



# Al-Corn Update

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## October 23, 2008

### Operations Report

#### Statistics

August through September

Bushels Ground	2,613,034
Ethanol Produced	7,571,265 gal
DDGS Produced	20,606 tons
CO2 Sold	11,326 tons
Uptime %	99.93%

Our ethanol plant is really humming. We only experienced one hour of down time in the past two months, thanks to our maintenance staff keeping ahead of the majority of our equipment issues and to our operators observing problems and getting them under control as quickly as possible. The past two months we have recorded zero liquid discharge from the plant, and that is a first for us. It is too early to determine if we will be able to continue operating in this manner, but this does reduce our water appropriation per gallon for the last two months to 2.67 gallons per gallon of ethanol. With winter coming on, cooler weather reduces the evaporative loss from the cooling towers and we could see that number dip below 2 gallons.

You can see from the numbers above that we set a new yield number for our plant, which means we are getting more gallons from the same number of bushels of corn. Again, with only two months to

go on, it is impossible to say what we can do for the coming year. But these two months represent about 100,000 gallons more per month, from the same bushels, as we were getting the prior months. That is more good news.

If all this weren't enough, your operating staff tightened controls and set two new low records for the number of btu's per gallon of ethanol. While we definitely burn more gas than a new plant with wet feed sales, I think our numbers are outstanding for a 13 year old plant that dries 100% of its feed. Less water, less gas, and more gallons per bushel are 3 things well worth celebrating!

So, we are doing everything we can with those things we can control to improve our performance and results. Unfortunately, we can't control the markets and we certainly can't control the freefall this economy has taken. Every time I hear one of those talking financial heads giving us the wisdom of their insight, instead I picture a barker at the roulette wheel shouting, "Round and round she goes. Where she stops, nobody knows." No one really knows what is happening to the markets, where they will stop, or how high a dead cat can bounce.

These are the times when we realize how wise our founders were to set up our organization and structure like it is. The corn delivery agreement and its mechanism to seek market average price prevents us from committing to markets that are too volatile to call. The coming months will be full of news and rumors of ethanol companies collapsing. We are among the very fortunate few to be structured as we are, with no debt, with a strong balance sheet, and doing everything within our ability to weather these financial storms.

### **Debatable Ethanol?**

Once again we heard ethanol brought into the Presidential debates. While many of us in the industry have sought to educate politicians on the issue, it was evident that wrong perceptions persist. So let's take a minute to set the record straight, outside the heat of the campaign.

First, there is no subsidy for ethanol. While it may make interesting sound bites to proclaim that "I am against ethanol subsidies," it might help to understand the issue before making such a claim. What people wrongly call a "subsidy" is actually a tax break. In order to incent gasoline distributors and suppliers to blend ethanol in the first place, a tax incentive was created that reduced the amount of excise tax paid on gasoline blended with ethanol. That reduction in tax is enjoyed by, you guessed it, the blender—not the ethanol producer. So the "ethanol subsidy" is actually a tax break given the oil industry. Funny how that one always gets turned around and misrepresented, isn't it?

This tax reduction was created to help get our domestic ethanol industry started. But since it is based on blending ethanol, regardless of its country of origin, Congress wisely passed the credit add-back. That add-back is often mistakenly called a tariff. The purpose of the add back is not to prevent ethanol from outside the US being imported into our country. Instead, it is designed to reduce the cost of the excise tax roll back if oil companies choose to import ethanol rather than using US ethanol. On top of that, there was a provision made called the Caribbean Basin Initiative that allows a certain volume of ethanol to be imported without having to pay the credit add-back. That allowable volume today stands around 700 million gallons, and it is interesting to note that we have never seen the entire allowable volume claimed.

One statement made indicated that the misnomered "tariff" prevents Brazilian ethanol from entering the US. Not true. We have seen around 500 million gallons of ethanol imported from Brazil this past year, which is just about all they can afford to export at this time. Brazil has replaced over half its oil with ethanol, and their country uses most of their production domestically. One Brazilian producer noted that if the US dropped the credit add-back, Brazil would probably apply an export tax to prevent too much ethanol from leaving their country. Ethanol will be internationally traded, without a doubt, but to claim that we want energy independence while bashing our one successful and domestically produced renewable fuel one the one hand, and then to promote importing the same fuel from another country to reduce our oil dependence is just muddy thinking.

I would encourage you to vote your convictions and vote for the candidate of your choice. But I also hope that you listen critically to claims made by the candidates and seek a better understanding than what might be provided through campaign rhetoric. And at every opportunity you get, help those politicians understanding by getting correct information.

