

Insight

UK Agriseeds Business

Autumn 2008

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A challenging harvest

What a difference a year makes. This time last year UK cereal prices were 50% higher than they are now. The market buoyancy of last year has subsided in the light of input costs escalation, particularly in respect of fertilizer and agrochemicals. The prolonged harvest with often atrocious wet weather has proved to be another challenge facing the arable grower. The good news is that yields were high, the bad news is that lower quality, higher growing costs, and lower commodity prices will negatively impact on bottom line profitability. It has been estimated that the breakeven point for winter wheat is £112 per tonne. So tough times are ahead.

Many cereal and oilseed crops celebrated their first birthday in a field. With the inability to clear cereal crops it is expected that the winter oilseed rape area will be considerably down (>13%). What is certain is that there will be less winter oilseed rape harvested than has been planted. Many of the established winter oilseed rape crops have suffered from slug damage, poor establishment and now Phoma. It can therefore be expected that marginal crops will require re-drilling. With some 600,000 ha of oilseed rape planted last year, this means that there is close on 100,000 ha of land looking for a break crop in place of winter oilseed rape.

The trend towards early sowing of winter wheat has been checked this year by poor weather. All this indicates an expected increase in spring planting and there is key interest in spring crop alternatives, particularly oilseeds and pulses.

Regionally, the east fared better than the south west and the north. The west midlands was badly affected by prolonged and torrential rain which led to many crops sprouting and some being written off.

It is unlikely that the predominant cereal crop, winter wheat, will achieve anything like its record sowings of last year.

Price £/t ex-farm	This week	Last week	One year ago
CEREALS			
Feed Wheat	88.8	95.4	159.3
Milling Wheat	139.5	150.4	181.6
Feed Barley	88.1	93.9	155.5
Oilseed Rape	265.6	277.2	231.6
PULSES			
Feed Peas	133.4	133.7	189.7
Feed Beans	132.6	133.0	191.2
POTATOES*	127.1	134.4	106.5

Figure 1: *Average maincrop producer prices, all varieties exc bags.
Source: Farmers Weekly, 3 October 2008



Hybrid rapeseed

There has been an increased trend to drill hybrid oilseed rape driven by the perception of better vigour under late sowing conditions. What will be particularly interesting now is that if these hybrids perform to their potential on farms and if the first time growers of hybrids are tempted to retain farm saved seed? We will watch this space.

Top yields

Whilst analysis of the 2008 season continues, growers up and down the country have reported record yields, led by winter wheat. The disappointment remains winter oilseed rape, where despite all of the agronomic attention and new varieties the national yields languish without improvement.

Figure 2: 2007 yield comparison table for cereals and oilseed rape (t/ha) as % HGCA and PGRO/NIAB RL treated yields.

	2008	2007	2006	2005	2004
W wheat	11.04	9.50	10.00	10.00	10.30
W barley	8.91	8.30	8.70	8.60	8.80
W oats	8.29	6.59	8.40	8.70	8.30
WOSR	4.36	4.39	4.37	4.40	4.40
S barley	7.53	7.11	6.80	7.10	7.00
Peas	5.01	3.86	4.59	4.58	4.22

Cropping areas and projections for 2009 season

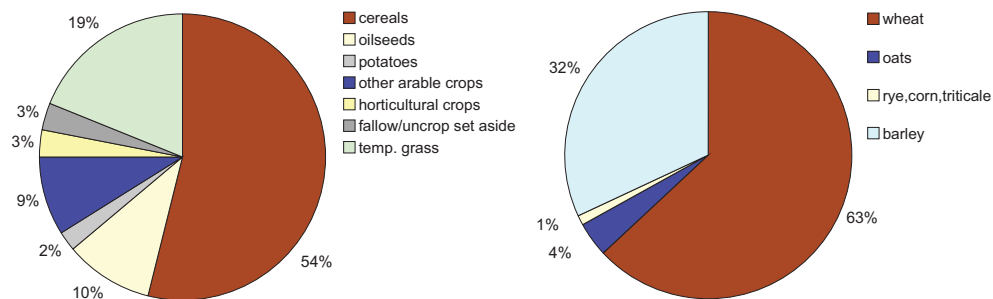


Figure 3

Source: Farmers Weekly, 26 September 2008



Defra Agricultural Survey UK , June 2008 (provisional)

- Areas sown ('000 ha)

