



News & Views

A Monthly Publication Dedicated to the Feed, Seed, Grain and Farm Supply Industries of Wisconsin

Somebody Asked ■

Q.: What is the current state of the ethanol industry?

A.: After a couple years of go-go and can't build 'em fast enough, the state of the domestic ethanol industry can best be described as stagnant. Last year's bankruptcy filing by the industry's then largest producer VeraSun and subsequent sale at a fraction of the cost to build has put new projects on hold. And last week, another big producer succumbed with Aventine Renewable Energy (207 mln. gallons annual production), filing Chapter 11 bankruptcy.

Aventine's issues arose from a combination of poor commodity hedging and over \$490 million in debt. Last month, in Aventine's quarterly earnings release, the company reported that it would not have enough liquidity to make a key \$15 million interest payment or a \$24 million payment to a major contractor. The company had less than a million in cash as of March 12.

Basically, margins in the industry are break-even on an all-in, all-out basis. That is, plants are, on average, covering operating and input costs by the sale of their ethanol and distiller's grain products. This calculation does not cover debt service in general nor profit. And even without considering the cost of debt service, some plants are at logistical disadvantage due to rail service or corn procurement issues. Of course this is a broad statement and there are exceptions, but it is generally correct. Not surprisingly; the expectation is the domestic ethanol industry will operate at about 67% of nameplate production for the balance of this year.

But it's not all bad news. The renewable fuels standard (RFS), as set by the 2005 Energy Policy Act, has requirement for at least 11 billion gallons of

ethanol to be blended with conventional gasoline this year. That required ethanol number increases to 36 billion gallons by 2022.

That ethanol can also come from imports, but importing the product defeats one of the primary goals of developing domestic ethanol, that being energy independence. We could also see biomass develop, but that process is still in early development and is currently only contributing 300,000 gallons of ethanol annually. So, corn-based ethanol is here to stay for the foreseeable future.

An interesting development is a proposed \$3.5 billion ethanol-dedicated pipeline. Ethanol producer, Poet LLC., and Magellan Midstream Partners, a crude pipeline operator, are undertaking the 1,700 mile project. The project would fulfill a dream of many Midwest ethanol operators by connecting the Corn Belt with the population dense markets of the northeast. In addition, Poet could overcome major inefficiencies in transportation and help drive down the pump cost for ethanol fuel blends.

Olsen's Mill Update ■

Earlier this month, the presiding judge in the Olsen's Mill receivership case approved the sale of Olsen's Mill assets to a group of Oshkosh businessmen. The group, Olsen's Mill Acquisition Corp. (OMAC) which was awarded the assets had been the second highest bidder in last week's auction. (Paul and David Olsen served as consultants to OMAC during the process.) The judge in making his ruling stated he relied on OMAC's intention of keeping the operation open and running, while honoring the to-arrive grain contracts and the pre-paid agronomy payables. The bank which initiated the receivership proceedings in February had stated in court their intention not to honor those commitments. During the court session, the attorney representing the bank (and a participant in the entity which made the high bid in the auction) stated their

intention of appealing the judge's decision. Assuming the current decision stands, the sale closing date is April 24.

As of this writing, the receiver and their staff are out of Olsen's Mill locations and the operation is being run by OMAC. There were grain checks issued by the receiver which have been returned as there were insufficient funds to cover them. The new owners have issued cashier's checks to cover all outstanding issued grain checks. Also as part of the purchase, all existing payables related to delivered grain will be paid. No claims are anticipated to be made against the state's Indemnity Fund as a result.

In addition, it is currently intended that Paul Olsen will not be either an employee or involved in management of the new operation. However, his brother David will serve as a contract employee assisting in the transition to the new owner. The new entity was granted operating authority by the judge under the existing "Olsen's Mill" state grain dealer license, under which the receiver has been operating the business during the past two months. The federal warehouse license of Olsen's Mill is still in suspended status. However, it is anticipated the new owners will re-file under a new business name (believed to be Olsen's Crop Service) for a federal warehouse and state grain dealer license following the sale closing.

This ruling has no direct impact on the continuing Chapter 11 bankruptcy status of Renew Energy, the 130 million gallon ethanol plant at Jefferson. However, earlier this month the company announced it will lay off 80 employees unless a buyer for the plant can be found. The layoffs or sale, should they occur, are expected between May 18 and May 31.

We'll keep you updated as events warrant.

Various Issue Updates

- WASA has joined with other organizations representing Great Lakes shipping interests to oppose a proposed Wisconsin DNR rule affecting how Great Lakes shipping ballast waters are treated. The rule contains a required ballast water treatment standard that is 100 times stricter than the International Maritime Organization Standards (IMO), is technically

unachievable and will put Wisconsin companies, and the Port of Milwaukee at a competitive disadvantage with other Great Lake States that have adopted the IMO treatment system standards. WASA is concerned that the aggressive timeline for compliance, January 1, 2012, also not consistent with other states (Minnesota, Illinois, Indiana, Ohio and Pennsylvania) in the Great Lakes. The aforementioned states have all adopted a January 1, 2016 effective date.

