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Denmark

Planting Seeds

Annual

2006

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Report Highlights:
Danish grass seed production increased in 2005 to a record of 106,829 tons, 21 percent above 2004 and 19 percent above the record 2003 harvest of 90,000 tons. Ninety-four percent of the production was exported, primarily to other EU member states. Grass seed area in 2006 is forecast to reach a record area 0f 88,500 hectares. Decoupling of EU production support is expected to increase Danish production of grass seed by about 50 percent during the coming 10 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 20 percent of outputworldwide. Denmark exports about 94 percent of its production - 90 percent of this to EU member countries. Exports to the U.S. and Canada vary, but were as low as 749 tons in 2004/2005, which is one-sixth of the level in 1999/00. The same declining pattern is seen for exports to South America, with 2004/05 exports of 693 tons. Exports to Asia, mainly China, were reduced to less than half of normal in 2004/05. Imports from the U.S. are minimal and confined to small amounts of bent grass.

Danish grass seed output in 2005 increased to 107,000 tons compared to the previous year of 88,000 tons. This is mainly due to larger areas and an 32 percent increase in the yield of red fescue. Average yield of the large area of perennial ryegrass (42.5 percent of total grass seed area) was unchanged at 1,192 kg per hectare. Total grass seed area for 2006 is estimated to increase to 88,500 hectares, 2,700 hectares more than the record year of 2005.

Denmark has consolidated its position as the world’s largest exporter of grass seeds and exports are expected to continue increasing. Total 2004/05 exports reached 78,500 tons, down from 87,000 in 2003/04 and at the level of the previous 5 years of about 78,000 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 support for 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.

Given the relatively free market access for planting seeds, economic competition will largely 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
2005: U.S. $1.00 = DKK 6.00
April 2006: U.S. $1.00 = DKK 6.05

Production

Denmark's production area for grass seed has expanded almost 50 percent over the last 10 years. Grass seed area for 2005 increased by 2,200 hectares to a record of 85,711 hectares. The area for harvesting in 2006 is estimated to increase to 88,500 hectares. The area with red fescue is forecast to increase. Area sowed with perennial rye grass, which accounts for 43 percent of the total grass seed area, is forecast to increase slightly in 2006.

Total Danish grass seed production for 2005 amounted to 106,829 tons, an increase of 18,700 tons compared to 2004 due to increased area and higher yields, especially for red fescue.

Areas with perennial rye grass remained unchanged 36,400 hectares and accounted in 2005 for 40 percent of the total seed grass production. Red fescue accounted for another 36 percent of production. Kentucky blue grass increased slightly to 10,300 hectares and yielded 10,500 tons, accounting for 10 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 2005, Denmark imported 40 tons of bent grass from the U.S. at a value of $116,000. 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 relatively low stocks, Danish import prospects are very limited.

The difficulty in obtaining certification of seeds for the EU market is a constraint to U.S. exports. Exporters should remember, however, that, when certified in one EU member state, seeds can be exported to any other me mber states.

Marketing Channels

The largest seed company in Denmark, DLF-Trifoleum, has a market share of 45 percent in Europe and 20 percent worldwide. It has subsidiaries in Benelux, UK, France, Germany, Czech Republic, U.S. and Denmark, and propagation in The Netherlands, France, U.S. Ireland, Czech Republic and Denmark.

DLF-Trifoleum recently bought 50 percent of the shares of Perryfields Holding in UK and merged it with DLF-Trifoluum's UK activities, thus rationalizing distribution in UK.

Out of four Danish seed trading companies, DLF-Trifoleum now has a Danish market share of about 85 percent. Other companies are Hundsbale (with a 10 percent market share) and Avanta (formerly Dutch owned and now sold to French Lima Grain) with 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.

Competitor Activities

EU(25) grass seed area increased from 185,000 hectares in 2002, to 239,449 hectares in 2005. Denmark seems able to maintain its share of 45 percent of the EU production for 2006. 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 2004/05 compared to 2003/04 but seem now to have peaked. Prices (excluding EU support) paid to growers for perennial rye grass, accounting for 41 percent of all grass production, decreased in 2005 to DKK 671 ($112) per 100 kg, down DKK 14 or 2 percent. Red fescue increased from DKK 610 ($102) per 100 kg in 2003/04 to DKK 696 ($116) for 2004/05 but still below the record level of DKK 727 in 1997/98. In addition to the above prices comes the EC production support of average DKK 263 ($44) per 100 kilo. This amount has been almost unchanged from year to year but has from January 1, 2005 (effective for the 2005 production) been replaced with the CAP reform's Single Farm Payment.

