



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/15/2004

GAIN Report Number: NL4036

Netherlands

Planting Seeds

Annual

2004

Approved by:

Roger Wentzel

U.S. Embassy, The Hague

Prepared by:

Bob Flach

Report Highlights:

In 2003/2004, Dutch trade in planting seeds surged. Dutch imports increased by more than thirty percent to USD 355 million, while exports increased by more than twenty percent to USD 826 million. It is expected that for the coming three to five years, U.S. planting seed exports to The Netherlands will remain at a level of about USD 50 million per year.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
The Hague [NL1]
[NL]

Table of Contents

Executive Summary **3**
Outlook..... **4**
Marketing **4**
 Market Development Opportunities 4
 Marketing Channels and Facilities 5
 Competitor Activities..... 5
Policy **5**
 Planting Seed Production 5
 Plant and Seed Health and Certification 5
 Intellectual Property Rights, Variety Approval, Tariffs and Export Subsidies 6
 Genetically Modified Organisms and Biotechnology 6
Production and Trade **7**
 Grain and Forage Seeds..... 7
 Grass Planting Seeds..... 7
 Vegetable Planting Seeds 8
 Flower and Tree Seeds..... 9
Trade Matrices **9**

Executive Summary

The Netherlands is one of the world's largest planting seed exporters. The sector consists of about 180 seed companies employing 10,000 people, with an annual sales volume of approximately Euro 2 billion. Planting seed production is increasingly moving to Southern European, African and Middle American countries, because of lower costs, (such as labor and heating) and cumbersome regulations. Part of this production is shipped to The Netherlands for cleaning, coating and nursing, and re-exported to the final destination. For that reason, The Netherlands remains an important trader, processor and packager of planting seeds. During the past four years, Dutch planting seed exports grew from USD 490 million in 2000/2001 to USD 826 million in 2003/2004.

It is expected that in the coming three to five years, U.S. planting seed exports to The Netherlands will remain at annual levels of about USD 50 million. The largest share of remaining U.S. exports consists of vegetable seeds, with a value of about USD 25 million. The trade between The Netherlands and the United States depends mainly on inter company trade and cooperation.

Conversion rates:

Year	U.S. \$	Euro
2000	1	1.09
2001	1	1.12
2002	1	1.06
2003	1	0.89
2004*	1	0.82

* Jan - Sep first nine months

Outlook

During 2003/2004, Dutch imports of U.S. planting seeds remained stable at USD 47 million. The import value of US planting seeds is still below the pre-2000 level. This decline is attributable to the drop in imports of maize seed from the United States as a consequence of restrictions on GM varieties. The largest share of remaining U.S. exports consists of vegetable seeds, with a value of about USD 25 million per year during the past two seasons.

It is expected that for the coming three to five years, U.S. planting seed exports to The Netherlands will remain stable. Opportunities for U.S. companies exist in specialty seed markets, such as organic seeds, seeds for vegetables produced in greenhouses, and specialty grass seeds for golf courses and sports fields. The trade between The Netherlands and the United States is mainly dependent on inter company trade and cooperation.

Until now, there are no sales of genetically modified seeds for food and feed crops in The Netherlands. Apart from the limits on biotech crops themselves, conventional U.S. planting seed exports to the EU are also impeded by fears of possible GMO co-mingling in shipments of non-biotech seed. If, however, pressure on farmers will increase to produce grains competitively and environment friendly, the EU market for GM corn seed could improve. If the GM varieties will be used also depends on the approval process and future traceability, labeling and coexistence regulations.

Marketing

Market Development Opportunities

Organic Seeds

Since January 2004, new EU legislation, EC/2092/91, has been implemented which makes it obligatory to use exclusively organic seeds for organic agriculture unless the organic seed variety is unavailable in a sufficient quantity. On behalf of the Dutch Ministry of Agriculture, the Dutch General Inspection Service (NAK) for agricultural seeds developed a databank of available organic propagation material. The Dutch Ministry of Agriculture will only issue a derogation for use of non-organic seed for organic cultivation if organic seed is not recorded in the databank. To the opinion of seed producers, the derogation to use non-organic seeds is too easily given and undermines investments in the production of organic seeds. Some organic farmers reportedly prefer to use conventional seeds because of the lower costs and the larger choice in the number of species. In 2004, the number of varieties of organically multiplied seeds for the European market is expected to be about 600. If the conditions for issuing derogations are changed, opportunities could arise for organic seeds produced in the United States.

