

HOUSE COMMITTEE ON NATURAL RESOURCES SUBCOMMITTEE ON AGRICULTURE AND FORESTRY

March 31, 1993      Hearing Room D 3:30 p.m.      Tapes 45 - 48

MEMBERS PRESENT:              Rep. Liz VanLeeuwen, Chair Rep. Ray Baum Rep. Marilyn Dell Rep. Sam Dominy Rep. Bill Fisher Rep. Tim Josi Rep. Dennis Luke Rep. Bill Markham Rep. Chuck Norris

STAFF PRESENT:                Catherine Fitch, Committee Administrator Sue Nichol, Committee Clerk

MEASURES CONSIDERED:

HB 3252 - Public Hearing HB 2354 - Public Hearing

WITNESSES:                    Sharon Harmon, Oregon Humane Society Susan Mentley, Oregon Animal Welfare Alliance Don Myers, Humane Society of the Willamette County Michael Twain, Oregon Pet Industries Association Bob Cantine, Association of Oregon Counties Nan Dewey, Oregon Veterinary Medical Association Randy Covey, Lane County Animal Regulation Authority Bruce Andrews, Director, Oregon Department of Agriculture Phil Ward, Oregon Department of Agriculture Jack Bruni, Oregon-Washington Dairy Processors Association Bob Eberhard, Eberhard's Dairy Products Pat O'Hara, Umpqua Dairy Products Company Paul Arbuthnot, Sunshine Dairy Foods Doug Marshall, Darigold Clarence Gietema Jerome Rosa Jim Montgomery Harold Schild, Tillamook County Creamery Association

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These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. [--- Unable To Translate Graphic ---]

Richard Woodward, Tillamook County Creamery Association Mike Sims, Tillamook Creamery Association Jack Thayer Bruce Thomas Scott Esplin Peter DeHann Jess McNiell John Volbeda Todd Holt, Holt Farms Ray Ruby, Fir Ridge Farms Chris Rood Jack Smalley, Smalley Family Dairy Mark Hess Don Moisan, Oregon Dairy Farmers Association

TAPE 45, SIDE A

005      CHAIR VanLEEuwEN:      Calls the meeting to order at 3:50.

PUBLIC HEARING ON HB 2354

010      CATHERINE FITCH:      Summarizes HB 2354 which requires new owners adopting dogs or cats from releasing agencies to sign an agreement to

sterilize

the animals and pay a deposit which is refunded upon animal sterilization (Exhibit A).

030 SHARON HARMON, Oregon Humane Society: Testifies in favor of HB 2354 as there are too many animals and not enough good homes for them to be

cared for. Summarizes testimony in Exhibit B.

080 SUSAN METLEY, Oregon Animal Welfare Alliance: Testifies in favor of HB 2354. Summarizes testimony in Exhibit C.

106 DON MYERS, Humane Society of the Willamette County: Testifies in favor of HB 2354. (Exhibit D).

143 MICHAEL TWAIN, Oregon Pet Industries Association: Testifies against the bill. Submits (Exhibit E). Does not believe the bill is necessary

because any shelter that wants to implement this deposit can do so.

199 REP. LUKE: What is the Oregon Pet Industries Association?

200 TWAIN: It's 400+ members. It includes everything from bird clubs and fish clubs to retail stores, wholesalers, importers of pet supplies.

207 CHAIR VanLEEUEWEN: The bill sponsors have proposed an amendment to reduce the minimum down to \$15 per cat and \$20 per dog.

213 BOB CANTINE, Association of Oregon Counties: Encourages working towards the results that we want to achieve. There may be different ways to

approach verification if a dog is stolen or has died rather than just sending in a letter saying that has happened. We would like to offer improvements to the bill.

240 NAN DEWEY, Oregon Veterinary Medical Association: Supports HB 2354 and would work with any amendments that would be made.

