

TABLE 2.—U.S. IMPORTS OF SWISS CHEESE—Continued
[in metric tons]

Country of origin	1998	1999	2000
Germany	3,858	6,477	4,633
Hungary	790	792	357
Ireland	1,021	1,124	818
Netherlands	374	424	213
Norway	7,510	7,254	7,709
Switzerland	3,416	3,516	3,498
Other countries	1,773	2,816	3,082

In addition to the specific processing requirements for butter, butteroil, and certain cheeses imported from regions affected by FMD, this proposed rule would also require government certification that those requirements have been met. The cost of obtaining certification may affect the price of the product paid by U.S. importers and end users. However, the cost of obtaining such certification is expected to be low. The certification is simply a signed statement from the veterinary official of the exporting country attesting that the requirements have been met. Certification would be a new requirement for cheese (without liquid or restricted items), butter, and butteroil. Under the current regulations, these items may enter without restriction. In 2000, about 40 percent of the \$530 million in milk and milk products imported from FMD-affected countries were cheese and butter.

For some other imports, the proposed rule would expand import options. For example, certain products such as condensed milk, long-life milks such as sterilized milk, casein and caseinates, lactose and lactalbumin, are currently allowed entry if written permission is given for their importation, and other products such as dry milk or dry milk products are currently allowed entry only if consigned to an approved facility for further processing. If any of these products were produced using milk processed in accordance with methods described in this proposal, those products would be eligible for importation if accompanied by the certification described in the previous paragraph. The number of producers in FMD-affected regions that might opt to use the processing methods described in this proposed rule for these products is unknown. We expect that those producers would use UHT-or HTST-treated milk in the preparation of their products if that option was viable from a production standpoint and was an economically attractive alternative to the existing requirements in § 94.16 governing the importation of these products.

The quantity of imports from FMD-affected regions that might be produced using milk treated in accordance with this proposed rule is not known, nor is the degree to which that treatment might affect the cost of those imports.

As this proposed rule would simply provide an alternative to the current importation provisions for milk and milk products other than butter, butteroil, and cheese, we expect that the effect of this proposed rule on imports of those products, which in 2000 constituted about 60 percent of milk and milk product imports from FMD-affected regions, would be small.

Cost/Benefit Analysis

This proposed rule may involve added costs for importers and users of butter, butteroil, and certain cheeses, as those imports from FMD-affected regions would be required to meet new processing and certification requirements. However, because FMD-affected regions account for a small portion of all U.S. imports of these products and represent an even smaller fraction of domestic production and overall supply, the impacts on domestic prices and consumption will be small. Moreover, these costs are very small when compared to the benefits of preventing an outbreak of FMD in the United States. Such an outbreak could have serious economic consequences given the size of the nation's livestock inventories and the volume of animal and animal product sales.

Impact on Small Entities

The Regulatory Flexibility Act requires that Agencies specifically consider the economic impact of their rules on small entities. Those entities most likely to be affected by the proposed rule are domestic importers of milk and milk products, domestic users of these products, and dairy farms.

The Small Business Administration (SBA) has established guidelines for determining which establishments are to be considered small entities under the Regulatory Flexibility Act. According to North American Industry

Classification System (NAICS) codes 422430 and 422490, import/export merchants, agents, and brokers are identified in the wholesaling trade. A firm engaged in wholesaling dairy products is considered small if it employs fewer than 100 persons. In 1997, more than 97 percent (2,460 of 2,522) of dairy products (except dried or canned) wholesalers would be considered small, and more than 95 percent (12,251 of 12,845) of other grocery and related products wholesalers, which includes dried and canned dairy products, would be considered small.⁴ An establishment engaged in dairy cattle and milk production (NAICS code 112111) is considered small if it has annual sales of less than \$750,000. According to the 1997 Census of Agriculture, at least 79,155 of 86,022 (or 92 percent) of dairy farms would be considered small. The size standards for establishments engaged in food manufacturing range from fewer than 500 employees to fewer than 1,000 employees, depending on the type of food being manufactured. An establishment engaged in dairy product manufacturing (NAICS code 3115) is considered small if it employs fewer than 500 persons. This is also the standard for non-chocolate confectionary manufacturing, NAICS code 311340, which includes granola and other types of breakfast bars. In 1997, 25,729 of 26,302 (or more than 97 percent) of food manufacturing establishments would be considered small.⁵

From the above it is clear that any domestic entity affected by this proposed rule is likely to be considered small. However, for most milk products, the quantity imported is a small fraction of that produced domestically, and the quantity of imports supplied by FMD-affected regions is a smaller percentage still of domestic supply. Thus, the

⁴ 1997 Economic Census, Department of Commerce, Bureau of the Census.

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