



Grant Thornton

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On-Farm Market Valuation Scheme Final report

Independent Review

August 2020



Contents

Glossary	3
Executive Summary	4
Background	16
Operation of the Scheme	22
Stakeholder Consultations	30
Comparative Analysis	44
Findings of the Review	59
Conclusions	63
Summary of Recommendations	84
Appendices	86
Methodology	87
List of Stakeholders Consulted	94

Glossary

TB - Tuberculosis	OSPRI - Operational Solutions for Primary Industries
bTB - Bovine Tuberculosis	CFT - caudal fold test
SMP - Summary of Market Prices	CTS - Cattle Tracing System
OFMV - On-Farm Market Valuation Scheme	BCMS - British Cattle Movement Service
DAFM - Department of Agriculture, Food and the Marine	HIA - High Incidence Area
EBI - Economic Breeding Index	APHA - Animal and Plant Health Agency
bTBEP - Bovine Tuberculosis Eradication Scheme	AHVLA - Animal Health and Veterinary Laboratories Agency
DEFRA - Department for Environment, Food and Rural Affairs	OTS - Officially tuberculosis free status suspended
AHDB - Agriculture and Horticulture Development Board	OTW - Or officially tuberculosis free status withdrawn (OTW)
GDPR - General Data Protection Regulation	SICCT - Single Intradermal Comparative Cervical Tuberculin test
GDP - Gross Domestic Product	IV - Independent Valuer
GIS - Geographic Information System	DWHC - Dutch Wildlife Health Centre
AHCS - Animal Health Computer System	BTEC - Brucellosis and Tuberculosis Eradication Campaign
ICBF - Irish Cattle Breeding Federation	AHA - Animal Health Australia
RFT - Request For Tender	EADRA - Emergency Animal Disease Response Agreement
BLUP - Best Linear Unbiased Prediction	PIC - Property Identification Code
CIArB - Chartered Institute of Arbitrators	FMD - Foot and Mouth Disease
SAO - Supervisory Agricultural Officer	HRA - High-Risk areas
STF - Successfully free from bovine tuberculosis, defined in the EU as a herd incidence of bTB of less than 0.1%	LRA - Low-Risk Areas
M. Bovis - Mycobacterium bovis, the slow-growing aerobic bacterium and causative agent of tuberculosis in cattle	AHVLA - Animal Health and Veterinary Laboratories Agency
EFSA - European Food Safety Authority	IAASA - Auditing and Accounting Supervisory Authority
Herd prevalence - The number of herds experiencing a bTB breakdown in a given period of time	FEU - Treaty on the Functioning of the European Union
Herd incidence - The number of herds experiencing a new bTB breakdown in a given period of time	HSE - Health Service Executive
Reactors - animals positive to the skin or blood test which are removed from the farm and slaughtered	GDA - Gross Differential Amount
AIM System - Animal Identification and Movement System	SME - Subject Matter Expert
FSAI - Food Safety Authority Ireland	
OTF - Officially Tuberculosis Free	
AHB - Animal Health Board	
NPMP - National Pest Management Plan	

Executive Summary



Executive Summary

Introduction

Grant Thornton was engaged by the Department of Agriculture, Food and the Marine (DAFM) on behalf of the TB Stakeholder Forum to conduct a review into the On-Farm Market Valuation (OFMV) Scheme, which is the component of the TB Eradication Programme which deals with compensation for the loss of animals to TB.

The objective of this report was to provide a comprehensive and independent assessment of the operations and performance of the scheme. The TB Forum requested that the Department commission a detailed independent review of the OFMV Scheme to answer key questions about the operation of the scheme, including:

1. Do the prices in the weekly Summary of Market Prices (SMP) reflect the market for livestock removed under the Live Valuation Scheme?
2. Through the OFMV, are herdowners being given the market value for reactor animals?
3. Do Valuers have scope to provide prices for reactor animals in line with market values that vary from the weekly summary of market prices within the constraints of the current Valuers Technical Guidelines and Code of Practice?
4. Do the current procedures, listed below, provide for a fair and independent process through which herdowners receive market value for each animal removed from their farm?
 - i. Compilation of the SMP - Does the current data-set used by DAFM to compile the SMP represent the market value for all categories of animals removed as TB reactors in the OFMV Scheme.
 - ii. The scope and application of the Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes (Valuer Technical Guidelines).
 - iii. Valuer Code of Practice - the application of appeal and arbitration procedures open to herdowners.
5. Does the current OFMV process ensure that the Public Spending Code is complied with and that State Aid rules are respected?
6. Is the OFMV process consistent with relevant provisions of the Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) as updated?

The approach taken in developing this report has consisted of a:

- Identification and review of the processes involved in operating the scheme;
- Desktop review of the relevant available literature, scheme, departmental and industry statistics;
- Extensive stakeholder consultation exercise with a wide range of interested parties both within and outside of the TB Stakeholder Forum through a series of face to face, remote and paper-based interviews and questionnaires; and
- Comparative analysis of the approaches taken in other jurisdictions with TB Eradication Schemes.

A full breakdown of the methodology undertaken in completing this engagement is included in the Appendix.

What is clear in reviewing the On-Farm Market Valuation Scheme, is that the key stakeholders involved while they may not agree on some of the operational aspects of the scheme, they are equally impassioned and dedicated to making the scheme work as efficiently and effectively as possible.

Stakeholders across the industry and within the Department engaged openly and honestly with the Grant Thornton project team and provided a range of perspectives, drawn from their own experience and expertise and we thank them for their time, patience and input in assisting with the development of this report.

This report represents the independent viewpoint of Grant Thornton based on our analysis of the operation of the On-Farm Market Valuation Scheme.

Executive Summary

Do the prices in the weekly Summary of Market Prices (SMP) reflect the market for livestock removed under the Live Valuation Scheme?

Through the OFMV, are herdowners being given the market value for reactor animals?

The Summary Market Prices is a report which is compiled and circulated every week by the Department. The report aims to provide up-to-date market data from across the country, to ensure that herdowners receive accurate and consistent market value for their TB reactors at the time of breakdown.

The report is underpinned by the collation of a database representative of over 40,000 animal values from open market and specialist sales (premier, dispersal and reduction) across Ireland annually and a further 360,000 deadweight prices of finished cattle going through the factory. Mart sale information is captured by DAFM's Regional Valuation Officers recording the animal's data including price, weight and a live visual assessment of each animal consistent with the live on-farm valuations that take place during a TB breakdown. All information is provided to the Department for collation, review and analysis and development of the SMP report for Valuers to refer to as guide prices when conducting an assessment of a reactor.

Free Market Valuations

The principle of using any form of guide prices for Valuers was questioned by some stakeholders who suggested that it unduly influenced Valuers and prevented them from using their own experience, expertise and judgement in performing their duties. The suggestion was that an open market approach should be taken whereby the Valuer was free to provide any value purely based on their assessment on the day. The Department and the herdowner have the comfort of the appeal process if it feels that a valuation is inaccurate.

While this argument has some merit it also has a significant risk for all parties. It is unreasonable to expect even the most experienced and skilled Valuer to be entirely aware of every consideration, market trend or variable impacting upon market value across Ireland on any given day. It is also equally as likely to suggest that a Valuer may be unduly influenced in setting values by the most recent mart or marts that they had attended as it is to suggest that the SMP guide prices.

The inherent risk of this approach is considerable fluctuations and inconsistencies between valuations on any given day, in any given county by any given Valuer. This is a risk to both the Department and the herdowner though it is possible that the herdowner would most directly be inconvenienced.

The Department is also required to ensure that robust measures are in place to ensure valuations are conducted appropriately and responsibly for the herdowner, the taxpayer and the European Commission (EC) as a part-funder of the scheme.

In essence, provided that the approach taken to developing the SMP is robust and delivers accurate valuations and Valuers can value reactors according to appropriate criteria then a fair market value should be arrived at for reactor animals.

Process Review

As part of the project, a review of the end-to-end process around the collation, development and analysis of the SMP was undertaken. The outputs of this review indicate that it is an appropriate methodology, which, if carried out correctly, should provide outputs that reflect the market value for livestock at a point in time. The database underpinning the report was seen to capture a huge amount of data from a variety of sources that allowed the Department to analyse and develop a detailed snapshot of the marketplace across Ireland at any given time. The categories of animals analysed were seen to be considerably more comprehensive and granular than that in operation in other comparable jurisdictions. The approach taken to cleaning, analysing and interpreting the data was also viewed as being appropriate.

During stakeholder consultations, it was referenced on several occasions that 90-95% of valuations were fairly valued in the circumstances. This suggests that there must be a reasonable degree of confidence in the process which delivers these outcomes. Similarly, while it was highlighted that the figures may not tell the whole story, a consistent 97% rate of acceptance of the initial valuation provided to the Department and herdowners should provide further comfort that the scheme is operating well.

There is no question that the scheme is highly complex and while it is the view of this report that it is operating effectively despite this there are areas of concern which should be addressed.

Executive Summary

Limited or Inappropriate Sales Data Points

While the process captures significant amounts of sales data points it is not a complete record of sales across Ireland. Issues ranging from the inability of a departmental representative to attend a mart on a given day through to the challenges in capturing data from private sales that take place away from the open market, mean that not all data is currently being captured.

More data points ensure a more robust analysis and greater confidence that the analysis is accurate. It is therefore important that consideration is given as to how additional sales data can be captured e.g. using technology to automate the reception of sales data from all marts across the country or a means to visually assess animals remotely.

This is particularly important for animals which are less frequently available for sale either due to their relative scarcity (premium or pedigree animals), inherent value to a herdowner making it reluctant to sell, or animals which are sold privately.

It is in these areas where the largest current risks are that the SMP and the OFMV Scheme as a whole are undervaluing animals and underserving herdowners.

Two examples were cited in the stakeholder consultations, namely, pedigree female animals and 3rd or 4th lactation dairy and beef animals. The former were by their nature rarer and less likely to be sold on the open market, but sales data for these females are collected at open sales where they are traded including Premier sales and Dispersal sales. The latter were considered to be undervalued due to a view that the dataset available was inappropriate and unaligned to the actual value placed on those animals i.e. that by the time such an animal reached the 3rd or 4th lactation stage the risks associated with rearing the animal to that point had been largely overcome and the herdowner would, therefore, be reluctant to sell resulting in those that did reach the mart being of lesser quality or being sold in distressed circumstances where a farmer was exiting the industry either through choice or necessity. This was felt to have a knock-on impact on values for reactors which were not reflective of animals remaining on-farm. While this point was widely raised it is difficult to verify or quantify and discussions with representatives of other jurisdictions and research of those same jurisdictions was unable to confirm. It is, however, reasonable that the merits of this point should be discussed by the Department and the industry to see if a reasonable solution can be identified e.g. the consideration of an approach such as developing a model which takes into account typical future growth in performance, output and value of such animals.

Qualification of Regional Valuation Officers to conduct live valuations

The basis of the SMP report is the data that is collated at marts around Ireland. This data is generated by departmental Regional Valuation Officers attending marts and recording the relevant information as well as undertaking a live visual assessment of the animal using the same criteria as Valuers for reactor valuations. This data is then returned to the Department for collation, review and analysis. While the basis of this approach is considered to be appropriate, there are questions as to the qualification of Regional Valuation Officers to conduct live visual assessments to the same standard as Valuers.

Consultations with a selection of Regional Valuation Officers revealed many to have significant experience in the industry and often they play an active role in the industry typically as someone with a farming interest themselves. However, it would be beneficial if the Department could provide greater assurance that Regional Valuation Officers are of the equivalent standard as Valuers are expected to be in this instance e.g. that they receive the same training, the same assessment, and that they have similar levels of experience.

Executive Summary

The Role of the Economic Breeding Index (EBI)

SMP is the key report in terms of providing valuations for reactors in Ireland, however, the final valuation may be higher than the SMP value in instances where an EBI 'top-up' is justified.

The EBI is a single figure profit index aimed at helping herdowners identify the most profitable bulls and cows for breeding dairy herd replacements and comprises of information across a range of sub-indexes related to profitable milk production.

The EBI top-up was introduced initially as an incentive on the valuation scheme to help promote the uptake of the index.

Discussions with stakeholders indicated that for many the EBI was an established and valued analytical tool in its own right and uptake of EBI in 2018 of 75% of the dairy herd would suggest this is the case. It is therefore fair to say the EBI 'top-up' has fulfilled its primary goal. The question then is whether the EBI is a core component of a reactor achieving a fair market valuation.

While discussions with farmers and industry representatives suggested that EBI top-ups were necessary to ensure market value was achieved, high levels of uptake of EBI would indicate that the value of a high EBI is factored into all aspects of the herdowner's decision-making process including restocking and so any value is inherently captured in the sales price achieved at market. This, in turn, is then captured within the sales data collated at marts and included within the database that forms the basis of the SMP report and any additional top-up over and above this could in effect be seen as 'double-counting'.

On that basis, consideration should, therefore, be given to agreeing on an approach which moves away from the EBI top-up incentive within the OFMV Scheme and instead greater focus should be placed on ensuring that the valuations provided by the SMP are fair and appropriate in their own right, not through the requirement of an additional top-up process.

Do Valuers have scope to provide prices for reactor animals in line with market values that vary from the weekly summary of market prices within the constraints of the current Valuer Technical Guidelines and Code of Practice?

The first point to note is that if the SMP process is considered to be working effectively and providing prices which reflect the market for livestock, and it is the opinion of this report that for the vast majority of animals it is, then by definition there should be few animals which fall outside the guide practices set out in the SMP report.

Statistical analysis would also indicate that there is a normal distribution of the quality of animals within the Irish herd, in other words, most animals would be considered 'average' with far fewer meeting the requirements to be categorised as either premium or very low value at the other end of the scale. Analysis of quality scoring would indicate that fewer than 3% of animals assessed would merit a quality score of 1, which is aligned to a normal distribution and makes sense by definition – a premium animal is considered as such because of the characteristics that make it stand out from others and make it unique or rare.

There should, therefore, be very few animals affected by this consideration though, given the higher values involved and the importance of such animals that is not to diminish the impact of a failure or inability to value them appropriately.

Consideration of the Valuer Technical Guidelines and the Valuers Code of Practice would, in principle, indicate that there is indeed scope for Valuers to provide prices for reactor animals in line with market values, even where they vary from the guide prices contained with the Summary of Market Prices report.

Executive Summary

The Valuers Code of Practice, in particular, sets out as one of the requirements for Valuers that they must:

'Insert the full market value for animals on the V13 even in those cases where the value exceeds the ceiling price'.

The code goes on to states that Valuers must:

'Not exceed guideline prices for animals valued without providing sufficient documentary reason to Department'.

Discussions with representatives of the Valuers would also indicate that Valuers are aware of their ability to value as they see fit, even when that falls outside of the guide prices provided and that where appropriate, they do so. A review of a selection of completed V13 forms indicated that, on occasion, Valuers do indeed recommend values which are outside of the guide prices and provide their reasons for doing so.

Valuers also have flexibility to use an additional 1+ or 1- scoring where an animal is considered to either exceed the ceiling or fall between two grades.

In principle and practice, therefore, Valuers not only have scope to recommend values higher than the ceiling of the SMP report guide prices but are encouraged and required to do so under the guidance provided to them in fulfilling their role. Indeed, failure to do so could constitute a disciplinary offence and there is evidence of situations where the Department has appealed effectively on behalf of the herdowner, where a valuation was considered too low, though not necessarily to the extent of higher than the guide price ceiling.

However, this view may be tempered by further guidance in the Code of Practice that states that Valuers must:

'Ensure accurate quality assessment of stock is attributed (See Appendix A - Section 1)'.

and

'Ensure accurate weight assessment of stock is attributed (See Appendix B - Section 1)'.

Failure to do so would potentially result in disciplinary action which increases in severity according to how 'inaccurate' these assessments are considered to be.

There were several strong opinions within the stakeholder consultations that any ongoing monitoring of Valuers performance should not focus on any element of these quality or weight assessments. It was felt that this undermined the independence of the role and the scheme and was, therefore, an unnecessary and unwarranted attempt by the Department to restrict valuations. It was stated that the appeal and arbitration processes provided sufficient recourse to protect the Department's duty to safeguard public funds.

While this is an appropriate point to make it does not override the need to include some form of ongoing monitoring of the performance of Valuers. There is significant precedence and indeed a requirement within all professions for some form of ongoing performance monitoring against a code of practice which includes the opportunity for stakeholders to request a review of the professional's actions and disciplinary proceedings to take place and sanctions to be meted out where considered necessary.

It is therefore appropriate for the Department, within their remit of ensuring not just the effective and efficient operation of the scheme but also to protect the public interest, to conduct ongoing monitoring of the performance of its contractors and to incorporate a disciplinary process where that performance is deemed unsatisfactory.

However, it is vital that this process must be seen to be independent of the Department to the largest extent possible to ensure both its acceptability and fairness to all parties, not least the Valuers, as well as to remove any perception that its ultimate purpose is to artificially depress valuations by placing pressure on Valuers.

For that to be the case, then an independent review panel and a potentially separate disciplinary panel should be established along similar lines to the arbitration panel or if at all possible, with a panel made up of entirely independent members to oversee all such cases.

The Department's role in this new process would be limited to ongoing monitoring of performance and requesting a review by the independent review panel on the merits of the case presented. It would be for the independent review panel to refer the case on to the disciplinary panel, where it was felt appropriate and for the disciplinary panel to ultimately hear that case and decide on sanctions where deemed necessary.

The disciplinary component of the Code of Practice should not be reinstated until such a process is agreed and established.

Executive Summary

Do the current procedures, listed below, provide for a fair and independent process through which herdowners receive market value for each animal removed from their farm?

- i. Compilation of the SMP - Does the current data-set used by DAFM to compile the SMP represent the market value for all categories of animals removed as TB reactors in the OFMV Scheme.**
- ii. The scope and application of the Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes (Valuer Technical Guidelines).**
- iii. Valuer Code of Practice - the application of appeal and arbitration procedures open to herdowners.**

The three procedures highlighted for analysis represent the three key components in determining the final compensatory value for reactors under the OFMV Scheme. The SMP sets the guide prices for each category of animal based on its objective characteristics including:

- Breed;
- Herd type;
- Number of lactations;
- Weight & age;
- Etc.

The Valuer Technical Guidelines sets out the subjective components that a Valuer should refer to when assessing a live on-farm valuation of the reactor such as:

- Development and locomotion;
- Beef breeding animals in relation to skeletal appearance, conformation, development, locomotion and milk - producing ability, breeding history; or
- Dairy breeding animals in relation to conformation, functionality, stature, dairy traits, milk production and composition and locomotion.

Finally, the Valuer Code of Practice sets out the expectations for Valuers and disciplinary proceedings when these are not met, including over or undervaluing animals to a significant degree. Other processes such as appeal and arbitration set out the next steps if either the herdowner or the Department are unsatisfied by the initial valuation outcome.

End to end analysis of these procedures in principal and review of them in practice indicates that by and large, they do operate effectively and efficiently and should ensure that the vast majority of herdowners engaging with the scheme should receive market value for each animal removed from their farm. However, that is not to say that each of these procedures is optimal, appropriate or could not be improved upon.

Summary of Market Prices

Challenges with the SMP include the:

- Resource-intensive manual process to develop a weekly report, particularly when movement week to week is limited;
- “Black box” database analysis to produce valuation tables which only the Department understands or has access to;
- Failure to capture all available data points without further investment in additional technology to link all marts sales directly to a central database;
- Limited sales data points available for some categories of animals that by their nature are more scarce or come to the open market less frequently; and
- Potentially inappropriate sales data points for some categories of animals where it is considered that the animals put up for sale are not representative of the inherent value of that cohort of animals.

Recommendations to address these challenges include:

- Moving from a weekly SMP report to a monthly schedule to increase the number of data points and provide greater time for analysis to be conducted;
- A more open and proactive approach from the Department in reaching out to their largest stakeholders, to increase both the understanding of the process but also to invite input into how its operation can be optimised further;
- Consideration of opportunities to better utilise available technology;

Executive Summary

- Encouraging creative thinking as to how increased numbers of data points can be generated to ensure more robust analysis; and
- Consideration of alternatives means through which categories of animals which are not easily assessed can be e.g. developing an alternate model based on available market data

Valuer Technical Guidelines

Challenges with the Valuer Technical Guidelines include:

- Utilising a merit/quality scoring system which is not seen as being aligned with any of the various grading systems currently in operation across the industry;
- Attempts to objectively formalise a framework of the various subjective criteria used by Valuers/herdowners/auctioneers to value animals by a visual assessment that may or may not be appropriate; and
- A perception that the guidelines, along with the SMP's use of value bands, are a bureaucratic attempt to limit the ability of experienced Valuers to value appropriately.

Recommendations to address these challenges include:

- A more open and proactive approach from the Department in reaching out to their largest stakeholders to increase understanding of the process;
- Conducting a review of the criteria that make up the Valuer Technical Guidelines carried out jointly by the Department, Valuers/herdowners/auctioneers etc. via a working group;
- Furthering efforts to ensure that Valuers are appropriately trained and experienced in all categories of the Irish herd including those that are considered premium or pedigree and therefore more scarce.

Valuer Code of Practice – and the appeal and arbitration processes

Challenges with these areas include the:

- Widespread perception that the currently suspended disciplinary process for Valuers constituted an attempt by the Department to restrict the free valuation of Valuers;
- Claims of a lack of independence in the disciplinary process due to its operation being solely the responsibility of the Department and its staff;
- Suspicion as to the future intention with regards the disciplinary process;
- Belief that ongoing monitoring of expert Valuer's activities by departmental 'unskilled bureaucrats' is inappropriate; and
- Consideration that the appeal and arbitration process for valuations is a waste of time for most herdowners who therefore opt not to challenge valuations.

Recommendations to address these challenges include:

- A more open and proactive approach from the Department in reaching out to their largest stakeholders to increase understanding of the process and the qualifications of those operating it;
- Conducting a review of the existing Code of Practice to ensure compliance requirements are appropriately focused on the relevant areas of concern;
- Developing and setting out a new disciplinary process based on input from all stakeholders that enhances the independence of the process potentially through mirroring the arbitration process or reducing Departmental involvement to presenting a case for discipline to an independent disciplinary committee;
- Department and industry representatives to take further steps to ensure that herdowners are knowledgeable of their rights to appeal, confident in their ability to do so, and minimising any negative impact from any associated delay to finalising compensation and returning to normal trading conditions.

Executive Summary

Does the current OFMV process ensure that the Public Spending Code is complied with and that State Aid rules are respected?

Is the OFMV process consistent with relevant provisions of the Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) as updated?

Public Spending Code

The Public Spending Code is the set of rules and procedures that ensure that the standards expected with expending public funds with care and ensuring that the best possible value for money is obtained, whenever public money is being spent or invested.

The btBEP precedes the implementation of the code but as the programme uses significant public funding, adherence to the code is necessary. A review of the programme would take the form of a financial or economic appraisal or a value for money review similar to that conducted in 2008 which concluded that the scheme did provide value for money.

It is not possible nor is it within the scope of the terms of reference of this report to judge whether such a review of the scheme conducted now under the conditions of the Public Spending Code would similarly find that it provides value for money to the Irish taxpayer. However, there have been significant sums of total expenditure, an estimated €5.5 billion, on the scheme over its near 70-year lifespan as well as a further estimated additional €1 billion of expenditure forecast to 2030. This combined with the stagnating performance of the scheme in terms of incidence of TB within the Irish herd could call into question the benefits of future public funding, particularly given the ongoing question marks over current levels of EU funding. It is, therefore, essential that progress continues towards the goal of eradication by 2030.

State Aid Rules

The question of compliance with State Aid rules pose a similar challenge. Under European Union rules it is illegal for EU countries to give financial help to some companies and not others in a way which would distort fair competition. This help is called state aid, and the rules barring it are enforced by the European Commission and national courts.

There is a four-step test which is typically used to identify if an action may be considered as state aid:

- aid is granted by the state or through state resources;
- to a certain undertaking;
- thereby creating a selective advantage; and
- the transfer of resources distorts or has the potential to distort competition and trade between EU countries.

While this report does not seek to offer a legal opinion as to whether any or all of these tests would be satisfied, it is prudent that compensation values are monitored closely to ensure that systematic overpayment does not occur.

Animal Health and Welfare legislation

Animal Health and Welfare legislation and regulations seek to regulate and protect animals and monitor all activities relating to animals and animal sales. For the btBEP this relates particularly to safeguarding animals from the threat or risk or spread of disease. Entitlement to compensation is conditional on compliance with the various provisions under the legislation and the Minister may refuse payment of compensation, in whole or in part, should the herdowner not satisfy those provisions.

The Department provides guidance on compliance requirements, both reactive and proactive, and these form the basis of the btBEP as well as setting out the conditions under which a withholding of payment may occur. It is fair to say, therefore, that the scheme is aligned to the provisions as currently set out. Again, however, it is important to note, for the future operation of the scheme, that the European Commission, in recent years, has taken a noticeably tougher stance on compensation systems under national btBEPs and has formed a view that they can act as a disincentive to work towards eradication of the disease. Once again, it is important, therefore, that the Irish scheme continues to drive forward towards its 2030 goal of eradication.

Executive Summary

Additional Commentary and Recommendations

Automated Table Based Valuations

Throughout the consultation process it was clear that there was a delicate balance between the need to provide a sufficiently detailed and robust valuation process to maximise the accuracy and fairness of compensation for each animal and herdowner and the desire to complete the process quickly to minimise the risk of further spreading of the disease, remove the stress and strain on and additional costs incurred by herdowners and allow a return to normal trading conditions.

While there are recommendations within this report with regards the sharing of contact details and greater utilisation of online submission of documents to speed up the process and while some pointed out issues around haulier and slaughterhouse capacity as factors in delaying the process, it is clear that the largest single factor in delaying removal of a reactor from a farm is the need for a live on-farm valuation.

The OFMV process averages just under 20 days from identification of a suspected reactor to the slaughter of the animal and of that 12 days are related to processing, generating and accepting a valuation. While this period is well within the EU's 30 days guidance and each individual step is completed within the Department's own guide timelines, the process is almost twice as long as the equivalent in England.

The key factor in this is that the Department for Environment, Food and Rural Affairs (DEFRA) does not operate a live on-farm valuation as a matter of course, instead utilising an Automated Table Based Valuation or in effect taking the value directly from the SMP without the need for further quality scoring or visual assessment. There is also no scope for appeal of the offered valuation.

In addition to the time saved, this approach would largely remove the need for Valuers to be engaged by the Department which would go some way towards addressing some other concerns around independence and undue influence.

It is also fair to say that the vast majority of valuations are conducted on small scale outbreaks with low numbers of animals affected and therefore relatively low values. These valuations would be highly appropriate for at the very least offering an alternative choice to herdowners to undertake a quicker automated valuation process in the first instance.

It is fair to highlight that for this approach to operate effectively there would need to be greater levels of confidence in the SMP process which could be achieved through the Department taking a more transparent approach to detailing what goes in to the 'black box'. Also, for the benefits of an automated approach to be consistently achieved it should ideally be the default and potentially only option available for valuations.

This may not be possible in Ireland without significant changes, largely due to the fact that in England the valuations themselves have been 'depoliticised' by outsourcing their development to a third-party, the Agriculture and Horticulture Development Board (AHDB), a body funded by levies on the industry and featuring representation from across the industry and DEFRA. While some herdowners may still disagree with individual valuations, the basis under which they are arrived is better understood and accepted as independent.

This would be a significant step for Ireland and one which would likely require a legislative change to approve it.

Executive Summary

Communication

It is also essential that all parties find a balance between ensuring:

- the relevant information is provided to herdowners at the right time and understood;
- compliance with the legislative requirements and in doing so protecting herdowners, both experiencing a breakdown and all others, from potentially negative impacts; and
- support is available for those who require it, both financial and non-financial.

To help achieve that a number of additional recommendations are made.

Non-Financial Supports

There should be a greater focus on providing additional non-financial support for herdowners during a breakdown.

TB breakdowns place tremendous strain on herdowners and their families experiencing them. It is a traumatic time that leads to fears of immediate financial loss, loss of a livelihood, inability to support a family and reputational damage. Reports globally have highlighted that herdowners are amongst the most likely in society to die through suicide. It is therefore essential that the schemes operate in an effective and efficient manner to return farms to post-breakdown normality as soon as possible but also that supports are available and those who need them are aware of them and encouraged to use them.

Supports can vary greatly from greater education to minimise the risk of a TB outbreak occurring in the first instance, ensuring a dedicated point of contact is available when it does and indeed at all other times, and providing mental health supports to enable those in need to get through difficult times. This should be a prime area of focus and one where both the Department and the industry can work closely together for the benefit of all.

