

CERTIFICATION OF ENROLLMENT
ENGROSSED SENATE BILL 5476

52nd Legislature
1991 Regular Session

Passed by the Senate March 7, 1991
Yeas 36 Nays 12

President of the Senate

Passed by the House April 18, 1991
Yeas 83 Nays 13

**Speaker of the
House of Representatives**

Approved

Governor of the State of Washington

CERTIFICATE

I, Gordon Golob, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SENATE BILL 5476** as passed by the Senate and the House of Representatives on the dates hereon set forth.

Secretary

FILED

**Secretary of State
State of Washington**

ENGROSSED SENATE BILL 5476

Passed Legislature - 1991 Regular Session

State of Washington 52nd Legislature 1991 Regular Session

By Senators Bailey, Barr, Hansen, Anderson, Conner, Newhouse, Gaspard and Bauer.

Read first time February 1, 1991. Referred to Committee on Agriculture & Water Resources.

1 AN ACT Relating to the marketing of milk; amending RCW 15.35.030,
2 15.35.060, 15.35.070, 15.35.080, 15.35.090, 15.35.100, 15.35.110,
3 15.35.120, 15.35.140, 15.35.150, 15.35.170, 15.35.180, 15.35.230,
4 15.35.250, and 15.35.310; adding a new section to chapter 15.35 RCW;
5 repealing RCW 15.35.020, 15.35.040, and 15.35.050; and declaring an
6 emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 15.35.030 and 1971 ex.s. c 230 s 3 are each amended to
9 read as follows:

10 It is hereby declared that:

11 (1) Milk is a necessary article of food for human consumption;
12 ((that))

1 (2) The production, distribution, and maintenance of an adequate
2 supply of healthful milk of proper chemical and physical content, free
3 from contamination, is vital to the public health and welfare;

4 (3) It is the policy of the state to promote, foster, and encourage
5 the intelligent production and orderly marketing of commodities
6 necessary to its citizens, including milk, and to eliminate economic
7 waste, destructive trade practices, and improper accounting for milk
8 purchased from producers;

9 (4) Economic factors concerning the production, marketing, and sale
10 of milk in the state may not be accurately reflected in federal
11 programs;

12 (5) Conditions within the milk industry of this state are such that
13 it may be necessary to establish marketing areas wherein pricing and
14 pooling arrangements between producers are necessary, and for that
15 purpose the director shall have the administrative authority, with such
16 additional duties as are herein prescribed, after investigations and
17 public hearings, to prescribe such marketing areas and modify the same
18 when advisable or necessary.

19 **Sec. 2.** RCW 15.35.060 and 1971 ex.s. c 230 s 6 are each amended to
20 read as follows:

21 The purposes of this chapter are to:

22 (1) Authorize and enable the director to prescribe marketing areas
23 and to establish pricing and pooling arrangements which are necessary
24 due to varying factors of costs of production, health regulations,
25 transportation, and other factors in said marketing areas of this
26 state;

27 (2) Authorize and enable the director to formulate marketing plans
28 subject to the provisions of this chapter (~~with respect to the~~
29 ~~contents of such~~), in accordance with chapter 34.05 RCW, which provide

1 for pricing and pooling arrangements and declare such plans in effect
2 for any marketing area;

3 (3) Provide funds for administration and enforcement of this
4 chapter by assessments to be paid by producers.

5 **Sec. 3.** RCW 15.35.070 and 1971 ex.s. c 230 s 7 are each amended to
6 read as follows:

7 It is the intent of the legislature that the powers conferred in
8 this chapter shall be liberally construed. Nothing in this chapter
9 shall be construed as permitting or authorizing the development of
10 conditions of monopoly in the production or distribution of milk, nor
11 shall this chapter give the director authority to establish retail
12 prices for milk or milk products.