248 RANDY COVEY, Lane County Animal Regulation Authority: Testifies for HB 2354. There is a positive fiscal impact. Lane County has a similar

program that has been very beneficial in reducing the cost of animal control and regulation since it reduces the number of animals that must be dealt with.

290 Deposits that are not recovered should be free for the agency to use.

293 CHAIR VanLEEUEWEN: Encourages that the different factions go out and reach an agreement and report back to the committee.

307 Public hearing on HB 2354 closed.

PUBLIC HEARING ON HB 3252

334 BRUCE ANDREWS, Director, Oregon Department of Agriculture: This bill does not mean that there would be a state milk marketing plan, but it

would enable the decision to be made to have that plan, if desired.

384 Currently a milk marketing plan could be introduced by law. We would not plan to introduce this plan unless there was a vast majority of the producers who were behind the plan.

TAPE 46, SIDE A

016 CHAIR VanLEEuwEN: Would any of those who wanted to testify feel more comfortable if it was written into the law that a majority of producers had to agree?

026 ANDREWS: A vote isn't now required by law. The Department of Agriculture would not be comfortable instituting a program that didn't

have the strong support of the industry.

040 CHAIR VanLEEuwEN: The changes that this bill would make would allow an agreement with Washington to be made, correct?

047 ANDREWS: Correct.

048 REP. DELL: Who else do you take direction from in making these decisions?

059 ANDREWS: We hold public hearings with input from any interested parties. 060 REP. LUKE: How was the quota plan taken out?

066 ANDREWS: It was shelved for a variety of reasons.

070 PHIL WARD, Oregon Department of Agriculture: A legal decision was made that producers could choose to either go to the federal marketing plan

or the state plan. The membership in the state's plan eroded and hearings were held and the program was discontinued.

089 REP. LUKE: What is the difference between HB 3252 and current law?

094 WARD: If a two-state plan is enacted, then the federal order can be voted out. Action would have to be taken to cause that to happen.

099 REP. LUKE: Action by who?

100 WARD: Action by the grower group who would actually vote out the federal order.

105 REP. FISHER: It seems that Oregon differs from Washington in that the vote that is required to accept or deny the plan does not include

processors. I would judge that handlers, under the Washington terminology, would be processors?

109 ANDREWS: Washington did not have any existing legislation so they started from scratch. The Oregon plan, as it exists, does not address

the processors or the handlers, just the producers.

115 REP. FISHER: Does this bill include processors in it?

120 WARD: This doesn't change how the original plan would be enacted. It simply alters provisions of how a plan would be administered. It

wouldn't include a vote for the processors. Their ideas would be a part of the hearing record, but not a part of the vote.

152 One of the issues that's been of concern is, how can we keep processed milk out of the Oregon/Washington market? Oregon law would preclude

folks bringing in non-processed milk.

169 REP. JOSI: My understanding is that California can sell processed milk at a profit in Oregon today. However, the federal order requires that

profit be given to the producer's settlement fund, which now makes it unprofitable. Is that correct?

190 WARD: My understanding is that that's correct.

193 REP. NORRIS: Are we involved in suppression of interstate commerce, or anti-trust violations?

200 ANDREWS: These types of arrangements are legal. HB 3252 does not insure that a state milk marketing order will be put in place.

210 REP. FISHER: Did I understand that you do not allow unprocessed milk across the border from California, only processed milk could come in?

216 WARD: My understanding is that when there was an Oregon plan in place, then raw milk could not be transported into Oregon.

223 REP. FISHER: So a processor just across the border couldn't sell to Oregon?

235 WARD: Technically, my answer was not correct. Milk could come in, but it would have to be subject to the plan that was in place in the state.

277 JACK BRUNI, Oregon-Washington Dairy Processors Association:

Testifies against HB 3252. Summarizes information included in written testimony

(Exhibit F).

353 BOB EBERHARD, Eberhard's Dairy Products: Testifies against HB 325 2 because if the federal order is allowed to continue, we will be

competitive with other states.

