

GEORGIA MILK REVIEW

MONTHLY NEWSLETTER FOR GEORGIA MILK PRODUCERS, INC.



**GEORGIA AGRICULTURE
SALES TAX EXEMPTION
(GATE) GUIDANCE
DOCUMENT (UPDATED
MAY 2016)**

The Georgia Agribusiness Council recently updated the Georgia Agriculture Sales Tax Exemption (GATE) Guidance Document for 2016. A copy of the document is included with this newsletter.

Farmers, Ag processors and Ag retailers must continue to demonstrate efforts to eliminate program abuses or we will face increased initiatives by lawmakers and others to change it. The Georgia Agribusiness Council developed the GATE guidance document three years ago for this purpose.

As the law and regulations have been clarified in recent months, GAC updated the guidance document to include these changes and language on enforcement actions. The May 2016 version includes updated clarification on specific items that are not exempt.



THIS ISSUE

GA Milk Referendum

UGA Student Honored

GDYF Jr. Board

National vs. Southeast Milk Production

Dixie Dairy Report



Georgia Milk will host Dr. Mike Hutjens for seminar titled "Feeding Strategies During Low Milk Prices"

This year will be challenging for dairymen to maintain profitability. Milk prices have dropped over 40 percent from the highs of 2014. Because feed costs can represent 50 percent of the total cost to produce milk, dairy farmers are trying to reduce feed costs. However, with the wrong feed choices, farmers could save 10 cents a day while losing 50 cents of income. Several "Golden Rules" must be followed to make profitable decisions.

Dr. Mike Hutjens, Professor of Animal Sciences Emeritus with the University of Illinois, will review these golden rules and discuss how they can be expanded and customized by dairy farmers, consultants and veterinarians. This program is open to all Southeast dairymen and industry affiliates - free of charge - and will be held in Waynesboro and Americus. A meal will be provided. Please pre-register for meal purposes by calling our office at 706-310-0020 or email at gamilkproducers@gmail.com.

May 23 7:00 p.m. Burke Co. Extension Office, Waynesboro
(715 West 6th Street, Waynesboro, 30830)

May 24 7:00 p.m. Reid Bros. Irrigation Company, Americus
(908 Adderton St, Americus, GA 31719)

*Dairymen, please encourage your feed nutritionists to attend!
Sponsored by Georgia Milk Producers, Inc.*



**GEORGIA MILK PRODUCERS
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Don't forget to cast your vote for GA Milk!



Georgia dairymen have until May 30 to return their ballots for the current GA Milk referendum. If you did not receive a ballot please contact our office at (706) 310-0020.

Over the last several years, Georgia Milk has been instrumental in achieving:

- Elimination of State TB Testing for dairymen
- Sales Tax Exemption for dairy production through GATE program
- Formation of the Food Animal Veterinary Incentive Program at UGA
- Funding for Dairy Specialist at UGA Tifton Research Dairy
- Funding for Dairy Pavilion at Sunbelt AG Expo
- Encouraging dairy co-ops to work together to improve marketing conditions in the Southeast
- Formation of the GA Dairy Youth Foundation

Georgia Milk encourages dairymen to participate in the upcoming referendum and to vote "YES" to keep the organization working for you. We believe that the investment made by each dairyman into our organization has been beneficial for their businesses. It is imperative that we continue to serve our industry and work to build a stronger dairy industry in Georgia and the Southeast.

Dairy Science Student Named UGA Student Employee of the Year

Many college students become nannies during school to help ends meet, but Kayla Alward — a rising fourth-year student at the University of Georgia — prefers to cow-sit.

Alward, a Georgia native from Guyton, is majoring in animal and dairy science at the UGA College of Agricultural and Environmental Sciences; and works as the calf caretaker at the CAES Teaching Dairy. The job — making sure the dairy's dozens of calves are safe and healthy — sometimes runs 24 hours a day, and her dedication to her charges recently earned her Student Employee of the Year award from the UGA Career Center. There are more than 5,000 student workers on the university's Athens Campus.



Alward was also the winner of the Southern Association of Student Employment Administrators' (SASEA) Student Employee Award, part of the SASEA regional competition, which covers student employees from 12 states. This is the first time a UGA student has won the regional award. She was presented with a check for \$1,000 from SASEA along with two plaques representing her UGA and regional wins. Congratulations to Kayla on this award and to the UGA Dairy Science Department for their efforts in building strong future leaders for our industry!

GA Dairy Youth Foundation's Junior Board Holds Leadership Training



Pictured from left to right: Kesley Kohl, Haley Pulsifer, Constance Johnson, Emma Newberry, Anna Grace Bass, Makenzie Hale and Michaela Pollex.

GDYF's inaugural Junior Board of Directors met on April 16 for the first-ever leadership and training day. The Board, which consists of seven young ladies, spent the day planning activities to engage junior members, thanking sponsors and identifying ways to increase participation in GDYF fundraisers and activities.

The morning started off with team-building exercises as the junior board bonded by playing "cross the river" and using communication to untangle themselves from the "human knot." Then the board got down to business and started planning activities for the upcoming year.

Georgia's dairy youth can look forward to having more ways to get involved with dairy activities, including a costume class, a dairy social and workshops led by the Junior Board. Stay tuned for more information about these events, as well as how youth in your county can get involved in GDYF activities this year.

National Milk Production Stays Strong; Southeast Production Declines

Milk production was up 1.8% this March compared to a year ago. Increased production was a combination of more cows and more milk per cow. The nation's dairy herd had 10,000 more head than February and 14,000 more head than a year ago. Through April, about 14,500 less dairy cows were sent to slaughter this year compared to the same period last year. Milk produced per cow in March was up 1.65% compared to last March. Production remains strong in the Midwest and Northeast. March saw Michigan producing 7.7% more milk than last year, Wisconsin was up 5.3% and New York up 5.5%. There are several reports of milk being dumped or skimmed and the skimmed dumped, due to not enough plants to handle all the milk. Market administrators in the Central, Mideast, and Northeast orders have in effect policies allowing dumped milk to still be pooled. On the west coast, California continues to produce less milk with production down 2.4% in March.

Production in the ten Southeast States was down 0.8% for the first quarter of 2016 compared to last year. As shown in the table below, only two states, Georgia and North Carolina showed production gains during the first quarter. Georgia added 4,000 cows during the first quarter compared to last year. Since 2010, Georgia has increased its dairy herd about 10%. For the second consecutive month, USDA reports Florida production is lower than a year ago. However, the report shows Florida cow numbers are up 2,000 head. Even though USDA reports lower Florida production, Dairy Market News (DMS), reports 180 more loads surplus milk shipped out of Florida this April compared to last April.

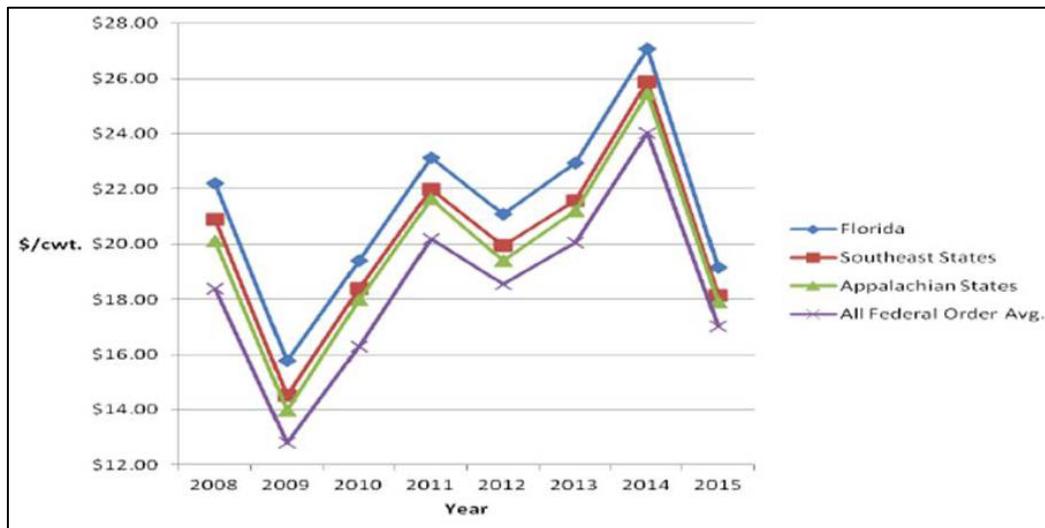
**SOUTHEAST & U.S. MILK PRODUCTION & COW NUMBERS
(First Quarter 2016 versus 2015)**

