



The University of Georgia

Cooperative Extension Service

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BROILER TIP . . .

ETHANOL PRODUCTION AND CORN PRICES

The increased emphasis on ethanol production in the United States as an alternative fuel is having a significant impact on corn supplies and prices. Corn prices that were in the \$2.00 per bushel range during 2005, are expected to average around \$3.50 per bushel for 2006. Corn prices for 2008 may even exceed the \$4.00 per bushel level unless pressures on inventories can be accounted for.

The rapid increase in the number of ethanol plants and the need for corn to feed these plants is a major reason for the increased price of corn. Table 1 below shows the number of ethanol plants currently in production and the plans for future plants.

Table 1. Ethanol Plants in the United States

Plants in Production	116
Plants Under Construction	79
Plants Under Expansion	11
New Plants Announced	10

Bushels of corn needed to support plants = 3.3 Billion

It is expected that some 3.3 billion bushels of corn will be needed for the 2007-2008 harvest year to support these ethanol plants. The amount of corn needed and the potential impact on prices is presented in Table 2.

PUTTING KNOWLEDGE TO WORK

The University of Georgia and Ft. Valley State College, the U.S. Department of Agriculture and counties of the state cooperating.
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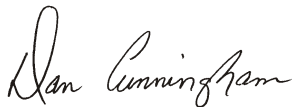
Table 2. Corn Harvest and Use (Billion Bushels)

	2005-2006	2006-2007	2007-2008
Harvest	11.1	10.5	12.0
Ethanol	1.6	2.2	3.3
All Other Use	9.7	9.7	8.7
Total Use	11.3	11.9	12.0
Inventory	2.0	0.6	0.6
Price/bushel	\$2.00	\$3.50	\$4.00-6.00

To achieve the expected need of 12.0 billion bushels that are projected for 2007-2008 will require some 18 million additional acres of corn. These additional acres will have to come from conservation reserves, soybean and cotton acreage, and increased foreign acreage. In addition, to achieve the 12.0 billion bushels needed, a solid year in terms of crop yields as well as the additional acreage will be required. Should a drought occur or should we fail to find the additional acreage needed, corn prices could spike towards the high ends of the price range. Thus, it seems likely that corn prices are going to remain elevated for at least the next year until adjustments in supply can be made. Even with adjustments, there will probably be pressure on corn supplies and demand. The bottom line is there is no room for error with the corn crop.

Increases in corn prices due to increased competition between livestock and energy needs translates into higher feed prices. As a result, profit margins for poultry producers and other livestock producers will likely be under pressure as well.

Reference: Information from a presentation by Dr. Paul Aho, Poultry Perspectives.



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****Consult with your poultry company representative before making management changes.****

“Your local County Extension Agent is a source of more information on this subject”