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Volume 17, No. 1 May 7, 2010

CVEC to Receive Grant for Recovery of Waste Heat

CVEC was recently notified of its selection by the Minnesota Department of Commerce Office of Energy Security to receive a grant for the recovery of waste heat from the Regenerative Thermal Oxidizer (RTO) stack. The RTO is a pollution control device that thermally destroys volatile organic compounds from the DDGS dryers that would otherwise be released to the atmosphere. The recovery of this heat would result in an energy efficiency improvement for the ethanol production process (on a BTU/gallon basis) of about 8%, thereby lowering CVEC's natural gas cost by approximately $800,000 per year. CVEC is proud to be a leader in the concept of environmental stewardship, and this project furthers the goal of sustainable biofuel production.

Mike Jerke
General Manager

Politics

Recently, my oldest son had the opportunity to participate in the Iowa High School Model United Nations program. Basically, this is a program offered statewide in Iowa that allows students to represent a specific country and come together as a group and lobby for policies that would be beneficial to the nation they represent. The procedures involved in proposing a policy, garnering support, and offering amendments are designed to be similar to the actual rules involved at the UN. Accordingly, the importance of debate, negotiation, and deal making are quickly recognized by the students as critical to their success. The group meets twice during the year for two days each session. Early during the first day my son sent a text message update letting me know he was meeting new people and having a good time. Near the end of the second day the text message was, "If this is how democracy works, we are doomed." With that message, I knew it had been a successful learning experience.

No doubt about it, politics is messy, frustrating business. And yet, it is vital that we are participants rather than spectators. It is through voting and interaction with our representatives that our voices are heard.

The ethanol industry and its supporters are currently engaging members of congress pointing out the importance of passing legislation introduced in the House of Representatives as the Renewable Fuels Reinvestment Act. The companion file in the Senate is the Green Jobs Act. Both of these pieces of legislation extend the important Volumetric Ethanol Excise Tax Credit (VEETC), the companion secondary tariff, the Small Producers Tax Credit and the Cellulosic Ethanol Producer Tax Credit. The first two items are likely the most familiar to ethanol investors. VEETC, also known as the blender's credit, is the credit that refiners get for blending ethanol with gasoline. The secondary tariff is in place to assure that American taxpayers do not subsidize foreign ethanol production.

While there is plenty of debate about which renewable fuels are greener than others, the truth is that the only viable renewable fuel currently available is ethanol. The issue is as simple to state as this: America is better off keeping our energy dollars at home versus sending them to foreign entities. It's about Energy Security. Additionally, we need to continue the transition to renewable, sustainable sources of energy.

Elsewhere in this newsletter you will note the contact information for our Minnesota delegation.

I urge you to make your voice heard by letting our representatives know that the Renewable Fuels Reinvestment Act (House Legislation) and the Green Jobs Act (Senate Legislation) are important and need to be supported! Thank you.

Plant Performance

As Chairman Benson notes, we are currently operating near breakeven levels. Ethanol supply has outstripped demand and price has declined accordingly. Once again, there are rumblings of plant slowdowns in response to the tighter margin environment. We will provide a detailed review of the results of the last quarter and discussion of the near-term forecast in our upcoming shareholder quarterly letter.

2010 CVAC Board of Directors

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3	Chuck DeGrote	chuckd@cvec.com
3	Dan Benson – Chairman	danb@cvec.com
3	Roger Longhenry	rogerl@cvec.com

Daniel Benson

CVAC Chairman

I am writing this during the third week of April, and we have been fortunate to have a very mild and warm spring so far. After a very fast snow melt and above average temperatures for March and early April we are encountering planting opportunities that are two to three weeks ahead of typical years. Hopefully, our early planting season paired with timely rainfall throughout the growing season will enable us to have some high potential crop yields, especially for the corn crop in 2010.

After a very challenging 2009 fiscal year for CVEC, the ethanol industry as a whole, and the US economy, we have had some positive signs and reasons for optimism moving forward for 2010 and beyond. While the end of 2009 and early 2010 have been profitable for CVAC, the ethanol industry faces significant uncertainty moving forward in terms of government policy and the EPA's upcoming decision on allowing higher ethanol blends.

