



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

For Timely News & Updates  
Check Our Web Site  
[www.cornlp.com](http://www.cornlp.com)

Volume 3 -- Issue 3  
November, 2008

## Inside CORNland By Brad Davis CORN, LP General Manager



We have now completed the first three quarters of operations for this fiscal year at **CORN, LP**, and I am sure none of us would have ever dreamed or could have even imagined that so much could or would happen to alter the course of our lives, and to affect the businesses we own and operate, as what we've been witness to during the past nine month period.

Given the events of these past nine months, I am also certain that few people would have believed I could be starting out my report to you on the 3rd Quarter of operations for **CORN, LP** in this issue of *The CORN Connection* with the following statement:

*"It is my pleasure to report to you that **CORN, LP** has just completed a record setting biggest and best quarter in its history, with a bottom line income in excess of \$7 million, and total quarterly ethanol production approaching 13.5 million gallons.*

And you can be sure I would have also included myself in that group of just a few people who could have predicted such positive results as we began the 3rd Quarter in July, for while we all strive to do our best to remain positive, hopeful and upbeat, the ability to do so during the extremely challenging and volatility filled economic times we have been having lately becomes increasingly difficult.

But in this case we have been able to turn some of the volatility of the times to our favor, and to a degree it has been the volatility of the times we are experiencing that has enabled **CORN, LP** to emerge from a very frustrating 2nd Quarter with a 180 degree turnaround for the 3rd.

Elsewhere in his *CORN's Checkbook* article this month, **CORN, LP** Controller **Jim Glawe** has presented you with the financial and production highlights from this third quarter of operations, and as you review them I hope that you can and will appreciate the tremendous job the entire staff of **CORN, LP** has done to achieve these positive results in the face of the challenging times, pressures and stresses that have been

coming at all of us.

Personally, I really don't know how the media could paint a more gloomy, disheartening or more pessimistic picture than the one that has filled the pages of newspapers and magazines, the television and radio airwaves.

These are, after all, some very serious times, and there is no denying that our economy, as well as the economy of many nations around the world, has found itself in dire straits of late.

The last time there was such a dramatic downturn in so many economies, the historians ultimately settled upon the term *The Great Depression* to define the era, and certainly that word is a close match to the emotions so many of us feel and the mood that has grown over us.

It will obviously take time to dig ourselves, our spirits and our entire economy out of the abyss that all have slid steadily into, and as we struggle and strive to do so, I feel we need to prepare and brace ourselves for there to be more bad news

*Inside CORNland -- Continued On Page 4*



*On September 9th during the 4-day planned shutdown of the **CORN, LP** plant, foam testing was conducted on the new sprinkler system that has been installed in the distillation area at the plant.*

*This new safety equipment will save **CORN, LP** more than \$77,000 annually by reducing property insurance premiums.*



## CORN's Checkbook

By  
**Jim Glawe**  
CORN, LP Controller



In the previous issue of *The CORN Connection* in which we reported the 2nd Quarter's results to you, I presented **CORN, LP's** worst quarterly bottom line since the plant began full time operations in January of 2006.

That was a tough thing to do, I might add, so you can probably appreciate the enthusiasm with which I put this month's article together as I report *The Best Bottom Line* quarterly results to you since the plant began operations.

So what happened to make this quarter so much better than the last one?

Well, for one thing, the plant ran very well throughout the entire 3rd Quarter, and that, of course is where any and all positive results must begin.

For the 3rd Quarter we had 86 total days of production, compared to 78.5 days of production the previous quarter.

Those extra days, combined with the exceptional efficiencies and productive levels at which *Plant Manager Andy Miller* and his entire staff were putting the plant through, enabled **CORN, LP** to manufacture 13,495,000 gallons of ethanol for the 3rd Quarter, compared to production of 11,944,000 the previous quarter.

