost sharing for animal health this paper describes arrangements in certain Member States and Australia. Its purpose is to help inform discussion of the issues by providing a description of how some European Community and Australian livestock farmers participate in the prevention and control of animal diseases. Arrangements for animal health in the countries are, of course, subject to change. The paper has been compiled from various sources including bilateral contacts and is not intended to be a definitive description. In that context it cannot be guaranteed that every aspect has been reflected in full and the descriptions provided need to be viewed in that light. It has been prepared to meet a need for information so that interested parties may be better informed.

2. A summary of the arrangements in the Member States is provided in Annex A.

Belgium

3. Statute law of March 1998 established the Budgetary Fund for the health and quality of animals and animal products – *so called Sanitary Fund*. The basic principle of the Sanitary Policy is co-decision and co-responsibility. There is an overall Fund Board and working groups for the five sectors beef, dairy, sheep and goats, pigs and poultry. The Board and the groups are managed by the Public Health, Food Chain Security and Environment (former Ministries of Agriculture and Public Health). The PHFCSE delegates to the Federal Agency for the Safety of the Food Chain (a) the level of the contributions, (b) the payment of the expenses and (c) the management of the strategic reserves. The FASFC is financed by the Federal Government (40 per cent) by the stakeholders (60 per cent). One quarter of the stakeholder share is raised by contributions which are spread over the different food chain sectors and depend upon the type of sector and number of employees. The remainder is secured through fees and charges for delivering certificates and undertaking audits.

4. For the Sanitary Fund e*x ante* levies are collected by species. Reserves are held by individual species sectors. These reserves form part of the Consolidated Fund of the Belgian state. The Government can draw down from any of the reserves to help finance control of a disease outbreak. For example, if there are insufficient funds in the poultry reserve to cope with an AI outbreak funds can be drawn from other species reserves. The reserve(s) have to be replenished by the species sector affected by the disease outbreak.

5. The central cattle database is used to help determine the levies paid by cattle keepers. For sheep the assessment is based on ewes over six months of age and for pigs the number of places on the farm regardless of whether the farm is stocked to its potential.

6. The Sanitary Fund finances:-

- Specific disease control programmes;
- Fees for veterinary surgeons for intervention in official programmes and
- Compensation for culling of animals of infected farms, preventive culling, ("value tables" are used for animals without market value (pigs/poultry) and maximum value levels for bovine animals), destruction of products and destruction of feed.

Denmark

7. Production-based levies in Denmark aim to meet common challenges of the future for the agriculture sector which cannot be met by the farmer alone. In particular, levies focus on disease prevention rather than controlling outbreaks and any associated compensation.

8. After administrative costs of 6 per cent the levy income contributes towards investments in:

- Research and development (40 per cent)
- Prevention and control of diseases (14 per cent)
- Promotion of products (27 per cent)
- Education and consultancy (13 per cent)

9. Levies are collected in accordance with Danish law after recommendations are made by the agricultural sector. This approach ensures that all farmers pay the levies. Production levy foundations have been established to administer the levies – one for each sector (including livestock, horses, fur animals, crops and Christmas trees). Each has its own board, including members of the agricultural sector, consumer, labour, and research representatives. The Ministry of Food, Agriculture and Fisheries supervise the administration of each board, and approve regulations, membership of boards, budgets and accounts.

10. In the pig sector, for example, a levy is collected for each pig produced, slaughtered or exported live. The slaughterhouse collects the levy from each pig (deducted from the price paid to the farmer per pig). The slaughterhouses then report the number of slaughtered pigs to the Pig Production Foundation (located at Danish Bacon and Meat Council) and transfer the appropriate amount of money to the Foundation. In the case of exports, exporters must report the number of exported pigs to the Foundation and transfer the money accordingly. Violations are punished by fines.

11. Denmark also has a Danish Agricultural Advisory Service, which is managed by farmers and organised by the agricultural organisations. It was state-subsidised until 2004 but is now self-funded by the industry and is, therefore, independent and impartial. Its main tasks include: supplying best available knowledge, advice and training, statistical analysis, research and recording and processing farm accounts for tax and farm management purposes.

