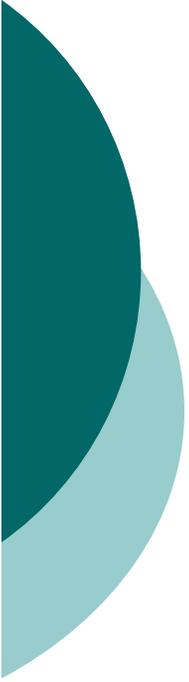




Some thoughts and reactions to the Fox-Shwedel paper on North American bioenergy policies

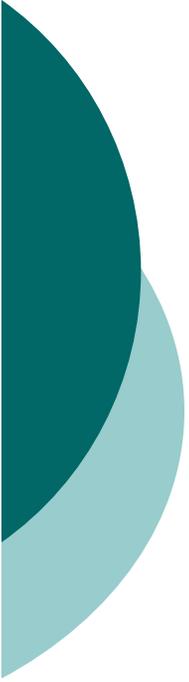
Martin Rice, Canadian Pork Council

At the fourth annual NAAMIC workshop,
Cancun, June, 2007



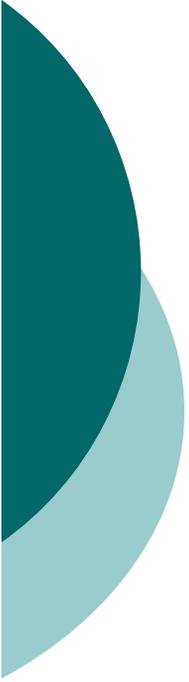
How did this happen?

- How is it that the investment tax credits and the import tariff on ethanol went through Congress with what seems like very little consideration of, or even noticeable opposition from, users of corn for food and feed that are now suffering from spike in corn prices (and are now very vocal)?



Is it a reflection of the political implications of structural change in the U.S. farm heartland? (Theory of a Canadian observer.)

- In former times, livestock sector was self-sufficient and most production came from farms that were in both crops and livestock. High loan and target prices provided government support while livestock prices were primarily market-driven and averaged across cycles, were quite adequate. No support for government assistance to livestock.

