

## **DRAFT Minutes of the Perennial Ryegrass Bargaining Association**

June 7, 2006

Held at the Linn Co. Extension Office

Minutes prepared by Brent Searle, OR Dept. of Agriculture

The meeting was initiated at 9am.

In attendance:

Representing PRBA growers: Ralph Fisher, Ex. Director; Ron DeConick, President; PRBA Board: Jack Sayer, Mike Freeman, Mark Reiling, Phil Hawman, Dave Vanasche, Tim Butler, Alfred Pohlschneider, Russ Hayworth, Bob Vanderzanden, Ryan Clark, Dan Heuberger, Terry Etzel, Don Fisher, Ron Quiring, and Dan Sandau.

Representing Dealers: Aaron Kuenzi, AMPAC Seed; Brad Jeffres, Rick Myers, Claus Sass, DLF-International; John Cochran, Turf Merchants; Bill Gallagher, Turf Care Supply; Rich Underwood, Innovative Seed Marketing; JP Olson, ProSeeds; Gary Cooper, PSII; Duane Klundt, Scotts; Tom Pape, Columbia Seeds; Terry Ross, PSI; Mike Baker, Trevor Abbott, Pennington; Bob Cook, Emerald Commodities; John Foston, Joe Posh, West Coast Turf; Troy Kuenzi, Mountain View Seeds; Blasé Boyle, Marc Cool, Barenbrug, USA; David Lundell, Ultra Turf; Joe McAthany, Oregro Seed; Greg Hagen, Bruce M., Cascade; Bryan Muntz, Integra Seeds; Derek Schumacher, Jacklin Seed/Simplot; Paul Hedgpeth, Columbia River Seed.

Other Growers: Joe Schumacher, Aaron Schumacher, A & R Farms; Josh Herberger, Herberger Farms; Bob Lindsay, Jim Lindsay, Lindsay Brothers; Scott Zeigler, Zeigler Farms; Bruce Bige, Bige Farms; Chuck Sherman, Nick Sherman; Norm Wiesner, 4-B Farms; Eric Bowers, Bashaw Land & Seed; Bryce Cruickshank; Jason Scharf, Sharf Farms; Zach Christensen, Christensen Farms; Ryan ..., Sand Ridge Farms; Brian Glaser, Glaser Farms; Dennis Glaser, MidValley Farms; Mike Hayes; Gary Crossan, Crossan J.V.; John Pohlschneider, Pohlschneider Farms; Telly Wirth; George Pugh, Pugh Seed Farm; Larry Venell, MidValley Ag; David Reerslev, John Reerslev, Reerslev Farms; Duane Ditchen, David Ditchen, Golden Valley Farms; Mark Gaibler, Meadow Ridge Farms; George VanLeeuwen; Howard Mader, Mader Farms; Bruce Simonson; Harry Stalford; Tony Cuff, Prince Seeds.

Other: Gene Young, Mike Drew, Western Farm Service;

Brent Searle, Special Assistant to the Director, was acting as the director's designee to actively supervise, monitor, and facilitate the pricing discussions.

Following introductions, an explanation of the department's role and authority was provided, along with handouts that presented a flowchart of the process. (See attached document.)

All dealers and grower-dealers indicated they had signed declaration forms indicating what role (grower or dealer) they were positioned at for the negotiations.

Possible news headlines about the Oregon grass seed industry developed at a previous Long-term Subcommittee meeting were read to encourage Bargaining Council participants to think about and envision the long-term collaborative needs of the industry.

**SEED PRICES AT ALL-TIME HIGH PROFITABILITY FOR GROWERS AND DEALERS**

**GRASS SEED STOPS GLOBAL WARNING**

**MID-WEST USE OF OREGON GRASS SEED AT ALL-TIME HIGH**

**GRASS SEED INDUSTRY AND NURSERY INDUSTRY MAKE ALLIANCE**

**GRASS SEED PRODUCTION IS OREGON'S GREEN TREASURE**

**OREGON WIDENS WORLD PRODUCTION DOMINANCE**

**PERENNIAL RYEGRASS STRENGTHENS OREGON'S ECONOMY**

**OREGON GRASS SEED PRODUCERS AND INDUSTRY COLLABORATE TO DOMINATE WORLD PRODUCTION**

**TURF FROM OREGON SAVES EASTERN U.S.**

**OREGON GRASS SEED PLANTED ON EIFFEL TOWER GROUNDS**

Information from the Data Subcommittee was presented, including projected acres and yields for the 2006 crop. (See attached document)

Discussion followed. There was general consensus that the committee's estimates were reasonable and in the range of probability, between 180-200 million lbs., depending on weather and conditions from now to harvest. A carryover, based on a 4<sup>th</sup> quarter movement of 70 million lbs., was estimated between 30-50 million lbs.

Dealers indicated that movement has been good on the 2005 crop, due to favorable weather conditions in the Eastern and Southern U.S., the home construction market, and other factors.

