

Poultry: 'Feed Unavailability'

This testimony to the Agriculture Subcommittee was given by Michael Welch, president and CEO of Harrison Poultry, in Bethlehem, Ga., on behalf of the National Chicken Council; and by Ted Seger, president, Farbest Foods, Inc., in Huntingburg, Ind., on behalf of the National Turkey Federation.

Chicken Production 'Precarious'

Michael Welch: Permit me to suggest that a more appropriate title of the hearing would be, "Feed Unavailability." [There is a] precarious position of feed supplies confronting the chicken industry....

More than 95% of the young meat chicken (broilers) produced and processed in the United States come from the Council's members.... It is becoming much more difficult to secure an adequate and dependable supply of feed ingredients that can be procured at a cost that is both manageable and predictable. The more than 40 vertically integrated chicken companies that comprise the broiler industry have financially struggled for the past four calendar quarters.... A number of companies have succumbed to the severe cost/price squeeze by ceasing operations or having to sell their assets at fire-sale values....

Broiler companies, since last October when the sudden, unexpected run-up in corn and other feed ingredient costs occurred, have tried to weather the storm of very high, very volatile corn prices. Companies, however, can no longer withstand the storms....

[Companies are cutting production, laying off workers, and confronting farmers with financial ruin.]

A broiler company in Georgia this Summer announced 300 workers will no longer be needed. Also, this Summer, a fourth-generation family broiler company in Delaware filed for bankruptcy, and its assets have been purchased by a foreign company. Further, another company in Arkansas has consolidated two processing plant operations into one location and similarly has combined two hatcheries into a single facility. This consolidation will result in 223 jobs being eliminated....

[300 jobs at the same plant were done away with

earlier in the year].

In May this year, a third-generation broiler company with a complex in North Carolina and another complex in Arkansas succumbed to the financial stress of high feed costs. The result in this case is that its complex in North Carolina is now owned by a foreign company, and the Arkansas complex is now owned by another broiler company that not only had the borrowing capacity to purchase the assets, but the reserves that will undoubtedly be necessary to carry financial losses until the broiler market improves to at least a breakeven position.

Ironically, the foreign company that purchased the North Carolina complex is ceasing operations at the end of this month. . . .

As a result, not only will hundreds of workers lose their jobs, but contract growers are in jeopardy of losing their poultry farming income, which they use to repay mortgages on their grow-out houses. Undoubtedly, banks and other lending institutions will move to foreclose on these farmers. A third-generation company in Mississippi closed its doors earlier this year as the corn cost/chicken price squeeze became intolerable. . . .

The average cost of chicken feed before the corn price began to rapidly escalate in mid-October 2006, was \$139.20 per ton. This month [September 2011], the same ton of feed is costing over \$325 per ton, more than a doubling of cost since the second Renewable Fuels Standard became mandatory. The vast majority of the run-up in feed costs was the result of corn more than tripling in price since 2006. . . .

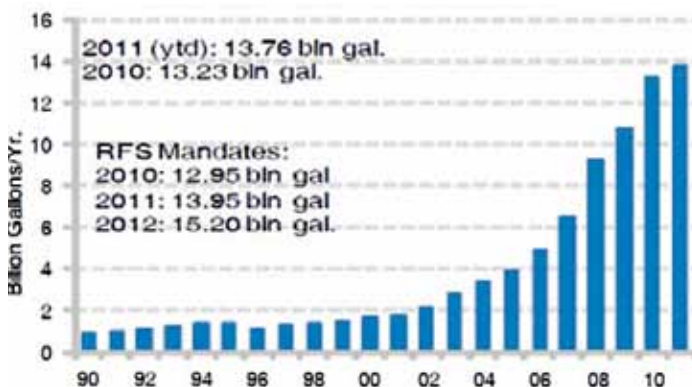
Some supporters of ethanol point to dried distillers grains with solubles (DDGS) as a feed ingredient that can provide relief from high corn prices. The facts are, however, that the majority of the feed energy has been removed by the ethanol-manufacturing process. The co-product (DDGS) is low in energy and high in fiber. It does have reasonable protein value and competes in the feed ration more with soybean meal than with corn. The broiler industry does use some DDGS, but it is not a preferred ingredient due to the nature of its composition. Inclusion of DDGS in a broiler feed ration is usually limited to 5% of the total ration. . . .

Mandating the use of ethanol, subsidizing its cost, and protecting ethanol from competition is triple overkill **Figure 1**. . . .

Consumers who have sufficient incomes to devote to cover the higher costs of food will reach deeper into their pocketbooks and pay the higher food prices. Con-

FIGURE 1

U.S. Ethanol Production 1990-2011



Source: EIA-DOE

sumers in this country and around the world who do not have an adequate income, and therefore, cannot continue to afford animal protein in their diets will have to shift to other foods, and in some cases, no food. . . .

Turkey Production Down 11% in Two Years

Ted Seger: Feed accounts for 70% of the cost of raising a turkey, and corn is the major ingredient in most turkey feed rations. For the average turkey, it takes about 2.5 pounds of feed to produce one pound of turkey live weight. Therefore, increases in the price of corn have a significant impact on the price of raising a turkey. . . .

[We said in 2005, that] creating an RFS would begin tightening the corn supply and forcing feed prices up. . . . By 2007 . . . corn prices already were more than 20% higher than their pre-RFS level. . . . Since earlier this year, corn prices have continued to skyrocket, ultimately topping out at \$8 per bushel, while corn stock levels plummeted to record lows, below 5% carry-over. . . .

Turkey production cannot be turned off with the flick of a switch or the shutting of a valve. Once a poult—baby turkey—is placed in a grow-out facility, it takes as long as 20 weeks to bring it to market weight. Factoring the time it takes to incubate the eggs and the lead time necessary to place orders for eggs, it generally takes six months or longer for a company to implement a major cutback in production. So while production overall increased by about 2.5% from 2007 to 2008, original economic indicators had been for a larger expansion.

Meanwhile, 2008 saw consumer purchasing of meat

and poultry plummet and significant losses ensued in the turkey business as a result of the higher corn prices. Since then, turkey production has declined by 11% to about 244 million turkeys raised in 2010. Effectively, the industry wiped out three years of production increases in an 18-month period and reduced production to the lowest levels in more than 20 years...

The current situation for corn is unlike any other in the history of this commodity. Usually, high prices are a result of poor weather that limits production for just one year, and the next year, production rebounds. However, the current dilemma is that the demand side [from corn ethanol] of the equation for corn is far outstripping the supply side, and the demand side is continuing to grow at a rapid pace.



USDA

Skyrocketing corn prices—the major ingredient in turkey feed—could have a significant impact at the American dinner table.

Meanwhile, there is limited opportunity for continued growth in supply, and no one knows what Mother Nature might do to the potential crop. The reality for my company and many other turkey companies is that there is no economically feasible substitute for a grain-based diet. Feeding more wheat, barley, sorghum, milo or soybean meal is no advantage, because wheat and soybeans trade at energy equivalent values similar to corn. All the commodities eventually find their economic value based on the strongest commodity, which is corn...

Just a couple months ago, our company purchased a large quantity of wheat to replace corn, simply because we were worried that the local supply of corn may not even be enough to sustain us until this year's later-than-usual harvest...

Lyndon LaRouche On Glass-Steagall and NAWAPA

The North American
Water and Power Alliance

“The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there.”

“Put Glass-Steagall through now, and I know how to deliver a victory to you.”

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