



# 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.

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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



Following the articles that have been coming out in various forms of the mass media lately that have been painting such a bleak picture for all things ethanol related has proven to be a combination of interesting and frustrating, informative, educational and aggravating.

If nothing else, these articles have provided an excellent glimpse into the inner workings of how to implement a negative public relations effort that, up until now, I had assumed was more or less the exclusive stomping grounds of our political arena, where the perfection and utilization of attack ads, selective statistics, half/partial truths and out-of-context statements have become so commonplace that we no longer raise our eyes in doubt or disbelief whenever we see or hear them.

And it strikes me as rather ironic that while the first and most basic freedom that was included in the Bill Of Rights given to us by the Founding Fathers provided for the guarantee of a "Free Press", there is nevertheless a remarkable ability on the part of those who have vast fortunes to exercise a significant measure of control over and command of that press and the information that is conveyed to the general public by it whenever they have particular feelings, beliefs, positions and preferences to address and/or protect.

Obviously, the ability to be selective in the choice of whatever figures, statistics, quotations or facts are utilized to tell any particular side of any particular story or issue is a talent that some have mastered to an amazing degree.

This talent becomes all the more useful and effective if and when the message being conveyed is one that has been specifically developed to create doubt or confusion, misunderstanding or mistrust.

There are perhaps a few entities in this country and/or around the globe that can stand with **Big Oil** when it comes to power, capital and influence, but that list of contemporaries or peers would certainly be a very limited one, to be sure.

So it clearly stands to reason that should the powers that be in **Big Oil** choose to convey any message at any time to support

their specific interests, they only need to pick the time, the place and the means to have their message heard loud and clear.

Thus I can only say "**Hats Off**" to the **Big Oil Interests** for what has been a very well timed, well constructed and well executed media blitz of negative predictions and dire forecasts for our environment, our economy, our nation's commitment to biofuels rather than fossil ones, and for the entire ethanol industry.

I further commend them for selecting what is probably one of the most sensitive and treasured of all elements on which to build their case against further pursuit of and expansion in ethanol, namely, our precious water supply.

**Water!** The building block of life. The one thing we can't do without. The one element which, whenever there is even the perception of a threat to the quality, availability or supply, stirs the fears and raises the emotions of every sensible, rational individual.

And with the numerous stories that have been brought into our homes via newspapers, magazines and television about the on-going drought-like conditions that exist in portions of the south, west, southeast, along with the ravages of fires burning as a result of insufficient rain parching the landscape, there couldn't have been any better choice than the amount of water usage by the ethanol industry, and the accompanying implication that such vast volumes are being wasted, to spark the fears and concerns of the public.

Unfortunately, when bringing this "alarming" water-to-ethanol example to us, it was curious the water usage rates for other industries and/or manufacturing processes were left out of the discussion.

How can we judge ethanol's water usage rate fairly and intelligently with no other facts or figures to use as a comparison?

Well, perhaps that was the point, so for the sake of accuracy I want to give you some of the water usage statistics for other industries and processes.

To accurately compare apples to apples, however, we start with the fact that about three gallons of water are needed to make one gallon of ethanol and, for usage and/or processing that results in pounds rather than gallons, you'll also need to know that one pound of ethanol uses .45 gallons of water.

First let's consider the oil industry's basic unit of measure, one barrel of crude oil, which is the equivalent of 42 gallons. It requires 1,851 gallons of water to refine each barrel of crude, or 44.07 gallons of water for each gallon of crude.

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## CORN's Checkbook

By  
**Jim Glawe**  
CORN, LP Controller



We have completed another very busy month of operations at **CORN, LP**, and while it seems almost impossible to think about, as I write this article it's only a couple of days away from the start of November, and thus we are very quickly approaching the end of the fiscal year of operations on December 31st.

Since we are indeed so close to the end of the current year of business, it occurred to me that in this issue of the **CORN Connection** I might also include a summary of our **Year-To-Date Financial Highlights** along with those of the third quarter.

