Explanatory Memorandum to The Sheep Carcass (Classification and Price Reporting) (Wales) Regulations 2025

This Explanatory Memorandum has been prepared by the Department for Climate Change and Rural Affairs of the Welsh Government and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Sheep Carcass (Classification and Price Reporting) (Wales) Regulations 2025**.** I am satisfied that the benefits justify the likely costs.

Huw Irranca-Davies MS
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

23 September 2025

PART 1

Description

1. The Sheep Carcass (Classification and Price Reporting) (Wales) Regulations 2025 (“the Regulations”) will ensure the sheep market operates with greater transparency so that producers will understand whether they are receiving a fair price for their slaughtered animals. These regulations place obligations on the operators of larger abattoirs (regulated slaughterhouses which slaughter at least 2,000 sheep per week as a rolling annual average) to classify sheep carcasses from sheep aged less than 12 months using a prescribed scale to assess fat class and conformation (shape).

   These operators must ensure sheep carcasses are presented in a consistent way post-slaughter at the point of weighing and classification. These operators will be required on a weekly basis to report price data by carcass classification for individual sheep aged less than 12 months supplied for slaughter. Price reporting is a means of collecting data on the market which can be used for both policy formation, and for forward planning of livestock producers and other parts of the supply chain. The aggregated reported prices will be published and used to monitor the market.

2. There are currently four abattoirs in Wales which would be subject to the Regulations.

Matters of special interest to the Legislation, Justice, and Constitution Committee

3. Welsh Government consulted with industry in 2018 and jointly with the Department for Environment and Rural Affairs in England (DEFRA) in 2024 on introducing legislation in relation to Sheep Carcass Classification and Price Reporting with proposals to align as closely as possible with similar legislation already in place for beef and pigs (see paragraphs 21 to 34)

4. The Sheep Carcase (Classification and Price Reporting) (England) Regulations 2025 (“England Regulations”) were made on 9th July 2025 and the Welsh regulations will have practical effect on the same date as the England Regulations to ensure continuity across the two countries.

Legislative background

5. The Welsh Ministers are making these Regulations in exercise of the powers conferred on them by sections 25(2), 32(1)and 35(1) and (2) of the Agriculture (Wales) Act 2023 (“AWA 2023”).

6. Section 25(2) provides the Welsh Ministers may make regulations requiring a person in, or closely connected with, an agri-food supply chain to provide information about matters connected with any of the person's activities connected with the supply chain so far as the activities take place in Wales.

7. Section 32(1) provides the Welsh Ministers may by regulations make provision for enforcement of a requirement imposed under section 25(1).

8. Section 35(1) provides the Welsh Ministers may, by regulations, make provision about the classification, identification and presentation of bovine, pig and sheep carcasses by slaughterhouses in Wales.

9. Section 35(2) sets out those regulations may include provision about enforcement to include (amongst other things) the matters set out in that provision.

10. These Regulations are being made under the affirmative Senedd procedure in accordance with section 50(6) of the AWA 2023.

Purpose and intended effect of the legislation

11. Mandatory carcass classification and price reporting schemes have been in place in the beef and pork sectors for many years. The introduction of a mandatory scheme for the sheep sector is intended to bring the sheep sector in line with those sectors as closely as possible. Some individual abattoirs slaughtering sheep have, for a long time, voluntarily adopted a common sheep carcass classification system, and some have additionally voluntarily reported prices to the Agriculture and Horticulture Development Board ("AHDB").

12. Many abattoirs have set their own standards for trimming and presenting sheep carcasses for classification and weighing. As a result, the operation of different voluntary systems means that carcass weights across the sector lacked consistency. Variations in carcass presentation led to different sizes of otherwise comparable carcasses being weighed, and to non-comparable prices being quoted or recorded. Consequently, sheep farmers often struggled to negotiate appropriate payment for the quality of their carcasses, or to have the necessary details they need to inform their business decisions and increase productivity.

13. The regulated slaughterhouses must detail the classification results, weight and carcass presentation specification applicable to each carcass when they report the price. Abattoirs slaughtering between 1,000 to 1,999 sheep per week as a rolling annual average, can choose to opt-in to the mandated system by giving the Welsh Ministers notice of their intention to do so, in which case they must meet the requirements of the Regulations. The approach of mandating abattoirs slaughtering at least 2,000 sheep per week as a rolling annual average is intended to capture a high proportion of the

sheep slaughtered, whilst avoiding adding additional regulatory and administrative burdens on smaller abattoirs.

