

## **Minutes of the Bargaining Council, Perennial Ryegrass Price Negotiations**

Supervised by the Oregon Department of Agriculture

March 11, 2003

The meeting began about 9:30 a.m. on March 11, 2003 at the Natural Resource Center, OR Farm Bureau Conference Room in Salem, Oregon.

Brent Searle, Special Assistant to the Director, acting as the Director's designee, supervised the negotiations.

### In attendance:

Perennial Ryegrass Bargaining Association (PRBA): Jim Carnes (Ex. Director); Board Members -- Ron DeConinck (President) Don Fisher (Secretary/Treasurer), Alfred Pohlschneider, Mike Reiling, Steve Glaser, Mike Freeman, Dave Vanasche, Dick Lundy, Tim Butler, and Dave Malpass.

### Seed Dealers:

Dan Walters (Cebeco International Seeds), Steve Tubbs (Turf Merchants), Terry Burr (Barenbrug USA), Dick Olson (ProSeeds Marketing), Bill Dunn (Seed Research of Oregon), Mike Baker (Pennington Seed), Doug King (Pickseed), Jon Odenthal and Bill Gallagher (LESCO), Glen Jacklin (Simplot/Jacklin), Jay Burr (Scotts), Mike Berger (AmPac Seed Co.), Pat McClain (Burlingham Seeds), Ray Brubakken (Landmark Seed), and Jerry Newell (DLF-Jenks).

### Proceedings:

Brent Searle, ODA representative supervising the meeting, began by stating the role of the Oregon Department of Agriculture is to actively supervise the discussions and facilitate dialogue to assist the parties in arriving at a mutually-agreeable price for Tournament Quality perennial ryegrass under contract between dealers and PRBA grower members.

It is the intent of ODA to consider a negotiated price, if reached, in setting the established price as provided for pursuant to HB 3811.

All dealers present at the negotiations meet the definition of "dealer" as contained in ORS 646.515, pursuant to HB 3811. All dealers present are involved with grower contracts of members of the Perennial Ryegrass Bargaining Association cooperative.

The PRBA read and submitted into the discussion record the following statement:

"Representatives of the PRBA are attending this bargaining session, to negotiate a PRBA member grower price for TournamenT® Quality perennial ryegrass seed crop for the crop year 2003, in accordance with legislation HB 3811 (2001).

"Under the legislation passed in the 2001 legislative session and signed by the Governor in May 2001, the Oregon Department of Agriculture is directing the bargaining between the PRBA and dealer representatives, who represent those companies producing and marketing the majority of the production of TournamenT® Quality turf type perennial ryegrass seed produced by members

of the PRBA; and the Department of Agriculture is directing the negotiating parties to use criteria of HB 3811 (2001)."

(Dealers present represent more than 90% of contracted PRBA grower members and production. PRBA represents approximately 115 growers; one additional grower was noted as obtaining membership)

PRBA distributed updated information on imported seed through December '02.

For data on previous years' seed movement, production, and projected 2003 acreage, participants (and readers) are encouraged to review the February 2003 minutes.

Dealers asked if growers could join PRBA after a Bargaining Council price has been negotiated and set. PRBA indicated that membership is open to any grower who pays the assessment and agrees to the by-laws of the association. The Bargaining Council price that has been certified by the Director of Agriculture applies to contracts that may be "open." If a price has already been established with a grower and is set in a contract with a dealer prior to joining PRBA, the contract price is the applicable price. If the contract was an open contract without a price determined, then the Bargaining Council price will apply.

Dealers suggested that PRBA could help in establishing a market demand pull for Tournament® Quality perennial ryegrass by working with municipalities and other jurisdictions in establishing specifications that meet the Tournament® Quality standards. PRBA indicated that the intent of the association is to participate in marketing efforts as budget allows, concurring that this suggestion is a good idea and PRBA will take it under advisement.

PRBA President Ron DeConinck made a statement that emphasized the need for communications to growers and dealers about the importance of maintaining acreage at a level that maintains a viable price for all parties. He emphasized the need to focus on partnerships and collaboration between dealers and growers to the benefit of the industry as a whole because both components are needed for a successful industry.