Grass Seeds

Trade sources expect that the decoupling of EU support will have a negative effect on the profitability of the culture of some grass seed varieties. Trade sources believe that the culture of Red fescue, Tall fescue and Italian ryegrass could move to the United States and Canada.

Marketing Channels and Facilities

Vertical integration is a fairly new phenomenon in the Dutch seed sector. Seeds are made available to specific growers and retailers, which will receive a monopoly on the product. The growers will have to comply with the branding principles laid down by the seed company.

Competitor Activities

Increasing costs for research and development in the plant breeding and propagation sector have led to concentration in the Dutch seed industry. This trend is expected to continue. An example of the concentration is the take-over of Cebeco Seeds by the Danish company DLF-Trifolium and acquisition of the Dutch seed company Advanta by the Swiss company Syngenta and the U.S. investment group Fox Paine & Company. In The Netherlands, Advanta has the largest market share in beet and corn seeds.

Since April 2001, about 500 Dutch breeders and propagators of agricultural and horticultural seeds have united in "Plantum NL." The association is active on a national, European and global level both directly and through umbrella organizations. International organizations include ESA and International Seed Federation (ISF). The members of "Plantum NL" represent about Euro 1.6 billion of sales annually. Together with its members, Plantum NL organizes and supports courses and projects in countries seeking to introduce plant variety protection, such as China and the Ukraine. The internet website of "Plantum NL" is: <http://www.plantum.nl>.

In emerging markets, the Dutch Ministry of Agriculture gives special attention to the promotion of Dutch agri-food expertise and technology. An example is the Sino Dutch Horticultural Training and Demonstration Centre (SIDHOC). SIDHOC has the goal of promoting Dutch expertise in the production of vegetables and ornamental plants and flowers. Although China's adoption of the UPOV (Union for the Protection of New Varieties of Plants) agreements, control on illegal propagation is limited. This is reportedly the reason for the low planting seeds exports to China, only about USD 6 million in 2003/2004.

Policy

Planting Seed Production

Planting seed production is reportedly hampered by the strict legislation on the use of pesticides. More restrictions on the use of pesticides could lead to further contracting-out of seed production to companies located outside The Netherlands. Most of the vegetable seed production in The Netherlands, however, is conducted in greenhouses in which pests can be controlled with minimal amounts of pesticides. Seed production conducted in the field, (e.g. for pulses), is more dependent on pesticides. Plantum NL has urged more specific regulations on the use of pesticides exclusively for the production and treatment of planting seeds.

Another important issue for the sector is the CAP reform. The Dutch government decided to postpone the decoupling of support to flax seed producers by four years. In Spain, Italy and Portugal, the support remains reportedly coupled for the production of all seed species.

Plant and Seed Health and Certification

The Dutch General Inspection Service for agricultural seeds and seed potatoes (NAK) and its subsidiary NAK AGRO are the inspection and analysis institutes for the agricultural sector. NAK is responsible for the quality inspection of Dutch propagating material. NAK AGRO

carries out inspection and analysis throughout the entire agricultural sector. The NAK is also authorized to formulate certain rules and quality requirements for the industry by means of binding regulations. The legislative responsibility will, however, be taken over by the Ministry of Agriculture as part of the new Dutch Planting Seed and Propagation Material Law which is expected to be implemented by the end of 2004. The Plant Protection Service (PD) is responsible for inspection of crops and seed imports into The Netherlands.

Dutch seed companies and propagators are reportedly concerned about implementation of the new EU directive 2000/29 on January 1, 2005. According to this regulation, imported cuttings and seeds of some species (e.g. sunflower and tomato) will remain under custom's supervision until the Plant Protection Service has inspected the lots. At the moment, it is possible to have imported material inspected at the importer's facilities.

