



Australian Dairy Industry Council Inc.

30 August 2007

GM Crop Moratorium Review Secretariat
NSW Department of Primary Industries
Locked Bag 21
ORANGE NSW 2800

Dear Review Panel,

AUSTRALIAN DAIRY INDUSTRY COUNCIL SUBMISSION TO GENETICALLY MODIFIED CROP MORATORIUM REVIEW

The Australian Dairy Industry Council (ADIC) is the peak industry organisation where dairy farmers and dairy companies come together to agree whole of industry policy. The ADIC comprises Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation Incorporated (ADPF), which are the peak policy bodies for Australian dairy farmers and dairy companies, respectively.

Policy agreed through the ADIC is used to represent and advocate the interests of all sectors of the dairy industry to state, national and international Governments and organisations. Importantly, with respect to this review, the ADIC reflects the input of farmers via the NSW Farmers Association Dairy Committee and that of dairy companies operating in NSW.

Historically, the Australian dairy industry has held a range of views about GM technology, with some groups advocating it, others resisting it and many undecided. The industry recognised that it needed to develop a policy which considered all views, and enabled the industry to make decisions and to speak with a unified voice on the issue.

Commencing in late 2005, the ADIC has undertaken extensive consultation with all sections of the dairy supply chain to develop and ratify a policy on GM technology. Given the complex nature of issues associated with GM technology, it was agreed that a detailed collaboration with all industry members would be undertaken during the policy development process.

We believe this process should provide confidence to the review panel of the ADIC's capacity to advocate a collective view that is representative of the overwhelming majority of stakeholders in the dairy industry.

ADIC Position and Policy on GM Technology

The agreed position of the ADIC on GM technology is that:

... providing the outputs of GM technology have been thoroughly assessed on a case-by-case basis and approved for human, animal and environmental safety under the national regulatory framework, the dairy industry should have the opportunity and choice of researching, testing and potentially using GM plants in the future.

This position is based on a foundation of comprehensive policy and background information in relation to GM technology and how it could impact on the Australian dairy industry, which in turn has enabled the industry to make an informed contribution to this review process.

Furthermore, the industry's position is predicated on ongoing assurances of food and environmental safety, not only on existing GM plants but also any that might be available in the future. In regard to GM stockfeed, the ADIC policy is also predicated on the fact that there is no GM content in Australian dairy products.

The ADIC recognises that the removal of the moratorium on GM plants (initially GM canola) will raise some questions in the market place. However the ADIC is confident that Australia has the regulatory and supply chain processes that can effectively manage any market concerns or requirements. In other words, dairy companies and farmers have established milk supply arrangements based on their market requirements. Companies will continue to work with dairy farmers to manage these arrangements. Dairy companies and farmers have made it clear that they will continue to meet the needs of their customers and a moratorium on GM canola is not necessary in this context.

The ADIC has also considered the fact that canola (the GM crop currently approved for use by the OGTR that may be used in southern Australia) has only limited use as a feed source in the Australian dairy industry so any changes to the availability of canola as a feed source will be manageable by dairy farmers, dairy companies and the stockfeed industry, within existing supply chain policies and systems. This includes provision for choice of farm system including mainstream, non-GM feed or organic production.

Consequently the Australian Dairy Industry Council, on balance, recommends that the New South Wales Government should end the moratorium on GM crops.

Consultation Process

In developing the collective view for the dairy industry on GM technology there was extensive consultation across Australia.

The NSW Farmers Association Dairy Committee is the peak body for NSW dairy farmers, and is a member of Australian Dairy Farmers Limited. The Dairy Committee was provided with information on the ADIC's draft GM Technology Policy and had the opportunity to discuss the proposed policy as part of the ADIC's consultation process.

With the support of Dairy Australia, a "facts-based" information package was made available to all dairy farmers and companies. The pack contained a series of information sheets with topics such as:

- Potential GM opportunities for the dairy industry
- Consumer reaction to GM
- Impact of GM feed on dairy production
- GM regulatory framework
- Adoption of GM in Australian markets
- GM in competitor dairy markets
- Adoption of GM in export markets –Japan
- Approved GM products

ADIC has also undertaken consultation with dairy processing companies through the Australian Dairy Products Federation, the peak policy body for commercial/non-farm members of the Australian dairy industry. Its members are engaged in the manufacture, marketing or trading of dairy products and/or dairy related products. Meetings were held with the boards and senior management of individual companies. The companies also received the information package from ADIC.

During the consultation process dairy companies indicated that they will always meet the needs of their customers by working with farmers to manage their milk supply and that the expiry of the moratorium on GM crops would not change this objective. Australia's dairy companies and farmers believe they do have the procedures in place to allow them to continue to meet future market requirements.

