

Daily Livestock Report

Vol. 8, No. 77/ April 23, 2010

CME Group's new Distillers' Dried Grains Futures contract launches Monday, April 26 and today's issue of DLR contains several pieces of useful information for those who may be interested in this new contract. Among the parties that should be interested are cattle feeders, cow-calf operations, cattle backgrounding operations, and hog producers as well as ethanol and feed manufacturers. Pages 3-5 contain a list of Frequently Asked Questions (and their answers!) regarding the new contract. Pages 6-7 present the background of the new contract and its specifications and pages 8-11 contain a tutorial on how the corn crush can be traded using corn, ethanol and DDGS futures. We are pretty positive this establishes a new record for pages in one issue of DLR — but we are also pretty excited about this new contract!

USDA's monthly Cattle on Feed report will be released Friday afternoon at 3:00 pm EDT, 2:00 pm CDT. The table at right shows the ranges and averages for estimates of the three key numbers from the report as compiled by DowJones. As you see, there is a good deal of disagreement about just how large March placements might be. The average of the estimates, 106.6% of last year, is actually smaller than most of the numbers that we have heard over the past few weeks — large numbers based on profitable fed cattle sales, the opportunity to actually lock in profits for cattle placed in March and some degree of weather-delayed placements in January and February. The consensus of the 13 surveyed analysts is that the number will indeed be larger but the increase will not be as large as some expect. Even with higher placements, feedlot inventories are expected to be below year-earlier level for the 21st time in the last 23 months.

USDA's monthly Cold Storage report, released Thursday afternoon, show inventories of frozen meat and poultry on March 31 fractionally larger than last month but still over 12% lower than one year ago. The chart at right shows the monthly totals for the four major species and the data for all species and all cuts appear in the table on page 2. Some quick highlights:

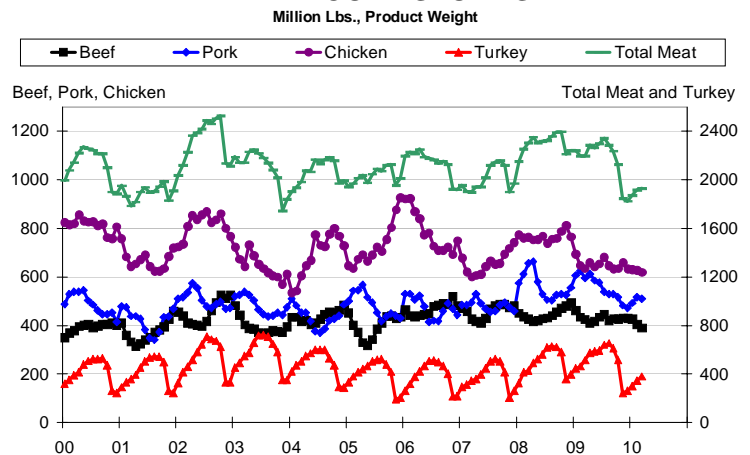
- Total frozen meat and poultry stocks amounted to 1.928 billion pounds, still very close to their lowest levels since 2003 and only 11.7 million pounds higher than on Feb. 28..
- Chicken inventories fell to 619.9 million lbs., 1.3% lower than last month and 2.5% below last year — and their lowest levels since May 2007 in spite of extremely small exports to Russia in January and February. Leg quarter inventories did fall by 4.7% in March. The most noteworthy contributor to lower chicken inventories, were breasts and breast meat at 8.2% and 19.5% lower for the month and year, respectively.
- Pork inventories FELL by 5 .5 million pounds or just over 1% in March. That is unusual as pork stocks usually grow until April or May before declining with seasonally lower pork output. A decline in March and then the short slaughter weeks of the past two weeks point to the potential that pork inventories could fall sharply by May1. Unclassified pork, other pork, trimmings and bellies and hams accounted for the largest tonnage declines versus last year. Ham stocks were 27.7% lower for the month.
- Beef inventories of 390.5 million pounds were 3.5% lower than last month and 8.3% lower than last year — and were at their lowest levels July 2005 as of April 1. The amounts of both frozen boneless beef and beef cuts were 8% lower than last year. Of course, 8% for boneless beef is 30 million pounds where 8% for beef cuts is 5.3 million pounds.

