UNITED WISCONSIN GRAIN PRODUCERS LLC

May 2011 Volume 8, Issue 2

INSIDE THIS ISSUE

Board News/Robert Miller - President

Thanks to all who attended the United Wisconsin Grain Producers (UWGP) Annual Meeting of the Company's members on Saturday, April 9, 2011.

Jeff Robertson and Dan Wegner discussed the corn and ethanol update and outlook. The UW Madison SAE Race Team and the American Lung Association were also present. UWGP has made contributions to both of these organizations in the past years. Most recently we have made a monetary contribution to the Friesland Fire Department. This contribution will assist in the expansion of their building that houses their fire/rescue equipment.

UWGP also awarded seven scholarships of $1,000 each to local students. UWGP issues these scholarships in harmony with its continuing objective to contribute to its local community. Recipients this year were Charelle Becker, Pardeeville; Anthony Bird, Beaver Dam; Kaitlin Loberg, Oxford; Emily Patek, Sussex; David Smits, Markesan; Sarah Sufferling, New Berlin; and Osha Waterdu, Fall River.

In front (L-R) are Charelle Becker, Pardeeville; Sarah Sufferling, New Berlin; Anthony Bird, Beaver Dam; Kaitlin Loberg, Oxford; Emily Patek, Sussex; and Osha Waterdu, Fall River. Missing is David Smits, Markesan.

Jeff Robertson - CEO

As another quarter passes into UWGP history the perpetual question of unit or share value crosses our minds just as it has for many previous quarters. I have been asked many times over the years to comment on unit values and it has recently become more of an issue due to smaller margins and the general speculation about effects of the potential loss of the VEETC blenders' credit and the import tariff on ethanol entering the US.

So how can we reasonably calculate UWGP unit values? Typically stocks are valued by their dividend yield and by their potential for capital appreciation. Stocks with steady or strong growth history and/or future growth potential may be valued more highly than stocks of companies paying with dividends but with limited growth potential. For example, some high tech companies are traded on growth potential and may have high multiples while not paying any dividends. Stocks of mature companies rely more on their dividends to support stock values, if they are at a point where their earnings growth is slow. Commonly utility companies will be valued by their dividends. At this time UWGP would have to be considered in the later classification. This is why UWGP has focused its reinvestment on its internal competitiveness to solidify its ability to generate a superior dividend stream in a mature and growth limited environment.

To establish a value for UWGP based on dividends the actual amount of the dividend multiplied by 15 times will give a unit buyer an estimate of the cost for the revenue stream which equates to a 6.5% return on investment. To earn 6.5% return, based on $100.00, (our last dividend payment) the unit value would be $1,538. This value may be discounted by the buyer for a lack of liquidity.

UW SAE Race Team Members
(Placed 5th in Formula SAE Michigan 2011 - see www.uwracing.com for more information)

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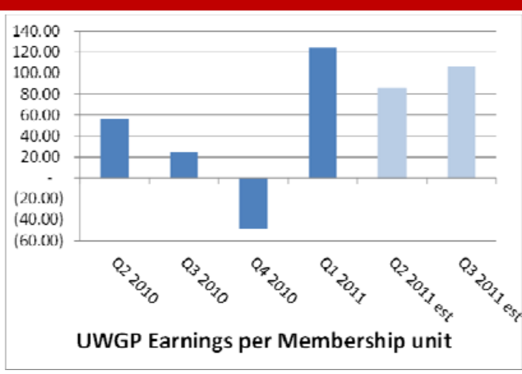
Dan Wegner - Commodities Manager
"Our Industry Needs EPA Approval of E15 in All Vehicles"

In January the Environmental Protection Agency (EPA) approved E15 as a motor fuel in all gasoline car and light truck models made 2001 and newer. This was made following intense testing of vehicles for over a year, and would not be allowed if the EPA was not certain of the safety of ethanol. On the surface one might think that ethanol demand would receive a shot in the arm given this news, and we could expand the market share 50%. Unfortunately the hurdles inherent with bringing this fuel blend to the market place have thus far proven to be too great. Pump labeling and liability with respect to protecting the seller of the fuel from improper fueling of older vehicles have been big issues. The large fuel retailers are opposing E15 due to the cost of upgrading their pumps. Most pumps can only offer two or three grades of gas and E15 does not fit right now when approved vehicle numbers are limited to 2001 or newer. There also are issues with certain areas of the country regarding what gasoline blending components are even capable of using 15% ethanol due to Reid Vapor Pressure (RVP) standards. This inability to blend higher percentages of ethanol comes at a poor time, when our industry is actually producing more ethanol than the blenders are required to use in complying with the Renewable Fuel Standard (RFS). In essence right now our blending is capped at 10% inclusion which even that is a reach given

that not 100% of the gasoline sold is an ethanol blend, approximately 2% is pure gasoline. The problem runs even deeper than the described. The current RFS calls for 36 billion gallons of renewable fuels to be blended by 2022. Current gasoline demand in the US is around 135 billion gallons annually, and projections are this will continue to decline in the future. Given the reluctance to move beyond 10% inclusion, how can we expect to get beyond 13.5 billion gallons of ethanol in our fuel supply without higher inclusion rates? Unfortunately artificial barriers and politics continue to obstruct ethanol's path to reducing our reliance on foreign oil and America's fueling freedom.

