



VARIETY USE AGREEMENT FREQUENTLY ASKED QUESTIONS

Q: What is the seed Variety Use Agreement (VUA)?

A: The Variety Use Agreement (VUA) is a made in Canada solution to drive plant breeding investment. It is built on the principals of value, transparency and choice for producers while benefiting everyone in the seed value chain.

Q: Why do we need the Variety Use Agreement?

A: The VUA addresses the serious need for increased investment in plant breeding to support Canada's cereal, pulse, and specialty crop producers. Variety development research for these crops is significantly under-resourced when we consider the long-term view with increased global competition and the rapid pace of new technology innovations.

Q: What is the VUA Platform?

A: The VUA Platform is a confidential, online database that will handle all VUA agreements, variety use acknowledgements, declarations, invoices, payments and compliance activity and data.

Q: I'm a producer, how will the VUA affect me?

A: Through increased investment, the VUA will provide accelerated access to improved varieties adapted to a broader range of growing conditions. An increase in plant breeding investment also means you will benefit from more choice. The VUA system will position you to be more competitive in international markets. Producers will still have "Farmer's Privilege" to keep farm saved seed but will need to pay a Variety Use Fee to the plant breeder for use of the seed genetics marketed under a VUA.

Q: I'm a plant breeder, how will the VUA affect me?



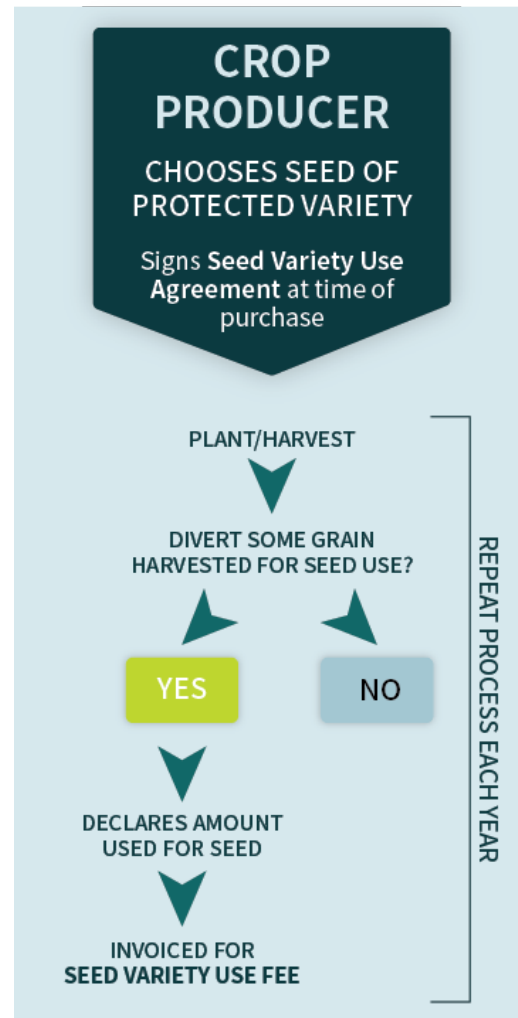
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A: The VUA will ensure you receive a fair return on research investment for breeding work in Canada. Currently, in some parts of Canada, only a small portion of the seed used each year provides funds back to the research program. Certified seed is as low as 12% of planted acres for some crops. While you are not obligated to protect your varieties, the VUA gives you, as a plant breeder, another choice on how to sell your varieties in the Canadian marketplace.

Q: How does the VUA work?

A: The VUA will be applied to specific varieties as determined by plant breeders and their seed distributors. Producers will sign a VUA when they purchase a variety that has been enrolled in the program. If they decide at harvest to divert some grain for seed use and plant it, they will be invoiced a Variety Use Fee for use of the variety. This fee will be invoiced to the producer every year that the farm saved seed of the protected variety is grown.



Q: Will a VUA be applied to all varieties?