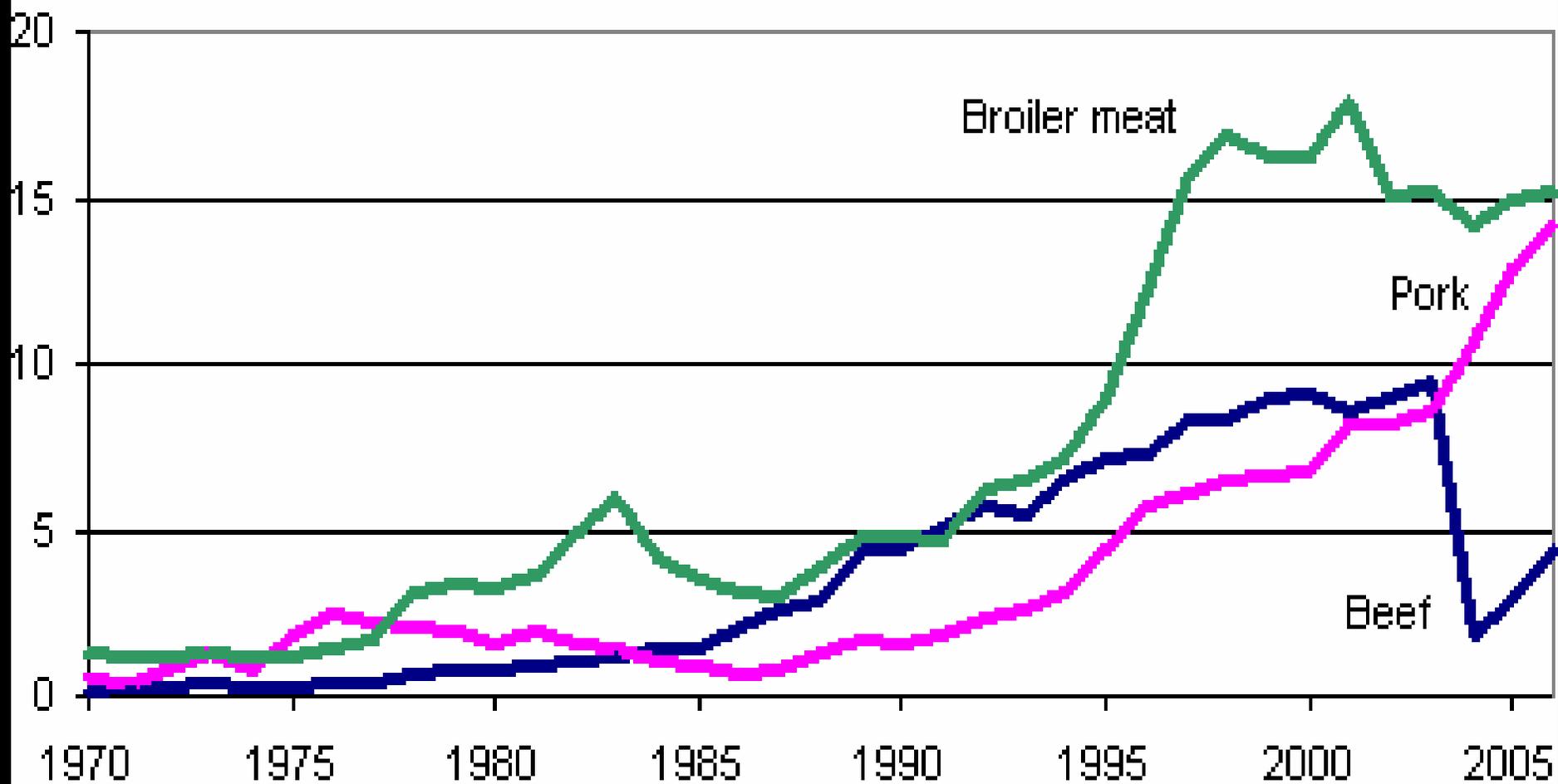


Changes in Structure and Trade

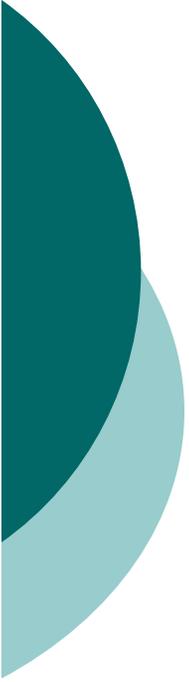
- Agriculture has become much more specialized. Increasing portion of livestock now comes from farms without joint crop production.
- Livestock (and poultry) industry has become much more export focussed. Now much more affected by impacts on international competitiveness arising from changes in feed costs.

U.S. exports as a share of domestic production: Beef, pork, and broiler meat, 1970-2006

Percent

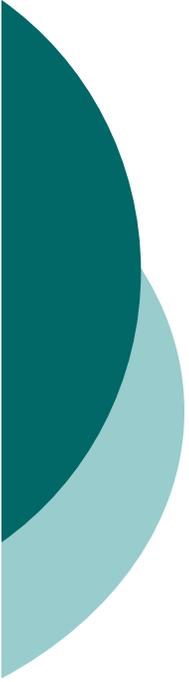


Source: USDA, Foreign Agricultural Service, Production, Supply, and Distribution database.



Impacts on Farmer Political Interests and Behaviour

- Corn farmers and hog farmers were once practically one and the same. Government support policies could thus easily satisfy both segments.
- They're still neighbours, and still creates some discomfort within hog sector to openly challenge corn programs (at least is the case in Canada).
- Hesitancy of livestock sector to publically challenge government initiatives favouring grain sector now likely gone.

