EU Sustainability and GM legislation
Implications and challenges for trade

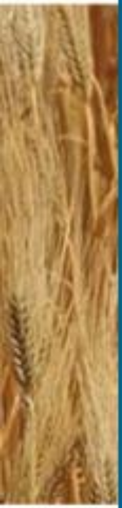
Australian Grains Industry Conference
Weathering risks: Creating opportunities

Dr. Teresa Babuscio
Secretary General
COCERAL

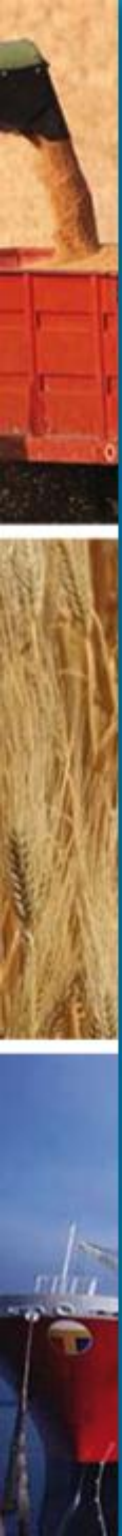
25-27 July 2011
Melbourne - Australia

Agenda

1. COCERAL facts and figures
2. EU trade flows: Supply & Demand
   - Soybeans & products derived thereof
   - Corn
3. EU and worldwide GM adoption
4. Impact of the asynchronous approval in EU and the “zero” tolerance policy
   - Technical Solution for GMOs not “yet” authorized in the EU
   - LLP policy for GMOs not authorized in the EU
5. Sustainability


1. COCERAL facts and figures



COCERAL – facts and figures

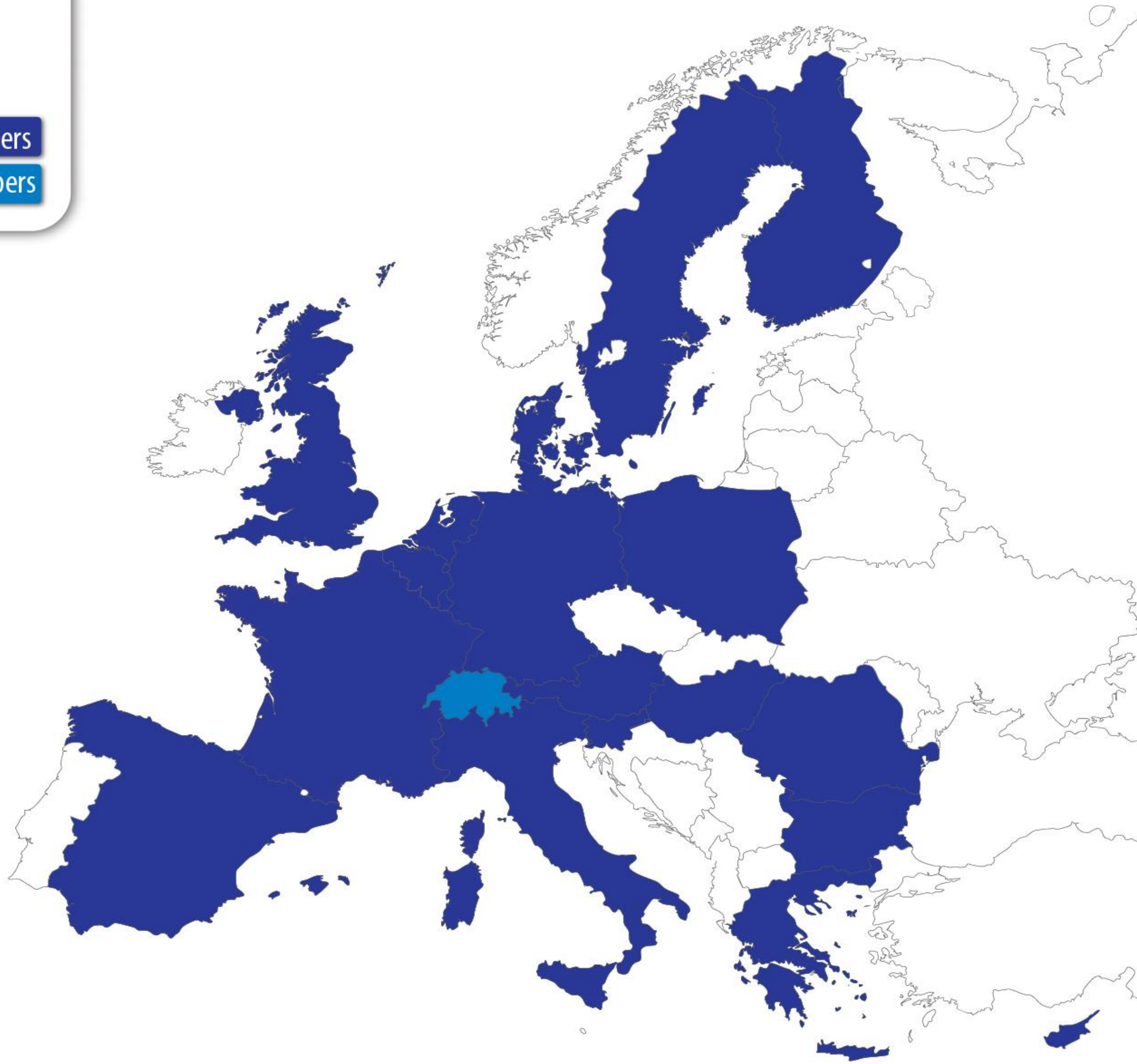
- COCERAL is the EU association representing the trade with cereals, oilseeds, feedstuffs, olive oil and agrosupply
- Founded in 1958
- Members are national associations representing grain merchants, storers and/or international traders
- 30 Member Associations in 19 countries + Unistock
- Associate Member
  - Switzerland
- Associate first processing associations
  - Euroflour
  - Euromalt
  - Euromaisiers

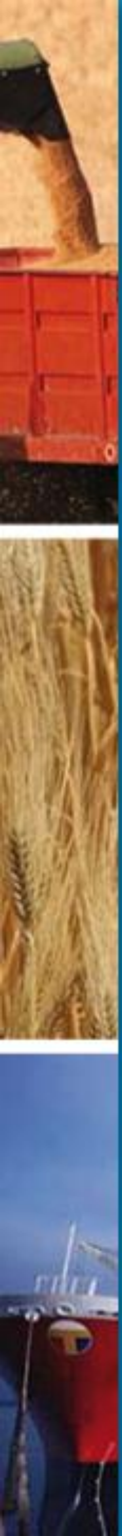
COCERAL

COCERAL Members

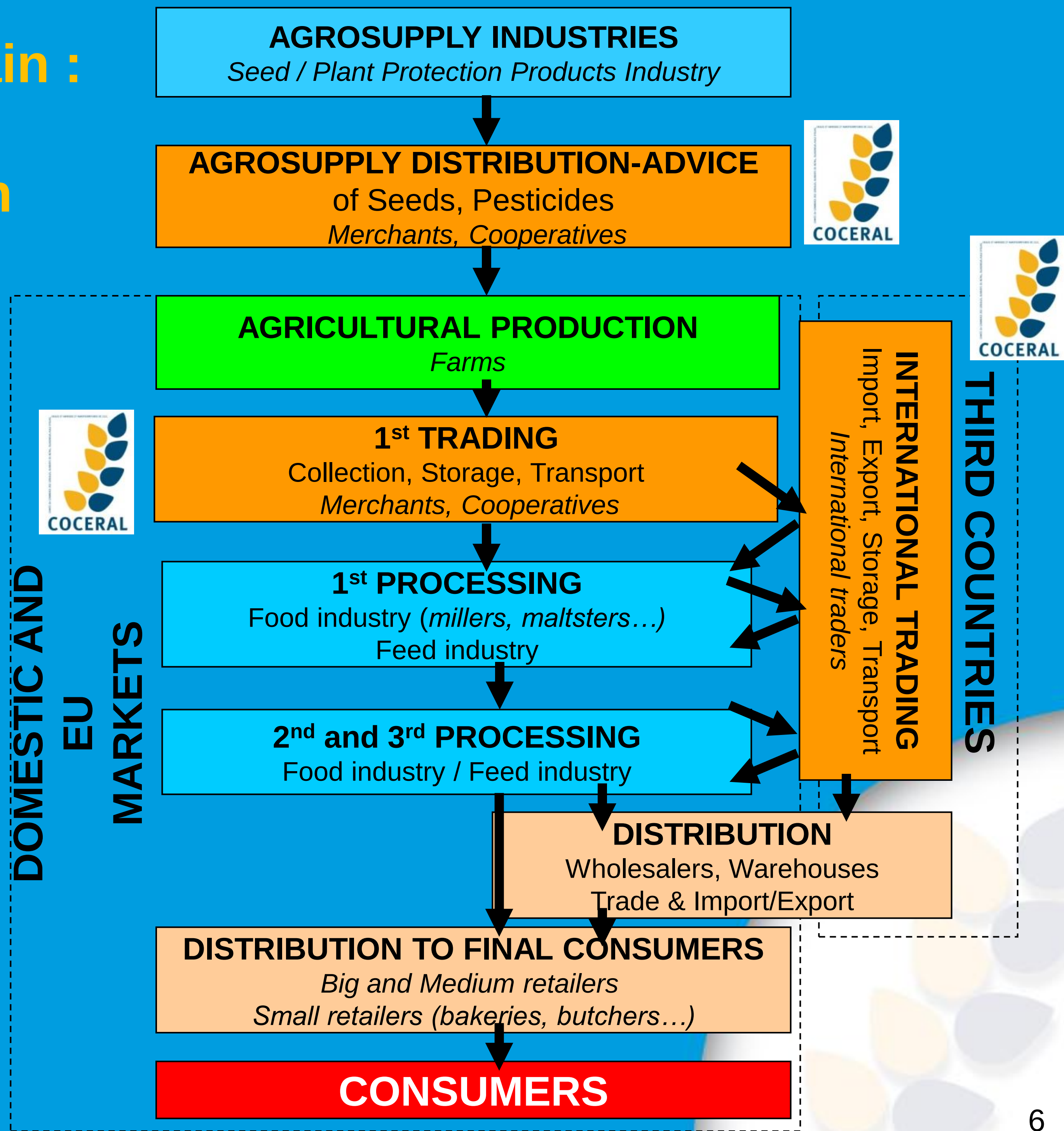
Associate Members

30 Member Associations
19 EU ountries
1 Associated in Switzerland





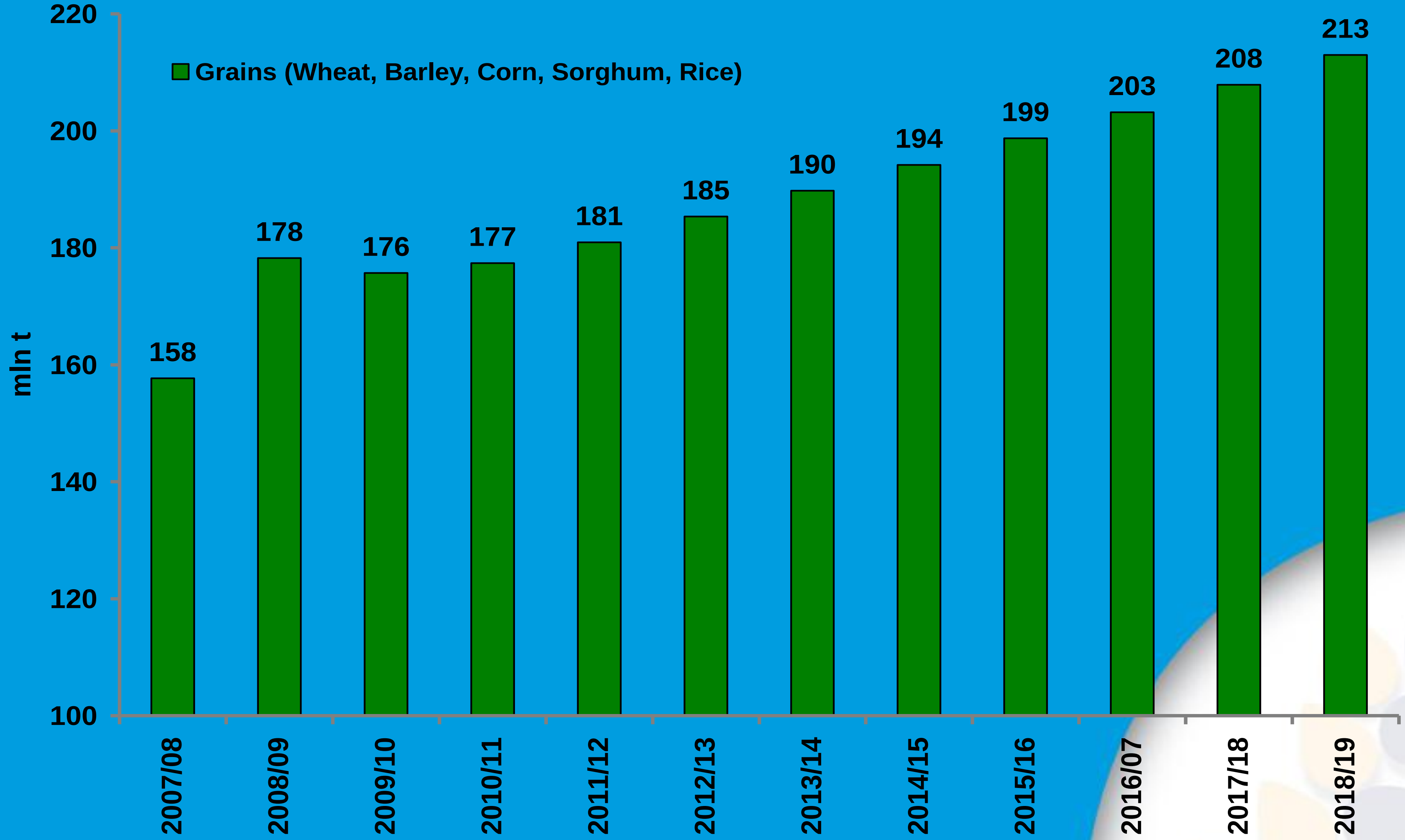
Food & Feed chain : COCERAL representation