14. We anticipate that some businesses will want to use automated sheep carcass classification methods. Provisions relating to automated classification methods come into force on 12th February 2027, later than the rest of the Regulations on 28 January 2026. This delay is necessary because there is currently no suitable UK-wide visual carcass classification data to provide the necessary data sample to be able to assess and authorise automated classification methods. To remedy this, visual carcass classification data will be collected from across the UK during the initial period following the coming into force of the Regulations. This data can then be used to establish a representative sample of UK sheep carcasses, on which automated classification methods can be tested, assessed and, if appropriate, approved.

15. In Wales, officials are aware of one abattoir with an automated grading system in place, however it is not currently in use for grading lambs.

16. These Regulations will be implemented in line with similar legislation already introduced by DEFRA in England and those being considered in Scotland and Northern Ireland.

17. The specific goals of the Wellbeing of Future Generations (Wales) Act 2015 which apply include making Wales prosperous – developing a rural economy which generates wealth and provides equal opportunities and a country which is ecologically, economically and socially resilient.

Consultation

18. In 2018 Welsh Government consulted with industry on introducing legislation in relation to Sheep Carcass Classification and Price Reporting [1] with proposals to align as closely as possible with similar legislation already in place for beef and pigs. The consultation was undertaken in parallel with DEFRA and the Scottish Government whilst DAERA consulted during 2021/2022.

19. This was in response to strong evidence presented by industry in a UK Government Call for Evidence on the remit of the Groceries Code Adjudicator on a need for such legislation. Legislation for Carcass Classification and Price Reporting within the beef and pig sectors was mandatory under EU Law, but optional for sheep.

20. The results of that consultation evidenced the desire of the industry to mandate the classification of sheep reporting and enforce the reporting of prices to the producer. This will enable greater transparency and improve fairness and price. Welsh Government agreed to engage further with regard

to the information which is reported to producers by both processors and levy bodies and to implement the legislative framework required to underpin mandatory sheep carcass classification in Wales.

21. The introduction of the policy was delayed in all four nations due to the global covid pandemic and the impact of the war in Ukraine. In addition, with the UK having since voted to leave the EU, it was recognised that the circumstances that underpinned the initial consultation had changed, and it was agreed to repeat the consultation.

Targeted Consultation

22. Welsh Government and DEFRA jointly consulted stakeholders on proposals for a mandatory carcass classification and deadweight price reporting scheme for the sheep sector, and on the mechanisms for authorising automated classification methods that could be used for the classification of beef and sheep carcass in abattoirs slaughtering these species. This was a six-week targeted consultation that closed in March 2024.

23. The consultation was targeted at organisations representing farmers, abattoirs, processors and manufacturers of automated carcasses grading technology and asked for views on proposals for a mandatory carcass classification and deadweight price reporting scheme for the sheep sector, and on the mechanisms for authorising automated grading methods that could be used in Wales and England for the classification of beef and sheep carcasses in abattoirs slaughtering these species.

24. As the consultation was targeted at specific stakeholders the consultation and summary of responses was not published on-line but were sent to those specific stakeholders only and is available on request.

25. In total there were 17 responses to the consultation; 11 via the online survey and 6 written responses.

26. Respondents included farming unions, sheep and beef associations, AHDB, Hybu Cig Cymru - Meat Promotion Wales (HCC),abattoirs and processors.

27. The comments received on this proposal were generally supportive as this will provide a greater transparency across the supply chain for farmers and provide a benchmark for industry. Furthermore, those that agreed with the proposal acknowledged the benefits that this proposal will bring in creating and sustaining a stronger market for industry overall.

28. Respondents also provided suggestions about improving and refining some of the proposals.

29. In particular, although a majority of respondents agreed with a proposal on providing for the authorisation of automated sheep classification methods, a

small number of respondents commented that they had concerns about delaying the use of existing automated classification technology (i.e. Video Imaging Analysis), due to the need for government to collect sufficient UK sheep sector data before this method can be tested to check if it meets the criteria required.

30. The comments also highlighted some respondents were concerned about the potential financial implications if abattoirs were to opt in, specifically around the running and operations costs of those abattoirs. However, for those under the mandatory throughput threshold, opt in is voluntary and for those businesses to decide.

31. DAERA in Northern Ireland and Scottish Government also ran separate consultations on proposals to introduce similar legislation.

[1] sheep-carcase-classification-consultation

Guidance

32. RPA will update the existing guidance available on Gov.UK in advance of the first commencement date to include the sheep carcass classification and price reporting requirements contained in these Regulations.

33. A Service Level Agreement (SLA) is currently in place between Welsh Government, DEFRA and RPA to outline the requirements, roles and responsibilities of all Meat Technical Scheme (MTS) inspections in Wales and England.

