

February 5, 2013
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Oregon Senate Committee on Rural Communities & Economic Development

Sen. Arnie Roblan, Chair
Sen. Herman Baertschiger, Vice Chair
Sen. Ginny Burdick
Sen. Floyd Prozanski
Sen. Betsy Close

Summary

The Oregon dairy industry, in working through the Oregon Dairy Farmers Assn., and in working with the Oregon Department of Agriculture, is requesting to have the option to change a Commodity Commission's current fiscal year (July 1 – June 30) to a calendar-based fiscal year. A calendar fiscal year specifically would better enable Oregon Dairy Products Commission (ODPC) to align its budgeting and program development with the annual unified marketing plan, a national dairy initiative of which ODPC is a member. Through this option, ODPC also would be better positioned to file its requisite annual USDA report to maintain its status as a qualified Checkoff organization, under USDA National Board provisions. Other state Commodity Commissions have expressed other benefits of this option, centered on budgetary planning around harvest-based income.

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Chairman Roblan, members of the Committee. Thank you for the opportunity to present before you today.

My name is Roger Beyer, and I'm here today representing the Oregon Dairy Farmers Assn. (ODFA), which is speaking on behalf of Oregon's dairy industry for this proposed legislation. ODFA represents the economic, community, and viable interests of Oregon's 270 dairy farm families.

Part of that economic interest is supported through the efforts of the Oregon Dairy Products Commission (ODPC). ODPC is part of the Commodity Commission structure, created by ORS 576, which is coordinated and has oversight by the Oregon Department of Agriculture. The Commission works to develop markets for milk and milk products through its work with consumers, retailers, schools, health professionals, dairy processors and dairy producers. ODPC's funding is primarily from Oregon dairy producers, based on an assessed fee for volume of milk produced. It also collects a separate assessment from the state's dairy processors, and generates a minimal amount of recovery income from the sale of educational materials. ODPC receives no funding from the State Treasury, nor is it subject to budget review or modification by the Legislative Assembly.

The current fiscal year for Oregon commodity commissions is determined by ORS 576.410 as "commencing on July 1 and ending on June 30."

I am before you today because, in working within the Commodity Commission structure, we would like Commodity Commissions to have the option to change their fiscal year to a calendar year.

Our reasons focus here on the specific benefits to Oregon's dairy industry:

In addition to state statute, ODPC is also regulated at the national level. It must report each year to the USDA, per the National Dairy Promotion and Research Act of 1983, to remain as a USDA qualified organization under the national dairy Checkoff program. Qualification enables dairy producers in Oregon to be credited for 10 cents of their nationally mandated producer assessment of 15 cents per hundred weight of milk produced. Five cents of this total is sent to the National Dairy Board, 10 cents remains in Oregon and is sent to ODPC. The annual USDA report is based on a calendar year of expenditures and activities. Currently, ODPC must combine portions of two state fiscal years and all program activities to compile this report. Without this qualification status, ODPC would lose 90% of its producer assessment funding.

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In addition, ODPC in September 2009 became a member of the United Dairy Industry Association (UDIA), which is a national federation of 19 state and regional dairy Checkoff organizations. All state and regional organizations follow a national unified marketing plan, which is also based on a calendar year. ODPC has managed to align with the national plan on a short-term basis. However, on a long-term basis, the current arrangement would be a substantial hindrance to its ongoing work at the national, regional, and local level.

By changing to a calendar year, ODPC would be better positioned to file its requisite USDA report, in addition to aligning with national dairy initiatives, planning, and budgeting.

With such an arrangement, any such fiscal year change will not affect the current annual reporting schedule to the Oregon Department of Agriculture, i.e., Comprehensive Annual Financial Report (CAFR) on a July 1-June 30 basis. Any Commission opting to change its fiscal year would meet this report requirement by combining results from calendar-based fiscal years.

To emphasize again, the legislation would not require Commodity Commissions to change their fiscal year, but only provide this change as an option through administrative rule.

To make this option possible, a legislative change to ORS 576 is needed. The proposal was considered by the Commodity Commission Advisory Committee, under the guidance of the Oregon Department of Agriculture. Committee members were favorable to the idea, but requested a due diligence in terms of any potential effects of such legislation. In response, the proposal was reviewed by Oregon Department of Agriculture and Oregon Department of Justice. Further, the Oregon Office of Legislative Counsel drafted a proposed bill based on those findings. From those interactions we note:

- “Oregon Department of Agriculture reviewed the topic and will remain neutral on proposed legislation that would allow commodity commissions to change their fiscal year through a change in their administrative rules.”
- “Oregon Department of Justice completed its review of whether the commissions may use a fiscal year other than July 1 to June 30, if ORS chapter 576 is amended appropriately. The answer is yes, because the department did not find any constitutional barrier to having a fiscal year other than July 1 to June 30. The Department noted that budgets are reviewed and approved by the Oregon Department of Agriculture rather than through the legislative process. Currently, no other state governmental entity that uses a fiscal year other than July 1 to June 30.”

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- “Oregon Office of Legislative Counsel considered the proposal concept and prepared a draft bill. The draft amends the appropriate sections and paragraphs of ORS 576, enables a fiscal transition period for fiscal year changes, maintains the appropriate public review process, provides a fiscal year change option only for the period beginning January 1 and ending December 31, and delineates the change through commission rule making authority.”

In addition to the above, other state Commodity Commissions have expressed other potential benefits of this option, centered on budgetary planning around harvest-based income.

In summary, the option for a Commodity Commission fiscal year change will enable Commissions, where applicable, to better align their budgetary and planning initiatives, to the benefit of their respective industries.

Again, Chairman Roblan, members of the Committee, thank you for the opportunity to present before you and I'd be glad to take any questions.

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