



Board Update/Carl Benck - Board President

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View from inside the Process Building: mill and paddle screen levels



Greetings from the Board. I reviewed the article I wrote last year in January and the prospects for United Wisconsin Grain Producers LLC (UWGP) in 2013 weren't very bright. Corn prices were high and coming off the smallest crop in a long time, looked to be going higher. Margins were nonexistent and we worried about getting enough corn. As we progressed through the year we found the corn and margins got better. We finished the year more than doubling our profit from 2012. The profits from 2013 are reflected in the earnings payout of \$350 which will be mailed before the end of the month. This brings the total payout for 2013 to \$550. The board continues to strive to bring our investors the highest return while retaining earnings to make capital improvements

and guard against future downturns in the market.

During 2013 we did a little over \$3 million in capital improvements. The majority of this money was used to reduce our cost of production. Our goal is to always strive to be the low cost producer of ethanol.

"One of our greatest strengths at UWGP is our employees."

One of our greatest strengths at UWGP is our employees. We are at or near the top in the industry in gallons of ethanol produced per bushel of corn. Our people really know how to run the plant. We are ranked number one in run time which means we don't shut down. We have come to find that the exceptional, remarkable and out-

standing work ethic of our employees is what they consider normal. The board feels this allows us to stand out and often make a margin when many in the industry are not.

We have just passed the budget for 2014 and the prospects look much more encouraging than they did last year at this time. Corn is currently trading around \$4 and there is an ample supply which means there shouldn't be much pressure to move prices higher. This is positive for UWGP, not so much for our farmer investors, but we knew \$7 corn couldn't last.

In conclusion, the plant is running well and 2014 looks to be a good year. Please mark your calendars for Thursday, April 10, 2014 for the annual meeting, we hope to see you there.

SGT (Front End Grind) Project

The Selective Grind Technology (SGT) project is nearly complete. In fact, before you get this newsletter, it should be running smoothly. Fluid Quip Process Technology (FQPT) has brought this equipment from years of experience in the wet milling industry to dry grind ethanol plants. Chris Fields, FQPT has been on site for the past few months, providing construction management and, along with our own Dan Groh, completed the system checks. Operator training is done and we're anxious to get the system up and running to see what it does for our ethanol and oil yields.

Dan Wegner - Commodities Manager

"Recent U.S. Cornbelt "Wealth Build" in a Nutshell"

We have heard and read literally dozens of times about how ethanol has driven the price of corn higher, or more directly the price of food higher. Ethanol has been blamed for the deforestation of millions of acres in South America and other parts of the world. In fact, this deforestation actually transpired into a separate carbon accounting segment called "indirect land use change", a penalty assessed against midwest corn

based ethanol, which actually will keep our ethanol from being used in California

"Two thousand thirteen (2013) has been a good production year both here and abroad, corn stocks are up, and prices are down."

down the road. Please refer to the chart on Page 2, which shows from 1993 up through 2013 (in 5 year spans) the area

planted (AP) in the U.S. to accommodate the demand for ethanol in the U.S., and soybeans exported from the U.S. to China. Over this time span we have had two demand growth episodes explode concurrently, to which both now are demanding 24-26 million acres of production land here in the U.S. Chinese demand for U.S. soybeans requires 24 million U.S. acres to produce enough soybeans to sat-

Barb Bontrager - CFO/General Manager

Below is a snapshot of our financial results for the year of 2013 compared to 2012. The complete financial statements and footnotes will be available from our website after Boulay P.L.L.P. has completed their year-end audit. As you may recall, a year ago there was a great deal of uncertainty surrounding how much corn was available and what it would cost to procure because of the 2012 drought. Therefore, we are very pleased with our financial results for 2013 at 2½ times our 2012 net income and above our \$7.9 million five year average net income (2009-2013).

We plan to start up the Selective Grind Technology (SGT) system on Tuesday, January 21st. This \$2 million capital project approved by the board on April 12, 2013 will increase ethanol and crude corn oil yields by grinding larger particle sizes; allowing us access to starch that has previously been unavailable. The process guarantee on this Fluid Quip Process Technology (FQPT) system provides for a two year payback. It is these types of technological advances and process improvements that allow us to continue to be leaders in the ethanol industry.

Looking ahead to 2014 we see better margins, especially in the nearby months, than we did a year ago. Time will tell what our current administration and its counterparts will do with the Renewable Fuel Standard (RFS) which can impact the demand of ethanol as well as what automakers and the fuel supply chain will ultimately market. What we do know is that ethanol is required in motor fuel both as an oxygenate and an octane enhancer. This provides a baseline demand for ethanol and being a low cost producer we thereby secure our stake as a long-term player in this industry.

