



# Chippewa Valley Ethanol Company

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## ETHANOL GROUPS WELCOME BILL TRANSFORMING CURRENT ETHANOL POLICY

Washington, DC (May 4, 2011) - The American Coalition for Ethanol (ACE), Growth Energy, the National Corn Growers Association (NCGA), and the Renewable Fuels Association (RFA) today praised the legislation offered by a bipartisan group of senators, led by Iowa Senator Chuck Grassley, to responsibly transition and transform current ethanol tax policy. This legislation would reduce the current blender's credit, also known as VEETC, for a two-year period before transitioning to a tax credit that would adjust based on the price of oil. Importantly, this legislation would also improve upon current tax credits for the installation of blender pumps and ethanol fueling infrastructure. Additionally, the bill would extend tax credits for small ethanol producers as well as for advanced and cellulosic ethanol.

Original cosponsors of the Domestic Energy Promotion Act of 2011 include: Senator Kent Conrad (D-ND), Senator Mike Johanns (R-NE), Senator Amy Klobuchar (D-MN), Senator Al Franken (D-MN), Senator Tim Johnson (D-SD), Senator Tom Harkin (D-IA), and Senator Ben Nelson (D-NE).

The groups issued the following statement: "The leadership of Senator Grassley and this distinguished bipartisan group of co-sponsors has been and remains instrumental in allowing America's ethanol industry to grow and evolve. At a time of near-record gas prices and continued volatility in world oil markets, America's growing production and reliance of domestic ethanol sources is creating jobs, keeping gasoline prices down, and reducing this nation's appetite for imported oil. The Domestic Energy Promotion Act of 2011 would ensure we don't abandon this increasingly vital American industry, but rather smartly and responsibly

foster its continued growth and evolution."

"This legislation rightfully recognizes budget constraints by reforming the ethanol tax credit and significantly reducing its cost. Additionally, this bill would improve current tax credits for the installation of blender pumps offering higher level ethanol blends and provide Americans more choice when they fill up. Critically, this legislation would also ensure progress made to commercialize advanced ethanol technologies utilizing new feedstocks such as grasses and municipal solid waste is accelerated.

We thank these senators for their leadership in introducing this bill and look forward to working with them through the legislative process that ultimately ends with the President's signature."

According to a recent report from Iowa State University, the University

of Wisconsin, and the Center for Agriculture and Rural Development, the growth in production and use of ethanol kept American gas prices \$0.89 lower than it otherwise would have been in 2010. Such downward pressure on the gasoline market saved the average American family more than \$800 last year alone. From 2000-2010, ethanol kept gasoline prices \$0.25 cents lower on average than they otherwise would have been, resulting in nearly \$35 billion in avoided cost at the pump for consumers.

*The American Coalition for Ethanol (ACE) is the grassroots voice of the U.S. ethanol industry, a national advocacy association for the ethanol industry with nearly 1,500 members nationwide, including farmers, ethanol producers, commodity organizations, businesses supplying goods and services to the ethanol industry, rural electric cooperatives, and individuals supportive of increased production*



## The Right Track

GPS guidance devices are wonderful tools. By simply typing in an address, a GPS unit will guide you right to the destination. Those of you that have used GPS know that previous statement is not accurate. GPS is not fool proof. The downloaded maps need to be updated periodically, the units can be oblivious to road construction, and sometimes they are just plain wrong. And if large buildings or other structures are in the way, the GPS unit is unable to receive signal.

Organizations and businesses develop vision and mission statements that act as the equivalent of GPS in guiding the direction of the entity.

Companies like CVEC are successful because the founders had a vision and mission that they were able to effectively articulate. Faces in management and on the board of directors can change, but if the vision and mission provide clear guidance, the Company is able to stay focused on the goal.

The board of directors has recently held several meetings focusing on the long term direction for the Company and challenged each other with the following questions: Where is CVAC headed? How do we intend to get there? And most importantly, what do our member/owners expect? Common themes that arose during these planning sessions were the importance of distributions, focus on agriculture and perpetual operation of the Company. Those themes are compared to the existing Mission Statement which will be analyzed for clarity and relevance.

