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Cash for Biofuels Farming Opportunities

The Honourable Chuck Strahl, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board today announced \$11 million in funding initiatives designed to ensure farmers and rural communities have opportunities to participate in and benefit from increased Canadian biofuels production.

The Biofuels Opportunities for Producers Initiative (BOPI) provides \$10 million dollars, this fiscal year, to help agricultural producers develop sound business proposals, as well as undertake feasibility or other studies to support the creation and expansion of the biofuel production capacity. The industry councils in each province and territory that administer AAFC's Advancing Canadian Agriculture and Agri-Food (ACAAF) will be invited to deliver this new federal funding.

“Canada’s new government wants to ensure that farmers and rural communities are ready to take advantage of the opportunities that will be created by our biofuels strategy,” said Minister Strahl. “These initiatives will not only help provide new opportunities to farmers, they will also help lay the foundation for Canada’s biofuels strategy. We expect to be announcing decisions on this biofuels strategy this fall.”

The new government is also supporting biofuels opportunities through a one-time \$1 million dollar addition to the existing Co-operative Development Initiative (CDI). This funding will provide support to individuals, groups and communities wishing to develop co-operatives as a way to take advantage of opportunities associated with biofuels and other value-added activities.

These initiatives flow from the 2006 Budget, where the Government of Canada invested an additional \$1.5 billion to ensure prosperity and growth in Canada's agriculture sector, which tripled original commitments to the agriculture sector.

Biofuels Poised to Displace Oil

Biofuels such as ethanol and biodiesel can significantly reduce global dependence on oil, according to a new report by the Worldwatch Institute, released in collaboration with the German Agencies for Technical Cooperation (GTZ) and Renewable Resources (FNR).

<http://www.worldwatch.org/node/4079>

Switchgrass as a Renewable Fuel

Switchgrass production can benefit farmers, taxpayers, industrial-fiber producers, energy producers and consumers of energy. Switchgrass is a valuable soil-protection cover crop. It binds loose soils and provides valuable wildlife habitat. Additionally, it has been demonstrated that it could become a valuable fiber source for manufactured composite "wood" products and fiber-plastic composite materials. "Bioenergy" can be produced by co-firing switchgrass with coal to produce electricity in existing power plants offers a near-term energy production alternative,

as does eventually using switchgrass as a feedstock in bio-reactors that produce bio-based fuels or industrially important chemicals. Pelletized switchgrass is being used in pellet stoves for general home heating in some rural areas, and has great potential as a clean-burning alternative to coal or imported fossil fuels.

<http://www.agmrc.org/agmrc/commodity/biomass/switchgrass>

Will Bio-fuels Spell the Salvation of Western, Commodity Based Agriculture?

Biofuels could have more impact on agriculture than any development since the Green Revolution, according to the report Biofuels for Transportation: Global Potential and Implications for Sustainable Agriculture and Energy in the 21st Century. You can find the biofuels report at www.worldwatch.org/node/4078

Supermarkets and Service Stations Now Competing for Grain

Lester R. Brown

Cars, not people, will claim most of the increase in world grain consumption this year. The U.S. Department of Agriculture projects that world grain use will grow by 20 million tons in 2006. Of this, 14 million tons will be used to produce fuel for cars in the United States, leaving only 6 million tons to satisfy the world's growing food needs.

In agricultural terms, the world appetite for automotive fuel is

insatiable. The grain required to fill a 25-gallon SUV gas tank with ethanol will feed one person for a year. The grain to fill the tank every two weeks over a year will feed 26 people.

Investors are jumping on the highly profitable biofuel-bandwagon so fast that hardly a day goes by without another ethanol distillery or biodiesel refinery being announced somewhere in the world. The amount of corn used in U.S. ethanol distilleries has tripled in five years, jumping from 18 million tons in 2001 to an estimated 55 million tons from the 2006 crop.

In some U.S. Corn Belt states, ethanol distilleries are taking over the corn supply. In Iowa, a staggering 55 ethanol plants are operating or have been proposed. Iowa State University economist Bob Wisner observes that if all these plants are built, they would use virtually all the corn grown in Iowa. In South Dakota, a top-ten corn-growing state, ethanol distilleries are already claiming over half of the corn harvest.

With so many distilleries being built, livestock and poultry producers fear there may not be enough corn to produce meat, milk, and eggs. And since the United States supplies 70 percent of world corn exports, corn-importing countries are worried about their supply.

