



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



With three quarters of this current fiscal year now behind us and having a **Great Year** underway, everyone at **CORN, LP** is gearing up for an eventful 4th quarter, and I know I speak for everyone involved when I say I'm looking forward to a **Very Solid Finish** to the year.

While cautious optimism is a must, we will enter the 4th quarter knowing that, historically speaking, the 4th quarter has typically been the strongest one for **CORN, LP**, and clearly we will strive to keep that trend going.

As discussed in a previous issue of **The CORN Connection**, and once again in his **CORN's Checkbook** article this month by **Controller Jim Glawe**, the quarter to quarter comparison of figures between the 2nd quarter of this year and the third quarter are somewhat skewed and distorted as a result of having derivatives create some bottom line distortion as **CORN, LP** closed the books on the 2nd quarter at the end of June.

A normal sense of balance was restored to the derivatives as the 3rd quarter unfolded, so as we were bringing things to a conclusion at the end of September, the overall picture with

derivatives is about as neutral as we have seen them be for quite some time.

NEW BUSINESS PARTNER: I am very excited to say we have **Great News** to share with you about **CORN, LP's** new business partner, **First National Bank of Omaha, Nebraska**, who we have completed a new loan agreement with effective October 3rd, as pictured in the photo below.

Our new business partner has established a solid commitment to the ethanol production industry, and we believe they will be a tremendous business partner going forward into the future for **CORN, LP**.

At this time I want to take a moment to both acknowledge and thank our previous lenders for the vital role which they have played in the formative period of **CORN, LP's** history.

They were a positive force and a valued business partner that enabled us to build the facilities initially, and then to bring our **CORN, LP** plant on line as a state-of-the-art production plant featuring numerous innovative systems.

The syndicate of nearly 30 banks that financed **CORN, LP's** inaugural years, and which supported our growth even though **CORN, LP** was a highly leveraged entity during those early days that were, at times, filled with challenges and uncertainties, played an instrumental role for which we are sincerely appreciative, and an equally sincere **Thank You** from all of us to those partners is certainly in order.

We open a new chapter in **CORN, LP's** on-going efforts

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*This photo was taken October 3rd as the new loan package with **CORN, LP's** new business partner, **First National Bank of Omaha, Nebraska** was signed.*

*Pictured from left to right are **Gold-Eagle** employee **Jan Douglas**; **CORN, LP** Attorney **Bob Malloy** (standing); **CORN, LP** Board President **Dr. John Gazaway**; and **CORN, LP** Board Secretary **Clay Hansen**.*



CORN's Checkbook

By
Jim Glawe
CORN, LP Controller



Not surprisingly, we had a much different “look” to the third quarter, on paper, following the large unrealized gains at the end of June which inflated how the bottom line appeared at the end of the second quarter.

As you may remember from last quarter’s newsletter, the market dropped on the last day of June, making the crush swaps we have on the board worth significantly more when valued at the closing market prices.

The market went right back up in July, so ultimately everything leveled out, but it just so happened we caught the middle of the market swing right at the end of the quarter, and that resulted in creating such a distorted appearance to the figures that we reported in the 2nd quarter’s **Financial Highlights**.

We saw this happen once before, where a market jump takes place at the end of a quarter, causing a large fluctuation to the quarterly financial reporting.

That previous experience occurred at the end of the second quarter in 2008 when the market suddenly spiked, only to turn back down at the beginning of the third quarter. In that instance we had a loss in the second quarter of \$6.3 million and a gain in the third quarter of \$7.2 million.

Therefore, looking at the year to date numbers will paint a more accurate, realistic and representative picture of our actual performance up to this point, rather than comparing quarters on a stand alone basis.

What was one of our more disappointing quarters on paper could ultimately turn out to be one of our best quarters for **CORN, LP** going forward.

On September 30th, the last day of the 3rd quarter, **CORN, LP** signed loan documents effective October 3rd to refinance the ethanol plant with **First National Bank of Omaha**. While things were working well with our current lender, we believe this move will make us even more competitive for the future.

The reason for this belief is that there are two key components of the refinancing package that will save us a lot in interest expense.

The first of these is no more sinking fund. As we have discussed in the past, we have had just under \$12 million set aside in a separate reserve fund for the purpose of making loan payments in the event we weren’t able to make payments out of regular working capital.

This \$12 million was applied against the loan, thus reducing the amount of the principal we are paying interest on.

The second key component of the refinancing is a portion of the new loan termed a **Declining Revolver**, and since I can well imagine those two words taken at face value may conjure up all sorts of pictures in an imaginative mind, let me explain their true meaning/implication.

The “**Revolver**” part of the term allows us to apply excess funds from our checking account against the loan to save on interest costs. Once checks clear our account, the funds are transferred back to the checking account to cover the debits.

