



News & Views

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

Warehouse Reminders■

Last week, Paul Zimdars of the Wisconsin Department of Agriculture, Trade and Consumer Protection, Producer Security Section, sent a letter to licensed warehouse operators reminding them of their responsibilities under the law. We wish to reiterate Mr. Zimdars' points and provide additional perspective.

Your responsibilities, under law, include that as a licensed warehouse keeper you shall notify the department, in writing, before you do any of the following:

- Adding a grain warehouse (an additional location) or
- changing the capacity of any grain warehouse.

So if you are, or will be, using grain storage (for depositor grain) that is not currently part of your licensed capacity, you are required to notify the department. A note on this requirement; it only applies if you are adding space that will be used to hold depositor-owned grain. If you lease or add space in which you will be storing *exclusively* company-owned grain in this license year, you are not required to license that space or notify the department.

The other issue that has arisen, primarily due to the large crop this year in Wisconsin, is how ground piles are handled by the state in terms of warehouse licensing. First it should be stated that state law requires that a grain warehouse keeper must safeguard grain held for others and shall protect that grain from loss or abnormal deterioration; and that a grain warehouse keeper shall maintain adequate facilities and equipment for that purpose. To that end, the state does not license free-flowing ground piles. "Free-flowing" means the piles *doesn't have* any barriers to contain the pile of grain. These barriers could be as simple as a stack of concrete

blocks to contain the flow of the grain. This doesn't mean you can't utilize free-flowing ground piles, but instead the state simply doesn't license them, because the department's auditors will not measure them. *So the bottom line is if you use free-flowing ground piles, only company-owned grain can be stored in them.*

If you utilize barriers for your piles, the space must be licensed, if it was not already, before you can legally store depositor-owned grain in that contained pile.

To summarize: No barrier; can't be licensed and only company-owned grain in the pile. A pile contained by a barrier; can be licensed and can contain depositor-owned grain, if licensed. It should be repeated that a warehouseman's responsibility is to protect depositor grain from loss or abnormal deterioration, so safeguards must be taken to protect depositor grain in "bound" ground piles.

Now let us cover a situation on which a member called and questioned us. State law does not require warehousemen storing less than a maximum of 50,000 bushels at any one time to be licensed by the state. "Can a legally unlicensed warehouseman store depositor grain in free-flowing piles?" The short answer is yes, even though the state will not license those piles. If the warehouseman's total obligation to depositors remains under 50,000 bushels, depositor grain can be stored by them in a free flowing pile. The unlicensed warehouseman is still required by law to protect the depositor grain from loss or deterioration. A word of warning to any members who are unlicensed warehousemen, this is a very easy item for state auditors to check and catch during their annual audit. An annual license for this year will be less expensive than the license fee and a \$500 penalty when they catch you.

Upcoming Convention■

Last year's convention was a great success. It was

the first year of our concurrent event with the Corn/Soy Expo and the Wisconsin Pork Association's annual convention. From all the comments, you enjoyed it. The question we heard most often asked," How were we going to top it?"

We have a solid program that will be of interest to you. Your registration allows you to attend any of the group's events, so it's like getting admission to three shows for the price of one. In addition, we'll have over a hundred exhibitors and, yes, the not-to-be missed Pork Association's *Taste of Elegance* is back.

And we'll end with a luncheon on Friday with a surprise speaker you will not want to miss. Last year's final speaker, former Packer Leroy Butler, was a hit and we're certain you'll be very happy this year.

You'll find your registration form enclosed, along with a preliminary convention schedule. Get your registration in now for the most informative and best show of the year.

Ethanol Everywhere

Wisconsin is at the epicenter of ethanol development in the US or does it just seem that way? The WASA office receives a phone call almost every day from the membership regarding an inquiry along the lines of "What's going on in ethanol?"

Here's a brief recap as to what is publicly known. There are currently four operating ethanol plants (all at a nameplate 40 million gallon production level) in the state:

- Ace Ethanol, Stanley
- Utica Energy, Winnebago County
- Badger State Ethanol, Monroe
- United Wisconsin Grain Producers (UWGP), Friesland

Two more plants are currently under construction, also with 40 million gallon nameplates. Both are expected to be operating in late 2006. Those are:

- Western Wisconsin Renewable Energy Cooperative, Wheeler

- United Ethanol, Milton.

