



The CORN Connection

Central Iowa Renewable Energy's Mission Statement

To successfully add value to locally grown grains which will profit our investor owners and area grain and livestock producers while benefitting our local communities through economic growth.

The Corn Connection Is
Published Quarterly By
CORN, LP
To Provide Information For
Our Owners And Investors

For Timely News & Updates
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www.cornlp.com

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Inside CORNland

By
Brad Davis
CORN, LP
General Manager



QUARTERLY ISSUES: This issue marks the first in our revised publication schedule of quarterly newsletters in which we will endeavor to provide a brief snapshot view featuring some of the financial highlights for each quarter's operations, along with a report and update on some of the production highlights that have been achieved during the same quarterly period.

Obviously, we will also be informing you of any significant and/or newsworthy items of interest that have transpired over the course of each quarter, such as the update on the April 9th fire and its aftermath, which Andy Miller, **CORN, LP's** Plant Manager has provided in his article.

Additionally, we will also try to take a look forward at any upcoming events or items of interest that will be taking place between each quarterly issue, such as the one that is announced elsewhere on this page announcing **CORN, LP's** "Official" Open House during which you will have an opportunity to tour the facilities of **CORN, LP** and get an "Up Close & Personal" introduction to this state-of-the-art ethanol production plant, its systems and equipment, and many of its people.

We sincerely hope that all of you will find these quarterly financial and production updates useful and instructive, and that you will also consider the comments and discussions, plus the reviews of

on-going events that have taken place and the occasional look ahead at the future to be insightful, informative and interesting.

Please feel free to share any input, comments or suggestions for additional materials that we might also be able to include in future quarterly issues of this publication so we can have it serve as an informative and valuable communications tool for the future.

COMMENTS ON 1ST QUARTER FINANCIALS: With the end of the first quarter in the current fiscal year arriving March 31, 2006, we now have completed the first "full quarter" of ethanol production and plant operations at **CORN, LP**.

I have intentionally placed emphasis on the words "full quarter" because while the quarterly period from January 1 through March 31 does indeed accurately measure the length of time the **CORN, LP** plant has been operational and thus manufacturing ethanol, there are numerous extraordinary factors involved that make the production figures, as well as financial figures, considerably less than what will ultimately be a full and accurate 3-month period measurement of performance.

During the preliminary stages of bringing the plant "on-line" for example, output was significantly limited as various systems and stages involved in the production process were put into operation, tested, fine-tuned and perhaps modified to enhance performance, efficiencies and/or production capacities and capabilities.

It naturally follows that with output significantly curtailed, the revenues that are generated, and which thus come back into **CORN, LP** from the sale of ethanol, were likewise less.

During this same period, staff members and employees were also undergoing their "production and operational baptism" to the equipment and systems, as well as to their individual responsibility

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Mark Your Calendar Now To Reserve This Date

SATURDAY, JUNE 17, 2006

As We Invite All Interested Parties To Join Us For

OPEN HOUSE

Agenda Of Events & Activities

10:00 - Assemble At The Gold-Eagle Co-op Office, Goldfield

Where Buses Will Begin Shuttling Guests To **CORN, LP**, Plant Site

11:00 - Open House Ceremonies & Presentations

12:00 - Food-Refreshments-Socializing

Plant Tours (Small Groups) **Will Also Begin At Noon**

Station-By-Station Highlight Areas Manned By **CORN, LP** Staff To Explain Equipment, Systems & Ethanol Production Processes

(NOTE - Guests Must Be Ambulatory To Take Plant Tours)

Shuttle Buses Will Take Guests Back To Co-op Office Upon Completion Of Tours And/Or Social Period

3:00 - Last Shuttle Leaves CORN, LP Site





CORN's Checkbook

By
Jim Glawe
CORN, LP Controller



With the first quarter of this fiscal year now behind us, and therefore the first quarter of operations for CORN, LP now on the books, we have our *First Dollar Of Ethanol Sales* to record on the income side of the ledgers.