### **Tax Preparer's Seminar**

Please let your tax preparer know that we are again hosting a special meeting to advise tax preparers of issues they need to know about in order to prepare your tax returns. You recently received a letter telling you about the seminar, to be held on November 11, 2008 at Cabela's, from 9:30 a.m. to 11:30 a.m. We have sent out a separate invitation to tax preparers in the area, but we may have missed yours. Please make sure your tax preparer knows about this meeting.

If you and/or your tax preparer plan on attending this meeting, please RSVP to our office before November 3, at (507) 528-2494 Ext 121 so that we can plan appropriately for this event. We are looking forward to seeing you there.

### **Corn Pool**

Make sure if you want to get signed up for the second quarter corn pool, you will need to do so by November 28<sup>th</sup>. If you are interested in selling corn, always check with Walt. The corn pool is in the market for corn everyday. Al-Corn now has the ability to forward price their corn. Walt has a daily bid up on the Al-Corn website. [www.al-corn.com](http://www.al-corn.com). Just click on the Cash Corn Bid.

### **Nominating Committee**

We would like for the shareholders to start sending in your recommendations for potential board candidates as soon as possible. The nominating committee will be taking recommendations until Nov. 1<sup>st</sup>. Please contact one of your nominating committee members or Lindsey Schlaak with your recommendations. Thank you for assisting us with the process of developing a list of great candidates for our Board of Directors.

**Mark Dietz: Chairman**

**Brian Nelson: Secretary**

**Tom Butler: Committee Member**

**Chuck Staub: Committee Member**

**Curt Oeltjenbruns: Committee Member**

What do the Following Countries have in Common:

Argentina, Austria, Australia, Belarus, Belgium, Brazil, Brunei, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Denmark, Egypt, England, Eritrea, Finland, France, Georgia, Germany, Greece, Guatemala, Honduras, India, Indonesia, Ireland, Italy, Japan, Kuwait, Malawi, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Puerto Rico, Poland, Portugal, Russia, Saudi Arabia, Scotland, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Tanzania, Turkey, Ukraine, United Arab Emirates, Venezuela, Yemen, and Zimbabwe?

Al-Corn Clean Fuel in Claremont, Minnesota has hosted visitors from each

of those countries. Those visitors came to Al-Corn to learn about the US ethanol industry, to learn about ethanol production, to see our feed manufacturing and shipping capacities, to learn about our business structure, to see our innovative solutions to various equipment and production problems, to offer their equipment for sale, to learn about how cooperative businesses are built and operate, and to get ideas on how to transition their government and economies into something resembling capitalism. Through the conjunction of its placement, position, prosperity, and people, Al-Corn Clean Fuel has been recognized world-wide as an important resource and partner in the developing international biofuels industry. Congratulations on being a part of one of the industry's pioneers and leaders!

### **As The Harvest Comes In...**

I love this time of year in Minnesota, when the harvest is rolling in. Actually, I have to admit that I have become enamored of every season in Minnesota. It would be nice if winter was shorter, but hey, you can't have everything. I notice that I start getting excited as snow melts, and I look for signs that the field tile are starting to flow. That means that tractors will soon be in the field, turning up our rich soil and planting those seeds of hope for a new crop. I love watching for signs of the first blush of green across the fields, for the new crop starting its rise to the sun. I love watching that crop grow, and mature, and I love to see the trucks at harvest struggling to haul in the bounty of the crop. This is a wonderful place to live if you love watching the crops go in, grow, and get harvested, because this land produces so well.

You also know that there is a lot of hard work and planning that goes into making the crop. So much is out of the farmers' hands, but you know that they do everything they can to assure a bountiful harvest, year after year. We live in a country where the growth of our cities, and our urge to live "in the country" takes away 2 million acres of farm land a year. And yet year after year we see our farmers producing more, meeting the needs of our country and our world, and doing it with fewer and fewer acres and even fewer farmers. Amazing. Thank God there are dedicated men and women who are willing to dedicate their lives and lands to producing the food, feed, and even fuel that our country needs.

There are many uninformed voices out there who, out of ignorance or misunderstanding or even malice, decry the work and productivity of the American farmer. To those of you who are laboring to bring in your harvest, please remember that a grateful nation appreciates what you do and who you are. Don't listen to those negative voices, just hear our thanks that you are doing your job, and doing it so well. We pray for your success, your safety, your health and your prosperity. Thank you, God bless you, and may you enjoy a safe and bountiful harvest.

### **Holiday Closing**

Al-Corn Clean Fuel office and scale house will not be open on November 27th. Therefore, we will not be taking any corn in on that day. We hope everyone has a safe and wonderful holiday.

