



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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Check Our Web Site
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Inside CORNland

By
Brad Davis
CORN, LP
General Manager



I know that at times my particular "brand of humor" may not be completely decipherable to some or understood by many, but over the course of my years in this business I have periodically "humorously" remarked to customers:

"It doesn't make any difference to most farmers if the price for corn is high or if it's low, something just doesn't feel right and the farmer doesn't really feel good unless it has been a Bumper Crop!"

I feel that there's a similarity in that statement that we can certainly apply to the feelings and emotions of the Staff & Employees of **CORN, LP**.

I know that all of them are tremendously excited, proud, pumped up and feeling so very pleased and happy to have the plant running smoothly, efficiently and operating on all cylinders and clicking on all gears at such a remarkable peak that they are setting, shattering and then resetting ...

... *New records* for ethanol production.

... *New records* for operational efficiencies.

While at the very same time they are also achieving ...

... *Perhaps* the smoothest, most successful planned service, maintenance and repair shutdown in plant history.

... *So many positive* results with each daily, weekly, monthly and quarterly review.. **AND YET ...**

... *Not a single* one of these tremendous things is cause for excitement, and are in most cases probably of little to no significance or consequence to you, as an investor in **CORN, LP**.

What you are interested in is a **Positive Return On Investment** figure showing up on the bottom line of the quarterly Operational Highlights that traditionally appears on page two of each issue of **The CORN Connection**.

I hope, therefore, you can perhaps understand and appreciate how deflating it can sometimes be to these people to have ...

... *One of the industry's* most highly efficient ethanol production plants.

... *A plant using* all of the latest and most innovative technologies and design systems that has ever been built.

... *What I certainly* and firmly believe to be the most experienced, dedicated and highly skilled group of people assembled

in each and every staff and employee assignment, all of whom are totally committed to the common objective of making this plant perform at the absolute pinnacle.

... *All of those things* and more going for **CORN, LP**, for them and for you, and yet still not have all of that be **Enough To Make Black Ink**.

All of us who are associated in any aspect of agriculture, and I am sure there are indeed many of **CORN, LP's** investors who are included in that category, perhaps have a more closely felt association with the ebbs and flows that occur in the forces of supply and demand.

That's because the cost and availability of so many of the inputs that are necessary for both row crop and livestock production are so frequently determined by so many uncertain forces over which little or no control can be exercised.

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These photos show one of the thermal couplers located in the furnace that act as thermometers to monitor the temperature of the sand bed in the base of the furnace.

The top photo shows a thermal coupler encrusted in "slag" as sodium from the coal that is burned accumulates over time. This slag crust distorts the temperature readings, which we need to closely monitor to, among other things, help us in controlling emissions.

The bottom photo shows a normal thermal coupler that has been freed from it's slag coating, which was just one of the numerous tasks performed during the plant shutdown in April.

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

Two years ago it seems there just weren't enough good things that could be said about the ethanol industry. It seemed as though ethanol would ...

- ... Be a safe, sure thing.
- ... Reduce our dependence on foreign oil.
- ... Create a larger market for corn.
- ... Reduce the need for corn market price subsidies.
- ... Create new jobs.
- ... Help reduce pollution.

In fact, things were so positive and good for corn that it was just about the one and only thing all the politicians seemed to be able to agree on. And support.

Who could have ever imagined that the entire situation could turn around so quickly for a single industry?

And yet today, just a little over two years from those heady days, it seems that instead of seeing or hearing an announcement of a new plant opening every month or so, a new plant under consideration or an existing plant considering expansion, the stories revolve around another plant experiencing substantial losses, curtailing production, or in some cases filing for bankruptcy protection.

Also today, the voices of opposition to ethanol, who have always been well-organized, firmly entrenched and massively well funded, have once again emerged.

Their latest argument is that instead of reducing pollution, ethanol production possesses a larger "carbon footprint" when indirect land usage changes are taken into account, which is as ridiculous as it is ludicrous.

