

Seed Industry Value Creation

The Path to Increased Investment in Cereal R & D

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Seed Industry Value Creation – The Path to Increased Investment in Cereal R & D

Overview:

- Recap of the 10 years discussion
- Process for arriving at “Seed Variety Use Agreement”
- Why the seed industry prefers the “Seed Variety Use Agreement - SVUA”
- How the proposed SVUA system could work

Seed Industry Value Creation – 10 Years in the making

February 2009, the Grains Innovation Roundtable was created through a partnership of Agriculture and Agri-Food Canada (AAFC) and the Canada Grains Council, to respond to the Canada Grains Council's June 2008 report, "Creating an Environment for the Successful Commercialization of Canadian Crop Innovation"

Final Report November 2010 recommended levy/ EPR



Seed Industry Value Creation – 10 Years in the making

August/ September 2011, Funding Innovation in Canadian Agriculture – Common Ground Working Group

- Proposed Levy plus a tax incentive for certified seed

Seed Industry Value Creation – 10 Years in the making

April 2012 Crop Research Funding Working Group

- Federal Government would not support using tax incentive
- Fear of damage to pedigreed seed industry limited support for levy alone

Seed Industry Value Creation – 10 Years in the making

April 2013 – CSTA – hosts Funding Innovation Symposium

- Presentations from 5 different systems - Australia, France, UK, Uruguay, and USA .
- Based on feedback info presented develops “Technology Value System Working Group”
- Working group consulting with industry

Seed Industry Value Creation – 10 Years in the making

Cereal Investment and Innovation May 24, 2013

Consortium Steering Committee Members Alberta Barley Commission Alberta Seed Growers Association Alberta Wheat Commission Grain Growers of Canada Keystone Agricultural Producers Manitoba Wheat and Barley Growers Association (Interim) Manitoba Seed Growers Association Western Barley Growers Association Western Canadian Wheat Growers Western Grains Research Foundation Saskatchewan Seed Growers Association Saskatchewan Wheat Commission (Interim/Observer) Saskatchewan Barley Commission (Interim/Observer)

Garven & Associates



Seed Industry Value Creation – 10 Years in the making

Value Creation Working Group – 2016-2017

- Identify parameters of a funding system for additional value creation for cereal crops
- Ensure continued and increased investment in value-added varieties
- Build on work done by stakeholder groups
- Stakeholder engagement sessions
- Stakeholder survey

Value Creation Working Group

Target achieving value chain-wide consensus on a system for additional value creation for cereals in Canada for formal recommendation to Grains Round Table by November 2017

Value Creation Working Group

Value Creation Task Force Meeting

Winnipeg, Manitoba, October 10 – 11, 2017

Cross section of stake holders – two days to come up with a model using information and past models

Value Creation Task Force

End Point Royalty

- A national non-refundable royalty payable on all harvested material
- Leverages the existing provincial check-offs system to collect the non-refundable royalty
- Royalties to be distributed to plant breeders based on their respective market share
- Need for a mechanism to provide rebates/exemptions, ensuring royalties not collected on production from certified seed

Royalty Collection Enabled Via Contracts

- A mechanism allowing for contracts where producers agree to farm saved seed conditions
- Purchasers of certified seed for eligible varieties agree to extended contract on farm saved seed use (i.e. trailing royalty)
- Participating producers report on their annual use of farm saved seed as part of their contractual obligation
- Will require some degree of centralization in royalty collection and distribution



Value Creation Task Force

Two options presented November 2017

- Grains Round Table
- CSTA

CSTA required economic analysis

- JRG Consulting – in-depth analysis spring 2018
- CSGA – delegation to France and Netherlands

JRG Economic Analysis

A FSS Royalty in a Certified seed contract is preferred for the following reasons:

