USDA Foreign Agricultural Service
GAIN Report

Template Version 2.08

Global Agriculture Information Network

Required Report - public distribution

Date: 5/13/2004

GAIN Report Number: DA4002

Denmark

Planting Seeds

Annual

2004

Approved by:
Roger A. Wentzel
U.S. Embassy

Prepared by:
Hasse Kristensen

Report Highlights:
Danish grass seed production increased in 2003 to a record 88,300 tons. With 2002/03 exports mainly based on the extremely low 2002 crop, exports dropped by 2,400 tons to 78,770 tons and stocks by 16,000 tons to 23,000 tons. Ninety percent of the production was exported and 85 percent went to EU countries. Production in 2004 is forecast to be based on a record area of 82,000 hectares. Decoupling of the EU production support is forecast to increase Danish production by up to 50 percent during the coming five to ten years.

Includes PSD Changes: No
Includes Trade Matrix: Yes
Annual Report
Copenhagen [DA1]
[DA]

Table of Contents

Executive Summary

Denmark accounts for more than 45 percent of EU grass seed and exports about 90 percent of its production - 85 percent of this to Germany and other EU member countries. Exports to the U.S. and Canada fell to just 870 tons in 2002/03 after having peaked to record 5,133 tons in 1999/00. The same pattern is seen for exports to South America, where two record years were followed by as 65-percent drop in 2001/02 to 509 tons, and to 286 tons in 2002/03. Exports to Asia, mainly China, have increased steadily, reaching 1,574 tons in 2002/03. Imports from the US are minimal and confined mainly bent grass and small amounts of perennial rye grass.

Danish grass seed output in 2003 increased to 88,000 tons compared to the previous year of 64,000 tons, roughly corresponding to the increase in area of red fescue from 16,000 hectares in 2002 to 22,000 hectares in 2003 and in perennial rye grass from 26,600 hectares in 2002 to 35,000 hectares in 2003. Total grass seed acreage for 2004 is estimated to increase to 82,000 hectares, 2,000 hectares more than the record year of 2003.

Denmark has consolidated its position as the world's largest exporter of grass seeds and exports seem to have stabilized at about 80,000 tons. Total 2002/03 exports reached 78,770 tons, down from 81,190 in 2001/02 but significantly higher than level of about 70,000 MT in 1995-97.

While the country's surpluses limit the demand for imported grass seed, small but lucrative quantities of bent grass seed for lawns and golf greens are imported with almost 50 percent of this market coming from U.S. suppliers.

Of the total average grass seed price received by farmers, EU production support accounts for about 33 percent. The EU adds 42 percent to the price the farmers are paid by the industry. In total, this support amounted to $26.5 million in 2003 corresponding to 41 cent per kilo.

The EC mid-term review reform will be implemented in Denmark by January 1, 2005. All seed production will then be decoupled, and producers by that date will receive the same payment rights (about $390 per hectare) as other crop producers. Producers of the high yielding varieties will suffer a bit while the producers of the lower yielding varieties will gain.

With the relatively free market access, economic competition will determine whether future EU demand will be supplied by seed producers in the EU (mainly Denmark, the Netherlands and Germany) or from Canada, New Zealand and the U.S. Denmark will maintain its competitive position vis-a-vis the EU countries while the hitherto highest supported varieties (stiff-leaved fescue, cock's food grass, timothy and red fescue) will lose competitiveness towards third countries.

The average exchange rate in 2003: U.S. $1.00= DKK 6.59
April 2004: U.S. $1.00= DKK 6.20

Production

Grass area for 2003 increased by 15,000 hectares to a record of 79,294 hectares compared to the extraordinary low acreage of 64,500 in 2002. The area for harvesting in 2004 is estimated to increase to another record of 82,000 hectares. Area with Red Fescue is forecast to increase by 10 percent to 24,000 hectares. Area with Perennial Rye Grass, which accounts for 44 percent of the total grass seed area, is forecast to increase slightly in 2004.

Total Danish grass seed production for 2003 amounted to 88,308 tons, an increase of 24,500 tons compared to 2002 and a record production exceeding the previous record in 2001 by 1,500 tons.

Areas with perennial rye grass increased by 9,000 hectares and accounted in 2003 for 47 percent of the total seed grass production. Red Fescue accounted for another 28 percent of production. Kentucky blue grass decreased slightly to 10,150 hectares and yielded 8,194 tons, accounting for 9 percent of total grass seed production.

