



# UNITED WISCONSIN GRAIN PRODUCERS LLC

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## Board News/Robert Miller - President



L-R: Jeff Robertson, Bob Miller

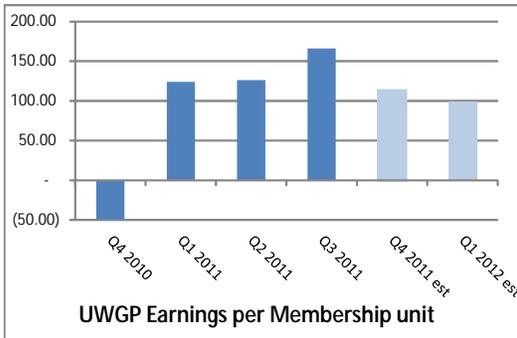
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It's nice to have another successful harvest nearly behind us and the grain sheltered from the elements of Mother Nature. Especially as I look out the window at the white landscape and the snowflakes continuing to fall. I am happy to report we had very few days where trucks were waiting in line for any length of time to get unloaded or loaded

during the busy harvest season. This requires a team effort from all parties involved but certainly starts with good planning and coordination efforts by our "commodities" team including the people in our shipping and receiving area. Our limited storage here at the facility, the requirement to have approximately 56,000 bushels of corn available to grind every single day, coupled with an average of 130 trucks traveling through our site each weekday makes for a daily challenge to keep things purring smoothly and everyone happy. We want to express our thanks to those of you who also cooperate in the effort to make shipping and receiving at UWGP safe and trouble-free.

We are pleased with the financial results to date as we round the corner of third base on our way to scoring another profitable year. Our third quarter and year-to-date numbers are in Barb's report of this newsletter. While we continue the effort to determine if there are other options we should be exploring and presenting to our Members for consideration, it is business as usual here at UWGP. Management continues to focus on maximizing value from the assets of the company by procuring corn at competitive prices, processing it, and selling our products to yield the best return on your investment.

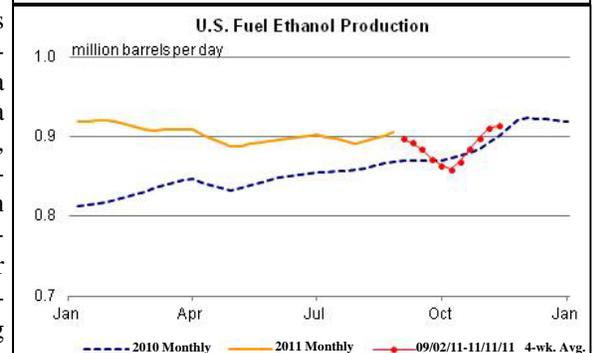
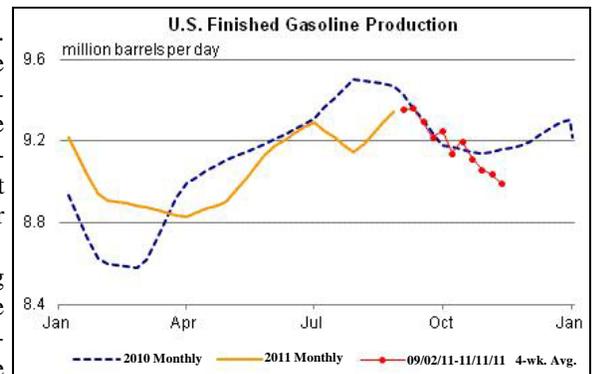


## Jeff Robertson - CEO

priced and gross margins established. Our net earnings estimate for the fourth quarter is \$113.45. This estimate is being left unchanged from the last estimate we reported to unit holders for the fourth quarter. Our net earnings estimate for the first quarter of 2012 is \$99.33 per unit.

