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GM Crops Moratorium Secretariat
Department of Primary Industries
Locked Bag 21
Orange NSW 2800

Dear Sir/Madam

Submission to the Review of the Gene Technology (GM Crop Moratorium) Act 2003 – Nufarm Ltd

Nufarm Ltd (Nufarm) welcomes the opportunity to make this submission to the review of the Moratorium on Genetically Modified Canola. Nufarm is an Australian, publicly-listed company (ASX: NUF) with its global headquarters in Laverton North, Victoria. The Nufarm group is principally engaged in the manufacture and sale of crop protection products through subsidiaries based in Asia, Australia, Europe, North America and South America. Nufarm has a global turnover of approximately $A2 billion per annum and employs approximately 2,700 staff worldwide.

In recent years, the Company has started to pursue opportunities in the seed industry with a view to developing a global seed operation that complements Nufarm's existing global crop protection business. The seed business strategy aims to leverage the success and experience of Nufarm's global growth in the crop protection sector. As a first step, this strategy is founded on strategic investment in the seed industry in Australia.

Nufarm has invested in a number of strategic seed businesses, Nuseed Pty Ltd (Nuseed), Nugrain Pty Ltd (Nugrain), Access Genetics Pty Ltd, Nutrihealth Pty Ltd, Agseed Research and Dovuro. Nugrain has had a long association with the NSW Department of Primary Industries (DPI). Nugrain has worked with DPI's commercial arm on canola development through the canola Alliance. The Alliance was first established in September 2002 as an unincorporated collaborative venture between NSW DPI, Nugrain and Plantech. As the only canola development program in NSW, the Alliance has been very successful in breeding, developing and commercialising a range of conventional and herbicide tolerant (TT and IMI) canola varieties. These varieties, including the recent TT variety known as Bravo®, have benefited NSW farmers. The Alliance has less than a year to run in its first term. The future focus of the Alliance will be on maintaining the conventional and herbicide tolerant germ plasm streams with newer varieties and technologies from aligned breeding programs such as Nuseed's.

In September 2006, Nufarm acquired a licence to develop and commercialise Roundup Ready® canola in Australia. Nufarm also acquired Monsanto's Roundup Ready® canola germ plasm. Since this acquisition, Nuseed has recommenced research and development of the Roundup Ready® canola germ plasm – work that Monsanto withdrew from following the introduction of the moratorium on GM canola in 2003. Roundup Ready® canola is now a significant component of Nuseed's business strategy. Nuseed's operations are located in Horsham, Victoria. Nuseed employs approximately 30 staff with a number of those staff located at the Victorian DPI's VIDA site. Nuseed works under contract with up to 400 farmers in New South Wales, South Australia and Victoria in the development and production of canola and other field crop species.

Summary

Nufarm considers it imperative that the New South Wales Government's moratorium on the commercial cultivation of GM canola be lifted. The moratorium was imposed due to concerns about the possible impact on market access and trade resulting from the cultivation of GM crops in NSW. In the three years since the imposition of the moratorium, much has changed.

- There is now broad grains industry support for allowing farmers and consumers the choice of GM and non-GM canola varieties. This support is evidenced by the widespread endorsement of key stakeholders in the grains and canola supply chain of the Single Vision Grains Australia (SVGA) document, *Delivering Market Choice with GM Canola*. That document was developed on the basis of SVGA's wide-ranging consultation with all elements of the grains and canola supply chain.

- All of the major agricultural sector representative bodies, including the NSW Farmers' Association, have issued policy statements supporting the commercialisation of GM canola as a means of providing choice to farmers and consumers.

- Agriculture in overseas countries that have adopted GM technologies has continued to grow in the three years since the imposition of the moratorium in NSW. The experience in these countries demonstrates that there is no loss of export markets associated with the adoption of GM canola. The GM and non-GM sectors in these countries have continued to thrive, co-exist and grow in major international markets. In fact, the Canola Council of Canada (CCC) aims to increase that country's annual canola production from 7 million tonnes to 15 million tonnes by 2015.

- Independent research by the Australian Bureau of Agricultural and Resource Economics (ABARE) concludes that there is no market access issues associated with the adoption of GM canola. ABARE research also debunks the notion that Australian canola growers will reap a price premium in world markets if Australia continues the moratoria on GM canola.[1]

Lifting the moratorium on GM canola is necessary to:

- allow Australian farmers and consumers the choices and opportunities available to farmers and consumers in the Australian and key overseas markets;

- attract investment in agricultural research and development that is needed to maintain a vibrant and dynamic agricultural sector in Australia; and

- enable Australian farmers to be competitive in the international canola market.

The negative impact of the moratorium

As a company involved in seed production and seed research and development, Nufarm believes that the moratorium on GM canola has had a significant negative impact on the canola seed industry. These impacts include:

- a retraction of agricultural R&D programs following the introduction of the moratorium in 2003. In fact, Nuseed has recently recommenced R&D with germ plasm and Roundup Ready® technology that was mothballed by Monsanto following the announcement of the moratorium in 2003;

- a failure to keep pace with the key overseas producers, including Canada. Australia's canola development pipeline is now 5 to 10 years behind that of Canada's;

- reduced investment in seed development and R&D; and

- an increased cost and regulatory burden associated with field trial activities.

