

RevEx Issue #6:

Commercial feed tonnage reporting &
inspection fee assessment

Summary agenda

RevEx Review

Goals of meeting

Current regulation, background, confusion and concerns

Options for the future

Minimum tonnage

Direction for staff

RevEx review

Review of all ACM Bureau revenues and expenditures

Ensure fees are assessed equitably, collected efficiently, spent effectively

8 major issues

Issue #6 – feed tonnage reporting & inspection fee assessment (min insp. fee)

Issue #7 – pet food licenses

Timeline

Meeting goals

Understand current feed tonnage reporting & inspection fee assessment

Discuss concerns with existing tonnage & inspection fee regulations

Recommend how inspection fees should be assessed

Recommend whether or not there should be a minimum inspection fee



To help you delineate

Inspection fee

- Funds collected from commercial feed licensees based upon distributions of commercial feed in Wisconsin, and remitted by the first to distribute the commercial feed distributed in Wisconsin.
- The money assessed on the quantity of commercial feed distributed
- Affectionately known as tonnage tax



Tonnage

- Quantity of commercial feed (in units of tons) distributed by a given licensee
- Quantities reported may or may not be assessed inspection fees
- The quantity of commercial feed in commerce
- Quantity or count

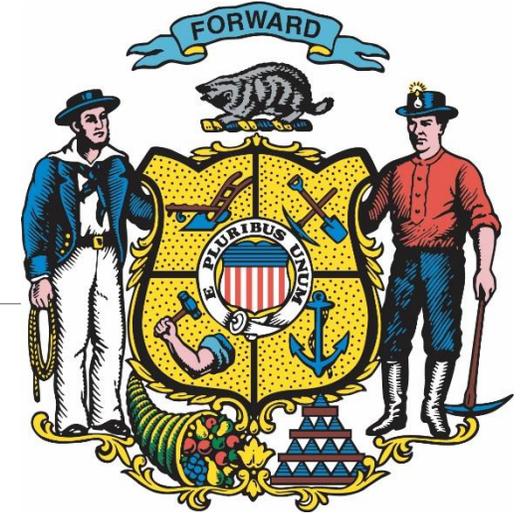


Current regulation

Handout – full citation Wisconsin Statute §94.72(6)

