



Economic Impact Analysis Virginia Department of Planning and Budget

5 VAC 5-206 – Regulation for Scrapie Eradication
Department of Agriculture & Consumer Services
March 29, 2007

Summary of the Proposed Regulation

The Department of Agriculture & Consumer Services (VDACS) proposes to promulgate the Regulation for Scrapie Eradication. The adoption of this regulation is necessary to maintain Virginia's status as a scrapie consistent state. Consistent state status allows the free movement of Virginia sheep and goats in interstate commerce.

Results of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Scrapie is a debilitating disease of sheep and goats. It is a fatal, degenerative disease affecting the central nervous system of sheep and goats. Infected flocks that contain a high percentage of susceptible animals can experience significant production losses.

The United States Department of Agriculture (USDA) has made a commitment to the sheep industry to eliminate outbreaks of scrapie by 2010 and to have the United States officially declared scrapie free by international standards by 2017. The federal regulation, which became effective in September 2001, restricts interstate movement of sheep and goats from states that have not initiated intrastate regulatory action concerning scrapie eradication within two years.¹ In the Federal Register of August 21, 2001, all states were granted Consistent State Status. States were given two years to comply with all requirements of 9 CFR §79.6 (Standards for States to qualify as Consistent States). On September 21, 2003, the time expired for States to meet

¹ Individual producers who wish to move sheep over state lines from a non-compliant state will be required to enroll in the Scrapie Flock Certification Program and the flock will have to be inspected annually.

Consistent State Status criteria. All states were sent a checklist for the 9 CFR §79.6 requirements July 1, 2004, which required a response by July 30, 2004. Follow-up required that states provide documentation to verify that all the requirements of 9 CFR §79.6 were met by January 1, 2005 or submit a work plan and timeline to address any deficiencies. At the end of fiscal year 2006,² 47 states had approved programs and are considered “consistent” including Virginia.

VDACS proposes to promulgate the Regulation for Scrapie Eradication so as to maintain Virginia’s Consistent State Status. According to VDACS, Virginia has initiated the scrapie eradication program since 2001 and has received federal funding for scrapie eradication every year since 2000. The proposed regulation will meet the minimum requirements of the Scrapie Eradication State- Federal-Industry Uniform Methods and Rules established by USDA /Animal Plant Health Inspection Service (APHIS). The proposed regulation will provide guidance for the prevention, monitoring, control, and eradication of scrapie disease from domestic sheep flocks and goat herds in Virginia and for maintenance of state status in the USDA Scrapie Eradication Program. USDA has reviewed Virginia’s compliance and found Virginia to be fully compliant pending final adoption of the proposed regulation.

According to the proposed regulation, any sheep or goat born after January 1, 2002 that are required to be officially identified³ shall be identified with official USDA identification⁴ to the premises of birth, if not the same as the premises of origin, prior to change of ownership or exhibition. Any sheep or goat that is bartered, leased, traded, loaned, sold, exhibited, or otherwise moved from one management to another shall be deemed to have undergone a change of ownership for the purpose of this proposed regulation. The buyer, seller, and any dealer or market operator shall keep a record of all changes of ownership for a minimum of five years. Any goat or sheep undergoing a change of ownership (including exhibition and/or importation

² The federal government’s fiscal year runs from October 1 to September 30.

³ Animals required to be officially identified include: 1) all breeding sheep, 2) all sexually intact animals for exhibition, 3) all sheep over 18 months of age, 4) all exposed and high-risk animals including all low-risk exposed animals, genetically susceptible exposed animals, genetically less susceptible exposed animals, and genetically resistant exposed sheep, 5) all suspect and test-positive animals, 6) animals from noncompliant flocks.

⁴ Official USDA Identification means identification approved by the USDA/APHIS/Veterinary Services (VS) for the identification of animals, which is so designed as to prevent alteration. This may include tattoo and electronic identification.

into the state) not having an official identification shall be quarantined until the requirements of this proposed regulation are met.

The proposed regulations require that no sheep or goat be imported into Virginia that does not originate from a consistent state, unless originating from a complete monitored scrapie flock⁵ or enrolled in the USDA Scrapie Flock Certification Program.⁶ Any out-of-state sheep or goats that are offered for sale in an approved Virginia livestock market that have not previously been identified must be either identified with an official USDA tag on arrival and prior to commingling with any other sheep or goats or returned to the state of origin. Except as exempted, all sheep and goats imported into Virginia must be accompanied by a Certificate of Veterinary Inspection (CVI). The proposed regulation also provides guidance on the monitoring and investigation of scrapie-infected animals and source flocks/herds.

