IGTC
International Grain Trade Coalition

IGTC perspective on Low Level Presence (LLP)

GMCC 2015
Amsterdam

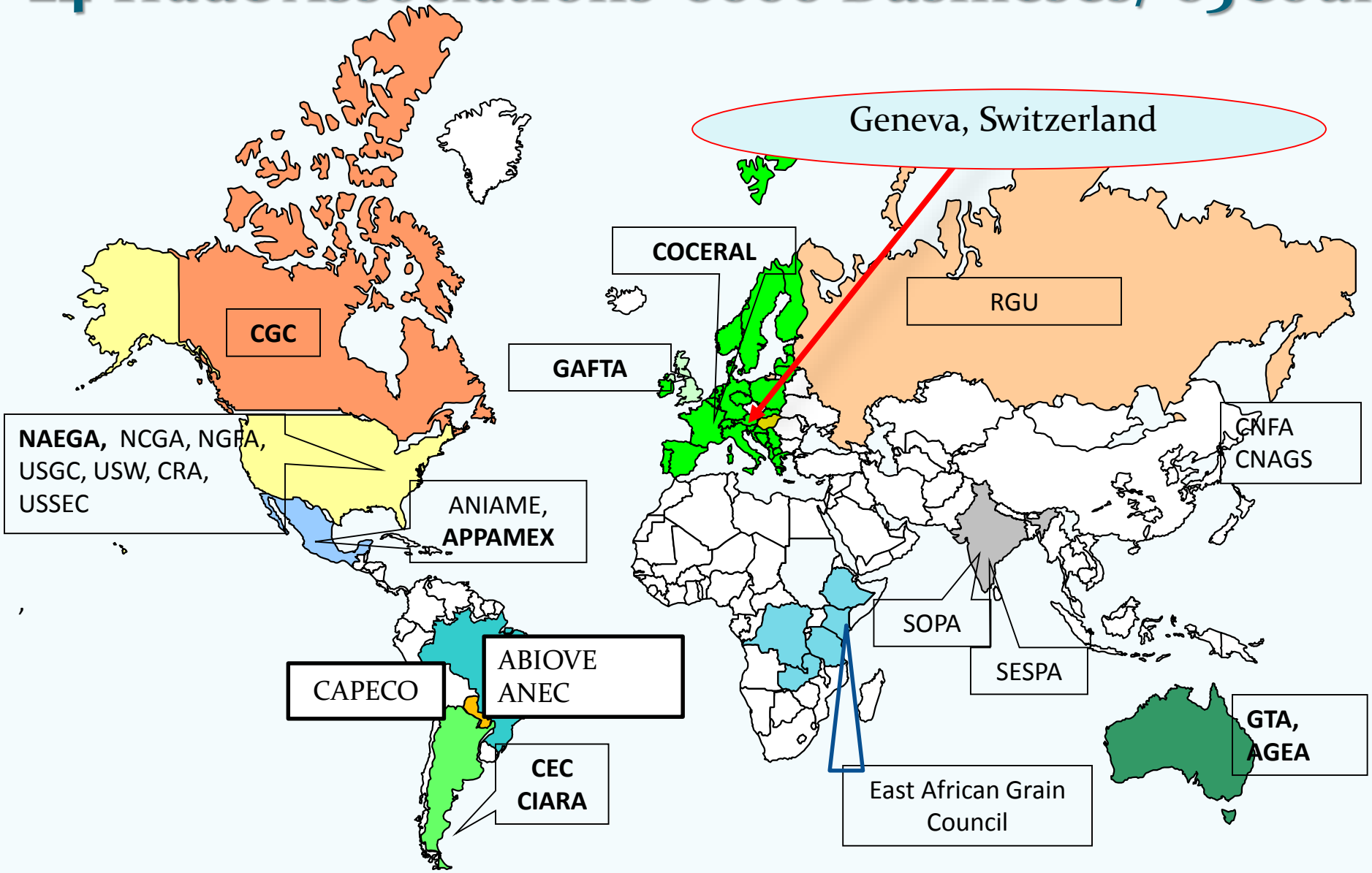
Teresa Babuscio
Vice President IGTC

18 November 2015

Today's presentation

1. About IGTC
2. Low Level Presence (LLP) and case studies
3. Bulk Handling & Fungibility
4. Limits of testing and sampling
5. Marketing thresholds
6. Common marketing thresholds in grain trade
7. Conclusions