Yes, we have indeed had quarters during which the plant has manufactured more gallons. The record level of production is over 14 million gallons, produced in the 4th Quarter of 2007, as **CORN, LP General Manager Brad Davis** has noted in the *Inside CORNland* article elsewhere.

Making less product in a quarter and yet having a record bottom line is the result of a term I am sure all of you have become much more familiar with in recent months: *Risk Management*.

Simply put, the *Merchandising Staff* of **CORN, LP** has placed increased emphasis on focusing on securing long term profitability, recognizing that to do so there will be both peaks and valleys in productivity and profitability along the way.

For example, last quarter, and more precisely the month of June, would be one of the valleys.

As you may recall, in my *CORN's Checkbook* article from the 2nd Quarter I made mention of the ethanol options we have on the board that serve to protect us from downward swings in the market, and they serve a vital function in providing this downside protection from additional losses.

However, when the market goes up, as it was doing at the end of June, it is necessary for **CORN, LP** to show a loss on those options.

Well, ever since the end of June the market has been in a decline, so we have been peaking as a result of using our options and benefiting from the gains they are providing.

Therefore when you put the figures together from all three quarters, **CORN, LP** is showing a gain of \$1,012,000, and while this is behind the pace of last year, given the extremes that we have been experiencing in all of our markets over the course of 2008, I feel it is still a very good result, and one that we can all feel very pleased with.

Production levels for the 3rd Quarter were as follows:

*13,495,356 Gallons Of Ethanol*

*39,178 Tons Of DDGS*

*223 Tons Wet Cake*

*4,737,544 Bushels Of Corn Purchased*

Now, I am sure all of you have seen or heard press releases about different ethanol plants losing large sums of money, and about some plants that are even filing for bankruptcy as a result of getting caught on the wrong side of this very volatile, fast changing and unpredictable market.

**CORN, LP** has avoided the temptations some fell victim to thanks to the solid strategies, positions and safeguards that our *Merchandising Team* has implemented, and I feel they are to be commended for their work.

Moving on now to this quarter's *Highlights*, which appear elsewhere on this page, you will note that sales were \$41.9 million, which is up \$17.3 million from 2nd Quarter sales, and this substantial increase can be traced directly to the market gains I was discussing earlier, and to a 20 cent per gallon increase in the average selling price for ethanol.

Our cost of goods sold was also up for the 3rd Quarter, by 11 million from the previous quarter, due to the purchase and use of an additional 401,000 bushels of corn used to manufacture the higher volume of ethanol that was produced, along with an increase of 29 cents per bushel in the average purchase price for corn.

Our overall average corn cost for **CORN, LP** during the 3rd Quarter amounted to \$5.44 per bushel, and thus far our average corn cost for the entire three quarters of this year is now \$4.69 per bushel.

These average costs take on greater significance when placed in the perspective of corn prices topping \$7.00 per bushel at the *Gold-Eagle Cooperative* this year, and again, our *Marketing Team* deserves recognition for their solid risk management efforts.

Operating expenses for the quarter were down once again, to \$1,137,000, and other income totaled \$64,000, most of which was earned interest.

This gives us a net income of \$7,180,000 for the 3rd Quarter and an income total of \$1,102,000 year-to-date.

The 4th Quarter promises to be another interesting and eventful one for all, and I will be looking forward to presenting the results to you in our next newsletter.

### CORN, LP Operation Highlights July 1 Through September 30 And January 1

Through September 30, 2008 (Un-Audited)

	3rd Quarter	2008 Year-To-Date
Sales	\$ 41,938,044	\$ 82,176,934
Cost Of Goods Sold	33,684,316	77,804,875
Gross Profit	8,253,728	4,372,059
Operating Expenses	1,137,246	3,664,132
Income From Operations	7,116,482	707,927
Other Income	63,993	304,121
Net Income	7,180,475	1,012,048
Net Income Per Unit	\$ 229	\$ 32
Return On Investment	22.92%	3.23%



## Coach's CORNER

By

Andy Miller

*CORN, LP Plant Manager*

For the majority of the 3rd Quarter, which takes in July, August and September, and on into the start of this fourth and final quarter, the **CORN, LP** plant has been operating at a record rate of production well over a rate of 60 million gallons annually.

