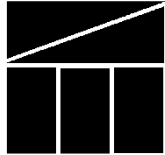


Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes Not Needed

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).



Virginia Department of Planning and Budget Economic Impact Analysis

2 VAC 5-501 Regulations Governing the Cooling, Storing, Sampling and Transporting of Milk

Department of Agriculture and Consumer Services

Town Hall Action/Stage: 4537/7511

May 19, 2016

Summary of the Proposed Amendments to Regulation

The Department of Agriculture and Consumer Services (DACS) proposes to increase the permissible storage time of milk in a farm bulk tank from 52 hours to 72 hours and to allow the use of chart recorders supporting a 72-hour pick up schedule.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

In most farms once milk is obtained from the cow it is stored in a tank to be picked up by a hauler at certain frequencies to be delivered to the processing plant. Under the current regulations, producers can store milk in a farm tank up to 52 hours. However, the permissible storage time in surrounding states as well as the standard established in the federal Pasteurized Milk Ordinance is 72 hours. The proposed regulation will allow storage of milk in Virginia farms up to 72 hours.

An increase in storage time would allow producers to reduce the frequency of pick-ups from the farm; albeit lower frequency pick-ups may require a larger tank and a new chart recorder. According to DACS, haulers usually charge \$65 to \$100 per pick-up; the cost of a

storage tank is about \$100 per gallon of capacity; and a recorder that can support a 72-hour rotation schedule costs about \$1,800. The proposed regulation allows but does not require storage of milk up to 72 hours. Thus, producers who anticipate savings from less frequent pick-ups will be allowed to do so under the proposed regulation. The proposed change may also reduce the need to seek emergency variances during extreme weather events. Given the federal ordinance and the permissible storage times from neighboring states, the proposed increase in the storage time is not expected to affect the safety of milk supply or pose any health risks.

In addition, consistency with dairy industry standards in surrounding states would promote competition. Virginia farmers will now be able to reduce their transportation costs to the levels comparable to those of producers in other states which may promote production. Since Virginia's current storage times are more restrictive than the other states, there may also be an increase in the quantity of milk imported to the Commonwealth further promoting competition.

The remaining proposed changes are clarifying in nature and are not expected to create any significant economic effects other than improving the clarity of the regulation.

Businesses and Entities Affected

There are 639 estimated Grade "A" milk producers in Virginia. Some of these producers may already have the storage tank capacity and a chart recorder to accommodate a 72-hour pick-up schedule. There are 281 licensed haulers that drive the trucks and pick up milk and 17 companies in and out of state that hire them. There are approximately five dairy equipment dealers in Virginia that represent or distribute for a number of dairy equipment manufacturers.¹

Localities Particularly Affected

The proposed changes apply statewide.

Projected Impact on Employment

The proposed changes will allow the dairy industry to reduce transportation costs and improve competition. An increase in competition may lead to more production and an increased demand for labor. In addition, demand for storage tanks and chart recorders may increase. On the other hand, less frequent milk pick up times has the potential to reduce the demand for transportation services offered by milk haulers.

¹ Data source: Department of Agriculture and Consumer Services

Effects on the Use and Value of Private Property

The proposed changes may have a positive impact on asset values of some producers of milk, manufacturers, distributors, and installers of storage tanks and chart recorders, and may have a negative impact on asset values of some milk haulers and businesses that hire them.

Real Estate Development Costs

No impact on real estate development costs is expected.

Small Businesses:**Definition**

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as “a business entity, including its affiliates, that (i) is independently owned and operated and (ii) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.”

Costs and Other Effects

Most of the producers of milk, milk haulers, distributors and installers of tanks and recorders are considered small businesses. The potential effects on them are the same as those discussed above.

Alternative Method that Minimizes Adverse Impact

There is no known alternative to minimize the potential adverse impact on milk haulers and businesses that hire them while achieving the intended policy goals.

Adverse Impacts:**Businesses:**

The proposed amendments are not anticipated to have an adverse impact on non-small businesses.

Localities:

The proposed amendments will not adversely affect localities.

Other Entities:

The proposed amendments will not adversely affect other entities.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 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: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5) the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) 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, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 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 shall be notified.

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