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New Zealand

Planting Seeds

Annual

2001

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Report Highlights: The 2000/01 seed cropping season is expected to show similar yields to the previous season, with a slight decline in acreage. Companies are moving towards more proprietary marketing and specialized varieties. The New Zealand Government has proposed a protocol to test for genetically modified presence in conventional planting seed imports.

Includes PSD changes: No
Includes Trade Matrix: Yes
Annual Report
Wellington [NZ1], NZ

SECTION I. EXECUTIVE SUMMARY

The 2000/01 seed cropping season is expected to end with similar average yields to the 1999/00 season. A wet, cold spring has made for difficult growing conditions early on, but good growing and harvesting conditions were experienced later in the season. Industry officials report a slight reduction in traditional seed growing areas due to low prices and favorable livestock markets.

The New Zealand seed industry has seen a shift towards proprietary marketing with the main seed companies developing their own seed cultivars and contracting the growing out to arable farmers. In this way the companies are able to collect a royalty on their cultivars. The trend for growers and seed companies is a move away from commodity seed to more specialized varieties.

New Zealand's total seed exports were 18,315,729 kg in 1999/00, worth US$31.2 million FOB. This was a 30% decrease in volume from the 1998/99 year and an 13% drop in value. The United States took 44% (by volume) of New Zealand's seed exports in 1999/00, predominantly ryegrass seed. Other key export markets for New Zealand seed include Australia, South America and Germany.

New Zealand's seed imports were 1,319,198 kg in the 1999/00 season valued at US$ 7.0 million CIF. The U.S. accounted for 50% of New Zealand's seed imports, mostly fescue, vegetable and ryegrass seed. The total value of seed imports from the US was US$3.5 million CIF.

To date there has not been any approval for release of a GM crop in New Zealand. There are, however, various GM field trails underway for crops and livestock. In April 2000, the government established a four-person Royal Commission on Genetic Modification. The commission is to inquire into and report on the strategic options available to enable New Zealand to address genetic modification now and in the future. It is to report to the Government by June 1, 2001. The commission by March 2001, had heard evidence from over 100 parties, including those that are pro-biotech and anti-biotech, as well as from U.S. and other international organizations

Information on the Royal Commission can be found on the website:
http://www.gmcommission.govt.nz

The Ministries of Agriculture and Environmental Risk Management have drafted an interim protocol to test for GM presence in conventional seed imports (starting with sweet corn). Although a 0.5% threshold level is suggested by the NZG, since no GMO has yet been approved for release in New Zealand, the tolerance would effectively be zero. FAS and industry are discussing possible solutions with the NZG, noting the need for a tolerance.

MAF Regulatory Standards for the importation of seeds for sowing into New Zealand are available on the MAF website located at- http://www.maf.govt.nz.

US market opportunities exist for proprietary forage grasses and niche turf applications, vegetables and grain seeds.

SECTION II. STATISTICAL TABLES
Source: Statistics New Zealand

N.Z. ALFALFA SEED TRADE 1999/00				
	IMPORTS		EXPORTS	
Source/				
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	51,314	172	0	0
Australia	49,579	121	0	0
Other	0	0	69	0
Total	100,893	293	69	0

N.Z. CLOVER SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	242	2	458,486	743
Australia	149,536	174	140,665	353
U.K.	0	0	614,623	1,334
Belgium	0	0	101,464	195
France	0	0	213,029	459
Germany	0	0	420,173	748
Japan	8,817	20	136,968	221
Other	2,197	24	1,530,900	2,746
Total	160,792	220	3,616,308	6,799

N.Z. FESCUE SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	148,800	298	241,294	343
Australia			370,564	173
Other	11,928	20	29,253	5,213
Total	160,728	318	641,111	5,729

N.Z. RYE GRASS SEED TRADE 1999/00				

Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	45,877	98	6,748,579	4,988
Australia			2,441,994	2,399
Chile			1,496,754	1,134
Italy			243,596	48
Germany			314,081	195
Re-imports				
Other	14,534	20	1,475,127	1,083
Total	60,411	117	12,720,131	9,847
N.Z. KENTUCKY BLUE GRASS SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	3,061	9	0	0
Total	3,061	9	0	0
N.Z. TIMOTHY GRASS SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
Australia				
Canada	38,575	32		
Other				
Total	38,575	32		
N.Z. OTHER GRASS SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	12,784	39	308,329	530
Australia	15,176	23	137,517	192
Argentina			24,892	24
Germany	10,860	14	36,712	55
Other	15,720	87	132,775	403
Total	54,540	163	640,225	1,204
N.Z. VEGETABLE SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB

		000		0
U.S.	160,332	840	92,420	211
Thailand	97,029	627	240,331	360
Taiwan			169,850	139
Hong Kong			436,618	428
Australia			28,444	265
Other		3,465	1,590,685	5,419
Total	323,474	4,932	2,558,348	6,822
N.Z. LEGUMINOUS VEGETABLE SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		0
U.S.	69,214	95	241,211	275
Australia	46,757	25	1,000	1
Israel	0	0	0	0
Italy	43,000	1	0	0
Singapore	0	0	301,000	110
Japan	0	0	0	0
Malaysia	0	0	0	0
South Africa	0	0	537,500	182
Taiwan	0	0	0	0
U.K.	12,050	11	0	0
Other	59,576	93	162,446	67
Total	230,597	225	1,243,157	634
N.Z. FIELD CORN SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		000		000
U.S.	161,429	611	0	
France	1,050	15	0	
Australia	18,643	68	150,600	137
Other	5,005	21		
Total	186,127	715	150,600	137
N.Z. TOTAL SEED TRADE 1999/00				
Source/	IMPORTS		EXPORTS	
Destination	Kilograms	US$CIF	Kilograms	US$FOB
		0		0
All Countries	1,319,198	7,024	18,315,279	31,172

MARKETING, POLICY & PRODUCTION

MARKETING

Market Development Opportunities

The New Zealand seed industry is open and very much attuned to the international market. New Zealand will remain a small volume buyer of seeds on the international market due to significant domestic production. The industry relies on international cooperation in numerous research projects and has an extensive network of foreign companies involved in joint research and marketing projects. The greatest opportunity for U.S. seed exports to New Zealand exists in the sale of proprietary forage grasses. New Zealand does have some problems producing certain seed types in sufficient purity, so niche opportunities exist for specialist turf applications, vegetables and grains.

Marketing Channels

The New Zealand seed industry has a unique marketing structure in comparison to other New Zealand agricultural industries. The marketing channel is dominated by a large center of seed companies who must compete with each other at both ends of the channel:

- to procure producer contracts from growers, or just to procure seed;
- to obtain international markets in which to sell.

There are five large companies which dominate the New Zealand seed industry. These are Wrightson Seeds, Pyne Gould Guniess, N.Z. Agriseeds, NZ Agricom and Cropmark New Zealand. These five companies are all plant breeders, that is they breed their own varieties and contract the production out to growers. There are also many other smaller companies.

There has been market shift in the New Zealand seed industry from generic marketing of seed towards proprietary marketing. This is where seed companies develop and market there own cultivars of seed for royalties. These proprietary companies will research and develop their own cultivars, contract the seed out to growers for multiplication and then market the product themselves. Research and development costs for one company have climbed to NZ$6 million (US$2.6 million) for the 2001 year in order to maintain an advantage.

Competitor Activities

New Zealand exports seed to a variety of countries. Fescue, ryegrass and vegetable seed exports dominate. New Zealand's total seed exports were 18,315,729 kg in 1999/00, worth US$31,172,000 FOB. This was a 30% decrease in volume from the 1998/99 year and an 13% drop in value. The decrease can be partially attributed to consecutive poor growing seasons for New Zealand growers and weak international prices from an oversupply of seed in the market.

As a net exporter of seeds, New Zealand is likely to be a competitor to the U.S. seed industry in third markets. The United States took 44% (by volume) of New Zealand's seed exports in 1999/00, predominantly ryegrass seed. Other key export markets for New Zealand include Australia, South America and Germany.

New Zealand seed imports were 1,319,198 kg in the 1999/00 season valued at US$ 7,024,000 CIF. This represented a 17% decrease in value from a 2.3% drop in volume, highlighting the depressed state of prices. The U.S. accounted for 50% of New Zealand's seed imports, mostly fescue, vegetable and ryegrass seed. The total value of seed imports from the U.S. was $3.5 million CIF.

