



Quality Watch

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FY 2010 Michigan Department of Agriculture Budget

Finally, after about eight months of deliberation, the Michigan Department of Agriculture (MDA) budget for fiscal year 2010 has been finalized.

As you know, the Food and Dairy Division budget is a part of the overall Michigan Department of Agriculture's budget. Given the current state of the economy, we recognized the likelihood of a reduction in the Food and Dairy Division budget. As it turned out, general funds (taxpayers' money) for the Food and Dairy Division ended up being reduced by \$300,000 in the final budget.

You may recall that the Governor's office originally proposed a dairy budget for the 2010 fiscal year calling for the dairy industry to pay \$700,000 through a one-cent per hundredweight assessment on all milk produced in Michigan. As a result of this proposed budget assessment, MMPA and our government consultants met with several key representatives and senators to voice our concerns and offer alternative solutions.

During this process, MMPA and other dairy industry representatives formed a workgroup and met on several occasions with MDA representatives to reach an alternative solution. One proposal developed by the dairy industry work group and supported by MMPA was to have dairy industry field representatives conduct the

official dairy farm inspections, in lieu of the \$700,000 one-cent per hundredweight assessment. This is allowed under the Pasteurized Milk Ordinance (PMO) and manufacturing milk laws. The MDA projections showed that this would result in a savings of approximately \$700,000 to the MDA.

After much discussion and testimony provided by MMPA and others at the Senate and House Ag appropriations subcommittee meetings, the Senate and House deliberated the budget and ultimately reached a compromise. The compromise resulted in a \$300,000 reduction in the Michigan Department of Agriculture Food and Dairy Division budget.

To cover the \$300,000 reduction, the Food and Dairy Division will reduce their costs by \$200,000 through department efficiencies and retirements. The dairy industry will be assessed the balance—\$100,000—through increased permit fees and administrative fines. Although not yet finalized, the additional estimated cost to MMPA as a result of the \$100,000 increase will be approximately \$35,000 per year. Grade A dairy farm permit fees will be increased from \$5 to \$25. Ovid and Constantine dairy plant permit fees will increase from \$150 to \$1,600. As in the past, MMPA will pay those permit fees for our members. Permit fees will also increase for all other dairy industry

permit holders such as haulers, pumpover stations, manufactured farms and plants. The Michigan Grade A and manufactured milk laws will need to be modified and submitted to the legislature and then passed before permit fees or administrative fines can increase. We expect that to happen this winter. When the final permit fee structure and administrative fine schedules are adopted we will review those changes in a future *Quality Watch* article.

Although MMPA will incur a significant increase in permit fees, we felt that the reduction from the original proposed \$700,000 industry assessment down to \$100,000 was a significant accomplishment and an acceptable compromise. Additional administrative costs to MMPA would likely have been close to \$35,000 if the industry was required to take over the dairy farm inspection program. As a result of the final budget, Michigan Department of Agriculture will continue to conduct official regulatory farm inspections. MMPA will continue to conduct official inspections, when needed, as we have done in the past.

MMPA's position remains that funding for dairy regulations must primarily come from state general funds since regulation of the milk supply is a public health issue.