\$0.25/ton

First to distribute the feed or feed ingredient



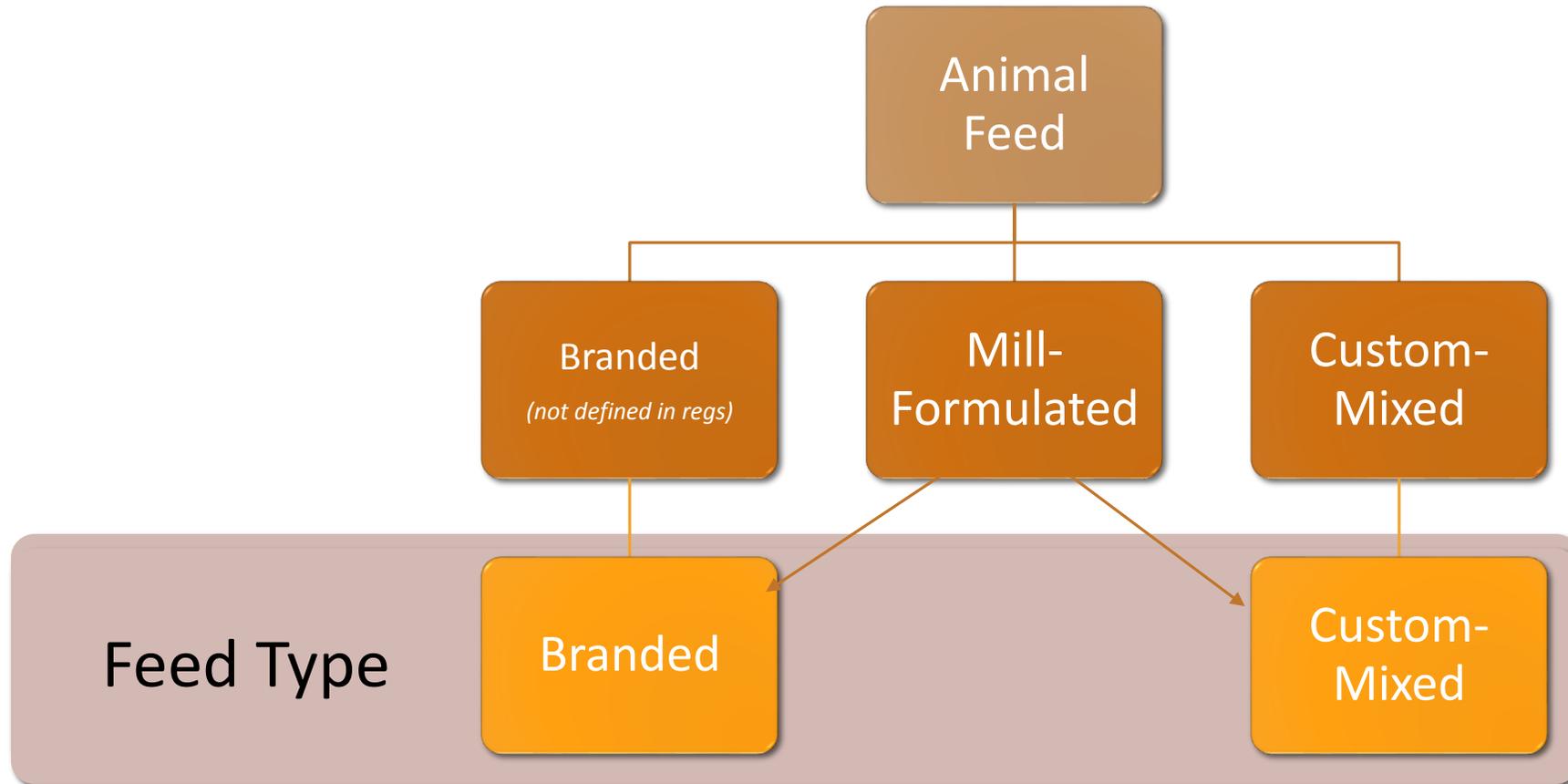
Current rule

Handout - Wisconsin Administrative Code §ATCP 42.02(3)(d)

Custom-mix feed



Feed Type v. Feed Label



Background

Originally, the intent was for the very first manufacturer of a commercial feed to pay the inspection fees & report the tonnage.

- Example: A California soybean processor sells soybean meal, and that soybean meal eventually ends up in Wisconsin with the CA label, the CA processor is responsible for the inspection fees; regardless of how many times the soybean meal changes hands en-route to WI.



Snapshot status (1/12/16)

	2012	2013	2014
Revenue Generated	\$1,160,000	\$1,160,000	\$1,230,000
Total Tons Reported	4,600,000	4,650,000	4,900,000
Count Licensees Reported Zero	240	245	225
Count Licensees Reported Tonnage	1,125	1,130	1,150
<i>Minimum</i>	0	0	0
<i>Maximum</i>	560,000	473,000	418,000
<i>Mean</i>	4,100	4,100	4,250

Points of confusion & concerns

Definition of distribute



...means to sell, offer to sell, exchange, barter or solicit orders for the sale of a feed product or otherwise to supply or furnish a feed product to purchasers in this state, **whether or not the sales or transactions are made wholly or partially in this state or another state**

Confusion...

Very broad definition

Prepaid distributions

Part of the credits, utilized to reduce inspection fees due

Inventory purchased as 'commercial feed labeled by other licensees'

- Includes non-exempt buyer and exempt-buyer licensees

Confusion...

Inventory purchased as 'edible (human food)-grade product' may not be prepaid

If original manufacturer not licensed in WI, reporting licensee is responsible for inspection fees

Exempt buyers

Assume full responsibility of Wisconsin inspection fees for all commercial feed bought and sold

Confusion ...

Counterintuitive

Requires DATCP approval

Must sell over 40% out of Wisconsin



Out-of-state distributions

Out-of-state distributions are reportable tonnage and may be subject to inspection fees

Only Exempt Buyers may claim credit for out-of-state distributions

Confusion ...

Most states do not require out-of-state distributions to be reported, or subject to inspection fees

Custom-mixed feeds

Processed (chemically or physically) grain inventory distributed in custom mixed feeds

Confusion

(Unprocessed grain)
subject to inspection fees

ALL grain bank grain
subject to inspection fees

WINNER!