As you can see in the chart, sales for the three month period ending September 30th were \$27,358,134, which is down approximately \$3.2 million from the second quarter sales total of \$30.6 million.

The decline can be traced to the 12 cents per gallon drop in the average selling price of ethanol we have experienced for this past quarter.

However, the figure was also some \$8.4 million higher than we recorded for the third quarter of 2006, with the increase this year being related to an increase in the number of gallons sold, plus a higher average third quarter selling price for 2007 compared to 2006.

Our cost for goods sold also declined in the third quarter, by approximately \$1.5 million when compared to second quarter costs, as a result of reduced output and less corn being used.

The cost of the corn used to manufacture ethanol accounts for nearly 70% of our total cost of goods sold, and this is a higher percentage when we compare **CORN, LP** to many other ethanol plants thanks to the savings we are able to capture by using coal to generate our energy needs rather than the higher costs we'd have if we were using natural gas to provide power.

While the number of gallons of ethanol produced in the third quarter was down by 280,000 gallons compared to the volume produced in the second quarter of operations, third quarter ethanol production was still 1 million gallons over our nameplate of 50 million gallons annually.

There was a 4 and 1/3 day scheduled maintenance period of full plant downtime during September for which we had no gallons produced, and had we operated at the normal daily average of ethanol production during those days, the third quarter

would have been yet another in a series of record-setting production quarters.

Again, for the sake of comparison, the third quarter of production for 2007 was some 1.4 million gallons greater than the volume that we produced for the third quarter of 2006, so we can again be pleased with the added enhancements, fine-tuning and tweaking of productive capabilities and operational efficiencies that have been achieved during this and previous maintenance shutdown periods.

Another source of pride is that all of our operating expenses for this third quarter have remained consistent with our other expense totals for the previous two quarters of this past year.

In fact, there was a modest third quarter drop in this category when compared to the second quarter, as there was in the second quarter when compared to the first, evidence of additional efficiencies creating additional opportunities to economize.

Our net income for this third quarter was \$2.47 million, which is down some \$1.6 million from the record setting second quarter's net income total of just over \$4.07 million.

As discussed earlier, this decline can be traced to reduced production and the lower average price per gallon for the ethanol we sell.

Corn prices, on the other hand, were up only slightly even though market prices continued to rally higher in the quarter, and this is a result of the marketing strategies we utilize to secure our raw materials.

Our overall earnings before interest, taxes, depreciation and amortization, or EBITDA for short, were \$5,482,300.

Product volumes for the third quarter and year-to-date were:

Product	3rd Quarter	Y-T-D
<b>Gallons Of Ethanol</b>	<b>13,352,416</b>	<b>37,258,222</b>
<b>Tons Of DDGS</b>	<b>39,869</b>	<b>102,331</b>
<b>Tons Wet Cake</b>	<b>275</b>	<b>4,323</b>
<b>Corn Purchases (Bu.)</b>	<b>4,742,083</b>	<b>12,959,422</b>

As you can see, our wet cake sales for the third quarter have dropped significantly. Since the plant only produces wet cake when we are shut down and/or experiencing some form of production difficulties, this figure is a clear indication of just how smoothly and efficiently the plant is running.

Through three quarters of 2006, for example, we had produced 6,408 tons of wet cake and, as you can see, we're at 4,323 total wet cake for this year, of which approximately 2,000 tons can be traced directly to the extended shutdown period we encountered this past March.

As always, feel free to call or e-mail at the **CORN, LP** web site if you have any questions or wish to discuss any of the information I've included about this third quarter of business.

