

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1156
Agriculture/Environment/Natural Resources Committee Substitute Adopted
5/23/05

Short Title: Dairy Stabilization and Growth Prgm.

(Public)

Sponsors:

Referred to:

March 24, 2005

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE NORTH CAROLINA DAIRY STABILIZATION
3 AND GROWTH FUND TO PROVIDE CRITICAL SUPPORT FOR THE NORTH
4 CAROLINA DAIRY INDUSTRY.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. Chapter 106 of the General Statutes is amended by adding a
7 new Article to read:

8 "Article 68A.

9 "North Carolina Dairy Stabilization and Growth Program.

10 "§ 106-812. Findings.

11 (a) The General Assembly finds that North Carolina has suffered a significant
12 loss of its traditional industrial and agricultural economic base. The State's dairy
13 industry is at serious risk of total collapse unless milk prices reach levels sufficient to
14 allow dairy farmers to meet production costs. At the same time, North Carolina is
15 experiencing rapid population growth and urbanization. This growth and urbanization
16 have fueled a rapid loss of prime agricultural land and green space, resulting in a decline
17 in the quality of life for which the State is known.

18 (b) The General Assembly finds that the dairy industry in North Carolina makes
19 a substantial economic, environmental, and quality of life contribution to the well-being
20 of the citizens of the State. The dairy industry, including both producers and processors,
21 currently contributes over six hundred million dollars (\$600,000,000) and 3,000 jobs to
22 the State's economy. Properly managed dairy farms help maintain green space, keep
23 prime agricultural land under production, maintain water quality, enhance food security,
24 and provide a local supply of fresh milk at a reasonable cost to the consumer and to
25 processors in the State. An adequate local milk supply has become increasingly
26 important as transportation costs escalate, making the importation of milk from
27 out-of-state increasingly expensive. The General Assembly finds, however, that despite
28 its importance to the State's economic and environmental well-being, North Carolina's

1 dairy industry is under severe economic pressure and milk production is declining at an
2 alarming rate. According to United States Department of Agriculture statistics, since
3 1985 the State has lost sixty-seven percent (67%) of its dairy farms and thirty-five
4 percent (35%) of its processing facilities. North Carolina dairy farms no longer produce
5 sufficient milk for North Carolina's processing facilities to operate. Milk must be
6 imported 10 out of 12 months each year to keep these processing facilities functioning.
7 Further, farm prices for milk exhibit great volatility, creating financial risk and
8 discouraging investment. The General Assembly finds that it is essential to a viable
9 North Carolina dairy industry to have locally produced milk available to processors in
10 the State. The General Assembly further finds that it is essential to the well-being of the
11 citizens of the State to have a local supply of fresh milk available at reasonable cost and
12 not subject to the vagaries of transportation costs and production conditions in other
13 regions of the country.

14 (c) The General Assembly finds that one of the primary reasons for the decline in
15 milk production in the State is the gap between the price paid to farmers for milk under
16 the federal milk programs and the actual cost of production. Inability to meet production
17 costs combined with increasing land prices have led many milk producers to sell their
18 farms for development and retire or turn to other employment. The General Assembly
19 finds that the most effective means to ensure the continuation of a viable dairy industry
20 in this State is to establish a price floor for milk to enable dairy farmers to meet their
21 production costs. It is the intent of the General Assembly to establish a price support
22 program that will stabilize and reverse the decline in the local milk supply and in the
23 dairy industry in the State and encourage new producers to enter the dairy industry.
24 Sustaining and growing North Carolina's dairy industry will advance the State's goals of
25 preserving and enhancing its economic base and improving the quality of life in the
26 State through maintaining green space and water quality and assuring an adequate local
27 supply of fresh milk.

28 **"§ 106-813. North Carolina Dairy Stabilization and Growth Fund.**

29 (a) The North Carolina Dairy Stabilization and Growth Fund is created as a
30 nonreverting account in the Department of Agriculture and Consumer Services. The
31 Fund shall consist of any money appropriated to the Fund by the General Assembly and
32 money made available to it from grants, donations, and other sources. The Board of
33 Agriculture shall actively seek donations, grants, and other sources of money for the
34 Fund.

