

Minutes of the Perennial Ryegrass Bargaining Council
May 4, 2005
Convened under the Auspices of the Oregon Department of Agriculture

The Perennial Ryegrass Bargaining Council met at 9 a.m., on Wednesday, May 4, 2005 at the Oregon Department of Agriculture in Salem, Oregon.

In attendance representing the Board of the Perennial Ryegrass Bargaining Association:

Ralph Fisher, Ex. Director, Ron DeConick, President, Jack Sayer, Mike Freeman, Mark Reiling, Phil Hawman, Dave Vanasche, Don Fisher, Dan Sandau, Ron Quiring, Tim Butler, Dave Malpass, Alfred Pohlschneider.

In attendance representing seed dealers:

Rich Underwood (Innovative Seed Marketing), John Cochran (Turf Merchants), Troy Kuenzi (Mt. View Seeds), Tom Pape (Columbia Seeds), Bill Gallagher (LESCO, Inc.), Jon Odenthal (LESCO, Inc.), Dick Olson (ProSeeds), Bill Dunn (Seed Research), Glen Jacklin (Simplot/Jacklin Seed), Pat McClain (Burlingham), Blaise Boyle (Barenbrug USA), Mike Baker (Pennington Seed, Inc.), Duane Klundt (Turf Seed, Inc.), Gary Lindberg (Production Service), Greg Hagen (Cascade Seed), Marc Cool (Barenbrug USA), Mike Billman (DLF International), Alan Muhl (DLF International), George Pugh (Pugh Seed Farm/AMPAC), Kevin Cole (Alied Seed), Jay Burr (Scotts Co.).

Following introductions, Brent Searle, designee of the Director to supervise the perennial ryegrass pricing negotiations, referenced the process and authority of the Department of Agriculture to provide oversight and supervision necessary for anti-trust protection to the participating parties.

Brent Searle noted that Jim Carnes, past Executive Director of the Perennial Ryegrass Bargaining Association, is facing a serious situation from cancer and wishes the prayers and thoughts of the Bargaining Council participants for Mr. Carnes. Mr. Carnes' considerable contributions to the establishment of the process and its progress were noted.

Ralph Fisher, new Executive Director of the PRBA, read the following statement into the meeting record:

“Representatives of the PRBA are attending this bargaining session to discuss the potential 2005 crop year production of turf-type perennial ryegrass seed, projected carryover as of July 1, 2005, export and imports of turf-type perennial ryegrass seed, and to consider and negotiate a PRBA member-grower price for Tournament®Quality perennial ryegrass seed crop under various seed production service agreements for the crop year 2005, 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 discussions and 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 produced by

members of the PRBA; and the Department of Agriculture is directing the negotiating parties to use criteria the department has drawn from HB 3811, 2001.”

Ralph Fisher distributed the assessment report from the Oregon Ryegrass Commission, showing the movement for the first three quarters of the 2004-05 crop. The report indicates that 191.5 million pounds of perennial ryegrass were shipped by Oregon dealers from July 1, 2004 through March 2005.

This compares to 182 million pounds shipped during the same period for the 2003-04 crop, and 173.8 million pounds during the same period for the 2002-03 crop.

Mr. Searle distributed a summary of contracted acreage and production data reported by dealers for 2004 and 2005. Not all dealers reported data and some grower varieties aren't captured, but the data represents roughly 90 percent of the production of contracted acreage in Oregon and also reports acreage in other production areas.

This data indicates there were approximately 193 million pounds produced in 2004 (accounting for about 90% of contracted production).

There was little inventory carryover from the 2003 crop going into the 2004 season. With 191.5 million pounds shipped to date of the 2004 crop, the shipped amount accounts for most of what was reported in 2004 production.

However, dealers reported inventory on-hand as of mid-April 2005 at 48 million pounds. This included both unsold and sold inventory that had not been shipped. This compares to about 16 million lbs. of inventory at the same point in 2004. Many dealers indicate that a good portion of the 48 million pounds was beginning to move in later April and into May.

This evidences that the spring market had not materialized as quickly in the Eastern U.S. for moving product as past years, and it also indicates that the reported production estimates are somewhat low or some of the inventory is VNS varieties.