Jeff Robertson - CEO (continued)



This chart reflects our net earnings per unit without unrealized hedging activities over the past four quarters and an estimate of our earnings for the next two quarters.

From the data provided by industry benchmarking our results from the first quarter of 2011 have us doing well with respect to the industry averages for several important measurements. We are competitive with respect to our per gallon netback value, the net proceeds from selling ethanol, leading the industry average by $0.07 per gallon. UWGPs cost of production was $0.08 cents lower than the industry after recognition of realized hedging expenses. And our net revenue per gallon of production was $0.09 higher than the average for the period. Our strong first quarter results were underpinned by these competitive advantages.

"Love Our Corn" - Winning Recipe

Popcorn Salad—Submitted by Karen Plath

- 1 large bag white popcorn (Old Dutch)
- 1 can chopped water chestnuts
- 1/2 cup chopped onions
- 1 lb. of bacon fried and chopped
- 2 cups diced celery
- 2 cups shredded cheddar cheese

Mix in large bowl prior to serving. (Items may be chopped and stored separately if prepared a couple of days in advance).

Dressing

- 2 cups mayonnaise
- 2/3 cup sugar
- 2 tsp. cider vinegar

Pour over salad just prior to serving.

Eric Kuntz - Plant Manager

Jeff Foxworthy says "You might be a redneck if you think the last four words of the national anthem are "Gentlemen, start your engines". I'm sure many people think anything to do with NASCAR could be inserted there for a good laugh. But when considering ethanol, NASCAR is no laughing matter. In fact, stock car racing and ethanol have recently come full circle.

NASCAR's roots go back to the Prohibition, when runners – people who delivered moonshine – used souped up cars with special suspensions to drive fast and corner hard on dirt roads while outrunning Federal Agents. Legend says that some of these drivers eventually started racing each other to see who was best. In 1947, one driver, Big Bill France, organized a meeting to establish standard rules for racing. In February 1948, the first NASCAR race was held on the beach at Daytona, Florida. Shortly after, NASCAR was incorporated and Big Bill was appointed its leader.

Fast forward to 2011, the year NASCAR started fueling cars in its' top three series using a 15% ethanol blend. American Ethanol (partners Growth Energy, National Corn Growers Association, POET & others) is advertising heavily in these series. While watching a race recently (yes, I might be a redneck) I saw a car sponsored by American Ethanol as well as several commercials touting the benefits of ethanol. I think it's great that our fuel is being showcased by using it in these high performance vehicles – any talk of it being an inferior fuel should disappear. NASCAR and ethanol's involvement also includes Big Bill's grandson, Brian France, the current Chairman and CEO of NASCAR, scheduled to give the keynote address at this years' Fuel Ethanol Workshop, our industry's largest event.

This all seems right. After all, NASCAR started because of running moonshine - and now moonshine is helping to run NASCAR.

Dan Groh - Maintenance Manager

Welcome to Spring 2011. Thus far it hasn't been anything to write home about. Better days are coming though and soon we will be complaining about the heat. You've got to love Wisconsin. As the weather gets milder and the coats get lighter our attention turns to cleaning up from winter. UWGP is one of the nicest, cleanest, and well-kept plants in the country. We continuously receive compliments on how nice it is. Well that is sure nice to hear, but it is no accident that our plant remains clean and tidy. When spring arrives it is convenient for me that the maintenance guys are eager for some outdoor chores. Inevitably there is snow plow damage on the lawns to repair, snow fence to take down, and building maintenance to get done, as well as some of those hard to get at burned out light bulbs that are too easily ignored, especially when changing them includes frozen fingers and toes. The roadways get a good sweeping, and all those little nooks and crannies manage to get cleaned out. Inside jobs become much more enjoyable also since all the doors are wide open. Judging by the amount of smiles that abound, it would seem that spring cleaning is almost FUN. Our people are very proud of UWGP and willing to go the extra distance to keep the place looking clean and well-kept.

