

HOUSE BILL REPORT

SSB 5074

As Reported by House Committee On:
Agriculture & Natural Resources

Title: An act relating to payment of seed contracts.

Brief Description: Concerning payment of seed contracts.

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

Brief History:

Committee Activity:

Agriculture & Natural Resources: 3/25/25, 4/1/25 [DP].

Brief Summary of Substitute Bill

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

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass. Signed by 11 members: Representatives Reeves, Chair; Morgan, Vice Chair; Dent, Ranking Minority Member; Engell, Assistant Ranking Minority Member; Bernbaum, McClintock, Nance, Orcutt, Richards, Schmick and Springer.

Staff: Lily Smith (786-7175).

Background:

Commission Merchants Act.

Under the Commission Merchants Act, the Washington State Department of Agriculture (WSDA) regulates certain aspects of the market for agricultural products. Individuals and

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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 seed. Before a 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, and 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.

Staff Summary of Public Testimony:

(In support) This bill helps to resolve the current issue of some seed dealers not getting paid. They can go through the seed production process, but then wait an excessive amount of time for payment. This bill will speed up the process and reduce the producer's risk. The bill also aligns with a standardization that is occurring across the Northwest and follows an Oregon example. Washington can lose out to other states in this global market, and we should ensure we can succeed. Washington can be greener and more prosperous, and be an example to the rest of the world.

(Opposed) None.

(Other) The original bill was well intended but needed more work. The effort to make the

bill more practicable is appreciated. The state agricultural investigations program could use this policy to enforce delinquent turf grass seed payments.

Persons Testifying: (In support) Senator Matt Boehnke, prime sponsor.

(Other) Alison Halpern, Washington State Department of Agriculture.

Persons Signed In To Testify But Not Testifying: None.