



# Fueling America...

## ...Energizing Livestock



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



### Evaluation and Preparation

by Mike Jerke, General Manager

*mikej@quad-county.com*

Quad County Corn Processors is ahead of budgeted net income for the first six months of 2004 by approximately \$1.2 million.

versus the September and December futures as prices declined. While the corn market has continued to fall, we know the amounts hedged are at profitable levels coupled with ethanol sales made for the same time period.

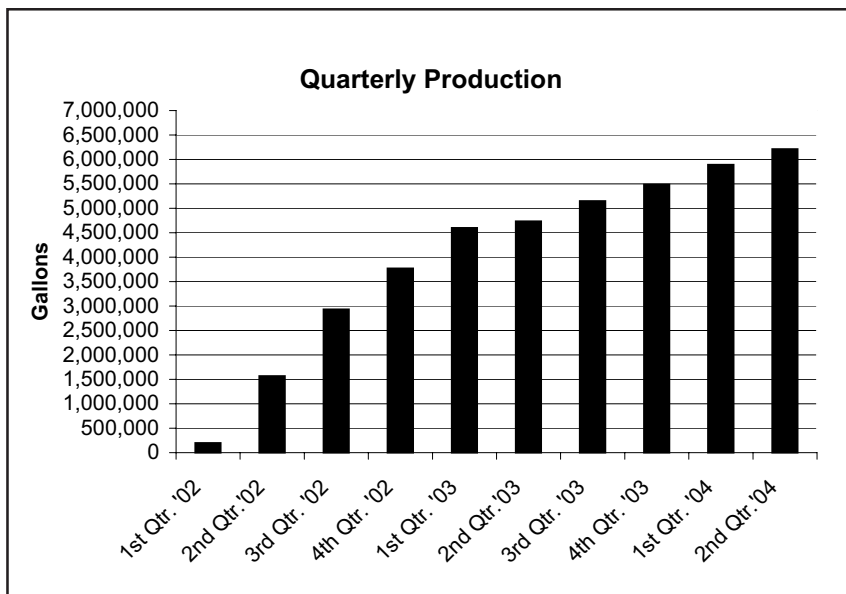
Ethanol demand has been strong through the first two quarters of 2004. Baton Rouge, Louisiana, and Atlanta, Georgia, began to use ethanol to improve their air quality. In fact, the latest report from the federal Energy Information Agency indicates that ethanol stocks on hand have declined slightly in comparison to last year, despite the increase in production from additional plants and expansion of existing facilities. Our ethanol marketer is forecasting that ethanol net back to Quad County will be between \$1.30 and \$1.50 for the balance of 2004. These levels are approximately 30 cents greater than the same six months of last year.

Our goal with our risk management program is to remain disciplined and lock in profitable levels as we are able. To use a baseball analogy, we need to focus on the base hits rather than “swinging for the fence.” The benefits, such as our December 2003 hedges in corn, can be very dramatic. However, there will also be times when risk management will appear to limit our success. That is to be expected. Attempting to always hit home runs will inevitably mean strike outs.

Corn price has been extremely volatile and our hedges placed in December 2003 helped us successfully navigate through periods of \$3.00 plus cash corn. We hedged additional corn

The plant continues to run well. I believe we are near the maximum flow rate the facility can handle in its current configuration. Knowing how much flow the plant can handle, our task becomes threefold:

- identifying ways to increase the amount of alcohol per gallon
- improving our conversion of corn to alcohol
- continuing to find ways to decrease our usage of energy



Additionally, we need to continue to develop our corn procurement system so Quad County can benefit by having a steady supply of corn without having to chase the market. Galva-Holstein Ag continues to provide market access through the partnership we have with them. As corn supplies have dwindled this summer, the value of our relationship has been even more apparent. I am pleased with our member response to our efforts to allow direct access to market their corn here. I would encourage you to discuss the opportunities

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that are available with Larry Johnson ([larryj@quad-county.com](mailto:larryj@quad-county.com)) or me ([mikej@quad-county.com](mailto:mikej@quad-county.com)). You can reach either of us at 712-282-4628. Our bids can be reviewed at [www.quad-county.com](http://www.quad-county.com).

By the time harvest arrives this year we will have installed a grain receiving system capable of filling the flat storage without using portable augers. We will also be reconfiguring the east dump pit so a hopper bottom trailer or dual wagons can open both doors without having to pull ahead. Our goal for the east pit is to receive at 20,000 bushels per hour.