Marketing

Market Development Opportunities

Denmark's status as a major exporter of grass seeds limits opportunities for U.S. exports. Nonetheless, market niches exist -- primarily for such varieties not grown in Denmark such as corn varieties for silage and bent grass used for golf greens and lawns. In 2002, Denmark imported 32 tons of bent grass from the U.S. at a value of $202,000. Imports of corn are difficult to ascertain as these are imported through Germany and not recorded as U.S. origin. More than half of total corn seed imports are brought in through Germany.

With EU production below self-sufficiency, market opportunities exist for seed grasses, such as the most demanded rye grasses. Danish import prospects are very limited, taking into account the high production and still relatively high stocks of 39,000 tons.

Marketing Channels

The largest seed company in Denmark, DLF-Trifoleum has expanded its activities by buying the Dutch Cebeco Seeds Group. In addition, its subsidiary, Hundsballe Fro, bought together with Deutsche Saatveredelung (DSV) Dutch Zelder in January 1, 2003. In February 2004, Hunsballe Fro, DSV and Zelder established a cooperative venture named Euro Grass. Out of four Danish seed importing companies, DLF-Trifoleum now has a Danish market share of about 90 percent. Its EU market share is about 50 percent. Central and East Europe is a fast growing market (increased by more than 200 percent during the last four years) and DLF-Trifoleum has now established a sales office in Moscow.

It appears that Dutch companies are trying hard to make contracts with Danish grass seed producers. As they will not be able to process the seeds in Denmark, costs will be increased by the additional transportation costs, and it is difficult to see how they will be able to pay Danish producers above what they are paid by Danish companies.

Competitor Activities

EU grass seed area seems to have peaked. Following a drastic reduction in 2002 to 158,000 hectares, area harvested in 2003 increased to 190,000 hectares, but still short of the 206,000 hectares in 1998. Denmark accounts for half of the increase. Denmark seems able to maintain its share of 45 percent of the EU production for 2004. DLF-

Trifolium has established grass seed production in the Czech Republic for export to other Central European countries and Russia.

The Danish trade maintains that U.S. seed traders are not sincerely interested in expanding their activities within the EU, partly due to the difficulty in obtaining the certification of seeds for the EU market. Exporters should remember, however, that, when certified in one EU member state, seeds can be exported to any other member countries.

Prices

Average prices paid to growers increased by 21 percent in the marketing year 2002/03 compared to 2001/02. Prices paid to growers for Perennial Rye Grass, accounting for 44 percent of all grass production, increased in 2003 to DKK 622 ($94) per 100 kg, up DKK 180 corresponding to 41 percent. Red Fescue increased from DKK 445 per 100 kg in 2001/02 to DKK 489 for 2002/03 but still far from the record level of DKK 727 in 1997/98. In addition to the above prices comes the EC production support of DKK 275 ($42) per 100 kilo. This amount is almost unchanged from year to year.

Outlook

Danish production area is expected to increase in 2004 by a few thousand hectares to 82,000 hectares, another record. The increase is almost exclusively in Perennial Rye Grass and Red Fescue areas.

Decoupling of the EC production support (which at present is fixed under the Budget Stabilization Agreement with a total national support not to exceed DKK 223 million ($34 million) will benefit Danish producers and production is expected to increase by 50 percent to about 120,000 hectares over the coming five to ten years.

Policy

General Agricultural Policy

The EU's July 1993 CAP reform drastically changed price and production conditions for major crops, as price supports were replaced by area support and set asides. Although grass seeds were not directly included in CAP reform, it had the effect of stimulating most grass seed production (see additional discussion below). The EU's production support for field seeds has been unchanged since 1993.

The EU Agenda 2000 CAP reform agreement in March 1999 further increased the competitiveness of grass seed relative to grain production, which is facing lower prices. Agenda 2000 did not change the competitive situation among EU countries. However, the competitive advantage has been shifted to Canada for red fescue and to the U.S. for blue Kentucky grass. Danish producers consider that they now are in a positive production situation, the best since Denmark joined the EU in 1973.

The EC Mid Term Review Reform will be implemented in Denmark effective January 1, 2005. By this day, all support to planting seeds producers will be decoupled. The traditional amount paid to plant seeds producers (average for the reference period is about DKK 215 million or $33 million) will be distributed to producers based on their area (Single Farm Payment). Since Denmark for its 2003 harvest is expected to receive about DKK 245 million and probably will receive the same amount for the 2004 harvest, the reform indicates a decrease of approximately 12 percent for Danish planting seeds producers, compared to present payments.

Planting Seed Production Policy

The EU's per kilogram production premiums for grass seeds and its acreage supports for major field crops within CAP reform legislation has had the effect of making grass seed production relatively more attractive vis-a-vis other domestic crop alternatives and made it more competitive against other EU grass seed producers. The latter is due to higher Danish grass seed yields and a reference period for CAP reform supports established prior to a widespread switch to higher yielding winter varieties.

