

Meat, poultry prices rise as ethanol demand hits corn supply

by Bend_Weekly_News_Sources

WASHINGTON - Meat and poultry producers are facing rapid increases in the cost of the grain needed to feed their animals, which economists predict will result in higher consumer prices, the chicken industry told Congress today.

Soaring demand for corn, the largest component of animal feed, from ethanol producers has doubled the cost of corn in recent months and driven up by 40 percent the feed cost of the chicken industry alone, a spokesperson told the livestock, dairy and poultry subcommittee of the House Agriculture Committee here today.

Matthew Herman, manager of a Tyson Foods chicken production and processing complex in Monroe, North Carolina, cited forecasts by Dr. Bruce Babcock, an economist at Iowa State University, on the impact of the corn prices on the poultry industry. The rate of growth of production has slowed, which will allow wholesale prices to rise to cover the increase in feed costs, which will eventually be reflected in higher retail costs, Babcock predicted.

The country could actually face a shortage of corn, its most abundant crop, as ethanol demand -- driven by federal subsidies and mandates -- outstrips supply, Herman said.

Animal agriculture has survived high feed prices in the past, but those were temporary conditions caused by bad weather or other problems, he said. The high prices facing the industry now are caused by ethanol subsidies and mandates set by law.

The livestock and poultry industries normally purchase more than half of the corn produced in the country to make feed for their animals. However, the rapidly expanding ethanol industry consumed more than two billion bushels of corn, or 18 percent of production, in 2006 and will take as much as 3.5 billion bushels in 2007, Herman said.

Herman said the National Chicken Council and North Carolina Poultry Federation had several recommendations on the ethanol crisis. They include:

-- Permit non-environmentally sensitive cropland in USDA's Conservation Reserve Program to be released without penalty and loss of program benefits;

-- Permit non-environmentally sensitive cropland in the Conservation Reserve Program to produce grain and oilseed crops if the harvest is designated for use to produce bio-energy;

-- Provide that any new mandates for renewable fuel standard should be sourced from bio-based materials (such as cellulosic material or methane) that do not adversely impact the availability of animal feed;

-- USDA should prepare and have ready an effective plan of action in the event of a shortfall in a corn crop for the next few years;

-- Provide for counter cyclical subsidies for ethanol so that as the price of crude oil goes up, the subsidy for ethanol goes down;

-- Provide an effective waiver to reduce or eliminate the renewable fuel standard when economic conditions, especially for animal agriculture, so warrant;

-- Allow the U.S. import duty on ethanol to expire as scheduled on December 31, 2008; and

-- Increase funding and support for projects that will result in methods that permit greater use of dried distiller grains with soluble (DDGs) for feeding single-stomach animals, such as poultry.

Increasing domestic production of energy is a "very worthy goal," but one that must be pursued in a "reasonable and rational way," Herman said.

"The current approach and pace is full of risks to traditional users of feedgrains," he warned. "Without adequate safeguards for the unintended consequences, the future of U.S. animal agriculture is put in great jeopardy," he said.

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