



Fueling America...

...Energizing Livestock



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



Flexible Fuel Vehicles and



by Mike Jerke, General Manager

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Currently, the ethanol industry is able to produce approximately 3.3 billion gallons of ethanol each year. With current plants under construction, that figure is expected to climb to 3.8 billion gallons by 2006. More areas of the country are utilizing ethanol to assist them in reducing their tailpipe emissions and provide a healthier environment for their populations. Here in the Midwest we have been ahead of the curve. We have known about the health benefits and the reduction of foreign oil imports that ethanol use provides for some time.

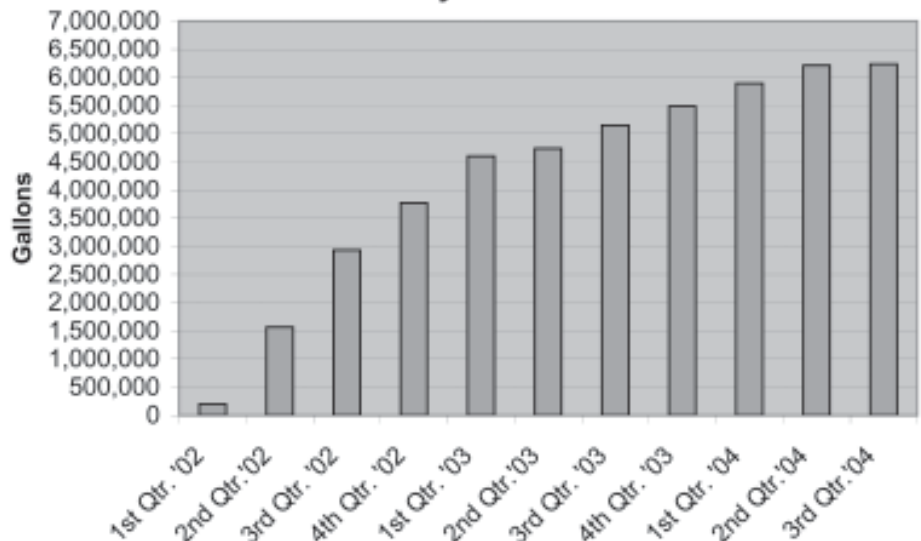
Flexible Fuel Vehicles

A newer and exciting trend has been the introduction of Flexible Fuel Vehicles (FFVs) by several of the major auto makers. An FFV is designed to run on any combination of regular gas or up to 85% ethanol (E85). There are no physical appearance differences between an FFV and a non-FFV. The difference is that an FFV is able to adjust the air to fuel ratio allowing E85 to be burned with no discernable difference in operation. Over 3 million FFVs are on the road currently with approximately 50,000 operating in Iowa. Interestingly, many owners of FFVs are not aware that their vehicles are in fact E85 ready. For the 2004 model year GM offered the Suburban, Silverado, GMC Sierra, Yukon, and Tahoe with a Flexible Fuel option. Ford 2004 FFV option available models include Explorer, Explorer Sport-Trac, Taurus sedan and wagon. I encourage you to visit www.e85fuel.com for additional information on how to read the Vehicle Identification Number (VIN) to identify if your vehicle is FFV ready. Not only does E85 make sense to use because of the ethanol benefits, typically E85 is priced between **15 and 25 cents per gallon cheaper** than the standard 10% blend of ethanol offered today.

E85 Coming to Galva

As FFVs become more prevalent, the need for more fueling stations that carry E85 has grown. Minnesota leads the country with over 100 retail stations offering E85 for sale. Iowa has 12 stations currently with that number growing quickly. Quad County Corn Processors is pleased to be a blender and supplier of E85 for the Galva Holstein Ag fueling site that will be opening soon (see the related announcement elsewhere in this newsletter). For the location of E85 fueling sites in Iowa go to www.quad-county.com and follow the link in the left hand menu bar that says "E85 Fueling Stations in Iowa".

