



GEORGE MORRIS CENTRE

NEWS RELEASE

Real Cost of Ethanol Will Hit Red Meat Industries Hard

Guelph, ON (September 16, 2008)- Ethanol development based on corn in Ontario comes at a net cost of about \$150 million per year to the Ontario economy, according to an independent George Morris Centre report released today. This cost will be borne most directly by the pork and beef industries.

The report finds that the rapid development of ethanol production capacity in Ontario could lead to a permanent import pricing basis for corn, which would undermine the basis for cost-competitive pork and beef industries, and induce dramatic downsizing.

“As it stands, Ontario marketings of hogs and cattle have already outstripped the capacity of domestic corn to feed them, so downsizing is warranted. But the appetite for corn from ethanol plants coming on line in the near future is immense, and backed by subsidy. The export-based red meat industry in Ontario will be unable to compete for corn with ethanol, and the firm import pricing basis for corn that results will decimate the red meat industries”, says Al Mussell, Senior Research Associate at the George Morris Centre and lead author of the report.

The report traces the link between corn production, consumption in feed and industrial uses, and ethanol production and distiller’s dried grains (DDG) in its analysis of forthcoming adjustments as ethanol production increases. “Even when we force the maximum feasible inclusion rates of DDG into livestock rations, the implied shrink in hog and cattle marketings that would return Ontario to competitive corn basis levels is simply dramatic”, says Graeme Hedley, a George Morris Centre Associate.

The report concludes that, even at \$148-156 million per year, these results significantly understate the entirety of adjustment costs. According to Mussell, “our results only scratch the surface, as we have not included losses or asset devaluation in feed, veterinary, or animal breeding. Clearly this also has implications for ethanol production in Western Canada. The bottom line is that this will result in a very hard landing for red meat segments in Eastern and Western Canada, based on our current course.”

The complete GMC report entitled “*Crowding Out: The Real Ethanol Issue in Canada*” is available on the George Morris Centre website: www.georgemorris.org

The George Morris Centre is Canada’s independent agri-products think tank, dedicated to provoking informed dialogue on policies and issues and fostering excellence in the Canadian agri-products sector.

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