13 **Sec. 4.** RCW 15.35.080 and 1971 ex.s. c 230 s 8 are each amended to
14 read as follows:

15 For the purposes of this chapter:

16 (1) "Department" means the department of agriculture of the state
17 of Washington;

18 (2) "Director" means the director of the department or ((his)) the
19 director's duly appointed representative;

20 (3) "Person" means a natural person, individual, firm, partnership,
21 corporation, company, society, and association, and every officer,
22 agent, or employee thereof. This term shall import either the singular
23 or plural as the case may be;

24 (4) "Market" or "marketing area" means any geographical area within
25 the state comprising one or more counties or parts thereof, or one or
26 more cities or towns or parts thereof where marketing conditions are
27 substantially similar and which may be designated by the director as
28 one marketing area;

1 (5) "Milk" means all fluid milk as defined in chapters 15.32 and
2 15.36 RCW as enacted or hereafter amended and rules adopted thereunder;

3 (6) "Milk products" includes any product manufactured from milk or
4 any derivative or product of milk;

5 (7) "Milk dealer" means any person engaged in the handling of milk
6 in his or her capacity as the operator of a milk plant(~~((, a country~~
7 ~~plant))~~ within the state or of any other plant from which milk or milk
8 products that are produced at least in part from milk from producers
9 are disposed of to any place or establishment within a marketing area
10 (~~((other than to a plant in such marketing area))~~);

11 (8) "Producer" means a person producing milk within this state for
12 sale under a grade A milk permit issued by the department under the
13 provisions of chapter 15.36 RCW as enacted or hereafter amended;

14 (9) "Classification" means the classification of milk into classes
15 according to its utilization by the department;

16 (10) "Producer-dealer" means a producer who engages in the
17 production (~~((as well as the distribution of milk products))~~) of milk and
18 also operates a plant from which an average of more than three hundred
19 pounds daily of milk products, except filled milk, is sold within the
20 marketing area and who has been so designated by the director. A state
21 institution which processes and distributes milk of its own production
22 shall be considered a producer-dealer for purposes of this chapter, but
23 the director may by rule exempt such state institutions from any of the
24 requirements otherwise applicable to producer-dealers.

25 **Sec. 5.** RCW 15.35.090 and 1971 ex.s. c 230 s 9 are each amended to
26 read as follows:

27 (1) The director shall in carrying out the provisions of this
28 chapter and any marketing plan thereunder confer with the legally
29 constituted authorities of other states of the United States, and the

1 United States department of agriculture, for the purpose of seeking
2 uniformity of milk control with respect to milk coming in to the state
3 and going out of the state in interstate commerce with a view to
4 accomplishing the purposes of this chapter, and may enter into a
5 compact or compacts which will insure a uniform system of milk control
6 between this state and other states.

7 (2) In order to facilitate carrying out the provisions and purposes
8 of this chapter, the department may hold joint hearings with authorized
9 officers or agencies of other states who have duties and powers similar
10 to those of the department or with any authorized person designated by
11 the United States department of agriculture, and may enter into joint
12 agreements with such authorized state or federal agencies for exchange
13 of information with regard to prices paid to producers for milk moving
14 from one state to the other or any purpose to carry out and enforce
15 this chapter.

16 **Sec. 6.** RCW 15.35.100 and 1971 ex.s. c 230 s 10 are each amended
17 to read as follows:

18 Subject to the provisions of this chapter and the specific
19 provisions of any marketing plan established thereunder, the director
20 is hereby vested with the authority:

21 (1) To investigate all matters pertaining to the production,
22 processing, storage, transportation, and distribution of milk and milk
23 products in the state, and ~~((including but not limited to))~~ shall have
24 the authority to:

25 (a) Establish classifications of processed milk and milk products,
26 and a minimum price or a formula to determine a minimum price to be
27 paid by milk dealers for milk used to produce each such class of
28 products;

1 (b) Require that payment be made by dealers to producers of fluid
2 milk or their cooperative associations and prescribe the method and
3 time of ((payment to be made to producers)) such payments by dealers to
4 producers or their cooperative associations in accordance with a
5 marketing plan for milk;

6 ~~((b))~~ (c) Determine what constitutes a natural milk market area;

