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EU Animal feed imports and GMO policy

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Following the European Commission's orientation debate on GMOs which was held on May 7th, Commissioner Vassiliou (DG Health) has been asked to put forward technical proposals on "zero tolerance" and "asynchronous approvals" by the summer.

"Zero tolerance" is the EU's policy whereby any imports (soy and maize essentially) that are found to contain even trace amounts of a GMO that has not been approved for import and processing in the EU cannot enter the European Union.

1. The Global rise in food and feed prices

- The underlying causes of the global price increases in food and feed are:
 - increased demand in soy
 - the shift away from food/feed production to biofuels,
 - global and local financial speculation, in particular over the last year
 - the deregulation of agricultural markets that has led to the depletion of stocks
 - the rise in oil prices
 - increased droughts and floods in major grain producing countries
- Price increases have occurred around the world including in the US, which has the most permissive system of GM approvals.
Weakening EU GMO laws will not address this crisis.

"In OECD countries, at least, this growth of biofuel production has thus far been driven largely by policy measures and the report says that it is not clear that the energy security, environmental and economic objectives of biofuel policies will be achieved with current production technologies. The report suggests further review of existing biofuel policies."

Quote from OECD press release on the May 2008 OECD and UN FAO Agricultural Outlook, 29/05/08 full report at www.agri-outlook.org/

The two crops that have been focussed on by the European Commission's DG agriculture as potentially being problematic have been maize and soy. Point 2 below addresses global soy and maize supply. Point 3 then looks briefly at new GMOs being marketed and what this means for Europe and point 4 compares GMO approval systems in key countries in order to assess whether EU GMO policy is blocking access to animal feed

2. Supply and Demand of soy and maize

MAIZE

Sourcing maize is not a problem, as acknowledged by DG agriculture in its June 2007 report on: *“Maize grain imports that are potentially affected by the presence of EU-non approved GMOs could be replaced by maize from EU-27, by other domestic cereals, or by imports from other trade partners.”* The report continues stating that *“Even when considering the combined imports of maize grains, CGF [Corn Gluten Feed] and DDG [Distillers Dried Grain], an interruption is unlikely to have a strong economic impact on future feed imports and livestock production at the overall EU level.”*

SOY

Soy is a different issue because the EU is highly dependent on imports as it grows only a small amount of plant proteins domestically:

- As the US starts to grow GM soy that is not authorised in the EU (the most often quoted product is Monsanto's RoundUp Ready Soy 2), importing US soy will become potentially more problematic in the EU. However, the US is no longer a major soy exported to the EU.
- Both the US Department of Agriculture (USDA) and the European Commission's DG Agriculture have reported a drop in US soy exports in the last years mainly due to Latin American production being more competitive. In its soybean trade and market outlook to 2017, the USDA states that *“Brazil should soon attain export supremacy as the production costs of its soybean farmers are very competitive relative to U.S. producers. Within 10 years, a strong expansion of foreign exports could reduce the U.S. share of the global market to 21 percent—just half of the 2006/07 market share.”*
- Concern has been raised that Brazil will rapidly commercialise Monsanto's Round Up Ready 2 which is not (yet) authorised in the EU. However, Monsanto's 2007 Annual Review only mentions that it is aiming for commercialisation of RR2 in Brazil “after the turn of the decade” so the adoption of RR2 in a key exporter country to the EU is therefore at most in the very early stages of an authorisation request.
(<http://www.monsanto.com/pdf/pubs/2007/2007AnnualReport.pdf> page 12, 13)”
- According to the European Commission's 2007 Outlook for World Agriculture Commodity Markets, *“Oilseeds and vegetable oils are in plentiful supply. Unlike grains, world stocks of soybeans are at record levels and a large South American crop this year, to quote one analyst “the world is swimming in soybeans”.* The report does sound a warning that this could change if the US were to reduce its soy production, but after an initial drop as farmers moved to the more lucrative biofuel production, the high price of soy has meant that they are now turning back to soy.
- The demand for soy in emerging markets, China in particular, is also raised as a threat to the EU import market but only in relation to what kind of soy (which types of GM, GM or nonGM), not in terms of quantity. According to the USDA (2007): *“Brazil's vast reserves of farmland could permit a continued significant expansion in soybean area. Argentina's soybean growing regions and crushers are located close to port facilities, and the relatively small domestic market makes it the world's largest exporter of soybean meal and oil. A lower export tax on processed commodities than on unprocessed commodities also favours the export of soybean oil and meal from Argentina.*
- Interestingly, the USDA also predicts a drop in EU soybean imports: *“improved EU grain crops are expected to cut back soybean meal consumption in 2008/09. Demand in the following years should erode gradually, prompting only modest growth in EU imports of soybean meal and a moderate reduction for soybean imports.”*