35 (b) The Board shall use the monies in the Fund as follows:

- 36 (1) Up to two percent (2%) of the money appropriated annually by the
37 General Assembly may be used by the Department for the costs of
38 administering the Dairy Stabilization and Growth Program. In the
39 event that the General Assembly does not make an appropriation to the
40 Fund in a given year, up to two percent (2%) of the balance remaining
41 in the Fund may be used by the Department for the costs of
42 administering the Program.

1 (2) The monies remaining after administrative expenses are deducted shall
2 be used to provide assistance to North Carolina dairy farmers in
3 accordance with the provisions of G.S. 106-814.

4 (3) At the end of any fiscal year in which the total payments to North
5 Carolina dairy farmers under G.S. 106-814 are less than fifty percent
6 (50%) of the amount appropriated by the General Assembly for the
7 year, five percent (5%) of the unspent appropriation for the year may
8 be set aside for use in that year and subsequent years for programs to
9 support the development of the dairy industry.

10 **"§ 106-814. Dairy Stabilization and Growth Program.**

11 (a) On 1 July of each year the Board of Agriculture shall set a milk support
12 baseline price. The baseline price per hundredweight of milk shall be the average United
13 States Department of Agriculture Federal Milk Market Order Class I price mover for the
14 previous 10 years less fifty cents (50¢).

15 (b) The Board shall adopt rules implementing the provisions of this Article. The
16 rules shall include criteria for eligibility for distributions from the Fund, procedures for
17 applications for distributions from the Fund, the method by which the amount of a
18 payment to a producer shall be calculated, and the manner of payment to producers.

19 (c) Each month the Board shall determine whether the monthly announced
20 United States Department of Agriculture Federal Milk Market Order Class I price
21 mover has dropped below the baseline price set for the year. If the monthly announced
22 Class I price mover is lower than the baseline price, then each producer who meets the
23 requirements of subsection (f) of this section shall become eligible for a distribution
24 from the Fund in an amount equal to the difference between the baseline price and the
25 monthly announced Class I price mover multiplied by the hundredweight of milk sold
26 by the producer for the month.

27 (d) Under exceptional circumstances, and in the discretion of the Board, the
28 amount of any monthly distribution as calculated by the formula set forth in subsection
29 (c) of this section may be increased by an amount not to exceed one dollar (\$1.00) per
30 hundredweight of milk sold in that month.

31 (e) Distributions shall be made to eligible producers at least quarterly, unless in
32 the judgment of the Board the payment amounts are trivial. All payments under the
33 Program are subject to the availability of funds.

34 (f) To be eligible to receive assistance from the Dairy Stabilization and Growth
35 Fund, a dairy farmer shall demonstrate to the satisfaction of the Board that they are in
36 compliance with the following rules and regulations:

37 (1) For Grade A milk producers, the federal Grade A milk regulations.

38 (2) For non-Grade A producers, Article 26 of Chapter 106 of the General
39 Statutes and the rules implementing that Article.

40 (g) Farmers who fail to demonstrate compliance with applicable rules and
41 regulations shall become ineligible for assistance from the Fund until compliance is
42 attained."

43 **SECTION 2.** The Commissioner of Agriculture shall file a report no later
44 than 31 March of each year with the Chairs of the House of Representatives and Senate

1 Appropriations Subcommittees on Natural and Economic Resources, the Chair of the
2 House of Representatives Agriculture Committee, and the Chair of the Senate
3 Committee on Agriculture, Environment, and Natural Resources which shall include the
4 following:

- 5 (1) The short- and long-term problems associated with maintaining a
6 viable dairy industry in the State.
- 7 (2) Ways to sustain the existing dairy industry in the State.
- 8 (3) Opportunities to expand the dairy industry, including attracting both
9 new dairy producers and new processors to the State.
- 10 (4) The contribution of dairy farms to the maintenance of prime
11 agricultural land and the quality of life in the State.
- 12 (5) An analysis of the effectiveness of the Dairy Stabilization and Growth
13 Program in achieving the goals of maintaining a local supply of fresh
14 milk for processing and consumption, facilitating the entry of young
15 farmers into the dairy industry, and preserving green space along the
16 urban fringe.
- 17 (6) Other factors that impact the dairy industry in the State.

18 **SECTION 3.** There is appropriated to the Department of Agriculture and
19 Consumer Services the sum of twenty-five thousand dollars (\$25,000) for fiscal year
20 2005-2006 to be used by the Department to comply with the reporting requirements set
21 out in Section 2 of this act.

22 **SECTION 4.** This act becomes effective 1 July 2005.