Correspondence

Correspondence from the Department is a key form of communication at the time of a suspected breakdown and indeed is typically the first notification that a breakdown has occurred. It is therefore essential that that initial communication sets the right tone for all future interactions between the Department and herdowners. It must balance the need between information, compliance, instruction and reassurance and understanding.

Stakeholder consultations and further review of some examples of correspondence highlighted that this balance was not currently being achieved as well as it could be. Indeed, the analysis indicated that correspondence was jargon laden and legalistic with a focus on compliance with regulations and sanctions for failure to do so. While this is a necessary component and one that is there to protect the herdowner, it is unhelpful in terms of being challenging to understand and potentially threatening in tone.

All correspondence should be reviewed as a matter of course and it is been confirmed in discussions with the Department that this is already in process which is to be welcomed.

Greater Input for the Industry

In reviewing the various TB Eradication Schemes in operation globally, it became clear that the countries which have had the greatest success in combating the disease are typically the ones which have experienced the highest levels of cooperation between industry and government. If the On-Farm Market Valuation Scheme and indeed the wider TB Eradication Scheme are to achieve their goals, which the final report from the TB Stakeholder Forum stated all parties are primarily focused on working towards, then there need to be significant changes both of operational approach but also of mindset ahead. All parties need to come together to work on solutions going forward. Equal input into the scheme requires equal responsibility for the scheme. Communication is key to that.

As such, the most important steps that can be taken in terms of improving the scheme would be:

- to invite greater input from industry representatives and indeed the wider agriculture stakeholders, into both the existing procedures and also any future planned amendments to those procedures; and
- to encourage the Department to ensure that not only are the processes and activities that underpin the OFMV transparent and independent (where appropriate) but that they are demonstrably seen and perceived to be transparent and independent.

This should be done, not with a view to necessarily increase or decrease compensation levels, but to enhance the overall operation of the scheme and increase its opportunity for successfully achieving its goals. To that end, the Department and industry representatives should consider the formulation of a joint advisory group to provide input into the scheme on an ongoing basis, particularly with regards to reviewing existing process, identifying changes to those processes, and considering the recommendations contained within this report.

Summary of Recommendations

Following six months of independent analysis of the current operation of the On-Farm Market Valuation Scheme, this report recommends that:

- 1) A review of the information collected by private veterinary practitioners to accompany TB test results should be conducted and discussions had with regards to including a General Data Protection Regulations (GDPR) compliant statement of consent for herdowners to affirm they are content for their private information including up-to-date contact details to be shared with the Department at the point of testing.
- 2) A study should be carried out to ascertain the feasibility of introducing a non-paper based online system for completion and submission of relevant forms and documentation.
- 3) The current process of independent Valuers conducting a subjective live on-farm valuation should be reconsidered and replaced with an automated purely tables based assessment, based on the Summary of Market Prices Report or equivalent database, particularly, for valuations with low numbers of animals or low overall value. The use of live valuations could remain an option for herdowners, at least for a specified transition period. Live valuation may also still have some merit for categories of animals with limited data points for analysis e.g. pedigree animals.
- 4) The existing merit/quality scoring system should be reviewed to ensure it reflects industry-wide rating systems such as star ratings to differentiate cattle merit/quality.
- 5) The SMP should move from a weekly report to a monthly report in order to capture more data and provide additional time for more detailed analysis.
- 6) A study should be carried out to ascertain the feasibility of introducing an automated technology-based alternative to the current manual marts' data collection process that reports sales data directly from the marts' database to the party responsible for collating, analysing and calculating market prices.
- 7) A study should be conducted to consider the feasibility of potential options identified in this report to widen the number of data points available for analysis for categories with currently limited public sales information.
- 8) The Department should seek to address industry concerns with regards the development of the Summary of Market Prices report and the considerations that are factored into any quality scoring component of valuations in an open and transparent manner and invite feedback on how that process can be improved upon.
- 9) Consideration should be given to the engagement of a third-party to collate, analyse and calculate market prices independent of the Department as is currently the case with DEFRA and AHDB in England. The third party may be jointly engaged, including reaching agreement on terms of reference, service level agreements and selection through a joint procurement process between the Department and representatives of the industry. An oversight working group featuring the same should be established to monitor performance under the contract. Funding for the engagement of a third party should be met equally by the Department and the Farming community with existing funds provided by both parties to the TB Eradication Scheme ring-fenced for this purpose.
- 10) The current system of providing a top-up based on EBI score should be phased out.
- 11) The Department should engage with Farming Representative groups to identify additional non-financial supports that can be put in place to help those suffering TB breakdowns.
- 12) The Department should engage with Farming Representative groups to identify areas of requirement and opportunities to collaboratively deliver further information and education on the scheme overall and the process that is followed once an animal is suspected of being a reactor.
- 13) A review of Departmental communication should be conducted to ensure that a better balance between the various information, compliance, legal-related requirements and understanding of the emotionally difficult situation faced by the recipient is achieved.
- 14) A review should be conducted into the existing (and currently suspended) conduct and disciplinary system for Valuers to ensure greater clarity, understanding and independence.
- 15) Valuer disciplinary panels should be independent of the Department and consider each case on its merits in an open and transparent manner.
- 16) Industry representation should have greater input into the operation of the scheme.

Background



Background

Overview of Ireland's Agri-Food Sector

Ireland's agri-food industry remains a key component of her modern economy and is at the core of Ireland's economic and social well-being. The industry accounts for some 8% of Gross Domestic Product (GDP) and a similar proportion of total employment amounting to some 160,000 jobs. It accounts for a major proportion of exports of Irish-owned enterprises and its products are sold in over 170 markets around the world. Between the period 2009 to 2017, edible agri-food exports increased by 74% from €7.8 billion to €13.6 billion. 2019 saw a further rise in total exports to €14.5 billion with beef exports accounting for €2.25 billion and dairy exports €4.4 billion in 2019.

This export success story has been founded on the strong reputation that Ireland has built in both food quality and safety and in recent years on the perceived sustainability of its production systems and the traceability of its products.

Maintaining and enhancing this reputation is essential in order for Ireland to enjoy further growth in the coming years.

With world food production requirements expected to double by 2050 to cater for forecast population growth, Ireland has ambitious plans to grow the industry further with a series of existing and future strategies underpinning those plans.

Overview of the Bovine TB Eradication Programme

Established in 1954, Ireland's Bovine TB Eradication Programme (bTBEP) was set up to overcome a range of bTB related challenges that Ireland and the agri-food industry was facing at the time with 80% of cattle herds and 17% of cattle affected by bTB.

Ireland's live trade to the UK at that time was under threat as a result of the high levels of Tb encountered in live animals imported from Ireland.

Development of live export markets was constrained and intensification of the industry was difficult due to high-levels of BTB within the national herd. Prior to pasteurisation, the consumption of raw milk and raw milk products from animals impacted by bTB resulted in high levels of TB infection within the national population. Many people continued to contract bTB from cattle, some from direct contact with infected animals but many more from the consumption of bTB infected milk with a recorded rate of notifications in people in Ireland of 230/100,000 population in 1952.

Since the establishment of the programme, there have been many advancements both within the industry and across society that have improved the situation dramatically and today, TB in humans in Ireland in general is extremely rare with on average fewer than 5/100,000 (<300 annually across Ireland) cases and less than 5% (<5 annually across Ireland) of that figure traceable to *M.bovis* the causative agent of tuberculosis in cattle (bTB).

The TB Eradication Programme has played a significant part in reducing the prevalence of TB in Ireland. At the time of its establishment in the 1950s, it was estimated that 17% of all cattle were infected. Over the next 10 years, some 800,000 bTB reactors were slaughtered from a population of around 5 million. By the 1990s, 44,000 reactor animals were being culled per annum. Today over 96% of all herds are free from TB and over the last five years approximately 17,000 bovine reactor animals have been culled annually.

The scheme however, is not without cost. In 2018 the scheme cost €92 million, of which the Exchequer contributed €47.8 million, the EU €8.8 million and the remaining €35.1 million from herdowners through the cost of annual bTB tests and disease levies. The amount of funding provided from the EU has also been reducing and will continue to reduce over the coming years as a result of funding demands from diseases impacting other eastern Europe countries such as Lumpy skin disease to deteriorating results of the scheme. A €1 million penalty was incurred in respect of 2018 due to deteriorating results of the scheme in recent years and a further penalty in respect of 2019 is likely.

It is estimated that since the scheme was established in 1954, total expenditure, accounting for inflation, has amounted to over €5.5 billion.

Why a Bovine TB Eradication Programme is Needed

Despite the cost, the programme continues to be needed, for the same three key reasons as when it was established in 1954.

Retaining access to valuable export markets

An effective bTB Eradication Programme is a requirement of European Law which sets down requirements regarding the prevention and control of transmissible diseases in animals including those that can cause disease in humans. While this is a requirement irrespective of the trade imperative retaining access to export markets is of significant importance to the beef and dairy industries. Complying with EU legislation is essential to retain this market access as Ireland exports approximately 90% of its beef and dairy output, while working to strengthen the programme, alongside introducing other additional, more stringent requirements, is essential for access and to new third-party growth markets such as China.

Maintaining farm productivity and animal welfare

Animals which test positive for bTB, and are declared as reactors, may in some cases become chronically affected through the lungs and lesions throughout other parts of the animal. This may in some cases result in failure to thrive, of which there is a cost in terms of reduced productivity but also with regards the welfare of these animals.

Protecting public health

Protecting public health was a significant issue when the TB Eradication Programme was launched. Transmission to the human population was much more prevalent than it is now with preventative measures such as the pasteurisation of milk and routine carcass inspections at meat processing plants helping to alleviate this risk. However a risk does still exist, primarily through the consumption of raw milk.

Principles of the Irish Bovine TB Eradication Programme

Identifying the disease

- Herds are identified for disease control, through herd registration.
- Movement of animals is monitored through the Animal Identification and Movement System (AIM System).
- Post-mortem examination at slaughterhouses forms part of the TB surveillance programme.
- All animals in the country are tested for bTB at least once a year (with the exception of calves under the age of 6 weeks born on the holding).
- Geographic Information System (GIS) is used to identify parcels of land and the herds using them and DAFM's Animal Health Computer System (AHCS) is used to manage the testing of animals.
- Veterinary laboratory services carries out diagnostic testing and research.

Confining the disease

- When animals are found to react positively to a TB test, the herd that they are present in then becomes restricted, whereby no cattle can move into or out of the herd until at least two consecutive tests have been passed by all animals.
- Herds neighboring the diseased herd are tested.
- Restricted herds owners are forbidden from selling animals on the open market to ensure that bTB does not spread to other herds across the country.
- A herd will only become de-restricted upon passing two consecutive tests and cleansing and disinfection of the premises has taken place.

Eradicating the disease

- When animals are identified as reactors, and all appropriate assessment and paperwork are completed, they are removed from the farm by licensed hauliers to a slaughtering plant.
- A valuation service is provided to determine the market value of the animals.
- Herdowners may be eligible for an Income Supplement Scheme, or a Depopulation Grant is available when a decision is made to fully depopulate the herd.
- An additional support known as the Hardship Scheme is available to support herdowners during the winter period.

- On farm checks are carried out to ensure compliance with eradication requirements.
- Badgers are also targeted in cases where they are implicated in a disease breakdown. Culling and vaccination programmes take place to control disease spread.
- Additional blood tests are used to adjunct to the bovine TB skin test.
- Herds are depopulated where necessary.

The Main Stakeholders in the Scheme

The nature of the scheme leads to there being many parties involved. While there are three parties funding the Scheme, namely herdowners, the Department and the EU, there are other relevant players. Broadly speaking, the main players can be classed into seven distinct groups.

- The Farming Community
- The Department of Agriculture, Food and the Marine
- Private Veterinary Practitioners
- Marts, Exporters and Slaughterhouses
- Milk Processors
- The Research Community
- The European Union

Other parties such as Teagasc, Bord Bia, the HSE, business representative groups and wildlife advocacy groups also play a part in interacting with the wider TB Eradication Scheme and policy environment.

Overview of the On-Farm Market Valuation (OFMV) Scheme

The OFMV Scheme is the principal compensation scheme available to herdowners whose herds are affected by disease under the bTBEP.

Under the relevant legislation (Animal Health and Welfare Act 2013 and the Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015), the Minister may pay compensation to herdowners impacted by a TB breakdown provided they comply with:

- the rules governing the National Statutory Disease Eradication Programme;
- the National/EU legislative requirements; and
- the controls administered by the Contracting Authority relating to the bovine livestock concerned.

Compensation shall not exceed the open market value of an animal before its destruction, less any salvage value or payment under a policy of insurance in respect of it, as if it were not affected by disease.

The amount of compensation that may be paid to a herdowner is not based on replacement value but on market value. Under the terms of the scheme this is defined as:

"Market value will be the equivalent price which might reasonably have been obtained for the animal at the time of determination of compensation from a purchaser in the open market if the animal was not affected by TB or Brucellosis or was not being removed as part of a depopulation under the disease eradication programme."

In accordance with relevant legislation, the OFMV is underpinned by an independent valuation process. The process comprises three main elements (further details on the operations of the scheme are outlined in the section of this report titled Operations of the Scheme):

- The production of the weekly summary market values comprises of data collated from weekly livestock sales, clearance sales, selective reduction sales or seasonal pedigree sales. The process outlined in more detail below, is based on prices monitored at live cattle sales across a broad range of categories. The weekly sales that are monitored are geographically located across all provincial regions to achieve a broad representation of the market, so as to reflect values at that time in the summary of market prices.

- ii. A panel of independent Valuers. The current Valuation panel was established on the 1st of November 2016 following an open competition in line with public procurement rules and guidelines.

Following an incidence of Tb on-farms, the herdowner or herd keeper selects a Valuer from the panel to come to their farm and assess the animal(s). The role of the Valuer is to determine a fair and independent valuation based on market values at the time of valuation.

As soon as the reactor animals are listed for valuation on the Department's Animal Health computer system, the regional valuation officer contacts the herd owner to explain the operation of the scheme and to provide the herdowner with the names of independent Valuers available to carry out the valuation. The herd owner then nominates his choice of Valuer from the list provided.

The On-Farm Market Valuation Unit provides the Valuer with documentation outlining the identity of each animal, the date of birth, sex, breed, lactation number and where relevant the last calving date. This document is referred to as the V13.

When the Valuer visits the restricted holding, details relating to breeding, pedigree status, milk production data and other relevant information that may have a bearing on the valuation are provided by the herd owner. The Valuer individually and visually assesses each animal to determine the quality of the animal. Following the visual aspect of the process, the Valuer refers to the current summary of market prices and Valuer Technical Guidelines where necessary. The herdowner and DAFM (on behalf of taxpayer) both have the option to appeal the 1st valuation. If appealed by either party, a 2nd independent valuation takes place. If the 2nd valuation is rejected by either party (the herd owner or the Department), the valuation is then subject to an arbitration hearing which is chaired by a member of the Institute of Arbitrators. The decision of the arbitration panel is final and binding on both parties.

- iii. Oversight by the competent authority. DAFM has overall responsibility for the delivery of the TB eradication programme and for ensuring the good governance and appropriate financial management of its associated compensation schemes. DAFM's role as competent authority is to ensure herdowners receive compensation in line with market values while also ensuring that State Aid rules are respected. Valuers carry out valuations per the guidelines issued by the

- iii. Department and in doing so are expected to comply with a Valuers Code of Practice. The Valuers Technical Guidelines relate to standard categorisation procedures and provide direction where consideration is required in relation to categorisation age, lactation, breeding, milk production bands and non-breeding livestock.

All valuations carried out by the Valuation panel are reviewed by DAFM. DAFM may penalise the Valuer if they fail to undertake their functions in line with the Valuer's Code of Practice.

The first valuation may be appealed by either party, the herdowner or the Department. If either party opt to reject the first valuation, then an appeal valuation is arranged. If the appeal valuation is rejected by either party, the case is then referred to the Arbitration panel, whose decision is final and binding on both parties.

In 2019, the scheme paid compensation of over €14 million to herdowners in respect of animals removed due to bTB outbreaks. There were further compensatory payments worth an additional €3.7 million paid in 2019, which do not fall under the OFMV Scheme and so which are not covered in this report:

- Income supplement;
- Depopulation;
- Hardship; and
- Ex gratia.

Background to the Review

Currently bTB herd incidence in Ireland stands at just over 4% on a 12-month rolling basis (July 2020). While still low relative to historical figures, of concern is that herd incidence is now at its highest level since 2012. Progress towards eradication has largely flat-lined in recent years, with rising costs associated with the TB Eradication Scheme not garnering further reductions in bTB incidence.

Should Ireland continue with the current trajectory it is forecast that eradication would not occur before 2080, while even if the Government's target of eradication by 2030 is achieved, this will be at an estimated cost (based on present levels of expenditure) of an additional €1 billion. Achieving eradication would therefore result in real and substantial ongoing savings that would accrue to both industry and the State.

The recent lack of progress is of significant concern and will result in considerable and ongoing costs for both herdowners and government. This reality has led to a re-examination of the policies needed to achieve eradication in a timely manner to the benefit of all parties. In May 2018, the Government approved a proposal to commit to the eradication of Bovine TB by 2030.

To drive forward this enhanced commitment, a TB Forum was set up to bring key stakeholders together to discuss and propose policies to help achieve eradication within this timeframe.

The need for an independent review of the operation of the On-Farm Market Valuation Scheme emerged from that forum as part of an overarching consideration of some of the key aspects of the scheme prior to agreement on its future approach.

Scope of the Assignment

The Department published a request for tender on 8th November 2019, for the "Provision of Independent Review of the Department of Agriculture, Food and the Marine's On-Farm Market Valuation System" (RFT 128458 – PAS097F).

The Department wished to commission a detailed independent review of the OFMV Scheme to answer key questions about the operation of the scheme, including:

1. Do the prices in the weekly Summary of Market Prices (SMP) reflect the market for livestock removed under the Live Valuation Scheme?
2. Through the OFMV, are herdowners being given the market value for reactor animals?
3. Do Valuers have scope to provide prices for reactor animals in line with market values that vary from the weekly summary of market prices within the constraints of the current Valuers Technical Guidelines and Code of Practice?
4. Do the current procedures, listed below, provide for a fair and independent process through which herdowners receive market value for each animal removed from their farm?
 - i. Compilation of the SMP - Does the current data-set used by DAFM to compile the SMP represent the market value for all categories of animals removed as TB reactors in the OFMV Scheme.
 - ii. The scope and application of the Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes (Valuer Technical Guidelines).
 - iii. Valuer Code of Practice - the application of appeal and arbitration procedures open to herdowners.
5. Does the current OFMV process ensure that the Public Spending Code is complied with and that State Aid rules are respected?
6. Is the OFMV process consistent with relevant provisions of the Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) as updated?

It is noted that while the Department issued the tender for this report, it did so on behalf of the TB Forum and as such the report will be disseminated to all relevant members of the TB Forum for feedback.

Operation of the Scheme



Operation of the Scheme

Operation of the On-Farm Market Valuation Scheme

The On-Farm Market Valuation Scheme is the compensation mechanism of the Bovine TB Eradication Scheme. This provides compensation to herdowners who have been impacted by an outbreak of bTB in their herd, to encourage compliance with the scheme and ensure outbreaks and reactor animals are appropriately managed. The removal of reactor animals in a timely manner is one of the key approaches used to reduce the incidence of bTB in Irish herds.

The below is not intended as an exhaustive summary of all of the activities carried out by DAFM within the umbrella of the TB Eradication Scheme or even the On-Farm Market Valuation Scheme, instead it is an overview of the key activities as they are relevant to the original Request for Tender (RFT) and the points raised during the stakeholder consultation phase of the project. More details on the overall scheme are available from documents such as *Ireland's Bovine TB Eradication Programme 2018 Overview*.

Determining Market Value

The OFMV Scheme provides compensation to herdowners who have incurred financial losses due to an outbreaks of bovine TB on their farm. The compensation provided is based on "Market Value" of the reactor animal, the reasonable price they would have received at market, had they not contracted TB. This compensation is determined by independent Valuers, contracted by the Department.

Valuations are calculated based on a combination of quantitative 'table' analysis and qualitative live visual assessment. Quantitative/objective analysis is provided in

the form of a weekly updated Summary of Market Prices report. This information is collated from the pricing and evaluation of livestock carried out by DAFM Regional Valuation Officers across a broad range of mart, dispersal and reduction sales locations throughout the country.

Qualitative/subjective visual assessment is undertaken at farm level by independent Valuers contracted by the Department in line with merit/quality scoring guidelines provided by the Department. This is then further adjusted for dairy breeding animals in relation to the Economic Breeding Index (EBI), to derive a final value.

Summary of Market Prices Report

The Summary Market Prices is a report which is compiled and circulated on a weekly basis by DAFM. The report aims to provide up-to-date market data from across the country to ensure that herdowners receive an accurate and consistent market value for their TB reactors at the time of breakdown.

Underpinning the report is the collation of a database representative of over 40,000 animal values from open market and specialist sales (premier, dispersal and reduction) across Ireland annually. This information is captured by DAFM's Regional Valuation Officers attending marts and recording the animal's data including price, weight and a live visual assessment of each animal consistent with the live on-farm valuations that take place during a TB breakdown. Also included are the dead weight prices of 360,000 finished cattle going through the factory annually. Finished steers, heifers, cows and bulls are valued based on the Dead Weight Price Report which takes into account all commercial cattle killed in all factories from the previous week. All information is then provided to the Department for collation, review and analysis.

The Operation of the On-Farm Market Valuation Scheme



Prices are trended in line with price movements and seasonal trends. The information collated within the database factors in 570 separate data point categories taking into account:

- Breed;
- Herd type e.g. suckler or dairy;
- Number of lactations;
- Weight & Age categorisation;
- Sex;
- Registration status;
- Quality;
- Milk yield; and
- In-calf or not.

The summary market prices includes a number of reports, covering several categories of animals, which are outlined below:

- Market value of non-breeding beef cattle;
- Market value of dairy stock;
- Market value of suckler stock;
- Market value of pedigree beef bulls.

Top-ups

A top-up amount, in addition to the values awarded in the Summary Market Prices, is awarded for dairy animals to reflect their EBI and to suckler breeding heifers to reflect their Euro Star rating. Details of these are outlined below.

Economic Breeding Index

The Economic Breeding Index (EBI) is a single figure profit index. The system was introduced in 2001 by researchers to help herdowners identify the most economically profitable and environmentally sustainable animals to breed. The system has evolved over time in line with changing farming practices and industry driven requirements. The main goals of the EBI index are to breed high fertility, easily managed cows of moderate stature, who produce high quality milk in a cost effective manner with a regular calving interval. The economic values in the index are based on data collected from Irish Dairy Farms and the Dairy Industry.

It comprises of information on seven sub-indexes related to profitable milk production.

These are:

- Milk Production;
- Fertility;
- Calving Performance;
- Beef Carcass;
- Cow Maintenance;
- Cow Management; and
- Health.

To increase the uptake of the breeding index initially and encourage the industry to engage in it, an EBI related 'top-up' payment was introduced to the OFMV Scheme. The coefficient for dairy animals is currently €1.05/unit EBI. This top-up amount is added to the value of the dairy animal from the summary market prices.

Euro-Star Index for Beef Breeding Heifers

Beef breeding heifers are subject to an additional top-up allowance to reflect their Star Rating as per the Irish Cattle Breeding Federation (ICBF) Euro-Star Index. Four and five star heifers up to 550 kgs and under thirty months of age are eligible for this top-up. This top-up can range from €5 to €20 per 100 kgs depending on the Quality and Star Rating of the animal.

Appointment of Valuers

Valuers are appointed as contractors to the Department by ERAD Division via a multi-supplier tendering framework hosted on the e-tenders website, in line with relevant Irish and European Union (EU) public procurement regulations. The Department aims to utilise a minimum of five Valuers per county with up to seventy contracted across the country.

Valuers are paid by the Department an all-inclusive standard rate per number of animals valued.

The most recent RFT, competed in 2016, required prospective tenderers to provide evidence of at least three years experience in the evaluation of bovine livestock in one or more of the following six areas:

- Expertise in livestock auctioneering / Mart management;
- Expertise in livestock judging;
- Expertise in live weight assessment;
- Expertise in projecting carcass grade at slaughter;
- Expertise in projecting kill-out weights; and
- Expertise in analysing market trends / market requirements.

And in a minimum of two or more of the following four categories:

- Pedigree Beef Cattle;
- Commercial Beef Cattle;
- Pedigree Dairy Cattle; and
- Commercial Dairy Cattle.

Round one successful applicants were then invited to a secondary stage where they are required to demonstrate their expertise in evaluating of bovine livestock at a live assessment session and are assessed in terms of their ability to evaluate a broad range of categories relating pedigree & non pedigree beef and dairy animals, breeding and nonbreeding.

The live evaluation relates to applicants knowledge and experience in the areas of

- Evaluation of Pedigree Dairy and Beef breeding animals; and
- Evaluation of commercial Dairy and beef breeding livestock.

Tenderers are also required to demonstrate their overall knowledge relating to livestock breeding and the bovine livestock industry. Following the completion of the tendering process, successful applicants are required to attend an initial seminar/ workshop training arranged by DAFM for further professional development/information. Workshops are held at least on an annual basis. Training is also provided by independent consultants with expertise in the areas of commercial and pedigree livestock breeding and evaluation.

Valuers Code of Practice

The Department monitors the work of Valuers on an ongoing basis and a code of practice is in operation which sets out specific procedural requirements, as well as a categorisation of sanctions, to be implemented where a Valuer fails to adhere to those requirements. The purpose of which is to ensure in as far as is reasonably possible, that Valuers assess all categories of dairy and beef animals fairly. Assessment of beef animals is carried out in line with predictable beef carcass grading expectations taking into account;

- Development and locomotion;
- Beef breeding animals in relation to skeletal appearance, conformation, development, locomotion and milk - producing ability, breeding history; or
- Dairy breeding animals in relation to conformation, functionality, stature, dairy traits, milk production and composition and locomotion.

The code of practice also provides guidance for areas relating to timelines and the number of days valuations are expected to be completed by Valuers. Where Valuers do not complete valuations within the number of days allocated, (three working days to undertake the valuation and two days to return the valuation to the herd owner and DAFM), the Department may take procedural action under the code of practice, unless the delay is related to an issue outside of the control of the Valuer.

Accumulation of points above set threshold levels results in a defined period of suspension from all valuation work of between three weeks and a minimum of three months. In serious breaches of the code, Valuers may be removed permanently from the Valuer Panel where deemed appropriate. An appeals process is in place for both imposition of points and notification of suspension. The imposition of points under the code of discipline is measured within a twelve month period and disciplines range under three categories:

Category 1: 5 penalty points – failure to adhere to relevant timelines/failure to complete V13 forms accurately/failure to accurately assess quality or weight of stock (+ or – 1 overall merit/quality score on 25% or more of reactor animals valued within a given herd)

Category 2: 10 penalty points – failure to notify of unavailability to perform duties/failure to accurately assess quality or weight of stock /failure to take note of obvious defects of an animal (+ or – > 1 overall merit/quality score on 25% or more of reactor animals valued within a given herd)

Category 3: 30 penalty points – failure to inspect animal prior to providing a valuation/failure to report a conflict of interest/failure to accurately assess quality or weight of stock (+ or – > 2 overall merit/quality score).

As of 2019, the penalty point scheme is currently suspended pending further review.

Merit/Quality Scoring

A key role of Valuers in determining market value of an animal is to establish the overall merit / quality score of the animal. The purpose of a merit/quality scoring system is to take account of the individual characteristics of each animal assessed, as opposed to using an average value based on quantitative/objective data alone.

This consists of a live on-farm visual assessment of each animal to determine the overall merit/quality score of the animal. The Department issues guidance for Valuers which seeks to formalise a framework of the various criteria that should be taken into account when visually assessing animals. This helps to ensure a consistent approach is applied across the country. This criteria is what Valuers/herdowners/auctioneers consider on a daily basis when visually assessing animals.

All bovine reactor animals are evaluated individually on a visual quality assessment basis in line with other relative factors as outlined below, the visual assessment values applied range from 1 – 5 and are as follows:

Quality 1 = Excellent quality

Quality 2 = Very good quality

Quality 3 = Good quality

Quality 4 = Fair Quality

Quality 5 = Poor quality

The main factors taken into account when determining the overall valuation for each animal are as follows:

Non Breeding Animals (Beef)

The quality definition for the non breeding beef animals is broadly in line with the Beef Carcass Classification Grid (E,U,R,O,P). This is the standardised beef price reporting system which applies throughout the European Union. It takes into account conformation which is denoted by the letters E, U,R,O,P with **E** being the highest quality and **P** being the poorest quality. Factors relating to development, growth and skeletal appearance of the animal within breed is also taken into consideration.

