



House of Representatives

General Assembly

File No. 384

February Session, 2004

Substitute House Bill No. 5640

House of Representatives, March 31, 2004

The Committee on Environment reported through REP. WIDLITZ of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING DAIRY FARM VIABILITY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective July 1, 2004*) (a) For the purposes described in
2 subsection (b) of this section, the State Bond Commission shall have
3 the power, from time to time, to authorize the issuance of bonds of the
4 state in one or more series and in principal amounts not exceeding in
5 the aggregate eight million dollars.

6 (b) The proceeds of the sale of said bonds, to the extent of the
7 amount stated in subsection (a) of this section, shall be used by the
8 Department of Agriculture and Consumer Protection for the purpose
9 of compensating milk producers in accordance with section 2 of this
10 act.

11 (c) All provisions of section 3-20 of the general statutes, or the
12 exercise of any right or power granted thereby, which are not
13 inconsistent with the provisions of this section are hereby adopted and

14 shall apply to all bonds authorized by the State Bond Commission
15 pursuant to this section, and temporary notes in anticipation of the
16 money to be derived from the sale of any such bonds so authorized
17 may be issued in accordance with said section 3-20 and from time to
18 time renewed. Such bonds shall mature at such time or times not
19 exceeding twenty years from their respective dates as may be provided
20 in or pursuant to the resolution or resolutions of the State Bond
21 Commission authorizing such bonds. None of said bonds shall be
22 authorized except upon a finding by the State Bond Commission that
23 there has been filed with it a request for such authorization which is
24 signed by or on behalf of the Secretary of the Office of Policy and
25 Management and states such terms and conditions as said commission,
26 in its discretion, may require. Said bonds issued pursuant to this
27 section shall be general obligations of the state and the full faith and
28 credit of the state of Connecticut are pledged for the payment of the
29 principal of and interest on said bonds as the same become due, and
30 accordingly and as part of the contract of the state with the holders of
31 said bonds, appropriation of all amounts necessary for punctual
32 payment of such principal and interest is hereby made, and the State
33 Treasurer shall pay such principal and interest as the same become
34 due.

35 Sec. 2. (NEW) (*Effective July 1, 2004*) Any milk producer may apply
36 to the Commissioner of Agriculture and Consumer Protection and the
37 commissioner may make compensatory payments of two dollars per
38 hundred pounds of milk produced by such producer on or after
39 January 1, 2003, but prior to January 1, 2004, provided such producer is
40 in business as of the effective date of this section and further provided
41 such producer demonstrates, to the satisfaction of said commissioner,
42 that any quantity of milk for which such payment is sought was sold
43 during said period. For the purposes of this section, "milk producer"
44 means a person engaged in the production of milk in this state,
45 provided such milk is eligible for sale as Class I milk, as defined by the
46 United States Department of Agriculture (7 CFR 1000).

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>
Sec. 2	<i>July 1, 2004</i>

Statement of Legislative Commissioners:

Section 2 was reworded and a citation was added for clarity and internal consistency.

ENV *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Department of Agriculture	GF - Cost	Minimal	Minimal
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill authorizes \$8 million in General Obligation (GO) bonds to the Department of Agriculture for the purpose of compensating milk producers. The interest cost to bond this amount for twenty years, assuming a 5.0% interest rate, is \$4.2 million.

It is anticipated that the Department of Agriculture could administer the one-time grant program minimally diverting existing staff resources away from current duties.

OLR Bill Analysis

sHB 5640

AN ACT CONCERNING DAIRY FARM VIABILITY**SUMMARY:**

This bill authorizes up to \$8 million in bonds for the Department of Agriculture and Consumer Protection (DOACP) to compensate milk producers (i.e., dairy farmers) for prices set under the federal milk order, which governs the price paid to dairy farmers for milk.

The bill allows milk producers to apply to the DOACP commissioner to receive \$2 dollars per hundred pounds of milk that they produced between January 1, 2003 and January 1, 2004. To qualify, a dairy farmer must be in business as of the July 1, 2004 and demonstrate, to the commissioner's satisfaction, that any milk for which compensation is sought was sold during 2003.

EFFECTIVE DATE: July 1, 2004

MILK PRODUCER

Under the bill, a "milk producer" is a person that produces milk that is eligible for sale in Connecticut as Class I milk (as defined by the U.S. Department of Agriculture (USDA)).

BACKGROUND***Milk Pricing and the Northeast Interstate Dairy Compact***

Federal law governs the price paid to dairy farmers for milk. Generally, USDA marketing orders set the price for milk and milk products by region; the order affecting Connecticut covers New England and the Mid-Atlantic states. The order is broken down into class 1 (fluid) milk and various other classes of milk products.

In 1993, the General Assembly authorized the Northeast Interstate Dairy Compact, to take effect when consented to by Congress and adopted by any two or more of the following states: Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York,

Pennsylvania, Rhode Island, Vermont, and Virginia. The act also repealed a milk pricing regulation statute that was legally unenforceable.

In 1996, Congress consented to a compact consisting of the New England States and empowered it to set a minimum price for fluid milk, which could exceed the price set by the relevant order. It did not have jurisdiction over the prices paid for milk sold for other milk products (e.g., butter).

A commission consisting of representatives of the member states, including five from Connecticut, governed the compact. In setting the minimum price, the commission had to consider various factors, including the price needed to provide a reasonable return to dairy farmers and milk distributors. For example, in July 2000, the price under the order for fluid milk was \$15.71 per hundredweight (11.6 gallons); the compact price was \$16.94 per hundredweight, the price the commission considered to be a reasonable return.

When the federally regulated fluid price fell below \$16.94, fluid processors paid the difference to the commission, which then distributed it monthly to compact farmers. The compact did not affect the prices changed by milk marketers or other entities involved in processing and distributing milk.

Congress did not extend the compact's approval, and it expired September 30, 2001. In March 2003, the price under the order for fluid milk was \$13.06 per hundredweight, according to USDA.

Department of Agriculture and the Department of Consumer Protection

PA 03-6, June 30 Special Session merges the departments of Agriculture and Consumer Protection as of July 1, 2004. Until that date, the two departments exist as separate entities.

Related Bill

sHB 5642, favorably reported by the Environment Committee on March 17, requires the agriculture commissioner, in consultation with the Milk Regulation Board, to adopt regulations by January 1, 2005 for a system of milk prices, premiums, and fees.

COMMITTEE ACTION

Environment Committee

Joint Favorable Report
Yea 27 Nay 0