House Bill 2222

Sponsored by Representative BUCKLEY; Representatives BARKER, ESQUIVEL, FREDERICK, GREENLICK, KRIEGER, RICHARDSON, ROBLAN, J SMITH, THOMPSON, Senator BATES (at the request of Friends of Family Farmers) (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Creates exemption from food establishment license requirements for person that slaughters not more than 1,000 poultry per year and meets other conditions.

Allows person to claim special assessment for farm land used in farming less than five years if person makes sufficient farming-related investments in property. Applies for property tax years beginning on or after January 1, 2012.

Requires that two agricultural commodity producers serving on State Board of Agriculture be persons engaged in marketing their production primarily for consumption within state.

Allows licensing of facilities for processing and distribution of unpasteurized milk. Becomes operative January 1, 2012. Authorizes State Department of Agriculture to establish bacterial standards for pasteurized and unpasteurized milk. Makes violation of standards punishable by maximum of \$1,000 fine, one year's imprisonment, or both, and subject to civil penalty, not to exceed \$10,000.

A BILL FOR AN ACT

Takes effect on 91st day following adjournment sine die.

2	Relating to	agriculture;	creating	new	provisions;	amending	ORS	308A	056,	308A.068,	308A.071
3	308A.086	, 308A.119,	308A.122,	308A.	.724, 308A.7	730, 321.390), 321	.855,	561.37	72, 621.003	, 621.010

621.012, 621.073, 621.076, 621.117, 621.122, 621.169, 621.340, 621.991 and 621.995; repealing ORS 621.116 and 621.224; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

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SECTION 1. (1) As used in this section, "poultry" has the meaning given that term in ORS 603.010.

- (2)(a) ORS 603.025 and 616.706 do not apply to a person that complies with this subsection.
- (b) During the calendar year, the person may slaughter not more than 1,000 poultry for use as human food. The person may slaughter and process only poultry that the person has raised and that are free from disease. The person may not slaughter, process or sell poultry or poultry products except poultry described in this subsection and poultry eggs.
- (c) The person must slaughter the poultry at the business premises of the person in an establishment that meets the requirements in ORS 619.026 and any State Department of Agriculture rules adopted under ORS 619.046. The person may not allow other persons to use the establishment.
- (d) The person must comply with any federal limitations or prohibitions on introducing the poultry or products produced from the poultry into interstate commerce.
- (3) A person that claims exemption from ORS 603.025 and 616.706 under this section must maintain slaughtering, sales, sanitation and other records pertaining to the poultry as re-

quired by the department. The person shall allow the department to inspect the records and the slaughtering establishment upon request and as provided under ORS 576.024 and 619.036.

(4) The exemption described in this section is in addition to any exemption that a person may claim under ORS 603.034 (4) for the slaughtering and processing of poultry for personal use.

SPECIAL ASSESSMENT

 $\underline{SECTION~2.}$ Section 3 of this 2011 Act is added to and made a part of ORS 308A.050 to 308A.128.

SECTION 3. (1) If a farm unit has been in farm use for less than five years and does not qualify for farm use special assessment under ORS 308A.068 (1)(a), farmland or a farm parcel that is part of the farm unit may qualify for farm use special assessment under ORS 308A.068 (1)(b) if the person claiming farm use special assessment for the farmland or farm parcel has made investments in the farmland or farm parcel that demonstrate the intention to use the farm unit to generate income in amounts described in ORS 308A.071 within the first five years that the farm unit is used exclusively for farm use.

- (2) The Department of Revenue in consultation with the State Department of Agriculture shall adopt rules to administer and enforce this section. The rules must establish:
- (a) The amounts and types of investments required to qualify farmland or a farm parcel for farm use special assessment under ORS 308A.068 (1)(b); and
- (b) Notwithstanding ORS 308A.071 (2)(b), the number of acres to be considered for purposes of determining whether the farm unit is used exclusively for farm use within the meaning of ORS 308A.071.

SECTION 4. ORS 308A.056 is amended to read:

308A.056. (1) As used in ORS 308A.050 to 308A.128, "farm use" means the current employment of land for the primary purpose of obtaining a profit in money by:

- (a) Raising, harvesting and selling crops.
- (b) Feeding, breeding, managing or selling livestock, poultry, fur-bearing animals or honeybees or the produce thereof.
 - (c) Dairying and selling dairy products.
- (d) Stabling or training equines, including but not limited to providing riding lessons, training clinics and schooling shows.
- (e) Propagating, cultivating, maintaining or harvesting aquatic species and bird and animal species to the extent allowed by the rules adopted by the State Fish and Wildlife Commission.
- (f) On-site constructing and maintaining equipment and facilities used for the activities described in this subsection.
- (g) Preparing, storing or disposing of, by marketing or otherwise, the products or by-products raised for human or animal use on land described in this section.
- (h) Implementing a remediation plan previously presented to the assessor for the county in which the land that is the subject of the plan is located.
- (i) Using land described in this section for any other agricultural or horticultural use or animal husbandry or any combination thereof.
- (2) "Farm use" does not include the use of land subject to timber and forestland taxation under ORS chapter 321, except land used exclusively for growing cultured Christmas trees or land de-

