



**AUSTRALIAN LOT FEEDERS' ASSOCIATION**

**Submission  
Review of the Moratorium on GM Canola  
NSW 2007**

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## **Contents**

### **Submission to the Review of the Moratorium on GM Canola**

<b>Executive Summary.....</b>	<b>3</b>
<b>Recommendations.....</b>	<b>3</b>
<b>Introduction .....</b>	<b>4</b>
<b>Grain supply issues.....</b>	<b>4</b>
<b>Arguments for removal of moratorium.....</b>	<b>6</b>
<b>Market principles .....</b>	<b>7</b>
<b>Regulation .....</b>	<b>7</b>
<b>Conclusion .....</b>	<b>8</b>

## **Executive Summary**

ALFA urges that the moratorium on the use of Genetic Modification (GM) technology for canola be allowed to expire and urges policy makers to remove barriers to its use.

247 million acres of GM crops, including the long established GM cotton in Australia, is now grown and consumed annually in the world. Australia is clearly lagging behind our major competitors.

Although oilseeds do not play a major role as an input to feeding cattle within lot feeding operations, the principle of allowing the use of GM technology is important to the industry. It is foreseen that the use of GM technology in the grains and oilseed industries would eventually allow producers to have access to major benefits such as drought and frost resistant varieties, and varieties that produce higher or more consistent yields and lower agronomic costs. This will have a direct flow on effect for the feedgrain using industries such as the feedlot industry for which grain is a major input.

The need for improved grain yields is already evident from a very tight domestic grains market with prices being significantly increased due to drought events. A forecast continuation of such tight supply has led to the feedgrain consuming livestock industries and grains sectors working more closely together to ensure higher supplies in the future.

ALFA notes that there has been considerable work undertaken within the grains industry to establish protocols under quality assurance systems to ensure that particular requirements, such as client preferences for segregation between GM and non-GM product in certain circumstances, can be catered for within the supply chain on a commercial basis.

## **Recommendations**

ALFA recommends that:

- The existing moratorium on GM technology for canola in NSW is allowed to expire.
- An appropriate regulatory environment be maintained to provide confidence for all stakeholders;
- Industry QA systems perform a key role in terms of satisfying commercial customer requirements.

## **Introduction**

The Australian Lot Feeders' Association (ALFA) welcomes the opportunity to make this submission in response to the terms of reference for the *Review of the Gene Technology (GM Crop Moratorium) Act 2003*. In particular, ALFA will address the issues of grain supply for the feedlot industry and the need for supply chain integrity in this sector, as they relate to the use of GM technology.

Nationally the feedlot industry directly employs over 1,700 people (all in rural areas) and has a value of production \$2.7 billion. More than one third of the national cattle slaughter comes to market after being finished in feedlots and more than 60% of Australia's feedlot beef is exported into premium international markets. ALFA is the peak industry body representing approximately 90 per cent of feedlot capacity in Australia.

There are nearly one million head of cattle on feed in Australia, with more than 390,000 head capacity in NSW in around 95 accredited lots at any one point in time. With cattle on feed for varying intervals of time, the actual turnoff is in the order of 700,000 per annum in NSW. The sector is an important regional employer, with a full time employee per every 500 – 800 head of cattle on feed. There are also significant community, regional and national economic benefits flowing from ongoing feedlot operations.

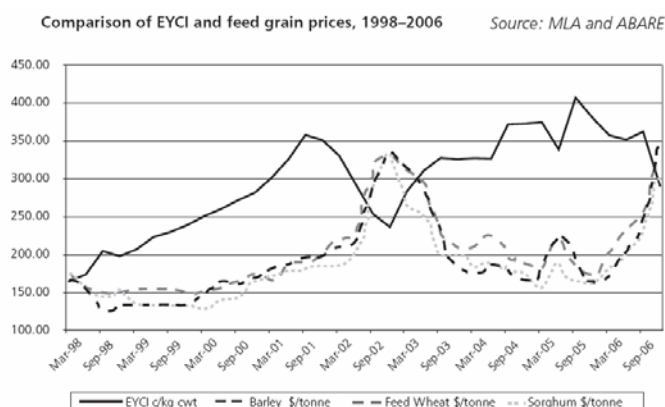
## **Grain supply issues**

The Australian feedlot industry is highly internationally competitive and provides a very high quality product which is primarily exported to premium north Asian markets and supplies a strong domestic market as well. In order to remain competitive it depends in large part upon a highly competitive and productive Australian grains industry. Without access to competitively priced grain it is not able to operate profitably.

