



# 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'm sure there are various times throughout the years when all of us pause to reflect upon our lives, our business careers, the major events, the highlights and milestones that we have experienced, the challenges and the opportunities we have been presented with.

In my case, one of the highlights and milestones that tops the list has been my association with **CORN, LP** that began amid such excitement and enthusiasm with the concept of building and operating an ethanol plant right here in Goldfield Iowa.

Those of you who have been a part of this journey since those early days will, I am sure, recall the tremendous excitement that steadily grew as we were putting together the projections, holding the numerous meetings, explaining the concept and the vision of something that was so new, so unique and, in many respects, so very special.

Perhaps our enthusiasm caused us to be a bit overly optimistic about the prospects and the opportunities that we envisioned.

Perhaps we were a bit too naïve in our belief that something like **CORN, LP** could be and would be such a positive force for

the environment, for the natural resources of this nation, for the new energy policies of the country, for our communities and for agriculture that it was, in many ways, a virtually patriotic endeavor.

It seemed so logical, so obvious therefore to assume that with so many positives going for it this would, by extension, also be good for you, the investors in **CORN, LP**, by providing you with a sound return on your investments.

Having made those assumptions, however, let me also quickly add that at no time were any of us so oblivious to the harsh realities of the business world that we did not fully understand and accept the fact there would be challenging times and situations to face, that there would be lean and even tough times to accompany those that were good, down cycles as well as up ones, and that there would be opposition and competition to deal with along the way.

Those are forces every business confronts, accepts and deals with in the struggle to be successful, and perhaps even more so when that business is also embarking on a totally new concept and charting new and previously untested waters such as those which **CORN, LP** was setting sail in.

Little did we know, and even less could we have guessed, that those waters would have been as rocky and wild as they have been, that the economic down cycle would have been so severe or as deeply and widely felt, that the obstacles to growth would be so immense, or that the opposition would have been so entrenched, so well funded and so determined to oppose our industry at every opportunity.

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*The containment berm that surrounds the Tank Farm at **CORN, LP** is designed to contain any leaks/spills that might occur from the tanks, but in this case the walls were holding the surrounding flood waters out.*



*Despite having the water surrounding CORN, LP steadily getting higher with each successive rain, not a minute of production time was lost due to these unprecedented storms in June.*



## CORN's Checkbook

By  
**Jim Glawe**  
CORN, LP Controller



It's hard to believe, but we've already slipped past June 30th, so not only has CORN, LP completed the first half of its year, we now also have this 2010 year half over already. Time is definitely going by very quickly!

The plant continues to run well. With eighteen quarters of production behind us, the second quarter of 2010 ranks as the fourth highest in gallons produced.

While this is very good news, it is also very frustrating for everyone at CORN, LP, and for you, the investors, that the market doesn't allow us to reap the benefits of all of the hard work that's being put in.

Ethanol prices have continued to fade over the past 3 months since we ended the first quarter, and up to now we have seen an average decrease of fourteen cents per gallon.

Sales for the second quarter were down \$3.9 million compared to first quarter sales, and down \$2.95 million from the second quarter's sales figures of a year ago.

Corn costs have also dipped some, but not enough to maintain the same margin in relation to the drop in ethanol prices.

Cost of goods sold was \$25.5 million this quarter compared to \$27.8 million last quarter and \$29.6 million a year ago.

Netting the cost of goods sold against sales gives us a gross loss for the quarter of \$453,241.

General and administrative expenses for this second quarter were \$274,379, bringing us to a loss from operations of \$727,620. When we include other expenses amounting to \$604,335, it leaves a net loss of \$1.3 million.

Year-to-date, we are at a loss of \$1 million, which compares to the year-to-date loss of \$5.7 million that we were showing as of the end of the second quarter last year.

If the third quarter is like the one we experienced in the third quarter last year, we can expect things to be pretty flat.

Last year we made \$161,000, and as we all recall, that was followed by a big fourth quarter gain of \$4.1 million.

With the E15 waiver looming on the horizon, markets for ethanol originally looked promising for the second half of 2010. Unfortunately the EPA announced in June that it will *Once Again Delay Ruling* on the E15 waiver.

These repeated delays in the decision are another source of frustration for all of us at CORN, LP, and for the entire

ethanol industry.

A brief review of the history of this issue will explain why we have those feelings.

The E15 waiver was originally filed in March of 2009 to provide some relief to consumers from the soaring gasoline prices that were then in excess of \$4.00 per gallon.

By law, the EPA had 270 days to respond.

The initial response from the EPA was that it needed to do more testing before making their decision and issuing a ruling on the E15 waiver.