Suckler Cows and In-calf Heifers

Dairy Animals

The factors that influence the overall merit / quality score of a dairy cow include the following: stature, legs, feet, chest width, body depth, angularity, rump angle and width, udder attachment height and support, teat placement, locomotion, genetic potential, milk composition (particularly protein content), service sire and background breeding.

The factors that influence the overall merit / quality score of a suckler cow include the following: conformation, size /scope, pelvic size, functional traits (Udder, legs, feet, etc.) and service sire.

Pedigree Animals

The factors that influence the overall merit / quality score of a pedigree beef cow include the following: conformation, linear score, performance data (suckler beef value, Tully and On-Farm BLUP figures), size /scope, functional traits (udder, legs, feet etc.), breeding, genetic potential, service sire and Euro Star index ratings.

The Department issues guidance for Valuers titled 'Guidelines for categorisation and assessment of Bovine Reactor animals for On-Farm Market Valuation purposes', which seeks to formalise a framework of the various applicable criteria that should be taken into account when Valuers are visually assessing animals. The document facilitates a standard approach to categorisation for completion of the V13 which the herd owner and Department are both furnished with copies of after the valuation has been completed. The guidelines provides both clarification and definition to Valuers and helps to ensure a consistent approach is applied across the country.

The document includes information on the following:

- Coding relating to categorisation;
- Categorisation relating to lactation and age of dairy breeding animals;
- Categorisation relating to lactation in beef breeding animals;
- Categorisation relating to alignment on non breeding beef animals; and
- Explanation and breakdown of milk production bands.

Assessing pedigree status:

- Yield level categorization;
- Quality scoring;
- Merit scoring; and
- Factoring in EBI to final calculations.

For example, a reactor dairy animal must be valued under the merits of stature, legs, feet, chest width, body depth, angularity, rump angle and width, udder attachment height and support, teat placement, locomotion and functionality.

The factors that influence the overall merit / quality score of a dairy cow include the following: stature, legs, feet, chest width, body depth, angularity, rump angle and width, udder attachment height and support, teat placement, locomotion, genetic potential, milk composition (particularly protein content), service sire and background breeding.

The factors that influence the overall merit / quality score of a suckler cow include the following: conformation, size /scope, pelvic size, functional traits (Udder, legs, feet, etc.) and service sire.

Ceilings on compensation

A ceiling of €3,000 will apply to compensation payments in respect of any individual bovine animal, except in respect of either:

- a) One stock bull per breakdown episode where a ceiling of €4,000 applies; and
- b) One pedigree stock bull in the same breakdown episode where a ceiling of €5,000 applies.

All ceiling prices above are inclusive of any factory salvage price payable by the factory and/or payment under a policy of insurance in respect of it.

Valuation Processing

Once a reactor has been identified in the herd, the veterinary practitioner notifies the Department. Interpretation of the herd test is then carried out by the Department's Veterinary inspector and following completion of the interpretation process, administrative staff from the Regional veterinary office contact the herd owner to establish if the herd is a dairy milk producing herd. Where applicable, permission is sought from the herd owner for the regional vet office to contact the relevant creamery – cooperative to establish the notional volume of milk produced.

The valuation process commences after interpretation when valuation details are listed on the Animal Health Computer System (AHCS) under awaiting assignment. At this point the Regional valuation officer contacts the herd owner to:

- Offer the herdowner their choice of Valuer (a list of Valuers who operate in the relevant region is read to the herd-owner/keeper for them to select from);
- Inform the herdowner of their responsibility with regard to the valuation and direct the herd-owner to have the information on hand for when the Valuer is carrying out the valuation; and
- Provide an insight to and answer questions with regard to the valuation process.

Once the preferred Valuer is selected by the herdowner, the Regional valuation officer:

- Assigns the valuation on the AHCS to the nominated Valuer.
- Provides the Valuer with the documentation outlining the identity of each animal, the date of birth, sex, breed, lactation number and, where relevant, the last calving date. This document is referred to as the V13. When the Valuer visits the restricted holding, details relating to breeding, pedigree status, milk production data and other relevant information that may have a bearing on the valuation are provided by the herd owner.
- The Valuer then has **three working days** to complete the valuation, during which they must establish a mutually agreeable time with the herdowner to physically conduct the valuation on-farm. The Valuer individually assesses each animal to determine the quality of the animal, following the visual aspect of the process. The Valuer refers to the summary market prices and technical guidelines where necessary.

- When the valuation process is completed on-farm, the V13 form outlining the assessment and values assigned to each animal must then be provided to the keeper within **two working days**, with the same timeline applying for the form and supporting documentation to be provided to the Regional Valuation officer.
- Both the herdowner and DAFM have **four working days** in which to consider the values awarded and accept or reject the valuation.
- If either party chooses to reject the initial valuation then a second Valuer is appointed with the party who objects selecting the Valuer using the same list previously provided to the herdowner. If both parties object to the valuation then the herdowner is given the right to choose the second Valuer.
- The second valuation must take place within **four working days** with the V13 form returned to both parties within **two further working days**. No information regarding the value of the initial valuation is provided to the second Valuer to ensure independence is maintained. The cost of the initial valuation is borne by the Programme, however further valuations may see costs shared.

Arbitration

Both parties then have **fourteen calendar days** from the date of second valuation to confirm acceptance or rejection. If either or both parties object to the outcome of the second valuation then the arbitration process, which is governed by the 2010 Arbitration Act, comes into effect. A hearing is convened to provide the opportunity for both parties to put across their case.

The membership of the arbitration panel is made up of a qualified member of the Chartered Institute of Arbitrators (CI Arb), a DAFM representative and a farming community representative. The decision of the arbitration panel is binding and final and may include a decision to award costs to either party.

Final Valuation

The final valuation of a reactor takes into account a range of considerations as outlined, the most material of which are the Summary of Market Prices data, the Merit/Quality Score and the Economic Breeding Index (for breeding dairy herd replacements) and ICBF Star Rating (for beef breeding heifers).

Dairy animal

For example, the value for a Lactation 2 Pedigree FR Cow with a Milk Yield of 6800 litres and an EBI of 105, who is awarded an Overall merit / quality score of 2 on 27th January 2020 would be calculated by the valuer as follows:

Base Price (€1850) & EBI Top-Up (EBI of €105 * EBI Co-efficient of 1.05 = €110) = Final Valuation of €1960

Non Breeding Beef animal.

For example, a 5 star Forward Store Continental Heifer given a Quality Score of 2 and weighing 500kgs on 27th January 2020 may have been calculated as below by the Valuer on the day:

Base price (500kgs x €232/100kgs) + 5 Star Top up (€15/100kgs)

Base price (€1,160) + 5 Star Top up (€75)

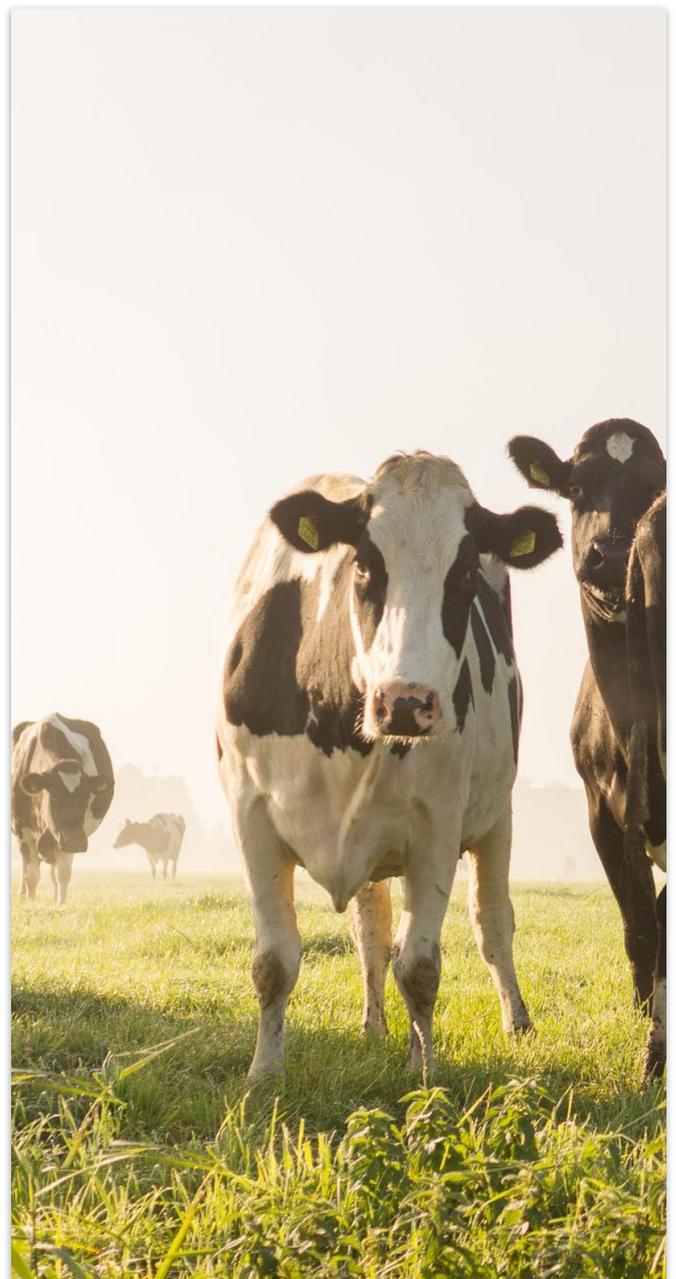
Final Valuation = €1,235

This valuation, if accepted by all parties, would be the compensation the herdowner would receive all other things being equal – deductions may be made to the final valuation for items such as insurance payments, penalties for non-compliance and appeal costs etc.

The payment of this value would be split into two sections, a salvage price paid directly by the slaughtering plant to the herdowner and a differential between final valuation and salvage price paid by the scheme to the herdowner.

This is calculated using the following formula:

Attributed reactor market valuation – salvage price = net differential.



Stakeholder Consultations



Stakeholder Consultation - Process

Consultation Process

During the period between February and April 2020, Grant Thornton undertook a stakeholder consultation exercise to identify and understand the concerns and opinions of the wider agri-food community who have a touchpoint with the Bovine TB Eradication Scheme, and in particular the OFMV Scheme. A broad cross-section of stakeholders was engaged to gain a comprehensive collection of views and concerns relating to the aforementioned schemes. The views were collected through face-to-face stakeholder meetings and phone calls where logistics and timings did not allow. Each stakeholder was allowed to speak freely, and all of the comments were collated and anonymised unless otherwise stated.

Following each of the consultations, a summary of the minutes taken was drafted and shared with the stakeholder to ensure that all points raised were noted correctly, and to provide the opportunity for additional comments to be included. Any updated comments were noted by the team. Following the completion of the consultations, a summary of the main concerns was drafted and circulated to all stakeholders for comment and review. The issues raised were grouped into five distinct themes, and questions surrounding these themes were put to the stakeholders to:

- ensure all views had been appropriately understood and captured;
- include all of the key concerns; and
- provide the opportunity for stakeholders to comment and propose solutions to those concerns.

These themes and the questions posed are outlined in the following pages, and the feedback we received, along with the original comments have been analysed and the findings from these have been presented in the following pages. The responses were analysed by Grant Thornton to identify the level of support for or opposition towards the operation of the OFMV Scheme. The responses to the consultation process reflect the opinions of respondents not our own views which are captured in detail in the Conclusions section of this report.

Stakeholder Breakdown

Consultations were undertaken with 35 individuals or organisations. The following table displays the breakdown of respondents among different groups. A broad section of stakeholders was chosen to ensure a wide range of concerns and opinions were captured. Herdowners consulted for the process of this analysis were chosen at random from a full list of herdowners who had engaged with the OFMV Scheme in a previous two week period.

Breakdown of Consultations	
Farming Representative Groups	4
Herdowners	16
Valuer Representative Groups	1
Department Officials: Regional Valuation Officers	6
Veterinary Representative Groups	1
Business Representative Groups	2
Wildlife Trusts, HSE and Others	5

Themes Arising from the Consultation

It is important to note that this was not intended as an exhaustive response to every issue raised during the initial consultation phase. Instead, the responses to the consultation process were examined to determine whether there were any overarching themes or areas of broadly-held concern.

A list of commonly raised issues was drawn up and subsequently shared with all of the stakeholders for comment. This allowed the stakeholders more time to reflect and provide insightful suggestions than they were previously afforded in the one to one consultations held. Five key areas of concern were put to the stakeholders which are outlined below, along with the summation of the commentary received on them, and our suggestions on how some of these issues may be addressed. The issues raised mirrored many of those that had arisen as part of the discussions at the TB Forum.

Main Concerns Raised
Overall Operation of the Scheme
Accuracy of Market Prices Data and Valuations
Independence of the Valuers
Communication with the Department
Delays

Stakeholder Consultation - Feedback

1. Overall Operation of the Scheme

The OFMV Scheme is operated by the Department and so the Department is ultimately and legislatively responsible for its efficiency and effectiveness.

1.1 – to maintain the independence of the scheme and confidence in it, all parties must:

- understand how and why the scheme operates; and
- be provided with sufficient and ongoing opportunity to provide input into how the scheme operates.

Is this currently the case and if not, how might it be better achieved?

There is largely a consensus that the scheme, how it operates and the rationale for it, is understood by all stakeholders, however, concerns were raised about several areas that it was felt need to be addressed and which the current processes do not provide sufficient opportunity for feedback.

Of particular concern to many stakeholders was understanding the:

- way in which the SMP report is developed;
- development of quality scoring
- guidelines and how they are applied to the role of the valuer in conducting valuations; The restrictions placed on a valuer in conducting a valuation; and
- The perceived explicit or implicit pressure placed on Valuers by the currently suspended disciplinary process overseen by the Department.

These are discussed in more detail later in this chapter.

Fatigue with the scheme was a common theme that emerged through the consultations. It was highlighted that incidence rates are now static, despite continued investment each year. Some noted that it would have been preferred to have a higher outlay in earlier years of the scheme to accelerate the process, than the current trickling of investment without seeing results. It was also noted that herdowners have no confidence in the scheme or that the disease will be ultimately eradicated with some suggesting there was no desire from several other key stakeholders to achieve the goal of eradication because of vested interests.

Frustration arose where there were knowledge gaps, and a clear documented process would move towards easing those frustrations. It was highlighted that the Department needs to ensure there is greater transparency with regards all aspects of the process and communicate this effectively to the farming community. There is value to be seen in providing a robust process that has been formalised on paper, to provide guidance and assurance to all parties involved.

This would also help ensure that the process is followed consistently. Consistency of the testing regime in particular was a concern. Calls were made for stricter guidelines around the testing process and the speed that it takes in the laboratories. This extends to not just the testing process, but the scheme as a whole.

It was felt by some that there was an imbalance between the Department and the industry with regards the overall scheme operation with herdowners having little opportunity to provide feedback into the processes or hope of seeing meaningful changes made to address concerns. It was argued that herdowners should have significant input into how all aspects of the TB Eradication Scheme operate and that that should extend to the OFMV Scheme as well.

It was suggested that if the Department were to invite more frequent feedback on the scheme from all stakeholders, and discuss the sticking points, it would help to progress the overall scheme forward in achieving the common goal of TB eradication in Ireland. It was felt that regular meetings and communication would help to build closer relationships between all parties.

A combination of greater transparency on the processes, and a larger more involved role for industry in the scheme either through opportunities to provide actionable feedback or to jointly oversee and input into future changes to the scheme were seen as appropriate ways forward to bridge the gap between the industry and the Department.

2. Summary of Market Prices Data

The collation of a data set of sales that take place during any given week across marts in Ireland and its use to develop guide market prices for Valuers by the Department raised several concerns.

2.1 - The Department has sole responsibility for collating data to assess guidance on fair market values.

Is the current process an efficient use of the Department's resources or are there any alternative existing available information sources which are widely accepted and sufficient to provide fair market values without further Departmental intervention?

Is there a need for guide market prices or should Valuers be 'trusted to value'?

If there is a need, what measures could be taken to ensure that there is confidence amongst all parties in the development of these market values?

There were mixed views on the Department's role in collating the data for the market prices. Arguments were made that this was an unnecessary process that was cumbersome, expensive and duplicative of existing data already available. Some felt that Valuers should be able to value without any need for guide prices based solely on their experience and expertise. Others, including some farming representatives, accepted the Department's position that guide prices were necessary and indeed beneficial to all as they ensured consistency and fairness with regards valuations across Ireland on any given day while also safeguarding the operation of the scheme efficiently and cost-effectively.

While the point was made that there was no requirement for the Department to collate this data as it was a duplicative process to generate information that was readily available and understood within the industry, stakeholders could reach no consensus on a sufficient alternative source of this information.

It was felt that the process of compiling the SMP was a 'black box' which only the Department had access to or understanding of and that this impacted on both the perception of independence and the integrity of the values it produced.

Several stakeholders said that it is clear that this process requires an overhaul to modernise it in light of IT and systems advancements. The manual process, overseen and operated by the Department, led to calls that the Department as an interested party lacks independence, and to address this, a structural change is needed. The Department acknowledged the complexity of collating such data, and that legacy issues arise as the process was created in the early 2000s when the use of IT systems in marts was limited.

It was suggested that if this process were to be automated, the data could be sent directly from the marts to the Department or a potentially independent third-party for collation and analysis, where the Department would have no line of sight on these figures. This would remove the concern surrounding the independence of the figures, and reduce the time taken to collect this data. An automated system could allow for a great number of data points to be collected, where they are available from marts, leading to greater granularity and accuracy of the market prices given. The use of an automated system was discussed in the context of the UK's approach to collecting data points for the market prices in their scheme. Such a model is operating in the UK, which is directly funded by the levies paid by herdowners.

There are, however, still certain categories where data points are missing, and these would need to be filled through other mechanisms such as clearance sales and private sales data where applicable or further alternative measures such as extending periods to increase sales data points or continuing live visual assessment of such animals.

Guide market prices and price ceilings were raised several times as an issue that is seen as restricting the Valuers from acting independently in their role. Concerns arose from the fact that the Department “imposes” the summary market prices on the Valuers, and that they are not able to deviate outside of those. For those that raised this concern, many felt that the Valuers did not have the discretion they needed to accurately assess and value the animals and that this was undermining their experience and credentials.

The now-suspended penalty point system was also highlighted as undermining the Valuers’ independence, with the view expressed that they are being hired to do a job based on their experience, and expertise and as professionals, they should be trusted to fulfil their requirement without departmental intervention. The suggestion was that guide market prices, hard price ceilings and a disciplinary process for exceeding these administered by the Department pressurised Valuers and has removed any independence that was previously within the scheme.

Other comments in regards to this related to herdowners mentioning that the Valuers were doing all that they could to give them a fair price, however, the Valuers could not exceed the prices laid out in the summary market price document. The guideline figures should, it was also noted, be applied as such, as a guideline, and that the Valuers should be able to use their professional competence to set valuations outside of these. A counter view was also put forward that all Valuers are aware that they can go outside of the hard ceilings and are encouraged to give a true valuation of the reactor animals. One stakeholder noted that while Valuers are aware of such flexibility the hard ceilings are actively imposed by the Department.

This issue is addressed elsewhere in this report.

Other stakeholders argued that the hard ceilings on prices were not a key concern other than for certain situations surrounding the breeding of pedigree stock and that perhaps additional training may be needed to value specific types of animals, particularly where Valuers may not have had sufficient experience due to the relative lack of such animals.

The Department was clear that Valuers can value outside of the summary market prices where they see fit and highlighted that this is stated in the Code of Practice, however, they are asked to provide data or evidence to support their valuations. It was stated that this matter has been raised at various stakeholder meetings and training sessions with Valuers, however, it appears that there are still shortcomings in how this is communicated and widely understood by individual herdowners.

2.2 – The categorisation system used by the Department for this data was considered alternately as overly complex and onerous or insufficiently detailed and focused.

Is it possible to simplify this process and make it more readily understood and less resource-intensive while also sharpening its focus in specific categories?

There was a clear divergence of opinions on this matter even amongst industry representatives which was confirmed in the feedback on the concerns raised which will be challenging to overcome to reach a future consensus.

It was felt by some stakeholders that the process was complex to the point of being not understandable for some herdowners, while others highlighted that the categorisation used was not aligned to how herdowners view their stock in reality. Others felt that the categorisation was insufficient and missed the uniqueness and inherent value of some animals. The Department stated that the number of categories was significantly more than those used in other comparable jurisdictions. The Department noted that the process of collating the SMP was resource-intensive and the categorisation used complex but highlighted that the number of categories assessed was a direct attempt to be fair to all parties and ensure that each animal received a valuation that was reflective of its unique characteristics.

The granular nature of the categorisation, it was noted, directly impacted upon the number of available sales data points and once again calls were made that more and more appropriate data points are needed.

In cases where there is a lack of data then it was suggested that the DEFRA model where gaps are identified, and a range of measures can take place including extending the period beyond a single month to increase data points or reverting to on-farm visual assessment. The number of data points is reviewed by statisticians on a periodical basis to ensure there is a minimum number of sales data points to have confidence in the values provided. With a movement away from visual assessments, it is arguable that an increased level of granular detail will be needed to ensure the most accurate values are provided.

2.3 – The data points collated under the current process while anecdotally sufficient and appropriate for 90 – 95% of categories assessed were considered lacking in several others, specifically:

- Breeding animals (suckler and dairy) – quality 3rd and 4th lactation animals are highly valued by herdowners and are considered by some stakeholders to not come to market except under distressed circumstances which have a negative impact on market prices. Limited clearance sales are not sufficient to determine fair value.
- Pedigree animals – these make up a small proportion of the overall market due to their nature but also rarely come to open market, instead typically being traded privately if at all. Limited sales data is not considered sufficient to determine a fair value.

What other sources of data are available to bridge this gap (perceived or actual) or what other means of assessing the value of these animals might be utilised to improve this process?

The most commonly raised theme was that of the accuracy of the reference prices provided to Valuers to award compensation for reactor animals. While some stakeholders estimated that up to 95% of animals were valued appropriately, almost all stakeholders raised concerns about the extent to which accurate data was available for valuing certain categories of animals. Some stakeholders highlighted particular concerns around the current valuations of pedigree animals and 3rd to 5th lactation dairy and beef animals.

Two separate points were noted as impacting on the accuracy of valuations. For pedigree animals, it was accepted by all parties that due to their rarer nature there are fewer sales taking place of these animals, and what sales do are often private transactions which do not take place at marts and are therefore not currently within the data collected by the Department to generate the SMP.

For breeding animals the issue was less about the amount of available sales data points and more with regards the appropriateness of those data points.

The view was expressed that 3rd-5th lactation dairy and beef cows are considered to be some of the most valuable animals on a farm as they are considered to be 'in their prime' and having reached their productive peak with the risk and uncertainty of earlier years having been greatly reduced by this stage

It was suggested that these animals rarely come to marketplace as a result except under two conditions:

- Where this is an issue with the animal; or
- At clearance sales where a herdowner is exiting the industry entirely.

Under both circumstances it was considered that values would be depressed, in the former, due to the poorer quality of the animal, and, in the latter, due to the perhaps unwilling nature of the sales.

It was therefore felt that it was not appropriate to use these data points to provide guide price values for reactors.

Some suggestions raised to fix this data gap included using springing heifer data as a baseline and creating a formula based on likely future production to arrive at a valuation. Other suggestions included using assessment tools such as the ICBF's Cow's Own Worth which is a database driven metric. Calls were also made for increased consideration to be given towards the future economic value of the genetic element of these animals where embryo transfers are routinely carried out on-farm.

Outside of these two categories highlighted, while there was a general desire to see what was considered to be fair values provided, there were no further specific concerns raised around the inaccuracy of valuations with a typical estimation of accuracy of values sitting around 90%-95% of reactors. Several stakeholders mentioned that some herdowners tended to believe the value of their animals was higher than the market average, and so their expectations were not met when it came to valuations, or as one stakeholder put it "everyone thinks they have the prettiest wife at home".

Where there were further concerns was with regards the fair market value provided being insufficient to cover the whole range of costs incurred by herdowners throughout a TB breakdown process ranging from additional activities necessary to comply with regulations or support animals beyond the point at which they would be sold on, and the costs of restocking. Discussions with individual highlighted the challenges and strain these additional costs place on the business over and above the inherent or perceived value of the reactor emphasising the need for progress in eradicating TB in the Irish herd.

The Department highlighted that while the OFMV Scheme does not directly cover these costs and that this is consistent with the approach taken in other jurisdictions, there is some provision for such costs through a range of additional funding such as hardship grants and income support which are not available in other jurisdictions.

These additional payments do not form part of the core OFMV Scheme and so were considered out of scope for this report.

2.4 – The use of valuation bands alongside a quality score system with “hard” ceilings and floors restricts ‘fair market’ values.

Is the current quality scoring process used by the Department widely understood by all parties? Has it been shared and agreed with herdowners? Should it be?

Is the process aligned with other recognisable industry-wide quality scores and if not which other scores could or should be utilised?

The quality scoring system is an attempt to formalise an informal process that herdowners conduct at marts every day into a consistent approach and framework for Valuers across the country. Are the quality scoring variables currently in use appropriate and consistent with how valuations take place in the open market?

There was much discussion throughout the consultation process with regards the use of valuation bands and whether ‘hard’ ceilings existed which valuations could not exceed. It is fair to say that there was a full range of views expressed as to how valuations should be conducted and the factors which should be considered.

As highlighted previously, some stakeholders felt that as a matter of principle Valuers should be free to value-based purely on their judgement and that a quality scoring system linked to valuation bands represented an infringement on their ability to do so. In effect, a valuation should be solely reflective of market conditions and not be influenced or impacted by ‘non-experts’ in the Department in any way.

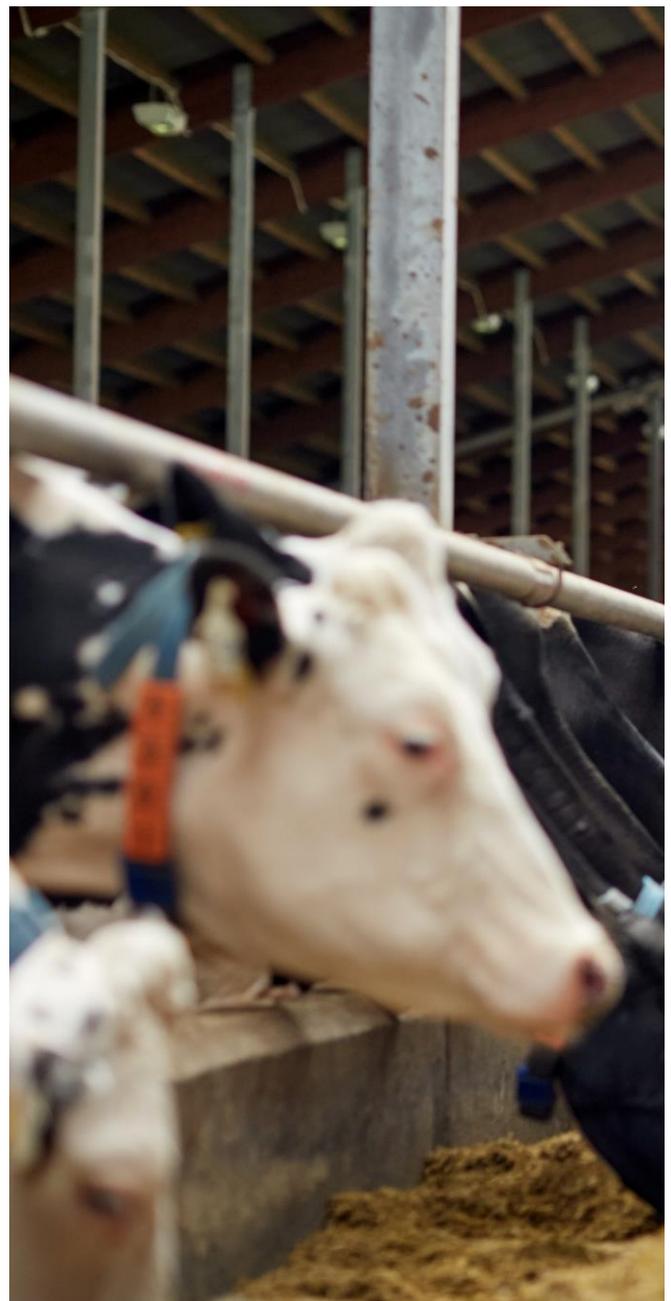
Others felt that the use of valuation bands provided greater clarity for all parties and ensured that a consistent approach was taken across the country.

