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GM Crop Moratorium Review  
NSW Department of Primary Industries  
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Orange NSW 2800

## **Submission to New South Wales Review of the Moratorium on GM Canola**

### **Executive Summary**

The Producers Forum strongly supports the removal of the moratorium on GM crops.

The Australian canola industry suffers a competitive disadvantage with its major international competitor Canada which benefits from using gene technology.

It has been clearly demonstrated that there are no market premiums for bulk non-GM canola. All our major canola markets accept GM canola. (The EU has now approved Roundup Ready and Invigor canola for import for industrial and feed use.)

Benefits to the environment from reduced tillage practices, reduced pesticide and fuel use and reduced carbon emissions are forgone due to the moratorium.

Farmers are being denied the use of a technology that could produce significant economic and environmental benefits.

Adventitious presence (AP) levels for GM content in non-GM grain and seed set by the Primary Industries Ministerial Council (PIMC) satisfy the requirements of our most stringent markets.

Coexistence of GM and non-GM crops is possible and realistic. Segregation is already a fact of the Australian grains industry.

The Australian cotton industry's experience provides a case study in successful adoption, handling and acceptance of gene technology. The benefits that have accrued to the industry are demonstrable and quantifiable.

## **Background**

The Producers Forum is an Australia-wide group whose vision is to ensure timely access to agricultural biotechnologies for the economic, environmental and social benefit of all Australians.

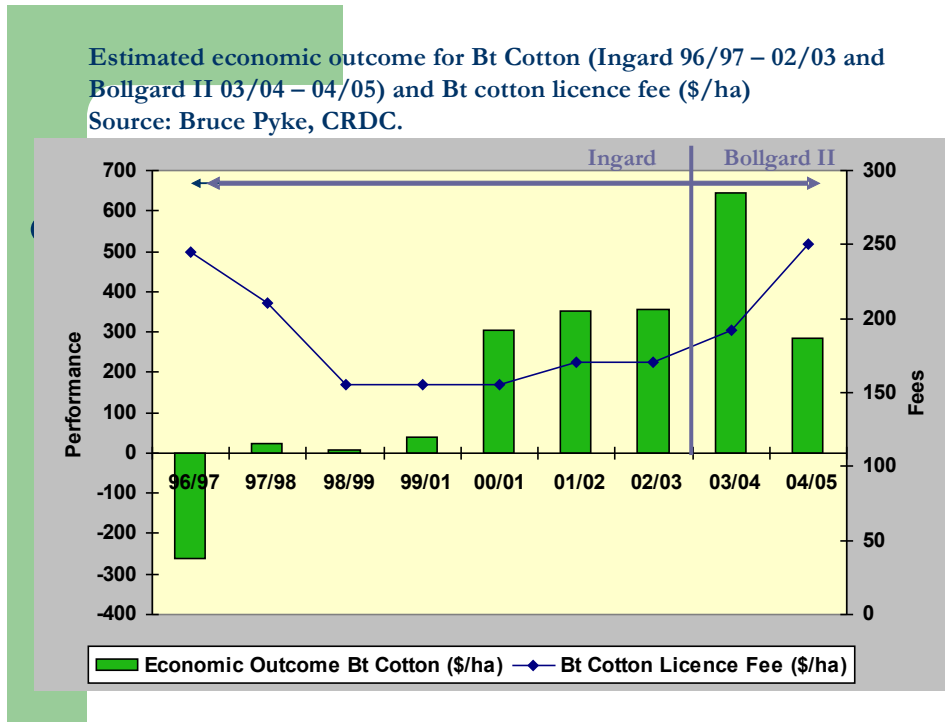
We are comprised of grain, cattle, sheep, cotton and oilseed growers from New South Wales and Queensland, dried fruit, grain, dairy and beef producers from Victoria, grain, sheep and oilseed growers from South Australia, and grain and oilseed growers from Western Australia.

I am the National Convener of Producers Forum and have a background as a cotton, grain and oilseed grower. I was a Director of the Cotton Research and Development Corporation from 1999-2005. I am currently a Director of Cotton Seed Distributors, a co-operative with the licence to sell CSIRO varieties in Australia and internationally, and the licence to use Monsanto and Bayer biotechnology traits in cotton.