Intellectual Property Rights, Variety Approval, Tariffs and Export Subsidies

In the European Union, the Community Plant Variety Office (CPVO) protects plant varieties. The holder of the plant variety patent receives the exclusive right to propagate and trade this variety. Other parties may receive this right on approval of the holder. In The Netherlands, production and trade of plant propagation material is regulated by the Dutch Planting Seed and Propagation Material Law (Zaaizaad- en Plantgoedwet). This law is partly based on EU directives and legislation.

In Europe, illegal propagation of planting seeds is an increasing problem. However, in The Netherlands, the problem of farm saved seeds is reportedly not as serious as in other EU Member States such as France and Germany. Dutch farmers agreed to pay a "growers' fee" to the planting seed companies, but are requesting more influence on the investment of the funds. Dutch seed companies are, however, concerned about the illegal vegetative reproduction of ornamental plants and vegetables, in particular tomatoes, peppers and lettuce.

Genetically Modified Organisms and Biotechnology

On July 23 2003, the European Council of Ministers agreed upon legislation for tracing and labeling of biotech products. Pending regulations on biotech tolerances have yet to be established by the Seeds Directive. The European Seed Association (ESA) and Plantum NL are reportedly upset by the delay. The ESA argues that small and medium sized businesses will be vulnerable to legal claims based on uncertain regulations over adventitious presence of GM material in conventional seeds.

Plantum NL is, however, content with the decision of the European Commission to add seventeen GM corn varieties to the list of accepted corn strains. According to several sector sources, European maize producers are increasingly in need of genetically enhanced seeds in order to be able to fight pests (wireworm and corn borer) and compete with producers using GM seeds, either outside the EU or Spain.

In The Netherlands, there are reportedly no sales of genetically modified seeds for food or feed crops. Apart from the limits on biotech crops themselves, conventional U.S. planting seed exports to the EU are also impeded by fears of possible GMO co-mingling in shipments of non-biotech seed. The NAK randomly tests non-GM labeled maize seeds imports on the presence of GMOs.

Production and Trade

Planting seed production is increasingly contracted out to Southern European, African and Middle American countries, because of lower costs, such as labor and heating, and partly because of cumbersome regulations. This trend began with the transfer of production of grain seeds but now production of vegetable seeds is moving out of The Netherlands. A part of this production is sent to The Netherlands for cleaning, coating and nursing, and re-exported to the final destination. An increasing share is, however, directly exported to the end users. The preparation and packaging of seeds persists in The Netherlands as a consequence of the stringent criteria on seed purity.

In 2003/2004, Dutch planting seeds imports surged from USD 270 million to USD 355 million. This increase is mainly attributable to higher imports of forage seeds and vegetable seeds. In 2003/2004, Dutch exports of planting seeds reached USD 826 million from USD 685 million in 2002/2003. This growth is mainly attributable to a strong increase in vegetable seeds exports.

Grain and Forage Seeds

Domestic production: The Dutch acreage for grain seed production declined for the fourth successive year, to about 5,000 hectares in 2004 (from 5,800 hectares in 2000). In 2004, Dutch grain seed production is expected to be about 26,000 MT. The production mainly consists of wheat (about 19,000 MT) and summer barley (about 5,500 MT). In The Netherlands, there is no production of certified corn seeds.

International Trade: Dutch grain seed imports surged from USD 38.7 million in 2002/2003 to USD 64.6 million in 2003/2004. This increase is mainly attributable to increased hybrid maize seed imports from France, Chile, Germany and Hungary. Because of the possibility of adventitious presence of GMOs in planting seeds lots, Dutch buyers are reluctant to purchase maize seeds from the United States and some countries in South America. This development has influenced maize seed production in Hungary, France and Turkey. Fluctuations in the Dutch trade of hybrid maize seed are mainly driven by transshipments and changing demand in other EU countries.

