

Royalty Area Collection

A contract based approach to better
IP management

Chris Green, Senova Ltd



Sources of income





The business of plant breeding is about uptake of innovation.

It is therefore about Intellectual Property and its management.



Problem with existing system

5% higher yield with "Star" oat

Average farm yield = 7.5t/ha
Equivalent to 375 kg/ha extra grain produced by "Star".



Market value @ £120/tonne, means extra £45/ha.

1 tonne seed "Star" oats plants 7 Ha.

Added value of "Star" per tonne of seed is £315.

And what do breeders do?

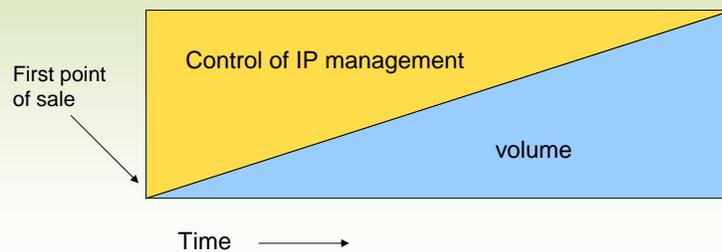
Increase royalty from £65/tonne to £70/tonne,
equivalent to 71 pence per Ha.





Problem controlling IP

As Volume increases IP management dilutes



A further problem

Fortunate to be able to collect royalty on farm saved seed.

However..

- The royalty on FSS has been established at a sensibly lower rate than certified (50%).
- Loss of evidence of who is using the IP as FSS, which gives rise to evasion.





Why do growers use farm saved seed?

Foremost they like the variety
– it has proven itself on their farm.

This means they appreciate the genetic delivery of the variety.

Financial benefit – but the gain is at the breeder's expense.



Missing royalties

UK winter oat area	125,000 ha		
Total seed required	18,000 T		
Certified tonnage	11,900 T		
FSS tonnage	3,300 T		
Total tonnage accounted for	15,200 T		
Missing tonnage	2,800 T		
			Missing tonnages
		Wheat	34,000 T
		Winter Barley	14,000 T
		Spring barley	8,600 T

Missing tonnages = Loss of income

Loss to UK breeding industry = approximately £2 million





Change the legislation or change the approach

- European legalisation is inadequate.
- Despite the logic for legislative change, the route would be complex and time consuming.
- Adopt a new approach



Drivers for change

- Distortion of front-end royalty
- Two tier royalty system
- Sensibly lower – 50%
- Evasion / fraud
- Lower seed rates
- Less certified
- Losing income





These inadequacies and drivers led Senova to initiate a new model for royalty collection and IP management.



Royalty Area Collection concept

From seed to field



Seed



Hectares planted





RAC objective

Better market intelligence and IP management



Improved royalty income



More dynamic relationship with growers & seed processors



The objectives would be met by..

Traceable audit trail

Structured contract approach based initially on Conditions of Sale

Knowledge of usage

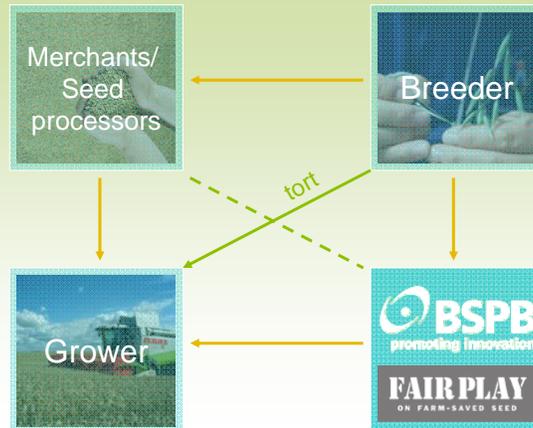


Transparent royalties

Unified royalty rate



Contracts



RAC basic components

- Contracts of sale and agreements
- Agreements with distributors and growers
- Knowledge of user of IP
- Rights of audit
- Single unified royalty rate
- Bag tag
- Invoice grower directly for royalties





Conditions of Sale

- Specific conditions of sale outline the RAC for each variety:
 - detailing the rate per hectare
 - how and when collected
 - requirement to maintain and provide all records on the use of seed and subsequent crops and their rights of inspection and audit.
- Growers sign the agreement and are invoiced on declared area sown.
- Merchants only release seed to growers accepting conditions of sale.
- Need to have simple agreements with authorised signatories.