3. Setting the scene: New GMOs on the market

- The new genetically modified crop that has been most frequently mentioned in relation to availability and price of animal feed for the European livestock industry is Monsanto's new RoundUp Ready Soybean 2 (RR2)
- According to the company's website, "Monsanto will continue to move aggressively" toward the commercialisation of RR2 although it will nevertheless, according to Europabio (reported in the Journal Nature Biotechnology) hold off this year as the EU has not authorised RR2 yet. It is however saying that it will push ahead in the US from 2010 onwards and Europabio has threatened that as seed multiplication activities will commence this year, there could already be contamination in the immediate term (quoted in Nature Biotechnology).
- What this shows is that:
 - The EU's approvals are paid attention to by companies and that the EU as a major trading block can take a proactive approach in this regard
 - Monsanto and the biotechnology industry are clearly building up pressure, to the extent that they threaten contamination of shipments to Europe, rather than taking steps to avoid it and therefore themselves putting the EU livestock industry at risk.

The build up of pressure on the EU is more about the commercial interests of Monsanto (who markets the vast majority of GM crops in the world), other biotech companies and US farmers than it is about safeguarding the EU livestock industry:

- Monsanto needs to get its new GMO marketed as soon as possible because "*First-generation GM varieties are now beginning to lose their attraction as resistance to their traits begins to build.*", according to the Journal Nature Biotechnology in a clear admission of the environmental and agronomic problems caused by these crops. It is therefore not surprising that there is such a strong push from industry to get zero tolerance dropped in the EU and to speed up approvals.
- US farmers have seen their exports to the EU drop since GMO were first introduced and have been harmed by contamination problems (contamination from experimental GM rice in August 2006 and with GM maize in 2007) because of the US government's and companies' inability or unwillingness to put traceability and segregation channels into place.

"I think the debate about higher prices and being able to meet the demand of people in the world for food is a perfect opportunity to make the case (for GMO crops)...We may have a window of opportunity here and I would encourage you to exploit that"

Bob Stallman, president of the American Farm Bureau Federation speaking to the NFU conference 2008.

4. Will the EU's GMO laws mean that animal feed imports are blocked?

In order to address this question, GMO approval systems around the world need to be looked at in order to assess whether the EU is approving GMOs for import much slower than producer countries

- **United States**

When a company wants to commercialise a GMO in the US, a safety assessment is only required if the company presents evidence that this is needed. Unsurprisingly, no company has chosen to do this up until now. GMO commercialization in the US therefore occurs under a total absence of health and safety procedures. The US process for authorising GMOs does not meet international requirements under the United Nations' Codex Alimentarius, which are considered as the standard by the World Trade Organisation's trade dispute body. Furthermore, the US is not a signatory to the UN's Biosafety Protocol.

The US Department for Agriculture (USDA), the regulatory agency with primary responsibility for biotech crops, has come in for unusually harsh criticism from the National Academy of Sciences (NAS,2002), its own Inspector General (USDA IG, December 2005), and many farm and public interest groups for failing to adequately assess and regulate biotech crops. Since just 2006, three federal courts have also found USDA's regulation of GM crops to be grossly deficient and not compliant with U.S. environmental laws. In one case, USDA was found to have violated both the National Environmental Policy Act and the Endangered Species Acts for allowing several companies to grow GM crops that harbour untested pharmaceuticals in Hawaii without first conducting an environmental assessment.

- **European Union**

The EU has a relatively robust regulatory procedure for authorizing GMOs onto the market. This provides the opportunity for a scientific dialogue in an area of risk assessment where there are still major gaps in scientific understanding.

- **Brazil**

Contrary to the US, Brazil has stricter GMO laws based on the UN's Biosafety Protocol.

- **Argentina**

Concerning Argentina, the Commission's DG Agriculture, has itself acknowledgedⁱ that Argentina has historically been unwilling to authorize GM crops prior to EU approval and that the likely impact of the GM crop on exports is a consideration in the approvals process.

- **China**

China also has a more precautionary approach to GMOs than the US, and is getting stricter:

- The Chinese Agricultural GM Crop Bio-safety Committee has been reorganized to include members specialized in environmental and biosafety issues
- Certificates for GM commodities can only be granted for a maximum of five years, and are usually granted for three years or lessⁱⁱ.
- Any GMO imported into China must have proof that it is approved for commercial production in the exporting country
- Once a company has requested approval to commercialise a GMO the Ministry of Agriculture has up to 270 days to reach a decision, therefore much longer than in the US
- China has legislation requiring the return or destruction of food imports that contain unapproved GM materials, incorrectly labelled GM materials or materials labelled as non-GM which are discovered to contain GM materialⁱⁱⁱ.
- Beijing is considering legislation that would put in place monitoring of GM foods and require importing companies to bear the cost of recalling foods found to contain illegal GM materials^{iv}.
- Furthermore, Kraft foods, the world's second largest food supplier, has announced that all foods produced on the Chinese mainland will not contain GM material^v.