Pre-Report Estimates – USDA Cattle On Feed

April 23, 2010		
	Range of Estimates	Average of Estimates
On Feed, April 1	96.3 - 98.6	97.1
Placed in March	104.3 - 111.0	106.6
Marketed in March	101.7 - 106.1	104.9

Source: DowJones

MEAT IN COLD STORAGE



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USDA Cold Storage Report April 23, 2010

	Quantity (Thousand Pounds)			Current as pct. of:	
	3/31/09	2/28/10	3/31/10	3/31/09	2/28/10
Chicken	----- Thous. Lbs. -----				
Whole Chickens	20696	16149	17123	82.7	106.0
Hens, Mature Chickens	3878	2864	1629	42.0	56.9
Breasts & Breast Meat	128039	112310	103125	80.5	91.8
Drumsticks	11008	14668	17155	155.8	117.0
Leg Quarters	80730	95265	90772	112.4	95.3
Legs	9372	4872	6932	74.0	142.3
Thigh & Thigh Quarters	8058	9231	10565	131.1	114.5
Thigh Meat	14612	24888	25390	173.8	102.0
Wings	22201	30613	30880	139.1	100.9
Paws and Feet	11746	17698	18466	157.2	104.3
Other	325135	299258	297813	91.6	99.5
Total Chicken	635,475	627,816	619,850	97.5	98.7
Turkey					
Toms (Whole Carcasses)	135,651	70,218	86,853	64.0	123.7
Hens (Whole Carcasses)	117,368	81,312	83,254	70.9	102.4
Whole Turkeys	253,019	151,530	170,107	67.2	112.3
Other Turkey	24,431	21,107	20,843	85.3	98.7
Total Turkey	277,450	172,637	190,950	68.8	110.6
Ducks	4,299	3,950	3,672	85.4	93.0
Total Poultry	917,224	804,403	814,472	88.8	101.3
Frozen Beef					
Boneless 1/	361,064	336,500	330,991	91.7	98.4
Beef Cuts 2/	64,814	68,005	59,533	91.9	87.5
Total Beef	425,878	404,505	390,524	91.7	96.5
Frozen Pork	----- Thous. Lbs. -----				
Picnics, Bone-in	14,062	9,400	12,667	90.1	134.8
Hams, Total	70,894	85,153	61,561	86.8	72.3
Bone-in	29,202	38,707	22,055	75.5	57.0
Boneless 3/	41,692	46,446	39,506	94.8	85.1
Bellies	72,940	55,552	58,855	80.7	105.9
Loins, Total	43,966	37,017	39,513	89.9	106.7
Bone-in	20,774	14,751	14,774	71.1	100.2
Boneless 4/	23,192	22,266	24,739	106.7	111.1
Ribs 5/	86,375	95,530	101,687	117.7	106.4
Butts	21,844	23,973	25,227	115.5	105.2
Trimblings 6/	62,481	42,813	39,192	62.7	91.5
Other 7/	114,141	83,828	90,478	79.3	107.9
Variety Meats 8/	23,698	25,006	22,435	94.7	89.7
Unclassified 9/	83,726	57,639	58,867	70.3	102.1
Total Pork	594,127	515,911	510,482	85.9	98.9
Other					
Veal	5,984	8,576	7,638	127.6	89.1
Lamb & Mutton	19,274	12,922	16,467	85.4	127.4
Total	25,258	21,498	24,105	95.4	112.1
Total Beef, Pork, Other	1,045,263	941,914	925,111	88.5	98.2
Total Meat & Poultry	1,962,487	1,746,317	1,739,583	88.6	99.6

1/ Includes all boxed boneless beef, such as ground beef, roasts, steaks, loins, strips, rounds, trimmings, etc. Variety meats (edible offal), such as tongues, livers, hearts, kidneys and other organs removed from slaughtered beef are included as miscellaneous freezer stocks.
 2/ Includes all boxed primal beef cuts, bone-in. 3/ Includes full ham, bone removed and individual muscles separate. 4/ Includes pork tenderloins. 5/ Includes spareribs and backribs.
 6/ Includes 42% regular trimmings, 72% special trimmings, boneless picnic meat, jowls, neckbone trimmings, blade, cheek, head and shank meat, etc. Packaged bacon, sausage, and processed items such as hot dogs and luncheon meats, are included in miscellaneous cooler or freezer stocks. 7/ Includes ears, tails, feet, neckbones and snouts.
 8/ Includes tongues, kidneys, livers, stomachs, hearts, chitterlings, salivary glands, and other organs. 9/ Includes product unable to be classified elsewhere in this report.