- scribed in ORS 321.267 (3) or 321.824 (3) (relating to land used to grow certain hardwood timber, including hybrid cottonwood).
 - (3) For purposes of this section, land is currently employed for farm use if the land is:
 - (a) Farmland, the operation or use of which is subject to any farm-related government program;
 - (b) Land lying fallow for one year as a normal and regular requirement of good agricultural husbandry;
 - (c) Land planted in orchards or other perennials, other than land specified in paragraph (d) of this subsection, prior to maturity;
 - (d) Land not in an exclusive farm use zone that has not been eligible for assessment at special farm use value in the year prior to planting the current crop and has been planted in orchards, cultured Christmas trees or vineyards for at least three years;
 - (e) Wasteland, in an exclusive farm use zone, dry or covered with water, neither economically tillable nor grazeable, lying in or adjacent to and in common ownership with farm use land and that is not currently being used for any economic farm use;
 - (f) Except for land under a single family dwelling, land under buildings supporting accepted farming practices, including the processing facilities allowed by ORS 215.213 (1)(u) and 215.283 (1)(r) and the processing of farm crops into biofuel as commercial activities in conjunction with farm use under ORS 215.213 (2)(c) and 215.283 (2)(a);
 - (g) Water impoundments lying in or adjacent to and in common ownership with farm use land;
 - (h) Any land constituting a woodlot, not to exceed 20 acres, contiguous to and owned by the owner of land specially valued for farm use even if the land constituting the woodlot is not utilized in conjunction with farm use;
 - (i) Land lying idle for no more than one year when the absence of farming activity is the result of the illness of the farmer or a member of the farmer's immediate family, including injury or infirmity, regardless of whether the illness results in death;
 - (j) Land described under ORS 321.267 (3) or 321.824 (3) (relating to land used to grow certain hardwood timber, including hybrid cottonwood);
 - (k) Land used for the primary purpose of obtaining a profit in money by breeding, raising, kenneling or training greyhounds for racing;
 - (L) Land subject to a remediation plan previously presented to the assessor for the county in which the land that is the subject of the plan is located; [or]
 - (m) Land that meets the investment requirements established by the Department of Revenue by rule pursuant to section 3 of this 2011 Act; or
 - [(m)] (n) Land used for the processing of farm crops into biofuel, as defined in ORS 315.141, if:
 - (i) Only the crops of the landowner are being processed;
 - (ii) The biofuel from all of the crops purchased for processing into biofuel is used on the farm of the landowner; or
 - (iii) The landowner is custom processing crops from other landowners in the area into bioenergy or biofuel [from other landowners in the area] for [their] use or sale by the landowners.
 - (4) As used in this section:

- (a) "Accepted farming practice" means a mode of operation that is common to farms of a similar nature, necessary for the operation of these similar farms to obtain a profit in money and customarily utilized in conjunction with farm use.
 - (b) "Cultured Christmas trees" means trees:
- (A) Grown on lands used exclusively for that purpose, capable of preparation by intensive cul-

- 1 tivation methods such as plowing or turning over the soil;
 - (B) Of a marketable species;
 - (C) Managed to produce trees meeting U.S. No. 2 or better standards for Christmas trees as specified by the Agricultural Marketing Service of the United States Department of Agriculture; and
 - (D) Evidencing periodic maintenance practices of shearing for Douglas fir and pine species, weed and brush control and one or more of the following practices:
 - (i) Basal pruning;
- 8 (ii) Fertilizing;

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- 9 (iii) Insect and disease control;
- 10 (iv) Stump culture;
- 11 (v) Soil cultivation; or
- 12 (vi) Irrigation.
 - **SECTION 5.** ORS 308A.068 is amended to read:
 - 308A.068. (1) Upon compliance with the application requirements set forth in ORS 308A.077, any land that is not within an exclusive farm use zone but that is being used[, and has been used for the preceding two years,] exclusively for farm use shall qualify for farm use special assessment:
 - (a) If the land has been used exclusively for farm use for the preceding two years and meets the income requirements set forth in ORS 308A.071; [and] or
 - [(b) Upon compliance with the application requirements set forth in ORS 308A.077.]
 - (b) If the investment requirements established by the Department of Revenue by rule pursuant to section 3 of this 2011 Act have been met with respect to the land.
 - (2)(a) The provisions of this section [shall] **do** not apply to any land with respect to which the owner has granted, and has outstanding, any lease or option to buy the surface rights for other than farm use
 - (b) This subsection does not apply in the case of a lease or option to buy surface rights:
 - (A)(i) For the exploration of geothermal resources, as defined by ORS 522.005, mineral resources or other subsurface resources; or
 - (ii) For the use of land for hunting, fishing, camping or other recreational use; and
 - (B) If the exploration, use or possession engaged in pursuant to the lease or option to buy does not interfere with the farm use of the farmland.
 - (3) Whether farmland qualifies for special assessment under this section shall be determined as of January 1 of the assessment year. However, if land so qualified becomes disqualified prior to July 1 of the same assessment year, the land shall be valued under ORS 308.232, at its real market value as defined by law without regard to this section, and shall be assessed at its assessed value under ORS 308.146 or as otherwise provided by law. If the land becomes disqualified on or after July 1, the land shall continue to qualify for special assessment as provided in this section for the current tax year.
 - SECTION 6. ORS 308A.071 is amended to read:
 - 308A.071. (1) For purposes of ORS 308A.050 to 308A.128, farmland or a farm parcel that is not within an area zoned for exclusive farm use is not used exclusively for farm use unless all of the prerequisites of subsections (2) [to (5)] and (3) of this section are met.
 - (2)(a) Except as provided in subsection [(6)] (5) of this section, in three out of the five full calendar years immediately preceding the assessment date, the farmland or farm parcel was operated as a part of a farm unit that has produced a gross income from farm uses in the following amount

1 for a calendar year:

