

Chapter 13

Marketing herbage seeds

R.G. Smith and R.D.J. Mather

Hodder and Tolley Ltd, Christchurch

Wrightson NMA Ltd, Christchurch

INTRODUCTION

One of the most underrated factors in our pastoral development has been the humble seed. Rarely recognised, it has made a significant contribution in allowing farmers to increase production within the wide range of climatic and fertility environments encountered in our country. But now, the quality of New Zealand pastures is becoming internationally recognised and has been one of the main contributing factors in the development of our country, together with the drive and competence of our farming fraternity and the abundant use of fertiliser.

HISTORY

The marketing of seed in New Zealand commenced with the arrival of our early settlers who brought with them traditional northern hemisphere strains of ryegrasses and clovers, which were superior for grazing animals than the native grasses at the time. From these early sowings, many strains quickly adapted to their new environment, and seed production by enterprising farmers followed. It has been recorded that the first harvest of cocksfoot was undertaken in 1851 on an area which is now within the city centre of Christchurch. Early records also show that a line of home grown cocksfoot was sold in 1853 at two shillings and sixpence a pound to the farmer at Pigeon Bay on Banks Peninsula. From such humble beginnings the production of **herbage** seeds expanded in tune with the nation's development. At the same time, many flourishing small companies quickly sprung up to service agriculture and part of their activities included the availability and supply of pasture seeds.

During the early 1900's it became obvious that many of the imported strains had begun to change in agronomic characteristics as local selection occurred. During this period the importance of good pastures began to be recognised and Government moved

towards the introduction of a fledgling certification scheme based initially on the Hawke's Bay strain of ryegrass. The objective was to establish a system that would ensure that superior strains of grasses and clovers were available to the farming community in New Zealand. The benefits of **certification** were quickly recognised not only in New Zealand, but also in countries such as Australia whose farmers were encouraged to buy "New Zealand Strains". Thus commenced the first exports of seeds from our country.

At the same time as certification was being introduced, Grasslands Division, DSIR began a programme to select and breed species of pasture plants that would prove superior to the naturally selected lines of initially imported material. History has now shown the wisdom **and** foresight of the introduction of certification and a commitment to plant breeding, thus allowing the establishment of a **herbage** seed infrastructure in New Zealand which has become internationally recognised for its competence.

During the heady years of the late 1950's and through the 1960's, the production and use of New Zealand **herbage** seeds reached their peak, both internally and internationally. Ryegrasses and clovers were being exported in large volumes to the United Kingdom, Europe and Australia with lesser markets in South America, South Africa and Japan. The local market was also expanding as pastoral farmers, receiving strong returns for meat and wool, invested in development and pasture improvement.

During this same period, servicing began to change significantly with takeovers and mergers reducing the number of companies involved in seed marketing. Today, a limited number of large national and regional companies, together with smaller local companies, are involved in servicing all aspects of agriculture. This service includes the production and marketing of **herbage** seed and provides both our producer and consumer with an infrastructure unique to New Zealand. No other country has a similar system. In most instances, overseas producing companies are only involved in wholesale activities relying on a multitude of small retail outlets to market their products.

To date, our seed marketers have had little influence on the amount of seed produced. Rather, seed production has been a by-product of our pastoral activities in a year of favourable growth of a land use option in time of **low** returns from livestock farming. The vagaries of nature and unplanned production have in the past produced "boom or bust" situations and have taken producers and merchants of unusual courage to remain in the **herbage** seed industry.

In the 1960's, signs began to appear which dramatically altered the development of our seed industry. With our Government breeding objective to increase the performance of our pastoral produce, little account was taken of overseas markets and their preference for seed performance. The introduction of Plant Variety Rights in Europe allowed breeding companies to tailor-make cultivars. Royalty returns would then not be diminished by the cultivar deteriorating to that of a commodity. European ryegrasses and white clovers quickly challenged the position of New Zealand cultivars on the European market, and with our inward policy towards breeding, reliant on Government rather than market direction, our European market share, especially in ryegrasses has been quickly ended.

