

Report to
MINISTRY FOR THE ENVIRONMENT

APPENDIX 4
TO

**ECONOMIC RISKS AND OPPORTUNITIES
FROM THE RELEASE OF
GENETICALLY MODIFIED ORGANISMS
IN NEW ZEALAND**

Market Research Report:
***The effect of GMO release on market perceptions of
the New Zealand environment***

Gatekeeper segment

JANUARY 2003

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A. OBJECTIVES

This report forms part of a wider study undertaken by Business and Economic Research Limited (BERL) and the Agribusiness and Economics Research Unit (AERU), Lincoln University. The study, commissioned by the Ministry for the Environment, seeks to identify the key economic opportunities and risks from the release of genetically modified organisms (GMOs) in New Zealand.

The research undertaken by NRB comprises an international survey of both market buyers (gatekeepers) and consumers.

The objectives of the Gatekeeper survey are to:

1. Gauge Gatekeepers' image of the New Zealand environment
2. Explore Gatekeepers' corporate policies on genetically modified products
3. Determine if there would be any change in Gatekeepers purchase behaviour, should New Zealand release GMOs into the environment

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B. SURVEY SPECIFICATIONS

Sample

The sample consisted of three major food retail chains in each of Australia, the United Kingdom, and the United States.

The most suitable person to talk to was established at the beginning of each call. This varied between companies from the buyer to the corporate affairs officer and the general manager.

Method

All interviewing was conducted by telephone, during working hours.

Survey Dates

All interviews were conducted in January 2003.

Note

- Interviewees represented their company's view to the best of their ability, and in good faith. Inferences, beyond those that can be sustained by a single executive interview, should naturally not be made.
- Interview responses have been supplemented with publicly available information (from annual reports, websites etc), where possible and appropriate.

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C. FINDINGS IN DETAIL

1. AUSTRALIA - SUMMARY

GM Products

Food Standards Australia New Zealand regulates the sale of GM foods in Australia. The standard requires a mandatory pre-market safety assessment, and mandatory labelling. The policy of the three companies is to meet these requirements.

There was a general feeling that the food retailer would provide as much information to the consumer as required, leaving the decision on whether or not to buy GM products to the consumer. However, it was indicated that a shift in public opinion away from GM foods could cause a rethink of their position.

With regard to the use of GM in animal feed, companies stated that while they would like to be able to identify where products had been GM-fed (due to consumer demand), this was not possible. Two of the interviewees also referred to the Greenpeace campaign to remove GM from animal feed.

Non-GM Products

All companies were prepared to stock products that were not genetically modified, but came from a country that used GM in other ways, provided that the product conformed to Government health and safety regulations. Similarly, they would be prepared to sell such products under their own label.

Own-Label Products

All companies would stock a GM or non-GM product from a country using GM, under their own label.

Purchase Change

Interviewees reported that they did not differentiate on price, between GM and non-GM products. Pricing was determined by the cost of the product and the desired return on that product.

The New Zealand Environment

While the companies did not have a corporate view of the New Zealand environment, all said that it was a source of good quality produce. In addition, each interviewee said that New Zealand using GM in various ways would not affect their view of New Zealand, under current company policy.

COLES

GM Products

Coles sees no issue in stocking GM foods. Their policy is to label GM foods, in accordance with Food Standards Australia New Zealand regulations. Stocking decisions are based on “*what people want to buy*”.

Consumers are also demanding transparency in the labelling of products, and are becoming increasingly concerned about GM-fed products. However, Coles does not feel that the necessary framework is in place to identify food products from GM-fed animals.

“...we would like clear labelling and we would like the mechanisms within the food chain to enable that to occur, then let the customer decide.”

Non-GM Products

Coles had not received any correspondence from consumers regarding products that were not genetically modified, but came from countries that used GM in other ways.

Own-Label Products

Coles does sell own-label products that have been genetically modified. They have in the past tried to source GM-free products and declare them as such, however this has proven difficult in reality.

Purchase Change

Coles would not expect a discount for a GM-product, with products being priced according to the cost of the product to Coles. Similarly, they would not price a non-GM product from a GM country any differently to any other product.

“We don’t differentiate our pricing on the basis of the country of origin, or whether its GM or what. We base it on the cost of the product and what our final return is going to be.”

The New Zealand Environment

The interviewee was unable to give the company’s opinion on the New Zealand environment. However, when asked how the company would view New Zealand should it use GM, he stated that they had not changed their view of American and Canadian products. Provided a country supplied products that consumers wanted to buy, there would be no issue.

FOODLAND

GM Products

Foodland sees no issue with the sale of GM food. However, GM foods are labelled accordingly, as the consumer expects this.

“...if it’s perfectly clearly labelled so the consumer knows exactly what they’re buying and they choose to buy it, well that’s fine.”

The interviewee went on to state that the company probably would not deal with a supplier that had a GM product that was not labelled.

However, the interviewee did express that, should consumers move away from GM products, they would stop stocking them.

