

DDG market shows ethanol complexity

WHAT'S good for the goose is good for the gander. However, what's good for ethanol isn't always good for the livestock producer.

When the ethanol industry began bulking up, many analysts predicted dried distillers grain prices would take a nosedive once the product saturated the



For Starters

By JOSH FLINT

U.S. market. In January 2004, DDG was priced at a premium to corn. According to the U.S. Grains Council, the price premium was a little more than \$80 per metric ton. In July 2008, corn led DDG pricing by \$40 per metric ton.

What happened? I thought as ethanol production jumped, DDG would be more

abundant, leading to cheaper feed in the United States.

The rest of the story, as Paul Harvey says, deals with exports. According to USGC, exports for the period January through May are up 118% over the same period last year.

Earlier this year, I had the opportunity to listen to a presentation by Daniel Keefe, USGC manager of international operations for DDG. Keefe was discussing how USGC markets DDG to other countries. In many cases, he said USGC has to spend a significant time educating foreign customers on what DDG is. In some cases, USGC works with foreign governments to create a word for DDG.

Currently, the top destination for DDG is Mexico, which is projected to receive 1.08 million metric tons of DDG in 2008. Canada is second, with 683,574 metric tons.

Interestingly enough, the list of DDG destinations is missing a couple of key countries: China and India. If these two get involved, it's not too hard to imagine a market where DDG is once again priced at a premium to corn.

Fueling debate

As a young ag editor, the ethanol industry absolutely fascinates me. Three years ago, ethanol was seen as the best thing ever. Lately, the media has given it a bit of a black eye with regard to the food vs. fuel debate. This seemed to open the floodgates for more interest groups to start attacking the corn-based fuel.

Every time I ponder the issue, which is a lot, I'm struck by how far-reaching it is. The USGC's DDG marketing campaign illustrates this point. They're helping ethanol plants find a global marketplace for these coproducts. This helps the profitability of ethanol manufacturers, which helps the profitability of grain farmers. On the flip side, livestock producers have done a fine job blaming high grain prices on ethanol. Plus, now they have to contend with export markets for local DDG.

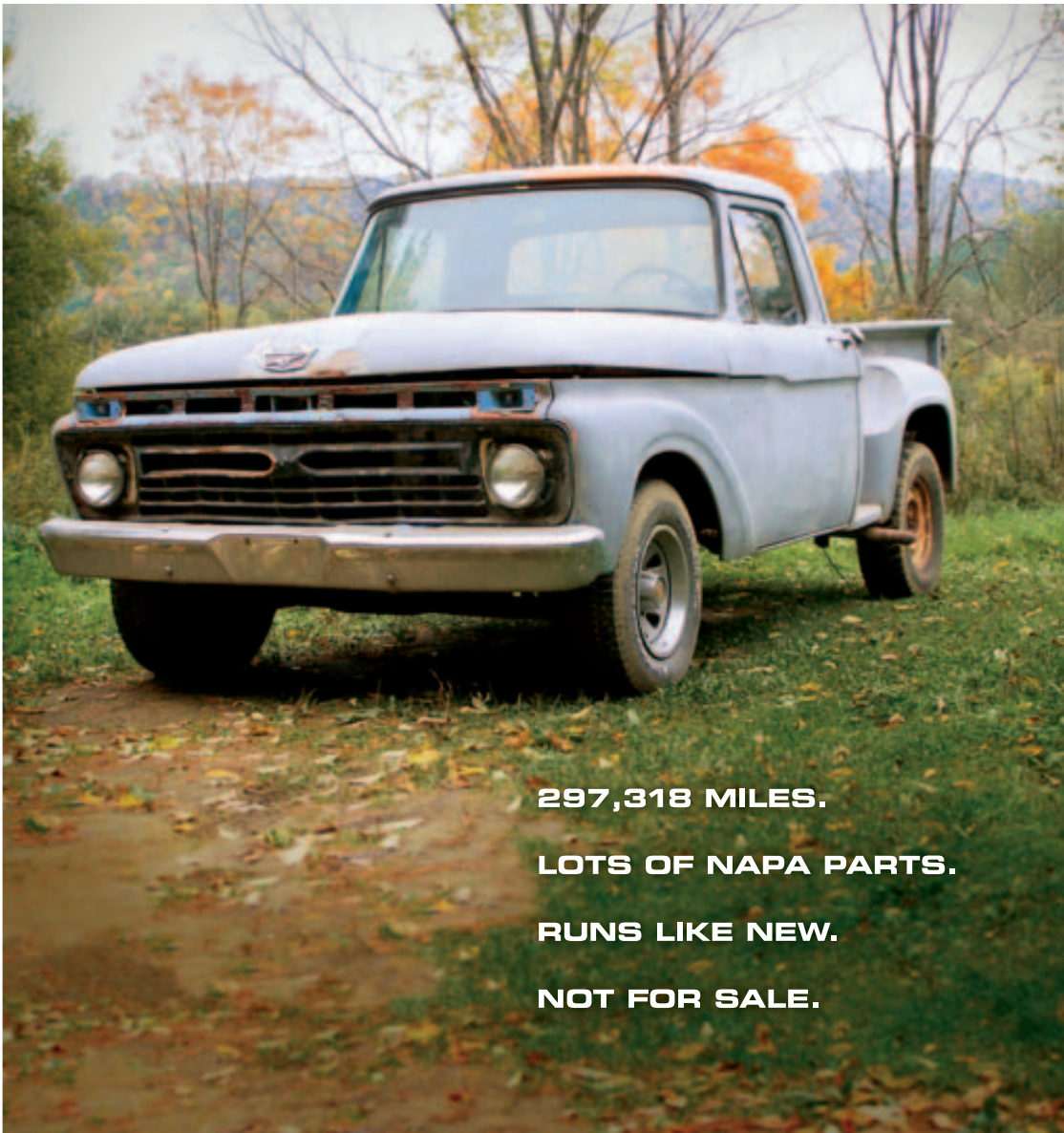
When you toss in the weak dollar scenario, you have an issue that spans the entire globe. It reminds me of the Chaos Theory. Rather than saying a butterfly's flight caused a tornado thousands of miles away, you could say a strike at an anhydrous ammonia facility in Russia raised the price of gas in Springfield.

My blog

By the way, the next time you're on *Prairie Farmer's* Web site, check out my blog. It's called "Traveling the State." One of the great things about my job is I'm encouraged to get out and travel the Land of Lincoln. Along the way, I see a lot of fascinating things.

As *Farm Futures'* executive editor Mike Wilson put it, "Such a small percentage of the information I collect actually makes it into the magazine. The rest I put in my blog."

I completely agree. My blog has been a great medium for me to share what doesn't make it into the magazine.



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