The introduction of Plant Variety Rights to New Zealand in 1972 has allowed our industry to restructure its thinking and to be influenced by the advent of private industry into **herbage** breeding. If a **herbage** seed industry in New Zealand is to service agriculture and grow, then a new approach based on true marketing principles must be accepted by all factors within the seed industry.

THE MARKETING AGREEMENT

Marketing is meeting the wants, needs and desires of the consumer and is based on a disciplined approach to meet these goals. At present, an agreement between the DSIR, growers and seed marketers to introduce an arrangement to market future Grasslands Division releases is awaiting finality. This will allow a head licensee to have total responsibility for the production, processing, promotion and distribution, both internally and internationally, for a respective cultivar. Such an approach will remove the commodity pressure which presently influences the values obtained for our seed. It will allow a cultivar to be positioned in a market place so it can compete against alternatives. A marketing approach will mean control of production which may result in the demise of a poor seed producer,

Success in marketing can only be achieved when supply and demand are in some balance and for the

sake of all involved in our industry, both profitability and continuity are going to be essential. Not only will the grower face change, but also those companies involved in marketing will have to adapt to a new environment. Gone will be the days of unplanned productions. Restraints will have to be accepted by all those involved. Growers will only be able to produce protected varieties to predetermined production levels, and merchants will lose the freedom to freely trade these varieties in the volatile commodity market. Those companies becoming head licensees will have to invest in their cultivar, be determined to have it succeed through performance and production, be responsible for pre-release internal and off-shore trialling and development, determine methods of distribution both internally and overseas and to work much closer with growers than has been the case in the past.

However, there will be rewards. Producers at present just produce seed and hope that it returns them an adequate level of recompense for their efforts. The instigation of a marketing system would almost guarantee this.

Much discussion in recent years has centred around pool systems for producers. We do not agree that all seed must be in a pool. We believe that pools first, do not give the head licensee the ultimate incentive to market most profitably and second, can be the easy way of getting out of a situation, most probably to the detriment of the grower. The head licensee will no doubt be meeting with his growers, disclosing projects and market plans and discussing the most advantageous contracting methods be it fixed price, participation or pools.

We can look at several of the excellent cultivars recently released by Grasslands Division and consider if they could have been more successful if released under a marketing arrangement. The adoption of Pitau white clover, Matua prairie grass, Moata ryegrass and the list goes on, can be compared with the success gained by a private company Yates and Ellett perennial ryegrass. Proprietary marketing, protected by Plant Variety Rights, is now the accepted form of seed distribution in the United Kingdom and is gaining momentum in the United States, Japan, South Africa, Australia and in several South American countries.

We have seen a developing trend of overseas bred material being introduced to the New Zealand market under proprietary marketing systems. We must not be reliant on overseas breeders for our future. We must realise that it is true that we have a seed industry that makes a significant contribution to New Zealand export earnings, both from increased pastoral products and from the export of seed itself

to many countries. We must listen to the market signals from our off shore consumers and have our breeding activities, both government and private, move in positive fashions to the challenges in the future.

Our country with its fine climate, quality plant

breeders, competent producers and experienced marketing channels, will succeed and move New Zealand as a seed producing exporting nation to an OECD ranking higher than its current third position in the world.

SUMMARY

1. Strains of introduced pasture species quickly adapted to New Zealand farming conditions.
2. The certification system of the early 1900's ensured that superior strains of grasses and clovers were made available to the farming community.
3. Government based plant breeding of pasture species continued and enhanced this supply of superior strains.
4. The expansion in production and use of New Zealand herbage seeds in the 1950's and 1960's was followed by a decrease in the 1970's. Thus in the 1980's, the position of New Zealand cultivars both internally and internationally is being challenged.
5. If the seed industry in New Zealand is to service agriculture and to grow, then a new approach based on true marketing principles must be accepted.
6. This may be facilitated by the recent marketing agreement between the government herbage plant breeder (DSIR), seed producers and seed marketers.