Most Confusing

to inspection fees

and feed

Any grain bank grain (processed or unprocessed) is NOT commercial feed, its personally owned feed – not reportable and not subject to inspection fees

Tonnage reporting requirements

Concerns...

“Miscellaneous” is 3rd most popular feed/feed ingredient

Takes time for industry to report by ingredient vs total tons

Does DATCP need the tonnage reported by ingredient?

What information does industry need or want from this program?

(Step 1) Schedule A: Total Commercial Feed Distributed

- Itemize all commercial feed or feed ingredients **your firm was first to distribute** during the calendar year, in Wisconsin.
- Include all commercial feed or feed ingredients which were already assessed the inspection fee, sold to registered Exempt Buyers, and sold out of Wisconsin. The list of registered Exempt Buyers is on page 4.
- Less than 1 ton may be reported in this step; rounding will occur in Step 5 (on Page 1).

Total Feed and Feed Ingredients Distributed					
<small>NOTE: Do not include: (1) prepackaged feed or feed ingredients sold as retail; (2) unmixed whole seeds or grains, or (3) unmixed ground seeds or grains, as defined by U.S. grain standards.</small>					
	Product Code	Tons		Product Code	Tons
Small Animal & Pet Foods	30		Marine Products	45	
Alfalfa Products	34		Milk Products	46	
Animal Products	35		Mineral Products	47	
Barley Products	36		Molasses Products	48	
Brewery Products	37		Oat Products	49	
Citrus Products	38		Rye Products	50	
Corn Products	39		Soybean Products	51	
Cottonseed Products	40		Vitamins	52	
Distillers Products	41		Wheat Products	53	
Fat & Oil Products	42		Miscellaneous Products	54	
Grain Sorghum Products	43		Pre-mixes	59	
Linseed & Flax Products	44		Schedule A Total		A1

Summary of confusion and concerns

“Prepaid” distributions are only allowed for WI-licensed entities

Exempt buyers

Out of state distributions

Custom-mixed feed inspection fees and tonnage reporting

Reporting requirements

Other?

Discussion

Inspection fee assessment

Issue #6 objectives

Simplify process - reduce industry and staff frustration

Increase accuracy of reporting

Ensure fees are assessed equitably

Maintain revenue (questions on current accuracy)





To help you delineate

Inspection fee

- Money



Tonnage

- Commodity



Discussion questions

Will outreach, training and minor tweaks eliminate or alleviate the areas of confusion and concern?

Are larger changes needed in the structure of feed tonnage reporting and inspection fee assessment to reflect modern industry practices?

