



EUROPEAN COMMISSION

Brussels, 25-11-2002  
C (2002) 4279

Subject : State aid N 544/2002  
National Scrapie Plan for Great Britain: Phase 1 – Genotyping schemes to encourage breeding for genetic resistance

Sir,

I have the honour to inform you that the Commission has no objections to raise to this measure under Articles 87 and 88 of the Treaty.

In taking this decision, the Commission has relied on the following considerations.

#### **Procedures**

In accordance with Article 88(3) of the Treaty, the United Kingdom authorities notified the Commission of this measure by letter of 9 August 2002, registered on 19 August 2002.

The National Scrapie Plan was approved in February 2001 (N4/2001). The new notification provides more detail on how the scheme has developed. Modifications in comparison with the existing scheme development concern notably the introduction of a Ram Genotyping Scheme for purebred non-registered (ie. non-pedigree) flocks, a Ewe Genotyping Service and a Rare Breeds Genotype Survey.

#### **Description**

The National Scrapie Plan (NSP) is a long-term initiative aimed at the reduction and eventual eradication of scrapie from the national sheep flock. The NSP involves the selection for further breeding of sheep which are genetically resistant to transmissible spongiform encephalopathies (TSEs) such as scrapie and BSE. The NSP is designed to

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identify scrapie resistant sheep of specific prion protein (PrP) genotypes and encourage the use of such animals for further breeding, whilst the most susceptible animals are removed from the breeding cycle through slaughter or castration.

Participants will have their breeding rams genotyped together with a proportion of their breeding ewes and progeny to be sold as breeding animals. In return they agree to dispose by slaughter or castration of rams of the most scrapie susceptible VRQ genotype, and to ensure that they mate rams and ewes with a view to elimination of other scrapie and BSE susceptible genotypes.

There are around 90 different breeds and around 41 million sheep farmed in Great Britain (46 million in the UK). Genotype testing already takes place to varying degrees in a majority of the breeds, and some breed societies operate organised genotyping programmes. The rules for such programmes vary from breed to breed and are outwith Government control.

To ensure a rapid progress, the UK Government therefore intends to implement a harmonised, national programme of genotyping schemes which aim to select animals which are resistant to Transmissible Spongiform Encephalopathies (TSE's) such as scrapie and BSE.

The scheme benefits the sheep industry by improving animal welfare through the elimination of scrapie, a fatal neurological disease. It will also address public health concerns about scrapie and BSE. Although there is no evidence that scrapie can affect human health or that BSE has occurred in the UK sheep flock, the scheme will improve consumer confidence in sheepmeat.

Originally, it was envisaged that the NSP would have three distinct and separate phases, where the first phase (essentially covered by aid N 4/2001) was to consist of a genotyping scheme as part of a breeding programme to encourage the production of scrapie resistant sheep. It is still envisaged that the following Phase II and III will be the subject of separate state aid notifications.

In the former NSP notification (N 4/2001), admittance was restricted to registered flocks of pure-bred sheep breeds and to any appropriate individual rams of suitable genotypes that have already been tested.

The modified plan includes:

- A Ram Genotyping Scheme for the around 15,000 purebred (pedigree) flocks registered with a recognised breeding society or association.  
This measure was also a part of the former NSP notification. However, the outbreak of foot and mouth disease in the UK delayed the launch of this scheme until July 2001, and uptake by end June 2002 (around 40%) was lower than expected. Hence the measure is a part of this revised version of the program as well.
- A Ram Genotyping Scheme for purebred non-registered (ie. non-pedigree) flocks. The government decided to scale up and press ahead more quickly with the NSP programme, which leads to the ram genotyping scheme being extended, in January 2002, to all purebred flocks. Around 25,000 purebred non-pedigree flocks are targeted.

- Provision of a genotyping service for flocks in which scrapie has been confirmed. Participants will not be required to slaughter susceptible animals at this stage, but will be encouraged to follow an appropriate breeding programme.
- A Ewe Genotyping service, available to established NSP participants and provided to assist them to increase the scrapie resistance of their flocks.
- A one-off NSP Rare Breed Genotypes Survey has been introduced. The purpose of this survey (which will be completed by 31<sup>st</sup> December 2002) is to address widespread concern within the industry that rare breeds might be threatened as a result of the NSP requirements to slaughter or castrate sheep susceptible to scrapie. Participants will not be required to slaughter susceptible rams, and NSP certificates will not be issued.