Legend

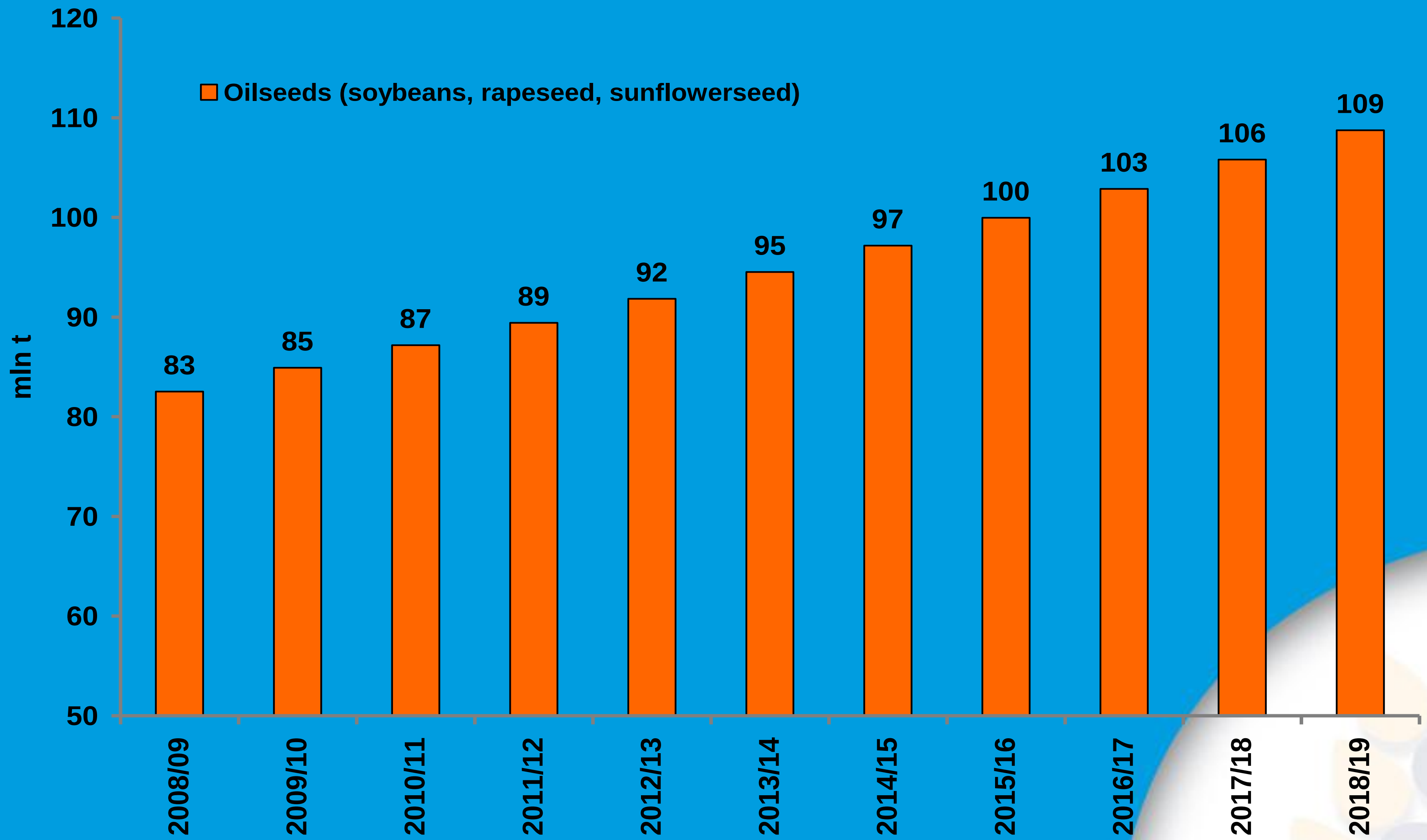
- **Production**
- **Trading** companies
- **Processing** companies
- **Distribution** companies

