Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 4/28/1999

GAIN Report #DA9004

Denmark

Planting Seeds

Grass Seeds

1999

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Report Highlights:
Denmark, the world's largest grass seed producer and exporter, increased in 1998 its grass seed area and production by 33%. Exports increased by 10%.

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

Executive Summary

Denmark produces about 40 percent of the EU grass seed and exports about 90 percent of its production - 88 percent of it to Germany and other EU member countries. Targeted exports to non-EU countries are limited. New markets are developed in Turkey and Poland. Exports to U.S. and Canada dropped by more than half in 1997/98 compared to 1996/97 and to one fourth of 1995/96. At the same time exports to South America has doubled to 838 MT. Imports of rye grasses from U.S. more than doubled in 1998 to 605 MT.

Danish grass seed output in 1998, like 1997, suffered from unfavorable weather conditions, and increased by 33 percent corresponding to the increase in acreage.

As a result of consequently record-high prices in 1997 , growers increased 1998 acreage by almost 20,000 hectares or by 33 percent. This led to price reduction of up to 40 percent and acreage to be harvested in 1999 are forecast to drop by 10,000 hectares to 70,000 hectares. An area which for the latest years have been considered adequate by the industry

Denmark has consolidated its position as the world's largest exporter of grass seeds. Total 1997/98 exports reached 62,188 tons, down from the 1995/96 record- high 70550 tons.

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 90 percent of this market going to U.S. suppliers.

While not officially part of the EU's July 1993 CAP reform, grass seed production in Denmark has been and will continue to be indirectly stimulated by these reforms. These reforms have made grass seed production more attractive relative to other crops in Denmark and more competitive with other EU producers. Of total average grass seed prices received by farmers, EU production support accounts for about 28 percent or, in other words, the EU adds 40 percent to the price the farmers are paid by the industry. In total, this support amounted to $25 million.

With the relatively free market access, economic competition will determine whether the demand in the future 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 1997: U.S. $1.00= DKK 6.60
1998: U.S. $1.00= DKK 6.70
April 1999: U.S. $1.00= DKK 6.97

Production

1998 seed grass area was 79,812 hectares, up 33 percent from previous year. Taking into account that DLF Trifoleum purchased the French company Lima Grain with the aim to produce seed for this company in Denmark at least 5,000 additional hectares should have been planted to take this extra production requirements into account. However, record high prices increased the area by almost 20,000 hectares.

This area more than meets the demands of Danish seed companies, estimated at 70,000 hectares.

As yields were relatively low in both 1997 and 1998 due to rain during the harvest season, production increased by 33 percent (corresponding to the increased acreage) to a record 85,685 MT.

Perennial rye grasses account for 48 percent of the total seed grass area and 52 percent of the production. Red Fescue account for another 28 percent of the production.

Marketing

Market Development Opportunities

Denmark's status as a major exporter of grass seeds limits opportunities for U.S. exports. Nonetheless, market niches nonetheless exist -- primarily for such varieties not grown in Denmark such as corn varieties for green fodder and bent grass used for golf greens and lawns. In 1998, Denmark imported 72 MT of bent grass from the U.S. at a value of $221,000. Imports of corn are difficult to ascertain as these are imported through Germany and not recorded as U.S. origin. More than half of the total corn seed imports of 789 tons is imported through Germany.

With EU production below self sufficiency, market opportunities exist for seed grasses, such as the most demanded rye grasses. Although still limited in numbers, the 1998 trade figures in the trade matrices for Denmark demonstrate a substantial increase in imports during 1998.

Marketing Channels

Out of six Danish seed importing companies, the DLF-Trifolium (the world’s largest grass seed company) after merging with Morsoe Seed Company has a market share of about 80 percent. Two companies are Dutch owned.

DLF-Trifolium is now cooperating with the French company, Lima Grain and has taken over this company’s grass seed production which formerly has been produced in France and the Netherlands.

Competitor Activities

EU grass seed area seems after some years of stabilization at about 150,000 hectares to increased to 172,000 hectares in 1997 and further again in 1998 to about 200,000 hectares.

Denmark seems able to maintain it share of 40 percent of the EU production.

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 the U.S. is not sincerely interested in expanding its activities within the EU, partly due to the efforts involved in certification of the seeds for the EU market. Exporters should remember, however, that, when certified in one EU member state, the seeds can be exported to any other member countries.

Prices

Average prices paid to the growers increased in 1997 for the sixth year in a row. E.g. prices paid to the growers for Perennial Rye Grass, accounting for 52 percent of all grass production, increased in 1997 to a peak of DKK 1184 per 100 kg. Prices have since dropped to DKK 1000 (December 1997), to DKK 600 (September 1998) and to DKK 500 (March 1999). Red Fescue has dropped from DKK 1000 per 100 kg in December 1997 to DKK 850 by March 1999.