In fact, we just recently completed a four-week stretch during which the plant was manufacturing ethanol at a rate that would be equivalent to 62.5 million if sustained throughout the year.

Obviously, these are clear and concise figures that indicate the plant is performing at an exceptional rate of efficiency and productivity, and I both recognize, thank and salute the entire *Staff, Production and Maintenance Teams* for the tremendous jobs they are doing, since this has clearly been an all-out, total team effort to achieve such results.

In previous articles I have talked about the state-of-the-art designs, systems, equipment and the remarkable potentials that have been included in the construction of the **CORN, LP** ethanol production plant.

And yet you and I both are fully aware that without an outstanding group of people to operate all of these systems and all of this equipment, the plant is just a basic assembly of steel, concrete, tubing and wiring.

To manufacture above and beyond the normal rates of production and the standard levels of output, as **CORN, LP** has done throughout the 3rd Quarter, the *Maintenance Staff* must keep every piece of machinery in the plant operating at its peak level of performance, efficiency and productivity, thus eliminating downtime and, as I have said in the past, enabling every component to *"Run Like A Top"*.

With our dedicated *Maintenance Personnel* doing their part so well, the *Operations Staff* putting the equipment and machinery through all of the different phases and processes of ethanol manufacturing have the opportunity to bring the highest level of intensity to bear on each of the specific steps in the process to make everything happen at precisely the right times and at the highest possible rates of productivity and efficiency.

This, in turn, allows the *Staff* to focus their attention and efforts on cost reduction, enhancing efficiencies and optimizing productivity, and it is significant to note that in many instances the ideas for improvements will typically originate with the hourly work force, who are *"In The Front Lines"* so to speak, and thus have a direct hands on advantage that gives them a unique perspective and perception of what, when, where and how change can create improvement.

A primary example of this occurred with the previous 4-day planned shutdown of the plant in early September, during which all of the *Operating Staff and Maintenance Personnel* participated, along with some of our contractors, to perform the scheduled inspections, service, maintenance and safety tasks that were scheduled for this period, and then take only a single day to get the entire plant back up to speed.

The success at which this shutdown and re-start was completed, and the results of their efforts, are dramatically demonstrated with the exceptional levels of ethanol manufacturing that I was talking about at the start of this article, and certainly **CORN, LP** would not be producing at such levels without the fine job and attention to detail that everyone involved in that planned shutdown brought to the table.

As we entered this 4th Quarter the 2008 corn harvest was just getting underway, and I can assure you that everyone at **CORN, LP** is looking forward with great anticipation to fulfilling our role in your harvest plans.

On Friday, October 21st, there were 11 members of the **CORN, LP Staff, Operators and Maintenance Personnel** who united as a team to put together the aeration system under the corn bunker at **CORN, LP** so we could be at-the-ready to receive your corn as you arrived from the fields.

This facility holds approximately 2.5 million bushels of corn and, as you can see from the photos elsewhere, has an extensive aeration system used to help us manage the level of moisture and temperature to maintain corn quality.

People often ask me: *"What moisture level corn can we grind at the Corn LP plant?"*

Obviously, the milling equipment itself is the limiting factor in the ultimate speed of the process, and the more consistent the moisture content of the corn going into the equipment to be ground, the easier it is to operate the grinder.

Logically, the higher the moisture content of the corn, the slower the grinding process becomes, but the basic function of the equipment is to grind whatever is placed into the equipment, and we are looking forward to grinding and using all the corn you can bring into **CORN, LP**.

