

SENATE BILL REPORT

SB 6638

As Reported by Senate Committee On:
Agriculture, Water & Rural Economic Development, February 4, 2016

Title: An act relating to an assessment on cattle.

Brief Description: Concerning an assessment on cattle.

Sponsors: Senator Warnick.

Brief History:

Committee Activity: Agriculture, Water & Rural Economic Development: 2/04/16, 2/04/16
[DPS, DNP, w/oRec].

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6638 be substituted therefor, and the substitute bill do pass.

Signed by Senators Warnick, Chair; Takko, Ranking Member; Hobbs.

Minority Report: Do not pass.

Signed by Senator Dansel, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senator Honeyford.

Staff: Diane Smith (786-7410)

Background: The Washington State Beef Commission (Beef Commission) is a nine-member board, eight of whom are appointed by the Director of the Department of Agriculture (Director), with the Director acting as the ninth member. Each commissioner serves a three-year term. It is declared by the Legislature that it is an overriding public interest of the state to support the beef industry.

"Green tags" are assigned to Grade A dairy cattle that are leaving the dairy business and entering the human food chain. Typically, these are day-old dairy calves. The green tag is affixed to the calf's ear. This denotes that the owner or seller has paid a total of \$1.50. The cost of the tag itself, an assessment of \$0.50 representing funds for a federally ordered

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national beef promotion and research program, plus \$1 representing funds for the state beef commission's activities compose the \$1.50 total.

All other Washington cattle sold in-state or out-of-state pay the same federal and state assessments totaling \$1.50.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): The \$1 assessment that funds the beef commission's activities is raised to \$2 for all Washington cattle to be sold in-state or out-of-state, except those identified with a green tag

The beef commission must report to the Legislature by January 1 of each year. The report must account for all funds collected by the \$2 per head assessment. This accounting must include the amounts collected, expended, and the purposes for which the funds were used.

EFFECT OF CHANGES MADE BY AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The changes made before this substitute bill was heard clarify the original bill's intent. No changes are made to the original intent of the bill.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: Pro: A recent study from Cornell found that for every \$1 paid into the beef commission, there is a benefit of \$11.20. The commission has many valuable roles, impossible for each producer to fulfill as an individual. Some of these roles are promotion of beef, targeted internet marketing, promoting a passion for beef ranching in our youth, educating new mothers on the nutrient- dense protein that is beef, acting as an issues manager, providing a unifying message to the public, such as the value of beef in a healthy diet. In addition, it provides outreach on issues of interest to the public, such as the way beef is raised which is a concern of the Millennial generation. The commission maintains customer support which maintains and increases the demand for beef by providing factual information on breaking news topics such as BSE. Inflation has eroded the purchasing power of the current \$1 assessment down to 45 cents. This has caused cutbacks in valuable services such as research. media spots, meetings and other networking opportunities.

Green tag calves are a very limited exclusion. All cull dairy cows and any dairy cows on their second or more sale, would have to pay the \$2 per head just like beef producers pay on their cattle. ADT electronic reporting for dairy cattle has only just begun a week ago. Every dairy producer in the state was surveyed and personal visits were made due to the low return rate from the survey. The consensus was that milk prices are low, calf prices are low, don't

increase the producers' costs. Plus there is great confidence in the worth of the beef commission.

These dollars stay in-state to promote Washington beef and its export to the Pacific rim. Yes, calf prices have really dropped but a good businessman should not be bankrupted by a \$1 per head increase: what you get for that will increase demand and price.

Con: Increasing the assessment is just a band-aide. There were 16,000 fewer green tags sold in 2015 as there were in 2014. Making all those who owe on green tags pay as they should, would make up the 2% deficit that the commission finds itself in. ADT should have made this deficit up. Dairymen do not have the skin in the game like the cattlemen do. Of the 208,000 calves in our state, less than half are fed in-state. The calf market has shrunken 52% because calves are being sold to the Midwestern feedlots. In the last 48 hours, 19 of 20 individual live-cattle producers have weighed in saying this increase is uncalled for. After the shortfall is addressed where is the 98% of the rest of the money going to go? We are discussing about \$1M. This doubles the cost-side of the ledger. For a producer of 600 head, a \$1200 assessment on the herd represents one head of cattle's worth. If there were a vote on this bill by the cattle producers themselves, 90% would vote it down.

Persons Testifying on Original Bill: PRO: George Irwin, King-Pierce Cattlemen; Bruce Elliott, King-Pierce Cattlemen; jack Field, Washington Cattlemens assoc; kevin curnutt, washington cattlemens assoc; justin waddington, washington cattlemens assoc; Bill Sieverkropp, Washington Cattlemens; rick nelson, washington cattlemens assoc; Dan Wood, Dairy Federation; gary knaus, wa state cattlemen; Gerald Labish, shomoish county cattleman; Theresa Sygitowicz.

CON: Nate Hair, Cattle Producers of Washington; mark Ellis, AIGenetics Plus.

Persons Signed In To Testify But Not Testifying on Original Bill: No one.