

## PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

# GMO labeling passed but still issues to be resolved

In the week since we wrote our previous column, the US House of Representatives adopted the GMO (Genetically Modified Organism) food labeling legislation written and passed by the US Senate. That legislation 1) preempted state labeling laws like the one from Vermont that went into effect on July 1, 2016, 2) set in place a national mandatory food labeling law, and 3) provide three ways for food manufacturers to comply with the law. It is expected that the President will sign the legislation.

The hope was that the new mandatory food labeling law would, if not put the GMO debate to rest, at least lower the volume of the debate. In the previous column, we pointed out that the debate goes well beyond the issue of the labeling of GMOs and identified five areas where we see significant factors on both sides that will prolong the overall conflict for the foreseeable future. With the passing of the GMO legislation, a couple of additional issues come to the fore.

**Easy-to-read labels** – While the Senate bill, containing a mandatory labeling provision, was adopted by the House, whose bill called for voluntary labeling, many GMO labeling advocates are not satisfied. They have opposed allowing food manufacturers to label their products with a QR code that would require that consumers use their smartphones to scan the code and download information about the GMO contents of a product.

In contrast to on-package labeling, comparing three or four packages that use QR codes is considerably more cumbersome, allowing the consumer to view the contents of one package at a time as opposed to lining up these packages next to each other to view their GMO ingredients. The use of QR codes also requires internet connectivity that may not be available in all locations. And then there are the people who don't own smartphones.

The likely scenario is that GMO labeling advocates will shift their strategy from working to convince Congress to mandate clear on-package GMO labeling to increasing their pressure on food manufacturers. In the end, given the highly competitive food market, no manufacturer can afford to lose even a small segment of the market to firms willing to provide clear labels.

From our perspective it would have been better for the food industry to have followed the lead of those firms who, ahead of the recent vote, decided to provide on-package labeling of any GMO ingredients in their products. If consumers switch to brands that provide easy-to-obtain information about whether or not their products are made with GMO ingredients, those without easy-to-read on-package labeling may find it hard to get those customers back.

**Costs of labeling** – To be able to accurately indi-

cate whether or not a product contains various GMO ingredients, the food system will need to institute field-to-fork traceability of GMO and non-GMO grains and oilseeds. Currently, the USDA estimates that six percent of soybeans and as much as ten percent of corn planted in the US does not contain GMO traits for insect resistance or herbicide tolerance. Some of that represents organic production, which does not allow the use of GMO seeds.

Those conventional farmers who for one reason or another do not plant GMO seeds may want to segregate their non-GMO crops at harvest. The complicating factor for all growers, especially with corn, is pollen drift. In the absence of advanced planning and proper isolation of GMO fields from non-GMO fields or non-overlapping pollination periods, it is possible for pollen from GMO corn plants to pollinate non-GMO plantings.

At the present time, there is a non-GMO product channel that uses contracts and direct sales to provide non-GMO corn and soybeans to the manufacturers who currently market their products as GMO-free. The farmers who grow these crops receive a premium for their crops that is paid for by the manufacturers and ultimately by willing consumers. If the demand for non-GMO crops increase as a result of the labeling law, it is foreseeable that grain elevators and the marketing system may develop more robust channels to segregate GMO crops from non-GMO crops. With a well-thought-out design and computer programming, it is certainly feasible to track non-GMO crops from field to fork with minimal additional transaction costs.

At the present time it is not possible to determine how all of this will shake out and who will ultimately bear the costs. Currently the extra costs are being borne by those who want the differentiated products. If a critical segment of the market begins to purchase non-GMO products, even on an occasional basis, the scales could shift quickly.

For the foreseeable future, we expect that the debate will become more heated until everything shakes out. Farmers need to watch the debate closely and perhaps consider making changes in their production practices if a critical portion of consumers show a preference for food products that do not contain GMO ingredients.

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Originally published in *MidAmerica Farmer Grower*, Vol. 37, No. 79, July 22, 2016  
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