Since almost everything we eat can be converted into fuel for automobiles, including wheat, corn, rice, soybeans, and sugarcane, the line between the food and energy economies is disappearing. Historically, food processors and livestock producers that converted these farm commodities into products for supermarket shelves were the only buyers. Now there is another group, those buying for the ethanol distilleries and biodiesel refineries that supply service stations.

As the price of oil climbs, it becomes increasingly profitable to convert farm commodities into automotive fuel, either ethanol or biodiesel. In effect, the price of oil becomes the support price for food commodities. Whenever the food value of a commodity drops below its fuel value, the market will convert it into fuel.

Crop-based fuel production is now concentrated in Brazil, the United States, and Western Europe. The United States and Brazil each produced over 4 billion gallons (16 billion liters) of ethanol in 2005. While Brazil uses sugarcane as the feedstock, U.S. distillers use grain—mostly corn. The 55 million tons of U.S. corn going into ethanol this year represent nearly one sixth of the country's grain harvest but will supply only 3 percent of its automotive fuel. (For additional data, see www.earthpolicy.org/Updates/2006/Update55_data.htm.)

Brazil, the world's largest sugar producer and exporter, is now converting

half of its sugar harvest into fuel ethanol. With just 10 percent of the world's sugar harvest going into ethanol, the price of sugar has doubled. Cheap sugar may now be history.

In Europe the emphasis is on producing biodiesel. Last year the European Union (EU) produced 1.6 billion gallons of biofuels. Of this, 858 million gallons were biodiesel, produced from vegetable oil, mostly in Germany and France, and 718 million gallons were ethanol, most of it distilled from grain in France, Spain, and Germany. Margarine manufacturers, struggling to compete with subsidized biodiesel refineries, have asked the European Parliament for help.

In Asia, China and India are both building ethanol distilleries. In 2005, China converted some 2 million tons of grain—mostly corn, but also some wheat and rice—into ethanol. In India ethanol is produced largely from sugarcane. Thailand is concentrating on ethanol from cassava, while Malaysia and Indonesia are investing heavily in additional palm oil plantations and in new biodiesel refineries. Within the last year or so, Malaysia has approved 32 biodiesel refineries, but recently has suspended further licensing while it assesses the adequacy of palm oil supplies.

The profitability of crop-based fuel production has created an investment juggernaut. With a U.S. ethanol subsidy of 51¢ per gallon in effect until 2010, and with oil priced at \$70 per barrel, distilling fuel alcohol from corn promises huge profits for years to come.

In May 2005, the 100th U.S. ethanol distillery came on line. Seven of these distilleries are being expanded. Another 34 or so are under construction and scores more are in the planning stages. The soaring demand for crop-based fuel is coming when world grain stocks are at the lowest level in 34 years and when there are 76 million more people to feed each year.

The U.S. investment in biofuel production in response to runaway oil prices is spiraling out of control, threatening to draw grain away from the production of beef, pork, poultry, milk, and eggs. And, most seriously, the vast number of distilleries in operation, under construction, and in the planning stages threatens to reduce grain available for direct human consumption. Simply put, the stage is being set for a head-on collision between the world's 800 million affluent automobile owners and food consumers. Given the insatiable appetite of cars for fuel, higher grain prices appear inevitable. The only question is when food prices will rise and by how much. Indeed, in recent months, wheat and corn prices have risen by one fifth.

For the 2 billion poorest people in the world, many of whom spend half or

more of their income on food, rising grain prices can quickly become life threatening. The broader risk is that rising food prices could spread hunger and generate political instability in low-income countries that import grain, such as Indonesia, Egypt, Nigeria, and Mexico. This instability could in turn disrupt global economic progress. If ethanol distillery demand for grain continues its explosive growth, driving grain prices to dangerous highs, the U.S. government may have to intervene in the unfolding global conflict over food between affluent motorists and low-income consumers.

There are alternatives to using food-based fuels. For example, the equivalent of the 3 percent gain in automotive fuel supplies from ethanol could be achieved several times over—and at a fraction of the cost—simply by raising auto fuel efficiency standards by 20 percent. Investing in public transport could reduce overall dependence on cars.

There are other fuel options as well. While there are no alternatives to food for people, there is an alternative source of fuel for cars, one that involves shifting to highly efficient gas-electric hybrid plug-ins. This would enable motorists to do short-distance driving, such as the daily commute, with electricity. If wind-rich countries such as the United States, China, and those in Europe invest heavily in wind farms to feed cheap electricity into the grid, cars could run primarily on wind energy, and at the gasoline equivalent of less than \$1 a gallon.

