

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

**SENATE BILL 1156
RATIFIED BILL**

**AN ACT TO ESTABLISH THE NORTH CAROLINA DAIRY STABILIZATION
AND GROWTH FUND TO PROVIDE CRITICAL SUPPORT FOR THE NORTH
CAROLINA DAIRY INDUSTRY.**

The General Assembly of North Carolina enacts:

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

"Article 68A.

"North Carolina Dairy Stabilization and Growth Program.

"§ 106-812. Findings.

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

(b) The General Assembly finds that the dairy industry in North Carolina makes a substantial economic, environmental, and quality-of-life contribution to the well-being of the citizens of the State. The dairy industry, including both producers and processors, currently contributes over six hundred million dollars (\$600,000,000) and 3,000 jobs to the State's economy. Properly managed dairy farms help maintain green space, keep prime agricultural land under production, maintain water quality, enhance food security, and provide a local supply of fresh milk at a reasonable cost to the consumer and to processors in the State. An adequate local milk supply has become increasingly important as transportation costs escalate, making the importation of milk from out-of-state increasingly expensive. The General Assembly finds, however, that despite its importance to the State's economic and environmental well-being, North Carolina's dairy industry is under severe economic pressure, and milk production is declining at an alarming rate. According to United States Department of Agriculture statistics, since 1985 the State has lost sixty-seven percent (67%) of its dairy farms and thirty-five percent (35%) of its processing facilities. North Carolina dairy farms no longer produce sufficient milk for North Carolina's processing facilities to operate. Milk must be imported 10 out of 12 months each year to keep these processing facilities functioning. Further, farm prices for milk exhibit great volatility, creating financial risk and discouraging investment. The General Assembly finds that it is essential to a viable North Carolina dairy industry to have locally produced milk available to processors in the State. The General Assembly further finds that it is essential to the well-being of the citizens of the State to have a local supply of fresh milk available at reasonable cost and not subject to the vagaries of transportation costs and production conditions in other regions of the country.

(c) The General Assembly finds that one of the primary reasons for the decline in milk production in the State is the gap between the price paid to farmers for milk under the federal milk programs and the actual cost of production. Inability to meet production costs combined with increasing land prices have led many milk producers to sell their

farms for development and retire or turn to other employment. The General Assembly finds that the most effective means to ensure the continuation of a viable dairy industry in this State is to establish a price floor for milk to enable dairy farmers to meet their production costs. It is the intent of the General Assembly to establish a price support program that will stabilize and reverse the decline in the local milk supply and in the dairy industry in the State and encourage new producers to enter the dairy industry. Sustaining and growing North Carolina's dairy industry will advance the State's goals of preserving and enhancing its economic base and improving the quality of life in the State through maintaining green space and water quality and assuring an adequate local supply of fresh milk.

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

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

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

- (1) Up to two percent (2%) of the money appropriated annually by the General Assembly may be used by the Department for the costs of administering the Dairy Stabilization and Growth Program. In the event that the General Assembly does not make an appropriation to the Fund in a given year, up to two percent (2%) of the balance remaining in the Fund may be used by the Department for the costs of administering the Program.
- (2) The monies remaining after administrative expenses are deducted shall be used to provide assistance to North Carolina dairy farmers in accordance with the provisions of G.S. 106-814.
- (3) At the end of any fiscal year in which the total payments to North Carolina dairy farmers under G.S. 106-814 are less than fifty percent (50%) of the amount appropriated by the General Assembly for the year, five percent (5%) of the unspent appropriation for the year may be set aside for use in that year and subsequent years for programs to support the development of the dairy industry.

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

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

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

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

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

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

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

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

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

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

SECTION 2. The Commissioner of Agriculture shall file a report no later than 31 March of each year with the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, the Chair of the House of Representatives Agriculture Committee, and the Chair of the Senate Committee on Agriculture, Environment, and Natural Resources which shall include the following:

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

SECTION 3. This act is effective when it becomes law.
In the General Assembly read three times and ratified this the 10th day of
July, 2006.

Beverly E. Perdue
President of the Senate

James B. Black
Speaker of the House of Representatives

Michael F. Easley
Governor

Approved _____m. this _____ day of _____, 2006