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Distillers' Dried Grain Futures (DDG) Frequently Asked Questions

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CONTRACT SPECIFICATIONS

- 1. What is the deliverable product?**
100 Short tons of corn distillers' dried grains with solubles (DDGs).
- 2. What are the trading hours?**
6:00 p.m. to 7:15 a.m. and 9:30 a.m. to 1:15 p.m. Chicago Time, Sunday night through Friday afternoon.
- 3. What trading platform will DDG futures be available for trading on?**
Exclusively on Globex, the CME Group electronic trading platform.
- 4. What is the ticker symbol?**
DDG
- 5. What are the contract specifications for quality?**
Corn DDGs with minimum 26% protein; minimum 8% fat; maximum 12% fiber; and maximum 11.5% moisture.
- 6. To what extent, is vomitoxin levels a part of the DDG futures quality specifications?**
Buyers may request DDGs containing no more than 5 parts per million vomitoxin; however, vomitoxin testing shall be at buyer's expense.
- 7. When is the last trading day?**
The business day prior to the 15th calendar day of the contract month.
- 8. When is the last delivery day?**
Two business days following the last trading day.
- 9. Will DDG options or Cleared-only DDG swaps be available when DDG futures are launched on April 26?**
No, but the CME Group will monitor the progress of this market. Depending on market demand, CMEG may eventually list DDG Options for trading and DDG OTC Cleared-only products.

MARKET PARTICIPANTS

10. Who are the potential participants in this market?

Anyone with price exposure to DDGs. Examples include ethanol producers, feed merchandisers, feed mills, marketers, feed importers, feed exporters and livestock operations. DDG futures allow these market participants to hedge their risk exposure by locking in a price for DDGs up to twelve months in advance. Spread traders may trade a variety of spreads including the corn crush which includes Ethanol, DDGs, Corn and Natural Gas products.

11. How can producers of DDGs participate in the contract?

DDGs are a by-product of ethanol production. In addition to selling ethanol, DDGs are also sold as part of an ethanol plant's business model. Prices for both ethanol and DDGs are volatile, but ethanol producers already enjoy multiple risk management tools to hedge ethanol price risk. A DDG futures contract is a tool that ethanol producers can use to manage their DDG price risk. And with the launch of DDG futures, the CME Group has the products to allow an ethanol producer to manage their entire production margin from their inputs (corn and natural gas) to their outputs (ethanol and DDGs).

DELIVERY

12. Is the contract physically delivered?

Yes. Delivery may be made from any Exchange approved production facility and may be delivered to any location specified by the buyer in the contiguous United States. Delivery is based off rail junctions with deliveries from facilities east of the Mississippi River based off Chicago, Illinois and deliveries from facilities west of the Mississippi River based off Council Bluffs, Iowa.

13. When is the delivery period?

Deliveries may occur from the first business day of the contract month until two business days following the last trading day of the contract month.

Note: The First Intention Day (a.k.a. First Position Day) is when a seller can give their intention to deliver and is matched with a buyer. First Intention Day occurs two business days prior to the first delivery day. Hedgers using the DDG futures contract solely as a price risk management tool should liquidate all positions by end of trade on first intention day to eliminate the possibility of taking delivery on the futures contract. Also note that effective with First Intention (Position) Day, the daily price limits are removed.

14. What is the delivery instrument?

The delivery instrument is a shipping certificate representing a call on DDG production at an issuing delivery facility or a call on DDG loading capacity at an issuing storage facility.

15. How does the delivery process work?

A Short (seller who is an approved "regular for delivery" facility) issues a shipping certificate during the delivery period. The oldest long (buyer) on record is assigned delivery and receives the shipping certificate.