The ram genotyping scheme for purebred registered (pedigree) flocks was designed to target producers of rams for further breeding, although it was the government's intention to provide some ewe genotyping, primarily to assist participants with a low incidence of scrapie resistant genotypes in their flocks. The rules of the ram genotyping scheme were set to provide for at least 40 sheep to be tested. In practice, since many purebred registered flocks consist of around 40 sheep, it has been practical not only to test the rams and ram lambs, but a significant proportion of ewes and ewe lambs. By end July 2002 the government had tested 69,000 rams and just over 72,000 ewes under the ram genotyping (registered) scheme. This approach is also adopted for the new ram genotyping non-registered scheme. An NSP certificate will be issued in respect of each ram of an appropriate genotype.

Implementation and monitoring will be carried out by DEFRA (Department of Environment, Food and Rural Affairs) in conjunction with the devolved administrations in Great Britain, namely:

- The Scottish Executive Environment and Rural Affairs Department (SEERAD), and
- The National Assembly for Wales Agriculture and Rural Affairs Department (ARAD).

#### *Legal basis*

The scheme is a non-statutory initiative. Farmers' participation is on a voluntary basis and will be secured by means of a contract between them and the implementing authority.

#### *Eligibility criteria:*

Admittance into the scheme will be dependent upon the farmer's acceptance of conditions aimed at achieving the overall objectives of the NSP. Admittance will initially be restricted to registered flocks of pure-bred sheep breeds and to any appropriate individual rams of suitable genotypes that have already been tested. Both the flocks and individual sheep will be registered on a central database.

Participating farmers will be permitted to use rams for further breeding that are tested and proven to be one of the required genotypes. Those rams of an unsuitable genotype must be slaughtered or castrated by a veterinarian to prevent further breeding. An NSP certificate will be issued in respect of each ram of an appropriate genotype and flocks will be advised of their overall genetic status. NSP certificates will also be issued in respect of ewes carrying the TSE resistant ARR genotypes.

Details of the NSP flocks and of rams of the appropriate genotypes will be published in the form of a register that will be made available on the Internet. This will help maximise the availability of suitable rams.

Although the schemes will require rams of unsuitable genotype to be slaughtered or castrated, it is anticipated that most animals (which would be too young to develop scrapie or BSE) will be sold for meat. The scheme will not therefore have any environmental impact.

### *Eligible expenses*

It is proposed that the Scheme will fund the following activities:

- Unique identification of each sheep being tested and subsequently registered as being of an acceptable scheme genotype (tags and electronic devices – contracted);
- Collection of the blood samples by the State Veterinary Service (SVS) for genotyping;
- Laboratory testing by a service provider (contracted) of the blood samples ;
- Registration of flocks and certification of individual rams and ewes of the desired genotypes, and
- Printing and publication of scheme registers.

Under the proposed genotyping scheme (Phase I of the NSP), the intention is to cover the costs of sampling, testing, identifying and certifying resistant animals. Participants would not generally be compensated for animals which had to be slaughtered because they were found to be susceptible to TSE's.

The provision of a suitable laboratory PrP sheep genotyping service is currently subject to a public procurement exercise (OJEC reference 00/S 178-115200/EN). A similar public procurement exercise (OJEC reference 2001/s 24-017024/EN) was undertaken for the supply of animal identification equipment (ear tags, implants, application kits and readers).

The aid will take the form of direct payment by DEFRA for the costs of required services.

### *Scheme budget:*

Although the scheme is a long-term initiative, funding has so far been provided for the remainder of the current financial year (April 2002-March 2003). Funding for a further 3 year period (2003/04-2005/06) will be determined in Government's Spending Review 2002.

It is currently forecast that expenditure will be incurred on the schemes in the following amounts:

Value in £'000	2002/03	2003/04	2004/05	2005/06
Scheme administration:				
Central	1,725	1,725	1,725	1,725
Local	0	355	355	355
(a) Ram Genotyping Scheme for purebred registered (pedigree) flocks:				
State Veterinary Service	277	415	553	553
Private Veterinary Practitioners	432	648	864	864
Animal Identification	552	828	1,104	1,104
Laboratory Services	1,656	2,484	3,312	3,312
Other (e.g. supervised slaughter)	134	202	269	269
Sub-total	3,051	4,577	6,102	6,102
(b) Ram Genotyping Scheme for purebred non-registered flocks:				
State Veterinary Service	346	461	692	692
Private Veterinary Practitioners	540	720	1,080	1,080
Animal Identification	690	920	1,380	1,380
Laboratory Services	2,070	2,760	4,140	4,140
Other (e.g. supervised slaughter)	168	224	336	336
Sub-total	3,814	5,085	7,628	7,628
(c) Provision of genotyping service to scrapie affected flocks:				
State Veterinary Service	10			
Private Veterinary Practitioners	0			
Animal Identification	2			
Laboratory Services	7			
Other (e.g. support services)	1			
Sub-total	20			
(d) Provision of ewe genotyping service:				
State Veterinary Service	461	627	1,106	1,106
Private Veterinary Practitioners	720	1,440	1,728	1,728
Animal Identification	920	1,840	2,208	2,208
Laboratory Services	2,760	5,520	6,624	6,624
Other (e.g. support services)	24	48	58	58
Sub-total	4,885	9,475	11,724	11,724
(e) Rare Breeds Genotype Survey:				
State Veterinary Service	41			
Private Veterinary Practitioners	63			
Animal Identification	81			
Laboratory Services	243			
Other (e.g. support services)	2			
Sub-total	430			
GRAND TOTAL	£	13,925	21,217	27,534
	€	22,040	33,582	43,580