The feedlot sector is very important in a strong beef industry. It plays a major value-adding role in the beef supply chain for both domestic and export markets. There are strong linkages between the pasture (grass fed) and grain fed beef industries and the grain markets in Australia. Extensive industries are linked through the sale of their feeder stock into feedyards.

Feed costs account for 55-60 per cent of the cost of production of grain fed beef and of this, grain makes up approximately 75 per cent of the cost. Figure 1 illustrates an inverse relationship between the prices that cattle producers receive and feedgrain prices. This demonstrates the strong linkage between times of tight grain supply and associated price hikes that put feedlot margins under pressure, which results in falling feeder (input) cattle prices.

Figure 1 Comparison of EYCI and feed grain prices 1998-2006



Note: The scale in this chart is not the same for all series. The EYCI is c/kg cwt, while the feed grain prices are \$/tonne.

The strong performance of the intensive livestock industries (including grainfed cattle, pork, chicken, eggs and dairy) is estimated to lead to demand for feedgrains at an average annual rate increase of around 2.4 per cent per year. (CIE, 2005) World grain supply to use ratios have tightened markedly since the advent of government policies in various countries underpinning a rapid escalation in production of grain based biofuels. The global supply/demand equation was recently described as “perilously balanced” (Robert Green, Cargill Australia, Agriculture Australia Conference, Melbourne August 2007). Australia’s capacity to benefit from being able to supply the world with more grain to meet rising domestic and global demand from a variety of end users is directly hindered by the lack of access to developments in GM technology.

Drought-induced domestic grain price hikes make it tougher for Australia grain-fed beef producers to compete internationally. It is in the interests of this sector to see Australia’s grain productive capacity rise over time. There are many constraints to production expansion in the Australian climate and these may be compounded in the future with expectations of adverse impacts of climate change. Access to GM technology will support the Australian cropping industry and the grain consuming industries which depend on its production.

The Livestock Feed Grain Users Group (LFGUG) was established in 2004 with an aim to focus on grain supply shortages and the associated high cost of feed grain at times of shortage. A subsequent grouping of livestock user and grain industries together launched the Feed Grain Partnership in 2006. This is an alliance (funded between livestock and grains) of R&D agencies in the grain and livestock industries, with the aim to share information about each industries grain related R&D portfolio and to commission joint R&D in grain supply chain related areas. Members include the grainfed beef, pork, eggs and dairy industries. There is also an ‘outer circle’ of stakeholders, comprising an affiliation of other players across the supply chain (including ALFA, commercial grain marketers and handlers etc). The Partnership’s

first R&D project is a major modelling exercise of demand and supply interactions in the domestic feedgrains market.

## **Arguments for removal of moratorium**

ALFA views GM technology as a safe, robustly tested technology to which Australian farmers should have access without further delay. GM technology is in fact not so far removed from the breeding technologies used for years and is an extension of natural breeding processes. It has been well researched and trials have proven that the modification of plant material cannot be traced in the end meat product.

ALFA is a signatory to the SAFEMEAT<sup>1</sup> Red Meat Industry Biotechnology Policy which recognises significant potential benefits from the use of some forms of biotechnology along the entire supply chain, and the need for its development and application in an integrated systems approach.

One way that grain deficits can be ameliorated is through more grain production. Given that access to arable land is finite, production advances need to be in terms of higher yield per hectare and/or increased reliability of production. GMO's are critically important technology to achieve this outcome.