The Producers Forum strongly believes the New South Wales moratorium should be allowed to expire as history has clearly shown that there is no marketing advantage for bulk produced non-GM canola. In fact, it has been clearly shown in the time that the moratoria have been in place that Australian farmers and the Australian environment have been paying a heavy price for our lack of access to GM technology. It can also be reasonably assumed that this loss by Australian farmers has already been passed on in some form or another to some degree to the Australian public. Environmentally, all Australians have lost significantly, and will continue to so do if we cannot gain access to world-class technologies.

## The Australian Cotton Experience

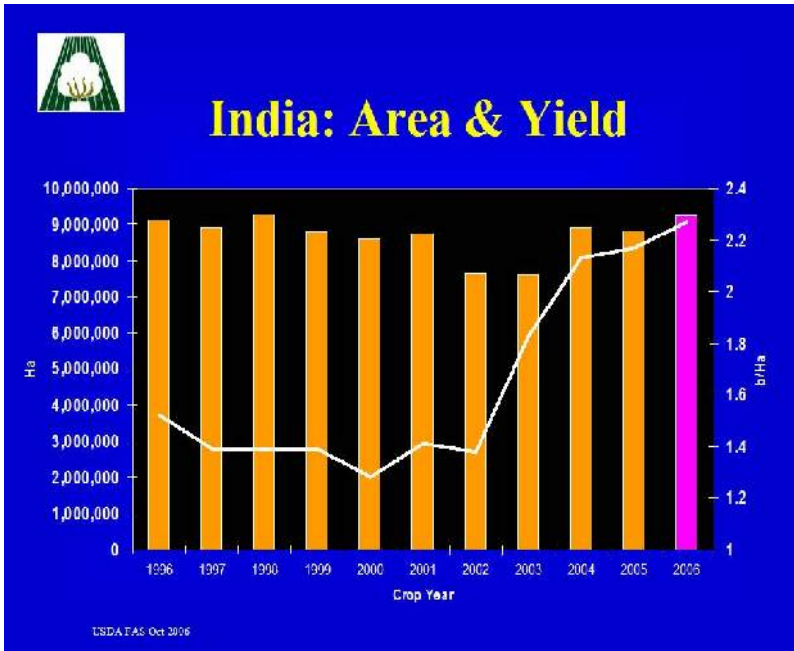
Australian cotton growers have had access to GM crops since 1996 and currently they choose to grow over 90 percent of their area to the GM varieties. This choice is made on economic, social and environmental grounds. They still have access to conventional varieties but the reality is that the value of gene technology at this stage surpasses the cost of that technology. (Graph 1)



Graph 1

When Australian cotton growers first grew GM cotton, we were concerned we would receive a discount for our GM seed and we segregated it. It very quickly became apparent that there were some specialist markets that would not use GM seed, but we did not receive a discount on our GM seed. The majority of consumers said they would prefer non-GM but could not justify any premium for it and could not identify any real value. I am aware of one specialist supplier who has sold up to 400 tons of non-GM containerized cottonseed annually for around a 10 percent premium, but across the board the industry no longer segregates, and sells its seed with no difficulty to the dairy, lot feeders and the crushing industry.

The Australian cotton industry has managed segregation and public perception in relation to GM with no problems. There has been nothing but environmental good from its move to biotech crops. One major concern is however the impact of gene technology on our competitors and the resulting trade impact. (Graph 2)



Graph 2

Third world countries no longer fall far behind us in technology. The technology is in the seed, and they have equal access to the seed as our cotton growers. Graph 2 shows the massive impact on production on one of our competitors. Australian cotton growers have been impacted by world oversupply due to the impact of GM crops in countries like India, China and Uzbekistan. But were we not to have access to gene technology, the impact would be much greater.

Australian canola growers are facing these competitors without the benefit of equal technology. Their terms of trade are diminishing, and their competition flourishing.

