

Submission Cover Sheet

Review of the Moratorium on GM Canola

Submission Number: 87

Name of Individual/Organisation: Louise Staley

Date Received: 17 August 2007

Number of Pages: 6

Attachments Submitted with this Submission:

To obtain copies of these attachments please call the Review Panel Secretariat on
(03) 9658 4874 or (03) 9658 4871

I write as a canola and grains farmer from Western Victoria. The moratorium on growing GM canola in Victoria should be allowed to expire because there has been, and continues to be an economic penalty to grain growers with no advantage to consumers, leading to a net loss of economic value.

The core of this submission is a belief that GM crops, once approved by the OGTR, should be treated like any other variety. Market acceptance must be determined by consumers through price rather than through the heavy hand of government intervention. Additional protocols, buffer zones and restrictions should not be put on farmers growing GM crops because they are not the ones chasing higher prices by doing so.

This submission concentrates on the various groups involved in growing and selling GM crops. It tries not to rehash the substantial statistical evidence available which proves the market acceptance of GM crops in other markets. Instead I have focussed on the key ideas I feel are at the heart of the current ban and why lifting the ban is the correct policy response.

Louise Staley
Willaura, Victoria

Consumer Acceptance

GM foods are often painted as highly controversial and shunned by a majority of consumers. Yet the evidence shows most consumers do not differentiate between GM and non-GM food. Were consumers to care, there would be price premiums for non-GM food, including animals fed on non-GM stockfeed and such price premiums do not exist. Even in Europe, the bastion of anti-GM activism, GM canola is now available to be imported for stockfeed, and anyway much GM canola has been crushed in the Middle East and then imported as oil to Europe for years.

Consumers are always sovereign and standard economic theory tells us consumers express their preferences via the single mechanism of price. It is wrong to try and second guess consumer behaviour by banning some choices – as with the moratorium. GM canola is proven by a rigorous science-based assessment process to be safe. Consumers should be given the option, via the existing food labelling laws, to eat, or not eat GM products as they choose.

If the opponents of GM food are right, that most people don't want to eat GM food, and therefore GM food is worth less than non-GM food, then the current moratorium financially penalises those consumers who would prefer cheaper GM food over dearer non-GM food. But there are no price premiums for non-GM food. The lack of price differentiation is proof that despite what people might say when responding to an abstract idea in a survey, when it comes down to really expressing a preference through price the vast majority of people just don't care whether food is GM or not.

Some people argue that there have been price premiums in Europe last year for non-GM canola. The magnitude of these supposed premiums seems to multiply with the retelling of the story but \$100 a tonne is often bandied about. A number of pertinent facts need to be remembered before too much is made of this. Firstly Europe, until this year, banned the importation of GM canola but at the same time mandated quite steep targets for biodiesel. So demand for canola (and other oils used in biodiesel) soared above what Europe could produce internally. At the same time Australia was in drought and canola production slumped to record lows (leading in fact to the importation of GM

canola). Canada and the US do not segregate their GM from non GM canola because there is no economic reason to do so. As a result no canola seed could be imported into Europe from North America. Hey presto! Europe was scrambling for non-GM canola and the price spiked. At no point was any price increase related to European consumers rejecting eating GM canola. Moreover, at no point were Australian farmers in a position to receive these higher prices as Australia had no canola to export.

Since then the ban on GM canola seed for industrial (biodiesel) and stockfeed has been lifted. The spike has disappeared as North America has entered the European canola market.

In summary, there is no possible increase in economic value to consumers from the GM moratorium. At best the impact on consumers is neutral (if there are no premiums for non-GM food) and could be quite negative if price premiums exist as at the moment all consumers pay any non-GM premium whether they want to or not. If the moratorium is lifted, consumers who don't want GM will pay for non-GM alternatives, if they don't care, they won't.

Non-GM Conventional Farmers

If the moratorium is lifted there will be some conventional farmers who choose not to grow GM crops. The relatively high-input, high yield model of GM crops may not suit the more marginal Mallee land, some farmers haven't adopted any new farming techniques in thirty years and this will be another one that passes them by, and some farmers will be opposed to growing GM.