Discussion

PART VI – ENSURING EFFECTIVE USE OF HERBAGE CULTIVARS

- Q. *Who should be defining the objectives in terms of cultivar development and use; the farmer, the extension officer or the breeder?*
- A. This should be a collective process. Using dairy discussion groups as an example, both the farmer and adviser set objectives in a two way interaction. These groups could be better utilised by breeders and merchants.
- All too often a gap exists between farmer, extension and breeder. Breeders produce a plant for a specific niche and then drop it on the farmer and adviser and say, use it. The latter have no familiarity with the plants usage or worthiness, e.g. Roa tall fescue. It is difficult to see new cultivars in practical use. In demonstrating a cultivar to farmers, plots must be large enough to be seen as relevant, but small enough to see comparisons in one view.
- Q. *What is being done to ensure advisers have appropriate information?*
- A. Dairy board consultants have regular (2-3 months) update meetings. They also rely on direct contact with scientists within discussion groups; they (scientists) add credibility.
- Q. *With proprietary marketing of licensed cultivars what will ensure New Zealand companies will not compete against each other for overseas markets?*
- A. Head licensing of a cultivar will allow a firm to promote a specific cultivar without competition, e.g. Tahora white clover. Problems may still arise with the more generally used Huia white clover.
- Q. *Who will be the 'consumer institute' for farmers in future marketing?*
- A. The head licensee will be responsible in setting seed prices at a level acceptable to the consumer. Otherwise the marketing strategy will fail.
- Q. *Will there be a proliferation of cultivars once licencing is introduced?*
- A. There is no interest in a large number of cultivars. Our local market is too small and there must be some worth to the end user. Requirements for listing as an acceptable cultivar should ensure this.
- Q. *How will specialist species for small regional use be developed and marketed, e.g. zig-zag clover for high country.*
- A. Development of these species will most likely be done by the public sector. Small firms could profitably link to small quantities of seeds and markets. In cereals, there has been an 'in-house' allocation of responsibilities between companies to maintain the seed supply of specialist crops.
- Q. *Who will provide agronomic information on licensed cultivars?*
- A. As more cultivars become available, the workload will certainly increase. Firms have expanded their efforts in assessment, so ultimately it will become a combined effort between them and government groups.
- Q. *What will be the role of the adviser in promoting a firm's seed line?*
- A. As with any other agricultural product, there will always be the opportunity for commercial firms to operate within existing discussion groups.
- Q. *Will companies with proprietary rights for multiplication and marketing, eventually certify that same cultivar?*
- A. It is possible that firms may process the certification of their own cultivar, but MAF will always be the final certifying agent. It will be in the interest of the head licensee that quality is maintained. This will be of greater importance as specialist cultivars are developed for specific regions, e.g. Tahora for wet hill country.
- Q. *Will firms allow reflection of true market seed prices once licensing occurs?*
- A. With tighter control of seed supply, and matching it with demand, there will be better stability in pricing. Variable seed supply has been a major problem in fluctuating prices in the past.
- Q. *Will seed growers and breeders have a say in setting the areas to be grown for seed and the price to be received?*
- A. In applying for the licence of a cultivar, the applicant must supply a marketing plan. The performance of a head licensee in marketing the cultivar will be reviewed each year by a committee. If the performance is not satisfactory the licence may be withdrawn. There will obviously need to be consultation with growers and the breeding organisation.
- Q. *Will herbage seed development and marketing be determined by short-term profits of the*

export trade or by long-term benefits to NZ pastoral farming?

A. With the new licensing system, promoting firms will now get the full benefit of their efforts. The local market is the easiest and most profitable to service, therefore the NZ markets will be of high priority.

There will be positive interaction between the firms and the breeding organisation (DSIR). Ownership of licensed cultivars will still be retained by DSIR. If the head licensee is not doing justice to the marketing of the cultivar, the licence can be withdrawn.

Q. Do private companies and public breeding organisations envisage breeding and marketing for specific overseas markets?

A. Companies are certainly looking at this prospect. There will need to be considerable overseas resources that may be available in firms with multi-national links.

Improving NZ pastoral production will be the prime objective of public breeding. There is more to be gained through increasing animal production than through expanded seed exports.