	Year ended 12/31/2013	Year ended 12/31/2012	Variance	% Variance
Gallons of Ethanol Produced	54,922,828	54,667,816	255,012	0.5%
Bushel of Corn Ground	18,961,131	19,191,033	(229,902)	-1.2%
Yield - Gallons denatured ethanol/bu of corn processed	2.90	2.85	0.048	1.7%
Average Ethanol Price per gallon (net back to plant)	\$2.33	\$2.24	\$0.09	4.0%
Average Corn Price per bushel	\$6.45	\$6.38	\$0.07	1.1%
Total Revenues with realized hedging activities	\$ 161,566,857	\$ 159,851,390	\$ 1,715,467	1.1%
Gross Margin before unrealized hedging activities	\$ 13,665,580	\$ 8,297,913	\$ 5,367,667	64.7%
Net Income before unrealized hedging activities	\$ 10,927,255	\$ 4,301,471	\$ 6,625,784	154.0%
Net Income before unrealized hedging per gallon ethanol	\$ 0.20	\$ 0.08	\$0.12	152.9%
Unrealized gain (loss) from hedging activities	\$ (209,956)	\$ (10,487)	\$ (199,469)	
Net gain after all hedging activities	\$ 10,717,299	\$ 4,290,984	\$ 6,426,315	149.8%
	as of 12/31/2013 as of 12/31/2012			
Working Capital	\$ 35,640,756	\$ 33,415,928		
Total Assets	\$ 67,092,513	\$ 67,160,310		
Member Equity	\$ 61,165,598	\$ 63,203,997		

Dan Wegner - Commodities Manager (continued)

isfy half their total demand. They also require an equal 24+ million acres of bean production from South America to satisfy their soybean import requirements. Forty-eight (48) million acres at 160 bu/acre is 7.68 billion bushels of corn, nearly twice the amount processed by our U.S. ethanol industry. Another eye popping statistic is the net income from corn and soybeans in billions of dollars. Five record years broken out: 2009, 2010, 2011, 2012 and 2013 had \$11, \$7, \$32, \$37 and

\$29 billion dollars respectively of farmer earnings, to which 41% was directly attributable to soybeans. Two thousand thirteen (2013) has been a good production year both here and abroad, corn stocks are up, and prices are down. The net earnings for next year are projected to be back down to \$4 billion if input costs do not drop dramatically, which will hurt our farm economies. This poses the question, "What would happen if the demand for ethanol and China were lost? Giv-

en the importance of both these demand bases to the net income of our American grain producer, it is critically important to maintain ethanol in our fuel supply, and China as a trading partner. On the other hand, the next time you hear someone talking about how ethanol is driving up food prices, you might want to suggest to them that Chinese soybean demand has just as much to do with food prices as ethanol.

Recent US Cornbelt "Wealth Build" in a Nutshell						
<i>= Impact of Two Coincidental Grain Demand Episodes, 1993-2013</i>						
US Soybean Area Planted (AP) to China & Corn AP to Fuel Ethanol*						
Item	unit	1993	1998	2003	2008	2013
Soybean AP to China	mil ac	0.085	2.147	8.014	17.476	24.000
Corn AP to Ethanol	mil ac	4.302	3.512	7.305	19.839	25.976
AP to China & Ethanol	mil ac	4.387	5.659	15.320	37.315	49.976
AP Total, beans & corn	mil ac	133.324	152.190	153.007	161.700	171.812
AP to China & Ethanol	pct	3.3%	3.7%	15.3%	23.1%	29.1%
Net Inc., beans & corn**	\$bil	-2.1	-0.8	-7.1	+5.7	+21.6
*Fuel Ethanol area adjusted for DDG domestic feed displacement of whole corn.						
**Net income for average 5 years, excluding CCC transfers.						



Jenny Ebert - Quality Assurance Manager/Environmental "Priority to Quality"

While it's important to look forward, it is also important to check your rear view mirror and see where you have been. Quality has always been a priority at United Wisconsin Grain Producers LLC (UWGP), trying to ensure we maintain a highly efficient process and produce high quality end products by constantly looking in our rear view mirror at our past process data. To assist with maintaining our priority to quality, last year we purchased a new quality database software system that was specifically de-

signed for the ethanol manufacturing industry and works with our production computer Digital Control System (DCS). The new software system was purchased from Trident Automation, headquartered in Kaukauna, Wisconsin.

"Quality has always been a priority at UWGP...."

The software has two modules, Lab Data and Key Performance Indicator (KPI). It allows us to record our manual quality checks in the Lab Data module and pull information from the DCS to perform statistical analysis on both sets of information in the KPI module. At any time, users are able to view the stored data in a graphical format allowing them to easily see how the pro-

cess is running and if a change has beneficial or detrimental effects on the process. Our old quality database software system was an off-the-shelf product that we made fit our manufacturing process. Using the old software we were unable to access any computer information collected by the DCS, and we had to employ an external software system to display the information graphically. Similar to an item of clothing, when you purchase something off the rack it may look good but if you take that item to a tailor or have a seamstress design an item specifically for you; the item not only looks good

but it often fits and functions better as you go about your normal activities. This new software was only in the "discussion" phase of the design process when we purchased our old software system. By using the old software system we were able to begin to monitor our process, but more importantly we were able to better understand and identify our wish-list for a future quality database software system. With new software, there of course is a learning curve, and while we often dislike change, the comments received during the training sessions favored the new system because it was designed for our industry allowing us to quickly and easily view past data.