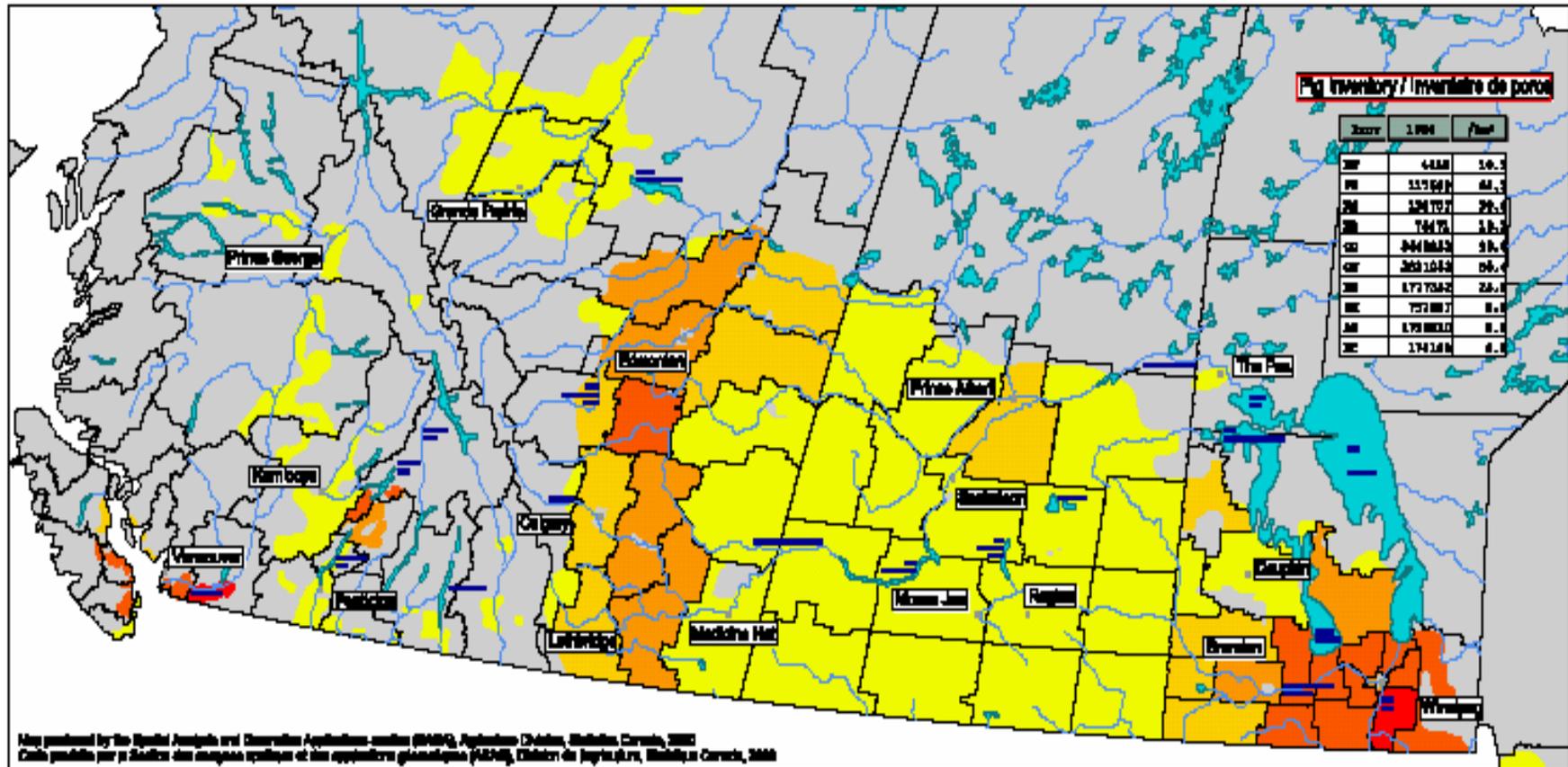


U.S. Livestock Industry Disadvantaged

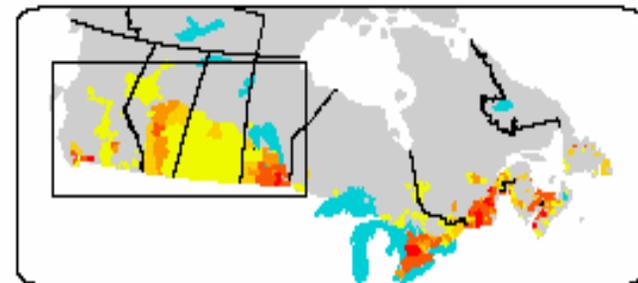
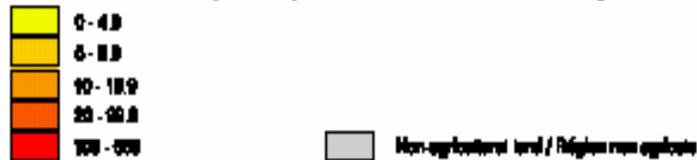
- Canadian livestock producers have been hit by higher corn prices, but perhaps less than American counterparts