It is indeed true that the ethanol industry is going through some growing pains, which everyone inside the industry, as well as many outside it, knew would eventually happen at some point in time.

All emerging industries go through such times, and unfortunately for us this experience has occurred at the convergence of what can only be described as the most unique and unprecedented global economic upheaval to occur in the past 79 years, and a little math will tell you that takes us back to 1929, and I am sure most know the significance of that year.

It is precisely because of this experience that we at **CORN, LP** have always stressed the importance of being the **Least Cost Producer** of ethanol, since we have fully recognized achieving that objective would enable us to better weather the storm once it ultimately arrived.

The storm clouds have not cleared as yet, as we are all certainly aware, and there will undoubtedly be some challenging days ahead of us as the economies of the world, including ours, regroup and rebuild themselves.

And as they do, the positives inherent in the ethanol industry, and the distinct advantages that **CORN, LP** has developed to sustain it through the difficult days, will once more be in the news, and for all the right reasons.

For the first quarter of 2009, **CORN, LP** sales were \$26.9 million, up \$4 million compared to the \$22.9 million in first quar-

ter sales for 2008.

The average selling price of ethanol was down 11 cents per gallon from last year, however with increased production of 2,631,000 gallons during the first quarter, we were able to overcome this to achieve the sales increase.

In fact, the first quarter production levels of 2009 represented the 2nd largest quarter ever, surpassed only by the production record of 15,104,670 gallons that **CORN, LP** achieved during the fourth quarter of 2008.

We also broke the production record for a single month in March of 2009 with 5,333,000 gallons of ethanol being produced.

What makes this figure even more impressive and significant is that it comes after the inclusion rate for denaturant was reduced from 4.76% to 2.00% at the beginning of this year.

Cost of goods sold was \$29.1 million, an increase of nearly \$7.6 million compared to the first quarter of 2008. Having corn prices 21 cents per bushel higher and using an additional 971,000 bushels accounted for this increase.

Operating expenses were \$1.1 million for the first quarter of 2009, down some \$200,000 for the same period of 2008, primarily due to lower interest costs.

Other income received totaled \$46,512, giving **CORN, LP** a total net loss of \$3.2 million for this first quarter of 2009.

The bad news is yes, we did lose a little over \$3 million for the quarter, but there is also some positive news.

CORN, LP has several million dollars in the checking account, no money borrowed on its operating line, and we have not used a cent of the \$12.6 million that has been deposited into the invested sinking fund.

As you may recall, we are required by our lender to make deposits equal to 32% of our available cash into this fund until it reaches a total equivalent to 2 years of our projected debt service.

Thus if revenues ever do become insufficient to make our loan payments of \$633,000 per month, this money can be used to make those payments. With the 2 years of deposits, this would give **CORN, LP** 20 months worth of payments built up into this special account.

I should also point out that of the \$3.2 million loss for the first quarter, \$1,947,551 was from non-cash expenses such as depreciation and amortization.

Therefore even though we are being pressured by this dramatic economic downturn, I believe we are nevertheless in a solid position due to our preservation of capital, and being a least cost producer gives us a greater ability to ride out this current economic storm.

CORN, LP Operation Highlights

January 1 Through March 31, 2009 (Un-Audited)

Sales	\$ 26,954,541
Cost Of Goods Sold	29,153,312
Gross Profit (Loss)	(2,198,771)
Operating Expenses	1,104,643
Income (Loss) From Operations	(3,303,414)
Other Income	46,512
Net Income (Loss)	(3,256,902)
Net Income (Loss) Per Unit	(104)
Return On Investment	- 10.40%



Coach's CORNER

By

Andy Miller

CORN, LP Plant Manager

Having completed the first quarter of 2009, I am pleased to report that the **CORN, LP** plant continues its amazing and record setting production run, with our second highest quarterly volume of ethanol produced, and a new monthly record volume being reached in March.

Moreover, we have been able to achieve these high levels of production while at the same time establishing outstanding yields and operational efficiencies.