Paul Bandt - Grain Originator

We have a new smiling face here at the plant, and in the rural areas of our corn draw area. Paul Bandt has joined United Wisconsin Grain Producers LLC (UWGP), where he will be helping originate corn bushels from producers in surrounding counties. Paul has lived in the Pardeeville area for the last 30 years, with his wife Denise and his 4 children. The

Bandt kids have all graduated from college in the recent years, and Paul and Denise welcomed their first grandchild in June last year. Paul has 15 years of experience in dairy production and most recently was the Operations Manager for the past 17 years at Landmark Coop in Cambria. Paul spends a great deal of time traveling out in the country making stops at pro-

ducers, meeting new and current customers. When not on the road, Paul works out of the grains department in the administration building at UWGP, making phone calls to customers and helping them with their corn marketing. We are excited to have Paul on staff, helping on the corn procurement side of our business.



Every year most people gain weight over the holiday season and retain at least one of those holiday pounds. Over the course of 10 years, this means at least 10 pounds of holiday weight, adding to the usual lifetime weight gain of nearly 20%.

UWGP Employees held its first "Holiday Challenge" to lose weight. Twenty-four employees participated with a total weight loss of 148 pounds. Congratulations to Steve Redeker for being the top winner for losing the most weight.



Morris Vinz—Winner of a "Dickey John Grain Moisture



UWGP held a "Safety Recognition" lunch on Wednesday, September 25, 2013. As of August 29, 2013 it was a year since UWGP broke the last record of 1730 days without a lost time accident—the record is still going strong; currently at 1872 days (01/17/2014).



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Terry Olson - Grain Procurement & Feed Sales "The Good, The Bad & The Chinese"



The Distillers Dried Grains with Solubles

(DDGS) markets have been on a winning streak through the fall months. DDGS has been trading at 140%-150% the price of corn mostly due to strong export demand from the Pacific Rim. China has been a key buyer during this time as they are securing feedstuffs to keep their pork industry going and to feed their people. As fall harvest progressed, the DDGS markets continued to go up and it looked like there would be no limit. Everyone was happy, product was moving at good values and sales were being made in deferred months at greater quantities than had ever been seen before. Life was good.

December 26th changed the momentum. China quarantined DDGS containers for an unapproved GMO. This sent the DDGS market into a panic that has lasted through the New Year holiday. As I write this, the first full

week of January we are starting to see the DDGS market get to some semblance of normal as both bids and offers are coming back into the system. DDGS prices are now trading at 110% value of corn after dropping \$45-\$50 per ton in price. Second and third hand reports out of China are reassuring as we are hearing that the quarantined DDGS is being released and shipments are still en route to China. We will have to monitor that situation as we move forward to see if there are any more issues with the Chinese market.

As we move forward, I think the DDGS market will trade at 110% of corn value as the domestic market steps in to buy more DDGS. Protein products are in tight supply in the world and with this downward price move, DDGS is looking more attractive to the domestic market. There are price issues with Soybean Meal and Canola Meal is experiencing some issues with freight. Rail cars are not

moving Canola Meal efficiently and so a lot of the dairy producers are looking to find protein to cover their needs and DDGS fits nicely into their rations. Once the export market has calmed down, I would expect to see more bids from that sector which may push the market to 125% value of corn.

The markets are a dynamic force that cannot be out-guessed and can throw off a lot of volatility at times. This past few weeks has certainly shown volatility and panic. At United Wisconsin Grain Producers LLC (UWGP) we try to minimize our risk by working with domestic and export partners who run good businesses and rarely have supply interruptions even if the market is in a panic. Our export partners have stepped up and we are not missing any shipments on sales that we have made. I think once the panic is over and things calm down, there will not be any long lasting negative effects to our business.



We are excited to announce the Board has approved the issuance of ten student scholarships again for 2014. The scholarships are \$1,000 each, available to 1) members 2) customers/producers of UWGP 3) students (son or daughter) of members and customers/producers of UWGP and 3) graduating seniors/alumni of area *high schools who are furthering their education at any college or trade institution whether as a full or part-time student. Applications must be postmarked no later than March 1, 2014. The application is available from the local schools or our website at www.uwgp.com.

* Beaver Dam, Cambria-Friesland, Columbus, Dodgeand/Juneau, Fall River, Green Lake, Markesan, Montello, Pardeeville, Portage, Poynette, Princeton, Randolph, Rio, Waupun, Horicon