

Minutes of the Bargaining Council, Perennial Ryegrass Price Negotiations

Supervised by the Oregon Department of Agriculture

June 7, 2004

The meeting began at 9:05 a.m. on June 7, 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, Dave Vanasche, Dick Lundy, Dave Malpass, Mark Reiling, Tim Butler, Mike Freeman, Jack Sayer, Alfred Pohlschneider.

Seed Dealers:

Steve Tubbs (TMI), Roeland Kapsenberg (Barenbrug USA), Dick Olson (ProSeeds Marketing), Bill Dunn (Seed Research of Oregon), Mike Baker (Pennington Seed), John Odenthal (LESCO, Inc.), Glen Jacklin (Simplot/Jacklin Seed), Kevin Turner (Scotts Seed), Gary Lindberg (Production Service), Rich Underwood (Innovative Seed Marketing), Gordon Zielinski, Duane Klundt (Turf-Seed, Inc.), Claus Sass (DLF International), Todd Bond and Troy Kuenzi (Mountain View Seeds), Greg Williamson (NW Seed Source), Scott Harer (Columbia Seeds).

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 25% of the turf type perennial ryegrass seed crop 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)."

(Dealers present represent more than 80% of contracted PRBA grower production. The PRBA represents 115 growers who are members of the bargaining cooperative.)

PRBA distributed an assessment report from the Oregon Ryegrass Growers Seed Commission with movement of 2003 crop from growers to dealers as of April 4, 2004.

Movement for the FY2003-04 period through April 4 indicates that 182 million lbs. of seed was moved (with 2 months left in the marketing year), compared to 174 million in 2002-3, 158 million in 2001-02, 174 million in 2000-01, 190 million in 1999-00, and 186 million in 1998-99.

Movement continues strong, with a tight commodity market for any remaining seed given limited inventories.

PRBA also distributed data on imports and exports of grass seed. Imports are up from 2002-03, and may reach the 2001-02 level, but remain lower than in the prior 5 years. Exports through the third quarter of the marketing year stand at approximately 12.4 million lbs, with 10.5 million lbs. of imports. Imports are up, and exports to all major markets are down from the prior year due to higher U.S. prices.

Turf type perennial ryegrass seed production is estimated at 20,000 to 30,000 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 remain substantially below Oregon yields and quality.

Acreage in Minnesota is increasing, potentially at 8,000 acres, average seed yields are substantially below Oregon yields. Production in Washington State of turf type perennial is minimal.

Dealers asked about the outlook for the crop with the recent rains. Growers responded that the crop outlook varies by location; the rain has been spotty with some areas receiving substantially more than others. But across the region, the dry spring has created a 5" below normal deficit and subsoil moisture is very low. Current rains are sustaining the crop and helping with seed fill, but won't create a bumper crop. The next three weeks are critical and will determine the yields.

Discussion ensued about the differences of opinion on acreage and certification, noting that OSU shows a lower percentage than the recent dealer survey conducted by ODA. This can lead to differences of view on projected amount of crop and carryover.

Despite the lack of ideal data on acreage, the Bargaining Council noted that approximate numbers were discussed at the April meeting and everyone felt those numbers were reasonable. Further, PRBA noted that contracted acreage is being managed better by dealers for market demand.

At this point ODA referenced the guidance document developed to assist growers and dealers address contract language and pricing issues to minimize confusion between PRBA grower members and non-member growers. ODA emphasized the need for dealers to review their contracts

with non-PRBA member growers if those growers do not want their seed price influenced by the Bargaining Council price recommended to ODA for review and certification.

Discussion continued on competing crops (other grass seeds) and price trends. It was indicated there are some quality issues, but prices are generally strong on most varieties.

The parties moved into discussions about negotiating 25% of the pricing for the 2004 crop.

The group split into caucuses so the dealers could discuss their position and pricing interests. ODA was present and supervised the dealer's discussions.

While some dealers preferred to hold off until later in the season to negotiate any more pricing, the majority of dealers felt it was preferable to set the price for 25% of the crop at the current level of 60 cents/lb. on certified and 59 cents on uncertified.

The parties reconvened and this proposal was presented to the growers.

Another caucus was held to allow the growers to discuss the proposal and consider options they were prepared to offer.

After reconvening, PRBA indicated that their Board supported 63/62 cents/lb. on 25% of the crop, averaging for the 75% (50% previously negotiated) at 61/60 cents/lb.

The dealers favored staying at the 60/59 level, or alternatively waiting to negotiate the remaining 50% until late July or early August.

Another caucus was held.

After further discussions, the Bargaining Council concluded that waiting until closer to final harvest data was available would enable a pricing arrangement that would more closely reflect market demand and production. The Bargaining Council recommended to ODA that the remaining 50% of the price be negotiated sometime prior to August 15, depending on the onset and progression of the harvest.

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

The Bargaining Council's recommendation not to set an additional 25% of the crop price at this time, and to negotiate the remaining 50% of the price sometime prior to August 15 (which may occur in one or more meetings that may comprise various percentages of the price mix) was conveyed to the Director of Agriculture.

As no new pricing was recommended by this action, and the present pricing order stands with 50% of the 2004 crop priced at \$60/59/cwt., the Director will not issue a new pricing order at this time.