- (A) If the farm unit consists of 6-1/2 acres or less, the gross income from farm use shall be at least \$650.
- (B) If the farm unit consists of more than 6-1/2 acres but less than 30 acres, the gross income from farm use shall be at least equal to the product of \$100 times the number of acres and any fraction of an acre of land included.
- (C) If the farm unit consists of 30 acres or more, the gross income from farm use shall be at least \$3,000.
- (b) For purposes of determining the number of acres to be considered under paragraph (a) of this subsection, the land described in ORS 308A.056 (3) and the land, not exceeding one acre, used as a homestead shall not be included.
- (c) If a farm parcel is operated as part of a farm unit and the farmland of the farm unit is not all under the same ownership, the gross income requirements applicable to the farm parcel shall be as provided under paragraph (a) of this subsection. In addition, the gross income from farm use of a farm parcel described under this paragraph must be at least:
- (A) One-half of the gross income requirements described under paragraph (a) of this subsection that would be required if the farm parcel were the only farmland of the farm unit; or
- (B) A cash or net share crop rental of one-quarter of the gross income requirements described under paragraph (a) of this subsection that would be required if the farm parcel were the only farmland of the farm unit. For purposes of this subparagraph, "net share crop rental" means the value of any crop received by the owner of the farm parcel less any costs borne by the owner of the farm parcel.
- (3)(a) Excise or income tax returns are filed with the Department of Revenue for purposes of ORS chapter 316, 317 or 318 by the farmland owner or the operator of the farm unit that include a Schedule F and, if applicable, by the owner of a farm parcel that include a schedule or schedules showing rental income received by the owner of the farm parcel, during the years to which the income requirements of this section apply.
- [(4)] **(b)** Upon request, a copy of the returns or the schedules of the returns showing the gross income received from farm use is furnished by the taxpayer to the county assessor.
- [(5)] (4) The burden of proving the gross income of the farm unit for the years described in subsection (2) of this section is upon the person claiming special assessment for the land.
- [(6)] (5) The failure of a farm unit to produce the amount of gross income required by subsection (2) of this section shall not prevent the farm unit from meeting the qualifications of this section if:
 - (a)(A) The failure is because:
- [(A)] (i) The effect of flooding substantially precludes normal and reasonable farming during the year; or
 - [(B)] (ii) Severe drought conditions are declared under ORS 536.700 to 536.780; and
- [(b)] (B) The farm unit produces the required amount of gross income in three out of the last five nonflood or nondrought years; or
 - (b) The farm unit qualifies for farm use special assessment under ORS 308A.068 (1)(b).
 - [(7)] (6) As used in this section:
- (a) "Farm parcel" means the contiguous land under the same ownership, whether assessed as one or more than one tax lot.
- (b) "Gross income" includes the value of any crop or livestock that is used by the owner personally or in the farming operation of the owner, but does not include:

- (A) The value of any crop or livestock so used unless records accurately reflecting both value and use of the crop or livestock are kept by the owner in a manner consistent with generally accepted accounting principles; and
 - (B) The purchase cost of livestock.

(c) "Owner" or "ownership" means any person described under ORS 308A.077 (2)(b)(A), (B), (D) or (E) and spouse or other person who is also an owner as tenant in common or other joint ownership interest.

SECTION 7. ORS 308A.086 is amended to read:

- 308A.086. (1) Any land that has been disqualified from farm use special assessment under ORS 308A.050 to 308A.128 may requalify for special assessment under ORS 308A.050 to 308A.128 at the same time and in the same manner and under the same provisions of law as land initially qualifies for farm use special assessment under ORS 308A.050 to 308A.128.
- (2) Land that requalifies under this section must meet applicable qualification requirements as of the assessment date for the tax year for which special assessment of the requalified land under ORS 308A.050 to 308A.128 is sought.
- (3) This section does not apply to the requalification of land that was disqualified and that is described:
- (a) In the case of land in an exclusive farm use zone, under ORS 215.236 (relating to nonfarm dwellings) and ORS 308A.706 (1)(a) (relating to compatible nonuse);
- (b) In the case of nonexclusive farm use zone farmland, under ORS 308A.089 (relating to requalification during first year of disqualification), 308A.116 (4) (relating to subdivision), 308A.122 (relating to abatement for failure to meet income **or investment** requirements) or 308A.706 (1)(a) (relating to compatible nonuse); and
 - (c) Under ORS 308A.706 (1)(d) (relating to change in special assessment).

SECTION 8. ORS 308A.119 is amended to read:

- 308A.119. (1) If on January 1 of any year any farmland assessed under ORS 308A.068 has become disqualified for farm use special assessment because of any gross income or other requirement of ORS 308A.071 or the investment requirements established pursuant to section 3 of this 2011 Act, the collection of the additional taxes under ORS 308A.700 to 308A.733 shall be deferred, but only if each year for a period of five consecutive years (or such lesser number of years in which farm use assessment was in effect prior to disqualification) beginning on January 1 of the first year the land became so disqualified, the land is used as farmland (including, for the purposes of this section, the growing of forest products). As the limited use is continued and completed each year, additional taxes are abated on the basis of an abatement of one year's additional tax for each year of limited use beginning with the oldest year for which additional taxes are due for up to five years (or the number of years for which farm use assessment was in effect, whichever is less). Beginning on the January 1 the land became so disqualified the land shall be assessed at its assessed value under ORS 308.146 or as otherwise provided by law without regard to any special assessment laws.
- (2) If at any time prior to the expiration of the five-year (or lesser) period specified in subsection (1) of this section the land is used for a higher and better use than farmland, the abatement process shall terminate, and there shall be added to the tax extended against the land on the next general property tax roll, (to be collected and distributed in the same manner as the remainder of the real property tax) the additional taxes that still remain deferred and unabated under subsection (1) of this section.
 - (3) When land described in this section is used for a higher and better use than farmland during

- the five-year (or lesser) period described in subsection (1) of this section, the owner shall notify the county assessor before the following January 1 of the change in use.
- (4) The amount determined to be due under this section may be paid to the tax collector prior to the completion of the next general property tax roll, pursuant to ORS 311.370.