Even though the plant was shut down for an entire week in March to conduct a "planned maintenance" interruption to our production schedule, I am pleased to report that we were still able to record a profit for each of the first three months of operations, and therefore a profit for the first quarter ending March 31, 2006.

Elsewhere on this page I have included a brief review of some of the financial highlights that were recorded for this first quarter of operations, and I would now like to expand briefly from these listings to make a few comments about some of them.

As you can see, the total sales for ethanol and distillers dried grains for the quarter were just shy of \$13 million.

CORN, LP sold and shipped just over 9 million gallons of ethanol for this first quarter, along with a little more than 24 thousand tons of distillers dried grains.

We also received other income of \$3,862 from the Commodity Credit Corporation's Bioenergy Program, which was based off ethanol production at CORN, LP for the 4th quarter of 2005.

While we will be receiving another payment from Commodity Credit in May that covers ethanol production for the first quarter of 2006, plus a payment in August for the second quarter and again in November for the third quarter, at the time of this writing this Bioenergy Program has not been renewed beyond the third quarter of 2006.

Unless Commodity Credit Corporation acts to extend the Bioenergy program beyond the third quarter of 2006, therefore, the payment that we would receive from them in November representing third quarter ethanol production could potentially be the last income received from this source.

Now we move to the expense side of the ledger where we see the total cost of sales amounted to a little more than \$8 million for

the quarter.

Also, as you can see, our operating expenses for the quarter were just over \$2.85 million.

This leaves us with a net income for the quarter of \$2,058,207, plus we ended the quarter with approximately one-half million gallons of ethanol inventory on hand.

As Brad has detailed in his article elsewhere, the net income of \$657.00 per share is equivalent to a 6.57% return on investment for the first quarter of CORN, LP operations.

Naturally, when the alternatives are weighed, I am sure everyone will agree it is always much nicer for any business to be able to report a profit, and perhaps even more so when profitability, albeit even a modest one, comes at the very first stages of a business beginning operations.

Therefore, while we are indeed pleased and excited to bring these positive figures and results from the first three months of operations to you, what really makes this quarter's results so exciting for all of us is the realization that barely the surface layer of a vast and promising potential for CORN, LP has only just been revealed.

For one thing, as Brad has noted in his article, there were numerous start up adjustments being made, along with modifications and fine-tuning of the systems and production processes, the coordination of complex logistic issues, and the numerous productivity relationships and inter-reactions of these systems and the people operating them being brought together over the course of this first three months.

Additionally, of the 90 total days represented in the first quarter of 2006, CORN, LP's operations were down a total of 18 days to conduct "planned" maintenance and fine-tuning or to address some other start up challenge, a full 20% of the total days during which output was nil.

Being a 50 million gallon per year plant, CORN, LP should be producing nearly 13 million gallons of ethanol per quarter, or 4 million more gallons than we produced during these initial stages of the plant starting up.

When one also considers that a number of the fixed operational costs for CORN, LP are on-going regardless of whether they occur during times of production and/or during these shutdown and maintenance periods, it becomes even more encouraging to project the profit potentials that await as operations, production and sales of our products gradually are able to ease themselves into much more normal, logical and predictable patterns and routines.

CORN, LP FIRST QUARTER OF OPERATIONS HIGHLIGHTS

For The Period January 1, Through March 31, 2006 (Unaudited)



Total Sales	\$ 12,961,852
Cost Of Good Sold	8,048,343
Gross Profits	4,913,509
Operating Expenses	2,859,164
Income From Operations	2,054,345
Other Income	3,862
Net Income	2,058,207
Net Income Per Unit	657





Coach's CORNER

By

Andy Miller

CORN, LP Plant Manager

Under more “normal” circumstances I would try to maintain some sort of chronological order to my comments and updates about issues and operational activities occurring at CORN, LP from one quarterly newsletter to the next.