The question then arises; how do non-GM farmers not end up with GM material in their crops? In my view this issue of segregation has been overstated. If GM crops are allowed there are two possible scenarios, either there are price premiums for non-GM or there aren't. The example from the US and Canada is instructive here. There is no segregation in those markets because there is no premium for non-GM canola. It's not because the US and Canada couldn't do segregation, it's just there's no economic reason to do so. Australia might be different to the rest of the world, price premiums might develop, and in which case there will be segregation, just as there is with grades of barley and wheat.

If a conventional farmer growing non-GM canola gets the same price for his or her crop as a farmer growing GM canola, why would the first one care if some GM material ended up in the header box? Small amounts could get in there either from cross pollination or from a contract header not cleaning the machine, but either way, if canola is not segregated the non-GM farmer has no economic reason to care. On the other hand if non-GM food does command a premium then the non-GM farmer has every reason to make sure his or her crop remains within tolerance levels for GM material. So the non-GM farmer should pay the header contractor extra to do a special thorough clean on the machine, similarly the non-GM farmer should ensure the trucks, silos and other parts of the transport and handling process are certified as GM free. All of this extra care will cost money but if the premiums are there, a non-GM farmer will have a very tangible incentive to pay the additional cost to reap the additional reward. Moreover, if price premiums exist and a farmer ends up with GM plants in their crop despite taking paying for all the precautions to stop that happening, then somewhere along the line somebody did not do what they were paid to do and therefore are in breach of contract. Legal remedies are well established for such cases.

Anti-GM Farmers

What about conventional farmers who are morally opposed to GM plants? Shouldn't they have some protection against ending up surrounded by fields of GM canola cross-pollinating with their crop? The shocking answer is no. If the moratorium is lifted the only GM plants farmers will be legally allowed to plant will be those approved by the OGTR. These plants will be legal, as legal as growing a field of Gairdner Barley or Rosella Wheat. There is no moral or economic reason to privilege the preferences of the anti-GM farmer over the pro-GM one.

To expand on that last point a bit. Many people who are anti-GM are very passionate in their opposition. Many sincerely believe there are health risks, economic risks and environmental risks even though the science demonstrates none of these risks are real. Proponents tend to support the growing of GM crops for economic reasons: as farmers we think we can make more money using GM than not using GM. Obviously the technology companies support lifting the moratorium for economic reasons, and even many scientists look forward the commercialisation of their work. In my mind supporting all the positive consequences that flow from increased profits – such as innovation, increased equity and less farmer poverty – is a noble thing: certainly no less noble than the motives of the anti-GM activists. Yet too often the profit motive is denigrated.

In fact, an anti-GM farmer could use a simple economic mechanism to achieve his or her goal of a GM-free neighbourhood. There will be a price that the non-GM farmer is willing to pay to the potential GM farmer to compensate him or her for not growing a GM crop. Similarly there will be a price the GM-farmer would accept in return for not growing the GM crop. Neighbouring farms buy and sell things off each other all the time, this would just be an extension of that. It's all about neighbours talking to each other.

Organic Farmers

The organic industry likes to paint itself as comprising small scale environmentalists employing traditional farming methods and these may be seen by some as attractive values. However, I believe it is outside the terms of reference of the review to preference one set of values over another when these have no bearing on the economic impact of the moratorium.

The reason value systems are important in assessing the economic impact on organic farmers of removing the moratorium is because I think it is very important that consideration of potential impacts on the organics industry are grounded firmly in economics not a preference for the perceived values of organic farmers.

Unlike Europe and North America the organic certification bodies in Australia have chosen to make a political statement and set the tolerance for GM material in organically certified food at zero. This is of course their right. Gaining organic certification results in price premiums over conventionally grown food, sometimes quite substantial price premiums. It is therefore common sense that the producers getting the higher prices have the biggest incentive to ensure all their standards are met.

Sometimes organic farmers argue it is impossible for them to survive if GM crops are allowed because they will tolerate no GM material. As noted above, zero tolerance of GM even in the face of quite high tolerances for actually dangerous admixes, is their choice. If they want to maintain zero tolerance then they presumably believe they can get a price premium for that decision and

therefore should be quite prepared to pay any additional costs to ensure their crops are entirely segregated.

