

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL ESTIMATE

BILL NUMBER: H.B. 1055 SCS

SHORT TITLE: Arbitration of Seed Claims

SPONSOR(S): Representative Russell

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES	\$1,850	\$3,900	\$4,100	\$4,300	\$4,500
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Agriculture.					
EFFECTIVE DATE: Section 3 and 4 become effective when it becomes law. The remainder becomes effective January 1, 1999, and applies to agricultural and vegetable seed purchased on or after that date.					

BILL SUMMARY: The bill allows the parties involved in a disagreement about the quality of agricultural seeds to request an investigation by a special "Seed Board", and participate in special arbitration. The bill directs the Agriculture Commissioner to appoint a five-member Seed Board. Three members will be appointed on the recommendations of the NCSU Agricultural Research Service Director, the Cooperative Extension Director, and the President of the North Carolina Seedmen's Association. The bill also directs the Commission to appoint one farmer (not connected to seed sales) and one Department employee to the Board. The committee must conduct an investigation when they receive a complaint from a buyer or a request for investigation from a dealer. The bill requires that the complaint be filed within a time period that allows for inspection of the affected seed, crops, or plants. Both dealers and buyers must pay a \$100 fee when filing their complaint or request for investigation. Once a buyer files a complaint, they must notify the dealer. The dealer has ten days to file a response. After the 10 day period, the Seed Board will begin their investigation, following the guidelines in the bill. The findings of the Seed Board are binding if the buyer and dealer have agreed, in advance, to abide by the decision of the Board. If legal action is taken by either party after the Board completes its investigation, the committee's findings are admissible as evidence. If the buyer alleges damages

and does not file a complaint with the Seed Board, their right to recovery in court is limited to their actual cultivation related expenses.

ASSUMPTIONS AND METHODOLOGY: According to the Department of Agriculture's legal staff, Georgia is the only state with a seed arbitration program substantially similar to the bill. The Georgia seed arbitration program has been in operation for three years. The Georgia program received eight (8) complaints or requests for investigation in 1995, fifteen (15) in 1996, and thirty (30) in 1997. They also report receiving more than 30 complaints and/or requests for investigation, so far, in 1998. Based on these estimates, and the relative size of the seed market, the North Carolina Department of Agriculture estimates that they will receive twenty-five (25) buyer complaints and twelve (12) dealer requests for investigation. Assuming each buyer and dealer pays the \$100.00 filing fee, the bill would generate \$3,700 in FY 1998-9 (37 Total complaints and requests for investigation X \$100), if the bill were in effect for the entire year. The FY 1998-9 estimate shown in the table above represents the actual revenue expected in FY 1998-9 as adjusted for the January 1, 1999, effective date.

The North Carolina Department of Agriculture expects the number of complaints and/or requests for investigation to increase with the continued development of genetically modified crop varieties. These new varieties are resistant to pests and tolerate certain herbicides. Because these genetically modified seeds are more expensive (Since the introduction of these genetically modified seeds three years ago, national farm expenditures for seeds have increased an average of 7.5% per year.), and the risks associated with non-performance greater, farmers are likely to seek compensation for seed failure. This note assumes 5% annual growth in the number of filings.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Linda Struyk Millsaps

APPROVED BY: Tom Covington

DATE: October 6, 1998



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