

Western Canadian Wheat Growers Association

**Presentation to the
House of Commons Standing Committee on Agriculture and Agri-Food**

Bill C-33, An Act to Amend the Canadian Environmental Protection Act

February 25, 2008

The Western Canadian Wheat Growers Association welcomes this opportunity to appear before you today. My name is Kevin Bender. I am a director of the Wheat Growers and I farm at Bentley, Alberta. I am also a director with the Alberta Canola Producers' Commission although my comments today are made on behalf of the Wheat Growers. With me is Blair Rutter, our Executive Director.

The Wheat Growers are a prairie-wide voluntary farm organization. For 38 years, we have been advocating forward-looking farm policies to improve the profitability and sustainability of our farms.

Our board of directors consists of 12 farmers who have a passion for agriculture and a determination to make farming more profitable. It's our optimism about the future of our industry that keeps us energized.

Grain prices are currently strong in western Canada so that's helping to fuel our optimism. We know however that good grain prices can be fleeting, so that's why we are always seeking policy solutions that will help make farming more profitable on a long-term basis.

We see biofuels as an excellent opportunity in helping to achieve that goal.

Bill C-33 makes provision for regulations that would require gasoline to contain a 5% average renewable content by 2010 and diesel and heating oil to contain a 2% average renewable content by 2012. The Wheat Growers support this legislation and urge Committee members to give it your full support as well.

Currently, there are 5 commercial ethanol plants in operation in western Canada and two more large-scale plants will be opening this year. Combined capacity of these plants will be 500 million litres, which in total would consume 1.4 million tonnes of wheat, or about 7% of average wheat production in western Canada. Of course, these plants won't be using wheat exclusively – corn and other cereals will be part of the mix.

While ethanol has been produced on the prairies for more than 25 years, we really are in the early stages of a large-scale biofuels industry in western Canada, so it is difficult to predict the full impacts.

In our view, biofuels and bioproducts represents a great opportunity to create a more sustainable future for our industry. Over the next few minutes, I want to talk about the value of biofuels to prairie grain farmers.

Benefits of an Ethanol Industry

- Increased ethanol production will help reduce our dependency on foreign grain markets. There's a number of risks when you are exporting most of your grain offshore – it means you are vulnerable to tariff and non-tariff trade barriers, labour disputes, railway service disruptions and high ocean freight rates. In the past year alone, the prairie grain pipeline has been disrupted by two railway strikes and a trucker walkout at Vancouver port. Having more grain processed domestically helps mitigate the impact of such disruptions.
- Another benefit of a biofuels industry is that it will provide farmers with an additional local outlet for marketing our grain. As we have discovered in the canola, oats and pulse sectors, local users of grain improve competition and help support prices. The value of ethanol and biodiesel plants will be particularly evident when grain downgraded by weather or disease is able to be used for biofuel production.
- Increased local processing also reduces our dependency on shipping grain by rail. In western Canada, our industry continues to be constrained by service and performance issues in the rail sector. In this regard the Wheat Growers were very pleased to see transportation legislation, Bill C-8 pass Parliament and we thank all parties for their support of this legislation. The fact remains however, that in Western Canada, the two main railways haul about 65% of the grain we produce. In our view, increasing the amount of grain that is processed locally should improve rail service and increase competition in grain handling.
- Wheat varieties that are well-suited to the ethanol industry often have a number of agronomic advantages and so they represent a good rotational fit on many farms.
- Promoting a biofuel industry also creates more jobs and economic activity in rural areas. For those farmers who invest in these facilities, it also gives them an opportunity to capture a greater share of the value chain.
- Finally, processing more of our grain locally helps ease the growing congestion on the rail lines and at ports. Rather than shipping our grain long distances, we think it makes more economic and environmental sense to process it closer to home.

In our view, there is no question that biofuel plants provide tremendous value to grain farmers and communities across western Canada.

We note the renewable fuel standards contemplated in the legislation include provisions for next-generation feedstocks including straw and other biomass material. The Wheat Growers support these forward-looking provisions.

We recognize and appreciate the concerns raised by the livestock sector with respect to the possible increase in feedgrain prices resulting from the development of a biofuels industry. Many of our members also have livestock operations, so we take these concerns seriously.

We note however that studies in the U.S. have shown that livestock operations have flourished around ethanol plants. That is also the case in Canada. In fact, the oldest ethanol plant in western Canada – the Pound-Maker facility at Lanigan, SK – is a fully integrated ethanol and feedlot operation. Other ethanol projects under development have a strong livestock component.

We think it's worth noting that many of the wheat varieties that are well-suited for ethanol plants are much higher yielding than varieties used in the flour milling industries. Often the yield per acre is substantially higher than milling varieties. If the ethanol industry expands significantly in western Canada, then we will likely see higher production of wheat, corn and other feedgrains. The resulting distillers dried grain, or DDGs, produced from these plants will provide the livestock industry with a relatively low-cost feedgrain supply.

Admittedly, we don't know what the full impacts of biofuels on the Canadian livestock industry. However, we believe it's far too early to determine whether the growth of a biofuel industry in western Canada will be positive or negative for the livestock sector.

The Wheat Growers want to see the development of a biofuels industry that is sustainable without the need for mandates or subsidies of any kind. We recognize that some argue the biofuel industry will not be viable without government intervention or support. We do not share that view. Of course the economic viability will ultimately depend on the price of oil and feedstocks, however we believe technological improvements in processing and in variety development will be such that biofuel production will one day be economical and sustainable without government intervention.

Regarding wheat variety development, our Association would be remiss if we did not comment on this Committee's work in recommending the removal of kernel visual distinguishability (KVD) as a criterion for the registration of new wheat in western Canada. The removal of this constraint will lead to the development of wheat varieties that have the yield and starch profiles that are well-suited to the ethanol industry. We applaud your Committee and the federal government for its foresight in bringing about this policy change.

Bill C-33 will also help spur the development of new markets and new uses for our crops. For example, the fractionization of wheat, barley and other grains offers significant

opportunity for the development of healthier food, pharmaceuticals and industrial products.

In summary, the Wheat Growers fully support Bill C-33. The legislation will provide Canadian farmers with greater marketing opportunities and will lessen our dependence on export markets.

The development of a biofuels industry will lead to greater investment in crop research and development, as well as processing technology. It also offers an excellent opportunity to create jobs and economic activity in many rural communities.

We ask your Committee to endorse this legislation and ensure it is passed during this Parliamentary session.

Thank you for giving us the opportunity to put forward our views on this important legislation. We look forward to your questions.