PRBA then presented a 2003 pricing proposal. An additional concept proposal for 2004 and 2005, that is not tied to the 2003 price, was also presented to keep on the table for future discussions. This concept would link the price for 2004 and 2005 to a "benchmark" acreage level that would be determined by the Bargaining Council. If the acreage level was exceeded, the price would be nullified. The concept would create a price for 50% of production set in the Spring, and the other 50% would be set by August 1. The parties agreed to hold discussions on this proposal to another meeting.

The 2003 PRBA pricing proposal had two options:

Option A:

Fixed price for 100% of production at 57 cents/lb. on certified and 56 cents/lb. on uncertified Tournament® Quality seed.

Option B:

Fixed price for 50% of production at 55 cents/lb. on certified and 54 cents/lb. on uncertified TournamenT® Quality seed. Price on the remaining 50% of production would be determined by another meeting of the Bargaining Council by August 1, 2003.

The groups broke for caucusing to discuss these pricing options.

Reassembling, the dealers presented a counter-proposal for contracting two-thirds of the 2003 crop at 55 cents/lb. for certified, 54 cents/lb. for uncertified seed TournamenT® Quality seed. The price on the remaining one-third of production would be determined by the Bargaining Council by September 1, 2003.

Dealers felt that a pricing signal on two-thirds of the crop would enable dealers to address early-market needs and still enable some flexibility over a portion of the crop later in the fall. The potential impact of the severe weather in the Eastern U.S., coupled with higher prices affecting the demand for seed was presented as an issue that needed to be watched carefully and could impact prices later on in the year.

There was some discussion about open-market, non-contracted seed, and while all parties acknowledge that this seed will be available and the price will be dictated by market conditions, the intent of the Bargaining Council is to provide some stability to contracted acreage through pricing signals that encourages producers and processors not to over supply the market.

The groups broke again for further caucusing.

After reconvening and further discussions, PRBA accepted the 55/54 cent/lb. offer on two-thirds (67%) of the 2003 crop year production, leaving the remaining one-third (33%) to be determined by September 1, 2003 (or at such time as the Bargaining Council agrees to reconvene).

The Bargaining Council asked ODA to assist in spreading the message that the current acreage-price balance is critical for growers and dealers, and that overproduction could easily upset this balance. ODA agreed to provide information to the Capital Press and other sources to assist in encouraging restraint in production.

The meeting was adjourned at approximately 11:30 a.m.

NOTE:

The negotiated price was presented to the director of the State Department of Agriculture following the Bargaining Council meeting, and was reviewed and certified as the established price on March 11, 2003.

The following information was presented by ODA to the Capital Press:

The Oregon perennial ryegrass Bargaining Council, which consists of representatives from grass seed dealers and grower members of the Perennial Ryegrass Bargaining Association, have negotiated a price for the 2003 crop of TournamenT® Quality perennial ryegrass.

Settling on a price all sides could agree to -- and recommend to the Oregon Department of Agriculture for approval -- took two meetings, but the parties worked hard and reached a consensus.

The process that allows grass seed growers and dealers to meet together -- called "state action immunity" -- was created through legislation passed in 2001. This process provides anti-immunity protection to the participants from state and federal price fixing laws if it is conducted under the active supervision of the State Department of Agriculture and the agency reviews and approves any price prior to it becoming effective. This process provides the forum for the parties to meet and discuss all aspects of production and marketing factors that have a bearing on price.

The price recommended by the Bargaining Council for 2003 reflects a reduction in acreage, inventory, and imports from prior years. The recommended price arrangement, which has been reviewed and approved by the Director of Agriculture, is to contract two-thirds (67%) of the 2003 crop at 55 cents/lb. for certified seed which meets TournamenT® Quality standards, with 54 cents for uncertified seed meeting TournamenT® Quality standards. The price on the remaining one-third of production under contract (33%), will be negotiated by September 1, 2003.

The price balance that currently exists due to production and market demand is an important message that all growers and dealers need to note. "The current price -- which is reasonable for growers and dealers -- is something that could easily be upset if substantially more acres end up in production this fall," said Brent Searle, Special Assistant to the Director who supervised the negotiations. "We commend the parties for meaningful discussions around a lot of issues that resulted in this recommended price. This is an important outcome -- and equally important is the need for producers and dealers to keep an eye on the future with respect to acreage -- recent history shows that the balance can be tipped with overproduction that isn't helpful to growers or dealers."

Oregon is the leading producer of cool-season perennial ryegrass in the world, producing over 220 million pounds per year, which is marketed worldwide for lawns, golf courses, sports fields, erosion control projects, and other uses.