Outlook

Low prices (compared to 1997) is forecast to reduce the area to be harvested in 1999 by 10,000 hectares to 70,000 hectares, a level which according to the industries seems appropriate for the Danish production and sales.

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 has 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 does not change the EU planting seed arrangements. Neither is it expected to have any major impact on seed consumption.

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 cropping alternatives and made it more competitive against other EU grass seed producers. This largely stems from relatively higher Danish grass seed yields and the fact that the reference period for EU CAP reform per hectare supports was fixed during a period prior to a widespread switch from lower yielding spring field crop varieties to higher yielding winter varieties.

As Denmark is by far the largest EU producer of fodder beet seeds, this sector of Danish seed production is seriously affected by EU conditions for growing CAP reform crops in lieu of other feed crops. Similar changes in relative competitiveness may occur between grass and pulses areas, compared to cereals for green fodder.

Danish interest in fodder sugar beet seed production 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.

The EU Commission in its 1996 price agreement (for seed harvest in 1997 and later years) includes continuation of the existing marketing arrangements for grass seeds based on a per kilo price support (opposed to a per hectare premium). No changes are foreseen for the support prices.

Denmark received in 1997 DKK 170 million ($25 million) in production support, down from DKK 168 million in 1997 and DKK 228 in 1996. This decrease is a result of a larger production of the less supported rye grasses.

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 this is 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). The EU has offered a complete elimination by year 2000. The duty for

sugar beet seeds, which is 10.7 percent, does not fall under the minimum rules, and are to be reduced by only 36 percent.

Non-Tariff Barriers.

The harmonization of EU member state seed directives was introduced December 1998. The Management Committee agreed to all 34 points concerning the trade aspects. This seems to have no impact on trade with third countries.

GMO's

DLF-Trifoleum, in cooperation with Risoe Research Center, is now developing new gene modified grasses, The four year project has employed 15 full-time researchers and has a budget of DKK 40 million ($5.7 million). The aim is develop grass seeds which do not develop flowers and seeds.

DLF-Trifoleum has, in cooperation with the Danish sugar factories, Danisco, and Monsanto developed a gene modified (Round-up resistant) fodder beet. The companies have been given permission to do field experiments and were expecting a variety approval this year in order to market the beet in the spring 1998. Due to Danish consumers' general concerns with GMO's, the industries involved in GMO researches, the Agricultural Council and the Ministry of Environment Protection made a voluntarily agreement on a one year GMO marketing moratorium. It was the intention during 1999 to establish large public field trials all over the country. However, as the dairy and meat industry do not dare to sell products from animals fed with GMO beets, and the beets from the field trials consequently will have to be destroyed, the project has been down-scaled considerably and include now only a total of 18 hectares scattered al over the country.

Danisco is likewise developing a Round-up (registered trademark for a herbicide) resistant sugar beet. Marketing of these seeds are expected in about two to three years time.

In general, the Danish Ministry of Food, Agriculture and Fisheries and the agricultural organizations view biotech as a useful technology which can benefit the farmers, the food industry, and consumers.

Labeling requirements have been established for products produced with biotechnology when it is detectable. Uncertainty exists as to future labeling requirement for final products where biotechnology is non-detectable, such as sugar and meat and milk.

Organic Seeds

By year 2001, all organic production must be based on products of organic origin. More than 50 percent of all organic fields consist of clover or grass fields, and seed for these must by then be organic. This means that

seeds harvested one or two years after conversion to organic production not can be traded as organic. Therefore, it is urgent that organic producers already now convert to this production. The trading industries estimate that they will be able to provide organic seeds for the Danish organic production (about 5 to ten percent of total grass areas) and is now looking for additional production for the export markets.

EU Project Support Arrangements.

The EU FEOGA Development's Section is the source of financial support for projects which aim to rationalize treatment, processing and sales of agricultural products. For Denmark, a practice has developed for a national support of 5 percent in addition to the 12.5 percent EU support of the total invested amount. A 5-year (1994-1999) sector plan prepared for the development of the Danish seed industry foresees total industry investments of DKK 178 million for the field seed industry and 10 million for the garden seed industry. DKK 170 million is reserved for enlargement projects while DKK 18 million is reserved for modernization of existing plants. In total, the EU and the Danish government plans to support the industry by DKK 33 million over the five year period.

Export Subsidies

Neither EU or nationally based export subsidies exist. The only support is the production support described in section entitled "Planting Seed Production Policy."

Export Restrictions

Non-existent.

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 either been or will be forbidden. Chemical producers often place the costs of getting new products approved by the government agencies above the rather modest economic gains 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 decreased slightly in 1997/98 by 2 percent to 6,383 MT from 6,500 MT in 1996/97. That year followed after three years at 6,200 tons . The 1997/98 decrease was mainly in perennial ryegrass (by 145 kg), the crop with the most significant drop in prices.

Danish consumption of perennial rye grass constituted 43 percent of total grass seed consumption. Italian rye grass seed accounted for another 31 percent and red fescue, 13 percent.

