Crop and Livestock Repercussions from Biofuels

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Presentation Outline

• Our Last Report
• More Questions
Our Last Report

• Addressed Many Common Questions
  – Compiles research conducted over the past 3 years
  – From Texas A&M and other sources

• More Questions
  – Econ, effect of ethanol plants?
  – Changes in fuel prices?
  – Effects of the dollar?
  – Local DDGS?
  – Effect of more dairies?
  – And more we ran out of time to answer!
Exchange Rates
Exchange Rates

• Not Just Euro or Yen

• Trade Weighted Exchange Rate
  – Exchange rates weighted by countries U.S. sells to

• Much More Complex
  – Our exchange rate, but also our competitors exchange rates (other exporters)
  – Changes in policies (export bans, etc.)
  – Weights change over time
  – Income effects
Ethanol Plant Economic Impact
# Impact of a 100 Mil Gal Ethanol Plant

## 100% Imported Corn

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>76</td>
<td>39</td>
<td>24</td>
<td>140</td>
</tr>
<tr>
<td>Value Added</td>
<td>41</td>
<td>21</td>
<td>14</td>
<td>76</td>
</tr>
</tbody>
</table>

## 100% Local Corn

<table>
<thead>
<tr>
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<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>247</td>
<td>116</td>
<td>86</td>
<td>448</td>
</tr>
<tr>
<td>Value Added</td>
<td>123</td>
<td>56</td>
<td>50</td>
<td>230</td>
</tr>
</tbody>
</table>
Distiller’s Grains
Local Source DDGS

• Feed Market More Integrated With Corn
• Local DDGS, Reduced Hauling Costs
  – But, National feed market
  – Buy less corn, but feed costs high
• Reduced Costs of Gain From Feeding WDGS
  – Local sources allow more economical feeding of WDGS
Dairy Industry Growth
Texas Milk Per Cow

Pounds

Texas Regional Milk Production

[Graph showing milk production in millions of pounds for different regions from 1997 to 2007.
- East
- Panhandle
- Central
- Other]
Future Dairy Production

• Additional 150,000 Cows
  – About 40 percent more
• 21,000 Lbs Per Cow
  – 31,500,000 Cwt.
  – 40% more feed, 10% more total feed
Competitiveness
Competitiveness

• Versus What?
• Texas vs Other States?
  – Feeding, cow/calf
• Beef vs Pork vs Poultry
• U.S. vs Rest of World
• Adjustment Process
• No Real Change, To Date, in Cattle Feeding Numbers By State
  – Percent of all cattle on feed
  – Some advantage closer to by-products
• Cow/Calf
  – Further from feeding, lower prices, higher transportation costs
• Beef Is Higher Priced Meat
  – Poultry adjusts quicker, higher prices
  – Reduced beef imports, higher hamburger prices, continued cow herd culling
Competitiveness vs ROW

• As Incomes Rise, Eat More Meat
  – Production increasing in China, Brazil
  – Most beef countries reducing production

• Beef
  – Not uncommon to feed grains/concentrates
  – Different products, grainfed vs other

• What About Conversion Rates?
  – Is there an advantage in having the best conversion of feed to meat?
  – Implications for poultry, pork, beef
Summary

• A Lot More Questions, Some Answers
Questions?

www.afpc.tamu.edu
Implied Feed Use, Dry Matter

1,000