



Chippewa Valley Ethanol Company

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CORN COB DEMONSTRATIONS SCHEDULED FOR OCTOBER

CVEC and the University of Minnesota, Morris (UMM) will be hosting public demonstrations of two different corn cob collection systems next month. The dates, times and locations are given in the insert to this newsletter. This past summer, CVEC received a total of \$250,000 in grants from the Minnesota Department of Commerce, AURI and the Minnesota Corn Research and Promotion Council to demonstrate and evaluate corn cob collection strategies.

The systems that will be demonstrated will be the Vermeer Cob Caddy - a pull-behind cob collection system and the Ceres Ag Residue system which is designed to mount directly on the corn combine. Our Biomass Coordinator, Gene Fynboh has finalized enrollment for the 5,000 acre collection and has selected three sites for the demonstration.

Staff from the UMM will assist in the demonstrations and will conduct yield analysis and quality monitoring of the collected cobs. Corn cobs from this study will be gasified in both the

CVEC system and the new biomass gasifier that was recently commissioned at the UMM campus in Morris. The UMM will also coordinate the creation of a cob collection video and an Outreach packet that will serve as a "how-to" guide to Minnesota corn farmers who want to get in the cob biomass business.

We invite all our members and their friends and neighbors to participate in one or more of these cob collection demonstrations. There is a new energy market opening up right in our backyards. Come see the future of biomass energy in West-Central Minnesota.



16TH ANNUAL MEETING DATE SET

The 16th annual meeting date has been set for January 31, 2009 at McKinney's on Southside, Benson, MN. Details to follow at a later date.

We have entered into the final operating month of FY 2008 - a year that has been both difficult and contentious. While CVEC has made significant progress in a number of areas, we have done so in a very tough margin environment and our bottom-line results have not met expectations.

On a positive note, our employees are doing an absolutely outstanding job raising operations performance to new heights. Ethanol production (non-denatured basis) for FY 2008 will be very close to 46.0 million gallons - a huge increase of over last year's record production of 43.8 million gallons. Ethanol yield will be up again for the third straight year. At year-end, gas energy efficiency was improved by about 7% - equaling the best performance we have seen since our 2003 expansion. The staff completed four and a half years without a Lost-Time-Accident on August 26th. Clearly our staff is working very hard to maximize operational performance.

Even with this high level of operational performance, our margins are still under pressure. The primary source of that pressure is the continued roll-out of new ethanol production capacity. By some counts, there are upwards to 30 more corn ethanol facilities still in some state of construction. They say that imitation is the sincerest form of flattery. I'm sure that CVEC and this industry's other founding producers are well past the point of appreciating the complement.

Our refinery customers are well aware of this fact and they are not at all motivated to pay us the true value of our product when tomorrow's supply will be greater than today's. The tremendous value that they are absorbing in terms of ethanol discount pricing is helping to finance a continued build-out of blending infrastructure in places like Florida, Texas and the Carolinas. It just isn't happening nearly as quickly as the rate of new ethanol start-ups. A positive note here - there have been very few new ethanol plants beginning construction in 2008.

Another recent highlight is the rejection by federal EPA of the request by state of Texas to reduce the volume of the Renewable Fuels Standard (RFS). This action

Bill Lee
General Manager



protects a 15 billion gallon per year corn ethanol market - critical to our industry and vital to our nation's energy security.

Texas Governor Perry made the request apparently to help out the poultry and livestock industry in his state. I don't think his Texas oilmen were too upset with his actions either. We were pleased to see the EPA defend the RFS against this transparent attempt by Big Food to regain their access to cheap corn.

That brings us to the other main source of margin pressure - corn price. While prices have fallen by about \$2.00 per bushel from their summer highs, they are now moving in virtual lockstep with ethanol price at a price level that is approximately break-even for most producers. We don't see this changing significantly until we can bring ethanol supply and demand back in to balance. With increasing corn yields, adequate corn acres, the maintenance of the RFS and a slowdown in new plant construction, many observers predict this balance will be achieved by 2010.

Competitively managing corn input costs going forward will be a very important factor for CVEC in FY 2009. We are identifying and implementing new strategies for corn procurement and corn position protecting. The recent cancellation of the procurement contract by Glacial Plains Cooperative (see CVAC Chairman Tolifson's article) for both CVEC and the Benson Corn Pool has served as yet another catalyst prompting our board and management to explore a wider range of options than we have previously considered. We will keep our members informed as we make progress in this critical area.

GASIFIER OPERATIONS

August marked the fourth consecutive month in a row with increasing biomass throughput in our Phase 1 Gasifier. We have operated the system successfully up to a capacity of 75 ton per day. This equates to approximately 25% natural gas displacement. Operator training has progressed very well. Wood feedstock suppliers have been tested and evaluated. We have conducted both engineering and compliance air quality emissions tests. In general,

emissions have been somewhat better than we had forecast.

