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Denmark

Planting Seeds

Annual

2000

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Report Highlights:
Danish grass seed production decreased in 1999 by 4 percent to 83,000 metric tons, corresponding to the reduction in acreage. However exports increased by 7.5 percent to 67,000 MT. Major grass seeds are perennial rye grasses, which account for 46 percent of total production and 52 percent of total exports.

Includes PSD changes: Yes
Includes Trade Matrix: Yes

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Executive Summary

Denmark produces about 40 percent of the EU grass seed and exports about 80 percent of its production - 86 percent of this to Germany and other EU member countries. Targeted exports to non-EU countries are limited. Exports to U.S. and Canada vary traditionally between 500 MT and 4,000 MT in 1992. Exports for 1998/99 were 2,393 MT. Exports to South America increased slightly in 1998/99. Imports of rye grasses from U.S. doubled in 1999 to 1,165 MT from 581 MT in 1998.

Danish grass seed output in 1999 decreased by 4 percent corresponding to the decrease in acreage.

Increasing EU production has led to a price reduction of up to 22 percent. Acreage to be harvested in 2000 is forecast to remain at present levels of about 75,000 hectares.

Denmark has consolidated its position as the world's largest exporter of grass seeds. Total 1998/99 exports reached 65,858 tons, up from 61,228 in 1997/98 but below 1995/96 and 1996/97 levels of about 70,000 MT.

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. Agenda 2000 decreases in grain prices has increased the comparative compatibility of grass seeds. Of total average grass seed prices received by farmers, EU production support accounts for about 30 percent or, in other words, the EU adds 40 percent to the price the farmers are paid by the trade. In total, this support amounted to $35 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 1998: U.S. $1.00= DKK 6.70
1999: U.S. $1.00= DKK 6.98
April 2000: U.S. $1.00= DKK 7.84

Production

1999 seed grass area was 76,443 hectares, down 4 percent from previous year record and still far above all other previous years. As the area for harvesting in 2000 is estimated to remain at this level, there seem to be a permanent increase in the level from 50 to 60,000 hectares during the 1990 to 1997.

Yields decreased in 1999 according to area reduction by 3.5 percent to 82,984 MT from previous years's record of 86,027 MT.

Areas with perennial rye grasses decreased by almost 8,000 hectares and accounted in 1999 for 40 percent of the total seed grass area and 46 percent of the production. Red Fescue account for another 34 percent of the production. Kentucky blue grass increased to a record of 7,170 hectares and yielded 6,568 MT, accounting for 7.9 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 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 1999, Denmark imported 63 MT of bent grass from the U.S. at a value of $130,000. Other U.S. grass seed exports to Denmark included 40 MT of stiff-leaved fescue and 39 MT of Kentucky Blue Grass. 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 1,294 tons 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, increasing by 48 percent to 40,888 MT in 1999.

Marketing Channels

Out of six Danish seed importing companies, the 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 in the long run will be able to pay Danish producers above what they are paid by the Danish companies.

Competitor Activities

EU grass seed area seems after some years of stabilization at about 150,000 hectares to permanently increase to about almost 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 decreased by 15 percent in the marketing year 1998/99 compared to 1997/98 E.g. prices paid to the growers for Perennial Rye Grass, accounting for 54 percent of all grass production, decreased in 1998 to DKK 446 per 100 kg. down DKK 129 corresponding to 22 percent. Red Fescue has dropped from DKK 727 per 100 kg in December 1997 to DKK 690 for 1999.

Outlook

Comparative advantages compared to EU grain production seem to maintain Danish production areas at present level, about 10,000 hectares above 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 increase the grass seed competitiveness towards grain production which will face 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 a in a rather 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 support production according to per kilo produced seed. In principle, the EU support should secure competitiveness from third country producers. The fact that EU during the last four years 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. The 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 1997/98 to DKK 178.9 million ($27 million) for a production of 69,202 MT. Of the total support, 48 percent was for perennial rye grass production, 23 percent for red fescue and 9 percent for smooth meadow grass.

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 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.

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.

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-Trifolium, 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-Trifolium yearly budget is $550,000 supplemented by public funds of $1 million. These funds arise from cooperation with public research institutions.

DLF-Trifolium 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 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. EU GMO approval moratorium has until further postponed possible marketing of the seeds.

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 now are 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

EU FEOGA development section co-finance projects which aim at improving and rationalizing 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 rationalization and modernization of existing installations. Total support amount consequently for DKK 6.6 million ($ 1 million) per year.

A new program period is foreseen 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 an increasing demand for investments. This is further required by increased organic production, increased quality requirements and development of more advanced cleaning machinery.

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 increased slightly in 1998/99 by 4 percent to 6,629 MT from 6,383 MT in 19997/98. That year follow after three years at 6,200 tons . The 1998/99 decrease was mainly in perennial ryegrass (by 400 kg), the crop with the most significant drop in prices.