Politics continue to play an important role in the future of the ethanol industry. Elsewhere in this letter please note the opportunity to become more involved in the political process specifically as it relates to your investment in Quad County Corn Processors. A case in point is the CCC Bio Energy Program. As with last year, this program has begun to run out of funds and will have a direct impact on the bottom line of QCCP. We do not know what the total deficiency will be but the most recent payment we received was only 63 percent of the total amount we earned (or \$167,000 less than earned). The CCC Bio Energy guidelines have no provisions for reimbursing the unpaid portion in the future. Last year the unpaid CCC Bio Energy amount was \$905,000. Because of this uncertainty, Quad County is currently not accruing future CCC Bio Energy payments.



## Quad County Board of Directors

Quad County Corn Processors is pleased to announce the addition of Doug Clausen to our board of directors. Doug represents VT Industries, Inc. of Holstein. The board would also like to thank Mike Dingman for his service to the board.

### All Financing Transfers Complete

In the last issue of the Quad County Corn Processors newsletter, we told you our loans had been successfully transferred to United Bank of Iowa. We are now pleased to tell you all instruments, including the USDA loan guarantee and permanent financing, are in place with United Bank of Iowa. This new relationship with a local bank is good for Quad County and our local economy.

### New Plantings at Quad County Site

Thanks to the generosity of Eldon Koth, a neighbor to Quad County Corn Processors, over 120 blue spruce trees have been planted around our site. Eldon purchased the trees, helped with their planting, and now assists in their care. His interest in trees and landscaping will benefit all of us as these trees begin to grow. Thank you, Eldon!

## Quad County Offers New Marketing Opportunities For Members Only

Members of Quad County Corn Processors now have five new marketing methods they may use to sell their corn to the plant. You can use any of the five methods in any combination with the amount of corn that fits your needs.

1. **Spot Price** – A daily bid is available as quoted by Larry or Mike; closing prices available at [www.quad-county.com](http://www.quad-county.com).
2. **Forward Price** – Choose to forward sell any amount for any time period at the bid quoted by Quad County.
3. **Basis Contract** – Members may lock-in the basis.
4. **Price Later** – Members may choose to price later.
5. **Average Pricing** – Prior to the beginning of a delivery trimester, members can choose to receive the average price for that period.

These new marketing methods for members of Quad County broaden your options for your crop, allowing you to act if the market trades at the level you desire.

It takes 27,000 bushels of corn a day for Quad County to operate. We need to know how much corn is coming in at all times. If Quad County is interested in buying corn, we may move quickly to capture “known” bushels. This basis change may be quick and not necessarily last long enough to be reflected in closing bids. For this reason, **offers** can play an important role in allowing corn to be priced even when the producer is unavailable. Contact Larry or Mike to discuss how **offers** may fit your needs.

Like its members, Quad County locks in pricing that will result in profitable production of the plant for its shareholders. You can use these new marketing tools to lock-in profitable production for your corn as well.



*Quad County's Terry Rasmussen, along with other QCCP staff, assisted with planting and now helps care for new trees at the plant.*



# Golden Bran™ Products Exceed Expectations

By Rick Heaton, co-product salesman  
[rheaton@galvaholstein.com](mailto:rheaton@galvaholstein.com)



Shareholders of Quad County Corn Processors feed more than 90 percent of Golden Bran products produced. Overall demand for Golden Bran products has been excellent for 2003-2004 party due to consistent quality. All products are sampled daily and the current nutritional analysis can be viewed at [www.quad-county.com](http://www.quad-county.com). Click on *Golden Bran Analysis*.

## New Contracts Available Soon

In late August, we anticipate announcing our new contract pricing and terms for 2004-2005. Details on our new contracts are being worked out now and you can expect modifications to the existing contract. One of the changes will involve pricing that will more closely follow the corn future market. This will allow QCCP management the opportunity to better manage pricing risk. Also, pricing will be quoted on a trimester basis which coincides with our corn delivery and pricing system.

Contracts signed last fall feature pricing significantly lower than current market price for Golden Bran products. When coupled with Quad County Corn Processors shareholders discounts, livestock producers are enjoying considerable savings on co-product costs. It's just one more advantage to owning shares in Quad County Corn Processors.

## Balancing Supply and Demand

Demand for Golden Bran products increased to the point that our supply was short at times. We apologize to all of our customers who experienced the inconvenience of a shortage. We took steps immediately to change our system to balance supply and demand for everyone's benefit.