390 CHAIR VanLEEuwEN: What if the federal order is dissolved?

407 Some of those selling different classes are getting subsidized?

418 EBERHARD: It's a difficult question to answer.

TAPE 45, SIDE B

018 REP. JOSI: NWDA is pushing the bi-state agreements, can you tell me why?

034 BRUNI: Their cooperative would have control over the production and the usage of the Oregon milk. By pooling the milk together, they would have the advantage of a better Class I usage price.

041 REP. JOSI: Does the quota system work?

043 BRUNI: It restricts the new farmer from coming into the business. The large cooperative has the advantage.

053 REP. JOSI: What are the surplus numbers between Washington and Oregon?

058 BRUNI: It's a ratio of 4 to 1 for Washington. Oregon does not have a surplus.

063 REP. JOSI: Where would a young farmer wanting to expand go to buy quota?

069 BRUNI: He'd have to go to the State of Washington.

071 REP. JOSI: If we had a bi-state agreement, who would control it?

072 BRUNI: The State of Washington.

075 CHAIR VanLEEuwEN: Under the old plan expansion could occur, so why would it be eliminated now?

084 PAT O'HARA, Umpqua Dairy Products Company: At that time, the surplus price was high enough so that farmers could still make money on it. It

is difficult for a young farmer to buy into a quota system. It doesn't restrict production.

103 We are concerned with the competition from California.

125 REP. JOSI: Why isn't milk from California coming in now?

130 O'HARA: Explains the restrictions that California faces in marketing milk to Oregon.

170 CHAIR VanLEEuwEN: Do you get a subsidy?

172 O'HARA: No. Subsidies only come in when you sell to the government.

184 CHAIR VanLEEuwEN: What keeps California milk out, if they are getting less for their milk than Oregon gets? Do you adjust the price?

187 O'HARA: The federal government sets our price.

194 REP. LUKE: What is the floor price right now?

196 O'HARA: \$12.64.

199 REP. LUKE: What is the floor in California?

200 O'HARA: I don't know, I think it was \$1.30 below the floor the last time I looked it up, so it would be \$12.70.

201 REP. LUKE: The reason California isn't coming into Oregon is that they're getting the same price we're getting.

202 O'HARA: Yes.

209 PAUL ARBUTHNOT, Sunshine Dairy Foods: Opposes HB 3252. Reads Exhibit G.

246 EBENHARD: The difference is less than \$.20 per hundredweight, so there's no competitive advantage from California.

254 REP. LUKE: Would you be opposed to HB 3252 if a vote was required?

294 EBENHARD: We would still oppose it.

286 REP. NORRIS: Without this bill could consumers be assured that they would have a continuous supply of good quality milk?

299 EBENHARD: Yes. 300 REP. FISHER: How would you feel about processors also having the right to vote on any proposed agreements?

325 ARBUTHNOT: We haven't addressed that as an organization, so I'd have to answer that as an individual company. I think it would be something

we'd need.

357 DOUG MARSHALL, Darigold: Testifies in favor of HB 3252. Submits testimony in Exhibit H as a reference.

390 Darigold is a cooperative of dairy farmers in Washington, Idaho and Oregon. We market one-third of the milk produced in Oregon.

410 We are the second largest dairy employer in the State of Oregon.

419 Speaks in support of the bill which would simply allow a plan

to be implemented if the Department of Agriculture chose to do so.

428 The Oregon Dairy Farmers Association would not support the bill unless the three biggest cooperatives were in support of it. With Tillamook's

last-minute change of position, I do not know what the Oregon Dairy Farmers Association will determine as its position. If the Oregon Dairy Farmers Association withdraws their support, we would not ask the legislature to pass it either. We would ask you to endorse whatever policy the Oregon Dairy Farmers Association recommends.

TAPE 45, SIDE B

028 As I understand it, 250 farmers in Oregon have signed a petition asking for a new vote on a two-state plan.

035 We participated in a committee over the last two years, meeting to draft a two-state plan. That committee was sponsored by the dairy farmers of

Oregon and Washington through their state associations. It was not sponsored by Darigold. We participated in it because we understood that all the major cooperatives in the region supported pursuing that plan.

