



Chippewa Valley Ethanol Company

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Volume 15, No. 2

May 15, 2008

GASIFIER START-UP COMPLETE

On April 9th, the CVEC and Frontline start-up team successfully completed the last step in the start-up of the new gasifier system at the Benson plant. During the past few months, the construction and start-up teams have conducted a very diligent and step-wise commissioning process bringing individual sub-systems of the feedstock and gasification process on-line. Initial biomass combustion took place on February 21st and first actual gasification occurred on March 11th. The early gasification tests featured the highly-visible firing of producer gas in the flare mounted on top of the gasifier building.

During these commissioning steps, small amounts of process steam were created and blended with process steam from CVEC's boilers beginning the process of natural gas displacement. April 9 was the date, however

when combustible producer gas from biomass gasification was first fired in one of CVEC's boilers displacing natural gas. The start-up of the CVEC gasifier marks the first time an existing natural gas boiler has been retrofitted to utilize biomass energy in an ethanol plant.

"It has been a great team effort," said Jerod Smeenk, Engineering Manager of Frontline BioEnergy. "Frontline and CVEC have worked together from the

start to develop the design and install the systems to reach this milestone." Bill Lee, CVEC General Manager added, "This is the first step towards weaning our plant from fossil fuel and with today's natural gas cost approaching \$11 per MMBTU, we really look forward to reducing energy inputs costs while making our ethanol more renewable."

Andy Zurn, CVEC Engineering Manager who was responsible for coordinating all construction on the

gasifier project said "Congratulations to the following primary contractors on this project for their dedication to a high level of craftsmanship and their disciplined approach to project safety - Loen Electric; W a n z e k Constructors; Chappell Central; Par Piping; Dahlen Systems; Craig's Refrigeration; Miller Insulation; M a r c u s Construction."



The CVEC team is now transitioning the gasifier into a scheduled operating plan that will maximize biomass throughput within the constraints of our air quality permit. The next steps for the team will be to begin the process of characterizing air quality emissions, completing the pilot demonstration of the CleanGas unit at the BECON facility in Ames, IA and planning for ramping-up CVEC's gasifier throughput.

Mahatma Gandhi and his non-violent followers fought the most dominant global power of all time - the British Empire - and against long odds, eventually prevailed. When he was asked to describe the overthrow of British colonial rule in India, Gandhi said "First they ignore you, then they laugh at you, then they fight you and then you win."

The US ethanol industry has been going up against more contemporary global powers for 25 years. When we started our company back in 1996, our conflict with the oil companies was somewhere between the "ignore you" and the "laugh at you" stages. Remember when one of their chief arguments against ethanol was that it would forever be too small to be significant.

A quick glance at current headlines reveals that we have now clearly moved on to the "fight you" stage. In this fight, the oil companies are only one member of a very powerful coalition of incumbent industries that are not pleased by the recent gains that biofuels have made in the US economy. The food and livestock industries have become accustomed to our decade's long policy of cheap grains and the growth in biofuels is raising the cost of their inputs.

While some observers expected opposition to biofuels from the food, livestock and oil industries to lessen following the passage of the Energy Independence and Security Act of 2007 (EISA2007), the opposite has occurred. The other team has been throwing everything including the kitchen sink against us and this barrage of negativity has softened support for biofuels with the public and with some of our less informed state and federal legislators.

To some, ethanol has become a convenient scapegoat for all ills. We are starving the world's poor, creating more greenhouse gases than petroleum, consuming precious water resources and probably killing the honey bees too. The media pile-on probably reached its apex with last month's Time magazine article titled "The Clean Energy Scam". These articles at best over-simplify complex issues and at worst present outright lies in place of fact.

Bill Lee
General Manager



When the pendulum swings that far one way, thoughtful people usually understand that a restoration of balance is in order. Since then, our industry become more assertive in fighting back and that is accelerating a return to equilibrium in the energy debate. This week's article in Business Week titled "Is Ethanol Getting a Bum Rap?" is another good step towards exposing and correcting many of the misperceptions and distortions that articles like the one in Time advanced.

At its core, this is a war for public perception. It is not being waged because of concern for hunger in the world or to protect water resources or to protect the planet from more greenhouse emissions. This is about protecting the markets and margins of these well entrenched industries, plain and simple.