12. Where whole herds are culled the government compensation is topped up by 20 per cent. This top up is financed from the industry levies.

France

13. The *Groupement de Défense Sanitaire* is a mutual organisation that exists in ninety of the hundred Departments of the state. It has a National Management Board based in Paris. The Groups have been in existence since the 1950s. Individual groups are managed locally by unsalaried appointed representatives. The groups organise livestock keepers in the management of animal health and the control and eradication of diseases of an economic nature to the industry (i.e. those not the subject of state intervention). Meetings are convened and technical information is disseminated. Disease prevention is the particular aim through veterinary programmes, farm health plans, and biosecurity improvements. In principle, participation is voluntary. However, once sixty per cent of farmers are participating in a particular disease control programme the GDS can apply to central Government to make participation in that programme compulsory. Representation is strongest in the cattle sector (95 per cent of keepers in membership), 60 to 70 per cent of sheep and goat keepers and 45 per cent of pig keepers.

14. The Groups have been constituted in the following three ways:-

- Association 70 per cent
- Union 15 per cent
- Cooperative 15 per cent

15. The average size of the GDSs is 10 staff but varies, of course, on livestock density. For example, in Brittany there are 40/50 staff. Each GDS meets at least once a year but again in Departments of high livestock density there are more frequent meetings and these are generally organised on two or three communes coming together. Members attend to share information and be updated on the latest news and developments on animal health and welfare.

16. In organising the control and management of animal health livestock keepers are required to pay levies. The basic subscription ranges between €2 and €5 per livestock unit. These levies fund disease control, animal health promotion, access to veterinary medicines.

17. A GDS Board presides at national level comprising:-

- Representatives of breeders
- The CVO
- Representatives of farmers
- Representatives of veterinary organisations

18. Part of the levy is used as necessary to create a reserve fund for the payment of compensation for livestock farmers affected by foot and mouth disease control restrictions. This reserve fund is held nationally and is controlled by the GDS Board. The compensation is paid to farmers who have not had animals culled but suffer loss through being unable to move animals. The compensation is calculated on a notional daily basis *ex ante* for the main farm types. It is payable for twenty one days.

Germany

19. Animal Disease Funds exist for every German state (Bundesland or Land). Introduced initially over fifty years ago these public bodies were established progressively in the separate Lands. Bavaria was the first and all are run and organised on a not for profit basis. The Governing Board of each ADF consists of farmers, veterinarians, the agricultural Ministry of the Land and by agricultural organisations.

20. In cooperation with the local veterinary authorities the Funds have to implement eradication and prevention measures decided by the agricultural Ministry of the Land. Under supervision of the agricultural Ministry of the Land the Funds develop and establish programmes for eradicating non-epidemic diseases such as IBR. Overall strategic direction for animal health and welfare policy remains with the Federal Ministry in Berlin.

21. Livestock keepers must notify the numbers of animals by species annually. Failure to notify in time leads to the previous data being used and a warning issued. Continued failure to notify leads to penalties through the application of fines.

22. Levies are species specific and are based upon the number of animals. The levies have to be approved by the agricultural Ministry of the Land. The amount of the levy depends upon expected costs. These can include the costs of prevention measures, building up reserves or replenishing reserves depleted from previous disease outbreaks. Each agricultural Ministry of the Land must reimburse farmers for the value of animals culled compulsorily (assessed by the district veterinary officer – value based upon the market price on the day culling was ordered (see also paragraph 18) as well as the associated costs (e.g. culling, transport and disposal). This is achieved by 50 per cent contribution from the agricultural Ministry of the Land and 50 per cent from the ADF.

23. Spending was on research and development, monitoring and surveillance, contingency reserve (typically four per cent of direct costs – calculated from historical disease outbreak data) and disease prevention. The remaining 20 per cent is accounted by spending on vaccine banks (15

per cent) and operating costs (5 per cent). The operating costs of 5 per cent apply to the majority of the ADFs. The minority that followed different financial arrangements had operating costs of 8 per cent.