In issuing that response, they also gave every indication they were confident they could rule by June of 2010 in favor of automobiles that were year 2001 or newer to use an E15 ethanol product.

With its latest response, the EPA has once again decided they need to conduct more testing, and they now feel they could rule in favor of automobiles year 2007 and newer by September, and on year 2001 vehicles and newer come November. This is, as I said, disappointing news.

Even if the EPA were to pass the E15 waiver, it could mean installing an additional storage tank for stations to hold E15, plus it would also be extremely difficult for stations to monitor whether a vehicle was new enough to use the E15 blend.

Having different fuel standards for vehicles based on their ages creates added confusion for consumers, added costs for retailers, and more ammunition for the well-entrenched and well-funded ethanol opposition to use against ethanol.

This is why it is important that all vehicles need to be approved for using the E15 blend for it to make a positive impact for our industry, the environment and all consumers.

Even with the E15 waiver in place, it will be a temporary solution, since the RFS2 calls for a build up to a 36 billion gallon mandate, and to use 36 billion gallons it would require an average ethanol blend of E27.

With all the struggles and delays we've seen just trying to raise the blend by 5%, I can't imagine what it would take to raise the blend another 12% on top of that.

This is why RFA and Growth Energy are now pushing for bills that would require the auto industry to manufacture more flex fuel vehicles and to offer additional incentives for installing blender pumps.

With more flex fuel vehicles and blender pumps in place, the goal is to allow the consumer to make the decision on using ethanol, not the politicians and not the big oil conglomerates.

It seems simple, really, if we give the consumer the choice on what blend of ethanol they want to use, if any, and let them have the opportunity to get in on corresponding price savings for the fuel products they use, the public will speak out loud and clear.

### CORN, LP 2nd Quarter Operation Highlights - April 1 to June 30, 2010 (Unaudited)

	2nd Quarter	Year To Date
Sales	\$ 25,105,191	\$ 54,140,611
Cost Of Goods Sold	25,558,432	53,334,967
Gross Profit (Loss)	(453,241)	805,643
General & Administrative Expense	274,379	586,856
Income (Loss) From Operations	(727,620)	218,787
Other Income(Expense)	(604,335)	(1,219,117)
Net Income (Loss)	\$ (1,331,955)	(1,000,330)
Net Income (Loss) Per Unit	\$ (42)	(32)
Return On Investment	-4.25%	-3.19%



## Coach's CORNER

By

Andy Miller

CORN, LP Plant Manager

I want to start out this article talking about the issue of downtime at the plant, since for the second quarter of this year, the three month period of time from April 1st through June 30th, the CORN, LP plant experienced a grand total of 4 1/2 hours downtime.

Three of those hours were the result of a power outage that many in the Goldfield community also experienced. The remaining hour and a half was due to plugging in the coal crusher as a result of the recent rains and resulting wet coal.

### *But That Was It.*

In other words, with the exception of those 4 1/2 hours downtime, the plant was operational and humming along at a steady, consistent rate of productivity 24/7 each and every day.

However, much like the rest of us, yeast does not like hot, humid weather. We have had to earn our stripes ensuring the yeast remains happy and keeps punching out the alcohol to remain steady at the 60 million gallon per year rate plus.

When you consider the fact that CORN, LP had been operating at a rate equivalent to an annual production rate of well over 60 million gallons this calendar year, and then remember we have an operating permit with the IDNR that prevents us from exceeding 62 million gallons per year, AND then consider a tax credit is lost if we exceed the small producer cap of 60 million gallons per year (worth \$1.5 million), we are doing all right.

Brad and I will have to figure out the correct strategy to ensure we are at 59,999,999.9 gallons on December 31st!

**HISTORIC RAIN:** The second quarter of operations was also noteworthy for the tremendous volumes of rain that have fallen in portions of Iowa and, more closely to home, in Goldfield, Clarion and areas immediately surrounding these communities.

My heart goes out to these folks (including our employees) fighting flooded basements, caved in walls, and backed up drains.

The month of June was, in particular, extremely wet, with some areas receiving between 16 and 20 inches of rain in a period of around 8 days.

Our own plant was within inches of flooding inside the buildings. We had water from the dirt pile wast to the corn pile and from the railroad tracks south to Highway 3 over every blade of grass, rock, and portion of asphalt.

The only dry spots were our buildings, which make you think about the talent the engineers had when they designed the place.

Our tank farm, which in the past has allowed water in, was dry as well thanks to Gary Lund's work two years ago.

In order to get the plant to drain properly, we dispatched a couple of "pond monsters" to the storm water collection pond to remove some muskrat nests in the outlet of our pond. We plan to enlarge and build a screen to prevent the muskrats from doing their natural plugging as waters subside to give us access.