Deliverables / Benefits



Breeder

- Better IP management
- Not volume related
- Improves income
- Values genetics



Merchant /
seed
processor

- Parity with FSS
- Extol quality & service
- Improves income
- Targets assurance



Grower

- Tangibly values genetic benefits
- Promotes innovation
- More dynamic relationship with breeder





Identified problems



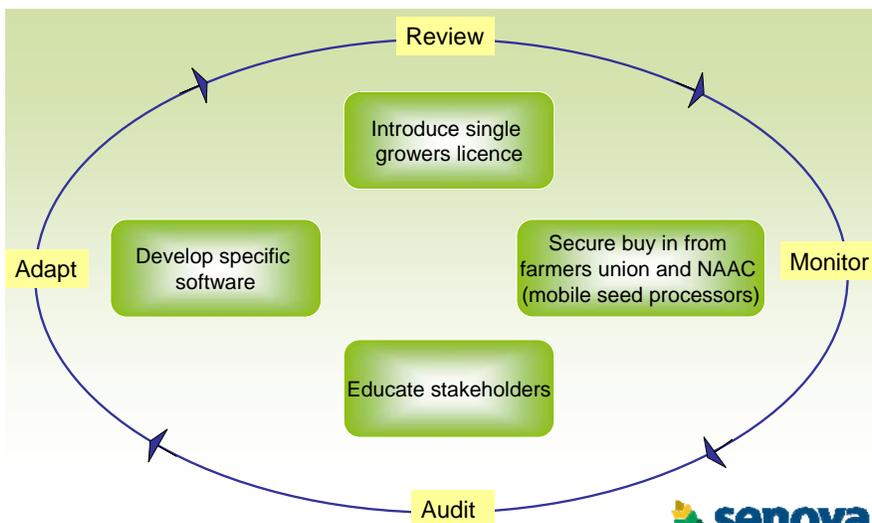
RAC



- Administrative burden.
- Narrow line between compliance and annoyance.
- Time and education.
- Mind sets.

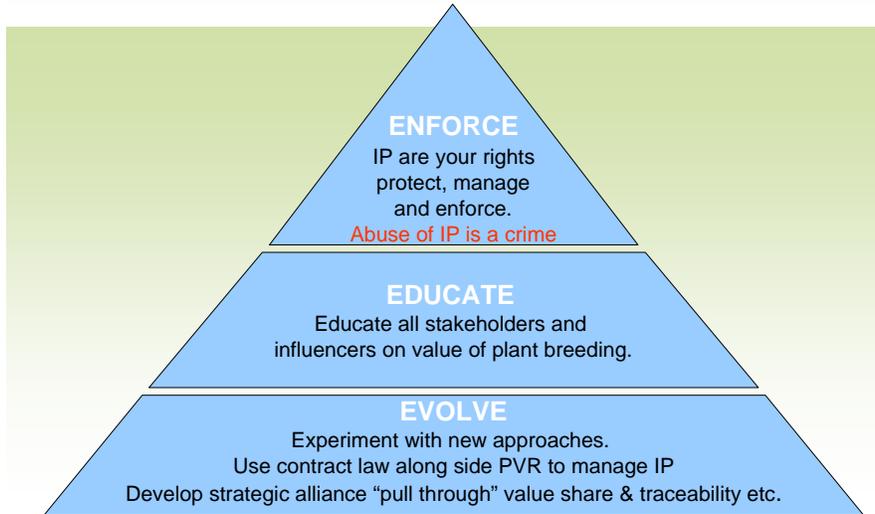


Where next?





3 Es Take-away message



Sustained investment in plant breeding will only come from improved protection of Intellectual Property and continued appreciation of the value of new varieties and new technology.





THANK YOU

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