

Making the Trade

The role of seed brokers in today's seed market.

By Ellen C. Wells



WHAT A WORLD IT WOULD BE if seed magically appeared when it was needed. Seed travels the marketplace just like other agricultural products – from grower to processor to retailer to consumer, with a possible extra stop or two along the way. It's a complicated journey, sometimes crossing multiple borders and continents. Helping its movement, in many cases, are seed brokers.

The standard definition of broker is “one who buys and sells for another on commission or arranges for the negotiation of contracts of various types”. Seed brokers do just that with seed, dealing primarily in commodity crops – forage and row crops for example – where the market and prices are quite fluid from day to day.

“If you take ownership of a product, that's not the definition of a broker. A lot of people don't understand that,” says Rick Lusk, seed broker for John Zuelzer & Son Canada Ltd. “If we were to own seed, it would be hard for us to give information to buyers and sellers without being biased.”

Brokers have been handling seed transactions for at least 100 years, maybe more, according to Randall Pope, owner of Zuelzer USA Seeds. At one time quality standards were not mutually agreed to by countries and companies; business was conducted on the basis of sample approval through brokers.

“Today, our role is to provide information to our clients to help them make the best buying or selling decision they can,” Pope says. Of equal importance is advising clients of short- and long-term trends in the market. Beyond price information, seed brokers update their clients about current and projected supply and demand, weather that has affected or will

be affecting the marketplace, and market trends – all on a local to global basis.

“We get our information from talking to people and by making trades,” Lusk says. “Because we are in it consistently and talking to all the key players, as we talk and make trades we can report those numbers. We act as a conduit of information.”

Logistical Issues

The role of seed brokers doesn't stop there; they also help mediate any issues that may arise between the sellers and the buyers. “Our role is to help facilitate answers to problems arising

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with shipping, quality and so forth,” Pope says.

Some seed brokerage firms have a network of brokers and co-broker arrangements throughout the world. “It’s an international business – we might trade white clover from New Zealand to Canada or grasses from the U.S. to Europe,” says Lusk. While the seed companies are responsible for shipping and meeting international trade regulations, a seed brokerage with offices worldwide can provide crucial information if issues arise. “We can provide service and information when it comes to international issues, and if we don’t know, we have contacts around the world we can approach for answers,” Lusk adds.

Specialty & Produce Seeds

Higher value specialty crops such as flower and produce crop seeds are bought and sold according to a slightly different business model, where a seed distributor purchases and takes ownership of the seed. “The seed broker business model works best for high-volume, low-margin lines,” says John Burrows, Director for Pro-Veg Seeds Ltd., Cambridge, Great Britain. He explains that this model requires a closer business relationship with the customer because specialty items like tomatoes demand technical support from a sales staff. This extra contact requires more work on the distributor’s behalf, and therefore they need to receive higher margins on the seeds to pay for the customer support.



Dave Seitz, Seed Manager for the Fred C. Gloeckner Company, Harrison, New York, says his sales staff travels the U.S. helping customers. “We provide them with quick service, getting the highest quality seed when they want it, in the quantity they need and at a reasonable price,” adding that the information they share with their customers includes production schedules, seed amounts and technical information regarding the culture of the crop.

The horticulture industry deals with a great quantity of proprietary varieties. Seitz points out that a large percentage of commercial flower varieties are available from just one breeder-producer. Seeds of forage and row crops, on the other hand, can be sourced from various places, making the role of a seed broker a vital one.

There are signs of change. “The industry is changing from the trading of common species to that of the buying and selling of proprietary varieties,” Pope points out. With just one source for any particular proprietary variety, the seed broker may not need to search out different sources of sellers, but they still have a role to play. “Part of what we do is arrange for the contract production of those proprietary varieties, and we also arrange for the licensing of the variety for sale,” he says. For example, he may help an Oregon seed producer legally register that product for sale in Europe and then develop marketing partners for that variety. **SW**

A Client’s Perspective

Don Herb, CEO and General Manager of Oregro Seeds in Albany, Oregon, uses brokers to connect his wholesale grass distribution company with potential buyers all over the world. “Agriculture markets, particularly for commodities, are very fluid in pricing structures,” Herb says. “We use brokers to check prices almost on a daily basis to make sure we are up with the markets and know what’s going on.” He adds that brokers know of potential buyers looking for specific products, and help make the connection.

From this client’s perspective, brokers are seen as the third party that keeps transactions on the up and up, for those very infrequent times when contracts may not be honored or fulfilled in some way. “Brokers are an integral part in maintaining the integrity of the trade,” Herb says. “Both parties are more apt to adhere to the contract if a broker is involved. You have a third party who can step in. Especially with international trades, we feel much more comfortable trading through a good honest broker versus doing it ourselves.”