Following the consultation process with dairy farmers and dairy companies, the ADIC GM Technology Policy was adopted by the ADIC Board with no dissenting view from manufacturers and very few dissenting views from individual farmers. (See the attachment for details of the dairy industry policy for GM technology.)

Market Impacts

The Australian dairy industry is one of Australia's major rural industries. Based on a farm-gate value of production of \$3.3 billion in 2005/06 it usually ranks third (behind beef and wheat) and is the fifth most important in agricultural exports – valued at \$2.7 billion. Farm-gate value increases to approximately \$9 billion ex-factory once milk is processed and the industry overall generates about 100,000 jobs.

Around half of Australia's milk production (representing 12% of world trade) has been exported in recent years to more than 100 countries, reflecting a high level of competitiveness in world markets. Key markets are Japan, South East Asia, the Middle East and United States. The industry has intimate knowledge of what its markets demand, and is very mindful of anything that may lead to loss of market share. Effective risk management is critical to maintaining market value.

The Australian dairy industry undertook some specific research on the use of GM feeds in Japan and in other major dairy markets and found that GM feed is used widely (Source: Dairy Australia). The report found that almost all international competitors to the Australian dairy industry have adopted GM feeds in production systems. The industry acknowledges that despite widespread use of GM in primary production around the world, markets can be contradictory and consequently relationships always need to be carefully managed.

The findings of the Dairy Australia research report concluded, on balance, there was a low risk to dairy exports if the Australian industry were to use GM stockfeed more widely based on continued careful management of the supply chain and market needs.

Notwithstanding the above, the ADIC is clear that it will ultimately be commercial decisions by dairy industry stakeholders that will determine whether any risks to market share are acceptable relative to benefits - evaluating these will require a disciplined approach that at times will not be easy. However, cost/benefit analysis of the issue of GM feed will enable those decisions to be made pragmatically on the basis of a broader understanding of the impacts of GM canola and future GM plants on the dairy industry.

In understanding the ADIC GM Technology Policy, dairy companies and farmers recognise that with the sunset of the moratorium they will need to closely manage future milk supply and be highly responsive to market perceptions and needs. Furthermore, the ADIC recognises that the sunset of the GM canola moratorium most likely means the opportunity to consider other applications of GM plants more generally in Australian agriculture.

However the sunset of the moratorium on GM crops and the options to further develop GM plants does not immediately change the market settings within the dairy industry and dairy companies will have no need to change their current supply policies.

Economic Impact of Continuing the Moratorium

The precise aggregate economic cost of the moratorium on GM crops (canola) to the Australian dairy industry can only be speculated because the negative cost impacts are indirect via a reduction in confidence to invest in GM related technologies.

ADIC is concerned about the indirect economic impact of the moratorium in New South Wales because we believe it is:

- acting as a disincentive to biotechnology companies investing in GM technologies;
- effectively retarding the development of GM related research and its application to resolve some of the major production and environmental challenges in the Australian livestock industries, including dairy; and, more broadly,
- denying farmers, processors, marketers and consumers choice – even in the absence of any substantive evidence of detriment of GM plants to human and animal health and/or the environment.

As previously stated, ADIC is confident that dairy companies and farmers have indicated their capacity to carefully manage their market relationships and to address market concerns.

Economic Benefits of Allowing the Moratorium to Expire

Like the economic cost, the ADIC contends that the economic benefits for the dairy industry from the sunset of the moratorium would be indirect as a result of increased confidence to invest in GM related technology.

If the moratorium on GM crops was allowed to expire the speed at which GM plants could be commercialised and benefits gained would relate to the strategic flexibility of companies and governments involved in GM, their ability to deliver adequate field testing (including proof of concept, performance measures, health and environmental testing), commercial scale production of seed and marketing.

ADIC can only speculate on what GM “opportunities” might be offered by researchers and companies reactivated by a rescission of the moratorium, but it is vital for the industry to have the opportunity to consider the application of these technological developments in the context of the attendant benefits and risks.

Importantly, uptake will depend on the marketplace and the future policies of milk supply and an assessment by the industry of the benefit/cost ratio of each particular GM plant.

In other words, in addition to regulatory requirements, future GM plants will need to meet the industry’s evaluation hurdles in terms of benefit / cost before any commercial use.

The ADIC has been clear in its message that a “pro-choice” policy on GM technology does not advocate future widespread use of GM plants but rather provides the market environment for choice after appropriate research and assessment before potential adoption.

