



## International Agricultural Trade Report

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### Certified Non-Biotech Soybean Meal Expands in the EU

#### Issue

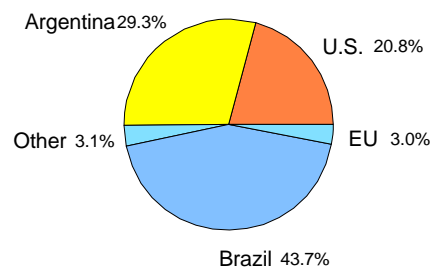
Feed compounders in the EU indicate that growing demand for meat products produced without biotech feeds has pushed demand for certified non-biotech soybean meal to 20-25 percent of the EU market. Brazil, which currently bans planting of Roundup Ready soybeans, is the primary source for non-biotech soybeans and soybean meal. U.S. soybean sales to the EU remain generally unaffected by the situation as imports of Brazilian soybeans and soybean meal continue to exceed demand for certified non-biotech soybean meal.

#### Summary

Over the past 12 months, demand for certified biotech-free soybean meal has grown from near zero to 20 to 25 percent of the EU market according to officials in the compound feed industry. Most of the demand is for poultry and pork feed with little demand seen for cattle, dairy, and other ruminants. Expectations by the European industry is for demand to increase in the coming year. Much of the growth in demand for feeding non-biotech feeds is coming from the retail food sector. Consumer demand for meat and meat products produced using non-biotech feed ingredients along with pressure from environmental organizations are often cited as the main forces driving the market.

Nearly fifty percent of the soybean meal consumed in the EU is currently obtained from regions where planting Roundup Ready soybeans is prohibited. Most (44%) of this is supplied from Brazil. Since demand for certified non-biotech soybean meal accounts for only half of what is readily available in the EU market, no additional imports are required to meet current demand and premiums remain low. Premiums range between \$1.50 and \$4.00 per ton of soybean meal and generally cover the cost of testing for biotech proteins in the meal. Currently, private contracts for purchases of certified soybean meal use a 1 percent threshold. U.S. market share, as a percent of EU soybean meal consumption, remains between 20 and 25 percent. Competitiveness of U.S. product continues to be impacted by price and supply considerations that currently remain unaffected by demand for non-biotech soybean meal.

#### EU Soybean Meal Consumption By Source



## Background

The market for soybean meal containing less than one percent biotech material has grown from near zero to 20 to 25 percent of the market over the past year. During a recent trip to the EU by a member of the COTS analysis staff, feed manufacturers indicated that they expect continued market growth in the coming months as more retailers demand meat and meat products produced using non-biotech feed components. Growth in non-biotech products is being led by retailers in the UK, but others, particularly in Northern Europe, are beginning to request non-biotech meat products from suppliers.

In discussions with *Tesco*, a leading food retailer in the UK, consumer preference was cited as the main force behind the increase in demand. In addition, pressure from environmental groups was also noted. With recent incidents in Europe casting doubt on food safety, many consumers have grown more concerned about the safety and quality of the food they purchase, particularly meat and meat products. By providing non-biotech fed meats, retailers believe they can demonstrate to customers their commitment to selling only the highest quality products while satisfying the 25 percent of consumers surveyed who indicate a definite preference for non-biotech products. Additionally, environmental groups continue to express concern over the safety of biotech products and have pressured retailers to remove all biotech products from store shelves.

Despite surveys suggesting consumer interest in non-biotech products, consumers have shown a reluctance to pay a premium for non-biotech products. *Sainsbury*, another major food retailer in the UK, recently concluded a test market for premium non-biotech meats in which consumers showed a reluctance to pay premiums. Accordingly, retailers are demanding non-biotech meats from producers but at non-premium prices. Producers have responded and appear willing for now to absorb the additional feed costs which run less than one percent higher than conventional feeds. Premiums for non-biotech soybean meal, which accounts for 10 to 20 percent of feed rations currently run \$1.50 to \$4.00 per ton and primarily covers the cost of testing for biotech proteins.

The low premiums for non-biotech soybean meal, known as PCR-neg (less than 1 percent biotech), are due to the abundance of soybeans and soybean meal available from Brazil, Paraguay, and the EU where planting of Roundup Ready soybeans is prohibited. Current demand for PCR-neg soybean meal accounts for roughly half of the volume of soybean meal imported from these areas. Accordingly, the non-biotech market is accommodated without the need for additional imports from biotech-free countries. Therefore, sales of U.S. soybeans and meal have not been impacted by the segmentation of the market between biotech and non-biotech. Recent erosion of U.S. market share in the EU is due mainly to increased availability of competitively priced South American soybeans and meal.

However, continued growth in demand for non-biotech soybean meal could eventually have a negative impact on U.S. soybean sales to the EU. Already, we are beginning to see interest by some exporters to meet this growing demand. As an example, India, which does not allow planting of biotech soybeans, has recently sent a delegation to the EU in order to promote its non-biotech soybean meal.

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