We were not pursuing our own agenda. The members of the committee included three official Darigold representatives, out of thirteen, and two others that were affiliated with Darigold.

043 Our view is that a state order plan can only work if there is a consensus of the industry. The committee's purpose was to build a

consensus. That has not been possible.

052 Matching production with demand has always been a challenge. One organization cannot implement production restrictions by itself. So we

avored implementing a quota plan. Darigold believes some form of quota program is important because nobody wants to spend a lot of money to build another plant, which someone will have to do if production continues to increase at the rate it has been increasing.

066 REP. JOSI: Could you break down production statistics to Oregon?

071 MARSHALL: No, I cannot. Tillamook's milk production increased 28.5% from February of 1989 to February of 1992. During that same period,

production in the entire Federal order market increased only 22.8%.

083 REP. JOSI: I have figures that say Washington has 50% surplus and Oregon has 5-10% surplus, are they correct?

093 MARSHALL: Surplus is hard to define.

097 REP. JOSI: Do you lose money in powder production?

100 MARSHALL: Yes, up until November when the Federal order system changed. Since then we've done a little better than break even.

103 REP. JOSI: I understand Tillamook has to go outside the county to get the milk they need, is that correct?

105 MARSHALL: Yes.

113 REP. JOSI: Tillamook does have a type of a quota system now.

115 MARSHALL: My statement was that no one organization can control the growth of production in the market. As long as everyone has equal

access to the market, it will be marketed and they will get the same prices.

128 REP. JOSI: There is a flaw in the system. In Oregon, it's 5-10% of production. Washington has a much bigger flaw; it's 50%, if my figures

are correct.

135 MARSHALL: I would like to know what those figures mean in terms of surplus.

141 REP. FISHER: You recently said you were making money on powder, due to the federal order. How are you not selling it to the federal

government? If class 3 price goes up, does the price for the powdered milk go up?

154 MARSHALL: There are two federal programs. The commodity credit corporation will buy surplus product. I refer to surplus as that which

is sold to the government. When I refer to Class 3A, that is milk priced under the federal milk marketing order.

172 REP. FISHER: This milk all comes from the same place.

191 MARSHALL: There has been a fixed differential between the two classes. That has been decided that it doesn't make sense.

215 The price can be adjusted by the plan to be competitive with out-of-state product.

299 We won't be hauling milk from Idaho or California to compete with Oregon.



319 REP. FISHER: Would Oregon be allowed to increase production to meet their demand or would excess milk be brought in from Washington?

337 MARSHALL: Washington will not control the bi-state order. Director Andrews will have veto power over the proposals from Washington.

359 REP. JOSI: Does the USDA make the final judgement or allowance for a price change?

371 MARSHALL: There would be no federal role in the proposal I made earlier.

376 REP. JOSI: Would the Oregon Department of Agriculture have legal authority to make a change in price to handle outside competition?

384 MARSHALL: Yes, if a federal plan was not in effect. Anti-trust would not be a problem.

400 REP. JOSI: Would a barrier be defined as a change in price?

402 MARSHALL: No.

403 REP. JOSI: What would you define as a barrier?

404 MARSHALL: If there's a flat out prohibition against stuff coming to a state. That is illegal.

TAPE 47, SIDE A

006 CLARENCE GIETEMA: Testifies in favor of HB 3252 so prices will be stable and the market will be flexible.

022 JEROME ROSA: Testifies in favor of HB 3252.

025 JIM MONTGOMERY: Testifies in favor of HB 3252.

030 REP. LUKE: Do you think this plan should be approved with a two-thirds or three-fourths vote of dairy farmers?

032 MONTGOMERY: Believes a simple majority would suffice.

033 ROSA: I would support a two-thirds majority.

054 HAROLD SCHILD, Tillamook County Creamery Association: Opposes HB 325 2. Reads (Exhibit I).

090 The reason for the need for this was said to be that it would be in place in case the federal marketing order was discontinued.