## Canola

Canadian canola growers receive no discount for their GM canola that is all sold as GM. They do not segregate because there is no premium for non-GM canola. (Graph 3)



Graph 3. Lisa Elliston, APEC, 2007

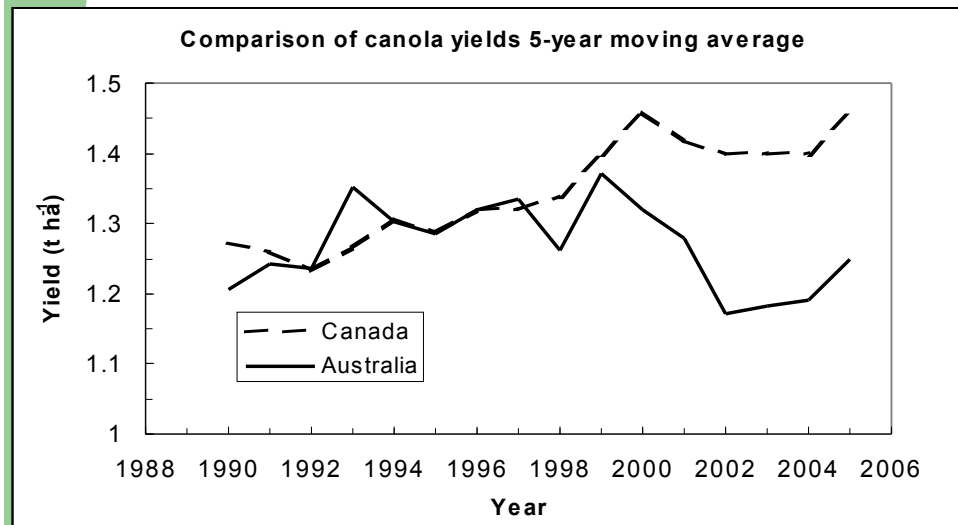
Research by Dr Rob Norton from the University of Melbourne has demonstrated that wheat following canola has a 20 per cent yield benefit over wheat following wheat.

The introduction of GM canola varieties with tolerance to either Roundup or glufosinate ammonium herbicides will give farmers additional weed control options, allow earlier sowing, achieve better weed control when compared to current conventional canola weed control systems and avoid the inherent yield and oil penalties associated with Triazine Tolerant (TT) canola.

Based on a scenario of GM canola replacing 50 per cent of the TT canola and 40 per cent of the conventional canola, and with an additional 160,000 hectares of canola plantings because of the new technology, it could be estimated that:

- \*An extra 200,000 hectares of canola would be grown under direct drilling or minimum tillage;
- \* 640 tonnes less triazine herbicide would be used each year;
- \* Average Australian canola yields would increase from 1.27 tonnes per hectare to 1.38 tonnes per hectare, with an increase of canola production estimated at 295,000 tonnes annually;
- \*Wheat production would increase by 64,000 tonnes on the additional canola area sown.

This increase in canola and wheat production would be worth \$135 million to the Australian grains industry.



Data: Canola Council of Canada; Australian ABARE Commodity Stats. Calculation Dr C. Preston, Adelaide, Published gmopundit.blogspot.com 25 Aug 06

Graph 4

Graph (4) clearly shows Australian yields declining as disease and weeds impact the crop, and the Canadian experience is in stark contrast to ours. Canada has also suffered two major droughts since 2000.


To highlight this, ABARE has stated that Australian agriculture is expected to lose \$3 billion by 2015 if we do not open up access to GM crops.

In a series of seminars in WA in Sept 2006, Peter Portman, Manager, Technical Market Services for Co-operative Bulk Handling (CBH) which is traditionally Australia's largest canola exporter, stated that Australian canola, being non-GM, has traditionally received about \$5 per tonne premium, but that this was not expected to continue with Europe allowing GM canola imports.

He went on to explain that of the approximately 400,000 tonnes of canola exported from Australia to Japan each year, around 100,000 tonnes were on-sold by Japanese merchants as non-GM for a premium. This premium is not passed back to Australian growers because supply outstripped demand, and the handlers and resellers kept the margin.

In answer to questions, he explained that if Australia adopted GM, he expected that we would quickly move to a similar percentage as Canada, and that there may then be a premium passed back to growers. But this would only happen if there was much less non-GM available than there is now.

Following are three of the slides from his presentation that are self explanatory - there is a significant risk of reduced competitiveness, a risk of the banning of our canola because of our heavy reliance on atrazine, a risk that we will lose the breeding programs of the technology owners.