 - Western Canada -- feed wheat and barley prices up by less than corn
 - Eastern Canada – supply response to higher corn prices may exceed domestic demand increase, and move to export basis

Western Canadian Pig Inventory, 1996

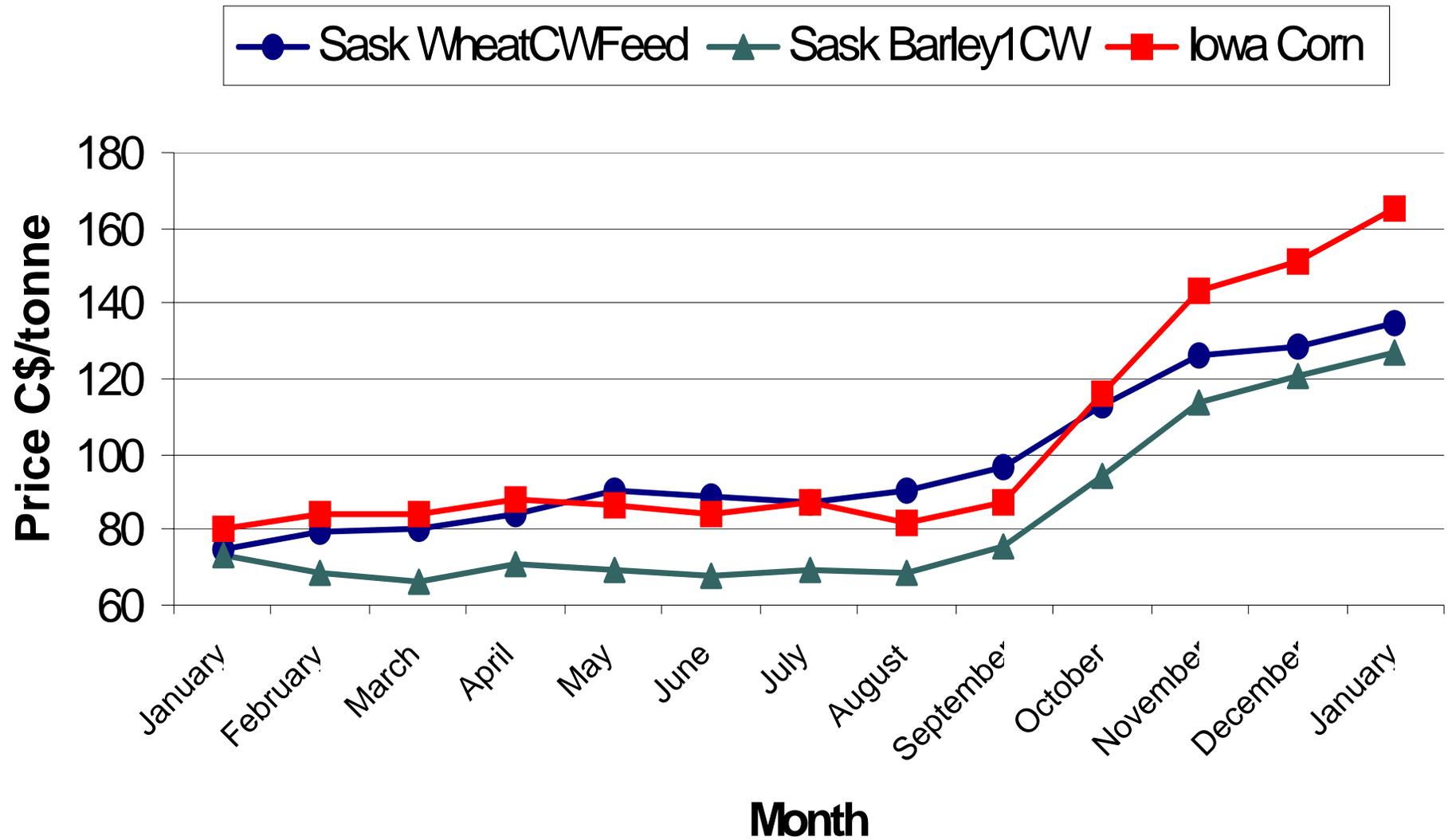
Inventaire de porcs de l'Ouest du Canada, 1996



