

SOUTH DAKOTA
DEPARTMENT OF AGRICULTURE

DAIRY INSPECTION FUND ANNUAL REPORT

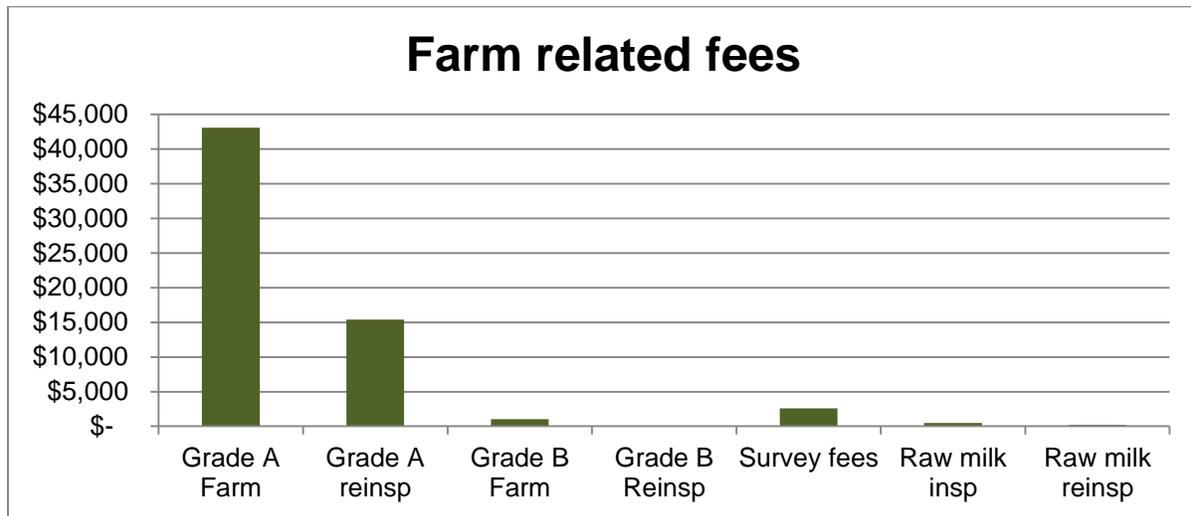
2018



Pursuant to SDCL 40-32-29, this annual report is submitted by the South Dakota Department of Agriculture (SDDA) to the dairy industry and the South Dakota legislature to provide a report on the previous year's activities for the dairy inspection fund.

Dairy Farm Fees

Several fees are collected from the dairy industry and placed in the dairy inspection fund. A break-down of the fees collected from dairy farms in fiscal year 2018 (FY 2018) are included below:



The fees collected from industry are used to fund inspections of both dairy farms and plants. In FY 2018, 434 Grade A farm inspections were completed along with 72 re-inspections (a recall fee is assessed when re-inspection occurs). Ten Grade B farms were completed, with three re-inspections. Five raw milk inspections were completed, with one re-inspection. The number of on-farm inspections done by the SDDA in FY 2018 is included below:

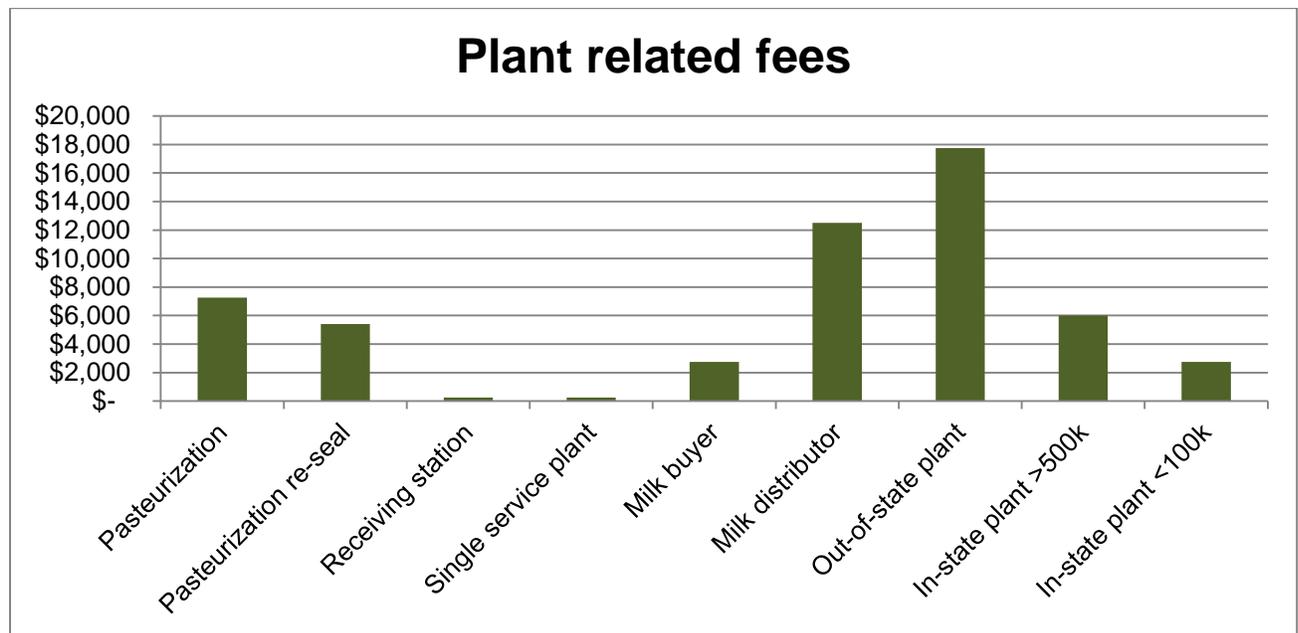


Dairy Plant Fees

In addition to the farm fees paid by the industry, the SDDA collects fees from dairy plants. In FY 2018, 29 pasteurization unit inspection fees were charged, along with 36

re-sealing fees. Re-sealing fees are collected when a plant has to break a seal to fix equipment and the equipment must be re-sealed by the SDDA.

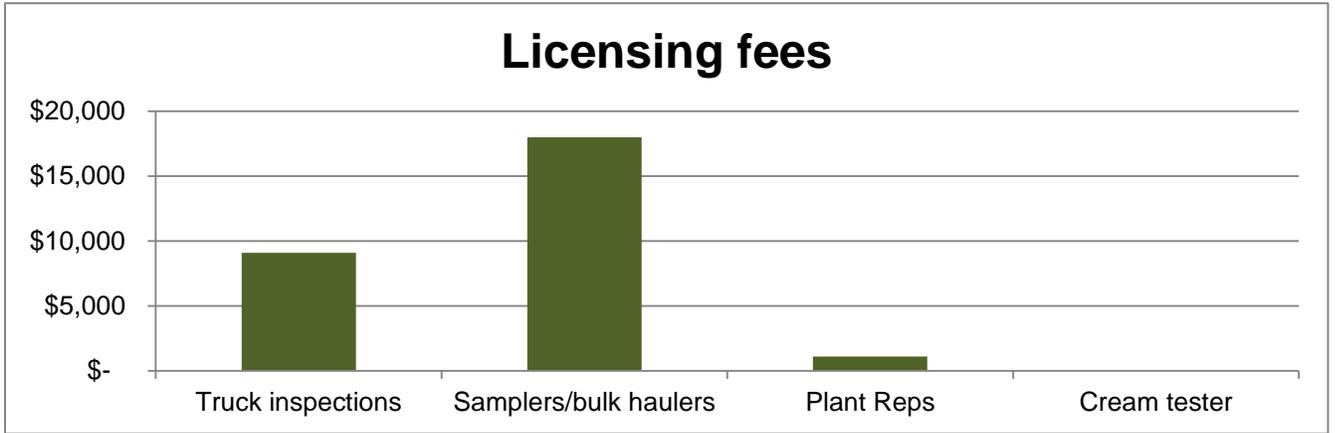
In South Dakota there is one single service plant that holds containers in which milk will be packaged, and two receiving stations that receive and hold milk until it can be transported for further processing. These facilities pay fees to the SDDA for inspection of the facility. Additionally, there are 11 milk buyers, 50 milk distributors, 71 out-of-state plants, six in-state milk plants with a capacity >500,000lbs, and 11 in-state milk plants with a capacity <100,000lbs, all of which pay inspection fees. A graph with a breakdown of the dairy plant inspection fees is included below:



Check ratings are performed at the state and federal level to ensure proper enforcement and interpretation of the Grade A Pasteurized Milk Ordinance (PMO). The PMO contains the federal regulations on milk production and processing. The state survey officer, housed within the SDDA, assesses Grade A farms and plants every 24 months, to evaluate the local inspector. Additionally, the FDA performs checks at Grade A farms and plants to evaluate the state survey officer and local inspector. Eight check ratings were conducted with compliance within the Interstate Milk Shippers (IMS) listing by our state survey officer. Four check ratings were conducted by the FDA.

Licensing Fees

Fees are collected from those involved in the shipping and transport of milk from the farm to plants as well. The SDDA uses those funds to conduct testing and inspections of those involved in this process. In FY 2018, 182 truck tanker inspections were conducted. There are currently 360 licensed samplers and bulk haulers, 22 plant field representatives, and one licensed cream tester in the state. A graph with a breakdown of the licensing fees is included below:



Raw Milk Assessment

Each milk buyer pays a monthly raw milk assessment fee (RMA) on all milk purchased from South Dakota producers. SDCL 40-32-25 sets the cap of the RMA at \$0.01 per hundredweight (cwt). The RMA fee is currently set in administrative rules at \$.007 per cwt.

The charts below show the RMA collected and the pounds of milk assessed per month for FY 2018:

