



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/10/2005

GAIN Report Number: FR5068

France

Planting Seeds

Annual

2005

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Report Highlights:

France is the largest European producer and the world's third leading exporter of planting seeds. However, France has a seed trade deficit with the United States. The main product exported by the United States to France is corn for sowing. The French planting seed industry, which favors biotechnology, has been affected in the past few years by the destruction of many biotech test plots by opponents to biotechnology, and the EU Commission delay of the regulation process to set thresholds for the adventitious biotech presence in planting seeds. In addition, French planting seed farmers need to adapt to the reformed CAP measures in 2006 including fully decoupled direct payments and environmental restrictions for direct payments.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Paris [FR1]
[FR]

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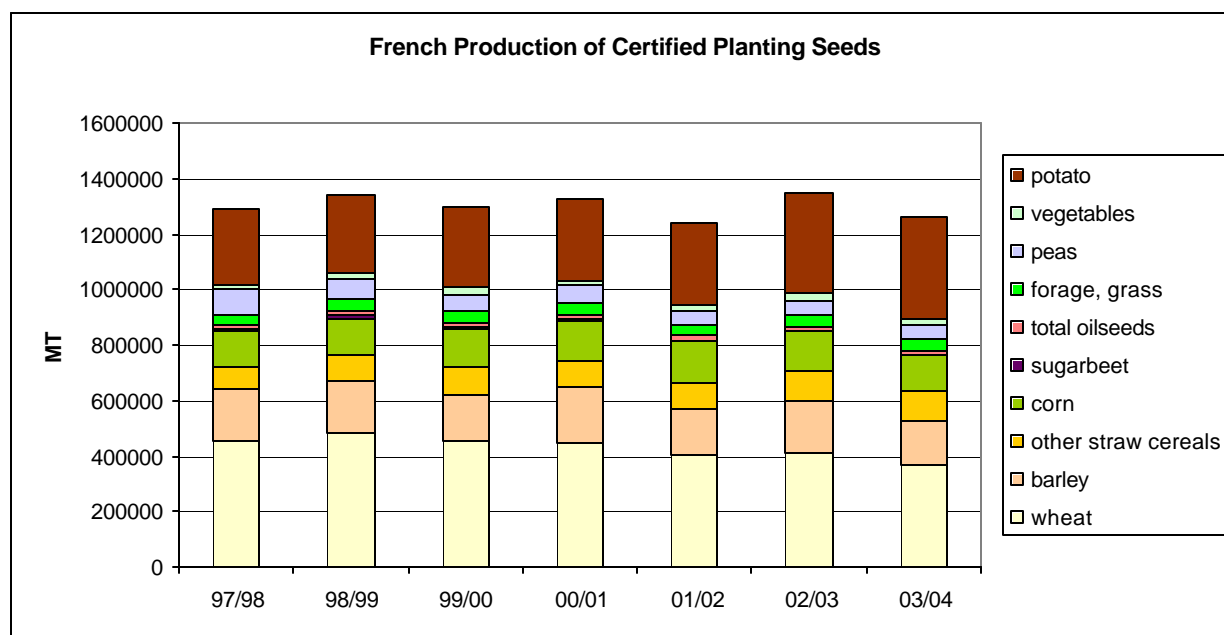
Executive Summary

France is a major producer and exporter of planting seeds but maintains a trade deficit in planting seeds with the United States. The leading product exported by the U.S. to France is corn for sowing. The French planting seed industry, which favors biotechnology, has been affected in the past few years by the destruction of test plots by opponents to biotechnology and the EU Commission's failure to set thresholds for the adventitious presence of biotech in planting seeds. In addition, French planting seed farmers need to adapt to the reformed CAP, and principally fully decoupled payments in 2006 and environmental restrictions for direct payments.

Production

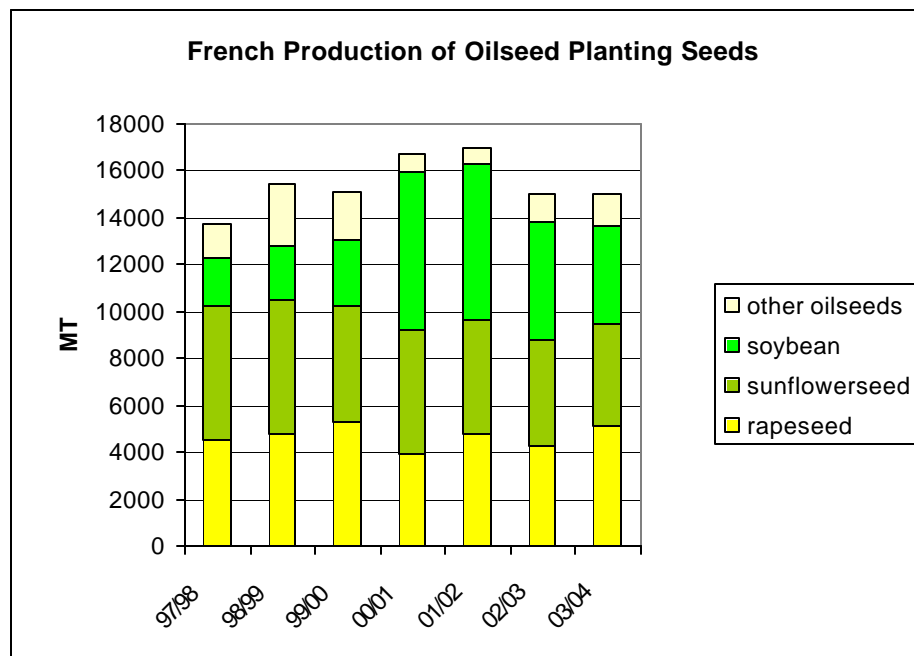
General

France is the largest seed producer in the European Union. Its planting seed sector employs 15,000 people in 300 companies and involves 25,000 producers. According to the French planting seed association (GNIS), the trends and breakdown of French production of certified seeds is illustrated in the following graph. Since 1997/98, total production of planting seeds has been relatively stable at approximately 1.3 million MT. The leading categories produced by France are wheat and potato planting seeds. However, production trends are opposite for these products: while the production wheat for sowing has gradually declined, the production of potatoes for planting has increased in the past few years.



Of major interest for U.S. trade are corn seeds and soybean seeds. The above graph indicates that corn for sowing is a major category of seeds produced in France and that French production has been very stable in the past few years. By contrast, French oilseed production is marginal compared to the other categories of planting seeds produced. The graph below indicates the breakdown and trends of the French production of certified oilseeds. French production of certified rapeseed for planting increased significantly in 2003/04 while soybean and sunflowerseed production decreased. The increase follows the

implementation of French governmental incentives to produce biodiesel processed from rapeseed. (For more information, please see FR5046 dated June 30, 2005, and FR5018 dated March 7, 2005)



Production Policy

In 2006, production policy will be subject to several changes. Pursuant to the Common Agricultural Policy, direct payments to farmers growing planting seeds will be decoupled. Farmers with historical references will receive direct payments but there will be no incentive for new farmers to start such production. In addition, payments will be subject to the environmental impact of farm practices (eco-conditionality), whereby the quantity of chemical products is limited by the European Phytosanitary Directive. This can penalize French farmers growing planting seeds especially due to the limitations on the herbicides and nitrogen inputs.

In addition, French producers of corn planting seeds are subject to the current suspension of authorization of the seed treatment with two insecticides (Bayer's Gaucho and BASF's Regent). While it is forbidden to use these insecticides in France, French corn planting seed producers favor the production of planting seeds treated with these chemicals to be exported to countries where these products are still authorized. This chemical ban on French corn seed exports could penalize French exports. The French authority examining laws (Conseil d'Etat) is currently reviewing the issue.

Seed Certification – Variety Approval

The French and EU seed registration systems are fully integrated, therefore, seeds registered in any EU member state are also registered in France, and vice versa.

The French seed sector is regulated by three main organizations. The "Permanent Technical Committee for Seed Selection" (in French: "Comite Technique Permanent de la Selection," or CTPS) is a technical committee answering to the French Minister of Agriculture (MinAg).

CTPS is made up of representatives of the French MinAg, seed producers, traders and end users. CTPS sets the technical rules for registering seed varieties in the French Seed Catalogue. Any petitioner registering a new seed variety in the French Seed Catalogue must submit a detailed file to the CTPS.

To get into the French Seed Catalogue, a new variety has to pass several tests. These tests compare its agronomic and technical values to control varieties and measure its stability and homogeneity. The Study and Control Group for Varieties and Seeds (in French: "Groupe d'Etudes et de Controle des Varietes et des Semences," or GEVES) conducts these studies on 100,000 test plots across France. GEVES is comprised of representatives from the French MinAg, the National Institute of Agricultural Research (INRA), and the French seed industry organization (in French: "Groupement National Interprofessionnel des Semences," or GNIS). Please see GEVES website for more information: <http://www.geves.fr> (in French)

If a new variety passes its tests, it is listed in the French Official Seed Catalogue and is thus also registered for the entire EU. Varieties registered in the European seed catalogue are listed on the GNIS website, which also contains information in French and in English on seed certification: <http://www.gnis.fr>

Certified seed production is controlled by the "Service Officiel de Controle et de Certification" (SOC), which is the joint responsibility of GNIS and MinAg. The MinAg establishes the official criteria for certification. Random tests in the field and at processing plants verify the sanitary status of the seeds, the germination capacity and the moisture level. The SOC has the power to levy administrative and economic penalties, including fines and plant closures.

Intellectual Property Rights

In France, the framework protecting new seed varieties is the 1961 UPOV (Union pour la Protection des Obtentions Vegetales) Convention, which was strengthened by the 1991 Act (UPOV 1991). In contrast to the patent process used in the United States, these Conventions allow the use of a Plant Variety Protection (PVP) to develop another variety without having to pay a fee. The UPOV system is designed to protect the work of breeders, to accommodate users' needs, and to specifically reserve rights for further variety development. The production and sale of a protected variety is subject to the approval of the variety breeder.

The Community Plant Variety Office (CPVO), based in Angers, France, is the European authority implementing the European system for the protection of plant variety rights. CPVO works with the French GEVES and the other seed evaluation groups in EU Member States. <http://www.cpvo.eu.int>

France put its national law into compliance with Directive 98/44 (regulating intellectual property rights on plant varieties) in the law 2004-1338 of December 8, 2004 available at <http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=ECOX0100118L>. The French law allows plant breeders making varietal selections to freely use (copyrighted) plant varieties to create new varieties.

Biotechnology

Pending EU Regulation on Biotech in Planting Seeds

A European regulation setting thresholds for adventitious presence of biotech planting seeds has been in discussion for several years. The French planting seed industry believes that the

lack of European biotech regulation is counter to the interests of the European industry and farmers. In late 2003, the European Scientific Committee proposed the following thresholds of adventitious presence of biotech in planting seeds: 0.3% for rapeseed, 0.5% for corn, and 0.7% for soybeans. Organic farmers favor the lower threshold of 0.1%, which is the biotech detection limit. The French planting seed industry believes European Scientific Committee thresholds are too low and that, likewise, the proposed organic threshold is untenable.

Open Field Test Plots and Production in 2005

Several biotech test plots in France were destroyed during the summer of 2005. (see FR5054 dated July 28, 2005 and 5045 dated June 22, 2005). Nevertheless, French farmers planted at least 500 hectares of biotech corn in 2005. (see FR5060 dated September 13, 2005).

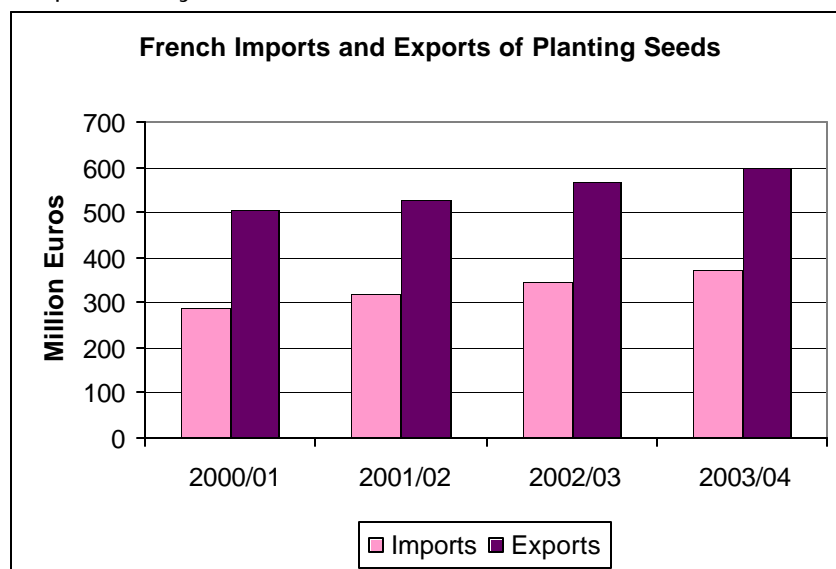
Testing for Biotech in Planting Seeds

The Fraud Control Office of the French Ministry of Economy, Finance and Industry (DGCCRF) conducts tests on planting seeds for biotech content. In 2003/2004, DGCCRF tested 103 samples of rapeseed, corn and soybean planting seeds taken from seed companies, importers, and distributors across France. The 103 samples included 82 samples of French origin and 21 samples imported into France (2 from the United States). DGCCRF detected GM content in 4 samples out of the 103 tested.

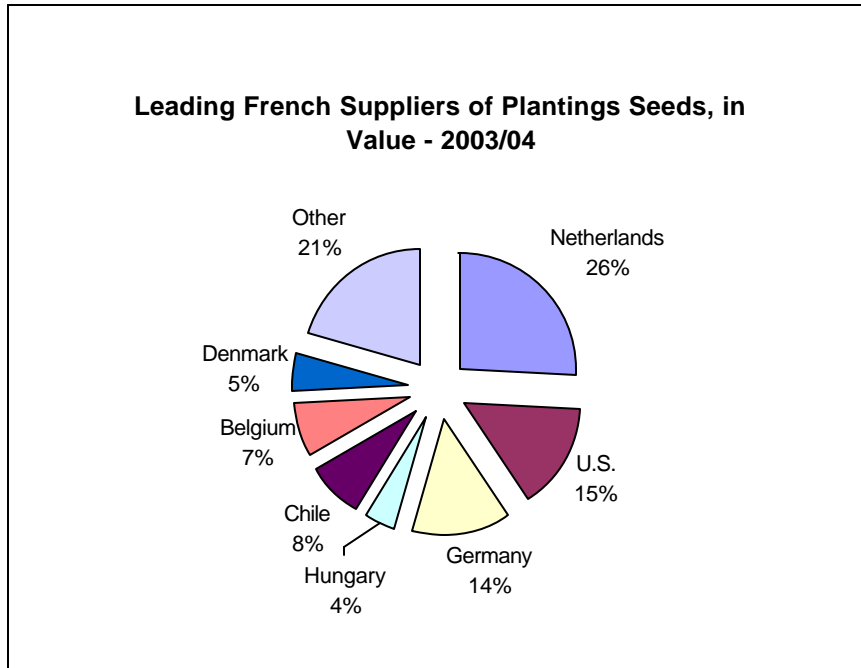
The Food Directorate of the French Ministry of Agriculture (DGAL) conducts GM content tests on plantings seeds as they are imported into France. In 2003, DGAL tested 238 samples of corn seeds, 38 samples of tomato seeds, and 6 samples of soybean seeds. The tests showed that for GM content 20 percent of the corn planting seeds had adventitious content (all below 0.3 percent, most below 0.1 percent), all the tomato seeds samples were negative and that two of the six soybean samples were positive but both below the rate of 0.1 percent.

Trade

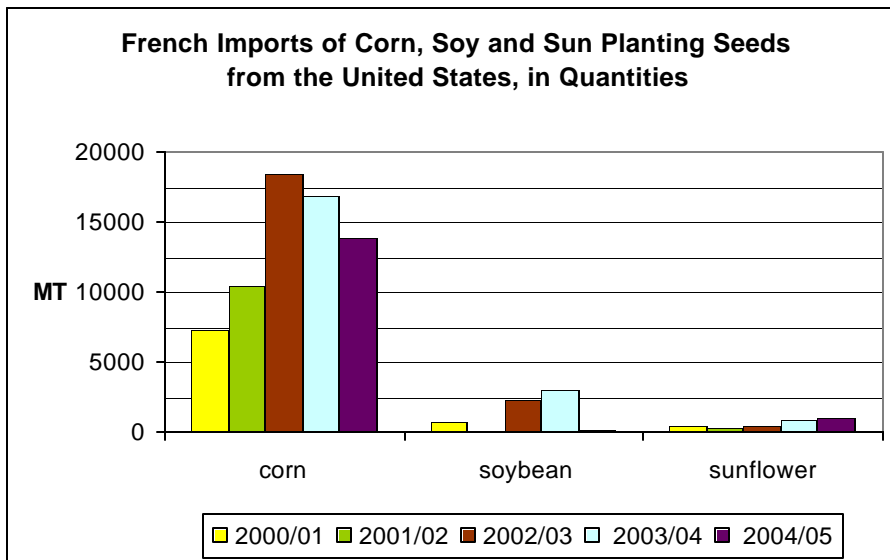
France is the world's third largest exporter of planting seeds with exports valued at 600 million euros. On the import side, in 2003/2004, France imported seeds worth 372 million euros. As indicated in the graph below, both imports and exports have gradually increased in the past few years.



The United States is France's second largest supplier of planting seeds after the Netherlands, as indicated in the graph below.



Although France is a net exporter of total planting seeds, it has a trade deficit with the United States, particularly in corn, soybean and sunflower seeds. The graph below indicates that corn seeds are, by far, the leading category of France's imports of U.S. seeds.



The U.S. is France's largest supplier of corn seeds. The U.S. market share for corn seeds remained relatively stable in 2004/05 at 27 percent. In the French market, U.S. corn seeds for sowing principally compete with Chilean, Hungarian and Austrian products. Total French

imports of corn seeds for planting declined in 2004/05 as a result of the lower acreage of corn in France planted for production.

