

Agri-Trade FORUM

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a quarterly newsletter from the International Food & Agricultural Trade Policy Council

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.

IPC Calendar

January 16 - 28: IPC Staff in Thailand, Laos, Cambodia and Vietnam for consultations on Capacity Building Program

May 21-22: 35th IPC Plenary Meeting, Washington, DC

May 23: IPC Plenary Seminar, Washington, DC



Biosafety Protocol ...continued

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. *Dr. Kalaitzandonakes' study can be found at*

www.agritrade.org.

Issues in South American Agriculture

The 34th IPC Plenary Seminar, “Issues in South American Agriculture,” was held October 25, 2004 in Buenos Aires. The seminar featured addresses from Roberto Lavagna, Argentine Minister of Economy and Production and Martín Redrado, President of the Argentine Central Bank and former Secretary of Commerce and International Economic Negotiations.

In the morning sessions, speakers discussed ongoing trade negotiations on the regional and multilateral levels. The afternoon sessions focused on the trade implications of developments in biotechnology, the Cartagena Protocol on Biosafety, and animal health and welfare policies.

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“The agricultural sector is the engine of Argentina’s economy”

- Claudio Sabsay, Undersecretary of Agriculture, Argentina
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Speakers asserted that governments must provide a supportive economic environment if a country is going to be successful in trade. Juan Forn, CEO of Molinos Rio de la Plata and Raul Padilla, President and CEO of Bunge Argentina, named predictable and stable macroeconomic policies, reliable infrastructure and logistics, and a strong, consistently enforced legal framework as essential elements of this supportive environment.

Lavagna and Redrado expressed the Argentine government’s commitment to creating a strong economic environment for the agricultural sector to succeed in. Redrado stressed his commitment to generating a permanent set of domestic policies that will allow sustainable economic development of the agricultural sector in Argentina. He noted that Argentina is facing significant economic adjustment, but contended that Argentina is better prepared to face adjustment than in the past.

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

Presidential elections in the US: Implications for Agricultural Trade

On November 10, the IPC's European office hosted a seminar in Brussels featuring IPC Chairman, Robert L. Thompson; Vice Chairman, Piet Bukman; IPC Member Rolf Moehler and Charles Hanrahan, Senior Agriculture Specialist at the United States Library of Congress, to discuss the US Presidential election's implications for agricultural trade.

Thompson highlighted several factors that will influence the President's position on agricultural trade: 1) The farm lobby is strong and will be active as debate on the 2007 Farm Bill begins. 2) Agricultural spending must be reduced by \$2 billion over the next two years. 3) Bush must now consider his legacy rather than re-election, which might encourage him to promote freer trade and multilateralism.

Thompson stressed that Congressional elections are just as important as the presidential election. Congress will have to decide next year on extension of Trade Promotion Authority for another two years, and discuss whether the US will remain in the WTO at all. Influential supporters of special agricultural interests from both parties have been elected, which could result in reluctance to support a progressive trade agenda in Congress. Hanrahan contended that agriculture would not be a priority for the Bush administration before 2006 when a new Farm Bill must be written. In the meantime, the administration will continue to focus on security issues. Moehler asserted that today, success in all trade negotiations largely depends on a balanced agreement in agriculture. The European Union and the United States are closer than ever on many aspects of agricultural policy, but some areas of disagreement remain (e.g., GMOs), which have the potential to trigger a "culture clash" between the two giants.

If you wish to be notified of IPC Activities in Brussels, please send an email to agritrade@agritrade.org.



Meeting the challenge of feeding a growing world population

From remarks by IPC Chairman, Robert L. Thompson, in Syngenta Lectures, Issue 3, 2004.

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-erodible 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

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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.

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***Promoting an Open and
Efficient Food and Agriculture
System***

www.agritrade.org

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
Csàba Csàki, Hungary
Devi Dayal, India
Pedro de Camargo Neto, Brazil
Luis de la Calle, Mexico
Cal Dooley, United States
Franz Fischler, 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
Guy Legras, France
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Donald Nelson, United States
Joe O'Mara, United States
Nèstor Osorio, Colombia

Michel Petit, France
Per Pinstруп-Andersen, Denmark
Henry Plumb, United Kingdom
Marcelo Regunaga, Argentina
Eugenia Serova, Russia
Hiroshi Shiraiwa, Japan
Jiro Shiwaku, Japan
Jim Starkey, United States
Jerry Steiner, United States
Ajay Vashee, Zambia
Anthony Wylie, Chile
Jorge Zorreguieta, Argentina

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