Chippewa Valley Ethanol Company

270 20th St. NW • Benson, MN 56215 • 320-843-4813
Website: http://www.cvec.com • E-Mail: cvec@willmarnet.com

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CVEC 2010 Performance

With the year-end audit nearly complete, we can report that CVEC had a very good year. In fact, it will rank in the "top five" in terms of net income. Production, income from Glacial Grain Spirits, and energy required to produce a gallon of ethanol all finished at record levels. We will have a complete review of the year in our Management letter that will be part of the Annual Report.

It is nice to reflect on good results from the year just completed but time marches on and there continue to be plenty of challenges in our industry. On the Federal level we have yet to see passage of an extension of the blenders credit (VEETC) that sunsets at the end of 2010. Our detractors protest loudly that VEETC and the corresponding import tariff reflect an unfair subsidy to the ethanol industry. Yet they seem to miss the fire hose of tax dollars that flow to the oil industry. As commodity prices gyrate we once again hear the cry from various groups of "food versus fuel". These same groups profit greatly when corn prices are cheap but have learned that a catchy phrase can many times drown out the truth.

As an industry we cannot remain silent or stand idle as others determine the future of our business. The fact remains that two words trump any argument brought by our opponents: **Energy Security**. We must continue to tell our story and educate the populace about Energy Security and the role ethanol plays. In the coming year Chippewa Valley Ethanol Company will be working to elevate the dialog and encouraging you as members to participate in the process. Thank you in advance for your support.

18th Annual Meeting Date Set

The 18th annual meeting date has been set for January 22, 2011 at McKinney's on Southside, Benson, MN. Details to follow at a later date.

Nominations for Board of Directors for 2010

The nomination committee would like all shareholders to start sending in your recommendations for potential board candidates as soon as possible. The nominating committee will be taking recommendations until December 3, 2010. Please contact one of your nominating committee members (listed below) or Denise Bakken @ 320-843-1229 with your recommendations. Thank you for assisting us with this process developing a list of great candidates for our Board of Directors.

Directors up for election this year are:

District 1: Gene Fynboh
District 2: Dick Hanson - (will not be seeking re-election in 2011)
District 3: Dan Benson

The nomination committee consists of the following directors:

District 1:	District 2:	District 3:
Jan Lundebrek 320-843-2733	Dale Tolifson 320-843-3758	Roger Longhenry 507-296-4422
Dave Thompson 320-239-2983	Kent Evenson 320-843-2435	Chuck DeGrote 320-847-2175

Mike Jerke
General Manager

Lima

In our continuing effort to deliver profitability to our membership, I am pleased to announce that Chippewa Valley Ethanol Company has invested $2 million in Guardian Energy - Lima, a 60 million gallon ethanol facility in Lima, Ohio.

In making the Lima acquisition, we have joined with two of our partners in the Janesville facility, KAPPA Ethanol LLC of Minden, NE and Heartland Corn Products (HCP) of Winthrop, MN in investing with Paladin Capital, which had purchased the plant out of bankruptcy. Total amount of equity invested is $31.2 million.

This facility was originally designed by Benchmark Products Inc. and constructed in 2007/2008. An estimated $150 million was invested by the original stockholders to construct the plant. During its start up, it was plagued by engineering and production problems due to the nature of the process design. The company filed for bankruptcy protection in 2008 and was purchased by Paladin Capital from the bankruptcy court.

As part of the negotiated purchase price, ICM of Wichita, KS (process engineers for Guardian Energy - Janesville, MN) has been engaged to redesign and modify the facility to provide the same efficiency experienced at other ICM facilities. ICM is providing the usual process guarantees. It is anticipated that the plant will be up and running by April 2011.

Our decision to invest in this project was driven by the following rationale:

- Low Cost of Acquisition of Production Capacity
  - At the time of startup, we anticipate that there will be $45 million invested in the plant (not including working capital). When compared to the anticipated production of 60 million gallons per year means a capital cost of $0.75 per gallon. In comparison to new construction, which is estimated at $2.00 per gallon, we have achieved a large advantage to the balance of the market, representing for us the capability to deliver an above average return for the industry.

- Cost of Production
  - With the process guarantees provided by ICM, and the management of Guardian Energy - Janesville, we believe that production costs will be equal to that of other ICM facilities. ICM technology has proven itself capable of providing a process with low operating costs.

- Facility Location
  - Ohio Market Economics
    - The Ohio market has continued to show strong gross margins over the last three years. This is due to the fact that Ohio represents the 6th largest gasoline market, has strong transportation economics to other ethanol demand centers such as New York, and produces over 500 million bushels of corn.
  - Corn Availability
    - In the county and surrounding area where the plant is located, 66 million bushels of corn are grown.

