

Economic Impact of NAIS for Horse Owners

Karen Nowak © February 2009

Every horse owner knows that the current economic situation in the USA is impacting the horse industry. Feed costs are higher than they've ever been. In fact, any and all supplies/services used for our horses – from supplements to tack to farrier and vet costs are higher. At the same time, sales are way down. Horses are on the market for longer periods of time before they do sell and prices are rock bottom.

Those of us who breed cut way back on the number of mares bred last year. Some, like me, chose not to risk it at all and bred NO mares last year. We are feeding and caring for broodmares and stallions with no return whatsoever on our significant investment.

And now we have NAIS looming on the not too distant horizon! But wait, you say, "I thought NAIS was now voluntary!" Remember the key phrase "voluntary at the Federal level." Three states so far have made all or part of NAIS mandatory. Tremendous pressure in terms of grant monies is being placed on State Departments of Agriculture by the USDA. In addition, if you read the USDA's most recent official document, the September 2008, *A Business Plan To Advance Animal Disease Traceability*, you will discover that while they claim NAIS is "voluntary," the handwriting is on the wall. One way or another, they will push NAIS through.

What will those costs be? Up to this point, all we have been told by the USDA is, "There will be a cost to producers." They then try to divert our attention by exclaiming that the first component of NAIS - premises registration - is free. Yes, it IS free – for now at least. But technically it really isn't free because the entire premises registration system has been funded by the taxpayers of this country without any of us having a vote in how that \$130 million of our hard-earned dollars has been spent. The question we should be asking is "Will it remain free, or will we have to pay to renew it every year once the funding dries up?" Ask and watch how quickly they divert the question!

NAIS is a massive system! According to the 2007 Census of Agriculture, there are 2.2 million farms plus an unknown number of properties which house small numbers of livestock for personal use, show grounds, auction/sales barns, vet clinics, stallion stations, and public and privately-owned trail systems. Virtually any location animals from different properties "commingle" will need to register their premises if the NAIS system is to be fully compliant and functioning as designed.

The second component of NAIS is animal identification with radio-frequency ID tags or implantable microchips containing a unique 15-digit ID number. According to the USDA, farms in the USA have an inventory of 2.3 billion livestock encompassing 33 species at any point in time. What will the cost of this electronic identification be? The USDA has thus far refused to answer honestly. In the 2006 NAIS User Guide, the USDA claimed microchips for horses would cost \$8. They continued to skirt around the true cost by stating "Currently, such cost for implanting the transponder in horses is approximately \$15 to \$20 per horse and is also dependent on variation in travel cost of the veterinarian to the premises." NONE of this is accurate!

USDA has stated that those farms that move animals as a "production unit" will NOT need individual ID. They may use a group/lot number because the animals all move together and do not commingle with other animals. Those who will benefit by this group/lot number are the massive corporate-owned agribusinesses, not the owners of a few animals. It is no accident that these same agribusinesses, whose expenses with this system will be less, are those who helped design the NAIS program in the first place!

The third component

horses from other premises, a movement report will have to be filed in this massive NAIS database. The purpose is to be able to trace animals within 48 hours in the event of a disease outbreak. It is important

to remember that this is an “after the fact” response. NAIS in NO way prevents disease! What will the charges be for entering these reports? The USDA has refused to say anything other than “there will be costs.”

The other cost for the tracking component is the need to purchase a scanner to read these microchips. The USDA skirts around this issue as well by saying they do not require owners to purchase one. The USDA might not but several states already require you to carry a scanner in the trailer if your horse is microchipped. For those with a single horse, you may be able to get away with not buying a scanner, but if you own several horses, the risk of a “transcription error” with those 15-digit ID numbers is so great that you have to ask yourself if it is worth the risk of the penalty fee. There are ‘cheap’ \$300 scanners out there, but they do NOT have a computer interface so you are back to the considerable risk of transcription errors.

In July of 2007, after much public outcry, the USDA funded a cost-benefit analysis by Dhuyvetter and Blasi at Kansas State University. That study was completed in July of 2008. The USDA has yet to release the findings of this study. Several Freedom of Information Act formal requests have been made to obtain the results of this study. Thus far all requests have been denied. So much for “transparency in government”!