[1] Australian Bureau of Agricultural and Resource Economics, *Market acceptance of GM canola,* March 2007

The moratorium also acts as a major disincentive to R&D directed towards new traits and new varieties. Technology developers wary of the uncertainty surrounding their ability to commercialise their investment in Australian varieties have concentrated their investment in more predictable and stable markets.

Nufarm also believes that the moratorium has had a negative impact on farmers. Farmers wishing to adopt GM canola have been denied access to technologies that are readily available in other countries. In its recent strategic plan for canola development in Canada, the CCC made the following assessment of Australia:

> "Australia has been plagued by production problems in recent years due to drought. Additionally, the continuing moratorium on GM canola is believed to be damaging Australia's long-term production competitiveness."[2]

The CCC document also outlines the growth of Canada's international canola sales into Australia's traditional markets, including Japan. The CCC indicated that it expects Australia to respond to demand signals and eventually approve GM canola varieties. The CCC notes that with the higher production levels associated with the adoption of GM canola, Australia would impact on Canadian exports to Japan, Pakistan and the EU.

The costs associated with the moratorium have clearly exceeded its benefits. Experience in Canada and other countries have shown that there is no loss of markets associated with the adoption of GM canola. The lost opportunities in terms of on farm R&D, seed production and development have cost farmers and seed producers significantly. It will take many years for NSW to recover the momentum lost by the introduction of the moratorium.

The moratorium should be lifted

Canola makes an important contribution to farm income, productivity and profitability. As the second largest income crop, canola provides an additional crop in annual farm paddock rotations and significantly improves subsequent grain crop yields. A failure to embrace GM canola will have a significant negative impact on Australia's productivity and competitiveness and on-farm incomes for both canola and grains. A less competitive and less profitable non-GM canola market will not attract or support the present levels of research and development investment resulting in further and more rapid decline in Australia's competitiveness against countries that embrace GM technologies.

State-based moratoria are a major disincentive to R&D and the commercialisation of new GM technologies in Australia. Technology sponsors are unlikely to seek approval of new technologies while, due to state-based legislative controls, uncertainty continues to surround their ability to commercialise traits and/or products that gain approval from the Office of the Gene Technology Regulator (OGTR) and Food Standards Australia New Zealand (FSANZ).

The NSW moratorium on GM canola is illogical. GM canola is already imported into Australia, crushed and supplied to the food service, industrial oils and renewable fuels markets. Downstream products such as GM soya and GM canola meals and oils are also imported into and consumed in Australia. Australian farmers are, however, prohibited from cultivating GM canola. If the moratorium is not lifted, Australia is likely to become a net importer of meals and oils derived from GM technology. A failure to embrace GM canola will eventually lead to a shifting of the processing and production activities associated with Australia's demand for oils and meals to overseas countries.

No need for complementary measures

The "GM canola debate" is often portrayed as a GM canola versus non-GM canola issue. However, if the moratorium is lifted, both GM and non-GM canola will play an important part in Australia's canola industry. GM canola varieties will simply become additional varieties to be managed through the

[2] Canola Council of Canada, *Canola - growing great 2015,* Canada 2007, p 11

supply chain. Nufarm believes that existing industry protocols and receival standards provide adequate controls for the on-going management of GM canola.

Nuseed is Australia's largest supplier of conventional and herbicide tolerant canola seed (i.e., non–GM canola seed). The herbicide-tolerant varieties - triazine and IMI based - account for approximately 70 percent of the approximately 1 million hectares planted annually in Australia. The production and supply of GM canola is an important part of Nuseed's business strategy. However, Nuseed will continue to produce and supply non-GM canola seed if the moratorium is lifted. Nuseed has a demonstrated history of delivering a large number of different canola varieties to farmers and it is therefore confident that it will be able to produce and sell both GM and non-GM varieties within accepted tolerances to provide choice to farmers if the moratorium is lifted.

Nufarm would also highlight Australia's canola and grains industries longstanding management of co-existence of specialty canola and grain varieties that clearly demonstrate a capacity to handle both GM and non-GM varieties. Nuseed's Monola® also provides a useful example of successful commercial co-existence. Monola® is a high oleic/low linolenic (HOLL) specialty canola variety that combines the low trans-fatty unsaturated acid properties of canola with improved functional frying and nutritional capabilities. Monola® offers considerable nutritional, health and value benefits in oil-based food preparation. Monola® attracts a price premium over conventional canola varieties. Preserving and capturing this additional value requires successful management of all facets of the supply chain – from Nuseed's seed production through to farmer, handler, crusher and end user. Nuseed achieves this through the application of robust quality control processes and the use of Nufarm's Crop Network® track and trace system. Nuseed intends to utilise similar supply chain processes in the supply and handling of GM canola varieties.

The negative impact of not lifting the moratorium

Continuation of the moratorium on GM canola will have a significant negative impact on Australia's productivity and competitiveness and on farm incomes for both canola and grains. As a major producer of seed and investor in seed R&D, Nufarm believes that a less competitive, less profitable and less vibrant non-GM canola market will not attract or support major investment in R&D. If the moratorium is extended, Nufarm will be forced to re-evaluate its on-going investment in the Australian seed industry, particularly with regard to R&D directed towards the development and commercialisation of GM canola. Overseas markets with more progressive and dynamic agricultural sectors are likely to become more attractive investment options.

Conclusion

In conclusion, Nufarm submits that the moratorium on GM canola in NSW should be lifted.

Yours sincerely

Andrew Dunlop
General Manager
Associated Businesses