Trade sources expect that the EU maize seed production will exceed demand by about five percent during the season 2004/2005. With increased production in France (from 120,000 MT to 170,000 MT) and Hungary (from 55,000 MT to 95,000 MT), overall maize seed production is believed to have increased from about 220,000 MT in 2003 to about 315,000 MT in 2004. Due to this oversupply, the acreage for maize seed production is expected to decrease in 2005. Another problem for grain seed producers are low prices for grains, which will discourage farmers from investing in new certified seed.

Dutch imports of forage seeds mainly fluctuate due to shipments of Australian lupine seed. Considering the low price, about USD 200 per MT, it is however likely that these seeds are for feed uses and are reported under the wrong Harmonized System Code.

Grass Planting Seeds

Domestic Production: The market for grass seed, harvested in 2003 has reportedly been strong, and the prospects for the 2004/2005 production is reportedly good. It is expected that the Dutch acreage for grass seed production will increase from about 21,800 hectares in 2003 to about 25,000 hectares in 2004, and possibly to about 27,000 hectares in 2005. Due to high prices, major acreage expansion is reported for Perennial ryegrass, from about 14,000 hectares to over 17,000 hectares. Other significant grass seed species include Tall

fescue, Red fescue and Westerwold ryegrass with acreages of about 2,000 hectares each. During the past ten years, production of Kentucky Blue grass seed declined from 4,000 hectares to about 1,300 hectares reportedly due to restrictions on the pesticide use. In addition, oversupply and large stocks tempered prices for Kentucky Blue grass seed. Dutch grass seed producers experience competition mainly from Danish grass seed producers. Danish production of grass and clover seed increased from 86,000 hectares in 2003 to 98,000 hectares in 2004. The Danish seed growers' organization anticipates an annual growth of about 2,000 hectares.

Assuming an average yield, the total grass seed harvest is estimated at about 33,000 MT in 2004. During the second half of July 2004, abundant rains reportedly postponed the harvest of grass seeds, in particular Tall Fescue. Final yields were, however, relatively good and about the same as the long-term average yields. The 2004 yields were reportedly; Red Fescue 1.3 – 1.6 MT, Tall fescue 1.6 – 2.0 MT, Perennial ryegrass 1.6 – 2.2 MT, and Kentucky Blue grass 1.0 – 1.9 MT per hectare. Important producers of grass seeds in The Netherlands include: Cebeco Seeds, Barenbrug and Advanta.

International Trade: Dutch imports of grass seeds increased from USD 29.4 million in 2002/2003 to USD 35.5 million in 2003/2004, mainly due to imports of hybrid ryegrass seed from Germany. Imports from the United States declined from USD 6.9 million in 2002/2003 to USD 5.0 million in 2003/2004, due to lower imports of Perennial ryegrass seed. The United States remained the main supplier of Kentucky Blue grass seeds to The Netherlands. The Dutch-based Cebeco Seeds Group reportedly moved a part of their grass seed production (principally Kentucky Blue grass) to the United States, and began exporting seed to The Netherlands. This move was a result of restrictions on several pesticides essential for production of this seed variety. Traditionally, U.S. exports of grass seeds to The Netherlands consist mainly of high quality Blue grasses, used for golf courses and athletic fields. About fifty percent of EU demand (90,000 MT) is for use on sports fields, lawns and golf courses. Despite the higher value of Dutch grass seeds exports, the volume of Dutch grass seeds exports have been stable. Important export markets are Germany, France and the U.K.

Vegetable Planting Seeds

Domestic Production: Important producers of vegetable planting seeds in The Netherlands include: EMZA, Rijk Zwaan, Seminis, Syngenta and Numza. Most of the vegetable seed production of these Dutch companies (reportedly 95 percent) is produced outside The Netherlands. Vegetable seeds produced in The Netherlands mainly consist of expensive seeds such as tomato, pepper and lettuce seeds and breeder's seeds used for seed production. The United States is an important destination for these breeder's seeds, in particular lettuce, carrot, beet and cabbage seed. The reproduced seeds are exported to The Netherlands for treatment and sampling and mostly re-exported to their final destination.