Outside of the general principle of using valuation bands to guide prices rather than an open market valuation system, there were concerns around the current quality scoring system which was felt to either be insufficiently understood by herdowners or insufficiently aligned to any of the various quality scoring systems recognised across the industry. While the Department saw the system as a formalisation within a framework of informal variables that herdowners, auctioneers and others inherently take account of when valuing animals on the open market daily, others did not recognise those variables as helpful and saw their use as an attempt to place restrictions on Valuers.

The Department commented that the scoring system is widely understood by Valuers and is set out clearly and logically within the guidelines. Training is also provided to Valuers at various points to ensure all aspects of the process including the quality scoring system is understood and applied appropriately. This was a view echoed by the Valuers representatives. The Department did, however, accept that this process may not be as well understood by individual herdowners, and was open to improving communications in regards to this.

The Department reiterated that Valuers could place any value they considered to be appropriate on a reactor inside or outside of the valuation bands and that this was stated within the Valuers Code of Practice. Where Valuers do choose to recommend a figure greater than the ceiling of the relevant valuation band they are asked to provide supporting arguments as to why they believe this to be the case in their professional opinion. These are then judged on their merits before a final decision is made. In discussions with the Valuers Representative Group, they agreed with this view and stated that their members did indeed have scope to recommend higher valuations though they could not indicate how frequently this occurred.

Once again, the view repeatedly expressed across all topics of the consultation phase was the need for a combination of greater industry input and departmental transparency to work towards a shared agreed process in the future. To achieve this, a suggestion was that a working group could be set up to discuss the current quality scoring system and other issues. During this phase, there were several suggestions put forward of quality scoring systems which are in operation across the open market but again there was no consensus and it was unclear if those metrics were sufficient and appropriate for this purpose.



3. Role of Valuers

Valuers are a key actor in the OFMV Scheme acting as data collators and interpreters, point of contact between the herdowner and Departmental representatives and independent live valuer of reactors. While there is acceptance of their capability to conduct their work there are concerns that the conditions under which they work are impacting their independence.

3.1 – Herdowners are provided with a list of regionally available Valuers from which they can choose, however, the Department is responsible for contracting those Valuers in the first instance.

Is the process as to how Valuers are selected, trained and monitored sufficiently understood and accepted and should there be a process for input from herdowners?

The process of how Valuers are selected, trained and monitored and whether this was sufficiently understood and accepted and if there should be input for herdowners, prompted several responses.

It was suggested in one response that the process was not sufficiently transparent or understood by most and, since the TB eradication programme was supposed to be one of partnership, stakeholders should be involved in this process.

Another believed there should be an oversight group including herdowner representatives that set the terms of reference for Valuers, etc.

The inclusion of herdowner representatives, with equal input into all aspects, was also supported by a separate respondent, who maintained there was a clear understanding of the process applied by the Department in selecting, training and sanctioning of Valuers, who did not comply with “their flawed ideals of an independent market”.

One proposed that a case could be made that all Valuers should be registered auctioneers.

Another suggested that the selection of Valuers should be a choice for herdowners without any Departmental input.

However, the Department highlighted that Valuers were selected through an application and interview process, following the public advertisement of a vacant position. Training workshops were provided, which the Independent Valuers’ Group, deemed to be sufficient. Valuers were monitored through being accompanied by a senior Department official on occasional visits to a farm.

The farming bodies, it was stated, had accepted the process, on behalf of their members, and any external influences on selection, training or monitoring by individual herdowners might alter the integrity of the scheme.

The Department made clear that Valuers were not contracted to collate data or act as a point of contact between herdowners and Department officials. Such an interpretation, it added, could lead to confusion. The point of contact for herdowners was the Regional Valuation Officer. Valuers performed a critical role for the OFMV but were not the official point of contact for a herdowner in a Bovine TB breakdown.

As part of the training programmes for Valuers, the scheme engaged groups such as ICBF and the Irish Holstein Friesian Association (IHFA) to provide independent training. These groups also provided direction to herdowners on a daily basis. It was also stated that Valuers were encouraged to attend pedigree sales and to continue to support their own knowledge base.

The process of Valuers being given refresher training once a year and being regularly monitored by SAO staff was felt to be working “quite well” by some.

The Department stated it was open to stakeholder input into the criteria for the selection of Valuers and valuer training, as part of the next tender process through a group established in line with the TB stakeholder forum proposals.

3.2 – Valuers are provided with the Summary of Market Prices data every week and are expected to utilise the categories and prices it contains.

Do Valuers have the flexibility to value reactors outside of the “hard” ceilings and floors that are contained with the SMP data? If they do, are they aware, and if they don’t how can this be facilitated to provide greater flexibility?

Feedback on this section has been incorporated into Section 2.1 in this chapter to remove duplication within the final report.

3.3 – A penalty point system was previously in place (but is currently suspended) for Valuers.

Is there a need for such a penalty point/review process for Valuers? If so, which infractions should it cover, what format should it take and what criteria should be used to judge and assess such infractions?

Responses to this topic were amongst the most consistent and the most strongly felt.

Questions were raised about the penalty point system for Valuers, which had been in place but is currently suspended. Answers were sought as to what the penalty points system was, why it had been put in place, why it had been removed and if there were plans for a replacement.

The use of the penalty point system was raised several times, typically in the context of how it must be permanently removed in conjunction with the issuing of rigid categorisation and quality assessment criteria. The impact of this, it was argued, is that it, directly and indirectly, prohibits valuers from independently assessing and pricing reactor animals fairly in the scheme. The categorisation guidelines which include the quality assessment guidelines must be removed and Valuer’s expertise recognised to categorise and quality assess the animals being valued. In addition, the provision of accurate and independently compiled price ranges for reference purposes is necessary to ensure Valuers are provided with the flexibility to accurately carry out their obligations in the Independent Live Valuation Scheme without fear of reprisals or sanctions, it was noted.

Another critic of the penalty point system claimed it seriously undermined the independence of the Valuers and was a gross interference by the Department in the process. It was recommended that all penalty points must be permanently removed from the scheme that was associated with any aspects of the assessment and pricing of the animals. Another view expressed was there was no need for a penalty point system for individual Valuers doing their job and that the Department should renew contracts based on overall performance instead of issuing penalties for individual valuations.

One stakeholder believed that the penalty point system should be abolished and replaced by a group including herdowner representatives to address complaints in relation to valuers from herdowners and the Department. It should adjudicate on issues and have the power to issue sanctions.

Another contributor underlined the need for some form of checks and balances concerning the operation of the scheme and the logistical conditions to which valuers must adhere, i.e. mandatory valuation within three days of notification. But it was not accepted that penalty points should be imposed on valuers for grades or quality scores applied to animals.

A final stakeholder suggested that a code of conduct was essential to the efficient running of the scheme and that issues such as weight assessment and correct quality scoring were important to herdowners as well as the Department and should be maintained at a high standard for the integrity of the scheme.

Generally, it was suggested that while minor infractions should be dealt with verbally by the regional SAO, there had to be a more robust and independent process with appropriate oversight for dealing with very serious issues.

It was also suggested that any future disciplinary system should revolve around procedural issues and not be centred on compensation valuations and that any system needed oversight by a panel, rather than the Department solely.

There were some areas where it was felt sanctions were appropriate e.g. to ensure appropriate biosecurity on entering farms and timely valuations but only where herdowners had equal input into the process as the Department, perhaps through democratically elected representatives, was thought to be beneficial to the operation of the scheme.

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The Department pointed out that all professional service providers had some element of professional standards applied. It was important, to ensure herdowners got a high standard and consistent level of service, to have an agreed standard and a review process for Valuers. The Department also referred to the 2008 Value for Money Review of the TB programme which highlighted that in jurisdictions that did not have sufficient guidance or oversight, reactors were being significantly overvalued from between 34pc to 100pc above market value (section 5.6.3 p102). This raised significant concerns about State Aid, potential moral hazard and inappropriate use of public monies.

The Department said it was clear that a system with no guidance/oversight posed a considerable risk. While the Department was open to considering alternative oversight/review processes, they stressed some system needed to be in place to ensure monies provided by herdowners, the State and the EU were managed appropriately.

It said any Valuer monitoring mechanism should cover all of the potential breaches set out in the Valuer Code of Practice particularly:

- Deriving valuations lacking written objective criteria and not taking account of wider market norms;
- Delivery time – valuations carried out within timelines, prompt removal of reactor animals from farms was dependent on efficient and timely valuation;
- Valuers accepting or requesting the first valuation when carrying out appeal valuations;
- Valuers assessing animals in excess of one quality score on a sizeable percentage of reactor animals, e.g. > 35pc, it was unfair to other Valuers where some were valuing in excess of real value to achieve additional business;
- Amending valuations following later consultation with herd owners;
- Incorrect live weight assessment;
- Repeatedly not providing the necessary valuation information required;
- Not informing the regional valuation officer or other officials when a valuation is taking place, as previously requested;
- Animals presented in crush and pen where they can be properly identified and accessed;
- Not complying with disinfection guidelines;
- Not attending arranged training sessions; and
- Other necessary items.

The Department also stated that in relation to monitoring Valuers, it was open to considering alternatives to the currently suspended penalty points system, such as an independent panel (perhaps expanding the role of the current arbitration panel), to examine possible breaches of the Valuer Code of Practice.

4. Communication

Communication between all parties is essential at a particularly challenging time for the herdowner to ensure understanding and compliance. There were concerns over the tone and structure of these communications with particular reference to letters sent to herdowners already facing a significantly stressful situation.

4.1 – Contact and availability can be difficult on both sides, herdowners are unsure who their point of contact is and the Department relies on contact information being up to date. This can delay the process.

When contact information is not available or up to date, it is difficult to get in contact with the herdowner e.g. Veterinary Surgeons often cannot share the updated contact information due to GDPR. How can this be improved?

Communication with the Department was an issue that while raised frequently, had differing views expressed. Many stakeholders expressed that they had a very positive experience with Department representatives, in so far as they were fast, clear and empathetic with their information and approach to the challenging situation of experiencing a TB breakdown on the farm.

Contact and availability were seen to be difficult on all sides throughout the process, with herdowners unsure who their point of contact was while the Department relied on the contact information that they did not directly control ensuring it is up to date. This was seen as a regular cause in delays. The Department currently issues an annual notice to all herdowners to update their contact details if they have changed in the previous 12 months, however, compliance was said to be a major issue in that regard.

It was highlighted that private veterinary surgeons when conducting testing, did not include contact details for herdowners. At the same time, laboratories must contact the vets to relay information, which was then passed onto the herdowner through the vet.

The question was raised why the test results could not be conveyed directly from the lab to the herdowner, though this may be related to the need to interpret information. Another issue identified was at the next stage when the Department had to contact the herdowner those same contact details were not provided by the vet to the Department which could further delay processing.

It was suggested that the reluctance of vets to pass on contact details was related to perceived GDPR issues. It was noted that the relevant existing forms do not provide for herdowner contact details to be added and it was suggested that adding this and an opt-in clause for herdowners to provide their permission for to share their contact information with the Department might resolve this issue.

One stated priority was for the herdowner to be able to contact the Department and speak to the relevant person who could help them or deal directly with their case. Herdowners did not want to be flipped from one helpdesk to another. It was also suggested that poor internal communication within the Department could often lead to the herdowner being contacted by several different officials regarding the same matter.

One suggested solution was that Department letters should include the contact details for the official responsible for their case.

Others agreed that communications could be significantly improved by providing a single contact point within each defined region. This person must be briefed on all aspects of the TB programme and their direct number given to herdowners with TB breakdowns. Those with breakdowns should be visited by Departments officials and information updated.

The single point of contact within the Department would deal with questions like valuations and paperwork and blood testing, alleviating herdowner stress and ensuring timelines were easily met on valuations and testing removals. In some cases, phone contact in areas with poor mobile reception could provide a challenge and, in that case, the Department might send staff to the farm to make personal contact.

4.2 – Official Departmental communication at this time, by necessity, requires a significant amount of legal text and focus on compliance with rules and deadlines for the protection of all parties but this can be difficult to understand for a herdowner and can also appear threatening in tone at a very sensitive time.

How can communication be improved to ensure that further avoidable distress is not caused to the herdowner at this difficult time? What information and support are made available to herdowners during this process and who should be responsible for providing it?

The methods of communication used by the Department provoked several recommendations.

The Department was urged to update its current “communication pack” for herdowners when there is a TB breakdown. In its current form, it was claimed, the pack was complicated and laden with jargon and the information supplied must be simplified and made more user friendly. It was highlighted that initial correspondence between the Department at the point of a breakdown occurring came across as unsupportive, threatening in tone, and exacerbated an already difficult situation for herdowners at a time when they were likely to be under significant strain. It was suggested that there needed to be far greater balance between education, information, compliance and understanding of the challenges faced by herdowners experiencing a breakdown within their herd.

It was suggested that current communication approaches were reactive and there was an interest in more pro-active information being made available. Almost all stakeholders expressed a desire to see the whole process go online to speed it up and simplify it, though some highlighted the need for alternative options for herdowners who were perhaps not as technologically able as others.

It was suggested that an initial face to face or phone contact was important to build a positive relationship and explain the background to official letters and it was felt that herdowner confusion could be avoided by reducing “jargon pollution” and instead embracing the practice of producing a “plain language” approach, in tandem with a formalised text to meet legal requirements – an approach already proven to be successful by the Health Service Executive (HSE) and others.

While it was noted that the Department had made moves to improve communications in recent years, it was felt more was needed. The key areas for improvement were the tone of the communications and the provision of the important information early in the communication process.

It was also felt that greater support should be made available to herdowners over and above the purely financial support elements installing a support line with herdowners’ representatives playing a significant role in ensuring that members were aware of its existence and normalising the idea of using such facilities and services. This should also include an ongoing educational aspect.

Another proposal recommended a generic form with a basic step by step outline on what form needed to be filled in and submitted and also giving a single point of contact to cope with queries on testing, valuation, wildlife, etc. This would alleviate a lot of stress around the TB breakdown for herdowners.

Herdowners should also be given the contact details of their local senior agricultural officer, who would then be available to answer queries by telephone. It was felt that providing opportunities for herdowners to develop stronger relationships with their local Regional Officers would be beneficial during times of crisis and at other times.

For its part, the Department noted that they recognised the need to review all of its communication and in particular with regards its current reactor pack, which was deemed to be dense and discouraging. All documents in the pack are currently being reviewed and are being amended as appropriate to reduce duplication, avoid overly legalistic language and tone, and, generally, to become more accessible.

5. Delays

Herdowners remain under 'lockdown' until the full outbreak process is complete with restrictions on trade, restocking and with a need for additional activities to be carried out and additional costs incurred. Herdowners consider it imperative that processes and timelines are as efficient as possible so that they can return to normality asap.

5.1 – In addition to the prescribed timelines of the set process there are various additional reasons as to why delays occur ranging from communication and arranging meetings to availability of hauliers and slaughterhouses to remove the reactor.

What changes could be made to the current process, either related to the OFMV Scheme or external to this, which could reduce the current timelines further?

A major concern raised by all industry stakeholders was that of the speed of removing reactor animals from the farm. All herdowners felt that the process took far too long and that their primary goal was to remove the animals as fast as they could. Regarding eliminating delays and reducing the current timelines further, there has to be a clear understanding as to when the clock starts ticking for the farm restrictions and when it stops and herdowners can return to normality. Minimising the timeframe for reactor removal following the completion of the valuation process has been deemed as being hugely important.

It was suggested that a key reason for these delays when they occur is the time taken at the end of the process to remove the reactor from the farm for disposal once a valuation has been agreed by all parties. This was put down to a limited number of hauliers and slaughterhouses being used by the Department resulting in insufficient slots being booked as part of their contractual agreements.

Calls were made for the Department to increase slaughter capacity through providing for alternative means of disposal when access to slaughterhouses is limited, including procurement of extra abattoirs or arranging with the slaughterhouses for guaranteed access on an agreed minimum number of animals each week.

It was suggested that using available statistics, the Department could better predict the average weekly number of reactors and this would allow the pre-booking of slots at factories in advance. Hauliers should be on stand-by for the days on which the factories have been booked. Too much time is said to be currently lost procuring those elements on an ad-hoc basis.

It was said that with timeframes for all parts of the process are outlined under the scheme the herdowner should not suffer where those timeframes are not met by the Department.

There were a number of suggestions as to how the current situation could be improved and the risk of delays minimized.

The largest single opportunity to save time was through changes to the valuation process itself as this is typically the longest part of the process. It was suggested that a significant reduction in reactor removal time could be achieved through the implementation of a quicker valuation process. The majority of TB breakdowns on an annual basis were for one or two animals (61% in 2019). A possible solution, in respect of those smaller valuations, could be to implement automated valuations without the need for a live valuation using the summary of market prices. This could be completed at the discretion of the herdowner.

It is believed in some quarters this would likely reduce reactor removal times by more than 50%, which would also be a significantly positive development in terms of disease control measures. At present, 97% of first valuations are accepted. If this could be replicated, it could result in a step-change in terms of reactor removal times, which would have disease eradication benefits. The automated valuation system would also facilitate part-time herdowners that were often not available until weekends.

Concerns were expressed at the availability of Valuers, in particular where TB breakdowns are rare, adding additional capacity in this area would improve this. Many of the current processes were seen as bureaucratic and overly manual and paper-based. The use of electronic V8 and ER26X forms as well as for other forms of communication was suggested to eliminate the current postal delays of up to two days.

The Department highlighted that some measures had already been taken over the past two years to reduce the reactor removal timeline including initiatives such as more frequent reactor collections and smaller loads, while there were also moves to capitalise on smart phone technology by allowing herdowners to photograph documents and application forms and send them directly to the RVO.

Comparative Analysis



Analysis Overview

Current Landscape

To date, 18 of the 28 European jurisdictions have been awarded the Officially Tuberculosis Free (OTF) status, among them are Scotland, France, Germany, Denmark and Holland. Globally, many others have achieved and maintained OTF. As of 2018, of the 188 countries and territories reporting their bovine tuberculosis situation to the World Organisation for Animal Health (OIE), 106 countries were classified as being free of bovine TB.

European Commission

Despite ongoing control efforts lasting almost 70 years, Tuberculosis remains a challenging and costly disease to the Irish agricultural industry. Annually the scheme costs €90 million. These costs have been increasing in recent years, even though the herd prevalence rate has flat-lined. As a result of the consecutive years of diminishing progress in reducing TB herd incidence, the commission withheld 10% of funding related to 2018, equivalent to €1 million. A further financial penalty from the Commission could be imposed in respect of 2019, for further deterioration in headline disease metrics.

They have also reduced the funding available for 2020 from €7.25 million to €5.42 million with further possible penalties if progress towards eradication is not evident. In line with this, the co-funding level continues to be cut from 50% down to 35% for 2020. This may result in Ireland not being able to claim the full amount allocated.

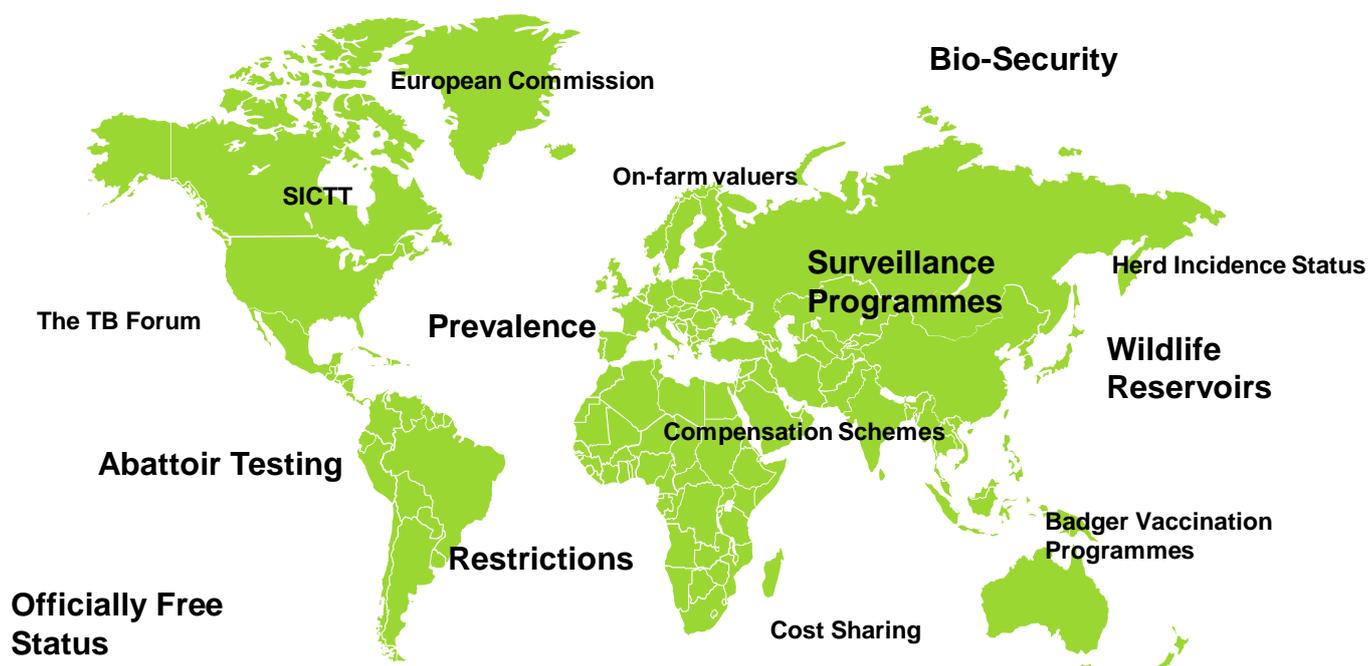
The Analysis

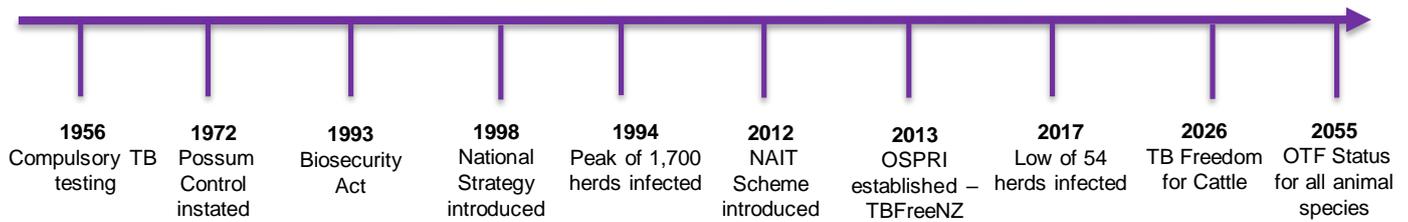
This section of the report provides a comparative analysis which spans a spectrum of successful and ongoing programmes implemented globally in the quest for TB eradication.

By studying the alternative schemes implemented to combat the disease, we can draw down lessons learned, highlight the successful models which the Irish programme can look to for inspiration and perform a critical examination of the associated costs and benefits of each scheme.

The core areas to be discussed in the following section are:

- Alternative models;
- Testing mechanisms;
- Regulatory structure;
- Relevant benefits of the scheme; and
- Relevant costs of the scheme.





New Zealand

New Zealand is home to circa 10 million heads of cattle, which are distributed throughout 52,300 farms. Bovine TB monitoring and eradication began in the 1950s, and although the scheme has been largely successful, a prevalence remains with an annual scheme cost of \$80 million.

Regulatory Structure

Primarily concerned with human health, in 1956 compulsory TB testing for dairy herds was introduced and by 1970 all cattle herds were under regular TB testing or postmortem inspection for the disease. Slaughter was compulsory for TB test positives and quarantine of infected herds.

During the 1980s, the New Zealand Government gradually delegated national TB policy control and decision-making to an industry-led advisory committee. This committee was formed as an incorporated society – the Animal Health Board (AHB). Its members were selected from the federated herdowners, dairy, beef and deer industry groups and local government representatives.

AHB was responsible for the managing and implementing of the National Pest Management Plan (NPMP), which had been outlined in the Biosecurity Act 1993. Since 1995, management of TB in New Zealand has been conducted by a non-government agency TBFreenZ (formerly the Animal Health Board), a subsidiary of the Operational Solutions for Primary Industries (OSPRI). OSPRI represents a public-private partnership between the government and the agricultural industries and is responsible for implementing a formal National Pest Management Plan (NPMP) for TB.

Biosecurity Act 1993

The Act outlines the methods under which the cost-sharing should be undertaken between stakeholders to the eradication programme.

The Act operates under two key principals:

- **Beneficiary principle:** those who benefit, pay. Industries funds all livestock disease control activities and have a cost-sharing agreement for other vector control.
- **Exacerbator principle:** those whose activities maintain the disease, pay. The balance of vector control costs is allocated to local government, as their lands could harbour tuberculous possum populations, thereby making it difficult to clear the infection from adjacent cattle and deer herds.

A five year National Pest Management Strategy (NPMS) for bovine TB was also developed under the Act, which is reviewed every ten years.

Testing

The test used in New Zealand is the caudal fold test (CFT), also referred to as the skin test. Cattle and farmed deer testing have been geographically categorised into four different areas:

- Movement Control Areas;
- Special Testing Areas – annual;
- Special Testing Areas – biennial; and
- Surveillance Areas

These determine the frequency of the routine TB testing, varying between one, two and three years.

Herd Classifications

All cattle and deer herds within New Zealand receive a TB status, indicating the TB history of the herd. The classifications are broken down into three categories:

I – infected: The herd contains confirmed TB carriers;

S – Suspended: TB is suspected, once test results are known, the status will be updated;

C – Clear: no evidence of TB. This status is often accompanied by a number, example: C7, this means the herd has been clear of TB for 7 years.

Funding

Government funding was last approved by the Minister as part of the Government's annual budget in May 2016. This plan runs for four years and concludes in 2020.

Under this plan;

- the government committed \$100 million over the four years;
- herdowners contributed \$150 million over the same period through industry and livestock export levies.

Industry contributions from the herdowners' representative organisations vary depending on industry performance and size. For OSPRI, this means annual funding from the industry of between \$60 - \$65 million. The funds are used for disease management, wildlife pest control and research programmes, as outlined under the Operating Plan.

Valuation and Compensation

OSPRI compensates the owners of stock that are compulsorily slaughtered due to TB. The reactor animals are valued by a TB tester and the owner is asked to sign a reactor compensation form which allows the transfer of ownership of the animal(s) to TBfreeNZ. This transfers the cost of transport and slaughter to TBfreeNZ.

If the herdowner wants to challenge the valuation of the reactor animal(s), they can discuss the options with their TB tester before they sign the Reactor Valuation Contract. If they cannot reach an agreement, OSPRI has a Dispute Resolution Process to follow.

Levies

Beef + Lamb New Zealand Ltd is the herdowner-owned organisation representing sheep and beef herdowners. They invest herdowner levies in programmes that grow and sustain the industry. The 2015 referendum regarding levies, resulted in more than 84% of herdowners favouring the continuation of the levies for the next 6 years. The 2018 beef levy was \$5.20 per head slaughtered.

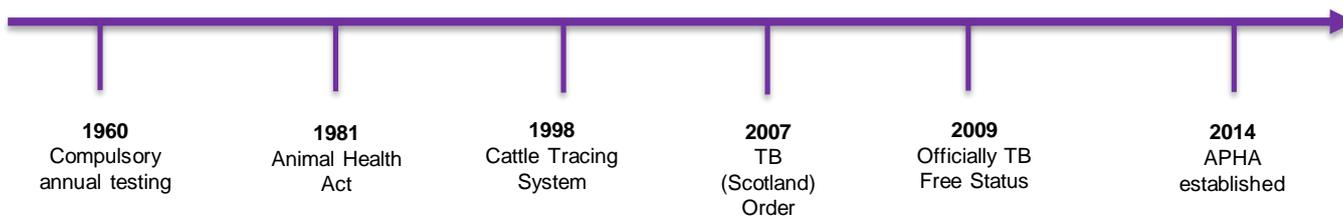
Vector control

In 1971, the proof was established that the Brushtail possum was a maintenance host of bovine TB. As possums are a non-native conservation pest in New Zealand, they are not a protected species. In 1972 an intensive possum culling programme was implemented but was later replaced by a vaccination programme.