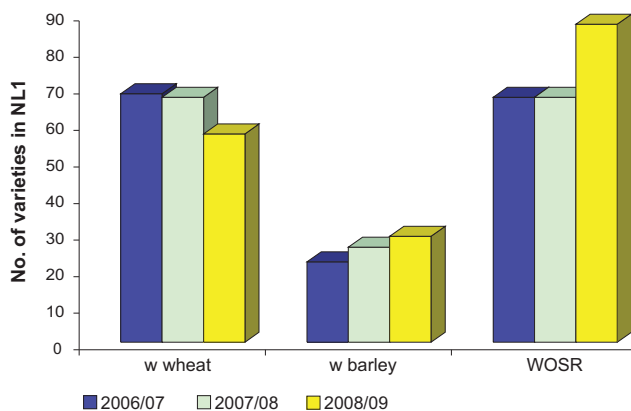
	June 2006	June 2007	June 2008
Wheat	1,836.1	1,830.5	2,072.9
Barley - winter	387.6	382.9	421.0
- spring	493.8	515.0	609.0
- total	881.4	897.9	1,030.0
Oats	121.5	129.4	130.2
Rye, triticale, mixed corn	25.0	27.4	26.6
Oilseed rape - winter and spring	568.2	674.5	599.1
Potatoes	140.2	140.2	144.6
Sugar beet	130.1	125.0	119.3
Peas (for harvesting dry) & field beans	231.1	161.0	146.2
Maize	137.3	146.3	152.8
Other crops for stock feeding	66.1	72.9	67.8

Figure 5

Source: Defra 2008

Varieties in official trials

Figure 4



National List entries harvest 2009

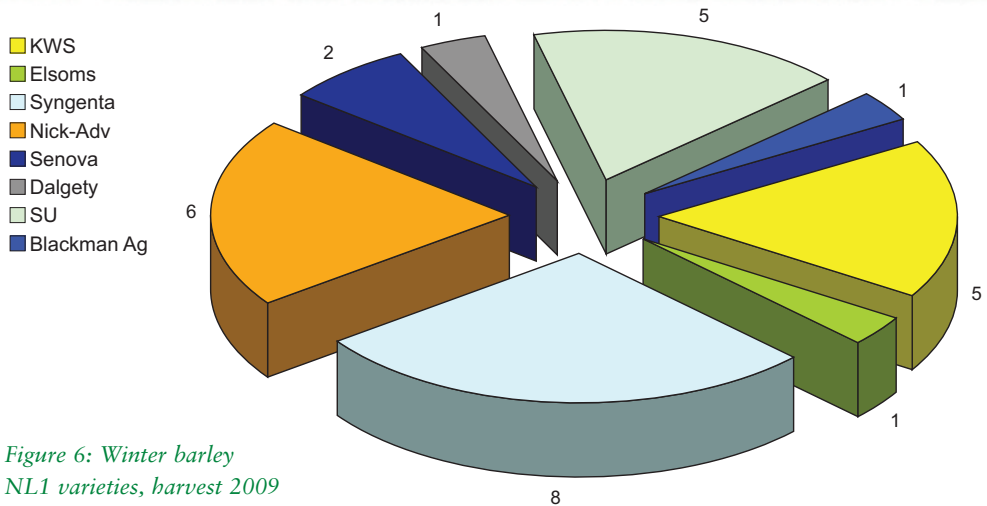


Figure 6: Winter barley NL1 varieties, harvest 2009

Winter wheat entries for 2009 harvest are 57 compared to 67 in 2008. KWS have the largest number of entrants. The top four winter wheat brands of KWS, Nickerson-Advanta, RAGT Seeds and Syngenta account for 79% of all entries .

