

MEMORANDUM



DATE: June 25, 2008
TO: House Appropriations Subcommittee on Agriculture
FROM: William E. Hamilton
RE: Pseudorabies Outbreak and the Fiscal Impact

Current Pseudorabies Outbreak and Fiscal Impact

In a letter dated June 11, 2008 the State Budget Office requested an additional \$415,000 GF/GP in FY 2007-08 spending authority for the Michigan Department of Agriculture's Animal health and welfare line item to cover costs associated with the depopulation of "game swine" at five hunting ranches, and the associated indemnification of swine owners. The depopulation order was the result of the discovery of pseudorabies virus in the swine.

In May 2008, the department confirmed that 19 sport swine on a privately owned cervid hunting facility in Saginaw County were infected with pseudorabies virus (PRV). Additional infected swine were subsequently identified at hunting facilities in Gladwin and Cheboygan Counties. Five infected feral swine were destroyed outside of the Saginaw County hunting facility.

The infected swine were described by the department as "transitional swine, meaning Razorback or European wild boar-type swine (or hybrids) used for shooting purposes. Transitional swine are also domestic swine, housed in a manner that may allow contact with feral swine."

The department press release described pseudorabies as "a highly contagious viral disease of swine that causes newborn piglets to die." The disease also causes respiratory infection in adult swine. The department indicated that the disease threatens Michigan's \$230 million swine industry based on the annual value of swine product sales – a \$500 million industry if one includes breeding swine.

On May 6, 2008 the department banned the importation of swine intended for: breeding on game ranches, a supply to game ranches, or from facilities using them for sport, hunting, or shooting. On June 8, 2008, the department announced the quarantine of all Michigan game ranches with shooting swine and banned the movement of game ranch swine on or off premises, pending testing for pseudorabies and negative test results.

Prior Eradication of Pseudorabies in Michigan

In October 1999, the department had announced that "*pseudorabies had been eliminated from Michigan following a nearly 20-year fight.*" The USDA granted Michigan "pseudorabies-free" status in 2000. The department indicated that "pseudorabies-free" status was achieved following considerable investment of labor and money by state and federal agencies, producers, and university partners.

The current outbreak of pseudorabies is confined to transitional swine. If pseudorabies is discovered in commercial swine, affected herds would be destroyed. In addition, Michigan could lose its pseudorabies-free status. This would result in other states and the USDA imposing restrictions on the movement of Michigan swine.

Authority for Depopulation and Indemnification

The department's authority for the depopulation order is found in Section 14 of the Animal Industry Act (PA 466 of 1988) which provides: *“If the director determines that the control or eradication of a disease or condition of livestock warrants entry onto property where livestock or domestic animals are located, the director shall order the entry onto property where livestock or domestic animals are located and authorize seizure, slaughter, destruction, or other disposition of individual livestock or domestic animals or the entire herd, flock, or school.”*

Section 14 also provides for the indemnification of livestock owners for animals seized by the department and destroyed: *“...indemnification for individual livestock or domestic animals within a herd, flock, or school shall be based upon 100% of the fair market value of that type of livestock or domestic animal on the date of the appraisal and marketable for the purpose for which the livestock or domestic animal was intended, not to exceed \$4,000.00 for each livestock or domestic animal.”* And *“indemnification for entire herd, flock, or school depopulations of livestock or domestic animals shall be based upon 100% of the fair market value of that type of animal on the date of the appraisal and marketable for the purpose for which the livestock or domestic animal was intended, not to exceed an average of \$4,000.00 per animal in the flock, herd, or school.”*

The section also authorizes the department to make indemnification payments of up to \$100,000.00 per order, from any line item in the annual department budget, in the applicable fiscal year. However, any agreement greater than \$100,000.00 entered into between the department and the livestock owner is required to contain a provision indicating that *“notwithstanding the terms of the agreement, indemnification shall be subject to specific appropriations by the legislature and not be paid from department funds.”*

