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## Corn forces dairy prices up Farmers will charge more to recoup high cost

By CRAIG DAVISON  
Times Herald

While corn farmers are seeing increased price for corn per bushel, the increased demand for ethanol, which is driving up corn prices, leaves the budgets of some dairy farmers, restaurants and households in a pinch.

According to a May report from the U.S. Department of Agriculture about ethanol's impact on the agriculture sector, one billion more gallons of ethanol were produced in 2006 than in 2005.

The report states ethanol production is expected to account for 31% of corn use 10 years from now.

The higher corn prices, which are expected to reach \$3.75 per bushel in the next few years, mean some dairy farmers will have to pay more to feed their cattle.

To recoup that cost, farmers need to sell milk at a higher price to break even or make a profit, meaning the price of milk could reach \$4 a gallon in stores before the price of gas hits the same mark. Prices have started to rise locally and around the nation, with reports of milk more than \$4 in New Orleans.

"If it's difficult for the milk producer to make money, what we need is a structure where it's not too cheap," said Van Varner, district farm management educator for Michigan State University Extension in 11 southeastern Michigan counties. "We can't afford to have costs higher than revenue very long."

Other factors impacting the cost of milk are the high gas prices paid during transport and increased worldwide demand.



By MARK R.

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Varner said while corn farmers are making more money per bushel - according to the USDA, the value of corn used for grain in Michigan increased 71% in 2006 - the higher fuel, labor and other costs do cut into the increase in profits.

## Bad for profits, budgets

Casey Harris, who owns Casey's Pizza and Sub Shop on Huron Avenue in Port Huron, has seen a difference.

Harris said he's been paying \$2 more for a five-pound bag of cheese since March, and prices are expected to continue increasing this summer.

Harris said there has been an increase of up to 50 cents a week in the price of cheese.

Those numbers can add up quickly whether it's for a large family or a business that uses a lot of dairy products.

In Harris' case, he has to buy about 400 pounds of cheese a week, making even a small increase a big problem.



Cheese, he said, tops meat as his restaurant's most expensive ingredient by thousands of dollars.

"It definitely cuts away from our profit," Harris said. "We just have to be wary of waste a bit more."

The higher prices for dairy products at grocery stores also could impact families.

Geraldine Wheeler of Port Huron said she probably won't change her habit of eating yogurt for breakfast every day even if prices increase.

"When you find something and you like it and it works for you, (stick with it)," Wheeler said.

She said it might impact her grandchildren, who need milk.

## Good for income, environment

The ethanol boom could have other effects, according to the May USDA report.

The value of farmland is expected to increase as the price of corn grown on it takes a jump.



By MELISSA

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The price of soybeans also could increase as people plant more corn and fewer soybeans. USDA predictions show that while 76 million acres of land are being used for soybeans this year, by 2010 the number of acres for soybeans could decrease by six million.

Jim Reid, 57, who has a dairy farm in Grant Township, said many Michigan farmers won't be as affected by the rise in corn prices as farmers in southern California, New Mexico and Texas who rely on buying feed for cows. Most Michigan dairy farmers grow their own corn for feed, he said.

Reid sells two-thirds of the corn in his fields and uses the rest to feed his about 100 cattle. He also used empty land from a late rainy season last year where he couldn't plant wheat and will have an extra 15% corn crop.

While farming is cyclical in nature, the increase in alternative-fuel use makes Reid think the higher prices may be here to stay.

"There's a large investment in ethanol plants," he said. "There's going to be a demand for corn for the foreseeable future."

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