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SFA**BILL ANALYSIS**

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Senate Bill 806 (as introduced 11-12-97)

Sponsor: Senator Joel D. Gougeon

Committee: Agriculture and Forestry

Date Completed: 11-12-97

CONTENT

The bill would amend the Fluid Milk Act to allow the Michigan Department of Agriculture (MDA) to determine the minimum price for "Class I milk" (as defined in Federal regulations). The bill would require the MDA Director to conduct a referendum among milk producers on whether milk prices would be established pursuant to the bill; require the Director to conduct a public hearing; require dealers to pay the difference between the minimum price set by the Director and the Federal minimum price; require the Director to forward payments to milk handlers; and establish a minimum price as an emergency measure. The bill would be repealed on December 31, 2002.

Referendum

The bill would allow the Director of the MDA to designate one or more market areas and to conduct a referendum within 60 days after the bill's effective date to determine whether milk producers whose milk was delivered to a milk handler in the market area would agree to have the minimum prices established pursuant to the bill on Class I milk to be paid to milk producers by dealers in the market area. The affected milk producers would be considered to have agreed to the establishment of minimum prices on Class I milk pursuant to the bill when more than 50% of those voting approved the proposal. A milk producer would be entitled to one vote representing a single farm. ("Milk handler" would mean a person who operated a plant equipped with stationary milk holding facilities in which grade A milk was received for processing, assembly, or shipping. "Milk producer" would mean any person who produced milk in the State and was licensed by the MDA to sell or offer for sale grade A milk and whose grade A milk was delivered to a milk handler in the State.)

Minimum Price Determination

Under the bill, the Director would have to determine a minimum price for Class I milk to be paid to milk producers by dealers in the market area and the minimum price would be effective on the first day of the month following the Director's decision. The Director would have to consider the following in determining a minimum Class I price: the Federal order Class I minimum price currently paid by dealers, the cost of milk production to milk producers in the State, the level of milk prices paid to milk producers in adjoining states, the cost of milk to dealers located in adjoining states, and the interests of the general public.

Public Hearing

The bill would require the Director to conduct a public hearing in connection with the establishment or change of a minimum Class I price, and to issue a decision on the minimum Class I price within 30 days after the public hearing. A minimum Class I price that was

established could not exceed \$1.25 more than the applicable Federal standards for that market area.

Payment Equalization Procedure

Under the bill, dealers would be required to pay the Director, by the 15th day of each month, the difference between the minimum price for Class I milk that was set by the Director from time to time pursuant to the bill and the applicable Federal standards for minimum price for the previous month. The Director would have to equalize these payments and (by the 17th day of each month) forward them to dealers who purchased milk directly from milk producers in the market area or to those milk producers' cooperative associations. All milk producers delivering grade A milk to milk handlers in the market area would have to share equally, in proportion to their grade A milk production, the amounts by which the Class I minimum price set by the Director exceeded the applicable Federal Class I minimum price. The Director could contract with a bank or other depository authorized to do business in the State, or with a certified public accountant for the equalization services. The Director would have to retain an amount up to 1/4 cent per hundredweight of milk received by the dealers to administer the bill's provision.

Termination

The bill would require the Director to conduct a referendum to determine whether the affected milk producers desired to continue to have the Class I minimum price determined under the bill, if a written petition requesting termination were signed by 35% of the milk producers whose milk was delivered to a milk handler in a market area. The affected milk producers would be considered to have agreed to the termination of an assessment imposed under the bill if more than 50% of those voting favored termination.

Emergency Measure

The bill specifies that it would be considered an emergency measure necessary for the preservation of the public health, safety, and welfare on the basis that the continued production of adequate State supplies of milk was threatened by a decline in prices paid to milk producers. The minimum Class I price to be paid to milk producers after the bill's effective date would be \$1 per hundredweight more than the applicable Federal standard for minimum price. The minimum price would continue until the amendment was disapproved in the referendum or changed by the Director.

Proposed MCL 288.21b

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government. The bill would have no direct impact on local government.

The bill would generate an indeterminate amount of revenues to the State through retaining 1/4 cent per hundredweight of milk received by dealers. The amount of milk to be included is not known at this time, since the department would be required to establish the market areas to be affected. This revenue would be used to cover the cost of administering the act. Information on anticipated department costs is not available at this time.

Fiscal Analyst: G. Cutler

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.