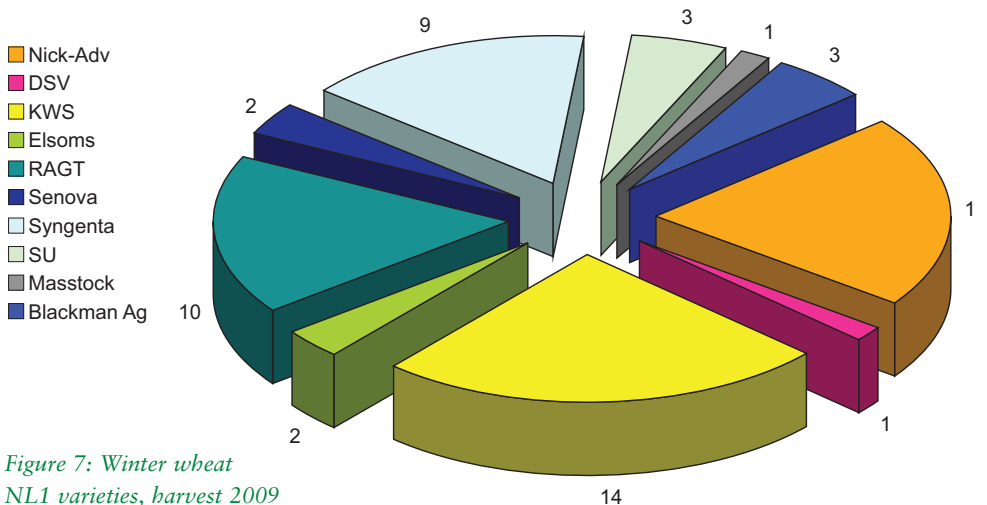


Figure 7: Winter wheat NL1 varieties, harvest 2009





The oilseed rape area may be in decline but the number of new candidates in National List trials is on the increase with a staggering 87 entered for 2009 harvest. Just how many of these will be added to the Recommended List is anyone's guess.

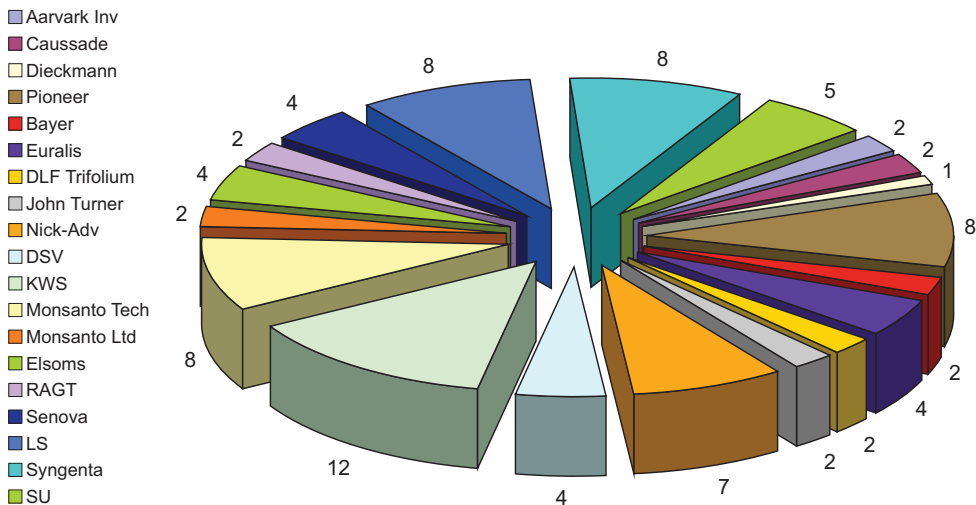


Figure 7: Winter oilseed rape NL1 varieties, harvest 2009

Are plant breeders adding value?

“Adding value” was a phrase coined by Professor Michael Porter of Harvard Business School in the early 1980s, but it has only recently made its way into agriculture. We hear much about breeders adding value, but do they secure a just and equitable return for that added value?

Green Resources has made a financial calculation on a fictional new variety with improved yields and related the added value being delivered by that variety to what might happen in reality.

For details visit our website at www.greenresources.co.uk where it appears in the publications section under “Devaluing a new variety”. For those who do follow this up, we would be delighted to receive your comments on the validity of our argument.



Company Health Checks

One of the services provided by Green Resources is Corporate Health Checks (CHC) which provides an independent diagnosis of the company providing the Chairman and Board of directors with a candid review and an assessment on the effectiveness of the organization at work and in the market place.

