



# 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  
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**CORN, LP**  
To Provide Information For  
Our Owners And Investors

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## Inside CORNland

By  
**Brad Davis**  
CORN, LP  
General Manager



I am sure all of us feel a twinge of disappointment with the results of the 2009 fiscal year of operations that was reported at the Annual Meeting of **CORN, LLC** on the evening of March 10th in Eagle Grove.

However, while there is certainly no simple way to put a positive spin on a year that ends in the red for any business, I sincerely believe this is one of those instances where the results need to be evaluated and measured much more deeply, in much greater detail and, most definitely, in the proper perspective of the times in which they occurred rather than just as they appear in the stark lines and columns of figures that are created when affixing black ink to white paper.

As reported to those who were able to journey out on a dark, cold and extremely foggy night that made one think more of the dim streets of London where great detectives ply their trade than the setting for **CORN, LLC's** March 10th Annual Meeting, and summarized on page 2 of this issue of **The CORN Connection** by **Controller Jim Glawe**, the year ended with **CORN, LP** showing a \$1.4 million loss for the year.

But already we have arrived at the first instance of a black figure on white paper not coming close to providing you with

the proper perspective of **CORN, LP's** year of performance and production.

To bring that perspective to this article, please reflect back with me for a moment to a year ago at **CORN, LLC's** Annual Meeting, and my comments there about the first two months of 2009 being downright ugly, since after only January and February of 2009 **CORN, LP** was in fact already facing some \$2 million of red ink.

What followed was yet another month of struggle and hardship for the entire ethanol industry, then another three months, then another three, as the entire **CORN, LP Team** wrestled with negative margins for the first three quarters of 2009.

But as **Plant Manager Andy Miller**, **Controller Jim Glawe** and I were all reporting to you in the pages of **The CORN Connection**, despite the monumental and often unprecedented challenges that were being presented to **CORN, LP** and the entire ethanol industry during that period, there were still many bright spots on the horizon, and many positive nuggets of promise that were visible to us.

Reaching them, of course, required dedication, determination and most of all a characteristic that has distinguished **CORN, LP** from its inception, a **Never Give Up Attitude** accompanied by a **It Can Be Done Belief** that consumes and drives the Board of Directors, Management, Staff & Every Employee of **CORN, LP**.

So while many around us seem so intent upon wringing their hands in woe and heaping negativity at every turn, we instead choose to roll up our sleeves at adversity, emphasize the positives, endeavor to expand upon and maximize them, and focus

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## NEW FUEL ECONOMY REGULATIONS SET

The U.S. Environmental Protection Agency and the Department of Transportation's National Highway Traffic Safety Administration have announced fuel economy regulations for vehicles manufactured from 2012 through 2016.

Under the new regulations, passenger cars manufactured during this 4-year period will be required to average 33.3 miles per gallon starting in 2012, with the average increasing to 37.8 miles per gallon by 2016.

Light weight trucks consisting of pickups, vans and sport utility vehicles will need to average 25.4 miles per gallon in 2012, with the average increasing to 28.8 miles per gallon by 2016.

The combined average for the entire fleet needs to average 35.5 miles per gallon by 2016.

The increased fuel economy will also mean an increased sales price on vehicles. Consumers will see a \$985.00 increase in prices by 2016, but they will be able to reap the benefits at the pump with more efficient vehicles.

It is estimated consumers will recoup the additional cost in three years, while saving \$3,000 in fuel costs over the life of the vehicle.

These standards will also cut greenhouse gas emissions by about 960 million metric tons and oil consumption by 1.8 billion barrels over the useful life of the vehicle.



## CORN's Checkbook

By  
**Jim Glawe**  
CORN, LP Controller



The Annual Meeting was held on Wednesday, March 10th in Eagle Grove, and it was very nice to see a turnout in excess of one hundred people, especially given the foggy conditions of that night.

Those attending the meeting received an Annual Report summary of this past fiscal year of operations that included the audited financial statement and notes to the financial statements.