24. When laws were framed over fifty years ago there was no distinction made between hobby and commercial farmers. In 2006, for example, the ADF in Lower Saxony received 20,000 applications from hobby poultry keepers as a consequence of the outbreak of Avian Influenza. This had proved to be a significant administrative burden. The Fund applies a minimum payment of €10.

25. Low incidence of disease outbreaks could lead to lower levies. Pigs were at €0.40 compared with ten Deutschmarks ten years ago. Compensation could be reduced or withheld as a result of non-compliance or poor compliance with the rules. Experience showed that 95 per cent of claims were settled without deduction of compensation meaning that there was good compliance with the rules of the Funds.

26. Animals are valued for compensation purposes according to annually agreed valuation tables. These tables set a maximum that could be paid by species. Farmers feeling the maxima were insufficient needed to resort to the private insurance market to protect the value of their animals. Valuation tables are determined by the Federal Ministry in agreement with the Lander and producers. Age is one of the determining factors in valuation and very few animals were paid at the maximum. The table of values is as follows:-

Species	Euros
Horses	5,113
Cattle	3,068
Pigs	1,278
Game	1,000
Sheep	767
Goats	307
Poultry	51
Bees	150

27. In 2006 in Bavaria the levies per head were as follows:-

Species	Euros
Horses	2.60
Cattle (Bovine herpes free)	3.70
Cattle	7.70
Pigs	1.00
Sheep	1.35
Poultry	0.025

28. In 2007 bovine animals were €3 for those free of Bovine Herpes virus and €8 otherwise. This was conditional upon veterinary certification.

29. Compensation is paid on all animals culled compulsorily, on animals that have died after culling has been ordered officially and on animals where notifiable diseases has been detected after the death of the animal. Adjusted compensation is paid on animals that have died and animals that have been culled before notification of the disease. The rate is 50 per cent of the valuation. Animal keepers are not entitled to compensation if there is culpable failure to abide by the specific statutory provisions applying to the particular circumstances of the case triggering compensation payments. In addition, compensation payments may be reduced in cases of minor failings.

30. There is no compensation for consequential economic damage e.g. due to infected area restrictions and the corresponding marketing bans. Farmers, however, can protect themselves through insurance.

Greece

31. Livestock farmers are required to insure against damage caused to animal assets. This compulsory insurance applies to the diseases that are subject to compensation arrangements set down in European Community law. The costs not met by the European Community are co-financed by the state and by the insurance scheme. The scheme is government run through the Greek Agricultural Insurance Organisation (ELGA). Besides providing indemnities it also implements peacetime disease prevention initiatives.

Ireland

32. Ireland has been operating an animal disease levy system in respect of milk deliveries and cattle slaughtered or exported live, since the creation of their Bovine Diseases (Levies) Act in 1979. The money collected is used to contribute towards the compensation costs for the TB and BR Eradication Schemes. The rates of levies are determined on the basis of contributing circa 50 per cent towards the compensation costs. The rest of the compensation costs, testing, equipment purchases and other costs are paid by the Irish Department of Agriculture and Food. DAF also seeks partial re-imbursement each year from the EU.

33. The levy is collected in the following ways:-

> (a) The milk levy is payable when the milk is received for processing by creameries or dairy producers. The rate due, applicable from 1st January 2005, is 0.11c per litre of milk received for processing. The relevant company receiving the milk pays the levy, on a monthly basis, directly to DAF.
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> (b) The bovine levy is payable in respect of (i) bovines slaughtered, and (ii) bovines exported live from Ireland. Meat plants pay the levy on a monthly basis to the Department of Agriculture for each animal slaughtered. Department officials collect the levy due for bovines that are slaughtered in domestic abattoirs. The officials also collect

the levies for any bovine exported live from Ireland. The levy due, again applicable from 1st January 2005, is EUR 2.54 per animal.

34. The companies paying the levy are entitled to recoup the money paid in levy to the government from their suppliers, by deducting it from the price paid for the milk or animal.

35. Ireland On-Farm Market Valuation Scheme compensation arrangements provide for a refund to the farmer of Bovine Diseases Levies for all reactors slaughtered as part of his/her compensation payment.

