



Canadian Canola Growers Association

Presentation to

***Biodiesel: Powered by
Canola Conference***

Calgary

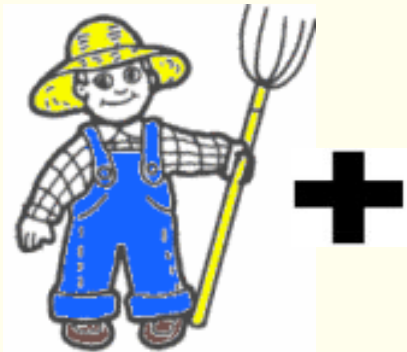
By

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Biodiesel-Canola Oil Major Feedstock

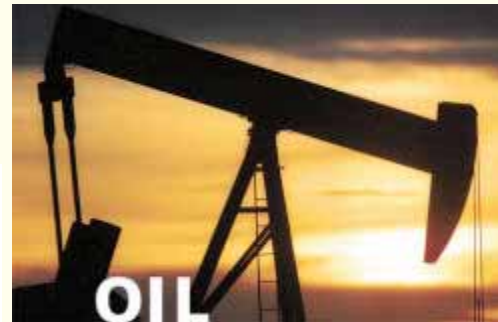
- Farm Newspaper Headlines Include:
 - Canola Farmers, Oil Sheiks of the Future?
 - Biofuels will solve Grain and Oilseed sector Farm Crisis



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Effects on Canola Oil

“All ships rise in the tide.”

- How large is the tide?
 - Bay of Fundy? (rises up to 52 feet)
 - Hudson Bay? (rises up to 20 feet)
 - Devils Creek? (small creek in my backyard)



Commissioned George Morris Centre to do an independent, unbiased study

Objectives

- To establish what is currently known with regards to the economic impacts of biodiesel development
- To determine the nature of markets for candidate feedstocks that's could be used in manufacturing biodiesel



Objectives (continued)

- To estimate the economic effects of a 2% biodiesel blend requirement in petroleum diesel
- To estimate the economic effects of a 5% biodiesel blend requirement in petroleum diesel
- To determine the ultimate impact on the Canadian canola industry of the mandated biodiesel blend



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Results Interpreted

If left with a least-cost feedstock approach to the industry economic impact to canola growers would be minimal.

If large imports of palm oil happen the economic benefit would be less.



Value Added Opportunity

- Feedstock supplier
- Meal customer
- Biodiesel customer

Producing for a commodity market



Evaluate Results with CCGA Policies

- Developed Policies prior to seeing the results of the study
- Should these results change our policies or highlight the need for them?



Need Biodiesel Specific Renewable Fuel Standard to Stimulate Demand

- Minimum average 2% Biodiesel in the Diesel Pool by 2010
- Allow flexibility
- Learn from US experience



Quality

Models George Morris used based of least-cost feedstock where Canola would be the last feedstock of choice



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Not all biodiesel is created Equal

- Some feedstocks produce high cetane values
- Some feedstocks produce excellent cold flow characteristics
- Some feedstocks produce high oxidative stability characteristics

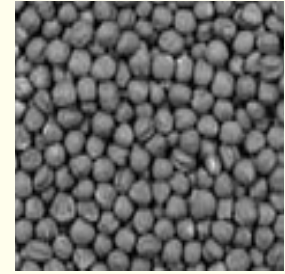


Must promote Canola based Biodiesel highlighting its benefits in the Marketplace

- **Excellent cold flow properties** - Lowest saturated fat content of any available feedstock (7%). Remember the Canadian climate.
- **Good oxidative stability**



Quality: It's in the Seed Canola Biodiesel



- Can produce biodiesel which meets both **ASTM D 6751** and European **EN 14214** quality specifications
- Feedstock has “**proven itself**” in the **EU!** In 2004 EU produced and consumed 1.65 Billion liters of biodiesel mainly from rapeseed/canola feedstock.



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Why is Quality Important?

- We are seeking to create a partnership between the agriculture and the petroleum/automotive sectors that is sustainable over the long-term.
- Acceptance by petroleum and OEM industries is critical and should be a primary objective for a Canadian Biodiesel Strategy.



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Incentives for Biodiesel Production

Investment incentive parity with the USA (e.g.,
\$1/gallon blender's credit, faster capital
depreciation, etc.)



Grower Participation in Biodiesel Production

If there is going to be economic benefit to canola producers they must take part in the value added activity.

Not one size fits all.



Grower Participation in Biodiesel Production

Eg.- Grower Equity Assistance Program

\$1000 investment matched by Government.



up to \$75 000



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Grower Participation in Biodiesel Production

- Based on delivery of canola to biodiesel production facility a producer could receive a preferred stock option or special bond which could pay dividends based on facilities profitability



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Incentive to have Growers as Investors

- 5 cents/liter incentive tied to a certain percentage Grower ownership in facility



What is the Right Business Model?

- No one answer
- Long term sustainable
- Quality, Quality, Quality
- Primary Producer Involvement as feedstock supplier, biodiesel and meal customer
- Value Added Opportunity as equity participant



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Business Model – Things to Consider

- Oil Extraction
- Cost of Maintaining Quality Standards
- Expertise Required
- Economics of Scale



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Conclusions

- Grower's won't become the Oil Sheiks of the future.
- Biofuels will not solve the Grains and Oilseeds sector farm crisis.



Conclusion

But....Given the implementation of the all of the policies discussed, a Biodiesel Specific RFS will increase a Grower's income through participation in a Value Added opportunity while increasing investment and jobs in our rural communities and improving the health of people and the environment.



Thank you

Your Welcome Dad. I like working on the computer.

♥ meghan