IGTC - 24 Trade Associations 8000 Busineses/ 85Countries



IGTC Focus

Encourage policy and commercial practices that support global trade in grain, oilseeds, pulses and derived products

International Grain Trade Coalition

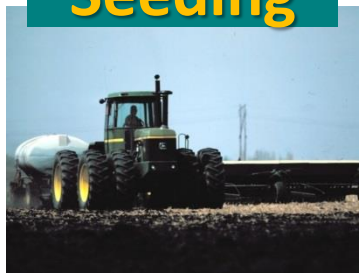
www.igtcglobal.org • info@igtcglobal.org

IGTC Priority Issues

- Global Low Level Presence Initiative (GLI)
- New Plant Breeding Techniques (NPBTs)
- Cartagena Protocol on Biosafety
- UN - Grain as a hazardous product
- IPPC - Development of phytosanitary standard for International Movement of Grain & E-certs

Bulk handling system

Seeding



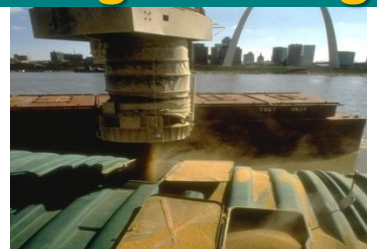
Harvesting

Farm Storage

Primary elevator

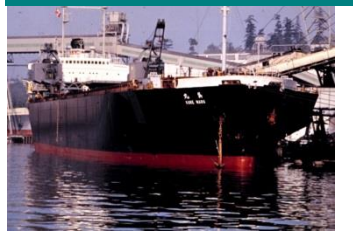
Rail loading

Barge loading



Terminal

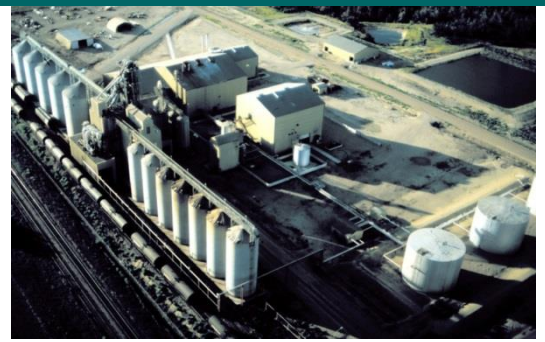
Ocean Vessel



Transfer elevator

Loading barges

Grain Processor



Bulk handling system

- Collection, trade, transport & processing of commodities is characterized by aggregation of many small consignment into large, uniform bulk shipments
- Aggregation and mixture takes place at all levels of the agricultural supply-chain
- Economies of scale are most important and time is always running as customers are often working with zero or limited stocks
- Identity of the products not the main focus. Sustainably produced products cannot be identified by analysis
- Compliance with certain quality parameters is crucial

Low Level Presence (LLP)

- LLP = trace amount of GM event authorised in country of export, but not in country of import
- Grain trade = global in nature
- Increase in biotech varieties
- More LLP situations to be expected

Insufficient LLP Policies
Impacts

Failure to proactively develop a transparent LLP policy could lead to:

- Cancellation of contracts
- Risk premiums and supply shortages for the country of import
- Significant issues across the value chain – from farmers to consumers.

