Upcoming Decisions on Biosafety Protocol Could Sharply Increase Food and Feed Costs: IPC Urges Governments to Weigh Costs Before Taking Decisions

In 2005, signatories to the Biosafety Protocol will make critical decisions about how to regulate trade in Living Modified Organisms (LMOs or seeds) destined for use in food, feed and processing. Depending on the decisions governments make—about labeling, testing, thresholds and unapproved events—in the coming months, the additional costs of shipping maize, soybeans, canola and cottonseed could significantly increase the cost of food and feed to the world’s consumers. While most of these additional costs would be borne by a handful of large countries that import the largest volume of food and feed grains, a disproportionate share of the costs would fall on consumers in smaller developing and least developed countries, who are least able to afford higher food and feed bills.

Former EU Ag Commissioner, Fischler and Former US Congressman, Dooley Join IPC

Dr. Franz Fischler, former European Commissioner for Agriculture and Congressman Cal Dooley, retired Member of the United States House of Representatives from California, have accepted invitations to join the IPC. Dooley and Fischler’s perspectives will be a valuable addition to the Council.

From 1995 to 1999, Fischler was European Commissioner for Agriculture and Rural Development. In September 1999, he also took responsibility for the European Community’s Common Fisheries Policy (CFP). His greatest achievement was to durably change the face of European Agriculture. He successfully convinced European Agriculture Ministers to make deep reforms to the Common Agricultural Policy (CAP) with Agenda 2000 and the 2003 CAP Reform, by reinforcing farmers’ reliance on the market and respect of environmental, quality and animal welfare standards. These changes made the CAP more acceptable for the EU’s trading partners and will facilitate negotiations in the Doha Round. Fischler completed his mandate in the European Commission in early November.

Congressman Dooley represented the 20th District of California in the United States House of representatives from 1991 until he announced his intention to retire in 2004. While in Congress, Dooley had one of the most pro-trade voting records in Congress. He played an important role in passing trade initiatives like NAFTA and the creation of the World Trade Organization (WTO). Dooley has recently been named the new President and CEO of the National Food Processors Association (NFPA). NFPA is the largest trade association representing the food and beverage industry in the United States and worldwide.

Robert L. Thompson, IPC Chairman, expects that both Fischler and Dooley will make substantial contributions to the Council’s ongoing work advising world leaders on agricultural trade negotiations – at the WTO as well as in other fora; contributing to the debate on sustainable agriculture and trade; analyzing the role of agricultural trade in international economic development; and monitoring developments in agricultural technology and their implications for agricultural trade.
Based on a study authored by Professor Nicholas Kalaitzandonakes, the IPC finds that:

- If all 3,575 export cargoes of maize from the United States and Argentina were sampled and tested only once at loading, the total cost to indicate a cargo "may contain" LMOs would be $1 million dollars. If, on the other hand, exporters are required to identify and quantify individual varieties, as some countries have proposed, the labeling and testing costs for maize alone, from only these two countries of origin, could quadruple to $4.4 million annually. If more extensive sampling is required, annual testing costs for maize alone could balloon to $18 to $87 million.

- If laboratory tests at the export origin must be confirmed at the import destination, testing costs alone would double. There would be additional costs to cover delays. Laboratory tests for LMOs generally require a five to seven day turnaround. Each day a ship waits to unload in port costs approximately $30,000. Delays would be shorter in developed countries, with nearby laboratories that can expedite test results. But, these delays would be longer for developing countries, which do not have laboratories able to perform these tests and would need to send samples overseas for testing. These delays would add millions of dollars in demurrage costs paid by developing countries.

- Because testing is a statistical procedure, it is practically certain that tests performed at the point of export will not be confirmed by tests at the point of import, even if the same sampling procedures are used. It is therefore likely that shipments could be rejected, after arriving at their destination. If cargoes have to be re-directed if test results differ, there would be additional costs in terms of port delays, travel and insurance costs. In a recent case, these costs totaled nearly half a million dollars for a single vessel.

- At present, the additional annual cost to consumers in Japan and Europe of acquiring non-LMO soybeans and maize approaches $100 million. If under the Protocol, the market for non-LMOs commodities expands and/or if the thresholds for adventitious presence are reduced, these costs would likely increase substantially. These cost estimates are based on case studies of two commodities (maize and soybeans), from two major exporters (the United States and Argentina) with fairly sophisticated marketing systems. But, the Biosafety Protocol will directly affect trade in four (canola, cottonseed, maize, and soybeans) of the eight crops that dominate world commodity trade. It will affect trade among the over-100 countries that have ratified the Biosafety Protocol as well as exports from the four major exporters that dominate world commodity trade (Argentina, Australia, Canada, and the United States), none of whom have ratified the Protocol.