Between 1994 - 2003 funding for vector control steadily increase and as a result, the eradicated of TB from geographic areas through targeted vector control has been largely successful. In areas where TB possums are still present, the control and maintenance of low possum densities are practised to mitigate the spread of infection from possums to cattle.

Eradication

There exists a positive outlook towards the eventual eradication of bovine TB from both wildlife and bovines, with aims to achieve total animal TB eradication by 2055, and key milestones of TB eradication from cattle and deer by 2026 and from possums by 2040.



Scotland

Background

Scotland achieved Officially Tuberculosis Free Status (OTF) in September 2009 and remains the only part of the UK to achieve and maintain the status for its herd of circa 1.8 million. The Scottish incidence and risk of bovine TB have historically been low and there is no evidence of a wildlife reservoir for bovine TB.

The cost of the eradication and surveillance scheme is funded in totality by the Scottish government. However, Scotland's success has been attributed to the livestock industry working in conjunction with the government.

Surveillance

Recognising the need for maintenance of their OTF status, the Scottish Government introduced a stringent package of maintenance and surveillance measures under the TB (Scotland) Order 2007. These measures introduced a rigorous testing regime which included:

- Continuous herd assessment;
- Regular testing of tissue samples from herds;
- Testing at post-mortem;
- Two consecutive tests with negative results; and
- An epidemiological risk assessment.

These measures were combined with strict movement controls such as:

- Testing cattle both pre and post-movement;
- Quarantining suspected cases;
- Quarantining animals coming from high-risk areas; and
- Introducing compulsory ear tagging.

Monitoring is carried out by the Scottish Veterinary Service, part of the Scottish Agricultural Advisory Service. The extensive surveillance measures have resulted in Scotland's number of non-OTF herds remaining low and approximately 57% of cattle herds in "low risk" areas are now exempt from routine TB surveillance testing.

Wildlife Reservoir

Throughout the '70s and '80s, badgers killed on roads in Scotland were tested for bovine TB. One badger out of 48 tested resulted in a positive during this period, and the practice was stopped in 1993 as it was deemed unnecessary.

Cattle Tracing System

Established in 1998, the Cattle Tracing System (CTS) records the movement of cattle registered or imported into the United Kingdom. It is a legislative requirement that all movements between herds are notified to the British Cattle Movement Service (BCMS) within 3 days. Pre-movement testing of cattle coming to Scotland from a High Incidence Area (HIA) within England or Wales is also required and must be performed within 60 days before moving.

Testing

The primary test used is the interferon-gamma test, which detects 90% of infected cattle. Scotland has a default testing interval of 48 months. However, in certain circumstances, a herd may require more frequent testing. 57% of Scottish herds are exempt from routine bTB testing. Others are tested every four years and at shorter intervals if the risk is considered to be greater.

Herdowners whose herd are due for testing are notified by the Animal and Plant Health Agency (APHA). If tests become overdue, restrictions are placed on herds which have not undergone testing by the specified testing date.

Compensation

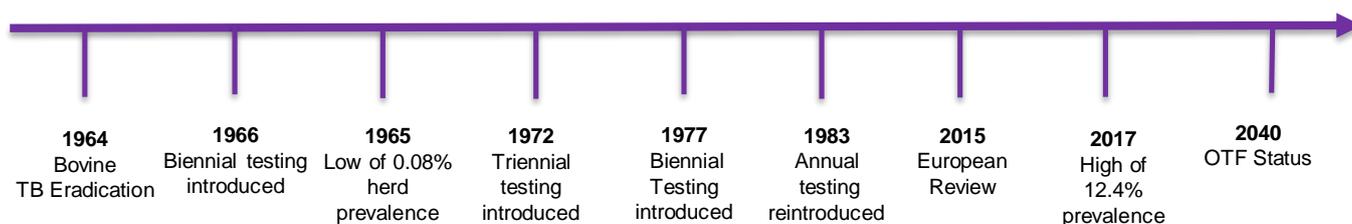
Compensation for animals slaughtered because of bovine TB is determined using one of the following methods:

- agreement between APHA and the owner; and
- valuation by the joint appointment of a valuer.

Compensation is paid at market value - the purchase price which might reasonably have been obtained from a purchaser in the open market if the animal was not affected with TB. In cases where a valuer is required, they are appointed by the government and approved by the herdowner.

APHA will arrange and provide payment for the removal and the slaughter of the reactor animal. Should the herdowner elect to make these arrangements themselves, they must inform APHA where and when the animals are to be slaughtered. APHA will provide a movement license and will arrange the post mortem at the place of slaughter.

Compensation payments are reduced where herdowners allow the routine testing to go overdue by more than 60 days. This operates on a sliding scale.



Northern Ireland

Background

The eradication of Bovine TB has been covered under Departmental policy since 1964. Although efforts have previously resulted in relative success, over 50 years after the introduction of a TB eradication policy, the incidence of the disease remains relatively high at 12.4% (as of 2017).

The introduction of compulsory annual herd testing for TB resulted in an initial decline in disease prevalence and by 1965, 0.08% of animals had a positive reaction. In response to low levels of bTB, the herd testing interval was extended from one year to a three-year cycle. However the 1980s saw a sharp increase in the number of positive test returns, and in 1983 routine testing reverted to an annual cycle.

Since the 1980s, all efforts by the Department of Agriculture, Environment and Rural Affairs (DAERA) to eradicate bTB have been largely unsuccessful. The annual herd prevalence in Northern Ireland (NI) was 12.4% in 2017 from a herd size of circa 1.61 million.

Scheme Cost

The Department's eradication programme cost is solely borne by the government and has cost the taxpayer £470 million since 1996. The annual expenditure amounts to approximately £44 million. This covers the cost of testing and compensation. The Department has tried previously to amend the compensation regime, believing it to be a disincentive to change, but its proposals were not supported by the Northern Ireland Assembly's Agriculture, Environment and Rural Affairs Committee.

European Commission

The European Commission funds approximately £5 million of the eradication programme annually. In 2015 they published a review that was critical of several practices within Northern Ireland that impact on bTB infection control, including;

- Controls on animal movements;
- Biosecurity measures; and
- Departmental engagement with stakeholders.

The report concluded that the incidence rate had not reduced to the extent that would be expected with an effective eradication programme.

Wildlife Vectors

A surveillance exercise of deer in NI carried out in 2009 revealed a prevalence of 2%, suggesting that their role in the epidemiology of bovine TB is likely to be limited. Assessments of disease sources performed by DAERA between 2016 - 2018 showed that 26% of herds that had tested positive for TB had more than one possible TB source and/or that the TB source was unknown, however, badgers were attributed as the cause in 22% of the investigations.

Herd Status

All herds in NI have an official tuberculosis herd status, a herd status reason, and a next test due status. The status of a herd is determined by a DAERA valuation officer. The herd status categories are;

- Officially tuberculosis free (OTF);
- Officially tuberculosis free status suspended (OTS);
- Or officially tuberculosis free status withdrawn (OTW).

Testing Procedure

A herd test can be performed by a DAERA vet or a private vet. Most annual herd tests are performed by private vets. The herdowner will nominate their preferred private practice to DAERA. However, DAERA vets will carry out more high-risk tests such as Reactor Herd Tests following disease detection.

Test Method

Live testing is undertaken using the following methods;

- the Single Intradermal Comparative Cervical Tuberculin (SICCT) test; and
- Interferon-gamma testing is used where considered epidemiologically necessary.

All herds are tested annually, however, herds that are considered at increased risk are obliged to undergo more frequent testing.

Compensation

DAERA pay compensation for animals testing positive for TB and compulsorily removed at 100% of the market value. However, it is acknowledged that herdowners bear the costs of programme compliance, which include the cost of facilitating testing, a time-consuming and labour-intensive activity, as well as the costs associated with loss of their OTF status, should they have a TB breakout in their herd.

Valuation

Following the detection of TB, a valuer will complete an on-farm valuation of the reactor. They will assess the current market value of the reactor based on the information available and experience, to arrive at the valuation amount. The Valuation Officer records his valuation figure on a Market Value of Animals form, which the herdowner must sign to say whether or not they accept the valuation.

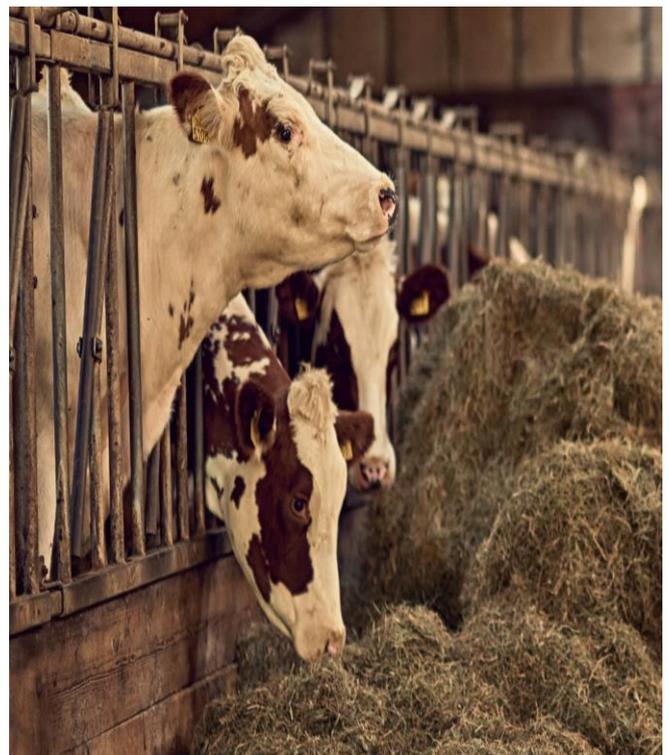
A DAERA haulier will remove the animal as soon as possible and the reactor animal must be kept in isolation during this wait time.

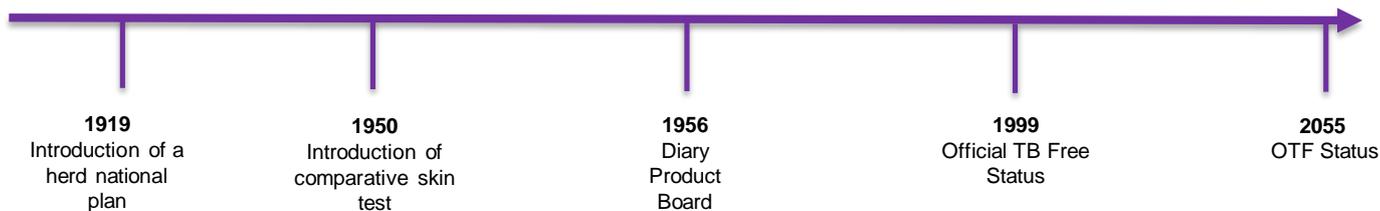
Independent Valuer

If the herdowner does not accept the valuation amount, then, they have the option of choosing an Independent Valuer (IV) from an approved list from DAERA to perform a secondary valuation. The herdowner must make separate arrangements and is responsible for any costs or fees associated with the independent valuation. The IV must provide written confirmation of his valuation to DAERA. The independent valuation is not binding and may be appealed by either DAERA or the herdowner by submitting an appeal to the Tuberculosis and Brucellosis Valuation Appeals Panel (The Panel).

Appeals Process

The Panel is an independent panel appointed by DAERA. Should the herdowner appeal the valuation, they will incur a £100 fee to submit the appeal. The Panel will determine the market value of the animal and its valuation is binding for both parties.





The Netherlands

Background

Situated in the northwest of continental Europe, the Netherlands consists of 102,800 hectares of arable land and a national cattle herd size of 3.8 million. The Netherlands was awarded OTF status in 1999 and has maintained this status since. The Netherlands commenced its bovine TB eradication programme early in the 20th century with the introduction of a herd plan in 1919. A comparative skin test was later introduced in 1950 to intensify the eradication progress. The eradication of TB is orchestrated through collaborative action between product boards, industry stakeholders and the government.

Product Boards

Product boards were first established post-war to contribute to the reconstruction of industry and the state, undertaken through a collective effort. Product boards operate under national legislation and have the legal authority to establish regulations and impose levies, but remain separate from government agencies. Product boards cover all relevant trade and product activities, from farmyard through to retail.

The Dutch Dairy Board is an example of a vertical organisation, which coordinates all stakeholders to the industry. It manages all national activities relating to the industry, including national dairy policy, international trade regulations and sector regulations (quota, levies, milk levies). The Board is financed through levies and payments from the herdowners; however, the government funds all costs associated with the implementation of European Commission market regulations and international regulatory obligations.

GD Animal Health Service

GD is an independently operated enterprise, with revenue of €60 million in 2018. The GD activities centre around the development of industry, and they are the primary provider of non-regulatory animal health services in the Netherlands.

Cost Sharing

Cost-sharing is a key principle underpinning the funding of animal health services in the Netherlands. Given its split between both public and private good, animal disease surveillance activities are funded 50% equally by government and industry. In contrast, non-regulatory animal health issues are considered the sole responsibility of the beneficiaries; industry.

Wildlife Reservoirs

The Dutch Wildlife Health Centre (DWHC) was established in 2008 to monitor the disease status of Dutch wildlife. Results from the continuous testing have shed light on the current TB status of the badger population in the Netherlands, showing no evidence of infection with bovine TB.

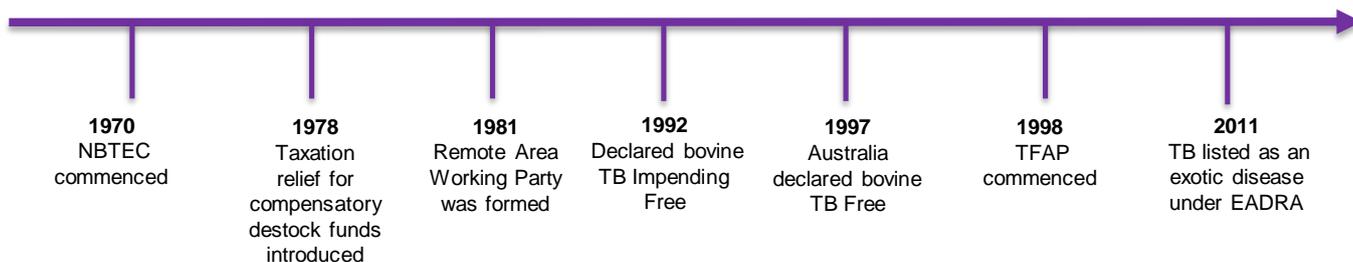
Compensation

The disease outbreak costs and compensation are paid by the state. Compensation is based upon market values before the outbreak of the epidemic or equivalent in the absence of market prices.

On the report of suspicion of disease, an official veterinarian completes an on-farm inspection of the animals concerned. To safeguard their OTF status, the Department has implemented strict rulings regarding the payment of compensation. Compensation is reduced to 50% for sick animals and compensation is not payable for the dead animals. These conditions are designed to encourage early reporting.

Herdowners are also required to meet certain hygiene and prevention standards that are under veterinary supervision and these standards are monitored and controlled by the state.

Economic sanctions are used 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.



Australia

Background

Australia presents as one of the very few international examples of a country where the national herd has successfully achieved the officially bovine tuberculosis free (OTF) status. Globally, Australia is the third-largest exporter of beef with a national herd size reported as being 25.5 million and approximately 145,000 herds. The sector is an integral part of the Australian economy.

The first iteration of the scheme was implemented in 1970 and involved a collaborative effort between industry, the State, Territory and Commonwealth governments. The campaign ran for 27 years and was officially and appropriately replaced by its successor, a surveillance scheme in 1997. Although ultimately successful, the eradication was not without its challenges, as the removal of TB from the northern territories proved challenging.

Scheme Structure

The 1960s saw rising concerns that Australian exports market could be jeopardised due to the high prevalence of TB. To eliminate this risk, a structured and coordinated eradication programme was developed and implemented nationally; the Brucellosis and Tuberculosis Eradication Campaign (BTEC). BTEC ran for 27 years from 1970 to 1997, and cost approximately AU\$840 million (Neumann 1999) in operational expenditure. As of December 1997, Australia has been officially TB free.

BTEC Cost-sharing

Industry funding for BTEC commenced with the introduction of levies in 1973. Cost-sharing evolved during BTEC, and in 1988 it was formally agreed that the programme costs would be shared as follows:

- 50% would be covered by industry;
- 30% paid by the state; and
- 20% by the Commonwealth.

Throughout BTEC, producers paid the above-mentioned levies in recognition of the industry-wide benefit that would accrue upon the eradication of TB.

It's important to note here that southern producers were key contributors to eradication efforts in northern Australia, where eradication proved more difficult and costly. Estimations suggest that 20% of overall BTEC costs were incurred in the Northern Territory, where approximately 5% of the national cattle population was found.

Animal Health Australia

Established in 1996, Animal Health Australia (AHA) is a not-for-profit company which facilitates partnerships between governments, industries and other stakeholders to protect the sustainability of Australia's livestock industry. AHA plays an integral role in the management of matters of disease eradication and surveillance. Key activities include:

- the development of strategic and long-term plans for animal health services; and
- the management of national animal health programmes and Australia's Emergency Animal Disease Response Agreement (EADRA).

TB as an Exotic Disease

As of 2011, bovine TB has been included in Australia's Emergency Animal Disease Response Agreement (EADRA). EADRA outlines a rapid response strategy for 65 diseases, should an emergency outbreak occur. The pre-agreed mechanisms for government and industry cost-sharing in the event of a TB outbreak are also outlined.

Under the Agreement, TB is classified as a Category 4 disease, a mainly production-loss based risk, and is not a threat to the national economy. This justification has led to the agreement that should an outbreak occur, 20% of funding should be provided by the government and 80% by industry.

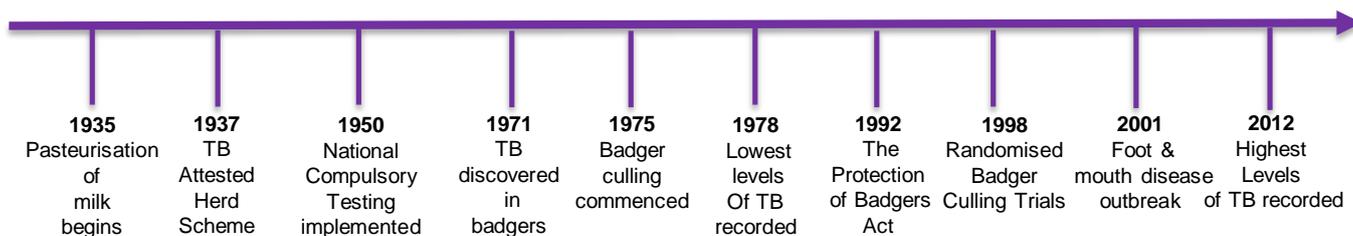
Testing Methods

TB eradication during BTEC was conducted as a whole-herd test and slaughter programme, using the single intradermal caudal fold test. Abattoir surveillance was also employed as a primary method of surveillance to detect herds not previously known to be infected.

A cattle tracing system was introduced during the early 1970s. This system was based on the allocation of a unique property identification code (PIC) to each holding and the mandatory application of tail or ear tags.

Wildlife Reservoir

Australia was fortunate in that there was no wildlife reservoir. Feral animal reservoir hosts were removed during the eradication programme.



England and Wales

Background

Currently, 18 out of 28 European Union (EU) Member States have obtained TB-free (OTF) status, having demonstrated that the percentage of confirmed TB cattle herds has not exceeded 0.1% each year for six consecutive years.

Within the United Kingdom (UK), only Scotland has achieved OTF status. Bovine Tuberculosis in English and Welsh cattle is a serious problem for herdowners in some areas, notably in the South West and West Midlands.

Historically the long-term Bovine TB trend has not been encouraging for England and Wales, resulting in a combination of both increasing overall incidence and the spread of the disease into new geographical areas.

A national compulsory TB eradication scheme using the skin test and slaughter of reactor cattle was launched in 1950. An Area Eradication Plan was also implemented, which began in the counties with the lowest bovine TB incidence and was gradually rolled out to the rest of the country. Progress was maintained throughout the 1960s and 1970s and testing interval became extended to two, three and eventually four years.

The progressive reduction in TB incidence stalled in the mid-1980s and despite the overall reduction, TB herd incidence in parts of the Southwest of England remained about three times higher than in the rest of the United Kingdom.

Foot and Mouth Disease

2001 saw an outbreak of foot and mouth disease (FMD) from February to October. During this period bovine TB testing was suspended throughout the UK, as all funds were reverted to the FMD containment programme. Following the 2001 FMD outbreak, there was a gradual resumption in TB testing. However this suspension of TB testing resulted in an unusually high incidence rate for 2001 and 2002, and although TB incidence rates have somewhat reduced, they have remained high since.

England

Statistics

England's national herd size is approximately 9.8 million, with a herd prevalence of 20.4% for TB. Similar to RoI, NI and Wales, England has a wildlife reservoir which resides in the maintenance host – the badger. In 1979 the lowest TB incidence was recorded in GB, with 0.49% of all herds tested having a reactor. However, from 1986 onwards the numbers of reactors started to rise, with a year on year increase of around 18% in the 1990s, rising to a 24% increase and 40,000 reactors per year in 2008 across England.

Wildlife Reservoir

The badger was first identified as a wildlife reservoir in the early 1970s in parts of the southwest of England where a high incidence of bTB persisted despite enhanced herd control measures. A series of different strategies were developed throughout the 1970s, '80s and '90s to tackle this wildlife reservoir, however, these programmes came under increased scrutiny and were discontinued.

Testing

The primary screening test for TB in cattle in Great Britain is the single intradermal comparative cervical tuberculin test (SICCT). This test is supplemented by the interferon-gamma blood test for infected herds under TB restrictions.

The TB (England) Order 2007 (amended 2014) requires herdowners to have their herds routinely TB tested. The frequency of the testing depends on the level of reactors in the area. Pre-movement testing of cattle is also mandatory within the Order. A regional approach to eradication is now being taken to ensure the right measures are being taken for the different areas; high-risk areas (HRA), edge areas and low-risk areas (LRA).

Compensation

The Cattle Compensation (England) Order was first established in 2006. Compensation valuations for bovine animals slaughtered for Bovine TB are calculated in England under the Cattle Compensation (England) Order 2019, based upon average livestock market prices and the Individual Ascertainment of Value (England) Order 2019.

The Department publishes monthly tables of the average value of cattle from sales data collected across England and these are used to determine the compensation payable for reactor animals by the Department. The rates are differentiated into 51 cattle categories and these cattle categories are determined using large values of sales data from around 1.4 million cattle sales each year. It utilises sales information from a variety of sources including; store markets, prime markets, rearing calf sales, breeding sales and dispersal sales. Categories take into consideration a multitude of factors including the animal's age, gender, pedigree status and if they are dairy or beef cattle.

For non-pedigree table values, one month's sales data is used, whereas six months' data is used to determine table values for pedigree animals to ensure that data from either of the key sales periods in spring or autumn is included in the calculation. An independent third party, AHDB, tabulates this market data on behalf of the Department. AHDB is a statutory levy board and is funded by herdowners, growers and other stakeholders.

Each year, statistical analysis of the sales data is carried out to determine if there is insufficient data to support a table valuation for any particular category. Where the data is viewed as being inadequate, or price data is unavailable, the compensation payable will either be based on the most recently ascertained value for the same category or compensation will be determined by an independent valuer appointed by the Government. Compensation may be reduced for TB reactor cattle disclosed in herds with overdue tests.

Individual Valuations

Individual valuations are carried out under the Individual Ascertainment of Value (England) Order 2005. Individual valuations are used only where there is no table valuation figure provided for a specific category or if not enough sales data is available. All other valuations are based on table valuations. Where a live individual valuation is required it is made by a valuer selected by the Animal & Plant Health Agency (APHA).

Wales

Wales has a National herd of approximately 1.1 million. There has been an overall long-term upward trend in the incidence of TB in cattle herds since these statistical series began in 1996 and today, their incidence rate stands at 12.5%.

The TB Eradication Programme was established in 2008 and the progress made to date has been promising with the Welsh Government reporting that the number of new TB incidents down by 40% since 2009. Despite this initiative, Wales recorded an overall increase of 9% in the number of animals slaughtered in 2019 compared to 2018.

Programme Structure

In 2016 the Welsh Government launched a consultation 'A Refreshed TB Eradication Strategy' which concluded in 2017. This led to the introduction of a regionalised approach based on TB incidence. Wales was split into three geographical TB incidence categories - high, intermediate and low bovine TB areas with different measures used depending on the targeted approach. Heightened surveillance measures were also employed.

Wildlife Reservoir

Similar to England, in Wales, the badger is a disease maintenance host. In 2011 the Welsh Government passed The Badger Control Order (Wales), however, this was subsequently revoked in 2012 as it was decided to pursue a package of cattle-based measures and a badger vaccination policy.

Testing

There are two cattle testing methods used in Wales to detect TB:

- the Single Intradermal Comparative Cervical Tuberculin test (SICCT) is the primary surveillance method used;
- the gamma interferon blood test is used as a secondary test on herds that have Bovine TB.

Bovine TB testing is funded by the Welsh Government, with the exception of pre and post-movement tests, these costs are borne by the herdowners. TB tests are compulsorily conducted annually on Welsh farms. The majority of testing is conducted by private vets. Government vets working for the APHA conduct a limited amount of Bovine TB testing and Animal Health Officers (i.e. technicians or 'lay testers') working within APHA can also conduct TB tests.

Compensation

Compensation for cattle slaughtered due to TB is set out in the Tuberculosis (Wales) Order 2010 (as amended).

Compensation is based on the market price of the animal. Once a reactor has been confirmed, compensation for animals is determined using one of the following methods:

- agreement between APHA and the owner;
- valuation by a valuer jointly appointed;
- valuation by the appointment of a valuer nominated by the President of the Royal Institute of Chartered Surveyors (RICS) - where the owner has not agreed to the valuer appointed by APHA (by joint appointment).

APHA will contact the farm to carry out a telephone valuation. They will ask a series of questions to:

- establish the ownership and identity of the cattle;
- confirm the animal age, sex, type and pedigree status;
- ensure that all the identification documents are valid; and
- confirm the animal's breeding status.

The valuation is usually completed at the time of the phone call using table valuations unless the animal requires an individual valuation by an independent valuer. All valuers have been appointed based on the required level of experience.

Once the compensation amount has been agreed upon by the herdowner and APHA, APHA will then make arrangements for the removal, transportation and slaughtering of the TB affected animal. Biosecurity Requirement Notices are issued to herds with chronic breakdowns to improve biosecurity standards and compensation may be reduced in cases of non-compliance. The maximum compensation payable for any one individual animal has been capped at £5000.

Appeals

Herdowners can appeal the valuations by submitting an appeals application to the Welsh Government within 60 days of the valuation. A Review will be undertaken by the Independent Appeals Panel. Based on their review findings, the Panel makes recommendations to the Welsh Ministers, who in turn make the final decision and this concludes the process. The appeals process carries a fee of £100 for an oral hearing or £50 for a written hearing. However, if the appeal is successful, in whole or in part, this fee will be repaid in full to the herdowner.

Future

There has been an overall long-term upward trend in the incidence of TB in cattle herds in England and Wales since statistical series began in 1996. Despite this, DEFRA has set the goal of achieving OTF status for England by 2038. The Welsh Government similarly has imposed the timeframe of between 2036 and 2041 to achieve OTF status.

It remains uncertain the extent of the impact Brexit will have on the eradication programme. Questions remain over the level of funding that will be available post Brexit, and on whom the burden will fall to correct of any European Commission funding shortfalls.

Country	Status	Prevalence	Funding	Compensation	Wildlife Reservoir	Primary testing method	Appeals process
Republic of Ireland	Prevalent	3.8%	Cost Sharing	Yes	Yes	SICCT	Yes
Wales	Prevalent	12.5%	Government	Yes	Yes	SICCT	Yes
Scotland	OTF	0.2%	Government	Yes	No	IFNG	Yes
Northern Ireland	Prevalent	12.4%	Government	Yes	Yes	SICCT	Yes
England	Prevalent	20.4%	Government	Yes	Yes	SICCT	No
Australia	OTF	0.01%	Cost Sharing	Yes	No	CTF	
New Zealand	Prevalent	0.39%	Cost Sharing	Yes	Yes	CTF	Yes
Netherlands	OTF	0.01%	Cost Sharing	Yes	Yes	SICCT	NA

Country	National Herd Size	Number of farms	Annual Scheme Cost	Live Valuation	Valuation officer	Governing Body	*Compensation Cap
Republic of Ireland	7.1m	111,000	€92m	Yes	Yes	DAFM	Yes
Wales	1.1m	23,800	NA	Table based	Yes	MAF	Yes
Scotland	1.8m	12,000	NA	Table based	Yes	DEFRA	Yes
Northern Ireland	1.6m	25,000	£44m	Yes	Yes	DAERA	No
England	9.8m	*149,000	£70m	Table based	No	DEFRA	No
Australia	25.5m	145,000	*AU\$840m	Yes	Valued by tester	AHA	No
New Zealand	10.1m	52,300	NZ\$80m	Yes	No	OSPRI - TBFreeNZ	No
Netherlands	1.6m	NA	NA	NA	NA	GD Animal Health	No

- *NA: Not available
- English number of farms figure relates to UK in totality
- See following page for compensation cap values.