Case studies

Flax - Linseed

CDC Triffid case consequences

•Lack of supply to satisfy the EU demand (decrease of the imports from Canada, not enough linseeds from alternative origins and EU production)

•Steep price appreciation of linseed, linseed oils and meal caused by the sudden supply squeeze

Economic and financial losses

- Decrease of the EU linseed crush and linseed oil production:
  - Arising imports demand for linseed oil and sharp slow down of the EU linseed oil export
  - Direct and indirect job losses
- Decrease of the contribution margin and profitability of operating in the linseed market
- Increasing competition coming from foreign operators and loss of market share of the linseed supply chain

Flax - Linseed

CDC Triffid case consequences

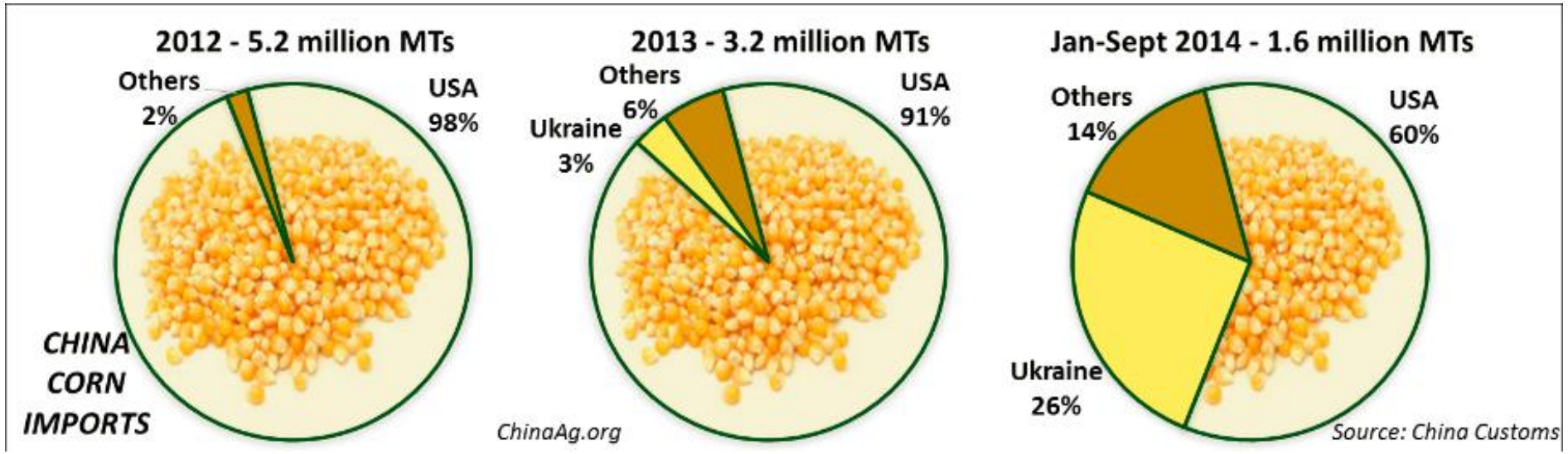
- Linseed arrivals from Canada placed under quarantine
- Additional quantities held due to the risk of finding traces of triffid

Economic and financial losses

- Extra costs related to recalled and destroyed products
- Consumers claims and complaints
- Extra storage and testing / sampling costs

