



Commercial Feed Inspection Fee and Tonnage Reporting Frequently Asked Questions

This document is for guidance purposes only and does not constitute legal advice. It is the responsibility of the commercial feed manufacturer/distributor to ensure compliance with the applicable laws and requirements. Following the guidance in this document does not preclude regulatory or compliance action by the Iowa Department of Agriculture and Land Stewardship when authorized by state law, nor does it release any commercial feed manufacturer or distributor from legal responsibility or liability of any kind.

Terms to Know:

- **Commercial feed** is all materials or a combination of materials which are distributed or intended for distribution for use as feed or for mixing in feed for animals or birds, except: (1) unmixed whole seeds or grains; (2) physically changed, unmixed whole grains of corn, wheat, rye, barley, oats, buckwheat, flaxseed, milo and other seeds or grains; (3) whole hays, straws, cobs, husk, hulls, stover and silage, when unmixed with other materials; and (4) unprocessed frozen or denatured meat and other portions of animal carcasses in their raw or natural state. [Reference IA Code 198.7(1)]
 - “Physically changed” means an ingredient which has been ground or otherwise reduced in particle size, or where the entire seed is physically changed. For example, ground corn meets the definition. Unmixed ground corn is exempt and is not commercial feed. Steamed corn is not considered an unmixed meal, as the heat from the steam chemically changes the seed kernel. Steamed corn is not exempt and is a commercial feed.
- **Branded (or floor-stocked) feed** is a feed that the mill formulates and manufactures to keep on-hand at all times, for any customer who walks in. [Not defined in regulation.]
- **Custom-mixed feed** is commercial feed made up of a mixture of commercial feeds or feed ingredients mixed at the direction of an animal producer, for only that one animal producer, intended for consumption by the same animal producer’s animals. [Reference IA. Code 198.9(3)] For tonnage and inspection fee purposes, a feed manufacturer is not required to pay inspection fees on the feeds if the inspection fee is paid on the commercial feeds/Ingredients which are used as components of the customer-formula feeds.
- **Mill formulated feed** is a commercial feed consisting of a mixture of commercial feeds or feed ingredients mixed at the direction of a mill employee (i.e. nutritionist), for an individual animal producer, intended for consumption by the same animal producer’s animals. Mill formulated is also commercial feed consisting of a mixture of commercial feeds or feed ingredients mixed at the direction of a mill employee for anyone to purchase for their animals. In other words, there can be mill-formulated custom-mixed feed and there can also be mill-formulated floor-stocked feed.
 - For example: Shrine Dairy is a dairy farm. DeForest Feed Mill has a staff nutritionist, Joe. Shrine Dairy has Joe formulate a lactation protein mix, and subsequently hires DeForest Feed Mill to manufacture “Shrine Dairy Lactating Protein Mix” for their dairy herd. To DeForest Feed Mill, Shrine Dairy Lactating Protein Mix is a mill-formulated feed.
- **Inspection Fees** is fees collected based upon distribution of commercial feed and feed ingredients by the first to sell or distribute in or into the state of Iowa. The amount is determined by the quantity of commercial feed and feed ingredients sold or distributed within the state reported on the Tonnage Report. Also considered “tonnage tax”
- **Tonnage Report** is the quantity of commercial feed and feed ingredients and is based upon distribution by the first to sell or distribute in or into the state.
- **Toll Mill** is one company provides raw materials (or semi-finished goods) to a third-party, who will then provide the rest of the services (**manufacturing**).
- **Contract Milling** is similar to Toll milling but the manufacturing company supplies the raw ingredients for Company.

Questions & Answers

1. **Q:** How do I determine the number of tons to report and pay inspection fees on?

A: *If more than one manufacturer or distributor is involved in the chain of distribution, the one who first sells or distributes commercial feed in this state or to a person in this state for further sale is responsible for the payment of inspection fees for the feed. In other words, only report distributions of feedstuffs that are classified as commercial feed or feed ingredients at the time they are first distributed in or into Iowa. If a feedstuff does not fit into the definition of commercial feed (e.g. hay, whole corn, etc.), it does not need to be reported. Feedstuffs first distributed in or into Iowa by an entity previous to you do not need to be reported either. With the exception that the feed is sold to or by a company on the exempt commercial feed customer list then the exempt commercial feed customer takes ownership of the inspection fee and reporting. The tonnage assessed inspection fees is the tonnage reported. For example, if you distributed 1,000 reportable tons during R2 July-December 2020, report and pay the inspection fees on this 1,000 tons (1,000 ton x \$0.12/ton = \$120).*

2. **Q:** How do I know if I'm responsible for the tonnage reporting and inspection fees on commercial feed I sell?

A: *Tonnage reporting and inspection fees apply to tons of commercial feed and feed ingredients you are the first to distribute in or into Iowa, per IA. Code §198.9(1)(a). If the ingredients do not fall within the definition of commercial feed, they are not subject to tonnage reporting and inspection fees. For example, if an animal producer requests a custom-mix with whole barley, assuming the whole barley was purchased by the feed mill directly from a crop producer or grain elevator, the whole barley is exempted from tonnage reporting and inspection fees due to being (1) a whole seed and (2) in a custom-mix feed. In a second example, if an animal producer requests a custom-mix with steamed oats, again assuming the whole oats were purchased by the feed mill directly from a crop producer or grain elevator, and steamed by the mill or a contractor for the mill, the mill is responsible for inspection fees on the steamed oats, as they are now a chemically changed (via heat), whole seed.*

3. **Q:** Is grain bank grain (also known as producer owned grain) exempt from tonnage reporting and inspection fees?

