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2007 Mid-Year Projections and Highlights at CVEC

by Bill Lee, General Manager

We have reached the midpoint of another fiscal year and ethanol and all forms of renewable energy are still very much in the daily headlines. I'd like to update the membership on a couple of important issues:

2007 Mid-Year Projections and Highlights

CVEC is on track to produce a record 22.2 million gallons of non-denatured ethanol through March, eclipsing the previous record of 21.8 million gallons for the first six months of the fiscal year set in FY 2005. Fermentation yield has been higher and more consistent than in past years, averaging 2.70 non-denatured gallons per bushel through the first five months of this year.

Operations Manager John Kent, Process Coordinator Steve Benson and the operations staff have done a great job in recent months improving plant productivity by making small changes to process design and operating procedures. The Operations Group's combined efforts have put CVEC on track to surpass previous levels of productivity performance in 2007. This performance is especially noteworthy considering how many new employees we have in operations after the exodus of many of our experienced operators back to North Dakota last year.

Another area in which the entire CVEC staff has recently excelled is in the area of safety management. Last February 26th marked our third consecutive year without a Lost-Time-Accident. CVEC Safety Manager, Paul Kramer, the CVEC Safety Committee and every one of our employees deserves commendation for helping achieve this significant milestone.

Combined companies net income from operations will be significantly reduced compared to last year, although it has been positive in each month of 2007 so far. Overall, we project net income from operations of about $0.30 per share for the first six months of fiscal 2007. We also project approximately $250,000 in net income from Glacial Grain Spirits at mid-year based on improved industrial alcohol margins and strong sales of organic alcohol products.

CVEC and most ethanol producers are still operating in a positive net income environment in spite of historically high corn prices but margins are much thinner and the impact of a dramatic move in a primary margin driver (e.g. corn or ethanol price) could shift monthly net income from black to red.

Markets

CVEC area average corn price has risen from $2.63 per bushel last October to $3.80 in February. After the March 31st USDA report, we should see an easing of this upward trend, but the outlook for the rest of 2007 remains uncertain. Acres planted, weather and actual crop yields are all factors that will contribute to defining our corn costs for the rest of this year and into next year.

Since peaking in December, our fuel ethanol netback price trend in January and February was to lower levels. The trend in March has been back up, following a strengthening in gasoline pricing. As we start to approach the summer driving season, we note strong domestic gasoline demand coupled with domestic gasoline refinery production running at reduced capacity because of spring turnarounds. This has created a continued favorable environment for ethanol blending and is supporting pricing compared to blend value. Another

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Mid-Year Highlights

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Bill Lee
General Manager

point in our favor is that the state of California may for the first time approve blending ethanol at the full 10% allowed by federal EPA. This could add another 900 million gallons per year of demand by fall of 2007.

Weighing against these positive price support factors will be the market impact of a virtual tsunami of new ethanol production coming on line in the next three quarters. Much of this new production will find its way into discretionary ethanol blend markets as our supply/demand imbalance creates more attractive ethanol pricing vs. gasoline. What is difficult to predict is the magnitude and duration of that impact.

The continued expansion of the ethanol industry is being fueled to a great part by the perception of an on-going spread between fossil energy (crude oil) and corn price. This assumption is being tested right now as ethanol grind margins have contracted significantly from last year's extremely high levels. We believe that, today's smaller margin notwithstanding, a considerable amount of the announced new capacity will actually get built but that there will be a shift from new, green-field destination plants back to projects more like ours, the expansion of established ethanol businesses located in the corn belt.

Gasification Project Update

We are in month seven of negotiating with Minnesota Pollution Control Agency to obtain a permit to begin construction of our Phase One gasification system. At this point, we are down to a relatively small number of big issues. While agency staff members continue to assure us that they are very supportive of these new technologies, they have yet to present a permit to us that will allow us a reasonable degree of flexibility in evaluating throughput levels and variations in feed-stocks. We will get this issue resolved but it has been a frustrating process and it illustrates the difficulty businesses like ours face in implementing new, more environmentally-benign process technologies in the absence of a well-established emissions database.

