

Legislative Analysis



AMENDMENTS TO GRADE A MILK LAW & MANUFACTURING MILK LAW

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Senate Bills 1131 and 1132

Sponsor: Sen. Gerald Van Woerkom

Committee: Appropriations

Complete to March 9, 2010

A SUMMARY OF SENATE BILLS 1131 AND 1132 AS PASSED THE SENATE

The Michigan Department of Agriculture has authority to license and regulate the dairy industry under the Grade A Milk Law of 2001 and the Manufacturing Milk Law of 2001.

The Grade A Milk Law of 2001 regulates all milk for drinking, as well as milk products such as yogurt, sour cream, eggnog, and half and half. The Manufacturing Milk Law of 2001 regulates milk products such as butter, cheese, ice cream, and other frozen desserts. Producers who have a Grade A license are also authorized to make manufactured milk products; there is not a duplicate licensing requirement.

Senate Bill 1131 would amend the Grade A Milk Law of 2001 to increase certain dairy licensing and inspection fees already established under the act.

Senate Bill 1132 would amend the Manufacturing Milk Law of 2001 to increase certain licensing and inspection fees currently established under the act, and to establish a new "certified industry manufacturing farm inspector" licensing fee.

Both bills would allow the Michigan Department of Agriculture to assess a new plan review fee as well as a new repeat inspection fee.

Both bills amend sections dealing with violations of the acts and related administrative fines.

Detailed Analysis of Senate Bill 1131

Grade A Milk Plant Licensing and Inspection Fees and Dairy Farm Inspection Fees under the Grade A Milk Law of 2001

The Michigan Department of Agriculture indicates that it currently licenses 1,992 Grade A dairy farms and 30 Grade A Dairy Plants. The department also licenses other parts of the dairy industry, including receiving stations, transfer stations, milk transportation companies, milk distributors, milk tank truck cleaning facilities.

Section 31 of the Grade A Milk Law of 2001 (MCL 288.501) currently provides for a \$175 annual milk plant licensing or permitting fee, plus an annual fee for each dairy farm whose milk is received at the milk plant. The current fee is \$5 for each dairy farm which utilizes a certified industry field person, or \$15 for each dairy farm which does not utilize a certified industry field person.

Under current law, farms "assigned" to a milk plant do not pay a direct licensing fee; their licensing costs are covered by the \$5 or \$15 -per dairy annual fee assessed on their assigned milk plant. Only dairy farms not "assigned" to a milk plant are charged the \$5 or \$15 fee directly.

Senate Bill 1131 would amend Section 31 to change the current \$175 per plant licensing fee to a fee based on the pounds of raw milk the milk plant anticipated receiving in the coming year. For milk plants anticipating receipt of less than 20 million pounds of raw milk, the annual fee would be \$400; for plants anticipating 20 million pounds to 100 million pounds, the fee would be \$800 per year; and for plants anticipating more than 100 million pounds of raw milk, the fee would be \$1,600 per year.

The bill would eliminate the \$5 and \$15 annual dairy farm fees currently imposed on milk plants or directly on "unassigned" dairy farms. The bill would amend Section 33 of the act (MCL 288.503) to establish a separate Grade A Dairy Farm permit. The new fee would be \$25 for each dairy farm which "maintains adequate industry personnel, as determined by the director [of the Department of Agriculture], who are certified to conduct certified industry farm inspections." For each dairy farm which did not maintain adequate industry personnel, the fee would be \$70.

Under provisions of the bill, the payment of these dairy farm fees would be made by a milk buyer on behalf of the dairy farms.

Both the milk plant and dairy farm inspection fees would be due June 30th of each year.

Senate Bill 1131 would also increase other dairy licensing and inspection fees currently established under the act, including fees related to licenses for Receiving Stations/Transfer Stations, Single Service Facilities, Milk Transportation Companies, Milk Tank Trucks, Milk Distributors, Milk Tank Truck Cleaning Facilities, and Milk Bulk-Haulers/Samplers.

The bill would also increase the current "certified industry manufacturing farm inspector" licensing fee.

The bill would permit the department to assess a new plan review fee as well as a new repeat inspection fee.

Detailed Analysis of Senate Bill 1132

The Michigan Department of Agriculture indicates that it licenses 307 Manufacturing Dairy farms in the state, as well as 45 Manufacturing plants.

Senate Bill 1132 would amend the Manufacturing Milk Law of 2001 to change the current \$50 per plant licensing fee to a fee based on the pounds of raw milk the milk plant anticipated receiving in the coming year. For milk plants anticipating receipt of less than 6 million pounds of raw milk, the annual fee would be \$200; for plants anticipating more than 6 million pounds of raw milk, the fee would be \$400 per year.