The “**Declining**” part refers to the amortization of the loan. As normal loan payments are made, the amount of the loan decreases, and with that the amount we can borrow back from the revolver decreases.

As of the time we are writing this article at the end of October, we have \$11.6 million from our checking account applied against the revolver.

Add this to the \$12 million from the sinking fund, and that is an additional \$23.6 million we aren’t paying interest on in October that we were paying interest on in September.

At any interest rate, it’s not hard to calculate how the **Declining Revolver** will add up to some huge savings on interest over time for **CORN, LP**.

3RD QUARTER HIGHLIGHTS: As you can see in the **Financial Highlight** figures for the third quarter of operations listed below, **CORN, LP**’s sales for the quarter were \$44,844,819.

This is down \$3,192,000 from the second quarter, however it is up by \$15,540,000 compared to the third quarter of last year. This decrease from last quarter’s sales total can be attributed to the unrealized loss on ethanol sales.

We have a large sales increase over last year due to ethanol being 73 cents higher per gallon and distillers grain being higher by \$90.00 per ton this year compared to last year at this time.

Plus we also have the addition of corn oil sales to this year’s total sales, and since corn oil production/sales just began at **CORN, LP** earlier this year, we didn’t have them a year ago.

Cost of goods sold for the third quarter are \$49,051,592, which is up \$3,193,000 from last quarter, and up \$21,117,000

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CORN, LP 3rd Quarter (July 1 to September 30, 2011) Operation Highlights (Unaudited)

	3rd Quarter	Year-To-Date
Sales	\$ 44,844,819	\$ 130,942,788
Cost Of Goods Sold	49,051,592	123,179,868
Gross Profit (Loss)	(4,206,773)	7,762,920
General & Administrative Expense	409,323	1,123,097
Income (Loss) From Operations	(4,616,096)	6,639,823
Other (Income) Expense	263,344	1,957,869
Net Income (Loss)	\$ (4,879,441)	\$ 4,681,953
Net Income Per Unit	\$ (156)	149
Return On Investment	-15.56%	14.93%



Coach's CORNER

By
Andy Miller

CORN, LP Plant Manager

We have had a very good 3rd quarter for ethanol production at the **CORN, LP** plant for the period covering July 1 through September 30th, and during this 3rd quarter we also had our semi-annual shutdown, which began on September 18th and ended on the 22nd.

Going into the shutdown all systems were running excellent, and when things are going like that I typically joke with Brad that we should run through the winter without the shutdown because we are running so well.

However, while it's fun to joke about keeping the pedal to the metal, we have learned from experience that there are components which have life expectancies well short of the additional 7 months we would need to make it all the way to the April shutdown, therefore, as nice as it might sound to continue on uninterrupted, these shutdowns are a vital and necessary part of our overall plan.

Once again, this most recent shutdown went extremely smooth. We shut down at noon of Sunday in order to allow time for volunteer operators to come in to lock out the over 150 pieces of equipment before our maintenance personnel actually need to begin their work on them.

Not providing for this additional time would elongate the shutdown, and leave us with a skilled group of maintenance guys waiting on the lockout operations to be performed before they could begin.

Nevertheless, the maintenance guys also came in Sunday to get an early start on the most critical items, which are the first to be locked out.

We typically generate a priorities list and the focus is placed on the critical path that will take us steadily to the end of the list that culminates with a re-start of the system.

In our case, we begin with the coal system and combustor, as this will be the first system to restart, and because it requires 12 hours to come up to temperature before the rest of the plant can begin operations.

Our operators assume lead roles in the shutdown by taking on jobs with teams and knocking them out quickly because they have done these same tasks so often, and the **Maintenance Crew** performed excellently, as usual, getting the long list completed in record time.

We cleaned the critical fans in the plant with a hydro-blaster (10,000 psig) to ensure smooth operation, and then balanced the fans to ensure maximum life for the bearings.

It is typical in a plant's life that we need to begin performing some extra maintenance in the plant every 3 to 5 years, and **CORN, LP's Team** has been initiating some of these extra measures as the plant has now entered that period.

We are lucky to have so much experience in the **Maintenance Department** with **Darrell and his guys**. They know from experience in other places and from their experience throughout the years at **CORN, LP** what components need additional attention.

Once again, when the 22nd of September rolled around, the

CORN, LP personnel had done an excellent job, making this shutdown one of our quickest.

Some of you may ask why we don't space the shutdowns evenly with 6 months in between each. The reason we plan the shutdowns for September and April are primarily due to weather concerns.

With knuckles bloody from knocking on wood, I hesitate to say we can usually shed the heavy jackets in April, and we have a shutdown in September due to harvest considerations.