State	2015	2016	% change	2015	2015	Change in no. Head
	(million lbs. milk)			(1,000 head)		
Alabama	29	28	-3.5	8.0	7.0	-1,000
Florida	699	675	-3.5	124	126	2,000
Georgia	468	499	6.6	81	85	4,000
Kentucky	280	278	-0.7	62	59	-3,000
Louisiana	58	54	-7.0	14	13	-1,000
Mississippi	53	42	-21.0	12	10	-2,000
N. Carolina	254	258	1.6	47	47	0
S. Carolina	72	70	-2.8	15	15	0
Tennessee	196	187	-4.6	46	44	-2,000
Virginia	448	446	-0.5	93	91	-2,000
Total	2,557	2,537	-0.8	502	497	-5,000
U.S.	51,936	53,038	2.1	9,309	9,316	7,000

DIXIE DAIRY REPORT – May 2016

By Calvin Covington

Mailbox prices converging. 2015 mailbox prices in the Florida, Southeast, and Appalachian areas averaged \$19.15/cwt., \$18.16/cwt., and \$17.90/cwt. The all federal order 2015 mailbox average was \$17.02/cwt. These are the lowest annual mailbox prices since 2009. As shown in the graph below, mailbox prices in the southeast regions are converging closer together. And the difference between southeast mailbox prices and the all federal order average is narrowing. In 2008 the Florida mailbox price was \$3.82/cwt. higher than the federal order average. Last year the difference was only \$2.13/cwt. As the milk market becomes more “national” and “international” in scope look for this trend to continue.



Cheese and butter. Since April 1, block cheddar at the CME declined \$0.145/lb. and barrels dropped a dime. As of May 4 blocks are \$1.325/lb. and barrels are trading at \$1.35/lb. Based on the volume of milk going into cheese vats, the cheese price has more downward potential. Butter gained a few pennies in April, and is still holding around \$2.00/lb. even though butter inventories are expanding. There is no good explanation for the butter price holding, all market fundamentals point to a lower butter price as well.

Little movement in blend prices. Each month, the agony of lower blend prices is projected to extend another month or two. There continues to be little on the horizon pointing to lower milk production. We are at the place where it will take a major “shock” to lower production. As reported in the April 29, 2016 Cheese Reporter, the shock may be on its way via La Nina which is predicted this summer. La Nina increases the risk for a hot summer in the central and eastern U.S., the areas overflowing with milk. Remember the summer of 2011. We will have to wait and see.

SOUTHEAST FEDERAL ORDER BLEND PRICE PROJECTIONS (\$/cwt.)

Month	Florida	Southeast	Appalachian
April 2016	\$18.22	\$16.51	\$15.90
May	\$18.19	\$16.46	\$15.70
June	\$17.78	\$16.27	\$15.57
July	\$18.09	\$16.68	\$15.87
August	\$18.56	\$17.32	\$16.52
September	\$19.24	\$17.83	\$17.07

GEORGIA AGRICULTURE SALES TAX EXEMPTIONS

An informational guide for the G.A.T.E. (Georgia Ag Tax Exemption) program

Exempt

Machinery, Equipment & Facilities

- Machinery and equipment used for agricultural production, processing, and service operations
- Motor oil, oil filters, grease, lube, and hydraulic fluid for ag machinery and equipment
- Repair and replacement parts to be used on ag production and processing machinery and equipment
- Equipment used in the storage, packaging, and processing of ag products
- Commercial lawnmowers if used to maintain areas around chicken houses and other farm structures
- Chainsaws and other hand-held tools used more than 50% in an ag operation
- ATVs and off-road vehicles used for farm, ag processing, and ag service purposes
- Self-propelled crop fertilizer and chemical sprayers
- Trailers for transport, shipment, and distribution of ag products including livestock trailers
- Employee safety equipment
- Welding equipment, excluding shield gases, if used for farm/ag processing applications or repairs, and for repairs on exempt property or poultry houses
- Grain bins