- Strong Balance Sheet
  - After the debt is funded, we anticipate the balance sheet to reflect 53.5% Equity over Total Assets. This project will be substantially different than the investment we made in the Janesville facility with respect to leverage. As you might recall, we purchased Janesville for $94 million and the owner of the plant at that time (AgStar Financial Services) provided $94 million of debt and a $14 million operating line of credit. The equity investment represented the operating capital required to start the plant. The facility in Ohio will have a much more favorable debt to equity ratio than that initially experienced in the Janesville project, allowing for a quicker cash return on our investment.

- Management of the Facility
  - The management of the Janesville, MN facility has proven to be very capable and will manage the operations of the Lima facility under a Management Agreement with the owners. Renewable Products Marketing Group (RPMG) will market the ethanol and Dry Distillers Grains.

- Our Partners
  - We have great confidence in our partners in the facility. We have enjoyed our past working relationship with KAPPA and HCP. Paladin Capital is a private equity firm based in Washington, D.C. Their investment advisors include past CIA director, James Woolsey, and they have been an active investor in homeland security and renewable energy projects around the globe.

Janesville

Guardian Energy - Janesville closed the books on a satisfactory start-up year of operations. While not operating for a full twelve months, the company was able to exceed budgeted expectations by nearly $2 million generating $10.9 million of net income. Other operating highlights include:
- Produced 91.8 million gallons of undenatured ethanol.
- Purchased 33.6 million bushels of corn.
- Reduced Long term Debt by $23 million.

As you may recall, our structure at Guardian Energy - Janesville requires that we achieve 40% equity before making any cash distributions.

From the board of directors:

Recently the board of directors of Chippewa Valley Ethanol Company and Glacial Plains Cooperative met to discuss the corn handling relationship. While it was good to see both groups engaged in discussing the issue, there was no resolution from this meeting. A major point of contention between the two Companies is how much storage CVEC customers have access to. An issue of equal concern to CVEC is having direct, unadulterated interaction with our corn delivering members and customers.

We remain focused on finding a solution and look forward to continued negotiations to achieve that goal.

Daniel Benson

CVAC Chairman

As we head toward the end of 2010, we can look back on this past year as being very good for CVAC. Looking forward into 2011, we face a number of challenges. The first involves the VEETC tax credit which expires at the end of 2010. As of mid November, it looks questionable as to whether it will be extended or not. Other challenges include getting E-15 for cars 2001 and newer, high corn prices and the resurgence of the "food vs fuel" debate.

It is important to remember that the Renewable Fuel Standard (RFS) requires fuel blenders to use 12.0 bb gallons in 2010 and 12.6 bb gallons in 2011. This number goes up .6 bb gallons each year until 2015, when it reaches 15.0 bb gallons. These numbers are very close to the current ethanol production and there are very few new ethanol plants being built now. Unlike 2008 when corn prices spiked, we do not have the rapid increase in production and lower blend requirements from the RFS anymore. So, if the RFS remains intact, and continues to increase per law in the future, CVAC should remain profitable due to it's low debt ratio and access to lower corn prices than in much of the corn belt.

We hope that CVAC will continue to operate successfully and profitably into 2011.

Shareholder News:

FIRST TRIMESTER PRICE ANNOUNCED.
The price for the first trimester of FY2011 will be $3.50 per bushel plus freight and time equalization. The time equalization and freight value will be approximately $.12/bushel for an average price of $3.62/bushel. The board of directors will review the first trimester price at the November board meeting.

DELIVERY NOTICES START WITH THE LETTER "Y" FOR 1ST TRIMESTER.
Delivery notices will begin with the letter "Y" for the period beginning October 1, 2010. CVEC will be calling the 35% of corn deliveries for the 1st trimester. Open delivery will continue with a maximum signup of 50,000 bushels weekly.

FY10 THIRD TRIMESTER ADJUSTMENT
The corn adjustment payment for period ending September 30, 2010 was sent out on October 6, 2010. Shareholders received an adjustment of $0.42 per bushel delivered.

LONG TERM CORN PAYABLE
On September 30, 2010 CVAC sent out the corn adjustment payment from 2nd trimester of 2008. Shareholders who delivered corn during that period received an adjustment of $0.35 per bushel.

