

Minutes of the Bargaining Council, Perennial Ryegrass Price Negotiations

Supervised by the Oregon Department of Agriculture

August 5, 2004

The meeting began at 9:30 a.m. on August 5, 2004 at the Oregon Department of Agriculture headquarters 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), Phil Hawman (Vice President), Ralph Fisher, Dan Sandau, Ron Quiring, Don Fisher, Dave Malpass, Mark Reiling, Tim Butler, Jack Sayer, Alfred Pohlschneider.

Seed Dealers:

Steve Tubbs (TMI), Ken Strahan (Barenbrug USA), Dick Olson (ProSeeds Marketing), Bill Dunn (Seed Research of Oregon), Mike Baker and Doug Miller (Pennington Seed), John Odenthal (LESCO, Inc.), Glen Jacklin (Simplot/Jacklin Seed), Kevin Turner and Jay Burr (Scotts Seed), Gary Cooper (Production Service), Rich Underwood (Innovative Seed Marketing), Gordon Zielinski and Duane Klundt (Turf-Seed, Inc.), Claus Sass (DLF International), Todd Bond and Troy Kuenzi (Mountain View Seeds), Scott Harer (Columbia Seeds), Randy Waldie (American Grass Seed Producers), Pat McClain (Burlingham Seeds) Chris McDowell (Pickseed West), David Lundell (ULTRA Turf), Don Mears (CHS), Aaron Kuenzi (AMPAC Seed).

Proceedings:

Following introductions, 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 discussing price-related factors for Tournament® Quality perennial ryegrass under contract between Oregon seed dealers and PRBA grower members. It is the intent of ODA to consider the recommended negotiated price, if reached, in setting the established price as provided for pursuant to HB 3811 (2001 Legislature).

All dealers present at the negotiations meet the definition of "dealer" as contained in ORS 646.515, pursuant to HB 3811, and are licensed seed dealers in Oregon. All dealers participating in the negotiations 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 Council session to negotiate a PRBA member grower price for the remaining 50% of the turf type perennial ryegrass seed crop, remaining to be priced, being produced under various seed production service agreements, that meet the Oregon Seed Certification and Tournament® Quality standards, for the crop year 2004, in accordance with legislation HB 3811 (2001).

“Under 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 which the department has drawn from HB 3811 (2001).”

PRBA distributed an assessment report from the Oregon Ryegrass Growers Seed Commission with movement of 2003 crop from growers to dealers as of June 30, 2004.

2003 Crop Movement:

Movement for the FY2003-04 crop year through June 30 indicates that 197.87 million lbs. of seed was transferred from growers to dealers. Third quarter movement was brisk and ahead of the past five years, but 4th quarter movement was down, reflecting the tightness of seed availability and higher prices that affected wholesale market movement.

Total movement for 2003-04 (197.87 million) was down compared to recent years. Nearly 216 million lbs. moved 2002-3; 228 million in 2001-02; 229 million in 2000-01; 241 million in 1999-00; and 207 million in 1998-99.

Movement has been affected by tight supply and higher prices for commodity/non-contract seed. Substitution of some other grass seed varieties has also had some affect on movement.

Inventory:

Overall inventory is low, estimated at 5-10 million lbs. going into the 2004 harvest.

New Crop Estimates:

New crop, 2004 seed is coming in, with as estimated 75% of the harvest completed. Yields vary substantially, ranging from 800 to 3,000 lbs., but averaging in the range of 1,300 to 1,400 lbs. per acre, cleaned. General consensus of the Council is that yields are off 5-10%, but acreage is estimated to be higher than last year by 15-18%, likely in the range of 170,000 acres.

PRBA provided two projections based on OSU certified acreage of 82,501. If this represents 48% of total acres, approximately 170,000 would be in production. If certified acres represent a higher percentage (55%), then total acreage would be lower, in the 150,000 range. Using an average yield of 1,350 lbs./acre, PRBA estimates that total production could be in the 202.5 million to 232 million lbs. range.