Volumes are, of course, absolutely crucial, since the increases in throughput we are able to bring about in the plant means our fixed costs can be spread over the much broader base of the additional gallons that are being manufactured.

Understandably, any business that is able to enhance its ability to spread fixed costs of operations out over greater volumes of production will create many benefits and advantages, and for a plant such as **CORN, LP**, with its sizeable input fixed costs for corn, maximizing efficiencies, yield levels and productivity to spread our costs out over more gallons of ethanol is desirable any time, but even more so in the challenging economic times we now find our nation experiencing.

The staff of **CORN, LP** will continue its determined search to identify new and innovative ways where we can pull even greater optimization from the **CORN, LP** plant, while at the same time continuing to focus on every conceivable cost reduction opportunity that presents itself to us.

For example, we have been in talks with all of our chemical suppliers as we investigate ways to renegotiate pricing to lower the per gallon cost for production necessities such as caustic acid, sulfuric acid, sulfmic acid, urea and ammonia, which are just a few of the primary supplies used in substantial volumes by **CORN, LP** on a daily basis.

Additionally, we are also more closely scrutinizing all of the existing contracts we have for various support services, such as water treatment, in an effort to determine if there are ways to create additional savings.

Plus, we are looking at the prospects of purchasing various other supplies, including some chemical products, on a bulk or volume basis where doing so would also create significant savings.

When it comes to enhancing productivity, efficiency and creating savings, the task is never complete.

The entire staff at **CORN, LP** is never satisfied that we have finished the job, and will never allow itself to fall into complacency, since we continue to believe there will always be new and

as yet untapped areas to create and implement more ways, to discover and develop new and innovative ways, and to therefore take all three to their next highest level.

And having done that, we will then start the search for more.

I next want to talk about the most recent planned plant shutdown that we have just recently completed successfully.

While the plant was shut down for a period of 5 days from April 19th to April 24th, I can assure you that a significant portion of the month of March was spent getting ready for the shut down.

The entire **CORN, LP Staff** put in an extraordinary amount of time and effort to plan the procedures that would be followed, and there was also a great deal of planning and time that went into the procurement of whatever parts would be needed to perform the various service, maintenance and repair tasks that were going to be involved in the shutdown process.

Throughout this pre-shutdown planning and procurement effort, the **CORN, LP Staff** was working closely in conjunction with staff members from the **Gold-Eagle Cooperative**, specifically those from their IT department as well as **Gold-Eagle's** electricians, and the combined efforts and expertise of these people proved to be extremely valuable in helping us to get ready for this shutdown.

As you may recall from my **Coach's CORNER** article in the 4th Quarter newsletter, we have been working very closely with the **Gold-Eagle** IT people to develop a computerized system for maintaining parts inventories, and this system definitely proved to be an asset to us in the part procurement process leading up to the shutdown.

Additionally, we were able to develop a work order system for recording service, maintenance and repair work orders that not only creates a "paper trail" for reference, but which also allows us to prioritize the work schedule that will be followed during the shutdown so that we would be able to assign the tasks and the necessary people to perform them in the most efficient manner.

As a result of these efforts, and of course thanks in no small part to the commitment and dedication of the entire group of men and women who participated in this latest shutdown, it proved to be the most efficiently conducted, the most productive, and certainly the smoothest shutdown we have ever experienced, with all tasks being completed on time and as scheduled.

Needless to say, we were also most pleased with the ultimate results, and once again we have the plant up and running smoothly, efficiently and producing at record rates, and with that said I can also assure you that we have already begun making the lists and schedules for the next shutdown period that will arrive in September.

Our philosophy is "If all of us take care of the **CORN, LP** plant, the **CORN, LP** plant will take care of you."

Application Made To Increase Ethanol Blend Percentage

The Federal government currently limits the amount of ethanol that can be included in a gallon of gasoline to only a 10% inclusion level.