SECTION 9. ORS 308A.122 is amended to read:

308A.122. If during the period specified in ORS 308A.119, the farmland again meets the gross income or other requirements of ORS 308A.071 or the investment requirements established pursuant to section 3 of this 2011 Act, the owner may apply to the assessor on or before April 1 of the next calendar year, in the manner provided in ORS 308A.077, for farm use special assessment. If satisfied that the requirements of ORS 308A.071 or section 3 of this 2011 Act have been met, the assessor shall restore farm use special assessment to the land. The potential additional taxes for all years not already abated under ORS 308A.119 shall continue as a potential liability against the land under ORS 308A.119 and 308A.706, except that each oldest year of potential liability shall abate as the total of all other years of potential additional tax liability for prior years reaches five.

SECTION 10. ORS 308A.724 is amended to read:

308A.724. (1)(a) In order for additional taxes imposed under ORS 308A.703 to be deferred under ORS 308A.706 (1)(d) (relating to change in special assessment), the owner must file an application or claim for classification under another special assessment law.

- (b) If the disqualification is effective prior to July 1 in any year, the owner shall file the required claim or application on or before August 1 of that year.
- (c) If the disqualification is effective on or after July 1 in any year, the county taxing authorities shall continue the classification on the current assessment and tax rolls, and the owner shall file the required claim or application in the next calendar year in accordance with the laws governing the particular special assessment program.
- (2) If an owner of land disqualified under one of the special assessment laws listed in ORS 308A.706 (1)(d) seeks to qualify for farm use special assessment of nonexclusive farm use zone farmland under ORS 308A.068, the owner shall have five years, beginning with the first year in which application is made under this section, to qualify for the two-year farm use requirement or investment requirement of ORS 308A.068 and the income requirement under ORS 308A.071.
- (3) Notwithstanding subsection (1) of this section, an owner may make application under this section at any time within 30 days of the date notice of disqualification is sent by the assessor under ORS 308A.718.
 - (4) Notwithstanding subsections (1) to (3) of this section:
- (a) An owner of land disqualified from wildlife habitat special assessment under ORS 308A.430 that was previously subject to ORS 215.236 (5), except for conservation easement special assessment, may not apply for another special assessment under this section without first satisfying the requirements of ORS 215.236 (5); and
- (b) An owner of land disqualified from conservation easement special assessment under ORS 308A.465, except for wildlife habitat special assessment, may not apply for another special assessment under this section without first satisfying the requirements of ORS 215.236 (5).

SECTION 11. ORS 308A.730 is amended to read:

308A.730. (1) If land specially valued under ORS 308A.062, 308A.068, 321.257 to 321.390, 321.700 to 321.754 or 321.805 to 321.855 is acquired by a governmental agency or body as a result of an exchange of the land for land of approximately equal value held by the governmental agency or body

- and the land acquired from the governmental agency or body is not farm use land located within an exclusive farm use zone or is not land, the highest and best use of which is the growing and harvesting of trees of a marketable species, the owner shall make application for special valuation as farm or forest land in the manner provided under ORS 308A.077, 321.358, 321.706 or 321.839, whichever is applicable, as follows:
- (a) If the exchange takes place prior to July 1, the owner shall file the application on or before August 1.
- (b) If the exchange takes place on or after July 1, the owner shall file the application on or before April 1 of the following year.
- (2) Failure to file an application as required under this section, or failure to otherwise meet the qualification for special valuation under the special assessment law for which application is made shall disqualify the land under ORS 308A.703. However, the amount of additional taxes imposed upon the disqualification under this subsection shall be equal to those that would have been imposed against the land transferred to the governmental agency or body on account of the exchange were it not for ORS 308A.706 (1)(b).
- (3) If an application filed under this section is for classification for farm use special assessment under ORS 308A.068, the owner shall have five years beginning with the first year of classification to meet the income requirements under ORS 308A.071 and need not meet the two-year farm use **or investment** requirements of ORS 308A.068.
- (4) This section does not apply to an exchange of forestland to which ORS 308A.706 (1)(b) (relating to governmental exchange) applies.

SECTION 12. ORS 321.390 is amended to read:

- 321.390. (1) Land described in ORS 321.267 (3) (relating to hardwood timberland, including hybrid cottonwood timberland) shall be assessed as farm use land under ORS 308A.050 to 308A.128.
- (2)(a) If land is or becomes land described under ORS 321.267 (3) and the land is not located within an exclusive farm use zone, the owner shall make application for special valuation as farm use land in the manner provided under ORS 308A.077, as follows:
- (A) If the change in use takes place on or after July 1, the owner shall file the application on or before April 1 of the following year.
- (B) If the change in use takes place prior to July 1, the owner shall file the application on or before August 1 of the same year.
- (b) If an application is filed as provided under this subsection, the owner shall have seven years beginning with the first year of classification to meet the income requirements of ORS 308A.071 and need not meet the two-year farm use **or investment** requirements of ORS 308A.068.

SECTION 13. ORS 321.855 is amended to read:

- 321.855. (1) Land described in ORS 321.824 (3) (relating to hardwood timberland, including hybrid cottonwood timberland) shall be assessed as farm use land under ORS 308A.050 to 308A.128.
- (2)(a) If land is or becomes land described under ORS 321.824 (3) and the land is not located within an exclusive farm use zone, the owner shall make application for special valuation in the manner provided under ORS 308A.077, as follows:
- (A) If the change in use takes place on or after July 1, the owner shall file the application on or before April 1 of the following tax year.
- (B) If the change in use takes place prior to July 1, the owner shall file the application on or before August 1 of the tax year.
- (b) If an application is filed as provided under this subsection, the owner shall have seven years

beginning with the first year of classification to meet the income requirements of ORS 308A.071 and need not meet the two-year farm use **or investment** requirements of ORS 308A.068.

