

Low-oil DDGS widely available, but buyers need to ask questions

Low-oil distiller's dried grains with solubles (DDGS) is becoming more widely available in the United States and in export channels as ethanol plants, which produce the feed co-product, continue to install corn oil extraction equipment.

The extraction equipment removes a portion of the non-food grade corn oil during the ethanol process, making it available for other uses such as biodiesel or animal feed. This changes the feeding characteristics and value of the DDGS, however.

The interest in low-oil DDGS was apparent at the recent Export



Exchange 2012, where many international buyers posed the question as to where they can buy the product for export. Export Exchange 2012 was hosted by the U.S. Grains Council and Renewable Fuels Association.

"We used to tell international buyers to ask for a number that combined the total protein and fat in the DDGS," said Randy Ives of Gavilon, LLC, Omaha, Neb. Ives leads the U.S. Grains Council's value-added advisory team, which focuses on DDGS and other value-added products.

For example, buyers used to ask for a "36 profat" DDGS, knowing that the protein and fat levels would combine to reach 36. Before oil was removed, a buyer could assume there would be about 26 percent protein and 10 percent or more fat in the DDGS. That just isn't the case anymore since the low-oil variety may have as much as 32 percent protein and only 4 percent fat – yet it would still come under the "36 profat" description.

"This makes asking questions important," Ives said. "What buyers

Low-fat U.S. DDGS is becoming more available in export channels, although it looks the same as regular DDGS. International buyers are encouraged to specify the protein and fat levels they desire to ensure they receive the product they prefer to buy.

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really need to do is request specific protein and fat levels. They can then work with exporters to build in a discount schedule to make up for any slight differences in the final shipment."

By the end of 2012, more than 65 percent of all U.S. ethanol plants (those operating and those in temporary shutdown) will have the capability to pull corn oil from the ethanol process.

"Within the traditional bulk and container loading area for export, however, 80 percent of the plants will be pulling oil," Ives said. "That means 80 percent of the DDGS in traditional export channels may be the low-oil variety, while 20 percent may have the higher fat content."

Knowing those figures does not make buying more clear. "In the end, exporters can find a number of different products with different fat and protein levels that may be available at different prices," Ives said. "Buyers need to be inquisitive and ask."

International buyers are now encouraged to state what minimums are acceptable to them – such as a 28 percent protein and

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Global grain buyers make new contacts, get better understanding of U.S. crops

More than 200 global grain buyers in Minneapolis, Minn., for Export Exchange 2012 had the opportunity to meet more than 300 U.S. exporters and agribusinesses – and have their questions answered about the condition of U.S. crops and supplies of distiller's dried grains with solubles (DDGS).

Of course the U.S. drought and a smaller than anticipated U.S. corn crop were top of mind for many global buyers, yet with so many exporters on hand it was clear the U.S. market was open for business.

Arief Widjaja of Japfa Comfeed in Indonesia, one of the largest animal feed manufacturers in the country, said he was able to make contact and explore business opportunities with several U.S. grain and feed ingredient suppliers.

"The U.S. Grains Council is helping us a lot to identify good, reputable suppliers," he said, noting that he met with several potential new suppliers.

Networking, information on grain quality and an examination of the supply chain during Export Exchange and a coordinated trade mission were very valuable, said Kiat Hwa Chu, general manager of Malayan Flour Mills, which is based

in Malaysia.

All of that and more "helps me in my procurement strategy and decision making process," Chu said, as does understanding the quality of U.S. feed products and the processing of those products.

Chu's company operates two feed mills in Malaysia plus a fully integrated poultry operation and further processing facility.

While at Export Exchange, Chu said he met with several potential new suppliers. "I've been in the business 20 years and I still find more suppliers," he said, "especially those who do not have an opportunity to have an office in Southeast Asia or Malaysia. I had a great opportunity to discuss with them in length."

Chu said the U.S. Grains Council "played a very important role in giving us information on U.S. commodities," as well as the quality of those products, plus research that provided details on their nutrient value compared to products of other origins.

Two U.S. farmers gave first-hand accounts of the 2012-13 crop, helping attendees to better understand the situation. Ron Gray, a farmer from Illinois, told

attendees that his farm was at the epicenter of the drought and yields were certainly less than expected.

At the opposite end of the spectrum was John Mages, a farmer from Minnesota, who told the audience that he had record yields thanks to good weather during the growing season.

To foreign buyers and end-users in attendance, these and other presentations highlighted the sheer size and resiliency of the U.S. production capacity. Even with a historic drought, U.S. corn production in 2012 is projected to be the eighth largest in history.

Joe Glauber, chief economist for the U.S. Department of Agriculture, said U.S. production losses in 2012 were largely offset by increases elsewhere in the world. Importantly, he said the U.S. crop insurance program leaves most U.S. producers in a strong position to rebound next year.