Maize MIR162

- Agrisure Viptera MIR162
- Claim: 2.9 billion $ damage



Fungibility

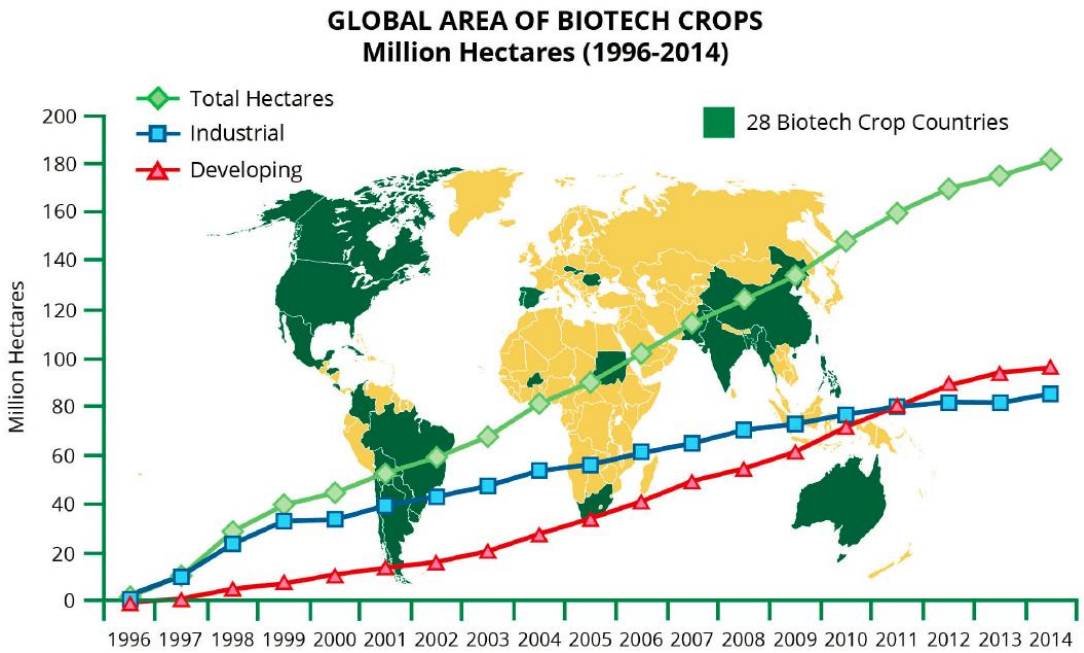
- What is Fungibility:
  - A good or asset's interchangeability with other individual goods/assets of the same type. Simplifies the exchange/trade process, as interchangeability assumes that everyone values all goods of that class as the same.
    - In the international movement of grain, fungibility refers to all grain in the system being basically the same.
    - Example: No.1 canola, it does not matter where the canola was grown - all canola designated as No.1 canola is worth the same amount.

Fungibility

- ***Farmers have widely embraced growing a generic product, with clear specifications.***
- ***For those who originate and handle grain fungibility has been a key attribute to enable efficient supply chains.***
- ***For both domestic and international customers these generic grains have enabled access to a safe, low cost and predictable food supply chain.***

Fungibility and LLP

- LLP is highly likely. Zero presence impractical.
- LLP polices are required because of growth of biotech crops and acreage.
- Solutions must retain 'fungibility' of commodity.
- Segregation is practically unachievable without enormous cost.



A record 18 million farmers, in 28 countries, planted 181.5 million hectares (448 million acres) in 2014, a sustained increase of 3 to 4% or 6.3 million hectares (~16 million acres) over 2013.

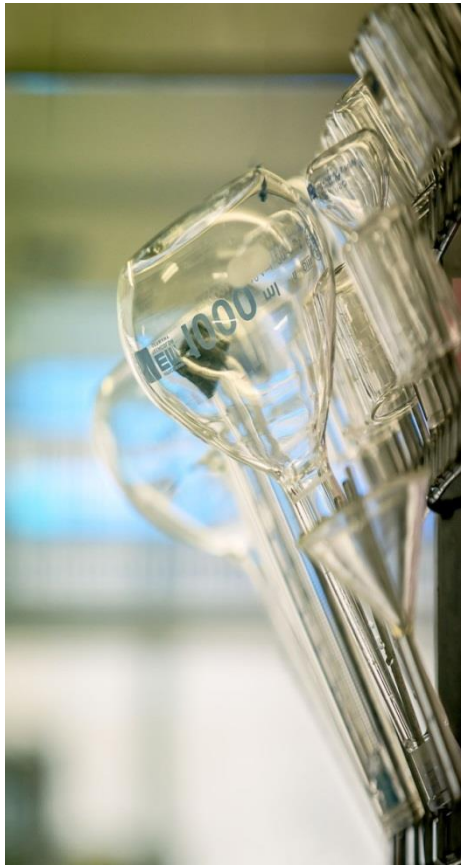
Source: Clive James, 2014.

Responsibility across the chain

- **Responsibility for compliance with LLP policies of importing nations cannot fall to the exporter alone:** *not an assumption*
- **Responsibility starts with production:**
  - Continued management/restriction of production to meet LLP requirements;
  - If no control at production level, grain handlers will not be able to segregate and control exports to meet import LLP requirements.