World Grain Trade



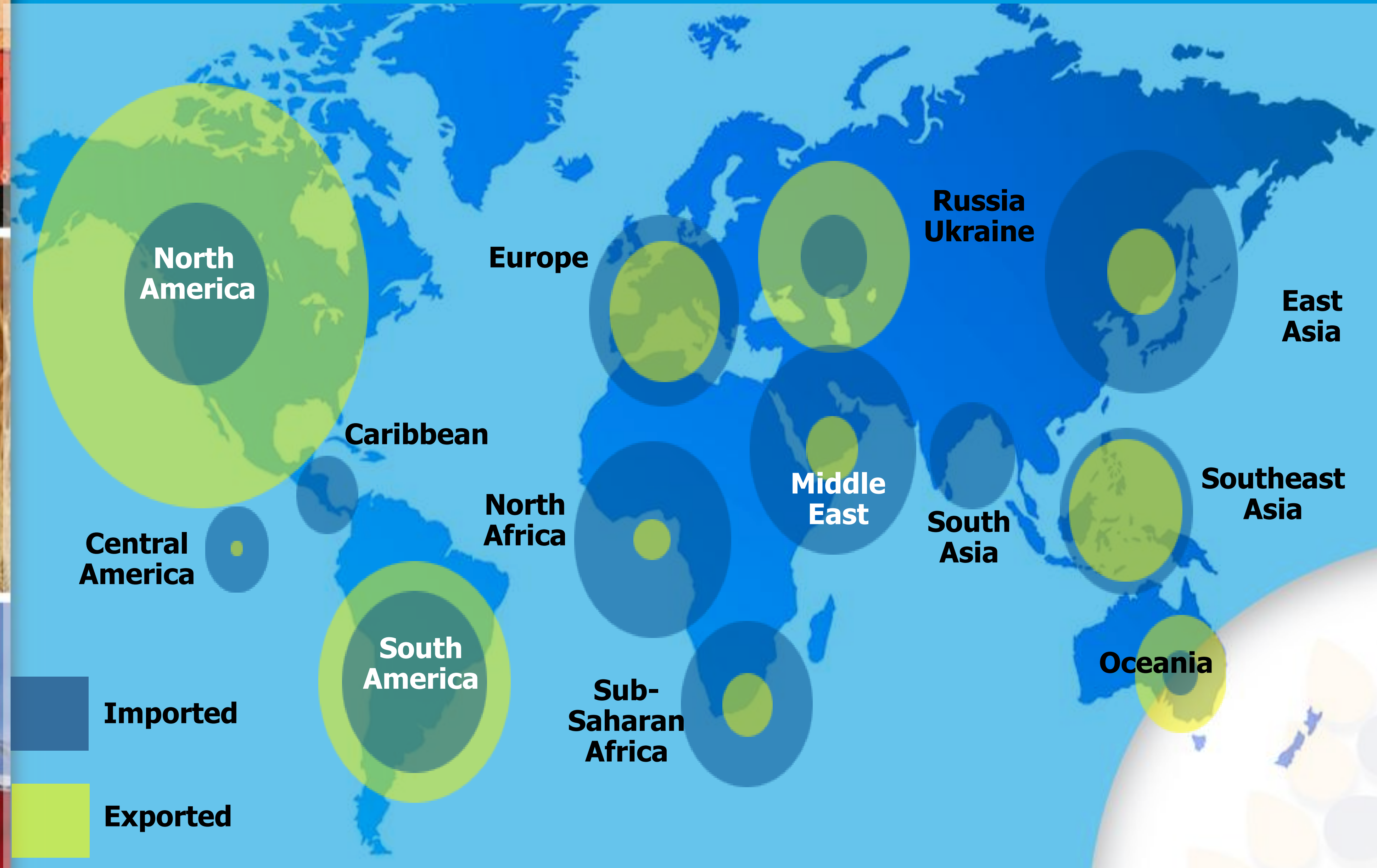
Source: USDA

World Oilseed Trade

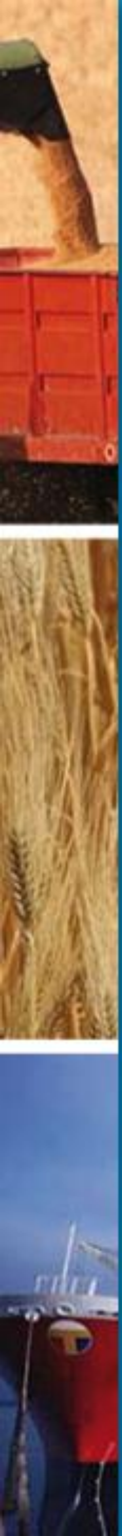


Source: FAPRI

Global grain trade today – buyers and sellers

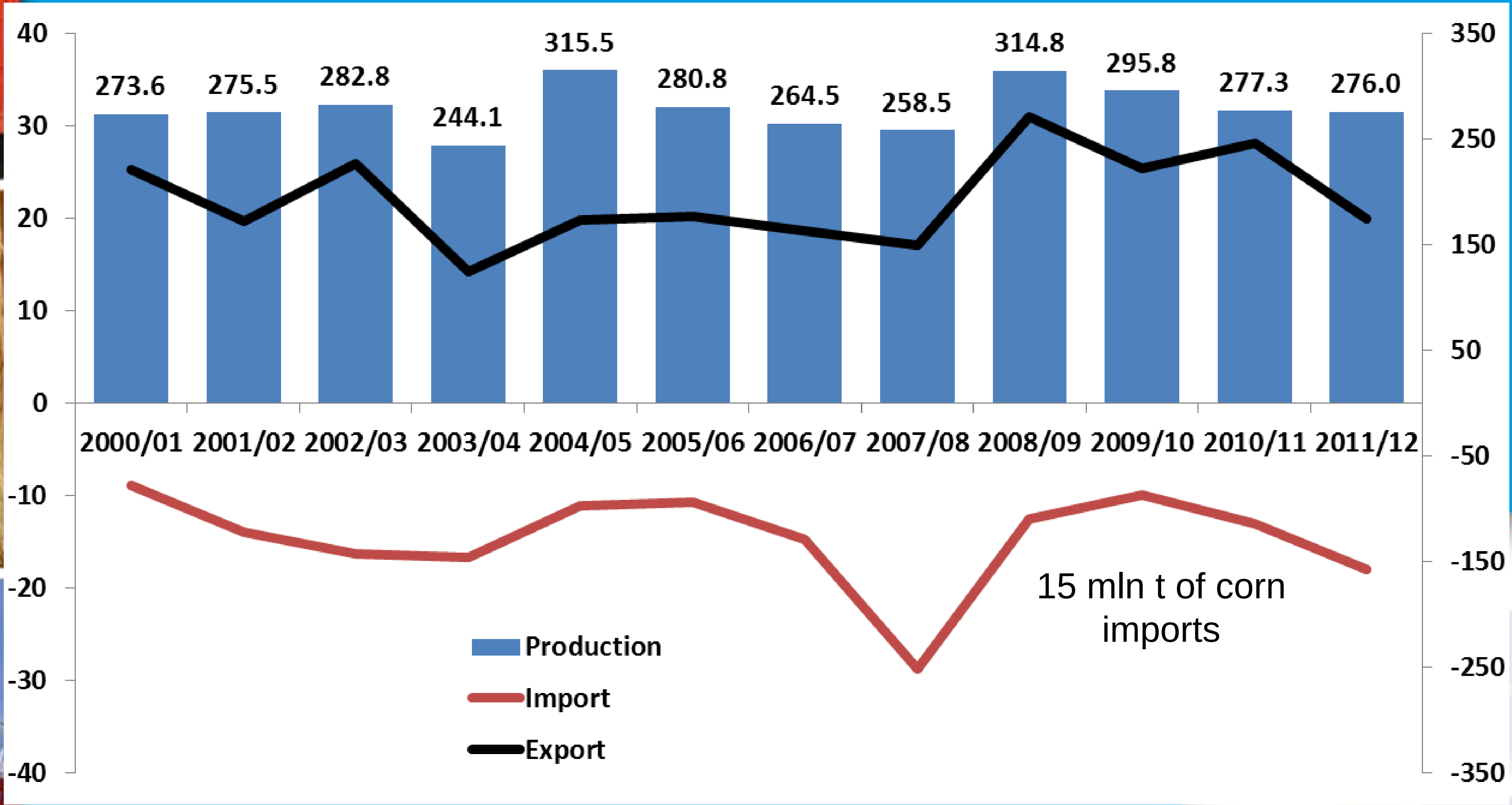


EU: GMOs and Sustainability



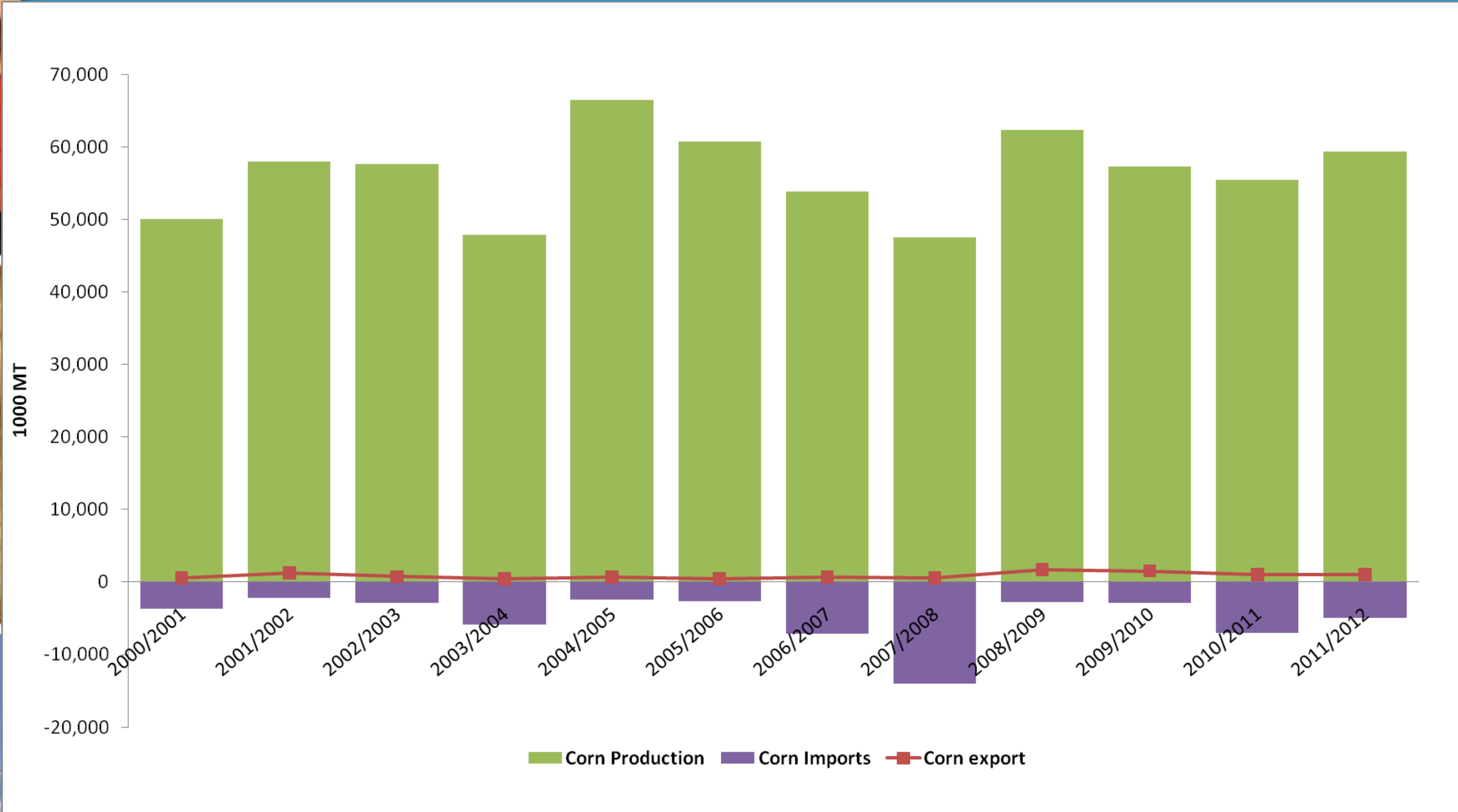
2. EU trade flows: Supply & Demand

EU-27: Grain Supply and Demand (mln t)
Brazil the major corn supplier to the EU



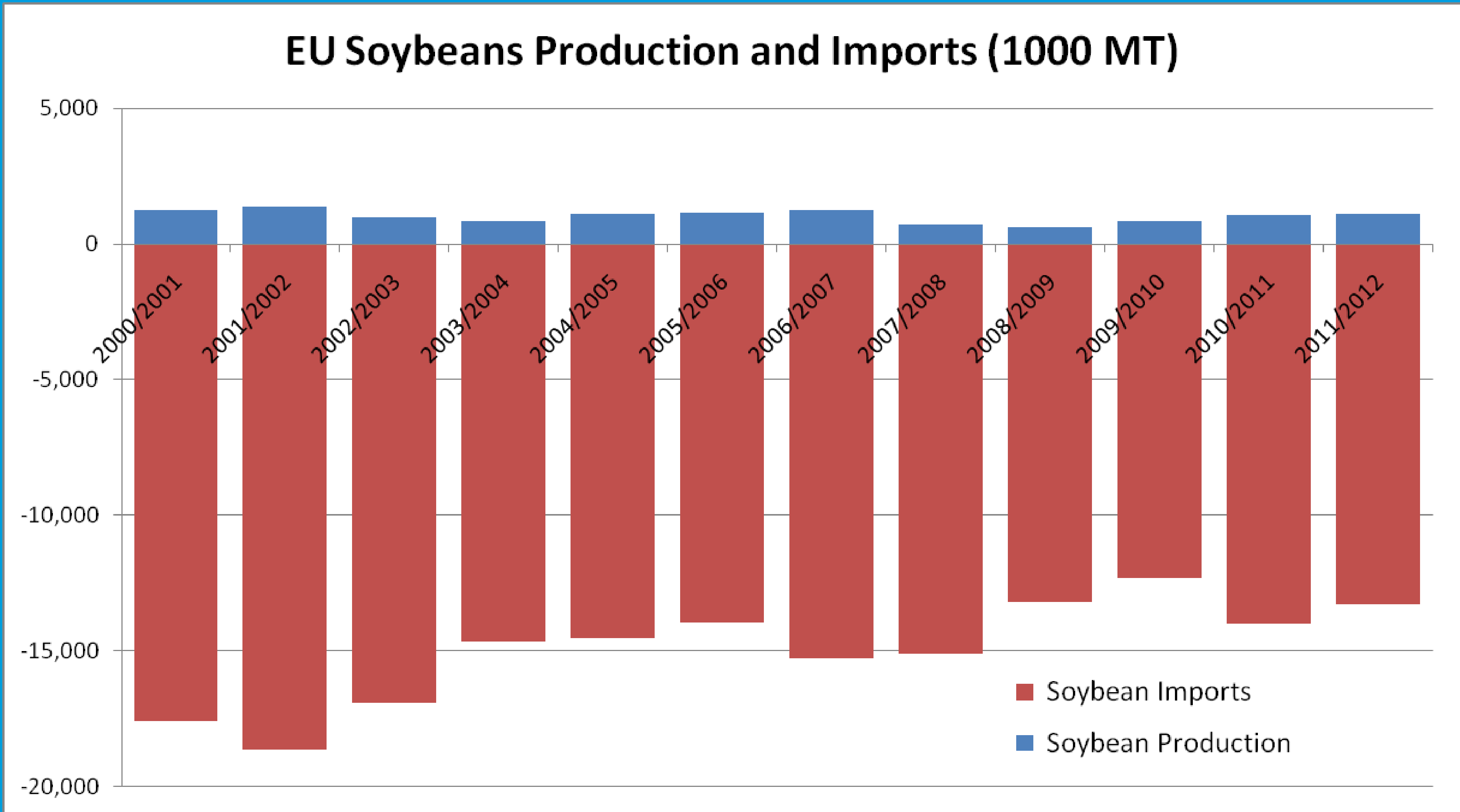
Source: USDA, ACTI

EU-27: Corn import – production – export

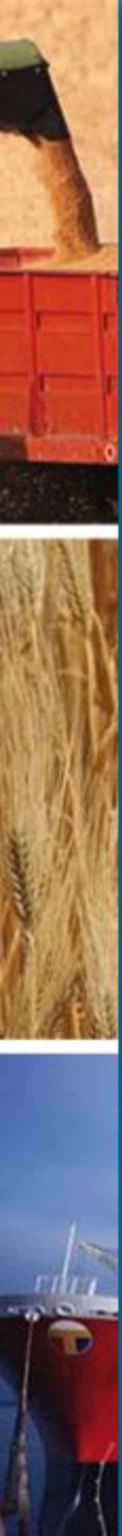


Source: USDA

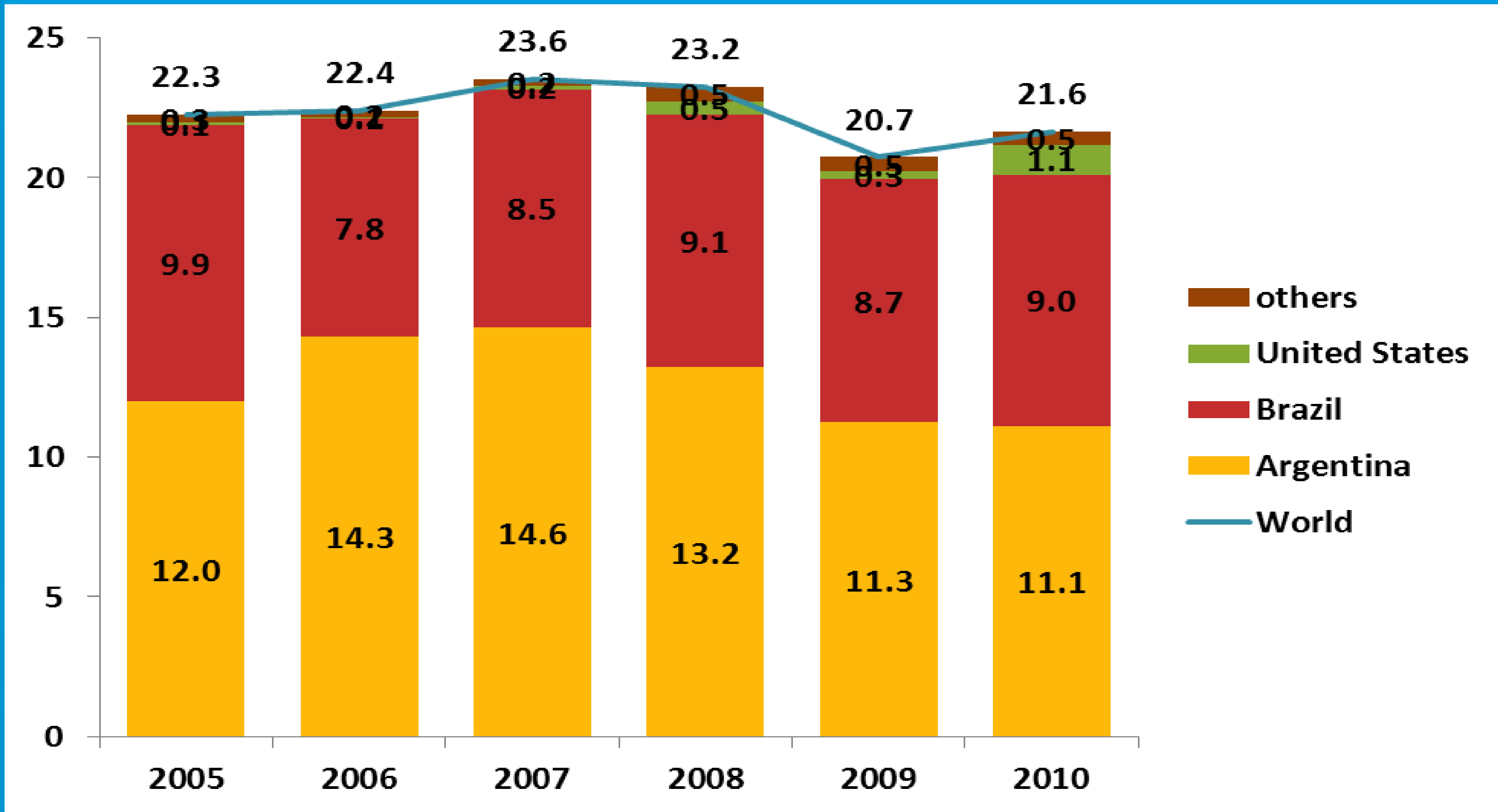
EU-27: 2nd largest Soybean Importer (mln t)
EU accounts for 15% of global imports; China for 60%



