

## FREQUENTLY ASKED QUESTIONS ABOUT FEED TONNAGE REPORTING REQUIREMENTS AND INSPECTION FEES

**Q1. Why are the manufacturers or distributors of commercial feeds required to file a “Statement of Commercial Feeds Manufactured or Distributed in Michigan and Inspection Fee Payment Report”?**

*A. When Michigan's commercial feed law was amended in 1975, the requirement that a manufacturer or distributor register individual feed products was dropped in favor of licensing each company, and an alternative means of generating revenue to fund MDA's inspection program was needed. By adopting an inspection fee system based on feed tonnage, small volume companies now typically pay less than large volume companies. This is more equitable than the old system, which was not based on the amount of feed distributed, but on the number of products in a company's line.*

**Q2. How is the inspection fee used?**

A. Inspection fees are used to help pay for the inspection and sampling activities of the program. MDA routinely inspects manufacturers and distributors of animal feeds for compliance with labeling, sanitation and other requirements. Inspectors also collect commercial feed samples that are tested for the accuracy of labeled nutrient or animal drug guarantees and for adulteration.

**Q3. Is the information included on a tonnage report ever made available to the public or to other companies?**

*A. The Commercial Feed Law (Section 6, Act No. 120, as amended) makes it illegal for an employee of MDA to disclose the information furnished in the reports in any manner which divulges the business operations of a licensee who is required by the law to file a report. However, the law does permit MDA to publish a report of gross tonnage of feed sold or distributed in Michigan.*

**Q4. How is tonnage information used?**

*A. Following each reporting period, the information from individual reports is compiled into a report of the gross tonnage of feed sold or distributed in Michigan. Industry trends pointed out by this data can assist MDA in planning and prioritizing its inspectional workload. This summary information can also be provided to any interested party upon request.*

**Q5. My company distributes only whole, unmixed grains such as wheat and corn. Am I required to file a tonnage report?**

**A.** *Provided it is not adulterated, unmixed seed, whether whole or mechanically altered, and made from the entire seed is excluded from the definition of commercial feed as found in Michigan's commercial feed law. As such, a person or company that distributes only unmixed grains as described above does not need a commercial feed license and is not required to file a report or pay inspection fees. The same is true if distribution is limited to any of the following commodities or products:*

- *Unground hay, straw, stover, silage, cobs, husks, and hulls provided they are not mixed with other materials or adulterated*
- *Feeds distributed and used for any domesticated animal kept as a pet which is normally confined to and maintained in a cage or tank, including but not limited to gerbils, hamsters, canaries, psittacine birds, mynahs, finches, tropical fish, goldfish, snakes, and turtles*

**Q6. Are customer-formula feeds and ingredients that are used in commercial feeds exempt from inspection fees?**

**A.** *Under Michigan law, the following are exempt from a tonnage-based inspection fee, but **not** from the reporting requirements:*

- *Customer-formula feed except any commercial feed ingredients that are used as ingredients in the customer-formula feed*
- *A commercial feed if payment was made by a previous distributor*
- *Commercial feeds that are used as ingredients for the further manufacture of commercial feeds on which a tonnage fee is to be paid (remember, a tonnage fee can only be paid by someone with a valid Michigan commercial feed license)*

**Note:** *If you intend to claim the exemptions for distributed ingredients, you will be asked to identify the purchaser(s), to show that they are licensed to manufacture commercial feed, and that the ingredients they purchased will be used as ingredients in commercial feeds that they produce and are not simply resold.*

**Q7. So, if I manufacture customer-formula feeds, what do I have to report and how do I determine what fees I owe?**

*You should begin by reporting the finished quantity of all customer-formula feeds you made during the reporting period in the appropriate column and row of the form. The new report forms have been revised to include a space below Sub-Total 1 to enter those grains and other ingredients that were provided by the customer and are exempt. Those materials can then be subtracted from the total before calculating the inspection fee.*

**Q8. My mill grinds corn, mixes in soybean meal, and adds a mineral pack to make a feed for a farmer. What tonnage fees, if any, are due on this feed?**

**A.** *Assuming that the farmer purchasing it provided the formula for this mixture, this would be a customer-formula feed. That being established, the quantity of any*

*individual grain components consisting of previously unmixed, whole grain, can be deducted from the total mix when calculating the fees due. The company mixing this feed is responsible for paying the fees on the soybean meal and minerals used in it unless the supplier(s) of those ingredients have indicated that they have accepted responsibility for paying the tonnage fees. Complete the report by following the same steps described in question 7 above. Then, below Sub-Total 2, subtract those ingredients that were used for which your supplier has indicated it will pay the tonnage fee. You must also complete the form's "Ingredient Supplier List". To claim supplier exemptions, you will need to secure and maintain sufficient documentation to show that the supplier intends to pay the tonnage for its ingredients. One example of such documentation is a notation on your invoices showing that you are being charged 13¢/ton to cover Michigan's inspection fee.*

**Q9. If I manufacture commercial feeds other than customer-formula feeds, and some of my ingredient suppliers have indicated that they will be paying the inspection fees on products I'll be using in my feeds, how do I claim the exemption on my semi-annual report?**

**A.** *Follow the same steps described in the answer to question 8 above, except that you will not be claiming the customer-formula feed exemption below Sub-Total 1.*

**Q10. If more than one customer requests the same formula for a feed, is it still a customer-formula feed?**

**A.** *It is possible that, by coincidence, more than one customer of a particular feed mill could have the same formula. Remember that the formula must be developed according to the final purchaser's own specifications for it to be a customer-formula feed. Feeds manufactured using identical formulas developed or used by the manufacturer for sale to multiple customers are not considered customer-formula feeds and are subject to the labeling and tonnage requirements of commercial feeds. Likewise, formulas identical to any of the mill's own commercial feed (general inventory) formulas are not customer-formula feeds.*

