



Fueling America...

...Energizing Livestock



Quad County Corn Processors • Galva, Iowa • 712-282-4628



2007 in Review

By Mike Jerke, general manager
mikej@quad-county.com

In 2007, Quad County Corn Processors continued to implement process enhancements to improve our operational efficiency. Capital expenditures totaled \$4.5 million. The items that make up the majority of that total include:

- The addition of a fermentation tank allowing us to increase our fermentation time to 56 hours (from 45) positively impacting our conversion rate.
- An upgrade to our dehydration (molecular sieve) system to allow more capacity and acceptance of a wider range of high proof moisture variability.
- The near completion of the Pavilion Technology enhancement which provides a greater degree of plant-wide consistency and throughput, with decreased energy use.
- Adding another hammer mill to address capacity and redundancy issues.
- Changes to the chilled water distribution system to provide for cooling in distillation to allow full flow during the heat of summer.
- Complete centrifuge change out to capture efficiencies available in the newest equipment and eliminate a future bottleneck.

Our total production each of the last two years has averaged 28 million gallons. The addition of these 2007 capital expenditure items has allowed for a current annualized run rate of 32 million gallons per year. The total cost to achieve our current output equals \$1.25 per gallon of production. This compares favorably to cost for new construction which is reportedly in the \$2.25 per gallon range. We expect the

production rate and efficiencies to increase as projects are completed and fine-tuned during the first quarter of 2008.

By now you should have received your partnership K-1 for 2007. It was expected that margins would contract significantly from 2006, and that certainly was the case. Corn prices have steadily climbed while ethanol prices have not been as robust. Risk management and production efficiency continue to be our primary areas of focus.

We are very excited about our relationship with FCStone Carbon (see the news release elsewhere in this newsletter) and the commercialization of the ultrasonic process. We will begin a testing phase later this spring and, if successful, scale-up commercialization in the summer. Quad County has been working with several companies as it relates to innovations for the ethanol production process and we expect to have additional announcements in the future.

Another relationship that has evolved over the last year is with our neighboring carbon dioxide plant. Air Liquide purchased the carbon dioxide facility and has been operating it for several months. This change has generated additional revenue to Quad County from carbon dioxide sales. We look forward to working with Air Liquide in the months and years to come.

Please note the announcement of the **Annual Meeting to be held Wednesday, March 26, 2008, at 7:00 p.m. in the Galva-Holstein High School gymnasium in Holstein.** We will have a complete review of company performance for 2007 as well as expectations and plans for 2008. I look forward to seeing you there.



Air Liquide Industrial Acquires Heller's Carbonic West

Air Liquide Industrial U.S. LP (ALIUS) announced it has acquired the Galva, Iowa, carbon dioxide and dry ice assets of Ramsgate Corporation, which formerly conducted business as Heller's Carbonic West.

Etienne Lepoutre, president of Air Liquide Industrial U.S. LP, commented, "The acquisition will more than double our dry ice capacity in this region. This strengthened position will allow ALIUS to increase its services for food processing and cold transport applications." The Heller acquisition follows ALIUS's recently announced expansion of its dry ice production capacity in the eastern U.S.

Air Liquide Industrial U.S. LP is the subsidiary of American Air Liquide Holdings, Inc. responsible for providing bulk gases and related services to industrial customers in the U.S. It provides bulk gases and related services to a diverse base of customers in the U.S. including those in the chemical, food, metals and automotive industries. American Air Liquide Holdings, Inc. is the subsidiary of Air Liquide Group responsible for its North American operations.

With nearly 38,000 employees in 72 countries, Air Liquide is a world leader in industrial and medical gases and related services. The Group offers innovative solutions based on constantly enhanced technologies and produces air gases (oxygen, nitrogen, argon, rare gases...) and many other gases including hydrogen. The Group contributes to the manufacturing of many everyday products: bubbles in sparkling beverages, protective atmosphere for packed foods, oxygen for hospitals and homecare patients, ultra-pure gases for the semiconductor industry, and hydrogen to desulfurize fuel.

Air Liquide is committed to sustainable development and helps to protect life. Founded in 1902, Air Liquide has successfully developed a long-term relationship with its shareholders built on trust and transparency and guided by the principles of corporate governance. Since the publication of its first consolidated financial statements in 1971, Air Liquide has posted strong and steady earnings growth.

Air Liquide in the U.S. employs nearly 4,500 people and serves thousands of customers from more than 200 locations cross the U.S.

Reinventing Ethanol Production

Quad County Corn Processors completes partnership with FCStone Carbon, LLC, to test and scale up patented process technology

Quad County Corn Processors will partner with FCStone Carbon, LLC, to test and scale up the company's patented ultrasonic process technology for ethanol production.

"We are pleased to be a test facility for FCStone Carbon as their process is applied within the real world ethanol production conditions at our plant," remarked Mike Jerke, general manager of Quad County Corn Processors.

"Far from remaining static, advancements in corn ethanol production technology continue to be realized," stated Mike Kinley, vice president of technology, FCStone Carbon, LLC. "Our ultrasonic process is evidence of a new and innovative approach to making the industry more sustainable over the long run. The ethanol industry is an industry constantly seeking improvements."

Sonication for ethanol production

In this first scale-up effort, sonication will be applied to the cooked corn slurry produced during ethanol production. Research indicates that sonication results in a more efficient breakdown of the corn starch component and as a result, more starch is exposed, creating higher conversions than can be achieved through traditional ethanol production processes.

"We have also demonstrated that sonication impacts the starch component in a manner allowing more efficient enzymatic activity," Kinley says.

