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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 354
 () Publish Date: _____
 Dept. Affected: Natural Resources
 BRU: Agriculture Development
 Component: Agriculture Development
 Component Number: 455

Revision Date/Time (Note if correction): _____
 Title: Prices Paid by Milk Processing Plants
 Sponsor: (S) HESS
 Requester: (S) RES

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this legislation.

Prepared by: Robert Wells Phone 907-761-3867
 Division: Agriculture Date/Time 1-Apr-02
 Approved by: Pat Pourchot Date 2-Apr-02
 Agency: Natural Resources

ALASKA STATE LEGISLATURE



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SENATOR LYDA GREEN
SENATE DISTRICT N

SPONSOR STATEMENT **SB 354**

“An Act relating to the prices paid by milk processing plants to suppliers of fluid milk.”

SB 354 will help dairy farmers receive fair pricing for the milk they supply to processing plants. Milk pricing has become fairly complex in today's marketplace and is based on a combination of factors including protein, butterfat, non-fat solids and bacteria content of the product. Milk fat, because it is used in high-value products such as ice cream, is more valuable to the processor.

Farmers should be encouraged to manage their herds for higher milk fat content. In Alaska, if the fat content of a particular dairy farmer's milk drops below a rate established by the processor, the creamery reduces the amount the farmer is paid. On the other hand, if the fat content rises above the established rate, the creamery does not increase the payment to the farmer.

In the Lower 48, federal and state laws have devised a system of milk marketing orders which guarantee the farmer gets a fair price for the milk he produced. Milk fat content is an important part of those marketing orders and, for example, when Matanuska Maid purchases bulk milk (from other states or from Canada) for its processing plant in Anchorage, the percentage of milk fat is a consideration.

SB 354 simply injects this fairness into the milk marketplace in Alaska by stipulating that if a milk processor opts to penalize a dairy farmer for low milk fat content, it must also reward those farmers whose product has a high milk fat content.



Reissue Date:
January 1, 2001

**To: All Matanuska/Susitna Area Producers Selling Milk to
Matanuska Maid Dairy**

Subject: Milk Quality Program

This notice defines the current policies concerning quality bonus, butterfat, antibiotics and added water.

QUALITY BONUS

Every pickup at producing farms will be tested for bacteria using both Standard Plate Count and Coliform Count methods. We will discard the highest and lowest test results of both SPC and Coliform testing during each semi-monthly pay period and your quality performance will be measured on the arithmetic average of the remaining tests during the half-month period.

Quality Bonus payments for milk will be as follows:

1. Twenty-five cents (\$0.25) per cwt bonus if your SPC averages 20,000 or under AND your Coliform Count averages 200 or under.
2. Fifty cents (\$0.50) per cwt total bonus if your SPC averages 15,000 or under AND your Coliform Count averages 150 or under.
3. Seventy-five cents (\$0.75) per cwt total bonus if your SPC averages 10,000 or under AND your Coliform Count averages 100 or under.
4. One dollar (\$1.00) per cwt total bonus if your SPC averages 6,000 or under AND your Coliform Count averages 50 or under.

The Quality Bonus is available only to full-time producers who supply us with raw milk through a complete semi-monthly pay period. A new producer will be eligible at the start of the first regular pay period after he/she is on a regularly scheduled daily or every other day pickup.

In addition to the quality bonus program, we have established a minimum acceptable bacterial standard for Grade A milk purchased by Matanuska Maid. That minimum acceptable standard is 70,000 Standard Plate Count and/or 750 Coliform Count. As with the Quality Bonus testing, we will drop the high and low test, each pay period, and quality will be measured by the arithmetic average of the remaining tests.

We will make the following deductions from our base price for Grade A raw milk if the minimum acceptable standard is not met during a pay period:

1. Fifty cents (\$0.50) per cwt deduction if your SPC averages over 85,000 OR if your Coliform Count averages over 1,000.
2. One dollar (\$1.00) per cwt deduction if your SPC averages over 100,000 OR your Coliform Count averages over 1,500.

In addition, if a producer's average count is in excess of 70,000 SPC or 750 Coliform through two consecutive pay periods, that producer's milk will be refused by Matanuska Maid until there has been sufficient improvement at the farm to assure us continued milk quality.