Contaminated EU imports: the Case of Herculex GM maize contamination

Despite the acknowledgement that sourcing maize does not pose a problem for the EU, the case of US imports contaminated by GM Herculex maize (DAS 59 122) has been widely used as an example of how zero tolerance cuts of animal feed supplies to the EU

Maize exported from the US, destined for the EU, was found to be contaminated with Herculex, a GM maize commercialised in the US but not in the EU. However, by April 2007, just a few months prior to the EU approving this maize, none of the countries from which the EU imports most of its maize – Argentina, Brazil, Serbia and the Ukraine - had authorised Herculex. Whilst contamination was found in imports from the US and refused at port, this refusal in no way shut down the EU's major suppliers.

It should also be noted that whilst maize and soy are the main focus for DG agriculture, some parts of the livestock industry are also subject to rising costs of other agricultural commodities.

Because most of the cost of producing pig meat is the feed, the pig industry has been at the sharp end of feed price rises. EU pig feed consists mainly of wheat. It also contains some barley to provide carbohydrates and soy for protein. In the past year or so the price of feed wheat has more than doubled. The price of soy has also increased, but not as significantly.

The industry in the UK has predicted that is leading to an increase in overall feed costs of 76% and total production costs of about 34%. It recognises that the price rises are as a result of a combination of “relatively poor harvests, increasing import demand from fast developing countries and the global rush towards biofuels”. GMO wheat is not grown commercially anywhere in the world. Even in the US the wheat industry lobbied Monsanto not to commercialise GM wheat for fear of losing exports to the EU. There is therefore no argument that GMOs will solve the crisis faced by pig farmers. Even the pig industry realises this and is instead calling for increased prices for farmers, and for supermarkets to pass more of their profits back down the supply chain. In the UK, the industry claims this would equate to a price increase for consumers of between 7p and 17p (10-22 euro cents) per pack of bacon or other pork product. (The Impact of Feed Costs on the British Pig Industry, September 2007, British Pig Executive <http://www.pigsareworthit.com/Feed%20Report%20V4.pdf>)

5. Conclusions

- The difference in timings (*asynchronous approvals*) is between the US and the rest of the world, not between the EU and its main exporter countries.
- The US is isolated in terms of GMO approvals process with Brazil and China being closer to the EU in this respect. Argentina assesses export opportunities as part of its approvals process
- The Chinese domestic market is showing sensitivity to GM-free food and it can therefore not be taken for granted that China will import GMOs that the EU won't
- Weakening EU law on GMOs will not help the EU livestock industry. Real and urgent solutions are needed for the livestock industry.
- The main GMO in question, Monsanto's GM soy, is currently going through the EU's approval process and the biotech industry is not preparing for large-scale marketing until it has EU approval. There is therefore no rush to change EU procedures.
- If the EU drops zero tolerance it will open up the risk of contamination of imports with GMOs that have had no health or environmental risk assessment and which could be from experimental sites or GE pharma crops. This is contrary to the principles of EU GMO laws and will further weaken global standards
- Watering down EU GMO legislation will be controversial and unpopular with the European public

5. What should the EU do?

- Zero tolerance and the speed of GMO approvals do not need to be changed. These issues will not make any difference to the EU livestock industry's current crisis. Any decision to weaken GMO laws will be controversial and unpopular with the European public.
- Instead of speeding up approvals to match the US, provide support and technical assistance to countries such as China, Argentina and Brazil to establish GMO assessment procedures comparable to international guidelines and the EU's own standards.
- Allowing contaminated exports into the EU will increase contamination around the world and reduce even further the opportunity of GM-free animal feed which is supported by the majority of EU consumers and many developing countries. One million Europeans signed a petition in 2006/7 calling on animal products from animals fed on GMOs to be labelled
- As a leading trading block, the EU must specify to producer countries what the EU will import, encourage GM free production, and the limitation of new GM cultivation
- The EU must also help the EU livestock industry to source GM free animal feed and must reform agricultural and trade policies in order for European farmers to reduce their reliance on imported animal feed
- Develop strict traceability and liability systems whereby the biotech company - the polluter - not the feed importer, farmer or consumer, pays for unauthorised GMO contamination
- Drop the EU target that all fuels for transport contain at least 10 percent by 2020

ⁱ "Economic Impact of Unapproved GMOs on EU feed imports and livestock production", DG Agriculture, June 2007

ⁱⁱ Biosafety Clearing House of China website <http://english.biosafety.gov.cn/>

ⁱⁱⁱ Regulation on the Inspection and Quarantine of Import and Export of Genetically Modified Commodities: promulgated by Decree No. 62 of the Director-General on May 24, 2004 Available at the website of the National Biosafety Clearing House of China: <http://english.biosafety.gov.cn/>

^{iv} Beijing plans to make food makers, sellers accountable for safety *China Daily* 26/07/2007 http://www.chinadaily.com.cn/2008/2007-07/26/content_5443898.htm

^v Jie L (2007) No Compromise *China Daily* 24/09/2007 http://www.chinadaily.com.cn/bw/2007-09/24/content_6128106.htm