

# Benson Corn Pool



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## LETTER FROM THE CHAIRMAN

Hello Corn Pool Members:

So far this winter we aren't showing any signs of global warming! We have had plenty of snow and cold weather to suit most of us. At least we had fair weather for our annual meeting, which helped out the ones that had to do some traveling.

At our annual meeting this year Richard Severson was elected to our board. Richard comes to us with a lot of corn pricing experience. Welcome to the board Richard! I would also like to thank Neal Klassen for the number of years that he served on the board.

Since the first of this year we have

seen our corn price steadily go up. They had predicted \$7.50 CBOT corn price and we got very close to that. As of now, it appears to have leveled off. It is tough to make money on ethanol with the high price of corn. We did have a good first trimester at the plant showing some nice margins as your Quarterly letter from the plant shows. With the high turnover in newly elected officials in our government, we have a lot of work to do to bring all the new officials up to speed for ethanol. We need to make sure they know how it effects so many different areas of our economy.

We also have the problem of the July to November corn price. The market is telling us that the farmers should have their corn sold before the first of August. Chad is working hard to get our corn needs for August, and September covered. We will be hoping for an early harvest. The corn carry out this year will be very tight. We should all be hoping for a early Spring and a good growing season. We need to rebuild our corn supply.

Stay safe and alert.

*Roger Longhenry*

*Benson Corn Pool Chairman*

## Corn Market Commentary

By Chad Friese,

CVEC Commodities Manager

The last time this newsletter hit your mailbox, we were scratching our heads as to when this market would stop going down and about that time it stopped. It stopped, made an about face and has pretty much rallied since late November. Now the question is starting to become when will this rally end. We've had a few setbacks, the most notable around the January USDA report time. The market took a little time to digest the January numbers then took right off again and continued to climb. Now we have a market with a tight corn carry out and the need for large plantings and big yields to get things stabilized again, and this market probably stays strong until that happens. We will have setbacks, and they may even be extreme, but until the next crop is assured, be sure of one thing, our newest old friend volatility. We keep talking about volatility in all these articles, but what does it really mean? If you look up volatility, you get some definition about statistical measure, and standard deviation, but we should probably expect that with all the investors in the commodity markets. I

think that in the grain trade it has more to do with the wild and erratic swings in the market value of a given commodity, or the amount of uncertainty and risk.

With spring crop insurance values set, we have begun the process of eliminating some risk to the producer, but the market still has plenty of risk, spring weather for one. Three weeks ago when we were enjoying some moderate temps and watching the snow melt, it didn't seem as risky as it does today with forecasts for more snow and continued cool weather. Make no mistake, there will come a time when it will be different, and everything will be looking good and these markets will turn.

The volatility and risk comes to light in that we probably won't expect it. Some shift in weather, acres, plant genetics, carryout forecast, or investment methodology by the funds, will skew the market perception and change the market direction. I was given an opportunity last week to attend a seminar in Willmar, MN by Dr. David M. Kohl, Professor Emeritus in Agricultural and Applied Economics at Virginia Tech, in which some discussion took place about volatility. Dr. Kohl suggested that risk management, diversity and maintaining a low debt or balanced debt were great

ways to manage volatility. You should be happy to know then that your membership investment at CVAC accomplishes all three of these. CVEC has a strong and balanced risk management procedure, is greatly diversified in its market as an ethanol producer, and has a low debt load. This isn't to say risk is eliminated thru these strategies, but it does affect the degree.

The Benson Corn Pool was set up to assist members in the procurement of corn for their share commitments, and to help moderate its members risk to the corn market, it continues to do that through its relationship with CVEC. BCP also exists as one of the many marketing alternatives to producing members as a way to diversify their marketing. CVEC has many alternatives to assist in managing risk in this volatile environment, so please consider CVEC for your corn marketing, our competitive pricing and many types of grain contract alternatives can be an excellent risk management tool. Also continue to check our Website for additional market information and corn pricing.

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Commodities Manager

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**LETTER FROM THE GENERAL MANAGER**

Thank you to all who attended the Benson Corn Pool Annual Meeting. Elections were held for 2 board seats, the results were David Nagler for a 2nd term and Richard Syverson for his first term on the board.

The first trimester income results are included in this newsletter. BCP bought 2,911,482 bushels during this period. BCP is buying corn through CVEC, with whom we have a corn procurement agreement for FY11. At the end of January, we are showing a \$0.05 loss, which is similar at the \$0.06 loss at this time last year. Although corn prices are at an all time high, currently

\$6.50/bu., BCP has been able to buy at the average plus the procurement fee to CVEC, and still come out with a small loss. As we look forward the projections are that we will have a year similar to last year, ending the year with a \$0.05 - \$0.06 loss for the FY.

During the 1st Trimester CVAC paid \$5.18 for corn including interest & storage. BCP paid an average of \$5.22, including the fee to CVEC. BCP had expenses during this period of \$0.01/bushel, bringing us to the \$0.05 loss for the trimester.

BPC has a \$2 million line of credit available, which renews each year in March. Due to the extreme volatility of the

corn market the board decided to raise the line of credit to \$2.5 million. This line of credit will be in place mid-March.

FY12 enrollment will be in July again this year. All enrollment information will be mail out to you in June. Once again, we are expecting that the pool enrollment will increase. As BCP bushels increase, so do the challenges for the BCP board.

If you have any questions or concerns regarding the pool feel free to contact any of the board members or the office.

*By Deb Mennis,  
Benson Corn Pool General Manager*

INCOME STATEMENT		Jan-11	BALANCE SHEET	
		FY11		January 31, 2011
		YEAR TO DATE		
Bushels - purchased		2,911,482.00	ASSETS	
Revenue			Cash \$	24,622
	Sales of Corn	\$ 15,081,551.56	Accounts Receivable \$	1,877,342
	Misc. Income	\$ 726.60	Prepaid Insurance \$	1,900
Total Income		\$ 15,082,278.16	Hedge Margin \$	463
Cost of Goods Sold			<u>TOTAL ASSETS</u>	<u>\$ 1,904,327</u>
	Corn purchases	\$ 15,188,939.57	LIABILITIES & EQUITY	
Total Cost of Goods Sold	Hedge (gain) loss	\$ 0.00	Accounts Payable \$	208,558
		\$ 15,188,939.57	Note Payable \$	550,000
Expenses			Marketing Fee Payable \$	2,011,321
	Board Expenses	\$ 10,030.19	Member Equity \$	(731,756)
	Interest Expense	\$ 256.08	Current Year Income (Loss) \$	(133,795)
	Administrative Expenses	\$ 16,847.55	<u>TOTAL LIABILITIES &amp; EQUITY</u>	<u>\$ 1,904,328</u>
TOTAL EXPENSES		\$ 27,133.82		
NET INCOME		\$ (133,795.23)		
YTD Bushel Gain(Loss)		\$ (0.0460)		