**Staying non-GM**  Members of the CBH Group of companies

- **Makes handling & marketing easier and more cost effective**
  - Total market access
  - No segregation issues
  - Reduced product compliance risks
- **Looking specifically at Canola, it leaves WA in particular exposed to major environmental risks**
  - Reliance on atrazine
    - What if banned by Australia - probably unlikely
    - What if banned by importing country eg Europe - more likely
- **Market benefits of non-GM unlikely to match production benefits of GM**
  - Decreased competitive capacity as reduced costs of production by competitors drives price of Canola down
  - Recent reports Canadian farmers finding GM Canola is more drought tolerant than conventional

**The Choice is Not CBH's**  Members of the CBH Group of companies

- **The growers are the key stakeholders to be affected**
- **They should decide**
  - currently denied that choice
- **CBH Group can manage it either way**
  - BUT there are different costs and risks associated with each scenario

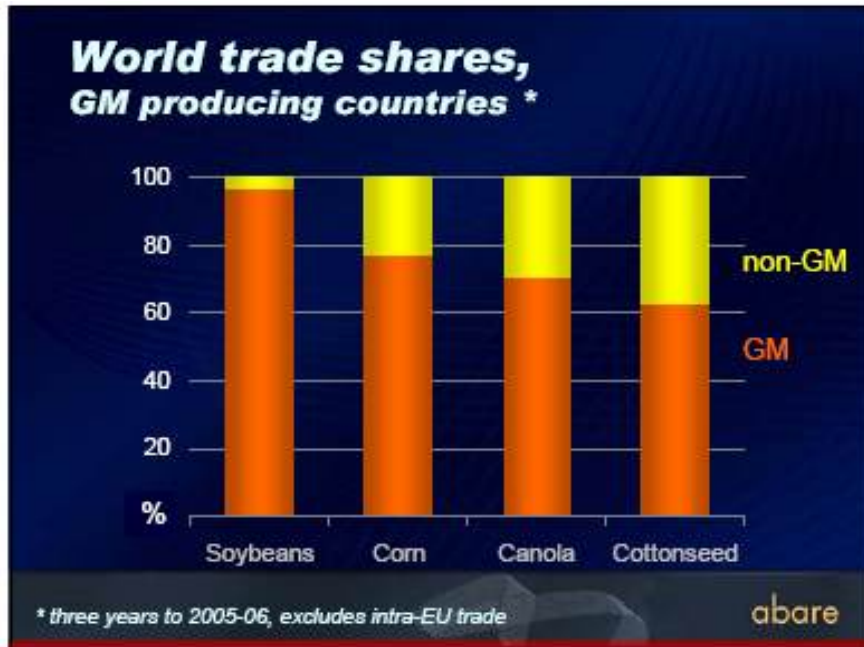
Peter went on to state that CBH can manage it either way, and that he believed that if GM was allowed, we would segregate for a couple of years for political reasons, not marketing reasons, and that then we would no longer segregate because we would see no premium.

The Primary Industries Ministerial Council has set adventitious presence levels for the presence of GM material in non-GM grains at levels that satisfy the requirements of the most restrictive markets e.g. the EU.

### Coexistence

A recent report by ABARE “GM Canola- The Impact on the Organic Industry” notes that there is very little, even no organic canola grown in Australia, and that the introduction of GM canola could be expected to benefit organic canola production.

[http://www.abareconomics.com/publications\\_html/crops/crops\\_07/organic\\_farm.pdf](http://www.abareconomics.com/publications_html/crops/crops_07/organic_farm.pdf)



Graph 5. Lisa Elliston, APEC Conference, 2007-08-13

Graph 5 shows clearly that GM crops are freely traded around the globe. Australia imports about 200,000 tonnes of soy products each year from GM producers to supplement our 40-50,000 tonne crop with no consumer or market resistance or effect. In 2006 we also imported 57,000 tonnes of GM canola from Canada to supplement our drought-ravaged crops.

Neither of these actions has caused segregation, trade or market problems.

### Marketing from Farmers Perspective

As a grain producer, marketing has 3 main elements:

- \* Price discovery;
- \* Product which suits the contract specification required; and
- \* Profit - that is, the costs to meet the market specification is sufficiently below the sale price to cover overhead costs and allow a profit.