7 ~~((e))~~ (d) Determine by using uniform rules, what portion of the
8 milk produced by each producer subject to the provisions of a marketing
9 plan shall be marketable in fluid form and what proportion so produced
10 shall be considered as surplus; such determination shall also apply to
11 milk dealers who purchase or receive milk, for sale or distribution in
12 such marketing area, from plants whose producers are not subject to
13 such pooling arrangements;

14 ~~((d))~~ (e) Provide for the pooling ((and averaging of all
15 returns)) of minimum class values from the sales of each class of milk
16 ((in a designated market area)) to milk dealers, and the ((payment to
17 all producers of a uniform pool price for all milk so sold))
18 equalization of returns to producers;

19 ~~((e))~~ (f) Provide and establish ((distributor pools or)) market
20 pools for a designated market area with such rules and regulations as
21 the director may adopt;

22 ~~((f))~~ (g) Employ an executive officer, who shall be known as the
23 milk pooling administrator;

24 ~~((g))~~ (h) Employ such persons as may be necessary and incur all
25 expenses necessary to carry out the purposes of this chapter;

26 ~~((h))~~ (i) Determine by rule, what portion of any increase in the
27 demand for fluid milk subject to a pooling arrangement and marketing
28 plan providing for quotas shall be assigned new producers or existing
29 producers.

1 (2) To issue subpoenas to compel the attendance of witnesses and/or
2 the production of books, documents, and records anywhere in the state
3 in any hearing affecting the authority of privileges granted by a
4 license issued under the provisions of this chapter. Witnesses shall
5 be entitled to fees for attendance and travel as provided for in
6 chapter 2.40 RCW as enacted or hereafter amended((+)).

7 (3) To make, adopt, and enforce all rules necessary to carry out
8 the purposes of this chapter subject to the provisions of chapter 34.05
9 RCW concerning the adoption of rules, as enacted or hereafter amended:
10 PROVIDED, That nothing contained in this chapter shall be construed to
11 abrogate or affect the status, force, or operation of any provision of
12 the public health laws enacted by the state or any municipal
13 corporation or the public service laws of this state.

14 NEW SECTION. **Sec. 7.** A new section is added to chapter 15.35 RCW
15 to read as follows:

16 In establishing a minimum milk price or a formula to determine a
17 minimum milk price, as provided under RCW 15.35.060 and 15.35.100, the
18 director shall, in addition to other appropriate criteria, consider
19 the:

- 20 (1) Cost of producing fluid milk for human consumption;
- 21 (2) Transportation costs;
- 22 (3) Milk prices in states or regions outside of the state that
23 influence prices within the marketing areas;
- 24 (4) Demand for fluid milk for human consumption; and
- 25 (5) Alternative enterprises available to producers.

26 **Sec. 8.** RCW 15.35.110 and 1971 ex.s. c 230 s 11 are each amended
27 to read as follows:

1 (1) The director, either upon his or her own motion or upon
2 petition by ten percent of the producers in any proposed area, shall
3 conduct a hearing to determine whether to establish or discontinue a
4 market area pooling arrangement. Upon determination by the director
5 that in order to satisfy the purposes of this chapter a pooling
6 arrangement should ~~((either))~~ be established ~~((or terminated))~~, a
7 referendum of affected individual producers and milk dealers shall be
8 conducted by the department.

9 (2) In order for the director to establish a market area and
10 pooling plan:

11 (a) Sixty-six and two-thirds percent of the producers that vote
12 must be in favor of establishing a market area and pooling plan
13 ~~((before it can be put into effect by the director)); and~~

14 (b) Sixty-six and two-thirds percent of the milk dealers that vote
15 must be in favor of establishing a market area and pooling plan.

16 The director, within ~~((one hundred twenty))~~ sixty days from the
17 date the results of the referendum are filed with the secretary of
18 state, shall establish a market pool in the market area, as provided
19 for in this chapter.

20 ~~((b))~~ (3) If fifty-one percent of ~~((those))~~ the producers voting
21 representing fifty-one percent of the milk produced in the market area
22 vote to terminate a pooling plan, the director, within one hundred
23 twenty days, shall terminate all the provisions of said market area and
24 pooling arrangement.

25 (4) A referendum of affected producers and milk dealers shall be
26 conducted only when a market area pooling arrangement is to be
27 established or terminated.

