

HOUSE BILL REPORT

SB 5793

As Reported by House Committee On:
Agriculture & Natural Resources
Appropriations

Title: An act relating to an assessment on cattle.

Brief Description: Concerning an assessment on cattle.

Sponsors: Senators Warnick and Chase.

Brief History:

Committee Activity:

Agriculture & Natural Resources: 3/16/17, 3/29/17 [DPA];

Appropriations: 4/1/17, 4/4/17 [DPA(AGNR)].

**Brief Summary of Bill
(As Amended by Committee)**

- Changes the per head assessment on the sales of Washington cattle.
- Requires the Washington State Beef Commission's (Beef Commission's) annual budget to be sufficiently detailed to provide transparency for the Beef Commission's actions on behalf of the beef industry.
- Requires the Beef Commission to submit to the Legislature a concise yet detailed report of the Beef Commission's activities and expenditures after the completion of each fiscal year.

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass as amended. Signed by 12 members: Representatives Blake, Chair; Chapman, Vice Chair; Buys, Ranking Minority Member; Dent, Assistant Ranking Minority Member; Chandler, Fitzgibbon, Lytton, Orcutt, Pettigrew, Robinson, Springer and Stanford.

Minority Report: Do not pass. Signed by 2 members: Representatives Schmick and J. Walsh.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Robert Hatfield (786-7117).

Background:

The Washington State Beef Commission.

The Washington State Beef Commission (Beef Commission) is a nine-member board, eight of whom are appointed by the Director of the Washington State Department of Agriculture (Director), with the Director acting as the ninth member. The commissioners are drawn from the different segments of Washington's beef industry, including beef producers, dairy beef producers, livestock sales yard operators, and meat packers. Each commissioner serves a three-year term. The purpose of the Beef Commission is to fund beef promotion, research, and consumer education activities supporting Washington's beef industry.

Washington State Department of Agriculture—Livestock Inspection Program.

The Livestock Inspection Program records brands, licenses feedlots and public livestock markets, and conducts surveillance and inspection of livestock at time of sale and upon out-of-state movement. Cattle and horses are inspected for permanent identification such as brands and ownership documents at public livestock markets; United States Department of Agriculture slaughter plants; licensed, certified feedlots; at change of ownership; and prior to leaving the state. The program is funded by fees paid by the livestock industry and does not receive General Fund dollars.

Washington State Beef Commission Fee—\$1.

An assessment of \$1 per head of cattle is levied on the sale of all Washington cattle, to be paid by the seller at the time of sale. The fee is collected by the livestock services division of the Washington State Department of Agriculture (WSDA) and is transmitted to the Beef Commission.

National Beef Promotion and Research Program Fee—50 cents.

In addition to the \$1 per head fee that supports the Beef Commission, the Beef Commission also has the authority to collect a 50 cents per head fee for the purpose of providing funds for a national beef promotion and research program.

The Green Tag.

Upon the request of a licensed milk producer, the WSDA must issue an official individual identification tag, known as a "green tag," to be placed by the producer before the first point of sale on bull calves and infertile female calves that are less than 30 days old. Transactions of such calves are exempt from the inspection requirement that applies to sales of cattle in Washington so long as certain requirements are met, including that the calf is less than 30 days old and has not previously been bought or sold, and the seller is a licensed milk producer.

Summary of Amended Bill:

The \$1 per head assessment that funds the Beef Commission is raised to \$1.50 per head on all sales of Washington cattle.

The fee increase may not be assessed on the first sale of calves carrying a green tag.

The Beef Commission's annual budget is required to be sufficiently detailed to provide transparency for the commission's actions on behalf of the beef industry. The Beef Commission is required to submit to the Legislature a concise yet detailed report of the commission's activities and expenditures after the completion of each fiscal year.

Amended Bill Compared to Original Bill:

The increase to the Beef Commission check-off fee is limited to an increase of 50 cents. The Beef Commission's reporting requirement is modified, to a requirement that the Beef Commission submit to the Legislature a concise yet detailed report of the commission's activities and expenditures after the completion of each fiscal year.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 30, 2017.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Beef Commission has done great work to support the beef industry. An individual rancher can't take out an ad campaign to increase beef consumption, and that's where the Beef Commission comes in. The Beef Commission has done a great job promoting Washington beef around the world, including in the Pacific Rim region. The controlling board for the Beef Commission comes from the cattle industry and often has seats come open, so there is plenty of opportunity for people in the cattle industry to get onto the Beef Commission.

The beef check-off fee is doing great things to promote the beef industry, including marketing to millennials. Until beef hits the supermarket, there is no market for the beef. The Beef Commission was very effective at helping the cattle industry rebound after the mad cow disease scare several years ago, and at reassuring the public that Washington beef is healthy and healthful. The Beef Commission's work was the reason the bottom didn't drop out of the cattle market, and that's why there is support for the beef check-off fee.

(Opposed) The current beef check-off fee requires producers to pay to promote beef that comes from outside the state. The state cow herd is about 200,000 cattle, but about 1 million cattle are slaughtered in the state each year. If that money were to be captured, there would

be no need to increase the check-off fee. This bill only assesses a fee on cattle raised in the state; it does not assess a fee on cattle slaughtered in the state, but raised outside the state. A couple of decades ago the state cow herd was about 400,000 cattle. There is support for the Beef Commission and a willingness to contribute to the viability of the Beef Commission, but there is opposition to supporting an endeavor that helps other producers that do not pay into the Beef Commission.

The number of producers who are opposed to the increase is much higher than the number of producers who are in favor of the increase. One producer has cattle in both Idaho and Washington, and he will simply sell his cattle in Idaho if the increase is approved. Beef consumption has not gone up since the last time the fee was increased, from 50 cents to \$1. Cattle that come in from Canada pay \$1 to the federal government, but they don't pay any money to the Beef Commission. Roughly two-thirds of the feedlot cattle in Washington are from Canada. Roughly 75 percent of the cattle slaughtered in Washington are cattle that came from outside Washington, but those cattle do not pay into the Beef Commission fee.

The beef check-off fee is just a tax on cow-calf producers in its current form. The number of cow-calf producers in Washington has shrunk every year since the beef check-off fee was initiated. It's not enough to keep throwing dollars at advertising; the entire program needs to be revised. It is important to keep cow-calf producers in business. Cattle importers have to pay into the beef check-off fee. There can't be exemptions; everybody has to pay for it to work. The beef check-off fee should be rewritten to support Washington's live cattle producers and to defend against unwarranted attacks on the industry.

Persons Testifying: (In support) Amber Charlton, Bill Sieverkropp, Tyler Cox, and Rick Nelson, Washington Cattlemen's Association.

(Opposed) Dave Dashiell, Mark Ellis, and Lee Engelhardt, Cattle Producers of Washington.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Agriculture & Natural Resources. Signed by 27 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Cody, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Senn, Springer, Stanford, Sullivan, Tharinger, Vick and Wilcox.

Minority Report: Do not pass. Signed by 4 members: Representatives Condotta, Schmick, Taylor and Volz.

Minority Report: Without recommendation. Signed by 1 member: Representative MacEwen, Assistant Ranking Minority Member.

Staff: Dan Jones (786-7118).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Agriculture & Natural Resources:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The 50-cent assessment in the bill will help the Beef Commission do more marketing of beef products around the world and increase market share.

(Opposed) None.

Persons Testifying: Mark Streuli, Washington Cattlemen's Association.

Persons Signed In To Testify But Not Testifying: None.