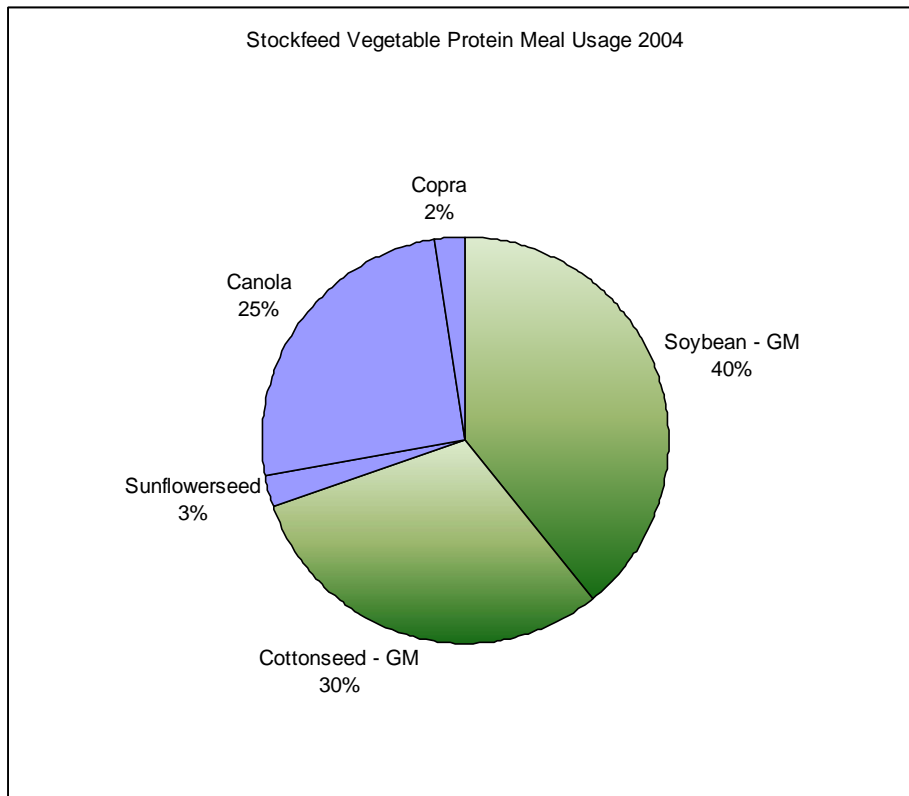
Anyway their central claim is wrong, despite claims to the contrary, GM and organic can coexist. In Canada, the organic sector is growing at a rapid rate, increasing 60 percent in five years. The largest number of organic farms in Canada are in Saskatchewan Province, the same province where most GM canola is grown (Statistics Canada 2007). Furthermore, a recent Australian research report from ABARE concluded that "if GM canola were commercialised in Australia, the direct impacts on organic canola production in Australia are likely to be negligible" (Apted and Mazur 2007).

The scale of the organic industry within Victoria must be taken into account. Less than two percent of food sold in Victoria is organically certified and less than 0.5% of Victorian canola is certified organic (Halpin 2004). ABARE suggests in recent years Victoria has grown no organic canola at all (Apted and Mazur 2007). Growing canola organically has particular challenges and is primarily done as a way of fumigating the soil prior to sowing cereal crops. Organic canola yields are substantially below conventional yields and only achieve economic viability when the seed is sown at three times the rates of conventional (and GM) crops (Burnett, Schneider et al. 2003). Most of Victorian cropping areas do not receive sufficient rainfall to grow canola organically.

In 2005 ABARE published a study of costs to Australian agriculture over the next ten years of Australia not adopting GM technology. The study quantified the penalty to Australian farmers as \$3 billion over 10 years. The study documented that the current moratoriums are not cost-free for Australian agriculture (Apted, McDonald et al. 2005). By contrast, according to the Review Issues Paper "organic production in Victoria is worth about \$32 million per year to the state economy." That's the entire organic industry including fruit and vegetables and meat. Scale is important, a noisy, ideological minority must not decide the fate of the mainstream majority.

