



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



There is always a lot of excitement and anticipation whenever we conclude one year of business and begin the next, and certainly those feelings were present at the end of December as **CORN, LP** concluded its sixth year and began its **Seventh Year of Operations!**

Somehow I feel I just have to say those words again, **Seventh Year of Operations**, since it is totally amazing to me, and I am sure it is equally amazing to the entire **CORN, LP Staff**, and to most if not all of you as well, that so much time has passed by so quickly to bring us to the start of **CORN, LP's Seventh Year**.

It's been a remarkable first six years, and to say they have been exciting, eventful and yes, at times perhaps even a bit challenging, would be understatement of the highest order.

Thus as we begin **CORN, LP's Seventh Year**, let me take a moment to first of all say **Thank You To Everyone** for helping to make these first six years an exciting period of growth,

achievement and success for **CORN, LP**.

Secondly, I want to say I hope all of you are looking forward with the same degree of excitement, anticipation and optimism to the start of this new year of business as all of us who are associated with the operations of **CORN, LP** are looking forward to what lies ahead of us.

As you can see in the **Financial Highlights** on the next page, and as you will read in the **CORN's Checkbook** article submitted by **CORN, LP Controller Jim Glawe** for this month, the 2011 year of business was indeed a fine year of operations at **CORN, LP**, and I certainly want everyone to know that as always, it has been a **Total Team Effort** on the part of everyone involved that helped to make this such a fine year.

CORN, LP Plant Manager Andy Miller and his Entire Team have continued to create ever-increasing levels of efficiency and productivity from all of the equipment, systems and processes throughout the **CORN, LP** plant, and their growing level of experience and expertise has enabled them to fine-tune the plant's operations to first match and then to exceed all of our expectations.

I therefore want to specifically recognize and thank Andy for his dedication and leadership, and I know he joins with me in extending a huge thank you to all of those who make

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CORN, LLC ANNUAL MEETING Wednesday, March 21st

At The Eagle Grove Middle School Auditorium

FEATURED SPEAKER - GENERAL WESLEY K. CLARK (Ret.)

General Wesley K. Clark (Ret.) graduated first in his class at West Point and retired as a four-star general after 38 years in the U.S. Army. He commanded at the battalion, brigade and division levels and served in a number of significant staff positions.

He finished his military career as NATO commander and Supreme Allied Commander Europe, where he led NATO forces to victory in Operation Allied Force, saving 1.5 million Albanians from ethnic cleansing.

He joined Growth Energy as co-chairman in January 2009, stating at that time: *"Nothing is more important in this time of economic turmoil than creating American jobs that reduce greenhouse gas emissions and help secure our energy independence. I am pleased to be leading Growth Energy as co-chairman."*

We are honored to have General Clark joining us for this year's Annual Meeting of **CORN, LP**, and we are confident that everyone attending will enjoy his presentation as our featured speaker.



General Wesley K. Clark (Ret.)

**CORN's
Checkbook**By
Jim Glawe
CORN, LP Controller

At the end of 2011 we closed our books on what was **CORN, LP's** sixth year of operations, and at this time I am very pleased to report that it was a very profitable year, with book income of \$9,745,000, ranking third in our short history and only trailing the ethanol boom years of 2006 and 2007.

Last year we had a net loss on the books of \$1.3 million, so we saw a big and very much appreciated turn around in 2011.

For the fourth quarter we posted a gain of \$5,063,000, continuing the trend of the past few years of posting big fourth quarter gains.

Sales for the fourth quarter were \$50.7 million, up \$5.9 million from the third quarter, and up \$12.9 million from the fourth quarter of 2010.

The increase from the third quarter can be attributed to additional gallons of ethanol being sold, as well as to the average selling price increasing by 10 cents per gallon.

The large difference between 2010 and 2011 can be attributed to increases in the prices of both ethanol and DDGS.

Ethanol prices increased by 48 cents per gallon for 2011 compared to 2010, while the price of DDGS increased by \$51.00 per ton.

One third of each bushel of corn we receive goes back out as DDGS, so there is a close correlation in the market trends between the two commodities, thus with the DDGS price being higher in 2011 versus 2010, so too was the price of corn.

For the fourth quarter our cost of goods sold was \$45.2 million, up \$10.9 million from the fourth quarter of 2010, and up over \$1.00 per bushel of corn when we compare corn prices for 2010 and 2011.