28 **Sec. 9.** RCW 15.35.120 and 1971 ex.s. c 230 s 12 are each amended
29 to read as follows:

1 (1) The producers qualified to sign a petition, or to vote in any
2 referendum concerning a market pool, shall be all those producers
3 shipping milk to the market area on a regular supply basis and who
4 would or do receive or pay equalization in an existing market pool in
5 a market area, or in a market pool if established in such market area.

6 (2) The milk dealers qualified to vote in any referendum
7 establishing a market pool shall be all those milk dealers who operate
8 a plant which is located within the state and who would receive milk
9 priced under a market pool if established in such market area.

10 (3) The director is authorized during business hours to review the
11 books and records of (~~handlers~~) milk dealers to obtain a list of the
12 producers qualified to sign petitions or to vote in referendums and to
13 verify that such milk dealers are qualified to vote in a referendum.

14 **Sec. 10.** RCW 15.35.140 and 1971 ex.s. c 230 s 14 are each amended
15 to read as follows:

16 (1) The director shall establish a system of classifying, pricing,
17 and pooling of all milk used in each market area established under RCW
18 15.35.110.

19 (2) Thereafter the director (~~shall~~) may establish a system in
20 each market area for the equalization of returns for all quota milk and
21 all surplus over quota milk whereby all producers selling milk to milk
22 dealers or delivering milk in such market area, or their cooperative
23 associations, will receive the same prices for all quota milk and all
24 surplus over quota milk, except that any premium paid to a producer by
25 a dealer above established prices shall not be considered in
26 determining average pool prices. Such prices may reflect adjustments
27 based on the value of component parts of each producer's milk.

1 **Sec. 11.** RCW 15.35.150 and 1971 ex.s. c 230 s 15 are each amended
2 to read as follows:

3 (1) Under a market pool and as used in this section, "quota" means
4 a producer's portion of the total sales of (~~class I~~) milk in fluid
5 form in a market area plus a reserve determined by the director.

6 (2) The director (~~shall~~) may in each market area subject to a
7 market plan establish each producer's initial quota in the market area.
8 Such initial quota shall be determined by the department after due
9 notice and the opportunity for a hearing as provided in chapter 34.05
10 RCW. In making this determination, consideration shall be given to a
11 history of the producer's production record.

12 In any system of establishing quotas, provision shall be made for
13 new producers to qualify for allocation of quota in a reasonable
14 proportion and for old and new producers to participate in any new
15 (~~class I~~) increase in fluid milk sales in a reasonable proportion.
16 The director may establish a method to proportionately decrease quota
17 allocations in the event decreases in fluid milk consumption occur.

18 All subsequent changes or new quota issued shall be determined by
19 the department after due notice and the opportunity for a hearing as
20 provided in chapter 34.05 RCW.

21 **Sec. 12.** RCW 15.35.170 and 1971 ex.s. c 230 s 17 are each amended
22 to read as follows:

23 Quotas provided for in this chapter may not in any way be
24 transferred without the consent of the director. Regulations regarding
25 transfer of quotas shall be determined by the department after due
26 notice and the opportunity for a hearing as provided in chapter 34.05
27 RCW. Any contract for the transfer of quotas, unless the transfer has
28 previously been approved by the director, shall be null and void. The
29 director shall make rules and regulations to preclude any person from

1 using a corporation as a device to evade the provisions of this
2 section. The quotas assigned to any (~~corporation~~) producer shall
3 become null and void as of any time the (~~corporation~~) producer does
4 not own the means of production to which the quotas pertain. Quotas
5 shall in no event be considered as property (~~not to~~) and may be taken
6 or abolished by the state without compensation.

7 **Sec. 13.** RCW 15.35.180 and 1971 ex.s. c 230 s 18 are each amended
8 to read as follows:

9 The director shall examine and audit not less than one time each
10 year or at any other such time (~~he~~) the director considers necessary,
11 the books and records, and may photostat such books, records, and
12 accounts of milk dealers and cooperatives licensed or believed subject
13 to license under this chapter for the purpose of determining:

14 (1) How payments to producers for the milk handled are computed and
15 whether the amount of such payments are in accordance with the
16 applicable marketing plan;

17 (2) If any provisions of this chapter affecting such payments
18 directly or indirectly have been or are being violated.