Gold-Eagle's resources, which are sometimes critical to our shutdown, are more available prior to the busy harvest season. Obviously, our storage and corn consumption are a big plus during harvest, providing more dump capacity for farmers during harvest.

OIL PRODUCTION: The oil skid is operating extremely well, and we're obtaining record yields. The unit has required a lot of learning on-the-go, and **Dave Lensing** and the **Energy Center** have done an excellent job figuring out what's important.

Sometimes things turn out just the opposite of what you would think.

Recently we were cleaning an evaporator and we saw our solids increase, but since it was the end of the day Dave decided to leave the #5 evaporator on line and slow down the feed into the oil unit.

As we were experiencing a lull in production, as is typical during the evaporator cleaning operation, I argued we should pick up feed rate. However Dave's reasoning was that he was told a thicker, higher solids product needed more time to shed its oil.

Therefore, he wanted to (and we did) slow down the flow through the unit, and we indeed saw a production increase. In fact, we saw higher production going at a slower throughput than normal production.

So now we have to look more closely at that!

Finally, I wanted to bring up and recognize some extra efforts and the serious benefits we have experienced from the IT Department.

Rod, John, and Tony have implemented a list of things that include:

- * **Operator log system** (with statistics).
- * **iPhone tools** to access plant controls and files on our hard drives.
- * **Tools to access** each programmable logic controller throughout the plant from literally anywhere.
- * **Upgraded firewalls** to allow our access to computers in the plant more seamlessly, and many other miscellaneous tools.

All of these things allow us to look at the plant operation at night, on weekends and holidays so that our staff can more closely monitor situations in the plant when necessary, and lend a hand without having to always make a trip into the plant.

We all appreciate IT's solutions, and I can honestly say that these tools have allowed us to reduce downtime and increase productivity.

CORN, LP Production Highlights		
July 1 to September 30, 2011		
	3rd Quarter	Year-To-Date
Ethanol Production	14,406,086 Gallons	43,956,797 Gallons
DDGS Production	41,373 Tons	126,704 Tons
Wet Cake Sales	137 Tons	607 Tons
Corn Purchases	5,087,959 Bushels	15,418,445 Bushels



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with our new business partner, First National Bank, plus a dramatically improved balance sheet as discussed by Jim in greater detail in the CORN's Checkbook article on the next page, and we are very excited about the positive developments which have taken place and the prospects this new relationship will have as we move forward.

The first glimpse into those brighter prospects has already come to light, since in the 28 days which have passed since the new loan agreement was signed with our new business partner on October 3rd, CORN, LP has experienced an interest savings ranging between \$2,000.00 and \$3,000.00 per day, resulting in a very obvious and substantial impact on the financials.

SEIZING OPPORTUNITIES: Last March 23rd at the Annual Meeting of CORN, LP, I discussed the three specific areas of opportunity that we had set our sights on as primary objectives which we planned to capitalize on over the course of the 2011 fiscal year. Those three areas were:

1. *Refinancing.*
2. *Reduction of CORN, LP's leased railcar fleet.*
3. *The final completion of the installation, and the subsequent fine-tuning of our oil removal equipment.*

As we bring this 3rd quarter installment of **The CORN Connection** to you, I am extremely pleased to report we have now successfully completed all three of these initiatives.

All three have begun to create positive results that are being experienced in CORN, LP's operations and, most importantly, on the bottom line, and as we move forward I anticipate they will result in an annual positive impact upon the financials that approaches and perhaps at times exceeds \$3.5 million.

I can not begin to say enough words of recognition or heap enough words of praise upon the entire CORN, LP Staff for their role in enabling us to achieve these objectives.

They have done an absolutely fantastic and exceptional job to successfully manage through any and all of the challenges they have been faced with on an often daily basis.

They have been dedicated and driven to seizing and capturing every positive, viable opportunity that's been presented to them that could enhance productivity, efficiency and profitability, and I'm confident this extremely talented, resourceful diverse and dedicated group will continue to do so, since they are truly an outstanding and exciting CORN, LP Team.

CORN, LP Board Of Directors

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from last year.

Here again, the difference from last quarter to this quarter can again be attributed to unrealized losses on corn.

Overall, we had a loss for the third quarter (\$4,879,441), a gain year-to-date of \$4,681,953 and, as I mentioned in a previous portion of this article, the best way to get the most realistic picture of CORN, LP's performance is to focus on the year-to-date figures that are much more representative of how things are progressing, rather than on the quarter-to-quarter results, which can often be significantly distorted from one quarter to the next for any number of reasons.

I look forward to reporting to you on the 4th quarter results, which have typically been the best quarter in recent years, and also to being able to show the savings we will experience with lower interest costs.



On October 6th CORN LP hosted a tour of its facilities for a group from Hungary and one from Slovakia that paused during the tour to pose for this photo.



CORN, LP

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