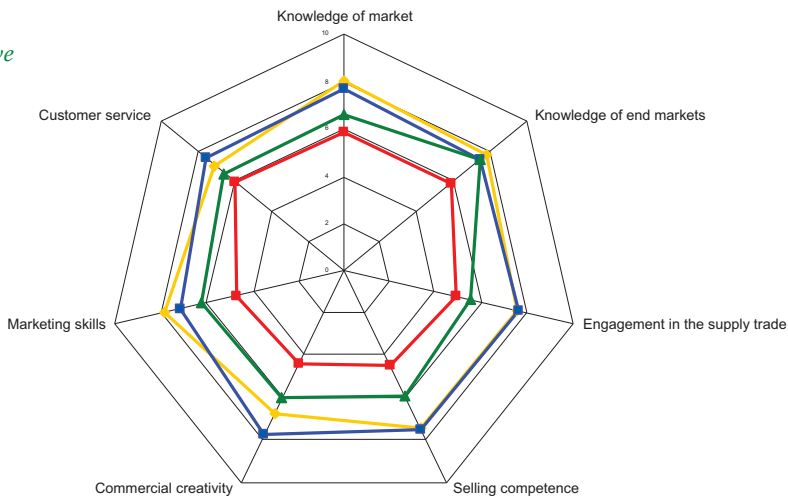
Undertaken as a commercial audit, the CHC involves a process of confidential interviews first with the Directors and senior managers and then with agreed representatives within the organization and /or with external stakeholders or customers. Throughout the process there will be regular feedback but the thrust of the programme is to reveal any corporate misconceptions and identify weaknesses and highlight key action points. An Impact Analysis will highlight what is changing in the external market leading to strategic options for future considerations. Comparative benchmarking can be undertaken against a named competitor.


The focus of the CHC is to deliver an objective report highlighting areas of weaknesses and at the same time providing strategic and tactical options aimed at improving the company's competitive advantage. The Board will be provided with an honest independent review, undertaken by a company with in-house expertise and knowledgeable on both the market and factors which will impact on future performance.

Our Company Health Check will help stimulate debate at Director level. To discuss in more detail contact Chris Green on 00 44 1371 810948 or e mail chris@greenresources.co.uk

Market & Commercial Averages

*Figure 9:
Comparative
benchmark
chart*





GMOs and the EU - does anyone out there really care?

Once upon a time, around the start of the new millennium, the European Commission promised the seeds industry that it would bring forward a proposal covering the presence of GMOs in seeds. Eight or nine years later, the industry is wondering if it will be another millennium before anything, if ever, will appear from the Commission.

In the depths of the European Commission's web site, far beyond prying eyes, accessed only by someone with a clever SatNav system, lies an unheralded and largely ignored report on implementation of the law on traceability and labeling of GMOs.

Unheralded - it was quietly adopted last month with no fuss, no media and scant distribution to interested parties. Ignored - while the report lists submissions from 37 government agencies in 24 of the 27 Member States, just two, yes two, responses came from industry. The Commission pointedly states that "other stakeholders were consulted...but did not submit their input". Shame on those who said nothing, contributed nothing and continue to do nothing. The report is based on responses to the Commission's questionnaire on the practical working of the Regulation. It was sent to a wide range of stakeholders in the first quarter of 2007. It is perhaps little wonder that it now lies unnoticed when, aside from two lone voices, no one else among the many industries affected by the Regulation bothered to respond. And now no one seems to care about the conclusions.

The report cites numerous instances where the Commission freely admits that all is not well with the implementation of the GM traceability and labeling law. Granted it claims that the Member States are implementing the regulation properly. But of course, they would say that wouldn't they. After all, 96 percent of the responses came from the agencies responsible for implementation.


Half way into the report it states that *"some Member States and stakeholders also pointed to the need for labeling thresholds for the presence of GMOs in seeds. The Commission is currently carrying out an impact assessment to examine the issue."*

Currently carrying out an impact assessment? Oh please. How often have we heard that over the past nearly ten years? Despite continuous pressure from the seeds industry, the Commission has failed to take this crucial issue seriously. How many more years will it take for the Commission and Europe's politicians to take the necessary action and bring forward sensible and meaningful legislation?

It seems as though a GMO seeds threshold is fast going the way of any serious issue with which the Commission does not want to bother itself unduly. Shuffled to the back of the room and ignored. However, the same charge can also be laid at the door of those industry stakeholders who failed to respond to the original questionnaire for this report.

Throughout the report, numerous problems are cited, and although duly acknowledged, there is little in the way of solutions offered by the Commission in its concluding comments. This is despite several of these issues being raised on many occasions in the past. For example, several Member States question (yet again) enforcement issues over labeling of material which may or may not





show detectable GMO material. Under the biotech food and feed regulation, GM labeling is required for products produced from a GMO, whereas a product which is produced with a GMO does not need a label. Confused? Then pity the poor consumer trying to make sense of how the Commission defines when a biotech product is not a biotech product.

