



from Farm to Fuel

Biodiesel allows canola growers to participate in the value chain.

As suppliers and major users of diesel fuel, canola growers are uniquely positioned to benefit from a canola-based biodiesel industry. The establishment and expansion of the ethanol industry in the United States (US) serves as an example of how demand for biofuels increases the value of production while offering an important, sustainable additional market for production. The US-based Renewable Fuels Association reports ethanol production has added 25–50 cents to the value of a bushel of corn and that ethanol now represents the third largest market for US corn after livestock feed and exports¹. Opportunities for farmer equity investments in feedstock preparation and production facilities provide an additional opportunity to diversify and stabilize net farm income.

Demand Diversification Opportunity

In 2005, canola growers in western Canada produced a record 9.66 million tonnes of canola as a result of improved technology and favourable growing conditions in most of the growing area². In spite of near record domestic crushing and export activity, the combination of a higher Canadian dollar and record crops in competing global oilseeds means carryout supplies of canola are projected to be at record high levels. Canadian canola growers have clearly demonstrated they can increase production—the challenge lies in developing sustainable new markets for this supply.

One currently untapped opportunity for canola growers lies in the production of feedstock to support a domestic biodiesel industry. The diversification option presented by canola biodiesel would provide an important third market to the North American food industry and raw seed export markets that would help to stabilize acreage and potentially improve the net return from growing canola.

Investments in domestic infrastructure will not only sustain the biodiesel industry but could provide an important platform for increased research and development activity in clean fuel technologies in Canada. As the majority of the cost of biodiesel is related to the feedstock, location of production facilities closest to the areas of canola

production in western Canada would serve two purposes—encourage the use of locally produced feedstocks and provide long-term market alternatives for canola growers.

Preferred Feedstock for Biodiesel

Canola is such an attractive feedstock for biodiesel that, in response to government incentives, business decisions are being made that favour establishment of biodiesel production infrastructure in the US that will use Canadian canola as the feedstock to local as well as possible export demand^{3,4}. In 2006, the EU is forecast to import between 100,000 to 120,000 tonnes of Canadian canola oil for use in their biodiesel production facilities⁵. The policy environment in Canada needs to address this inequity to encourage the investment in a robust domestic industrial base.

A domestic biodiesel industry provides an important platform to capture opportunities from science and innovation while improving environmental stewardship. Canadians lead the efforts over 40 years ago to develop and commercialize modern day canola, and have the capacity, commitment and enthusiasm to ensure that the impact of a biodiesel industry will be seen along the entire value chain.

Positive Impact on Grower Income

Experience in other jurisdictions provides compelling evidence of the positive impact of biodiesel production capacity on growers, including:

- Increased demand for feedstock, which boosts cash receipts from the crop. For example, US soy industry is projecting an additional US\$0.17 per bushel for soybeans annually for the next 10 years as a result of demand for biodiesel feed stock
- Using cleaner-burning biodiesel on-farm can extend equipment life and lower maintenance costs
- Strengthening rural communities by encouraging farmer equity investment in production facilities

¹ Renewable Fuels Association "Ethanol Facts: Agriculture" 2006

² Canola Council of Canada "Market Statistics" 2006

³ www.admworld.com "Archer Daniels Midland Announces Plans to Build Biodiesel Production Facility", 2005

⁴ Grant County Economic Development Council "Legislation allocates \$2.5 million for Port of Warden Biodiesel Project", 2006

⁵ Oil World "Oil World Weekly" January 20, 2006

⁶ Promar International "Evaluation and Analysis of Vegetable Oil Markets", 2005

⁷ Hofman et al "Biodiesel Use in Engines" 2006