All major unit operations have been validated by sustained multi-day operation. The PLC control system has also been validated. We have been focused mostly on improving component reliability in a few key areas like actuating relief valves. Component reliability is the current limitation to achieving greater on-stream-time for the unit. As we improve reliability, we expect to ramp

up throughput further this fall. In addition to working alongside CVEC to increase system on-stream-time, Frontline is focused on an October startup of the CLEANGAS[®] pilot unit in Ames. Frontline and Fagen have executed a letter of intent and are currently finalizing a Licensing Agreement that will formalize their collaborative efforts to supply gasifier systems to the ethanol industry and other industrial natural gas users.



Dale Tolifson

CVAC Chairman

With the days getting shorter, one can almost feel that Fall is coming. The crops look great, and I think the yields for both corn and beans will be there. Some of the crops got nipped by frost on the 9th of September. We still need until the 1st of October to get this crop mature.

On August 22th, CVEC and the Benson Corn Pool got notice from Glacial Plains Cooperative that they were cancelling the procurement contract that had been in place for several years. The contract will end on November 21st. The Grain Handling Agreement currently in place between CVEC and GPC is not expected to be directly affected by this cancellation.

Even though GPC was not specific about their reasons for cancelling these contracts, we are confident that they made this decision in the best interest of their patrons. We wish to express our appreciation for the years of procurement service they have provided to our plant and our members. CVEC and the BCP are looking at several different options for corn procurement after this contract comes to an end.

This also is the time to start thinking about whether you want to run for a position on the CVAC Board of Directors for the next three years.

As everybody starts getting their machinery and bins ready for this Fall Harvest, take it easy and have a safe one.

Shareholder News:

1 ST TRIMESTER PRICE TO BE DETERMINED AT THE SEPTEMBER BOARD MEETING.

DELIVERY NOTICES START WITH THE LETTER "N" FOR 1ST TRIMESTER. Delivery notices will begin with the letter "N" for the period beginning October 1, 2008. CVEC will be calling in 35% of corn deliveries for the 1st trimester. Open delivery will continue in place with a maximum sign up of 75,000 bushels weekly.

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.

NOMINATIONS FOR BOARD OF DIRECTORS FOR 2009

The nomination committee would like for 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 1st. 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 of developing a list of great candidates for our Board of Directors.

Directors up for election this year are:

- District 1: Dave Thompson
- District 2: Kent Evenson
- District 3: Keith Kvistero

The nomination committee consists of the following directors:

- | | | |
|-------------------------------|-------------------------------|---------------------------------|
| <u>District 1:</u> | <u>District 2:</u> | <u>District 3:</u> |
| Gene Fynboh
320-843-4661 | Dick Hanson
320-842-9303 | Dan Benson
320-875-2036 |
| Jan Lundebrek
320-843-4411 | Dale Tolifson
320-843-3758 | Roger Longhenry
320-668-2323 |

CHIPPEWA VALLEY AGRAFUELS SHARES FOR SALE

<u>LOT #</u>	<u># OF SHARES</u>	<u>PRICE</u>
LOT#313	5,000 (POOL)	\$3.00
LOT#314	2,560	\$2.50
LOT#315	3,300 (POOL)	\$3.50
LOT#316	12,000 (POOL)	\$2.00
LOT#317	29,100 (POOL)	\$2.25
LOT#321	5,000 (POOL)	\$2.25
LOT#322	5,940 (POOL)	\$4.50

CHIPPEWA VALLEY AGRAFUELS SHARES SOLD

- 21,600 Shares @ \$1.36 in June, 2008
- 51,412 Shares @ \$1.00 in June, 2008
- 5,000 Shares @ \$1.00 in July, 2008
- 7,280 Shares @ \$1.00 in July, 2008

New Employee:

Jamie Schwiderski



Hi:

I'm Jamie Schwiderski, I was born in Olivia, MN in August 1980. I graduated from Benson in 1999. I played football, hockey, golf and track during high school. My greatest high school achievement was a hole in one back in 1999.

I graduated from College in 2004 with a B.S. in Law Enforcement. In February of 2008 I started working at CVEC as a Utility Operator which I enjoy very much. My hobbies include golfing, hunting and any outdoor activities.

harvest time is here
Be safe.

Corn Cob Harvest Collection Demonstration

Dates and Locations

October 7th

10am to 4pm

Location:

7610 Cty Rd 1 NW.,
(4 miles South of
Priam, MN)

October 15th

10am to 4pm

Location:

2 ½ mi W of Hwy 59 on
Cty Rd 22,
Holloway, MN

October 23rd

10am to 4pm

Location:

57002 180th St.,
Donnelly, MN
(Donnelly, 5 mi S on Cty 9 then
W 3mi)
(Alberta, 5 mi N on Cty 9 then W
3 mi)
(Chokio, 5 mi N on Cty 13 then E

Refreshments will be served.

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*Chippewa Valley
Ethanol Company*

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RESEARCH AND OUTREACH CENTER (WCROC)
UNIVERSITY OF MINNESOTA, MORRIS (UMM)
UNIVERSITY OF MINNESOTA COLLEGE OF
FOOD, AGRICULTURE, AND NATURAL RESOURCE SCIENCES (CFANS)
UNIVERSITY OF MINNESOTA INITIATIVE FOR RENEWABLE ENERGY AND THE ENVIRONMENT (IREE)