

**THE HEALTH FOOD COMPANY**



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*Submission to:*

**NSW Government**

**Gene Technology Independent Review Panel**

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Expiry of the Gene Technology  
(GM Crop Moratorium) Act 2003

**Greg Gambrell PhD**  
*Corporate Technical Manager*  
Sanitarium Health Food Company - Head Office  
Locked Bag 7, Central Coast Mail Centre NSW 2252  
[greg.gambrell@sanitarium.com.au](mailto:greg.gambrell@sanitarium.com.au)  
tel +61 2 4348 7754 fax +61 2 4348 7700



## 1. Sanitarium - Company Background

The Sanitarium Health Food Company began in 1898 with the vision to help people 'learn to stay well'. Our mission is **to 'inspire and resource our community to experience happy, healthy lives'**. We have been committed to this philosophy for over 100 years and it remains the reason we exist today. Sanitarium also believes that good business is based on trust, respect and community involvement.

Sanitarium has a strong history of educating the community about healthy eating and healthy lifestyles. All of Sanitarium's activities have twin goals in mind - to provide healthy foods that actively improve our community's health and wellbeing, and to offer easy-to-understand product information and practical nutrition advice.

Sanitarium Australia and Sanitarium New Zealand is owned and operated by Australian Health & Nutrition Association Limited and New Zealand Health Association respectively. We produce over 150 products and employ approximately 1700 people in our manufacturing and distribution sites throughout Australia and New Zealand.

One of our main products is a range of soymilks that employ ingredients that could be derived from genetically modified crops. For all of our raw materials sourcing we have a non-GM by source of origin policy, verified by materials tracking (Identity Preservation) systems and chemical testing.

Sanitarium welcomes the opportunity to comment on the evolution of the Gene Technology Act. Information contained in this submission has been drawn from the experience of Sanitarium in its interactions with consumers and the food industry generally, and contains no commercial-in-confidence material.

## 2. Sanitarium GM Policy and the Regulatory Context

Sanitarium is not opposed to biotechnology. However, biotechnology covers a wide range of techniques derived from natural processes and not all of these bio-techniques introduce foreign DNA to the building blocks of cell protein. The latter technique sets gene technology apart.

Sanitarium accepts that gene technology is an intervention into food manufacturing materials and that it must stand the test of time and be considered well proven and trusted by a critical number of consumers, before products based on the technology will survive in the market place. We do not believe that many food products derived from gene technology would survive in the present Australian market, if at all. Indeed our experience is that consumers actively seek non-GM products when made aware that they could be manufactured from GM materials.

As it currently stands, gene technology has the potential of becoming a valuable biotechnology tool, but as a commercial organisation we operate in the real world where the technology remains poorly accepted by a majority of Australian consumers. Contact with a very large number of consumers over recent years has determined our present non-GM sourcing stance. Neither do we see evidence of a general acceptance of GM products within the food industry in Australia, nor do we expect the current situation to change rapidly.

We believe the main questions facing regulators at present are as follows:

- Do we wish to see what may be an extremely important technology for future generations eliminated prematurely, before adequate opportunity is given for it to 'stand the test of time', and



- How do we see to it that adequate 'space' is given to those who wish to use and test the technology, whilst
- Providing assurance to those who may have a negative view of the technology, that it is being managed responsibly.

Our submission attempts to set out an approach to the regulatory environment wherein the above points can be dealt with in a responsible manner whilst catering for the concerns of the various interest groups.

### 3. The Issue of Market Acceptance

From a market acceptance perspective, any new technology must pass product safety, quality, cost, environmental sustainability and ethics tests before the consuming public generally accepts the new technology. This is particularly true when the new technology concerns foods. It is very important that all interest groups are involved in debating these issues such that consumers develop trust in various information sources.

Trust underpins informed choice. In this context trust in the information source is more important than the accuracy of the information itself. Our experience with the GM issue is that when trust in something as new as GM is lacking the status quo prevails.

At this point in time we do not believe that consumer trust, or the scientific, political and commercial arguments have reached a consensus, where all parties can agree on the best way forward for GM crops. These factors all impact on market forces and the 'informed choices' that consumers make. Put simply, Australians are yet to choose fully and finally. Choice is influenced by a lack of consensus, and even regulatory intervention in areas other than food content and food safety.

The present moratorium on GM crops (canola) essentially reflects the choice we too have made as a company, reflecting the current consumer attitude. Yet government intervention runs the additional risk of skewing consumer attitudes by nature of its 'official' stance, and of course it is not easily modified as consumer attitudes or the technology itself changes.

We believe the important thing for government is to provide an environment where informed choice (or market forces) is not skewed by policy and to focus on providing a safe food supply through the normal regulatory controls. The adversarial debate amongst interest groups at the present time are legitimate influences on informed choice, but some are operating at a level that seeks to remove choice altogether, distrusting consumers and limiting the ability of consumers to make choices by recommending bans on the technology itself.

Ultimately Sanitarium will diligently follow the best available food safety evidence in all of its activities, but on other aspects of technology use we will listen to consumers and be cautious and responsive to their opinions and preferences. We do not often stand in the way of those who would want to influence consumer attitudes as we do this ourselves. However at all times we do consider what consumers tell us and in contentious issues such as GM, remain neutral on the technology itself until consensus is reached.

Much of the 'debate' about GM technology appears to be creating either trust in, or distrust of, those who market the technology itself. We believe this undervalues the understanding and perception of those who will finally determine its fate and in the process create an exceptionally cautious approach to innovation. Trust and suspicion of the technology purveyors is the operative mode. In our view, a more balanced approach is to recognise that the acceptance of GM foods is largely socially and geographically determined and the reasons for this are complex. The reality is that



there are markets for GM products in significant areas of the globe; in other markets they have failed.