However, as I am sure everyone is aware by this time, the events of the past 10 days have made this period anything but normal for us as a result of the fire that occurred on Sunday, April 9th.

Therefore, I will attempt to give you a brief review of some of the events related to that issue first, then return to other news which has transpired since the last issue of the newsletter was prepared and mailed to you.

First and foremost, we are most of all sincerely thankful there were no injuries sustained by any of the members of the staff or employees at the plant, or to any of those responding to this emergency.

Secondly, we are appreciative that the fast response to this emergency and decisive action that was taken made it possible to confine and therefore limit the damage to only a relatively minimal level, and that it was contained within the specific area at which the fire initially developed.

I can not continue without first singling out and recognizing the tremendous response from our plant partners at ICM, who responded immediately with at least 20 highly trained individuals to address the causes and to take the proper corrective measures.

In cooperation with IMC, the CORN, LP staff conducted an exhaustive, intensive and thorough investigation to determine the root cause or causes that contributed to this incident.

The cause of the fire was quickly identified and isolated to be an accumulation of distillers dried grain materials occurring over a period of time in the ductwork.

For the sake of comparison and using a fairly common situation which many of you may be familiar with in your homes, this would be somewhat similar to the sort of buildup of materials that can develop over time in a fireplace chimney.

Having isolated the cause, the next step was to institute repairs and modifications in the systems to prevent future incidents.

The ductwork that was damaged by the fire was replaced and the fans have been inspected.

New and more extensive procedures have also been implemented to allow for more frequent inspections of all equipment and systems related to DDGS handling, movement and utilization.

At the time of this writing April 19th, and with all of the repairs and modifications now completed and in position, we are in the process of re-starting plant operations and expect to be running once again at projected capacities well before you read these words.

Now I can slip back in time to a little more than a month ago when, unlike this most recent disruption to operations, we had a “planned shutdown” of the CORN, LP plant in March.

During this period we once again took advantage of the evaluations and performance testing that we have been conducting to make further modifications and adjustments to various equipment and systems to optimize operational efficiencies by “De-Bottle-Necking” areas where snags and/or slowdowns have been identified.

Included in the modifications and fine-tuning that were implemented at this time was increasing the water supply that is made available to the boiler, along with a re-configuration of the air distribution nozzles used in the combustor.

Once these modifications were completed and the systems had been re-started so that production had once again resumed normal output, a re-evaluation was made on those modifications which confirmed a more adequate supply of water was being provided, and that the improved distribution of air has created greater operational efficiencies in the boiler.

As time has continued to move forward, I am also very pleased to report that all of the employees and staff members operating CORN, LP's equipment and systems are continuing to gain in the level of confidence they have with handling their specific responsibilities and duties, and in operating the various equipment and systems they are responsible for.

This increasing “comfort level” in operating the plant is evidenced in the continued improvement in production and performance levels being achieved through the month of March.

As I have commented on in previous articles, our plant is a one of a kind, state-of-the-art, highly complex ethanol production system that features some of the latest equipment and technologies, plus many new systems and processes for which we are, in essence, creating the Operating Manual as each day progresses and more is learned, understood and put into use.

As our modifications and fine-tuning continue, they are bringing us ultimately and inevitably closer to the day when we have all systems and processes throughout the plant optimized and therefore purring along at peak efficiency on a regular, routine and normal basis.

A Glimpse At Some Little-Known “FACTS” About Ethanol

FACT: The use of 10% ethanol blended fuels reduces greenhouse gas emissions by 12% to 19% compared with conventional gasolines, according to the Argonne National Laboratory.

FACT: The American Lung Association of Metropolitan Chicago credits ethanol-blended reformulated gasoline with reducing smog-forming emissions by 25% since 1990.

FACT: Over 30% of all gasoline in the United States today is blended with ethanol.

FACT: Ethanol-blended fuels are approved under the warranties of all auto manufacturers marketing vehicles in the United States. Some even recommend ethanol use for its clean burning benefits.

