

Submission Cover Sheet

# Review of the Moratorium on GM Canola

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13<sup>th</sup> August 2007

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Submission on  
**Victorian Review of Moratorium on Genetically Modified Canola**

## ***Executive Summary***

We strongly support the removal of the moratorium on genetically modified canola covered under the above Act. Auscott has been a user of genetically modified (GM) crop technology since 1996. As a grower, processor, marketer and shipper of cotton along with having a significant interest in oilseed processing (mostly canola) and marketing we note the following points for the Review Panel's attention:

- General – agronomic, environmental, operational and financial benefits have been achieved over many years proving GM is an important tool for modern agriculture. Farmers should have the right to choose this technology if they so desire. We strongly support the robust science-based processes of the OGTR and would also support the inclusion of sensible BMP processes with the lifting of the bans on GM canola production in Victoria.
- Marketing – contrary to statements made by anti-GM interests there are no premiums for GM free produce of any consequence. Prices for current Australian canola are the same as that for Canadian GM canola (see actual worked example below). Australia has no problem marketing GM cottonseed and cottonseed products which make up around 90% of Australian production. Some 450,000 to 500,000 tonne of GM soybean meal is imported into Australia each year with no market issues. In recent times around 57,000 tonnes of GM canola was imported into Australia and has all been utilised in the domestic industries. There will be no price or market penalties for Australian canola growers who choose GM canola. I highlight in the submission the rejection by Japanese buyers to paying a premium for GM free canola. Based on sensible world threshold standards, segregation of GM and non-GM production is very achievable. Coexistence is also easily achievable. We already segregate for limited niche markets of GM free cottonseed and also for mainline products grown on our farms such as bread wheat versus Durum wheat, malting and feed barley and so forth. Organic and non-organic growers segregate produce.
- Trade – we see no detrimental implications on trade issues by dropping the moratoria. Increasingly we are seeing more markets opening to GM products

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and with the increasing demand for biofuels there are more opportunities for GM crops. Canada, the largest canola producer and producing mainly GM seed is able to easily trade its production while in China, India and south America we are seeing more and more uptake of GM crops and hence more open markets to this technology.

- Investment in Victoria – Victoria like all Australian states wants to be seen as progressive and forward thinking thereby encouraging investment and employment opportunities. The legislative bans on GM crops work against these goals. We have already seen a decline in investments in agricultural biotechnology in Australia by some companies due to the moratoria. Monsanto for example sold its canola research interests in Australia, frustrated with no pathway to commercialisation. Other overseas ag-biotechnology companies have not entered our space for the same reasons (Cotton Australia CEO Adam Kay can provide more information on this aspect having had significant conversations with large biotech companies especially in Europe). If we are to encourage greater investments especially in biofuels and agricultural biotechnology across a range of crops we need to encourage biotechnology firms and not deter them.

The legislative ban on GM crops is a form of agricultural censorship denying Australian producers, choice in the tools they can use for modern agricultural production. We have great scientists in this country and we have a robust regulatory system. It is now time to move on and lift the legislative hurdles to modern agriculture and the communities they support.

### ***Introduction***

Established in 1963, Auscott Limited is a large corporate agribusiness producing irrigated crops including cotton, canola, wheat (both bread and Durum), chickpeas, sorghum and other small grains. Auscott is also a processor (ginner), marketer and shipper of cotton and cottonseed. As a significant shareholder in Cargill Oilseeds Australia, we are closely involved with oilseed markets especially canola and cottonseed. Over 90% of our cottonseed is GM.

We have been growing genetically modified cotton since 1996 including insect resistant and later, in 2001, herbicide resistant cotton. Over that period we have experienced numerous benefits including greatly reduced pesticide use, increased utilisation of integrated pest management, major improvements to environmental performance, financial benefits, reduced fuel usage, introduction of innovative farming systems and improvements to the lifestyle of many farmers.

We are strong supporters of the processes and performances of the Office of the Gene Technology Regulator (OGTR) and believe gene technology issues should be based on robust science and best management practices. We believe it is time the Victorian legislative ban on genetically modified crops was lifted allowing farmers to make more choices on the production technologies they use. The bans, from what we can glean, were not based on science or any substantiated market evidence but rather to give a “breathing space for decision makers” on the biotechnology issues. Genetically

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modified traits that meet the stringent OGTR approval processes, provide useful tools in the integrated farming systems required for modern agriculture. To deny access to technologies that are being employed by our competitors not only limits Australian agriculture but also deters investment in agricultural biotechnology research and development so important to Australia's future.