New Zealand has a considerable domestic market for seed. Demand is led by farm activity levels, especially the dairy sector. Ryegrass and clover seed are the predominant seeds sold in the domestic market. Approximately 50 percent of New Zealand ryegrass production is consumed domestically and approximately one third of clover seed production. However, domestic demand is very weather dependent. Rainfall has generally been well below average this summer (January-March), particularly in the regions of Otago, Canterbury, and Marlbourough. Significant rainfall is needed to re-establish soil moisture levels.

POLICY

Biotechnology Policy

All genetically modified organisms (GMO's) are classified as "new organisms" under the Hazardous Substances and New Organisms Act of 1996 unless they have been approved for release previously. The Environmental Risk Management Authority (ERMA) controls the development, importation, testing and release of new organisms into New Zealand. ERMA's control over GM products is limited to cases where the commodity is a living organism, able to be propagated (such as seed). All the applications for field testing or release of a GMO into the environment must be publically notified by the authority and anyone can make a submission.

To date there has not been any approval for release of a genetically modified (GM) crop in New Zealand. There are, however, various GM field trails underway for crops and livestock. In April 2000, the government established a four-person Royal Commission on Genetic Modification. The commission is to inquire into and report on the strategic options available to enable New Zealand to address genetic modification now and in the future. It is to report to the Government by June 1, 2001. The commission by March 2001, had heard evidence from over 100 parties, including those that are pro-biotech and anti-biotech, as well as U.S. and other international organizations.

In May 2000, the Government negotiated with industry and research groups a voluntary moratorium on all applications for release of products of biotechnology into the environment. New field trial cases are also covered by the voluntary moratorium with limited exceptions. The moratorium is in effect until the end of August 2001.

Information on the Royal Commission can be found on the website:
http://www.gmcommission.govt.nz

The Ministries of Agriculture and Environmental Risk Management have drafted an interim protocol to test for GM presence in conventional seed imports (starting with sweet corn, but to later include tomato, corn, canola squash and any other seeds that might have a GM presence). Although a 0.5% threshold level is suggested by the NZG, since no GMO has yet been approved for release in New Zealand, the tolerance would effectively be zero. USDA and industry are discussing possible solutions with the NZG.

Overall, New Zealand seed companies and breeders are holding a very cautious stance towards GMOs in their industry. The potential for growth in the industry, with the release of GMOs, is recognized, but the companies also understand the importance of following consumer demand and preferences. Opinion among the companies is very much divided.

Plant Health Regulations
Import protocols are targeted to reduce the risk of introduction of both insects and diseases. As an island nation New Zealand does not have many of the agricultural pests present in other countries, and therefore closely protects this status. All consignments must be accompanied by a phyto-sanitary certificate, and are likely to undergo a MAF inspection, with treatments required if pests or diseases are identified. All imported seed shipments must comply with the following basic conditions:

- Cleanliness- All seed must be clean, and in new packages
- Labeling- Each type of seed in the consignment must be clearly identified by its botanical name to the species level
- Phyto-sanitary certificate

MAF Regulatory Standards for the importation of seeds for sowing into New Zealand are available on the MAF website located at http://www.maf.govt.nz. To reach the import standards for seed sowing:

- Select: standards
- Use the pull-down menu to select: Plant and Plant Products
- Select: Plant Imports
- Select: Import Health Standards for Seed for Sowing
- Download the PDF file: Standard 155.02.05.

Seed Certification
The New Zealand seed certification standards are based on the Organization for Economic Development (OECD) and the Association of Official Seed Certifying Agencies (AOSCA) standard. They are administered through AgriQuality New Zealand (a State-Owned Enterprise) through a single seed testing station in Palmerston North. The New Zealand Quality Management Authority is responsible for setting seed testing regulations, in terms of specific allowable levels of contamination/germination etc. for New Zealand seed. Members of the New Zealand Seed Quality Management Authority represent seed breeders, growers and merchants. Approximately 65 percent of seed production is certified, and the majority of exports are certified seed, although uncertified seed is also exported.