Additional data and information sources at www.earthpolicy.org
or contact jlarsen@earthpolicy.org

For more in-depth information see Chapters 2 and 10 in Plan B 2.0, at <http://www.earthpolicy.org/Books/PB2/Contents.htm>

New CD builds on Value Chain Success

Learn about the benefits of creating value chains using the Alberta Value Chain Initiative's most recent CD Rom, Agri-Food Value Chains - from concept to a powerful, practical business strategy.

"The information in this CD would be useful to anyone interested in building a value chain. It's a tool to get you started." Nancy Romanow Cranston, member of the Agriculture and Food Council.

The demand for the information contained in this CD became evident with the enormous success of the Global Links: The Truth about Value Chains conference held in Calgary. This project takes a more in-depth look at the topics explored during the May 2005 conference with international value chain experts. The CD enabled conference presenters to go into more detail

on how they formed successful value chains and allows the viewer to learn from their experiences.

This CD Rom was developed by the Value Chain Initiative, led by the Agriculture and Food Council of Alberta, in partnership with Agriculture and Agri-food Canada and Alberta Agriculture, Food and Rural Development. It is being distributed to Alberta businesses and others interested in the benefits of value chain relationships.

To order your copy, call the Council at (780) 955-3714 or email info@agfoodcouncil.com

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NMC 2006 REGIONAL MEETING - The Link to Quality Milk.

August 9-10 Delta Prince Edward Hotel, Charlottetown

The goal of this conference is to disseminate information on practical, on-farm aspects of udder health, mastitis control, milking management and milk quality. The program is directed toward dairy producers and other dairy industry professionals who deal with mastitis and milk quality issues on a daily basis. The conference provides an excellent opportunity for everyone interested in quality milk production to keep up-to-date and network with other dairy producers and industry personnel who share a common interest. (Note: ADL has offered to pay half the cost for their producers to take in the short courses.) <http://www.upei.ca/nmc2006/index.htm>

Leadership Files #6

In today's environment agricultural leaders need to be sources of credible information. Their knowledge is urgently required by policy makers and citizens to develop sustainable policies and practices.

To effectively develop a consensus among their peers, build alliances, and move the industry ahead in the 21st century, leaders must continually hone their communications skills and management styles.

This section of the newsletter addresses the need for developing effective communications skills and management styles. It offers a suite of ideas and techniques to assist in developing skills and values that today's emerging leaders need. Each newsletter will address a new situation/issue which calls upon specific leadership qualities. Your feedback, submissions and/or suggestions are gratefully appreciated.

7. Communicating One-on One

Listen with care to your adversaries; trying to understand the speaker's perspectives. When you do, learning and movement become more possible. If adversaries know that you care, that you believe their troubles shared by you, that you are one and not separate, and that you too are searching and need their perspectives, a more fertile soil for communication is produced.

A good listener is rewarded with the gift of wisdom.

Break down the barriers to good communication (i.e. Noise, Cultural Differences, Perceptions, and Stereotyping)

Listen to be influenced and provide feed back without rebuttal.

Never start a sentence with “ Yes, but.....”.

Understand other peoples biases.

Ask open ended questions that cannot be answered with “yes” or “no”.

Take notes while listening. Note the body language as well as the verbal expression.

Paraphrase to confirm that you understand

Do not finish other peoples sentences.

The Value Chain Advisory #2

In March 2006, the PEI ADAPT Council celebrated the first anniversary of its Value Chain Advisory Committee. At that time we also co-sponsored the first Atlantic Value Chain Conference in Dartmouth, Nova Scotia. In recognition of the growing importance of value chains as a new marketing tool for the 21st century. We launched a new column to this newsletter, ‘The Value Chain Advisory.’

Atlantic Value Chain Conference, Summary of Presentations

by: Ronda Bellefontaine, P.Ag., PEI ADAPT Value Chain Co-ordinator

Michael Scott, President Operations, Atlantic Region, Sobeys Inc. shared Sobeys strategic direction - keeping the focus on food while being mindful of cost to the consumer. Themes included in his presentation were co-operation, marketplace realities, opportunities, food safety, quality, reliability and being open to discussion. Sobeys make significant purchases of Atlantic grown and processed product. A growers’ checklist was presented itemizing the criteria that need to be met in order to do business with Sobeys. He talked about food safety, critical factors for their suppliers and about the opportunities at Sobeys Atlantic. He ended the presentation with some ideas for government to consider as ways to support the agriculture and food industry in Atlantic Canada.