- The Town of Dunkirk, which is in southeastern Dane County, is proposing an on-farm fertilizer secondary containment rule. This is believed to be the first rule of its kind affecting on-farm storage in the state. The issue's emergence came from a producer placing two damaged, out-of-service rail tank cars in a farm field. Nearby residential property owners complained about the situation and the debate was on.

The township, rather than simply modifying existing Wisconsin commercial storage regulations, is basing the proposal on Michigan state regs. In addition, all references in the rule to requiring mix/load pads have been eliminated. The containment portion of the proposal only covers the storage unit dike. However, the rule does include requirements regarding the security of the storage tanks, including locks, fencing and lighting. These security measures are **not** required in Wisconsin commercial standards, but must be considered in complying with federal Homeland Security vulnerability assessments.

As long as the proposed regulations do not interfere or intrude on existing state regulations, such as commercial secondary containment requirements or remediation oversight, DATCP really has "no dog in this fight." While WASA is strongly in favor of requiring on-farm secondary containment of fertilizer and pesticides, there is a right way and a wrong way to go about achieving that goal. And it's our opinion, this is the wrong way.

- The Surface Transportation Board (STB) hearing on rail competition was scheduled for May 18-19. United States Senators Rockefeller and Lautenberg asked the STB to postpone the hearing until the Senate Commerce Committee has had an opportunity to conduct its review. As a result, the STB has asked that interested parties should NOT submit written testimony or comments until the Board issues a new schedule. We will keep you updated as to the timing and need for further hearings and requests for testimony.

4 State Dairy Nutrition Conf. ■

Timely topics to improve dairy producer profitability will highlight the 2009 Four-State Dairy Nutrition and Management Conference on June 10 and 11 at the Grand River Center in Dubuque, Iowa.

John Fetrow, DVM, University of Minnesota Veterinary College, will discuss “A Research Update from the UMN College of Veterinary Medicine” that will include discussion of Johnes, ketosis, colostrum, and mastitis. Dr. Jan Shearer, Iowa State University will discuss “Maximizing Comfort for Uncomfortable Cows.” Dr. Nigel Cook will address “Health Aspects of Cow Comfort.” Dr. Joe Harner, Kansas State University will speak regarding the question “Cross ventilated dairy barns; are they comfortable?” Dr Noah Litherland will discuss “Moderate Energy Diets and Forage Options for Dry Cows.” Other topics include transition and fresh cow management, health aspects of cow comfort, new concepts in heat stress, and the latest research on nitrogen losses affected by feeding systems.

The seminar starts at 8:00 a.m. on June 10 with a morning pre-conference symposium sponsored by Diamond V. The symposium speakers include Barry Bradford of the Kansas State University covering sources of yeast and factors influencing yeast viability. Other topics include hot feeding strategies to maximize milk yield and dealing with issues of risk including what one needs to know about meta analysis. The second day breakfast and speaker is being sponsored by ARM & HAMMER Animal

Nutrition. Joe Harrison will present research on DCAD balancing for lactating cows.

Following the noon adjournment on June 11, participants can stay and attend one of four in-depth workshops from 12:30 to 3:30 p.m. The four topics include analyzing dairy farm profits, transition cow housing design, building dairy rations and new technologies for on-farm trouble shooting. During these “hands-on” workshops, producers and industry members will get individualized help on such tasks as farm analysis software, ration building, and on-farm design and trouble shooting. These workshops are offered for an additional fee of \$50 per person.

For a downloadable brochure go to <http://www.wasa.org/> or contact the WASA office, or Dale Thoreson, 319-267-2707.

WASA Directory Update■

The following updates should be made to your WASA Directory.

Change:

Sanimax
formerly Maxco, Inc.
2009 Shawano Ave.
Green Bay, WI 54307
Phone: (800) 242-6355

Spooner Mills of Thorp
formerly Larson Feed, Inc.
213 E Soo St.
Thorp, WI 54771
Phone: (715) 669-5644

As additions or changes are made throughout the year, we will notify you here in WASA N & V.

Looking Down the Road■

**June 10-11 4 State Dairy Nutrition and Management Conference
Dubuque, IA**

**Sep. 10 WASA Golf Outing
Northern Bay Golf Resort, Arkdale**

Route:

- General Manager
- Feed Department
- Grain Department
- Agronomy
- Safety Director
- Personnel
- _____

WASA Board of Directors

Tom Lefeber, President
(920) 773-2505

John Van De Wiel, Vice-President
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John Petty, Executive Director

RB "Bob" Willder, Loss Control Dir.

Denise Poindexter, Office Manager

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APPLICATION DEADLINE
APRIL 30, 2009

ELDON ROESLER
SCHOLARSHIP