“So therefore its not sensible for us as retailers to try and sell products that the consumer doesn’t want to buy.”

Non-GM Products

Foodland would source non-GM products from countries that used GM, if this was acceptable practice.

Own-Label Products

The company would probably sell a genetically modified product under its own label.

Purchase Change

A discount on a GM product was not seen to be of any benefit, as cost would be dependent on the quality of the product, and the price of the product at the checkout was dependent on what the consumer was prepared to pay for it.

The New Zealand Environment

While the company does not have a view of the New Zealand environment, the interviewee did express that produce coming from New Zealand is generally of good quality. Should New Zealand use GM, the interviewee felt that the company’s view of New Zealand would remain unchanged, as *“it comes back to what the market will accept.”*

WOOLWORTHS

GM Products

Woolworths' policy requires that they know whether or not products conform to Food Standards Australia New Zealand regulations. Accordingly they would stock GM products provided they conform to these standards.

The interviewee suggested that GM had a lower profile in Australia.

“It’s a hotter issue in New Zealand than it is here quite frankly. Obviously it’s an issue, but it’s not quite got the wide publicity that it’s had in New Zealand for several years.”

However, he did suggest that the company would need to move towards a more proactive regime if opinion in Australia were to change.

Non-GM Products

Once again, so long as the product conformed to the relevant standards, the company would stock a non-GM product from a country that used GM in other ways.

Own-Label Products

Likewise, they would stock GM products under their own label, provided that the product met all standards, and all labelling was absolutely clear.

Purchase Change

Woolworths currently don’t differentiate between GM and non-GM products in terms of price. Pricing would be determined by the cost of the product to the company.

The New Zealand Environment

Once again, the interviewee was unable to give a corporate view of the New Zealand environment. He did say that New Zealand was a source of high quality produce. If the company were to source products from New Zealand, New Zealand’s GM status would have no impact.

2. UNITED KINGDOM - SUMMARY

GM Products

The three British supermarket chains stock GM foods, all of which are labelled according to European Council regulations. However, due to customer concerns about GM foods, the supermarkets tend to be careful as to which GM products they stock, and are increasing their range of non-GM foods.

Non-GM Products

Two of the interviewees were able to state their company's position on non-GM foods sourced from countries that used GM in other ways. One of the companies was unconcerned by this, while the other would consider products on a case-by-case basis.

Own-Label Products

All three companies had removed GM products and ingredients from their own-label foods. In addition they are moving away from products from animals fed a GM diet. Two of the companies would stock a non-GM product from a country using GM. One of the interviewees stated that they would stock the product provided there were no consumer safety issues, or negative impacts on consumer perceptions of their own-brand. The other company would want to ensure that the product had not come into contact with GM sources in any way.

Purchase Change

GM products, or non-GM products from a GM country, would not be differentiated on price.

The New Zealand Environment

Interviewees had no concerns about the New Zealand environment. However, they were more guarded when asked if this image would change, should New Zealand move towards the use of GM. One stated that such a move would be out of keeping with public perceptions in Europe, while the other said that products would need to be considered on a case-by-case basis.

SAINSBURY'S

GM Products

Sainsbury's will sell GM products that are labelled correctly. However, the interviewee stated that their customers had rejected GM products so completely that GM products tended not to sell. As a result, Sainsbury's are careful regarding which products they stock.

Non-GM Products

Sainsbury's would be prepared to stock a non-GM product from a country that was using GM for other purposes. They are solely concerned with GM products.

Own-Label Products

In response to customer demand, GM ingredients have been eliminated from all own-brand food. This was achieved by replacing soya and maize with alternative ingredients, or by using validated non-GM sources. Sainsbury's now also provides a range of products from animals fed a non-GM diet.

The interviewee did state that there would be an issue if the product, while not GM itself, could have come into contact with GM.

"... say for instance you had wheat, wheat that wasn't GM, coming from a country that was actually growing GM soy, we'd want to make sure that wheat wasn't contaminated, so we wouldn't reject the wheat per se. We'd say to people, hang on, just make sure you've not got any GM soy coming in through this wheat."

The New Zealand Environment

Sainsbury's has no concerns about the New Zealand environment. When asked if this would change should New Zealand use GM, the interviewee said that the company would need to ensure that there was no impact on the products that they were buying.

"When we found out what GM things you'd (the New Zealand Government) approved, we could then look at what we were buying from you and see if there was any potential conflict."

TESCO

GM Products

Tesco currently sells GM products, although due to customer concern over GM, Tesco has been increasing the number of non-GM food options available to consumers.

Non-GM Products

Non-GM products sourced from a country that used GM in other ways, would be considered on a case-by-case basis.

Own-Label Products

Tesco has removed GM ingredients from its own-brand products, and is now asking farmers to replace GM maize and soya with non-GM alternatives. Any decision on whether to sell under their own brand, a non-GM product from a country using GM, would be dependent on consumer demand for the product. Its impact on consumer perception of the Tesco brand, and any consumer safety issues would also be considered. If Tesco was not confident that a supplier was able to segregate and isolate non-GM material, they would not accept the product.

