

# **INDEMNITY POLICY AND PROCEDURES DURING BSE OUTBREAK IN THE CZECH REPUBLIC IN 2001 - 2007**

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For nearly two decades the European beef demand has been affected by bovine spongiform encephalopathy (BSE) because of its potential danger to human health. BSE is an infectious disease caused by prions and was first detected in Great Britain in 1985/1986.

The regular examination of animals in the Czech Republic came into effect on 1 February 2001 and, by 30 November 2007, a total of 1.194.743 cattle were examined, of which 27 animals tested positive. Two outbreaks of bovine spongiform encephalopathy in 2007 confirms that, in the Czech Republic, the disease incidence has a decreasing trend, which is in agreement with the situation in other EU countries. As a result of 27 positive BSE findings, a total of 3.997 cows were killed and their carcasses were destroyed.

In accordance with the EU's Common Agricultural Policy and farming promotion, the EU provides financial compensations to farmers who have suffered losses due to BSE. Their allocation is regulated by "Act No. 166/1999 on Veterinary Care and on Amendment of Certain Related Acts" (Veterinary Act), with particulars given in Title IX "Compensation of Costs and Losses Incurred in Connection with Dangerous Contagious Diseases". This defines reimbursements to farmers whose cattle herds have been affected by the transmissible diseases specified in Annexes 3 and 4 to this Act. For 62 specified dangerous transmissible diseases, it outlines indemnity strategies and general itemisation of the compensation. The Czech legislation is in full agreement with the Regulation (EC) No 999/2001 of the European Parliament and of the Council, of 22 May 2001, laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies, as amendment.

Article 67, paragraph (1) of the Veterinary Act states that the farmer will obtain a compensation of the costs and losses suffered due to emergency veterinary measures imposed in order to eradicate and prevent the spread of any of the dangerous contagious diseases listed in Annexes 3 and 4 to this Act, on condition that these measures at least include the

quarantine of animals on the holding and ban on their transfer from the time of a suspicion to the time of a confirmation of the disease occurrence.

The general principles of compensation for the costs and losses defined above are specified in paragraph (2) as follows:

- a) Costs of killing or emergency slaughter of diseased and suspected animals and safe disposal of their carcasses. Where appropriate, compensation is also provided for safe disposal of their products. In agreement with this, the farmer was compensated for all costs associated with having the BSE positive animal and its whole cohort killed and disposed of in a rendering plant and for all related costs such as examination of the animals, their transport to the rendering plant, etc.

- b) Costs of the animal killed or slaughtered in emergency. For BSE this involved compensation for the value of all animals killed in the cohort identified on the basis of an expert's report. The compensation was provided according to Article 68, paragraph (2) and was based on the price of a healthy bovine animal of the appropriate category that was common in that place at the time of losses incurred.

- d) Cleaning, disinfection, disinsection and deratisation of the holdings and of the equipment on the holdings.

- e) Losses evidently caused by the impossibility to obtain products from the animals involved in the period of implementation of Emergency Veterinary Measures. For milking cows lost in relation to BSE, compensations were provided for the potential highest milk yield according to the "Milk Yield Assessment".

To reduce the economic impact of BSE on farmers, legal means have been established to reimburse farmers for the losses both direct and related. The latter involve costs of examination for BSE, transport of animals to a rendering plant, their killing and safe disposal of their carcasses, and cleaning and disinfection of the holding and its equipment, though this procedure is questionable because BSE is not a truly contagious disease. In addition, the farmer is reimbursed for losses due to non-materialised production. However, all these compensations cannot completely cover the costs incurred in relation to BSE.

In the first place, producer-consumer relations, usually taking long time to establish, are destroyed and return on the market is difficult; then, large costs are necessary to build up the herd again. These costs are difficult to calculate and their compensation cannot be claimed because they are not treated by legislation. A BSE incident is also associated with several adverse consequences, such as a loss of job in an agricultural enterprise, which can have a

deep impact on rural populations. The ensuing problems in the broadest sense of the word can partly be eased by commercial insurance policy. The past experience showed that most of the farmers were insured. Any payment of insurance benefit has no effect on the amount of cost compensation based on the Veterinary Act. Since a farmer-insurance company relationship is a business one, it was not possible to find out information on benefit payments.

Table shows compensation for all costs spent in relation to BSE between 2001 and 2007. A total of 27 animals tested BSE-positive and, consequently, 3,997 animals coming from 138 herds were killed due to constitution of cohorts. The total of compensations in this period reached CZK 197,057 thousand. The average occurrence was 3.86 BSE-positive animals per year and the average costs per animal were CZK 7.3 million.

Table: Total Costs (in CZK thousand) associated with 27 BSE cases in the period from 2001 to 2007

Period	No.of herds defined by cohort size	No.of animals killed	Value of animals	Killing	Carcass disposal	Examination for BSE	Related costs*	Non-materialised production	Observance of emergency veterinary measures	Total
2001 to 2007	A. 109	219	10350,8	232,9	1076,5	161,3	103,3	133,8	0,7	12059,1
	B. 14	608	21118,4	314,9	1806,1	672,5	308,6	899,1	109,0	25738,9
	C. 15	3170	132572,5	1297,8	8671,7	3531,6	729,5	11681,0	413,6	159259,1
	Total 138	3997	164041,7	1845,6	11554,3	4365,4	1141,4	12713,9	523,3	197057,1

A, 1-10 animals in a cohort; B, 11 -100 animals; C, > 100 animals in a cohort. \*Costs related to killing and safe disposal of carcasses and farm decontamination.

Of these, 83.3 % (CZK 164.0 million) were compensations for the value of killed animals, 9.7 % (CZK 18.9 million) for the related costs, i.e., killing, safe disposal of carcasses and examination for BSE, and 6.9 % (CZK 13.6 million) for the losses due to non-materialised production.

To ease the negative economic impacts of BSE, the EU provides financial support for all member states. For instance, in 2005 the Czech Republic received € 1,640 thousand for active monitoring and € 2,500 thousand for eradication.

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