FINAL

Reference and Key Message Document

Commission Report "Economic Impact of Unapproved GMOs on EU feed imports and livestock production"

Key industry messages

1. The industry welcomes the report and calls on the institutions to urgently address the issue of the low level presence of EU–unapproved GM materials entering Europe in traded commodities.

2. The industry urges Member States to vote to approve, in a timely manner, GM crops that have received a positive safety assessment from the EU's independent scientific body, the European Food Safety Authority (EFSA) and to keep pace with approvals in other global regions, many of which are key trading partners of the EU.

3. Recently Commissioners Mandelson, Fischer Boel and Kyprianou have acknowledged the supply crisis developing in the European feed industry and the need to find practical solutions. This underscores the need to improve the EU approval system to function more swiftly or risk threatening Europe's ability to fundamentally source sufficient feed for our livestock sector.

4. The zero tolerance that is in operation in the EU for the low level presence of EU-unapproved GM plant materials found in imported commodities - which have been approved by other Regulatory Agencies - is disproportionate to any potential risk.

5. It is essential for the EU to establish a workable tolerance for the low level presence of products that have obtained a positive EFSA opinion or have been approved by another OECD country to be present in cargoes of traded commodities.

6. Clear and pragmatic tolerance levels for the low level presence of EU-unapproved GM material in EU food and feed imports will avoid *international* trade disruption, limit the impact on EU agriculture in the short term and enable other countries the freedom to continue to choose between different farming systems.

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7. This situation is fully comparable with the plans that the European Commission has to create thresholds for adventitious presence of biotech seeds in non-GM seeds to avoid *internal* trade disruption in the EU.

8. This is not the first time the EU has had to agree procedures for handling products only approved outside the EU but which could be found in imports into the EU. For example the EU has managed to establish tolerances for the presence of EU un-approved plant protection products or medicinal substances.

9. The Industry urges EU Member States also to vote in favour of cultivation dossiers so that EU farmers are not left behind in competition terms with their counterparts elsewhere in the world.

Question and Answers

What are the key points in the Commission study?

The EU takes a minimum of 2.5 years and often much longer to complete new biotech trait authorisations, compared with an average of 15 months in the United States

If the situation is not improved imports of essential GM derived feed and food products may slow down considerably or come to a halt, as traders would be unwilling to assume the risk of having traces of EU non-authorised biotech crops detected in their shipments.

This situation is projected to worsen as new biotech traits in maize and other key crops such as soybeans and oil seed rape (Canola) continue to gain wide acceptance in other parts of the world. As recent examples have shown, lack of approval in the EU has not deterred US maize growers from planting biotech crops once they have been approved in the US.

The economic impact of this situation today is most immediately apparent in the area of feed supplies. In the middle term, the ability of the EU livestock producers to feed their animals and hence the welfare of these animals is at stake, and would result in a dramatic reduction of the livestock population in the EU. The EU livestock industry is responsible for 40 percent of European farm income; such a reduction in the livestock industry would result in a significant number of job losses, while prices of animal products for consumers would increase significantly. This, in turn, would result in increased imports of animal products produced from animals fed with feed produced from GMOs not yet approved in the EU.

Furthermore, there is no indication that Brazil or Argentina, Europe's two biggest suppliers of livestock feed, would be willing to cater to the European market by resisting the planting of GMO crops that have been approved in their countries but not yet approved in the EU.

What is the problem?

As 100% purity in crops grown in the open farming environment is not possible, tolerances exist to cover a certain percentage of foreign material which may be present

in low levels in virtually all crops. The production of food, feed and seed will always have adventitious presence of some foreign materials simply because ensuring absolute purity during all stages in the production is technically impossible. For example, non-organic seed and crops are adventitiously present in organic seed and crops. Low level presence does not constitute authorisation or placing on the market.

What is the situation in Europe?