A copy of the report was mailed to those who were unable to attend the Annual Meeting in person.

At the bottom of this page I have also included an abbreviated version of the **Statement of Income** that was presented at the Annual Meeting, and I would like to make a few additional comments to summarize these figures.

As everyone knows, for the most part 2009 was not a good year for ethanol or for the ethanol production industry.

Fortunately, however, we saw ethanol climb to \$2.00 in value in the 4th quarter, thus allowing **CORN, LP** to balance out some of the lower prices from earlier in the year.

With this 4th quarter hike in ethanol prices we had one of our best quarters ever, posting a gain of \$4.13 million for the quarter, and thus enabling us to close the year out with a loss of \$1.43 million.

**Total Sales** for 2009 were **\$112.8 million**, which is down from sales of \$116.1 in 2008, and at first glance this looks like a relatively modest change.

However, when you factor in the fact that we sold an additional 8 million more gallons of ethanol in 2009 compared to the gallons sold in 2008, it illustrates the significant impact the sharp dip in ethanol prices had on 2009 sales.

We needed these additional gallons to help at least partially overcome the thirty cent drop in the price of ethanol that we experienced in 2009.

This would be the perfect time to compliment **CORN, LP Plant Manager Andy Miller** and his entire crew for producing an additional 6.6 million gallons of ethanol this year, thus providing additional gallons to increase volumes sold.

This becomes an even more impressive accomplishment when you consider the allowable inclusion rate for denaturant decreased from 4.76% to 2% in 2009, and had we been using the old inclusion rate it would have added yet another 1.6 million gallons worth of production.

Cost of goods sold for 2009 was \$111.6 million, which is up from the \$110.9 million in 2008.

Again, this appears to be a relatively small change, however what is more telling is that we bought an additional 2.4 million bushels of corn in 2009, and the average cost of all corn purchased was down sixty-nine cents from 2008.

The second largest change in cost of goods sold was a \$1.3 million decrease in denaturant due to the lower allowable inclusion rate of 2%, thus less gallons of natural gasoline were needed to blend with ethanol.

Selling, general and administrative expenses were \$1.2 million, and other income and expense amounted to a net expense of \$1.5 million, bringing the year to a net loss of \$1.4 million.

Although showing negative year-end results is disappointing, I can assure you the financial position of your company is still strong.

Our cash balance at the end of the year was \$12 million and our working capital was sitting at \$11,138,000.

In addition, we still have \$11,484,000 of restricted cash over and above our working capital.

You may recall from prior newsletters that our lender requires deposits to the restricted cash account until the balance obtains a level that can cover two years worth of debt payments.

Funds in this account can then be used to make loan payments during periods of financial distress.

During 2009 we saw working capital drop close to \$6 million, so we used \$1.2 million from this account for loan payments and we were thus able to keep working capital from dropping any further.

As of March 15th we have six years remaining on our term loan and the plant will be paid off, and if we were to use the funds in the restricted cash account the loan could be paid off as early as four years from now.

With \$7.5 million currently going toward debt service every year, this would greatly increase our financial freedom.

Through February of 2010 our bottom line is \$2.9 million better from where we were last year at this time, and although this doesn't guarantee anything for the rest of the year, I remain optimistic, since we have typically seen our worst returns for the year in the 1st quarter.

### CORN, LP Operational Highlights October 1 Through December 31 & 2009 Year

	4th Quarter	Fiscal Year 2009
Sales	\$ 32,881,166	\$ 112,882,180
Cost Of Goods Sold	27,945,354	111,579,639
Gross Profit	4,935,812	1,302,541
Selling, General & Administrative Expense	326,859	1,222,528
Income From Operations	4,608,953	80,013
Other Income (Expense)	(480,145)	(1,511,225)
Net Income (Loss)	\$ 4,128,809	(1,431,212)
Net Income (Loss) Per Unit	132	(46)
Return On Investment	13.18%	-4.57%



## Coach's CORNER

By  
Andy Miller

**CORN, LP Plant Manager**

The biggest news I have to share with you for this quarter is to re-state the information I discussed in my comments at the March 10th Annual Meeting.

