



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



As Andy has discussed in greater detail in his **Coaches' CORNER** article elsewhere in this issue of **The CORN Connection**, the plant is now running in an absolutely fabulous manner in what is only the first month of the 4th quarter of operations.

This remarkable achievement is, of course, a testimony to the tremendous dedication, expertise and commitment of a fantastic **Operations Team** that has been put together, a Team which has steadily gained an ever-increasing degree of confidence and capability that can only be acquired through the actual **"Hands On"** experiences of day-to-day operations.

This is not to say, by any means, there will not be issues, obstacles and/or challenges they will encounter at some point as we move forward.

Indeed, if history has taught any of us one certainty it is that we must never relax our diligence, become overly complacent or assume that everything or anything can/will always perform smoothly and with total perfection.

By the same token, however, I believe we can all feel comfortable and have complete confidence in the expertise and capabilities of the entire outstanding **Operations Team** at **CORN, LP** to be able to meet and deal with any developments or issues that might be encountered at any stage of production, and to deal with them successfully, safely and in the most highly professional and knowledgeable manner.

The 2006 harvest got off to a solid start throughout the area from which **CORN, LP** draws raw materials to produce ethanol.

However, as we slipped past the mid-way point in the month of October, wet weather settled in for a rather lengthy stay and, as of this writing heading into the final week of October, we are all waiting with steadily shrinking patience for things to dry out so the corn harvest can resume.

Based on the smooth manner in which corn deliveries and unloading were handled prior to these weather delays, however, I can declare with complete conviction that the fully computerized system which has been installed and implemented to handle the movement of corn into **CORN, LP's** facilities has proven to be an overwhelming success.

The speed, efficiency and virtually seamless flow of corn from the time it first arrives on the scale until it enters the plant is a very smooth, time and labor saving process.

Delivering corn to **CORN, LP** and utilizing this fully computerized system has been a totally new experience for many of the area farmers who have brought their corn into us this fall.

In fact, I sincerely believe the novelty of the experience and the many differences it has from the customary and traditional manner in which their grain has always been weighed, graded and unloaded has made delivery of corn to **CORN, LP** this fall something new, exciting and perhaps even fun for many of our customers.

No doubt there is also a sense of pride and satisfaction for some who, like so many of us, often struggle with remote settings on our televisions, cameras and numerous other appliances, or even with such supposedly simple tasks as re-setting the time on digital clocks as Daylight Savings Time ends, as we realize how quickly and completely the computer-driven systems of delivering corn to **CORN, LP** have been so easily mastered.

As an example of just how smoothly the process of delivering corn to **CORN, LP** has been, there have been several days with receipts totaling well over 200,000 bushels, all of which were handled in such a timely, efficient manner that it enabled the customers hauling their corn in to have the delivery weighed full, graded, unloaded and re-weighed empty so they could be back on their way

Inside **CORNland** -- Continued On Page 4



On September 27th a tour group from the Czech Republic stopped by **CORN, LP** to take a look at the plant's equipment and ethanol production systems. In the photo at left the group views the rail load out of ethanol, and in the photo at right they are being shown our high quality DDG product by General Manager Brad Davis.



CORN's Checkbook

By
Jim Glawe
CORN, LP Controller



The quarter ending September 30, 2006 was the best quarter of operations for CORN, LP to date, and certainly having production running at close to the design capacities of our plant for a good share of that period played a major role in the outcome.

At the bottom of this page I have once again included some of the highlights of CORN, LP's financial statements as represented for the end of the third quarter of operations, and I would now like to offer a few brief comments on some of these items to provide some perspective to them.

Sales during the 3rd quarter increased by \$6.6 million from the sales we experienced for the 2nd quarter, bringing CORN, LP's total sales for the first nine months up to \$44,161,527.

Reflecting back to the first quarter of this year, when at the end of March, our totals sales were around \$12.9 million, offers a clear illustration of the kind of positive growth in sales being achieved as plant operations have come on-line to perform at a more consistent level of production over time.

Our total costs on sales amounted to \$28,412,309, and CORN, LP's operating expenses at the end of the 3rd quarter were \$10,561,331, thus providing us with an income of \$5,187,887 from operations.

CORN, LP also received other income of \$1,185,885, representing payments from the CCC Bioenergy program, grant monies and the proceeds of insurance.

This will be the final CCC Bioenergy payment received, as announced in my previous CORN's Checkbook articles.

The insurance payments represent compensation for downtime that was a result of the April 9th fire we experienced, and this is also something that we addressed with you in greater detail in the 2nd quarter issue of The CORN Connection.

