

Commentary

David Leyonhjelm

Milking GM technology

Is the [acquisition](#) of Dairy Farmers by National Foods, owned by Japanese brewer Kirin, good for Australia's dairy industry? Not just the 2,000 Dairy Farmers shareholders who will each collect a hefty sum, that is, but the industry as a whole?

The main reason the Japanese have bought into the Australian market is food security. There is a deep, unshakeable fear in Japan that because it cannot produce enough food within the country, it needs to lock in sources externally. Whatever you think of that logic, it's better than the 'Greater East Asia Co-Prosperty Sphere' – Japan's mid-20th century vision of an Asia free of western influence and dependence, and its justification for invading near neighbours to increase its own food security.

However, Japan's food security concerns are not those of Australia. Our dairy industry is export oriented, competing with countries such as the USA, EU, Argentina and New Zealand. Japan is also just one of a number of important markets.

To be competitive farmers obviously need access to modern, productivity-enhancing technology like high-speed milking equipment, the best genetics and good nutritional knowledge.

For the last 14 years the USA and several other countries have been using [Posilac](#) to improve cow productivity. Containing a naturally occurring hormone, bovine somatotropin (BST), posilac boosts milk production by around 15 per cent in well fed cows in good condition.

Posilac is administered to a third of the dairy cows in the US and approved in nearly 20 countries, but is not available in Australia. Why? Mostly because of National Foods and Japan.

Posilac is controversial because it is produced using genetically modified bacteria. Some years ago the regulator of veterinary drugs and chemicals in Australia, the Australian Pesticides and Veterinary Medicines Authority, asked the dairy industry for its views on the trade impact of approving BST. The industry argued against approval on the grounds that the Japanese were nervous of anything associated with genetic modification and would switch to New Zealand, US or EU milk instead.

National Foods was instrumental in the adoption of that position. Just to reinforce the point, it then required its dairy farmer suppliers to sign declarations that they were not feeding their cows on genetically modified crops. Cotton seed meal was (and still is) the only GM feed available, so it

was a largely symbolic gesture. But denying access to Posilac was far from symbolic.

These days, world demand for dairy products is growing strongly, the EU is a declining competitor due to lower subsidies, New Zealand's industry is increasingly integrated with Australia's due to Fonterra's involvement in both, and America continues to sell dairy products in Japan irrespective of any sensitivity. And emerging competitors such as the Ukraine use Posilac.

Last week Monsanto announced it had sold Posilac to Elanco, the animal health division of pharmaceutical giant [Eli Lilly & Co](#), for \$US300 million. The acquisition is part of Elanco's growth strategy in the dairy animal health business, something it is pursuing in Australia as well.

So the big question is, if Elanco were to seek approval for Posilac in Australia now, what would be the response from the industry? Would it turn down something that benefits its competitors again?

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