

Benson Corn Pool



270 20th St. NW, Benson, MN 56215 • 320-843-4813

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LETTER FROM THE CHAIRMAN

Hello Corn Pool Members:

Well as you all know the United States had a record setting drought last year. The state of Minnesota came out fairly well especially in the Benson area. Our plant purchased corn up to .80 cheaper at times compared to almost every direction around us. This has helped make your plant above average in profit this year.

We sent out the sign up letter one

month later this year to allow us time to meet with producers on the grain handling facilities. We are looking forward to getting it all up and running by this fall.

As I am writing this we are getting a very nice rain again. Barring all storms we should be looking at above average crops this fall. I know the crops vary in locations, and Benson had some pretty bad storms earlier. As we all know, nothing is for sure

until we have it in the bin!

I would like to wish all the farmers a very good and safe harvest. We hope to have plenty good corn to ensure us another profitable year.

Stay safe and enjoy the rest of your summer.

Your Corn Pool Chairman,
Roger Longhenry

Corn Market Commentary

By Chad Friese,
CVEC Commodities Manager

About this time last year CVEC staff threw shareholder names in a hat and pulled out what we hoped was a representative sample of our members. The point of this was to have some discussion and get some direction as to what the membership needed with regards to corn delivery and corn pool. The outcome of those meetings lead to an increase in the freight rate paid on delivered bushels and the decision to build a grain facility and create some flexibility for delivery. This solution helps all members both delivering members and corn pool members by making delivering both committed (shareholder) and cash/ contracted bushes easier to deliver. Convenience- was a word we heard a lot in those meetings. The corn pool hasn't changed, but purchasing bushels for the corn pool will be more efficient with some added space and that allows for more market flexibility. For the Delivering Shareholder we added \$0.03 to the freight component across the board and with the new facility in place will now offer an Alternative Delivery Agreement.

The Alternative Delivery Agreement (ADA) will not change the Trimester delivery requirement, but for those that need/want some additional flexibility, they can purchase space towards their commitment and essentially pre-delivery some quantity of the commitment. There is a cost to this, but as Deb mentions in her article there is a cost to the convenience of the corn pool as well. The true cost of the corn pool is \$0.105 per bushel plus or minus the market spread between the Trimester Average and the Corn Pool Average. Over the last couple years this has been a minus and has created a very favorable price for the corn pool members. Do consider though that the corn market has been in an uptrend the last couple years, a down trending market or flat market may have a different affect. With the addition of CVEC bins we believe that we will be able to maintain a reasonable spread, but the corn pool is much more at the mercy of the market than a delivering shareholder.

It is now time to signup bushels for the corn pool and I would encourage everyone to re-examine their options and the potential value that a delivery site and the ADA could have as we make those decisions. For many at this time the corn pool will remain the

very best opportunity, for others, delivering bushels or delivering bushels within the new ADA may be a very good opportunity if you have physical corn available. The ADA has a cost association so it will ultimately be about how you would intend to use it as to whether it is a viable option to mitigate risk and what your ultimate cost might be. Please call with questions if you have interest in this new opportunity as the Corn Pool is now a self renewing commitment and re-enrollment will take place automatically at the end of August.

The corn market seems to have some confidence that there is a good sized crop in the fields and that we will have plenty of supply after a couple of tight years. There seems to be quite a bit of variability in the crop, and certainly we still have a lot of risk with a late planted crop, but in most cases quality is not a concern for the futures price of corn (CBOT) as that becomes more of a local basis piece of the market. CVEC essentially pays the market average + \$0.04 for corn to the membership and has been very solid value, plus any additional distributions for plant profitability. The market average historically is around the top 30% of the market, so certainly a good place to be to offset market risk.

Reminder: Corn Pool Signup Deadline is August 30th



LETTER FROM THE GENERAL MANAGER

The Income Statement and Balance Sheet for July 31, 2013 are shown below. As you can see, BCP shows a YTD loss of \$898,281 which is a loss of \$0.09 per enrolled bushel. Through July 31st BCP has delivered 7,327,566 bushels to CVAC at a cost of \$54.9 million and an income from sale of corn of \$53.9 million. The cost of corn does include the \$0.105 procurement fee that is paid to CVEC per the Corn Procurement Agreement. To date we are showing expenses of \$0.01/bushel, which is typical for BCP. On the Balance Sheet you will notice that we have a small balance on our line of credit of \$100,000. This fiscal year we have not needed to access our loan as often as past years. Although the corn market has been high and at time had big

swings, the advance from CVAC has been close to the average which has a positive effect on our cash flow. Interest expense last year at this time was \$36,700 compared to \$8,500 this year.

The BCP enrollment letter was sent on August 1. The procedure is the same as last year. If you are leaving the number of bushels in BCP the same as the previous year you do not need to do anything and your enrollment will remain the same. If you are changing the bushels that are enrolled in BCP you will need to contact the office for paper work. All paper work for enrollment changes must be in the office by August 30, 2013. We delayed the enrollment slightly this year to give folks the opportunity to attend the informational meetings about the

new bin site.

BCP is expecting a loss of around \$0.09 per enrolled bushel for FY13. This is higher than previous years due mainly to the change in the Corn Procurement Agreement with CVEC. The fee between the companies increased in FY13 from \$0.075 to \$0.105 per bushel. This increase was necessary due to the volume of bushels procured by CVEC for BCP. We will have the audit in October and once that is complete, around mid-November, we will be sending out a letter with the final loss amount. If you have any questions please feel free to contact the office.

*By Deb Mennis,
Benson Corn Pool General Manager*

INCOME STATEMENT		JUL-13	FY 13	BALANCE SHEET	
				7/31/13	
Bushels (enrolled)		9,946,957		ASSETS	
Revenue	Sales of Corn	\$	53,973,064.48	Cash	\$ 76,253
	Misc. Income	\$	<u>419.08</u>	Accounts Receivable	\$ 647,116
Total Income		\$	53,973,483.56	Prepaid Insurance	\$ 5,658
Cost of Goods Sold	Corn purchases	\$	54,809,901.87	Hedge Margin	\$ <u>463</u>
	Hedge (gain) loss	\$	<u>0.00</u>	TOTAL ASSETS	\$ 729,490
Total Cost of Goods Sold		\$	54,809,901.87	LIABILITIES & EQUITY	
Expenses	Board Expenses	\$	24,420.00	Accounts Payable	\$ 0
	Interest Expense	\$	8,595.83	Note Payable	\$ 100,000
	Administrative Expenses	\$	<u>28,846.88</u>	Marketing Fee Payable	\$ 1,634,981
TOTAL EXPENSES		\$	61,862.71	Member Equity	\$ (107,210)
NET INCOME		\$	<u>(898,281.02)</u>	Current Year Income (Loss)	\$ <u>(898,281)</u>
				TOTAL LIABILITIES & EQUITY	\$ 729,490

