

Missouri Dairy Products Association

2014 Legislative Update

HB 1326 and SB 506—The Missouri Dairy Revitalization Act.

Your part of the bill creates a fund dedicated to three uses:

1. A premium assistance program for dairy farmers participating in the newly created federal Dairy Producer Margin Insurance plan.
2. A scholarship program for agriculture students who agree to work summers on a dairy farm and, following graduation, work a specified number of years in the dairy industry.
3. An annual study by the UMC Agriculture Department on revitalizing the Missouri dairy industry.

Funding for the program would come from appropriations from General Revenue, but the bill specifies that the appropriation cannot exceed 40% of the amount of sales tax revenue generated from sales of dairy products. That's the first problem with the bill, based on estimates by Oversight Division, the cap on appropriations to fund the three programs will cover only about a tenth of the cost.

While the Department of Revenue calculates over \$74 million in annual sales of dairy products in Missouri, the state tax rate on food is only 1.225% (all of which goes to dedicated funds, none to General Revenue), so the 40% appropriation-cap means that the Missouri Dairy Revitalization Fund would only receive about \$363,000 annually under the bill. The cost of the margin insurance premium assistance program ranges from \$940,000 to \$3.2 million, depending on the price-support level chosen by the dairy farmer. While the other programs are far cheaper, each is well over the appropriation cap if fully utilized.

The second problem with our provision is that it has been joined with over a half dozen other provisions, including a provision to shift the management of captive deer from the Conservation Commission to the Department of Agriculture, which is a very contentious issue. We were roped into this hodge-podge bill purely to provide additional voices to support its passage and to convince the Governor to not veto the bill (and to provide the pressure for an override if he did veto it).

If you want to hang onto the Dairy Revitalization Act, you need to begin an immediate letter-writing (or e-mail-sending) campaign to urge the Governor to approve one or both these bills.

SB 727—Sales Tax Exemption for Farmers' Markets

Despite our efforts, the bill passed with the inclusion of "milk" as a tax-exempt product at farmers' markets. The issue has been considered for several years; while we quietly opposed it, we relied on the Missouri Grocers Association to openly resist the bill. This year, the decision was made to openly support the grocers, so we openly objected to a tax exemption for "milk" when it is illegal to sell raw milk at a farmers' market and no one is going to be selling pasteurized milk there. The sponsors of the House and Senate bills and the Chairmen of the House and Senate committees hearing the bill fully acknowledged that sales of raw milk at a farmers' market would be illegal. However, what we didn't learn until the last few weeks of session was that the grocers had switched their position and now wanted to be included within the sales tax exemption for Missouri farm products sold at either a farmers' market or, more importantly, any retail store; they were quietly asking for "milk" to be left in so that their sales of pasteurized milk could be excluded from sales tax.

Unfortunately, the grocers did not get added to the bill, but they did convince key legislators to not remove the word "milk" from the final versions of the bill. This is hardly a crisis since the bill does not authorize the sale of raw milk, but it does teach to watch your allies as well as your enemies.