

SENATE BILL REPORT

SB 5263

AS REPORTED BY COMMITTEE ON AGRICULTURE, FEBRUARY 25, 1993

Brief Description: Regulating the marketing of milk.

SPONSORS: Senators M. Rasmussen, Anderson, Barr and Bauer

SENATE COMMITTEE ON AGRICULTURE

Majority Report: That Substitute Senate Bill No. 5263 be substituted therefor, and the substitute bill do pass.

Signed by Senators M. Rasmussen, Chairman; Loveland, Vice Chairman; Anderson, Barr, Bauer, Newhouse, and Snyder.

Staff: John Stuhlmiller (786-7446)

Hearing Dates: January 28, 1993; February 25, 1993

BACKGROUND:

The United States Department of Agriculture has managed milk pricing and pooling orders in Washington since the early 1950s. These federal programs were created to establish an orderly process for the marketing of milk from dairy farmers to milk dealers. The programs include minimum prices to dairy farmers, coupled with "pooling" mechanisms which equalize the returns to all dairy farmers that supply the same market. Today there is a single federal milk marketing order covering most of Washington, Oregon, and northern Idaho.

In 1991 the Washington State milk marketing regulations were amended to authorize the creation of a milk pooling and pricing program. Since the passage of the enabling legislation, a referendum of milk producers and dealers was taken to determine whether a marketing order would be established in this state. The vote was in the affirmative, however, a similar vote in Oregon failed to achieve the required number of votes. This state's plan is contingent on having a two-state order which would require close cooperation between Oregon and Washington.

A number of statutory modifications have been suggested based upon the work done during the last year by the Department of Agriculture and the dairy industry in developing a milk marketing order.

SUMMARY:

Marketing Order Coverage. The focus of the milk marketing order is modified to specifically include prevention of the disorderly marketing of milk.

Out-of-state producers who sell milk in Washington are considered producers for coverage under the marketing order.

The marketing plan is to cover both fluid milk and milk for the production of other milk products.

Milk Dealers. Milk dealers are given a vote in the termination proceedings of a pooling arrangement.

A new assessment on milk is authorized to fund milk testing and marketing services which are not paid by the milk dealer. The assessment is to be capped at three cents, and collected by the milk dealers.

Department of Agriculture. The Department of Agriculture is entitled to contract for services to administer the pooling arrangement.

In establishing a milk pricing formula, one of the factors to be considered by the director is the economic impact on milk dealers.

EFFECT OF PROPOSED SUBSTITUTE:

Reference is made to processors as well as producers in the milk pooling act. It includes adequate supplies of wholesome and pure milk at competitive prices as the reason for the milk pooling and pricing system.

Changes are made to facilitate a marketing order in conjunction with Oregon and Idaho.

The director is not allowed to set wholesale or retail prices for milk. The director's power for establishing quotas is broadened. In establishing a minimum price for milk, the director is to consider the impact on milk dealers. Also, the director is not required to adopt a market pooling plan if, after public hearing, lack of regulation in neighboring states would make the plan impractical.

Milk dealers who believe that competition from outside of the marketing area is having a significant economic impact on the milk dealer may petition the director for a public hearing. If such a petition is made, the director is required to promptly respond.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The bill is needed to accommodate dealers more fully in the milk pooling and pricing process.

TESTIMONY AGAINST:

Processors want to be included in the pooling and pricing provisions of the order. Processors need to be treated fairly.

TESTIFIED: J. T. Wilcox, Wilcox Farms, Inc.; Max Horner, Andersen Dairy, Inc.; Walt DeJong, DeJong Dairy Co.; Jerry Teel, Vitamilk Dairy; Benjamin J. Deaver, Safeway Stores, Inc.; Doug Marshall, Darigold; Dan Coyne, Dairy Federation