Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 4/27/2001

GAIN Report #DA1006

Denmark

Planting Seeds

Annual

2001

Approved by:
Phil Letarte
U.S. Embassy
Prepared by:
Hasse Kristensen

Report Highlights:
Danish grass seed production remains at record high 84,000 tons, of which 93 percent is exported. Major grass seeds are perennial rye grasses, which account for 38 percent of the production and 46 percent of total exports. An updated report including trade matrices will be submitted in August 2001.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
The Hague [NL1], DA

Executive Summary

Denmark produces about 45 percent of EU grass seed and exports about 90 percent of its production - 81 percent of this to Germany and other EU member countries. Targeted exports to non-EU countries are limited. Exports to U.S. and Canada more than doubled in 1999/00 compared to previous year to 5,133 tons . Exports to South America also increased significantly at 1,632 tons for CY 1999/00. Imports of Red Fescue from the U.S. increased in 1999/00 to 1,645 MT.

Danish grass seed output in 2000 remained unchanged at 84,000 tons compared to previous year in spite of a decrease in acreage of 2.3 percent..

Relatively high EU production has led to price reduction of up to 24 percent for Italian Rye grass. Acreage to be harvested in 2000 are forecast to remain at the present level of about 75,000 hectares.

Denmark has consolidated its position as the world's largest exporter of grass seeds. Total 1999/00 exports reached a record of 78,121 tons, up from 65,850 and significantly higher than the 1995/96 and 1996/97 levels of about 70,000 MT. The largest seed company in Denmark, DLF-Trifoleum has expanded its U.S. activities by buying Jenks Seed Connection in Oregon and merge with DLF-Trifoleum (USA) Inc. In Europe, DLF-Trifoleum has formed a joint venture company, Top green with French Limagrain to sell lawn grass seeds across Europe.

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 affected 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 30 percent or, in other words, the EU adds 46 percent to the price the farmers are paid by the industry. In total, this support amounted to $28 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.

Note: Official Danish seed grass statistics will not be corrected for 2000 foreign trade before July 2001. Reliable trade estimates are used for this report. A break down of exports and imports by countries have not been possible and trade matrices not included in this report. An updated report including trade matrices will be submitted as soon as official trade statistics are available, probably by August.

The average exchange rate in 1999: U.S. $1.00= DKK 6.98
April 2000: U.S. $1.00= DKK 8.08
April 2001: U.S. $1.00= DKK 8.35

Production

2000 seed grass area was 74,157 hectares, down 3 percent from previous year's record and still far above all other previous years. The area for harvesting in 2001 is estimated to remain at this level as well.

Yields increased in 2000 and compensated for the area decrease and total grass seed output amounted to 83,998 MT compared to previous year's 84,166 MT.

Areas with perennial rye grasses decreased by almost 5,000 hectares and accounted in 2000 for 35 percent of the total seed grass area and 38 percent of production. Red Fescue accounted for another 38 percent of production. Kentucky blue grass increased to a record 7,728 hectares and yielded 6,320 MT, accounting for 7.5 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 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 2000, Denmark imported 38 MT of bent grass from the U.S. at a value of $126,000. Other U.S. grass seed exports to Denmark 113 MT of Kentucky Blue Grass at a value of $296,000. 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 is imported through Germany.

With EU production below self sufficiency, market opportunities exist for seed grasses, such as the most demanded rye grasses. Danish imports are very limited and will probably continue so taking into account the high production and still relatively high stocks slightly increasing during 2000 to 44,639 MT.

Marketing Channels

Out of six Danish seed importing companies, DLF-Trifolium has a market share of about 80 percent. Two other companies are Dutch owned.

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, cost will be increased by at least additional transports cost, and it is difficult to see how they will be able to pay Danish producers above what they are paid by the Danish companies.

Competitor Activities

EU grass seed area seems to have spiked up from 150,000 hectares to permanently increase to about 180,000 hectares. Denmark seems able to maintain it share of 45 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 U.S. Seed traders are not sincerely interested in expanding their activities within the EU, partly due to difficulty in obtaining certification of 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 growers decreased by 3 percent in the marketing year 1999/00 compared to 1998/99 Prices paid to growers for Perennial Rye Grass, accounting for 38 percent of all grass production, decreased in 2000 to DKK 413 per 100 kg. down DKK 36 corresponding to 7 percent. Red Fescue has dropped from DKK 690 per 100 kg in 1998/1999 to DKK 634 for 1999/00.

Outlook

Danish production area is expected to remain at present levels, about 15,000 hectares above the pre-1998 level of less than 60,000 hectares.

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 further increased grass seed competitiveness relative to grain production, which is facing lower prices. Agenda 2000 does not change the competition among EU countries. Competition between EU countries, however, has been changed to the advantage of EU towards Canada for red fescue and towards U.S. for blue Kentucky grass. The Danish producers consider that they now are in a positive production situation, the best since Denmark joined the EU in 1973.

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.

