



March 23, 2006

Re: Research Foundation for developing Value Added Cereal Products

Dear Minister Horner;

On behalf of the Alberta Barley Commission (ABC), I would like to congratulate you and your department on your support for Alberta's agricultural producers in these trying times and to bring to your attention to the perspective of the barley sector on recent movements in Alberta's Agriculture Research and Development process.

The ABC is one of your Ministry's key stakeholders, representing the interests of a large majority of the 17,500 farmers in Alberta who produce over 5,000,000 MT of barley, 44.6 % of Canada's 2005 production. As you know we produce a product that is the basis for much of Canada's domestic feeding industry, the base for Alberta's livestock sector as well as Alberta's malting plants. Our premium malt barley is exported, as well as a smaller portion of our feed barley, to customers around the world. As a result, we have always promoted a competitive and reliable Canadian agricultural industry. We have been active participants in trade negotiations and attended a number of international negotiation rounds in support of the sector and provincial goals.

Most recently ABC has observed troubling processes and developments in the approach of the Ministry towards research that appear to be out of alignment with our discussions with you as Minister of that department.

ABC strongly supports the Alberta government's commitment to change and to moving Alberta's agriculture and processing sector into higher value products for domestic consumption as well as export markets. A major barrier to capturing this outcome is the development of sound crop varieties with quality attributes valued by our customers, the agronomics to produce those attributes, processing systems to make higher value products and risk management tools to encourage adoption of these new varieties and market focus by Alberta's producers.

ABC has over the last six years committed over \$ 1.200,000 on research into new markets, products and new processes to add value to barley in the province. We have further, in that same time period, invested over \$1,000,000 in the core programs at the Lacombe Research facility to ensure the new developments in malt and food uses are available and their uptake assured by Alberta producers.

Recently we have seen a move to reduce grain production research in favor of livestock and meat research. Recent large investments in the province in ALIDF for

red meat livestock industry development have been made. Similarly large investments into ACIDF have been made, but to our dismay they are targeted at developing feed stock for the livestock industry, our projects for food uses, malt development and other non-feed initiatives have been turned down as they do not fit within the guidelines set by AAFRD for the funds provided to ACIDF.

Imagine our chagrin at having to go cap in hand to the CWB to get funding for a core malt research program that no one but us (ABC) would support at the Funding Consortium table.

In short our efforts at adding value to our product are stymied by these factors;

- ACIDF – cannot support our projects due to the focus on feed as defined under the terms of their agreement with AAFRD
- AVAC will not support as it is not “value added”
- AARI will not support “primary agriculture projects”
- AAFRD advises even feed programs we wish to support require, not just our participation to go forward, but that there “needs to be much broader participation ...by the livestock sector”

We are at a stand still, captive to a livestock and red meat value added focus it appears.

In addition we see a move to relocate and transfer staff from core barley programs in Lacombe that are crucial for our value added non-feed, non-malt development programs. Recently AAFRD has completed 2 studies (as referenced in your letter of Nov. 30th to Mr. Terry Young, one of our directors), one an analysis on feed grains and livestock feeding and another called the Barley Review and to this date neither has been released to us for our review, now four months after receipt of your letter.

IFASA has also completed an extensive Feed Grain Quality and Supply Program recommendation submitted to the department and ACIDF on Nov. 29, 2005 that we and Ab Pulse have been asking for implementation immediately to no avail. ACIDF advises AAFRD requires more study in this area before the funds can be released. ACIDF advises this study cannot be completed before the fall of 2006 and this means we will miss an entire crop year. The funds provided in 2005 in other words will have the first call for proposals in the fall of 2006 and projects funded not seeded till spring 2007!

We now understand a third round of investment in ACIDF may be imminent and we are concerned over the restrictions placed upon it and that it may not be available till the 2008 or even 2009 crop year?

Our voiced concerns over the relocation and transfer of responsibility of key support staff within the department, especially in Lacombe, have met replies that “this is only temporary `til the Barley review is done”, or “until the feed studies are complete” and that “nothing is set in stone”. And yet the appearance of delay in releasing these very reports and delays due to the department asking for additional new reports (that provide different answers?) while at the same time moving staff and/or changing staff responsibilities and staff reporting structures appears to be done in such a way as to make the changes a *“fait accompli”*. Once the changes are made, the staff re-assigned, the roles and titles changed (and it all takes place months

before the research reports are released to us in industry for consideration and response) it seems there is little chance of going back to what we previously had in place.

The livestock industry is important to us in the grains sector as they are our largest customers in volume. Once the corn issue in the US is resolved we hope world prices will equalize and our oversupply of barley in the province can be fed to build Alberta red meat exports. That being said Alberta can always have feed grains as a byproduct of value added production, ranging from 2 row barley that does not make malt to frozen wheat. We see a future where we extract valuable components and sell the byproducts into the feed market much like DDGS is sold today. We can capture food, cosmetic and other value added components that create new products and add jobs at the same time as we feed cattle and hogs. If we are to have a strong cereal sector, we need to look to higher value cereal options and once we remove the fractions of value, or if the product does not make quality grade, then it can go into the feed market. If we focus only on feed for cheap feeds' sake then producers will have to switch to other crop options to be sustainable in this globally competitive market.

We are asking for your assistance in setting up a meeting with yourself, your key AAFRD staff and perhaps senior representatives from Innovation and Science and the AARI program to discuss and resolve these issues.

We look forward to working with you to promote the best interests of the entire agri-food and innovation sector and to playing our part in the leadership and funding of change in the grains sector and in the province.

Yours sincerely,

Doug Robertson
Chairman, Alberta Barley Commission

cc. The **Hon. Victor Doerksen**

Minister of Innovation and Science