<u>SECTION 14.</u> Section 3 of this 2011 Act and the amendments to ORS 308A.056, 308A.068, 308A.071, 308A.086, 308A.119, 308A.122, 308A.724, 308A.730, 321.390 and 321.855 by sections 4 to 13 of this 2011 Act apply to property tax years that begin on or after July 1, 2012.

STATE BOARD OF AGRICULTURE

SECTION 15. ORS 561.372 is amended to read:

561.372. (1) In order that there may be the closest correspondence between State Department of Agriculture policies and programs, the public interests and the resolution of practical agricultural problems of the state, there is created the State Board of Agriculture.

- (2) The Director of Agriculture, the Dean of the College of Agricultural Sciences of Oregon State University and the chairperson of the Soil and Water Conservation Commission shall serve as ex officio members of the board. The director and the dean shall be nonvoting members. The director shall act as secretary of the board. The dean may appoint a person to represent the dean on the board.
- (3) The Governor shall appoint nine members to the board. The members appointed to the board must be residents of Oregon. Not more than five of the members appointed to the board may belong to the same political party. Party affiliation shall be determined by the appropriate entry on official election registration cards.
- (4) The term of each member appointed to the board is four years. A member shall continue to serve until a successor is appointed and qualifies. Before a member's term expires, the Governor shall appoint a successor. If a vacancy occurs, the Governor shall appoint a person to complete the remainder of the unexpired term.
- (5) A person who serves two consecutive terms on the board is not eligible for appointment to another term on the board until at least one year after the expiration of the second consecutive term.
- (6) The Governor shall appoint two board members who are not actively involved in the production of agricultural commodities to be representatives of the public interests. The Governor shall appoint seven board members who are actively engaged in the production of agricultural commodities, at least two of whom must be engaged in marketing their commodity production primarily for consumption within this state. The Governor shall seek to ensure that the appointed board members who produce agricultural commodities reflect the diverse nature of agricultural commodity production within the state.

SECTION 16. The amendments to ORS 561.372 by section 15 of this 2011 Act do not terminate or shorten the term of office for any member of the State Board of Agriculture appointed before the effective date of this 2011 Act. The Governor shall make appointments to the first two agricultural commodity producer positions on the board becoming vacant on or after the effective date of this 2011 Act that meet the requirements of the amendments to ORS 561.372 by section 15 of this 2011 Act.

UNPASTEURIZED MILK

SECTION 17. Section 18 of this 2011 Act is added to and made a part of ORS chapter 621.

SECTION 18. The State Department of Agriculture shall establish bacterial standards for all pasteurized fluid milk and bacterial standards for all unpasteurized fluid milk.

- **SECTION 19.** ORS 621.003 is amended to read:
- 4 621.003. As used in this chapter, unless the context requires otherwise:
- 5 (1) "Container" means milk and cream cans, farm milk tanks, milk tank trucks, milk storage 6 tanks, pasteurizing vats, cheese vats, butter churns, butter tubs, cheese hoops and any other recep-7 tacle designed for use or used to hold fluid milk, milk or dairy products.
 - (2) "Cream" means that portion of milk consisting of milk fat.
 - (3) "Dairy products" means:
- 10 (a) Butter.

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- 11 (b) All varieties of cheese, frozen desserts and frozen dessert mixes containing milk, cream or 12 nonfat milk solids.
- 13 (c) Evaporated, condensed, concentrated, powdered, dried or fermented milk, whey, cream and skimmed milk.
 - (4) "Dairy products plant" means:
 - (a) An establishment where milk is received, processed or used in manufacturing dairy products for human consumption.
 - (b) A place or premises where milk is received or collected.
 - (c) A bulk tank truck or other mobile equipment used by a milk hauler or other person in the transportation of milk, fluid milk or milk products.
 - (d) A location operated by a nonprocessing cooperative, corporation, association or person serving as a marketing agent for producers.
 - (5) "Department" means the State Department of Agriculture.
 - (6) "Disease-free herd" means a herd of cows, sheep or goats that is not an infected herd. As used in this subsection, "infected herd" means a herd of cows, sheep or goats in which one or more reactor animals have been discovered by any test authorized by law and that has not regained its disease-free status following the slaughter of the reactor animals and retesting of the herd as prescribed by the department.
 - (7) "Distributor" means a person who purchases only unpasteurized milk and pasteurizes or otherwise processes that milk, then bottles and distributes the milk for human consumption.
 - (8) "Fluid milk" means milk and any other product made by the addition of a substance to milk or to a liquid form of milk product if the milk or other product is produced, processed, distributed, sold or offered or exposed for sale for human consumption. Fluid milk includes sterilized fluid milk products and the fluid milk products for which a standard of identity has been established by the department.
 - (9) "Frozen dessert" means a food product that is defined and standardized by rule under ORS 621.311.
 - (10) "Frozen dessert mix" means the unfrozen, blended ingredients, in liquid or powdered form, from which frozen desserts are made by freezing the mix ingredients to a solid or semisolid consistency.
 - (11) "Frozen dessert retailer" means a person who freezes or makes frozen desserts for direct sale to or use by a consumer.
 - (12) "Frozen dessert wholesaler" means a person, other than a frozen dessert retailer, engaged in the business of freezing or making frozen desserts for sale. "Frozen dessert wholesaler" does not include interstate carriers, health care facilities as defined in ORS 442.015, domiciliary care facili-

- ties as defined in ORS 443.205, schools, institutions or fraternal, social or religious organizations or persons engaging in occasional or incidental sales as defined by department rule.
 - (13) "Imitation milk product" means:

- (a) A compound of milk and edible oil or fat, other than natural milk fat, with or without other ingredients.
- (b) A compound or product that is not a fluid milk product, that is made to have or has the appearance, taste or texture of a fluid milk product or a general composition similar to that of a fluid milk product, for which a standard of identity has been established by the department, and that may reasonably be mistaken for a fluid milk product.
 - (14) "Milk" means the lacteal secretion of cows, sheep and goats.
- (15) "Milk hauler" means a person who, in the course of employment, accepts bulk fluid milk and transports that commodity to a dairy products plant or a physical facility of a distributor or producer-distributor.
- (16) "Nonprocessing distributor" means a person who sells fluid milk in consumer-sized units under the person's own brand or trade name after the milk has been processed and packaged by a distributor or producer-distributor.
- (17) "Pasteurize" means the process established by the department pursuant to ORS 621.261 by which each particle of milk, cream or any other dairy product is treated, usually by heat, for the purpose of destroying or rendering harmless bacterial organisms, including pathogenic organisms and viruses.
- (18) "Producer" means a person who engages in the production of unpasteurized milk on a dairy farm and does not bottle the milk on the premises where production occurs, in pasteurized or unpasteurized form and for human consumption.
 - (19) "Producer-distributor" means:
- (a) A person who bottles milk on the premises where production occurs, in pasteurized or unpasteurized form and for human consumption.
- (b) A person who purchases milk from a producer, pasteurizes **or otherwise processes** that milk, then bottles [it] **the milk** for distribution **for human consumption**.

SECTION 20. ORS 621.010 is amended to read:

621.010. (1) If the State Department of Agriculture believes that any person is engaged in or is about to engage in any act or practice that is a violation of ORS **621.012**, 621.056, 621.057, 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, 621.117, 621.122, 621.124, 621.161, 621.166, 621.183, 621.198, 621.226 or 621.259 or any rule or standard adopted under ORS 621.060, 621.083, 621.096[, 621.224] or 621.261 or section 18 of this 2011 Act, the department may apply for a temporary restraining order or permanent injunction pursuant to ORCP 79 or ORS 561.280 prohibiting the person from engaging in that act or practice. The application for the order or injunction may be made to the circuit court of any county in which the person is engaged in or is about to engage in the unlawful act or practice. Notwithstanding ORCP 82, no security shall be required of the department to obtain the restraining order or injunction. The remedy provided the department by this section is in addition to all other remedies, civil and criminal.

(2) In a proceeding for an injunction under subsection (1) of this section, an applicant or licensee may not, as a defense, litigate collaterally any matter concerning the refusal to grant or the revocation or suspension of a license required by or issued under ORS 621.070, 621.072, 621.161, 621.171 or 621.266 if the applicant or licensee was heard or might have been heard on that matter directly in an administrative hearing under ORS 183.413 to 183.470, or on an appeal from such a hearing.

SECTION 21. ORS 621.012 is amended to read:

621.012. (1) The provisions of ORS 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, [621.116,] 621.117 and 621.259 and standards developed under ORS 621.060[,] or 621.083 or [621.224] section 18 of this 2011 Act do not apply to a person owning not more than three dairy cows that have calved at least once, nine sheep that have lactated at least once or nine goats that have lactated at least once, but such person may sell the fluid milk from those animals for human or other consumption without complying with the provisions of ORS 621.062, 621.070, 621.072, 621.076, 621.084, [621.116,] 621.117 or 621.259 or standards developed under ORS 621.060[,] or 621.083 or [621.224] section 18 of this 2011 Act only if:

- [(1)] (a) The person does not advertise the milk for sale;
- [(2)] (b) The milk is sold directly to the consumer at the premises where produced; and
- [(3)] (c) No more than two producing dairy cows, nine producing sheep or nine producing goats are located on the premises where the milk is produced.
- (2) A person selling unpasteurized fluid milk under this section may not bottle the milk except on the premises where it is produced.

SECTION 22. ORS 621.073 is amended to read:

621.073. (1) In addition to the powers conferred on the State Department of Agriculture under ORS 621.018, 621.060, 621.072, 621.076, 621.083 and 621.226, the department may suspend the privilege of any person to use a grade designation on containers of fluid milk produced or distributed by the person. The power of suspension may be exercised by the department for any violation of ORS 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, 621.117, 621.122 (7), 621.226 or 621.259, standards adopted under ORS 621.060[,] or 621.083 or [621.224] section 18 of this 2011 Act or any department rules.

- (2) A suspension shall not exceed 10 days except that, before lifting the suspension, the department shall ensure that the violation causing the suspension has been corrected.
- (3) A suspension shall not be imposed for a violation unless the violator has previously committed the same violation and the department has, within the six months immediately preceding the violation for which the suspension is imposed, provided written notification to the violator that another violation of the same character would be grounds for suspension. The notice of suspension shall be in writing and shall state length of the suspension and the reason for the suspension.
- (4) The provisions of ORS 183.413 to 183.470 do not apply to suspensions imposed under authority of this section, although appeal shall be in the manner provided by ORS 183.484, 183.486, 183.490 and 183.497. This subsection shall not deprive a person of the right to present any defense to a criminal prosecution instituted for violation of ORS 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, 621.117, 621.122 (7), 621.226 or 621.259, nor shall it deprive a person of the right to a declaratory judgment.

SECTION 23. ORS 621.076 is amended to read:

621.076. (1) A person [shall] may not sell, expose or offer for sale or knowingly transport fluid milk in containers:

- (a) If the fluid milk has been produced or processed in violation of ORS 621.070.
- (b) If the container or container cap is not labeled with the name and address of the producer, distributor, nonprocessing distributor or producer-distributor of the milk and the applicable state grade. However, containers of unpasteurized fluid milk that are shipped by producers to a milk processing plant or a dairy products plant for pasteurization and that are identified by shipper name or number [shall not be] are not required to be so labeled.