Total production support is at present fixed under the Budgets Stabilization Agreement with total national support not to exceed the reference period support plus five percent. The reference period is 1996 to 2000 minus the highest and the lowest years, which fix total support to Denmark at DKK 223 million ($33.8 million). With fixed per kilo support prices this means in practice that production exceeding a certain level will be unsupported up to January 2005.

EU production support paid to producers in 2003 (covering part of the 2002 harvest and part of the 2003) amounted to DKK 208.7 million ($31.7 million). The bulk of the production support is normally paid in January/February in the year following the harvest.

Agenda 2000 EU grain price reductions and unchanged seed production support means that it is comparatively more advantageous to grow seeds within the EU and economically less interesting for EU seed companies to propagate in third countries.

Danish interest in sugar beet seed production for fodder stems from the fact that the major Danish seed company, DLF-Trifolium, is by far the largest EU producer of this seed. The seed is produced in Italy, as the climate there is the most advantageous.

Plant Health

According to EU equality directives, a third country may freely propagate and export seeds to the EU if it complies with regulations contained in EU seed directives.

Seed Certification

According to EU regulations, trade is only permitted for certified seeds. Furthermore, growers are not allowed to use their own grass seeds if they are not certified.

Plant Variety Protection

EU plant variety protections were established in 1995. A plant breeder may have his variety protected within all EU member countries by one application and one decision. The EU regulation is based on international convention on protection of new plant varieties (UPOV). The geographical placement of the approving authority is not yet determined but is temporarily based in Brussels.

Tariff Changes

Under the WTO agreement for reductions of minimum duties, tariffs were reduced to 2 percent at the beginning of the adjustment period (July 1, 1995) followed by a complete elimination in 2000. EU tariffs on planting seeds are now zero.

Non-Tariff Barriers

The harmonization of EU member state seed directives was introduced in December 1998. The Management Committee agreed to all 34 points concerning the trade aspects. According to these, planting seeds can be traded within EU, only if they are certified according to minimum quality requirements determined in the directives. France maintained certain reservations, which expired February 1, 2004, and EU single market

for planting seeds exists from this date. This seems to have no impact on trade with third countries.

GMOs

With the GMO moratorium, which has stopped all EU GMO approvals, Danish research in GM plant varieties has been almost completely discontinued. In general, the Danish Ministry of Food, Agriculture and Fisheries and the agricultural organizations view biotech as a useful technology, which can benefit farmers, the food industry, and consumers.

On February 19, 2004, the Minister of Food, Agriculture and Fisheries presented her proposal on growing genetically modified crops (co-existence) to the Parliament. The government's intention is to define the specific requirements for the cultivation and production of GM crops in Denmark now that the EU labeling and traceability requirements for GM products are in place. The legislation aims to assure co-existence between GM, conventional and organic crops and offer equal possibilities for the development of all three kinds of farming. It provides for specific requirements for distances between GMO and non-GM crops, the cleaning of machinery, refuge areas, etc. The proposed legislation would give the Minister of Agriculture the authority to set the specific requirements.

Under the proposal, growers of GM crops are responsible for maintaining the proper distances vis-à-vis conventional or organic producers. Producers of conventional or organic crops who believe their production has been damaged by genetic drift from a GM field would be able to apply to the government for compensation, provided they have a minimum loss of DKK 5,000 (about 690 Euros). The Danish Plant Directorate under the Ministry of Food, Agriculture and Fisheries would administer the compensation, and the Directorate would decide whether recourse against the GM grower is appropriate. Compensation would be financed by a fund, partly based on taxes paid by farmers and partly by a tax of DKK 60 (about 8 Euros) per hectare on GM crop plantings. The proposed legislation is now under review by the Danish Parliament's food and agricultural committee.

(For more information see DA4001)

Organic Seeds

By 2001, all organic production must be based on products of organic origin, if available at the market. This means that organic beef from grass fed cows must originate from cows that ate organically produced forage. Area with organic grass seeds increased in 2003 by 40 percent to 2,283 hectares. With Denmark being the sole producer of organic grass seeds in Europe, market potential exists, as organic grass seeds from Denmark will be on the EU market. An EU database will effective from June 1, 2004 keep track of organicseeds available on the market.

Export Subsidies

Neither the EU nor nationally based export subsidies exist. The only support is the production support described in section entitled "Planting Seed Production Policy."

Export Restrictions

There ar no restrictions on grass seed exports.

