

## Pesticide Stewardship: Funding explained

Governor Kitzhaber's recommended budget includes essential funding for pesticide water quality monitoring, pesticide efficacy education and outreach, and community pesticide collection events to help Oregonians voluntarily protect and improve water quality for drinking, irrigation, recreation and wildlife habitat. It is possible to achieve this funding with no impact on prices for pesticide users.

*"... state registration fees have absolutely no impact at all on final market price of a product. If prices of an insecticide differ among states it is because of competitive activities and negotiating deals with local distributors and dealers. Registration costs get rolled into the large pot of R&D expenditures and you are right, compared to all the other expenses, registration costs are minute."<sup>3</sup>*

-- A major pesticide manufacturer, to Steve Riley, ODA Pesticides Division, in an email conversation.

**The Governor's recommended budget does not rely on a fee increase.** The \$1.5 million/biennium Pesticide Stewardship policy option package in the Governor's Recommended Budget relies on 50% general funds and 50% *existing* pesticide registration fee revenue.

**A modest fee increase may be part of multiple ODA program needs in 2015.**

Once existing fee revenue no longer covers the fee portion of the governor's budget package, Oregon Department of Agriculture may require approximately a \$34/year increase in the annual fee to fund the fee-funded portion of this program:

\$750,000/biennium. Currently, Oregon's

pesticide registration fee is \$160/year per pesticide product. By statute, it can be increased administratively up to \$250/year (ORS 634.016). Increasing the annual fee to \$194 per pesticide product would bring Oregon's fee on par with or below fees in other states across the nation. The national average of pesticide product fees ranges from \$186.76 to \$205.06.<sup>1</sup>

**Any future fee increase will be paid largely by out of state businesses.** 1,191 manufacturers pay a registration fee in Oregon for agricultural/commercial-use pesticides and antimicrobials (such as Lysol). Less than 3% (35) are Oregon-based companies. The majority are multinational or U.S. companies.

### **Pesticide Registration Fees are unlikely to impact pesticide prices for users**

Pesticide prices are determined by a number of variables; however, fees are generally considered fixed costs, and not significant in price setting.<sup>2</sup> According to one survey of pesticide manufacturers, the top five costs calculated as a proportion of the sale price were the cost of the active ingredient, marketing and sales, logistics and administration, manufacturing, and net profit margin.<sup>4</sup> Royalties, licensing fees, and product registration captured the smallest proportion of the total cost.<sup>5</sup> This is supported by conversations with two retired employees for a large pesticide manufacturer who were intimately involved in pricing decisions, one a marketing manager and the other a financial analyst. It is also supported by a product cost comparison between Midwest states with fees ranging from \$100 - \$400/year. Although the registration fee varied, product prices remained consistent. A 1997 Agriculture and Agri-Food Canada report states that regulatory and container disposal costs are difficult for manufacturers to pass on to consumers, and product value in the market and share of the target market are the greatest variables in product pricing.<sup>6</sup> The total estimated annual cost for registering a product in every state is \$10,282...a \$34 increase in Oregon would represent an annual increase of less than 0.3% to a manufacturer's financial assessment for U.S. registration and should not impact pricing.<sup>6</sup>

1. Using a conservative estimate of other states' pesticide product fees and assuming that all other fees remain equal, Oregon would have the 16<sup>th</sup> highest fee in the nation, sharing this position with Rhode Island, North Carolina, Nebraska, Mississippi, and Alabama. Using the 2010 high dataset and assuming that all other fees remain equal, Oregon would have the 13<sup>th</sup> highest fee in the nation, sharing this position with Rhode Island, Mississippi, Massachusetts, Illinois, and Alabama.
2. From personal conversation with Steve Riley, ODA Pesticides Division, former Global Technology Manager for DuPont
3. From personal conversation with Steve Riley, ODA Pesticides Division
4. Carlson, G., Deal, J., McEwan, K., and B. Deen. 1999. "Pesticide Price Differentials Between Canada and The U.S." Prepared for US Department of Agriculture Economic Research Service and Agriculture and Agri-Food Canada. Accessed 29 November 2011. <http://www.ers.usda.gov/briefing/nafta/PDFFiles/pesticideprices.pdf>
5. For locally formulated products. For imported products, these costs were among the bottom 5. Ibid. McEwan, K. and B. Deen. 1997. "A Review of Agricultural Availability in Canada." Prepared for Saskatchewan Agriculture and Food, Ontario Ministry of Agriculture, Food and Rural Affairs, and Agriculture and Agri-Food Canada. Accessed 29 November 2011. <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1180013640045&lang=eng#a6.3.2>
6. From personal conversation with Steve Riley, ODA Pesticides Division