If movement improves to a projected 205 million lbs., an estimated carryover ranging from a deficit of 2.5 million lbs. to a stock of 25-30 million lbs. may result in 2005, depending on actual acreage and yields compared to movement.

Certified Seed Acreage:

Certified seed acreage, at 82,501 in 2004, increased 21% above the 2003 crop year of 67,868. However, 2004 certified acreage is below 1998, 1999, and 2000, when acreage was 87,045, 96,250, and 89,238, respectively. Certified acreage appears to be at a higher percentage of total acres than in recent years and therefore isn't necessarily an indicator of higher overall acres.

Production Outside Oregon:

The Council discussed acreage and conditions in Canada and Minnesota. Regular rains throughout the summer suggest that larger yielding crops will be forthcoming there.

Turf type perennial ryegrass seed production is estimated at 23,000 acres in Canada, one-half of which is VNS. Canadian seed typically sells into the U.S. at 5% below the Oregon price negotiated by the Bargaining Council. Yields in Canada ordinarily are substantially below Oregon yields, but this year may prove different.

Acreage in Minnesota is increasing, potentially at 8,000 acres. While average seed yields are substantially below Oregon yields on most years, rains have boosted prospects this season. Prices in Minnesota are in the 42-45 cent/lb. range. Reasons for lower prices include lower yields and variability in supply, quality aspects, and closer proximity to Mid-west and Eastern markets.

Market Demand:

A dealer knowledgeable about European grass production indicated that yields there are average and will dampen prospects for strong export demand for Oregon seed to Europe. It was also noted that the phasing out of European farm subsidies may present an increasing opportunity for Oregon growers and dealers to focus marketing there in the long-term as subsidized production there is ratcheted down.

Dealers noted that domestic golf courses are backing off on overseeding rates and demand, partly due to rains in certain parts of the country, and also due to tight budgets and over-supply of golf courses at the present.

New construction is still creating movement, but existing residential and commercial lawns in the mid-west and eastern parts of the U.S. are still very green from rains.

Dealers also noted that bagged retail seed is stocked well at the retail end, indicating that end of the "pipeline is full" and will not create immediate high demand for new crop seed. Finished goods inventory is up.

Negotiations:

In general, the Council agreed that yields were off moderately, acreage was probably up, demand appears normal but not extremely strong due to mitigating factors such as weather, the economy, and production in other areas.

The parties moved into discussions about negotiating 50% of the pricing for the 2004 crop.

The group split into caucuses to evaluate the information and prepare proposals. ODA met with dealers prior to the Bargaining Council meeting, and again during the caucus to supervise the discussions.

ODA ascertained the initial pricing position of PRBA and the dealers, and announced these to the Bargaining Council.

The dealers felt that staying with the \$60/59 per cwt. level was prudent and reflects current market conditions and supply.

PRBA felt that a higher level was supportable given the price rally in the 4th quarter of the 2003/04 marketing year, tight supplies and low inventories. PRBA presented a price proposal of \$64/63 for the remaining 50% of production, bringing the overall average price to \$62/61/cwt.

After further discussions and caucusing, the dealers rejected the \$64/63 proposal. PRBA countered with a proposal of \$62/61 on the remaining 50%, which would equate to an overall average price of \$61/60/cwt. for the 2004 crop.

Considerable discussion ensued among the dealers with various counter proposals being considered, including delaying the pricing until November, setting 80% of the price now and delaying 20%, and other options. A majority consensus on an alternative proposal could not be reached.

Ultimately, the dealers voted, by majority, to concur with the \$61/60 overall average price for the 2004 crop.

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

The Bargaining Council's recommendation to set the price for the remaining 50% of the production at \$62/61/cwt, averaging the 2004 crop at \$61/60/cwt. was forwarded to the director, along with the accompanying data, discussion materials, and meeting minutes, for her consideration.