While this will be a review of that information for those who were there on a very foggy evening, I think there are some items that follow which will also be of interest to those unable to attend.

We have had a spectacular year from the operations side, as **CORN, LP** made more alcohol than ever before.

We smashed production records and on-stream times almost every day, and the operators are one group we need to give a lot of credit to for this, as they operate the plant safely, environmentally responsibly, with good quality, and at fantastic rates.

We don't even stress the production rates, as they seem to happen naturally with this group. They are continuously looking for ways to tweak the plant, while not overburdening the components, and the best way you can tell we are not pushing too hard is by the record on-stream time for the past year.

Secondly, the maintenance group has done a fantastic job of keeping the equipment in good condition. The predictive and preventive maintenance programs are certainly a big part of it, and the guys are diligent in following those programs.

Also, their break down and project work keep the broken things fixed, and keep new ideas coming forward to keep our plant going in the same direction: **FORWARD**.

As I have said before, a fix is a fix, but a cure is the answer. These guys are doctors.

It goes without saying that the staff has also done a good job of focusing on opportunities as they present themselves.

Whether ideas come from the operators, the maintenance group or they are generated somewhere else, the staff has done a good job of tracking down facts, prices, ideas, solutions, etc.

It takes time and effort, and sometimes it may take a while to come to fruition. However, their efforts have paid off in spades.

The dedication of every one of our people proves, again, that the secret isn't just good design and the numerous materials of construction. It is, in fact, critical that you have a group of people who care and who will give it their all to make the plant successful. **CORN, LP** has just such a group of people!

On the same vein, our fortune continues this first quarter of

the 2010 year with record breaking production.

With the "cooler temperatures" (*Translation: Bone chilling, freezing cold*) leaving our parts, the combustor/boiler unit is operating even better than before. This lays the groundwork for a good shot at breaking last year's production totals.

However, we do have to make sure that the 59.2 million gallons isn't overshoot too awfully much, as we lose our federal tax credit if we exceed 60 million gallons for the year.

Nevertheless, we can try to get close and make sure we have time to tune the place up for increased efficiency when and where possible.

With all of the talk about production, I will still be focused on continually improving the top priorities for our company of safety, environment, and quality.

While we continually improved on all fronts last year, we need to make sure we keep these goals in mind every day. If you have these priorities in control, the production will follow, as we have seen.

The operators are always looking for ways to step up the bar on production and are doing a great job.

This year's spring shutdown is just around the corner, as we are scheduled for the period of April 18th to 23rd.

We have 5 days on the yearly plan, but we are looking optimistically to have a shorter (and cheaper) turnaround this time. We will see when we open things up and look inside! It's always good to remember going into a shutdown what the results of the past shutdown were. Here are some of those items:

1. Incredible on-stream time
2. Improved efficiency of the boiler with installation of the steam separator.
3. Peace of mind knowing the condition of the equipment in the field that you can't see while it is running (e.g., inside the liquefaction pump).

We have a long list of things to do on the upcoming shutdown, but we only have to remember the past 6 long, cold months during which there were very limited amounts of cold weather repairs to realize, and we want that kind of reliable operation again.

Seems as though I can hear the wood being knocked upon right now ... **KNOCK KNOCK KNOCK!**

<b>CORN, LP Production Highlights</b>		
September 1 Through December 31, 2009 & 2009 Year		
	4th Quarter	Fiscal Year 2009
Ethanol Production	15,590,687 Gal.	59,017,529 Gal.
DDGS Production	45,496 Tons	167,509 Tons
Wet Cake Sales	60 Tons	2,659 Tons
Corn Purchases	5,609,516 Bu.	21,041,103 Bu.