A: No, a VUA will only be used on farm saved seed of specific protected varieties. Many of the current varieties in use today will not have a VUA.

Q: How will I know if a variety requires a VUA?

A: The VUA identifier will be on seed promotional material and the seed label/tag – the same way you would see a PBR'91 protected icon. You will also be required to sign the VUA when you purchase Certified seed of the variety.

Q: How much is the VUA fee?

A: The VUA fee will be set by the plant breeder/seed distributor and will vary depending on the value and performance of that particular variety.

Q: Who is responsible for setting the fee and when will it be set?

A: It will be up to the plant breeder and the seed distributor to determine a fee for each variety. This will be based, in part, on how much value the new variety creates compared to current varieties. The Competition Act is also in place to protect producers and ensure a fair and open market.

Q: How will the VUA be enforced?

A: There will be audits of some farms each year to ensure compliance and a level playing field. Seeds Canada will manage enforcement using a “coaching for compliance” approach. Third-party audits will be conducted, if necessary, to review producer compliance. Audits will not be random.

Q: I already pay for variety development through check-offs and levies. Why do I need to pay for it again?

A: Currently, total investments aren’t enough to encourage the amount of plant breeding work needed to keep Canadian producers competitive in the long term. The VUA fee will also take into account any levies or check-off amounts that have already been paid. It will be up to the breeder and seed distributor to set the fee for each variety.

Q: Why the need for a new system – why not just charge higher royalties when a producer buys a new variety?

A: Higher royalties on Certified seed of new varieties delays adoption of new innovation – which reduces the productivity and competitiveness of our entire agricultural value chain. This also results in Certified seed users subsidizing innovation for those who save a greater portion of their seed requirements. The VUA system provides a fair return for the plant breeder while maintaining

the Farmers' Privilege to produce PBR'91 protected varieties for use as seed on their farms, which is entrenched in legislation.

Q: Are any other countries using a value creation model?

A: Many countries are successfully using a value creation model to encourage plant breeding investment and make their country more competitive internationally. For example, the Netherlands has a royalty on seed while France and Australia have an end point royalty on all of the grain produced. The VUA is a made in Canada solution to meet the need to increase public and private plant breeding investment, while maintaining the Farmers' Privilege to divert grain for seed use on their farm.

Q: Will the VUA Fee be refundable?

A: No, this fee will be paid to the plant breeding program through a contractual agreement with the farmer. The fee is designed to represent a small portion of the enhanced profitability the variety delivers to the farmer. It will be up to each individual plant breeder/seed distributor to determine if they will participate in the VUA system and what the fee will be for their varieties.

Q: I'm happy with the varieties I have now. Why do we need this change?

A: We are not making this change for today – plant breeding research is a long-term investment. The VUA system is what's needed for a sustainable future for Canadian cereals, pulses and specialty crop producers. The varieties that we have today are solutions to the agronomic challenges we have been faced with to this point. We need to think ahead to what innovations we will need in the future to ensure we have the varieties to meet those challenges.

We need to invest in our own future to help keep Canadian farms competitive globally; doing nothing is not an option. A slight increase in the cost of seed for producers will make a big difference to the rate of innovation delivered by plant breeder, both public and private. These investments will pay off for producers with improved performance in the field each year and with accelerated future access to genetics tailored to Canada.

Q: Do you expect plant breeders will de-register old products? How can producers be assured of choice if they do not participate in the VUA system?

A: It is not easy to de-register old cereal varieties while there is commercial interest. The fact that many of the cereal varieties currently in the market were publicly developed will make it difficult to de-register.

Q: How much funding do Canadian producers need for an adequate level of plant breeding investment to be competitive globally?

A: There is no set figure. When compared to other countries like Australia, France and the UK, Canada currently invests less in cereal research on a per acre basis. As we look to the future, we see more competition globally and an accelerating pace of plant breeding and seed innovation using new technology. Canada must act now to remain competitive.