The industry is experiencing strong demand and very good margins in the prompt market. In fact the spot market premium is about \$0.50 to the December futures market. This is likely the result of strong export shipments, which have come back from a slower period during summer. Data on exports is delayed by two months, but an examination of ethanol production figures and motor fuel production in the U.S. shows that ethanol production was outpacing domestic use over the past couple of months. This indicates that the export market is going strong and is supporting near term

The company completed its third quarter on September 30, 2011. We had good results again in the July to September period. Our net income for the quarter, unrealized hedging entries aside, was \$166.00 per membership unit. This comes on the heels of successful first and second quarters with net income of \$123.98 and \$126.33 respectively. Our third quarter results were considerably higher than our estimate of \$118.78. Looking ahead, the fourth and final quarter of 2011, looks promising. We have a good amount of our production already



## Barb Bontrager - CFO

I am pleased to report “no surprises” in the financial arena. Our results from operations continue to be good, earning 32 cents per gallon in the 3rd quarter and 28 cents per gallon year-to-date. On an annualized basis this is a 22% return on investment. I have included the same charts which summarize our results for both this past quarter and the year-to-date. Probably the question I hear the most is “how can you make money at these corn prices?” As the ethanol market has matured over the past few years, it follows the corn market closely and allows the ethanol industry an operating margin. The size of the margin is dependent on 1) supply and demand and 2) operational efficiency. We do not have much control or impact on the first factor but we continue to strive to be a leader in plant operations and efficiencies. We have also learned it is important for us to carefully monitor our corn purchase and ethanol sales for each forward delivery month; keeping these positions closely matched to protect us from large swings in the market. I believe our success in these efforts is apparent from our results.

Given we have 85% of our production for the 4<sup>th</sup> quarter sold, it is safe to say we expect good, if not better results in our final quarter of 2011. Your tax planning information was mailed on November 16th and you can expect your K-1 forms early in February of 2012.

	Qtr Ended 9/30/11	Qtr Ended 9/30/10	Variance	% Variance
Gallons of Ethanol Produced	14,747,479	14,875,993	(128,514)	-0.9%
Bushel of Corn Ground	5,160,997	5,237,929	(76,932)	-1.5%
Yield - Gallons denatured ethanol/bu of corn processed	2.857	2.840	0.017	0.6%
Average Ethanol Price per gallon (net back to plant)	\$2.79	\$1.80	\$0.99	55.0%
Average Corn Price per bushel	\$6.75	\$3.88	\$2.87	74.0%
Total Revenues with realized hedging	\$ 47,050,986	\$ 29,761,553	\$ 17,289,433	58.1%
Gross Margin before unrealized hedging activities	\$ 5,512,813	\$ 1,299,621	\$ 4,213,192	
<b>Net Income before unrealized hedging activities</b>	<b>\$ 4,708,100</b>	<b>\$ 708,133</b>	<b>\$ 3,999,967</b>	
Unrealized gain (loss) from hedging activities	\$ (1,507,993)	\$ (6,700,946)	\$ 5,192,953	
Net gain after all hedging activities	\$ 3,200,107	\$ (5,992,813)	\$ 9,192,920	

	Nine Months Ended 9/30/11	Nine Months Ended 9/30/10	Variance	% Variance
Gallons of Ethanol Produced	43,154,276	43,069,054	85,222	0.2%
Bushel of Corn Ground	15,075,916	15,081,853	(5,937)	0.0%
Yield - Gallons denatured ethanol/bu of corn processed	2.862	2.856	0.007	0.2%
Average Ethanol Price per gallon (net back to plant)	\$2.58	\$1.68	\$0.90	53.6%
Average Corn Price per bushel	\$6.05	\$3.86	\$2.19	56.7%
Total Revenues with realized hedging	\$124,759,736	\$ 83,231,156	\$ 41,528,580	49.9%
Gross Margin before unrealized hedging activities	\$ 14,229,572	\$ 3,469,983	\$ 10,759,589	
<b>Net Income before unrealized hedging activities</b>	<b>\$ 11,803,198</b>	<b>\$ 1,245,319</b>	<b>\$ 10,557,879</b>	
Unrealized gain from hedging activities	\$ 5,713,620	\$ 691,357	\$ 5,022,263	
Net gain after all hedging activities	\$ 17,516,818	\$ 1,936,676	\$ 15,580,142	

## Jeff Robertson - CEO (continued)

prices.

