

Non-GM animal feed - opportunities and costs for farmers

August 2001

Overwhelming demand for meat fed on non-GM diet

Greenpeace has consistently argued that genetically modified (GM) crops should not be released into the environment, and since 1996 that they should not be introduced into the food chain. This view is shared by much of the British public. GM ingredients have been removed from most human food products; now attention is turning to the feeding of GM crops to animals.

Polls by the major supermarkets have shown clearly that consumers do not want animals to be fed GM diets:

- January 2001 - Tesco polling confirms that 76% of their customers want dairy and meat products from non-GM fed animals¹.
- January 2001 - Asda polling confirms that 64% of their customers want dairy and meat products from non-GM fed animals².

It is this strong body of public opinion to which retailers have sought to respond. Tesco and Asda (Britain's largest and third largest supermarkets) announced in January 2001 that from June 2001, they would only sell own-brand poultry meat and pork which has been raised on non-GM diets³. Since then, Sainsbury and Safeway (Britain's second and fourth largest retailers) have told Greenpeace that from June their own-brand chicken meat will also all have been produced using non-GM feed⁴. The rest of the market is certain to follow these moves.

It is also likely that branded meat producers will follow, and that the non-GM feed moves will gradually be extended to other animal products (eg pork, beef and dairy).

Good news for UK farmers

These moves will help give food markets in the UK back to UK farmers, who will be in a much better position than foreign competitors to supply consumers' and retailers' requirements.

Non-GM is rapidly becoming the majority of feed in Britain, giving economies of scale in supply, and hence cheaper non-GM production than is possible elsewhere. Meat farmers outside Britain will have to supply a separate, specialist product using non-GM feed for their exports to the UK - which will be much more expensive for them. Meanwhile, of course, those overseas suppliers will have to meet exactly the same high standards of non-GM feed as UK farmers - and will be required by retailers to show certificates to prove that their animals are fed non-GM diets.

Asda commented when it announced its own non-GM feed plans that "If the rest of the industry follows Asda's example, costs incurred by suppliers when segregating one retailer's grain from another's will be dramatically cut... If other retailers follow suit,

¹ Press statement from Tesco on moves to remove GM animal feed, January 2001

² PhoneBus polling by Asda - sample of 1007 people, reported in Asda News Release - 26/01/01

³ Tesco press release, 19/1/01, 'Non-GM animal feed'; Asda news release, 26/1/01, 'Asda begins conversion to non-GM animal feed'

⁴ Sainsbury letter to Greenpeace, 6/4/01, 'Non GM poultry feed', Safeway meeting with Greenpeace, 18/5/01

non-GM animal feed will become the industry standard, and the premium charged for it will diminish, as will the costs to retailers and producers"⁵.

Industry sources estimate that the demand for soya just from Tesco and Asda - together with associated soya bought by their suppliers - accounts for 50-70% of UK soya consumption. And since then, the position is even stronger, with Sainsbury and others also coming on board.

As one Lincolnshire farmer wrote in Farmers Weekly, "This is an ideal opportunity for British farmers to grab a bigger share of the food sold in supermarkets and an opportunity to tilt the playing field in farmers' favour."⁶

A positive step towards the food of the future

Over the past few decades the emphasis in food production has been on large-scale, anonymous, undifferentiated production, in order to minimise the price of food. Recent food scares and public concern over the quality of food, along with diseases such as BSE and foot and mouth, have highlighted the problems with this approach to food production.

The trend now is very much towards letting consumers know where their food comes from, and letting farmers know where their inputs come from - what's known in the industry as 'traceability'. Safety, quality and responsiveness to consumer demand are beginning to take precedence over price.

In moving to guaranteed and verified non-GM feed supplies, British farmers will be taking an important step towards this new vision of production, and will be ahead of much of the world.

How much will it cost?

There has been some recent debate about how much more non-GM feed will cost. The answer is not much, and this extra should be picked up by retailers (not farmers) anyway.

Non-GM feed is not intrinsically more expensive than GM. While Monsanto and other biotech companies tell farmers that GM crops can be grown more cheaply or profitably, some recent studies indicate that this may not be the case, due to increased herbicide / pesticide requirements, lower yields than from conventional varieties, or higher seed costs⁷. Nor is testing the crops, or the necessary extra paperwork, necessarily expensive.

⁵ Asda news release, 26/1/01, 'Asda begins conversion to non-GM animal feed'

⁶ Robert Wilkinson of White House Farm, Branston Booths, Lincolnshire, 'GM soya ban good for UK', in Farmers Weekly letters, 23 February 2001

