National Sheep Network
August 25, 2022

ALP provided and update on the evolving situation with NALCO filing for protection under the CCAA Act and the implications this will have for their producers and industry as whole across Canada. See below.

On August 8, 2022, the NALCO Group sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "**CCAA**") pursuant to an Order of the Court of Queen's Bench of Alberta (the "**Court**"), or (the "**Initial Order**"). As part of the Initial Order, Ernst & Young Inc. was appointed as Monitor of the NALCO Group.

Both LEOQ and OSF communicated their concern about NALC's CCAA Notice to Creditors. There was concern in regard to the potential to having a large number of animals (breeding stock, lambs etc.) coming into Ontario and affecting the price. At the next SIAC Meeting, they would like to have reps from AB and Que to discuss what the potential impact could be come January 2023 if Sungold permanently closes.

ALP was also informed by CCIA that AgroLedger/CSF is becoming the responsible administrator for the traceability program in Canada. The NSN will draft a formal letter to the CSF from the NSN to inquire about this change in the traceability program as our producers need to be kept in the loop about the changes and this means for them moving forward.

There discussion surrounding the changes that were made with respect to the College of Veterinarians of Ontario – anyone who is trained to be an ultrasound tech can perform ultrasounds but needs to perform it under the approval of a veterinarian. Therefore, Ultrasound Training is only being offered in ON due to the change in regulations – not Canada wide.

The NSN sent one board member to the CFA Summer Meeting that was held in Saskatoon, SK from July 19-20, 2022 and was also able to attend the CFA/FPT Ministers Roundtable and reception. The CFA also hosted a Fertilizer webinar (Issue background and significance/implications) that one Director attended on behalf of the NSN. The fertilizer emission reduction strategy aims to reduce fertilizer nitrous oxide emissions by 30% below 2020 levels by 2030.

Purpose:

- Develop a tool for estimating the cost and returns of BMP (Best Management Practices) implementation
- Estimate baseline and post implementation fertilizer emissions using the 4R Climate Smart Protocol derived from the National Inventory Method.
- Use a series of regional scenarios for major Canadian cropping systems to build out a path forward to 2030 based on broader implementation of 4R practices.
- Used virtual farms in different geographies to explore how 4R BMP adoption and emission reduction might play out at the farm level.

Background:

- Used publicly available data wherever possible.
- Used stats Can data for acreages and yields
- Used provincial information to develop crop budgets
- Used middle of the road assumptions
    - Economic
    - Agronomic
    - BMP adoption rates
    - GHG reductions
- Farm scenarios are a snapshot

Summary:

- Adoption of 4R N Management BMPs can significantly reduce N_2O emissions.
- Emission reduction of 2.3 MtCO_2/year by 2030 at a gross cost of $470 million/year and a net cost of $105 million/year
- Meeting the 30% target for emission reductions requires maintaining yields at current levels and using unrealistically aggressive adoption rates of BMPSs.
- Maintaining current yields will have a negative impact on farm profitability over time.
- Increasing yields in the wet prairie west Ontario with accompanying N rate increases to support higher yields lowered emission reductions in 2030 by 31% and 60% respectively compared to the no yield increase.
- Yield increases support farm profitability significantly
    - Corn Ontario – contribution margin increased $144 per acre or 118% in 2030 compared to no yield increase. This equals $305 million of additional revenue on the total acreage of corn in Ontario for the 2030 year.
    - Canola Wet Prairie West – contribution margin increased $160 per acre or 118% in 2030 compared to no yield increase. This equals $1.7 billion of increased revenue on the total acreage of canola grown in the Wet Prairie West region.