Role of the Grain Trade for Global in Food Security and Economic Development

Randal Giroux
International Grain Trade Coalition
WTO Seminar, Geneva
Nov 10, 2016.
World Food Flows

grains, rice, oilseeds, meals, oils, feed equivalent of meat—net interregional in millions of metric tons

Natural importers
more people than land

Natural exporters
more land than people
Focus on **increasing productivity** to meet global demand and nourish a growing population.

- **There’s no silver bullet.** We need large- and small-scale agriculture to feed more than 9 billion people by 2050.

- The world has the land and capabilities to produce **enough food to meet the nutritional needs** of our growing population.

- Investments in **technology, innovation and training** will give farmers the tools they need to **meet tomorrow’s food demand**.
Market access is necessary to building a more sustainable, food secure future.

- We lead in providing access to safe, affordable, nutritious food.

- We leverage the global scale of our logistics network, supply chain expertise and market knowledge.

- Open trade and functioning markets are necessary to delivering long-term food security.

- Food security is a priority both in low-income and high-income countries.
Fungibility is Key

• 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, a commodity approach has enabled access to a safe, low cost and predictable food and feed supply chains.

• Importance of International Standards

Innovation needs to coexist in parallel to or within the agricultural commodity system to enable value creation and agricultural competitiveness.
As the **private-sector**, we know we have a role to play in global food security.

- **The private sector needs a seat at the table.** We are working in partnership with governments, multilaterals and NGOs to develop long-term solutions.

- **Building trust and taking action** are critical elements in those partnerships.

- We advance **long-term solutions that build resilience** across the global food system and in local communities. We have also responded in times of crisis.
Most population growth between now and 2050 will be in developing countries. 70% of the population will be urban.

More food must move from areas of surplus to areas of deficit to feed a more affluent, more urban global population.

When Food Flows Freely:

- The impact of local crop shortfalls on local food availability is moderated.
- Farmers have more market access, can improve their incomes and are motivated to produce more.
- Scarce natural resources are used more sparingly for agricultural production.

Consumers buy their food for less.
Plant breeding regulations:
What are the impacts on the grain trade?

Dr. Teresa Babuscio, COCERAL
Why do we need an international LLP approach?

- Grain trade is global and bulk in nature
- Increase in biotech varieties commercialized
- More LLP situations to be expected
- Affects both GM and Non GM shipments

LLP = trace amount of GM event authorised in country of export, but not in country of import

Full safety approval in country of origin allows room for collaborative approach between governments

International Grain Trade Coalition
www.igtcglobal.org • info@igtcglobal.org
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.
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

International Grain Trade Coalition
www.igtcglobal.org • info@igtcglobal.org
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

• Trade enabling
Thresholds applied to grain are NOT unique:

• Apply to trade in virtually all commodities
• Most countries have domestic thresholds related to grain products
• Many of these thresholds are endorsed by international bodies (IPPC, CODEX, BSP, WHO, ISO, etc.)
• Generally in 3-8% range
• Cover numerous aspects – E.g. (Everything from colour and varietal purity to presence of rocks, insect bodies, animal feces)
Utilizing Existing Regulatory Frameworks

Rationale for marketing thresholds applies equally to LLP
  • No safety issues
  • Balance of high quality objective vs. practicality and cost

• LLP can be implemented within most existing legislative and regulatory frameworks

• Risk-based management facilitates the establishment of low level presence thresholds once CODEX safety assessment is complete

• Most regulatory compliance agencies around the world utilize risk based regulation and use in various circumstances
Conclusions

1. The risk is real – case studies show significant costs are apparent

2. International grain trade anchored in fungibility of grain supplies. Grain segregation reduces efficiency of grain movement and drives up costs

3. Zero tolerance for LLP is impractical, unrealistic and not grounded in science based risk management

4. Testing and sampling is inconsistent, unpredictable and costly

5. Risk-based compliance approach can be accommodated within existing GM regulatory frameworks – no regulatory or legislative change needed

6. Marketing thresholds are common in international grain trade
Friend or foe?

Phytosanitary measures & trade facilitation

Dr. Marcel Bruins, Chief Science Advisor, IGTC
• One of WTO’s ‘three sisters’ - recognized as only international standard setting body for plant health

• International guidance on phytosanitary matters: **International Plant Protection Convention (IPPC)** (governed by Commission on Phytosanitary Measures (CPM))

• International Standards for Phytosanitary Measures (ISPM) => **ISPM for International Movement of Grain**
IGTC phytosanitary survey, 2016

• Testing & Sampling based on international standards
• Carry out import checks without undue delay
• Minimize importing parties ability to use protectionist measures to restrict trade
• Ban arbitrary measures, going beyond int. standard requirements
• All actors in value chain accountable for including unnecessary import conditions
IGTC survey replies

- Audit provisions: IPPC Parties can audit counterpart authorities
- Transparency provisions
  - Wait 60 days after distributing notification
  - Make proposed SPS measure available by electronic means
  - Importing Party to provide scientific evidence to Exporting Party on measure
- Prompt & Effective enforcement
• Prior to export: Phyto Certification
• Import checks based on sound scientific justification
  • Transparent record of reasons & mitigating actions
  • Document & demonstrate risk factors that justify measure
  • Provide mechanism to resolve action in case of rejection / detainment
• Science & Risk analysis
  • Quick revelation if risk assessment has been carried out
  • Produce data upon which assessment is based
  • Interested parties to comment on risk analysis
ISPM on grain should:

• NOT be overly prescriptive
• NOT result in arbitrary & inappropriate quarantine actions
• NOT include any direction on ‘traceability’
• NOT address all aspects of transboundary movements, from production through handling & transportation to further processing
• NOT include management of seed production technologies
• NOT introduce costly compliance issues
IPPC Expert Working Group, Melbourne, 19-24 September

- Mr David Neil HEINRICH (AUSTRALIA)
- Ms Kanwal KOCHHAR (CANADA)
- Mr Wu XINHUA (CHINA)
- Mr Liang WEI (CHINA)
- Mr Diego Quiroga (Argentina)
- Ms La Tanya RICHARDS (JAMAICA)
- Mr George James GALASSO (USA)

Invited experts:
- Mr Bill MAGEE (AUSTRALIA, Industry)
- Mr Gord KURBIS (CANADA, Industry)
- Mr Marcel BRUINS (International Grain Trade Coalition)
## Success for the grain trade

- Recognition of:
  - Measures already undertaken at export
  - The “specificities” of the global grain trade
  - The important role of the grain trade in providing expertise going forward: “NPPO’s are encouraged to seek input from stakeholders, in particular the grain industry”
  - Science based sampling & testing protocols

## Ongoing concerns

- Articulation of dispute settlement
- Resisting the urge from some EWG members to expand the scope of the ISPM to “quality” issues (e.g. percentage and definition on Foreign Material)
- Pest Free Areas
- Sampling protocols
- Implementation issues, transparency and compliance
- Role of having global databases with phytosanitary requirements
Roadmap to adoption (optimistic!)

- EWG Meeting & first draft of standard: **Sept. 2016**
- Review draft standard by IPPC Standards Committee: **May 2017**
- IPPC member consultation: **July-Nov 2017**
- Review by May Standards Committee Working Group (SC-7) 2018
- Substantial Comment Consulting Period **June-September 2018**
- Review by November Standards Committee 2018
- Adoption by CPM **March-April 2019**

=> National implementation
In Conclusion

• Trade disruptions have negative impact on Global Food Security => need for harmonized phytosanitary measures in grain trade
• Sound scientific justification of all measures to underpin trade facilitation
• Transparency by all actors crucial
• Lack of global database on import requirements is barrier to trade
Electronic trading documentation: promising innovation opportunity

Rosemary Richards, Grain Trade Australia
The grain industry’s challenge: to move commodities from areas of surplus to areas of deficit and provide for regulatory compliance, safety and cost efficiency

- High volume, Low cost, Timely, Predictable,
- Reliable, Responsive, Resilient and Fungible Supply

Constant Improvement and Innovation
### Commercial Value

<table>
<thead>
<tr>
<th>Exporters</th>
<th>Importers</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Time/cost saving – reduced end to end transaction time with working capital benefits</td>
<td>- Early arrival of electronic paperwork ensuring clean discharge of goods</td>
<td>- New trade service to offer corporate customers</td>
</tr>
<tr>
<td>- Eliminates risk of loss of documents</td>
<td>- Visibility of transaction to help inventory planning</td>
<td>- Early receipt of presentation reducing pressure on checking for acceptance deadlines</td>
</tr>
<tr>
<td>- Eliminates risk of fraud</td>
<td>- Removal of need to use Letters of Indemnity to achieve discharge of goods</td>
<td>- Removal of need to maintain a physical presence adjacent to clients, purely to support delivery of paper documentation</td>
</tr>
<tr>
<td>- Reduces risk of non payment</td>
<td>- Potential to reduce demurrage costs</td>
<td>- Increased flexibility</td>
</tr>
<tr>
<td>- Improved quality &amp; integrity of data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- No paper documents to process, manage, track, send and archive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Reporting capability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Carriers

- Removal of Letters of Indemnity
- Ability to support electronic bills of lading – an increasingly common requirement from their customers
- No requirement to alter the production process of the bill of lading or change the systems it was generated on
- No fees to support their customer – entirely free of charge for the carrier to use
- Simple adoption – browser based so works at port and remote locations
Over half – 67% plan for the wholesale adoption by 2025 i.e. a rate of 75-100% of electronic trade documentation for all documents in one transaction

Over half – 67% of respondents confirm current use of e-docs

Adoption began no more than three years ago, and has continued well into 2016

No respondents currently use electronic documents for all transactions

Half aim for at least 50% of their transactions to move to electronic documentation by 2018

✓ IGTC member questionnaire revealed clear picture of hopes/challenges for the system

✓ More efficient, faster and flexible solutions to facilitate trade documentation

✓ System must meet requirements on reliability, compatibility confidentiality and choice of competitive options
Leadership grain trade seeking to rapidly move to a electronic trading environment

Preparedness varying levels of preparedness within importing country systems for ephyto and for broader electronic documentation

Communication to raise Industry and Government awareness and capture engagement across all sectors

Education to expand capacity of all parties to facilitate transition to an electronic environment
Thank You!

IGTC seeks Partnership with governmental bodies. Likewise we work with other international interest groups and academic institutions. For-profit entities supporting IGTC are welcome to be identified as IGTC Corporate Stakeholders and help guide our work. Trade Associations and Councils working to support international trade of grains, oilseeds, pulses and other agri-bulks are welcome to apply for IGTC.

Please contact us at:
Secretariat@IGTCglobal.org
+41 78 932 96 18