



August 28, 2006

Minister of Finance  
The Honourable James M. Flaherty  
Department of Finance Canada  
140 O'Connor Street  
Ottawa, Ontario K1A 0G5

Dear Minister Flaherty,

The Alberta Barley Commission is one of Canada's key agriculture stakeholders, representing the interests of the 17,500 farmers who produce over 5,000,000 MT of barley, 31 % of Canada's 2005 production. We produce a product destined for domestic feeding industries that is the base for the livestock sector as well as a feedstock for domestic and offshore malting plants and millers. My members' operations are efficient, productive and innovative. They are also very highly dependent on international markets and the research decisions made by government. As the media has reported times are hard in the grains and oilseeds sector and the latest discovery of yet another BSE case in an Canadian beef animal has put the future in less than a rosy light.

One sector that has provided some hope for the future is the development of a North American Bio-Fuel industry. We watch the US subsidy programs for US corn and Soybeans drive the US to a huge expansion in ethanol and bio-diesel based on these feed stocks. We see potential for Canadian grains and oilseeds to play a role in this North American expansion and to perhaps provide another market outlet for our products while benefiting the environment and providing the consumer with an alternative fuel choice.

We do not believe bio-fuel should be considered a competitor to traditional petroleum based fuels but rather as an beneficial additive to those products. The move by your government to legislate minimum content for bio-fuels is a very positive one IF that production takes place in Canada with Canadian raw ingredients. We see a gap in research and development that is being addressed by Agriculture and Agri-Food Canada in their comprehensive and thoughtful report "Science and Innovation Strategy". It was reassuring to see the Department looking forward to the future with clearer goals and more direction than we have seen in a long time. The desire to partner and collaborate across governments and with industry was especially rewarding to read. However we still see Canada, especially rural Canada as lacking financial resources for investment in this new sector. Similar to the oil and gas sector we would like to see the Flow Through Share program extended to include bio-fuel research and development as well as investment in this sector.

The positive effects of the Investment Tax Credit for Exploration (ITCE) flow through program for the mineral exploration sector have been almost immediate:

- exploration expenditures in Canada have risen from approximately \$300 million in the late 1990s to over \$800 million in 2004
- Canada has become the number one destination for exploration investment in the world
- flow-through equity offerings have risen from \$75 million in 1999 to over \$450 million in 2004 in mining exploration alone

Because of the nature of technology development and the supporting plant breeding and agronomics support the length of time between initiating a new variety or new “bio-refinery” can take up to ten years. While the benefits to the Canadian economy and to Canadian consumers will take place well into the future.

If we look again at the ITCE flow through program we see that program has had a minimal cost in terms of foregone federal tax revenues. The 2004 federal budget included an estimate of \$10 million as the reduction in tax revenues associated with a one-year extension of ITCE. As the bio-fuel sector is a fledgling industry we expect its impact on forgone tax revenues to be minimal. Similar to the ITCE program this flow through program for bio-fuels would keep investment and research dollars in Canada, particularly in rural areas, for Canadian projects.

Other jurisdictions consider flow-through and the ITCE enhancement to be worthwhile programs. A number of Canadian provinces have harmonized their programs with the federal program and others are considering the introduction of a tax credit. We see provinces with desire to play a role in the environment and in providing consumers with bio-fuel alternatives harmonizing their programs to complement a bio-fuel program as well.

The bio-fuel flow through program, if created, would help to address the longstanding decline in commodity cereal and grains prices in Canada brought about by the huge US subsidies and closed European markets we currently face. While there is hope long term for a renewal of the WTO-Doha negotiations it is now a dim light at the end of a longer tunnel. New discoveries in technology, processing, breeding and agronomics will help to maintain existing agricultural infrastructure, including producers, processors, logistics firms and refineries, and the communities they support

Generations of Canadian farmers have survived through the decades by maintaining their competitive edge, by being some of the most efficient crop producers in the world. Canadian Farmers, when enabled with advanced production tools are early adopters of technology allowing them to maintain their competitiveness in a distorted global marketplace. We welcome the opportunity to work with the Canadian and Provincial governments in new research and innovation areas and encourage you, as well as our provincial partners look to flow through tax shares as another tool to ensure adequate funds and resources are in place to take up these new challenges.

The Alberta Barley Commission asks that the federal and provincial governments work collaboratively to ensure this new tax strategy moves forward to enable new resources for the net gain of a new industry for Canada.

Sincerely,

Mike Leslie

General Manager

CC Hon. Chuck Strahl  
Hon. Rona Ambrose  
Hon. Doug Horner