The unit cost of genotyping a sheep under the scheme is approximately £7 (including the cost of the test, laboratory consumables, provision of vacutainers and freepost service for blood sampling and cost of any patent royalties).

The unit cost of permanently identifying a sheep under the scheme is approximately £2.30 (which would include packs containing an electronic implant plus pair of bar-coded labels, and a pack containing an ear tag plus bar-coded label). The unit cost excludes the one-off purchase of readers that would need to be made available to State Veterinary Service staff and breed societies).

*Estimated number of recipients:*

For each of the schemes outlined, preliminary estimates of uptake are set out below.

\* Ram Genotyping Scheme for purebred registered (pedigree) flocks:

- Approximately 15,000 flocks;
- Predicted uptake in 2002/03 is 40% (6,000 participant flocks);
- Predicted uptake in 2003/04 is 60% (9,000 participant flocks);
- Predicted uptake in 2004/05 is 80% (12,000 participant flocks);

\* Ram Genotyping Scheme for purebred non-registered flocks:

- Approximately 25,000 flocks;
- Predicted uptake in 2002/03 is 30% (7,500 participant flocks);
- Predicted uptake in 2003/04 is 40% (10,000 participant flocks);
- Predicted uptake in 2004/05 is 60% (15,000 participant flocks);

\* Provision of genotyping for scrapie affected flocks:

- Approximately 350 flocks that have reported and had confirmed scrapie cases in last 3 years;
- Predicted uptake (2002/03 only) is up to 3% (10 flocks). This will be superseded by a new scheme currently under development.

\* Ewe Genotyping Service

- Potentially 40,000 eligible flocks (although will be limited by resource constraints);
- Predicted uptake in 2002/03 is 25% (10,000 flocks);
- Predicted uptake in 2003/04 is 50% (20,000 flocks);
- Predicted uptake in 2004/05 is 60% (24,000 participant flocks).

(These predictions subject to review of actual uptake in the service.)

\* Rare Breeds Genotype Survey:

- Potentially 1,100 eligible flocks;
- Predicted uptake for this one-off survey (2002/03 only) is 80% (880 flocks).

There are almost 71 000 holdings in Great Britain with almost 19 million breeding sheep.

*Further scheme details:*

No cumulation with aid from possible other sources for the same initiative will be permitted.

*Duration*

Until 2006. Current funding will take the programme through to 2005/06. Because the NSP is a long term initiative, the UK authorities wish to reserve the right to apply to the Commission to extend the NSP's State Aid approval beyond 2006. The UK authorities will also be undertaking a review / evaluation of the NSP which will inform the need to extend / adjust the scheme, including the timescale.

The scheme will be a long-term initiative since it may take several years to achieve a lasting increase in the scrapie resistance of the national sheep flock.

A public consultation exercise to inform interested parties of the proposed NSP programme and to seek feedback was done. This was followed by a further consultation exercise (setting out proposals for the Ram Genotyping Scheme for purebred non-registered flocks and the interim Scrapie Affected Flocks Scheme). These documents can also be viewed on the DEFRA internet site at the following address:

<http://www.defra.gov.uk/scrapie/nsp/nsp.html>

Information and publicity materials will also be produced and made available to the sheep farming sector as and when the scheme comes into operation.

**Assessment**

As far as the existing programme (Genotyping schemes to encourage breeding for genetic resistance) is concerned, the Commission sees no reason to change its earlier opinion (see decision on State aid no. N 4/01) to consider the measures of this programme as compatible with State aid rules under Article 87(3) (c) of the Treaty.

Concerning the new aid elements of the notified draft, any aid granted by a Member State or through State resources 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 Member States, be incompatible with the common market in accordance with Art 87 (1) of the Treaty.

The market of live sheep and sheepmeat is highly integrated at EU level, with UK among the most important players on the EU market for sheepmeat. Over the last years UK has been a net exporter in this sector<sup>1</sup>.

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<sup>1</sup> According to Eurostat figures for 2000, the UK exported 105,000 tonnes, and imported some 13,800 tonnes, of sheepmeat in that year.