As the current review is focused more on marketing and trade issues we have confined our comments to these areas. If needed we, as long term users of genetically modified crops, can provide more information on a range of issues relating to this technology.

## ***Review Issues***

### **1. Impacts on Marketing**

When there is reasonable water available for irrigation Australia produces around one million tonnes of cottonseed of which around 90% comes from genetically modified crops either Bollgard II, Roundup Ready or a combination. This seed is readily sold in Australia for crushing for oil, other industrial uses, stock feed or exported for similar uses overseas. In the early days of the introduction of Ingard in 1996 there were some enquiries for GM free cottonseed for niche markets. Generally no one wanted to pay a premium for GM free seed. A small quantity of seed representing less than 2% of the total cottonseed produced is sold as GM free. We segregate this seed using best management practices and documentation including trace back assurances in our contracts. The buyer tests for the presence of GM material. We have never had a problem with these contracts.

With regard canola there has been a lot of misinformation forwarded by those opposed to GM canola. Generally there is no premium for GM-free canola with the critics of GM continually mixing up the Australian prices with those quoted for Canadian canola on the Winnipeg futures exchange. Clearly most Canadian canola is based on GM traits but when comparing any prices you must do so on an "apples versus apples" basis.

We can provide more detail if the panel requests but the following may serve to highlight how one compares Australian canola prices with overseas prices. In this example we are using Canada and a real example based on 12 June 2007 but other dates could be selected as well. It should also be remembered that Australia has a special situation today where drought is also at times enhancing Australian internal prices for canola due to supply shortages. It has nothing to do with GM or non-GM canola. The same impact is being experienced for cottonseed where GM cottonseed has risen from around \$150/tonne to over \$300/tonne simply due to the shortage of feed in Australia.

#### **Worked Example:**

Canadian canola pricing and Australian canola pricing have two distinctive differences in how their prices are quoted. Canadian canola prices are quoted on 43% oil and 2% admixture basis, compared to Australia, which is 42% oil

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and nil admixture. Therefore when comparing these prices you need to make allowance for these. Here is a worked example (note: WCE stands for Winnipeg Commodity Exchange):

WCE Futures 12/06/07	CAD \$406.80	Settle Jan Futures
Basis to FOB	\$30.00	
FOB Canada	CAD 436.80	
FOB Canada USD	USD \$411.90	(CAD / USD = 0.9430) - ## Actual FOB bid for Canadian Canola 12/06/07 (buyer).
Freight to Japan USD	USD \$62	
CFR Japan	USD \$473.90	
Less Freight Aust	USD \$ 56.00	(Freight Japan east coast Aust)
FOB East coast Aust USD	USD \$417.90	
FOB East coast AUD	AUD \$497.50	(AUD / USD Fx = 0.84)
Less Fobbing Charge or Port	AUD \$466.50	(fobbing charge approx \$31)
Adjust for oil and admix	AUD \$468.83	

The Australian canola Market on 12/6/07 was bid AUD \$465 (to buy) and offered (to sell) was AUD \$475 (Source Woodside Commodities). Therefore based on the numbers for 12/06/07, there is very little difference in the Canadian and Australian canola export prices based on this actual data.

According to discussions Auscott personnel have had with Cargill Oilseeds Australia (source - Ben Tiller – Cargill), GM canola and GM soybean meal imported into Australia have not experienced any pricing differentials relative to non-GM material for the domestic market. GM meal and oil have not received any adverse pricing.

Cargill have indicated to us that a small niche market in Japan for non-GM canola, which in the past had taken about 100,000mt of non-GM canola from world sources, has subsequently abandoned their requirement for this seed, as their oil customers refused to pay a premium for non-GM.

Thus we conclude that the growing of GM canola and other crops in Australia would have no negative affect on the export and domestic market prices for Australian canola. Likewise it would have no impact on the prices of non-GM canola. We estimate that niche non-GM canola may make up about 1% of Australia's normal canola production.