Reported production under contract:

Turf-type Perennial Ryegrass:	2004	2005
Acreage under Contract:		
Certified	77,574	96,006
Uncertified	59,535	64,002
TOTAL	137,109	160,008
Total lbs. Production:		
Certified	106,392,943	109,965,450
Uncertified	86,247,273	97,507,716
TOTAL	192,640,216	207,473,166
Acreage under Contract:		
PRBA growers	36,144	41,178

Non-PRBA growers	86,162	103,568
PRBA % of TOTAL	29.6%	28.4%
Non-contract acreage commitments	4,208	3,235
	126,514	147,981
Production Under Contract:		
PRBA growers	56,187,438	63,405,260
Non-PRBA growers	121,034,868	142,901,725
TOTAL	31.7%	30.7%
Non-contract lb. commitments	10,022,400	4,946,315
	177,222,306	206,306,985
Total contracted acreage for		
turf-type perennial ryegrass in:		
Oregon	113,834	136,704
Washington	1,686	2,119
Midwest	2,182	4,010
Canada	16,263	29,097
New Zealand/Oceania	849	866
EEC	0	0
Asia	0	0
Total Acres	134,814	172,796
Inventory on-hand April 15, 2005	15,897,565	48,243,525

**Numbers in all columns don't total because not all seed companies reported in all categories.

The next gathering of this information will include only Oregon contracted acreage in the upper portion of the chart (down to other production areas), and inventory data will include a categorization for TQ and non-TQ, and be limited to inventory which is not sold (or the portion sold and not shipped will be broken out).

Mr. Jon Odenthal presented the perspective of the dealers, summarizing the discussions of a dealer meeting, which was supervised by ODA, on April 26.

“We (growers & dealers) all share the same goal of a stable market, with value and profit for both groups.

- We want to establish a price that is appropriate for the market. Pricing too high or too low can undermine this process.

Summary of Current situation by Dealers:

Currently there are many signals in the market that indicate uncertainty of price for 2005 and beyond:

- Fall usage was soft due to economic conditions of golf and pricing.
- Spring weather has had a dramatic negative effect on movement.
- Current carry from 2004 crop is 32 million pounds higher than this time last year.
- 2005 Acreage is high with potential for a very good crop (240 million lbs.)

- European acreage has not changed yet due to elimination of subsidies.
- Weak creeper market will lead to mixture substitution.
- Uncertainty of acres of grower controlled varieties.
- Higher fuel prices lower the buying capability of our customers.

Dealers' Recommendation: "We don't want to set a price today above what the market could bear, but we also don't want to set a price too low sending the wrong signals to the market. We wish to set a date in mid-June to meet again to establish a price.

"It is in the interests of growers and dealers to wait to establish a price until early to mid- June because:

- Spring usage will be known
- Better 2004 inventory carry numbers will be available
- A better estimate of total acres, contracted and non-contracted may be available.
- 2005 crop potential will be better known."

PRBA responded by noting that there appears to be minimal pressure from imports (although current data was not yet available) and that the drought concerns in the southern and eastern markets no longer exist. Further noted that Tournament®Quality inventory is likely a small portion of overall existing inventory, and Oregon acreage is less an issue than expanding Canadian acreage.

Discussion followed about Canadian yields, which on average are less than 1,000 lbs./acre, and prices. Dealers pointed out that there are Canadian dealers who are contracting acreage as well and that Canadian growers are determining whether this can be a viable crop for them. Prices to Canadian growers have typically been discounted 5-10% off the Oregon Bargaining Council price, depending on the exchange rate.

PRBA noted that costs for growers are up significantly, particularly fuel, fertilizers, and health insurance, acknowledging that some of these costs are impacting dealers as well.

PRBA President Ron DeConick suggested the Bargaining Council explore multi-year contracts to provide longer-term market stability in future discussion.

Ralph Fisher indicated that PRBA would like to negotiate a price today and the groups broke into caucus to discuss this.

Upon reconvening, PRBA proposed a price of 62/63 cents/lb. for uncertified/certified seed, respectively, for the 2005 crop year.

The groups again broke into caucus to allow the dealers to consider the proposal.

The dealers continued to feel that there are too many uncertainties to price this early in the season for the 2005 crop, and that setting a price too high or low would negatively impact all the parties.

All sides agreed to reconvene under the auspices of ODA in mid-June.

The meeting was adjourned about 11 a.m.