The fee would be due June 30th of each year.

The bill would also establish a new "certified industry manufacturing farm inspector" licensing fee, similar to the license and fee established under the Grade A Milk Law of 2001.

The bill would permit the department to assess a new plan review fee as well as a new repeat inspection fee.

FISCAL IMPACT:

The department estimates that the fees established or increased under the two bills would generate approximately \$100,000 in additional restricted revenue. This additional fee revenue is already recognized in the FY 2009-10 enacted state Agriculture budget, 2009 PA 119.

Dairy inspection fees assessed under the Grade A Milk Law of 2001 currently generate approximately \$35,000 per year in restricted revenue. Manufacturing dairy plant inspection fees assessed under the Manufacturing Milk Law of 2001 currently generate approximately \$3,000 per year in restricted revenue. The revenue from these fees is credited to the Dairy and Food Safety Fund created in Section 4117 of the Food Law of 2000, as amended by 2007 PA 114.

The department indicates that inspection fee revenue from fees currently imposed by the Grade A Milk Law of 2001 and Manufacturing Milk Law of 2001 covers only 2% of total program costs of the department's milk inspection program. Costs not covered by restricted license fees are borne by the state General Fund. The department's Dairy Section currently has 25 employees stationed in locations across Michigan. The department estimates the total cost of the dairy inspection program to be \$3.1 million.

The department's dairy inspection program ensures that Michigan's dairy farms, milk processing plants and other licensees meet the milk safety requirements of Michigan's dairy laws and the Pasteurized Milk Ordinance. If dairies were not inspected for conformance with the Pasteurized Milk Ordinance, they would be unable to sell milk and milk products in other states. According to the department, in 2008 Michigan ranked 9th in the U.S. in milk production, with farm sales of \$1.5 billion. Approximately 35% of the 7.8 billion pounds of milk produced by Michigan's dairy farmers in 2008 was sold outside of Michigan with a dollar value of \$525 million

For additional information on state dairy licensing requirements, see the legislative analysis of House Bill 5585 (2008 PA 147) and Senate Bill 1007 (2008 PA 136) from the 2007-2008 Legislative session.

Dairy Licensing and Inspection Fees

License	Citation	Fee Current Law	Fee Revenue Current Law (FY 2008-09)	Proposed Fees SB 1131
Grade A Milk Law of 2001				
Grade A Dairy Plants	MCL 288.501	\$175 plus \$5 per dairy	17,615	\$400.00 Based on Milk Processed \$800.00 Based on Milk Processed \$1,600.00 Based on Milk Processed
Grade A Dairy Farms	MCL 288.501	\$5.00/ \$15.00	1,105	\$25.00/ \$75.00 Sec. 33
Certified Field Person/ Certified Farm Inspector	MCL 288.502	\$60.00 / 3 yrs	360	\$150.00 / 3 yrs
Receiving Station/Transfer Station	MCL 288.503	\$50.00		\$250.00
Single Service Facility	MCL 288.503	\$50.00		\$250.00
Milk Transportation Company	MCL 288.503	\$20.00	3,165	\$50.00
Milk Tank Truck Permit	MCL 288.503	\$10.00	6,775	\$20.00
Milk Distributor	MCL 288.503	\$50.00	0	\$100.00
Milk Tank Truck Cleaning Facility	MCL 288.503	\$50.00	90	\$250.00
Milk Bulk-Hauler/Sampler Licenses *	MCL 288.503	\$40.00 / 2 yrs	6,370	\$50.00 / 2 yrs
Plan Review Fees (New)	MCL 288.503			\$100.00 Sec. 33
Repeat Inspection Fees (New)	MCL 288.503			\$300.00 Sec. 33
				Proposed Fees SB 1132
Manufacturing Milk Law of 2001				
Manufacturing Dairy Plants	MCL 288.670	\$50.00	3,180	\$200.00 Based on Milk Processed \$400.00 Based on Milk Processed
Manufacturing Milk Dairy Farms	MCL 288.670			\$15.00/ \$30.00 Sec. 110
Can Milk Truck	MCL 288.670	\$10.00 per year	50	
Plan Review Fees (New)	MCL 288.670			\$100.00 Sec. 110
Repeat Inspection Fees (New)	MCL 288.670			\$300.00 Sec. 110
Certified Farm Inspector (New)	MCL 288.670			\$150.00 / 3 yrs Sec.110b
Total Fee Revenue			38,710	

* Most revenue is recieved in the event numbered years for this two-year license. The two-year average is \$17,800.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent