

***Agriculture & Ecology Committee***

***HB 1503***

***Brief Description:*** *Revising provisions for agricultural liens.*

***Sponsors:*** *Representatives G. Chandler, Hatfield, Schoesler, Sump, Benson and Mastin.*

***Brief Summary of Bill***

- *Creates a producer's lien for a tenant farmer or landowner upon all agricultural products grown, raised, or produced by the farmer or landowner under an agricultural bailment contract and on all proceeds of those products.*
- *Specifies the producer's lien is for payment of the agreed compensation for the tenant farmer's or landowner's services under the agricultural bailment contract.*
- *Specifies the producer's lien attaches to and becomes perfected in the seed, cuttings, stock, or similar materials or livestock and in any resulting agricultural products upon delivery and continues to be perfected without the necessity of filing.*

***Hearing Date:*** *2/13/01*

***Staff:*** *Caroleen Dineen (786-7156).*

***Background:***

*A security interest is the interest of a creditor in a debtor's property used to secure payment of a debt. A creditor's secured claim for payment generally has priority over unsecured claims in the event of bankruptcy. Perfection of a security interest is the means by which a secured creditor obtains priority over other creditors who have a security interest in the same collateral. Article 9 of the Uniform Commercial Code, codified in Washington statute with certain modifications, governs generally the creation and operation of security interests in personal property and fixtures.*

*Certain statutory liens exist related to crops. For example, a landlord has a lien upon crops grown on the leased land for payments up to one year's rent. In addition, a supplier*

*has a lien upon crops for which supplies are used or applied for payment of the purchase price of the supplies or services. Further, a handler preparing an orchard crop for market has a lien on all orchard crops for payment of customary handling charges. The crop lien statutes include provisions related to priority, attachment, perfection and foreclosure of these various crop liens.*

**Summary of Bill:**

*A producer's lien is created in favor of a tenant farmer or landowner who acts as a bailee under an agricultural bailment contract for increasing, growing, or raising an agricultural product or products for which the bailor retains title to the agricultural products and any resulting agricultural products or progeny produced under the contract. The lien is for payment of all agreed compensation due under the agricultural bailment contract, including services to plant, care for, and cultivate agricultural seeds or similar materials; harvesting and delivering resulting agricultural products; and feeding, raising, and caring for livestock and any resulting progeny.*

*An "agricultural bailment contract" is defined to include all agricultural products increased, grown, or raised and any resulting product or progeny and to specifically include seed bailment contracts governed under a specific statute. "Agricultural product" is defined to include: (1) any crop, including seed, cuttings, stock or similar materials provided to produce the crop; and (2) livestock other than horses, mules, cattle, or sheep and the progeny of such livestock produced under the agricultural bailment contract. Definitions are added to the crop liens chapter for purposes of the producer's lien.*

*Upon delivery of agricultural seed, stock, or livestock, the producer's lien becomes effective, attaches to and is perfected in the agricultural products without the need to file a financing statement. The lien continues to be perfected in all proceeds of the agricultural products delivered or produced under the agricultural bailment contract. The producer's lien has priority over all liens on agricultural products other than liens in favor of a person who furnishes work or labor upon the land of the grower or landlord. Changes in commercial code and seed bailment contracts are made to specify that a producer's lien is perfected without filing.*

*Judicial or other foreclosure of a producer's lien must be brought within 24 months from the date of default on payment of charges related to the agricultural product covered by the lien.*

**Appropriation:** *None.*

**Fiscal Note:** *Not Requested.*

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