Plants; Crops; Irrigation

- All fertilizers, pesticides, growth regulators, and all other plant protectants used for ag applications
- Seeds, seedlings, and plants grown from cuttings
- Equipment used in production greenhouses (hoses, trays, shades, hangers, tables)
- Packaging materials used for plant production, processing, and packing such as liners, bins, and containers
- Irrigation units and systems
- PVC pipe to be used for irrigation purposes
- Ice and other refrigerants used to cool ag products in storage facilities, delivery trucks

Livestock & Poultry

- All feed used specifically for ag production or services of qualified livestock, fish, bee, and poultry operations
- Livestock and poultry drugs and instruments used for the administration of such drugs
- Feed and other items for qualified horse facilities
- Cattle, hogs, sheep, horses, poultry, goats, fish, and bees when sold for breeding purposes
- Items designed for husbandry on animal ag operations
- Fencing for livestock and poultry facilities
- Materials used for meat and dairy production, processing, and packing
- Equipment used for required ag operation cleaning

Energy; Fuel; Shipping

- Off-road (dyed) diesel used for ag purposes
- Other fuels (propane, butane, LPG, CNG, electricity, wood, wood products/by-products) for ag operation use
- Energy sources for ag purposes. These must be metered separately from energy used for non-ag purposes, unless the non-ag use purpose represents 10% or less of total use
- Shipping or freight on items that are qualified as tax exempt

REPORT GATE CARD ABUSE: Call 1-877-423-6711; Press Option 3

For questions about the GATE card, contact:

Georgia Department of Agriculture
1-855-327-6829

For questions about item exemptions, contact:

Georgia Department of Revenue
1-877-423-6711

Not Exempt

THE FOLLOWING ITEMS ARE NOT FARM INPUTS; SALES TAX MUST BE COLLECTED

- Clothes, boots, and other apparel.
- Food and drinks for human consumption.
- Concrete pads, barns, greenhouses, strand metal buildings, and other buildings (other than grain bins). These structures are considered real property.
- Gasoline or on-road (clear, non-dyed) diesel, including aviation gasoline.
- Plants, fertilizer, pine straw, and other items used for aesthetic/landscaping purposes.
- Pet food and supplies for domestic animals including dogs, cattle/herding dogs, cats, birds, etc.
- Energy, cell phones or supplies used for residential/administrative purposes.
- Any motorized vehicles designed for on-road use.
- Replacement parts for on-road use motor vehicles.
- Property or fixtures attached to barns, greenhouses, and other metals buildings such as electrical wiring, HVAC, windows, and doors. These are considered real property.
- Guns, ammunition, hunting supplies, etc.
- ATVs and off-road vehicles not used for ag purposes.
- Crushed rock/gravel for road or path construction.
- Fish used for aesthetic or weed/algae control for pond irrigation (Koi, Grass Carp, etc.)
- Animals that are not cattle, hogs, sheep, other livestock, poultry, or bees.
- Shipping or freight on items that are not qualified as tax exempt ag inputs.

GATE cardholders are subject to audit by the Georgia Department of Revenue. Misuse of the GATE card may result in an assessment of taxes, penalties, and interest.

PLEASE RESPECT THE PROGRAM BY FOLLOWING THE RULES.

This guidance document was compiled as a member service for agribusinesses and qualified ag producers that use GATE certificates. This resource may be used to help identify items that are and are not exempt from sales tax in Georgia. The information does not constitute written tax guidance issued by the Georgia Dept. of Revenue or any other regulatory agency. It is subject to change as additional clarifications are made. (May 2016)