During the past ten years, Dutch acreage planted to vegetable seeds has been fluctuating around 1,000 hectares. In 2004, the acreage was 950 hectares, a reduction of about 60 hectares compared to the acreage in 2003. Major reductions were reported for the acreage for cauliflower and broccoli seed production. Yearly fluctuations in vegetable seed production are due to changes in demand and stocks.

International Trade: The Netherlands is an important trader, processor and packager of vegetable seeds. Vegetable seeds account for nearly 45 percent of the total import value and nearly 70 percent of the total export value of the Dutch planting seeds trade. The USD value of Dutch imports increased strongly, but remained stable in EUROS. Important seeds for the trade include, peppers, tomato, onion, cabbage and carrots. Main origins are France,

the United States and Germany. Main destinations are Spain, Italy, France, Germany and the United States.

Flower and Tree Seeds

Domestic Production: Ornamental plants and flowers are mainly reproduced by vegetative propagation. Due to the high labor costs, vegetative reproduction is increasingly moved to African and Middle American countries. During the past four years, the acreage for the production of flower seeds fluctuated around 400 hectares.

International Trade: The Dutch sector controls about forty percent of the world export market of propagation of ornamental plants and flowers. In 2004, the Dutch import value of flower and tree seeds remained stable at about USD 36.1 million, with the United States as the main supplier. The United States is also the main export destination of Dutch exports of flower and tree seeds.

Trade Matrices

The Netherlands Area Planted Hectares								
	1997	1998	1999	2000	2001	2002	2003	2004
Grains	5,937	6,046	5,199	5,786	5,489	5,272	5,131	5,011
Oilseeds (flax)	3,600	2,994	3,099	3,420	3,668	3,353	3,731	3,745
Grasses	26,013	31,423	22,643	23,049	20,784	18,138	21,815	25,000
Forages	58	33	45	28	54	141	136	170
Vegetables	1,005	766	1,044	795	874	886	1,012	950
Pulses	265	281	184	79	231	268	251	129
Flowers				554	415	375	392	400
Total	36,878	41,543	32,214	33,711	31,515	28,433	32,468	35,405

The Netherlands Production Metric Tons								
	1997	1998	1999	2000	2001	2002	2003	2004
Grains	28,131	24,124	26,194	28,768	28,873	27,258	26,400	26,000
Oilseeds (flax)	3,092	2,403	2,492	4,152	3,373	3,967	5,100	4,500
Grasses	34,735	39,734	32,588	32,304	30,227	26,889	22,100	33,000
Forages	1,261	1,879	1,624	1,453	1,980	1,828	1,750	2,200
Pulses	624	416	179	551	431	644	580	320
Total	67,843	68,556	63,077	67,228	64,884	60,586	55,930	66,020

Import Value in U.S. Dollar				
Season July / June				
	2000/01	2001/02	2002/03	2003/04
Grains and Oilseeds	31.3	41.6	38.7	64.6
France	8.7	15.4	15.1	23.9
Germany	5.0	9.6	9.2	13.6
Chile	6.0	6.2	3.9	10.8
Grasses	15.7	17.2	29.4	35.5
Germany	1.5	1.4	9.9	15.8
United States	5.3	4.7	7.2	6.0
Denmark	3.1	4.7	5.2	6.0
Forages	24.7	13.3	8.0	30.8
Australia	21.6	9.9	2.7	23.8
Canada	0.4	0.3	0.4	1.5
Germany	0.3	0.4	1.6	1.2
Vegetables	115.4	113.2	133.5	154.3
France	24.2	22.7	22.3	28.5
United States	20.7	22.5	27.0	24.8
Germany	6.7	6.4	8.6	13.2
Pulses	10.8	12.9	12.0	14.5
Tanzania	1.0	4.1	2.1	5.1
United States	5.4	4.5	3.0	3.8
Chile	1.4	1.2	1.9	1.4
Flowers and Trees	32.5	31.2	36.1	36.1
United States	7.0	5.8	7.7	8.8
Germany	2.9	3.4	3.9	3.9
France	1.8	1.5	2.6	2.9
Other	14.2	12.7	12.3	19.5
Belgium	1.2	0.7	3.9	9.6
United States	0.18	0.03	0.01	0.05
Germany	6.78	5.28	0.00	0.01
Total	244.6	242.2	270.1	355.4
France	37.6	43.2	45.4	58.7
Germany	23.6	27.2	33.4	48.2
United States	42.0	40.4	47.0	46.7