For EU-unapproved GMOs, the EU applies a zero tolerance for such GM materials being present in low levels in imported commodities. These mostly concern GMOs that have not yet been approved in the EU due to major delays in the approval system but which have received regulatory approval in countries outside the EU (producing countries such as USA, Brazil or Argentina and also importing countries like Japan and Korea for example) or an EFSA positive safety assessment. This means that if even trace levels of unapproved GM materials are found in these imported commodities, the full shipment has to be rejected and none of it can be marketed in the EU, resulting in a complete interruption of such imports.

What is the solution?

To adopt realistic tolerance levels for the low level presence of not yet EU approved GM materials in imported commodities - similar to those for foreign materials - which are attainable by the whole food and feed chain from plant breeders, to farmers, and processors. Tolerance levels are important elements for commodities trade to work, whether internationally or locally, and enable to provide consumers and farmers with genuine choice.

At international level, the CODEX ad hoc Task Force on Foods Derived from Biotechnology has agreed to undertake work addressing the low-level adventitious presence (AP) of unapproved GM plant material in food.

The CODEX group will look at developing recommendations on a safety assessment of foods where low levels of GM plant material approved in one or more countries but not in the country of import is found in food or feed. The main objectives are to:

1. Identify and incorporate the safety assessment of such materials at low levels into the CODEX Plant Guidelines, and

2. Identify information-sharing mechanisms

This system would not substitute the full food safety assessments under the CODEX Guidelines for products to be marketed in an importing country. In addition, this work will not address risk management measures, so countries subsequently will need to decide when and how to use the guidelines within the context of their regulatory systems.

What is the source of the problem?

Agricultural or “green” biotechnology is being adopted at record speed around the world. In 2006, 10.3 million farmers in 22 countries cultivated genetically modified (biotech) crops on 102 million hectares. The adoption rate is seeing double-digit annual growth since 1996. Ninety percent of farmers who benefited from biotech crops in 2006 were resource poor farmers from developing countries, whose increased income from these

crops contributed to the alleviation of poverty. Most of these crops are commodity crops that are traded internationally throughout the world. Therefore to avoid trade disruption such crops need to be authorised in all countries trading in these crops, which includes Europe. However the EU approval system is not working the way it should and is not only causing trade disruption but is opening up a major problem for the intra community livestock market.

DG Agriculture's report confirms that biotech product authorisations in the EU range from 2.5 or more years as compared with the US average of 15 months. It points out further that Europe must import large quantities of maize & soybean products to feed the EU pig, chicken and cattle population. However with a zero tolerance policy for traces of EU-unapproved GM materials found in imports, it means that any cargo containing such traces cannot be accepted under EU law. Until synchronous approval is achieved between the Eu and the rest of the world, establishing a tolerance level for such EU-unapproved GM materials is the only alternative to stopping imports altogether.

What would be the impact of a stop on imports?

The worse case scenario as studied by DG AGRI would lead to an end of US, Argentinean and Brazilian soybean meal imports without any compensation from other exporting countries. This would leave an import deficit of 32.3 million tonnes in soybean meal equivalent. Taking into account an assumed increase in rapeseed meal and sunflower meal production and imports, the net shortage of soybean meal would be reduced to 25.7 million tonnes. This could have the following impacts:

- For the poultry meat sector

The impact under the worst case scenario would be severe, as poultry production would fall to 29% and 44% below the baseline level in 2009 and 2010 respectively. A sharp increase in the EU price would attract high imports and EU exports would disappear. EU consumption would drop to 16% and 26% below the baseline level in 2009 and 2010 respectively.

The Commission report also calculates extensive negative scenarios for the pig and beef meat sectors.

Why can't Europe produce its own feed?

Because of climatic and agronomic reasons, Europe is unable to produce most of the oilseed meal and other protein-rich feedstuffs required to feed its livestock. In fact, the EU imports about 77% of its protein needs. Protein-rich soybean meal, as well as Corn Gluten Feed (CGF) and Distillers Dried Grain Solubles (DDGS), are needed by livestock producers in the EU to achieve a balanced diet for their animals, especially as far as protein is concerned. Imported substitutes for these feed ingredients are only available in very limited quantities and there is no viable prospect for developing domestic production of protein rich plants. Even with the increased land sown to oilseeds for biofuels and stepping up production of protein crops such as field peas, field beans and sweet lupines to provide an alternative for soybean replacement, at most they could only replace between 10-20% of EU imports of soybeans and soybean meal.