Dr. Willis Cheng, chairman of Charoen Pokphand Enterprises Co., Ltd., Taiwan, attended Export Exchange 2012 and made U.S. farm visits as part of a Council-organized trade mission.

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More than 200 global grain buyers and 300 exporters and agribusinesses attended Export Exchange 2012 in Minneapolis, Minn. The event was sponsored and organized by the U.S. Grains Council and Renewable Fuels Association.

Potential remains for good corn crops in Brazil, Argentina

Excessive rain in Argentina and dry weather in Brazil may have limited impact on the overall corn crop in each country, provided the rest of the growing season weather cooperates. With tight U.S. corn supplies, many global importers are looking to South America to produce a good crop to help bridge the gap and keep prices in check.

In Brazil, conditions early in the season were dry, and while there may be some small losses in the very early planted corn in Rio Grande do Sul, it is unlikely to impact overall production numbers, according to Alfredo Navarro, a consultant for the U.S. Grains Council based in Brazil. "Weather conditions are considered to be on the fair side," he said, which is typical of a neutral to weak El Nino weather pattern. The U.S. Department of Agriculture estimated Brazil will produce 70 million tons of corn for 2012-13 and export some 16 million tons globally.

That compares to USDA's estimate of 73 million tons of corn produced in Brazil for 2011-12, with 21 million tons being exported during the corresponding marketing year. In 2010-11, the country produced 57.4 million tons, with 8.4 million being exported.

A short delay in planting soybeans in Brazil may also have some effect in the hectares planted with corn for the second crop, but Navarro said the adoption and use of shorter cycle soybeans will compensate for the delay.

He said any decrease in planted hectares may also be offset by better technology, as analysts reported a record tonnage of fertilizers – more than 30 million tons – were sold for the summer crop. In the end, he said the total amount of corn for the summer 2013 crop may be identical or even a little larger than 2012, with yields for the summer crop perhaps averaging 9 percent more than the previous year.

In Argentina, excessive rainfall delayed planting and put some corn under water. While there may be fewer hectares planted to corn overall, yield potential is still high and may overcome a drop in plantings to produce a good crop. USDA estimates Argentina will produce 28 million tons of corn and Navarro said that is still feasible, although it is a bit early for a definite forecast. USDA estimates exports from the country may reach 18.5 million tons.

Navarro said Pacific water temperatures indicate a weak El Nino, which means favorable weather conditions over the corn producing areas of Argentina and Brazil. This is another reason why any delay in planting could be compensated by an increase in yields.

Industry analysts, however, continue to look for Argentina's corn production number to fall due to excessive rains. Production is likely to "come down a bit," Doug Bergman, vice president with RCM Asset Management in Chicago, Ill., told Dow Jones on Nov. 19.

In early November, the president of the Argentine corn grower association (Maizar) said output in the country may drop to 26 million to 27 million tons. Others say the crop estimate could drop by 20 percent.

Whether the Argentine crop holds at 28 million tons as USDA projects or is actually smaller, there is a reasonable chance production will still pass the country's previous record of 24 million tons produced in 2010-11 and considerably more than the 21 million tons harvested in the drought year of 2011-12.

Grain traders and analysts in the United States will keep a close eye on the South American crop as it develops. "On the supply side, the progress of the South American crops will be most important for the next three months," said Darrel Good, an agriculture economist with the University of Illinois.

Good said although weather conditions have improved and some still argue corn production potential has already been reduced in Argentina, for the near term, grain markets will likely continue to reflect expectations of very large crops from both Argentina and Brazil. ♦

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8 percent fat as a minimum. Then buyers can start asking about different levels of protein and fat. “What about 6 percent fat or 7 percent fat? What is the price difference?” Ives said as an example. “That’s the best way for buyers really looking for low-oil DDGS to find it, just put out the specs you want and let an exporter come back with what’s available.”

In some ways, Ives said, exploring the price differences in DDGS protein and fat levels is similar to delivery pricing. “Buyers ask about how delivery time impacts price, and they can do the same on the protein and fat content of the DDGS, too,” he said.

In general, low-oil DDGS has higher crude protein and higher levels of amino acids than regular DDGS. The concentrated amino acid profile is positive for monogastric animals like poultry and swine, while dairy animals may be able to utilize more product thanks to the lower level of fat in low-oil DDGS.

While low-oil and regular DDGS look the same, the dried, low-oil product generally has improved flowability.

Many research projects, including some supported by the U.S. Grains Council, are underway to better evaluate the feeding value of low-oil DDGS. Results will be shared as they become available. ♦

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He said the crop insurance program is good and should help protect farmers heading into next year.

“For us, we try to buy U.S. corn,” he said, adding that because it is a “very good system,” many farmers are in their third or fourth generation and that these farmers utilize a lot of technology, including precision agriculture methods driven by the adoption of GPS technology.

“We are very confident in U.S. corn,” Cheng said.

He said he appreciated the efforts in arranging Export Exchange and related trade missions he and others went on before and after the conference and trade show. ♦