FACT: All mainstream manufacturers of power equipment, motorcycles, snowmobiles and outboard motors permit the use of ethanol blends in their products.

FACT: In 2005, the use of ethanol reduced the U.S. trade deficit by \$8.7 billion by eliminating the need to import 170 million barrels of oil.



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ties and how those interacted with the responsibilities and performance of others.

Also, since there are so many of CORN, LP's production systems, designs and technologies which are all on the cutting edge of the ethanol production industry, there have been numerous instances in which we are quite literally "writing the instruction book" on how to incorporate these new and different systems, equipment and technologies into the most efficient manufacturing processes possible.

We recognized there would be this initial period of "learning to walk before we were able to run" as the start up processes gradually transformed CORN, LP from a state of the art complex design into a functioning, highly efficient ethanol production facility, and in many ways that process is still continuing at some levels even as we have entered this second quarter.

Therefore, while we would all agree that the 6.57% return on investment for this first quarter of operations is indeed a modest rate for CORN, LP to have achieved, there are certainly extenuating circumstances and extraordinary issues that need to be brought into any evaluation to keep a proper perspective.

Indeed, even if this first quarter's 6.57% R.O.I. were to be repeated for the remaining 3 quarters of this first year of operations for CORN, LP, - and clearly the extraordinary factors involved in the plant's start up, its system, staff and equipment fine-tuning, and the 18 days of production down time that occurred during the first 3 months to handle these and other challenges makes a repeat of such a modest level of performance highly unlikely - it would still translate into a 26.28% annual return on investment, which is certainly well within our initial projections for an R.O.I. in the mid-twenties.

When properly viewed in this context, therefore, and with what we believe are still some respectable financial and operational numbers now firmly established from which we can measure and evaluate performance as we move forward, I am certain you can understand and share our optimism and enthusiasm at the outset of this 2nd quarter of operations and the bright promises that lay ahead for CORN, LP.

COMMENTS ON OPEN HOUSE: As noted on the front page, we are making plans for the Open House activities that will take place at the CORN, LP plant on Saturday, June 17th.

To facilitate parking and to coordinate the logistics for the opening ceremonies presentations, featured speakers, tours and the food/refreshments that will be served in conjunction with this very special day, the initial Gathering Point will be at the Gold-Eagle Cooperative office.

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We will have shuttle buses transporting guests to the CORN, LP site starting at 10:00 in the morning, with the objective to have everyone who wants to attend the "official" opening ceremonies, presentations and comments by our featured speakers assembled at the site designated for these festivities by 11:00, when the program begins.

At this early date we do not as yet have any firm commitments from anyone who will be included in the opening ceremonies presentations, and while I am confident there will be representatives from the ethanol industry, plant manufacturing team and perhaps state and local officials as well as CORN, LP staff on the agenda, we will nevertheless endeavor to keep this portion of the proceedings abbreviated to a relatively short program.

Once these proceedings have concluded we will begin serving some food and refreshments, and small group tours of the CORN, LP plant will get underway.

Please note this will be a "Walking Tour" of the plant featuring some of the equipment, systems and production highlights discussed by members of the CORN, LP Staff at various stations along the way, so it will be necessary for anyone who wants to go on one of the tours to be fully ambulatory.

Anyone not able to walk through the plant for the tours is, of course, welcome to attend the opening ceremonies and socialize as the food and refreshments are served, since chairs and tables will be set up for that purpose.

Shuttle buses will also begin returning guests from the CORN, LP plant following the opening ceremonies and socializing period so those who are not touring the facilities can leave at their convenience, and so those finishing the tour can depart as well, and we hope to have the last shuttle back at the Gold-Eagle office by at least 3:00 in the afternoon, or upon completion of the final plant tour, whichever comes first.

Please feel free to contact Jim Glawe at the office in Goldfield for additional details and information as the June 17th Open House date draws nearer.



CORN, LP

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