

# HOUSE BILL REPORT

## SHB 1142

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*As Amended by the Senate*

**Title:** An act relating to processor and preparer liens.

**Brief Description:** Redefining the agricultural products for which processor liens may be established.

**Sponsor(s):** By House Committee on Agriculture & Rural Development (originally sponsored by Representatives Rasmussen, Bowman, Chandler, Kremen, Spanel, Roland, Tate, Sprenkle, McLean, Dorn, Rayburn, Haugen, Riley, R. Johnson, Grant, Jones, Phillips, Orr, Brumsickle, Ferguson, Ballard, P. Johnson, Sheldon, Hochstatter, Paris, Fuhrman, Morton, Padden, Edmondson, Lisk, Betrozoff, Wynne, Nealey and Moyer).

**Brief History:**

Reported by House Committee on:

Agriculture & Rural Development, February 1, 1991, DPS;  
Passed House, February 20, 1991, 97-0;  
Amended by Senate.

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**HOUSE COMMITTEE ON  
AGRICULTURE & RURAL DEVELOPMENT**

**Majority Report:** *That Substitute House Bill No. 1142 be substituted therefor, and the substitute bill do pass.*

Signed by 11 members: Representatives Rayburn, Chair; Kremen, Vice Chair; Nealey, Ranking Minority Member; P. Johnson, Assistant Ranking Minority Member; Chandler; Grant; R. Johnson; Lisk; McLean; Rasmussen; and Roland.

**Staff:** Ken Hirst (786-7105).

**Background:** In a bankruptcy proceeding, secured claims of creditors have priority over unsecured claims. That is, creditors with secured claims properly filed with the bankruptcy court are paid first, reducing the amount of the debtor's assets available for satisfying the claims of creditors with unsecured interests. A secured interest may be derived from: (1) a judicial lien obtained by judgment or other equitable process; (2) a lien created by statute; or (3) a lien created by a contractual agreement with the debtor.

In 1983, the Legislature established by statute a "processor" lien. Under these statutes, a producer who delivers certain agricultural products to a processor or conditioner has a first priority lien for the price or value of the product. The lien applies to horticultural, viticultural, and berry products, hay and straw, and turf and seed delivered to a processor or conditioner in an unprocessed form.

The lien attaches to the products delivered and the inventory and accounts receivable of the processor or conditioner. However, the lien does not attach to these items if the processor is organized on a cooperative basis and the producer is a member of the co-op.

**Summary of Bill:** The categories of agricultural products for which a producer is entitled to a "processor" lien under state law regarding the products the producer has delivered to a processor or conditioner are expanded. They now include milk and milk products.

Special rules apply to the person who has monies payable to a dairy processor or to the processor's assigns which are encumbered by a processor lien upon an account receivable. Such a person is not obligated to pay the lien holder amounts to which the lien has been attached until that person receives written notice of the lien. Nor is that person liable to the lien holder for any amounts paid out prior to receipt of the notice.

**EFFECT OF SENATE AMENDMENT(S):** Aquacultural products are added to the list of products for which a producer is entitled to a "processor" lien when the producer delivers the products to a processor in an unprocessed form.

The provisions of the substitute House bill are removed which require a producer to provide a lien notice to a third party who has monies payable to a dairy processor as a condition for attaching the producer's lien to those monies.

The circumstances under which the delivery of a product has taken place to initiate eligibility for a preparer or processor lien are specified.

**Fiscal Note:** Not requested.

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

**Testimony For:** (1) The bill clarifies that milk producers were intended to be among those who qualify for "processor"

liens. (2) Dairy farmers are at the mercy of processors because their products are perishable.

**Testimony Against:** The bill extends "processor" liens to the producers of any agricultural product.

**Witnesses:** John Rizzardi (in favor); Alan Thomas (in favor); and Trevor Sandison, Washington Bankers Association (opposed).

**VOTE ON FINAL PASSAGE:**

Yeas 97; Absent 1

Absent: Mr. Speaker