

Initial Ethanol Push Challenges Beef Market



Like it or not, ethanol is coming, and beef producers must be prepared to weather the transitional phase and capitalize on the potentials in the future, said two speakers at the Southwest Beef Symposium in Amarillo, Texas.

"The short run is going to be tough, but in the long run, things will work out," said Steve Amosson, Texas Cooperative Extension economist.

Feed prices are being driven up by predictions of 3 billion gallons (gal.) of ethanol production capacity coming on line in the next year. Ethanol would require almost an 8-million acre increase in corn acreage, which equates to an additional 1.1 billion bushels (bu.) of corn, Amosson said.

"I feel the corn prices will range from \$3 to \$4.25 per bushel on the board for the next couple of years, and the differential

between corn and sorghum will narrow," he said.

Competition for acreage will increase, forcing other feed sources and crop prices higher.

In the short run, fed-cattle prices will remain relatively unchanged, and feeder cattle and calf prices may continue to soften, Amosson said. A rule of thumb, he added, is calf prices will drop \$1.50 per hundredweight (cwt.) for every 10¢ rise in corn prices.

This is going to reduce the predicted expansion phase of the cattle cycle, he said. But in three to four years, that reduction will have cattle producers seeing record prices.

"Cattlemen also have a potential to gain market share relative to the swine and poultry industries because cattle can be fed the distillers' grain byproducts, where the other industries can't," Amosson said.

"We just have to learn to feed those DDGs (dried distillers' grains)," he said.

Jim MacDonald, Texas Agricultural Experiment Station beef cattle nutritionist, agreed, saying, "You don't have to like it, but you had better learn how to feed it."

And that, MacDonald said, is his job — helping cattle producers learn how to feed the byproduct.

While ethanol had its share of

unfriendly comments during the two-day symposium, MacDonald said, "We're going to get there, we just have to manage the transition."

"A lot of concern has come with ethanol in this area," he said. "But we are better off with the plants here than not because we're not the only game in town."

DDGs from the Midwest are being shipped into the export market, he said. So the fact that the Panhandle will produce 600 million gal. of ethanol per year, resulting in 1.5 million tons of distillers' grains, will help keep prices reasonable.

When corn is processed for ethanol, it breaks down to one-third ethanol, one-third carbon dioxide and one-third byproduct, or distillers' grain, MacDonald said.

These distillers' grains still have all the nutrient profile of corn, only the starch has been removed, he said. It has 40%-45% fiber and 25%-30% crude protein (CP).

"It's going to be a cheaper protein source in the future and, if used as a forage supplement, it can be used for both protein and energy supplementation," MacDonald said.



Editor's Note: This article was written by Kay Ledbetter of Texas A&M University Agricultural Communications, which provided the release.

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—Jim MacDonald