The greatest concern for our industry is the effect that the end of the various ethanol tax credits and import tariffs will have on demand and pricing after the end of this year. The RFS2 mandate for ethanol use is expected to re-

main in place for the foreseeable future, so there is hypothetically a floor to our total market. But we are capable of producing a billion gallons more than that annual mandate at the present time, and are about two years away from the planned mandate increases

catching up with production capacity. If exports do not provide an outlet for the production capacity that exceeds the mandate, we could be facing much tighter margins and a good deal more volatility in prices.



L-R: Ryan Ralston (ERI Solutions, Inc.) and Marc Berger (UWGP)

## ERI Solutions Announces Safety Awards

ERI Solutions Inc., the industry leader for safety services in grain ethanol, announced the winners of their fourth annual ERI safety awards. On the list this year for receiving the “Award of Excellence” is United Wisconsin Grain Producers, LLC; W1231 Tessmann Drive Friesland, WI.

“The ‘Award of Excellence’ is given to the top 10% of ethanol producers who demonstrate the

highest commitment to safety and generate the highest combined scores in the areas of ERI Safety Audit scores, OSHA incident rates, and workers compensation claims,” said Tom Denning, Director of Safety at ERI Solutions.

“By demonstrating good safety performance, it is evident that both the management and employees of United Wisconsin Grain Producers are committed to putting safety

first,” said Denning.

The ERI Safety Group is made up of more than 70 ethanol producers representing almost 40% of the US ethanol industry’s production. Over all, the ethanol industry has seen marked improvement in its overall OSHA incident rates since 2005 and continues to demonstrate American ingenuity in solving the US’s dependency on foreign oil.

\*Safety Award Press Release dated October 17, 2011

## Eric Kuntz - Plant Manager

Over the years it was generally easy to find things to write about in these newsletters. There was always a big industry issue out there in the public domain to comment on or a capital project that we were in the midst of planning, executing or recently commissioning. Since the plant began operations we have been persistent in making reinvestment to improve it. It was generally pretty clear what reinvestment in the business was the best alternative.

For customer service we added a second ethanol loadout, a third grain storage bin, an additional lane in the receiving shed and expanded our modified wet distillers pad. For plant productivity we expanded the front of the plant (grind, slurry, cook, fermenters), added a second cooling tower, a fifth stillage centrifuge, a DDG rotary cooler and corn oil recovery. We upgraded our molecular sieves to increase alcohol processing. For environmental we added an RTO,

two low NOx burners for the dryers and changed all the internals on the CO<sup>2</sup> scrubbers. For reliability we built a new maintenance shop and have bought countless tools and spare parts and performed many equipment upgrades and replacements. For quality assurance we've added state-of-the-art equipment in the lab multiple times. We continually look for ways to improve service, production volume and yes, profitability.

As usual, we have plans

for additional capital projects but the future without tax credits is a very uncertain time and selecting which project to pursue is less clear. What to do next to keep our business competitive and growing remains to be seen. So for the time being we are keeping our powder dry until the smoke clears and we can better evaluate the best approach to an altered operating environment.