In the interim, project manager, Andy Zurn and his team have not been idle. Contractor Wanzek has completed as much site preparation as can be done without an air quality permit. All major equipment is either on-site (producer gas bag-house, gasifier unit, gasifier feed vessels) or is scheduled to arrive in April (producer gas cooler, producer gas burner, feedstock receiving and storage equipment). We are now looking at a mid-Spring construction start and an early winter start-up of the phase one gasifier system.

Other activities we will be working on this spring include finalizing our wood feed-stock supply and ash handling contracts and continuing our feedstock R&D efforts on agricultural residues and grasses. We are broadening our feedstock systems development efforts to include other stakeholders including other ethanol plants, AURI and University of Minnesota researchers. It is our intent to leverage the combined resources of these groups to define economic, reliable and sustainable means to collect and deliver these biomass materials to end-users such as CVEC.

Expansion Project Update

We signed the Phase I Engineering Study with Fagen Engineering last month. Currently, CVEC staff is working with Fagen to finalize the preliminary layout for the new facility. This step is a necessary prelude to the application for an air quality permit for the expansion project. We plan to submit this permit request to MPCA this spring.

Our preliminary rail expansion has been submitted to the BNSF for conditional approval. This design calls for multiple tracks running parallel to the existing main rail line along Highway 9 north of our existing plant. If this plan is approved, we then plan to locate the new corn receiving, DDGS load-out and fuel ethanol rail load-out facilities

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along side the west-most rail spur. We plan to dedicate our existing fuel ethanol load-out system to truck load-out and E-85 sales.

The new rail layout provides for rail access from the north-west or Clontarf side of the property. This means that future rail service can be provided will much less blockage of Co. Road 20 at the Hwy 9 intersection. Coupled with the expansion and reworking of Co. Road 20 that the Swift County Highway Department plans to implement this summer, we hope the new rail layout will reduce road traffic congestion in, out and around the plant site.

We are co-currently conducting a water usage engineering study with U. S. Water Services. The scope of this study is to define the best water pre-treatment and/or post-treatment options for meeting State of Minnesota water discharge criteria. CVEC is fortunate to have higher-quality water available from our aquifer than some other plants in this state. That being said, we may still be required to invest significant capital in water pre-treatment technology to meet these newly clarified discharge criteria.

We are still scheduled with Fagen for a mid-2008 start to construct the plant addition. We are hearing conflicting reports about the status of new plant starts next year. It is possible that our start date might be moved up depending upon what happens with other projects.

CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

LOT #	Amt. of Shares	Price	LOT #	Amt. of Shares	Price
LOT#175	51,300 (Pool)	$5.50	LOT#216	500 (Pool)	$6.25
LOT#176	50,000	$6.50	LOT#217	500 (Pool)	$6.25
LOT#177	2,400 (Pool)	$7.25	LOT#218	500 (Pool)	$6.25
LOT#178	2,400 (Pool)	$7.25	LOT#219	500 (Pool)	$6.25
LOT#181	2,500 (Pool)	$5.70	LOT#220	500 (Pool)	$6.25
LOT#182	2,500 (Pool)	$5.70	LOT#221	500 (Pool)	$6.25
LOT#183	1,500 (Pool)	$5.70	LOT#222	5,000	$5.90
LOT#184	8,250 (Pool)	$6.00	LOT#223	6,000 (Pool)	$5.50
LOT#188	5,000	$7.00	LOT#224	1,800	$5.75
LOT#189	2,500	$5.50	LOT#225	17,280	$6.00
LOT#190	2,500	$5.50	LOT#226	5,000 (Pool)	$7.00
LOT#191	2,500	$5.50	LOT#227	1,200	$3.50
LOT#192	2,500	$5.50	LOT#233	5,000	$6.00
LOT#193	1,551	$5.50	LOT#234	2,000	$5.50
LOT#194	2,500	$5.75	LOT#235	2,400	$5.50
LOT#195	2,500	$5.75	LOT#236	3,000	$5.75
LOT#196	940	$5.75	LOT#237	16,400	$5.20
LOT#198	5,000	$5.00	LOT#238	4,950	$7.00
LOT#199	5,000	$5.00	LOT#239	15,048	$6.00
LOT#200	5,000	$5.00	LOT#240	15,048	$6.00
LOT#201	3,068	$5.00	LOT#241	8,640	$6.00
LOT#202	5,000	$5.00	LOT#242	11,880	$6.00
LOT#203	5,000	$5.00	LOT#243	2,400	$6.00
LOT#204	5,000	$5.00	LOT#244	4,900	$4.25
LOT#205	5,000	$5.00	LOT#245	5,000	$7.00
LOT#206	5,080	$5.00	LOT#246	5,000	$4.90
LOT#207	2,500	$5.50	LOT#247	5,000	$5.10
LOT#208	5,670	$7.00	LOT#248	5,000	$5.50
LOT#215	5,000	$4.90	LOT#249	5,000	$5.50

CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

11,930 Shares @ $3.50 on 3/28/07
4,281 Shares @ $4.00 on 3/28/07
4, 500 Shares @ $4.25 on 3/28/07

Dale Tolifson

CVAC Chairman

I would like to thank everybody for attending our Annual Meeting back in January. We had a lot of good questions and with reports from Bill Lee, Joel Gratz and Deb Mennis the meeting was very informative. The membership re-elected Jan Lundebrek, Roger Longhenry and me to the CVAC Board of Directors.

We are still trying to get a permit to begin construction on the gasifier project. It's been a long process but we should get the permit soon. Meanwhile, our staff has done a good job making the most of the time. That tent you may see west of the plant site was put up to thaw out the ground where we will pour the foundation for the first gasifier unit.

CVAC directors have attended many meetings over the past few months, including the RFA National Ethanol Conference, The Renewable Products Marketing Group annual meeting and the Commodity Classic. We heard a lot about the food vs. fuel debate, criticism from the livestock industry and other concerns about rapid expansion of the ethanol industry.

Your board believes that the market for ethanol will continue to grow and that our ability to grow corn will also grow. That's why, even though there will be some periods of low margin, we believe that expanding our operation is a wise move to keep our co-op strong.

The CVEC staff have our ethanol plant is running very well. That's a good thing because with these lower margins, we will need all the performance we can get from our plant. I hope everyone has a safe Spring.

Paul Kramer

Safety Manager

I would like to start off by saying thank you to all CVEC employees. This new fiscal year has marked a milestone in safety at CVEC. We were able to beat our old record of two years without any loss time accidents to a new record of three years without any LTA's.

Along with this new record comes an incident rate of 2.01 which is lower than the industry average of 2.80. Accomplishing this hasn't come easy either.

CVEC has seen a lot of turn over in personnel this year but we were still able to maintain focus in our ability to run the plant and do it without anyone getting injured. Maintaining a focus on safety can sometimes take a back seat to the overall operations of the plant, but our employees were able to focus on not just the plant but on safety as well.

This just goes to show you that through everything our plant has gone through our employees should be proud of this accomplishment, because I am.

Shareholder News:

2ND TRIMESTER PRICE ANNOUNCED. The price for the second trimester of FY2007 will be $3.00 per bushel plus freight and time equalization. The time equalization and freight value will be approximately $.22/bushel for an average price of $3.22/bushel.

DELIVERY NOTICES START WITH THE LETTER "U" FOR 2ND TRIMESTER. Delivery notices will begin with the letter "U" for the period beginning February 1, 2007. CVEC will be calling in 35% of corn deliveries for the 2nd trimester. The new stock split bushels which was effective February 1, 2007 will be included in the 2nd trimester delivery notification. Open delivery will continue in place with a maximum sign up of 75,000 bushels weekly.

SUPPLEMENTAL MARKETING AGREEMENT. Any shareholders who have not yet returned their Supplemental Marketing Agreement regarding the recent stock split, please do so or call the CVEC office if you should have any questions.

STOCK SPLIT STOCK CERTIFICATES. The stock split certificates have been mailed to all shareholders. If you have not received your certificate, contact the CVEC office.

CVEC is in the process of updating our website: www.cvec.com, please check it out and give us your feedback and suggestions regarding items and information you would like to see on the site. You may contact us @: dbakken@cvec.com or jpagel@cvec.com.