

LIVESTOCK

Corn feeding trend is changing



Dailey Discussions

By DUANE DAILEY

CORN is slipping from livestock feeding menus as operators seek alternatives in making rations, says Daniel Madison of the University of Missouri Food and Agricultural Policy Research Institute.

Corn use has dropped. Still, Madison wonders how low we can go in that direction. An economist with computer skills, Madison has delved deep into government records looking for trends. First, he notes that from 1981 until 2005, nearly 60% of the U.S. corn crop went to feed for livestock. In the food vs. fuel discussion, he calls livestock the "silent majority."

A shift has occurred, however, in the past three years. "Evidence is mounting to suggest that feed demand for corn will play a progressively smaller role in the future," Madison says.

Crunching numbers

The first step is to calculate protein feed needs for the U.S. livestock and dairy industries. Madison found it reassuring that while grain needs went up 26% from 1981 to 2005, the USDA feed use report showed a 26% increase. That is, our traditional crop met the demand.

But what Madison found noteworthy is that from 2005 to 2007, while grain needs went up more than 1%, the expected feed use went down nearly 7%. That's a major change in a long-term trend.

Another look at the data shows our traditional grains filled virtually all protein needs from 1981 to 2005. Since then, only 90% came from those harvested sources. Corn growers are most affected, as corn had accounted for 92% of that feed grain.

Distillers grains examined

Madison also looked at a new USDA report issued during this past summer: "Ethanol Co-Products Used for Livestock Feed." That comprehensive study is based on a survey of 9,400 livestock operations, primarily in the Corn Belt and upper Midwest regions. It includes dairy cattle, cattle on feed, beef cattle and hogs.

The USDA report shows 35% to 40% of dairy cattle and cattle-on-feed operations use coproducts, such as distillers grains, in their rations. Beef cattle and hogs use them at 12% to 13% frequency. Another third of all operations are considering using them.

Those livestock operations that use coproducts tend to be bigger than those that do not. As size of operations grow, there is potential for increased use of coproducts.

Economics 101

But, here's a clinker. There are limits on the amount of coproducts that can be formulated in the diets, and it depends on the livestock type. Combine that maximum inclusion rate with the number of large operations that don't use coproducts or are hesitant to start

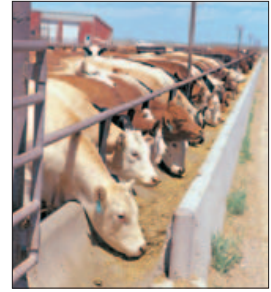
using them, and there is weakness in the market.

Scott Brown, senior livestock economist at FAPRI, says this takes us back to basic economics. The price of corn becomes a big factor in feed use. And prices are strong.

Now the next question: Have corn growers taken for granted livestock feeders as unwavering customers? What happens when feeders are shaken

out of their rut of feeding corn — and begin looking at alternatives? Does it mean they may find other feeds besides corn? It may mean price is more important than ever.

It's a drama as lively as that played out in "Death of a Salesman." Traditional ways can't be accepted as lasting forever. The successful salesperson will tell you, "Never take your biggest and best customer for granted."



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