19 No person shall in any way hinder or delay the director in
20 conducting such examination.

21 The director may accept and use for the purposes of this section
22 any audit made for or by a federal milk market order administrator
23 which provides the information necessary for such purposes.

24 **Sec. 14.** RCW 15.35.230 and 1971 ex.s. c 230 s 23 are each amended
25 to read as follows:

26 (1) Application for each milk dealer's license shall be accompanied
27 by an annual license fee (~~of five dollars~~) to be established by the
28 director by rule.

1 (2) If an application for the renewal of a milk dealer's license is
2 not filed on or before the first day of an annual licensing period a
3 late fee of ((three dollars)) up to one-half of the license fee shall
4 be assessed and added to the original fee and shall be paid by the
5 applicant before the renewal license shall be issued: PROVIDED, That
6 such additional assessment shall not apply if the applicant furnishes
7 an affidavit that ((he)) the applicant has not acted as a milk dealer
8 subsequent to the expiration of his or her prior license.

9 **Sec. 15.** RCW 15.35.250 and 1971 ex.s. c 230 s 25 are each amended
10 to read as follows:

11 There is hereby levied upon all milk sold or received in any
12 marketing area subject to a marketing plan established under the
13 provisions of this chapter an assessment, not to exceed five cents per
14 one hundred pounds of all such milk, to be paid by the producer of such
15 milk. Such assessment shall be collected by the first milk dealer who
16 receives or handles such milk from any producer or his agent subject to
17 such marketing plan and shall be paid to the director for deposit into
18 the agricultural local fund.

19 The amount to be assessed and paid to the director under any
20 marketing plan shall be determined by the director within the limits
21 prescribed by this section and shall be determined according to the
22 necessities required to carry out the purpose and provisions of this
23 chapter under any such marketing plan.

24 Upon the failure of any dealer to withhold out of amounts due to or
25 to become due to a producer at the time a dealer is notified by the
26 director of the amounts to be withheld and upon failure of such dealer
27 to pay such amounts, the director subject to the provisions of RCW
28 15.35.260, may revoke the license of the dealer required by RCW
29 15.35.230. The director may commence an action against the dealer in

1 a court of competent jurisdiction in the county in which the dealer
2 resides or has his principal place of business to collect such amounts.
3 If it is determined upon such action that the dealer has wrongfully
4 refused to pay the amounts the dealer shall be required to pay, in
5 addition to such amounts, all the costs and disbursements of the
6 action, to the director as determined by the court. If the director's
7 contention in such action is not sustained, the director shall pay to
8 the dealer all costs and disbursements of the action as determined by
9 the court.

10 **Sec. 16.** RCW 15.35.310 and 1971 ex.s. c 230 s 31 are each amended
11 to read as follows:

12 (1) The provisions of this chapter shall not apply to ((a producer
13 who acts as a milk dealer only for milk he produces on his own dairy
14 farm from cows which he owns or is purchasing: PROVIDED, That such
15 producer shall lease or own his processing facilities, or that he shall
16 not have more than seventy five percent of the milk he produces
17 processed, bottled, or packaged by another milk dealer or producer who
18 acts as a dealer: PROVIDED FURTHER, That such milk producer shall
19 remain exempt from the provisions of this chapter if he purchases not
20 more than ten percent of the milk he handled from another producer or
21 milk dealer and if he sells any excess production from his farm or
22 farms to the pool at the lowest use classification price)) persons
23 designated as producer-dealers, except that:

24 (a) The director may require pursuant to RCW 15.35.100 any
25 information deemed necessary to verify a producer-dealer's status as a
26 producer-dealer; and

27 (b) A producer-dealer shall comply with all requirements of this
28 chapter applicable to milk dealers, except those which the director may
29 deem unnecessary.

