



Economic Impact Analysis Virginia Department of Planning and Budget

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

Department of Agriculture and Consumer Services

February 4, 2002

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Department of Agriculture and Consumer Services (department) proposes to 1) make these regulations applicable to the milk of goats, sheep, water buffalo, and other mammals if the milk or dairy products are intended for human consumption, and 2) require permits for milk pickup trucks, milk transport tanks, laboratories, persons testing milk samples for pay purposes, persons collecting official milk samples in dairy plants, and milk tank truck cleaning facilities.

Estimated Economic Impact

Non-cow Milk

The current regulations are applicable only to the milk of cows. The proposed regulations apply to all nonhuman mammalian milk intended for human consumption. According to the department, there are currently approximately thirteen dairy farms producing manufactured grade non-cow milk from goats, sheep, water buffalo, or other nonhuman

mammals. These farms will be required to have a milkhouse or milkroom in which to cool, handle, and store milk and to wash, sanitize, and store milk containers and utensils. The cost to each farm will depend on whether it has an existing building that can be modified for use as a millhouse or milkroom. The modifications required would include providing concrete floors, doors, windows, lighting, plumbing, floor drains, wash vats, and hand washing facilities within an existing structure. The department estimates the costs for these improvements to be approximately \$3,000. Construction of a millhouse from the ground up would cost about \$10,000.¹ Thus, the estimated cost to those farms that do not already comply with this proposed requirement would range from \$3,000 to \$10,000.

The primary benefit of requiring this amendment concerns reducing public health risks. The proposal to require dairy farms that produce manufactured grade milk from goats, sheep, water buffalo, or other nonhuman mammals to have a milkhouse or milkroom is designed to minimize the chance of contamination with harmful bacteria. The department states that “all milk and milk products have the same potential to carry pathogenic organisms. Numerous diseases of humans have been documented to be present in the milk of lactating animals.”

But based upon the evidence provided by VDACS, it is very rare for life-threatening illnesses to occur due to the ingestion of non-cow milk products. The agency cites one salmonella-induced fatality in France during 1993 and four brucellosis-induced fatalities in New Mexico and Texas during 1983 due to the ingestion of cheese made from unpasteurized goat’s milk. The agency has provided no evidence of any health problems in Virginia specifically linked to the ingestion of non-cow milk products.

Given the available evidence, it appears that the risk of life-threatening illness due to the consumption of non-cow milk products in Virginia is extremely small. The risk of non life-threatening illnesses, such as diarrhea, appears to be greater. But the public commonly chooses to take risks of a similar magnitude. For example, people willingly eat raw fish and steak tar-tar, choose to cook and consume hamburgers less well done than recommended by the CDC, eat raw vegetables without washing thoroughly, etc, despite CDC warnings and common knowledge of the health risks.

¹ Virginia Department of Agriculture and Consumer Services estimate.

The proposed regulations do not ban the production and sale of non-cow milk products in Virginia. But the proposal to require a milkhouse or a milkroom does significantly increase the cost of production. Holding other factors constant, significantly raising the cost of production will reduce the quantity produced of non-cow milk products and raise the price of the products that are sold. It is not clear that the benefits of an unspecified reduction in risk of disease outweighs the costs to consumers of higher prices and lower product availability, as well as the lower net income for the small, independent producers.

Perhaps rather than require the producers to incur significant increases in production costs, the non-cow dairy products could be required to be labeled with information accurately reflecting the relative risk of ingesting the product. The public would then be able to make an informed decision as to whether the benefits of consumption are worth the potential risk of disease. A producer who has met all the proposed requirements for the permit could perhaps be permitted to use a label indicating a reduced probability of contagion.

Permits

The department proposes to require several new permits in order to remain in compliance with the Pasteurized Milk Ordinance (PMO). There will be no fees associated with the permits. The PMO is a model federal regulation for states to adopt which governs the regulation of Grade "A" milk and milk products nationwide. The PMO was amended by the May 1999 Interstate Milk Shippers Conference to require permits for milk haulers, persons who weigh and sample milk, milk pickup tanks, and milk transport tanks. In May 2001 the PMO was amended to require permits for milk tank truck cleaning facilities and the evaluation of anyone who collects milk samples at a dairy plant once every two years. Compliance with the provisions of the PMO is necessary in order to maintain sufficiently high Interstate Milk Shipper (IMS) ratings. Failure to maintain sufficiently high IMS ratings prevents receiving states from accepting any milk from the affected supply. Thus, the proposed new permits are necessary in order to maintain Virginia's dairy farmers' ability to ship their products out of state.

There are currently thirty-nine contract haulers and subcontract haulers operating in Virginia. These individuals will be required to provide seals or locks on the openings into each milk tank truck they operate. The average cost of this proposed requirement is approximately

\$250 per tank truck.² There are approximately 300 milk tank trucks in service in the Commonwealth.³

Businesses and Entities Affected

The proposed regulations affect the 925 grade “A” dairy farms, 25 manufactured grade cow dairy farms, 13 manufactured grade non-cow dairy farms, 39 contract milk haulers and subcontract milk haulers, 491 individuals permitted to measure, weigh, and sample milk, and 40 employees of milk plants who receive official milk samples that will be required to obtain a permit. Due to the additional costs for farmers and haulers related to the proposed regulatory amendments, consumers of milk and milk products may face slightly higher prices.

Localities Particularly Affected

The proposed changes potentially affect all localities in the Commonwealth, but areas with milk haulers, dairy farms, and dairy plants in particular.

Projected Impact on Employment

Some small producers of goat cheese may choose to cease production rather than incur the costs associated with adding a milkhouse or milkroom.

Effects on the Use and Value of Private Property

The proposal to require that manufactured grade non-cow dairy farms to have a milkhouse or a milkroom will cost those farms not already in compliance approximately \$3,000 to \$10,000. Given the low net income of many of these producers, a significant portion may cease production due to the increased costs. The proposed required permit for contract milk haulers and subcontract milk haulers will cost the haulers about \$250 per tank truck in new equipment. The value of the farmers’ and haulers’ businesses will be reduced by these new costs.

² Source: Virginia Department of Agriculture and Consumer Services

³ Ibid