The adoption of the proposed regulation will allow the continued interstate movement of sheep and goats. Sheep and goat owners, sellers, buyers, dealers, and market operators in Virginia will benefit from continued business involving interstate commerce. The proposed regulations will help to reduce the occurrence of scrapie and eventually eradicate scrapie in Virginia sheep and goats and will negate economic losses due to this debilitating disease.

The major compliance cost imposed by this proposed regulation is the cost of identification devices used for sheep and goats. Official USDA identification may include ear tag, tattoo, and electronic identification. According to VDACS, the cost for a basic ear tag is very low while other methods such as a micro-chip implanted would be more expensive. The average cost of official USDA tags would be up to \$5 per head. Animal owners, sellers, buyers, or market operators will also spend a small amount of time for physically identifying the animals and document movement as well as record-keeping. VDACS will incur a cost of approximately \$30,000 every year associated with administration of the scrapie eradication program.

⁵ Flock or herd means all animals maintained on a single premise and all animals under common ownership or supervision on two or more premises with animal interchange between the premises. Changes in ownership of part or all of the flock do not change the identity of the flock or the regulatory requirements applicable to the flock.

⁶ Scrapie Flock Certification Program means a program, sponsored by the USDA/APHIS/VS, to reduce scrapie occurrence and spread; identify flocks which have been free of evidence of scrapie over a specified time period; and contribute to the eventual eradication of scrapie.

According to VDACS, Virginia has received federal funding every year since 2000 which has covered all of the above costs for scrapie eradication program. Scrapie Consistent States may apply annually for federal grants submitting a detailed plan on how the money will be used. If Virginia continues to receive the federal grant for scrapie eradication, there will be no additional costs for animal owners, sellers, buyers, or market operators except for the small amount of time spent on physically identifying the animals and record-keeping. In the case that federal grant is not available, animal owners, sellers, buyers, or market operators will have to pay for the identification device for every animal that is required to be identified, with the average cost of \$5 per head. According to VDACS, as of April 2006, all animals at fairs and those leaving markets are identified with official USDA tags. Approximately 85% of animals entering markets and auctions are tagged. Supposing that about 67,400⁷ sheep and goats will enter the livestock markets every year and 15% of them need to be tagged, the total estimated cost will be \$50,550 statewide.⁸

Given that the proposed regulation will allow the continued business in interstate commerce and will reduce the occurrence of scrapie, and given the fact that Virginia has received federal funding every year since 2000, the total benefit of the proposed regulations will likely outweigh the total cost. Therefore, the proposed regulations will likely generate a net economic benefit.

Businesses and Entities Affected

The proposed regulation will affect owners of flocks or herds of sheep and goats, buyers, sellers, dealers, or market operators involved in the barter, lease, trade, loan, sale, exhibit, or movement of sheep and goats. According to VDACS, there are approximately 983 sheep and goat flocks which is approximately the number of animal owners. And there are 5 to 6 livestock markets in Virginia.

Localities Particularly Affected

The proposed regulation applies to all localities in the Commonwealth.

⁷ Source: VDACS

⁸ Calculation: $\$5 * 67,400 * 15\% = \$50,550$.

Projected Impact on Employment

Sheep and goat owners, sellers, buyers, dealers, and market operators in Virginia will benefit from continued business involving interstate commerce. The proposed regulations will help to reduce the occurrence of scrapie and eventually eradicate scrapie in Virginia sheep and goats and will negate economic losses due to this debilitating disease. This will likely have a positive impact on the number of people employed by the affected businesses.

If the federal grant for scrapie eradication is not available, animal owners, sellers, buyers, or market operators will have to pay for the identification devices for animals that are required to be identified. This will likely increase their costs and have a small negative impact on the number of people employed by the affected businesses.

Effects on the Use and Value of Private Property

The proposed regulation will allow the continued business in interstate commerce and will reduce the occurrence of scrapie, which will benefit sheep and goat owners, sellers, buyers, dealers, and market operators in Virginia and will likely have a positive impact on their asset values. On the other hand, sheep and goat owners, sellers, buyers, dealers, and market operators may have to pay for the identification devices when the federal grant is not available, which will likely have a small negative impact on their asset values.

Small Businesses: Costs and Other Effects

Small businesses will benefit from continued business involving interstate commerce as well as possibly reduced economic losses due to occurrence of scrapie. They may have to pay for the identification devices when the federal grant is not available. Generally speaking, small businesses will likely receive net benefit from the proposed regulations. According to VDACS, almost all of the animal owners and markets are small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The adoption of this proposed regulation is necessary to maintain Virginia's status as a scrapie consistent state so as to allow the continued businesses involving interstate commerce. There are no alternatives that could achieve the same result with less adverse impact.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the 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. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.