



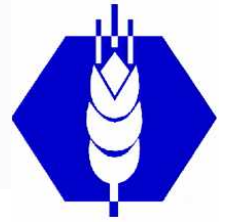
Distillers Grains Contracting and Trade

2007 International Fuel Ethanol Workshop
June 28, 2007

Mike Malecha

NRG Development Company Inc.
612.436.4137

Distillers Grain Contracting and Trade



- Sound contracting practices reduce risk, build fiscal strength and promote customer satisfaction
- Poor contracting practices lead to confusion, confrontation and possible financial destruction

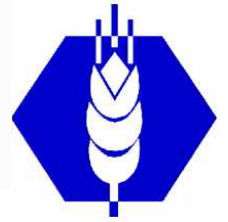


Distillers Grain Contracting and Trade



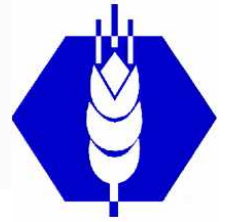
- Who is “The Trade”
 - Sellers
 - Processors
 - Merchandisers
 - Brokers
 - Customers
 - Buyers
 - Feeders
 - Feed/Pet Food Manufacturers
 - Blenders
 - Merchandisers





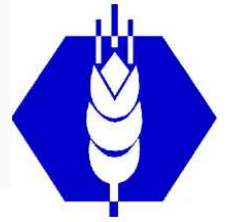
- Trade Practice
 - Local
 - Regional
 - National
 - International
- Evolves
- Precedes Trade Rules





- What constitutes a trade?
 - Agreement between buyer and seller
 - Oral
 - Written
 - Electronic
 - Terms
 - Definitions

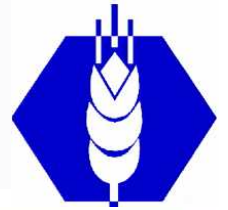




- Trade Rules
 - National Grain and Feed Association
 - Membership
 - Committee Structure
 - Member Driven
 - Staff

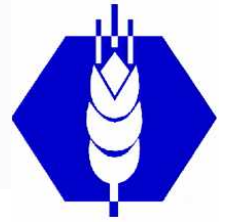


Distillers Grain Contracting and Trade



- Trade Rules
 - Grain Trade Rules (1902)
 - Feed Trade Rules (1921)
 - Barge Trade Rules (1964)
 - Barge Freight Trading Rules (1981)
 - Secondary Rail Freight Trading Rules (2007)
 - Arbitration Rules (1901)
 - Rail Arbitration Rules (1998)
 - Rail Mediation Rules (1998)





- Feed Trade Rule #1
 - (A) Date of contract
 - (B) Quantity
 - (C) Kind and description (including quality) of feed
 - (D) Type of Weights
 - (E) Price
 - (F) Terms of Payment