In addition to these facilities, an ambitious 140-million gallon facility has been announced on the site of the former Ladish Malt plant in Jefferson. Jefferson Grain Processors, as the new facility is now known, is also planned to be the site of a 20-million gallon bio-diesel production facility and the nation's largest tilapia fish farm. The former facility's malting ponds will in part be utilized for the fish farm enterprise. The facility is already being utilized as a grain handling operation during this year's harvest, as it is expected to continue during the ethanol plant's construction phase.

Other plants in Necedah (east of Tomah) and Rockville (north of Potosi in far southwest Wisconsin) are in various stages of development and/or permitting.

Now for some math, which is probably what you were already wondering. A 40-million gallon plant would grind about 15 million bushels (mb) of corn annually.

4 existing ethanol plants X 15 mb	60 mb
2 plants expected by next fall X 15 mb	30 mb
Jefferson expected usage	50 mb
Probable total minimum annual grind w/in 2 years	140 mb

Wisconsin produces on average around 360 mb of corn. Primarily because of the large number of dairy cattle, a significant percentage of Wisconsin's corn production is never marketed. Instead, it remains on-farm and is fed directly to livestock either as whole kernel or silage. The general working estimate of the percentage of Wisconsin-produced corn that is not marketed runs around the 50% level. That is a very fluid number and can vary from year to year, but for our example and discussion, let us use the 50% figure.

Average Wisconsin corn production	360 mb
50% remaining on-farm	(180 mb)
Available to be marketed	180 mb
Probable total minimum annual grind	(140 mb)

w/in 2 years (from table above)	
Available corn for all other markets	40 mb

This discussion has not included the availability of distiller's grains that would be available to the market to replace some of the displaced corn for ethanol. The rule of thumb is 20% of a dry mill ethanol plant's corn usage is available in the form of distiller's grains on a bushel basis. That said, 20 per cent of 90 mb is 18 mb. So, 18 mb bushels equivalents of distiller's grains would come from the six dry mill Wisconsin plants. (The proposed Jefferson ethanol plant is to be a wet mill process which would not produce distiller's grains, but gluten feed instead.)

The best current guess regarding the state's amount of corn exports is around 50 mb. And the usage by feed mills has not even been included. The bottom line is that Wisconsin's grain and feed markets are going to be changing dramatically in fairly short order. The one factor that could easily change in this discussion is the amount of corn that remains on the farm is not marketed. Changes in that percentage could have significant impact on the supply of corn in Wisconsin. Either way, grain flows and traditional marketing patterns will change in the coming years.

Will there be winners and losers in these scenarios? Yes, we have already seen that in Iowa and Minnesota where ethanol is more established than here. The critical point for the ethanol plants is the supply of corn. Plant managers are very well aware of the numbers outlined here. To that end, most of the plants are establishing alliances with grain dealers to assist them in procuring their needed supply. On the other end of the process, the production of 18 mb bushel equivalents of distiller's grains is also pushing the plants (or their contract marketers) to develop alliances with feed mills. The ethanol plants wish to ensure stable and dependable markets for that co-product.

The question we often hear is "How many ethanol plants are too many?" That question assumes the market environment is a traditional grain and feed usage model which has been the case during our

lifetimes and that ethanol plants are simply another user just "plunked down" into our midst. Perhaps, a different way of approaching the question is the idea that ethanol is the corn market of the future and our grain and feed industries will serve supporting roles to it. We don't have the answer but we are confident we will see effects and changes coming to Wisconsin in fairly short order.

WASA Directory Update ■

The following updates should be made to your WASA Directory:

New: Producer's Choice Inc
409 North St
Decorah IA 52101-1244
(866) 744-5710
Fax: (563)382-2433

Change:
Craig Myhre, WASA Board member
Northside Elevator, Inc
PO Box 159
Loyal WI 54446-0159
(715) 255-8507
Fax: (715) 255-9595

Changes are indicated in **bold**.

Looking Down The Road■

Dec. 4 – 6 National Grain & Feed Association's
Country Elevator/Feed Industry
Conference and Trade Show
St. Louis, MO

Jan. 25 WASA Safety Day
Kalahari Resort, Wisconsin Dells

Jan 26 & 27 WASA Convention & Trade Show
in conjunction with Corn/Soy Expo
and the Pork *Taste of Elegance*
Kalahari Resort, Wisconsin Dells