16. What can the long (buyer) do with the shipping certificate?

The long (buyer) taking delivery of a shipping certificate may do one of four things:

1. Cancel the shipping certificate and demand load-out of physical DDGs from the issuing delivery facility;
2. Hold and carry the shipping certificate to some later date paying a storage charge of 8 cents per short ton per day;
3. Go short (sell) a DDG futures contract and then re-deliver the shipping certificate on the futures market; or
4. Trade the shipping certificate in the cash market.

17. What happens if the long (buyer) cancels the shipping certificate for load-out?

The short (seller) delivers the specified quantity and quality of DDGs to the buyer's designated location via rail. The buyer pays the seller the public rail tariff from the designated rail junction to the buyer's designated location plus any fuel surcharges. The designated rail junction for the "regular for delivery" facilities east of the Mississippi River is Chicago, Illinois and for the "regular for delivery" facilities west of the Mississippi River is Council Bluffs, Iowa.

18. Do delivered DDGs have to be U.S. origin?

The DDGs may be produced anywhere as long as they meet contract specifications.

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COMMODITY PRODUCTS

Distillers' Dried Grain Futures (DDG)

A smart alternative to pricing and managing DDGs price risk.

Overview

Distillers' Dried Grains (DDGs) are the dried residue remaining after the starch fraction of corn is fermented with selected yeasts and enzymes to produce ethanol. After fermentation, the alcohol is removed by distillation and the remaining residues are either dried or remain wet. Although DDGs are used primarily as a feed additive for cattle and dairy cows, they are also being incorporated into other livestock feed rations.

Current U.S. DDGs production is over 33 million short tons with a \$4 billion market value and export levels approaching 20%. Supply varies with energy prices, corn prices and the relationship between these two prices. Ethanol production is expected to increase as the U.S. oil industry will be required by the Renewable Fuel Standard Program to blend an increased proportion of ethanol into the gasoline supply.

Completing the Corn for Ethanol Crush

The addition of DDG futures will complete the exchange's product suite for the corn crush for ethanol and bring much-needed price discovery tools and price transparency to the market. These futures complete a risk management portfolio, which allows ethanol plants (sell side) to hedge both their inputs (corn and natural gas) and outputs (ethanol and DDGs) – known as the “corn crush”. Additionally, a DDG futures contract is a hedging tool for the buy side (dairy operations, livestock producers and feed manufacturers), who use DDGs as a feed supplement. Other participants in the DDGs industry who could benefit from the DDG futures contract are the marketers and merchandisers.

DDG Futures Contract Benefits

- Provides market participants with a transparent “benchmark price”
- Provides price risk management opportunities
- Mitigation of counterparty credit risk
- CFTC oversight and regulation
- Allows price risk to be managed separately from physical transaction
- Multiple month listings enable the establishment of a forward price curve
- Relatively seamless, instantaneous straight-through execution, processing and clearing through CME Globex and CME Clearing

CONTRACT SPECIFICATIONS

DISTILLERS' DRIED GRAIN FUTURES	
Ticker Symbol	DDG
Contract Size	100 short tons (approximately 90.72 metric tons)
Deliverable Grades	Protein – Minimum 26% Fat – Minimum 8% Fiber – Maximum 12% Moisture – Maximum 11.5%
Testing Methods	Dry Matter: NFTA 2.2.2.5 (105 °C / 3hr) Crude Protein: AOAC 990.03 or AOAC 2001.11 Crude Fat: AOAC 945.16 Crude Fiber: AOAC 978.10
Delivery	DDG futures are a physically delivered contract. The short (seller of DDG futures, designated as regular for delivery) will issue shipping certificates. The long (buyer of DDG futures) will receive a shipping certificate. If the buyer cancels the shipping certificate for load-out, the seller will deliver the specified quantity and quality of distillers' dried grains to the buyer's facility. The buyer pays the seller the public rail tariff from the seller's designated rail junction to the buyer's facility. Chicago, Illinois is the designated rail junction for "regular for delivery" firms east of the Mississippi River; and Council Bluffs, Iowa is the designated rail junction for "regular for delivery" firms west of the Mississippi River.
Tick Size	Ten cents (\$0.10) per short ton (\$10.00 per contract)
Price Quote	Dollars and cents per short ton
Contract Months	All 12 calendar months
Last Trading Day	The business day prior to the 15th calendar day of the contract month
Last Delivery Day	Second business day following the last trading day of the delivery month
Daily Price Limits	\$20 per short ton expandable to \$30 and \$45
Speculative Position Limits	200 contracts in spot month; 1,000 contracts in any single month; and 1,000 contracts in all months combined
Storage (Premium) Charge	The long (buyer), who takes delivery of a DDG shipping certificate, shall pay a storage charge of 8 cents per short ton per day to the issuer of the shipping certificate until the DDG shipping certificate is cancelled for load-out, sold or redelivered.
Trading Hours	Electronic Only 6:00 p.m. – 7:15 a.m. and 9:30 a.m. – 1:15 p.m. Central Time, Sun. – Fri.

