



**House
Legislative
Analysis
Section**

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POTATO GROWERS ASSESSMENT

**House Bill 5204 as enrolled
Public Act 99 of 1996
Second Analysis (6-25-96)**

**Sponsor: Rep. Carl F. Gnoldtke
House Committee: Agriculture & Forestry
Senate Committee: Agriculture & Forestry**

THE APPARENT PROBLEM:

Public Act 29 of 1970 created the Michigan Potato Industry Commission as a quasi-government body whose purpose is to strengthen the state's potato industry--including those who grow, ship, and sell potatoes--through research, education, and efforts to develop and expand potato markets. At present, some 230 potato growers farm approximately 60,000 acres of Michigan farmland throughout the state, including in the Upper Peninsula, harvesting over \$100 million worth of potatoes yearly. Currently, an assessment of one and one-half cents per hundred-weight of potatoes is levied against growers and shippers, which generates approximately \$300,000 in annual revenue for commission activities. Despite the fact that Michigan ranks tenth in potato production among potato-growing states, and third among those east of the Mississippi River, it levies the lowest assessment. Apparently, many within the industry--including most growers--think the commission's role in helping to improve potato harvests and expanding markets could be strengthened if it were permitted to levy an additional assessment on growers. Legislation has been proposed to authorize the commission to increase the assessment paid by growers to any amount, provided the increase was approved by those affected.

THE CONTENT OF THE BILL:

The state potato industry commission act imposes an assessment on potato growers and shippers of one cent per hundredweight of potatoes grown in Michigan, and permits the commission by majority vote to raise the assessment by one-half cent per hundredweight as long as such action is approved by a majority vote of growers and shippers at the next annual meeting. (As a half-cent increase was approved in 1985, the current assessment stands at one and one-half cents.) The bill would permit an additional assessment to be imposed specifically on growers by the commission upon its recommendation and passage of a referendum on the matter as provided in the bill.

Under the bill, if the director of the Department of Agriculture received a petition signed by 25 percent of,

or 200, potato growers--whichever was less--supporting an assessment increase above the current assessment, he or she would have to give notice of a public hearing on the issue. The director also could require all shippers, as individuals or through their trade associations, to file a properly certified report within 30 days identifying the correct names and addresses of all growers from whom the shipper received potatoes in the marketing season prior to the report's filing. The information in the report could not be made public by the director nor be made available to anyone for private use.

The director would have to issue a decision to approve or disapprove the increase, based on his or her findings, within 45 days after the hearing concluded and deliver copies of the findings and recommendations to those on record who attended the hearing as well as any parties interested in the matter. The recommendation would have to contain the full text of any proposed increase, be "substantially within the purview of the notice of hearings," and be supported by evidence offered at the hearing or documents the director is officially authorized to consider.

Upon recommending an increase, the director would have to hold a referendum on the matter to be voted on by affected growers, which would have to take place within 45 days after the recommendation had been issued. If more than 50 percent of all growers who represented more than half the volume of potatoes produced voted to support the proposed increase, they would be considered to have agreed to it, where a grower would be entitled to one vote representing a single firm, proprietorship, corporation, company, association, partnership, or husband-wife/family ownership. The director would have to establish procedures for determining total potato volume produced for conducting to a referendum and other necessary procedures.

In addition, the bill would add a new section to the act specifying that, five years after the latest referendum was held, the department would have to conduct a referendum at which growers would vote whether or not the

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commission should continue to levy the assessments and otherwise carry out the act. If a majority of growers voting who represented a majority of the hundredweight sold in the previous year voted against having the commission continue functioning, it would have to cease its operations and deliver its assets to the director, and the director would have to transfer the assets to Michigan State University for potato research. A grower would be entitled to one vote and would have to be able to verify the hundredweight claimed as being sold on the ballot.

MCL 290.424, 290.428 and 290.429a

FISCAL IMPLICATIONS:

The Senate Fiscal Agency says the bill would not affect state or local budget expenditures. (12-11-95)

ARGUMENTS:

For:

Michigan's potato production is one of the healthiest among potato-growing states, resulting in average annual harvests of over \$100 million. The success of both potato farmers and those who ship, process, and sell them is due in part to the work of the Michigan Potato Industry Commission. This quasi-government body, created by Public Act 29 of 1970, works in cooperation with the state's universities--particularly its largest land-grant university, Michigan State University--to facilitate research into methods for increasing potato production, improving both the processing and preservation of potatoes for sale to the public, and seeking untapped potato markets. The commission's activities are funded primarily from revenue generated through an assessment levied on potato growers and shippers, which currently stands at the maximum amount allowed under the act--one and one-half cents per hundred-weight of potatoes. The bill would authorize the commission to recommend increasing the assessment levied specifically on potato growers above the current cap, and provides guidelines for it to follow in holding public hearings on such a proposal. However, before any increase could actually occur, a majority of potato growers who produced most of the state's potatoes would have to vote to approve the increase in a referendum. Many potato farmers apparently support an assessment increase as it would enable the commission to expand its activities in strengthening the state's potato industry, and they would be the primary beneficiaries of such work. Even so, the bill also includes a provision to give growers the opportunity, five years after this referendum, to vote on whether the commission should continue to levy assessments and carry out the act, allowing growers to

assess the commission's effectiveness in using the assessment increase to help improve all aspects of the potato industry.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.