Danish consumption of perennial rye grass constituted 47 percent of total grass seed consumption. Italian rye grass seed accounted for another 30 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. Since have stocks again increased to 1992/93 level to present 160,000 MT. 48,000 MT of this is Italian rye grasses, corresponding to almost one year's consumption. Danish stocks in 1999 increased by 13,000 MT to 42,120 MT, the highest ever.

Trade

General

Total Danish exports of field grass seeds in 1998/99 amounted to 65,858 metric tons -- up 4,630 tons or 8 percent tons compared with the previous season and 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 51 percent of total exports. With about 86 percent of Denmark's grass seed exports going to other EU member states, Germany alone accounts for 35 percent of such trade with the EU.

The total export value of planting seeds (exclusive EU production support of DKK 243 million) amounted in 1999 to DKK 1,062 million ($152 million), down from DKK1,107 million in 1998.

Trade Matrices

		1998	1998		1999	1999
		US$1000	MT		US$1000	MT
1209.23.15 Red Fescue						
IMPORTS						
Netherlands		68	21		60	20
Germany		103	47		161	53
Sweden		16	6		1	
U.S.		23	4		13	2
Finland						20
Total		168	109		259	95
EXPORTS						
France		4046	2616		2,997	2119
Belgium		484	360		89	72
Netherlands		2115	1769		1,631	1250
Germany		4861	3966		8,427	6479
Italy		1250	865		1,005	778
UK		1667	1097		2,266	1511
Ireland		161	116		157	122
Spain		271	173		190	137
Sweden		551	368		465	307
Finland		847	602		739	583
Switzerland		164	112		324	238
Austria		860	646		282	211
Turkey		204	141		71	59
Poland		368	262		514	403
Canada					757	636
Total		18846	13477		21,812	16307

1209.24.00 Kentucky Blue Grass						
IMPORTS						
Germany		259	124		84	35
Sweden		424	204		18	7
Netherlands					18	5
U.S.					87	39
Total		752	359		215	91
EXPORTS						
France		243	117		304	152
Netherlands		628	350		529	268
Germany		2780	1637		3,511	1901
Italy		732	418		288	174
UK		183	100		107	54
Sweden		613	343		292	155
Finland		592	297		398	209
Switzerland		141	63		432	166
Austria		509	268		262	142
Turkey		152	94		77	62
Poland		186	107		207	118
Russia		171	84		38	19
U.S.					6	3
Canada		34	19		143	90
China		345	144		486	215
Total		8177	4211		7,548	3954

1209.25.10 Italian Rye Grass						
IMPORTS						
Netherlands		346	507		8	7
Canada					9	10
Czech Rep.					59	68
Poland		149	297		23	44
U.S.		30	34		0	
Total		847	1297		98	129
EXPORTS						
France		510	385		317	334
Netherlands		235	161		47	21
Germany		278	231		219	267
Italy		6	4		24	46
UK		454	351		79	100
Spain		147	120		45	54
Norway		222	158		78	86
Finland		324	273		124	139
Switzerland		117	44		54	38
Canada		8	4		12	10
U.S.					2	1
Total		2697	2044		1,197	1315

1209.25.90 Perennial Rye Grass						
IMPORTS						
France		29	21		30	25
Netherlands		432	136		152	58
Germany		351	156		165	55
UK		96	55		1	1
Spain					6	10
Total		1245	634		394	173
EXPORTS						
France		5909	4820		3,299	3086
Belgium		2703	2576		220	230
Netherlands		4042	3892		1,416	1540
Germany		9362	8921		8,462	9683
Italy		1911	1775		937	1090
UK		3628	2810		1,993	1946
Ireland		482	380		556	601
Spain		742	603		525	575
Norway		193	185		195	174
Sweden		279	208		185	166
Switzerland		340	285		469	433
Austria		1034	893		453	551
Turkey		205	195		125	162
Poland		352	290		231	259
US		520	581		804	1165
Canada		63	60		57	79
Argentina		147	137		278	339
China		107	72		207	182
Japan		129	82		84	62
Total		32618	29141		21,082	22995

Table 1: Production, Domestic Consumption, Exports, and Domestic Stocks (July 1) of Field grasses 1999.

Metric Tons.

Perennial rye grass	38,162	3,124	33,538	25,424
Italian rye grass	5,548	1,960	1,943	4,827
Red fescue	25,117	815	19,771	5,173
Kentucky blue gras	6,568	356	5,861	2,595
Others	7,589	373	5,986	2,869
Total	82,984	6,629	67,099	40,888

Source: Industry statistics
Note: 1998 exports are mainly based on 1997 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 consist of the high supported sorts. (This is probably the reason for a phase out over several years.)