

Questions and Answers: National Animal Identification System Benefit-Cost Analysis Dairy Sector

Q. Was the dairy sector considered in the benefit-cost analysis for the National Animal Identification System (NAIS)?

A. Yes. The dairy sector was one of the main areas of research and analysis for the study. The analysis focused on the bovine, porcine, ovine, poultry, and equine industries. The report also includes some discussion about minor species groups.

The study looked at the benefits and costs for livestock producers (divided into subgroups by production phase), livestock markets, and packers. All three groups were broken down by operation size to provide additional accuracy in the analysis. The benefits and costs for Federal and State governments also were examined.

Q. How was the dairy sector examined?

A. For the dairy sector, the study examined operations by dividing them into two groups—those that currently tag animals and those that do not. The difference can affect cost estimates.

Q. What form(s) of identification were used for dairy cattle in the study?

A. For the purposes of this study, it was assumed that individual cattle would be tagged with radio frequency identification (RFID) eartags. If the cattle were already being tagged, it was assumed they would be tagged with an RFID tag at the same time as their management tag. Cattle operations that do not currently tag were assumed to use a tagging service at the auction yard.

Q. Why were radio frequency identification eartags used?

A. RFID tags were used as the basis for the study at the recommendation of the NAIS Cattle Species Work-

ing Group. The working group consists of representatives from various levels and segments of the cattle industry and is jointly led by one beef and one dairy representative.

Q. What costs did the study indicate?

A. The study estimates that the overall costs for 100 percent participation in a fully traceable NAIS system for all four major species (cattle, swine, sheep, poultry) is \$228.27 million annually. Costs for 90 percent participation in the same system would be \$192.22 million.

The cattle sector (beef and dairy) costs for a fully traceable system at 90 percent participation would be \$175.87 million. Specifically within the dairy sector, the average costs per animal or head sold is \$6.21 per animal marketed.

For cost details broken down by operation size, please reference tables 4.5 and 4.6 on page 40 of the full report, which is accessible at http://www.usda.gov/nais/naislibrary/documents/plans_reports/Benefit_Cost_Analysis_NAIS.pdf

Q. Why were the overall cattle sector costs so high?

A. The costs for cattle (beef and dairy) are higher than the other species because of the nature of the industry and the necessary identification procedures. Cattle move more frequently than other livestock species, and the industry is not vertically integrated. While group/lot identification is an option for cattle in NAIS, the researchers based their estimates on all cattle being individually identified with RFID tags. Identification tags and tagging costs account for 75 percent of the cattle sector's adoption cost.

Other species in the study were estimated using group/lot identification in whole or in part. Additionally, other species used lesser expensive, visual (non-RFID) tags. Together, the combination of using group/lot identification and less expensive tags helps keep the overall costs lower.

Q. What size dairy operations had the highest and lowest costs of participation?

A. The average cost per animal marketed throughout the cattle sector (beef and dairy) is \$5.97. The study found that dairy operations that have 1–49 animals and that currently tag their animals represent the dairy group with the highest average cost at \$5.84 per animal. For dairy operations of comparable size that do not currently tag, the average cost per animal is \$5.28.

Dairy operations that have 2,000 head or more and that currently tag animals represent the dairy group with the lowest average cost per animal, at \$2.53 per cow. Average costs for the same size operations that do not currently tag are \$2.97 per cow.

The differences between dairy operations that currently tag and those that do not currently tag exist, but the differences are not as great as those in the beef cow/calf sector. This is because a higher percentage of the costs for the dairy sector comes from reading tags. Comparatively, in the beef cow/calf sector, the higher percentage of costs come from physically applying the tags.

Q. Why should dairy producers participate? Are there any benefits listed in the study that apply to them specifically?

A. Yes, there are benefits mentioned in the study that affect all producers, as well as benefits that specifically affect dairy producers.

Dairy-specific benefits include:

- reduction of animal disease testing time and associated costs through the use of mobile information management technology for diseases like brucellosis and bovine tuberculosis
- ability to use NAIS animal identification methods in other value-added and certification programs

General benefits include:

- better disease management and surveillance—identification can help pinpoint exposed animals
- reduction of economic impact of disease events—quickly containing the outbreak and reopening markets for unaffected producers
- ability to use NAIS animal identification methods to easily prove U.S. origin for country of origin labeling (COOL) requirements

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.