



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

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### **2 VAC 5-531 – Regulations Governing Milk for Manufacturing Purposes Virginia Department of Agriculture and Consumer Services October 26 2001**

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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 Virginia Department of Agriculture and Consumer Services (VDACS) proposes numerous amendments to these regulations, including several to be consistent with the most recent USDA recommendations on milk for manufacturing purposes. In addition, VDACS proposes that manufactured milk and manufactured milk products from goats, sheep, water buffalo, and other non-cow sources be regulated in the interest of public health and safety.

### **Estimated Economic Impact**

Under the current regulations, persons who produce and sell milk from goats, sheep, and water buffalo for manufacturing purposes or who manufacture and sell cheese, butter, condensed milk, powdered milk, and similar products manufactured from the milk from goats, sheep, and water buffalo are not required to acquire a permit to operate. VDACS proposes to require all persons who produce and sell milk for manufacturing purposes or who manufacture and sell cheese, butter, condensed milk, powdered milk, and similar products manufactured from the milk

from any non-human mammal to obtain a permit in order to operate. VDACS estimates the costs of complying with the proposed equipment, construction, and production requirements needed in order to receive a permit to be \$3,000 to 20,000. The president of the Virginia State Dairy Goat Association estimates the cost to be substantially higher. Some members of the Virginia State Dairy Goat Association have asserted that the costs associated with meeting the equipment, construction, and production requirements needed to obtain a permit would put them out of business.

The primary benefit of requiring these permits concerns reducing public health risks. The equipment, construction, and procedures required to gain the permit to operate are designed to minimize the chance of contamination with harmful bacteria. The U.S. Centers for Disease Control and Prevention (CDC) lists unpasteurized dairy products among the many items or activities to avoid to minimize the chance of contracting bacterial infections such as salmonella,<sup>1</sup> listeriosis,<sup>2</sup> and diseases associated with *Escherichia coli* O157:H7 (*E. coli*).<sup>3</sup>

Based upon the evidence provided by VDACS, it appears that 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

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<sup>1</sup> In order to avoid salmonella, CDC recommends that

... people should not eat raw or undercooked eggs, poultry, or meat. Raw eggs may be unrecognized in some foods such as homemade hollandaise sauce, caesar and other salad dressings, tiramisu, homemade ice cream, homemade mayonnaise, cookie dough, and frostings. Poultry and meat, including hamburgers, should be well cooked, not pink in the middle. Persons also should not consume raw or unpasteurized milk or other dairy products. Produce should be thoroughly washed before consuming. Cross-contamination of foods should be avoided. Uncooked meats should be kept separate from produce, cooked foods, and ready-to-eat foods. Hands, cutting boards, counters, knives, and other utensils should be washed thoroughly after handling uncooked foods. Hands should be washed handling any food, and between handling different food items. ...

<sup>2</sup> In order to reduce the risk for listeriosis, CDC recommends that consumers: 1) thoroughly cook raw food from animal sources, such as beef, pork, or poultry, 2) wash raw vegetables thoroughly before eating, 3) keep uncooked meats separate from vegetables and from cooked foods and ready-to-eat foods, 4) avoid raw (unpasteurized) milk or foods made from raw milk, and 5) wash hands, knives, and cutting boards after handling uncooked foods.

<sup>3</sup> In order to prevent *E. coli* infection, CDC recommends that consumers

Cook all ground beef and hamburger thoroughly. ... Ground beef should be cooked until a thermometer inserted into several parts of the patty reads at least 160 degrees. ... Avoid spreading bacteria in your kitchen. Keep raw meat separate from ready-to-eat foods. Wash hands, counters, and utensils with hot soapy water after they touch raw meat. Never place cooked hamburgers or ground beef on the unwashed plate that held raw patties. Wash meat thermometers in between tests of patties that require further cooking. ... Drink only pasteurized milk, juice, or cider. ... Wash fruits and vegetables thoroughly, especially those that will not be cooked. Children under 5 years of age, immunocompromised persons, and the elderly should avoid eating alfalfa sprouts until their safety can be assured. ... Drink municipal water that has been treated with chlorine or other effective disinfectants. Avoid swallowing lake or pool water while swimming.

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 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.

The proposed regulations do not ban the production and sale of non-cow milk products, including cheese made from unpasteurized milk, in Virginia. But the proposal to require permits 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 likely reduction in risk of disease outweighs the costs to consumers of higher prices and lower product availability, as well as the higher production costs for the 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.

## **Businesses and Entities Affected**

The proposed amendments potentially affect 59 farmers and dairy product manufacturers.<sup>4</sup>

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<sup>4</sup> Source: VDACS

## **Localities Particularly Affected**

The proposed changes potentially affect all localities in the Commonwealth, but areas with dairy farms and 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 the requirements for obtaining an operating permit.

## **Effects on the Use and Value of Private Property**

The proposal to require all persons who produce and sell milk for manufacturing purposes or who manufacture and sell cheese, butter, condensed milk, powdered milk, and similar products manufactured from the milk from any non-human mammal to obtain a permit in order to operate will increase production costs and reduce the value of these individual's dairy farms and plants.