In an effort to determine what the costs would be for horse owners, I used the cost estimate analysis form for cattle, designed by Kansas State University’s Agricultural Economist Kevin C. Dhuyvetter, Ph.D. and Beef Specialist Dale Blasi, Ph.D., and changed the tags and scanner to those microchips and the scanner designed for horses.

RFID (Radio Frequency ID/microchips) Components Horses

	Initial cost	Useful Life Yrs	Salvage Value, \$	*Annual Cost	Percent to RFID	**Yearly RFID Cost
Interest 7.5%						
eID Transponder - Vet Fees						
microchip PER HORSE	\$30	30	0		100%	
implantation PER HORSE	\$25		0		100%	
sedation PER HORSE	\$20		0		100%	
farm call	\$55		0		100%	
Electronic Reader						
Scanner with computer interface	\$1,025	3	0	\$367	100%	\$367
spare battery	\$45	3	0	\$16	100%	\$16
Data Accumulator						
Laptop Computer	\$1,000	3	\$200	\$287	60%	\$172
spare battery	\$150	3	0	\$54	100%	\$54
external backup device	\$100	3	0	\$35	100%	\$35
Software/web based analysis & storage						
Computer Software	\$700	5	0	\$173	100%	\$173
anti-viral software	\$45	1	0	\$29	60%	\$29
Other						
Internet Access	\$480	1	0	\$498	25%	\$125
Subscriptions/Upgrade Fees	\$100	1	0	\$104	100%	\$104
Labor	\$500		0	\$519	100%	\$519
Total Annual Cost	\$4,275					\$1,594

* includes annual interest + divided over number of useful years ** based on % to RFID

Contact your veterinarian for the cost of microchipping, as the above information is an average. It has been included for people to use as a guideline only. Simply multiply those costs by the number of horses you own/lease and add it to the Yearly RFID Cost column to estimate your first year expenses under NAIS. If you board your horse, expect your board to rise to help cover the considerable cost not only in equipment but in labor with all the scanning that will need to be done every time you take your horse to a show, etc.

Spare batteries and anti-viral software were not included in the cost estimate analysis by Dhuyvetter and Blasi. They are included here because they ARE necessities! There is no movement cost listed above, just as there was not on the original by Dhuyvetter and Blasi. An assumption has been made that the 'computer software' is NAIS compliant software and the 'subscription/upgrade fees' allow the owner to upload the data themselves. That would be far more cost-effective for everyone (including the USDA) in the long run.

What will the costs be for show organizations? They will need **at least** one scanner and spare battery, a laptop computer with spare battery and external back-up device (prevent risk of lost data!), internet access and all the software, subscriptions listed above plus the labor to perform all these tasks.

Scanning horses at shows will be a logistical nightmare because of the many variables from one venue to the next, the type and size of classes, etc. It would be impossible to scan all horses in the trailer as they enter the show grounds unless you want a major traffic jam! There is also the not unlikely possibility that the person scanning could be injured if the horse spooked in the confined space of a horse trailer. Last is the risk of 'missing' some scans due to late arrivals that will not be showing until the end of the day. It would also be impossible to scan each horse as it enters the show ring because of the delay it would cause in each class as well as the considerable risk of 'duplicate entries' since most show in more than one class. The most logical solution to these logistic difficulties is to set up scanning stations on the showgrounds. Horses could be scanned and their entry numbers stamped with a symbol easily recognized by staff at the in-gate to each show ring.

How much time will this take? A very conservative estimate is 3 minutes per horse. We cannot line them up nose to tail like they do cattle – a fact that I do not think the USDA has considered. There will have to be enough space between horses to prevent humans and horses from being kicked. That means additional time spent waiting for the next horse to move up in line. While the microchip should be placed in the same general location, time will occasionally be lost searching for a microchip that is not quite in the perfect location. Last will be the horses that spook at the scanner. We all know some will, and that will cost more time!