Anne Anderson, Managing Partner, Gate-To-Plate Solution Group, USA and Partner, Pike

Management Group, Canada presented an example of a successful beef value chain and role-played the development of a potato value chain. She discussed the information exchange between the partners (everything is measured and tracked), the detailed specifications for each partner in the chain, and determination of the value created at each level in the chain. It was noted that the partners in the value chain each “own their own business, but together function as one corporate entity”. What makes this work is a shared vision, a belief that it will succeed, an agreed on set of personal and professional attributes (it only takes one to ruin the endeavour of everyone), trust and transparency of operations, respect, leadership, commitment (in the long term), communication, differentiation, starting with where the producers are at today, managing the negatives, planning cooperatively and a financial model that allows each partner to share equitably in the value they create.

Ms. Anderson went through a role-play, demonstrating that the creation of a value chain is as simple as having everyone in the chain to a meeting to talk (helps to use a facilitator). The presentation ended with a checklist of what it takes to make a value chain work, including how to determine suitability of value chain partners.

Jerry Bouma, Partner, Toma and Bouma Management Consultants, Canada discussed why value chains matter. He defined a value chain as “working together for mutual benefit” with the objectives of 1)creating or building value as defined by the customer and 2)sharing value across the chain. He gave a brief history of the adoption of value chains as a strategy - starting in the U.K. in the ‘80's, being adopted by the Netherland’s in the ‘90's and since ‘98 being implemented in Alberta, Saskatchewan and Ontario. Five case studies were presented with a key lesson from each highlighted. These lessons were: follow your customer; expect change; there is no substitute for listening to your customer and committing to quality; know your customer and what they want; and turn your weakness into strength. The essence of a value chain program is to create awareness, training and education and then facilitate value chain formation. It involves evaluating the possibilities, planning and then managing. Essential ingredients are vision and leadership, commitment to creating value, commitment to sharing value, resources, third party management and time. We have learned that value chains are a way to deliver what customers are looking for, offer a chance to create and capture value, typically start small and at the margin and take a lot of hard work and persistence.

Jennifer Haley, Executive Director, Ontario Veal Association, Canada presented a detailed look at the development and management of the Ontario Veal Value Chain. It started with a core group of leaders in the veal industry in Ontario with a vision of where they wanted to be as an industry and as individual producers. Achieving the vision involved starting with market research, critically evaluating what was being done on the farm, developing a production protocol which was HACCP based and subject to third party audit, accepting that not all calves will make the cut, finding a processor that could meet the specifications of the program and developing a retail program for merchandising the product. Ms.Haley discussed the impact of the value chain on each of the partners in the chain, the issues faced and lessons learned by the Veal Association in going through this process, and where the next move was for the veal producers in maintaining and growing their business.

Stuart Thomson, Associate Director - Food Chain, English Farming and Food Partnerships Ltd., UK. Stuart Thomson’s presentation could be summed up in his final slide - “Collaboration

is Key”. English Farming and Food Partnerships Ltd. (EFFP), the organization for which he works, is funded partly by industry and partly by government. It was created after the UK’s Policy Commission on the Future of Farming and Food completed its work in 2001/02. Three objectives coming from the report of the Public Commission are improved marketing, improved understanding of food chains and improved collaboration. EFFP’s mission is to ‘make collaboration work’ through the growth of market focused and professionally run farmer controlled businesses (FCB’s) and by developing co-operation and partnership activities not only between farmers but also between farmers and the supply chain. Mr. Thomson discussed collaboration by farmers - why don’t they do it more, how are farms collaborating now, will it be more important in the future, what are the barriers to collaboration and how do we make collaboration work? He presented information on how Food Chain Relationships are changing and gave examples of collaboration in the food market, noting some of the risks involved.

Dave Sparling, Executive Director, Institute for Agri-Food Policy Innovation, Canada

Value chain management is about addressing **value for others**. The overriding objective is **creating value for the consumer**. The focus in agriculture is shifting from productivity to products which means we have to change. The shift has already started in some levels of the food chain. Supply chains need to be evaluated to see where value is being lost and where value can be created. Supply chain management objectives should be twofold - efficiency (doing things right) **and** effectiveness (doing the right things). The Value Chain management process starts with understanding the market and consumers. The goal is for the entire chain to be more competitive and for all members to benefit, to build on competencies within the chain and to identify opportunities that fit with the chain’s competencies. Mr. Sparling outlined the Steps involved in Value Chain Management as: Step 1-Understand the Motivation, Step 2-Identify Partners and Build Relations, Step3-Create the Plan & Infrastructure, Step 4-Implementation. Value Chains are the future.

“We must become architects of the future, not defenders of the decline.”