Our cost of goods sold was down \$3.8 million compared

to the third quarter of 2011, due to the corn market softening up significantly during the post-harvest months of the fourth quarter.

The main component of other income and expense is interest, and as I mentioned in last month's newsletter, we refinanced the plant at the beginning of October.

With this new refinancing package, we were able to apply restricted cash against debt, plus the excess cash in our checking account could now be applied against debt, and this has added up to big savings.

For the fourth quarter of 2011 our interest expense was \$128,000. For the fourth quarter of 2010 our interest expense was \$606,000.

This is a savings of \$478,000 for one quarter, which would equate to a savings of \$1.9 million over the course of a year.

We are obviously very happy to have this new package in place, and we feel it will lower our production costs to be in line with that of larger, more established plants.

This past quarter most of our interest expense in the other income and expense category was offset by a wage tax credit received from the state of Iowa.

The credit goes back to the new jobs created by the ethanol plant, and can only be claimed for those individuals who are still working at the plant today.

Field work on the audit was completed January 20th, and work is currently underway on the tax returns for **CORN, LP's** 2011 year.

Once the tax return is completed I will receive K-1s and I will then be able to mail them out to you.

I should receive the K-1s sometime around February 3rd, and once I have them I can, as always, either fax or email you a copy if that helps expedite the process.

Another thing the Board analyzes at year end is paying a distribution to the unit holders, and for this year the Board has declared a distribution that is payable subject to our lender's approval.

I would expect approval as soon as our audit report is finalized, with those payments coming to you in the mail shortly after receipt of your K-1.

We had a great year in 2011, and the Board wants to show their appreciation to our investors who made it all possible.

CORN, LP 4th Quarter (October 1 to December 31, 2011) Operation Highlights (Unaudited)

	4th Quarter	2011 Year
Sales	\$ 50,713,351	\$ 181,656,139
Cost Of Goods Sold	45,242,418	168,422,286
Gross Profit	5,470,933	13,233,853
General & Administrative Expense	400,531	1,523,628
Income From Operations	5,070,402	11,710,225
Other Income (Expense)	(6,955)	(1,964,824)
Net Income (Loss)	\$ 5,063,448	\$ 9,745,401
Net Income Per Unit	\$ 161	\$ 311
Return On Investment	16.15%	31.08%



Coach's CORNER By Andy Miller CORN, LP Plant Manager

I'm writing this article for **The CORN Connection** with a little less than a week remaining in January, so it's been nearly a month since we completed another very strong year for ethanol production here at the **CORN, LP** plant.

Over the course of the past year the **CORN, LP** plant ran just below an annual production rate of 60,000,000 gallons of ethanol, which allowed us to receive a small producer tax credit for 2011.

This past year we also took advantage of the plant's design to run some higher margin, low moisture alcohol, and while this opportunity has now dried up, it did allow us to make some additional margin.

Among the keys to success in our production volumes at **CORN, LP** this past year (and in previous years as well) has been operator attention and maintenance preparedness.

Our operators have done a fantastic job keeping the plant within the established parameters and adjusting the process to optimize output, while at the same time keeping the equipment performing within the safe operating zone.

This leads to less downtime and, in the event something does breakdown, the operators are incredibly adept at making fast decisions which allow for minimal or no downtime.

Of equal importance, the **Maintenance Staff** has done an excellent job of performing predictive maintenance to make sure the machines are kept in top condition to continue to run 24/7.

The parts inventory reveals a small increase in spare parts, but the amount is sufficient to sustain our operation in a way that provides for quick change-out versus the potential for delayed repairs for want of parts.

The maintenance men's experience and expertise also provides for the quick diagnosis and rapid repair of any issues that may arise in most circumstances.

This year we will continue to look for efficiencies and examine our plant for opportunities to enable us to run up to our air

permit limit of 62,000,000 gallons per year.

As always, these opportunities may require us to commit some additional capital, and of course they must present us with timely paybacks on those investments.

At the present time we have three such projects which we are looking into that may pave our path to increased production.

The **CORN, LP** plant is, naturally, designed with efficiency in mind. However, there may be some opportunities where:

If we do a little more of something it is good, then if we do a lot it can be even better.

For example, our existing heat exchangers have 132 plates for the mash/beer heat exchangers, and basically these plates have hot mash on one side and cold beer on the other.

The goal of the heat exchanger is to make the cold stuff hot and the hot stuff cold. The mash is 185 degrees and must be 90 degrees to ensure we don't cook our yeast. The cold stuff is the beer, which is 90 degrees and must be heated to boiling in the distillation columns.