Just switching briefly to a production perspective one of our concerns other than being left behind by our major competitors is the future of triazine applications in canola. If triazines are banned what fall back is there for growers where weeds are a major issue and there is no GM canola in place. Approximately 50% of Australia's canola exports come from triazine tolerant plants.

## **2. Impacts on trade**

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In a recent Study – “Market Acceptance of GM Canola” by Max Foster and Simon French – the authors stated “*We were able to show that prices for GM canola was pretty well accepted in most of the main markets and was selling at much the same price*”. The study covered Japan, Mexico, Bangladesh, Pakistan and the European Union (EU). While it was noted in this study that market acceptance had been achieved in all these markets except the EU, the recent announcement from the EU allowing importation of the major GM varieties for feed and biodiesel use, will result in all the major markets accepting GM canola. Thus we see no grounds for any trade issues.

GM production in all major crops is increasing rapidly in much of the world. Farmers are able to sell their crops as acceptance of GM technology increases. Furthermore if biofuels are to play a more significant role in global fuel production it will be essential that high yielding and suitable quality canola is available.

With regard for the need to segregate if this is required the major bulk handling companies, Graincorp, ABB and CBH are all confident of their ability to manage the storage segregation of these crops through separation of receival points, equipment clean downs and the use of their experience in dealing with other segregations such as organics, a wide variety of wheat grades, as well as malt and feed barley. This in addition to the agreed tolerance for adventitious presence at 0.9 % is believed to be manageable for the bulk segregation. In the Grains Research and Development Corporation (GRDC) publication “Future Crop” - Tom Keen (Managing Director) of Graincorp, Geoff Masters from ABB grain and Peter Portman from CBH all detailed their confidence in being able to handle the segregation of GM and non-GM crops if needed.

This is backed up by Graincorp’s recent handling of imported Canadian GM seed into Newcastle this year as well as the GM soybean meal, which has been regularly imported into Australia over many years.

As farmers Auscott grows both bread and Durum wheats and keeps these well segregated for marketing with little problem.

It is however important to note the need for sensible tolerances provided under regulations covering adventitious presence of GM material. Whether it be GM or non-GM bulk shipments of grains and oilseeds into and out of Australia must consider possible contamination, albeit at minute levels, due to previous cargoes. Completely cleaning a bulk vessel to 100% guarantee is near on impossible. This applies no matter whether it is GM or non-GM. This issue was covered in a talk by the International Grain Trade Coalition based in the USA at a recent presentation to Australia’s NACMA conference.

We believe there are no specific needs to isolate GM from non-GM crops based on trade. We do however support that initially GM growers follow a best management practice regime leaving a “science-determined” distance between GM plantings and a neighbour’s non-GM crop. The BMP would also include any necessary clean down procedures for equipment involved in the selling of

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a non-GM crop where previously some GM material may have been transferred or stored using that equipment.

A Canadian case study also outlined in GRDC's "Future Crop" found no evidence that wheat and barley exports from Canada had been adversely effected by unintended presence of GM canola.

### **3. Impacts on investment for Victoria**

Our assumption has been that Victoria like other states wants to be seen as a progressive state attracting modern and vibrant businesses. The legislative bans on GM hinder investment in research and development. The era of biotech is upon us. We need to embrace the benefits and enhance the environmental, financial and human resource outcomes these biotech tools provide. We have seen the retreat of some "Ag-biotech" companies from Australia and a reluctance to invest too many funds until the uncertainties over the future of the GM bans are resolved. Much of the work in canola and other crops have been put on hold allowing competitor nations to gain further advantages over us particularly as more and more markets open up to GM crops.

As stated above, farmers need to have a good choice in the technologies they require to meet the needs of modern agriculture. Social, environmental and financial goals have to be met by Australian farmers. GM technology provides an important tool in meeting those goals. Why would Victoria not want to be at the forefront of agriculture which is an important contributor to the economy of the state? Why wouldn't Victoria want large biotech companies to invest here?

As we enter the era of biofuels it seems unreasonable to lock out a technology that will prove very important in enhancing the productivity of alternate fuels.

On behalf of Auscott thank you to the review panel for allowing us to make this submission and we would be pleased to answer any further questions or supply more details as the panel requires. My contact details are shown below.

Yours sincerely,



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