Outlook

Danish production area is expected to increase in 2006 by a few thousand hectares to 88,500 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 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 the 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 supported sugar prices. Allocation of the SFP is 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.

Planting Seed Production Policy

EU production support paid to producers in 2004/05 (covering the 2004 harvest) amounted to DKK 177 million ($29.4 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 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 Uruguay Round agreement, 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 on 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 was 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.

DLF-Trifoleum has resumed GMO research and wants to be the first to develop GM grasses. Research concentrates on greater content of sugar, which will increase digestion and greater resistance towards drought and coldness.

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. 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.

At present, separation distances have not been established for gene modified grass seed production.

No thresholds have been determined for adventitious presence of GMO in seeds. The Danish seed association is hoping for 0.3 to 0.5 percent. Probably differencing between the different seeds.

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 2005 the total organic grass seed area was 2,042 hectares, slightly below the previous year.

With the deficit of organic grass seeds in the EU, there is an 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

There are no export subsidies for planting seeds. 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. EU regulation now accepts an “off label” approval for minor crops, which approves crops with fewer than normal years of testing.

Consumption

Danish consumption of field grass seeds has steadily decreased slightly since 1996 (6,500 tons) to 5,769 tons in 2004/05. Danish consumption of perennial rye grass constituted more than 50 percent of total grass seed consumption. Red fescue grass seed accounted for another 20 percent and Italian rye grass seeds for 11 percent.

Trade

Total Danish exports of field grass seeds in 2004/05 amounted to 78,508 tons – down 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 29 percent of such trade with the EU.

The reasons for relatively low exports in 2005 are increased EU imports from New Zealand, U.S. and Canada, expectation for lower prices and lower consumption. However, exports seem to increase this year (2006).

The total export value of planting seeds excluding EU production support of DKK 179 million ($29.8 million) amounted in 2004/05 to DKK 1.6 billion ($268 million).

Trade Matrices

Red Fescue

(1209.23.15)

Imports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	62	165	392	1,127	528
US	2	0	0	20	0
Other non-EU	10	0	0	90	46
Total	74	165	392	1,237	574

Exports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	18,906	26,259	24,367	22,729	21,194
US	1,146	322	51	0	34
Other non-EU	4,691	5,689	2,758	601	1,054
Total	25,832	33,270	28,259	25,207	22,282

Kentucky blue grass (1209.24.00)

Imports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	197	136	199	136	195
US	1	2	10	0	0
Other non-EU	1	0	0	0	4
Total	199	138	209	136	199

Exports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	4,834	4,984	5,897	5,414	5,927
US	36	30	54	1	8
Other non-EU	1,162	1,463	1,434	904	779
Total	6,032	6,477	7,336	6,575	6,014

Italian rye grass (1209.25.10)

Imports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	300	361	165	426	545
US	0	13	0	0	0
Other non-EU	18	214	61	0	1
Total	318	588	226	426	546

Exports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	3,387	3,916	4,034	3,715	3,100
US	149	122	34	36	4
Other non-EU	595	436	884	205	141
Total	4,131	4,474	4,952	3,952	3,245

Perennial rye grass

(1209.25.90)

Imports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	365	3,662	728	712	766
US	0	40	64	0	86
Other non-EU	0	23	57	0	0
Total	365	3,325	842	712	852

Exports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	28,845	27,929	23,999	30,666	27,201
US	39	137	126	629	462
Other non-EU	3,847	2,770	2,376	1,616	1,327
Total	32,731	30,836	26,501	32,911	28,990

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

Imports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	15	30	57	46	65
US	28	33	46	20	40
Other non-EU	20	2	0	0	0
Total	82	65	103	66	105

Exports, tons	**2001**	**2002**	**2003**	**2004**	**2005**
EU 25	1,867	2,470	1,685	2,297	2,802
US	937	791	306	476	647
Other non-EU	1,209	459	995	954	1,116
Total	4,023	3,720	2,986	3,727	4,565