While this type of planning can seem tedious, it is an important process that gives the board and management the chance to recalibrate our operational compass. As the Company evaluates future opportunities; management can check our heading against the established "true north" and be sure we are on the right track (or tack).

## Politics

I hope you took a moment to read the front page press release from the American Coalition for Ethanol (ACE). I know we say it often but our industry is under attack by detractors that do not understand or recognize the important role ethanol plays in our quest for energy security (let alone the economic and environmental benefits). Please take time to contact your Federal Representatives and Senators and insist they support the Domestic Energy Promotion Act of 2011. You can

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also log on to [www.ethanol.org](http://www.ethanol.org) to find links that will allow you to send email messages to your specific representative.

Additionally, we have included a membership form to become an active part of ACE. ACE prides itself on being the grassroots voice of the ethanol industry and we think they do an outstanding job of making that voice heard in Washington, DC. I would ask you to consider becoming a member of ACE. Your support is appreciated. Thank you!

## Frontline BioEnergy

CVEC has completed the transaction that was discussed at the Annual Meeting in January in regards to our ownership in Frontline BioEnergy (FBE). Specifically, we have reduced our ownership in FBE from 53% to 10% by selling the difference to SGC Energia (SGCE). SGCE is a privately held European company with engineering and project management offices in Houston, Texas. CVEC will retain a seat on the board of managers. Additionally, FBE and CVEC have agreed to mutually release each other from the obligations (other than certain confidentiality and licensing provisions) contained in the Research and Development Agreement. CVEC also received \$1 million as a result of this transaction.

## GPC

Recently, the court of appeals overturned the district court's decision in the matter between GPC and CVEC finding that CVEC indeed owed costs for corn storage to GPC. CVEC petitioned the State Supreme Court of Minnesota to hear the case. The petition was denied. Therefore, the appellate court ruling will stand and CVEC will need to work with GPC to determine the amount of the storage costs (the Courts did not provide guidance on the total amount). We are certainly frustrated with the results and remain convinced that it is in the best interest of our members that we are able to have direct unadulterated interaction with our corn delivering members and customers.

## **Employee Recognition:**

Recently CVEC recognized employees that are celebrating significant milestones with our Company. They included:

- 5 Years of Service - Matt, Cook, Dave Douvier, Jesse Noby, and Matt Zemple
- 10 Years of Service - Jerome Kent
- 15 Years of Service - Denise Bakken, John Kent, Gary Rasche, Mark Schwartz, Scott Tostenson, and Kevin Wilts

## **Gary Rasche**

The Chippewa Valley Ethanol Company family was saddened at the passing and loss of long term employee Gary Rasche. Gary is remembered not just for his contribution to CVEC but his infectious smile and easy laugh. We extend our sympathies to Gary's wife Bonnie and the rest of his family.







## Daniel Benson

CVAC Chairman

As April comes to an end, we are eagerly waiting for fieldwork to start. Hopefully, the weather will cooperate with us and allow the corn crop to be planted in the next few weeks which will help stabilize

corn prices and bode well for CVAC through this spring and summer. We remain cautiously optimistic about the 2<sup>nd</sup> half of CVAC's fiscal year - as the first six months turned out to be quite profitable for us. However, the high price of corn and uncertainty in the world's economy with commodities and oil prices leaves a lot unknown.

The American Coalition for Ethanol organized a fly-in to Washington DC of about 60 board members and managers of ethanol plants from throughout the country. Our plant was represented by our manager and several board members. The purpose of the trip was to lobby Representatives, Senators and their staff. We met with friends, foes and the uninformed about the value of ethanol and DDGs. It was a real eye-opener to see the lack of knowledge and misinformation about our industry. Our industry needs to do a much better job telling our story.

Based on CVEC's strong financial performance in the first half of the fiscal year - we paid out a 10 cent per share dividend at the end of April. Based on our low debt levels, experienced management and diversification - we feel we are positioned significantly above average in the ethanol industry. We hope to continue our profitable operation throughout 2011 and look for additional opportunities for diversification through Guardian Energy and shareholder dividends in the future.