Stocks

EU stocks since 1992 have decreased from 145,000 tons to less than 100,000 tons by July 1997. In general, Denmark's stocks during the same period have been reduced to almost half the size of that of 1990 - following the 1989 record harvest. However, stocks increased by 2,944 MT (12 percent) in July 1998. Stocks are at present estimated at a level of about 10,000 MT over this figure.

Trade

General

Total Danish exports of field grass seeds in 1997/98 amounted to 61,201 metric tons -- down 7,012 tons or 10 percent tons compared with the two previous seasons but still far above the previous record of 58,000 tons in 1989/90. Seen over a span of years, exports of red fescue have increased the most and doubled since then. Exports of perennial rye grass accounted for 48 percent of total exports. With about 88 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 total export value of planting seeds (exclusive EU production support of DKK 170 million) amounted in 1998 to DKK 1,021 million ($152 million), down from DKK1,119 million in 1997.

Trade Matrixes

		1998	1998		1997	1997
		US$1000	MT		US$1000	MT
1209.23.15 Red Fescue						
IMPORTS						
France		7	3		1,230	788
Netherlands		68	21		413	172
Germany		103	47		97	49
Sweden		16	6		105	53
U.S.		23	4		45	17
Total		168	109		1,937	1098
EXPORTS						
France		4046	2616		5,550	4292
Belgium		484	360		1,265	1035
Netherlands		2115	1769		2,428	1963
Germany		4861	3966		9,284	7803
Italy		1250	865		1,614	1187
UK		1667	1097		2,419	1757
Ireland		161	116		193	190
Spain		271	173		301	262
Sweden		551	368		602	476
Finland		847	602		981	690
Switzerland		164	112		333	243
Austria		860	646		1,160	955
Turkey		204	141		92	90
Poland		368	262		606	413
Total		18846	13477		27,671	21445
1209.24.00 Kentucky Blue Grass						

IMPORTS						
Germany		259	124		299	145
Sweden		424	204		127	78
Total		752	359		655	327
EXPORTS						
France		243	117		501	266
Belgium		219	120		397	207
Netherlands		628	350		1,238	589
Germany		2780	1637		6,137	3848
Italy		732	418		939	578
UK		183	100		165	96
Sweden		613	343		674	404
Finland		592	297		389	227
Switzerland		141	63		506	250
Austria		509	268		643	345
Turkey		152	94		58	41
Poland		186	107		236	126
Russia		171	84		144	72
U.S.					141	80
Canada		34	19		251	146
China		345	144		357	150
Japan					0	0
Total		8177	4211		13,177	7812
1209.25.10 Italian Rye Grass						
IMPORTS						
Netherlands		301	439		251	200
Germany		346	507		158	169
Spain					81	59
Czech Rep.					46	59
Poland		149	297			
U.S.		30	34			
Total		847	1297		688	661

EXPORTS						
France		510	385		1,127	749
Belgium		101	90		337	224
Netherlands		235	161		193	149
Germany		278	231		625	460
Italy		6	4		34	25
UK		454	351		635	506
Spain		147	120		206	148
Norway		222	158		153	103
Finland		324	273		406	269
Switzerland		117	44		153	98
Canada		8	4		43	23
Total		2697	2044		3,980	2798
1209.25.90 Perennial Rye Grass						
IMPORTS						
France		29	21		1,850	1518
Belgium		19	20		56	33
Netherlands		432	136		459	231
Germany		351	156		613	362
UK		96	55		171	118
U.S.		385	224		94	101
Total		1245	634		3,293	2385

EXPORTS						
France		5909	4820		7,059	5646
Belgium		2703	2576		4,064	3854
Netherlands		4042	3892		4,515	3952
Germany		9362	8921		14,076	11907
Italy		1911	1775		2,235	1892
UK		3628	2810		6,913	4960
Ireland		482	380		1,745	1369
Spain		742	603		713	545
Norway		193	185		44	133
Sweden		279	208		315	236
Switzerland		340	285		492	351
Austria		1034	893		814	645
Turkey		205	195		102	111
Poland		352	290		224	152
US		520	581		285	197
Canada		63	60		122	92
Argentina		147	137		39	31
Iran					95	59
China		107	72		130	76
Japan		129	82		63	40
Total		32618	29141		44,612	36323

Table 1: Production, Domestic Consumption, Exports, Stocks, and Domestic Stocks (July 1) of Field grasses 1998. Metric Tons.

Perennial rye grass	44,441	2,723	29,647	18,991
Italian rye grass	6,457	1,974	2,458	2,112
Red fescue	22,790	832	15,881	2,152
Kentucky blue gras	4,685	4372	7,201	2,782
Others	6,759	397	6,014	1,654
Total	85,102	6,383	61,201	27,611

Source: Industry statistics
Note: 1998 exports are mainly based on 1997 harvest.