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Denmark

Planting Seeds

Annual

2005

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

Prepared by:
Hasse Kristensen

Report Highlights:
Danish grass seed production decreased in 2004 to 87,932 tons, slightly down from the record 2003 harvest of 90,000 tons. Ninety-three percent of the production was exported, primarily to other EU member states. Grass seed area in 2005 is forecast to reach a record of 85,000 hectares.
Decoupling of EU production support is expected to increase Danish production by up to 50 percent during the coming five to ten years.

Includes PSD Changes: No
Includes Trade Matrix: Yes
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Executive Summary

Denmark accounts for more than 45 percent of EU grass seed production and exports about 93 percent of its production - 90 percent of this to EU member countries. Exports to the U.S. and Canada increased slightly to 1,026 tons in 2003/04, which is one-fifth of the level in 1999/2000. The same declining pattern is seen for exports to South America, with 2003/04 exports of 800 tons. Exports to Asia, mainly China, seem to remain at a level of 1,500 tons. Imports from the US are minimal and confined to small amounts of bent grass and red fescue.

In spite of increased area, Danish grass seed output in 2004 decreased slightly to 88,000 tons compared to the previous year of 90,000 tons. Total grass seed area for 2005 is estimated to increase to 85,000 hectares, 2,000 hectares more than the record year of 2004.

Denmark has consolidated its position as the world's largest exporter of grass seeds and exports are expected to continue increasing. Total 2003/04 exports reached 87,000 tons, up from 78,771 in 2002/03 and significantly higher than the average level of about 80,000 tons in 1999-03.

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 a decreasing share of this market coming from U.S. suppliers.

Of the total average grass seed price received by farmers, EU production support accounted for about 30 percent. In total, this support amounted to $41.5 million in 2004 corresponding to 48 cents per kilo.

With the implementation of EC CAP reform in Denmark by January 1, 2005, all seed production was decoupled. The hitherto per kilo support is discontinued, and producers will receive the same single farm payment rights (about $390 per hectare) as other crop producers. As a result of the reform, producers of the high yielding grass seed varieties will suffer a bit financially, while the producers of the lower yielding varieties will gain.

Given the relatively free market access for planting seeds, 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.

The average exchange rate in 2003: U.S. $1.00 = DKK 6.59
2004: U.S. $1.00 = DKK 5.99
May 2005: U.S. $1.00 = DKK 5.75

Production

Denmark’s production area for grass seed has expanded 60 percent over the last 10 years. Grass seed area for 2004 increased by 3,700 hectares to a record of 83,175 hectares. The area for harvesting in 2005 is estimated to increase to 85,000 hectares and may reach 95,000 hectares in 2006. The area with Red Fescue is forecast to increase most. Area sowed with Perennial Rye Grass, which accounts for 44 percent of the total grass seed area, is forecast to increase slightly in 2005.

Total Danish grass seed production for 2004 amounted to 87,932 tons, a decrease of 2,500 tons compared to 2003 due suboptimal weather conditions during growing and harvest seasons.

Areas with perennial rye grass increased slightly to 36,562 hectares and accounted in 2004 for 50 percent of the total seed grass production. Red fescue accounted for another 27 percent of production. Kentucky blue grass decreased slightly to 9,335 hectares and yielded 7,392 tons, accounting for 8 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 seeds not grown in Denmark such as corn varieties for silage and bent grass used for golf greens and lawns. In 2004, Denmark imported 20 tons of bent grass from the U.S. at a value of $56,900. Imports of corn seed 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. In spite of low stocks, Danish import prospects are very limited.

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. The intention of Euro Grass is to contract production in Denmark, propagate the seeds in The Netherlands and sell the production in Germany. Out of four Danish seed trading companies, DLF-Trifoleum now has a Danish market share of about 85 percent, Hundsbale 10 percent and Avanta (formerly Dutch owned and now sold to French Lima Grain) 5 percent. The German company Barenbrug with a market share of 1 percent is trying to establish contracts with the largest Danish producers by paying a premium of 10 percent. Its EU market share is about 50 percent. Central and East Europe is a fast growing market (increasing by more than 50 percent during the last three years) and DLF-Trifoleum has now established a sales office in Moscow.