### CORN, LP Team Installs Bunker Pile Aeration

*In the photo you can see the sixteen aeration tubes, each of which is 24-inches in diameter with a 100 foot perforated section and 70-foot solid section, giving the bunker 2,720 feet of 24" tubing, or over one-half mile of tubes that are connected to sixteen 15 hp fans for a total 240 hp.*





Inside CORNland -- Continued From Page 1

coming our way until we are finally able to start receiving news that is of a more positive nature.

Furthermore, I feel that unless one has a deep and intimate involvement with our commodity markets and market-places, plus a firm grasp of the extreme and complex economic events that have taken place over the past 6 to 9 months, they will be totally shocked and amazed to discover how far-reaching, deep and significant an impact can result from just one basic decision.

So as we move forward into the remainder of this year, and on into the next, I believe you will be seeing and hearing about more tough times to come, more economic struggles and more financial challenges for numerous segments of our economy.

Having made those broad predictions, however, I want everyone to know I sincerely feel you can also find much that is sure, stable and positive on which to "Hang Your Hat" so to speak.

CORN, LP continues to move forward with a positive outlook for the future. We have no positions on any of our inputs or on our outputs that have or will bring harm to our operations.

Furthermore, it gives me great pride to be able to say that when it comes to the operations of CORN, LP, it's like the title of the song from the sixties: "What You See Is What You Get", since all the facts and figures are there for your observation each and every quarter in this publication we call The CORN Connection.

Yes, we would all like the numbers to be better, and yet since the very beginning we have endeavored to have CORN, LP focused on Steering A Surer, Steadier & Proven Course rather than be tempted to assume higher risks navigating in uncharted waters, taking unnecessary chances in the hope of achieving fleeting fame or short term gain.

And while there may have been some who wondered at or even questioned CORN, LP's decision to be more like the turtle rather than the rabbit in some of its strategies during those wild and wooly times when there seemed to be no limits in sight to the amazing, remarkable and rapid growth tak-

### CORN, LP Board Of Directors

Max Nedved, President	CORN, LLC
Joseph Horan, Vice-President	CORN, LLC
Clayton Hansen, Secretary	CORN, LLC
Paul Rasmussen, Treasurer	CORN, LLC
Dr. John Gazaway, Director	CORN, LLC
Dean Reichter, Director	CORN, LLC
Mark Wigans, Director	CORN, LLC
Mervin Krauss, Director	Gold-Eagle
Duane Vorrie, Director	Gold-Eagle
Dave Reinhart, Director	Fagen, Inc.
Ken Ulrich, Director	ICM, Inc.

ing place all around us, there have no doubt been many sighs of relief all around as we recall Aesop's fables and the lessons learned from the childhood tale of *The Tortoise & The Hare*.

Our commitment to remain steady, sure and focused on positive long term results has enabled CORN, LP to avoid becoming the victim of extremes, as so many who raced out into the lead at the outset have now become.

I must admit that at times I find it somewhat ironic, and perhaps feel exonerated to some degree as well, that among them are several counterparts that at one time were held aloft as the poster boys of the industry, the role models whose achievements were to be envied, and whose results CORN, LP was often compared to and found lacking.

As far as the 4th Quarter is concerned, as Plant Manager Andy Miller notes in *The Coach's CORNER* article elsewhere in this issue of *The CORN Connection*, the staff is doing an amazing job to pull the maximum level of performance and efficiency out of the plant, and the entire plant is running better than ever, manufacturing more ethanol than ever, and performing at the pinnacle of its exceptional capabilities.

Furthermore, we feel positive and comfortable with the positions we have secured as we move forward into this final quarter of 2008 - we own no corn valued in excess of \$4.00 per bushel.

Plus, with the exceptionally fine manner in which the plant is functioning and manufacturing products, along with the favorable hedges we have put into position, I feel confident we will again see a positive black figure on the bottom line as we conclude the 4th Quarter on December 31, 2008.



### CORN, LP

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

First Class Mail  
U.S. POSTAGE  
PAID  
Des Moines, IA  
Permit No. 2929

RETURN SERVICE REQUESTED