CVAC is very happy to be making an April distribution to all shareholders of $.20 per share, which was approved at the April Board meeting. Distribution checks should be mailed to shareholders during the third week of April. We hope that the ethanol industry will improve as we are currently operating at near break-even levels as ethanol netback prices have decreased since earlier 2010 months/late 2009.

The first of two upcoming government policy issues that directly affects CVEC and the ethanol industry is the EPA's decision about allowing higher levels of ethanol to be blended into gasoline. The EPA has previously delayed the decision date, which is now expected to be announced in late summer after more research and analysis. The ethanol industry is supporting an increase to a 15% ethanol blend. EPA has signaled that approval may only be for vehicles built in 2001 or later which would limit the increase in ethanol demand versus allowing higher blends in all vehicles.

The second upcoming policy issue is whether Congress will extend the Volumetric Ethanol Excise Tax Credit (VEETC), which expires on 12/31/2010. This VEETC is vital to the ethanol industry as it entices blenders to continue to build, support, and upgrade ethanol handling infrastructure throughout the US. There is currently a bill in the US House co-sponsored by Representative Pomeroy and many other corn-belt representatives to extend this credit for five years.

We at CVAC remain cautiously optimistic looking forward in 2010 for CVEC and the ethanol industry. We feel we are very well positioned at CVEC due to our low debt levels and broad diversification between the production of ethanol, E-85, Glacial Grain Spirits, and Guardian Energy's Janesville Plant. I wish all of you a safe and productive planting season and summer, and look forward to the opportunities that await CVAC in 2010.

Shareholder News:

Delivery notices will begin with the letter "O" for the period beginning June 1, 2010. CVEC will be calling in the remaining 30% of corn deliveries for the 3rd trimester. Open delivery will continue in place with a maximum sign up of 50,000 bushels weekly.

Delivery reminder: Shareholders who own 50,000 shares or more will continue to have two weeks in which to deliver your corn.

The Board of directors declared a distribution to CVEC limited partners of $.20/share at their April 16th board meeting. The checks were mailed to shareholders on April 21st. Please contact the CVEC office if you have not received your check. For IRA account holders, checks were sent directly to your IRA.

CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

LOT #	# OF SHARES	PRICE
356	45,000 (POOL)	$1.75
357	36,000	$1.50
358	51,000	$1.50
359	51,000	$1.50
360	53,549	$1.50
361	10,000 (POOL)	$3.65
362	4950	$1.30
365	10,000 (POOL)	$1.80
366	6020 (POOL)	$3.00

CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

70,000	$1.00	1/10
8496	$1.40	2/10
55,000	$1.25	2/10
7000	$1.30	3/10
15,000	$1.50	3/10
15,000	$1.25	3./10
15,000	$1.50	4/10

Ethanol website information for ACE (www.ethanol.org) and RFA (www.ethanolrfa.org)

Commodities Update

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Great spring weather, near record planting progress, unknown late spring and summer weather, China, Ethanol policies, exports, imports, below average old crop corn quality, is it any wonder that the corn market is a fickle and sometimes volatile market. What a fantastic spring we are having, the weather has been warmer and dryer than normal and has helped to get planting off to a record type start this spring. After a tough fall season it has been very refreshing to see things get moving at a smooth pace. Hopefully the good weather can remain and we can catch some rains as needed to keep the crops moving along.

As the crops get in the ground and moving we need to start looking at marketing the crop and its potential value going forward. After a fall with, in many cases light test weight, higher moisture corn we thankfully have a spring that has allowed many to get caught up on fall fieldwork and even some harvesting that didn't get done. With all the potential issues and policies that can affect value, crop marketing is a difficult prospect. At CVEC we work very hard to mitigate risk thru diversification of our markets with Fuel Ethanol, Beverage Alcohol, Industrial Ethanol, E-85 production, biomass energy production, corn oil production, feed production and in years like 2009 that diversity allowed us to mitigate risks that others were not able to. When it comes to the value of corn the philosophy is similar.

Shareholders are only committed to deliver 80% of their shares, so shareholders can work the other 20% into their own marketing program. CVEC offers a Corn Pool to corn growing and non growing members. CVEC also offers many different ways to market additional corn bushels or for non members to market corn. On the Web site cvec.com we have many of the contract types that we offer listed along with an updated market value close with several delivery periods listed. These values can also be e-mailed or possibly texted daily if you're interested please call or e-mail Chad. We will be making some significant changes to the website to give shareholders and other grower's additional information and ease of use over the next 60 days keep an eye on the changes and please give us some feedback or additional information that could be helpful.