Without a sufficient supply of these feed ingredients, the EU's livestock production will lose competitiveness and European livestock producers will lose market share in

domestic and world markets to foreign competitors (ironically, the imported animal products that the EU will be forced to import as a result will likely come from livestock reared on the same high-quality feed materials that European producers are not allowed to use). Overall, the EU's farming sector will generate less income, rural economies dependent on livestock production and related processing businesses will suffer and consumers will have less choice of domestically produced products and will pay higher prices.

What are the different sources of EU-unapproved GM materials coming into Europe?

Low levels of EU-unapproved GM material might be found in imported commodities from countries where biotech crops are authorised and widely grown. These imports may contain low levels of GM crop materials approved by third country authorities but not yet authorised in the EU for food or feed use.

There may also be a low level presence of GMOs that have been approved by EFSA, but which do not have a full EU authorisation for food or feed use. There is an ongoing need to address the issue of low level presence of such materials in food and feed which can be present at very low but nonetheless detectable levels.

Similarly, as first generation products are becoming obsolete, re-registration to obtain full authorisation status for discontinued biotech products in case they are adventitiously present is a disproportionate effort for operators and regulators. More appropriate measures are required for discontinued products, such as the establishment of a low level presence tolerance.

Where can I get more information?

EU Policy on Low-Level Presence of GM in Agricultural Commodities:
Issues and Scenarios for European Farm Operators, Feed and Food Companies and Consumers
http://ec.europa.eu/agriculture/envir/gmo/economic_impactGMOs_en.pdf

More about the Codex ad hoc Task Force on Foods Derived from Biotechnology
http://www.codexalimentarius.net/web/index_en.jsp

Plant biotechnology - Benefits for the environment, consumers, farmers and European competitiveness - now and in the future
http://www.europabio.org/documents/06Benefits%20Brochure.pdf

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About COCERAL

COCERAL is the acronym for "Comité du Commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures" and is considered as the voice representing the European cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply trade. The members of COCERAL are the national trade organisations of most of the EU-25 Member States, who for their part represent collectors, distributors, exporters, importers and agribulk storers of the above mentioned commodities. The members are composed of essentially private traders and in some countries also farmers' cooperatives. Furthermore, COCERAL has associate members in Romania and Switzerland. For more information, please see www.coceral.com

About EuropaBio

EuropaBio is the political voice of the biotechnology industry in Europe. This association of bioindustries has some 81 corporate and 11 associate members operating worldwide, 5 Bioregions and 25 national biotechnology associations, representing 1800 small and medium sized biotech companies in Europe. For more information, please see: www.europabio.org

About FEFAC

The European Feed Manufacturers' Federation (FEFAC) was founded in 1959 by five national compound feed associations from France, Belgium, Germany, Italy and the Netherlands. FEFAC membership today consists of national associations from EU Member States as full members and of an increasing number of observer members from non-EU countries. FEFAC is the only independent spokesman of the European Compound Feed Industry at the level of the European Institutions. FEFAC holds observer status in CODEX Alimentarius. For more information please see: www.fefac.org

About FEDIOL

The EU Oil and Proteinmeal Industry also known as FEDIOL, is a European industry federation based in Brussels founded in 1957. FEDIOL represents the interests of the European seed and bean crushers, meal producers, vegetable producers/processors. FEDIOL members crush 30 million tonnes of oilseeds a year, what makes of FEDIOL one of the largest oilseed crusher federations worldwide. With a production of 8.6 million tonnes of vegetable oils and a further processing of 3.7 million tonnes of imported oils, the EU industry serves the second largest world market of vegetable oils after China. Our industry also produces 20 million tonnes of meals supplying the largest world meal market (51 million tonnes). There are some 150 oilseeds processing and vegetable oils and fats production facilities across Europe, employing approximately 20 000 people. For more information, please see www.fediol.be