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Report: Ethanol production doubled feed costs

By Joshua Palmer - Times-News writer | Posted: Tuesday, December 15, 2009 1:00 am

Ethanol production more than doubled feed costs for livestock producers in the United States between 2006 and 2008, according to a report released Monday by the Government Accountability Office.

Dairymen and beef producers have long argued that skyrocketing feed costs were largely attributed to increased ethanol production. However, the report by the accountability office is the first government report to support livestock producers' allegations that ethanol was undercutting other agricultural sectors.

"It's been one of the assumptions we have always had that ethanol has negatively impacted feed prices for our producers," said Bob Naerebout, executive director of the Idaho Dairymen's Association. "Anytime you create false demand for a product there is going to be negative impacts on other markets."

The rise of ethanol production was supported mostly by rising fuel prices that exceeded \$4 per gallon in 2007 and government subsidies to companies producing renewable fuels.

Officials said in the report that up to 60 percent of corn grown in the United States before 2006 was used in beef, pork, poultry and dairy production. However, by 2008 more than one third of corn in the U.S. was diverted to ethanol production plants scattered across the nation.

"Increased use of corn for ethanol has affected livestock producers by increasing prices for feed," the report stated. "In addition, livestock producers face reductions in land available for grazing."

Cropland used for pasture or grazing declined by 41 percent from 2002 to 2007 as more land was used to grow the starchy corn used to make ethanol, according to USDA's 2007 Census of Agriculture.

Faced with multiple factors including rising feed costs, declining availability of land for grazing, and decreased domestic demand for meat, many U.S. livestock producers reduced the size of their herds and flocks in 2008.

For example, the national beef cow herd was about 31.7 million head at the end of 2008, the lowest since 1963. USDA projects that the value of U.S. livestock production will decline \$11 billion, or 8 percent, in 2009 from the 2008 level.

The USDA is also forecasting a decline in 2009 and 2010 across all major categories of meat production.

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