Source: USDA

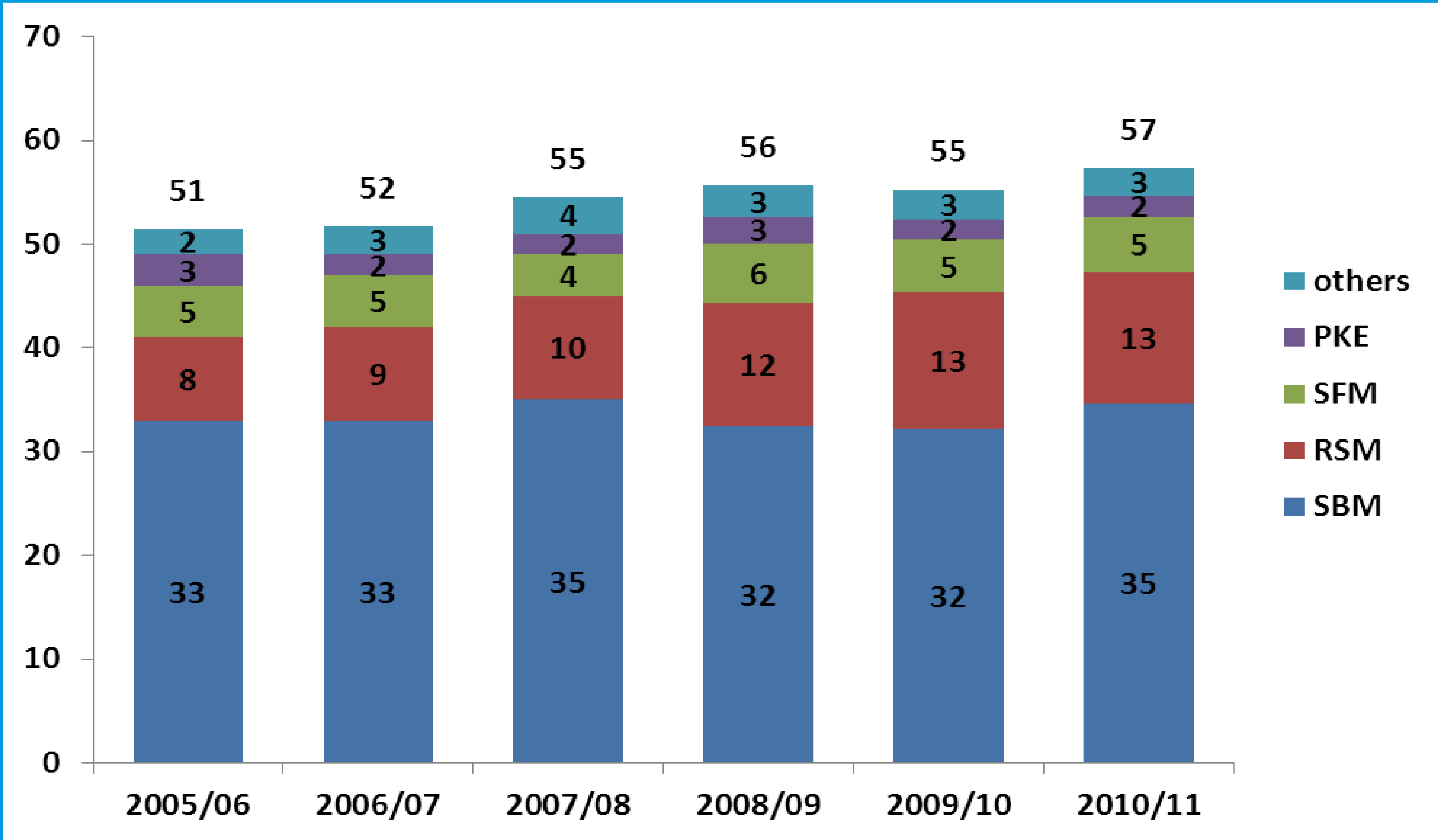


EU-27: Largest Soybean Meal Importer (mln t)



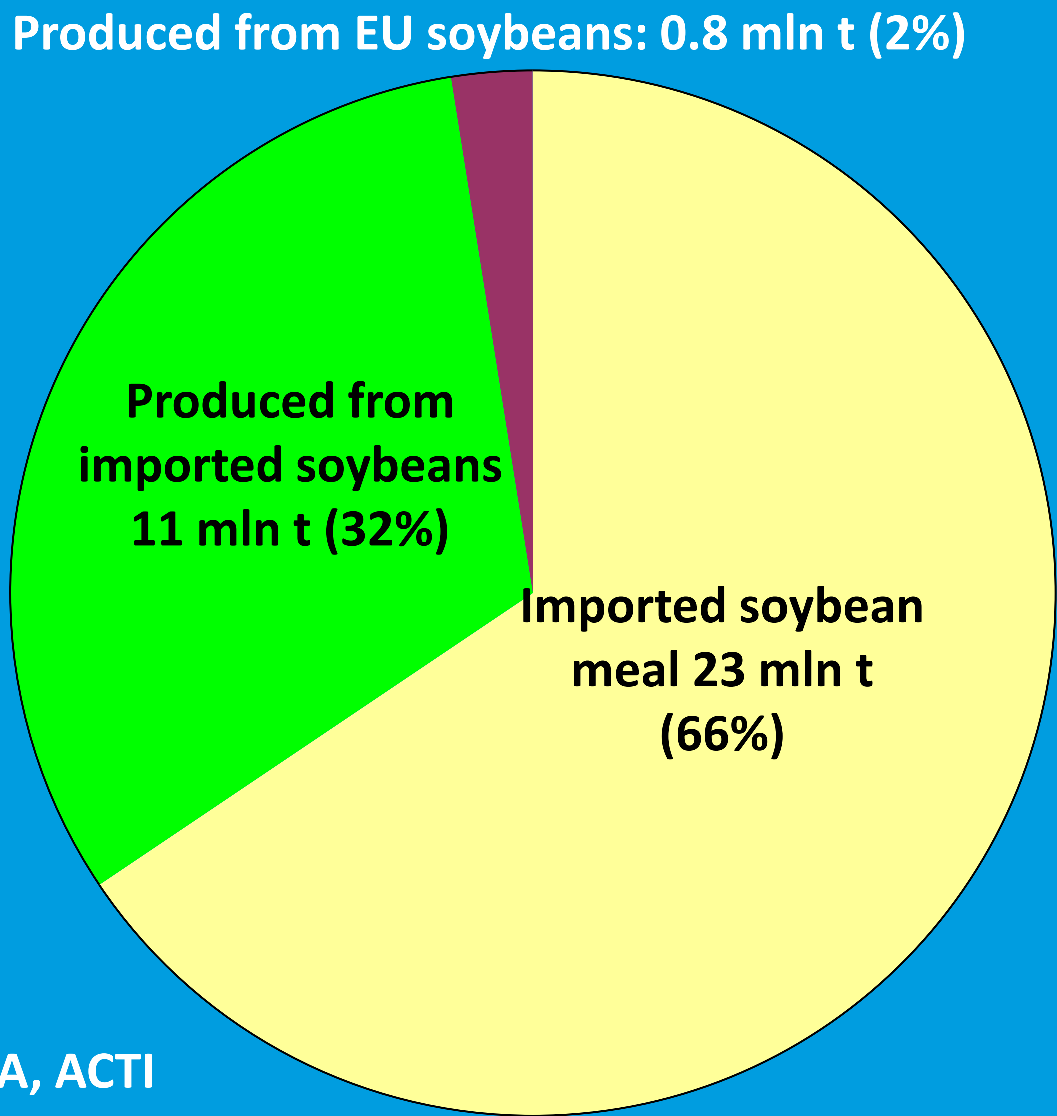
Source: GTIS

EU-27: 2nd largest Oilmeal Consumer (mln t)
EU accounts for 20% of global demand; China for 25%



