WISCONSIN CHEESE MAKERS ASSOCIATION
EST. 1891

June 11, 2015

Division of Intergovernmental Relations, Attn: Phosphorus
Wisconsin Department of Administration
PO Box 8944
Madison, WI 53708-8944

Re: WCMA Comments on Economic Impact Analysis for Phosphorus Standards

Dear Staff:

Members of the Wisconsin Cheese Makers Association appreciate this opportunity to comment (per ss. 283.16 (2) (d)) on the economic impact analysis for phosphorus standards and preliminary determination from the Wisconsin Department of Administration and Wisconsin Department of Natural Resources.

Wisconsin Cheese Makers Association (WCMA) represents Grade A and non-Grade A dairy manufacturing organizations in Wisconsin as well as significant dairy manufacturing out of state. In addition, WCMA represents many organizations that further process and market dairy products (such as makers of whey products, pasteurized process cheese, cold pack cheese, cheese cut and wrapped for sale and cheese used in foods). In all, WCMA represents 82 dairy manufacturing sites in Wisconsin and 40 outside of the state as well as 41 sites that further process and market dairy products.

The economic impact analysis from the agencies notes a $72.5 million cost to the state dairy industry to install technology to remove the last fraction of phosphorus in dairy plant wastewater and annual operating costs in excess of $3 million. This is an extraordinary cost for an industry that is already, due to previous technology-based limits for phosphorus, removing more than 98 percent of the phosphorus in our dairy plants wastewater. The recently-enacted water quality based phosphorus regulations will stifle growth and hiring in the dairy industry, reduce dollars for research and development, and possibly shift plant expansions and new start-ups to other states, all in the interest of filtering out a tiny, final fraction of phosphorus.

It is important to note that these costs are not being imposed on manufacturers in competing dairy states.

(more)

Wisconsin Cheese Makers Association, 8030 Excelsior Drive, Suite 305, Madison, WI 53717-1950
Phone (608) 828-4550 Fax (608) 828-4551 E-mail office@wischeesemakers.org Website www.wischeesemakers.org

WCMA would like to highlight the business survey results in the report, noting:
"Businesses signaled that they are more likely to decrease investment (47%) and/or postpone expansion (37%) at their Wisconsin facility due to the higher costs of water quality compliance. A significant percentage of companies (42%) also indicated that they would be more likely to shift production to another state. Almost a third of all companies expected to pass higher costs onto their customers."

The dairy industry is unique among manufacturing businesses in that its raw material (milk) must be processed within hours after production, and processing capacity must be sufficient to handle the highest production level during the year for this highly perishable commodity. That means that dairy infrastructure is more permanently grounded and less "nimble" than other industries. Dairy processors must produce storable commodities in addition to value-added products in order to handle unexpected volumes of milk, and face price swings to due variables such as weather that drive up price risk and drive down margins.

In other words, dairy isn't a "virtual" industry nor is it making a single, repeatable widget on a processing line – there are high capital costs sunk into dairy infrastructure, and a supply of raw material that varies daily in volume and price. Wisconsin's dairy industry has fended off inherent low margins with innovation in specialty cheese production and the transformation of dairy whey from a waste product to an internationally traded food ingredient.

But Wisconsin is not alone in dairy production. Growing competition from non-traditional dairy states including California, Idaho, New Mexico, Colorado, Texas and Kansas points to the need for fair regulation that, the case of DNR's mandate, protects the environment while allowing Wisconsin dairy processors to compete and thrive. Wisconsin Cheese Makers Association believes that balance was struck by Wisconsin Act 378. The Act provides for compliance with water quality based effluent limits for phosphorus with a time table that allows for engineering innovations to improve wastewater technology with, presumably, reduced cost over time.

It is important to note that requirements in the Act do not create a "free pass" for municipalities or industries to delay implementation of phosphorus reductions. On the contrary, in Act 378 phosphorus limits are ratcheted down in each WPDES permit cycle until reaching the new, scrupulous limits required in state regulation. And, in addition, the Act requires permit holders to work with non-point sources to reduce their contribution of phosphorus to Wisconsin waters or requires permit holders to pay Wisconsin counties to create or enhance non-point programs to reduce phosphorus runoff.

One Wisconsin engineering firm, in consultation with a cheese manufacturer in the state, recently estimated that if this cheese plant earned the new multi-discharger variance, their cost of compliance with the variance would amount to 76 percent of their cost to comply with state phosphorus regulations with no variance at all**. Even with this new variance, the dairy industry in Wisconsin will spend millions of dollars on technology and trades to lower phosphorus levels**. But these costs are less than industry would face with immediate compliance with new phosphorus limits. That difference buffers the impact of compliance and will allow companies to reinvest in their physical infrastructure, innovate, expand and provide jobs for Wisconsin families into the future.

Thank you for this opportunity to provide these comments on the report from the Department of Administration and Department of Natural Resources.

Regards,
WISCONSIN CHEESEMAKERS ASSOCIATION

John T. Umhoefer
Executive Director

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