Export Value in U.S. Dollar				
Season July / June				
	2000/01	2001/02	2002/03	2003/04
Grains and Oilseeds	37.8	35.7	41.0	44.3
France	12.0	9.3	8.9	12.5
Germany	9.7	7.6	10.5	10.5
Belgium	3.9	7.3	10.9	7.4
Grasses	33.5	39.0	41.6	49.2
Germany	10.1	9.6	12.4	14.9
France	3.6	5.8	6.3	6.3
United Kingdom	3.7	4.5	4.5	5.8
Forages	24.4	29.5	27.3	41.9
Germany	10.5	7.7	4.0	11.4
Belgium	1.4	5.6	7.0	8.0
United Kingdom	2.8	3.5	3.7	5.5
Vegetables	312.1	344.9	473.7	575.2
Spain	51.4	56.6	89.1	103.9
Italy	27.0	35.6	50.2	61.4
France	29.8	28.8	41.8	52.6
Pulses	24.8	29.0	25.4	32.1
France	7.2	8.3	6.5	9.0
Belgium	1.9	3.4	3.8	5.5
Italy	3.0	3.8	2.4	3.5
Flowers and Trees	39.6	39.8	52.6	47.9
United States	11.4	9.8	11.4	13.3
Germany	5.8	7.3	11.3	10.5
United Kingdom	3.3	3.7	5.5	4.8
<i>Other</i>	17.8	14.6	23.4	35.1
Japan	0.0	0.3	0.0	0.4
Lithuania	0.0	0.0	0.0	0.7
Germany	1.5	0.1	0.0	0.0
Total	489.9	532.6	685.1	825.7
Spain	60.2	66.2	100.4	118.2
Germany	77.3	76.1	83.3	99.5
France	60.6	60.6	72.3	86.8

Import Volume Metric Tons			
Season July /June			
	2001/02	2002/03	2003/04
Grains and Oilseeds	39,069	47,794	55,787
Grasses	17,290	20,443	35,607
Forages	64,458	23,821	134,130
Vegetables	10,533	13,355	10,887
Pulses	14,195	14,797	21,708
Flowers and Trees	771	890	706
Other	3,936	17,779	17,053
Total	150,252	138,879	275,878

Export Volume Metric Tons			
Season July /June			
	2001/02	2002/03	2003/04
Grains and Oilseeds	23,942	28,543	24,483
Grasses	41,794	32,596	32,065
Forages	37,063	22,729	54,339
Vegetables	8,882	10,453	10,358
Pulses	13,643	8,773	10,921
Flowers and Trees	1,359	1,290	881
Other	1,407	1,488	2,012
Total	128,090	105,872	135,059

Land Use			
Hectares			
	2001	2002	2003
Grains and Oilseeds	208,837	208,944	201,413
Wheat	124,722	135,849	129,944
Barley	66,760	56,939	55,025
Pasture	903,000	929,000	975,000
Forages			
Corn	238,718	244,787	248,511
Other forages	10,565	30,233	30,349
Vegetables			
Open field	41,599	44,683	45,724
Cabbages	11,425	11,236	11,738
Leek	3,226	3,319	3,241
Carrots	7,848	7,890	8,267
Lettuce	1,082	1,151	1,360
Greenhouses	4,270	4,287	4,320
Tomatoes	1,223	1,225	1,257
Peppers	1,193	1,235	1,213
Pulses	9,252	10,125	11,769
Flowers and Trees			
Open field			
Flowers	2,378	2,684	2,606
Bulbs	22,618	24,221	24,538
Trees	12,672	13,401	13,151
Greenhouses	6,221	6,213	6,148
Cut flowers	3,605	3,577	3,499
Border plants	1,282	1,272	1,312
Other			
Sugarbeets	109,126	108,893	102,787
Onions	20,464	21,100	23,243