U.S. Market opportunities.

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 could be exported to any other member countries.

Competitor Activities

EU(25) grass seed area seems to continue growing. Grass areas have increased from 185,000 hectares in 2002 (this year was down from previous year's 218,000 hectares) to 227,585 hectares in 2004. Denmark seems able to maintain its share of 45 percent of the EU production for 2005. DLF-Trifolium has established grass seed production in the Czech Republic for export to other Central European countries and Russia.

Prices

Average prices paid to growers increased by 5 percent in the marketing year 2003/04 compared to 2002/03. Prices (excluding EU support) paid to growers for perennial rye grass, accounting for 44 percent of all grass production, increased in 2004 to DKK 685 ($114) per 100 kg, up DKK 63 or 10 percent. Red Fescue increased from DKK 489 ($82) per 100 kg in 2002/03 to DKK 610 ($102) for 2003/04 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 average DKK 273 ($46) per 100 kilo. This amount has been almost unchanged from year to year but will from January 1, 2005 be replaced with the CAP reform's Single Farm Payment.

Outlook

Danish production area is expected to increase in 2005 by a few thousand hectares to 85,000 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 ($37 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. Under the new support system grass production for fodder will also receive decoupled payments. The previous support payments did not cover grass area while corn production for fodder was supported.

Policy

General Agricultural Policy

Denmark implemented the EU Common Agricultural Policy (CAP) reform effective January 1, 2005. The reform decouples more than 95 percent of the EU agricultural support to Denmark. All crop (except dried fodder), dairy and cattle (except 75% of male animal support and 50 % of ewe premiums) supports are decoupled and the amount of former coupled support will be paid as a per hectare support.

All traditional area support will be allocated evenly to all agricultural land with the same amount (Euro 310) per hectare, called Singe Farm Payment (SFP). Permanent grassland, which has not hitherto received any support, is also included into the SFP. It will initially be supported at a lower level (Euro 67) that increases to Euro 310 by 2012. Areas with sugar beets (not previously supported) will also receive SFP in addition to the (still artificially high) sugar prices. Allocation of SFP will be based on land farmed by April 21, 2005. The payment rights are payable to the farmers irrespective of whether they are cultivating the areas or not.

For further details on CAP reform implementation see DA5003.

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 was 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 meant in practice that production exceeding a certain level was unsupported up to January 2005.

EU production support paid to producers in 2003/04 (covering the 2003 harvest) amounted to DKK 248 million ($41.4 million). The bulk of the production support is normally paid in January/February in the year following the harvest.

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 EU approving authority 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.

Biotechnology

With the GM moratorium, which stopped all EU GM product approvals between 1998 and 2004, Danish research in genetically engineered 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.

In August 2004, the Parliament legislated on regulations on growing genetically modified crops (co-existence) presented by the Minister of Food, Agriculture and Fisheries. The government's intention was 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 legislation authorizes the Minister of Agriculture to set the specific requirements.

Under the legislation, growers of GM crops are responsible for maintaining the proper distances vis-à-vis conventional or organic producers. **Such distances have not been determined for planting seeds, and genetically modified planting seeds can thus not be grown in Denmark**

Organic Seeds

As of 2001, all organic production must be based on products of organic origin, if available on the market. This means for example, that organic beef from grass fed cows must originate from cows that ate organically produced forage.

In Denmark, production of organic seeds has developed rapidly since the start in 1998 and the production exceeded the domestic demand. In 2004 the total organic grass seed area was 2,297 hectares, slightly above the previous year. However, organic seed production, like the production of conventional grass seeds, declined compared to 2003 due to weather conditions during the growing and harvesting season. 2004 production amounted to 1,841 tons of which 77 percent (1,425 tons) were perennial rye grass.

With Denmark being the sole producer of organic grass seeds in Europe, there is opportunity for organic grass seed from all suppliers including imported grass seed. The EU keeps track of organic seeds available on the market and publicizes this to organic producers.

Export Subsidies

Neither the EU nor nationally based export subsidies exist. All support is decoupled under the Single Farm Payment scheme.

