



Quality Watch

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New Dairy Permit Fees for Michigan

On March 31, 2010, Michigan Governor Granholm signed two legislative bills that change the Michigan Grade A and Manufactured Milk Laws to allow changes in the dairy inspection administrative fines and permit fees. As you may recall, the industry agreed last summer to an increase of approximately \$100,000 in inspection and permit fees to be assessed to the dairy industry as a compromise with the legislature in adopting the fiscal year 2010 Michigan State Budget.

The changes to the inspection and permit fees were developed and agreed upon jointly by the dairy industry and the Michigan Department of Agriculture. The new dairy laws will be implemented immediately, however, there will be a phase-in period to implement the new fee and fine structure. Permit fees for every licensed or permitted dairy entity within Michigan will be increased as a result of the change to the law. This includes farms and plants, both Grade A and manufactured, as well as, haulers, certified field reps, milk tankers, receiving stations, etc. Specifically, MMPA members' Grade A dairy farm annual permit fees will increase from \$5 to \$25. As MMPA has done in the past, we will make payment on behalf of our members for the annual permit fee. MMPA's two processing plants, Ovid and Constantine, will see their license fees increase from \$175 to \$1,600 annually. The total cost of

the annual permit fees for MMPA is approximately \$30,000.

In addition to the permit fees increase, Michigan Department of Agriculture will be implementing a reinspection fee for farms and plants that require a second reinspection. The reinspection fee is a separate fee charged to any permittee requiring two or more reinspections for compliance of one or more items found in violation of the dairy laws. The amount to be assessed for the second reinspection will be \$300. As in the past, there will be no cost for routine farm or plant inspections and no cost for the first reinspection. We will work very closely with our members to help members comply and avoid a second reinspection charge. When a farm is placed on reinspection, MMPA's field staff will review all violations with the member farm and assure that the farm is in compliance on the first reinspection. It will be necessary for the member farm to contact their MMPA Member Representative when they are placed on reinspection by the Michigan Department of Agriculture Inspector.

There are also changes to the fines that farms pay for shipping milk contaminated with drug residues causing the load of milk to be disposed of. Producers who cause a rejected load of milk will not only incur the cost of the disposed milk and hauling, which is the current penalty, but Michigan Department of Agriculture will

also assess a \$300 fine for the first offense in 12 months, \$600 for the second offense in 12 months and \$1,200 for the third offense in 12 months.

Implementation dates of the permit fees and fine structure are as follows:

- Farm permit fees are due June 1, 2010. MMPA will pay the fees on behalf of our members.
- Drug residue penalties – The new fine for drug residue loads is effective immediately.
- Reinspection fines – For second reinspections will be effective after June 1, 2010. The farm must be placed on second reinspection for violations marked on routine inspections conducted after June 1, 2010.

The Governor's fiscal year 2011 budget again proposed a \$500,000 assessment to the dairy industry to fund the dairy inspection program. We are encouraged that the budget proposed by the House does not include any additional fees for the industry and does not reduce the food and dairy budget. However, it is important to note that the 2011 budget is far from complete. We are cautiously optimistic that we will not incur additional costs to the dairy industry in the final 2011 budget.