Cattle, Hog Operations Shutting Down

Excerpts from the testimony to the House Agriculture Committee from Dr. Steven Roger Meyer of Adel, Iowa, President of Paragon Economics, Inc., for the National Cattlemen's Beef Association; and Randy Spronk of Edgerton, Minnesota, a managing partner of Spronk Bros. and Ranger Farms, hog and grain operations. Sprong represents the National Pork Producers Council, for which he is vice president. (All emphasis in original.)

Dr. Steven Roger Meyer: I address you today with grave concerns regarding the ability of U.S. livestock and poultry industries to continue to provide affordable, high-quality protein in the form of meat, poultry, eggs, and dairy products to U.S. consumers as well as customers around the world.... Though some make some interesting claims about the non-culpability of corn-based ethanol in the current record-high prices, I believe **Figure 1** speaks for itself. While U.S. corn exports and food and industrial usage other than ethanol have remained relatively constant since 2000, the amount of corn used for ethanol has increased eight-fold, with three-quarters of that increase occurring since 2005. Since 2005, the use of corn for feed has fallen by 20%....

Subsidized ethanol has meant record-high corn prices, record-high costs of production for meat and poultry, resulting in lower per capita meat and poultry output and, finally, record-high meat prices. The U.S. pork industry lost $6 billion in equity from 2007 through 2009, but [temporarily] improved profitability did not stop the exodus of pork producers in 2010. From 2007 through 2010, 6,350 hog operations exited the industry, and 84% of them held 500 fewer hogs in inventory. During that same five years, 30,510 cattle and calf operations, and 24,350 beef cow operations exited the industry. The vast majority of these closures, too, was among small operations....

[Now we have a feed availability shortage.] Since 2004, corn used for ethanol production increased from 1.378 billion bushels to an estimated 5.05 billion bushels in 2010-2011. That is a total increase of 382% or an average of 65% per year. During that same period, total corn usage has increased by 24.8% or 6.1% per year. *But corn production has increased by only 5.4% or 0.9% per year....*

[It is asserted that corn-ethanol byproduct, dried distillers grains with solubles (DDGS) makes up for the lack of corn and other grains for feed, but this is not truthful. **Figure 2** shows the downtrend in the volume of all grains, plus DDGS, used for feed and residuals.]

Total grains plus net DDGS availability is projected to be 166.8 million metric tons in 2011-2012, 5.4% lower than in 2007-2008.

U.S. livestock and poultry producers have met this challenge thus far by becoming more and more efficient.... *But how long can such efficient improvements continue?*

There is a concern, however, that is much more immediate: *What happens when the United States faces a year of widespread drought in major corn producing states?*