Like Gandhi and his followers, we too will eventually win this battle. We will win because we will learn how to further increase the agricultural productivity of farmland in the US and in other countries to meet both the food and fuel needs of a world population that is clamoring for an ever increasing standard of living. We will continue to improve the efficiencies and carbon footprint of our conversion processes. And we will develop systems to do it in a sustainable and environmentally beneficial way. That is a contribution to the planet that the other team cannot hope to make.

[I would like to personally thank Ron Lamberty of the American Coalition for Ethanol for allowing us to re-print his editorial "I've Got Your Boondoggle Right Here" as an insert to this newsletter.]

CVEC RECEIVES \$250,000 IN GRANTS FOR CORN COB DEMO

The Feedstock Committee reports that CVEC has received a total of \$250,000 in grants supporting its 2008 corn cob demonstration project. This amount includes \$50,000 from the Minnesota Corn Research and Promotion Council, \$50,000 from AURI and \$150,000 from the Minnesota Department of Commerce.

Committee Chairman, Kent Evenson said "We thank these forward-looking organizations for supporting this study." The Committee plans to collect corn cobs from approximately 5,000 acres of corn production by CVAC members this fall using at least

two different types of collection systems.

In January, the Committee asked CVAC members to enroll 2008 corn acres in this for demonstration project. CVAC members responded by submitting over 23,000 acres for consideration. "We are planning side-by-side demonstrations of the collection systems this fall at three locations" said Biomass Coordinator Gene Fynboh. "One location will be in central Swift County, while the other two locations will be about 30-40 miles to the north-west and to the south-east".

CVEC is also a supporting participant in another successful biomass grant process led by researchers at the University of Minnesota, Morris campus. Xcel Energy awarded the study group which includes the U of MN, CVEC and the USDA Soils Lab in Morris a total of \$980,000 for a multi-year study to define sustainable biomass collection strategies for ag residues and grasses. Efforts such as this study will be necessary to assure long-term viability of energy feedstocks as the Minnesota biomass market continues to grow.



Dale Tolifson

CVAC Chairman

Who would believe it's the first week in May, it is cold and there is snow in the ditches and a possibility of more snow this weekend.

Nationwide the corn planting is way behind normal. With this cold weather we could be planting around the middle of May. This will possibly make the price of corn to go higher yet. With the high price of corn and ethanol price being \$1.25 less than the price of gas, there isn't much profit.

The plant is running very well and the yield is 2.73 gallons per bushel of corn. CVEC is also starting to take oil out of the DDG, which should make the DDG easier to dry and it should also make the DDG a higher protein feed.

The gasifier at CVEC is also running about three days a week, which is lowering our natural gas cost. CVEC is gasifying wood right now, but plans to use corn cobs this fall. CVEC has lined up about 5,000 acres this fall to take corn cobs off of.

CVEC has made a new organic corn Vodka called PRAIRIE.

CVEC is planning on having a member meeting on Thursday, June 12th at McKinney's on the Southside at 1:30 PM. Everyone is invited. CVEC will be talking about things that are happening at CVEC.

Shareholder News:

3RD TRIMESTER PRICE TO BE DETERMINED AT THE MAY BOARD MEETING.

DELIVERY NOTICES START WITH THE LETTER "R" FOR 3RD TRIMESTER. Delivery notices will begin with the letter "R" for the period beginning June 1, 2008. CVEC will be calling in 30% of corn deliveries for the 3rd trimester. Open delivery will continue in place with a maximum sign up of 50,000 bushels weekly. Shareholders can begin signing up for open delivery on May 1, 2008 for delivery beginning in June.

CORN DELIVERIES. Due to CVEC storage capacity at the GPC West Benson location, it is very important to deliver your corn during the week in which it is scheduled. If for any reason, you are unable to deliver your corn commitment the week you are scheduled, please call the CVEC office and let us know.

DELIVERIES DURING COUNTY ROAD 20 CONSTRUCTION. Construction will begin on County Rd 20 on May 19th. All 2nd trimester deliveries should be complete by this date. There will be delays for trucks hauling, but they will attempt to keep them to a minimum. CVAC will still have open delivery for the 3rd trimester, however, please keep in mind there will be delays when hauling your corn commitment. The entire construction project should be complete approximately mid-July weather permitting. CVAC will also be calling in fewer bushels from shareholders during the first few weeks of the 3rd trimester to eliminate shareholder delays in hauling. If you have any questions, please give the office a call.