Purchase Change

Once again, GM products would be considered on a case-by-case basis, but would not be differentiated from other products on price.

“... it would have to be sold within our standard brand at a standard price that’s competitive against our other origins, or we wouldn’t sell it...”

The New Zealand Environment

Tesco does not have a company view of the New Zealand environment. The interviewee stated her personal view, that the general perception in the UK is:

“... New Zealand always stands for a very clean, healthy living environment ... our hopes would be that it retains that image.”

Likewise, her personal view should New Zealand start to use GM:

“I think everybody in Europe would be concerned that you’ve taken that line at a rather early stage, so you’re jumping ahead of the perceptions of customers within Europe.”

WAITROSE

GM Products

Waitrose will stock and sell GM products, although not under their own label. All GM products are labelled as per European Council regulations, which require the labelling of food and food ingredients made from GM maize and soya.

Own-Label Products

GM ingredients have been removed from all Waitrose own-label foods.

“We do not buy GM foods at the moment ... because I don't think there's enough confidence in the market place in their advantages or disadvantages...”

The company has also started to move away from GM feed, with a number of suppliers now using more traditional crops to feed livestock. As a result, Waitrose now offers a range of non-GM-fed meat.

3. UNITED STATES - SUMMARY

GM Products

The three companies studied stock GM foods. Each has a policy to follow Food and Drug Administration regulations regarding the labelling of GM foods. These regulations stipulate that products must be labelled where GM has significantly changed the structure or function of the food, or if it has health implications such as the introduction of allergens.

As a result, there is no mandatory requirement for the labelling of all GM foods. Two of the three interviewees mentioned a campaign run by Greenpeace, to have all GM foods labelled, and company shareholders had also proposed that GM products be labelled. However, interviewees stated that the Food and Drug Administration is better qualified to make such judgements regarding the sale and labelling of GM foods.

Non-GM Products

The American companies tended not to have a policy regarding the sale of non-GM products sourced from a country that uses GM. This would be of no issue.

Own-Label Products

Companies tended not to know whether own-label products were GM, and once again used the Food and Drug Administration regulations as their guide.

Purchase Change

Interviewees were unable to answer questions regarding purchase change.

The New Zealand Environment

Once again, interviewees viewed New Zealand as a source of quality products. They did not see this opinion changing, should New Zealand introduce the use of GM.

ALBERTSONS

GM Products

As a general policy, Albertsons follows the Food and Drug Administration labelling policy, whereby labels must be applied to products where GM has significantly changed the structure or function of the food, or if it introduces allergens. As a result, this policy does not cover all GM foods.

Albertsons' policy does not require that the company know if products are genetically modified. Despite calls from shareholders to label all GM foods, Albertsons voted against the proposal.

“The Food and Drug Administration and other regulatory authorities charged with protecting the health and safety of the public and the environment are the proper entities to evaluate and make judgements about the labelling and sale of genetically engineered foods”
(Proxy Statement 2002).

Non-GM Products

Albertsons has no policy on the purchase of non-GM products from a country which uses GM for other purposes.

Own-Label Products

The interviewee stated that the company would not know whether own-label products were genetically modified or not.

The New Zealand Environment

The person interviewed was not familiar with any views that had been formed by the company on the New Zealand environment. He did say however, that New Zealand's use of GM would not affect their view of New Zealand, provided that GM products were managed in accordance with company policy.

KROGER

GM Products

Kroger does stock GM foods, and does not ask suppliers whether their products are genetically modified, as “*there is no way to know*”. Their corporate position is that:

“... consumers have a basic right to know the relevant information about the product they buy, including information about genetically modified foods, or foods containing genetically modified ingredients.”

However, Kroger does not label all GM foods. Kroger complies with all Food and Drug Administration labelling requirements, which state that GM foods must be labelled if the food has been significantly changed from its traditional form. However, despite calls from shareholders to label all GM foods, Kroger has voted against such a proposal, as:

“... we are neither qualified nor entitled to establish food safety regulations and labelling requirements.” (Proxy Statement 2001)

Kroger maintains that the Food and Drug Administration have endorsed the use of GM, and are far more able to make judgements about the sale and labelling of GM food.

SAFEWAY

GM Products

Safeway does not have a policy in which it states that it will or will not accept GM foods, as:

“GM food ingredients ... are so much in the food production system, that we don’t distinguish between the two of them.”

The company is reliant on the Food and Drug Administration to be their guide as to the safety of food products, and the labelling and sale of GM foods. The interviewee said that they had not set policy on a number of GM issues, as GM is not an important issue to their customers.

Non-GM Products

Purchasing a non-GM product from a country using GM in other ways, would be of no issue to Kroger.

Own-Label Products

Once again, the Food and Drug Administration would be their guide in stocking any GM products, or non-GM products from countries using GM, to sell under their own-label.

The New Zealand Environment

The interviewee expressed that New Zealand was a source of good quality products, and didn’t think that this opinion would change should New Zealand use GM.

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