We believe the panel might best consider the extent to which the current Act and moratorium allow market forces to determine the survival of the technology. In particular we see crop segregation as providing both consumers and farmers with a viable alternative to programmed choice (that is, the 'no choice' option supported by moratoriums), so long as segregation is truly competitive at an industry level and that segregation costs are not biased by traditional misconceptions of 'user pays'.

#### **4. Sanitarium Supports Consumer Choice through Crop Segregation**

Concerning the expiry of the Act, Sanitarium recommends that the review panel give consideration to providing in NSW the best possible regulatory support for crop segregation. If gene technology is a viable future technology (admittedly a big if), then the provision of crop segregation systems is a safe harbour for regulatory intervention. Farmers, technology purveyors and consumers are catered for and market forces can operate freely under a segregated supply chain.

Crop segregation, if accepted as a future direction should be fair and equitable across all sectors. At present it is not. The costly problem we face for our products is that non-GM consumers essentially pay for segregation costs, including verification costs. In a sense, those who caused the problem in the first place (those who grow and sell GM crops) do not. If a consumer market has a preference for non-GM why should it pay extra to ensure non-GM product status?

On the face of it this is a strong argument for the continuation of a moratorium, but we live in a global commodity 'community' and we don't want local producers to be less competitive generally, to the extent that all local crop prices are artificially high if some market opportunities are closed off.

Best practice regulation of segregation would mean facilitating segregation efficiencies and equitable cost apportionment across both crop types. In our experience an efficient segregated supply of non-GM crops is a must but it is expensive because of the present need for ad hoc arrangements, a lack of recognised standards and a belief that non-GM users should foot the bill for non-GM components, rather than the entire agricultural sector footing the bill for segregation itself.

The problem we face as a company in using a non-GM, segregated supply is that the segregated component of the crop commodity market directly intended for consumer food products is quite small compared to other markets (such as the market for stock feed or oil extraction). While segregated non-GM has small bargaining power in dollar terms it has strong bargaining power in consumer terms.

We ask that the review panel give consideration to balancing the attraction of being able to serve larger global commodity markets with GM commodities against the perhaps less attractive but extremely important market for non-GM consumer products.

#### **5. Fair Apportionment of Segregation Costs**

The costs of providing food products ought to be shared by those who gain the benefits, whether producers or consumers of segregated non-GM, or GM, and the cost sharing might best be accomplished in a manner that is relative to the benefit gained. The balance sought should focus on consumer benefits (least cost).



In practical terms we believe that there ought to exist an approval process for GM crops that provides balance between the current consumer preference of low cost, segregated supply of non-GM crops and the farm sector preference to grow crops of choice on the basis of global competitive advantage. It is extremely important to us that any GM approval process considers grounds other than those that are purely based on agricultural competitive advantage (assuming all product safety, environmental issues, yield cost/benefits etc had been reconciled) and gives equal credence to local consumer preferences.

We think it is unfair and unreasonable that Australian consumers be asked to pay costs associated with non-GM segregation while those who wish to promote and grow GM crops are not penalised, even though they have initiated the need for segregation. When GM crops were developed segregation was never envisaged. We believe that in countries where segregation is needed, that GM growers should not escape paying for system costs that they have indirectly created.

Source of origin and supply chain verification systems ought to be mandated for both GM and non-GM variants of crops (that are potentially GM). Such a requirement ought ideally apply to both locally produced and imported crops that are potentially GM.

While mandatory verification of segregation systems may be seen as a removal of competitive advantage from GM technologies (it is not generally done for GM at present), we contend that competitive advantage is ultimately based on the choice provided by segregation rather than hindered by it. If the entire global market were to move to GM crops there would be little competitive advantage in GM crops. But we do not see this happening in European and Australian consumer markets, so we should either prepare for long-term segregation as the norm or opt out of GM crops completely by imposing permanent moratoriums.

From a purely commercial perspective, putting the scientific and technical arguments for and against aside, we do not like the latter option if further moratoriums act to limit the competitiveness of our agricultural sector in overseas markets and ultimately make locally grown crops more expensive. Under the present scenario farmers have limited choice of what they can grow and sell to some world markets where GM is not an issue, but also, due to local segregation costs, consumers are paying more than they should for non-GM choices.

## 6. Conclusion

An effective and responsible Gene Technology Act that gives proper attention to market forces and anticipates future market trends:

1. Would support freedom of choice for farmers (what they grow), manufacturers (the materials they use) and consumers (the foods they eat). Ultimately what is bought and consumed will determine what is grown but, because of globalisation, there is not necessarily a direct supply chain connection between where non-GM crops are grown and the local consumer base. Verified segregation systems answer this need.
2. Would not back 'programmed choice' as a result of the relative strengths and weaknesses of opposing scientific viewpoints and ideologies. Consumers end up trusting neither. Instead, we should accept that what is grown will ultimately be determined by consumer choice. Sanitarium would like this choice to operate on a level playing field where the end-price of non-GM variants is not skewed by unfair apportionment of segregation costs. We think both crop types ought to carry the cost of source of origin verification systems.



3. Would facilitate efficient segregation systems so that whatever the GM/non-GM mix might be, the system will be efficiently managed and of minimal cost to apply.
4. Would not discriminate against either technology – as mentioned previously, by placing equivalent segregation criteria on GM crops as would be placed on non-GM crops, such that no one type would pay for all the segregation costs.
5. Would anticipate that food safety and other issues around the technology itself will ultimately be resolved in the market place by consumers.

We are pleased to have been given the opportunity to put forward the above submission for the consideration of the review panel.