

Where is Kim Chance's non-GM canola price premium now?

Bill Crabtree, Independent Consultant, Bentley

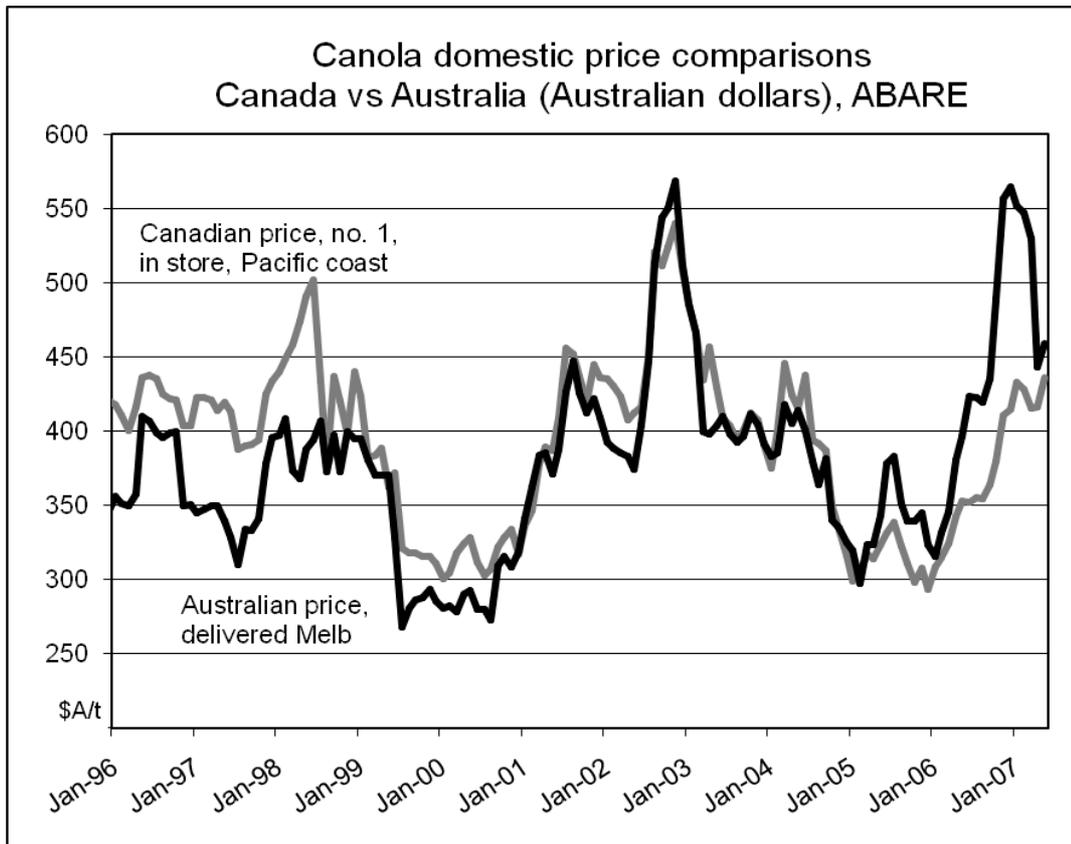
In the light of the Federal Agricultural Minister's recent press release encouraging the State governments to lift the Moratoria against growing GM crops I suspect that WA Agricultural Minister Mr Chance will attempt to defend himself by trotting out his old errant arguments.

A press release on 6th October 2006 from Minister Chance, stated: "*In 1998, the difference between Australian and Canadian canola prices was about \$70 a tonne in favour of Canada. However, by May 2006 Australian prices had exceeded Canadian prices by some \$50 a tonne.*" Note Mr Chance is effectively claiming a \$A120/t turn-around in price in favour of non-GM Australian canola over GM Canadian canola.

The Kwinana spot price for canola on 14th June 2007 was \$470/t while it was \$455/t (SCA406) for Canadian farmers at Vancouver. The Canadian canola is almost exclusively GM, while Australian canola is non-GM. This small price difference for canola is insignificant and Mr Chance's boast of a price premium is not reflected in the longer term market trends. It is largely on market acceptance grounds that the state and Mr Chance have justified the costly moratoria against WA farmers.

How is it possible that Mr Chance continuously makes these errors in judgement? Mrs Julie Newman has regularly argued, side by side, with the Minister, the same story. Mrs Newman has often referred to the ABARE data, which is here updated, below. Is it possible that their error is from their selective use of the data from which they conclude wrongly? Back in 2006 Mr Chance drew our attention to a momentary price differential, claiming it justified his policy, however, a more considered view of the data set clearly shows that he is in error.

The graphs, and Mr Chance's associated misleading comments, deserve careful attention. Mr Chance's \$70/t stated price premium that Canadian canola had over Australian canola in 1998 was actually with GM and not non-GM canola. In the 1998 Canadian harvest, 35% of the canola was GM and was marketed as GM. So Mr Chance could have, more logically, argued that there was a price premium for GM canola, yet his argument created the impression it was non-GM?



Others argue that the price difference between canola from Canada and Australia has nothing to do with GM status. Indeed, this is what the market experts were saying and continue to say. Yes, the data does show a spike for Australian canola over Canadian canola last year, but then we also had a drought, and spikes often occur during droughts. When Canada and Australia had a drought together in 2002 both markets experienced the same spike. Again note that the Canadian canola was then also GM (64%).

So with no market benefits for WA growing non-GM canola we should ask ourselves – are we losing anything by not having GM canola? Well, actually we are, as anyone who has been to Canada will observe. Canadian canola yields once were similar to ours, being about 50% of their wheat yields. Now they are 75% of their wheat yields while we are still 50% of our wheat yields. So if a 2.0 t/ha wheat yield is common, in Canada their canola will typically yield 1.5 t/ha while ours yields only 1.0 t/ha.

There is strong evidence that GM canola will have a significant economic impact on farming in WA. With our non-GM canola yielding less and being worth no more than Canadian GM canola how can Mr Chance conclude, the following: “*Mr Chance said the State Government was committed to the well-being of WA farmers*”?

Mr Chance’s costly errors in data interpretation have not aided the “*well-being of WA farmers*”. I look forward to our State Minister’s next response to our Federal Minister’s leadership on encouraging the lifting of the moratoria on growing GM crops.