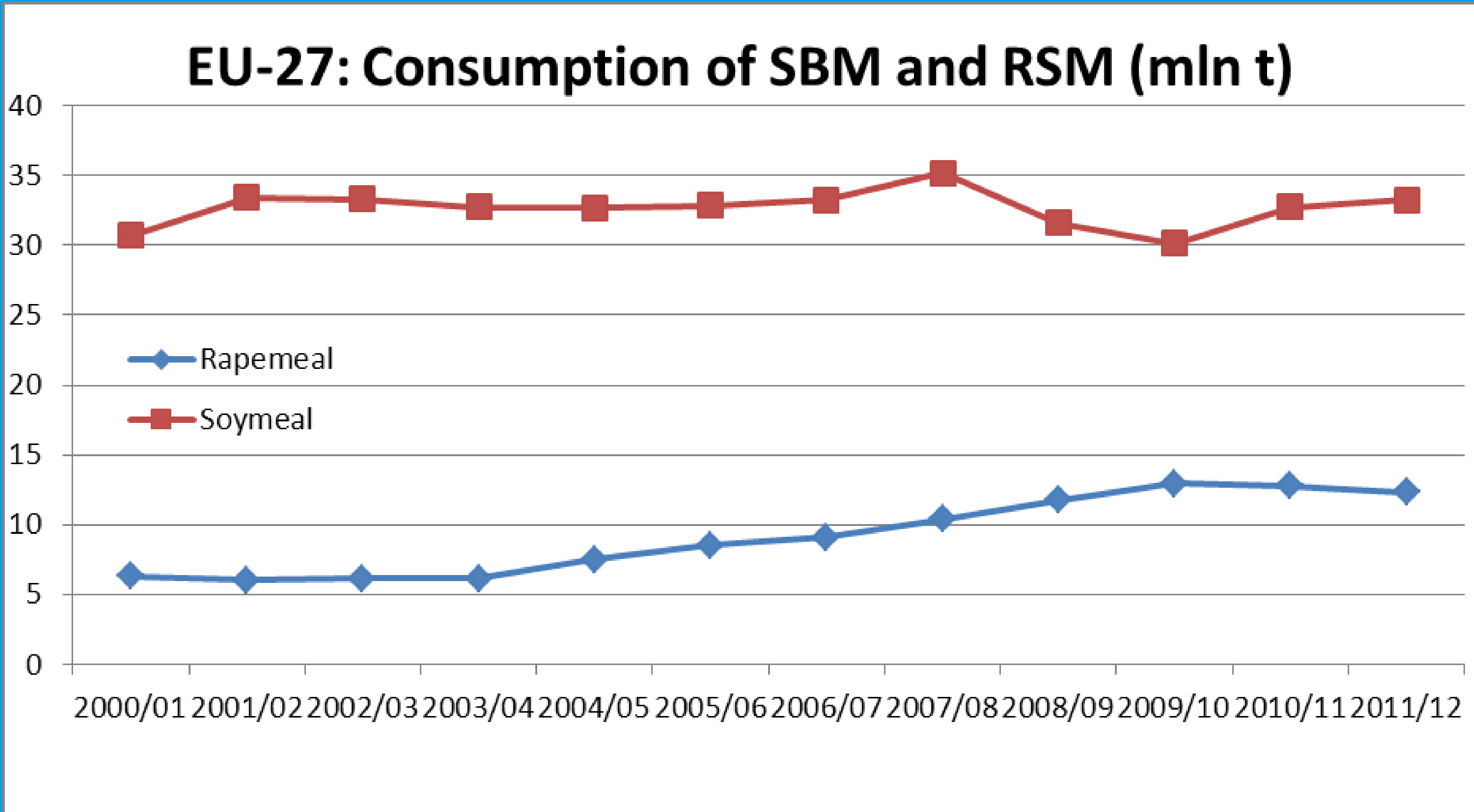
Source: USDA, OilWorld, ACTI

EU-27: Consumption of 35 mln t Soybean Meal
- Imports and Domestic production -



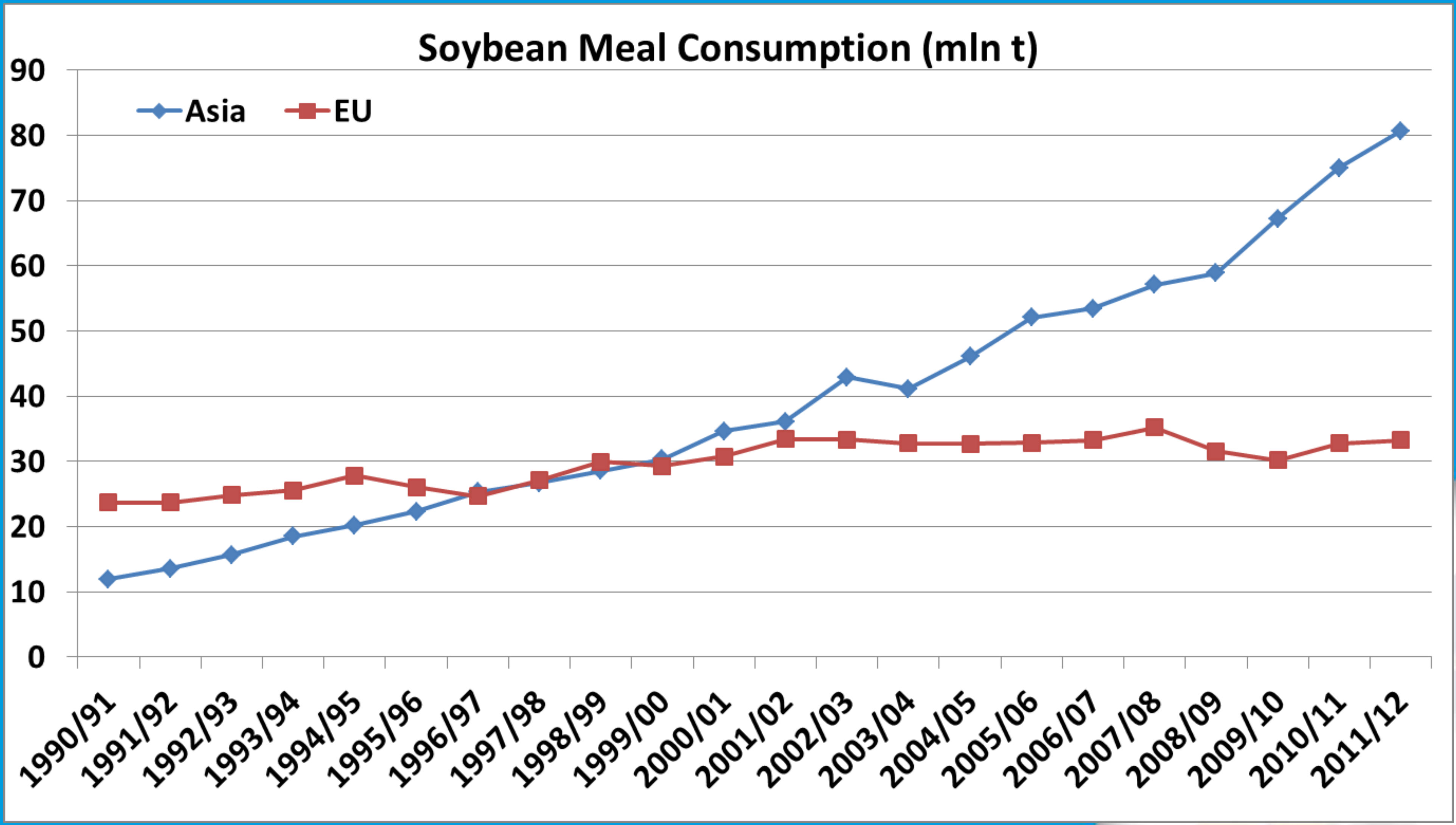
Source: USDA, ACTI

EU -27: Rapeseed meal consumption doubled, while soybean meal demand remained relatively stable



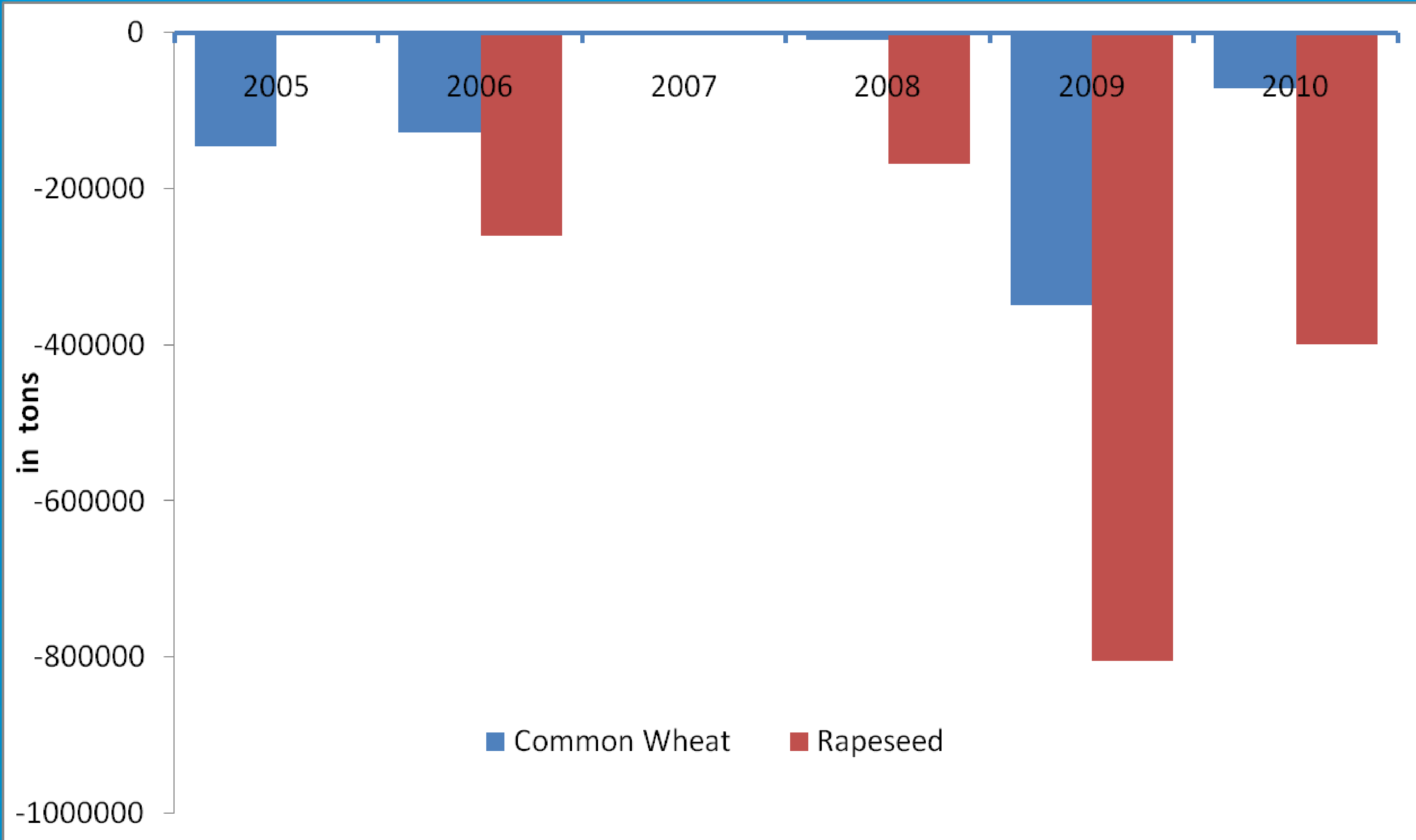
Source: USDA

EU -27: Soybean meal consumption slightly growing
Asian soybean meal demand shows strong growth



Source: USDA

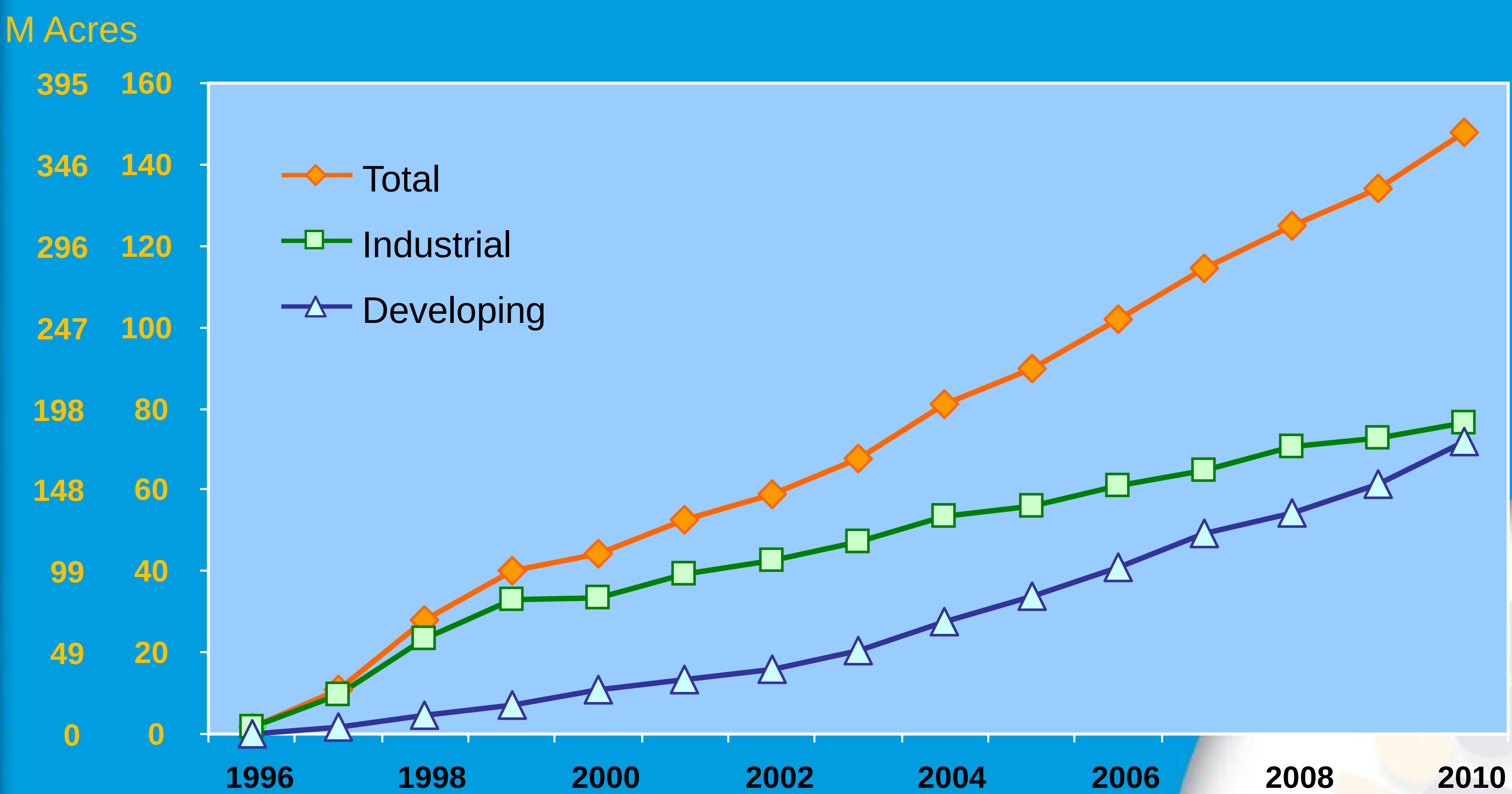
EU -27: import from Australia – main commodities