### CORN, LP Operational Highlights (Unaudited)

For The Period July 1 Through September 30th & January 1, Through September 30, 2007



	3rd Quarter	Year-To-Date
<b>Sales</b>	<b>\$ 27,358,134</b>	<b>\$ 75,918,540</b>
<b>Cost Of Goods Sold</b>	<b>23,687,804</b>	<b>65,580,708</b>
<b>Gross Profit</b>	<b>3,670,330</b>	<b>10,337,832</b>
<b>Other Operating Expenses</b>	<b>1,411,929</b>	<b>4,305,897</b>
<b>Income From Operations</b>	<b>2,258,401</b>	<b>6,031,935</b>
<b>Other Income</b>	<b>213,545</b>	<b>408,056</b>
<b>Net Income (Loss)</b>	<b>2,471,946</b>	<b>6,439,991</b>
<b>Net Income (Loss) Per Unit</b>	<b>79</b>	<b>206</b>
<b>Return On Investment</b>	<b>7.90%</b>	<b>20.57%</b>





## Coach's CORNER

By  
Andy Miller  
CORN, LP Plant Manager

As of the end of October when I was putting this article's information together, there was approximately 2.25 million bushels of corn in the pile outside our plant in Goldfield, and I am anticipating we are going to be starting to work through those bushels very quickly in the weeks ahead.

On the average, the **CORN, LP** plant will consume approximately 56,000 bushels of corn during each day's production, so even though the pile certainly is and appears massive, our daily needs and utilization of corn are also extensive.

I am also very pleased to report that this past quarter has been another period of efficient production and operations for **CORN, LP**, and no doubt we have been and continue to reap the many benefits from the maintenance and fine-tuning that was performed during previous as well as the short 4+ day planned shut down periods which enable us to incorporate added efficiencies into the processes.

The entire **CORN, LP Team** is pleased and proud to also share with you the fact that during the third quarter we were able to establish some new production records, so once again we can report that operationally and productivity wise the plant is functioning on all cylinders and doing exceptionally well.

I want to recognize and commend **Jenny Elledge, CORN, LP's Lab/Process Manager**, who continues to work on fine tuning of the fermentation processes to boost the average fermentation of the ethanol that we are producing.

The direct benefit of increasing the alcohol content of the "Fems" means more throughput for the **CORN, LP** plant, so in recognizing Jenny, I want to also express our thanks to her for the dedication and commitment which she, along with all of the men and women of the **CORN, LP Team** demonstrate as we operate this state-of-the art plant and its advanced processes and systems.

At this point we are continuing to produce ethanol well above the 50 million gallon per year nameplate productivity

level the plant was designed to achieve, with the average now standing one that equates to between 56 and 57 million gallons per year to end October.

While we are all certainly very pleased with this, there are, as always, additional "projects" we are either working on at the time or planning to address in the very near future, which will bring even greater efficiencies and productivity to our operations.

Among these are projects dealing with lowering steam usage to enhance processing, plus implementing additional optimization efforts as we move forward.

Additionally, our **Maintenance Team** is currently installing an 8-inch condensate return line, which will help us to increase the volume of steam produced, and thus decrease the amount of energy that is required to produce it.

It has been a welcome site to see a steady flow of truck traffic crossing the scales once again now that our area customers have been able to get back into the fields to resume the corn harvest that Mother Nature interrupted and delayed with rain.

Between 200 and 300 trucks will cross the scales at **CORN, LP** each day, and I am sure all of our area corn growers are not only enthused about the fine, large corn crop that is being produced this year, along with the good market prices that corn is bringing at the present time, but that there is bound to be a lot of optimism and excitement as plans start being made for the next year and the next crop.

The **Production, Operations & Maintenance Teams of CORN, LP** will be looking forward to the weeks ahead as well, including the arrival of the holiday season and the completion of a very interesting and exciting second year of operations for the plant.

As I said, we have on-going projects that we are excited about performing as we enter the winter season and we continue to make plans and preparations that will bring even greater efficiencies and productivity from our efforts, and thus enable us to produce more ethanol gallons more efficiently as we put the plant through the paces.