"This technology offers the potential for us to get more Ethanol out of a bushel of corn, or even reduce the amount of corn and enzyme required to make a gallon of ethanol," explained Jerke. "We look forward to assisting in the commercial scale-up of this technological breakthrough."

"We are confident our new ultrasonic technology will prove as successful in production as it has in research," Kinley commented. "With Quad County as an enthusiastic partner in the full-scale testing we look forward to bringing the ethanol industry another tool to reduce costs and increase efficiency."

FCStone Carbon also has other patents pending on this technology, as well as a patent pending on use of ultrasonic technology in cellulosic ethanol production.



Look at the Facts

By Rick Heaton, rheaton@GalvaHolsteinAg.com

I have a few points I would like to pass on regarding a *Des Moines Register* article concerning the USDA E coli research project. The article focused on a small portion of the project that examined a possible connection between co-

product feeding and the presence of E coli in feedlot cattle.

1. Co-product use has been very common since the mid-1980s and has steadily increased. The number of meat recalls since 2002 had actually decreased until this past year.

2. There are a number of university trials as well as commercial feedlot observations indicating we will see improved performance when using co-products. This is due to co-products being high in both energy and fiber which results in a healthier environment in the digestive system and, thereby, causes less stress than feeding high levels of corn. One could make the case co-products are more animal welfare-friendly.

3. Interesting note on earlier KSU research: use of steam flaked corn in feedlot diets also “dramatically increased” the E coli organism as compared to diets containing dry rolled corn. The KSU research scientist said feeding steam flaked corn also resulted in a higher pH, but it was not practical to feed anything else due to loss of efficiency.

4. AP Business Writer, Josh Funk, also reported on the USDA projects the *Des Moines Register* was using as a basis for their article. However, Mr. Funk’s reporting was broader in perspective and did not single out any specific project.

5. *The Register* article quoted an Iowa Cattlemen’s representative as stating, “Producers in Iowa typically feed their cattle 30 percent to 40 percent distiller’s grains.” This quote followed the statement that research at the University of Nebraska showed higher E coli rates when distillers were fed at 40 to 50 percent. I believe it would be logical to assume the ICA representative was stating usage on an “as fed basis,” while usage in research summaries is almost always stated on a dry matter basis. Feeding cattle 30 to 40 percent on an “as fed basis” is usually equivalent to 20 to 30 percent on a dry matter basis, which is well under the inclusion levels in the research from both universities.

6. Research at KSU was done with dried distiller’s grains. Due to their cost, DDGS are not commonly used in most feedlot diets. Is there a difference in digestive system pH when wet distillers or modified wet distillers are fed? I’m not sure, but this could be a factor.

Generally speaking, grinding beef into hamburger mixes potential E coli throughout the product, so consumers should always cook hamburger to an internal temperature of 160 degrees. In contrast, only the surface of steaks and roasts need to be heated to 160 degrees in order to kill bacteria. E coli live on the surface of meat, so even medium-rare steaks are safe to eat. Common sense should prevail, and our Iowa fed beef products are safe to consume.

If you have any questions about feeding co-products or eating Iowa beef products, please give me a call today at 800-548-5336.



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Annual Meeting Announcement

March 26, 2008 • 7:00 p.m.
Galva-Holstein High School
Holstein

Review of 2007 • Election of Directors

Pursuant to the by-laws of Quad County Corn Processors, notice is hereby given of the annual meeting to be held at the above stated date, time, and location.

Submitted by Mike Galvin, secretary

Quad County Corn Processors Board of Directors Election

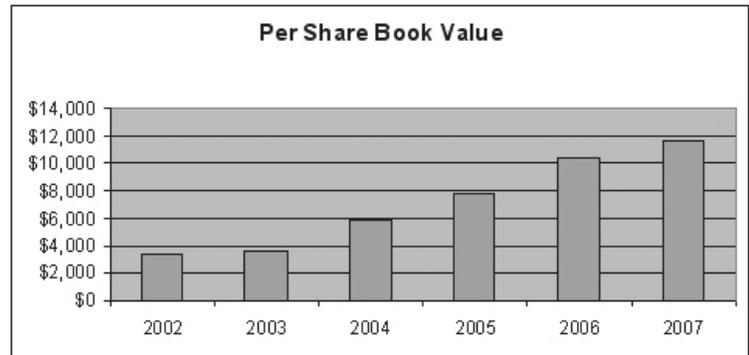
During the Quad County Corn Processors Annual Meeting, set for **Wednesday, March 26, 2008, at 7:00 pm** at the Galva-Holstein High School in Holstein, two members will be elected to serve on the Board of Directors.

Incumbent Directors Brian Friedrichsen and Randy Hustedt intend to seek re-election.

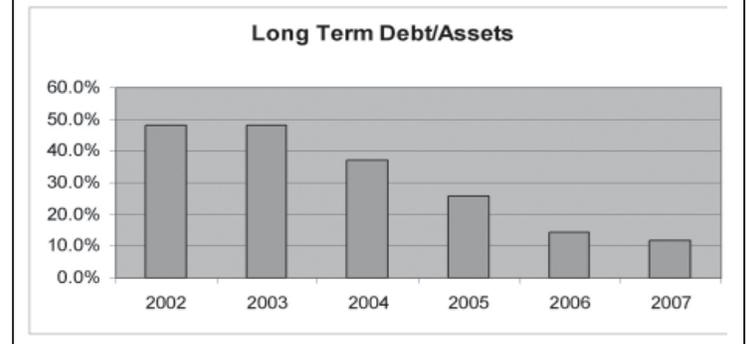
Any qualified candidate interested in running for election to the board should notify the Quad County Corn Processors office prior to March 10, 2008.



QCCP Share Value Over Time



QCCP Debt Reduction



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