

HOUSE BILL REPORT

SSB 5263

As Reported By House Committee On:
Agriculture & Rural Development

Title: An act relating to the marketing of milk.

Brief Description: Regulating the marketing of milk.

Sponsors: Senate Committee on Agriculture (originally sponsored by Senators M. Rasmussen, Anderson, Barr and Bauer).

Brief History:

Reported by House Committee on:
Agriculture & Rural Development, March 25, 1993, DPA.

HOUSE COMMITTEE ON AGRICULTURE & RURAL DEVELOPMENT

Majority Report: Do pass as amended. Signed by 10 members: Representatives Rayburn, Chair; Kremen, Vice Chair; Chandler, Ranking Minority Member; Schoesler, Assistant Ranking Minority Member; Chappell; Foreman; Grant; Karahalios; Lisk; and Roland.

Staff: Kenneth Hirst (786-7105).

Background: The state's Milk Pooling Act of 1971 grants the director of agriculture the authority to establish milk pooling and marketing plans. Originally, such plans had to be approved by milk producers by referendum. In 1991, the act was amended to permit the director to set non-retail prices, or formulae for prices, for milk under such a pooling plan. The 1991 amendments also require a pooling plan to be approved by both milk producers and milk dealers. In 1992, the Legislature expanded the act to include producer-dealers within such plans.

A proposal to terminate a plan created under the act must be approved by 51 percent of the producers and producer-dealers voting. These producers and producer-dealers must represent 51 percent of the milk produced in the market area.

Summary of Amended Bill:

Out-of-State Territory. The marketing area under a milk pooling agreement may now include territory outside of this state. By rule, the director of agriculture may include, as

producers who are subject to a pooling agreement, producers from outside of this state who market milk to dealers governed by a pooling agreement.

Prices. The milk pooling laws do not permit the director to set wholesale or retail prices for processed milk products under a pooling agreement. A provision of law is repealed which prohibits the director from setting retail prices for milk. In establishing minimum prices for milk, or a formula for determining a minimum price, the director must consider the economic impact on milk dealers. A milk dealer who believes that competition from outside of the marketing area is having a significant economic impact on the dealer may petition the director for an expedited hearing to consider whether the minimum milk price should be changed based on the competitor's milk and transportation costs. Within 21 days of receiving such a petition, the director must: adopt emergency rules, file a notice that the hearing will be held, deny the request, or advise the petitioner that the information required for the petition is incomplete.

Quotas. The director may apply quotas to milk in other than fluid form. The authority of the director to assign the milk produced by a producer to quota classifications is broadened.

Director - General Authorities. The director is given 90 days, rather than 60 days as in current law, to adopt rules to establish a market pool after the results of an approved referendum on the pool are filed with the secretary of state. However, such a market pool is not to be established if the director, after public hearings, finds that a lack of milk regulation in neighboring states would render the market plan ineffective or impractical.

The director may provide services for implementing a pooling plan by contract.

Additional Assessment. If a producer's milk dealer does not provide milk testing in a state-certified laboratory, the director may levy an additional assessment of up to 3 cents per hundred weight on all such milk. The assessment is to be paid by the producer of the milk and collected by the first milk dealer who receives or handles the milk. Receipts from the assessment must be paid into the agricultural local fund and are to be used for providing such testing.

Termination. In addition to being approved by producers and producer-dealers as under current law, a proposal to terminate a milk pooling plan must also be approved by 51

percent of the milk dealers and producer-dealers in the market area.

Amended Bill Compared to Substitute Bill: The amendments: clarify that a finding by the director that a lack of milk regulation in neighboring states would render a market plan ineffective or impractical in this state terminates the adoption of rules creating the plan in this state; and dedicate the special assessment on milk to providing testing of the milk in a state-certified laboratory.

Fiscal Note: Available.

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

Testimony For: (1) The bill represents concessions made by milk producers to assist milk dealers in ways that permit a pooling plan to work for all of the parties to it. (2) The bill provides a means of terminating a proposal if it is submitted to voters as a two-state proposal, but it is approved only in this state. (3) The bill will provide milk testing in state-certified labs for milk delivered to the small number of dealers who currently do not provide that service.

Testimony Against: None.

Witnesses: (In favor) Senator M. Rasmussen; J. T. Wilcox, Wilcox Farms; Dan Coyne, Washington State Dairy Federation; and Max Horner, Andersen Dairy, Inc.