Dealers felt that these same conditions may not be present in the next marketing year and to count on an average (230 m. lbs.) rather than an extraordinary (250+ m. lbs.) movement. Dealers felt the overseeding market and golf courses would cut back due to higher prices and other costs. However, they were unable to quantify this.

Growers noted that with high fuel prices more people are staying home and beautifying their yards and this is driving a big part of the demand. They feel this will continue.

Dealers concurred that home consumption and retail sales are a part of what is driving demand at the present.

Growers feel the market demand will not slacken as much as dealers caution and that a much smaller crop will require higher prices to ration the distribution.

Dealers note there is an oversupply of seed in Europe and New Zealand, and imports to the U.S. would be up some.

Growers noted that imported seed is not comparable to Oregon seed. Imported seed is the low-end market and much of it is forage quality seed, not turf varieties. Dealers felt that if there were a substantial price difference the imported seed would find its way into the turf market. Growers asked if there was mislabeling of seed packages in that situation. Dealers said it should not happen, but blending may occur.

It was noted that imports are only part of the equation and that exports offset some or most of that. In most years the net is minimal, 3-4 million lbs., and should not have a substantial bearing on the Oregon market price.

The declining value of the U.S. dollar against Canada and other currencies is also moderating the volume of imports and any advantage they have had in the past in the U.S. market.

Phasing out of the European subsidies for grass seed is having some effect on shifting out of production, but not as much as expected, according to dealers.

Cash grain prices are up in Canada, and the cost of production for grass seed is rising, so the cost-advantage of producing seed there is getting smaller.

The Council decided to caucus to enable each side to consider the information discussed and to develop pricing proposals.

Upon reconvening, the dealers presented an initial proposal on 50% of the 2006 crop at 67 cents/lb. for certified and 66 cents/lb. for uncertified turf-type perennial ryegrass seed. Dealers felt this a reasonable price range given present market conditions and seed availability.

Growers presented their initial proposal on 50% of the 2006 crop at 75 cents/lb. for certified and 74 cents/lb. for uncertified turf-type perennial ryegrass seed. Growers also proposed a pricing range for the 2007 crop between 65 and 75 cents/lb.

Growers asked if the dealers had considered any ideas around multi-year contracts. Dealers responded they had not taken up that topic.

The group broke again for caucus discussions.

Upon reconvening, growers presented the same position. They expressed concern about a short crop and having to raise the price significantly on the second half.

Dealers would not agree to pre-pricing of the 2007 crop at this time. They strongly stated that 75 cents was too high for the overseeding market. They believe that 75 cents would also bring

in too many acres in 2007 to maintain a stable market. They noted that a large portion of the 2 and 3 year-old stands would be replanted and yields would be higher accordingly in 2007.

Growers noted that if the VNS market moves much higher than the contract price that seed would flow that direction. They noted that certified acreage is down and the certified to non-certified ratios are staying fairly stable. They don't agree that large new acreages will go in due to increased costs of fuel, fertilizers and other inputs. Several thousand acres of sweet corn replaced grass seed acres in Marion County according to growers.

Growers also noted that the Bargaining Council had considered a recommendation from the Process Subcommittee on pre-pricing part of the crop into 2007 so that growers and dealers would have an idea of price before planting.

Dealers noted that the recommendation was to have that discussion by September for the 2007 crop, and now was not the right time to have the discussion. By Fall, information about inventory carryover and 4<sup>th</sup> quarter movement would be known.

Growers asked how many lbs. of seed were used in overseeding per 18-hole golf course. Dealers provided a range from 250-600 lbs./acre. Growers noted that the at 75 cents per pound this would equate to an additional \$3,000 per 18-hole course above the 67 cents per pound proposal, and they felt this was a nominal amount that wouldn't discourage usage. A dealer noted that this calculation represents the cost to the dealers, not the cost to the golf course. Freight, blending, margin and distribution costs are all additional components that have to be considered, making the cost to the courses higher and very likely having an impact on usage.

The parties broke again into caucus.

At this juncture the ODA representative, Brent Searle, conducted "shuttle diplomacy," taking proposals between the growers and dealers to see if an agreement could be reached on a recommended price.

Growers continued to believe the crop will be toward the lower end of the projections (180 million lbs.) while dealers believe it will be closer to the 200 million lb. mark. Dealers expressed caution about more movement and a larger crop in 2007; growers felt movement would continue strong and acres would not balloon next year.

After two more hours of caucusing and exchanging proposals, the parties finally came to a recommended agreement on pricing at 70 cents per pound for certified and 69 cents per pound for uncertified seed on 50% of the 2006 crop.

The dealers agreed to meet with ODA prior to September to discuss proposals for pre-pricing a portion of the 2007 crop.

The remaining portion of the 2006 crop will be priced in August.

The Bargaining Council was adjourned at 1pm.