L-R: Dale Cupery, Mark Alsum, Dan Groh, Dawn Wheeler, Darryl Senda, Dan Yelk

Once again we are in the midst of a rapidly approaching Wisconsin winter. Coats and gloves are reappearing and the brisk wind that is so prevalent around the plant sends a shiver right down to our bones. Over the years we have learned quite a few lessons about ethanol production in freezing temperatures. It appears that the only things that don't freeze around here are the raw materials (corn) and the finished product (Ethanol), every other stage of production will rapidly freeze up in the event of a breakdown. As a result we must make every effort to ensure that our equipment is maintained to the highest

level possible. Beginning late October we start to prepare for winter with a planned maintenance plant shutdown to allow us to inspect and repair all of the equipment which otherwise would run continuously. During this shutdown we winterized one of our cooling towers for the season since we will not need it until the heat of next summer. During the winter we have

*“Beginning late October we start to prepare for winter with a planned maintenance plant shutdown...”*

enough cooling capacity with only one cooling tower in operation so it makes sense to conserve energy. We also have miles of heat trace on our pipes throughout the plant especially outdoors and each fall we check each circuit to make sure of its correct operation. Also each fall because of the strong winds from the northwest, we install a large amount of snow fence to

prevent our roads from drifting completely shut. With the large amount of traffic coming through our property it can be difficult to keep the roads clear at times. An interesting piece of trivia is that most of our buildings do not have any sort of heating system, yet all winter they typically stay very comfortable. Our plant utilizes the heat of the processes to keep the buildings warm so no supplemental heating is required. In fact our plant offices and electrical rooms are actually cooled all winter long using outside air. Typically our plant runs very well and is extremely dependable, but during the winter we have to be extra alert to problems which could cause us to shut down. Generally at this time of the year I am still very optimistic that somehow by some miracle, winter will be mild and short lived, but after 48 Wisconsin winters you would think I would know better. However, regardless of what this year brings we will be as prepared as we can possibly be.

## Dan Groh—Maintenance Manager

*UWGP makes a donation to the expansion of the Friesland Fire Department Facility*





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L-R: Terry Olson, Nola Burckhardt, Dan Wegner

Great news, I am excited to tell everyone that the days of ethanol being bashed because E85 does not produce the same miles per gallons (mpgs) as gasoline may soon be behind us. Ricardo a 100 year old engineering company from Detroit, MI has been testing an engine system they call EBDI (Ethanol Boosted Direct Injection) which has been specifically designed to max-



## Dan Wegner - Commodities Manager "Finally a "True" Flex-Fuel Engine?"

imize ethanol in fuel blends. According to company officials the new engine will achieve equal to or better fuel mileage per gallon when burning E85 as straight gasoline and would cost less than engines designed to meet the tougher mileage rates that are being introduced in the US and California. The motor is a 3.2-liter turbo-charged V-6 (EBDI) prototype, which is capable of operating on gasoline or up to 100 percent ethanol. The goal of the new engine was to match the performance of a 6.6-liter turbo-diesel in power, while bettering it in fuel economy.

*"The EBDI engine is focused on delivering optimal performance from any gasoline blend..."*

"The EBDI engine is focused on delivering optimal performance from any gasoline blend based on octane and/or ethanol content. So far the testing has gone very well and looks very promising, as the engine has over achieved its low speed torque performance goals on both ethanol and gasoline. Ricardo plans to demonstrate the capabilities of ethanol in a full-size pickup because the technology they are developing is scalable. It can be used in medium duty applications up to a six or seven class truck, or it could be scaled down to a small vehicle such as compact cars. You could put a 1.4 liter

version of this engine in a mid-sized car and still get the same performance of the V6 that is currently in there, or better. Not to mention additional applications such as garbage trucks, school buses, agriculture and construction. For now we can only hope the final testing goes well, consumers demand the new product and manufacturers will be open to embracing this technology in their product lines. In my mind though, the customer needs to demand the product, so spread the word and tell your car dealer you want a real flex fuel vehicle. I have included a website you can visit for more information—[www.ricardo.com](http://www.ricardo.com).

*On September 1, 2011 UWGP had a staff lunch in celebration of our once again reaching 1000 days without a lost time accident. Patches for safety jackets were distributed and \$50.00 gift certificates were handed out.*

