



Virginia Department of Planning and Budget **Economic Impact Analysis**

2 VAC 5-61 – Rules and Regulations Governing Livestock Dealers and Marketing Facilities for the Purpose of Controlling and Eradicating Infectious and Contagious Diseases of Livestock

Department of Agriculture and Consumer Services

February 14, 2014

Summary of the Proposed Amendments to Regulation

The proposed changes will expand the applicability of this regulation to buying stations, update official identification and recordkeeping of dairy type feeder calf requirements, and remove the obsolete requirement that breeding cattle sold at livestock markets be tested for brucellosis.

Result of Analysis

The benefits likely exceed the costs for one or more proposed changes. There is insufficient data to accurately compare the magnitude of the benefits versus the costs for other changes.

Estimated Economic Impact

This regulation establishes the recordkeeping requirements for livestock marketing facilities and dealers as well as the rules for the operation of livestock marketing facilities, including sanitation requirements. The main goal of the regulation is to minimize and control livestock disease outbreaks, which includes being able to effectively trace livestock for the purposes of disease control.

One of the proposed changes will expand the applicability of this regulation to buying stations and other types of sales where livestock from multiple owners are commingled and assembled for sale in addition to livestock markets and other cattle dealers. According to the Department of Agriculture and Consumer Services (DACS), there are five buying stations that have been identified and will be subject to this regulation. The facilities that are not currently in

compliance will incur costs to comply with the requirements of this regulation. These compliance costs primarily include recordkeeping costs such as applying government provided metal tags or privately purchased radio frequency tags and reading and recording them to be able to trace animals.

DACS estimates that it may cost up to \$1.83 to place a tag.¹ Metal tags are provided by federal government free of charge and placed on livestock by the facilities or the dealers. The radio frequency tags may be purchased by the facility or the dealers, or may be provided by DACS free of charge as funding allows. In addition, it costs \$0.09 (for radio frequency tags) to \$0.33 (for metal tags) to read and record the tags.² Both facility personnel and DACS personnel are likely to read the tags.

However, affected facilities have already been in contact with DACS and most of them have been in compliance with the requirements of this regulation. Thus, size of the additional compliance costs for specific facilities upon promulgation of this regulation will depend on their current compliance level. On the other hand, expansion of the jurisdiction of this rule to buying stations will help to effectively trace livestock for the purposes of minimizing and controlling significant livestock disease outbreaks.

The proposed changes will also update official identification and recordkeeping of dairy type feeder calf requirements concerning animal disease traceability to comply with the new United States Department of Agriculture animal disease traceability rule. The federal animal disease traceability rule applies to covered livestock moved interstate, with the requirement that such covered livestock be officially identified for interstate movement. DACS believes that most of the affected entities have already been in compliance with the proposed changes. Thus, no significant economic effects are expected from this change.

Finally, the proposed regulation removes the current requirement that breeding cattle sold at livestock markets be tested for brucellosis. No significant economic impact is expected from this change since this requirement has not been enforced since 2001 due to regional eradication of brucellosis.

¹ Radio frequency tags are priced \$1.50 per tag and it costs approximately \$0.33 for two minutes of labor to place the tag.

² The cost estimate for reading radio frequency tags is \$0.09; \$0.04 for 15 seconds of labor to read the tag and \$0.05 for reading equipment. The cost estimate for reading metal tags is \$0.33 for two minutes of labor to manually record the tag.

Businesses and Entities Affected

This regulation currently applies to 27 livestock markets and 176 registered livestock dealers. An additional five livestock buying stations will be subject to this regulation.

Localities Particularly Affected

This regulation applies throughout the Commonwealth.

Projected Impact on Employment

Buying stations that are not currently applying and reading tags will be required to do so which would increase their demand for labor.

Effects on the Use and Value of Private Property

Buying stations that are not currently applying and reading tags will be required to do so which would increase their compliance cost and may reduce their asset values.

Small Businesses: Costs and Other Effects

The proposed amendments will require buying stations that are not currently applying and reading tags to do so.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There is no known alternative that would minimize adverse impact while accomplishing the same goals.

Real Estate Development Costs

The proposed amendments are unlikely to affect real estate development costs.

Legal Mandate

General: The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia and Executive Order Number 14 (2010). Section 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to:

- the projected number of businesses or other entities to whom the proposed regulation would apply,
- the identity of any localities and types of businesses or other entities particularly affected,
- the projected number of persons and employment positions to be affected,
- the projected costs to affected businesses or entities to implement or comply with the regulation, and

- the impact on the use and value of private property.

Small Businesses: If the proposed regulation will have an adverse effect on small businesses, § 2.2-4007.04 requires that such economic impact analyses include:

- an identification and estimate of the number of small businesses subject to the proposed regulation,
- the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents,
- a statement of the probable effect of the proposed regulation on affected small businesses, and
- a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.

Additionally, pursuant to § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules (JCAR) is notified at the time the proposed regulation is submitted to the *Virginia Register of Regulations* for publication. This analysis shall represent DPB's best estimate for the purposes of public review and comment on the proposed regulation.

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