Source: United Nations, Comtrade

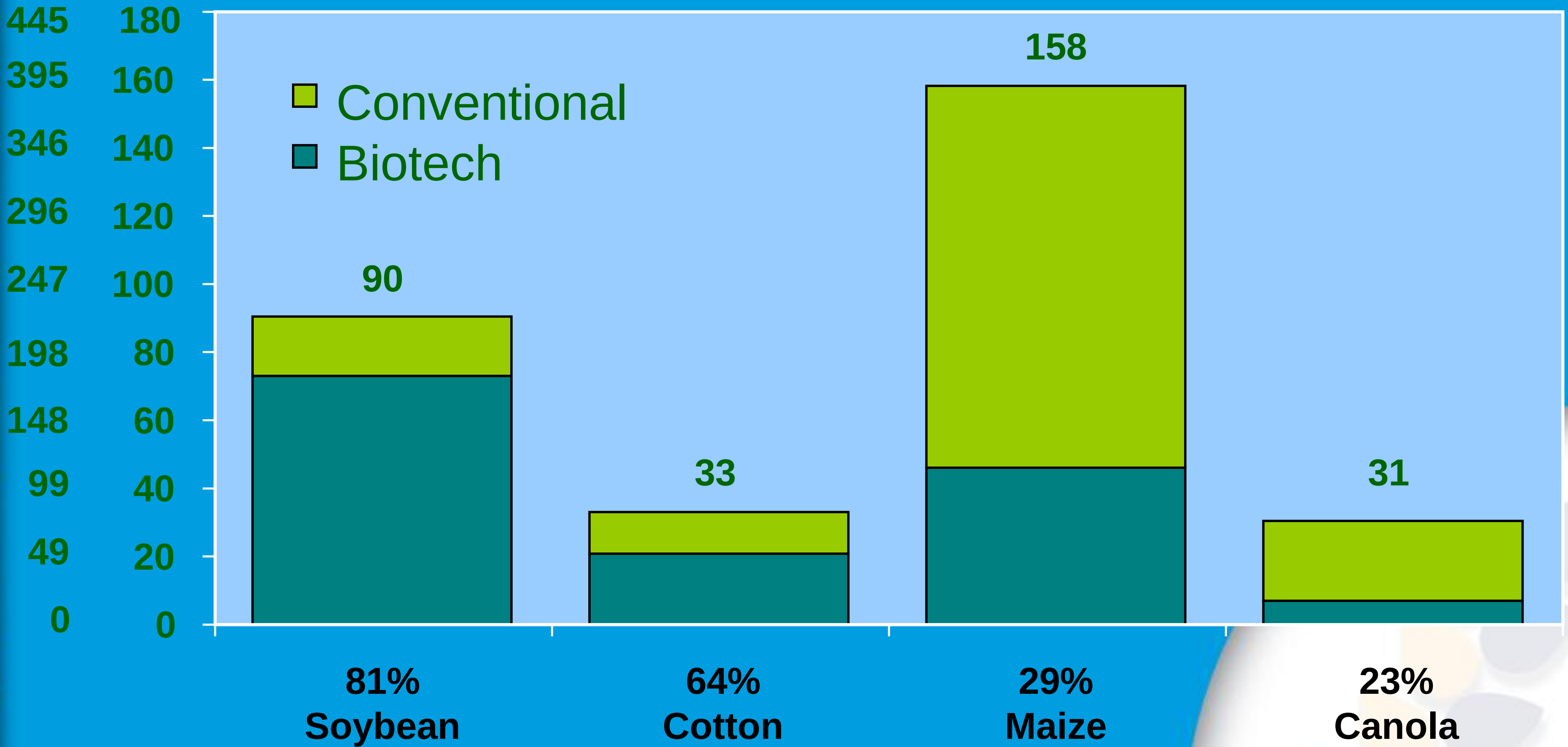
3. EU and worldwide GM adoption

Global Area of Biotech Crops, 1996 to 2010: Industrial and Developing Countries (M Has, M Acres)



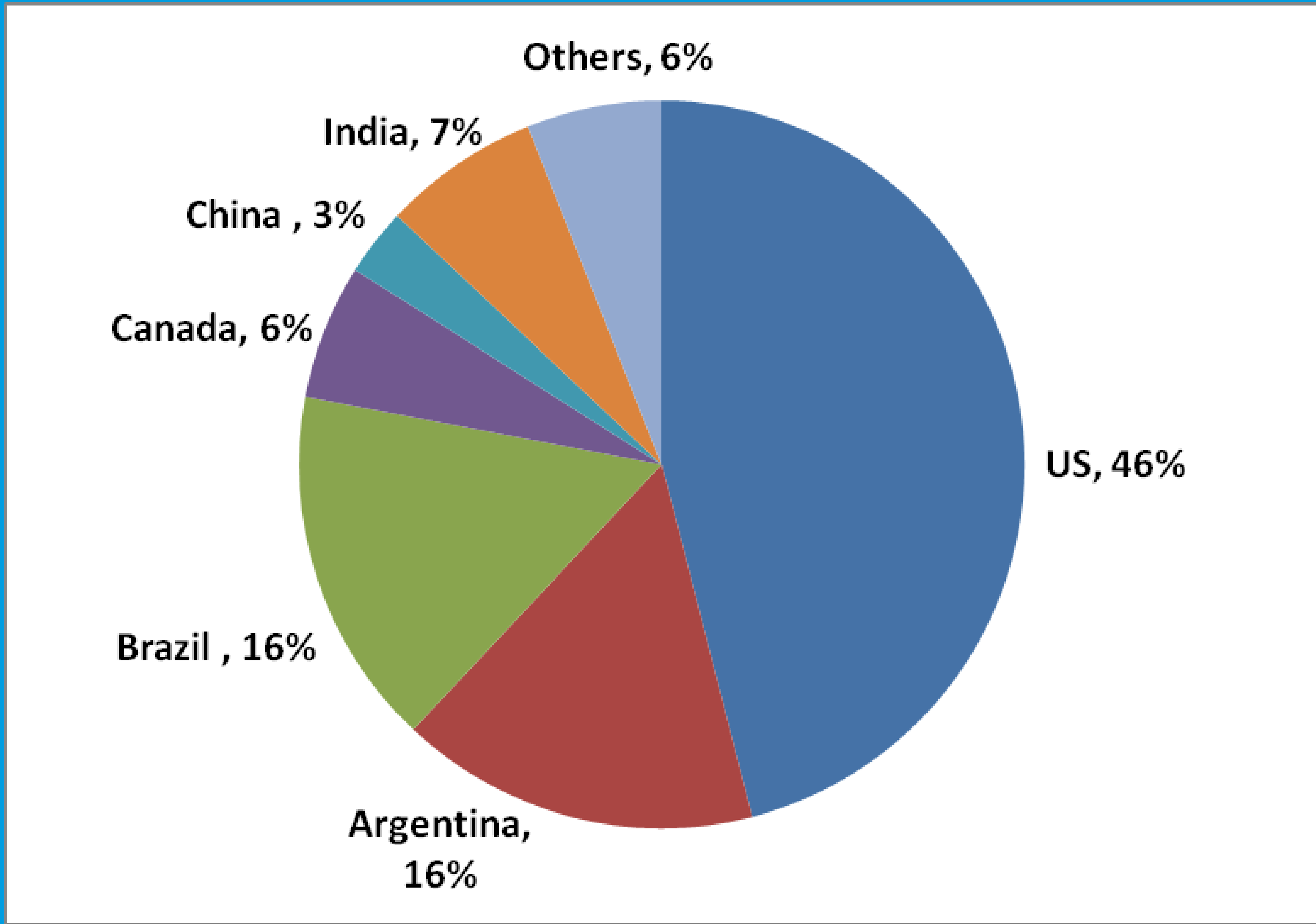
Source: Clive James, 2010

Global Adoption Rates (%) for Principal Biotech Crops (Million Hectares, Million Acres), 2010

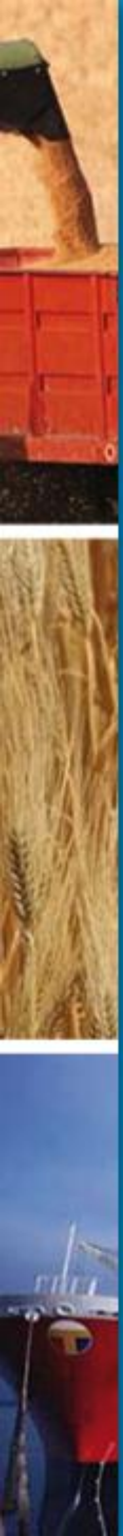


Source: Clive James, 2010

Global Biotech crops plantings 2009 by country



Source: ISAAA



4. Impact of the asynchronous approval in the EU and the “zero” tolerance policy

The EU vulnerability to the asynchronous approval of GM events and the "zero" tolerance policy

- Rapid growth in the use of GM technology in 3rd countries
- EU dependency of imports of maize, soybeans and products derived thereof from 3rd countries (only 2% of SBM from domestically grown soybeans):
  - (Almost) no maize imports into the EU from the US since 1997
  - 6 mln t of CGF/DDG imports reduced to almost zero;
  - 2010/11 shows a recovery to about 1 mln t, but 2011/12 problematic again

Which events may cause problems for EU importers?

USA: Corn MIR 162 (Syngenta), Enogen (Ethanol corn from Syngenta)
BRAZIL: Corn MIR 162 (Syngenta) ; Soybean (BASF/Empraba), Soybean Liberty Link A5547-127 (Bayer)

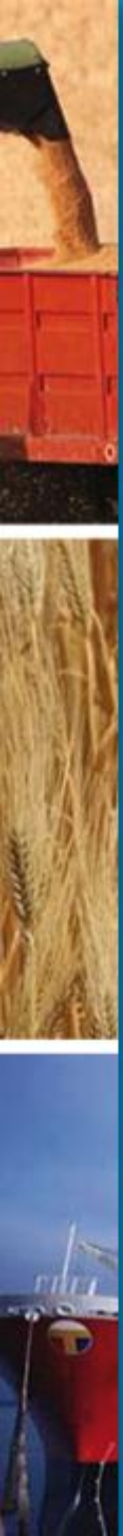
Technical Solution for minutes traces of GMOs not yet authorized in the EU

The partial feed-only Technical Solution

- **For feed only**: first step in the right direction BUT incomplete solution, it must include food and 'other uses'
- **Technical adjustment**: 0.1% + uncertainty factor per single GM event
- **Main prerequisites**:
  - valid application submitted to EFSA
  - Quantitative detection method;
  - Reference material validated by Joint Research Center (JRC)

The TS applicable to the following classes of GM events

- **GM events not yet authorized in EU**:
  - **List of covered GM events:** http://ec.europa.eu/food/dyna/gm_register/index_en.cfm
- **Current Discontinued Events**: GM events for which the authorization has expired
  - Scope of the original authorization: **food, feed and other uses**
  - Authorization **limited to feed only**
- **Future Discontinued Events:** GM events for which an authorization will expire
  - "Overnight" inclusion of future Discontinued GM Events
  - NO phasing out policy before being subject to the TS



Low Level Presence policy for GMOs not authorized in the EU
- A long-term strategy -

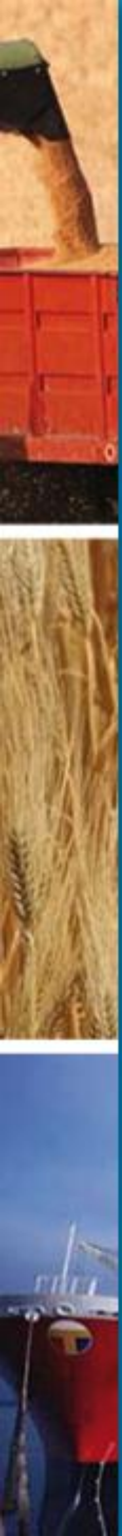
EU dependency to 3rd countries import:

- Soybeans
- Soybean Meals & Oils
- Corn

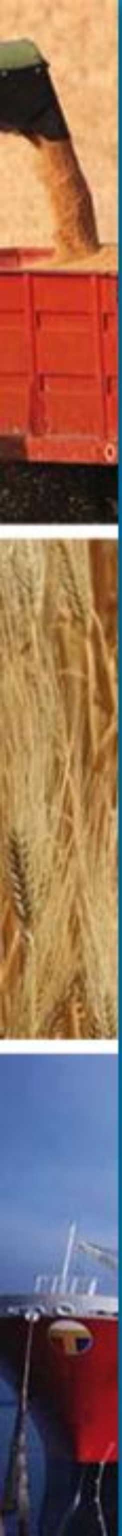
The Technical Solution it's a good step into the right direction, however

- Food needs to be included within the scope of the Technical Solution
- A Technical Solution in not enough: EU Food and Feed Business operators need to achieve more legal certainty
- Viability for the supply of raw materials in the EU and legal certainty for the operators to be achieved by establishing a comprehensive long-term strategy:

Robust LLP policy for GMOs not authorized in Europe in food and feed based on a workable threshold