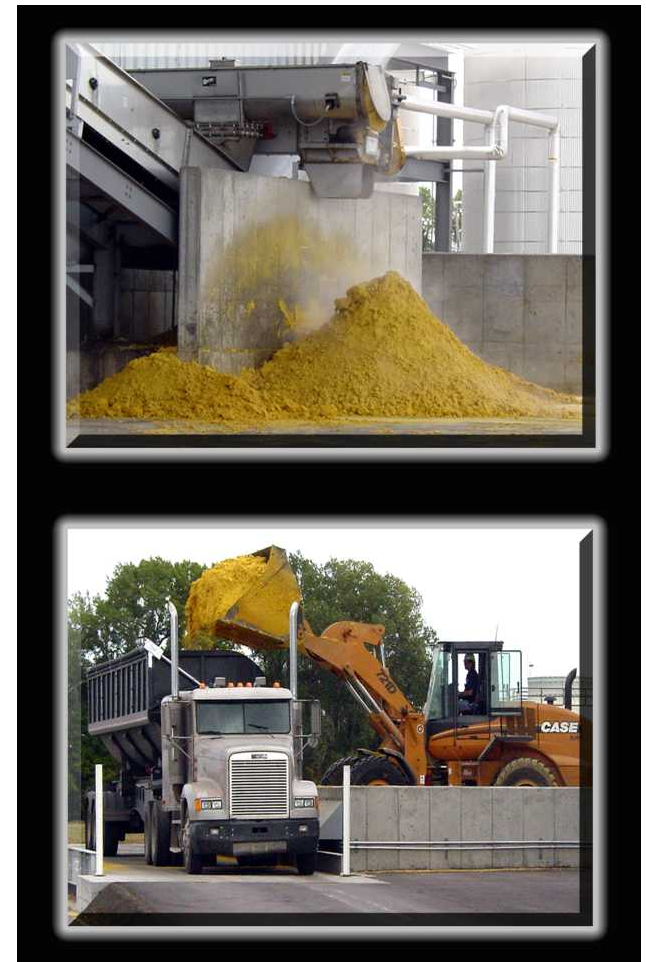


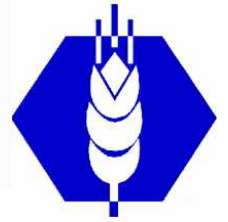


Feed Trade Rule 1 cont'd.

(G) Transportation specifications:

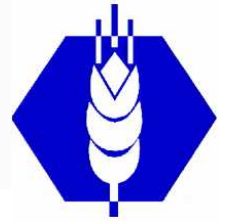
- (1) Type of conveyance
- (2) Applicable freight terms
- (3) Type of billing: Transit, Non-transit, Export, Multi-car specifications





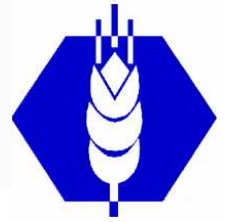
- Feed Trade Rule# 1 – Transportation Specifications cont'd.
 - (4) Point of origin and/or delivery and/or rate-basing point
 - (5) Loading weight requirement
 - (6) Time of shipment or delivery
 - (7) Route
 - (8) Responsibility for freight changes





- Feed trade rule # 1 cont'd
 - (9) Buyer's or Seller's conveyance
 - (10) Private or rail system equipment
 - (11) Freight prepaid or collect
 - (12) Mechanical seals
- (H) Production origin of feed
- (I) Responsibility for import/export duties



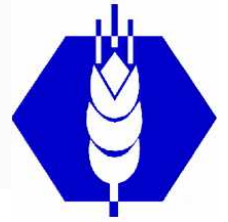


- Feed Trade Rule #1 cont'd

(K) Usual terms: The specifications above shall apply except in cases where the Buyer and Seller have been trading on agreed terms and conditions, in which event it shall be sufficient for the words "usual terms" to be used in confirmation and the use of said words shall imply that such terms and conditions as governed previous trades of like character shall apply.

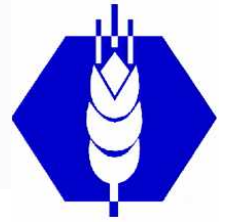
(L) Other Terms





- Communications
 - Follow-up
 - Documentation
 - External
 - Internal
 - Intermediary
 - Timeliness
 - Do it now

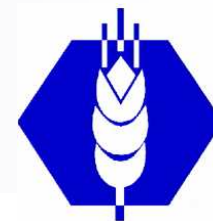




- NGFA Trade Rules
 - Provide a frame work for trade
 - Are responsive to trade practice
 - Provide a system for orderly commerce
 - Anti-trust / price fixing protection
 - Are in place and active today



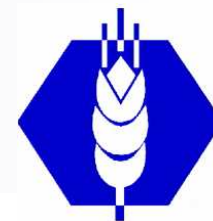
Trade Rules DO NOT:



- Where Do We Go From Here?
 - New Products
 - AAFCO
 - Industry Product Standards
 - Global Trade Practice
 - Futures Contracts



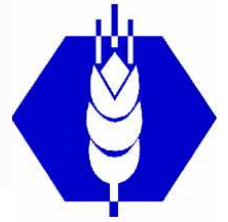
Trade Rules DO NOT:



- Involvement in Your Industry
 - NGFA
 - Active as Company
 - Active as Individuals
 - On Operating committees
 - On Trade Rules Committees
 - Gain by Giving back
 - Take a leadership role



Distillers Grain Contracting and Trade



WORKING TOGETHER
TO MAKE THE INDUSTRY BETTER

Thank you