110 The board voted to oppose the bill because of heavy opposition by members to a quota plan. Testifying against this bill was seen as the

best defense to prevent a quota plan. 156 RICHARD WOODWARD, Tillamook County Creamery Association: We feel a quota program would hinder us in getting the production we need to

produce our cheese. Also in favor of a two-thirds vote to change the

plan.

173 MIKE SIMS, Tillamook Creamery Association: Is sitting in for Paul Hanneman who had to return to the coast.

181 REP. LUKE: Could you tell us what the vote today was?

182 SCHILD: It was unanimous on the board in opposition to the bill.

187 REP. JOSI: You fear the quota system and the potential lack of protection afforded by a federal marketing order, can you explain that?

196 SCHILD: Currently, states are protected by the federal milk marketing system. If a handler in California wanted to sell milk in Oregon, they

become regulated by the federal order, and are obligated to pay into the producer's settlement fund the prevailing price in Oregon. Therefore,

the price is equalized and milk doesn't come in from California or Idaho today.

241 Under a state plan, milk can be produced cheaper in Idaho, packaged, and brought into Oregon at a cheaper rate. It would not be regulated.

Fluid milk could be regulated by licensing handlers.

258 REP. JOSI: Can the Department of Agriculture change the price?

262 SCHILD: The state could establish its floor price for bulk milk. If it was packaged, then it couldn't be regulated.

281 REP. JOSI: So milk in gallon jugs couldn't be regulated?

282 SCHILD: Yes, and that's where the volume of sales are. That is the concern the handlers have.

293 REP. NORRIS: Why can't we compete with other states?

301 SCHILD: Feed costs, shelter costs, land is more expensive, transportation of feed.

315 CHAIR VanLEEuwEN: Washington wouldn't have these same disadvantages?

318 SCHILD: Eastern Washington enjoys many of the benefits Idaho enjoys.

323 REP. JOSI: Would you define surplus?

327 SHIELD: For the month of February, Washington produced 73% of the milk produced in the two states. Of that 73%, 67% of the milk used in

Washington went into Class 3 or Class 3A uses. In Oregon, 35% of the milk produced went into Class 3 sales. Tillamook used 85% of that 35%

for cheese production. The remaining 15% went into butter, powder, and some other cheese processors. 366 REP. JOSI: Do you think the present system has dominance?

380 SHIELD: The state system has some protection built into it to prevent dominance. There is a faction in the state that would submit to

Washington's wishes.

400 CHAIR VanLEEuwEN: How many dairymen had the opportunity to vote, and how many voted for and against?

401 SHIELD: In Oregon, 520 ballots were sent out and 65% returned their ballots.

TAPE 48, SIDE A

013 JACK THAYER: Opposes HB 3252 because it will be difficult for young dairymen to start farming.

025 Those he's spoken to from places that have quota systems are confused about how they are paid.

039 REP. FISHER: Does this mean you're in favor of the system we have?

049 THAYER: I'm in favor of the federal marketing order.

065 CHAIR VanLEEuwEN: What if that federal marketing order changes?

070 Do you want to have the old system in place?

073 REP. FISHER: This bill does not create a bi-state agreement. In your opposition, are you opposed to the bill because you don't want to be

that much closer to a bi-state plan? If something happened to the federal program, are we better off with this law or the old program?

085 THAYER: I'm trusting in the federal marketing order. In favor of a two-thirds vote.

093 BRUCE THOMAS: Opposed to HB 3252 because I would not be able to make enough money.

116 SCOTT ESPLIN: Opposed to HB 3252. A dairymen could not get into the business.

145 REP. JOSI: Would you be in favor of the bill if we amended it to a two-thirds vote?

148 ESPLIN: Would prefer a two-thirds vote if it were done.

158 REP. JOSI: Could you live with a two-thirds majority?

160 ESPLIN: Yes.

175 PETER DEHAAN: Testifies in opposition to HB 3252 reading written testimony (Exhibit J).

214 JESS McNIEL: Testifies in opposition to HB 3252. It does not guarantee enhancement of prices to dairymen. 235 JOHN VOLBEDA: Testifies in opposition to HB 3252 reading (Exhibit K).