## Shareholder News:

**D**ELIVERY NOTICES START WITH THE LETTER "P" FOR the 3<sup>rd</sup> trimester of FY2011 - CVAC will be calling in 30% of corn deliveries for the 3<sup>rd</sup> trimester. However, due to market volatility, CVAC will be calling for all shareholder corn to be delivered in the month of August. Keep in mind when delivering your corn the beginning of the week tends to be the busier days of the week for corn delivery.

**O**PEN DELIVERIES for 3<sup>rd</sup> trimester will also continue for the month of August only of 75,000 bushels per week. Please call the office on June 15<sup>th</sup> or later to sign up for a week of your choice.

**S**HAREHOLDERS WHO OWN 50,000 SHARES OR MORE will continue to have 2 weeks in which to deliver their corn.

**T**HE BOARD OF DIRECTORS declared a distribution of \$ .10/bushel at their board meeting on April 22<sup>nd</sup>. The payment was sent to shareholders the week of 4/25.

### CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

LOT #	# OF SHARES	PRICE	LOT #	# OF SHARES	PRICE
401	4,770	1.70	407	4,400	1.70
404	22,281 (POOL)	2.00	410	9,900	2.00
405	9,900	2.00	411	9,900	1.75
406	4,000 (POOL)	1.90	412	19,800 (POOL)	2.00

### CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

SHARES SOLD	DATE SOLD	SHARES SOLD	DATE SOLD
11,400	\$1.20 11/10	20,000	\$2.00 2/11
34,549	\$1.10 12/10	5,400	\$1.50 2/11
11,400	\$1.10 12/10	2,600	\$1.55 2/11
45,000	\$1.60 12/10	5,400	\$1.50 3/11
5,000	\$1.25 1/11	10,800	\$1.00 3/11
5,334	\$1.10 1/11	6,540	\$1.50 3/11
8,000	\$1.65 1/11	16,500	\$1.40 3/11
4,320	\$1.50 1/11	9,900	\$1.50 3/11

## Commodities Update

It's spring, or so the calendar tells us, maybe somebody should let Mother Nature know. Potentially tight corn carryout and the slow start to the spring planting season are certainly playing a big role in the corn market and creating quite a bit of price volatility of late. Speculators are playing their part as well making sure that any weather event, political news or world demand shift gets full use of the trade range. May 11<sup>th</sup> USDA report will give some direction as to the true state of the 10-11 crop year carryout, but it won't do much to help us estimate what kind of effect a slow start to planting and summer weather will have on potential pricing as we move into the 11-12 crop. I'm afraid the big price moves and lots of market volatility are going to be around for a while. The tight carry and the volatility are a couple of the



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Commodities Manager

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## 2011 CVAC Board of Directors

District Number	Name	Email Address:
1	David Thompson – Treasurer	davet@cvec.com
1	Gene Fynboh	genef@cvec.com
1	Jan Lundebræk – Secretary	janl@cvec.com
2	Kent Evenson	kente@cvec.com
2	David Nagler	davidn@cvec.com
2	Dale Tolifson – Vice-Chairman	dalet@cvec.com
3	Chuck DeGrote	chuckd@cvec.com
3	Dan Benson – Chairman	danb@cvec.com
3	Roger Longhenry	rogerl@cvec.com

# Commodities Update

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key reasons why CVEC has made some changes to delivery for the third Trimester. Please see the Shareholder News Brief in this newsletter to get some of the details of how this is going to be handled, but I will follow-up here with why these changes were made.

First off CVEC had to make a decision and get the info out so that Shareholders had some time to make any necessary changes for third Trimester deliveries. The values may change as we move forward, but the plan is made and the effect should be a positive for all. The way the corn market was structuring itself suggested that cash corn should all move in June and July to maximize value. This obviously is a problem for your company as it needs corn in August and September as well June and July. The solution was to take the shareholder deliveries into August and try to buy cash corn for June and July. The way things are structured, the cash average for the trimester is unaffected by when the corn arrives, so in this way CVEC will have guaranteed physical corn later into summer and can give the market some additional time to work thru this old crop new crop spread. Currently the slow plantings are not going to make things much easier as this potentially tight inventory of US corn will need to last just a bit longer waiting for new supplies to arrive out of the field. Already the prices have started to come in and it could still get to a point where it

will be cost effective to store corn beyond July 31<sup>st</sup>, time will tell.