1 (2) The director shall upon request designate producer-dealers and
2 adopt rules governing eligibility for designation of a producer-dealer
3 and cancellation of such designation. To receive such designation, a
4 producer-dealer shall, at a minimum:

5 (a) In its capacity as a handler, have and exercise complete and
6 exclusive control over the operation and management of a plant at which
7 it handles and processes milk received from its own milk production
8 resources and facilities as designated in subsection (4)(a) of this
9 section, the operation and management of which are under the complete
10 and exclusive control of the producer-dealer in its capacity as a dairy
11 farmer;

12 (b) Neither receive at its designated milk production resources and
13 facilities nor receive, handle, process, or distribute at or through
14 any of its milk handling, processing, or distributing resources and
15 facilities, as designated in subsection (4)(b) of this section, milk
16 products for reconstitution into fluid milk products, or fluid milk
17 products derived from any source other than (i) its designated milk
18 production resources and facilities, (ii) other milk dealers within the
19 limitation specified in subsection (2)(e) of this section, or (iii)
20 nonfat milk solids which are used to fortify fluid milk products;

21 (c) Neither be directly nor indirectly associated with the business
22 control or management of, nor have a financial interest in, another
23 dealer's operation; nor shall any other dealer be so associated with
24 the producer-dealer's operation;

25 (d) Not allow milk from the designated milk production resources
26 and facilities of the producer-dealer to be delivered in the name of
27 another person as producer milk to another handler; and

28 (e) Not handle fluid milk products derived from sources other than
29 the designated milk production facilities and resources, except for

1 fluid milk product purchased from pool plants which do not exceed in
2 the aggregate a daily average during the month of one hundred pounds.

3 (3) Designation of any person as a producer-dealer following a
4 cancellation of its prior designation shall be preceded by performance
5 in accordance with subsection (2) of this section for a period of one
6 month.

7 (4) Designation of a person as a producer-dealer shall include the
8 determination and designation of the milk production, handling,
9 processing, and distributing resources and facilities, all of which
10 shall be deemed to constitute an integrated operation, as follows:

11 (a) As milk production resources and facilities: All resources and
12 facilities, milking herd, buildings housing such herd, and the land on
13 which such buildings are located, used for the production of milk:

14 (i) Which are directly, indirectly, or partially owned, operated,
15 or controlled by the producer-dealer;

16 (ii) In which the producer-dealer in any way has an interest
17 including any contractual arrangement; and

18 (iii) Which are directly, indirectly, or partially owned, operated,
19 or controlled by any partner or stockholder of the producer-dealer.

20 However, for purposes of this item (4)(a)(iii) any such milk production
21 resources and facilities which the producer-dealer proves to the
22 satisfaction of the director do not constitute an actual or potential
23 source of milk supply for the producer-dealer's operation as such shall
24 not be considered a part of the producer-dealer's milk production
25 resources and facilities; and

26 (b) As milk handling, processing, and distributing resources and
27 facilities: All resources and facilities including store outlets used
28 for handling, processing, and distributing any fluid milk product:

29 (i) Which are directly, indirectly, or partially owned, operated,
30 or controlled by the producer-dealer; or

1 (ii) In which the producer-dealer in any way has an interest,
2 including any contractual arrangement, or with respect to which the
3 producer-dealer directly or indirectly exercises any degree of
4 management or control.

5 (5) Designation as a producer-dealer shall be canceled
6 automatically upon determination by the director that any of the
7 requirements of subsection (2) of this section are not continuing to be
8 met, such cancellation to be effective on the first day of the month
9 following the month in which the requirements were not met, or the
10 conditions for cancellation occurred.

11 NEW SECTION. Sec. 17. The following acts or parts of acts are
12 each repealed:

13 (1) RCW 15.35.020 and 1971 ex.s. c 230 s 2;

14 (2) RCW 15.35.040 and 1971 ex.s. c 230 s 4; and

15 (3) RCW 15.35.050 and 1971 ex.s. c 230 s 5.

16 NEW SECTION. Sec. 18. This act is necessary for the immediate
17 preservation of the public peace, health, or safety, or support of the
18 state government and its existing public institutions, and shall take
19 effect immediately.