⁷ eg (i) A 2-year study by researchers at the Nebraska University Institute of Agriculture and Natural Resources showed Roundup Ready soyabeans yield 6%-11% less than non-GM varieties - and this reduction is due to the gene insertion process. [see Associated Press State & Local Wire, 17/5/00, 'Study shows genetically altered soybeans produce lower yields']; (ii) A survey of 800 Iowa farmers by the Leopold Center for Sustainable Agriculture at Iowa State University found that higher seed costs for GM maize and soyabeans outweighed any other economic advantages [See news release, 22/9/99, at www.leopold.iastate.edu/9-22-99gmor.html]; (iii) According to the OECD's annual report on the state of world agriculture, confusion about whether transgenic crops offer a clear benefit to farmers is arguably the biggest factor in whether these novel products will really take off. The report says that no overall conclusion on profitability can be made. With the exception of cotton, the profitability of herbicide-resistant crops has been mixed. This is partly because crops in some areas have required more spraying than expected. [see Agence France Presse, 26/4/00, 'Uncertain Outlook for Genetic Food, Says OECD Report']

There are also studies putting the other point of view - that GM crops are better for farmers. It is clear that the overall effect of GM on production varies between different growing regions, in particular depending on an area's weed and pest profile. Perhaps the conclusion that should be drawn is that the economic advantages to

Where extra costs have been incurred, they have arisen from suppliers having to handle small quantities of non-GM crops within a system that deals mainly in GM or mixed crops – losing the economies of scale. In January 2001, industry sources gave the on-cost for non-GM poultry feed as about £5 per tonne. However, this was when non-GM feed was supplied through specialist channels, while GM was the standard. As mainstream supply is switching over to non-GM, this cost will be coming down.

Greenpeace believes that responsible retailers must ensure that these extra costs do not fall on already-stretched farmers – and the largest retailers have publicly promised to do this:

- Tesco has recently discussed the matter with the National Pig Association, and according to an NPA statement, Tesco agreed that pig farmers will be “fully reimbursed” for any extra production costs incurred in supplying GM-free pigs⁸.
- Asda, when it announced its move to non-GM feed in January 2001, promised that it “will be supporting suppliers with any additional costs”⁹.
- Sainsbury's commented in August 2000 that “We are acutely conscious of the potential impact that sourcing identity preserved non GM animal feed could have on British farmers and growers”¹⁰.

Recent research by the NFU was flawed

In April 2001, the National Farmers' Union (NFU) released research it had commissioned from Rodolphe de Borchgrave of Arcadia International, an economist based in Brussels¹¹. Although this research made some useful data available, it contained significant flaws, resulting in an over-estimate of the on-cost of non-GM feed.

The basis of the research was theoretical economic analysis, and it made some incorrect assumptions about how non-GM feed can be achieved in practice. In particular, it only looked at soya crushed into meal in the UK, whereas the current demand is actually being met by Brazilian crush, which is cheaper. Also, it assumed inclusion of US maize gluten feed in all diets, which (although it can be used in some formulations) is not actually necessary for pig or poultry, and excluding it brings down the cost significantly.

For example, the theoretical research reckoned on a premium on Brazilian soya of \$18.60 (10.6%), whereas in practice, Brazilian exporter Bunge is selling it at a premium of \$4-6 (2.3-3.4%)¹².

When the research was presented on 11th April¹³, Monsieur de Borchgrave's presentation was followed by one from Neil Griffiths of Cert ID, who works within the food and agriculture industry, and gave a more practical view¹⁴. Mr Griffiths argued that non-GM feed is achievable at very little extra cost, and the question should be more “can British producers afford NOT to use non-GM feed?”.

Not only was the NFU's data flawed, its interpretation was incorrect. The study looked at the extra costs at different stages of the supply chain, but did not examine who would actually pick them up. One conclusion of the study was that percentage cost increases were higher for farmers (5-7% extra on the cost of feed, according to the NFU / Arcadia

farmers of GM crops only occur in some cases, not all - and this of course is assuming that farmers can actually find markets for them.

⁸ Reported by Independent Farm Business News, 28/5/01

⁹ Asda news release, 26/1/01, ‘Asda begins conversion to non-GM animal feed’

¹⁰ letter from Sainsbury's to Greenpeace Bristol local group, 14/8/00

¹¹ Rodolphe de Borchgrave, Arcadia International, ‘Economics of GM-free policies for feed / meat in the UK, 16/3/01

¹² pers.comm. between Greenpeace International and Bunge Global Markets

¹³ Presentation on non-GM animal feed issues, organised by MAFF, 11/4/01, at Thistle Westminster Hotel

¹⁴ Neil Griffiths, Cert ID, ‘The practicalities and costs of meeting consumer demand for non-GM fed meat’

figures) than for consumers (1-2% extra on the cost of meat); based on this, the NFU worried that this would mean more burden for farmers than for retailers or consumers. However, even if these figures were accurate, in fact the opposite interpretation should be drawn. The reason for the drop in percentage on-cost from farmer to consumer is the mark-up through the chain. If consumers pay just 1-2% extra for their meat, this premium can be passed back up the chain to cover the extra 5-7% cost to farmers. And as we have noted, retailers have committed to pay farmers extra to cover their costs.

However, while disagreeing with some of the detail and the conclusions, Greenpeace welcomes the NFU's involvement in the debate on the practicalities of non-GM feed, and strongly agrees with the NFU that any costs must not fall on farmers. Greenpeace believes that non-GM animal feed can be an opportunity for farmers rather than a cost.