Total Number of Pigs Per Square Kilometre of Farmland, 1996
Nombre total de porcs par kilomètre carré de superficie agricole, 1996



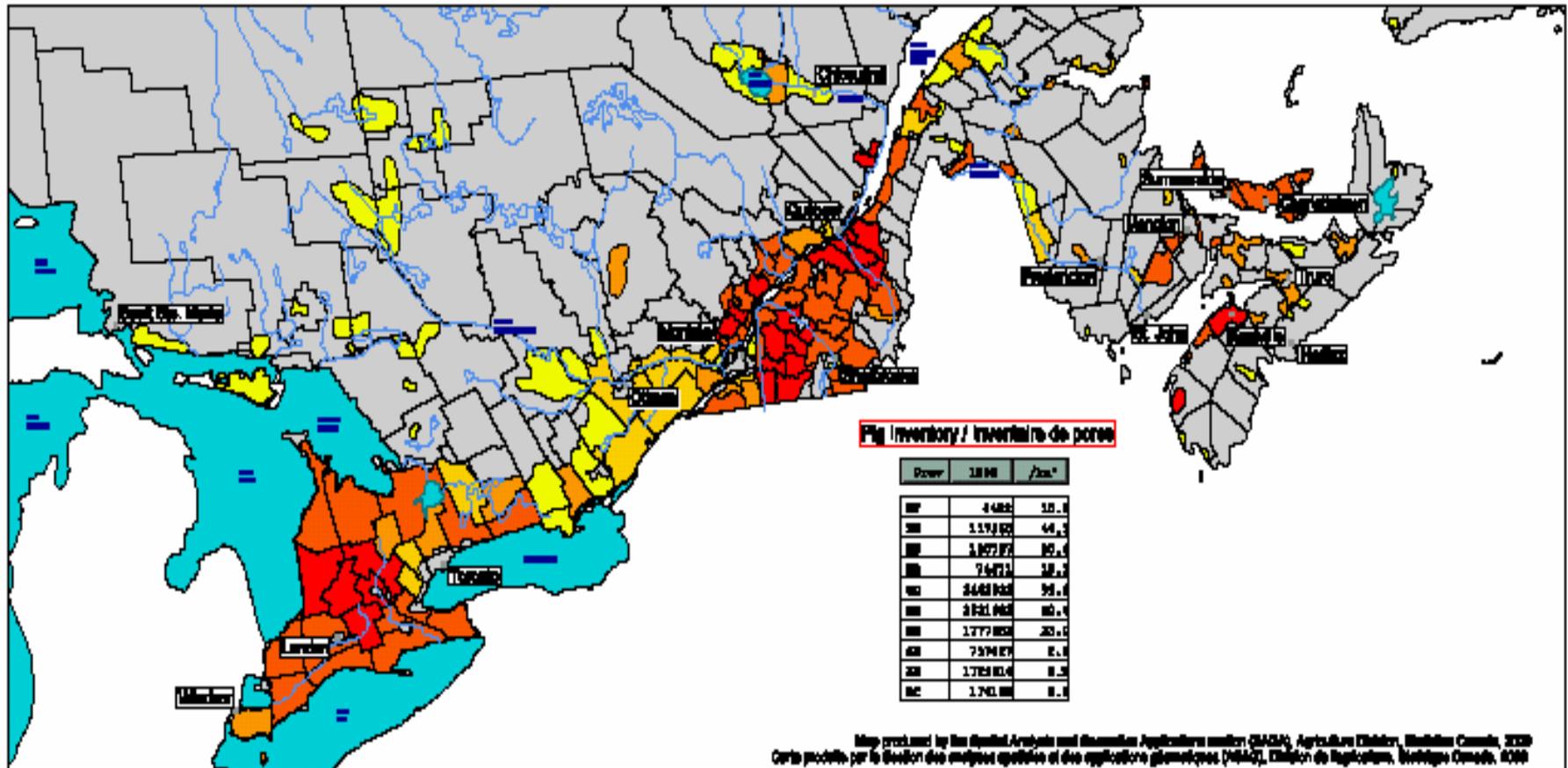
Feed Grain Prices January 2006 to January 2007



