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Ethanol getting bombarded from all angles

Somehow, ethanol has become a dirty word for some, and I'm not sure why. How did the cleanest burning, highest quality, cheapest form of liquid renewable fuel ever get to be such a punching bag for politicians, the oil industry, the food industry and many others?

Maybe we should look at ethanol's history for some keys.

Henry Ford's first automobile, the quadricycle, was designed to run on pure ethanol. The first Ford Model Ts, which came out in 1908, were also designed to run on ethanol.

Back then, the technology to mass produce ethanol was expensive, and its feed stock was not widely available. It wasn't long before oil, which was readily available and relatively cheap to extract, quickly displaced ethanol as the primary source of fuel in the United States.

Cliff's Notes

By Cliff Meeuwsen

At that time, few cared about the fact that oil was a very dirty fuel that polluted the air and the water. All anyone cared about was that it was cheap.

How things have changed. Oil is now very expensive to drill for, and the United States imports about 60 percent of its oil, sending our money and jobs out of the country. Oil is also a finite resource and by far the dirtiest fuel we use, creating more than 80 percent of the air pollution in this country.

In contrast, the cost of making ethanol has steadily decreased over the years as new technology has lowered production costs by 25 percent while increasing the quality of the product. In addition, farmers and scientists have been able to increase corn yields from 100 bushels per acre in the '70s to about 160 bushels per acre today.

Thus, the availability of ethanol has increased so much that the United States exported more than a billion gallons last year. Why did we export ethanol, which at times is \$1 a gallon cheaper than gasoline, and import expensive oil? Federal law allows conventional gasoline to contain a maximum of 10 percent ethanol, so consumers couldn't buy it if they wanted to. They had to buy expensive gas made from expensive imported oil instead.

This year, the United States has the largest inventory of ethanol on record and, again, we can't use it. There is so much



Stock photo

HOT TOPIC: The dialogue about ethanol as an alternative fuel has gotten even more heated over the summer months as dry conditions over much of the country drove the price of corn to a record high in August.

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Values

Values are part of everything we at NCP do. From selling wet cake, buying corn and providing freight services, the employees of NCP strive to provide superior customer service and quality products that are of great value to our customers.

Processing Plant Update

By Eric Meeuwsen

If you haven't been to Nebraska Corn Processing for a while, the next time you visit you'll see several changes we've made to our facilities that we hope will make your experience at NCP even better.

Almost two years after adding a 720,000-bushel storage bin, we are nearing the completion of a second identical bin. The addition of nearly 1.5 million bushels of storage capacity is nice to have with harvest just around the corner.

Along with the new storage bin, we have

also revamped the wetcake loadout area. The pad has been reconfigured to hold more wetcake, which will allow us to continue offering the product even during the rare occasions the plant is shutdown.

Speaking of shutdown, the plant will not be operating the week of Sept. 9 as we will be doing some routine pre-harvest maintenance on the facility. However, we will continue to take in and deliver corn during the shutdown period, and with the added holding capacity, wetcake will also be available.

At NCP, we're always seeking ways to improve the customer experience, so during the busy harvest season we are planning to offer expanded hours of service.

The merchandising and logistics team at NCP continues to work on corn origination, wet cake merchandising, ethanol sales and transportation of products. The team looks for ways to maximize value, while reducing costs for both NCP and its customers. One way to accomplish that is to keep our trucks moving and backhauling as much corn as possible.

Corn Update

By Keith Brooks

What makes the difference between a record setting crop and a crop disaster? The answer, unfortunately discovered this year by producers all over the United States, is scorching temperatures accompanied by little or no rain.

At the beginning of the summer we had close to 96 million acres planted way ahead of schedule and it looked as though we were going to have an amazing year of production. Prices for new crop corn dropped on the possibility of a 14 billion bushel crop. The best course of action looked to be selling on the rallies and hoping you had an average of \$5.50 corn when it was all said and done. What happened?

In the last newsletter we wrote that we were hoping for a rally in new crop corn,

but it was doubtful we would see one without some type of weather problem. We got the weather problem to stimulate a rally, but the catch is that it was a nationwide drought. Now we have record highs on the board and are questioning how high prices could go. A couple of rain clouds could have changed all of that and sent the market the other way just as fast.

In southwest Nebraska we went close to 60 days without rain, accompanied by temperatures in excess of 105 degrees, with a high of 116. We lost most of the dryland, with fields being adjusted to a total loss, and there was no way for the irrigation to keep up. It was this way all over the country.

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Cliff: *Ethanol getting an unfair reputation*

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in storage that 30 percent of the ethanol production in the United States has been shut down. And this year, because of federal law, we are actually importing ethanol from Brazil.

But wait, it gets worse. American taxpayers are subsidizing Brazilian ethanol to the tune of 45 to 50 cents per gallon, and Brazil will export between 500 and 600 million gallons at the expense of U.S. jobs and \$300 million. (That's \$300,000,000!) That's your money!

You might wonder why that is allowed to happen. I know I did.