With a lot of unknowns in the market; what will the weather bring, how many total acres will there be, how much of last year's corn will be around,… it is difficult to predict what prices for corn can do. One of the unique contract options that CVEC offers is the Trimester Average; these contracts are set up on four month intervals starting October first. Each Trimester takes the average of the area market over that four month period, or you could consider it as a cash sale of a small amount of bushels each and every day of the trimester regardless of your delivery period. This is the way we price the shareholder deliveries and the corn pool bushels, there is an additional cost to the corn pool in order to procure the corn, but this allows for a very stable price and a great start to corn marketing (your guaranteed the market average). Throw on a $0.20 distribution and your getting a market average plus $0.25 per bushel on your committed corn. Now market some additional cash bushels to CVEC as well and you have a set price on some bushels with upside on the average in a market that strengthens or if prices work lower you've got the fixed price piece done and the average moderates the down side effects. If you watch the market prices at CVEC you'll also notice that much of the time we are a cash premium to other potential markets.

For shareholders your bushels are marketed against the market average so that pricing can be as safe and stable as possible whether delivering or as a member of the pool. We've all seen how dramatic and volatile corn price action can be over the last couple years so this is a very stable base position and with all the other market opportunities available we can build into a customized market program that works for you. Please remember to let our grain handlers know to place your additional bushels into CVEC if delivering into CVEC and we can apply them in any prearranged manner or they will get priced at the daily close. Please call me to discuss the many different ways CVEC can work with you on those extra corn bushels.

RENEWABLE FUELS ASSOCIATION

What the Renewable Fuels Reinvestment Act (HR 4940) Means

The Renewable Fuels Reinvestment Act (RFRA) provides needed long-term extensions for the major federal tax incentives helping provide for the continued growth and evolution of America's ethanol industry. RFRA, introduced in the House by Reps. Earl Pomeroy (D-ND) and John Shimkus (R-IL), extends through 2015 four of the most important tax incentives for all ethanol producers and blenders, regardless of feedstock.

What RFRA Would Do?

- Extend the Volumetric Ethanol Excise Tax Credit (VEETC) of $0.45 per gallon available to oil and gasoline refiners for each gallon of ethanol they blend through December 31, 2015. The VEETC is set to expire at the end of 2010.
- Extend the corresponding secondary tariff on ethanol through December 31, 2015. The secondary tariff exists to offset the benefit of the VEETC which is available to all sources of ethanol, regardless of its country of origin. The tariff sunsets at the end of 2010.
- Extend the Small Producers Tax Credit until January 1, 2016. This $0.10 per gallon tax credit is available on the first 15 million gallons of ethanol produced by ethanol companies producing no more than 60 million gallons per year. This tax credit expires at the end of 2010.
- Extend the Cellulosic Ethanol Producer Tax Credit until January 1, 2016. Currently, cellulosic ethanol is eligible for both the $0.45 per gallon VEETC as well as an addition $0.56 per gallon production tax credit. This tax credit expires at the end of 2012.

Why is RFRA Important?

- Together with the Renewable Fuels Standard (RFS), the tax incentives for ethanol provide the necessary public policy framework to ensure America's domestic renewable fuels industry is allowed to be successful. Even though the RFS requires ethanol use, it doesn't require it be produced domestically. Thus, allowing the tax incentive to expire would force America to add foreign ethanol addiction to our addiction to foreign oil.
- Failure to extend VEETC and the other tax incentives would result in a loss of 112,000 jobs in all sectors of the economy, many of these in rural areas that can least afford a loss of economic opportunity. Additionally, 38% of domestic ethanol production would be forced to shutter. That is approximately 4 billion of the 10.6 billion gallons the industry produced in 2009.
- Passage of RFRA will provide investors with the long term stability needed to bring next generation technologies to commercialization. Likewise, it allows current ethanol producers to invest with confidence in new efficiencies to further improve upon ethanol's economic and environmental benefits.

Federal Government - Minnesota Members of Congress

U.S. Representatives

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