Netherlands

36. Epidemic diseases and zoonoses are financed initially by the state. However, since 2000 and up to pre-determined negotiated ceilings for the sectors, the costs incurred by the state are recovered from the three relevant statutorily based Product Boards (Livestock, Meat and Eggs). The Boards discharge their obligations through contingent reserves and/or through bank guarantees. The finance to create and replenish the reserves and service the guarantees derives from levies imposed by the Boards on livestock keepers.

37. The ceilings on the costs of epidemic disease outbreaks are negotiated every five years. The Product Boards are not required to reimburse expenditure by the state on disease outbreaks in excess of the ceilings. Notwithstanding the application of ceilings the Boards are required to meet 50 per cent of the costs of mandatory monitoring programmes.

38. The maximum contributions by the Boards (€m) for the period 2005 – 2009 are as follows:-

Cattle	85
Pigs	125
Sheep	5.6
Poultry	20
Total	235.6

39. The levies are calculated taking account of previous indemnification payments, and replenishment, as necessary, of the reserves. The levies are neither differentiated by individual livestock keeper nor region. As such they neither reflect individual livestock keeper risk nor the risks associated with particular production systems. However, since disease outbreaks lead to higher direct and indirect losses (consequential losses) resulting in increased levies farmers will take preventative measure voluntarily. They apply as follows:-

- for cattle and pigs on animals slaughtered;
- for dairy on the quantity of milk delivered;
- for sheep a farm registration fee plus a small per animal and
- for poultry (layers and broilers) received by keepers.

40. Hobby/lifestyle farmers do not pay levies to the Product Boards. The disease outbreak costs including compensation are met by the state.

41. Compensation is based upon market values prior to the outbreak of the epidemic or equivalent in the absence of market prices. On report of suspicion of disease the official veterinarian at inspection determines the numbers of dead animals, those with symptoms and others. Compensation is reduced to 50 per cent for sick animals and compensation is not payable for the dead animals. These conditions are designed to encourage early reporting.

42. Livestock farmers are required to meet certain hygiene and prevention standards that are under veterinary supervision. The standards are controlled by the state. Economic sanctions are used either where proof exists that the cause of an outbreak can be shown to be the fault of a particular producer or where certain conditions have not been fulfilled.

Spain

43. For epidemic diseases and diseases subject to public eradication programmes the state funds the direct costs including the costs of compensation for animal keepers.

44. Administration of public intervention is undertaken by the seventeen autonomous regions. The national government is responsible for the statutory framework. Finance is arranged 50:50 between the regions and the national government.

45. For epidemic diseases the state provides compensation based upon pre-determined annual values. These values are established by the Ministry of Agriculture, Fisheries and Food taking account of the age and use of the animals as well as the production systems. If the total livestock of the farm has to be culled (other than for tuberculosis and brucellosis) the compensation payment may be increased by 25 per cent.

46. For diseases, such as tuberculosis and brucellosis, that are subject to public eradication programmes the state meets the cost of animal compensation, the costs of vaccination and/or culling. Compensation is paid up to 75 per cent of the legally established value of the animal and this covers both the loss of value (if any) as a result of vaccination and for animals culled.

47. State subsidised insurance premiums are offered to livestock keepers for certain non-epidemic diseases of cattle. Disease coverage varies between businesses associated with cattle fattening compared with cattle breeding. For example, for breeding businesses all epizootic diseases are excluded with the exception of Brucellosis, Leucosis, Tuberculosis and BSE. The cover extends to the risks of death, compulsory slaughter, and incapacity or loss of specific function of an animal due to accident or illness. Technical standards (conditions of insurance) that must be met by farmers are set by the Ministry of Agriculture and these can exceed legal standards. Indemnities can be

reduced where losses have increased as a result of negligent behaviour. Premium reductions (bonuses) can be granted to livestock keepers with very high standards of production technology. Animal values are set by the Government before each year based upon values in previous years and taking account that public animal compensation exists for certain of the diseases. The deductible varies between 10 and 20 per cent depending on the animal.

