

HOUSE BILL REPORT

ESSB 6416

*As Reported By House Committee on:
Agriculture & Rural Development*

Title: An act relating to handlers.

Brief Description: Protecting the interests of producers of agricultural products.

Sponsor(s): Senate Committee on Agriculture & Water Resources (originally sponsored by Senators Barr, Newhouse and Gaspard).

Brief History:

Reported by House Committee on:
Agriculture & Rural Development, February 27, 1992, DPA.

**HOUSE COMMITTEE ON
AGRICULTURE & RURAL DEVELOPMENT**

Majority Report: *Do pass as amended.* Signed by 10 members: Representatives Rayburn, Chair; Kremen, Vice Chair; Nealey, Ranking Minority Member; P. Johnson, Assistant Ranking Minority Member; Chandler; Grant; Lisk; McLean; Rasmussen; and Roland.

Minority Report: *Do not pass.* Signed by 1 member: Representative R. Johnson.

Staff: Kenneth Hirst (786-7105).

Background:

In 1991, the Legislature granted "handlers" of orchard crops statutory liens on the orchard crops they handle. A handler is a person who takes delivery of a crop from its producer or from another handler and prepares the crop for market. This activity is conducted for the account of, or as agent for, the producer of the crop. It includes storing, packing, marketing, selling or delivering the crop, but does not include simply transporting the crop from the producer to another person.

The lien is for customary charges for the ordinary and necessary handling of the crop, for reasonable cooperative retainages, and for governmental or quasi-governmental

assessments. It applies to the orchard crops delivered to the handler and on all proceeds of the crops.

The lien need not be filed. It has priority over all other liens or security interests in the crop, except a labor lien.

Summary of Amended Bill:

Producer's Interest in a Consigned Orchard Crop. A consignment of orchard crop by a producer to a handler does not vest the handler with any other title or right to the products except to perform the handling in accordance with the terms of the consignment.

If, without the express written consent of the producer, a handler pledges or creates a security interest in the consigned crop, the pledge or interest is void against the producer and the producer's right, title, and interest in the crop are free and clear of such a pledge or interest.

This declaration of the producer's interest does not impair the right of a handler to a statutory handler's lien or to security interest acquired by the handler under a security agreement signed by the producer.

Amended Bill Compared to Engrossed Substitute Bill: The amendments remove provisions from the engrossed substitute bill which: expand the handler lien created in 1991 by applying it to any agricultural crop handled by a handler; and amend the Uniform Commercial Code to expressly recognize the ownership interest of the producer in crops being handled. The amendments also modify, somewhat, the declaration of the producer's interest in the crop being handled.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: (1) The bill clarifies the producer's ownership of his or her crop when it is in a handler's warehouse. It grants the creditors of a producer greater security. (2) A lot of producer-handler relationships are consignments, not sales. (3) The producer's interest in a crop in a handler's warehouse is not adequately protected by the commission merchant laws or those establishing processor liens.

Testimony Against: (on engrossed substitute bill) The bill contradicts itself and casts a cloud over all security interests in crops.

Witnesses: Senator Barr (in favor); Darrell Turner, Jon Warling and Bill Roberts, State Farm Bureau (in favor); Bill Fritz, Washington Food Processors (in favor); Dan Coyne, Washington State Council of Farmer Cooperatives (in favor); Mark Triplett, Washington Horticultural Association (in favor); Mike Schwisow, Department of Agriculture; and Trevor Sandison, Washington Bankers Association (opposed).