**Q11. Another manufacturer or distributor provides me with a "custom" formula they have developed for a feed that they will sell to their own customers. If I manufacture it for them, does the customer-formula feed exemption also apply to these "custom" feeds?**

*No. A **customer-formula feed** is defined in the law as a feed that "consists of a mixture of commercial feeds, a mixture of commercial feeds and other ingredients, or a mixture of other ingredients, each batch of which is mixed according to the specific instructions of the final purchaser." The term does not include those feeds manufactured for other manufacturers or distributors even if they are made using those customers' own formulas. They are not the final purchasers.*

**Q12. As a manufacturer/distributor of feed ingredients (vitamins, minerals, molasses, etc.) or commercial feeds used as ingredients (premixes or concentrates), how do I report what I manufacture and distribute in Michigan, and when must I pay tonnage fees?**

- A. *As explained in the answer to question 6, no fees are required for commercial feeds that are used as ingredients for the further manufacture of commercial feeds on which a tonnage fee is to be paid (remember, the definition of commercial feed includes ingredients). The test here is whether the ingredient, premix or concentrate has been distributed for use in another commercial feed on which a tonnage fee is to be paid. In other words, it is only exempt if it was sold to a commercial feed manufacturer with a valid Michigan Commercial Feed License for further mixing in one or more of that company's commercial feeds. At that point, your customer assumes responsibility for the inspection fee on the finished product. It is not exempt if it is to be resold by your customer without further mixing by them, or if it is sold to a manufacturer (commercial or on-farm mixer) who does not have a Michigan Commercial Feed License, and therefore is not obligated to file a tonnage report.*

*If you have manufactured concentrates or supplements that are exempt as described above, begin by reporting the finished quantity of each feed you made during the reporting period in the appropriate column and row of the form. The new report forms have been revised to include a space to enter those feeds that were distributed for use as ingredients and are thus exempt (on the hardcopy or PDF versions, enter this exemption on the customer-formula feed exemption line). Those materials can then be subtracted from the total before calculating the inspection fee. When claiming this exemption, you must also complete the "List of Customers Holding a Michigan Commercial Feed License" (last page, or tab 6 on the electronic form).*

*If you have manufactured any other ingredients that are exempt as described above, begin by reporting the finished quantity of each ingredient you manufactured and/or distributed during the reporting period in the appropriate columns and rows of the form. In the space provided, enter the quantity distributed to feed manufacturers licensed in Michigan and complete the "List of Customers Holding a Michigan Commercial Feed License" (last page, or tab 6 on the electronic form).*

**Q13. Are feed tonnage reports checked for mathematical accuracy when received?**

- A. *Yes. When an error is found that reveals a firm has underpaid its tonnage-based inspection fees, the report will be corrected and the firm will be billed for the underpayment. If an error is discovered that resulted in an overpayment of more than \$5.00, MDA will automatically refund the overpayment.*

*If you elect to use the new Excel spreadsheet version of the report, the form will automatically calculate your fees and any applicable late fees based on the*

*quantities that you enter, affording you with significant savings in preparation time. These reports will also be subject to random accuracy checks and follow-up as appropriate.*

**Q14. Are the reports subject to audit?**

*A. All reports, regardless of the form used, are subject to audit. Make sure that you always have adequate records to support the quantities of feed reported and any exemptions you have claimed.*

**Q15. Is it possible to get a refund if I discover after submitting my semi-annual report that I paid too much?**

*A. By law, refunds of \$5.00 or less can only be made upon written request from the company that filed the report. This restriction is clearly stated at the bottom of the front page of the tonnage reporting form. Any request for a refund needs to be accompanied by a corrected report signed by the company's authorized representative. This is because the incorrect tonnage amounts must be adjusted in the official state accounting records.*

**Q16. What happens when a licensee fails to file a report?**

*A. When all reports for the period have been entered, a delinquent list is generated from the state's license and tonnage database. Notices are sent to delinquent firms. Firms submitting late reports are subject to the penalties detailed on the reporting form. If the firm still fails to submit a report, it is subject to possible license revocation, refusal by the state to renew the license, or other penalties allowed by law.*

**Q17. A person or firm sells bulk soybean meal or other commercial feed, but it is delivered directly from another manufacturer to the farm? Who is responsible for reporting the tonnage and paying the fees?**

*A. As long as the product is going directly to the farmer without further mixing by the seller, the last licensee for the feed is responsible for fulfilling the tonnage requirements. This would probably be the company that manufactured it, but it could be a secondary distributor if its name appears on the bulk label.*

**Q18. The names of some chain merchandisers often appear on feed labels as the distributor. If these companies are not actually manufacturing the feeds, who reports the tonnage and pays the fees?**

*A. The company whose name appears on a feed label as the responsible party is required to possess a commercial feed manufacturer's or distributor's license. As the licensee, they alone are responsible for meeting the tonnage reporting requirements. However, through mutual agreement, the licenses and tonnage fees*

*for many of these distributors can be and often are submitted by the manufacturer of the feeds.*

**Q19. Are wild bird feed products and their related ingredients (corn, wheat, sunflower seed) exempt from all tonnage fees?**

**A.** *Regardless of their labeling, once two or more components have been mixed together, the result is a commercial feed subject to reporting and fees. This includes all seed mixtures sold as bird feed, squirrel feed, etc. The legal definition of a commercial feed includes an exception, which states that unmixed whole seed is not a commercial feed. Corn (cracked corn is whole corn), wheat, millet, sunflower seed, or any other seed that is unmixed, are not subject to the tonnage requirement, provided that they are not labeled for use as feeds.*