Just how much time will scanning take at an average horse show? Estimate that one person can scan 20 horses per hour IF all goes well. It is not unusual for there to be 200 horses at a popular local or regional show and that is where we must focus to determine the true cost to us as horse owners. If only one person scanned, it would take **10 hours** just to scan all these horses into the NAIS database! Five scanning stations would be far more workable as that would take a total of 2 hours to scan in every horse. But wait – that means 5 scanners and 5 spare batteries! The cost to the show organizer just jumped from \$1070 to \$5350! Divide that over the 3 year life of the scanner and it comes to \$1783 per year just for scanners. In addition, they will need 4 additional people just to scan and we all know how difficult it is to recruit enough help at shows! Just as with boarding, these costs will have to be passed on to those of us who show. The cost per horse to cover this expense (broken down over the 3 year lifespan of the equipment) would be an additional \$14 in entry fees. If they try to recoup their costs that first year, the

the person showing but what about the show organizer who is already struggling to meet expenses in this economic climate? They have to pay out an additional \$8,090 for that first year for all this equipment plus labor for the additional staff. Will they be able to survive? My belief is we will see more shows cancelled,

just as the recent Red Hills Horse Trials in Florida was forced to cancel because there weren't enough entries to meet expenses. Imagine if they have this expense on top of it!

What impact will NAIS have on the much smaller shows? One way to attract new people and children into showing, and generate income in training and/or sale of horses, is to offer small shows at low prices to allow them to "get their feet wet." These shows typically have 20 or so horses with entry fees of \$4 to \$7 per class. Twenty horses is just enough that you dare not have a "cheap" scanner (no computer interface) because of that ever present risk of 'transcription errors' when copying down numbers manually. These show organizers will be faced with the same costs as the bigger shows with the exception that they will only require one scanner and one spare battery. Their initial cost outlay to comply with NAIS will be \$3,645. Will their budget allow it? Probably not but IF it did, the cost per horse to cover this expense (broken down over the 3 year lifespan of the equipment) would be an additional \$59 in entry fees. If they try to recoup their costs that first year, the additional fee would be \$177! There is no conceivable way these smaller shows could continue to operate! Who loses in the end? The entire horse industry loses because these are tomorrow's stars, as well as potential clients for the many services the horse industry offers. The lost exhibitors are our future breeders and/or trainers!

What penalties might we incur under NAIS? The USDA avoids this question but both the USDA and Congress state that US Codes Title 7 Agriculture, Chapter 109, (the Animal Health Protection Act) authorizes NAIS. Below is the exact wording for penalties under this chapter:

§ 8313. Penalties

(a) Criminal penalties

(1) Offenses

(A) **In general** A person that knowingly violates this chapter, or knowingly forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document provided for in this chapter shall be fined under title 18, imprisoned not more than 1 year, or both.

(B) **Distribution or sale** A person that knowingly imports, enters, exports, or moves any animal or article, for distribution or sale, in violation of this chapter, shall be fined under title 18, imprisoned not more than 5 years, or both.

(2) **Multiple violations** On the second and any subsequent conviction of a person of a violation of this chapter under paragraph (1), the person shall be fined under title 18, imprisoned not more than 10 years, or both.

(b) Civil penalties

(1) **In general** Except as provided in section 8309 (d) (Veterinary Accreditation Program) of this title, any person that violates this chapter, or that forges, counterfeits, or, without authority from the Secretary, uses, alters, defaces, or destroys any certificate, permit, or other document provided under this chapter may, after notice and opportunity for a hearing on the record, be assessed a civil penalty by the Secretary that does not exceed the greater of—

(A) (i) \$50,000 in the case of any individual, except that the civil penalty may not exceed \$1,000 in the case of an initial violation of this chapter by an individual moving regulated articles not for monetary gain;

(ii) \$250,000 in the case of any other person for each violation; and

(iii) \$500,000 for all violations adjudicated in a single proceeding; or

(B) twice the gross gain or gross loss for any violation or forgery, counterfeiting, or unauthorized use, alteration, defacing or destruction of a certificate, permit, or other document provided under this chapter that results in the person's deriving pecuniary gain or causing pecuniary loss to another person.

We, as horse owners, must stand up and say **NO to NAIS!** For more information on how to get involved, please go to <http://farmandranchfreedom.org>, <http://libertyark.net>, <http://naisinfocentral.net>, <http://nonais.org> and <http://naisstinks.com>. There is an excellent short video on the LibertyArk website:

<http://libertyark.net/NAIS-new/NAIS%20Clip/> and another at: <http://sovereignty.net/library/NAIS-web.htm> The latter is a bit outdated but still well worth watching.

To download the USDA's most recent document: A Business Plan To Advance Animal Disease Traceability, go to:

http://animalid.aphis.usda.gov/nais/naislibrary/documents/plans_reports/TraceabilityBusinessPlan%20Ver%201.0%20Sept%202008.pdf