Section 14 also limits the right of indemnification *“only to native livestock and native domestic animals. Indemnification shall not apply to livestock or domestic animals determined by the department to be imported without meeting import requirements such as official interstate health certificate or official interstate certificate of veterinary inspection, required testing, required vaccination, or for livestock or domestic animals determined by the department to have been illegally moved within this state. An owner is not entitled to indemnity from the state for an animal that comes into the possession of the owner with the owner's knowledge that the animal is diseased or is suspected of having been exposed to an infectious, contagious, or toxicological disease. In addition, the director shall not indemnify an owner for animals that have been exposed to an animal that comes in to the possession of the owner with the owner's knowledge that the animal is diseased or is suspected of having been exposed to an infectious, contagious, or toxicological disease.”*

The department indicates that as of June 18, 2008, 448 infected swine have been destroyed. The department will depopulate additional infected swine (approximately 130) in the next several weeks. [Infected swine at one facility will be destroyed by the hunting ranch management.] Indemnification payments have been set at \$1.15 per pound. This amount was negotiated with swine owners and represents a compromise between the meat value and the intended use value (the Animal Act standard for indemnification). The U. S. Department of Agriculture (USDA) will contribute \$.59 per pound based on the market value of the meat (the USDA standard for indemnification), with the balance of \$.56 coming from department funds. The department has made no payments at this time; payment will be subject to approval of the supplemental appropriation or identification of some other funding source.

Prior Indemnification Payments

The Legislature last approved additional funding for livestock depopulation and owner indemnification under the Animal Industry Act in November 2007. At that time, the Legislature passed HB 4494 (enacted as 2007 PA 142) a FY 2006-07 supplemental appropriation. That bill provided an additional \$500,000 in FY 2006-07 GF/GP spending authority for costs related to a bovine TB outbreak in a privately owned cervidae herd. The herd was identified in October 2006 and depopulated by the department in December 2006. The department incurred approximately \$67,500 in direct costs of depopulation, \$17,000 in related staff costs, and \$415,300 in indemnification payments to the owner of the deer herd.¹

Regulation of Shooting Swine on Game Ranches

In some cases swine are offered for recreational shooting on privately owned cervid ranches. Some other hunting ranches are "swine-only." There is currently no state regulation of swine offered for hunting on game ranches.²

The department indicates that these hunting swine pose a significant risk as carriers of disease. They also pose a significant escape risk. Having escaped confinement, swine can become free-ranging feral swine. If in contact with commercial swine, feral swine can transmit disease. In addition, feral swine present a significant environmental risk through habitat destruction and displacement of native species. Feral swine are a growing national problem and have been reported or sighted in 64 of Michigan counties.

Although there is no specific state regulation of hunting swine, the department's quarantine, testing, and depopulation activities have been carried out under the general authority of the Animal Industry Act.

Funding Request Detail

The \$415,000 State Budget Office supplemental request was based on the department's estimate of \$175,000 in additional costs of depopulation and animal disposal, and \$240,000 in owner indemnification payments. The request did not include additional department staff, supplies or testing costs which were supported by redirection of existing department resources.

Additional Funding Requirements

The department estimates that pseudorabies eradication efforts, specifically "regulatory and/or enforcement responsibilities in fiscal year 2009" will require an additional \$1.0 million in funding "above our current funding level." The department also indicated that "there is a potential need for an additional \$3.5 million of fiscal year 2009 funding for future depopulations dependent on the spread of the disease and legislative policy decisions."

¹ From FY 2001-02 through FY 2006-07 the department expended at total of \$639,932 in indemnification payments to livestock owners under the authority of the Animal Industry Act. Of this total, \$456,000, or 72%, was paid to owners of privately owned cervids depopulated as a result of Bovine TB infection.

² The Department of Natural Resources (DNR) has primary authority for the regulation of privately-owned cervidae ranches under the Privately Owned Cervidae Producers Marketing Act (2000 PA 190). The Michigan Department of Agriculture (MDA) has authority over animal health and disease monitoring functions related to privately-owned Cervids under the Animal Industry Act and under terms of a memorandum of understanding with the DNR. For additional information on this regulatory program, see the HFA bill analysis of House Bill 6245 of the 2005-2006 Legislative Session, enacted as 2006 PA 561.