

SENATE BILL REPORT

ESB 5476

AS PASSED SENATE, MARCH 7, 1991

Brief Description: Affecting the marketing of milk.

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

SENATE COMMITTEE ON AGRICULTURE & WATER RESOURCES

Majority Report: That Substitute Senate Bill No. 5476 be substituted therefor, and the substitute bill do pass.

Signed by Senators Barr, Chairman; Anderson, Vice Chairman; Bailey, Conner, Gaspard, Hansen, and Newhouse.

Staff: John Stuhlmiller (786-7446)

Hearing Dates: February 15, 1991; February 19, 1991

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 1971 Washington adopted a milk pooling act to enable the Director of the Department of Agriculture to prescribe marketing areas and pooling arrangements to facilitate the marketing of milk. At that time, minimum pricing of milk was made under the federal milk order and the Washington pooling system was to overlay the federal program. The model for Washington's system was a process already in use in Oregon which had a quota system designed to discourage overproduction. The Oregon program had a quota system because the federal pooling arrangements did not attempt to limit production.

SUMMARY:

It is the policy of the state to promote orderly marketing of commodities such as milk, in order to eliminate economic waste and destructive trade practices. To accomplish this goal, the Director of Agriculture is given the authority to provide for pricing arrangements for milk, but is expressly forbidden from establishing retail prices.

Producer-dealers are defined as those who produce milk and operate a plant which produces an average of more than 300 pounds of fluid milk products daily. State institutions which process and distribute milk of their own production are to be considered producer-dealers unless exempted by rule. The requirements of producer-dealer designation and the procedures for cancellation of such designation are developed, using federal milk marketing order language.

The director is authorized to:

- 1) Hold joint hearings with officers of other states or the federal government to carry out the intent of the milk pricing and pooling act.
- 2) Establish classifications of processed milk and a minimum price or a formula to determine a minimum price to be paid by milk dealers. Specific criteria are included for use in establishing a minimum milk price or formula.
- 3) Require that dealers make payment to producers of milk.
- 4) Accept federal audits in place of making state audits for purposes of administering the program.
- 5) Set the license fee for milk dealers by rule, and establish a late fee of up to one-half of the license fee. Funds collected under the program are to be deposited into the agricultural local fund.

A referendum process must be followed in creating a marketing area and pooling plan. To be successful, a referendum requires consent from 66 2/3 percent of the eligible producers and 66 2/3 percent of those eligible milk dealers. Eligible milk dealers are those who operate a plant in this state and would receive milk priced under an order when created. The referendum process is only to be used for creating or terminating a market area pooling arrangement.

The provisions of the pooling and pricing act do not apply to producer-dealers, but they must comply with all of the requirements applicable to milk dealers.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The federal milk pricing system is not functional now and is hurting the whole industry. This bill would give the milk producers and processors more stability in the price and supply of milk.

TESTIMONY AGAINST:

The bill could hinder the ability of small private dairies to make a profit. Quotas should be handled privately. This bill could make it advantageous for out-of-state milk (such as from Idaho) to replace milk produced in Washington in both the fresh and processed milk markets.

TESTIFIED: Dan Coyne, Washington State Dairy Federation (pro); Myrna Emerick, Washington State Dairy Federaton (pro); Jerry Teel, Vitamilk Dairy (con); Doug Marshall, Dairigold (pro); Frank Lewis, Foremost Dairies (con); Andy VanderMeulen, Northwest Milk Producers Association (pro); Jim Wilcox, Wilcox Farm (pro); Herman Etcheto, Olympia Cheese Co. (pro)