For more information on DDG futures, visit www.cmegroup.com/ddg.

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COMMODITY PRODUCTS

TRADING THE CORN FOR ETHANOL CRUSH



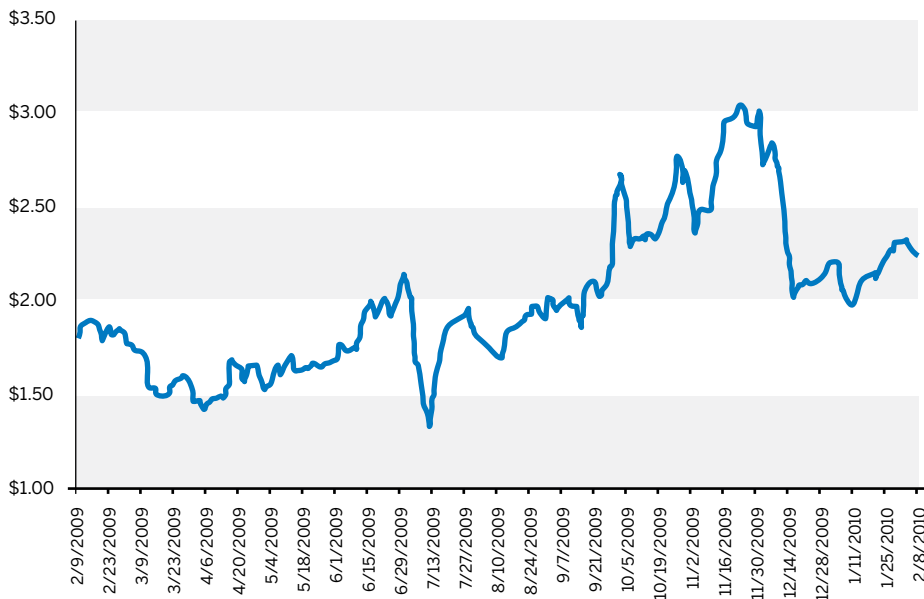
Introduction

In the ethanol industry, the term ‘corn crush’ refers both to a physical process as well as a value calculation. The physical crush is the process of converting corn into the byproducts of ethanol and distillers’ dried grains (DDGs). The corn crush spread is a dollar value quoted as the difference between the combined sales values of the products (ethanol and DDGs) and the cost of corn. This value is traded in the cash or futures market based on expectations of future price movement of corn versus ethanol and DDGs. The relationship between prices in the cash market is commonly referred to as the Gross Production Margin (GPM). The corn crush value traded in the futures market (also referred to as the corn crush) is an intercommodity spread transaction in which corn futures are bought (or sold) and ethanol and DDGs are sold (or bought). The corn crush spread is often used by ethanol producers to hedge the purchase price of corn and the sales prices of ethanol and DDGs. It also offers many opportunities for speculators, as the spread relationship between the Corn, Ethanol, and DDG futures varies over time.

