

SENATE BILL REPORT

SB 6092

As Reported by Senate Committee On:
Agriculture & Rural Economic Development, February 24, 2009

Title: An act relating to milk pricing.

Brief Description: Creating a task force to study milk pricing concerns in Washington state.

Sponsors: Senators Hatfield, Swecker, Haugen and Holmquist.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/24/09 [DP].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Hatfield, Chair; Ranker, Vice Chair; Haugen, Morton and Shin.

Staff: Bob Lee (786-7404)

Background: Milk prices have been subject to extreme price volatility. Some states have enacted legislation to supplement federal legislation.

Summary of Bill: A task force on milk pricing mechanisms is created. The task force is to be jointly appointed by the speaker of the House of Representatives and the president of the Senate. Four members are to represent dairy farmers, two persons are to represent dairy processors and up to five members are to represent various distributors, wholesalers, and retailers who sell milk or milk products in the state. The Director of Agriculture or the director's designee is also to serve on the task force.

The task force is to consider the long-term economic stability of the dairy industry in the state with special attention to the current depression in prices impacting the industry. The task force must examine:

- the current federal order pricing system and its ability to prevent extreme volatility in prices;
- how other states have supplemented the federal milk pricing regulations with additional state regulation;
- the state's current milk pricing statutes and whether these laws need to be updated;

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- the possible use of requesting the use of congressionally-granted compact authority to regulate the price of milk between states; and
- developing a recommendation as to whether Washington State should request a similar congressional compact authority.

The task force must elect its own chairperson. The Department of Agriculture (DOA) must provide staff support to the task force. By December 15, 2010, the task force must report its findings and recommendations to the appropriate committees of the Legislature.

Appropriation: None.

Fiscal Note: Requested on February 23, 2009.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony: PRO: The dairy industry is seeing price volatility like they have never seen before. When there is a 1 percent increase in milk supply, the price goes down 4 percent. At the current price, a dairy farm experiences a loss of \$100 per cow which translates into \$24 million per month loss to the industry. If the price goes down as expected, that will double. The reason for the bill is to provide a forum to have discussions on what mechanisms might be available.

OTHER: The producer-owned cooperative is very concerned about the loss in farm gate value. There hasn't yet been a conversation within the industry as to what direction the industry wants to go. The agency does not currently have expertise in milk marketing mechanisms but can provide administrative support for the task force.

Persons Testifying: PRO: Jay Gordon, Washington State Dairy Federation.

OTHER: Dan Coyne, Northwest Dairy Association; Jerry Buendel, DOA.