

WHY PLANT WHAT YOU CAN'T SELL?



Protecting wheat farmers and Montana's economy

Multinational biotech company Monsanto, Inc. is moving forward with plans to commercially introduce its "Roundup Ready" genetically engineered hard red spring wheat into Montana and other states. This would devastate Montana's \$825 million wheat industry: two out of three bushels of Montana's wheat are exported, primarily to Japan, Taiwan, the Philippines, and South Korea. Asian buyers have repeatedly said they will not buy wheat containing genetically engineered grains.



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Buyer rejection

- At least 36 nations label food containing genetically engineered ingredients. Up to 12 additional countries are expected to implement labeling programs in the next few years. According to Dr. Robert Wisner,* a leading grain market economist, "the trend in many foreign nations has been toward more intensive rather than less intensive regulation of [genetically engineered organisms] in recent years."
- Nearly 75% of respondents to a survey of top importers of American wheat cited either "concerns about health effects (29.9%)," "concerns about environmental effects (13%)," or "consumers have not accepted biotech (18.5%)" as the top reason for refusing to buy Monsanto's genetically engineered wheat.
- Asian buyers have repeatedly said they will not buy wheat containing genetically engineered grains, or buy wheat from states that allow its introduction. According to Dawn Forsythe, Director of Public Affairs for U.S. Wheat Associates, "It should come as no surprise to anyone familiar with the wheat industries throughout the Asian markets that there is currently an overwhelming rejection of Roundup Ready Wheat."

The price of genetically engineered wheat

Less than five percent of U.S. grain elevators have the ability to separate genetically engineered grains from other varieties. According to Dr. Robert Wisner, if a genetically engineered variety is introduced commercially into Montana or North Dakota in the next two to six years:

- The price of hard red spring wheat could drop by one-third,
- Wheat farmers could lose 30 to 50% of their export markets, and
- Durum wheat markets could be at risk (both varieties are marketed in the same system).

Lesson: U.S. farmers lost the European Union corn market (valued at \$200 million) and most of the South Korean market after the introduction of genetically engineered corn.

What you can do

Northern Plains has asked the United States Department of Agriculture to prepare a rigorous environmental impact statement (EIS) on the economic impacts of genetically engineered wheat's commercial introduction before clearing the way for Monsanto to introduce it. Contact USDA Deputy Administrator Cindy Smith and urge her office to prepare a full EIS on the commercial introduction of genetically engineered wheat.

Sources

"GMO Spring Wheat: its potential short-term impacts on U.S. wheat export markets and prices." Dr. Robert Wisner,* grain marketing economist with the University of Iowa; March 11, 2003

"GM Wheat: Customer Acceptability Survey." U.S. Wheat Associates; Sept. 30, 2002.

*Dr. Wisner has published over 1,500 works on grain price forecasting, international agricultural trade, agricultural policy, and risk management. Report findings are summarized on page 2 of this factsheet. The full report is available at www.northernplains.org

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GMO Spring Wheat: Its potential short-term impacts on U.S. wheat export markets and prices. *By Dr. Robert Wisner*



SUMMARY

Major indicators of foreign consumer demand indicate a “large majority” of wheat importers and consumers do not want genetically engineered wheat. Because overseas marketing mechanisms - namely labeling - offer consumers a choice, wheat farmers in Montana and North Dakota could lose 30 to 50% of export markets and suffer a 30% drop in wheat prices if Monsanto’s genetically engineered hard red spring wheat is commercially introduced in the next two to six years.

KEY FINDINGS

Wheat versus corn and soybeans

While U.S. corn and soybean exports have continued despite widespread production of genetically engineered varieties, wheat will fare differently. Processing of corn and soybeans - whether through livestock feeding or processing into vegetable oils or sweeteners - removes the genetically engineered protein, allowing corn and soybeans to largely avoid foreign labeling programs. The dominant market for spring wheat, however, is **direct human consumption**, meaning wheat will not avoid labeling requirements. Labeling of foods containing genetically engineered organisms is mandatory in 36 countries, with up to 12 countries expected to implement mandatory labeling in the next few years.

Segregation and “dual marketing” challenges

Segregating genetically engineered wheat from traditional wheat through a “dual marketing system” presents substantial costs and “major challenges in avoiding accidental co-mingling.” The U.S. Department of Agriculture estimates a dual marketing system would cost \$.70 per bushel or higher. The National Grain and Feed Dealers Association estimates that less than 5% of U.S. grain elevators can currently operate a dual marketing system. According to Dr. Wisner:

“With a dual marketing system where added costs are passed on to final users of the crop, foreign buyers would ask themselves ‘Why should I pay this premium for U.S. non-GMO wheat if I can get similar non-GMO wheat supplies from another country ... without having to pay the same segregation costs?’ or ‘Can I pay a fraction of these segregation costs to producers in another country ... and encourage them to produce more of the wheat my customers want, without paying full U.S. segregation costs?’”

Damages to durum exports

Genetically engineered hard red spring wheat’s commercial introduction could harm durum wheat exports as durum and hard red spring wheat are marketed in the same system. In 2002, North Africa and the European Union (EU) together received nearly 90% of U.S. durum wheat exports. The EU’s current threshold for genetically engineered organisms is 1% and is expected to decline to .9%. Meanwhile, several North African countries “appear likely to reject” genetically engineered wheat altogether.

Spring wheat: from food to feed

Dr. Wisner’s analysis shows a high risk that the commercial introduction of genetically engineered wheat in the next two to six years would force U.S. hard red spring wheat prices down to feed-wheat price levels, a third lower than the average of recent years.

**Dr. Wisner is a leading grain market economist at Iowa State University. He has published over 1500 works on grain price forecasting, international agricultural trade, agricultural policy, and risk management. The full report is available at www.northernplains.org or by calling 406.248.1154.*