CVEC/BCP INFORMATIONAL MEETINGS DATE SET. CVEC and BCP will be holding a joint shareholder information meeting on Thursday, June 12, 2008 at 1:30 pm at McKinney's on Southside, Benson, MN. Look for a separate mailing to shareholders with details of the meetings coming soon.

UPDATE YOUR SHAREHOLDER INFORMATION. Please take the time to fill out the form on the back of this newsletter updating your information for our records and returning it to the CVEC office.

CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

LOT #	# OF SHARES	PRICE
LOT#296	5000 (POOL)	\$5.00
LOT#297	3000	\$3.00
LOT#298	2641 (POOL)	\$4.00
LOT# 299	2500 (POOL)	\$3.75
LOT#300	14,851 (POOL)	\$3.00
LOT#301	2520 (POOL)	\$3.00
LOT#302	6000	\$4.00
LOT#303	1440 (POOL)	\$3.50
LOT#304	5000 (POOL)	\$3.75
LOT#305	3100 (POOL)	\$3.50
LOT#306	4876	\$2.75
LOT#307	10,000	\$2.75
LOT#308	19,800 (POOL)	\$2.75
LOT#309	9900 (POOL)	\$2.25

CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

7,200 Shares @ \$3.50 in July, 2007
 111,400 Shares @ \$4.10 in July, 2007
 1,300 Shares @ \$4.50 in July, 2007
 3,000 Shares @ \$3.75 in October, 2007
 1,140 Shares @ \$4.25 in November, 2007

Please help us update our shareholder information by completing the form below and returning it to the CVEC office.

Name _____ (Please print)

Address1: _____

Address2: _____

City, St, Zip _____

Telephone #: _____

Cell phone #: _____

Email Address: _____

Would you be interested in receiving ethanol industry emails? Yes No

Would you be interested in receiving CVEC emails: Yes No

I've Got Your Boondoggle Right Here



Ron Lamberty

*Vice President/Market Development
American Coalition for Ethanol*

The latest in a long line of naysayers on all energy sources non-oil is now making his rounds, pushing his book that tears down any energy source not obtained by mining or drilling. These big-oil apologists often refer to ethanol as a “scam,” or my favorite, a “boondoggle,” which brings up some interesting comparisons.

Consider an energy source that has to travel almost a thousand miles before it's used. The price tag for building a pipeline will be \$8 billion – seven times standard pipeline cost. The fuel will devastate fishing and wildlife when millions of gallons are spilled in the ocean. Some politicians will be indicted for taking bribes from the providers of this energy. After all that, this fuel source will only replace about 6 billion gallons of gasoline a year – about 4 percent of what the United States uses.

“ *It appears the only difference between opportunity
and boondoggle is the fuel involved.* ”

That's Alaska. But nobody calls Alaska a boondoggle.

What if energy came from a place that required constant military presence to assure product shipment? Even during peaceful times, 30 billion tax dollars a year are needed to protect fuel flow from the area. In times of war (which are frequent), the defense “subsidy” increases to over \$100 billion a year, and this fuel will triple in price, draining a half-trillion more dollars from the U.S. Oil companies would

buy this fuel from families like the bin Ladens, whose son will become infamous in America. And we'll have to look the other way at the treatment of the people in this country, because they can supply about 11 percent of our oil.

Oil companies have fallen all over themselves for the Saudi Royal family – but Saudi oil has never been called a boondoggle.

Perhaps fuel could be provided by steaming energy-laden chunks of dirt with water heated by huge amounts of imported natural gas. The process will leave huge open pits in the wilderness, and it will produce water so polluted that it will have to be burned to clean it. That source will replace only about 4 billion gallons of our yearly gas supply – more if we build a huge, multi-billion-dollar pipeline to ship it to processing facilities.

But the Canadian tar sands are touted as our nation's energy solution – certainly no boondoggle.

Oil companies have spent a lot more than 18 billion dollars a year of our money to get a lot less than 36 billion gallons of fuel, and history shows they'd sell their own mothers to get 9 billion gallons of oil for the \$4.5 billion we'll spend on ethanol this year. It appears the only difference between opportunity and boondoggle is the fuel involved. If Alaska, the Middle East, and Canada are significant, an even larger supply of ethanol is no boondoggle.