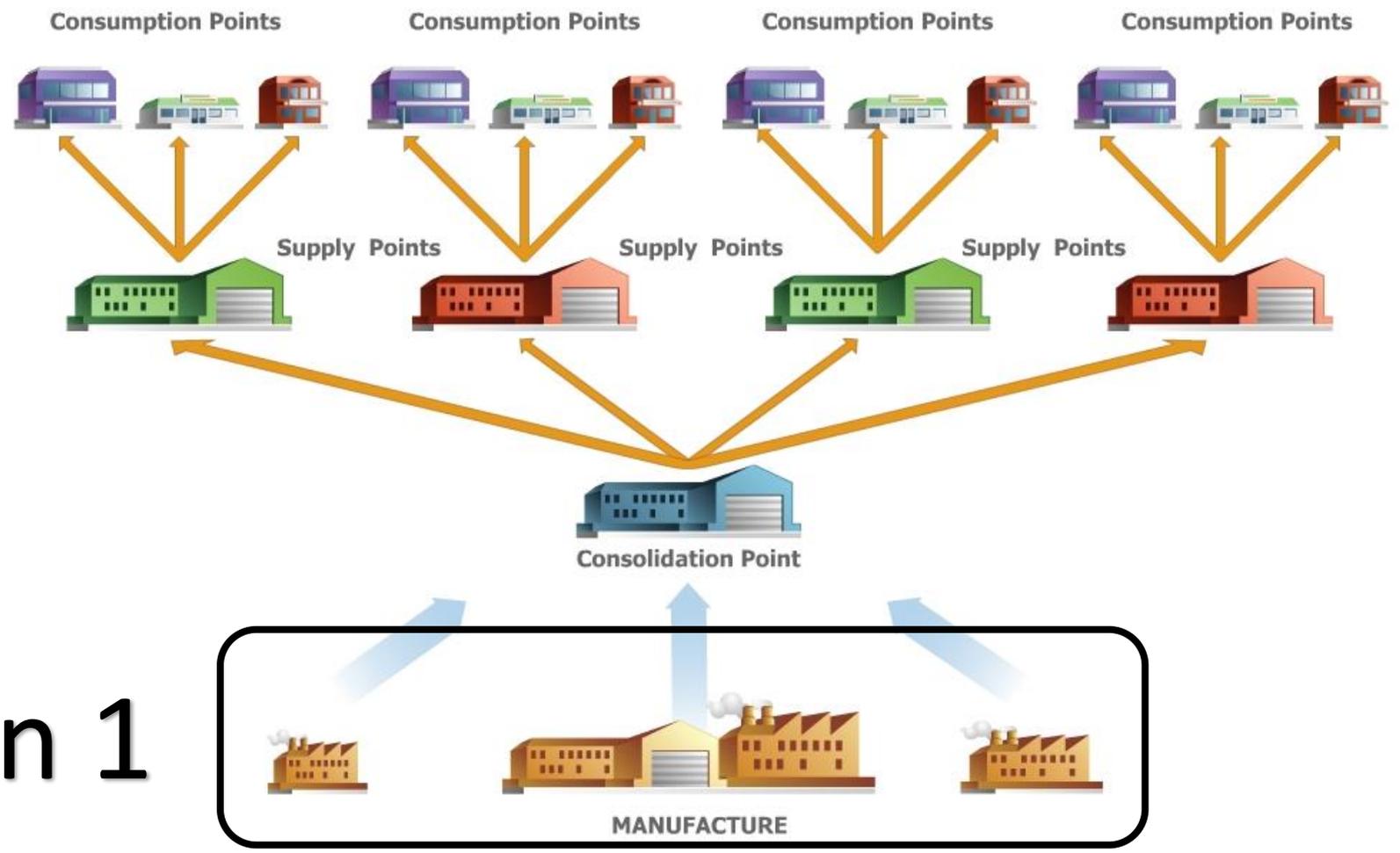
Option 1: Front-end assessment

- A. Maintain absolute first to distribute responsibility (current regs)
 - Increase training to improve compliance and reduce frustration
- B. Modify to “First to distribute in or into WI”

Revenue variations may result in an inspection fee change (TBD)



