

SENATE BILL REPORT

SHB 1142

**AS REPORTED BY COMMITTEE ON AGRICULTURE & WATER RESOURCES,
APRIL 5, 1991**

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

SPONSORS: 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).

HOUSE COMMITTEE ON AGRICULTURE & RURAL DEVELOPMENT

SENATE COMMITTEE ON AGRICULTURE & WATER RESOURCES

Majority Report: Do pass as amended.

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

Staff: John Stuhlmiller (786-7446)

Hearing Dates: March 21, 1991; April 5, 1991

BACKGROUND:

In 1983, the Legislature established the processor lien which provides a first priority lien for the price or value of specific agricultural products delivered to a processor. The list of agricultural commodities covered by the processor lien does not specifically include dairy products. The current legal matter involving dairy producers and the Foremost Dairy has raised the issue of whether dairy products are covered by the statute.

Processors of agricultural products have expressed concern that they might be required to pay twice for the same agricultural products.

SUMMARY:

The definition of agricultural products for purposes of the processor lien is modified to specifically include milk and milk products.

A person owing money to a dairy processor, who has a processor lien attached to an account receivable, is not obligated to pay the lien holder amounts to which the lien has been attached until written notice of the lien has been received.

Further, that person is not liable for any amounts paid out prior to receipt of the notice.

Appropriation: none

Revenue: none

Fiscal Note: none requested

SUMMARY OF PROPOSED SENATE AMENDMENT:

Aquaculture is added to the list of agricultural products covered by the processor lien.

A definition of "delivers" is added which defines delivery as taking place regardless of whether a processor takes physical possession of the farm product. The definition is based on the "completion of performance" concept used in the Uniform Commercial Code.

A new definition of processor is added which defines processor as the actual processor or as the person who purchases or markets milk from a dairy producer.

The double payment provision is deleted from the bill.

TESTIMONY FOR:

This bill will make sure that we do not have another Foremost Dairy situation by ensuring that dairy producers have a first priority lien against processors.

TESTIMONY AGAINST:

This will add to the burden already on processors in terms of obtaining financing for their operations.

TESTIFIED: Representative Marilyn Rasmussen (pro); Dan Coyne, Washington State Dairy Federation (pro); Hernan Etcheto, Olympia Cheese Company (con); Trevor Sandison, Washington Bankers Association (pro); Karl Kottman, Washington State Council of Farmer Cooperatives (pro)