Quality, Safety and Health

The use of plant protection herbicides has been substantially restricted during recent years due to Danish environmental protection measures and legislation. Since 1987, a number of products essential for seed production have been or will be forbidden. The costs of getting new products approved by the government agencies often exceed the rather modest economic gains that chemical producers can hope to garner in this rather small and limited market. Adding to this view is a pattern whereby a product which has not received Danish Government approval is allowed in another EU member state or third (non) EU country.

Consumption

Danish consumption of field grass seeds has steadily decreased slightly during recent years from 6,700 tons in 1999/00 to 6,000 tons in 2002/03. Danish consumption of perennial rye grass constituted more than 50 percent of total grass seed consumption. Italian rye grass seed accounted for another 19 percent and red fescue, 16 perce nt.

Trade

General

Total Danish exports of field grass seeds in 2002/03 amounted to 78,770 tons – down 2,420 tons compared with the previous season. Over a span of years, exports of red fescue have increased the most and doubled during the last decade. Exports of perennial rye grass accounted for 36 percent of total exports. With about 85 percent of Denmark's grass seed exports going to other EU Member States, Germany alone accounts for 34 percent of such trade with the EU.

The total export value of planting seeds (exclusive EU production support of DKK 174 million ($26 million) amounted in 2002/03 to DKK 1.36 billion ($206 million).

Trade Matrices

Red Fescue (1209.23.15)

Imports, tons	2001	2002	2003
EC	62	165	392
US	2	0	0
Other EC extra	10	0	0
Total	74	165	392

Exports, Tons	2001	2002	2003
EC	19,995	27,259	25,450
US	1,146	322	51
Other EC extra	4,31	5,689	2,758
Total	25,832	33,270	28,259

Kentucky blue grass (1209.24.00)

Imports, Tons	2001	2002	2003
EC	197	136	-
US	1	2	-

Other EC extra	1	0	-
Total	199	138	-

Exports, Tons	2001	2002	2003
EC	4,834	4,984	5,897
US	36	30	54
Other EC extra	1,162	1,463	1,434
Total	6,032	6,477	7,336

Italian rye grass (1209.25.10)

Imports, Tons	2001	2002	2003
EC	300	361	165
US	0	13	0
Other EC extra	18	214	61
Total	318	588	226

Exports, Tons	2001	2002	2003
EC	3,387	3,916	4,034
US	149	122	34
Other EC extra	595	436	884
Total	4,131	4474	4,952

Perennial rye grass (1209.25.90)

Imports, Tons	2001	2002	2003
EC	365	3,262	728
US	0	40	64
Other EC extra	0	23	57
Total	365	3,325	842

Exports, Tons	2001	2002	2003
EC	28,845	27,929	23,999
US	39	137	126
Other EC extra	3,847	2,770	2,376
Total	32,731	30,836	26,501

Vetch seed, cookfoot, bent grass (1209.29.10)

Imports, Tons	2001	2002	2003
EC	34	30	57
US	28	33	46
Other EC extra	20	2	0
Total	82	65	103

Exports, Tons	2001	2002	2003
EC	1,867	2,470	1,685
US	937	791	306
Other EC extra	1,209	459	995
Total	4,023	3,720	2,986

Source of Data: Eurostat

Table 1: Production, Domestic Consumption, Exports, and Domestic Stocks (July 1) of Field grasses. Metric Tons.

2002/03	Perennial rye grass	Italian rye grass	Red fescue	Kentucky blue grass	Others	Total
Production	41,042	2,882	24,481	8,194	11,709	88,308
Domestic consumption	3,038	1,146	1,041	348	439	6,012
Exports	28,576	3,471	27,668	9,828	9,227	78,770
Domestic stocks	6,544	2,333	6,953	2,451	4,720	23,001

Source: Industry statistics
Note: 2002/03 exports are mainly based on 2002 harvest.

Table 2. EU support to certified planting seeds. EURO per hundred kilo.

	Marketing years 1998/1999 -2001/2002	Marketing years 2002/2003 + 2003/2004
Cock's food grass	52.77	52.77
Meadow fescue	43.59	43.59
Red fescue	36.83	36.83
Italian rye grass	21.13	21.13
Perennial rye grass, late	34.50	30.99
Perennial rye grass, early	19.20	30.99
Perennial rye grass, ne sorts	25.965	30.99
Hybrid rye grass	21.13	21.13
Low timothy	50.96	50.96
Timothy	83.56	83.56
Perennial rye grass	38.88	38.88
Kentucky Blue Grass	38.52	38.52

Trade Subcategory
Enter trade subcategory text here

Stocks
Enter stocks text here

Stocks Subcategory
Enter stocks subcategory text here

Policy
Enter policy text here

Policy Subcategory
Enter policy subcategory text here

Marketing
Enter marketing text here

Marketing Subcategory
Enter marketing subcategory text here