The December/January corn crush (buying/selling December Corn and selling/buying January Ethanol and DDG futures) is used to hedge new-crop gross production margins because the December/January prices often reflect the market’s perception of conditions in the new corn crop year. Many seasonal, cyclical, and fundamental factors affect the corn crush spread; for example, corn prices are typically lowest at harvest and trend higher during the year as storage, interest, and insurance costs accumulate over time. Changes in demand for ethanol over the course of the year related to the driving season during the summer months and changing DDGs feed rations depending on the livestock cycle are additional factors that can affect the corn crush spread; others include crop size and yields, world feed demand, carryover stocks, increased protein consumption in developing countries, the price of gasoline, government programs, and weather. Fundamental and technical analysis can be used to help forecast the potential for repetitive market behavior, although there are many unpredictable elements (such as weather) that affect the corn crush spread. The historical data provided in this publication highlight some of the trends and market conditions that have prevailed in the corn crush spread over the past year.

Corn – Ethanol – DDG Crush Margin

Assume 1 Bushel of Corn Produces 2.8 Gallons of Ethanol and 17 Pounds of DDGs
Crush Margin Formula: $(\text{DDG Price} \times .0085) + (\text{Ethanol Price} \times 2.8) - \text{Corn Price}$



The Corn Crush Spread

The crush spread is quoted as the difference between the combined sales value of ethanol and DDGs and the price of corn. Corn is traded in dollars and cents per bushel, ethanol in dollars per gallon, and DDGs in dollars per short ton – because of these differences in units, conversion of ethanol and DDG prices to dollars and cents per bushel is necessary to determine the relationship of the three commodities and potential trading opportunities.

When a bushel of corn weighing 56 pounds is processed for ethanol, the conventional result is 2.8 gallons of ethanol and 17 pounds of DDGs.

To convert prices into cents per bushel

Corn: No conversions required

Ethanol: 2.8 gallons of Ethanol = 2.8 x price of ethanol

DDGs: 17 lbs/2,000 lbs per short ton = .0085 x price of DDGs

Once all three commodities have been converted to a price per bushel, individual ethanol production facilities can compare these numbers to data on their own production efficiency to determine the profitability of processing – this calculation is referred to as the GPM or “corn crush.”

To calculate the Corn Crush or GPM

$[\text{Price of Ethanol (\$/gallon)} \times 2.8] + \text{Price of DDGs (\$/short ton)} \times .0085] - \text{Price of Corn (\$/bu.)}$

Typically, ethanol production is expanded or reduced to maintain sufficient profitability; the GPM is used to gauge the relative costs of production. When the margin exceeds processing costs, ethanol producers will most likely process more corn into ethanol; when the margin falls below processing costs, ethanol producers may scale back their operations.

An example of calculating the Corn Crush

To illustrate the calculation of the crush, assume the following prices and values for July/August 2010 futures contracts:

July Corn futures:	\$3.59 per bushel (5,000 bushels)
August Ethanol futures:	\$1.76 per gallon (29,000 gallons)
August DDG futures:	\$105.00 per short ton (100 short tons)

Step 1 – Convert Prices into dollars per bushel:

Ethanol:	$\$1.76 \times 2.8 = \4.928 per bushel
DDGs:	$\$105 \times .0085 = \0.893 per bushel

Step 2 – Subtract the cost of corn from the combined sales value of the products:

Ethanol + DDGs ($\$4.928 + \0.893):	\$5.821
– Corn	– \$3.590
Corn Crush	\$2.231

Although the previous example used a one-to-one-to-one ratio of futures contracts (one Corn futures contract to every Ethanol and DDG contract), the corn crush (and reverse corn crush) can also be traded as a “package,” in which a bid or offer is made for a particular corn crush value rather than making individual trades in each of the spread legs. The corn crush “package” is based on a ratio of contracts that more accurately approximates the equivalent yields of ethanol and DDGs generated from one bushel of corn. For example, one Corn futures contract of 5,000 bushels would produce 14,000 gallons of ethanol and 42.5 short tons of DDGs. The Ethanol futures contract is for 29,000 gallons of ethanol and the DDG futures contract is for 100 short tons of DDGs. Thus, trading the corn crush in a one-to-one-to-one ratio (one Corn contract, one Ethanol contract, and one DDG contract) would result in Ethanol being over hedged by 15,000 gallons and DDGs being over hedged by 57.5 tons. A better corn crush combination would be two-to-one-to-one (two Corn contracts, one Ethanol contract, and one DDG contract). Here, two Corn contracts represent 10,000 bushels of corn, which would produce 28,000 gallons of ethanol and 85 tons of DDGs.