GM technology has the potential to provide increased productivity by producing varieties which are, for example, drought tolerant, salinity or frost tolerant and herbicide resistant. Having access to such varieties would allow grain producers to improve yields or at least limit crop losses due to such climatic events as drought or frost. With predictions of greater climate variability, access to such improved genetics will become even more important.

The fact that many of Australia's competitors have had access to GM crop technology for many years has put Australia at a disadvantage. Intensive beef producers in the USA, which is one of our major global beef competitors, have access to more competitively priced and reliable sources of grain which means they are able to compete on more advantageous footing than Australian producers. We all compete for the same beef export markets and any prudent efficiency gain denied Australia gives our competitors an edge. The Government needs to act to lift this barrier to Australian agriculture.

If external shocks come into play in the domestic grains market, GM technology may become even more valuable. One such factor which would have a significant impact on the livestock industries is a Government mandate of ethanol. Put simply, the imposition of a mandated ethanol blend fuel would have the effect of artificially inflating domestic demand for grains thereby increasing the price faced by other grain

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<sup>1</sup> SAFEMEAT is a partnership body to ensure that red meat products achieve the highest standards of safety and hygiene from farm to consumer and to provide strategic direction and policy advice to the red meat industry. Every sector of the red meat production chain in Australia is represented from cattle and sheep producers, to processors, to meat and livestock exporters, to Federal, State and Territory government representatives

users' (eg intensive livestock industries) above world parity pricing. It is estimated by CIE (2005) that mandatory E10 Petrol and E15 Diesel would increase demand for feed grains by 150 per cent over those levels demanded by livestock users in 2010.

A combination of higher world prices and drought induced lower domestic supplies are driving wheat, sorghum and other grain prices well above long-term averages. This is without the artificial inflator of a domestic ethanol mandate in fuel. ALFA is using the appropriate forums to advocate against such mandates, but this serves as example of the potential need for GM technology to provide adequate grain supplies to service domestic industries.

## **Market principles**

Whilst GM technology has been proven to be safe, it is understood that some consumers may prefer non-GM product. If market signals indicate that some customers will pay a premium for such product, then it would be expected that some producers would seek to service that market. In this situation the commercial imperatives would exist for the grains supply chain to respond to those specific requirements within industry quality assurance systems.

There is evidence that Australian grain supply chain appears capable of separating GM canola from non-GM canola and other crops at a relatively low cost. (ACIL Tasman, *GM Canola: An Information Package*, 2007) There are already a number of guidelines in place which could facilitate the use of GM technology. Bodies such as the Gene Technology Grains Committee (GTGC) and the National Agricultural Commodity Marketing Association (NACMA) have developed common terms, management protocol and standards for GM crops. We understand this tied back to the work of Single Vision when it considered the factors surrounding introduction of GM crops.

## **Regulation**

Australian feedlots set world leading standards on the quality of stockfeed. Feedlots only accept nutritious feed-grains which fit rigorous consumer protection requirements. The Quality Assurance systems for feedlots (NFAS) and the use of SAFEMEAT vendor declarations means that feedlots comply with these strict standards, and are annually audited by an independent third party to check on compliance.

ALFA works within the SAFEMEAT Partnership to ensure that regulators and industry groups are effectively cooperating on issues relating to the feed safety of feed grains and other feed commodities. It takes very seriously the integrity of the supply chain and has given careful consideration to the role of GM and non-GM feed products in that supply chain.

Integrity must be a priority across the supply chain and all customers - from farmers to consumers – should be able access the products of their choice and be confident that they in fact receive the product they expect. For this reason, ALFA supports a clear and transparent regulatory system including the Office of Gene Technology

Regulator and other regulatory instruments governing the use of facets of biotechnology.

Australia also needs to take a national approach to understand the regulatory and commercial trading imperatives of our importing customers and to ensure our systems are acceptable and compatible.

## **Conclusion**

ALFA considers that it is appropriate that the NSW Government allow the expiration of the moratorium on the use of GM technology in canola production. This view is based on a belief that Australian agriculture needs to be able to compete on an equal footing in the international market and that use of GM technology has a role to play. Further, ALFA believes that GM technology is well tested and researched and is safe for use.