FIGURE 1
U.S. Corn Usage by Category

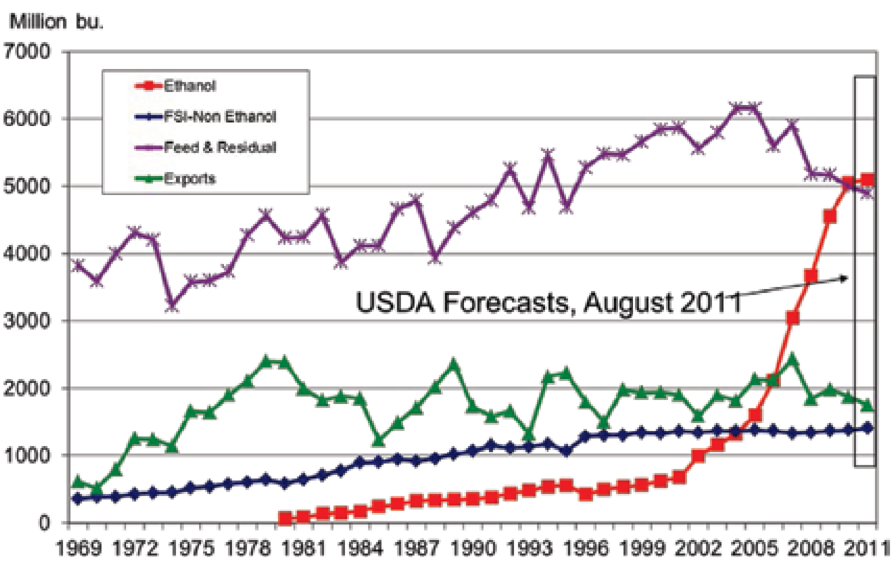
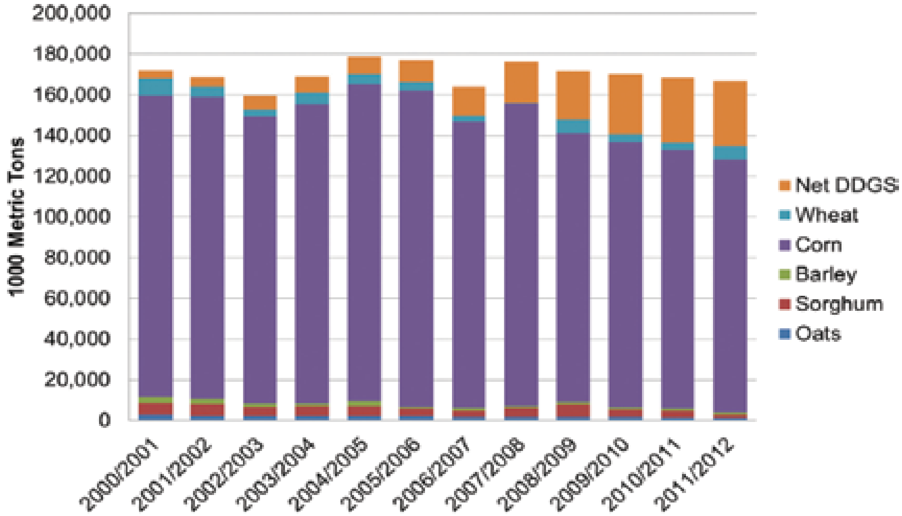


FIGURE 2
Grain Feed & Residual Usage + Net DDGS Supply, United States



The United States has enjoyed an almost unprecedented run of good corn-growing seasons. As can be seen in **Figure 3**, the last major drought in the Midwest occurred in 1988. . . .

What would happen if we had a national yield 22 or 26% below the trend yield now? Frankly, I would rather not contemplate the possibility. Logically, that stretch must someday be punctuated by another drought. . . .

[Under current policies, the cuts in usage of the scarce corn could not be to corn-ethanol—under the Federal Renewable Fuel Standard (RFS). Cuts are unlikely to corn exports, under globalized sales patterns, nor to corn sweeteners, since sugars are high-priced. Livestock feed users would be hit with impossible corn scarcity and high prices.]

That leaves feed/residual and feed users with a huge problem: They cannot shut down a production system quickly. . . . Destroying animals runs against every fiber in a producer's being! It is wasteful and psychologically draining. Most would do about anything to avoid it. . . .

Low Corn Supplies Hit

Randy Spronk: The 2011-2012 corn numbers [declining harvest] are coming after a 2010-2011 marketing year that, while the third-largest harvest on record, saw year-end stocks of just 17 days. That's an historic low. The last time the carryover was that small—Fall 1996—corn was so scarce in Iowa—the No. 1 corn-producing state—it had to be shipped in from Texas, and other areas suffered similar shortages. . . .

Any difficulties with the 2011-2012 U.S. corn and soybean crops could be disastrous for U.S. pork producers. *Ethical care of animals* requires producers to feed their hogs even when feed prices are high. But if there are feed shortages, livestock producers cannot simply turn a light switch to stop production and cannot stop feeding their animals. . . .

The ethical and humane treatment of animals requires that producers maintain care even if producers are losing money, and the result is huge equity losses in pork operations that could lead to widespread bankruptcies and major disruptions in pork supply and prices.

FIGURE 3
U.S. Corn Yield