Getting back to the financials, CORN, LP's net income for the 3rd quarter increased by \$1,595,663 compared to the net income for the 2nd quarter, which brought our year-to-date net income up to \$6,373,772 as we ended September.

This net income volume gives CORN, LP a per unit value of \$2,036 and thus a Return On Investment, or R.O.I. of 20.36%, which is nearly double the R.O.I. we were reporting as of the end of the 2nd quarter in June.

Furthermore, we believe that if we can duplicate our 3rd quarter earnings again in the 4th quarter of the year that lies ahead of us, we should be able to close out the year with CORN, LP reporting a R.O.I. that is in the "Upper 20s" for the 2006 calendar year of operations.

Now, as I did in the 2nd quarter financial review of operations in my CORN's Checkbook article, I want to give you a glimpse at some of the production figures for CORN, LP as of the end of the 3rd quarter.

Our 3rd quarter's total sales can be broken down in the following three categories of products:

- 12,411,625 Gallons Of Ethanol**
- 33,776 Tons Of Distillers Dried Grains (DDGs)**
- 604 Tons Of Wet Cake**

I also thought you might find it interesting to know that CORN, LP has consumed some 10,671,000 bushels of corn during the course of these first nine months, and of that amount over 4,288,000 bushels came in the 3rd quarter.

In closing for this time let me note that December 31st will mark the end of CORN, LP's first full year of business operations, and it has indeed been an exciting, eventful and interesting year of positive growth for our company.

As we did a year ago for the year end, we have scheduled the audit to be performed right after the year comes to a close so that we can endeavor to have the K-1 statements out to all of you as soon as possible, and we are hoping that translates into by the end of January.

This way you should have your information in ample time so that you can file your taxes early if you choose to do so.



On October 11th a tour group from Australia stopped by the CORN, LP plant where General Manager Brad Davis explained liquefaction (top photo), and gave the visitors an up close look at our golden DDGS inventory. (bottom photo).

CORN, LP Operation Highlights

For The Period January 1 Through September 30, 2006 (Unaudited)

Sales	\$ 44,161,527
Cost Of Goods Sold	28,412,309
Gross Profit	15,749,218
Operating Expenses	10,561,331
Income From Operations	5,187,887
Other Income	1,185,885
Net Income	6,373,772
Net Income Per Unit	2,036
Return On Investment	20.36%



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

Recently, we took advantage of an opportunity to perform our annual boiler inspection as required by state and federal codes.

This inspection has actually occurred one month earlier than originally planned, but as it happened this earlier date worked out very well since, as we all know all too well, the weather in Iowa can change very quickly and very dramatically at this time of the year.

We had an excellent shutdown procedure, during which some alterations were made in the steam drum, refractory in the combustor was repaired and some pre-emptive inspections and preventive maintenance was performed.

The entire maintenance and operations crew made all of these processes happen with a lot of hard work and careful attention to detail. The shutdown went very smooth, all of the different categories of work were performed on schedule, and the startup went well once the work and inspections had been completed.

In fact, in reflecting back on it now, we believe this most recent shutdown was the smoothest since our initial startup in December 2005. The operators did an amazing job, and we recognize them for doing so.

Our maintenance staff has done an excellent job of performing various repairs and maintenance on equipment in the past month and, in the process on handling day-to-day issues, things have also been extremely busy as we have been preparing for harvest and this most recent shutdown.

The guys commitment and dedication to get things done continues to be fantastic, and when coupled with their knowledge and the experience they have gained through the course of these first nine months of operating, makes it a pleasure to be associated with them.

With support from the Gold-Eagle electricians, our Team has been working many hours to handle all the plans and preparations for the corn pile, the pit #4 corn sampling system, and meeting other challenges to put things at-the-ready for handling this first harvest for CORN, LP.

All of these guys can be proud of their abilities and the achievements, but the pace of things at CORN, LP seldom gives them time to admire their work before they are once again busy with projects to improve the efficiencies and operations. I really haven't



This aerial photo taken on October 19th shows the rapidly expanding corn pile outside the CORN, LP plant. The pile was some 50 feet tall, and we anticipate by the time we finish adding corn to the pile it will contain over 3 million bushels.

had this talented a group of mechanics in 20 years!

We have all enjoyed seeing the corn receiving system put through the paces for the first time this fall, even though we've encountered a few glitches along the way.

