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MEDIA RELEASE

Ethanol Consequences Being Hidden By Remarkable Corn Production

Guelph, ON (October 25, 2011) Ethanol development in Ontario should be driving grain prices to levels that make livestock production uncompetitive. The basic competitive market model anticipates a strengthening corn basis due to ethanol development, driving down livestock and meat production. “Instead, the last few years have seen increases in ethanol production, coupled with a very wide export corn basis, and declining hog production but stable cattle feeding in Ontario”, says Al Mussell, Senior Research Associate and author of a new report that helps to clarify the situation.

So is the market model wrong and should be shelved, the report asks? “No” says Mussell. The period 2006-10 saw remarkable increases in corn production, with some softening of feed demand. Mussell says, “Corn production increases were so dramatic that there has been enough corn in Ontario to supply ethanol, industrial and feed demands; this is serendipity, not coordinated policy- there has been literally no shift in acreage toward corn in response to ethanol demand”.

The report concludes that the Ontario corn-ethanol situation offers analogies for the rest of Canada. “New ethanol plants are in development in Alberta, and the biofuel industry in Canada is advocating for a 10% ethanol blend, up from 5% today. It is plainly unreasonable to expect ongoing feed grain yield growth to keep pace with the implied growth in ethanol demand. If it can’t, then the implied increase in the basis for feed grains in the west and corn in Ontario will result in a shrink in the livestock sector.”

The complete GMC report entitled “*Ethanol and Corn in Ontario: An Update and Prognosis*” is available on the homepage of the George Morris Centre website at: www.georgemorris.org

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