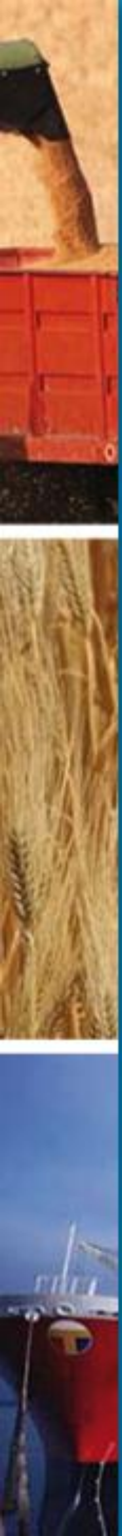


5. Sustainability

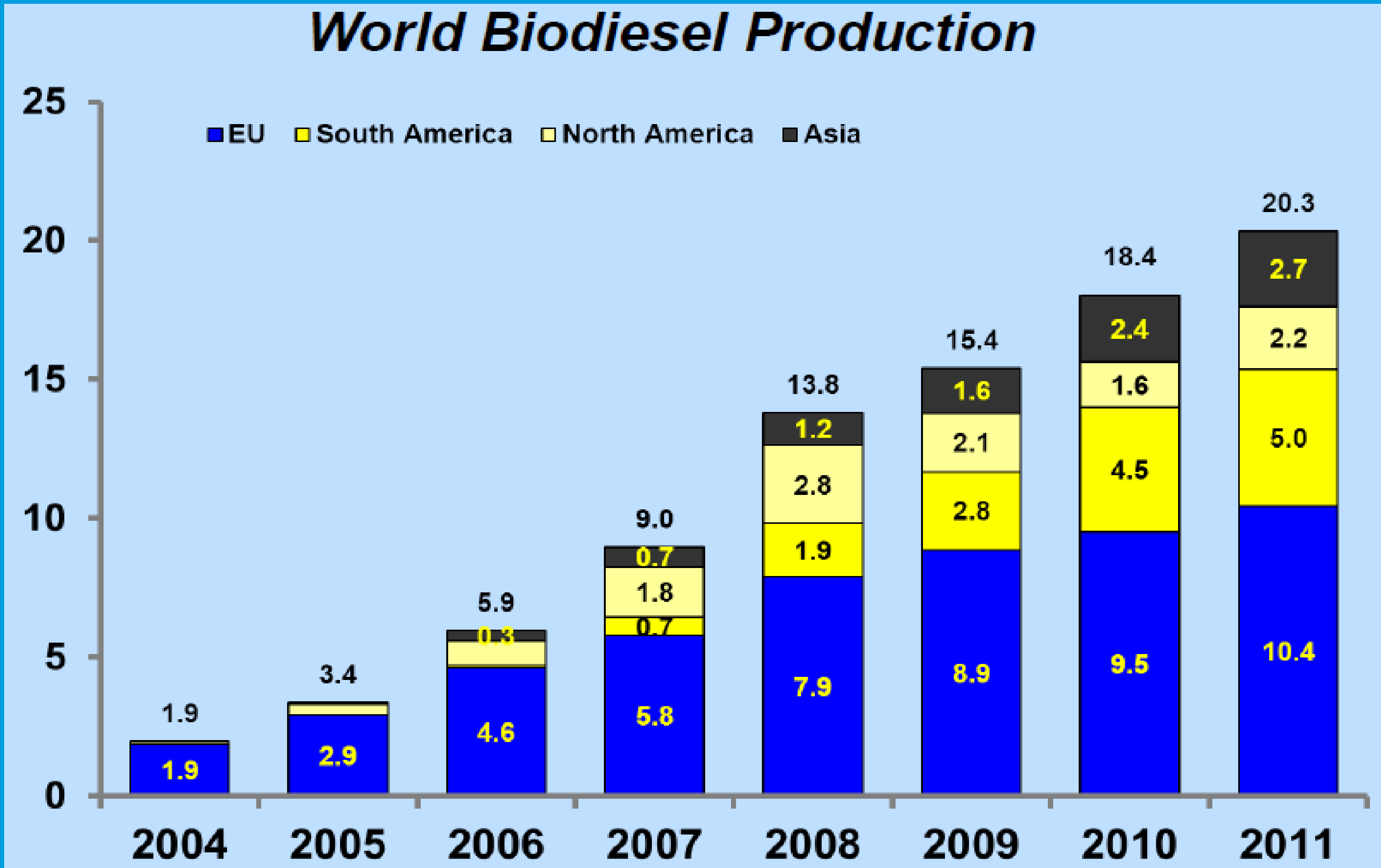


EU Legislative Framework for biofuels and sustainability

- Directive 2009/28 [Renewable Energies Directive] sets EU targets for renewable energies by 2020:
  - 20% share of energy from renewable energies
  - 10% share of renewable energies in transport [each Member State is free to set its own penalty system]
- Compliance with sustainability criteria is necessary condition for biofuels to account toward the 10% target
- Directive 2009/30 [Fuel Quality Directive] sets environmental specifications for fossil fuels
  - 6% reduction of GHG emissions by 2020 for fossil fuels

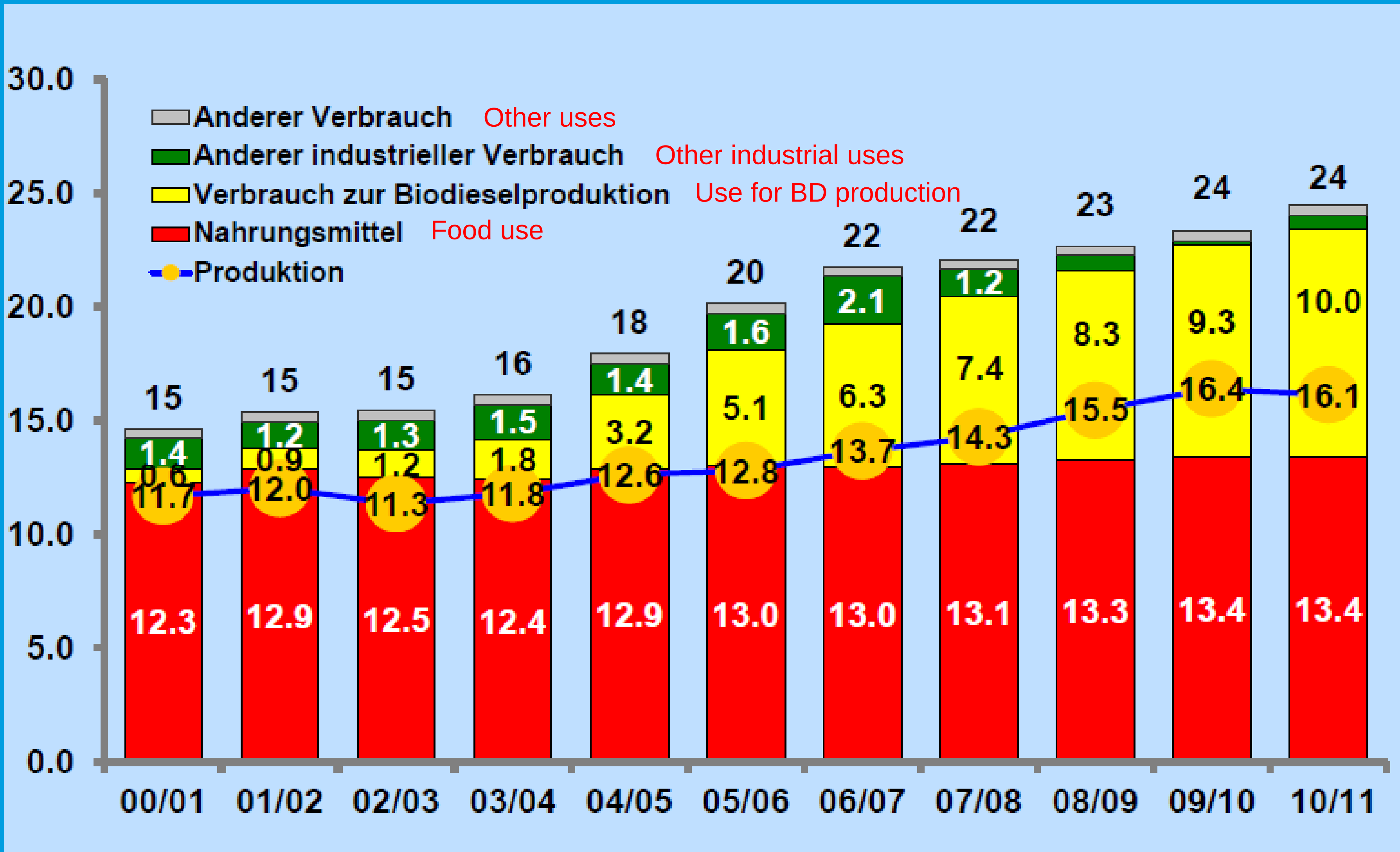


World Biodiesel Production (mio t)



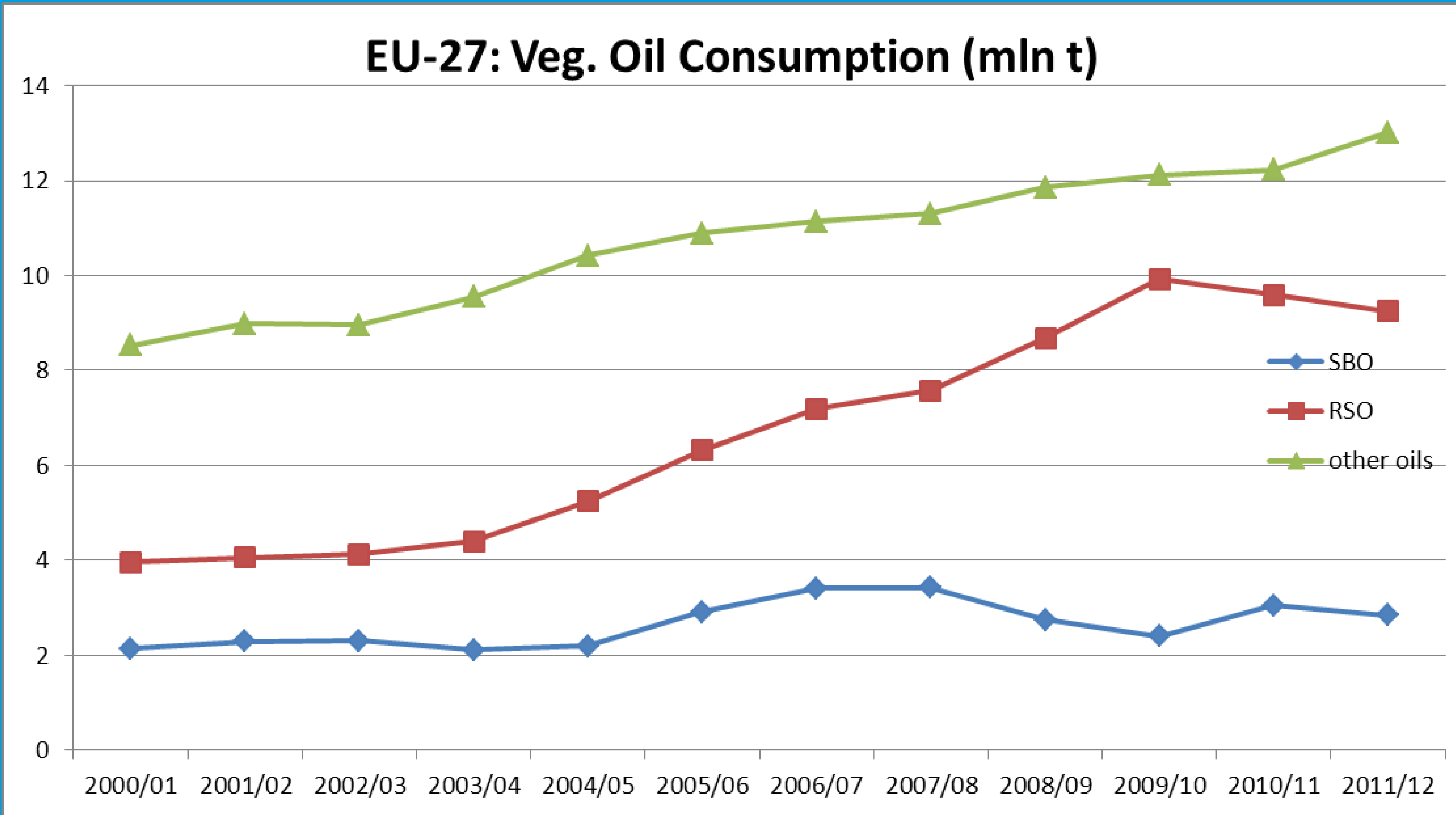
Source: FO Licht - Toepfer

EU use of vegetable oil for biodiesel production (Mio t)