Testing and sampling is not the solution

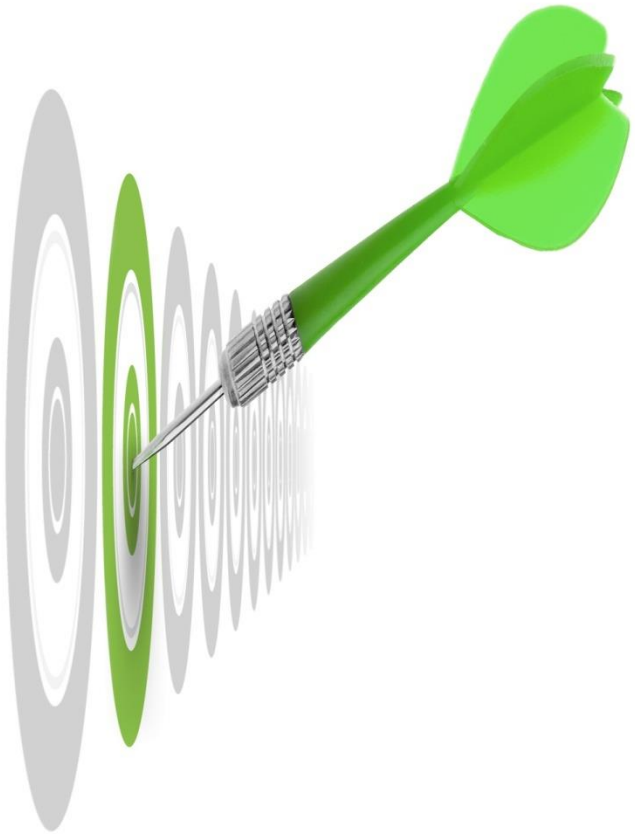
- ***Testing for GMOs is not generally predictable***
  - High variability between labs
  - Lots of technical issues still to be resolved
- ***Testing costs and risks are greater at low thresholds***
  - Sampling has a significant effect and existing marketing thresholds reflect that
  - GMO testing is more variable and unpredictable at low levels
- ***Setting LLP thresholds should recognize the need for predictability in testing***
  - 5% thresholds to reduce sampling and testing variability
  - *Certificate Final* at origin approach can help manage predictability



Setting LLP Threshold

An LLP threshold is a 'marketing threshold' and not a safety threshold

- **The safety of the biotech product has already been determined:**
  - Safety assessment consistent with CODEX has been conducted by at least one competent authority;
  - Additional risk assessment can be employed consistent with CODEX LLP risk assessment annex.
- **Marketing thresholds seek to the balance objective of high quality with the operational reality & cost.**



Setting LLP marketing thresholds

- **Common place in international grain commerce.**
- **Cstablished for attributes not related to safety**
  - (i.e. broken kernels, foreign material or presence of another variety of grain in commodity grain supplies)
- **Enable trade**
  - Ensure a predictable and high quality of grain without the cost inefficiencies of near perfection.

Marketing thresholds for GM presence

- Thresholds applied to biotech presence are NOT unique:
  - Safety is not an issue;
  - Balance of quality and practicality;
  - Zero is practically unattainable;
  - Fungibility of commodity needs to be preserved.
- But, thresholds applied to biotech have unique challenges on implementation:
  - No visual distinguishability;
  - No difference in physical size or shape of LLP event relative to approved events.

Conclusions

1. International grain trade anchored in fungibility of grain supplies. Grain segregation reduces efficiency of grain movement and drives up costs.
2. Testing and sampling is inconsistent, unpredictable and costly.
3. Marketing thresholds are common in international grain trade:
   - Apply to trade in virtually all commodities;
   - Endorsed by international bodies (IPPC, CODEX, BSP, WHO, ISO, etc.)
   - Generally in 3-8% range;
   - Rationale for marketing thresholds applies equally to LLP:
     - No safety issues
     - Balance of high quality objective vs. practicality and cost

IGTC
International Grain Trade Coalition

Thank You!

For cost effective, uniform, transparent, predictable, practical and proportionate measures facilitating trade and investment while protecting agriculture, promoting economic growth and global food security, while maintaining high quality, safe products throughout the value chain.

www.igtcglobal.org • info@igtcglobal.org