Finally, we called the IDOT and asked for permission to take out our own "dam" that had been the driveway south of the

corn pile that had no culvert.

The IDOT engineer showed up and told us the ditch was to be 4 feet deep and the driveway could be removed.

Once again, Gary Lund came to the rescue and removed the silted in dirt and driveway, and once that work was done we drained the plant quickly.

I have heard some rumblings about CORN,LP possibly causing the record flooding in the Goldfield downtown community.

Just to make sure everyone understands, I want to clarify CORN, LP's input to both the sanitary sewer system and Buttermilk Creek.

First, ONLY 4 sinks and 3 toilets are allowed to be emptied into the Goldfield sanitary sewer system. This is accomplished with a pipe to a sump with a small pump that pushes our waste to the sanitary system of Goldfield.

All of the rest of our discharge, which is process related - non-process contact water (reverse osmosis reject water, water softener regeneration, and cooling tower blowdown) is tested continuously and discharged at an average rate of 170 gallons per minute 24/7 to the Buttermilk Creek culvert.

To give you an idea of the magnitude of the event that hit Goldfield, when the flood was initially slamming us and the culvert by the old creamery was full (not running over the road as it did), there was a flow of over 1,000,000 gallons per minute if the flow rate was 1 ft/sec. (slow).

Our engineer and myself took measurements and calculated that it was conceivable that during the height of the flood over 2.5 million gallons of water per minute was passing through and over the culvert by the creamery! Our plant's discharge of 170 gallons per minute pales in comparison.

The collective amount of water discharging from our site via the storm water pond discharge was approximately 1,050 gallons per minute which, of course, traveled by tiles 10 years ago...to the Buttermilk Creek.

CORN, LP absolutely did not cause the terrible in rush of water into the Goldfield basements. Mother Nature did. Hopefully, she will change her direction and give us some weather that helps the cornfields and our neighborhoods dry out.



*Although rising waters at one point came within 1.5 inches of the distillation containment, the CORN, LP crew was able to "Man The Pumps" in time to prevent water from entering this site.*



Inside CORNland -- Continued From Page 1

Thus as we fast-forward to today and the facts and figures which form the financial highlights for the second quarter of 2010, CORN, LP's eighteenth quarter of ethanol production, it may seem strange at first glance that we would be able to state *We Have Good News For You* and that the "Good News" simply boils down to CORN, LP's ability to withstand all of the negatives showering down on the entire ethanol industry to survive and soldier on.

Yet put into sharper focus by the perspective of the times and the events that have transpired over those eighteen months of production, and by the fate that has befallen so many businesses young and old, large and small and certainly across the full breadth and width of the business spectrum and not simply confined to the ethanol industry in which CORN, LP is a part, surviving the times and the challenges and meeting the new dawn ready to face another day is, in it's own small way, a victory of sorts.

Every individual and every business will either benefit positively in some way or be impacted negatively in some way by a lack of suitable and necessary profit margins, and when operating as an exclusively supply and demand driven business, as does CORN, LP, there is virtually nothing that can be done internally to alter the course when margins turn negative.

To operate in such times and to therefore survive them until such time as margins once again improve, you must be able to produce your products at a lower cost per unit than that of your contemporaries in the industry or you will ultimately be consolidated in with those that have that capability.

And in what can therefore best be described as a *Survival Of The Fittest* business and economic environment, CORN, LP has had the good fortune to position itself to be one of those possessing the ability to be highly productive at lower costs.

### CORN, LP Production Highlights

April 1 Through June 30, 2010

	2nd Quarter	Year To Date
Ethanol Production	14,695,961 Gal.	29,856,769 Gal.
DDGS Production	42,363 Tons	85,738 Tons
Wet Cake Sales	253 Tons	494 Tons
Corn Purchases	5,240,826 Bu.	10,771,119 Bu.



## CORN, LP

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So I guess it once again comes to that difference between seeing the glass half full or half empty, and certainly by now all of you know which side of that equation I have always been.

And it is that positive outlook that enables me to state that despite all the negativity one may encounter in the media, regardless of the extreme challenges and the ultra narrow margin structure that exists, and in spite of the determined efforts by the opponents of the ethanol industry who continue to hurl vast sums from their seemingly bottomless coffers of wealth to oppose us at every opportunity and to confuse and confound every issue that would favor us, we will start our nineteenth quarter of production at CORN, LP as we have every other, with a positive enthusiasm and outlook, with our cash flow continuing to perform extraordinarily well in these times, and with our sights set squarely on doing all we can to assure a brighter day tomorrow and a better future to come.



In this view looking south you can see Highway 3 and the high waters surrounding much of the CORN, LP plant on June 23rd following a 6-inch rain.

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