We've taken well over 200,000 bushels in a one day period several times, and the pile has rapidly grown from a weed patch the mechanics bladed off just a few weeks ago to a 50 foot tall pile of corn that blocks our view.

I look forward to chewing these bushels up in the plant, and from the way corn continues to flow in from all directions as this fall harvest continues to progress, I certainly won't have to worry about where the next bushel of corn is coming from for the next couple of months.

The plant is now back in operation following the shutdown and we are reaping the benefits of the work that was completed during the process.

We are noticing some improvements in mechanical operation, efficiency, and throughput, and as we go to press with this issue of **The CORN Connection** the final week of October we have been at nameplate or better capacities since starting back up.

The new crop corn has not given us any issues with processing, as quality has been running high.

We look forward to seeing if we can push the efficiency up from 2.88 gallons per bushel, so Jenny and Judd are working very closely with the operators and the suppliers on almost a daily basis to squeeze out every drop of "hootch" from the fermentation process.

We all hope you will have a safe and fruitful harvest.



On September 22nd a group of visitors from Thailand arrived for a tour of the CORN, LP plant where Judd Foth from the plant staff answered questions (top photo), explained slurry and cook (middle photo), and gave our Thai guests an up close look at DDG product exiting our dryers (bottom photo).



Inside CORNland -- Continued From Page 1

to the farm or fields.

I am also very pleased to report that while issues of corn supply have reportedly been sporadic at various other ethanol production plants, indeed with some reports indicating that others have at times been hard-pressed to obtain adequate supplies, we have to this point had absolutely no supply delays, challenges or negative supply issues to deal with at **CORN, LP**.

I sincerely believe this is further evidence of the outstanding systems, the operations Team and the solid business model that were established for **CORN, LP** from its very inception.

Now, moving on to address several issues as they relate to the commodity side of the business and, more specifically, to the recent developments we have seen taking place in our corn market, let me say that if you are also an individual who is directly involved in the production of corn yourself, then you most definitely need to pause to enjoy to the fullest and to feel very good about having the price of corn move so uncharacteristically up to approach the \$3.00 per bushel value range that it has in recent weeks.

Furthermore, and here I am speaking to both corn producers and to those who are not directly involved in the production process, let me assure you that you do not have cause for undue alarm or reason to fret over these recent corn market rallies to the extent some might suggest.

I am sure all of us recognize that from the very outset of the growth and expansion that has taken place in the ethanol production industry there have always been a number of skeptics who have preferred, for whatever reasons, to view matters from the perspective of the glass being partially empty rather than being partially full.

Indeed, this is not the first nor will it be the last opportunity for those individuals who, at every opportunity, have been quick to find fault and to predict the impending demise of the industry, its role in our nation's domestic energy initiatives, and its value as an investment in the future, to express their own particular and sometimes self-serving viewpoints.

The realities of the issue are that at this time **CORN, LP** already has a very significant volume of corn coverage locked in for the next 12-month period, therefore the temporary gyrations and volatility currently being experienced in the corn market at this time will have negligible impact.

Additionally, **CORN, LP** has successfully executed several excellent long-term contracts of its products at prices which we are

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extremely satisfied with.

Therefore, even though you may be reading in various forms of media about current ethanol prices being down, and depending on which coast line you are talking about those prices may be in the \$1.75 per gallon range or \$1.90 per gallon range, **CORN, LP** margins remain strong and we are eager, optimistic and very excited and enthusiastic about the prospects we see before us for 2007.

Now, having said that, we must also recognize there have been some significant challenges from 2006, all of which will have an ultimate impact on the final results for 2006, and among these there were:

- * **Contracting** prior to the start of this most recent rally in corn.
- * **Not selling** our production at any of the exaggerated price values that we saw develop during the summer of 2006.
- * **Beginning the start up** of operations of a totally new ethanol production plant, one that has pioneered many new and innovative systems and combined them with some highly complex equipment for the very first time, along with bringing together an Operations Team, training them in these systems, and melding them together into what has become a highly cohesive and highly competent force.

* **And, up to now**, with all of these new systems, equipment and people, the required and planned start up and shut-down processes, the various testing procedures, the numerous fine-tuning and modifications that have been done limiting our operating capacities to about 80% of the plant's total capabilities and capacities.

It is, in fact, because of all of these challenges in 2006, and the impact they have had on the operations and production of **CORN, LP** over these first 9 months, that our outlook for 2007 is so positive and exciting, since even in the face of all that has happened thus far, **CORN, LP** is continuing to exceed all of the projections and expectations that we initially envisioned for it.



CORN, LP

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