Take care and, as always, if anyone has any questions or issues about the operations of the **CORN, LP** plant that I might be able to answer, please feel free to contact me through the **CORN, LP** web site at any time.

Thanks again to one and all for their continued support of our **Outstanding Team** and if we don't have the opportunity to do so in person, we extend our very best wishes for the holiday season to all of you.



*Typically there are between 200 and 300 trucks crossing the scales CORN, LP during harvest each day, including Gold-Eagle semis hauling in from it's outlying grain receiving locations, creating a 25 million bushel corn pile by the end of October, which the plant will be steadily working through .*



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It then requires 6.92 gallons of water for each pound of gasoline processed, and 43 gallons of water to obtain each kilowatt hour of electricity. I wonder why there was no mention of those energy related statistics?

\* **It takes** 62,600 gallons of water to produce a ton of steel, and around 39,090 gallons of water to manufacture a new car.

\* **If you** are going to process a quarter of a pound of hamburger, you'll use a gallon of water, and you'll use 11.6 gallons of water to process one chicken. I had no idea Ronald McDonald and The Colonel were such water gluttons.

\* **Producing** a barrel of beer requires 1,500 gallons of water, and you will use 24 gallons of water for every pound of plastics that are manufactured, and just what isn't made of plastic these days?

\* **One statistic** that I found of particular interest was that for the Sunday edition of the newspaper that boldly claims the entire state of Iowa relies on it, 280 gallons of water are needed to produce it.

Every pound of newsprint, in fact, requires 100 gallons to manufacture. Those figures certainly weren't used either.

Anyone who has ever been involved in any form of agricultural production and/or any type of market-driven endeavor is fully aware that markets have been, are and always will be cyclical, and certainly the ethanol industry and the ethanol marketplace is not an exception.

I would also assure you that anyone who has ever been involved in any type of manufacturing or processing is equally aware of the fact that from time to time margins will at times be large, while at other times they will be small, and that is also the way things have always been in business.

And finally, I will promise you that anyone and everyone who has ever been in a management position clearly understands the importance, value and need of hedging their risks, locking in volumes, and making both long and short term commitments to manage the ups and downs, the positive cycles of business and the economy as well as those that will be negative.

All of those things are, to put it into the most basic of terms, **Doing Business!**

There will always be challenges that come to the forefront that need to be dealt with, there will always be periods when it's **Let The Good Times Roll** and other periods when you're ready to

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**Sing The Blues**, no matter what endeavors are being pursued. **That's Just Business.**

I feel it's always very important to consider and investigate the possible links between those who deliver the message and the interests of those whose message is being delivered.

Therefore, should you come across any subsequent facts, figures, statements or issues being quoted in the media related to ethanol which you would like to discuss from a different perspective than that of **Big Oil**, feel free to contact me at any time and I will be happy to fill in any gaps that might have been left out, conveniently, intentionally, or perhaps even accidentally.

In bringing this article to a conclusion and reviewing some of the information **Andy** has shared in the **Coaches' CORNER** article, and/or the figures **Jim** has related in **CORN's Checkbook** and the summary of **3rd Quarter Highlights**, I want all of you to know we are extremely pleased with the smooth, outstanding performance of the plant during this past quarter of production.

Yes, the financial information that is included in these quarterly issues of **The CORN Connection** are simply highlights that offer a limited glimpse into the on-going performance of our plant, but a more in depth look would reveal that at the present time **CORN, LP** has nearly \$20,000,000 in working capital forming a very solid foundation on which to move forward.

Therefore **"if"** we indeed felt the sky was going to begin to fall, as implied in the various press releases and pronouncements we've been subjected to in this recent media public relations effort, and **"if"** there were more substance than smoke to the sort of hand wringing that others have used to imply our fate, there is at the very least some comfort in the fact we would need to first of all eat through that strong foundation of our working capital before any of those predictions could be experienced.



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