- Australia's scheme cost appears in totality- 27 years, approx. AU\$31.1 annually.

Country	TB Compensation Analysis
Wales	100% of the market value is paid, but taking into account that: <ul style="list-style-type: none"> • The salvage value of the animal will be paid if it is greater than the market value; and • The maximum amount of compensation to be paid for a reactor is £5,000.
Republic of Ireland	100% of market value (up to a maximum of €3,000) is paid for all cattle, exceptions being: <ul style="list-style-type: none"> • One stock bull per year with a cap of €4,000; and • A cap of €5,000 for a pedigree-stock bull.
Scotland	Compensation is payable at 100% of market value of animals. Valuations of market value completed by an on-farm valuation is used to determine the compensation to be paid, with a cap of £5,000 per animal.
Northern Ireland	100% of market value for reactors as determined by on-farm valuation with no cap on compensation payments.
England	100% of market value for reactors as determined using statutory monthly table valuations which reflect the average sale prices over the last month, excluding pedigree and under six months of bovine animals in 51 different categories. This table is used to determine the compensation amount. The percentage of compensation may be reduced for TB reactor cattle that are disclosed in herds with overdue TB tests.
Australia	The Commonwealth and governments funded compensation, at a ratio of 3:1, this included compensation for whole herd destocking.
New Zealand	OSPRI compensates the owners of stock that are compulsorily slaughtered due to TB. The amount of compensation payable is, in general, limited to 65% of fair market value and is subject to several other statutory criteria, including: the capacity of bTBFree New Zealand to pay compensation, determined based on the amount of money available for compensation and the expected number of compensation payments to be made in a financial year. (New Zealand Parliamentary Counsel Office, 2018)
Netherlands	Compensation is based upon market values prior to the outbreak of the epidemic or equivalent in the absence of market prices

Country	Comparative Analysis Conclusion
Northern Ireland	<p>Following initial success in reducing the TB prevalence rate to approximately 0.08% in the years after the schemes adaption in NI, the routine testing requirements were extended until testing requirements were triennial. This was followed by a sharp increase, year on year, of TB reactors. The TB routine testing requirements were eventually reverted back to an annual basis. This experience could suggest that annual testing is crucial to detect bovine TB, remove reactors and eventually, eradicate bovine TB from the national herd.</p> <p>The scheme does not require any contributions by herdowners towards the annual cost of the scheme, however it does recognise the labour and time required by the herdowners when engaging with the scheme.</p>
Scotland	<p>Scotland was officially awarded Officially TB Free status in 2009. Historically having little to no traces of a wildlife reservoir, comparisons can be made with regards to the ongoing wildlife reservoir in Ireland, and inability to date, to successfully eradicate Bovine TB.</p>
England and Wales	<p>The breakout of the Foot and Mouth disease in the UK provides a case of the importance of frequent TB testing. The outbreak caused the temporary realigning of funding towards the F&M disease containment and eradication effort, with testing mechanisms being reduced during this time. This brief period of reduced bovine TB testing resulted in inflated numbers on bovine TB positive tests throughout England and Wales.</p> <p>England and Wales have implementing a pricing table for the calculation of compensation amounts payable for TB reactor animals. These tables are published publicly, on monthly basis by the Department. They are based on the average value of cattle from sales data collected across the UK. The table removes the subjective aspect of the live valuation and herdowners have an accurate idea of what they will receive when entering the compensation process. By removing the need for a live valuation, the table system has reduced costs, while simultaneously removing the most time consuming aspect of the programme.</p>
Australia	<p>The test and slaughter programme which was adopted in Australia lead to the eventual eradication of bovine TB in 1997, and since then, Australia has maintained a successful surveillance programme.</p> <p>The success of this programme has frequently been attributed, in large part, to the role of the industry and the cost sharing facet of the programme. Throughout the 27 years of BTEC, industry contributed 50% of the Schemes expenditure.</p>
New Zealand	<p>Many aspects of the New Zealand scheme provide insight and learning. In respect to the Irish situation, their handling of vector control and their targeted approach to the removal of the bush tail possum has lead to the eradication of bovine TB in several areas throughout New Zealand.</p> <p>In areas where the bush tail possum is still present, population control measure have been implemented.</p>
Netherlands	<p>Ultimately, is it the engagement of industry, through product boards and representative bodies of the farming community that makes the Netherland's a case to be highlighted, and duplicated.</p> <p>There exists an ownership and an understanding of responsibility on the behalf of all stakeholders which eventually, lead to the successful eradication of bovine TB from the national herd in 1999.</p>

Findings of the Review



Findings of the Review

Arbitration Analysis

Year	2017	2018	2019
Total Number of Arbitration Cases	35	24	24
1st Valuation			
Department Initiated Appeal of 1 st Valuation	22	13	16
Herd Owner Initiated Appeal of 1 st Valuation	6	4	7
Both Initiated Appeal of 1 st Valuation	7	7	1
2nd Valuation			
Department Initiated Appeal of 2 nd Valuation	7	4	1
Herd Owner Initiated Appeal of 2 nd Valuation	24	17	20
Both Initiated Appeal of 2 nd Valuation	4	3	3
Outcome of Arbitration			
Higher Valuation Awarded	22	13	6
Lower Valuation Awarded	4	6	7
Same Valuation Awarded	5	5	8
Appealed by			
	Department	Herd Owner	Both
	%	%	%
First Valuations (cumulative)	61.5	20.5	18
Second Valuations (cumulative)	14.5	73.5	12
	Increase	Decrease	Unchanging
Arbitration Outcome (cumulative)	49.5	20.5	22

The outcome of 7 cases were not included in these figures / unknown – 8%.

Findings of the Review

Year	2017	2018	2019
Arbitration Costs	€	€	€
Overall cost of Arbitration hearings	14,840.62	10,977.40	10,067.40
Average cost based on total cases head for the year	424.02	457.39	359.55
Average cost based on a per animal basis	14.23	14.89	42.12
Overall cost awarded against the Herd owner/ reimbursed to the Dept.	0.00	0.00	0.00

EU Funding

Year	2014	2015	2016	2017	2018	2019	2020
Amount received, pertaining to	2013	2014	2015	2016	2017	2018	2019
Amount allowable	12m	12.7m	11.091m	10.913m	9.719m	9.766m	8.284m
Amount Received	10,221,233	12,700,00	10,650,911	10,444,692	9,850,969	*8,780,400	See note

*DAFM has been informed by the European Commission of its intention to impose a 10% penalty in respect of 2019, which has yet to be formally confirmed.

Note: The 2019 amount payable is due to be received in August 2020.

Findings of the Review

Expenditure Breakdown

Year	2012	2013	2014	2015	2016	2017	2018
Compensation Awarded	2,418,684	2,191,584	2,306,945	2,126,664	2,731,049	3,545,413	3,831,999
OFMV	14,255,632	10,477,991	12,919,908	11,272,312	11,261,470	10,499,663	14,254,595
Valuer Fees	643,146	607,361	563,168	530,516	532,534	539,390	548,467
Supplies / other expenditure items	3,802, 418	3,704,632	4,560,064	2,565,536	3,377,544	4,528,333	4,021,704
Testing Fees	7,788,557	6,901,632	7,731,336	6,428,685	6,281,888	7,027,890	7,313,061
Research	1,665,407	1,810,177	1,447,173	1,580,179	1,907,992	1,666,297	1,617,561
Wildlife Cost	3,669,546	3,644,375	3,122,262	3,732,371	3,365,184	3,465,004	3,635,340
Travel	969,918	909,892	873,834	943,491	948,534	1,009,623	1,065,163
WTVI	1,735,760	2,287,227	1,749,346	1,535,798	1,416,316	1,352,308	1,403,686
Schedule Total Cost	33,146,650	32,534,871	35,274,036	30,735,552	31,822,510	33,633,921	37,691,576

Conclusions



Conclusions

Scope of the Assignment

The Terms of Reference for the independent review of the OFMV Scheme to answer key questions about the operation of the scheme are set out below:

1. Do the prices in the weekly Summary of Market Prices (SMP) reflect the market for livestock removed under the Live Valuation Scheme?
2. Through the OFMV, are herdowners being given the market value for reactor animals?
3. Do Valuers have scope to provide prices for reactor animals in line with market values that vary from the weekly summary of market prices within the constraints of the current Valuers Technical Guidelines and Code of Practice?
4. Do the current procedures, listed below, provide for a fair and independent process through which herdowners receive market value for each animal removed from their farm?
 - i. Compilation of the SMP - Does the current data-set used by DAFM to compile the SMP represent the market value for all categories of animals removed as TB reactors in the OFMV Scheme.
 - ii. The scope and application of the Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes (Valuer Technical Guidelines),
 - iii. Valuer Code of Practice - the application of appeal and arbitration procedures open to herdowners
5. Does the current OFMV process ensure that the Public Spending Code is complied with and that State Aid rules are respected?
6. Is the OFMV process consistent with relevant provisions of the Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) as updated?

This section provides details of the findings of the review and sets out the conclusions and recommendations with regards these key questions as well as addressing other issues of note that emerged during the stakeholder consultation process.

As indicated in follow-up correspondence following the initial stakeholder consultations taking place, this is not meant as an exhaustive review of every single issue highlighted during this process but instead focuses on what was considered by stakeholders to be the key issues.

Time from TB breakdown confirmation to reactor removal

For a herdowner experiencing a breakdown often the most pressing desire and concern is how quickly they can return to normality and begin operating free from restrictions. In some instances, the timeline for breakdown restrictions can be as short as a few months but in others, this can stretch to a period of over a year or longer. During this time the herdowner's day-to-day operations can be severely impacted through factors such as additional costs incurred from having to continue to support animals which they are unable to sell on, an inability to restock and replace destroyed animals, the time required to undertake additional actions such as readying for testing or ensuring suspected reactors are isolated, as well as the additional mental strain associated with a breakdown.

Comparison to the UK

A key starting point for the clock to start ticking down towards a return to normality and a visible sign of progress to the herdowner is when the reactor is removed from the farm. EU legislation mandates that this must be done, except in extreme circumstances, within 30 days from the point at which the animal was confirmed as a reactor. Within Ireland, currently, this process takes on average approximately 20 days. While this is comfortably within EU requirements it is approximately twice as long as UK jurisdictions, in particular, DEFRA in England which takes less than 10 days.

During the stakeholder consultation phase, several potential reasons were provided as to why there are delays, ranging from insufficient or inaccurate contact details held by the Department to arrange to conduct an initial valuation with a herdowner, failure for forms to be issued/returned promptly, or lack of availability for a haulier to physically remove the animal due to capacity constraints either with hauliers or slaughterhouses.

Analysis of the data available for each stage of the process, summarised in the below table, indicates that while there may be occasional issues with each of these factors that do cause delays, and indeed some extreme anecdotal examples of where there has been a systematic breakdown of the process, on average across Ireland the vast majority of these activities are completed efficiently and with no delay according to proscribed timelines. Further analysis, however, highlights that there are significant variations across the country for the length of time taken to complete each stage of the process with the longest individual timeline on average being 2.11 days greater than the National Average across all process stages. On average, it takes approximately 3.87 days for a valuation to be created on the system, assigned to a valuer and carried out. It takes a further maximum average of 4.68 days for all parties to accept the valuation. Finally, a period of 6.81 days is required to remove the reactor from the farm to the slaughterhouse and for the animal to be processed. The number of days outlined in all cases include weekends and public holidays.

Category	Valuation creation to Issue date	Issue date to Assignment date	Assignment date to Date of On-Farm Valuation	Valuation date to Keeper acceptance of valuation	Valuation date to DAFM acceptance of valuation	Keeper acceptance date to Date of death of animal	DAFM acceptance date to Date of death of animal
Longest Timeline for an Individual County	1.20	1.07	4.20	7.72	6.79	9.15	11.66
Shortest Timeline for an Individual County	0.19	0.12	1.99	3.01	1.99	4.47	5.10
National Average	0.67	0.47	2.73	4.68	3.83	6.81	7.84

Stage 1 – Coordinating Valuation: 3.87 days average

Stage 2 – Acceptance of Valuation: 4.68 days max

Stage 3 – Removal of Reactor: 6.81 days

All figures represent number/proportion of days between process stages.

While some suggestions for these variations can be made i.e. assignment date, to date of On-Farm Valuation taking place, may be a function of a lower numbers of Valuers in certain counties it is difficult to say with certainty. Available data is also not granular enough to determine if the delay between valuation taking place and being accepted is due to the Department issuing the valuation results or the herdowner being slow to respond once a valuation is received. This should be analysed further. There are however some steps that can be taken to reduce the risk of delays at these stages.

Contact Details

The initial potential point of delay is when veterinarians submit bTB test results to DAFM, accompanied by the relevant documentation. This documentation does not currently provide a herdowner contact information which the veterinarian would have access to on the day. Instead, the Department utilises its database information to contact the herdowner. This information may or may not be up to date which can cause delays in initiating contact. Veterinarians indicated they do not provide herdowner personal contact details due to GDPR concerns. A simple fix to this issue which would ensure the Department has up to date information would be for the forms that veterinarians submit to be amended to include a request for consent to share the herdowner data with the Department.

Online Submission

Currently, the process by which information is exchanged and correspondence is entered into can be considered as overly manual, labour intensive and paper-based. There may be valid reasons for some of this in terms of providing legal documents, however, there will also be opportunities to utilise more modern technology to take some of these tasks online whether it be the arrangement of a valuation and the selection of valuers or the issuing and acceptance/rejection of valuations. These measures could reduce both resource and time requirements. Similarly, where on-farm valuations are required, an online booking system for valuers to be selected should be investigated.

Role of On-Farm Valuation

The single biggest contributing factor to Ireland having a longer processing time than UK comparative jurisdictions is the requirement to complete a live on-farm valuation of the animal and subsequently, agree on a valuation with the herdowner before the animal's removal. This is in contrast to England's approach where an automatic table valuation based on average values is provided to the herdowner based on database analysis without the need for a live inspection of the specific animal or secondary appeal valuations or arbitration.

While live valuations have merit in terms of providing the capacity for a more nuanced and potentially more accurate valuation of each animal's unique characteristics it comes at the cost of significantly increased timelines and risk of further delays for herdowners returning to normal trading conditions. A trade-off, therefore, exists between deriving a unique valuation and the additional time it takes to do so.

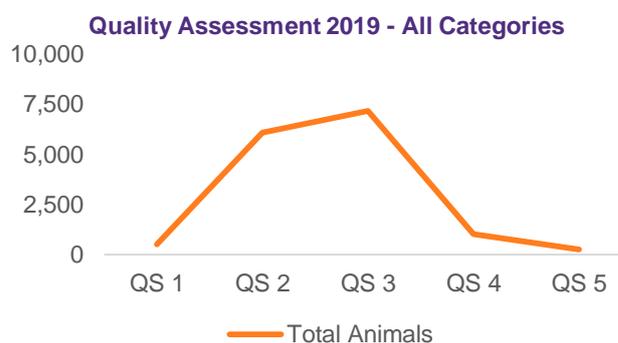
Consideration of an Automated Valuation System

Based on the English example concerning current average Departmental processing timelines, up to 10 days could be saved in the valuation process.

In addition to the time saved, the proposed solution would largely remove the requirement for valuers to be engaged by the Department which would go some way towards addressing some industry concerns around the independence of valuers and the future of the Department's suspended disciplinary process. The cost-saving associated with removing live valuations, while unlikely to be substantial, could also be put towards aspects of the TB Eradication Scheme more focused on actually addressing the problem at hand.

A potential criticism of this change to using what would amount to average values would be that those with the highest value animals may see a reduction in their compensation levels, though in terms of the overall cost of the scheme this would be counterbalanced by those at the other end of the spectrum likely seeing an increase in compensation levels.

Analysis of valuations over the previous 5 years indicates that quality scoring has a normal distribution or "Bell Curve" with the majority of reactors being evaluated as a 2+ to 3- and far fewer outliers receiving a 1 or a 5. For example in 2019, the below distribution was observed which matches closely to the classic "Bell Curve" normal distribution. The curve prominently leans towards higher quality. This may be credibly demonstrated on beef non breeding animals by comparing beef carcasses classification data to quality assessment data.



On that basis, approximately 5% of reactors would see a change in valuation levels either way with the rest remaining relatively static.

Indeed, the reported experience in England saw an overall increase in the amount of compensation paid on average per head under an automated system than a live valuation.

While this recommendation would represent a significant change for all parties this could be mitigated by implementing the change either with a transitional period during which herdowners could still request a live valuation and corresponding current processes of rights to appeal/arbitration in the knowledge that this will be more time consuming and potentially more costly, or alternately by using automated valuations as the default option but with an ongoing option of choice for the herdowner.

It is also true to say that the vast majority of valuations are conducted on small scale outbreaks with low numbers of animals affected and therefore relatively small amounts of compensation involved. Such instances would lend themselves ideally to an automated valuation process in the first instance.

The current system already has challenges in valuing premium pedigree animals due to a lack of available data it may be beneficial that live valuations continue for this cohort. However, the benefits of this change in approach would not be maximised under a halfway approach and many existing issues would not be addressed if it was not the solitary option available for reactor valuations.

Recommendations

- 1) A review of the information collected by veterinary practitioners to accompany TB test results should be conducted and discussions had with regards to including a General Data Protection Regulations (GDPR) compliant statement of consent for herdowners to affirm they are content for their private information including up-to-date contact details to be shared with the Department.
- 2) A study should be carried out to ascertain the feasibility of introducing a non-paper based online system for completion and submission of relevant forms and documentation.
- 3) The current process of independent Valuers conducting a subjective live on-farm valuation should be reconsidered and replaced with an automated purely tables based assessment based on the Summary of Market Prices Report or equivalent database, particularly, for valuations with low numbers of animals or low overall value. The use of live valuations could remain an option for herdowners, at least for a specified transition period. Live valuation may also still have some merit for categories of animals with limited data points for analysis e.g. pedigree animals.
- 4) The existing merit/quality scoring system should be reviewed to ensure it reflects industry-wide rating systems such as star ratings to differentiate cattle merit/quality.

Summary Market Prices reporting and valuations

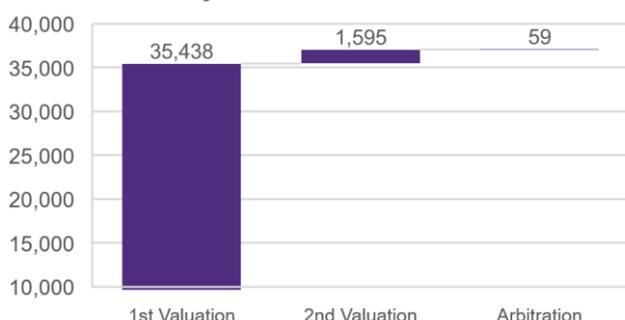
Whether live on-farm valuations or tables based valuations are used, both systems stand or fall on the availability of sufficient sales data to accurately estimate market valuations of reactors across the full range of categories of animals that are present in Ireland. Without those data points, it is almost impossible to develop accurate market valuations with any degree of certainty. Interestingly, when conducting the stakeholder consultation element of this project, there was considerable agreement from all parties on the challenges faced by the Department in collating, analysing and interpreting the available data into accurate valuations.

There was also more agreement than perhaps might have been considered on the number of valuations that are if not entirely accurate then are at least reasonably robust approximations based on the available information with approximately 90%-95% anecdotally estimated on several occasions. It is, however, the areas where the scheme is perceived to not be functioning appropriately that saw the most discussion. Finally, there was also agreement on several of the animal categories where the scheme is currently unable to generate sufficient data points to provide guide valuations that satisfy all parties. In discussions with the Department, these concerns were recognised.

Analysis of reactor valuations focused on two areas; reviewing the process through which valuation guide prices are calculated to test their robustness and assessing a sample period of valuations conducted to identify whether trends can be identified that may provide insights into how the accuracy and appropriateness of the valuation process are viewed.

Analysis of the period between 2017 and 2019 was conducted as part of this review during which some 56,389 reactors were valued. The below waterfall chart indicates the stages at which each valuation was agreed and finalised by all parties.

Summary of 2017 & 2018 Valuations



The analysis highlights that of the 37,092 total valuations conducted across the two years, 35,438 (95.5%) of 1st valuations were accepted by both parties, 1,654 (4.3%) of 2nd valuations were accepted by both parties, and 59 (0.16%) of valuations were only decided through arbitration. Analysis of 2019 figures, when 19,297 valuations were conducted, shows that just 24 (0.12%) of cases proceeded to arbitration, a figure consistent with other years.

Prima facie, this would suggest that the valuation process is working effectively given that so few 1st valuations are appealed. The findings are also in line with the anecdotal estimations of the accuracy of valuations discussed of 90%-95%.

Further analysis indicated that of the 75 total valuations which went to arbitration over the period 2017-2019 and which have now been settled, approximately 72% saw valuations initially rejected by the Department and 13% by the herdowner. The Department is more likely to appeal where it believes that a technical error has occurred within a valuation or it is a high-value large scale breakdown, while the herdowner is more likely to appeal based on a perceived failure to take sufficient account of the pedigree status or inherent value of an animal to a specific farm or where the quality score is disputed.

This split is consistent with anecdotal evidence that herdowners whether happy or unhappy with valuations do not decide to appeal on the basis that they believe that any likely increase of award is outweighed by the cost in terms of preparation time, effort and delays in removing reactor/ending restrictions on trading.

It is perhaps not surprising therefore that 53% of arbitration cases over that period resulted in a lower value being awarded than the initial valuation. However, it is also true to say that despite just 13% of cases being appealed by herdowners and 16% by both parties, 12% of arbitration findings resulted in a higher value being awarded than the initial valuation at an average of €2,326 per award suggesting there is value in appealing where the herdowner believes they have a strong case.

Manual Data Processing – Embracing Technology and Moving to a Monthly Reporting Schedule

The current process of developing the Summary Market Prices report is a considerably resource-intensive undertaking from start to finish due to its largely manual approach to data gathering and analysis. The need for Regional Valuation Officers to physically be present at marts around the country, make notes on each sale, provide those to the Department for data entry imputation onto a database for further analysis is archaic at best and anachronistic at worst.

Issues as prosaic as Regional Valuation Officers being aware of a mart taking place, being able to attend, missing relevant data, data input errors etc. can all lead to limited, inaccurate or inefficient data collection.

The Animal Identification and Movement System (AIM) is a central database operated by DAFM which maintains cattle traceability records, recording all births, movements and disposals per EU requirements. The system assures customers and consumers about the origin and traceability of Irish cattle and beef.

The information contained within the database is also used to compile an AIM Bovine Statistics Report on an annual basis from data provided by herdowners, up to 90 livestock marts, slaughter plants and export locations. More limited in scope monthly reports are also published.

The underlying mechanisms would therefore already appear to be at least partly in place for herdowners and livestock marts to report relevant sales data directly to the Department.

If the existing functionality were to be explored further and enhanced there is the potential for close to real-time entirely digital updating of sales data direct from all marts in Ireland to the Department for collation and analysis. This could provide a significant resource-saving, improved accuracy and likely an increased number of data points for analysis.

If live valuations or a merit/quality scoring system based on visual assessment were to continue there may be concerns around capturing this data without the physical presence of someone on-site at the auction. However, there may be further technology solutions to resolve this issue.

The COVID-19 pandemic has already necessitated some marts moving their activities online with, for example, Dennis Barrett Auctions reporting 230 registered bidders participating in, and an additional 728 guest viewers observing, an auction on the 7th May. The auctioneer's online services include YouTube hosted videos of each lot which could be sufficient for valuers to merit/quality score animals remotely in the future if required.

Alongside this utilisation of technology, the Department should consider moving the development of the SMP to a monthly schedule rather than the existing weekly schedule.

This step would greatly reduce the logistical challenges of collating all of the relevant sales data, conducting the required analysis and distributing the relevant information to all stakeholders that is currently the case every week.

A move to monthly reporting would also allow for the collation of a larger dataset which would provide greater confidence that sufficient data points were being captured to allow for robust analysis.

Such a move would also be unlikely to have material impacts on valuation movements as the movement in values week to week is not typically significant and indeed that should be so as the model should and does seek to smooth out such weekly variations to not 'over-react' to short-term market fluctuations.

This is something which should be strongly considered.

Data Availability and Suitability

A key challenge for the Department is the lack of publicly available sales data for certain categories of animal, specifically pedigree and breeding animals, in particular 3rd or 4th lactation dairy and beef animals. Where that data is available in sufficient numbers there have been concerns with regards how appropriate the dataset is.

Pedigree Animals

Pedigree animals by their nature are exclusive animals that make up a small proportion of the overall national herd. In 2016, pedigree beef and dairy calves accounted for circa 81,000 out of over 2.3 million birth registrations nationally, approximately 3.5%. It is therefore inevitable that there will be far less available sales data for such animals compared to commercial cattle. This situation is exacerbated by the fact that pedigree animals are often subject to private sales outside of public marts which the Department has no sight of or, are sold at dispersal sales when a herdowner is seeking to exit the industry, potentially in distressed circumstances, artificially depressing the value received.

These animals, particularly when considered 'show' animals or highly-prized and in-demand breeding stock can have significant value. For example – 33% of all pedigree Charolais calves born in 2016 were sired by just 10 bulls with 'Cavelands Fenian' accounting for 27% of that 33%. In these instances, it is not unknown for animals to be sold for €10,000+ with data from the UK indicating that 10+ animals are sold for circa £15,000 each year.

It is perhaps fair to question if the intention or spirit of the scheme is to provide full compensation for such uniquely high-value animals. It is also the case that herdowners of such animals can avail of private insurance to cover losses which are then mitigated against the valuation provided by the Department. However, the more relevant point remains that high-value pedigree animals are currently underserved by the available data and may not be receiving full value.

When comparing DAFM's 'ceiling or cap valuation' for pedigree animals to other jurisdictions it is clear that it is largely aligned:

Ireland - €5,000

England - £4,768

Wales - £5,000

Scotland - £7,500

Northern Ireland - no cap currently but discussions on introducing a cap of £5,000

3rd or 4th Lactation Dairy and Beef Animals

Concerns around the valuation of 3rd or 4th lactation dairy and beef animals were shared by several stakeholders during the consultation phase. Currently, the Summary of Market Prices reports groups Lactations 1 & 2 together and Lactations 3 & 4 together with the latter seeing a reduction in guide price valuations of approximately €200 in line with the sales data available to the Department. Industry representatives highlighted that the true market value for such animals is hidden as these types of cows are rarely presented for sale due to their high-value to the herdowner who has invested considerably in their rearing to a mature, strong performing animal. They noted that those that do go to market are considered to be low-value animals and not representative of the herd as a whole.

As part of the research conducted for this project, representatives of each UK jurisdiction body responsible for overseeing the equivalent TB Eradication Programme compensation scheme were consulted as to this particular issue. While each confirmed that the valuation of individual animals or even categories of animals was from time to time questioned, none reported a particular issue with 3rd or 4th lactation dairy and beef cows despite the far more simplified approach taken by these jurisdictions to valuation categories. While this does not, of course, mean that no issue exists it does limit the scope of our approach to this issue.

It is, however, worth noting that a Dairy Sector female cow in England, for example, sees its value continually rise to 20 months of age, then peak at 'Over 20 months and up to 84 months calved' or 'Over 20 months and up to 84 months' not calved before its value declines slightly. This would appear to indicate, depending on the timing of lactations, that in England even with an independent third party calculating market valuations, there is a similar valuation structure to that used in Ireland.

One solution posited to this issue was to use a baseline of sales data for springing heifers and develop a formula using an agreed methodology to extrapolate future value at 3rd or 4th lactation phase. While we can offer no further details as to a methodological approach which might achieve this, it is a reasonable basis on which to proceed if it is agreed that these categories of animals are undervalued currently and therefore is something that should be explored further jointly by the Department and industry within the remits of the overall schemes function.