## New Golden Bran 32 with Extended Shelf-Life

Golden Bran 32 is the subject of current experiments with preservatives. Our goal is to extend the shelf-life of Golden Bran 32 and we should have the results of our tests by the end of the summer. We are looking for your input.

If you are interested in feeding Golden Bran 32 with added preservatives, please contact me. We anticipate the preservative will add \$2 per ton of product. Your interest will help us manage production of the new product.

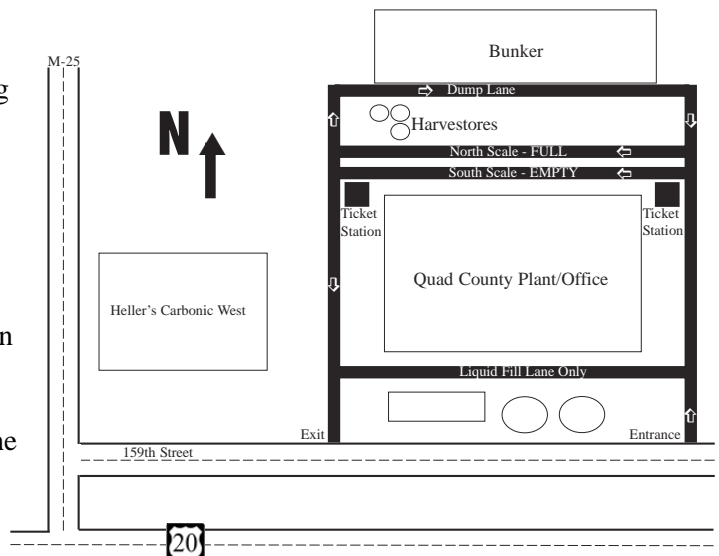
## And Finally...

As we approach new contract time for Golden Bran products, I want to thank each of our customers for their business. I am pleased with the quality and consistency of product produced and know it's working in the field. I look forward to working with you in 2004-2005.

# Delivering Corn to Quad County Corn Processors

To help make the corn delivery process smooth, Quad County Corn Processors offers these reminders:

- Enter via the east entrance
- Pick up a delivery information sheet in the shelter next to the ticket delivery station on the northeast corner of the processing building
- Complete a ticket and insert it in the station
- Activate the air system and proceed to the north scale (reserved for full loads) where you will be weighed and the load probed
- **Please use CB channel 4 for any questions or instructions from the office**
- When the traffic light turns green, proceed to the unload station and dump your corn
- Drive your empty vehicle to the south scale to be weighed out
- After weighing, pick up your ticket from the ticket station at the northwest corner of the processing building
- Be aware of heavy traffic and congestion that may occur
- Office access is located on the north side of the processing building – use the door with the awning



## Quad County Sponsors Fair Trophy



The staff and directors of Quad County Corn Processors is pleased to support the Ida County Fair. We purchased the Grand Champion Pen of

Five Calves trophy that was awarded during the fair and are proud to be part of this annual event.



## Make Your Voice Heard

You can influence ethanol policy! The future of Iowa's growing ethanol industry is impacted by policy decisions made in Des Moines and Washington, D.C. And your participation in the process is vital.

The Iowa Renewable Fuels Association (IRFA) wants your help. With your input, they will identify IRFA's priorities for 2005 and discuss strategies for making these positions known to state and federal legislators.

Issues like the Renewable Fuels Standard, tax credits and incentives, favorable air quality regulations, and economic development funding are all key to our success. Working to influence the state and federal legislature to adopt ethanol-friendly policy is our responsibility.

IRFA will be hosting a meeting in the near future to discuss these issues. Please contact Mike Jerke at 712-282-4628 or [mikej@quad-county.com](mailto:mikej@quad-county.com) if you are interested in participating in this meeting.

## Plan Ahead: Scheduled Maintenance



Quad County Corn Processors wants all of our Golden Bran users and corn deliverers to be aware the company will be **shutdown for scheduled maintenance on September 15 and 16.** We recommend scheduling your loads and product usage accordingly. Larry Johnson is your contact for scheduling questions.

## Please Share Your Email Address

Quad County Corn Processors would like to build a database of email addresses of its members, vendors, and partners. With this information, Quad County will be able to send out messages and information including articles of interest, political updates, and company information.

Your address will be kept confidential and will not be shared. Please send an email to Mike Jerke at [mikej@quad-county.com](mailto:mikej@quad-county.com) to participate.



6059 159<sup>th</sup> Street  
Galva, Iowa 51020

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