Feedlots, Air Quality, and Dust Control - Benefit Estimation

Chin-Hsien Yu  
Department of Agricultural Economics, Texas A&M University

Seong C. Park  
Assistant Professor and Natural Resource Economist  
Texas AgriLife Research Center

Bruce A. McCarl  
Distinguished Professor, Regents Professor, and Texas AgriLife Faculty Fellow  
Distinguished Fellow, American Agricultural Economics Association  
Department of Agricultural Economics, Texas A&M University

Stephen H. Amosson  
Regents Fellow, Professor, and Extension Economist  
Texas Agricultural Extension Service

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Introduction

More than 17% of the total value of U.S. cattle and calves comes from Texas while the total sales in U.S. were $61.2 billion during 2007. The Texas Panhandle contributes to the major in Texas. For example, feedlots in Deaf Smith County in Texas earned $965 million during 2007 in terms of cattle and calf sales, or 1.6% of the total value in U.S. However, cattle also brings about the majority of atmospheric emissions from manure or animal activities. Sweeten (1996) revealed that approximately 900 kg of dry manure are left behind by an animal housed in a normal 150 day fattening period. The dry manure becomes air-borne dust particles and is emitted into the air by wind or animal activities. Dust from confined animal feeding operation (CAFO) is widely reported to adversely affect animal health, for example, Snowder et al. (1999) estimated an 8-kg difference between a healthy and a bovine respiratory disease infected calf over a 200-day feeding period, while Smith (1996) reported that a calf suffered from respiratory disease has 0.23 kg less of average daily gain (ADG).

USDA has reported that 1.11 million head of cattle and calves in the U.S. died because of respiratory problem, resulting in $692 million losses of total values in 2005. Texas lost 142,500 heads of cattle and calves which were around equivalent to $88 million that same year. Therefore, there is no doubt that dust suppression is a pressing issue for both the government and the feedlot operators.

This paper attempts to shed light on how important and effective dust control is by employing a production and externality-based social welfare analysis concerned with dust in feedlots, and then compare the private and social benefits of dust control. A case study done near Amarillo where is located in the Texas Panhandle will also be used to develop empirical measures.

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For Further Information

Please contact Chin-Hsien Yu, Department of Agricultural Economics, 344 Blocker Building, College Station, TX 77843-2124 or by email at chyu@tamu.edu.

Theoretical model

I Environmental Amenities

Assume that the dust emission level in feedlot $i$ is depicted by a function of animal feeding operation size in terms of number of animals and denoted as $e_i(Q_i)$, where $de_i/dQ_i > 0$; with the aim of capturing the externality effects, we assume that the dust concentration level in feedlot $i$, $e_i(Q_i, Q_{-i})$, is a linear combination of the dust emission levels and can be expressed as (1):

$$e_i(Q_i, Q_{-i}) = e_i(Q_i) + h_k e_i(Q_k)$$

where $h_k$ is a transfer coefficient in the distance between feedlot $i$ and $k$, $k \neq i$. It is reasonable that $h_k$ is getting smaller while one feedlot is farther from the other.

Assume that the suppression effect of abatement technology is the same among all feedlots, and $e_i(Q_i, x) < e_i(Q_k)$ under valid dust suppression technology. The total dust concentration level at feedlot $i$ under dust control at all feedlots, $\epsilon_i(Q_i, S)$, is:

$$\epsilon_i(Q_i, S) = e_i(Q_i, S) + h_k e_i(Q_k)$$

where $S$ denotes the total suppression effects of the abatement technology at all feedlots.

II AFO profit maximization problem

Assume AFOs face mortality rate $v_i$ and morbidity rate $\nu_i$, and both rates are affected by dust concentration level. Besides, health cattle weight $w_i$ and cattle suffer from respiratory problem weight $w_p$ is the unchanged per pound price of cattle, $Q_1^i$ represents the capacity of each feedlot, and $c_i(m)$ and $F_i$ are referred to the marginal costs and fixed costs, respectively. The maximization problem ex ante and ex post dust control are addressed as follows, respectively:

$$\begin{align}
\max_{x} & \quad P_i x - c_i(m) x - F_i \\
\text{s.t.} & \quad Q_1^i \leq x \\
& \quad \nu_i e_i(Q_i, Q_{-i}) - \mu_i e_i(Q_i, Q_{-i}) \leq (Q_1 - x) w_p \\
& \quad \nu_i e_i(Q_i, Q_{-i}) - \mu_i e_i(Q_i, Q_{-i}) \geq (Q_1 - x) w_p \\
& \quad \nu_i e_i(Q_i, Q_{-i}) - \mu_i e_i(Q_i, Q_{-i}) \leq (Q_1 - x) w_p
\end{align}$$

Preliminary Results

<table>
<thead>
<tr>
<th>Cattle weight</th>
<th>1st month after arcing</th>
<th>2nd month after arcing</th>
<th>3rd to 6th month after arcing</th>
<th>Total Cost of Dust Control</th>
<th>Total Cost of Dust Control</th>
<th>Total Cost of Dust Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 550lb</td>
<td>13.4%</td>
<td>7.5%</td>
<td>1.0%</td>
<td>$4.09</td>
<td>$15,663</td>
<td>$22,954</td>
</tr>
<tr>
<td>550lb &lt;= 700lb</td>
<td>8.4%</td>
<td>3.4%</td>
<td>1.9%</td>
<td>$2.96</td>
<td>$15,663</td>
<td>$22,954</td>
</tr>
<tr>
<td>&gt; 700lb</td>
<td>2.3%</td>
<td>0.9%</td>
<td>0.35%</td>
<td>$2.79</td>
<td>$15,663</td>
<td>$22,954</td>
</tr>
</tbody>
</table>

Data Description

- 73 feedlots in Texas were analyzed, and number of feedlots of capacity>=32000, 16000<=<15999, and <15999 were 35, 24, and 14, respectively; Cattle in each capacity were further classified according to their weight and estimated by the proportion of placements to the annual inventories and marketing based on the USDA reports; Some numerical values are referred to the follows: monthly morbidity rates of respiratory disease were estimated by Sanderson et.al. (2008); incidence of mortality rate is around 1/10 of morbidity rate; ADG loss per cattle which is sick but treated is 0.132 lb per day and the cost per day of ADG loss is $0.85; average treatment cost of each disorder cattle is estimated as $12.59 by USDA (2009); Dust concentration level is in terms of dry matter obtained from manure: 6% of weight x 11% (dry matter proportion) x 1.11 (moisture content), and transformed as an adjustment coefficient (a) of morbidity rate in each individual feedlot by the following function:

$$a = 1 + 0.2 \times (\frac{Q_i}{m})^{0.5}$$

where $Q_i$ is the dust level in each feedlot, and $m$ is the average dust level among all feedlots.

Discussions

- Dust suppression decreases the mortality and morbidity rate, and further reduce the AFO’s loss;
- AFOs with higher capacity have economies of scale on dust suppression costs and hence have higher loss reduction rate;
- Weather conditions such as wind direction, temperature, and humidity will be considered in the adjustment coefficient of dust concentration level in the extended research;
- Dust suppression efficiency needs to be uncovered to estimate the mortality and morbidity rate;
- Social welfare analysis will be employed, that is, a neighborhood utility maximization problem will also be used to determine the optimal dust control strategy for a private and social standpoint, and the design of incentive mechanism will be examined.

References


