



MEDIA RELEASE

Canadian Ethanol Policy Impacting Canada's Livestock and Meat Industries

Guelph, ON (January 31, 2012) Canadian ethanol policy has directly impacted Canadian grain markets and users of grain, such as the Canadian livestock and meat industry. According to a study released today by the George Morris Centre, while there are many factors that influence grain and livestock prices, Canadian ethanol policies also have a direct and important negative influence on the Canadian livestock industry.

Canadian federal and provincial governments have developed policies for biofuels as part of a green fuels strategy to reduce petroleum fuel consumption and associated emissions. The Canadian ethanol industry has been created and supported by federal and provincial subsidies, grants and mandated usage of the product in gasoline. As a consequence, it creates a subsidized competitor for Canadian feed grains that form the basis of Canada's export-based livestock and meat industry.

The study found the following:

- Canadian ethanol production increases the price of feed grains in eastern and western Canada by about \$15-20/tonne and \$5-10/tonne respectively.
- Canadian ethanol production resulted in reduction in livestock feeding margins and or increased losses for Canadian producers amounting to about \$130 million per year.
- Expanded use of ethanol to a 10% mandate will result in a serious reduction in feed availability in eastern Canada. This will result in a dramatic reduction of cattle and hog feeding in eastern Canada.

The bottom line is that federal and provincial ethanol policy has resulted in reduced incentives for livestock production in Canada. Expansion of the ethanol industry in Canada will amplify the negative consequences. As biofuel policy evolves it is important that governments and industry understand these implications on livestock and meat development. Government has demonstrated that in a short time, it can create a large ethanol industry. The same cannot be said for the livestock and meat industry. Governments must realize that the red meat industry developed over a long period of time; if it were to drastically decline, it would take a very long time to return.

The complete GMC report, *"Impact of Canadian Ethanol Policy on Canada's Livestock and Meat Industry 2012"* is available on the homepage of the George Morris Centre website at: www.georgemorris.org

The George Morris Centre is a national, independent, economic research institute that focusses on the agriculture and food industry. The Centre's areas of research include: trade, regulation, cost of production, food safety, market analysis, agricultural research, environment, competitiveness and corporate strategy.

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