Happy Thanksgiving

CVEC will be closed on Thursday & Friday, November 25-26

CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

LOT #	# OF SHARES	PRICE
376	17,640	1.25
383	15,000 (POOL)	1.25
384	5000	2.00
385	5000	2.00
386	4400	2.00
387	4000 (POOL)	2.00
388	4000 (POOL)	2.00
389	760 (POOL)	2.00
392	5000	$1.30
393	28,800	$1.50
394	15,751	$1.50
395	45,000 (POOL)	$2.00
396	11,400	$1.25

CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

SHARES	SOLD	DATE SOLD	SHARES	SOLD	DATE SOLD
70,000	$1.00	1/10	91000	$1.25	7/10
8496	$1.40	2/10	96,000	$1.25	8/10
55,000	$1.25	2/10	5940	$2.00	8/10
7000	$1.30	3/10	4752	$1.40	8/10
15,000	$1.50	3/10	30,000	$1.15	9/10
15,000	$1.25	3/10	17,100	$1.00	9/10
15,000	$1.50	4/10	7000	$1.25	9/10
4950	$1.30	5/10	10,000	$1.50	9/10

Commodities Update

Chad Friese
Commodities Manager
320-843-1248
cfriese@cvec.com

I certainly want to discuss the corn market, but I would like to begin with grain quality and move to the markets. From all indications this year's corn and last year's corn are going to be as different as night and day. The corn of 09-10 gave all of us some unique challenges, which hopefully we need not deal with again for quite some time. I can tell you that the operations group here at CVEC did an outstanding job in working with the variability of the crop to keep everything running smoothly and to minimize those challenges. The 10-11 crop should give us all a chance to recover from those challenges, but the entire 09-10 crop is probably not history quite yet. We truly do thank you for the extra effort and headaches that handling the 09-10 crop caused, and good job.

As I write this I am wishing that it was after the USDA Crop Production Report of November 9th, because currently the corn market seems to be waiting for some confirmation of what direction it should go from here. We have certainly gotten used to market volatility in the

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Commodities Update

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last few years, and this year certainly provided plenty. As we anticipated corn acreage and trend line yields at the first of the year, the market pulled back and then traded in a pretty solid range for the first half of the year. With the June Stocks Report we put the brakes on to a market that really needed some support and shot the market higher. The corn market trended higher putting on 2.00 in July, August, and September with some dry weather in the Eastern Corn Belt adding to the rally. The Sept. Supply and Demand report also added some to this, but couldn't hold the market together, and the corn market gave up 60 cents in six trading days after not pushing through resistance. Enter October and a small rally that appears to be set to retest September resistance, but gets the aid of an October Crop Report that sends it sailing past that September resistance by an additional 50 cents.

That is how you put $2.50 onto a corn market and sit here on the 3rd of November wishing the next report was behind you. What we do know is that pricing is very good for all the commodities currently and that the market seems unsure of where to go from here. Is the November report going to give us that last piece of information to set price direction for some extended period? Are current prices rationing a perceived record demand? Will political support of Ethanol and other Bio-fuels continue or be set back by elections and policies? What does E-15 mean to the future of Ethanol? The Economy? The list of questions is much longer than any list of answers, but as we move through this next year, I'm sure we'll start to get a little direction as to what some answers are. It is clear though that there are a lot of things interconnected and what the price of corn is may be the answer to some and the question to others.

Ethanol did a good job of staying with corn throughout most of the year, and continues to track corn well in the nearby markets, but how well that can continue if corn continues to climb and ethanol loses some of its market support is certainly a question that also looms large. From that stand point CVEC has been active throughout this last year in developing export market opportunities for some of its ethanol production. This allows some of the production to be priced with world demand for Bio-Fuels separate from domestic demand and policies. There are plenty of road blocks that exist on the export front as well with the impending start of the European Union's Renewable Energy Directive, but it does offer some pricing potential that makes it worth the effort, and with sugar values on a surge right now US exports of ethanol continue to be feasible. This type of pursuits along with the diverse blend of products developed at CVEC over the years has certainly had a positive effect on margins in a sometimes very difficult market for Ethanol.

Hopefully everyone has gotten a chance to take a look at the cvec.com website. With the new website, you can go into the corn bids page and view current pricing of most traded commodities, see CVEC's current and future cash corn pricing, use charting tools, get local weather, and ag news. It's really exciting to have this technology and service available, if there are additional items or offering that you think we should be offering thru the website, please let us know. Along with the website we still have other opportunities to keep you informed on our cash and forward markets, I send out an e-mail nightly to those that have expressed interest, and certainly feel free to call in at anytime and visit about the market. Currently the market carry in corn and the improved Basis in the forward contract delivery months shows some very good marketing opportunities, and we can certainly be working some offers, or placing some additional bushel into the market average.

CVEC
270 20th St. NW
Benson, MN 56215