Livestock & Dairy producers

On the most recent figures, 70 percent of the vegetable protein meal consumed by the dairy, poultry, beef and pig industries is from GM crops (soy and cotton) (Spragg 2005). GM stockfeed is integral to the livestock and dairy industries now and they successfully export to many countries including Europe and Japan. Mooted adverse outcomes for dairy exports in particular are not realistic in the face of current use of GM material. It is not feasible to mount a case that allowing GM canola could harm the dairy industry when they already make such widespread use of other GM products in their stockfeed.



Evil Multinationals

I would expect that Monsanto and Bayer will attempt to charge as much as they possibly can to sell their GM seed and chemicals if the moratorium is lifted. Of course they will. They are for-profit corporations not benevolent societies. Moreover they are huge multinationals whereas we are small, individual farmers so it would appear they have great power and we have little. However, if the economics don't stack up, if we cannot expect to make more money from growing GM canola than non-GM varieties, then we will not do it. Alternatives, including saved seed will always exist for those farmers that don't want to grow GM crops.

Many pro-GM farmers, including myself, see the potential benefits of gene technology as another tool in the toolbox along with no-till, controlled traffic, integrated pest management, crop marketing and other improvements to yield and profitability. The decision to grow GM canola plants is not as important as whether we grow canola or barley in that paddock. It is certainly not as important as whether we buy more land, or sell out of sheep, or upgrade the header or manage the currency

exposure on the forward contracts. Farmers make many decisions when running their business, crop variety is minor in the scheme of things.

Furthermore, farmers are not children, requiring protection from the evil multinationals. Australian farmers compete aggressively on the global export market despite the massive subsidies paid to US and European farmers. But "Australia's canola industry is in decline, with no improvement in five-year average yields ... Canada has grown genetically modified canola for ten years, yields have increased by 15.8% over ten years" (Broad 2006). As GM canola has increased in popularity in Canada, higher yielding cultivars have been bred with the technology. The same process of breeding the GM technology into the highest yielding Australian varieties will boost Australian canola yields. It is wrong to compare ten year old canola varieties with current ones and conclude GM canola has lower yields. In the time GM canola has been available in Canada the yields have improved and now outstrip non-GM varieties (Beckie, Harker et al. 2006).

Farmers want it because we believe there are clear benefits to our profitability from adopting GM techniques.

Summary

The moratorium has no economic benefits for Victoria and substantial economic costs. It should never have been enacted in the first place. GM canola is certified as safe. It will bring tangible on-farm benefits. The current supply chain manages segregation, including that for export, and needs no special conditions for GM crops. Similarly, current common law remedies can adequately deal with breaches of contract where non-GM status is not achieved.

Victorian farmers need access to this technology. Please recommend we get it.

References

- Apted, S. and K. Mazur (2007). Potential Economic Impacts from the Introduction of GM Canola on Organic Farming in Australia. Canberra, ABARE.
- Apted, S., D. McDonald, et al. (2005). "Transgenic Crops: Welfare implications for Australia." Australian Commodities **12**(3): 532-543.
- Beckie, H. J., K. N. Harker, et al. (2006). "A decade of herbicide-resistant crops in Canada." Canadian Journal of Plant Science **86**(4): 1243-1264.
- Broad, A. (2006). Best Practice Canola Production. Griffith, Nuffield Australia.
- Burnett, V. F., J. H. Schneider, et al. (2003). Effect of seeding rate on organic canola emergence, red legged earthmite (Halotydeus destructor) density, weed biomass and grain yield in northeast Victoria. Solutions for a better environment: Proceedings of the 11th Australian Agronomy Conference, Geelong, Victoria, Australian Society of Agronomy.
- Halpin, D. (2004). The Australian Organic Industry: A Profile. Canberra, DAFF.
- Spragg, J. (2005). Implications of Ingredient Availability - Opportunities for Vegetable Protein Meals. Australian Oilseed Federation Forum, Sydney.
- Statistics Canada (2007). Census of Agriculture, Record Number 3438.