With a high yield production, Danish seed producers are in favor of the existing EU support scheme which supports production based on the volume of produced seed. In principle, EU support should make EU production more competitive with third country producers. The fact that the EU has become a net importer with

a net import in 1997/98 of 17,000 MT is also seen as a demonstration of the need for supported seed production compared to other supported crops. EU production support is aimed forwards competition from other EU supported crops as well as from third countries. The EU support is fixed for two years. The support for the marketing years 2000/01 and 2001/02 are mainly unchanged from the two previous marketing years with the exception of perennial rye grass. Support is for Red Fescue 368.3 Euro/MT, for Italian Rye Grass 211. 5 Euro/MT, for Smooth Meadow Grass 385.2 Euro/MT. Support for perennial Rye Grass varies from 276.4 Euro/MT to 336.0 Euro/MT. (One Euro corresponds roughly to $1).

EU production support amounted for 2000 to DKK 296.1 million ($37 million) for a volume of 83,998 MT.

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.

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, 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.

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) followed by a complete elimination by year 2000. EU tariffs on planting

seeds are now 0.

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. 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. In particular grasses free of culm and flowers which decreases the dry matter content. DLF-Trifoleum yearly budget is $550,000 supplemented by public funds of $1 million. These funds arise from cooperation with public research institutions.

DLF-Trifoleum had, 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 research, 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. The EU GMO approval moratorium has postponed any possible marketing of the seeds. Danisco has consequently withdrawn from the project.

DLF-Trifoleum is, however, continuing its GMO developments in planting grass seeds such as grasses which can draw heavy metals out of polluted soil or produce enzymes, for the baking industries.

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.

Labeling requirements have been established for products produced with biotechnology when it is detectable. Uncertainty exists as to future labeling requirements for final products where biotechnology is not-detectable, such as sugar and meat and milk.

Organic Seeds

By 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. Danish organic grass seed production amounted in 2000 to 1,200 MT, double the domestic demand. With Denmark being almost the sole producer of organic grass seeds in Europe, market potential exists.

EU Project Support Arrangements.

The EU FEOGA development section finances projects that aim at improving of the treatment, processing and marketing of agricultural products. Projects accepted for co-financing are supported by 12.5 percent by FEOGA and 5 percent by the Danish government.

During the previous investment period (1994-1999) total seed industry investments were budgeted at DKK 188 million of which DKK 170 million were for new installations and DKK 18 million for modernization of existing installations. Total support is DKK 6.6 million ($ 816,000) per year.

A new program period is prepared for the years 2000 to 2006. Increased seed production during the previous period (1994 to 1999) from 50,000 hectares to 84,000 hectares indicates a rising demand for investments. This is further required by increased organic production, higher quality requirements and development of more advanced cleaning machinery. The 2000 allocation Danish project support is $780,000.

Export Subsidies

Neither the 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 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 remained unchanged in 1999/00 6,702 MT from 6,629 MT in 19998/99.

Danish consumption of perennial rye grass constituted 48 percent of total grass seed consumption. Italian rye grass seed accounted for another 27 percent and red fescue, 14 percent.

Trade

General

Total Danish exports of field grass seeds in 1999/00 amounted to 78,121 metric tons -- up 12,263 tons or 19 percent tons compared with the previous season and far above the previous record of 69,454 tons in 1995/96. 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 46 percent of total exports. With about 82 percent of Denmark's grass seed exports going to other EU member states, Germany alone accounts for 39 percent of such trade with the EU.

The total export value of planting seeds (exclusive EU production support of DKK 296 million) amounted in 1999/00 to DKK 1,160million ($144 million).

Trade matrices

Completion of trade matrices for 2000 are awaiting corrected official Danish trade statics to be published in July 2001.

Table 1: Production (P), Domestic Consumption (C), Exports (E), and Domestic Stocks (S) (July 1) of Field grasses 2000. Metric Tons.

	P	C	E	S
Perennial rye grass	31,495	3,209	36,176	25,083
Italian rye grass	3,851	1,784	2,524	7,110
Red fescue	31,632	908	25,281	6,370
Kentucky blue gras	6,320	429	9,028	1,199
Others	10,700	372	5,112	4,877
Total	83,998	6,702	78,121	44,639

Source: Industry statistics
Note: 2000 exports are mainly based on 1999 harvest.

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

	Marketing years 1998/1999 + 1999/2000	Marketing years 2000/2001 + 2001/2002
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	33.60/32.29 *)
Perennial rye grass, early	19.20	23.13/27.03 *)
Perennial rye grass, ne sorts	25.965	27.64/29.32 *)
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
Smooth meadow grass	38.52	38.52

*) In order to even out support for all perennial rye grasses to the same amount in coming years, reductions are made for the higher supported sorts while increases are for the lower supported sorts. The first figures are applicable for market year 2000/2001 and the second for market year 2001/2002. Danish production is quite evenly distributed among the three groups, while e.g. Dutch production mainly consists of the high supported sorts. (This is probably the reason for a phase out over several years.)