At present we heat the beer to 140 degrees and cool the mash to 160 degrees. *What would happen if we could get the beer hotter?*

We could heat the beer up more if we installed more plates in the heat exchanger to allow for more "contact" with the mash on one side and beer on the other. The trouble is, that costs money.

After a thorough review, we have found we can install the additional plates and pay for the project within 1.3 years, with the savings in our costs coming from having to burn less coal than we are currently burning to heat the mash, and with the additional heat coming from the process.

Additionally, during the heat of the summer months we will, in turn, have lower temperatures in the mash coming out of the mash/beer heat exchanger, which will reduce the load on the cooling towers.

The ultimate result: **We will be able to run faster.**

This is just one of the ideas we currently have for the added optimization of the plant, and we will continue to seek out and evaluate additional ideas for enhancing production, operations, efficiencies, whether they come to us from our operators, our contacts, or from industry experts.



This is a picture of a media item currently being considered as a replacement option for the packing in our CO2 scrubber. The CO2 discharge stream passes through two chambers filled with similar media that are each 10 feet tall and 5 feet in diameter.



The **CORN, LP** lab utilizes a **FOSS Soxtec** extractor to determine oil content in **DDGS**.

The **COSS** system removes corn oil from midstillage, but a portion of the corn oil must remain in the midstillage so fat content in the final **DDGS** product is maintained above the required specification.

DDGS samples are analyzed on a routine basis to ensure oil content is maintained in the target range.



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up our TEAM.

Knowing and working closely with Andy for as many years as I now have, I am also sure he would be the first to give the bulk of the credit for the outstanding level of productivity, performance and efficiency to his Staff, Operations & Maintenance Teams.

We have seen a tremendous amount of growth and change take place at CORN, LP since the first gallon of ethanol was produced, and one of the most recent changes, one which has already had a substantial positive effect on CORN, LP's financials, is also referenced in Jim's article.

I'm referring to the change that took place in early October as CORN, LP and our new business partner, First National Bank of Omaha, Nebraska concluded a new financial package that has already delivered some very positive benefits.

This development, along with some of the cost control items that I briefly addressed at last year's Annual Meeting of CORN, LP have combined to help us decrease plant costs by nearly 10%.

As I am sure everyone fully recognizes, in the highly competitive economic climate that all types of businesses are operating in these days, and with the ethanol industry in particular perhaps one of the most competitive of all, the future of the business ultimately boils down to how successfully operational costs can be managed- controlled-reduced.

Obviously, we feel the efforts which have been and continue to be made, along with the changes which have been implemented this past year, as well as those opportunities which may present themselves to us as we move forward, will keep the CORN, LP plant in a position to be "Extremely Competitive" as we move forward into this Seventh Year of Operations, and on into the future.

Indeed, we are presently investigating several exciting new projects at the plant that will focus on additional cost cutting benefits, all of which we feel will result in the plant being able to run faster, smoother, more efficiently and effectively, and doing so all at a lower overall operating cost to further sharpen the competitive edge we are focused upon.

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Another factor which I firmly believe has played and will continue to play an immense role in the on-going positive performance of CORN, LP has been the aggressive and pro-active position taken on by Andy and his Team, the Merchandising Team and the entire CORN, LP Staff to seek out and investigate whatever viable options and alternatives we are able to identify to create additional profit streams from existing operations.

ANNUAL MEETING: As the announcement elsewhere in this issue of The CORN Connection notes, we will have a very distinguished and highly regarded gentleman as this year's featured speaker, and I am confident that all of you who attend the Annual Meeting on the evening of March 21st will find his presentation to be interesting, informative and enjoyable.

As Jim mentions elsewhere, the K-1s will be mailed out to you shortly, but as he also notes, as we go to press with this issue the exact percentages have yet to be established.

So while I cannot list any specific figures in my closing comments, I can say I hope all of you will be very pleased with the sum of dollars you will be receiving when you open the envelope containing your check.

CORN, LP Production Highlights

October 1 to December 30, 2011

	4th Quarter	2011 Year
Ethanol Production	15,937,101 Gal.	59,893,898 Gal.
DDGS Production	45,512 Tons	172,216 Tons
Wet Cake Sales	0 Tons	607 Tons
Corn Purchases	5,668,731 Bu.	21,097,176 Bu.



CORN, LP

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