

Economic Impact Statement

LSA Document #19-430

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The proposed rule updates the incorporation by reference of the National Poultry Improvement Plan (NPIP) from the regulations in effect on January 1, 2015, to January 1, 2019. The NPIP is a voluntary state–federal cooperative testing and certification program for poultry breeding flocks, baby chicks, poults, hatching eggs, hatcheries, and dealers. Every two years, the NPIP delegates from all the states convene at the NPIP National Biennial Conference to vote on changes to the NPIP provisions found in 9 CFR Parts 145, 146, and 147. The delegates from each state represent poultry producers, academia, and state and federal regulators. Following the NPIP National Biennial Conference, it takes approximately two years for the changes to the NPIP provisions to be published in the Code of Federal Regulations and become effective. Therefore, this rule change will incorporate the 2016 NPIP National Biennial Conference changes that became effective on July 19, 2018.

1. Description of Affected Industry

Indiana has over 1,200 commercial poultry premises and over 9,600 backyard flocks voluntarily registered in the Indiana state board of animal health (BOAH) premises identification program. Indiana ranks 1st nationally in ducks, 2nd in all chickens, 2nd in all eggs, and 3rd in turkeys.¹ The proposed rule is critical to supporting their continued growth by providing the necessary assurance to domestic and international buyers that the most current NPIP regulations are being followed in Indiana.

The BOAH will involve regulated entities in the development of the rule. Prior to a first reading of a rule at a quarterly board meeting, the agency sends out an email correspondence to stakeholders making them aware of the proposed rule changes so they have the opportunity to provide input. All proposed rules are also placed in multiple areas of the website in order to provide interested parties as much time as possible to review and comment upon a proposed rule change. The affected industry includes small businesses under the definition at [IC 4-22-2.1-4](#).

2. Estimated Annual Reporting, Record Keeping, and Other Administrative Costs

The proposed rule does not include additional record keeping requirements for the above-described entities. Indiana law establishes the Indiana State Poultry Association (ISPA) as the official state agency for the administration of the NPIP. These facilities already must maintain movement and testing records in order to demonstrate to the ISPA that they are operating in compliance with the program standards. The proposed rule does not change the administrative costs associated with this function.

3. Estimated Total Annual Economic Impact on Small Businesses

This rule does not increase compliance costs for regulated entities. The 2016 NPIP National Biennial Conference approved a series of changes in areas such as testing requirements for certain classification programs, laboratory testing procedures, sanitation and biosecurity principles, and compartmentalization guidelines. However, these adjustments to the NPIP program do not present a significant increase in compliance costs for flock owners that choose to voluntarily participate in this program. With regard to the proposed rule, the BOAH estimates that the total estimated impact (cost) of the rule will be less than \$500,000.

It is important to emphasize that, if a flock owner does not see the benefit in being an NPIP participant, then the movement is governed by BOAH's existing Certificate of Veterinary Inspection (CVI) and testing standards that are not being changed in this proposed rule. Although NPIP participation is not the only way to meet interstate movement requirements, it is a preferred alternative by many poultry owners to avoid having to obtain a CVI for each shipment or conduct extensive preshipment testing requirements for certain diseases. It also is important to emphasize that, even though the state rule has not been updated since 2015, Indiana's poultry companies are already complying with the most recent NPIP standards in order to meet the requirements of federal law, other states' laws, and customer requirements.

According to the U.S. Poultry and Egg Association, the direct economic impact of Indiana's poultry producers and processors includes:

- The creation of 11,200 production and processing jobs.
- A direct contribution of over \$3.8 billion annually to Indiana's economy.
- The total contribution to Indiana's economy is nearly \$9.7 billion, including over 36,600 jobs and nearly \$2.2 billion in wages.
- Payment of \$191.8 million dollars of state taxes and \$652.5 million dollars in total taxes.²

If the BOAH does not proceed with this proposed rule, it will have a negative economic impact on the regulated community. The NPIP certifies flocks as free from serious diseases of concern to the poultry industry, such as pullorum, fowl typhoid, avian influenza, avian mycoplasmas, and salmonella enterica. The proposed rule

ensures that the most recent, nationally recognized testing and disease prevention standards are incorporated. The introduction of any of these diseases into Indiana's commercial, exhibition, or backyard poultry flocks would result in economic losses including, but not limited to, restricted or closed access to markets both within the U.S. and overseas.

4. Justification of Requirements

a. Compliance with Federal Law

This proposed rule is necessary to comply with a federal mandate. In order to comply with federal law, the BOAH must ensure that its interstate movement requirements for poultry align with federal standards. 9 CFR 86. Because participation in the NPIP is a component of federal interstate movement standards, it is critical that Indiana incorporate the most recent version of the NPIP regulations. If the BOAH does not incorporate by reference the most recent version of the NPIP, it may compromise Indiana poultry producers' opportunities to ship their products in interstate commerce. In addition, because most U.S. trading partners importing poultry and products from the United States require NPIP participation, it could also impact access to international markets.

b. Compliance with State Law

BOAH is also responsible under state law to control the movement of animals to facilitate the prevention of disease. In order to carry out this duty, it is critical that the board periodically update its interstate and intrastate movement standards to ensure that standards supported by the best current science are incorporated. The failure to incorporate the most recent NPIP standards could unnecessarily present an increased threat to animal and human health.

c. Justification of Requirements not Mandated by State or Federal Law

The proposed rule does not impose any requirement or cost beyond what is expressly required by state or federal law.

5. Regulatory Flexibility Analysis

Because this rule merely aligns Indiana's poultry movement rules with federal law, the BOAH did not consider alternatives to what is being proposed. If Indiana were to deviate from what all states have agreed upon at the NPIP National Biennial Conference, it would cause unnecessary disruption in business markets for Indiana's large commercial flock owners. It is also important to emphasize that the exhibition community relies on the BOAH to follow well established programs like the NPIP as a compliance option. The ISPA conducts extensive outreach and support to small flock owners to make NPIP participation accessible to this community. For example, as a Certified NPIP Flock Participant, 4H exhibitors are able to show poultry without needing to do additional pre-show testing.

¹ United Soybean Board, *Economic Analysis of Animal Agriculture*, <http://www.animal.ag/economics/state-reports/INDIANA%20Economic%20Analysis%20of%20Animal%20Agriculture%202005-2015.pdf>

² U.S. Poultry and Egg Association, *Economic Data*, https://www.uspoultry.org/economic_data/

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