Raw milk quality is a must for Matanuska Maid to be able to produce extended shelf-life products. The lower the bacteria and coliform counts in the raw milk, the longer the product will retain its integrity, and the less chance of an off-flavor product. We are constantly striving, with good results, to improve finished product quality. Unfortunately, even though we can pasteurize the bacterial load from the milk, any off-flavor imparted or other negative conditions caused by high pre-pasteurization counts cannot be eliminated.

We hope to see every producer consistently earn the \$1.00 per cwt Quality Bonus. It is our intent to provide assistance with working a quality problem as long as we see sincere desire at the farm to improve quality.

This Quality Bonus Plan has been in effect since April 1, 1986.

BUTTERFATS

The base price for Grade A milk with 3.3% or higher butterfat content currently is \$19.75 per cwt FOB your farm. We will assess a penalty for each 1/10th of 1% butterfat content under 3.2%. The charge will be based on the market cost of butterfat, FOB Anchorage, from the previous month's USDA Market Report. We will discard the highest and lowest butterfat tests each pay period and calculate butterfat content for the period by the arithmetic average of the remaining tests.

This Butterfat Plan has been in effect since October 1, 1985.

ANTIBIOTICS/INHIBITORS

In order to provide maximum assurance that our raw milk supply is free from antibiotics/inhibitors and to provide incentive to producers to prevent pickup of contamination milk:

It will be the producer's responsibility to prevent antibiotic/inhibitor-contaminated milk from being loaded into the transport tanker at the farm that would contaminate milk from other farms. If you suspect a mistake has been made at your farm, you must not let your milk be picked up until it has been tested. If you do not already have the equipment and training to do your own testing, we will make the equipment available to you at cost.

If your milk tests positive for antibiotic/inhibitor content at the farm, and we have verified your test either through our lab or the state lab in Palmer, the contaminated milk must be dumped. The milk transport driver or telephone agreement with management at the plant can provide the record for us of the quantity to be dumped. Not to exceed once in six months, we will pay one half the current base price per cwt for milk that you dumped if such a mistake occurs and you catch it before it contaminates other milk.

In the event you do ship antibiotic/inhibitor-contaminated milk, and we discover it through routine tests run at our lab, the following penalties will be assessed:

1. You will not be paid for your contaminated milk.
2. You will be charged for the freight we pay on your contaminated milk.
3. You will be charged our cost, including freight, on any other producer's milk that has been contaminated by your milk in the transport vehicle. It is not our intent that milk from a single producer be transported in more than one trailer so the maximum quantity that such a mistake can contaminate and be a producer liability is one 45,000 lb. (approximate) trailer load.
4. You will not be eligible for Quality Bonus payment for the half-month pay period during which you shipped antibiotic-contaminated milk. Conversely, if you do have a mistake that you catch and do not ship per the intent of this program, your uncontaminated shipments during that pay period will not be disqualified from the Quality Bonus Program.

We sincerely hope you never have an accidental antibiotic contamination. If you should, we trust you will be able to avoid the major mistake of shipping it. We sample from each farm and test each trailer load before combining it with other milk. None of us can afford to risk antibiotics in our product.

We'll do everything we reasonably can to work with you if you should have an antibiotic/inhibitor problem - or problems of any kind.

This Antibiotic Plan has been in effect since October 1, 1985.

ADDED WATER

The legal definition for Grade A raw milk includes the following requirements:

- Butterfat 3.25% minimum by weight
- Milk non-fat solids 8.25% minimum by weight
- Somatic cell count < 750,000 / ml.
- Standard Plate count < 100,000 / ml.
- Antibiotic/Inhibitor residue negative
- Added water 0%

Because of herd and testing variations, the State of Alaska recognizes 0-3%-added water by test to be acceptable. Should we see regular incidents of added water, we will reduce the milk weight by the percentage of added water over 3%. Additionally, DEC routinely monitors for added water. Consistent results over 3% will trigger the DEC into a compliance mode that possibly could include suspension of the Grade A permit.

This Added Water Plan has been in effect since October 1, 1985.

If you have any questions about these programs, please contact Lab Technician Arethia Hudson or Plant Manager Gary Nel: on.

Regular lab hours are Sunday - Thursday, 9:00 a.m. - 6:00 p.m.