
**Agriculture & Natural Resources
Committee**

SSB 5074

Brief Description: Concerning payment of seed contracts.

Sponsors: Senate Committee on Agriculture & Natural Resources (originally sponsored by Senators Boehnke, Chapman and Krishnadasan).

Brief Summary of Substitute Bill

- Establishes standards, terms, and processes for turf seed grass production and purchase contracts.

Hearing Date: 3/25/25

Staff: Lily Smith (786-7175).

Background:

Commission Merchants Act.

Under the Commission Merchants Act, the Washington Department of Agriculture (WSDA) regulates certain aspects of the market for agricultural products. Individuals and entities involved in the resale or processing of agricultural products, such as dealers, must be licensed by the WSDA. Unless otherwise specified by contract, a dealer must pay for agricultural products within 30 days of delivery or of taking possession.

Seed Production.

Seeds in general are regulated by the WSDA, which enforces seed standards and labeling requirements. A dealer's license is required before a person may distribute seeds. Before a

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buyer may bring a legal action against a dealer for an allegation of defective seed, the buyer must first provide mediation.

A seed bailment contract is where a producer grows seed by agreement for a seed contractor, where the seed contractor retains title to the seed and resulting crop. Seed bailment contracts do not create a security interest. Payments from a seed contractor to a seed producer to be made as provided in the seed bailment contract are subject to security interests and liens.

Uniform Commercial Code.

Article 2 of the Uniform Commercial Code (Article 2) governs all commercial sales of goods and provides default rules that apply where the parties to a contract have not comprehensively addressed common issues in a written contract. Article 2 addresses issues such as contract formation and modification, delegation of performance and assignment of rights, and performance, breach, and repudiation.

Summary of Bill:

Processes are established for regulating contracts for the sale and distribution of turf seed grass. Terms of a turf seed contract must include the estimated date for seed delivery, terms and estimated dates for payment, and the amount and type of seed to be purchased. Unless otherwise specified in contract, payment to a producer is due the earliest of the date specified in the contract, 30 days after seed delivery, or May 1 of the calendar year following the harvesting of seed. A turf seed production contract that is established before the producer plants the turfgrass seed may contain different payment terms if the contract states the date by which final payment is due.

A seed bailment contract or seed purchase contract does not create a possessory security interest in goods. Turf seed payments due from a turf seed dealer to a producer are subject to liens and security interests. A turf seed contract may not provide for exclusive venue or jurisdiction in another state.

A turf seed dealer that requests modification to the terms of a seed production contract shall pay an amount equal to at least 25 percent of the value of the contract prior to modification. A party to a turf seed contract may not require the other party to agree to a material modification of the contract. In any action to recover damages for breach of contract, if the court finds that a party to the contract failed to act in good faith, the court may award the prevailing party court costs and reasonable attorneys' fees.

Processes are established for purchasing turfgrass seed if testing establishes that the turfgrass seed does not meet quality standards as set forth in the contract. The parties may establish the terms of the turf seed purchase contract including the price of seed not meeting quality standards.

A turf seed grower may notify the WSDA if a seed dealer fails to pay a producer for seed when payment is due. If the WSDA determines that a turf seed dealer has not made payment, the WSDA must notify the dealer in writing and the dealer has 30 days to pay the producer. The WSDA may charge a turf seed dealer in accordance with interest amounts authorized for commission merchants, and must suspend the license of a turf seed dealer until all payments are current. The WSDA may refuse to issue a seed dealer license for a seed dealer whose license has been suspended.

The WSDA may adopt rules to require a seed dealer provide financial assurance for performance of turf seed production or purchase contracts. The WSDA's director may make mediation services available for the resolution of turf seed production contract disputes.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.