Intellectual Property Rights
Intellectual property rights for plants in New Zealand are covered by the Plant Variety Rights Act 1987. New cultivars are registered with the Plant Varieties Office and must undergo trials to prove their distinctiveness and uniformity. The ministry of commerce regulates the PVR legislation, and has powers through the Act to prosecute seed merchants for selling PVR seed without payment of a royalty to the plant breeder. Details of the New Zealand Plant Variety Rights Act 1987 can be seen in report NZ9029.

Tariff & Non-tariff Barriers
The tariff rate for all imports of seeds classified as "for sowing" is zero. The only barriers to seed exports from the U.S. to New Zealand are phyto-sanitary in nature. Import protocols are targeted

to reduce the risk of the introduction of both insects and diseases.

The local industry reports that non-tariff barriers that New Zealand faces as an exporter are also of a phyto-sanitary nature. New Zealand has faced major difficulties in exporting ryegrass seed to the U.S. recently, due to a type of fungi found in viola, which is a common weed in New Zealand often found amongst ryegrass seed. This fungi has been classed as a noxious weed and thus prohibits any shipments of ryegrass containing viola into the U.S. Japan and South America are the other two markets where New Zealand has experienced phyto-sanitary difficulties. Two New Zealand seed companies, Wrightson and Agriseeds, have tried to overcome the difficulties experienced in the South American market by establishing New Zealand subsidiaries in the market. So far, this has proved to be successful in minimizing trade barriers.

PRODUCTION

The New Zealand seed production industry is comprised of two broad groups of seed producers. The first and largest group includes those farmers for which seed production is a specialist activity where seed yields and genetic integrity are foremost to profitability. These growers tend to operate on larger properties in the fertile plains of mid-Canterbury (South Island) and produce proprietary seeds on contract for the cultivar owner/marketer. Such specialist growers tend to have capital investments in seed harvesting and drying equipment. The second group of farmers use seed production as part of their crop rotation and livestock enterprises. The grass types grown tend to be "commons" or public cultivars for which no royalty is collected or no contract is made.

The 2000/01 season was mixed for New Zealand seed growers. A wet and cool spring with late frosts and hail got many seed growers off to a poor start. Industry contacts in the main growing area (Canterbury) report that production of "common" varieties of ryegrass and clover seed will be down 29% and 39% respectively.The reasons for this include the poor growing season, favorable livestock prices replacing traditional seed production areas, and low seed prices. Prices for common ryegrass seeds have decreased dramatically over the last three seasons, from NZ$1.20-150/kg to NZ$1-1.10/kg now due to increasing supplies from the U.S. and Europe. Proprietary seed prices have been slightly stronger for growers this season but contracts are hard to come by.

Seed industry contacts report that international prices for the seed industry are currently depressed by an oversupply of grass seed on the world market. The price of wheat has a large influence on what types of seed are grown internationally. Last season wheat prices dropped considerably, which has resulted in more grass seed being grown internationally to diversify away from the wheat market. As well, large areas of Oregon have switched from vegetable production to seed production after the closure of many vegetable processors. These producers compete directly with New Zealand growers, particularly in the golf course amenity grass market. Combined, this has resulted in an oversupply of grass seed on the global market and has had a big effect on New Zealand growers, particularly those who grow "common" cultivars and trade on the speculative market.

Production trends

Traditionally New Zealand growers have diversified their growing enterprises by growing a large variety of seeds. It is common practice on New Zealand farms for a grower to harvest up to 15

different varieties of seed on one property. The trend for growers is to plant a greater variety of specialist seed crops. Some of the crops now being grown includes mustard, buckwheat, lupins, borage seeds, evening primrose, fodder radish, brown top seed, plantain seed, celery, broad beans and canola. Most growers would benchmark these crops against wheat in terms of price and gross margin.

Growers levy

New Zealand arable growers have to pay compulsory levies under the Commodity Levies Act. These levy's fund the research development in the arable industry and are directed to a research company called the Foundation for Arable Research (FAR). Most of the research is then contracted out to private companies. Herbage and amenity seeds provide 20-30 percent of FAR's income, but the foundation also receives monies from wheat, barley and other cereal growers.

The Commodity Levies Order (Arable Commodities)1994 requires that a levy for research be paid on all first point of sales, or at seed testing for all arable crops. Levy rates for the 2000 season were set at 0.4 percent of the assessed sale value, except for yarrow, plantain and chicory where a levy of 0.1 percent is applied.