- [(2) A person shall not bottle unpasteurized fluid milk except on the premises where it is produced.]
- (2) In addition to the labeling requirements in subsection (1) of this section, unpasteurized fluid milk must contain a warning statement on the label informing consumers about possible harm that may result from consuming unpasteurized milk that contains harmful microorganisms. The warning statement must:
- (a) Be in a type size consistent with the type size of other required labeling, but in no event less than one-sixteenth of an inch in height;
 - (b) Be conspicuous and in a contrasting color from other labeling;
 - (c) Be prominently displayed on the principal display panel of the container; and
 - (d) Be clearly readable.

- (3) A producer or producer-distributor [shall] **may** not sell or offer for sale fluid milk during the period that the license of the producer or producer-distributor to use a grade designation on fluid milk has been suspended under ORS 621.072 or 621.073.
- (4) A distributor [shall] **may** not knowingly purchase fluid milk from any person whose license to use a grade designation has been suspended under ORS 621.072 or 621.073.
- (5) A distributor [shall] **may** not knowingly purchase fluid milk from any person other than a person licensed under ORS 621.072.
- (6) Each container of fluid milk sold or exposed or offered for sale by a nonprocessing distributor shall be labeled on the container or on the container cap with either the name and address of the distributor or producer-distributor processing and bottling the fluid milk or with a code number, assigned by the State Department of Agriculture, identifying the distributor or producer-distributor.

SECTION 24. ORS 621.117 is amended to read:

- 621.117. (1) Except as provided in subsection (2) of this section, a distributor, producer-distributor or dairy products plant licensee [shall] may not sell or offer or expose for sale any dairy product or fluid milk for human consumption unless the milk used in the dairy product or fluid milk:
 - (a) Has been pasteurized; or [is goat or sheep's milk that was]
- (b) Is labeled as described in ORS 621.076 (2) and produced by a disease-free herd.[, Except that]
- (2) If not more than one reactor animal appears when [the] a goat or sheep herd is tested for brucellosis[, the milk, dairy products or fluid milk may still be sold if the] and the reactor animal is slaughtered, milk, dairy products or fluid milk from the herd may be sold if [and] no additional reactor animals appear when the herd is retested, as provided in ORS chapter 596 and [regulations promulgated thereunder] rules adopted under ORS chapter 596. If one or more reactor animals appear when the goat or sheep herd is retested, no milk, dairy products or fluid milk from the herd may be sold until the herd regains a brucellosis-free status.

SECTION 25. ORS 621.122 is amended to read:

- 621.122. (1) A person [shall] **may** not operate or permit the operation of any pasteurization equipment except under the direct personal supervision of a person licensed as a pasteurizer operator under ORS 621.266.
- (2) A distributor, producer-distributor or dairy products plant licensee [shall] **may** not sell, offer or expose for sale any milk or cream that has not been pasteurized or produced by a disease-free [goat or sheep] herd, except to another distributor, producer-distributor or dairy products plant licensee for the manufacture of milk, fluid milk or dairy products.

- (3) Except as permitted by ORS 621.003[, 621.012, 621.060] and 621.076 (1), a person [shall] may not knowingly sell, offer or expose for sale any milk or cream that has not been pasteurized or produced by a disease-free [goat or sheep] herd, except to a distributor, producer-distributor or dairy products plant licensee for the manufacture of milk, fluid milk or dairy products.
- (4) A distributor, producer-distributor or dairy products plant licensee [shall] may not sell, offer or expose for sale any milk, fluid milk or dairy product processed or manufactured by the distributor, producer-distributor or licensee unless all of the milk or cream constituents [from cows have been pasteurized and all milk or cream constituents from goats or sheep were produced by a diseasefree herd or] have been pasteurized or were produced by a disease-free herd.
- (5) A person [shall] may not knowingly sell, offer or expose for sale any dairy product unless all of the milk or cream constituents of the product [from cows have been pasteurized and all constituents from goats or sheep were produced by a disease-free herd or] have been pasteurized or were produced by a disease-free herd.
- (6) Excepting cottage cheese and any cheese required to be pasteurized by rule of the State Department of Agriculture, the pasteurization requirement of subsections (4) and (5) of this section [shall] do not apply to cheese that has been aged for at least 60 days from the date of manufacture. The manufacture date must appear on the cheese or its container. This subsection does not authorize the department to require the pasteurization of cheese that is produced from a disease-free herd and labeled with a warning statement informing consumers about possible harm that may result from consuming unpasteurized cheese that contains harmful microorganisms, provided that the warning statement:
- (a) Is in a type size consistent with the type size of other required labeling, but in no event less than one-sixteenth of an inch in height;
 - (b) Is conspicuous and in a contrasting color from other labeling;
 - (c) Is prominently displayed on the principal display panel of the container; and
 - (d) Is clearly readable.

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- (7) A person [shall] may not falsely represent by word, design, device or by any other means that any milk, cream, fluid milk, dairy product, frozen dessert mix or frozen dessert has been pasteurized or was produced by a disease-free herd.
- (8) A distributor, producer-distributor or dairy products plant licensee must provide for the grading of all milk transported, received or purchased by the distributor, producer-distributor or licensee as required by ORS 621.056, 621.057, 621.084 and 621.226 and regulations adopted under ORS 621.096.
- (9) A person [shall] may not alter, remove or tamper with any condemnation tag affixed by the State Department of Agriculture or a grader pursuant to the provisions of ORS 621.203 or 621.226.
- (10) A distributor, producer-distributor or dairy products plant licensee or grader [shall] may 36 not:
 - (a) Negligently sample, weigh or test any milk or cream.
 - (b) Fraudulently manipulate any weight, sample or test of milk or cream.
- 40 (c) Make a false entry or record of the weight, or test of milk or cream on any statement, record or invoice. 41

SECTION 26. ORS 621.169 is amended to read:

621.169. (1) The State Department of Agriculture may issue a dairy products plant license under ORS 621.166 to one or more additional users of a dairy products plant that processes or uses milk to manufacture dairy products and is primarily operated by another person. A license issued to an additional user for activities at the dairy products plant shall cover all operations at that plant by the person licensed. Regardless of the number of persons licensed to use a dairy products plant, the department may not recognize more than one person as the primary operator of the plant.

