



Emeritus Professor Kym Anderson AC
Independent review of SA's moratorium on cultivation of GM crops.
Via email: pirsa.gmreview@sa.gov.au

Dear Emeritus Professor Anderson AC,

The Australian Oilseeds Federation (AOF) welcomes this independent review into the moratorium on cultivation of GM crops in South Australia and looks towards an outcome that provides a workable solution to the benefit of South Australian canola growers.

The AOF is the peak industry body for the Australian oilseeds industry, with membership spanning the value chain from seed breeders, through to growers, seed handlers, oil and meal processors, and users such as food and feed companies. The AOF membership also includes exporters of canola seed, including SA based Viterra and Centre State Exports.

This submission will primarily focus one of the Terms of Reference, that relating to the industry's capability to effectively segregate canola in the supply chain.

Segregation of grain is a fundamental aspect of the Australian grain trading environment, and is specifically designed to maximise the value for participants in the value chain through ensuring key grain characteristics are preserved for the end customer. For example, for many decades the grains industry throughout Australia has segregated classes of wheat and barley to ensure the needs of specific market segments can be met, and by doing so, maximise the value of the grain throughout the value chain, particularly for the grower and the end user. For example, barley is segregated into 'feed barley' and 'malting barley', while wheat is segregated according to up to 10 different classifications.¹

The recognition in the early 2000's of the likelihood of the introduction of GM canola in Australia encouraged the AOF to engage with industry members across the value chain to determine an overarching industry position on the introduction of GM canola. While some members supported the introduction of GM canola, other members were reluctant to change the status quo. Through a process of extensive industry engagement, all members were able to agree on the high level principle that ultimately, market demand should drive the acceptance or otherwise of GM technology. This gave rise to what became the '**Market Choice Principle**', and founded upon the proven track record of the industry to effectively segregate grain.

¹ Australian wheat classifications: <http://wheatquality.com.au/classification/how-it-works/classes/>



In establishing the 'Market Choice Principle' all members of the value chain are able to choose the technology under which their canola grain, and the resultant oil and meal, are produced. In order for this principle to operate effectively, it was recognised that two discreet supply lines were required in the value chain- one for 'commodity canola', where the choice of technology was not relevant, and one for non-GM canola, where operators in the value chain required a discreet non-GM supply chain to meet either their own or their customer's needs. This resulted in two discreet Commodity Standards for canola- CSO-1 for commodity canola; and CSO-1a² for non GM canola.

This clear and effective segregation of non-GM canola has enabled the market choice principle to operate successfully in NSW, Victoria and Western Australia since the introduction of commercial cultivation of GM canola. Since 2010, Australian farmers have produced 27.9 million tonnes³ of canola, of which 24.5 million⁴ tonnes has been non-GM canola. The majority, if not all, has been marketed as non-GM canola, in accordance with Standard CSO1-a. Quantitative and objective testing of grain traded as CSO1-a is undertaken along the value chain to ensure the non-GM status CSO1-a standard is assured.

The Australian oilseed industry has full confidence in the ability of the South Australian grain handling system to adopt the stringent protocols used in WA, Vic and NSW to segregate non-GM canola effectively ensuring the integrity of non-GM canola through the value chain, and in doing so, supporting the 'Market Choice' principle.

There are two further issues which we feel need to be considered in this review, albeit that they do not readily fit within the Terms of Reference:

1. Equity for South Australian grain growers:

South Australian grain growers are at a distinct disadvantage to the majority of export-oriented canola growers around the world. This disadvantage arises in two fundamental areas, on-farm and in the global trading environment:

- i) On farm: South Australian growers are unable to employ the modern and safer farming techniques that GM canola provides. The inability to have the opportunity to plant canola which is tolerant to the herbicide glyphosate requires the use of harsher, more residual and more expensive herbicides on varieties tolerant to those herbicides. (such as triazine tolerant canola or Clearfield[®] canola). This results in higher costs of production for South Australian growers, particularly those in the higher to medium rainfall zones. The current prohibition on cultivation of GM canola in South Australia denies growers in this state the ability to choose the herbicide system with canola that will optimise their farming system.
- ii) In trade: The majority of canola traded globally through export markets is GM canola. The base global export price of canola is consequently based on the price of GM canola (plus freight, etc). Major canola export markets, such as US, China, Japan, and increasingly, EU are agnostic in relation to the breeding technology used to develop the seed. For these markets, price is the major trading criteria. With GM canola setting the benchmark (lowest) price, South Australian

² CSO1-a has an market-accepted low level presence (LLP) tolerance of 0.9% of events approved by the OGTR.

³ ABS Crop Estimates

⁴ ABCA Statistics- <https://www.abca.com.au/materials/statistics/> applying national crop weighted average yield,

growers will need to match this lowest price if access to these markets is required. Typically, there is no premium to be gained by exporting non-GM canola to these markets.

The exception are specific market segments in some of these markets, such as infant formula, specialty 'high end' retail oils, etc, where non-GM is desirable, however. Any premium to be gained by supplying segregated non-GM canola seed to these markets segments is subject to negotiation in order to secure the contract. More often than not, international traders of South Australian non-GM canola are competing with their colleagues in other Australian states to secure the sale of non-GM canola to these segments. The lowest price on offer will invariably secure the deal, affording little if any premium for South Australian non-GM canola.

The Australian oilseeds industry feels strongly that South Australian grain growers should be treated equally with their counterparts in other states, and indeed, around the world, by having comparable access to production cost benefits, pricing benefits and access to technology.

2. The Freedom to Trade Principle:

The prohibition on transportation of GM seed in South Australia is an unnecessary burden for the Australian oilseeds industry, adding cost and complexity, and impacting the flexibility to supply planting GM canola planting seed to Western Australia. While presenting no specific constraints for South Australian grain growers per se, it also provides no benefit to them, or indeed, to the state as a whole. While known hazards (petroleum, LNG, radioactive material) can be transported in South Australia with impunity, the prohibition of transportation of a legally approved non-hazardous agricultural seed is incongruous.

Our understanding is that this prohibition arose through a series of drafting inconsistencies between the Genetically Modified Crops Management Act 2004 (SA) and Gene Technology Amendment Act 2007 (Cth) which resulted in "transport the GMO" becoming a specific dealing under the Gene Technology Act 2000 (Cth). Under the Genetically Modified Crops Management Act 2004 (SA), "transport the GMO" then became a prohibited activity for transport of GMOs approved for commercial release by the OGTR as a consequence.

From what AOF can glean from Second Reading Speech of the Genetically Modified Crops Management Bill 2004 (SA), there was no intention to ban transport of GM seed and grain through the State. Importantly this same Second Reading Speech noted that the Act needed to be compliant with national competition principles and that the State Act must be consistent with Commonwealth law. This is apparently not the case.

The Australian oilseed industry urges the Committee to consider this matter as part of this review, and to recommend the removal of this prohibition urgently through the appropriate legislative instrument to enable transportation of GM canola seed through South Australia prior to the 2019 season (seed shipments to WA would commence in January).

Thankyou for your time in considering this submission, and I wish you well with with the Review. deliberations,

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nick Goddard', is written over a blue horizontal line.

Nick Goddard
CEO
Australian Oilseeds Federation Inc.