The Environmental Protection Agency has decided that U.S. ethanol made from feed corn starch affects food costs more than ethanol made from sugar cane and transported all the way from Brazil. Ethanol made from sugar is labeled an advanced biofuel, thus the U.S. taxpayers subsidize Brazilian jobs, while there are no subsidies available for U.S.-made corn ethanol and the jobs the industry creates.

And we wonder why we have more than 8 percent unemployment. When it comes to government, be aware of unintended consequences.

That leads us to the food vs. fuel issue. Do you think anyone takes into consideration that 2.8 gallons of ethanol is

produced per bushel of corn used? Also, 40 percent of the leftovers are used to produce protein-rich distillers grains. Distillers grains contain three times the protein by weight as corn and is highly valued as a feed product for livestock and poultry.

Also coming from the same bushel of corn are corn oil, corn syrup and carbon dioxide, which puts the fizz in your soda. All these co-products seem to be left out of the food vs. fuel debate.

How about the fact that transportation costs drive up food prices more than the cost of corn does? Thus, when the cost of fuel stays under control, it helps lower the cost of our food in restaurants and grocery stores.

Then again, if we are worried about the cost of food, why does the government continue to keep the U.S. dollar weak so other countries can buy our corn at lower prices? The U.S. has had record exports of corn each of the last two years, so someone must think we have plenty.

However, if more corn is needed, the USDA's Conservation Reserve Program should be revisited. Through the CRP, landowners are actually paid not to farm up to 32 million acres of agricultural land each year. Though the proposed 2012 farm bill would reduce that to 25

million acres by 2017, the fact remains that, despite a perceived shortage of corn, the government still pays farmers not to farm.

If those 25 million acres were used to grow corn, based on the 2011 average yield, they would produce more than 3 billion bushels of corn. That's about 80 percent of the net amount of corn the ethanol industry used in 2011. Along with virtually eliminating the food vs. fuel debate, farming those now-vacant acres could also create about 60,000 jobs.

As for fuel costs, without the 13 billion gallons of ethanol supplied to the U.S. fuel blenders, who only knows where gas prices would have been this year after all of those domestic refineries shut down?

As a food producer and a consumer, I look at the bright side and say at least we don't have to spend all our money at the pump and we have some left over for food.

As you are well aware, we've had a very tough summer. It was also very dry in 1988, 1974 and 1936, which was the driest on record. As in those years, the market will allocate the grain based on our ability to pay and food will always win. We've made it through the dry years before, and we'll make it through this one.

Corn: Nationwide drought puts pressure on the market

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market for old crop so they can use it to blend off their problems. End users who are caught short are going to be looking to cover their needs as well.

However, be careful not to wait too long, because as the better acres get harvested those old crop bushels are going to become new crop bushels. They will then be subject to new crop basis levels. One possibility is to lock in your favorable basis, deliver the corn and then use target orders against those basis contracts to try to capture the profits you are seeking.

If you are not holding old crop bushels and trying to decide what to do with your new crop bushels coming, you need to take a look at the board and expect the unexpected. We are already at record levels, but who knows if this is the top or not? We are hearing a lot of stories about quality issues, so please be cautious about contracting and make sure you can make your commitments on contracts.

As of Aug. 22, the board was inverted all the way from Dec. 12 to Dec. 13. If you end up short and have to roll contracts, it's going to hurt. Try to get a hold on what you are going to have and use your target orders because the market is going to be very sensitive and will respond quickly to news.

Now we come to what to do for harvest of 2013. With prices as high as they are, corn being short and a huge demand to supply our needs, we could see 100 million acres of corn planted next year. If it grows normally, we could see \$8.00 corn and \$4.00 corn in the same 12-month period. That means a lot of volatility. Stay vigilant and take advantage of opportunities to lock in profits for next year. Again, have your target orders in place to take advantage of spikes in the market.

This year is going to be a challenging year for everyone to get a handle on things. Over the last few years, we at NCP have received unbelievable support from our customers and would like to thank you. We look forward to continuing to build on those rela-

tionships in the years to come, and in return we want to be able to serve you as best we can. We have a strong belief that we exist because of you, the customer, and your support is going to be important in the months to come. Despite the challenges this year poses, we remain optimistic and continue to grow so that we can be a partner in the growth of the community.

On Aug. 24, NCP hosted a groundbreaking ceremony for our fuel blender station, which is a project we look forward to completing. That same day we hosted our Customer Appreciation picnic and had a great turn out.

In closing, if you have any questions, concerns or are looking to price grain, please feel free to contact me at (308) 697-3954 or on my cell at (308) 340-1208. Our posted bids can be found at www.nebraskacornprocessing.com, but I encourage everyone to call for the bids as our needs change daily.

Please have a safe harvest, and thank you again for your continued support.

Wet Cake Update

By Shannon Caudill

Wetcake is available and is a great way to extend what little feed is available this year because of the drought. Prices on all commodities are higher than we would like and wet cake is no exception.

We have supply available at NCP and can forward contract through this next

season if that is something you are interested in.

It is going to be a difficult year with prices of all products high and we are hopeful that prices back down as we get into next spring and summer.

Call us with your needs and we can make sure they are covered.

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Wet Cake Merchandising

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