The report concludes by stating that the Commission will work with stakeholders to improve the traceability and labeling regulation. But by burying this report, the signs aren't promising. And with no engagement by so many industry stakeholders who can blame the Commission for opting to shuffle this report off to a dusty filing cabinet.

For sure, the GMO issue in Europe has been around for what must seem like forever – well a millennium at least. But there must continue to be concerted pressure on politicians (many of whom have raised irresponsibility in dealing with the GM issue to an art form) and regulators, so that they may finally face up to the realities of the sham that is the EU's biotech policy and fix it once and for all.

The author of this “Letter From America” is David Green who is an issues management specialist based in Washington DC and can be contacted by email at dgreen@greenhouseinc.net or telephone +1 540 6878208.

New royalty model finds favour

Two years after Senova introduced a new royalty concept for their new oat varieties, the scheme has found favour with other plant breeders and seed companies. In simple terms the company detached the royalty from the cost of seed and under a separate contractual condition of sale imposed an area based royalty rate. At the same time the company have applied a single unified royalty rate for both farm saved and certified seed. Interest has now spread and the scheme is now operated by other companies on pea and bean varieties and it is likely to be extended to some potato varieties.

“The interesting aspect about this approach is that it provides the breeder or variety introducer with much better control over what is happening to their Intellectual Property and at the same time provides a more dynamic relationship with the seed multiplier and grower” says Chris Green. “Of course the primary driver is commercial and by adopting a single royalty rate it creates a more equitable position for the use of improved varieties” he adds.

There is an anomaly with the sensibly lower rate of royalty (50%) for farm saved seed, and with higher collection costs and evasion the plant breeding industry is being denied a large proportion of its rightful income. Chris argues that the primary reason why a grower uses farm saved seed is that the new variety has proven itself on the farm and as such the grower appreciated the value of the genetics. “After all, if a variety fails to perform on farm it is unlikely to be planted again”.





“What we are trying to achieve with this approach is a more transparent value for the genetics and with wider adoption the growers will start to better recognise the contribution and improvements being made year on year and will see this as an input cost per hectare in the same way they see fertiliser or sprays” says Chris.

“Admittedly there is more administration with the system, but with experience we will be able to refine our administration and management and we are continually engaged in that process. In the longer term it may be possible to have a single licence for growers, which covers the needs for different crops and varieties from different breeders”.

Plant breeding as a business is about innovation and managing Intellectual Property and there is a need for continual evolution in how both are effectively delivered.

For further details contact Chris Green at chris@greenresources.co.uk or visit the Senova website at www.senova.uk.com.

“The plant breeding industry thrives on technical innovation; unfortunately this innovation is not always extended commercially.”



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Green resources will help to bring clarity to your strategic vision



We can help to take the confusion out of marketing and distribution problems



Looking for a plant research and commercial partner

Green Resources is an independent business and marketing consultancy with specialist in-depth knowledge in agribusiness. Led by Chris Green who has a wealth of experience in the National and International agricultural arena, Green Resources offers a bespoke service to companies on a project or retained basis. Tapping into the strategic vision of creative intellectuals Green Resources will widen your business horizons.

Chris is founding director of Green Resources and Butler Green Associates and Fellow of the Chartered Institute of Marketing. He is a member of the Institute of Directors and the Guild of Agricultural Journalists.

For more information go to www.greenresources.co.uk or contact Chris Green on 0044 (0)1371 810948 or email chris@greenresources.co.uk .



From start ups to sell ups

Chris Green and Sean Butler teamed up in 2007 to establish Butler Green Associates, which provides a confidential corporate brokerage service for the seed trade in the UK Europe and North America. The company will advise on the acquisition and disposal of plant breeding and seed businesses, including identifying targets for acquisition and potential buyers for disposals, as well as handling negotiations to the point of agreement. The combination of market, business and legal skills provides an in depth knowledge of the agricultural and seeds market place, its players and issues.

Chris Green holds directorships with a number of UK companies including his own consultancy Green Resources and successfully led the MBO of Senova Ltd in 2006. He is past chairman of the British Society of Plant Breeders and a Fellow of the Chartered Institute of Marketing.

Sean Butler is an experienced seed industry lawyer who has dealt with many acquisitions and disposals within the industry.

For more details contact Chris on 0044 (0)7811 143091, Sean on 0044 (0)7951 530153 or email action@butlergreenassociates.com



Chris Green



Sean Butler

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