On March 6, 2009, a formal application was submitted to the U.S. Environmental Protection Agency asking for their approval and authorization to allow this base level to be increased to a 15% ethanol inclusion rate per gallon of gasoline. Please go to the web site listed below to sign the on-line petition showing your support to increase the allowable blend to this proposed 15% level

www.ethanol.org/petition.

Over Coffee Trivia

What Do You Think Those Board Members GET PAID?

The **CORN LP** Board meets monthly. The average Board member spends about an hour each day during the month in preparation for the Board Meetings; this includes Committee Meetings, research, e-mail and telephone communications. This works out to about \$8.00 an hour in Director compensation for Board meetings attended.



A Message From The CORN, LP Board
By John Gazaway, Board President

In March and April of 2006, the Financial Times ran a series of four parts entitled "Mastering Uncertainty". Little did I know, at the time, how timely this series would be. Each part of the series had a title:

- 1) *Seeking Shelter From The Storm*
- 2) *Be Prepared For The Storm*
- 3) *Don't Get Swept Away By Change*
- 4) *The Search For Common Meaning*

During this time frame of 2006 we were in the world of renewable fuels, prolific energy consumption and investor driven plant construction.

Unfortunately, many plant returns on investment were commonly irresponsible in relation to plant debt. Many investors and Boards of Directors were inebriated with the proverbial straight up graphics of an "orderly world".

Perhaps that is why this series was so on target, with "uncertainty" being the opposite of "orderly".

The Board of Directors of CORN, LP has attempted, from the start, to be responsible with your investment.

Every member of the Board is an investor as well, and therefore has that same vested interest in the continued success of the corporation.

We are most fortunate to have excellent management and a fine staff in our employment. It is not often in this day that you have people with a work ethic which resembles ownership of their own business.

We truly have an entire team of responsible, ambitious and enthusiastic employees who have maintained our plant in an extremely economically sound fashion.

CORN, LP is currently producing ethanol at a capacity considerably above the guaranteed "name plate" of 50 million gallons per year, and has just recently received a permit for up to 62 million gallons per year production.

You have therefore received shares in a plant capable of greater production than you purchased.

Although innovation is important in this technology driven society, we believe that the core business is critical to maintain.

Maintenance of the core allows one to be prepared when opportunity returns, and we intend to be in the front of the line when the gate opens once again.

CORN, LP Board Of Directors

Dr. John Gazaway, President	CORN, LLC
Paul Rasmussen, Vice-President	CORN, LLC
Clayton Hansen, Secretary	CORN, LLC
Joseph Horan, Treasurer	CORN, LLC
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Ken Ulrich, Director	ICM, Inc.

Many things in life are cyclical, and certainly those in and around agriculture are well versed in cyclic business. They know, as do we, that having the staying power is the secret to long-term success. It takes focus, courage, thoughtful risk, luck, and unwavering perseverance to stay up when others are down, to move forward when others drop back.

We believe we are positioned well to take advantage of changing markets as they occur. It is our goal to preserve and enhance our investment in CORN, LP by making sound decisions, which will position us for the economic turnaround.

Uncertainty is the only certainty. The physicist Richard Feynman once remarked: "I can live with doubt and uncertainty. I think it's much more interesting to live not knowing than to have answers which might be wrong."

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As a result of this vulnerability, we realized that we have to be even more diligent, more dedicated, more determined and more highly focused to be as productively and operationally efficient as we can possibly be at all times to support and sustain our assets and resources.

We must likewise endeavor to fully support, sustain, strengthen and solidify the business relationships we have with all of our sources of supply, with our financial partners, and with our communities and our customers.

By doing all of these things we will not only assure that we are in the best possible position to endure the many challenges that these difficult times and situations have presented us with, we will, most importantly, also be in the best possible position when those times turn back in our favor, as they unequivocally and ultimately will, to savor, enjoy and benefit from the added strength that has been forged by enduring.



CORN, LP

515 North Locust Street
P.O. Box 280
Goldfield, Iowa 50542

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