Every spring the maintenance department gets geared up for the spring plant shutdown. Since our plant runs 24/7, the only way to perform maintenance on much of our equipment is to completely shut down the plant. During this spring shutdown one of my projects is to install new burners in both of our rotary dryers. In an effort to be as clean and efficient as possible we have decided to replace the burners with ultra-low Nox burners. Nox is a generic term for the mono-nitrogen oxides NO and NO_2. They are produced from the reaction of nitrogen and oxygen gases in the air during combustion, especially at high temperatures. The idea of the new burners is to introduce oxygen depleted air from the exhaust to cool the flame. With much less O_2 available during combustion and reduced flame temperatures, the resulting Nox produced will be significantly less. As a bonus to motivate this investment we will also see efficiency in gas usage and increased product throughput in the dryers. For the employees at UWGP it is a source of great pride to be a part of such a nice facility. I think it well represents the ideals and attitude of everyone involved in running our plant, from our directors, to the guys who mow the lawn. We are all working together for success, each person contributes to that goal, and the result is plain to see. I am very proud to be part of this success.

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Barb Bontrager - CFO

	Qtr Ended 3/31/11	Qtr Ended 3/31/10	Variance	% Variance
Gallons of Ethanol Produced	14,642,132	14,014,401	627,731	4.5%
Bushel of Corn Ground	5,131,044	4,898,863	232,181	4.7%
Yield - Gallons denatured ethanol/bu of corn processed	2.854	2.861	(0.007)	-0.2%
Average Ethanol Price per gallon (net back to plant)	$2.37	$1.69	$0.67	39.9%
Average Corn Price per bushel	$5.27	$3.92	$1.35	34.4%
Total Revenues with realized hedging	$ 37,903,711	$26,630,108	$ 11,273,603	42.3%
Gross Margin before unrealized hedging activities	$ 4,259,710	$ (140,179)	$ 4,399,889	
Net Income (Loss) before unrealized hedging activities	$ 3,514,281	$ (1,066,662)	$ 4,580,943	
Unrealized gain (loss) from hedging activities	$ (1,268,161)	$ 7,564,402	$ (8,832,563)	
Net gain (loss) after all hedging activities	$ 2,246,120	$ 6,497,740	$ (4,251,620)	

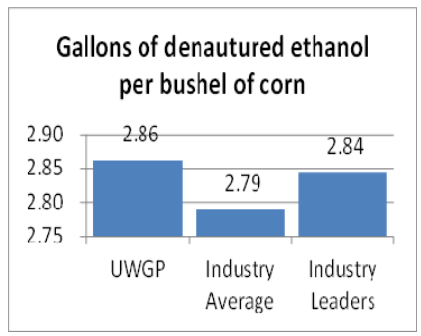

Chart 1

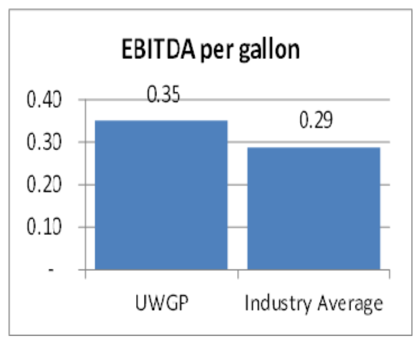

Chart 2

The above chart summarizes our results for the past quarter and provides a comparison to the same quarter in 2010. We have been able to secure favorable margins, due in part to our risk management and the hedge positions established in the later part of 2010. We continue to be optimistic about 2011 because of the margins we already have secured for approximately 35% of our production and the margins we are able to secure presently in the "spot" market.

We have been using the Christianson and Associates benchmarking service for five years now and the participation has grown to over 60 plants on a regular basis. The longer periods helps remove some of the peaks and valleys which are often a result of bringing hedge accounts to market. For the **five year period ending Dec 31, 2010** we were 4 out of 76 plants for yield of ethanol from corn. Our average yield of denatured ethanol was 2.86 gallons per bushel, the industry average was 2.79 and the industry leaders (top 25%) were 2.84 *(Chart 1)*. During the five year period we ground 94 million bushel of corn which at our yield is 6.6 million more gallons of ethanol than the industry average and nearly 2 million more gallons than the industry leaders! Our average netback for ethanol during the same period was $1.86 per gallon. Therefore, our outstanding yield contributed an additional $12.2 million to our financial results over the industry average during the five year period. So did it? Our earnings before interest, taxes, depreciation, and amortization (EBITDA) for the five year period was $0.35 per gallon ($94 million) compared to the industry average of $0.29 per gallon *(Chart 2)*. Therefore aligned with our peers – we have not only exceeded the average in production efficiency but also in overall profitability!