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April 4, 2007

## Demand for corn-based ethanol fouls up chicken production

The (Wilmington, Del.) News Journal



Gannett News Service

**The ethanol boom is driving up demand for corn, doubling prices and hurting chicken farmers who use corn for feed.**

helping vegetable farmers who are planting more of it in hopes of cashing in.

Weaning the United States from oil is creating quite a stir down on the farm.

Ethanol, a supplement to gasoline now found in pumps across the country, has become a major consumer of corn, devouring 20 percent of the United States' production.

Across the country, that boom is driving up demand for corn, doubling prices and hurting chicken farmers who use it for feed but

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As a result of the rising prices, production by the U.S. poultry industry is expected to decline for the first time in a decade, albeit only 1 percent. And Delaware's \$844 million poultry industry, responsible for 70 percent of the state's farmland, is also expected to cut back on production.

"When you are having difficulty covering the cost, the only thing you can do is throttle back production," said Frank R. Spivey, spokesman for the National Chicken Council, which represents most U.S. poultry companies.

That is likely to result in higher prices for consumers, poultry companies and economists say. Prices at the wholesale level, which eventually trickle down to consumers, rose 27 percent from early 2006 to 2007.

Poultry growers who supply major chicken companies expect their income will drop as much as 20 percent this year, and the companies they sell to cut production.

The poultry industry was already reeling from overproduction. Last fall, with prices low and too much chicken - both domestic and foreign - on the market, companies cut back.

"Like the rest of the industry, we did cut back ... about 2 or 3 percent," said Julie DeYoung, spokeswoman for Farm Fresh Produce to customer demand."

Then came the run on ethanol.

A clean-burning alternative to gasoline, ethanol is the federal government's choice as a savior to the U.S. dependence on foreign oil. President Bush has touted the fuel's benefits and called for increased production.

Producers have responded by ramping up output to 8 billion gallons per year by the end of the year, compared to 4 billion gallons at the start of 2007. As a result, the price of corn per bushel doubled to \$4 in the past year. For chicken companies, that means a 40 percent higher feed price, according to the National Chicken Council.

The companies, which buy the grain for chicken growers, are expected to produce only enough poultry to meet demand from restaurant suppliers and grocery stores this year. They will not produce extra birds to sell on the open market for additional profits.

Meanwhile, poultry growers are forced to eat the cost of maintaining empty chicken houses. "We all share the pain," said Sam Slabaugh Sr., who grows about 90,000 birds for Perdue Farms in Delmar. "Those who have been in the business for a long time understand this, but for the people who are new in the business or are highly leveraged it is going to be a rude awakening."

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