To date only nineteen countries have established regulatory systems and have approved LMOs for import, and even then, LMO varieties approved in major exporting countries are not necessarily approved in major importing markets. Depending upon the decisions the parties to the Protocol make in the coming months, the implementation of the Protocol could require vast and costly changes in the way commodities are produced, harvested, transported and shipped.

Based on its analysis of this study, the IPC believes that it is premature for governments to make such far-reaching decisions without evaluating the costs of different options, understanding the magnitude of these costs, and knowing who will bear those costs. But, it is equally important, before such costs and disruptions are imposed on the world’s consumers, farmers and trading system to determine whether these additional costs, are in fact necessary to achieve the objectives of the Biosafety Protocol.

Proceedings from the IPC Seminar are available at www.agritrade.org/Plenary/BA/BASeminar.htm

www.agritrade.org.
Meeting the challenge of feeding a growing world population


World population is predicted to rise substantially. The agricultural system, and the food system more generally, must be prepared to meet the increase in demand associated with this rise if we are not to see the misery of famine starvation and the associated social and political unrest. The UN’s median projections of world population see it growing from 6 billion in 2000 to 8.9 billion people in 2050 – a 48% growth in the number of mouths to feed.

But when we project food needs, we have to look at income as well as population. The Food and Agriculture Organization (FAO) of the UN estimates that 700 million people suffer from hunger and malnutrition or undernutrition. Broad-based economic development that reduces poverty will go a long way to solving the problem of hunger, but it will also add to demand for food.

As a result, world food consumption will likely double between 2000 and 2050, with about half of the increase in demand for food coming from population growth and the other half from increased purchasing power after successful economic development. So the challenge facing agriculture is to double food production over the first half of this century.

According to the FAO, there is at most 12% more land that can be brought into agricultural production. Beyond that, there is keen competition for land for food and fiber production, commercial forest production, and conservation of forests. Given this competition, the only environmentally sustainable option is to strive for double productivity on the fertile, non-erodable soils that are already used for crop production.

Water is an even greater constraint. Farmers already use 70% of the fresh water used in the world. They are both the largest users and the largest wasters of water, mainly because there is no incentive to use it efficiently. With the rapid urbanization that is currently going on, cities will almost assuredly outbid farmers for the available water. Therefore, whereas farmers will have to nearly double the average productivity of the soil that they use in agriculture, they will have to more than double the average productivity of the water that they use in food production.

Reduced public investments in agricultural research, a failure to encourage the private sector or the public and private sector in partnership to address the needs of the developing countries, and policies that deter farmers from adopting improved crop varieties could all result in the famine predicted by Thomas Malthus in his treatise on population 200 years ago.

There is no reason why Malthus should be any more right in the 21st century than he was in the 20th or 19th centuries. But if we fail to invest in technologies that address the limitations of both land and water, and if we fail to change the policy environment, the predictions of Malthus could at last come true.

Copies of Syngenta Lectures can be requested via www.syngenta.com

IPC to hold 35th Plenary Meeting and Seminar in Washington, DC

The IPC will hold its 35th Plenary Meeting in Washington, DC May 21st and 22nd, 2005. A seminar will be held on Monday, May 23rd. The theme of the seminar will be Writing domestic policy in a global world.

IPC Secretariat to travel to Greater Mekong Sub-Region

Representatives of the IPC Secretariat will travel to Thailand, Laos, Cambodia and Vietnam from January 16-28 to explore the options for bringing the IPC Capacity Building program to the region with financial support from the Rockefeller Foundation. Staff will meet with leaders in agriculture and trade to discuss the form the program should take, who the target audience should be and what that audience’s needs are, in an effort to tailor the Capacity Building program to best suit the region. The program will be implemented in Spring 2005.
The IPC’s Mission
The International Food & Agricultural Trade Policy Council (IPC) is dedicated to developing and advocating policies that support an efficient and open global food system, that promotes economically and environmentally sustainable production and that distributes safe, accessible food supplies to the world’s growing population.

The IPC’s Members
IPC members represent the geographic diversity of the global food system, and the entire food chain from producer to consumer. IPC members are influential and experienced leaders in agricultural trade policy who are committed to finding solutions to global food and agricultural trade challenges.

Robert L. Thompson (Chair), United States
Piet Bukman (Vice-Chair), The Netherlands

Allen Andreas, United States
Bernard Auxenfans, France
Andrew Burke, United States
Brian Chamberlin, New Zealand
Csaba Csaki, Hungary
Devi Dayal, India
Pedro de Camargo Neto, Brazil
Luis de la Calle, Mexico
Cal Dooley, United States
Franz Fischer, Austria
Michael Gifford, Canada
Ahmed Goueli, Egypt
Dale Hathaway, United States
Huang Jikun, China
Heinz Imhof, Switzerland
Hans Jöhr, Switzerland
Rob Johnson, United States
Timothy Josling, United Kingdom
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Jiro Shiwaku, Japan
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