Because of the foresight when the share delivery formula was put together over a decade ago, storage and interest are paid to the shareholder until the actual delivery of the corn so nothing is lost on the market value of share corn. With this knowledge, and the thought that June and July corn movement could be fairly substantial, there is the added benefit of not putting our shareholders into potentially long delivery lines in the months of June and July. This decision was torturously analyzed, and set by the market outlook which still strongly suggests that this is the best approach going into late summer. Please call with any questions in regards to third trimester delivery but please realize that it will be handled as any other delivery period except for the condensed delivery timeframe.

In closing, I would like to invite all CVAC members to view our CVEC website at [cvec.com](http://cvec.com), for grain pricing and other important information. I would also invite you to call me and discuss the corn market, especially in regards to forward marketing and cash marketing of non-share committed bushels that you may have. CVEC has many different contract types and posts several deferred month values that can be contracted on these un-committed bushels. The volatility of this market doesn't appear to be going away, and with historically high cash corn values it makes sense to have a plan in place that takes advantage of these prices.

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As an ACE member, you will support critically important ongoing work to:

**Increase ethanol demand** by mobilizing grassroots political support for public policies at state and federal levels through ACE's nationally-recognized aggressive and honest policy approach that fights for ethanol market access.

**Expand ethanol market opportunities** by educating petroleum marketers about the benefits and profitability of ethanol. ACE has built the industry's most respected market development program with a history of more than 10 years of infrastructure expertise.



**SAVE THE DATE:**

**ACE Annual Ethanol Conference**

**Des Moines, IA**

**August 22-24**

## 2011 ACE Membership Form

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Email address: \_\_\_\_\_

Website: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Co. newsletter contact and email: \_\_\_\_\_

Please send invoice for:

### Individual Membership (\$50 Annually)

*For individual advocates of ethanol. This is a personal account and cannot carry the name of a company. Individuals help ACE maintain its grassroots identity.*

- ✓ Reduced membership registration for ACE conference, select industry
- ✓ **Receive complimentary print copy of *Ethanol Today* magazine, access to digital edition**
- ✓ ACE-mail blasts on public policy, market development, and key industry issues

Access to Members' Only Section of [www.ethanol.org](http://www.ethanol.org).

### Associate Membership (\$750 Annually)

- ✓ Opportunity to sponsor ACE conference
- ✓ Reduced membership registration for ACE conference, select industry events
- ✓ Assistance with blender pump education and installment in your area
- ✓ **Receive 5 complimentary copies of *Ethanol Today* magazine**
- ✓ NEW: Receive ACE's "Fieldnotes" newsletter 6 times per year
- ✓ Access to Members' Only Section of [www.ethanol.org](http://www.ethanol.org)
- ✓ Advertising opportunities in *Ethanol Today* magazine and at [www.ethanoltoday.com](http://www.ethanoltoday.com), logo placement once per year
- ✓ ACE-mail blasts on public policy, market development, and key industry issues
- ✓ Add your company events to Advocacy in Action section in *Ethanol Today* magazine

### Voting Membership (\$1,500 Annually)

- ✓ Voting privileges
- ✓ Assistance with blender pump education and installment in your area
- ✓ Priority choice of conference sponsorship opportunities
- ✓ Opportunity to submit abstracts for ACE conference agenda
- ✓ Reduced membership registration for ACE conference, select industry events
- ✓ **Receive 10 complimentary copies of *Ethanol Today* magazine**
- ✓ NEW: Receive ACE's "Fieldnotes" newsletter 6 times per year
- ✓ Access to Members' Only Section of [www.ethanol.org](http://www.ethanol.org)
- ✓ Premier ad placement, logo in *Ethanol Today* once per year
- ✓ Frequent ACE-mail blasts on public policy, market development, and key industry news, social media advisement, public relations support
- ✓ NEW: Link your press releases from ACE website
- ✓ Add your company events to Advocacy in Action section in *Ethanol Today* magazine

Completed form may be returned to ACE by fax (605-334-3389) or by mail:  
5000 S. Broadband Lane #224, Sioux Falls, SD 57108