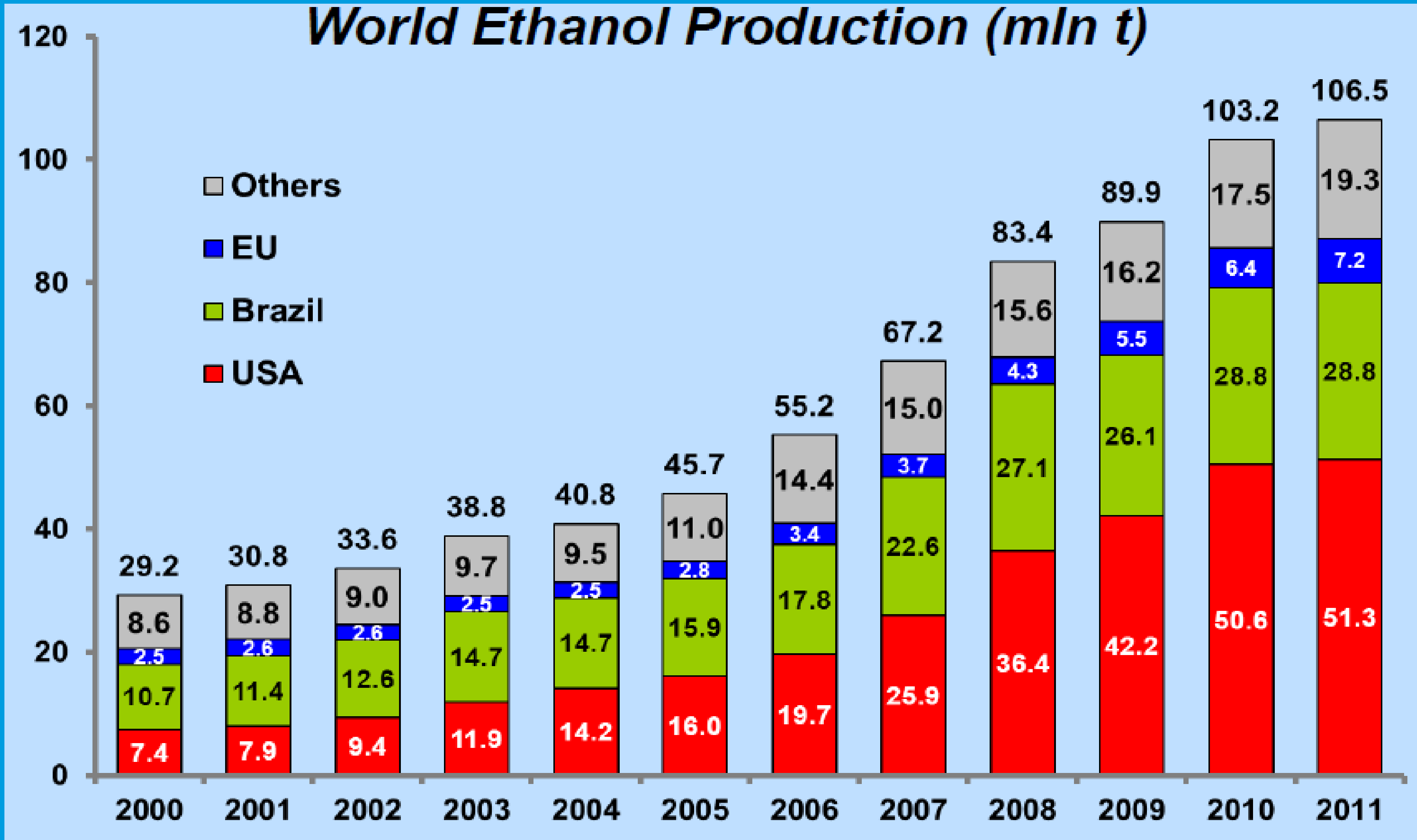
Source: USDA, FO Licht - Toepfer

EU -27: Biodiesel Production drove increase in veg. Oil use
EU production of rapeseed & rape oil more than doubled

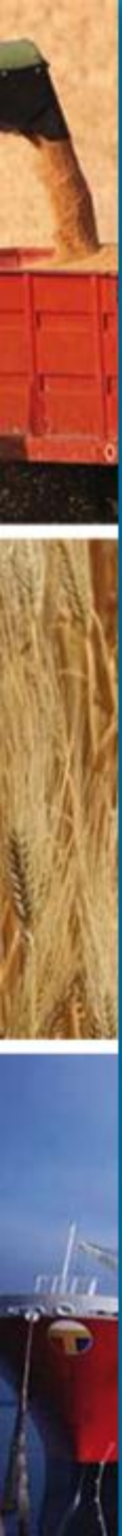


Source: USDA

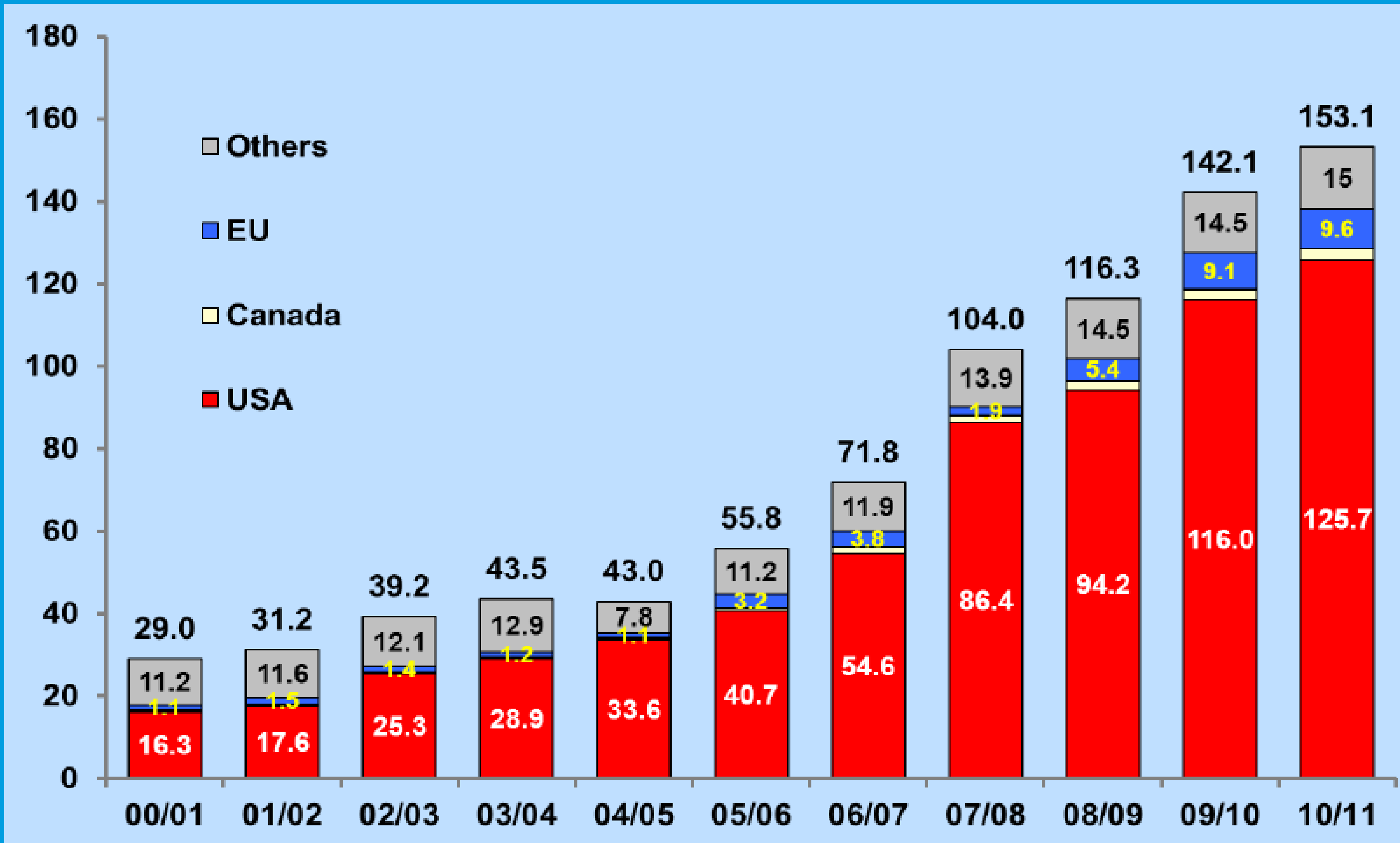
World Bioethanol Production



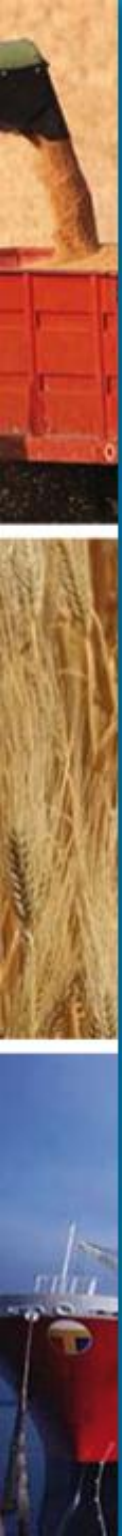
Source: FO Licht - Toepfer



World Grain Use for Ethanol (mio t)



Source: ACTI, USDA - Toepfer



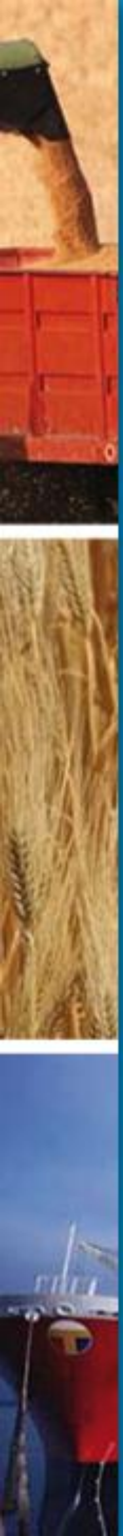
Main feedstocks used for biofuels production

Biodiesel

Main Origin	Main feedstock
USA	Soy + UCO + tallow
Canada	Canola
Argentina	Soy
Europe	Rape (70-80%) Palm (8-15%) Soy (8-15%) Sun (1-2%)
Asia	Palm

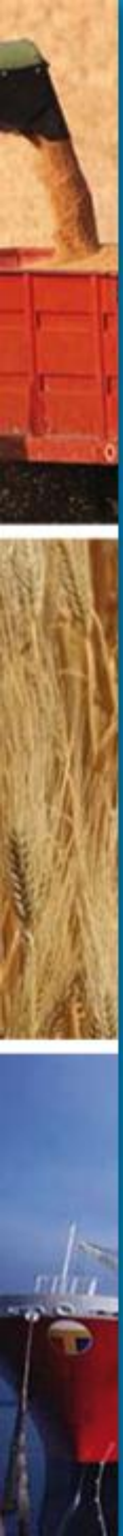
Bioethanol

Main Origin	Main feedstock
USA	Maize
Brazil/Central America	Sugarcane
Africa/MEO/Asia	Sugarcane + melasse
Europe	Wheat (35-40%) Maize (15-20%) Barley (1-4%) Rye (4-6%) Wine (1-3%) Sugarb. (30-40%)
Asia	Sugarcane + melasse + cassava



EU Renewable Energies Directive: Implementation timeline

- Entry into force December 5th 2010
- 3 ways to demonstrate compliance
  - **Voluntary schemes**
    - 7 adopted by the EU – officially valid as of mid-August
    - 18 more under evaluation
  - National measures
    - A few MS have transposed legislation
  - Bilateral agreement:
    - Not foreseen by Commission in the short term BUT
    - Very preliminary discussions started



Sustainability information
BIOFUELS

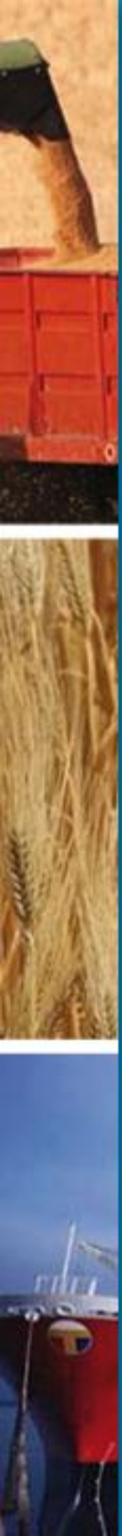
- **Guarantee at least 35% of GHG emissions savings**
  - Default (Annex V Directive – Update expected but not scheduled)
  - Or Actual (need for GHG calculators, so far not included in any voluntary scheme)
- **Feedstock sourced in compliance with land use criteria and not coming from NO-GO areas such as**
  - High biodiversity areas (forests and grasslands)
  - Definitions of “highly biodiverse grassland” ongoing: proposal likely in September
  - High carbon stocklands and peatlands
- **Cross-compliance with the Common Agricultural Policy if produced in the EU**

Mass Balance system:

  - Site level
  - Relevant time period
    - 3 months as common rule for voluntary schemes
    - Commission accepts up to 1 year

Challenges

- Equivalence among voluntary schemes
- Practical recognition of voluntary scheme at national level (though mandated by Directive)
- Lack of harmonization at EU level
  - No mutual recognition between member states
  - Different progress in transposition process
- Double counting feedstock (wastes and residues): lack of common definition, no positive list available
- Fossil fuel baseline and review default values
- Indirect Land Use Change



Thank you for your attention!

Website: http://www.coceral.com

E-mail: secretariat@coceral.com