Additional Sources of Data Points

The more data points available the more confident one can be as to the robustness of the analysis. It is important that the Department can first identify the sample size required to achieve the confidence level necessary to ensure the robustness of its analysis. Secondly, having identified the required sample size, we must consider ways by which we can source the required sample size for 'problem' categories.

There is no 'quick win' or easy answer to this challenge but there are some options which may be worthwhile exploring further.

First, with regards pedigree animals, the Department could seek to develop strong or utilise existing relationships with pedigree cattle societies and other farming representatives to encourage sharing of information on sales which otherwise it does not have sight off at public sales. Ensuring sufficient data points are available for robust analysis is ultimately to the benefit of herd owners should they be in a situation where they suffer a TB breakdown in their prized herd.

Secondly, discussions with representatives of other jurisdictions and high-level analysis of each jurisdictions' valuations indicate that it might be possible to share and utilise data to increase the overall sample size. While this is dependent on the level of compatibility and comparability across these jurisdictions and may necessitate further reworking of the data to take account of local market differences this could greatly improve the number of data points. This is already the case in Wales which utilises data points from sales conducted in England within its analysis to increase the robustness of its valuations.

Finally, where the available data points in any given week are considered insufficient to conclude upon, the period considered could be extended to take account of and include more historic data points over previous weeks/months. In England, for example, data is generated from one month of sales for non-pedigree animals rather than an individual week while for pedigree animals the previous six months of data is utilised.

Alternately, live valuations provided by valuers with particular expertise in the specific category and without reference to a guide price could be utilised to provide a reasonable alternative where there is insufficient data. This is currently the approach which is taken in England.

Responsibility for Summary Market Prices reporting

As outlined, the Summary Market Prices report is collated, developed and shared each week by the Department and provides the framework through which valuations take place. It is a complex process but one which is an essential component of the On-Farm Market Valuation Scheme and is also one that therefore must be seen to be accurate and fair.

Throughout the stakeholder consultations, it has been commented that the vast majority of valuations are considered reasonable and appropriate given the challenge posed in setting a fair market value across all of Ireland on any given week. While this review has identified some categories of animals that may be inappropriately valued, it is fair to say that this is largely due to a lack of available data rather than any inherent flaw or imbalance in the process by which guide values are calculated.

It is also important to note that even with these issues the compensation valuation system operated by the Department is far more complex and granular in its assessment of reactors than other comparable jurisdictions across the UK or elsewhere. For example, DEFRA uses an extremely streamlined approach to categorisation:

- Pedigree or non-pedigree
- Dairy or beef
- Male or female
- Age of animal
- In calf or not

to produce compensation tables monthly of just 51 separate valuations in total compared to DAFM's 117 separate valuations for Beef cattle under 30 months of age alone.

This complex system has been put in place over the years to ensure fairness is provided to all parties by trying to achieve as accurate a final valuation for each animal as possible. As discussed previously, this has been at the expense of timelines for removing reactors from farms.

Overall, the review suggests that the scheme is well managed by the Department given the complexities involved and that there is, therefore, no indication that the valuation process favours or disfavors any particular group or individual. Having reviewed the relevant policies and processes that underpin the scheme it is clear that while the Department serves at least two masters, the Public Exchequer and industry, that it does so impartially and professionally.

Despite this, the question of being able to demonstrate independence does require further consideration. There is a perception from some within the industry that some of the issues around valuations are not being appropriately addressed by the Department to maintain compensation values at a level lower than market value. There was a sense of frustration expressed that the process currently in place to develop the Summary Market Prices report is a “Black Box” that only the Department has access to. This report has outlined the process through which these prices are collated and it is clear that the approach taken to that process is both appropriate and reasonably robust with the exceptions identified. It is a process which is considerably aligned with other jurisdictions’ approaches and which may be considered as more comprehensive and herdowner focused than some of those in operation elsewhere.

However, the need to demonstrate the independence and fairness of the scheme and options through which to do so should be addressed further in this report.

At a basic level, the Department needs to be more proactive in its approach to ensure a greater understanding and acceptance of the methods which it utilises to develop the SMP. This can take many forms but may include:

- Presentations Regional Valuation Officers talks to farming representatives;
- Provision of backing information for the SMP report; or
- Inviting feedback or queries on specific areas of the SMP.

In short, there should be consideration given to ways through which greater transparency can be achieved concerning the collation of information and development of the SMP report. This could go some way towards addressing the perception issues around how the Department operates.

This more open approach may also have further additional benefits of providing the opportunity for a sharing of information or joint problem solving between the Department and the Industry.

Another concern is with regards the qualifications of Regional Valuation Officers to accurately provide a live visual assessment of an animal at a mart. While the Regional Valuation Officers often have significant experience in the industry they are not typically drawn from the same background as Valuers who are seen as being professional experts within the scheme e.g. herdowners/auctioneers etc. This opens the entire basis of the SMP database up to question. Steps need to be taken to provide assurance that Regional Valuation Officers are appropriately able to deliver a live visual assessment to the same standards expected from Valuers in order to allay fears and provide confidence in the robustness of the dataset.

A further step which, if considered necessary, would allow for a greater perception of independence, would be to outsource the collation and development of Summary Market Prices to a third party. This would be aligned to the current situation in England where DEFRA, via a competitive tendering process, contracted with the Agriculture and Horticulture Development Board (AHDB) to produce the monthly valuation tables on which it relies via its Market Intelligence Unit.

While no single comparable body to AHDB currently exists in Ireland there are several organisations that are already involved in developing market information utilised by both the industry and the Department. Any possible candidate would need to have a sufficient level of technical expertise, independence and reputation to be acceptable to all parties.

Given that Ireland currently uses such a granular and complex approach to categorisation in comparison to England it is likely that there would be a higher cost associated with any contract that required analysis across a similar level of existing categories. However, the cost of outsourcing the activity to a third party is likely to remain in line with existing costs incurred by the Department.

Outsourcing of the collation of data points may also help overcome any reluctance from private individuals or societies to sharing their data with regards to private transactions.

To further the independence of outsourcing this activity, consideration could be given to establishing a joint procurement unit between DAFM and industry with responsibility for:

- Defining the terms of reference for the procurement;
- Assessing candidate proposals;
- Selecting a preferred supplier;
- Agreeing on service level agreements;
- Monitoring performance against contract; and
- Determining changes to that contract.

Finally, any contractual costs should be jointly met by the government and industry either through additional funding or via ringfencing existing funding provided by both parties currently to the TB Eradication Scheme. This will ensure that no single party has a dominant role in overseeing the development of the market prices used in valuations.

The move towards ‘depoliticising’ the valuations data could also ease any transition to the use of tables based valuations or even the continued use of quality scoring and valuation banding.

The Role of the Economic Breeding Index (EBI)

The SMP is the key report in terms of providing valuations for reactors in Ireland, however, the final valuation may be higher than the SMP value in instances where an EBI 'top-up' is justified.

The EBI top-up was introduced initially as an incentive on the valuation scheme to help promote the uptake of the index. The EBI is a single figure profit index aimed at helping herdowners identify the most profitable bulls and cows for breeding dairy herd replacements and comprises of information across a range of sub-indexes related to profitable milk production. It is provided as part of a subscription service available through the ICBF at a cost of between €60 and €100 per year depending on whether you are signing up to dairy or beef.

The introduction of the EBI in 2001 was seen as a very new and quite radical initiative at the time asking as it did for herdowners to move their focus from solely milk yield to other areas or sub-indexes that also impact on profitability in dairy herds such as fertility, calving, beef, maintenance, management and health. This level of analysis can take many years to ably demonstrate that genetic evaluations have a significantly positive impact on dairy farms and so to encourage uptake of the EBI initially, an EBI top-up as part of the OFMV Scheme was introduced as an incentive. The top-up is a simple calculation of EBI units x by a € value per unit EBI. That € value per unit of EBI has been adjusted over the years and is reviewed on an ongoing basis.

While it is not entirely clear as to whether this incentive or the increased demonstration and understanding of the benefits that the EBI programme can bring is responsible for this, what is clear is that the level of EBI uptake has grown significantly over the years as highlighted in the below table. It is therefore fair to say that the initial objective of the EBI top-up has been achieved and it is no longer required for this purpose, the EBI top-up having been introduced as an incentive to increase uptake and not as a core component of the valuation of a reactor.

The question then is whether the EBI is a core component of a reactor achieving a fair market valuation.

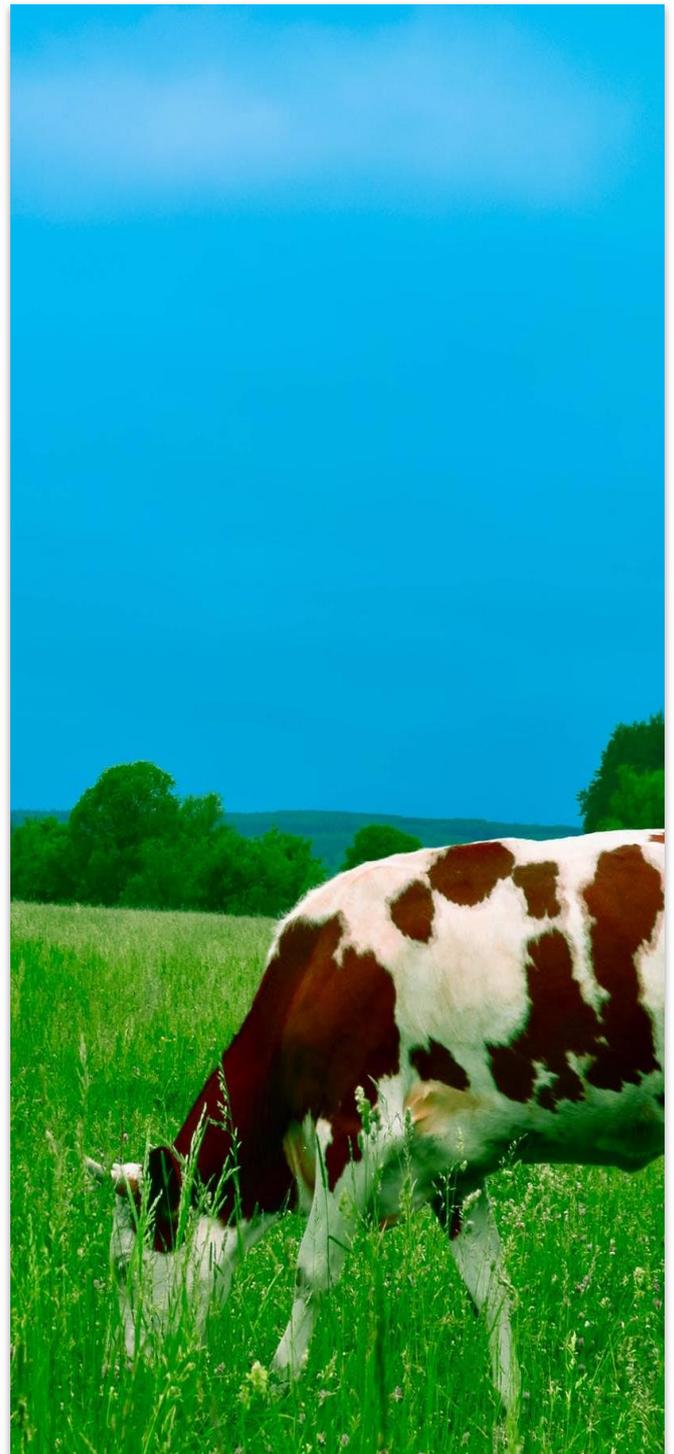
As EBI uptake has increased, clearly many herdowners see value in the scheme and are therefore likely to factor the EBI score into all elements of their business operations including decisions around the purchasing of stock. This was confirmed in several of the stakeholder consultations with farming representatives and individual herdowners. It is, therefore, appropriate to say that any merit or value placed on an EBI score is likely to already be factored into the sales price achieved by animals at marts on any given day. That being the case, it is highly likely that the current SMP reporting process captures this value already and that an EBI top-up is just that, additional to the fair market valuation of the animal. In effect, it could be considered in accountancy terms as 'double-counting'.

On that basis, consideration should, therefore, be given to agreeing an approach which moves away from the EBI top-up incentive and instead ensures that the valuations provided by the SMP are fair and appropriate in their own right, not through an additional top-up process.

Year	Cows with EBI	Total Dairy Cows	% of Total with EBI	Average EBI
2018	1,050,341	1,399,449	75%	95.95
2017	1,023,721	1,389,595	74%	87.90
2016	974,822	1,345,243	72%	78.68
2015	924,677	1,294,043	71%	68.36
2014	833,987	1,185,853	70%	57.57
2013	792,713	1,141,799	69%	46.90
2012	759,701	1,116,161	68%	35.38
2011	734,722	1,091,372	67%	25.74
2010	705,695	1,064,080	66%	17.32

Recommendations

- 1) The SMP should move from a weekly report to a monthly report in order to capture more data and provide additional time for more detailed analysis.
- 2) A study should be carried out to ascertain the feasibility of introducing an automated technology-based alternative to the current manual marts' data collection process that reports sales data directly from the marts' database to the party responsible for collating, analysing and calculating market prices.
- 3) A study should be conducted to consider the feasibility of potential options identified in this report to widen the number of data points available for analysis for categories with currently limited public sales information.
- 4) The Department should seek to address industry concerns with regards the development of the Summary of Market Prices report and the considerations that are factored into any quality scoring component of valuations in an open and transparent manner and invite feedback on how that process can be improved upon.
- 5) Consideration should be given to the engagement of a third-party to collate, analyse and calculate market prices independent of the Department as is currently the case with DEFRA and AHDB in England. The third party may be jointly engaged including reaching agreement on terms of reference, service level agreements and selection through a joint procurement process between the Department and representatives of the industry. An oversight working group featuring the same should be established to monitor performance under the contract. Funding for the engagement of a third party should be met equally by the Department and the Farming community with existing funds provided by both parties to the TB Eradication Scheme ring-fenced for this purpose.
- 6) The current system of providing a top-up based on EBI score should be phased out.



Communication

In reviewing the various TB Eradication Schemes in operation globally, it became clear that the countries which have had the greatest success in combating the disease are typically the ones which have experienced the highest levels of cooperation between industry and government. If the On-Farm Market Valuation Scheme and indeed the wider TB Eradication Scheme are to achieve their goals, which the final report from the TB Stakeholder Forum stated all parties are primarily focused on working towards, then there need to be significant changes both of operational approach but also of mindset ahead. All parties need to come together to work on solutions going forward. Equal input into the scheme requires equal responsibility for the scheme. Communication is key to that.

It is essential that all parties find a balance between ensuring:

- the relevant information is provided to herdowners at the right time and understood;
- compliance with the legislative requirements and in doing so protecting herdowners, both experiencing a breakdown and all others, from potentially negative impacts; and
- support is available for those who require it, both financial and non-financial.

These three aspects should underpin everything around the entire TB Eradication Scheme and by extension the OFMV Scheme.

Greater Focus on Non-Financial Support for Herdowners During a Breakdown

Much of the discussion with stakeholders focused on the financial compensatory package that was available to herdowners during a breakdown and while this is a very important support mechanism it is not the sole form of support. In addition to reactor compensation, Ireland is the only country identified that provides additional financial supports in terms of hardship funds etc. but there is more that could be done with regards non-financial supports.

A breakdown can mean herdowners worrying about significant financial loss, losing their livelihoods, being unable to support their families, and also the reputational damage due to the wider impact of a breakdown on neighbouring farms and others. The damage to the mental health of individuals and families in this situation can be substantial. A 2018 report from Men's Health Forum in Ireland in conjunction with the HSE found that herdowners were

among those most likely to die by suicide. Studies in the US and Australia have similarly indicated a far greater suicide risk for herdowners than the general male population.

It is therefore essential that the schemes operate in a manner that is both effective and efficient, providing both a safety net but also reassurance to all parties affected. This is one reason why returning a farm to normality as soon as possible post-breakdown is so important.

Provide More Information and Education

Non-financial supports can vary considerably in terms of focus and timing but a concerted effort should be made to ensure that they are available when needed. As a starting point, greater communication with herdowners in the form of workshops or roadshows should be provided not just by the Department but jointly with the active support of farming representatives to encourage attendance and uptake.

These sessions should be focused on providing greater education and understanding of how the scheme operates overall but specifically with regards what can be expected if/when a breakdown occurs. This would provide greater clarity, reduce the 'shock' factor, and help to manage expectations of how things proceed from that point.

When a breakdown occurs, a dedicated point of contact, most likely the Regional Valuation Officers, should be provided to the herdowner with the understanding that any issue or query they should have during the process be referred to that individual who can assist them in any way required. It is also important that more frequent contact and support at times other than during a breakdown crisis takes place to aid the development of better ongoing relationships.

Regional Valuation Officers and Valuers play an essential role in acting as links between the Department as a whole and the herdowner during a breakdown. Consultations indicated that these groups go far beyond their formal roles in providing understanding, support and practical assistance to those facing a breakdown and that this is greatly welcomed by herdowners.

Farming groups while already offering representation, support and advice to their members should further enhance this direct support by providing information around mental health support services and professionals that can support herdowners in managing this difficult period. Farming stakeholders consulted as part of the 2018 Men's Health Forum report highlighted the potential benefit of incorporating educational training on mental health into existing models of practise such as single herdowner payments.

Correspondence

A key form of communication when a breakdown is suspected is correspondence from the Department to the herdowner. This is typically in the form of notification of a breakdown event, information on the process that takes place, and in particular, compliance requirements such as isolating and preparing animals for valuation/further testing and the potential penalties for failing to adhere to these requirements.

As highlighted previously, this correspondence must balance the need for information, legal compliance under the terms of the scheme and EU regulations, and support and understanding for the herdowner.

To this end, finding an appropriate tone for the correspondence is key while making sure that the language, particularly where referring to legal requirements, is clear and understandable without being overly threatening.

Stakeholder consultations highlighted this as a particular concern for herdowners experiencing a breakdown where it was reported that the correspondence issued at this time was both challenging to understand and threatening in tone at a time when individuals were already experiencing significant distress.

It is our understanding that the Department is already in the process of reviewing some of its correspondence in light of these issues being raised and this is to be welcomed.

Greater input for herdowners

A key area of focus of the TB Eradication Scheme TB Forum was to address the perceived imbalance with regards who was considered to be responsible for the operational eradication of TB in Ireland. The hope is that, as in other jurisdictions that have successfully eradicated TB from their herd, the Forum would find agreement between industry and the Department on a joint way forward with both parties sharing responsibility for implementing the recommendations and actions going forward. While it is out of the Terms of Reference for this project, this would certainly, on the balance of the available research from comparable jurisdictions as well as behavioural economic theory, be an appropriate step towards equitable ownership of the problem and therefore the solution.

Equitable ownership and responsibility should, however, apply to all areas of the scheme including the On-Farm Market Valuation component.

One approach to achieving this has already been outlined elsewhere in this report, namely, the suggestion to study the feasibility of outsourcing the development of the Summary Market Prices reports data which underpins the whole valuation scheme. By establishing a procurement panel comprised jointly of Department and industry representatives which sets out the terms of reference, enters into competitive dialogue and ultimately selects a vendor and then oversees their performance this may foster both greater understanding of the scheme and its challenges but also greater ownership in finding solutions to those challenges.

The TB Forum provides an example for the potential to establish an ongoing Advisory Board/Oversight Committee of the entire TB Eradication scheme which would have regular opportunities to meet to provide input, expertise and feedback into all aspects of the scheme including the operation and performance of the On-Farm Market Valuation Scheme.

This inclusive approach to operating the scheme could be the first step towards a genuine partnership between industry and the Department that will be an essential component for the future success of the scheme.

Role of Valuers

Valuers are currently an essential part of the On-Farm Market Valuation bringing their experience and expertise to bear in assessing reactors market value. It is correct to say this report recommends that this role is greatly reduced through the implementation of a more automated tables based valuation approach with no live valuation element. However, this is not in any way a criticism of the role of valuers nor of their expertise or independence in how they have performed that role, instead, it is a simple desire to reduce the time a reactor remains on a farm that drives this proposed change.

Indeed, throughout the stakeholder consultation, there was very little by way of criticism for valuers themselves despite the concerns from some over their perceived independence. The focus of those who expressed such concerns was with regard to the conditions and Departmental guidance under which they operated.

Concerns around Valuer's independence arose largely from three areas:

- The process under which they are appointed, trained and managed;
- The valuation framework under which they operate and the freedom or otherwise that they have to provide a fair market valuation; and
- The process by which they are evaluated and disciplined where necessary.

While this review recommends a move away from live on-farm valuations it must consider the current situation where Valuers continue to play an essential role and so each of these areas identified above has been examined (the valuation framework is considered elsewhere in this report).

Appointment, training and selection to conduct valuations

During the course of this project, a thorough review has taken place of each of these areas and their respective processes and materials.

The review considered:

- The most recent RFT put out for tender by the Department for a Valuer Panel;
- The assessment system under which valuers were ranked for progress to Stage 2 of the appointment process;
- The assessment system under which valuers were selected for entrance onto the valuation panel;
- The initial training and guidance provided for valuers when they joined the valuation panel;
- The ongoing training updates that are provided periodically to valuers on the valuation panel; and
- How Valuers are selected to conduct valuations.

Each of these is explained in more detail elsewhere in this report but the conclusion reached is that the processes underpinning these areas while requiring ongoing review are robust and appropriate and in no way undermine the independence of Valuers operating within the scheme.

Again, however, it is appreciated that the appearance of independence is equally as important as actual independence. It may, therefore, be worthwhile considering the appointment, training and selection to conduct valuations of Valuers (if/where they are considered necessary) is open to feedback and input from industry representatives to ensure that independence is seen to be present.

Evaluation of performance and disciplinary process

One area of the scheme which impacts on Valuers where a more thorough review is required is the evaluation of Valuers' performance and the disciplinary process which relates to that. Through consultation with key stakeholders and a review of the documentary evidence surrounding the relevant processes, the evaluation of performance and disciplinary processes was conducted.

The review considered:

- Code of Practice for Valuers guidance issued to valuers; and
- Representations from Valuers' representatives, industry and the Department.

The Code of Practice for Valuers sets out the areas under which Valuers are monitored and evaluated as well as potential disciplinary sanctions should a valuer either fail to abide by the code or fail to perform against expectations set out in the code.

Representations from the various stakeholders were split on the question of whether the processes around performance management and disciplinary action constituted an impediment on a valuer's ability to perform their roles and independently value reactors at a value they considered appropriate.

The Department asserted that these were transparent measures that assured its obligation to ensure that valuations are carried out per the guidelines, instructions and notices issued to Valuers. In their role of safeguarding public expenditure, equitable treatment for farmers countrywide and also with regards to good governance it was, therefore, appropriate to conduct ongoing monitoring. In particular, it highlighted the need to ensure probity with regards the use of public funds and a requirement to comply with EU State Aid rules to ensure there is no over or underpayment of compensation.

The Valuers' representatives largely concurred with this viewpoint, accepting why ongoing monitoring of performance was necessary and indeed beneficial to all parties including herdowners.

However, it was accepted that some Valuers had concerns with the operation of the code and the implementation of disciplinary proceedings resulting in a challenge that has led to the ongoing suspension of this component of the code.

Discussions with industry representatives focused on their belief that the ongoing monitoring, valuation guidance and in particular the threat of temporary or permanent suspension from the scheme where the Code of Practice was not followed constituted a clear threat to the independence of valuers and could be used by the Department as a means of control to depress valuations. It is fair to note that concerns over the independence of Valuers and suggestions of the application of pressure by the Department to depress valuations have been around since at least the early 2000s.

The stakeholder consultation indicated there was general agreement that some form of ongoing performance monitoring was and should be a requirement for valuers. From the perspective of good governance and ensuring the efficient operation of the scheme it is essential that all aspects of its processes and performance are monitored and evaluated so that inefficiencies are identified and appropriate corrective action is taken.

Concerns largely covered three areas:

- What should be monitored?;
- What disciplinary sanctions, if any, should be available where that monitoring identifies 'poor practice'?; and
- Who should decide if those sanctions should be applied?

The concerns around 'What should be monitored?' and 'What disciplinary sanctions, if any, should be available where that monitoring identified 'poor practice'? are inextricably linked.

Activities currently monitored can largely be split across three areas:

- Compliance with timelines and processes;
- Compliance with probity and fairness; and
- Accuracy of assessment against valuation criteria.

For all stakeholders it is fair to say that the former, compliance with timelines and processes, was considered to be appropriate to monitor given that failure to do so can severely and negatively impact on herdowners receiving compensation payments promptly e.g. a Valuer not informing the Department they are unavailable to conduct valuations or not returning a valuation form promptly resulting in a delay in processing compensation.

Similarly, while compliance with probity and fairness guidance (e.g. a Valuer having conducted a 1st valuation that goes to appeal not informing the valuer conducting the 2nd valuation of the initial valuation outcome) did not directly come up in consultations it is self-evidently appropriate from a financial probity and independence perspective.

It is with the final area of monitoring and more relevantly sanctioning and the accuracy of valuation, that concerns were repeatedly raised during consultations as to their potential use to unduly influence and undermine the necessary independence of valuers. Of particular concern were Appendix A and Appendix B which monitored the performance of Quality and Weight Assessments of Stock against set guidelines and criteria.

These sections set out the acceptable error limits within which a Valuer must adhere when assessing the quality and the weight of an animal. These are arguably the two most significant variables within categories that determine a final valuation as well as being, more so in the case of the quality score, the most subjective components.

The weight assessment is less controversial given the more quantitative nature of comparing Kill-Out percentages but there are some clarifications required with regards the merit/quality assessment.

It is important to consider that this review of the code did not set out to establish the legal basis for its operation and so does not make any comment on same. Nor can it provide any definitive conclusion on the intention of any individual section of the code. Instead, the review considered the appearance of the text of the code to a third party, the processes that underpin the code, and the effect the code has had in practice.

Since 2018, out of over 37,000 valuations, on 24 occasions valuers have been sanctioned for violation of the code for reasons including:

- Overvaluing of animals based on inaccurate quality assessment;
- Undervaluing of animals based on an underestimation of animals liveweight; and
- Undervaluing of animals based on an underestimation of quality score.

Of these twenty-four disciplinary proceedings, two resulted in suspensions of between one month and six months from conducting valuations. In the remaining cases where points were applied under the code of practice, the sanction did not result in any form of suspension or discipline.

Professional monitoring

At the heart of the concept of professionalism and a profession as distinct from other occupations are the skills, qualifications, and conduct of its members. All professions require their members to uphold and observe the highest standards of competence, conduct and integrity and to ensure that is the case, there is typically a process of ongoing monitoring and regulation of its members. For example, the Chartered Institute of Management Accountants (CIMA) has a complaint procedure which sees an investigation committee decide whether there is a prima facie case to answer on the balance of the evidence submitted. The committee can offer a sanction if it is determined that there is a prima facie case or submit the complaint to a disciplinary committee in instances of sufficient seriousness. The disciplinary committee can issue sanctions up to and including expelling a member from the profession permanently. This is comparable to other professions.

It is therefore right and appropriate that professional monitoring of Valuers takes place and that a disciplinary process is in place with appropriate sanctions that can be applied where there is found to be misconduct.

The inherent subjectivity of quality scoring

Quality scoring, while guided by a framework of criteria to ensure greater consistency, is inherently subjective. While it is likely that Valuers with similar experience and expertise guided by the same criteria will frequently agree on a score, it is not always the case. This is the basis of the appeal system which provides for a second opinion to be sought independently of the initial valuation with the further potential for a third and final opinion to be given at arbitration based on the evidence presented. Actions to provide greater clarity over the make-up of a quality score would benefit the understanding of all parties.

Valuers' independence to value and departmental recourse

The question of whether Valuers are free to value independently and provide prices that vary from either the Summary of Market Prices report, in particular, the banded valuations for each category is a key one. While the SMP seeks to set out as accurately as possible fair market value a degree of flexibility is beneficial in terms of allowing valuers to use their own experience and expertise to assess a reactor as a unique animal based on its own merits. The scheme has a degree of in-built flexibility through the use of additional + or – quality ratings which typically adds or subtracts around 10% of the guide value.

Consultations with the Department and valuers highlighted that valuers both are and consider themselves to be free to value reactors at valuations outside of the parameters of the SMP.

The Code of Practice for valuers requires that Valuers “insert the full market value for animals on the V13 even in those cases where the value exceeds the ceiling price”. Elsewhere in the code, it is further clarified that valuers should “not exceed guideline prices for animals valued without providing sufficient documentary reason to Department”. In other words, any valuation and the assertions that make up that valuation must be adequately supported by evidence for that opinion. This is also the basis on which the Arbitration process reaches its conclusion by reviewing evidence-based submissions from all parties.

