

HB 3435 Testimony

Mark Simmons, Executive Director, Oregon Grass Seed Bargaining Association.

What the bill does: Gives ODA permission to collect grass seed production and inventory information from seed dealers that contract for grass seed production with Oregon farmers. If this bill is passed by the legislature and implemented by the ODA the ODA would then collect grass seed supply and inventory information from dealers and aggregate that information into total industry figures while protecting the confidentiality of individual dealer information, and then make the information available for a fee to the seed industry.

OGSBA is a cooperative made up of 160 seed growers. The primary function of the organization is to negotiate seed prices with seed dealers who contract with our members. We typically do this each spring. We hold a meeting in May where we make our best **guess** at how much seed is still available from the prior year, how much seed is likely to be available from new production, what consumption is going to be, and how much is likely to be carried over into the next year. Then we meet a month later and use that information to negotiate prices for the seed that is about to be harvested, the prices we agree on are known throughout the industry as the bargained price or the OGSBA price. Last year 18 major seed companies participated in price negotiations representing the great bulk of all grass seed produced in Oregon. The prices we set are acknowledged to be the standard in the industry and effect seed movement worldwide.

Industry background: Seed dealers develop proprietary varieties of seed and then contract with farmers to produce it for them. The seed dealer that contracts with a farmer is the only dealer a farmer can sell the seed back to. In the past there was **no firm deadline by which a grower had to be paid** for seed he produced for a dealer and in times of oversupply growers would have to hold seed for in some cases years. I know farmers who have held seed for four years while waiting for a dealer to pick it up and pay them for it. All the while paying interest to the bank on the operating loan they used to produce the seed. Sometimes farmers went bankrupt.

The Oregon grass seed industry has gone through dramatic boom and bust cycles. When seed was in short supply prices would climb and as soon as there was a half truck load too much the prices would begin to slide down again even if our customers would have still been willing to pay a higher price. Part of the problem was that when growers didn't have to be paid for seed they produced, there was no incentive to control production and there was no market discipline.

Several years ago the seed industry approached the legislature and asked that some structure be put around seed contracts and the resulting legislation requires among other things, that growers be paid for seed they produced for a dealer no later than May 1 of the year following harvest of the seed. Along with that change came a big incentive to manage production, because now it has to be paid for.

At that point we began to recognize the important role of production and supply information.

We need our dealer partners to be profitable so that we can be profitable. We have a great deal of money, time and energy tied up in producing grass seed and we believe that warrants taking any necessary steps to secure the best data possible to help our industry make production and seed pricing decisions. If implemented, HB 3435 would not provide some magic cure ensuring a prosperous future but it would put us in a stronger position than we are today. We believe that meaningful progress is often incremental and this small step would be meaningful for our industry. Want to make money and not just fool around.

There are 214 licensed seed dealers in Oregon.

Grass seed production is a \$400 million dollar industry in Oregon.