The introduction of GM canola into the farm enterprises is not expected to change the price discovery task significantly.

Meeting contract specification is where Australian farmers excel. For GM, we need only to abide by the Technology Use Agreement that is expected to reflect the OGTR license conditions.

For non-GM, the adventitious presence level standards will be met by combining the expertise of farmers in segregation and management with the industry and government structures now in place. These include standards for maximum GM content of non-GM seed of 0.5%, and research that has determined that a best practice 5m buffer zone between GM and non-GM fields will maintain our AP levels well within tolerances. (Rieger, M.A., Lamond, M., Preston, C., Powles, S.B., Roush, R. 2002. Pollen-Mediated Movement of Herbicide Resistance Between Commercial Canola Fields. *Science* 296, 2386-2388)

The decision to grow a GM crop or not will be determined by the profit levels farmers target in their management vs the alternatives such as non-GM or other enterprises.

### **A National Approach to Market Considerations**

The Review of the Gene Technology Act 2000 recommended, “that the Commonwealth and States through the GTMC reconfirm their commitment to a nationally consistent scheme for gene technology, including a nationally consistent approach to market considerations as soon as practicable” (recommendation 9.1). We support this national approach.

### **Health and Safety**

Market implications arising from health and safety concerns, are protected by our highly reputable and respected regulatory authorities, the Office of the Gene Technology Regulator and Food Safety Australia and New Zealand. All genetically modified crops, and foods derived from them, are thoroughly evaluated. False market claims of health and environmental risks are refuted by these instrumentalities. We see evidence of this in the decline in consumer resistance to GM foods.

Ultimately the biggest market risk is the level of resources that anti-GM interests devote to promoting fear using misleading and false claims.

## **Liability**

Strict liability laws are unnecessary as there are not serious risks to human health, the environment or property from GM crops. The additional costs of risk control incurred because of strict liability laws would see Australian Agriculture further lose our advantage as a competitive producer of canola on the world market.

The justification used by many calling for the imposition of strict liability laws for GM crops is the erroneous belief that the costs of providing the market with a specialty product should be born by the rest of the industry. This is economically inefficient. No efficient pricing system can function when specialty products do not reflect the full cost of their production. The premium-priced product is the product that should bear any additional costs. Both GM and non-GM technology will produce specialty products.

The use of a strict liability regime will reduce the solutions to any problems that may arise. The non-GM party can take any step, even if it increases their chances of financial loss, and then expect the GM producer to pay.

ACIL Tasman, the New Zealand Royal Commission and the United Kingdom House of Lords Inquiry have all found that common law provides ample protection and that strict liability regimes cannot be justified for GM crops.

Poor environmental outcomes and an uncompetitive agricultural sector are the most obvious outcomes of a strict liability regime for GM crops.

## **In Summary**

The Producers Forum believes that Australian farmers have already lost economically, environmentally and socially by the denial of the choice to use GM crops until the present, and that a continuation of that situation will spell the demise of Agriculture as we know it in this country. ABARE states Australia will lose \$3 billion by 2015 without gm crops, and we believe this is conservative.

The Producers Forum believes that we can meet market demands that may mean segregating, as we currently do with malt and feed barley, durum and milling wheat, and a host of other crops to a smaller extent. We believe the segregation will mimic cotton's initial segregation and not be continued when we come to realize there is no benefit from it. The recent Single Vision Grains Australia document "Delivering Market Choice with GM Canola" is being presented to your panel and clearly shows this.

We believe Australian farming systems will benefit from the introduction of GM canola, and that organic producers (if there are any in this country) will also benefit from easier pesticide exclusion and higher premiums as the value of GM canola is shown and more farmers choose that production system.

No market premium currently exists for non-GM canola. The introduction of GM canola may create a premium market for non-GM canola that we are currently unable to access due to oversupply.

Producers Forum strongly urges the panel to recommend the moratoria be allowed to expire, and that the State Departments involved be given the responsibility to expeditiously give NSW farmers the right to choose for themselves whether or not they access this technology which is already proven by most of our competitors.

Thank you for the opportunity to present a submission.

Yours Sincerely,

Jeff Bidstrup  
National Convener, Producers Forum

with  
Wayne McKay  
Producers Forum NSW