

As of Tuesday, January 24, 2006

PAGE ONE

Cows in Hereford Are All Fired Up About Ethanol Plant

**They Produce a Cheap Fuel
Nobody Has Wanted;
A Cattle-Feed Byproduct**

**By STEVE LEVINE
Staff Reporter of THE WALL STREET JOURNAL
*January 24, 2006; Page A1***

HEREFORD, Texas -- For four decades, this town has searched for a way to rid itself of the outsized byproduct of its success as one of the world's greatest producers of beef cattle -- tens of millions of tons of cow waste. It tried turning it into electricity, fertilizer and pellets for wood stoves. Now a Dallas company has arrived with an unusual solution born of the soaring cost of energy: Burn the manure as fuel to produce ethanol from corn.

Panda Energy International Inc. plans in the coming months to begin construction on a plant in Hereford that will produce 100 million gallons of ethanol a year. To Panda, the manure eliminates the need to burn expensive natural gas in ethanol production. To Hereford's farmers, the arrangement is the answer to a prayer, and they have signed contracts agreeing to give their manure to the company free of charge.



Bob Josserand

Bob Josserand drove by massive pens holding about 45,000 head of cattle. "Do you have any idea how much waste they produce in a year's time?" asked the 75-year-old rancher as he stopped in front of a dozen or so 12-foot-tall ridges, each some 50 feet long. "This is a year's worth of manure."

Hereford, a tiny cattle town on the dusty Western plains, boasts one of the largest cattle herds in the world. A sign on the road into town proclaims it the "Beef Capital of the World." Cattle are a \$2.7 billion annual business for the town.

But the million cattle in its feedlots at any time generate 6,300 tons of waste a day. Despite the town's dependence on the industry, its 15,000 residents aren't fond of their mountains of manure. In addition to the smell, the waste attracts flies that must be controlled, creates dust and is considered a fire hazard because of all the heat generated by decomposition.



Johnny Trotter

The main local objection to the cow waste is simply that "there's too much of it," says Wayne Schilling, who runs a company in nearby Amarillo that brokers and bags composted manure. There's so much manure that feedlot operators pay local farmers 50 cents a ton to haul it away and apply it as fertilizer on their crops of wheat, corn and cotton. The farmers can use just a fraction of the waste generated by the cattle of Hereford.

So the cattlemen have turned to "all kinds of wonderful schemes" to dispose of the mounds, says Mr. Jossierand, who has doubled as the city's mayor since 1993. In the 1980s, town cattlemen pursued a plan to burn the manure to generate electricity, but Hereford's local transmission company said it didn't need the power.

Burnable Pellets

In the 1990s, a Montana man persuaded Mr. Jossierand to process the manure into pellets to burn in home-heating stoves instead of wood. But it turned out that burning manure pellets produces so much ash that, even though far cheaper than wood, the product didn't seem to have much commercial appeal.

A few years ago, Hereford thought it had finally found a solution when New Mexico peanut farmers began buying some of the town's manure to use as fertilizer. Soon, cattlemen closer to the border heard of the deal and, with cheaper transportation costs, managed to undercut Hereford's price and make off with the business.

"Everybody has looked for the silver bullet, but nobody's found it," says Mr. Schilling, the owner of the compost company.

Now high fuel prices may have finally brought Hereford's salvation. Panda Energy last month awarded a \$120 million contract to build the ethanol plant, which the company's president, Todd Carter, said will be one of the biggest ethanol plants in the U.S.

The plant will produce a residue known as distillers' grain, which is rich in protein and can be recycled as cattle feed. "We're taking the manure from one end, then feeding them the distillers' grain," explains Mr. Carter. "So there are synergies."

Upfront Costs

A natural gas-fired ethanol distillery costs millions of dollars less to build. Mr. Carter says that despite the added up-front cost, his plan would work better over time. He figured that each of the local cows produces 12.63 pounds of waste a day from the 40 pounds of feed it eats. In the aggregate, that's 6,315 tons of manure daily, far more than the 1,500 tons a day that Mr. Carter's ethanol distillery will require.

If the operation is successful, Mr. Carter already is planning to expand. He has announced his intention to build similar manure-powered plants in Yuma, Colo., and Haskell County, Kan., two other big cattle-feeding areas.

Mr. Carter's plans are popular in Hereford. The town is giving him 382 acres for his plant. Johnny Trotter, Hereford's biggest cattleman, says he'll save hundreds of thousands of dollars that he has been paying farmers to haul away the manure from the 250,000 cattle he raises every year. "If you ask if I like it, sure I like it," says Mr. Trotter. "It's like finding \$350,000 in the road."

The refinery won't be the end of Hereford's problem. The town's cattle population is growing. Hereford is building up its dairy industry. In the past three years, the town has used cash and other incentives to persuade 10 dairies from California, Idaho, New Mexico and elsewhere in Texas to move to Hereford with their 60,000 cows.

A dairy cow produces four to five times as much waste as a beef cow because it eats more, but Hereford officials say they don't mind. "Small communities are struggling," says local economic development director Don Cumpton. "I didn't want to dry up and blow away. I like it here."

Write to Steve Levine at steve.levine@wsj.com

[Return To Top](#)

[Log Out](#) [Contact Us](#) [Help](#) [E-Mail Setup](#) [My Account/Billing](#) Customer Service: [Online](#) | [Print](#)
[Privacy Policy](#) [Subscriber Agreement & Terms of Use](#) [Mobile Devices](#) [RSS Feeds](#)
[News Licensing](#) [Advertising](#) [About Dow Jones](#)
Copyright © 2006 Dow Jones & Company, Inc. All Rights Reserved

DOW JONES