Option 1



Pictorial representation of options

Discussion and questions: Option 1

Option 2: Back-end assessment

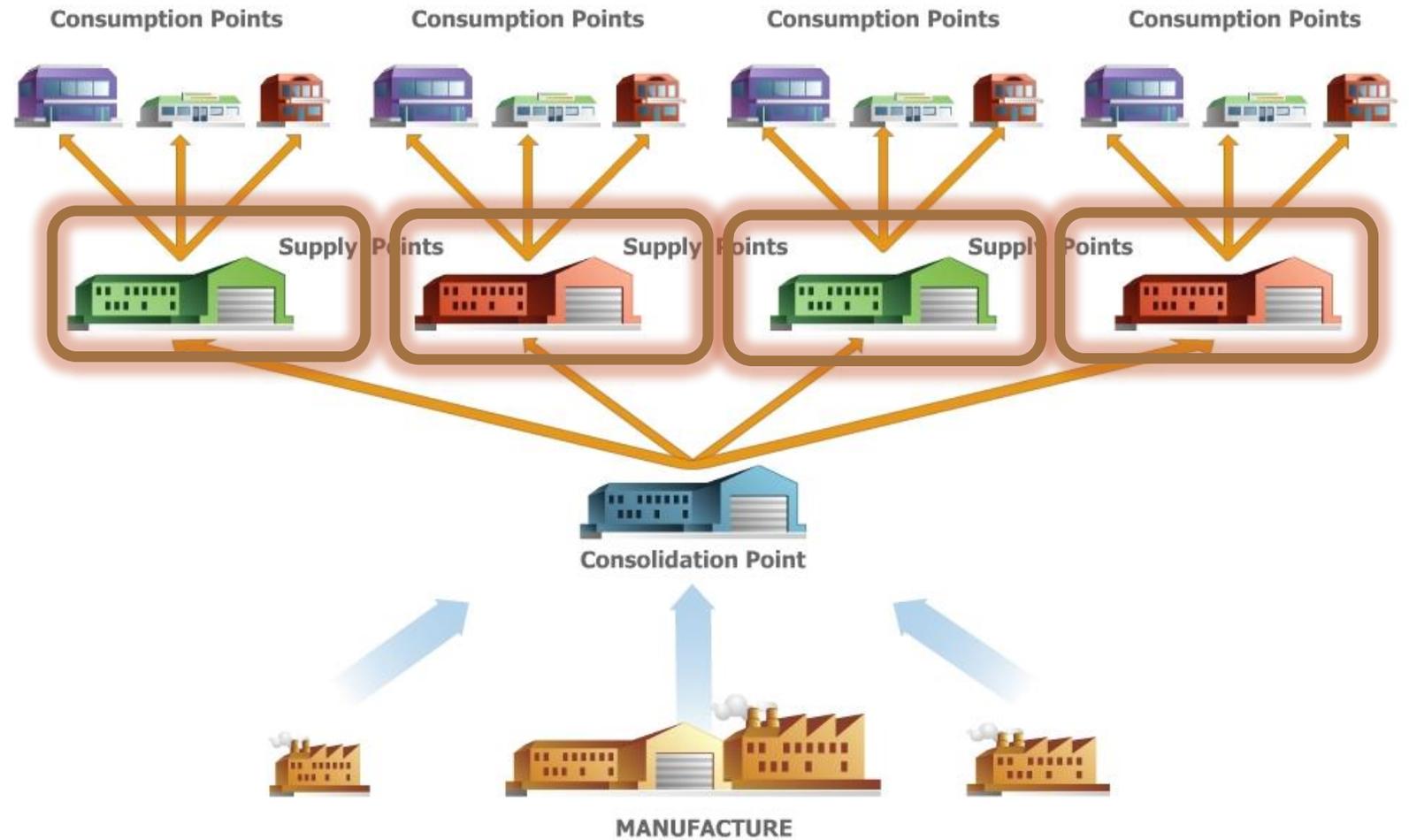
- A. Distribution of a product that is packaged and labeled as a ready-to-use feed for a producer or customer (e.g. pet owner)