GM and Competitive Advantage

Australian dairy farmers operate in a deregulated and open market; the only government involvement being in the administration of food standards and food safety assurance systems. Consequently, international prices are the major factor determining the price received by farmers for their milk. Australian dairy farmers receive a low price by world standards and so must operate highly cost-efficient production systems. The competitive advantage of Australian dairy farming, from relatively lower-cost feed production, is facing an emerging threat from developing countries in South America, Eastern Europe and South East Asia which are building dairy export capability and have access to GM technology. The threat from these countries includes dairy ingredient substitutes (in particular soy) which are heavily reliant on GM technology for their productivity in the field and, ultimately, financial viability.

In Australia, the drought, climate change and water debate exacerbate this problem. Dairy farm businesses are struggling to compete against urban and lifestyle investors, timber and other job opportunities. World export trade in livestock (meat and milk products) is dominated by countries that make extensive use of GM feedstuffs in their livestock production process.

The Australian dairy industry understands that, in order to remain efficient, sustainable and internationally competitive, it has to keep abreast of technological and productivity advances in agriculture globally. This may, or may not, include advances using genetic modification (GM) technology, where it is safe and economic to do so. Access to GM products (such as pasture with improved nutritional value or productivity) may give emerging competitor nations a further advantage. The Australian dairy industry should be allowed to make its own decisions regarding GM canola use and removal of the moratorium will allow this.

A Balanced Position and the Right to Choose

Essentially, the dairy industry advocates a balanced position on GM technology which acknowledges benefits and market risks, freedom of choice and the flexibility to change as new information becomes available.

The dairy industry upholds the right of consumers, farmers and processors to freely choose what sort of products they use. This includes the rights of industry to segment its markets into GM and non-GM;

consumers to know what is in products they consume; and farmers and processing companies to choose their preferred system of production.

The ADIC GM Technology Policy recognises the reality that GM technology is being widely used in modern agriculture worldwide, and seeks to position the industry to access this technology if appropriate, while maintaining a firm insistence on the safety of the public and environment, and the freedom of choice of dairy consumers, processors and farmers.

The dairy industry of 2007 is capable of managing the requirements of its customers and has been doing so within an international market place for many years including the management of GM issues. ADIC is confident that the risks of removing the moratorium on GM crops are minimal and are far outweighed by the benefits of allowing it to expire and create a more confident research sector.

ADIC Recommendation

The Australian Dairy Industry Council recommends that, on balance, the New South Wales Government should end the moratorium on GM crops.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Allan Burgess', with a horizontal line underneath it.

Allan Burgess
Chairman

Australian Dairy Industry Council Genetic Modification Technology Policy

The ADIC has adopted the following policies in relation to gene technology and the Australian dairy industry.

Policy principle 1 Recognise potential benefits and maintaining competitive advantage

The Australian dairy industry recognises significant potential benefits from the use of GM technology and the ongoing need to adopt new technology to maintain a competitive advantage relative to other food products and dairy industries.

Policy principle 2 Recognise potential risks

The dairy industry recognises that like any new technology, applications of GM technology in the dairy industry potentially pose risks that need to be thoroughly researched and understood from the perspective of consumers and the participants in the industry supply chain, and for potential impact on the environment.

Policy principle 3 Supply chain choice

The dairy industry recognises the rights of producers, processors and retailers to have choice in the application, or otherwise, of GM technology and this must be balanced against overall industry productivity gains. This recognises the potential diversity in technology and market positions that may arise, and the need for the industry to reasonably cater for such diversity and associated outcomes.

Policy principle 4 Consumer choice

The dairy industry recognises the rights of consumers and customers to exercise choice in product selection where GM technology, in accordance with current regulations, may have been applied in the production and/or processing system of that product.

Policy principle 5 Food safety and environmental obligations

The dairy industry recognises its obligations with GM technology to provide a sustainable base for the supply of dairy products that meet food safety and quality requirements, and have community acceptance in terms of sound and environmentally appropriate production and processing practices. This includes relevant communication programs with consumers and other stakeholders.

Policy principle 6 Regulatory system

The dairy industry agrees that a clear and transparent regulatory system is required for the confidence of all stakeholders, and supports the Gene Technology Act 2000 and the OGTR to deliver such an outcome. It also supports the maintenance of current food product labeling requirements of FSANZ.

Policy principle 7 Minimise compliance costs while meeting obligations

The dairy industry understands the need to satisfy regulatory and market expectations in relation to GM technology while ensuring compliance costs are minimised across the whole supply chain.

Policy principle 8 Changing environment

The dairy industry recognises the need to regularly review any changes to market and consumer expectations and developments with GM technology that may impact on the elements of this policy and resultant industry strategies.

Policy principle 9 Role of the dairy industry

In implementing these policy elements, the industry recognises the need for strategic involvement in all potential applications of GM technology in the dairy value chain.

Policy principle 10 Developing research, development and extension within the policy framework

The effective utilisation of GM technology requires investment in targeted research, development and extension projects that are developed in the framework of the dairy industry's policy principles outlined in this document.