

Ethanol industry hurting cattle profits

WICHITA (AP) — A booming ethanol industry that has driven up corn prices will have long-term repercussions for cattle feeders who compete for those same feed grains to fatten their animals, market analysts told the Kansas Livestock Association Thursday.

“We are not going to fix this in one big corn-growing year,” Randy Blach, executive vice president of Cattle-Fax, told nearly 1,000 cattlemen attending the group’s annual convention.

Demand for corn will continue to grow as more ethanol plants are built, moving the corn markets to new, higher levels, he said.

Recently, corn prices have been around \$3.50 a bushel.

“Everybody is waiting for a big correction,” Blach said. “What if we don’t get one?”

Unlike previous corn bull markets that were driven by supply issues, the current bull market is driven by growing demand for the crop as more and more ethanol

plants are built across the nation, he said.

“We are coming on a new plateau for corn prices, and we are not going to come off that,” said Bill Holbrook, an analyst for Holbrook Consulting Services.

A \$1-a-bushel increase in corn prices takes \$20 to \$25 off the value of a 550-pound calf, Blach said.

“It is real, and I think that is basically that is what we are looking at as we look down the road,” Blach said.

Not counting the government incentives, ethanol plants are making 51 cents per gallon profit from their operations, Holbrook said.

“These ethanol plants can pay \$5 a bushel for corn and still make money,” Holbrook said.

The high corn prices are already prompting more farmers to plant more, he said. Already, farmers are putting more fertilizer on fields so they can plant more corn in the spring. Corn requires more fertilizer than other crops.

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Most the new corn acres will replace soybean fields, which will ultimately drive up the price of soybeans, Holbrook said, given that demand also is up for soybean oil.

Holbrook said producers will not be able to substitute milo for the corn as feed as they have in the past because milo also will be more expensive, as farmers plant fewer acres of the crop and demand for it grows overseas in Mexico and other countries.

While distiller’s grain, a byproduct of ethanol production, can be used as livestock feed, it

comes with some drawbacks.

It is delivered wet, and transporting wet products is difficult. Feedyards close to the ethanol plants would be the ones most likely to efficiently use it, said Todd Domer, spokesman for the Kansas Livestock Association.

It also has a short shelf life, especially during hot summers. The wet grain must be used within days, and it’s not economical to dry it.

Also, it’s unclear how using it as feed for cattle will affect the quality of beef. Domer said research is being done in that area.

Louisiana goes nuts

NEW ORLEANS (AP) — Roy Pecan Co. is open 20 hours a day lately, as buyers bring truckloads of pecans to the Cottonport wholesaler, and tractor-trailers lumber out, each hauling 22 tons of nuts.

It’s a surprisingly good year for Louisiana pecans — not a record year, but well above average, while production in the big pecan states is off. Hurricanes Katrina and Rita cost pickers and growers and buyers more than two-thirds of what had looked like a grand crop until August of last year. As a rule, it takes pecan trees two years to recover from hurricanes, said John Pyzner, a Louisiana State University AgCenter horticulturist at the pecan research station in Shreveport.

“Last year, we had a bumper crop. It was the best crop we ever had until Hurricane Rita hit,” said Jill Anderson, owner of Louisiana Pecan Co., which puts together high-end pecan gift baskets at the Little Eva Plantation in

Cloutierville. “It probably took half our crop, or probably more. But we still had a decent crop because there were so many.”

The storms hit after the nuts had grown, but before they could be harvested. Winds tore nuts from branches, branches from trees, and trees from the ground. Only about 5 million pounds could be harvested, Pyzner said.

This year, he said, the harvest is likely to hit 19 million pounds, almost 36 percent above the state’s 14 million-pound average.

Louisiana, one of the states where the trees are native, generally runs fifth to seventh among the 15 pecan-producing states. And growers and pickers are getting good prices because the national harvest is below average.

The harvest is expected to hit about 201.4 million pounds — 21.5 percent below the 10-year average of 256.6 million pounds. Last year’s crop was 259.6 million pounds.

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