A: *Although Iowa feed regulations do not define "grain bank grain," grain bank grain is recognized in the feed industry as grain owned by an individual (or legal entity). Thus, grain bank grain is personally owned grain, not commercial feed. Grain bank grain is not distributed (sold) by the feed manufacturer and, as such, no inspection fees are due and no tonnage needs to be reported on such customer-provided grain. Even in the scenario where the grain bank grain is ground in the process of making a mill-formulated (via a nutritionist) or custom-formula feed, the grain bank grain is not subject to tonnage reporting or inspection fees.*

4. **Q:** Who is responsible for inspection fees on commercial feed or feed ingredients sold from another state into Iowa?

A: *The person who first distributes a commercial feed or feed ingredient in or into Iowa is responsible for reporting the tons and remitting the inspection fees to the Department. For example, if ABC Company out of Omaha, Nebraska distributes a mineral pre-mix into Iowa, ABC Company in Omaha, Nebraska is responsible for the Iowa inspection fees.*

5. **Q:** Are inspection fees due on commercial feed or feed ingredients distributed from Iowa to another state?

A: *Iowa inspection fees are not due on commercial feed or feed ingredients distributed to another state. As a reminder, requirements in the destination state may apply.*

6. **Q:** Why is custom-mixed feed exempt but mill-formulated feed subject to the inspection fee? (See definitions on page 1.)

A: *Custom-formula feed that is only sold to the specific end user is exempt from inspection fees but ingredients will be subject to the inspection fees and tonnage reporting if not paid by suppliers and Tonnage paid on any processed whole grains from producers. Mill-formulated feeds can also be sold to other customers as well which makes it a commercial feed. All commercial feed or feed ingredients distributed in Iowa are subject to tonnage reporting and inspection fees at the point of first distribution in or into Iowa. Only whole seeds/grains that are mixed as ingredients in a custom-formula feed are not subject to inspection fees/tonnage reporting; all other ingredients (including physically or chemically changed whole seeds) are subject to the inspection fees and tonnage reporting.*

7. **Q:** We manufacture a floor-stock chicken feed; see the formula to the right. Which ingredients are subject to the inspection fees?

A: Assume the Iowa mill purchased the following from local crop producers: shelled corn and oats. Further, assume the feed mill purchased the following from feed ingredient suppliers who first distributed the listed ingredients in or into Iowa: roasted soybeans, alfalfa meal, fish meal, calcium, and poultry Nutri-Balancer.

The Iowa feed mill is responsible for reporting the tonnage and inspection fees on the corn and oats. The feed ingredient suppliers, as distributors of the roasted soybeans, alfalfa meal, fish meal, calcium, and poultry Nutri-Balancer, are responsible for reporting the tonnage and paying the inspection fees on their applicable ingredient(s).

Formula: Chicken Feed 1015# shelled corn 625# roasted soybeans 100# oats 100# alfalfa meal 75# fish meal 25# calcium <u>60# poultry Nutri-Balancer</u> 2,000# batch
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8. **Q:** Two customers have a custom-mix calf feed (see formulations below). One asks the mill to use cracked corn, the other asks for whole corn. Both of these are mixed with a calf feed pre-mix manufactured by a third party. What fees are owed on each product?

A: In a custom-mixed feed, whole, unprocessed seed grains are exempt from inspection fees and tonnage reporting whereas processed grains are subject to inspection fees and tonnage reporting.

Formula: George's Calf Feed 1800# whole corn <u>200# Emerald City Mineral Pre-mix</u> 2,000# batch	Formula: Steve's Calf Feed 1800# cracked corn <u>200# Emerald City Mineral Pre-mix</u> 2,000# batch
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In both custom-mixed feeds, the calf feed pre-mix was first distributed by another entity; that separate entity is responsible for reporting the tonnage and remitting the fees. In George's Calf Feed, the mill-supplied whole corn is exempt from both inspection fees and tonnage reporting. In Steve's Calf Feed, the mill-supplied cracked corn is subject to the inspection fees and tonnage reporting.

9. **Q:** Use the same scenario laid out in question 8 – a custom-mixed feed with cracked corn or whole corn, along with a calf feed pre-mix. In this scenario, say the two feeds are not custom-mixed, but instead are a mill brand of floor-stock feed. How should the tonnage be reported and inspection fees be applied?

A: In this scenario, the cracked corn, the whole corn, and commercial feed are subject to the inspection fees and tonnage reporting because both are now considered mill-formulated, floor-stocked feed. The entity responsible for first distributing the calf feed pre-mix in or into Iowa is responsible for reporting the tonnage and remitting the inspection fees on the calf feed pre-mix.

10. **Q:** Where can I find out if a company I work with is on the exempt list(qualified buyer or approved purchaser)?

A: The list of State approved exempt companies can be found in <https://iowaagriculture.gov/commercial-feed-and-fertilizer-bureau/commercial-feed>

11. **Q:** If I registered a small package pet food and we also sell it in large package, do I need to report the tons and pay inspection fees for it?

A: You will only need to report the tons and pay inspection fees for the amount that was packaged in packaging over 10lbs.

12. **Q:** If a Company produces Soybean meal in Iowa and Sells it to a feed mill out of state and that mill sells the feed containing the soybean meal back into the State of Iowa, Who Reports and Remits the fee for the soybean meal?

A: The responsibility would land on the feed mill since they are first to distribute the product into Iowa. Since they would be supplying the commercial feed to Iowa, they would be able to report the product as a whole by species instead breaking down each ingredient in the feed.