One Team, One Purpose

Food Safety and Inspection Service
Protecting Public Health and Preventing Foodborne Illness
Retrospective Analysis on Cooperative Interstate Shipment (CIS) Program

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Background - FSIS

• The public health agency in USDA responsible for ensuring meat, poultry, and processed egg products are safe, wholesome, and accurately labeled.
Background – FSIS (cont.)

- Series of Acts empowers FSIS to inspect all meat, poultry, and processed egg products in interstate commerce
  - Federal Meat Inspection Act (FMIA), 1906
  - Poultry Products Inspection Act (PPIA), 1957
  - Humane Methods of Slaughter Act (HMSA), 1958
  - Egg Products Inspection Act (EPIA), 1970
Background - MPI

• FMIA and PPIA authorizes FSIS to cooperate with State agencies in developing and administering State Meat and Poultry Inspection (MPI) programs
  – FSIS provides advisory, technical, laboratory, training and financial assistance via cooperative agreement
  – For products produced and sold only within the State
    • even if an adjoining state is just across the highway or river
Background – MPI (cont.)

• State MPI programs must operate “at least equal to” the Federal system
  – product sampling and laboratory methods with capabilities and safeguards “at least equal to” FSIS’s

• Federal funds up to 50% of the estimated cost of the program

• At present, 27 States are operating a Meat and Poultry inspection program
27 MPI States (in blue)
**List of 27 MPI States**

<table>
<thead>
<tr>
<th>State</th>
<th>Meat and/or Poultry Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Arizona</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Delaware</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Georgia</td>
<td>Meat Only</td>
</tr>
<tr>
<td>Illinois</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Indiana</td>
<td>Meat &amp; Poultry</td>
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<tr>
<td>Iowa</td>
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</tr>
<tr>
<td>Kansas</td>
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<tr>
<td>Louisiana</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Maine</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Missouri</td>
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</tr>
<tr>
<td>Montana</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>North Carolina</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Ohio</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Meat &amp; Poultry</td>
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<tr>
<td>South Dakota</td>
<td>Meat Only</td>
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<tr>
<td>Texas</td>
<td>Meat &amp; Poultry</td>
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<td>Utah</td>
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<td>Vermont</td>
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<td>Virginia</td>
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</tr>
<tr>
<td>West Virginia</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Meat &amp; Poultry</td>
</tr>
<tr>
<td>Wyoming</td>
<td>Meat &amp; Poultry</td>
</tr>
</tbody>
</table>
Background-CIS

• 2008 Farm Bill
  – Title XI Section 11015

• May 2011 FSIS final rule Cooperative Inspection Programs: Interstate Shipment of Meat and Poultry Products
In participating States, certain MPI State-inspected establishments, that have applied and are selected for the program, can ship meat and poultry products in interstate commerce

— with 25 or fewer employees

— meet all the other criteria under the final rule
Key Criteria of CIS Program
-Costs and Benefits Related

- State inspection must be “the same as” FSIS inspection
- FSIS reimburse States for at least 60% of their eligible costs related to inspecting CIS establishments
- State laboratories used for CIS program must be ISO-17025 accredited
- State inspectors covering CIS establishments to complete FSIS-sponsored training in Federal inspection methodology
• Ohio agreement signed August, 2012 (11)
• North Dakota, January, 2013
• Wisconsin, January, 2013 (10)
• Indiana, April 2014 (3)
Prospective BCA in Final Rule Impact Analysis

• Estimated costs for three possible scenarios:
  – Based on info collected by Agency outreach activities
  – 27 establishments in four “interested” States* participating FY 2011 - 2014
  – 102 establishments in four States FY 2011-2014
  – 102 establishments in 4 States FY 2011, then 200 establishments in all 27 eligible States FY 2012 - 2014
Expected Benefits

• Selected participating establishments
  – new markets for products
• Consumers
  – more product choices
• Other small farmers
  – reduced travel costs to send livestock to federal processing establishments
    • the closest ones may be located across State lines
• Rural development
  – jobs, local tax bases
• We did not quantify benefits because of uncertainties in:
  – # of establishments participating
  – Extent of business expansion
Expected Costs

- CIS establishments
- Participating States
- FSIS
Expected Costs to CIS Establishments

• Start-up costs:
  – filing application
  – training employees
  – obtaining label approval
  – food safety system modifications

• Not quantified due to uncertainty
  – However, establishments most likely anticipate net benefit as this is a voluntary program
Expected Cost to Participating States

• Inspection costs
  – States’ share of “40 percent or less” vs. “50% or more” under MPI

• Laboratory costs
  – estimated at $28K to $350K

• Programs modification
  – already “at least equal to”

• State personnel training
  – many State personnel already receiving training in Federal inspection methodology under MPI
Expected FSIS Budget Costs