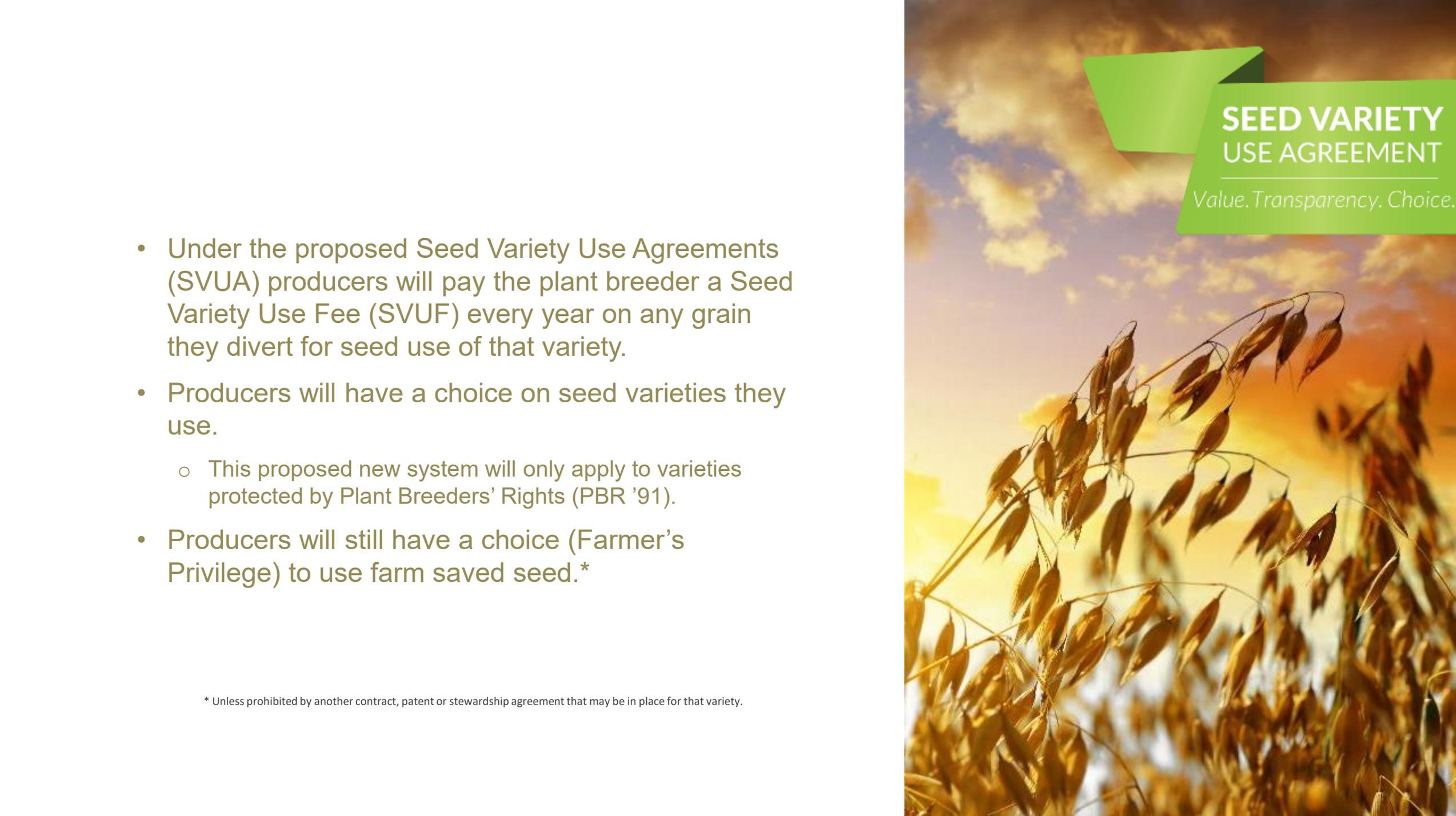
- Provides more funds for investing in plant breeding
 - More efficient in royalty collection
 - More saleable to seed companies
 - More saleable to farmers
 - Provides enhanced traceability
-
- Summary report available at SeedSynergy.ca



'Made in Canada' Solution Provides Value & Choice

**SEED VARIETY
USE AGREEMENT**

Value. Transparency. Choice.



SEED VARIETY USE AGREEMENT

Value. Transparency. Choice.

