Ethanol Conversion Factors

<u>Commodity</u> Barley Corn Grain Sorghum Wheat Switchgrass Conversion Factor 1.4 gallons per bushel 2.5 gallons per bushel 4.3 gallons per hundredweight 2.8 gallons per bushel 70 gallons per dry ton

Biodiesel Conversion Factors

<u>Commodity</u>	Conversion Factor
Corn	7.7 pounds of corn oil per gallon
Soybeans	1.4 gallons per bushel
Canola	5.0 gallons per hundredweight
Rapeseed	5.3 gallons per hundredweight
Sunflower	5.3 gallons per hundredweight
Mustard seed	5.3 gallons per hundredweight
Animal Fats and Oils	7.7 pounds of yellow grease per gallon

Commodity Prices Used

Based on the Program-s regulations, for;

- \$ other than switchgrass, corn oil for biodiesel, and animal fats and oils, the Program uses the applicable terminal market price for the last day of the program quarter announced daily by the Kansas City Commodity Office, Farm Service Aagency, adjusted by the county average differential for the county in which the plant is located and the applicable quality factors determined by CCC. For this purpose the terminal market and differential used by CCC in determining different values for different locations will, to the extent practical, be the same as that used for producers under other major CCC commodity programs for determining marketing loan gains and other matters
- \$ switchgrass, the price used will be announced in the near future
- \$ corn oil, the per unit value will be the lowest daily price reported for central Illinois crude corn oil by U.S. Department of Agriculture's Agricultural Marketing Service's Springfield report on the last business day of the quarter in which production occurred. A link to this report is on the web site at www.fsa.usda.gov/daco/bio_daco.htm.
- \$ animal fats and oils, the per unit value of yellow grease will be obtained from the <u>USDA's Weekly</u> <u>National Carlot Meat Report</u>, Tallow and Protein FOB Central U.S.'s published Inedible Tallow/Grease, Yellow Grease (truck) weekly weighted average price for the last full week of the FY quarter in which production occurred. A link to the <u>USDA's Weekly National Carlot Meat Report</u> is on the web site at www.fsa.usda.gov/daco/bio_daco.htm.

Payment Formula

- **Formula:** ((((Increased eligible gallons of bioenergy produced ÷ gallon conversion factor) ÷ payment rate) x per unit value) x payment factor)
- **Example:** 1,000 gallon increase in ethanol production from corn (gallon conversion factor = 2.5) by a producer who produces less than 65 million gallons annually (payment rate = 2.5) when relevant corn price is \$2.00 per bushel and the payment factor is 100 percent for the FY 2001would be: $((((1,000 \div 2.5) \div 2.5) \times $2.00) \times 1.00) = $320.00.$

Corn Oil Payment Formula

- **Formula:** ((((Increased eligible gallons of biodiesel produced x gallon conversion factor) ÷ payment rate) x per unit value) x payment factor) = payment
- **Example:** The calculation for a 1,000 gallon increase in biodiesel from corn oil (gallon conversion factor = 7.7) by a producer who produces less than 65 million gallons annually (payment rate = 2.5) when relevant per unit value is \$0.18 per pound and the payment factor is 0.75 for the applicable FY would be: ((((1,000 x 7.7) \div 2.5) x \$0.18) x .75) = \$415.80

Animal Fats and Oils Payment Formula

- **Formula:** ((((Increased eligible gallons of biodiesel produced x gallon conversion factor) ÷ payment rate) x per unit value) x payment factor) = payment
- **Example:** The calculation for a 1,000 gallon increase in biodiesel from animal fats and oils (gallon conversion factor = 7.7) by a producer who produces less than 65 million gallons annually (payment rate = 2.5) when relevant per unit value is 0.75 per pound and the payment factor is 0.75 for the applicable FY would be: ((((1,000 x 7.7) ÷ 2.5) x 0.750) x 0.75) = 1.73.25

Payment Adjustment

Based on commodity price projections and bioenergy production increases projected on accepted Agreements, projected Fiscal Year 2002's (FY 02's) Program payments exceed the \$150 million available funding. However, FY 01's Agreement projections far exceeded the actual production increases for the year. Therefore, in view of this history, CCC will allocate \$37.5 million (one quarter of the \$150 million available funding) to each quarter for payments during FY 02. If Application totals do not exceed \$37.5 million, Program payments will not be reduced and the unused moneys will be added to future quarters= potential payments.

Examples: If \$30 million is paid out for the first quarter, second quarter Applications may total \$45 million (37.5 plus 7.5 unspent from the first quarter) before a payment reduction will be applicable in the second quarter. If payments in the second quarter are \$40 million, third quarter Applications can total \$42.5 million (\$37.5 plus 5.0 unspent through the second quarter (\$45 minus 40)) before a reduction to third quarter payments will be made.

If Applications submitted for the first quarter total \$40 million, a factor of 0.9375 (37.5/40) will be used to keep payments to the \$37.5 million first quarter cap. Therefore, an Application which would have earned a first quarter payment of \$500,000 will receive \$468,750 instead.

CCC will review Program payments each quarter and FY to date. Agreement holders will be notified if CCC determines that additional payment adjustment is necessary.

- **Reminder:** Payments under this Program are always subject to the availability of funds and no producer will receive more than \$7.5 million in payments. Payments will also be limited to Agreement projections by eligible commodity until all FY 02 payments are made. Once all payments have been calculated and if funding is still available, the remaining funding will be used to cover production increases above Agreement projections.
- **Example:** An Agreement commits CCC to pay for a 5 million gallon ethanol increase from corn. The applicable producer actually increases production 6 million gallons from corn during FY 02. Payments to this producer will stop once the producer is paid for 5 million gallons covered by the Agreement. Once all Agreement payments have been made, any funding available will be proportioned out to pay for increases above Agreement projections.