280 REP. LUKE: Was there increased production and new dairy farmers during the earlier time of quotas?

290 VOLBEDA: Explains quota system at that time and increased cost of living. Believes new quota would be much higher.

346 TODD HOLT, Holt Farms: Testifies against HB 3252. Manufactured milk never had a quota on it before. The proposed quota program regulates

production.

TAPE 47, SIDE B

019 RAY RUBY, Fir Ridge Farms: Testifies against HB 3252 because of the destruction of the free enterprise system. Objects to Class 3 milk

being included in the quota system.

053 CHRIS ROOD: Testifies in opposition of HB 3252.

070 RUBY: The cost of a quota will add about \$1,000 per cow.

080 JACK SMALLEY, Smalley Family Dairy: Testifies against HB 3252.

140 REP. JOSI: What is GATT?

143 SMALLEY: It's the General Agreement of Trade and Tariff. It's world talks on trade to open up trade between countries. Agricultural

commodities are being discussed.

151 REP. JOSI: Is this part of the trade agreement signed by the previous administration?

152 SMALLEY: Presently, I don't believe it has been signed.

164 MARK HESS: Testifies against HB 3252.

192 DON MOISAN, Past President of Oregon Dairy Farmers Association: Distributed information on paid membership (Exhibit L). We still

support the legislation.

234 CHAIR VanLEEuwEN: Closes public hearing on HB 3252.

Meeting adjourned at 6:50.

Also submitted for the record: - HB 2354 fiscal analysis submitted by

staff (Exhibit M). - Letter from Jacqueline Switzer to Rep. Peterson concerning HB 235 4 (Exhibit N). - Letter from Colleen Macuk to Rep. Peterson concerning HB 2354 (Exhibit O). - Letter from Jacqueline Switzer to Rep. VanLeeuwen concerning HB 235 4 (Exhibit P). - Testimony from Marvin Meirose in opposition to HB 2354 (Exhibit Q). - Proposed milk marketing plan submitted by staff (Exhibit R).

Submitted by:

Reviewed by:

Sue Nichol

Catherine Fitch Clerk Administrator

EXHIBIT LOG:

A - HB 2354 - Preliminary Staff Measure Summary - Catherine Fitch  
- 1 page B - HB 2354 - Testimony - Sharon Harmon - 5 pages C  
- HB 2354 - Testimony - Susan Mentley - 2 pages D - HB 2354  
- Testimony - Don Myers - 4 pages E - HB 2354 - Testimony -  
Michael Twain - 2 pages F - HB 3252 - Testimony - Jack Bruni - 8  
pages G - HB 3252 - Testimony - Paul Arbuthnot - 1 page H - HB  
3252 - Testimony and information - Douglas Marshall - 12 pages  
I - HB 3252 - Testimony - Harold Schild - 2 pages J - HB  
3252 - Testimony - Pete DeHaan - 1 page K - HB 3252 - Testimony  
- John Volbeda - 1 page L - HB 3252 - Testimony - Don Moisan - 1  
page M - HB 2354 - Fiscal analysis - Staff - 1 page N - HB 2354  
- Letter from Jacqueline Switzer to Rep. Peterson - 3 pages O -  
HB 2354 - Letter from Colleen Macuk to Rep. Peterson - 2 pages P - HB  
2354 - Letter from Jacqueline Switzer to Rep. VanLeeuwen - 2  
pages Q - HB 2354 - Testimony - Marvin Meirose - 1 page R -  
HB 3252 - Proposed Milk Marketing Plan - Staff - 8 pages