

# Seed royalty proposal divides farmers

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By Brian Cross

FOLLOW

Published: December 13, 2018

News

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**Western Canadian Wheat Growers Association comes out in favour of proposal, but APAS expresses opposition**

*The original headline of this story, "Seed royalty proposal gains farmer support," did not accurately reflect the story, which has views for and against the proposed changes. The headline has been updated to, "Seed royalty proposal divides farmers."*

The Western Canadian Wheat Growers Association says it's in favour of paying royalties on farm-saved seed if it means better seed products for prairie farmers.

"As farmers, we don't feel the status quo is good enough...," said WCWGA president Levi Wood.

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"(We) want improvements including more investment, innovation and competition.

"Competition is good, so if a new system encourages and facilitates more of it, we feel confident it's a move in the right direction."

On Nov. 27, the WCWGA issued a news release saying it "firmly supports efforts to create value in the seed sector" and reward investments in plant breeding.

The WCWGA issued its statement just two days before the Agricultural Producers of Association Saskatchewan (APAS) passed a resolution at its annual general meeting opposing royalties on farm saved seed.

According to the resolution, Saskatchewan's general farm lobby group "by all effective means" will oppose the adoption of end point royalties or trailing royalty contracts on farm-saved seed.

The federal government has been holding consultation meetings on a plan that could see royalties charged on farm-saved seed within two to three years.

The federal consultations are seeking feedback on two proposed royalty models — farm-saved seed contracts and end-point royalties.

Royalty rates under both models have yet to be determined but regardless of which system is implemented, farmers would be paying more for seed each time they plant a crop using farm-saved seed.

"We're letting the consultation process run its course before stating a preferred choice," said Manitoba farmer and WCWGA director Gunter Jochum.

"Wheat growers are fully engaged in the sessions and are keen to learn more about the pros and cons of both solutions."

Jochum said WCWGA supports the continuation of public breeding programs and believes a new royalty collection system would contribute to their sustainability.

Jochum, who farms near St. Francois Xavier, Man., west of Winnipeg, said wheat acreage on his farm was declining steadily until a few years ago when new wheat varieties with improved fusarium resistance were introduced.

He said proper financial incentives must be provided to ensure that cereal breeding programs continue to invest in varietal development.

“If breeders see good value in bringing new varieties to market ... it benefits everyone,” he said.

“It benefits them and it benefits us as farmers.”

# Seed royalty benefits questioned

By Jeremy Simes

Published: December 13, 2018

News

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Suspensions ran high when farmers met with government officials last week over potential changes that could see the collection of farm-saved seed royalties.

Producers at the Edmonton meeting Dec. 6 raised numerous concerns, fearing a royalty scheme for farm-saved seed would have little, if any, benefits to an industry that already faces tight margins.

"We're only at the tip of the iceberg," said John McBain, who farms near Cremona, Alta., following the meeting. "It's like opening Pandora's box. It's going to affect lots of different things."

Agriculture Canada and the Canadian Food Inspection Agency are consulting producers to get feedback on potentially implementing royalties for farm-saved seed. It would apply only to new varieties that came after UPOV-91, new plant breeders' rights legislation that came into effect in 2015.

One model would see growers pay end-point royalties when they deliver and sell grain. The other is a trailing royalty. Farmers would sign a contract, paying an ongoing and annual royalty to plant breeders for the use of farm-saved seed.

Government officials argue the royalties could help bolster the profitability and competitiveness of Canadian wheat because more funds would go into breeding.

"We want to help the sector stay on the cutting edge and be more innovative," said Carla St. Croix of Ag Canada's strategic policy branch.

"It's about competitiveness and sustainability. We want it to be profitable, as well."

Despite the market potential, however, many producers at the Edmonton meeting were skeptical.

Many said they don't want wheat breeding to turn into the canola industry, where only major companies control a handful of varieties.

They also fear many wheat varieties could become deregistered, essentially forcing them to grow newer varieties that require them to pay farm-saved seed royalties.

"I think it's essential farmers here and around the globe have access anytime to his or her own seed," said Leo Meyer, who farms near Woking, Alta.

"We put significant value on it. We are often exposed to changing weather, climate and markets, but having the ability to draw back to your own seed is quite often for many farmers an exercise of survival."

Officials in the room suggested this wouldn't turn into the canola industry because Ag Canada would still play a large role in research.

A desirable outcome would be a competitive breeding market that maintains a public-sector presence, said Anthony Parker, commissioner of the plant breeders' rights office at the CFIA.

Along with public institutions, he said, such a plan would include small family run breeding co-operatives and multinational companies.

"Producers would have choice and be able to speak with their money in terms of who they want to source their genetics from," he said.

Parker said it's unlikely public institutions would de-register existing varieties.

Meanwhile, McBain wondered what value farmers would get from paying more in royalties. More yield is fine, he said, but is that really going to ensure profitability?

"We have to look at what the consumer wants," he said, adding that they might not want varieties that are genome edited through CRISPR technology.