48. For FMD and BSE cattle farmers can elect to pay additional premium for consequential losses arising from fixed costs which have to be met as a result of business interruption. It is also possible to cover veterinary costs.

49. Insurance products are delivered by *Agroseguro*. This body is a pool of private insurance companies that sets the rates, assesses indemnities and pays compensation. The pool is part of an institutional structure to deliver farm insurance that includes the Ministries of Agriculture and Economy, an Insurance Compensation Agency *(Consorcio de Compensacion de Seguros)* and ENESA *(Entitdad Estatal de Seguros Agrarios)* which is part of the Ministry of Agriculture. Finance to Agroseguro is provided by premium income, government money (premium subsidies) and re-insurance support.

Australia

50. A new cost-sharing agreement, the Emergency Animal Disease Response Agreement (EADRA), was introduced in 2002 covering sixty three diseases. It replaced a former agreement dating from 1955 that covered twelve diseases. The arrangements provide for the sharing of the eligible costs of a disease response by governments and affected industries.

51. Under the Agreement the industry may be required to repay the costs incurred by the Commonwealth on behalf of industry, via a statutory levy or charge. New emergency animal disease response levies and charges were imposed on participating animal industry signatories. Initially, except for beekeepers, these were set at zero. Animal Health Australia provides information in respect of animal disease emergencies. As such livestock industries agreed that AHA would receive and disburse the levy income to repay the Commonwealth.

52. The Agreement provides certainty of funding for the initial response to a disease incursion or outbreak through a partnership of the Commonwealth, State and Territory governments and major livestock industry organisations. Diseases are classified into four categories with the share of costs between governments and industries depending on the beneficiary of control as measured against the impact on human health and socio-economic concerns, the environment and livestock production. Categorisation can be reviewed and new diseases added as circumstances change. See Annex B for detail of the disease categories.

53. The costs of each party are managed by applying an "agreed limit" that ensures intense examination of costs and benefits before committing to

further national resources. The livestock industry contributions are obtained by means appropriate to that industry but generally by a levy. The levies are on a sales transaction basis at point of sale, slaughter (per head, kilo or *ad valorem* (percentage of sales)). Cattle levies are specifically only on sales of the beast. Pork levies are based on pigs slaughtered (per head), goat and sheep on per head sales. Chicken levies are based on chicken sales. The liability of the industry is capped at one per cent of Gross Value of Production. Repayment can be up to ten years.

54. Under the Agreement each industry party is required to prepare and promulgate a plan to improve on-farm biosecurity arrangements. This means encouraging the adoption by all producers of practical and straightforward measures that will reduce the likelihood of a serious disease spreading. In addition, government parties have prepared statements outlining their biosecurity policies and programmes including feral animal, public health and environmental policies.

55. Representatives of the livestock industries are included in decision making over the management of an outbreak. This is achieved through the Emergency Animal Disease National Management Group (NMG) which comprises chief executives of government parties and presidents of livestock industry parties. The Group manages response plans, budgets and expenditure. It also formulates policy for the outbreak and resolves resource allocation issues. The Group is advised by the Consultative Committee on Emergency Animal Diseases. This committee comprises technical representatives of each relevant industry.

Responsibility and Cost Sharing Programme Team
April 2008

ANNEX A

SUMMARY OF ARRANGEMENTS IN CERTAIN EC MEMBER STATES								
	Part financing of certain public sector costs of diseases subject to EC co-financing e.g. compensation, culling, transport, disposal etc				**Compulsory financing of certain private sector costs of diseases subject to EC co-financing[1] e.g. business interruption costs**		**Compulsory financing of the costs of diseases not subject to EC co-financing[1]**	
	Livestock farmer contributions	Contingency reserves	Levy	Insurance	Livestock farmer contributions	Levy	Livestock farmer contributions	Levy
Belgium	Yes	Yes	Yes	No	No	No	Yes?	Yes?
Denmark	No	No	No	No	Yes	Yes – top up to statutory compensation for total culling of herd	Yes	Yes
France	No	No	No	No	Yes	Yes – FMD only for farmers subject to movement restrictions but not culled out. Contingency reserve held centrally by GDS Board in Paris.	Yes – subject to certain rules	Yes
Germany	Yes	Yes	Yes	No	No		Yes	Yes
Greece	Yes	No	No	Yes	No		?	?
Ireland	Yes	Yes	Yes	No	No		No	
Netherlands	Yes	Yes	Yes	No	No		Yes	Yes
Spain[2]	Partially[3]	No	No	Yes	No		No	