Export Restrictions

There are 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 country.

Consumption

Danish consumption of field grass seeds has steadily decreased slightly since 1996 (6,500 tons) to 6,089 tons in 2003/04. Danish consumption of perennial rye grass constituted more than 50 percent of total grass seed consumption. Red fescue grass seed accounted for another 19 percent and Italian rye grass seeds for 15 percent.

Trade

Total Danish exports of field grass seeds in 2003/04 amounted to 87,008 tons – up 8,237 tons compared with the previous season. Over a span of years, exports of red fescue have increased the most and almost doubled during the last decade. Exports of perennial rye grass accounted for 42 percent of total exports. With about 85 percent of Denmark's grass seed exports going to other EU Member States, Germany alone accounts for 36 percent of such trade with the EU.

The total export value of planting seeds excluding EU production support of DKK 248 million ($41.4 million) amounted in 2003/04 to DKK 1.6 billion ($272 million).

Trade Matrices

Red Fescue (1209.23.15)

Imports, tons	2001	2002	2003	2004
EU 15	62	165	392	1,057
EU 10	0	0	0	70
US	2	0	0	20
Other non-EU	10	0	0	90
Total	74	165	392	1,237

Exports, tons	2001	2002	2003	2004
EU 15	18,906	26,259	24,367	22,729
EU 10	926	1,000	1,083	1,877
US	1,146	322	51	0
Other non-EU	4,691	5,689	2,758	601
Total	25,832	33,270	28,259	25,207

Kentucky blue grass (1209.24.00)

Imports, tons	2001	2002	2003	2004
EU 15	197	136	199	136
EU 10	0	0	0	0
US	1	2	10	0
Other non-EU	1	0	0	0
Total	199	138	209	136

Exports, tons	2001	2002	2003	2004
EU 15	4,590	4,677	5,599	5,386
EU 10	244	307	298	284
US	36	30	54	1
Other non-EU	1,162	1,463	1,434	904
Total	6,032	6,477	7,336	6,575

Italian rye grass (1209.25.10)

Imports, tons	2001	2002	2003	2004
EU 15	300	99	75	81
EU 10	0	262	90	345
US	0	13	0	0

Other non-EU	18	214	61	0
Total	318	588	226	426

Exports, tons	2001	2002	2003	2004
EU 15	3,387	3,916	4,034	3,607
EU 10	0	0	0	108
US	149	122	34	36
Other non-EU	595	436	884	205
Total	4,131	4,474	4,952	3,952

Perennial rye grass (1209.25.90)

Imports, tons	2001	2002	2003	2004
EU 15	365	3,662	728	686
EU 10	0	0	0	26
US	0	40	64	0
Other non-EU	0	23	57	0
Total	365	3,325	842	712

Exports, tons	2001	2002	2003	2004
EU 15	26,952	26,583	22,856	28,874
EU 10	1,893	1,346	1,143	1,792
US	39	137	126	629
Other non-EU	3,847	2,770	2,376	1,616
Total	32,731	30,836	26,501	32,911

Vetch seed, cock’s foot, bent grass (1209.29.10)

Imports, tons	2001	2002	2003	2004
EU 15	15	30	57	45
EU 10	19	0	0	1
US	28	33	46	20
Other non-EU	20	2	0	0
Total	82	65	103	66

Exports, tons	2001	2002	2003	2004
EU 15	1,750	2,446	1,685	2,005
EU 10	117	24	0	292
US	937	791	306	476
Other non-EU	1,209	459	995	954
Total	4,023	3,720	2,986	3,727

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

2003/04	Perennial rye grass	Italian rye grass	Red fescue	Kentucky blue grass	Others	Total
Production	43,730	3,047	23,701	7,392	10,062	87,972
Domestic consumption	3,090	903	1,132	414	550	6,089
Exports	36,530	3,484	27,139	8,241	11,614	87,008
Domestic stocks	7,978	1,347	4,539	1,588	4,172	19,624

Source: Industry statistics
Note: 2003/04 exports are mainly based on 2003 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 foot 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	25.96	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