However, this clear message of freedom to value is somewhat impacted by any disciplinary mechanism whereby valuers are penalised or feel they may be penalised if challenged or reviewed by the Department for valuing an animal at what the Department considers an ‘inappropriate’ level. It is also important to note that the Department also has the security of recourse to the appeals process if it believes that a valuation is inappropriate while as the employer of the valuer, the Department can provide ongoing feedback and issuance of reminders of guidelines that should be followed.

Comparative expertise and experience of monitors

A concern expressed, and one which would appear to have merit is the question of who is conducting the Department's monitoring of Valuers' merit/quality assessment. Valuers are required to have significant experience and expertise to be considered for acceptance on to the valuer panel but it is not clear if the Departmental representatives conducting the monitoring of merit/quality scoring are qualified to an equivalent standard. It is entirely appropriate for the Department to conduct audit checks on a sample of valuers and valuations, however, it should be done so under comparable conditions by individuals with comparable expertise. Any absence of this control to those audit checks brings into question the efficacy of the monitoring being conducted.

Appeals process

The existence of a Right of Appeal built into the disciplinary process is essential in ensuring fairness to all parties. However, the use of a Valuation Code of Practice Appeal Board which is comprised solely of Departmental officers immediately calls into question the independence of this process. While there is no suggestion within this review that the make-up of this board has in practice resulted in questionable decisions in any way, once again independence must be visible to all interested parties.

The example outlined previously of the approach taken by CIMA, and many other professional bodies differ significantly from the OFMV Scheme's approach to regulating conduct with regards the make-up of its investigation and disciplinary committees. In both instances, CIMA is impartial in matters of complaints against its members. To ensure impartiality, the conduct committees are comprised of a majority of lay members (individuals from a non-accountancy background) and are appointed by an independent external process with oversight from the industry's regulator, the Financial Reporting Council and the regulatory jurisdiction of the Irish Auditing and Accounting Supervisory Authority (IAASA). These hearings are also open to both the public and the press to ensure transparency.

Any OFMV Scheme disciplinary process should seek to mirror this approach by being independent of the Department whose role in such a process should be limited to presenting evidence of misconduct for an independent panel or committee to decide which action to take, if any, based on the merits of the case.

Effect of the code

In terms of the effect, as highlighted previously, the analysis conducted as part of this review would indicate that while some categories of valuations may require more robust analysis to provide greater confidence of their accuracy, this is largely due to a lack of available data points. The analysis also indicates that this is only the case for a very few categories and therefore valuations as a whole cannot be considered as either inherently inaccurate or demonstrably undervalued. Additionally, the limitations of conducting a largely interview and desktop research-based retrospective review mean that it is impossible to state categorically if the Code of Practice for Valuers has in any way resulted in the depression of valuations.

Recommendations

- 1) The Department should engage with Farming Representative groups to identify additional non-financial supports that can be put in place to help those suffering TB breakdowns.
- 2) The Department should engage with Farming Representative groups to identify areas of requirement and opportunities to collaboratively deliver further information and education on the scheme overall and the process that is followed once an animal is suspected of being a reactor.
- 3) A review of Departmental communication should be conducted to ensure that a better balance between the various information, compliance, legal-related requirements and understanding of the emotionally difficult situation faced by the recipient is achieved.
- 4) Valuer disciplinary panels should be independent of the Department and consider each case on its merits in an open and transparent manner.
- 5) Industry representation should have greater input into the operation of the scheme.

Regulatory and legislative compliance

We undertook a rigorous review of the OFMV Scheme to confirm the scheme's compliance and consistency with relevant policies and provisions within the:

- Public Spending Code;
- State Aid Rules;
- Animal Health and Welfare Act 2013 (No.15 of 2013); and
- Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015).

Public Spending Code

All Irish public bodies are obliged to treat public funds with care and to ensure that the best possible value for money is obtained whenever public money is being spent or invested.

The Public Spending Code is the set of rules and procedures that ensure that these standards are upheld across the Irish public service. While the principles of the appropriate use of public funds are not new, in September 2013, Departments and Offices were formally notified by circular that the Public Spending Code is in effect.

While the bTBEP, established in 1954, predates the implementation of the Public Spending Code as the scheme avails of public funds on a current account basis, adherence to the code is necessary. This largely takes the form of being subject to periodic financial appraisal, economic appraisal, and value for money reviews etc. While value for money reviews have taken place previously, most recently a Spending Review in 2019, to date they have not been considered under the Public Spending Code which typically requires a more rigorous examination.

It is neither possible nor within the scope of this report to judge whether a review of the scheme would concur that it provides value for money to the Irish taxpayer. However, it is fair to say that a continued and ongoing period without further progress towards the goal of the scheme, namely eradication of TB, could see future funding called into question for a scheme that has already seen an estimated €5.5 billion of total expenditure (public, private and EU) in today's monetary terms since 1954 with a further €1 billion of expenditure forecast if the ambition of eradication by 2030 is achieved.

State Aid Rules

Under European Union rules it is illegal for EU countries to give financial help to some companies and not others in a way which would distort fair competition. This help is called state aid, and the rules barring it are enforced by the European Commission and national courts.

State aid is governed by the Treaty on the Functioning of the European Union (TFEU). These rules say that the European Commission must give prior clearance to any state aid and that countries must not grant the aid until it is cleared by the Commission. If aid is granted without permission it will almost always automatically be deemed to be unlawful and the organisation that received it can be ordered to pay it back.

The TFEU says that "any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between the Member States, be incompatible with the internal market".

A four-step test is typically used to help work out if an action will be state aid. The test is cumulative and state aid will only exist if all four parts are met. For state aid to exist, the following must be satisfied:

- aid is granted by the state or through state resources;
- to a certain undertaking;
- thereby creating a selective advantage; and
- the transfer of resources distorts or has the potential to distort competition and trade between EU countries.

While this report offers no legal opinion as to whether any or all of these tests would be satisfied, all parties must remain aware that systematic overpayment of compensation could result in action being taken at a European level.

Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015)

The Animal Health and Welfare Act 2013 was established to regulate and protect animals and monitor all activities relating to animals and animal sales and provided the basis for the implementation of the Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015.

The primary purpose of the Regulations is to support the delivery of the national Bovine Tuberculosis Eradication Programme and to reflect relevant provisions of EU legislation, in particular, Council Directive 64/432/EEC.

The Animal Health and Welfare Act (2013) guidelines set out the necessary steps that any person must take to ensure that an animal within their possession or control is protected and its health and welfare are safeguarded including from the threat or risk or spread of disease.

The Act states that an individual who fails to comply with the required measures has committed an offence and as a penalty, the costs of anything done under this section may be recovered by the Minister. In the case of the On-Farm Market Valuation Scheme, this can impact upon Compensation levels.

Compensation

Entitlement to compensation is conditional on compliance with the provisions of the Animal Health and Welfare Act (No15 of 2013), the Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) and any other relevant orders made under it. Concerning Animal Remedies legislation, with testing, movement, identification, bio-security and other controls laid down under the Disease Eradication Schemes, the Minister may refuse payment of compensation, in whole or in part, should the herdowner not satisfy the provisions outlined above or where the herdowner has failed to co-operate with Authorised Officers or Veterinary Inspectors of the Department in carrying out their duties under the Schemes.

Support

DAFM provides support and advice to herdowners who are unsure of what is required of them to comply with the relevant regulations including both reactive and proactive measures that once implemented, help safeguard both the animals and the farm boundaries to reduce the risk of bTB spread and contamination and in reducing the likelihood of an outbreak occurring on the farm.

Reactive measures include:

- bTB testing upon suspicion of TB within the herd
- Cattle culling of 'at-risk' animals to remove infection left behind in the herd

Proactive measures outlined include:

- Steps to reduce the risk of introducing cattle to your herd via trading
- Bio-security measures
- Breeding to increase genetic resistance to bTB
- Steps to minimise the risk of badger infection
- Reducing neighbourhood spread

Review of the various pieces of legislation would indicate that appropriate steps are being taken through the scheme to ensure compliance with the regulations as set out. Guidance is issued by the Department and acted upon by industry and where it is deemed not to have been acted upon sufficiently then appropriate penalties are applied e.g. reduced compensation where a herdowner is deemed responsible for a delay in the valuation process and/or the removal of reactors.

However, it is also appropriate to note that the European Commission (EC), other international jurisdictions, and researchers have previously expressed the opinion that compensation schemes which provide 100% market value may reduce incentive levels for herdowners to make additional effort to prevent infection. Measures suggested by the EC have included a reduction in compensation levels to less than 100% of fair market value and the imposition of tougher regulations whereby compensation levels are directly linked to compliance with these regulations.

Summary of Recommendations



Summary of Recommendations

Following six months of independent analysis of the current operation of the On-Farm Market Valuation Scheme, this report recommends that:

- 1) A review of the information collected by veterinary practitioners to accompany TB test results should be conducted and discussions had with regards to including a General Data Protection Regulations (GDPR) compliant statement of consent for herdowners to affirm they are content for their private information including up-to-date contact details to be shared with the Department.
- 2) A study should be carried out to ascertain the feasibility of introducing a non-paper based online system for completion and submission of relevant forms and documentation.
- 3) The current process of independent Valuers conducting a subjective live on-farm valuation should be reconsidered and replaced with an automated purely tables based assessment based on the Summary of Market Prices Report or equivalent database, particularly, for valuations with low numbers of animals or low overall value. The use of live valuations could remain an option for herdowners, at least for a specified transition period. Live valuation may also still have some merit for categories of animals with limited data points for analysis e.g. pedigree animals.
- 4) The existing merit/quality scoring system should be reviewed to ensure it reflects industry-wide rating systems such as star ratings to differentiate cattle merit/quality.
- 5) The SMP should move from a weekly report to a monthly report in order to capture more data and provide additional time for more detailed analysis.
- 6) A study should be carried out to ascertain the feasibility of introducing an automated technology-based alternative to the current manual marts' data collection process that reports sales data directly from the marts' database to the party responsible for collating, analysing and calculating market prices.
- 7) A study should be conducted to consider the feasibility of potential options identified in this report to widen the number of data points available for analysis for categories with currently limited public sales information.
- 8) The Department should seek to address industry concerns with regards the development of the Summary of Market Prices report and the considerations that are factored into any quality scoring component of valuations in an open and transparent manner and invite feedback on how that process can be improved upon.
- 9) Consideration should be given to the engagement of a third-party to collate, analyse and calculate market prices independent of the Department as is currently the case with DEFRA and AHDB in England. The third party may be jointly engaged including reaching agreement on terms of reference, service level agreements and selection through a joint procurement process between the Department and representatives of the industry. An oversight working group featuring the same should be established to monitor performance under the contract. Funding for the engagement of a third party should be met equally by the Department and the Farming community with existing funds provided by both parties to the TB Eradication Scheme ring-fenced for this purpose.
- 10) The current system of providing a top-up based on EBI score should be phased out.
- 11) The Department should engage with Farming Representative groups to identify additional non-financial supports that can be put in place to help those suffering TB breakdowns.
- 12) The Department should engage with Farming Representative groups to identify areas of requirement and opportunities to collaboratively deliver further information and education on the scheme overall and the process that is followed once an animal is suspected of being a reactor.
- 13) A review of Departmental communication should be conducted to ensure that a better balance between the various information, compliance, legal-related requirements and understanding of the emotionally difficult situation faced by the recipient is achieved.
- 14) A review should be conducted into the existing (and currently suspended) conduct and disciplinary system for valuers to ensure greater clarity, understanding and independence.
- 15) Valuer disciplinary panels should be independent of the Department and consider each case on its merits in an open and transparent manner.
- 16) Industry representation should have greater input into the operation of the scheme.

Appendices



Methodology



We based our approach on our proven methodologies for conducting independent reviews of projects and programmes. Our approach is consultative, based on best practice and tailored to your specific needs using the following five-phased approach.

Throughout this engagement, we have used a combination of techniques to deliver a comprehensive and robust review according to the agreed project plan timelines, which have provided assurance on the level of independence and fairness of the OFMV Scheme.

Project Initiation	During this phase we met with the Department’s project team and agreed a number of key items, including confirming project timeframes, the initial list of stakeholders to be engaged, the data and information that was already available and that which needed to be found.
Discovery	We collated and reviewed all the material and data that has been gathered by the Department and the TB Stakeholder Forum to date and began to formulate an understanding of policy context in which the OFMV Scheme operates as well as the processes involved in the scheme. This stage involved mapping out the relevant process in which the scheme should be following and mapping all stakeholders to ensure the initial list is complete.
Stakeholder Engagement	We carried out a stakeholder outreach exercise which involved a mixture of closed and open ended interview questions. The stakeholders were contacted based on an agreed sampling mechanism which ensured a representative sample of the group was contacted. Information was gathered using a mixture of methods depending on the stakeholder group and we were flexible to the requirements of the stakeholders to minimise disruption.
Analysis	We conducted a three step review of the information and data gathered during the first three phases. We used our proven methodologies and tools to analyse the Market Prices, the role and independence of the valuers and assess the policy and legislative context of the OFMV Scheme.
Final Deliverables	We have delivered a complete draft report which we will issue to the members of the TB Forum for consideration. We will reflecting on comments received and then look to finalise the report for distribution to stakeholders and publishing on the Department’s website. We will also prepare a presentation based on our findings which we will present to the TB Forum, and respond to any questions posed on our review.

We are confident that this practical and phased approach will satisfy the requirement of providing an independent and transparent review of the OFMV Scheme's independence and accuracy.

Methodology



PHASE 1: Initiation

The **Initiation phase** involved introducing the relevant Departmental officials and/or Forum members to the Grant Thornton project team for this engagement, and ensuring that there is a mutual understanding of, and consensus for, the key project management requirements to ensure a successful outcome for the TB Stakeholder Forum and the Department.

At the kick-off meeting our team:

- Reconfirmed your ask and requirements;
- Agreed on a project timeline;
- Finalised a project plan;
- Identified key stakeholders and outlined initial engagements;
- Exchanged an information requirements list; and
- Ensured clarity on the purpose and key deliverables resulting from this engagement including, at a high level, the structure and format of the final report.

PHASE 1: Key deliverables

- Scope document agreed by both parties inclusive of outputs, timelines and all other appropriate requirements.
- Information requirements/data request list highlighting the information necessary to complete the project and the documents that should be provided by the Department to Grant Thornton

PHASE 2: Discovery

The **Discovery phase** commenced with the identification and collation of all of the relevant and required information relating to the project. A review of the history of the TB Eradication and On-Farm Market Valuation Schemes was undertaken to establish a firm rationale for the Programme and to understand its context.

Other documents reviewed for this purpose included:

- Ireland's Bovine TB Eradication Programme 2018 Overview;
- TB Compensation Arrangements Booklet
- Code of Practice for valuers operating under the On-Farm Market Valuation Scheme
- Weekly Summary Price Report
- Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes
- National Farmed Animal Health Strategy 2017-2022
- Animal Health Ireland: providing national leadership and coordination of non-regulatory animal health issues in Ireland
- OECD Livestock Diseases: Prevention Control and Compensation Schemes
- International strategies & European policies

Grant Thornton requested all of the material collated to date by the Bovine TB Eradication Programme team. This information was gathered in line with the necessary GDPR procedures and complying with all GDPR related regulations.

Data Collation

The main source of data for this phase was the Summary of Market Prices (SMP).

This included collating the Summary of Market Prices data available from the Department, assessing how this data is gathered and the processes involved in collating this data from the regional cattle sales to validate its broad representation of prices.

Comparative Analysis

An exhaustive jurisdictional comparative analysis piece was completed to benchmark domestic and international eradication progress. This analysis also allowed for the examination of the various eradication models and approaches that have been employed elsewhere.

Methodology



Mapping Exercise

We undertook a mapping exercise to illustrate the linkages and support for the OFMV Scheme. Through this process, we were able to identify the full range of stakeholders, their interests and how they interact with the scheme, which was crucial for informing the Stakeholder Engagement phase.

We also undertook an exercise to map out the process of the scheme, capturing the timelines to establish if there are any delays which may impact the efficiency of the scheme.

PHASE 2: Key deliverables

- Handover and review of all relevant material
- Validation of existing information
- Review of existing data and policy documents
- Comparative analysis of other jurisdictions
- Desktop research

PHASE 3: Stakeholder Engagement

The **Stakeholder Engagement phase** involved a process of engaging with all key stakeholder groups to gather their expertise and insights into their respective professions and industries. These groups included:

- Departmental officials;
- Herdowner organisations representatives;
- Individual herdowners;
- Regional Valuation Officers;
- Valuers and valuers' representative groups;
- Industry representative groups;
- Academia;
- Veterinary representatives;
- Wildlife trusts; and
- HSE representatives.

As previous discussions in the TB Forum had raised divergent opinions, it was important that the views of all key stakeholders were taken into account. In light of this, the project team was receptive to all the insights and information proffered by the participants.

Consultation Process

The engagement process comprised of one-to-one interviews with key stakeholders and larger group meetings on a regional basis. To ascertain the views of all relevant stakeholders, Grant Thornton engaged in a process of consultations. These consultations took place between February and April of 2020, with 35 consultations taking place over this timeframe.

Due to unforeseen circumstances arising from COVID-19, several of these consultations were preformed via digital consultation calls. This was necessary to facilitate the relevant stakeholders and assist in capturing as wide a range of input as possible.

Breakdown of Consultations

Farming Representative Groups	4
Herdowners	16
Valuer Representative Groups	1
Department Officials: Regional Valuation Officers	6
Veterinary Representative Groups	1
Industry Representative Groups	2
Wildlife Trusts, HSE and Others	5

All individual herdowners consulted for the process of this analysis were chosen at random, with the proviso that all herdowners had previously experienced TB outbreaks within their herd.

Methodology



Grant Thornton included herdowners:

- From a mix of geographical areas;
- Beef and dairy holdings;
- Large and small holdings;
- Pedigree and non-pedigree herds; and
- Locations with experience of the various vector control programmes; badger and deer culling and vaccination.

Consultation Procedure

An interview guide document was drawn up to provide some structure and uniformity to the interviews. It was based around the key questions posed in the OFMV tendering document and informed by the desk research undertaken during the discovery phase.

The guide was referred to by Grant Thornton, the interviewer throughout the interviews to navigate the direction of the interview, but giving the interviewees the freedom and scope to discuss other elements they felt relevant.

The questions allowed for an open discussion to occur, where the opinions and experiences of the stakeholders relevant to the TB eradication scheme were heard.

A similar thread/line of questioning was employed throughout all consultations, to allow for the collection and collaboration of opinions regarding the same topics. These discussion points included, but were not limited to:

- Accuracy of the reference prices;
- Accuracy of valuations;
- Independence of the Valuer;
- Cost to the herdowner;
- Cost to DAFM;
- Main benefits of the programme;
- Programme performance overall;
- Communication;

- Main costs of programme;
- Other players and exacerbators;
- Confidence in the scheme: and
- Additional commentary and information.

Following the conclusion of the consultation process, the minutes from the stakeholder consultations were shared with the individual stakeholders.

Grant Thornton requested that all minutes should be reviewed to ensure that the individual/representative bodies opinions were captured correctly, with Grant Thornton undertaking any amendments to the sentiments captured, where it was highlighted by the individuals stakeholders. The amended minutes were circulated before a final sign off.

The responses provided by the consultation process were analysed by Grant Thornton to identify the primary themes and opinions that emerged from the stakeholders. The themes were then drafted into a document along with a series of questions surrounding these themes to garner further opinion and suggestions on how to tackle the issues identified facing the OFMV Scheme. This document was shared with the stakeholders and the feedback we received has been captured in the findings of this report.

PHASE 3: Key deliverables

- Stakeholder Management Matrix
- Overview of findings from engagements
- Strategy for on-going stakeholder maintenance process

Methodology



PHASE 4: Analysis

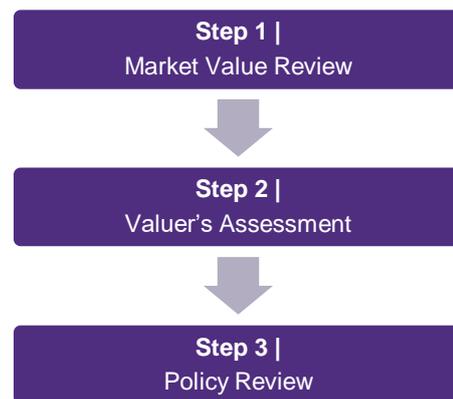
The **Analysis phase** of the OFMV Scheme review was largely concerned with developing meaningful and relevant output using the information collated during the Discovery and Stakeholder Engagement phases.

Our proven methodology for conducting the Analysis phase was designed to answer the questions that have precipitated this review.

We analysed the findings from the Discovery and Stakeholder Engagement phases to determine the following areas:

- The accuracy of the SMP against the market for livestock removed under the Live Valuation Scheme;
- Actual remuneration from the OFMV Scheme and the market value for reactor animals;
- The Valuers' ability to apply a subjective basis for the valuation;
- The independence of valuers against the Code of Conduct and implications of penalties on this independence; and
- The scheme's compliance and consistency with relevant policies and provisions of the:
 - Public Spending Code;
 - State Aid Rules;
 - Animal Health and Welfare Act 2013 (No.15 of 2013); and
 - Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015)

We followed a three-step approach to the Analysis of the OFMV, as outlined to the right. Each component draws on information gathered in the Discovery and Stakeholder engagement. Each step forms a key contributor to the final report and is designed to fully answer the questions posed by the Department in the Request for Tender.



PHASE 4: Key deliverables

- Analysis of Summary of Market Value pricing and actual remuneration received by affected herdowners
- Assessment of the independence and ability of Valuers
- Compliance assessment of the scheme versus policy

Methodology

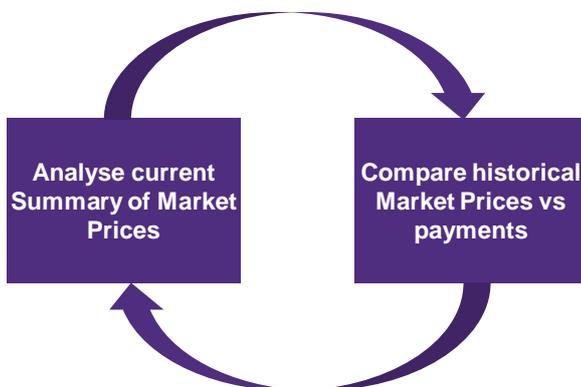


Step 1 | Market Value Review

A key consideration of the OFMV is the value paid to the herdowner of the reactor animal. Due to rising payments of the Gross Differential Amount (GDA) and concerns by herdowners regarding the payment amount, we conducted a review of the determination and payment of the Market Value.

Firstly, we analysed the recent Summary of Market Prices data gathered during the Discovery phase. We compared the Department's data versus primary data gathered from a representative sample of cattle marts. This allowed us to perform an independent evaluation of the Department's collated data.

Secondly, we compared a statistically significant sample of Summary of Market Prices versus historical payments. This allowed us to determine if payments have been consistent with the reported market price. Our analysis of each component was performed in tandem, as illustrated below.



Step 2 | Valuer's Assessment

We reviewed the current Valuer Code of Conduct and Pricing Guidelines, in conjunction with information collected from interviews with Valuers and other members of the supply chain who interact with Valuers regularly. This informed our assessment of the role, scope, ability and independence of the valuers within the OFMV Scheme.

Our approach sought to be inclusive and open to allow all stakeholders to express their views on the valuer process, not just the Valuers themselves. However, we conducted the interviews with an awareness of potential biases for or towards valuers. This allowed us to determine if Valuers have the scope and independence to give prices which reflect the value of the reactor animal but also have the scope to provide prices in line with market values that are out of the scope of the Summary of Market Prices.

Step 3 | Policy Review

We carried out an in-depth review of the policy context informing the OFMV Scheme and assessed its suitability in underpinning the scheme.

Our international SMEs applied their knowledge of TB eradication efforts in Australia and New Zealand and the policy context underpinning those successful programmes. We leveraged this expertise to assess the legislative and policy basis of the OFMV Scheme.

Methodology



PHASE 5: Final deliverables

We undertook a rigorous review of the OFMV Scheme which provided a credible account of the scheme's independence, responding to the concerns that the farming organisations raised during the TB Stakeholder Forum's bilateral meetings. Specifically, our final deliverable reviewed:

- Do the prices in the weekly Summary of Market Prices (SMP) reflect the market for livestock removed under the Live Valuation Scheme?
- Through the OFMV, are herdowners being given the market value for reactor animals?
- Do Valuers have scope to provide prices for reactor animals in line with market values that vary from the weekly summary of market prices within the constraints of the current Valuer's Technical Guidelines and Code of Practice?
- Do the current procedures, listed below, provide for a fair and independent process through which herdowners receive market value for each animal removed from their farm?
 - i. Compilation of the SMP - Does the current data-set used by DAFM to compile the SMP represent the market value for all categories of animals removed as TB reactors in the OFMV Scheme.
 - ii. The scope and application of the Guidelines for Categorisation and Assessment of Bovine Reactor Animals for On-Farm Market Valuation Purposes (Valuer Technical Guidelines),
 - iii. Valuer Code of Practice - the application of appeal and arbitration procedures open to herdowners.
- Does the current OFMV process ensure that the Public Spending Code is complied with and that State Aid rules are respected?
- Is the OFMV process consistent with relevant provisions of the Animal Health and Welfare Act 2013 (No.15 of 2013) and Animal Health and Welfare (Bovine Tuberculosis) Regulations 2015 (S.I. No 58 of 2015) as updated?

We will deliver a draft report which will be submitted to the Forum stakeholders to review. Once we have received feedback, we shall incorporate any changes required before finalisation of the report, which will be shared with the stakeholders in an electronic format and be published on the Department's website, as well as in book format.

The report's format includes the following:

- **Executive summary** which provides an overall summary of the report's main findings, conclusions and recommendations;
- **Background** that covers the purpose and scope of the engagement and includes the report structure;
- **Operation of the scheme** which explains how the various processes that underpin the On-Farm Market Valuation Scheme operate,
- **Stakeholder feedback** which details the engagements undertaken with stakeholders and the feedback received from those,
- **Comparative analysis** shows how Ireland's scheme and situation compares to other jurisdictions,
- **Findings of the review** where the overall analysis and findings of the review are presented; and
- **Conclusions and recommendations** based on the findings, provide a clear response to the concerns that the farming organisations raised during the TB Stakeholder Forum's bilateral meetings and outline recommendations based on the findings.

In addition to our final report, we will also prepare a presentation based on the findings of our review. We will present this to the TB Forum, and respond to any questions posed on our review.

PHASE 5: Key deliverables

- Completed report detailing the findings of the analysis and any recommendations based on findings
- Presentation on findings to be delivered at the TB Forum, followed by a Q&A session elaborating on our work, as necessary

Stakeholders Consulted

As part of the review of the scheme, a number of stakeholders across the chain were engaged in order to obtain a diverse range of feedback from all relevant parties. Outlined below is the list of stakeholders consulted:

Farming Representative Groups

ICSA – Hugh Farrell

ICMSA – Lorcan McCabe, John Enright

Macra – Thomas Duffy

IFA – Pat Farrell, Tomas Bourke, TJ Maher

Herdowners

Dairy farmers – Kevin McCann, Martin Barrett, Donal O'Brien, David Farrell, Sean O'Brien, Finbarr Ryan, Charles Tottenham, Pius Horgan, Lawrence Deery, Joe Harty, Kevin Twomey.

Beef farmers – Liam O'Byrne, Thomas Cormican, Hugh Brennan, Stephen Dunne, James Cawley.

Valuer Representative Groups

Valuers Representative Group – Tom Berkery

Department Officials: Regional Valuation Officers

Cork Regional Valuation Officer – Brendan English

Cavan Regional Valuation Officer – Martin Halpin

Portlaoise Regional Valuation Officer – Michael Kerr

Kilkenny Regional Valuation Officer – Geraldine Loughman

Limerick Regional Valuation Officer – Tom Maloney

Castlerea Regional Valuation Officer – Martin Freeman

Veterinary Representative Groups

Veterinary Ireland – Conor Geraghty

Business Representative Groups

IBEC/Meat Industry Ireland – Conor Mulvihill, Joe Ryan

Ornua – Joe Collins

Wildlife Trusts, HSE and Others

UCD – Simon More

Irish Wildlife Trust – Pádraic Fogarty

Agri-Food Business Partners – Michael Cronin

National Parks and Wildlife Service – Gerry Leckey

HSE – Dr. Mary O'Meara, Dr. Pasqueline Lyng, Sarah Jackson, Dr. Joan O'Donnell



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