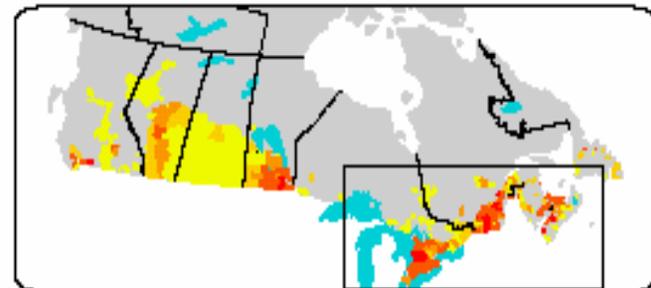
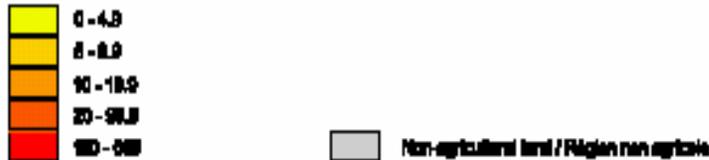
Source: Saskatchewan Agriculture and Food Online Statistics Handbook; Iowa Department of Agriculture and Land Stewardship: Agricultural Marketing Bureau, Historical Grain Reports; Compiled by Sask Pork

Eastern Canadian Pig Inventory, 1996

Inventaire de porcs de l'Est du Canada, 1996



Total Number of Pigs Per Square Kilometre of Farmland, 1996
Nombre total de porcs par kilomètre carré de superficie agricole, 1996





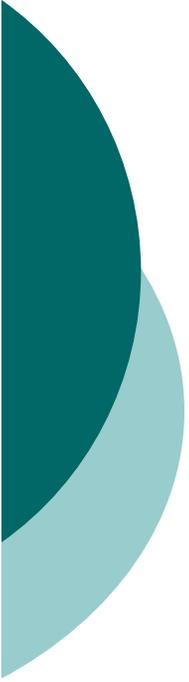
Other US livestock competitors also less affected than in US (e.g., Brazil, Argentina, Australia)

If ethanol production results in the United States becoming a net importer of corn, this could have a huge detrimental impact on American livestock and poultry production, perhaps severely cutting back on exports or even going back to being a net importer of meats such as they were for pork up until just a few years ago.



Livestock +: Bring Biogas into the 'Suite'

- Biogas (e.g., methane) should be in this 'suite' of renewable fuels if support for ethanol is to continue at such high levels. Helps offset the negative impacts on livestock sector from corn ethanol subsidies.
- Biogas can be used to produce renewable electricity, thermal energy or both. These energies can be built into district heating and power grids quite effectively.
- Biogas provides an opportunity to improve nutrient cycling throughout a food-shed as otherwise waste organic materials (food scraps, manures, food processing wastes) can be processed to remove the carbon as methane which becomes a source of renewable fuel, plus the nutrients can be effectively recycled back through the food system.
- Biogas production also fits very well with energy intensive ethanol facilities as well, given that the waste products from these plants can produce a great deal of methane, which can be used to fire the ethanol facility. Self-sufficiency at its finest....



For Discussion: Corn Ethanol Support Offset Support for Livestock

- Support biogas to the extent that it will offset the cost disadvantages to livestock producers from the subsidies for corn ethanol
- Better yet, make that support even greater so as to provide incentive for corn to be diverted back to livestock (away from ethanol) to increase manure production for biogas