This combination of futures contracts results in ethanol being over hedged by only 1,000 gallons and DDGs being over hedged by 15 tons. Other common combinations would be 7:3:3 (seven Corn contracts, three Ethanol contracts, and three DDG contracts), which results in ethanol being under hedged by 11,000 gallons and DDGs being over hedged by 2.5 tons or 33:16:14 (33 Corn contracts, 16 Ethanol contracts, and 14 DDG contracts) which results in ethanol being over hedged by 2,000 gallons and DDGs being under hedged by 2.5 tons.

Corn Crush Spread Terminology

The difference between the price of corn and the sales value of ethanol and DDGs can vary over time. Expectations about the behavior of the spread offer different trading strategies, depending upon whether one expects the difference to “widen” or “narrow.”

- A narrowing corn crush spread occurs when the price of corn rises relative to the sales price of ethanol and DDGs. When this occurs, the spread becomes less positive (or more negative). A trader expecting a narrowing corn crush spread “puts on a corn crush spread” – buying Corn futures and selling Ethanol and DDG futures.

An example of trading a narrowing crush spread

<i>Put on Crush Spread</i> April 26	<i>Lift Crush Spread</i> June 18
<i>Buy</i> July Corn Futures 2 contracts at \$3.59 per bushel	<i>Sell</i> July Corn Futures 2 contracts at \$3.66 per bushel
<i>Sell</i> August Ethanol 1 contract at \$1.76 per gallon	<i>Buy</i> August Ethanol 1 contract at \$1.73 per gallon
August DDGs 1 contract at \$105 per short ton	August DDGs 1 contract at \$100 per short ton
<i>Results</i>	
Corn: \$0.07 Gain $(\$3.66 - \$3.59) \times 10,000$ (bu) =	\$700.00
Ethanol: \$0.03 Gain $(\$1.76 - \$1.73) \times 29,000$ (gallons) =	\$870.00
DDGs: \$5 Gain $(\$105 - \$100) \times 100$ (short tons) =	\$500.00
Net gain:	\$2,070.00

- A widening corn crush spread occurs when the sales price of ethanol and DDGs rise relative to the price of corn. When this occurs, the spread becomes more positive (or less negative). A trader expecting a widening corn crush spread “puts on a reverse corn crush spread” – selling corn futures and buying Ethanol and DDG futures.

An example of trading a widening or “reverse” crush spread

<i>Put on Reverse Crush Spread</i> October 6	<i>Lift Reverse Crush Spread</i> November 21
<i>Sell</i> December Corn Futures 2 contracts at \$3.60 per bushel	<i>Buy</i> December Corn Futures 2 contracts at \$3.74 per bushel
<i>Buy</i> January Ethanol 1 contract at \$1.86 per gallon	<i>Sell</i> December Ethanol 1 contract at \$1.98 per gallon
December DDGs 1 contract at \$110 per short ton	December DDGs 1 contract at \$117 per short ton
<i>Results</i>	
Corn: \$0.14 Loss $(\$3.60 - \$3.44) \times 10,000$ (bu) =	(\$1,400.00)
Ethanol: \$0.12 Gain $(\$1.98 - \$1.86) \times 29,000$ (gallons) =	\$1,350.00
DDGs: \$7 Gain $(\$117 - \$110) \times 100$ (short tons) =	\$700.00
Net gain:	\$650.00

Summary

The above examples provide alternatives for ethanol plants concerned about managing their price risk and profit margins of producing ethanol and distiller’s dried grains. Some ethanol plants may elect to expand on the corn crush by including Natural Gas as an additional cost component. Although this text mentions different common ratios that can be used, it is the individual ethanol plant that will determine the best ratio for their production facility.

In addition to the hedging applications that are available to the ethanol industry, the corn crush also provides speculative trading opportunities for spreaders.

It is important to note, that all of the components of the Corn Crush including Corn, Natural Gas, Ethanol and DDGs, are listed for trading at CME Group Exchanges.

For more information, visit www.cmegroup.com/ddg.

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

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