Seed growers also had questions about the proposals. Many said they needed clarity on what role they would play. They are the ones usually getting contracts signed, situated between the producer and the company.

“We want more details because we want to get this right, and it has to work for everyone in the system,” said Tracy Niemela, co-vice-president of Alberta Seed Growers.

As well, organic producers have a stake in this.

Heather Kerschbaumer, an organic farmer near Fairview, Alta., said organic producers tend to keep and clean seeds as well as seed at a higher rates to avoid weeds. If there is little research going into organic crop development, she wonders how organic producers will benefit.

“They would pay for it like everyone else, but they might not necessarily get the same benefit,” she said.

Many crop commissions and grower organizations are still analyzing the issue and need more answers.

“The onus will be on the breeding institutions to articulate what the advantages are and what the value is for producers,” said Tom Steve, general manager of the Alberta wheat and barley commissions, which haven’t taken a position on the issue.

“It can’t simply be an added cost. Margins are tight in cereals.”

Ag Canada and the CFIA plan to continue with consultations into early next year. Next spring, a final session in Ottawa is expected to seek final endorsements of the models presented.

# Farm-saved seed royalties not unreasonable

By Kevin Hursh

Published: December 13, 2018

Opinion

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"If this goes through, I'll be out of business," said a producer attending the Dec. 4 consultation in Saskatoon on options for farm-saved seed royalties. The comment is indicative of the level of concern — concern out of proportion to the actual proposals.

Under the rules imposed on media, comments made during the meeting are not to be attributed to a person or organization. Suffice to say that many in attendance felt that farmers are victims of corporate agriculture, and farm-saved seed should never have a royalty of any kind attached.

New varieties, they believe, should come only from taxpayer-funded breeding programs at no cost to producers. What has happened with canola seed is evil corporate greed. Besides, if we get better varieties that yield better, we'll just depress world prices. And besides that, our transportation system is strained to the limit so we couldn't export more even if we produce more.

Producers who see the potential merit of more private investment in variety development were also in attendance at the Saskatoon meeting, but since that wasn't a popular view, those producers didn't have a lot to say.

The federal government has indicated that while it's committed to maintaining research funding, additional funds will not be allocated to varietal development. Many of our competitors have come up with ways to encourage more private investment.

For their part, seed companies say they can't justify investments when only a limited opportunity exists to generate a return. Producers who buy certified seed of a new wheat or barley variety typically grow crops from farm-saved seed for many years thereafter.

This is an important discussion and many questions need to be addressed, but a royalty on farm-saved seed isn't as nefarious as many believe.

Consider this scenario. Durum is very vulnerable to fusarium in wet years. In 2016, a large percentage of the durum crop was feed quality due to the vomitoxin levels. Just imagine if a seed company developed a durum variety with significantly enhanced tolerance to fusarium. Rather than charging an arm and a leg for certified seed, the initial seed cost is more manageable, but includes a trailing royalty on any of the grain saved for seed in subsequent years.

In year one, you would buy certified seed that included a royalty. In years to follow, you would pay a small trailing royalty for use of the technology within the seed. This might be \$1, \$2 or \$3 an acre. Seed developers, whether private or public, would have latitude to set the rate depending upon the value of the genetics.

If you didn't like the performance of the variety after the first year and didn't want to seed it again, you wouldn't pay a trailing royalty.

Of course, no one would be forcing you to buy the seed in the first place. Royalties on farm-saved seed can be applied only to the newest varieties registered after UPOV 91 came into effect in Canada. Older varieties should continue to be available and this is something that any regulatory changes must ensure.

Where's the victim in the example above? Seed companies would have to develop varieties that farmers are willing to pay for. All the provisions for royalties would be laid out in the contract. If you don't like the deal, don't buy the seed. Use a variety where the trailing royalty doesn't apply.

*Kevin Hursh is an agricultural journalist, consultant and farmer. He can be reached by e-mail at [kevin@hursh.ca](mailto:kevin@hursh.ca).*



# Ottawa to consult on seed royalty proposal

By Brian Cross

FOLLOW

Published: October 11, 2018

News

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The federal government has agreed to launch a formal consultation process that will look at potential changes to Canada's plant breeders rights system, including the collection of farmer royalties on the use of farm-saved seed.

The Canadian seed industry — through a group known as Seed Synergy — has been pushing for changes to PBR regulations for some time.

Specifically, it is seeking changes that would allow companies to generate more revenue from the sale and use of new, PBR-protected cereal seed varieties that are approved for sale in Canada.

Seed Synergy partners, including the Canadian Seed Trade Association (CSTA) and the Canadian Seed Growers Association (CSGA), sent a letter earlier this year to federal Agriculture Minister Lawrence MacAulay asking that Ottawa launch a formal consultation process this fall, which could clear the way for the collection of farm-saved seed royalties as early as 2020.

Last week, Seed Synergy partners announced Ottawa has agreed to launch those consultations.