Notes:
(1) In principle insurance products are available in all Member States for certain indirect costs but the take up is low and coverage may be limited.
(2) Spain operates a voluntary subsidised insurance scheme.
(3) Government compensation is paid net of insurance payment.

ANNEX B

DISEASE CATEGORISATION

Criteria used to classify diseases into the four categories and the proportions of government and industry funding

Category 1 diseases (funded 100% by government) are those that predominantly seriously affect human health and/or the environment (depletion of native fauna) but may only have minimal direct consequences to the livestock industries. Those included are:

- rabies
- Australian lyssaviruses (including bat lyssavirus)
- Japanese encephalitis
- Western, Eastern and Venezuelan equine encephalomyelitis
- Nipah virus

Category 2 diseases (funded 80% by government and 20% by the applicable industry(s)), have the potential to cause major national socio-economic consequences through very serious international trade losses, national market disruptions and very severe production losses in the livestock industries that are involved. This category includes diseases that may have slightly lower national socio-economic consequences, but also have significant public health and/or environmental consequences:

- bovine spongiform encephalopathy
- brucellosis (due to Brucella abortus)
- brucellosis (due to Brucella melitensis)
- Hendra virus (formerly called equine morbillivirus)
- foot-and-mouth disease
- glanders
- peste des petits ruminants
- Rift Valley fever
- rinderpest
- screw worm fly
- sheep pox
- Tracheal mite*
- Tropilaelaps mite*
- Varroa mite (Varroa destructor) – see also Varroa mite Category 4*
- vesicular stomatitis

Category 3 diseases (funded 50% by government and 50% by the applicable industry(s)), are of moderate public impact that have the potential to cause significant (but generally moderate) national socio-economic consequences through international trade losses, market disruptions involving two or more states and severe production losses to affected industries, but have minimal or no effect on human health or the environment:

- African horse sickness

- African swine fever
- anthrax (major outbreaks)
- avian influenza (highly pathogenic)
- bluetongue (disease in sheep)
- bovine tuberculosis due to Mycobacterium bovis, after Tuberculosis Freedom Assurance Program (TFAP) is completed (provided that no other program in respect of bovine tuberculosis is introduced in its place)
- classical swine fever
- contagious bovine pleuropneumonia
- encephalitides (tick-borne)
- lumpy skin disease
- Menangle virus (porcine paramyxovirus)
- Newcastle disease
- scrapie
- Small hive beetle*
- swine vesicular disease
- trichinellosis
- vesicular exanthema

Category 4 diseases (funded 20% by government and 80% by the applicable industry(s)), are those that could be classified as being mainly production loss diseases. While there may be international trade losses and local market disruptions, these would not be of a magnitude that would be expected to significantly affect the national economy. The main beneficiaries of the successful emergency response to an outbreak of such a disease would be the affected livestock industry(s):

- Aujeszky's disease
- Borna disease
- Braula fly (except in Tasmania)*
- contagious equine metritis
- dourine
- east coast fever
- epizootic lymphangitis
- equine babesiosis
- equine encephalosis
- equine influenza
- Getah virus
- haemorrhagic septicaemia
- heartwater
- infectious bursal disease (hypervirulent form)
- Jembrana disease
- Maedi/visna
- Nairobi sheep disease
- porcine Reproductive and Respiratory Syndrome (PRRS)
- Potomac fever
- pulmonary adenomatosis
- sheep scab
- surra

- swine influenza
- Teschen disease
- Varroa mite (Varroa jacobsoni) – see also Varroa mite Category 2*
- transmissible gastroenteritis
- Wesselsbron disease