- Under the proposed Seed Variety Use Agreements (SVUA) producers will pay the plant breeder a Seed Variety Use Fee (SVUF) every year on any grain they divert for seed use of that variety.
- Producers will have a choice on seed varieties they use.
 - This proposed new system will only apply to varieties protected by Plant Breeders' Rights (PBR '91).
- Producers will still have a choice (Farmer's Privilege) to use farm saved seed.*

* Unless prohibited by another contract, patent or stewardship agreement that may be in place for that variety.

A field of blue flowers with green foliage. A green callout box is overlaid on the left side of the image, containing text.

SEED VARIETY USE AGREEMENT

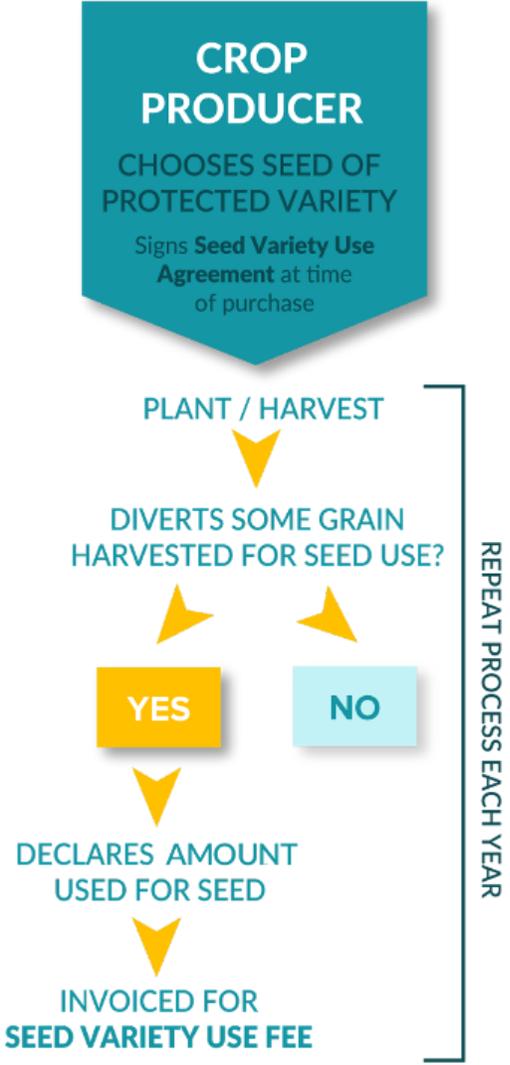
Value. Transparency. Choice.

‘Made in Canada’ Solution Provides Value & Choice

- Plant breeders will have a choice on whether to use this proposed system.
- Participating plant breeders (or seed distributors who represent a plant breeder) will set the SVUF for each variety they release.
- The SVUF will be based on variety performance (the value it creates) but it will be completely up to each plant breeder or seed distributor to determine what (if any) fee their variety will have.



How will the SVUA work?





SEED VARIETY USE AGREEMENT

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Producer Benefits

- Accelerated future access to better varieties through increased plant breeding efforts.
- More competition among more players
 - Especially small- and medium-sized seed research programs.
- Bringing new seed varieties to market in Canada means more choice for producers.
- More competitive in international markets.

Plant Breeder Benefits

- Fair return on research investment.
- Incentive for more investment and breeding work in Canada.
- Plant breeders will have another choice on how to sell their varieties in Canada.
- The system can work for both public research institutions and private companies through an efficient centralized system.



Overall Benefits

- Increased plant breeding investment will have a ripple effect throughout the agricultural value chain by meeting the demands of export markets.
- Canada would be viewed as a global investment destination of choice, which would drive further investments and progress.



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SEED VARIETY USE AGREEMENT

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VALUE:

Producers will see value in participating in the SVUA system – a made in Canada solution that will deliver accelerated future access to better varieties and a competitive advantage.

TRANSPARENCY:

The seed industry is committed to transparency in how the SVUA system works. There will be no surprises for producers or anyone else in the seed value chain.

CHOICE:

Bringing new seed varieties to market in Canada means more choice for producers. Producers can also choose not to participate in the SVUA system by purchasing varieties not protected by PBR '91.