The consultations will include fall meetings across Western Canada, with dates and locations yet to be confirmed.

The first meetings will likely be held in November.

It is unclear how much revenue a farm-saved seed royalty would generate for Canada's commercial seed trade, but some estimates suggest that the annual cost to commercial grain growers in Canada could be tens of millions of dollars annually, or more.

"Everyone recognizes the need to invest in innovation in order to deliver new varieties," said Todd Hyra, president of the Canadian Seed Trade Association.

"In order to attract and retain the best plant breeders, Canada needs a system that compensates them for their efforts. Changes to the existing system will ensure lasting investment in variety development in Canada ... allowing us to compete more effectively on a global scale."

At seed industry meetings held earlier this year in Montreal, organizations that are part of the Seed Synergy initiative conducted detailed discussions and workshops on the merits of different royalty collection systems that could be introduced, including trailing royalties on farm-saved seed and end-point royalties (EPR), which are collected on grain that is harvested and sold through commercial channels.

In the end, the organizations decided that a trailing royalty on farm-saved seed would be the best option.

According to a report prepared by JGR Consulting Group, the introduction of farm-saved seed royalties could generate more than \$100 million a year in Canada.

Hyra said it is not completely clear how a farm-saved seed royalty system would be rolled out, but in general the concept would operate as follows:

- Up-front contracts would be signed by commercial grain growers at the time a new seed variety is purchased.
- The contracts would outline restrictions on the future use of farm-saved seed, including applicable royalties that would be collected on a per-acre or a per-bushel basis.
- Royalty rates would be determined by seed developers and their authorized distributors.
- Royalty contracts and data on farm-saved seed use would be maintained and monitored through a web-based data collection system, allowing for centralized administration of royalty fees on all applicable varieties.
- The royalties would be applied only to new varieties that were registered in Canada under the UPOV-91 convention.
- Older PBR varieties that were registered under UPOV-78 rules would be exempt, meaning farm-saved seed royalties could not be applied retroactively to many of Canada's existing cereal varieties.

Hyra said Seed Synergy partners agreed that the farm-saved seed royalty would provide the most comprehensive reach across all crop types and would ensure that certain crop types, such as feed barley and feed oats, are not missing out on royalty revenues.

“Those crops need investment as well, and this farm-saved seed trailing royalty option would ensure that (they) get investment as well.”

Plant breeding programs that are already receiving government support or producer check-off money would presumably have lower royalty rates than private-sector breeding programs that are developing new varieties without public or producer support.

Hyra said seed industry organizations, including the CSTA, are mindful of the fact that primary producers are facing challenging times and may not be in a position to pay extra royalties for the right to use the newest varieties.

For that reason, it's important that farmers continue to have the option of using existing UPOV-78 cereal varieties on a royalty free basis.

“It's important that there is choice available,” said Hyra, who also serves as the western Canadian business manager with SeCan.

“But in order to keep us competitive long-term, it's important that we're generating the best possible products that allow us to (remain competitive).”

# Alta. ag minister cool on seed royalties

By Jeremy Simes

Published: January 10, 2019

News

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Alberta Agriculture Minister Oneil Carlier says he has reservations about a proposal that could see royalties collected on farm-saved seed.

Carlier said farmers have a right to be concerned about the proposal, which is currently the subject of consultations by Agriculture Canada and the Canadian Food Inspection Agency.

"I don't represent Monsanto and I don't represent Bayer Crop Science. I represent the farmers of Alberta, so our position is going to be what is best for the farmers of Alberta," he said.

"Research is important and I'm a big advocate of research, but I'm unclear why multibillion-dollar international companies need money from our farmers for their research when they are already extremely profitable companies."

The royalty scheme, which was proposed late last year, could see growers pay end-point royalties when they deliver and sell grain or through the form of signed contracts, paying an ongoing and annual royalty to plant breeders for the use of farm-saved seed.

Agriculture Canada officials have said the royalties could help bolster the profitability and competitiveness of Canadian wheat because more funds would go into breeding, but farmers remain skeptical.

Many producers worry the proposal would cause wheat breeding to turn into the canola industry, where only major companies control a handful of varieties.

As well, they are worried varieties could be de-registered, essentially forcing them to buy ones that would require them to pay royalties.

Agriculture Canada has said wheat wouldn't follow the canola example because the department would still play a large role in research and that de-registration is unlikely.

However, Carlier isn't convinced collecting royalties is the right approach.

"Research is important, but I'm a little cautious the cost of research will be downloaded on to farmers," he said.

"Farmers over generations have been doing amazing jobs being innovative on using the best technologies available of the day to do the good work that is increasing production and quality of products. That's important, but farmers know best how to do that."

Agriculture Canada and the CFIA will continue consulting with farmers over the proposal this winter. In the spring, a final session will be held in Ottawa to potentially seek final endorsements of the proposed models.

The proposal would apply only to new varieties that were registered after new plant breeders' rights legislation came into effect in 2015.