Status quo current retailer exemption

Similar to the way fertilizer inspection fees are collected



Option 2



Pictorial representation of options

Discussion and questions: Option 2

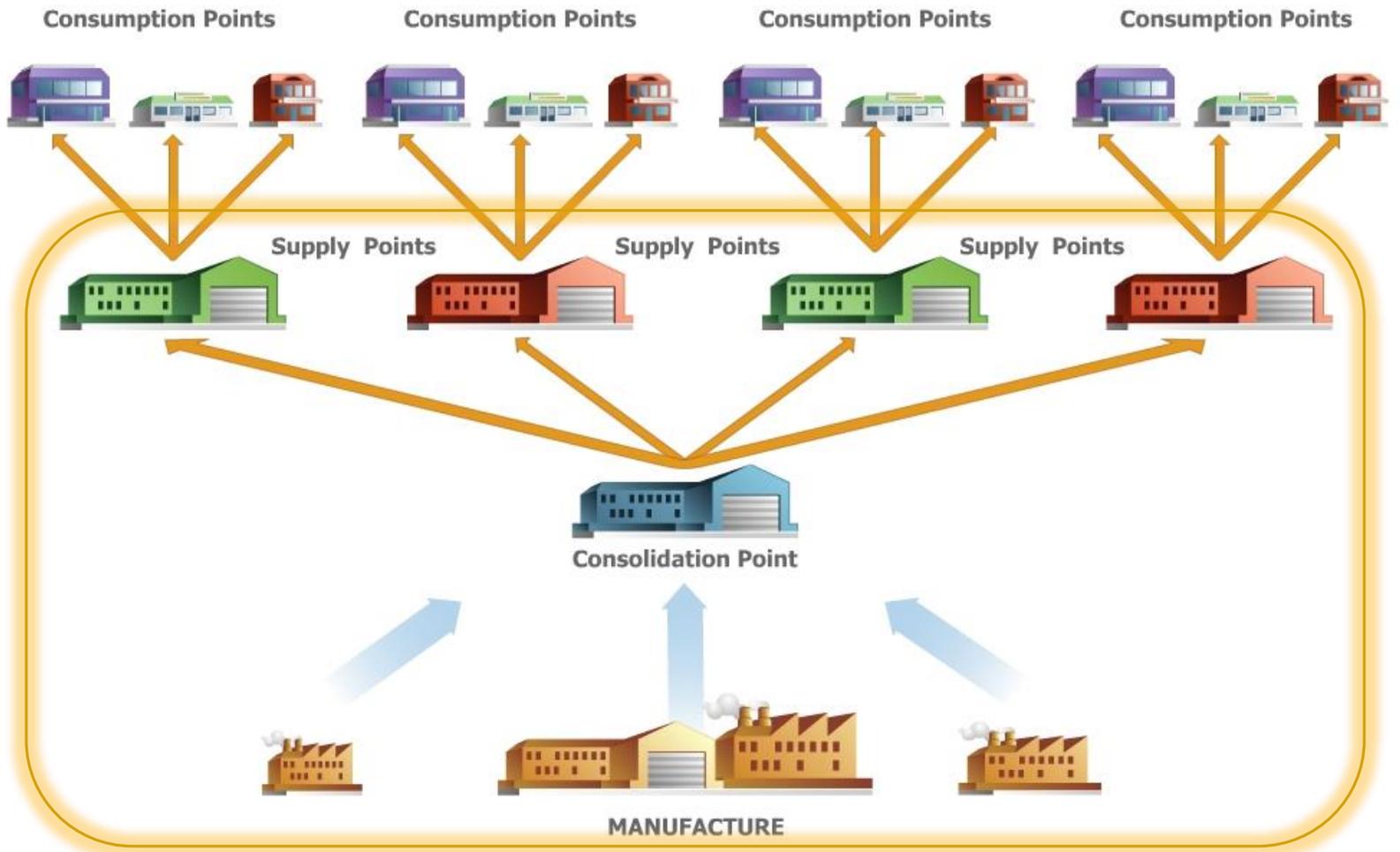
Option 3: At every transaction

A. Assess inspection fees at every distribution of commercial feed

Note: OTHER than retail (still allowing retail store-fronts to go unlicensed)

Commercial feed may pass through several entities

Option 3



Pictorial representation of options

Discussion and questions: Option 3

Minimum inspection fee

Assumptions

Inspection fee (\$0.25) stable

License fee stable (\$25)

Constraints

Staffing (DATCP & industry)

Small businesses



Status quo

Option 1: Maintain current system

Continue to charge \$0.25/ton
No minimum fee

Option 1: Maintain current system

PROS

Low financial burden for licensees reporting low tonnage quantities

No changes required

CONS

Does not cover costs to process license and reporting form

Does not cover costs to review labels

Licensees reporting low tonnage quantities often require substantial staff resources



Option 2: Small package feeds pay listing/registration fee per product in lieu of inspection fees

Charge a per product listing/registration fee for small packaged feeds <10 lbs

Option 2: Small package feeds pay a per product registration fee in lieu of tonnage fee

PROS

Covers costs to process license and reporting form

Covers cost to review labels

Licensees reporting low tonnage quantities often require substantial staff resources

Small package product quantity data becomes available

CONS

Possible fee increase for licensees with many small package products

Unsure of number of products

Two reports to complete for licensees with large and small products



Option 3: Charge minimum inspection fee

Lower 48 minimum inspection fees range from \$0 to \$250

Surrounding States:

IA = \$40

IL = \$25

IN = \$5

MN = \$10

MI = \$50

Option 3: Charge minimum inspection fee

PROS

Similar to many other states

Helps cover costs of processing license and tonnage form

Helps cover costs to review labels

CONS

Fee increase for licensees reporting low tonnage quantities

Effects of minimum inspection fee

Min Fee	2012 Qty Lic Affected	2013 Qty Lic Affected	2014 Qty Lic Affected	Est. 2014 Revenue
\$25	656	661	676	\$ 20,280
\$30	668	687	695	\$ 20,850
\$35	682	704	710	\$ 24,850
\$40	710	718	725	\$ 29,000
\$45	725	732	735	\$ 33,075
\$50	736	750	749	\$ 37,450

Discussion and next steps