34. The guidance for slaughterhouses in England on reporting deadweight sheep prices has gone live and will be updated to include Wales once the Regulations have been laid.

PART 2 – REGULATORY IMPACT ASSESSMENT

1. The primary aim of the policy is to address a long running supply chain fairness issue. Mandatory carcass classification and price reporting schemes have been in place in the beef and pork sectors for many years.

2. Bringing the sheep industry in line with these sectors will lead to a more transparent, productive and efficient sheep market, encouraging producers to improve productivity and to rear sheep to better meet market specifications and consumer demand. To do this we propose to mirror (with some amendments to take account of differences in the sheep market) the existing beef and pig regulations, which impose mandatory classification and price reporting on larger abattoirs slaughtering bovines and pigs.

Sheep Data

3. When the authorisation process of automated grading methods was introduced for cattle, there was existing data on UK cattle carcass classification to share with industry to build algorithms, as reporting of manual classifications had been mandatory for several years. However, similar UK data for the sheep sector is not currently available. To enable the collection of the required UK sheep flock data, which accurately reflects the representative sample of carcasses for the authorisation test for automated grading methods, only manual carcass classification will be permitted for a period whilst a year of flock data is collected. Thereafter, automated sheep grading methods will be available.

4. Agricultural Development Advisory Service (ADAS), on behalf of Welsh Government, prepared a Regulatory Impact Assessment ("RIA") undertaking face-to-face interviews with relevant contacts in the four main sheep abattoirs in Wales and the RIA assessed the financial and practical impacts for the proposals.

5. Overall feedback suggests affected abattoirs do not expect any significant costs to implement the carcass classification and price reporting.

Options

6. **Option 1: Business as Usual: Self-regulation**

   Abattoirs could continue to be given responsibility for reporting their own classification outcomes. In this instance, some abattoirs will continue to grade carcasses using the (S)EUROP classification grid and some of them may report prices voluntarily. However, other abattoirs are likely to continue to use or adopt non-standard classification techniques or not report prices leading to a lack of transparency around the pricing, classification, and specification of a carcass. In addition, the challenge with the current situation also lies in the absence of uniformity and consistency in the carcass presentations among individual abattoirs. As a result, the carcass weights may lack comparability due to variations in trim and carcass presentations, leading to non-comparable prices quoted or recorded. This would also not align with current regulations in the beef and pig industry.

7. **Option 2: Regulate only larger abattoirs (Preferred option)**

   As described above whereby it will be mandatory for abattoirs with average weekly slaughter of at least 2,000 sheep to, amongst other changes, inform their suppliers of the classification outcomes for sheep using the (S)EUROP scale and report prices. A sizeable proportion of the larger abattoirs already possess the capability to meet these requirements, so the regulatory burden it introduces will be limited.

8. **Option 3: Additional regulation**

   The preferred option could be extended so that smaller scale operators, with average weekly slaughter between 1,000 and 1,999 sheep, are also required to comply with the new classification and price reporting regulations. This is opposed to the preferred option where these abattoirs have the decision to opt in to new regulations by notifying the WMs of their intention to do so. This option will impose large costs on abattoirs below the 2,000 throughput threshold.

9. **Option 4: Partial regulation (Price reporting only)**

   An alternative option is focusing legislation solemnly on price reporting and not classification. This option was considered as it could save large abattoirs and (smaller abattoirs that may decide to opt in) on costs such as avoiding carcass classification training costs. Although, there would still need to be familiarisation costs with the new requirements and software changes to computerised systems to facilitate the price reporting. However, the main issue arises from abattoirs that will not be reporting on the same attributes of a sheep carcass. For this reason, this option has been rejected and is not taken forward for further assessment.

10. **Costs and benefits**

    Option 1: Business as Usual

    - This is the baseline option and, as such, there are no additional costs or benefits associated with this option.

    Option 2: Regulate only larger abattoirs (preferred option)

    - This will be mandatory for abattoirs with average weekly slaughter over 2,000 sheep, amongst other changes, inform their suppliers of the classification schemes for sheep using the (S)EUROP scale and report prices.

- Based on information supplied by the Rural Payments Agency (RPA) four abattoirs based in Wales, out of 14 would be subject to the new legislation and would cover approximately 95.51% of lambs processed in Wales and 2 of the 4 are already meeting the requirements of the comparable beef carcass schemes.

- The Preferred Option will not directly impose costs on abattoirs with a weekly throughput of below 2,000 sheep as these abattoirs are exempt from the regulation. Direct costs are also not imposed on farmers or the customers of abattoirs.