By taking over the cost of a disease contingency and eradication plan in an agricultural market with a high degree of integration at Community level, and by opening the possibility of compensating farmers for at least part of the costs incurred with replacing their rams, a situation is created where the criteria of selectivity, the use of State resources, at least a potential distortion of competition and a potential effect on trade are fulfilled. Therefore the scheme is considered to provide State aid within the meaning of Article 87(1) of the Treaty.

The prohibition on State aid in Article 87(1), however, is subject to exceptions. Paragraph (2)(b) of this same Article lays down that “aid to make good damage caused by natural disasters or exceptional occurrences” is compatible with the common market. Furthermore, in application of the derogation in Article 87(3)(c) of the Treaty, the Commission may consider an aid to be compatible with the common market if it is found to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest.

Where a farmer loses livestock as a result of animal disease, this does not normally constitute a natural disaster or an exceptional occurrence within the meaning of the Treaty. In such cases aids to provide compensation for the losses incurred, and aids to prevent future losses may only be permitted by the Commission on the basis of Article 87(3)(c) of the Treaty, which provides that aids to facilitate the development of certain activities may be considered compatible with the common market provided that it does not affect trading conditions to an extent contrary to the common interest.

The Commission considers that State aid in the agriculture sector is compatible with the common market if it complies with the Community Guidelines for State aid in the agriculture sector<sup>2</sup>. The requirements applicable to the provision of State aid for combating animal diseases are laid down in Section 11.4 of the Guidelines.

For an aid scheme for combating animal diseases to be acceptable under the requirements of the guidelines, four conditions have to be fulfilled:

The disease has to be a matter of public concern, and the aid should make part of an appropriate programme at Community, national or regional level for the prevention, control or eradication of the disease concerned.

The objectives should be preventative, compensatory or a combination of both.

Aids should be compatible with both the objectives and the specific provisions laid down in Community veterinary legislation. The disease should be clearly identified, together with a description of the measures concerned.

Evidence has to be submitted that overcompensation of losses would be excluded.

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<sup>2</sup> OJ C232, 12.8.2000, p. 17.



From the analysis of the scheme it appears that:

1. The disease is considered to be of public interest. This is best proven by the incorporation of scrapie under Council Decision 90/424, which provides for expenditure in the veterinary field to be granted to Member States for the purposes of eradicating certain animal diseases. A Community financial contribution has been granted by the Commission towards the costs of a scrapie eradication programme which commenced in the Netherlands in 1998 (Commission Decision 98/703 of 26.11.98<sup>3</sup>). In the scheme at hand, the aid would be granted by the UK authorities for the implementation throughout Great Britain of a ram genotype indexing scheme, that will identify the animals with the highest resistance to scrapie. It is part of a comprehensive eradication strategy: it will be complemented by further phases, and might be transposed into a mandatory plan over time.

2. The scheme is essentially preventative and aims at offering farmers the opportunity to upgrade the scrapie resistance status of their flock without significant costs or loss of income. It would be compensatory only in exceptional cases where a farmer would be advised to slaughter all his current rams and replace them with resistant animals.

3. Both the nature of the disease, and the strategy towards its eradication are clearly detailed in the notification to the Commission. The UK competent authorities explain that they have opted to set up their National Scrapie Plan as the Government was unable to submit details of its scrapie eradication proposals to the Commission in time to secure EU funding for 2001 under Council Decision 90/424. It is noted that the Dutch programme as referred to above is also based upon ram genotyping. The notification refers to the opinion of the EU Scientific Steering Committee that emphasises the need for pro-active action for the control and eradication of scrapie (opinion of 27-28 May 1999) and recommends the identification and use of appropriate strains of resistant sheep (opinion of 22-23 July 1999).

4. Overcompensation can be ruled out at every level.

A significant part of the practical work will be carried out by the State Veterinary Service who will take care of collecting the blood samples and assist in tagging/implanting of identification marks on tested animals. Selection of a suitable laboratory PrP genotyping service and of a supplier of animal identification equipment is made on the basis of a public procurement exercise in line with the provisions of Council Directive (EC) No 92/50. These provisions exclude the risk of overcompensation as regards the 'services' aspects of the scheme.

It may be concluded that, since the measure is in line with the provisions of the Community guidelines for State aid in the Agriculture Sector, and in particular with section 11.4 thereof, it may benefit from the derogation provided for in Article 87(3)(c) of the Treaty.

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<sup>3</sup> OJ L333, 9.12.98, p.29-33, article 33.

## **Decision**

The Commission has accordingly decided to consider the scheme to be compatible with the common market in application of Article 87(3)(c) of the Treaty.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: [http://europa.eu.int/comm/sg/sgb/state\\_aids/](http://europa.eu.int/comm/sg/sgb/state_aids/). Your request should be sent by registered letter or fax to:

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Yours faithfully,  
For the Commission

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