



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

2 VAC 5-531 Regulations Governing Milk For Manufacturing Purposes
Department of Agriculture and Consumer Services
March 19, 2015

Summary of the Proposed Amendments to Regulation

The Board of Agriculture and Consumer Services (Board) proposes to amend¹ the regulation to: 1) remove the requirement for cryoscope (added water) tests conducted on permit holder's milk for manufacturing purposes, 2) remove details on well placement and requirements and reference instead Appendix D of the Grade "A" Pasteurized Milk Ordinance, 2013 revision, for details on well placement and requirements, 3) update names, dates, and addresses, and 4) remove obsolete language.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

The Regulations Governing Milk for Manufacturing Purposes establishes minimum sanitary standards for manufactured grade raw dairy farms and dairy manufacturing plants. The standards address the safe and sanitary construction and operation of manufacturing facilities at the farm and processing plant, construction requirements, pasteurization requirements, standards for cheese and related dairy products, manufacture of raw milk aged cheese, handling of adulterated products, permits, labeling, sample testing requirements, good manufacturing practices, and requirements for small scale cheese manufacturing plants. The current regulation is based on the United States Food and Drug Administration's (FDA) Pasteurized Milk Ordinance, and the United States Department of Agriculture's (USDA) guidance document,

¹ The proposed amendments are all consistent with the current relevant federal standards, the FDA's 2013 revision of the Pasteurized Milk Ordinance and the 2011 revision of USDA's guidance document, and Virginia's Regulations Governing Grade "A" Milk (2 VAC 5-490 et seq.).

“Milk for Manufacturing Purposes and its Production and Processing”, which establishes recommended requirements for states.

Cryoscope testing is used to determine whether water was added to milk and addresses a milk quality issue not a milk safety issue. Thus the proposal to remove the requirement for cryoscope tests will not affect the safety of the milk supply or of the milk used for manufacturing purposes. Removal of the requirement will decrease the cost to the Virginia Department of Agriculture and Consumer Services (VDACS) by approximately \$3,000 a year in laboratory costs and \$100,000 over the next three years in replacement of aging equipment.² Firms are not charged for the testing; so there are no direct savings for the firms besides perhaps a small amount of time associated with gathering samples. Since this proposed amendment does not affect public safety and creates costs savings, it creates a net benefit.

The proposal to remove details on well placement and requirements and reference instead Appendix D of the Grade “A” Pasteurized Milk Ordinance, 2013 revision, for details on well placement and requirements, will produce no changes in actual requirements. Thus this proposal will not have significant impact. Updating names, dates, and addresses and removing obsolete language will improve clarity without effectively changing requirements. Thus in total these proposed changes will produce a modest net benefit.

Businesses and Entities Affected

The proposed regulation affects VDACS and the 40 firms in the Commonwealth that Manufacture, package, and sell cheese, butter, and other manufactured grade dairy products at wholesale and retail. All 40 firms are small businesses.³

Localities Particularly Affected

The proposed amendments do not disproportionately affect particular localities.

Projected Impact on Employment

The proposed amendments are unlikely to significantly affect employment.

Effects on the Use and Value of Private Property

The proposed amendments are unlikely to significantly affect private property.

² Cost savings estimates courtesy of Virginia Department of Agriculture and Consumer Services

Small Businesses: Costs and Other Effects

The proposed amendments will not increase costs for small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed amendments will not adversely affect small businesses.

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 17 (2014). 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 regulatory action 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 regulatory action 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*

³ Data source: Virginia Department of Agriculture and Consumer Services

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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