- Total grants to States: additional reimbursement for inspection of CIS establishments over reimbursement for MPI
- Oversight, outreach and training:
  - Selected Establishment Coordinator (SEC)
  - Deputy District Managers
  - outreach and training staff
  - lab analysts
  - operating and travel expenses
## Summary of FSIS Budget Estimates ($, million)

<table>
<thead>
<tr>
<th></th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>4-year Total</th>
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<tbody>
<tr>
<td>Number of establishments</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
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<tr>
<td>Total grants to States</td>
<td>0.28</td>
<td>0.15</td>
<td>0.15</td>
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<tr>
<td>Total salaries &amp; benefits</td>
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<td>0.55</td>
<td>0.58</td>
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<td>DDM</td>
<td>0.09</td>
<td>0.10</td>
<td>0.10</td>
<td>0.11</td>
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<tr>
<td>Selected Establishment Coordinator (SEC)</td>
<td>0.16</td>
<td>0.17</td>
<td>0.17</td>
<td>0.18</td>
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<tr>
<td>Lab staff</td>
<td>0.25</td>
<td>0.26</td>
<td>0.27</td>
<td>0.29</td>
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<tr>
<td>Operating expenses</td>
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<td>0.26</td>
<td>0.12</td>
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<tr>
<td>Travel- SEC &amp; lab staff</td>
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<td>0.02</td>
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<td>Training/Outreach</td>
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<td>0.04</td>
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<td>Equipment and admin</td>
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<td>0.07</td>
<td>0.07</td>
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<tr>
<td>Total</td>
<td>1.09</td>
<td>0.95</td>
<td>0.83</td>
<td>0.87</td>
<td>3.77</td>
</tr>
</tbody>
</table>
Retrospective Benefit Cost Analysis

• Data collection on participating States
  – Conducted in early 2015
  – Numbers of CIS establishment as of March 2015:
    • 8 in Ohio (7 in 2012 and 1 in 2014)
    • 5 in Wisconsin (4 in 2014 and 1 in 2015)
    • Establishments in Indiana were getting label approval
    • No CIS establishment in North Dakota

• Tried to collect data on all the 13 establishments from MPI State Directors, obtained information on 10 (8 in OH, 2 in WI)
Benefits Realized

• Participating establishments - new markets for products
  ◦ $3.2 million total sales revenue increase
    » $1.5 million from expanded sales of existing products
    » $1.7 million from selling new products

• Consumers - more product choices

• Rural development
  – added 15 FT and 11 PT employee

Small farmers – happy stories
  – e.g. #1, Ohio plant partnered with producer in PA
  – e.g. #2, WI packer partnered with IL producer
Costs Incurred - Establishments

- Totaled about $0.13 million
  - ranging from $210 for changing labels to $60,000 for new equipment
  - the most common cost is associated with getting label approval
Costs Incurred – Participating States

- **Inspection cost**
  - no increase as FSIS reimburses up to 60% of eligible State inspection cost vs. 50% under MPI

- **Lab cost**
  - WI received FDA grant to get lab accreditation, ID upgraded lab under FDA’s program
  - ND plans to use Ohio’s State lab, and OH got FSIS reimbursement

- **Training**
  - FSIS reimbursed 100% of costs for travel, per diem and accommodations for the courses, as it’s mandatory for all personnel covering inspection assignments
Costs Incurred to FSIS

• Funding to States
  – Incremental cost about $0.02 million, FY2012 to 2014.

• Salary and benefits
  – 1 SEC @ GS-13, salary and benefit for 3 years, $450K
  – 1 CIS National Coordinator, 1 DDM, and 1 FTE lab staff positions are existing FSIS employees carrying out collateral duties

• Training and outreach, totaled about $124K FY 2011-2014

• Equipment & lab staff traveling
  – $84K
### Comparing Costs and Benefits

#### Predicted vs. Actual

<table>
<thead>
<tr>
<th>Costs</th>
<th>Predicted</th>
<th>Actual</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of establishments</td>
<td>27</td>
<td>13</td>
<td>27</td>
</tr>
<tr>
<td>Cost to the Agency</td>
<td>$3.74 m</td>
<td>$0.79 m</td>
<td>Expanded market $3.17 million sales increase</td>
</tr>
<tr>
<td>Cost to the industry</td>
<td>N/A</td>
<td>$0.13 m</td>
<td>More choices for consumer Realized</td>
</tr>
<tr>
<td>Total cost of the program</td>
<td>&gt;$3.74 m</td>
<td>$0.92 m</td>
<td>Rural development Realized through increased employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Other cost-savings for small producers Realized</td>
</tr>
</tbody>
</table>

Realized through increased employment
Conclusion

• Program attained the benefits predicted in the FRIA
• Costs were low, compared to what FRIA estimated
• Program is cost effective
  – total cost being around $0.92 million
  – multiple benefits including $3.17 million sales revenue increase for participating establishments
Acknowledgement

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  Charles Pixley
  Nick Wagner

• **Comments:**
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  Karen Hunter
  Carl Mayes
  Mary Porretta
  Hany Sidrak
Question