- (2) If the primary operator uses the dairy products plant to manufacture dairy products that are pasteurized, an additional user may use the dairy products plant to manufacture only dairy products that are pasteurized. If the primary operator uses the dairy plant to manufacture dairy products that are unpasteurized, an additional user may use the dairy plant to manufacture only dairy products that are unpasteurized.
- [(2)] (3) The department may assess a license fee to an additional user of a dairy products plant described in subsection (1) of this section, calculated as provided in ORS 621.166. In calculating license fees under ORS 621.166, the annual gross dollar volume of sales and services for an additional user of the dairy products plant is independent of the annual gross dollar volume of sales and services for any other user or the primary operator of the plant.
- [(3)] (4) Notwithstanding ORS 621.166, the department may adopt rules to establish the license expiration, renewal and application dates for additional users of a dairy products plant.
- [(4)] (5) The department may adopt rules to determine the responsibilities of the dairy products plant's primary operator and additional users of the dairy products plant's under standards prescribed by ORS 621.176 and 621.181 and under ORS 621.183.
- [(5)] (6) A recognized primary operator of a dairy products plant shall notify the department upon the expiration or termination of the rental or lease of the plant by an additional user of the plant.

SECTION 27. ORS 621.340 is amended to read:

- 621.340. A frozen dessert wholesaler shall not sell, offer for sale or possess with intent to sell a frozen dessert or frozen dessert mix that has an excessive bacteria count as established by rule of the State Department of Agriculture. Frozen desserts in which cultured milk is an ingredient [shall] or that are labeled as unpasteurized may not be required to meet any bacteria count standards. A frozen dessert that is unpasteurized must be labeled with a warning statement informing consumers about possible harm that may result from consuming unpasteurized frozen desserts that contain harmful microorganisms. The warning statement must:
- (1) Be in a type size consistent with the type size of other required labeling, but in no event less than one-sixteenth of an inch in height;
 - (2) Be conspicuous and in a contrasting color from other labeling;
 - (3) Be prominently displayed on the principal display panel of the container; and
 - (4) Be clearly readable.

SECTION 28. ORS 621.991 is amended to read:

621.991. Violation of any provision of ORS **621.012**, 621.056, 621.057, 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, 621.117, 621.122, 621.124, 621.161, 621.166, 621.183, 621.198, 621.207, 621.226, 621.259, 621.335, 621.340, 621.345, 621.418, 621.445 or 621.730 or any rule or standard adopted under ORS 621.060, 621.083, 621.096[, 621.224] or 621.261 or section 18 of this 2011 Act, or failure to pay a fee assessed under ORS 621.166, is an unclassified misdemeanor punishable by a fine of not more than \$1,000, imprisonment for not more than one year, or both.

SECTION 29. ORS 621.995 is amended to read:

621.995. (1) In addition to any penalty available under ORS 561.190 or 621.991, the State Department of Agriculture may impose a civil penalty for a violation of ORS **621.012**, 621.056, 621.057, 621.062, 621.070, 621.072, 621.076, 621.084, 621.088, 621.117, 621.122, 621.124, 621.161, 621.166, 621.183,

$621.198,\ 621.207,\ 621.226,\ 621.259,\ 621.335,\ 621.340,\ 621.345,\ 621.418,\ 621.445$ or 621.730 or of rules
regulations or standards adopted under ORS 621.060, 621.083, 621.096[, 621.224] or 621.261 or section
18 of this 2011 Act. For the purposes of this section, each day a violation continues after the period
of time established for compliance shall be considered a separate violation unless the department
finds that a different period of time is more appropriate to describe a specific violation event.

- (2) The department may adopt rules establishing a schedule of civil penalties that may be imposed under this section. Civil penalties imposed under this section may not exceed \$10,000 for each violation.
- (3) When the department imposes a civil penalty under subsection (1) of this section, the department shall impose the penalty in the manner provided by ORS 183.745, except that the written application for a hearing must be received by the department no later than 10 days after the date of mailing or personal service of the notice of civil penalty.
- (4) Moneys received by the department from civil penalties imposed under this section shall be deposited in the General Fund to the credit of the Department of Agriculture Account.

SECTION 30. ORS 621.116 and 621.224 are repealed.

<u>SECTION 31.</u> Section 18 of this 2011 Act, the amendments to ORS 621.003, 621.010, 621.012, 621.073, 621.076, 621.117, 621.122, 621.169, 621.340, 621.991 and 621.995 by sections 19 to 29 of this 2011 Act and the repeal of ORS 621.116 and 621.244 by section 30 of this 2011 Act become operative January 1, 2012.

CAPTIONS

SECTION 32. The unit captions used in this 2011 Act are provided only for the convenience of the reader and do not become part of the statutory law of this state or express any legislative intent in the enactment of this 2011 Act.

29 <u>S</u> **sessi** EFFECTIVE DATE

SECTION 33. This 2011 Act takes effect on the 91st day after the date on which the 2011 session of the Seventy-sixth Legislative Assembly adjourns sine die.