## The Future Of Higher Ethanol Rate (E-15) Is Expected To Be Announced Soon

The Environmental Protection Agency is still on track to reach their decision regarding the use of E-15 (a 15% ethanol blend) in the use of non-flex fuel vehicles by late summer of 2010, and at the present time they are expected to approve the increase from a E-10 to the new E-15 grade.

There are, however, several key questions as yet to be addressed, and one of the major questions is: Will E-15 be limited to vehicles built in 2001 and newer?

Another question is even more far-reaching for fuel retailers: If the E-15 rate is approved, will it require extensive modification of existing fuel distribution equipment? At the present time most gas pumps are only UL approved for E-10, and there are perhaps liability issues involved if UL standards can not be modified for E-15.

Finally, even if EPA sanctions the new E-15 standard, how long will it take state governments to make the necessary regulatory changes to match the new E-15 fuels?



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on success rather than setbacks.

Thus in that positive perspective we take pride from such 2009 achievements as these:

A NEW RECORD of 349 days out of 365 days that CORN, LP was producing ethanol.

A NEW RECORD level of production that equates to 59.09 million gallons per year.

A NEW RECORD of 167,509 tons of DDGS that were also produced.

A NEW RECORD for corn purchased from the farmers of Gold-Eagle Cooperative Country, over 21 million bushels, equating to in excess of 60,000 bushels each and every day that are flowing off area farms and into CORN, LP's ethanol manufacturing processes.

Beyond those exciting new records to focus upon as targets at which we will decidedly take aim to meet or exceed in 2010, we are also pleased at resolving all emissions issues to the satisfaction of the Environmental Protection Agency (EPA), as well as obtaining the necessary approval that allows CORN, LP to expand production limits from the former 55 million gallons per year rate to a new 62 million gallons per year rate.

We also have the extremely positive results from the 4th Quarter of 2009 upon which to build as we move into this new year, and as you review those figures as summarized on page 2 of this issue of The CORN, Connection, I hope it helps soften just a bit the disappointment over the year just past during which every business succumbed to the effects of a global and national economic downturn unlike any since the bleak days of the 1920s and 1930s.

There were, tragically, many businesses with long and storied histories, hallmarks of the national economy and industrial scene, which were unable to endure the unprecedented plunge that drove the nation's economy to one of it's darkest moments of all time.

And certainly there were many new and emerging businesses and industries, the ethanol production industry among them, that were perhaps even more vulnerable, and I am sure you shared our concerns as each week we were shaken by news of yet another of the nation's publicly traded ethanol businesses suspending or ceasing operations.

To emerge from such a downturn with our wheels still turn-

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ing steadily, our efficiencies still remarkably high, our level of productivity very strong and the outlook for a much brighter and better future marked by the clearly positive results recorded during the fourth quarter gives us renewed vigor to continue to fulfill the prospects and promises we have established as we move forward.

There are, of course, crucial issues before us in the year ahead, the most pressing of which are the renewal of the blenders credit that is set to expire at the end of 2010, along with the even more important EPA's decision to enact a higher blend of ethanol in fuel, taking it from the current 10% to a 15% inclusion rate.

That may not sound like much, but in essence it is a 50% Increase, one that would certainly have a very positive impact on CORN, LP's operations.

But again, I feel CORN, LP's positive track record, the solid relationship and rapport it has with it's lenders and the confidence they have continued to display thanks to the direct, open and reliable communications that have been so carefully and thoroughly established and maintained, as well as our very strong "sinking fund" position that has been detailed to you in previous articles are all positive areas upon which CORN, LP can steadily work through the challenges and adversities which come at all businesses.

CORN, LP Board Holds Re-Organizational Meeting

Every year after the Annual Meeting the Board of Directors of CORN, LP meet to elect the officers. This year all of the officers were re-elected to their current positions, and those Directors and the offices they will hold for the current year are as follows:

President: John Gazaway \* Secretary - Clay Hansen  
Vice-President :Paul Rasmussen \* Treasurer - Joe Horan



CORN, LP

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