<u>Familiarisation Costs</u>

- Familiarisation costs borne by the business help familiarise abattoirs workers with the new regulations. For abattoirs already following these regulations for bovines, these costs are likely to be lower because they will already have experience using the system in their day-to-day operations. These costs represent the best estimated-cost scenario.

- The familiarisation cost is approximately £125 per abattoir. This estimate is based on each abattoir requiring four hours to become familiar with the new requirements. The total familiarisation cost for the four abattoirs with a weekly throughput in excess of 2,000 sheep per week is therefore £500. This cost will be incurred in the first year only.

<u>Retraining costs</u>

- There will also be an initial direct cost to abattoirs to retrain staff to comply with the new regulations. Larger beef abattoirs all have in-house, trained classifiers that have been licenced as competent by the RPA to perform beef classification duties.

- Abattoirs who do not slaughter bovines or outsource classification work are likely to face larger retraining costs over a longer process.

- It is anticipated that each abattoir will need to re-train between one and three workers and that the training will take around two-days. The cost to train each worker is approximately £610, this includes wage and non-wage costs. The re-training cost per abattoir is therefore between £610 and £1,830. For the four abattoirs, the total retraining cost is between £2,440 and £7,320. Again, this cost will be incurred in the first year only.

<u>Inspection Costs</u>

- There will be an ongoing inspection cost to abattoirs. Time and administration costs for abattoir businesses have been estimated by the RPA as being £400 in total (this is a high-end estimate) respectively per visit. These costs represent the best estimated-cost scenario. Due to some abattoirs already being inspected for bovine slaughter, these costs are likely to be an over-estimate.

- Assuming each abattoir will be inspected six times per year, the ongoing inspection costs are estimated to be £2,400 per abattoir per year (£400 per visit and 6 inspections per year). The total ongoing costs for the industry are estimated to be £9,600 per annum.

RPA Costs

- There will also be a cost to the RPA to inspect each abattoir, this has been estimated to be £265 per inspection. Given that there are four abattoirs in Wales with a throughput of at least 2,000 sheep per week and it is assumed that each one will be inspected six times per year, the ongoing cost to the RPA is estimated to be £6,360 per annum.

Summary of costs for Option 2

	Year 1	**Ongoing annual cost**
Business		
Familiarisation	£500	
Re-training	£2,440-£7,320	
Inspection		£9,600
RPA		
Inspection		£6,360

Option 3: Extend regulations to also cover smaller abattoirs

- The preferred option could be extended so that smaller scale operators, with average weekly slaughter between 1,000 and 2,000 sheep, are also required to comply with the new classification and price reporting regulations. This is opposed to the preferred option where these abattoirs have the decision to opt in to new regulations by giving notice to the Welsh Ministers of their intention to do so. The latest data from the RPA shows there are currently no abattoirs in Wales slaughtering between 1,000 and 2,000 sheep per week and so, as things stand, this option would not impose any additional costs when compared to Option 2. However, were any of the other abattoirs in Wales to increase their weekly throughput and exceed the 1,000 sheep threshold then they would be expected to incur similar unit costs to those set out under Option 2. Similarly, the RPA would incur additional inspection costs if any of the abattoirs were to reach the lower threshold.

- Given that the combined throughput of the 10 smaller abattoirs currently represents less than 5% of the Welsh total, it is considered disproportionate to extend the requirements on a mandatory basis to include those abattoirs slaughtering fewer than 2,000 sheep per week.

Competition Assessment

- The legislation does not impact small or micro businesses. To minimise the impact of the requirements on small or micro businesses (employing up to 50 people), the approach taken is to create an exemption from the Regulations based upon the number of sheep slaughtered per week in the abattoir. Abattoirs will only be automatically subject to the requirements of the new Regulations if they kill at least 2,000 sheep per-week as a rolling annual average. Abattoirs which kill between 1,000 to 1,999 sheep per week can choose if they would like to opt into the mandatory scheme. This will avoid forcing additional regulatory and administrative burdens on smaller abattoirs.

- There is no, or no significant, impact on the public sector because the RPA already has an established abattoir inspection regime. This includes many of the larger abattoirs, some of which also slaughter sheep. The RPA has also confirmed that current funding is sufficient to incorporate the additional demands of these Regulations.

Post implementation review

- Sheep carcass classification baseline data will be collected and collated weekly by AHDB from abattoirs required to price report data within the requirements of the Regulations.

- This information will provide an indication of whether, and to what extent, the scheme has met its objective of enhancing the information available to producers and the wider industry.

- Compliance monitoring will be undertaken by RPA and industry feedback will be aligned with those of the beef and pork legislation via Meat Technical Scheme stakeholder meetings.