Quarterly Production



If you are in the market for a new vehicle, seriously consider the benefits of E85. Once again the Midwest can show the rest of the country that renewable energy is more than just a concept.

We grow it, we refine it, and we use it.



Golden Bran™ Products

By Rick Heaton, Galva Holstein Ag Beef Specialist

Golden Bran™ Co-Product Sales

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Over 260 livestock producers are using Golden Bran™ co-products and achieving great results! In addition to being economical high performance feed ingredients, the biggest advantage to using Golden Bran™ 32 and Golden Bran™ Dry is the fact that they have almost no solubles (corn syrup) added back. This improves flowability so products don't get stuck in trucks or bins. Golden Bran™ co-products consistently have:

- Lower phosphorus and sulfur levels
- Higher protein levels
- Better handling characteristics
- Less risk of "dryer burn"
- A higher degree of palatability

In mid-August, *Sales Contracts* were mailed to all Quad County shareholders requesting firm 2004/2005 commitment levels for Golden Bran™ usage. We are happy to report that all Golden Bran™ Wet and Dry co-product supplies have been contracted to shareholders! It appears that there will be small amounts of Golden Bran™ Liquid available throughout the next 12 months. Please contact me or Larry Johnson at the plant if you interested in using liquid co-product this year.

We always welcome your comments regarding Golden Bran™ co-product quality, usage, and customer service. On behalf of Galva Holstein Ag and Quad County, we thank you for using Golden Bran™ co-products and look forward to working with you this year!

Opening Soon!

Galva Holstein Ag is constructing a retail fueling site and bulk fuel facility 1 ½ miles south of Galva on Highway M-25 (just off Highway 20). Retail pumps will include a #2 clear high-speed pump with a slave pump to enable trucks to fill both tanks at one time. In addition, there will be #1 clear diesel for winter blending, two E10 (gasohol) pumps and one E85 pump. Quad County Corn Processors is happy to be associated with this project and will be supplying E85. "Barring any unexpected construction or weather-related delays, Galva Holstein Ag anticipates pumping fuel by late October 2004", states Delayne Johnson, manager of Galva Holstein Ag.



Galva Holstein Ag's new retail fueling site is located across M-25 and directly west of Quad County and Heller's.

"Galva Holstein Ag is continually working to promote corn products grown by northwest Iowa farmers, and our company is excited to market E85 which is blended by Quad County Corn Processors. We know that consumers have multiple choices available to them as they decide where to fuel their vehicles. We hope anyone traveling through Iowa will choose to fuel up at Galva which will support northwest Iowa farmers and promote America's energy independence," Johnson added.

E85 is a high-powered, clean-burning fuel that can be used in flexible-fuel vehicles (FFVs). According to Iowa DOT records, there are nearly 50,000 FFVs on Iowa roads such as Chevrolet Suburban and Tahoe, Ford Taurus, and Chrysler mini-vans. Check with your local dealership or your owner's manual to see if your vehicle can run on E85. You might be surprised to learn that your vehicle can use E85.

Harvest delivery of new-crop corn has begun at QCCP. Currently, there is a Loan Deficiency Payment available. Please remember to have form CCC-709 on file at your FSA office before beginning deliveries. The corn policy for shareholders is included for your review. Members may deliver 833 bushels of corn testing 16.1-18.0% moisture this fall for each corn delivery right they own. Please call Larry at (712) 282-4628 to schedule these loads as we have limited storage for the higher moisture corn. Corn testing less than 16.0% does not need to be scheduled. When arriving at the plant, please fill out a load information sheet and send it to the office. On this sheet include the account name, description of unit delivering corn, and approximate number of bushels delivering this fall. We have our CB radio set on channel 4 for communication purposes. Unloading hours will be determined daily during harvest.

After November 15, 2004, we will have load sheets available for you to send to FSA.

We would like everyone to have a safe harvest!

Corn Policy

QCCP Shareholders

- Corn must be 18.0% moisture or less and be #2 yellow quality or better
- i. Corn over 15.0% moisture will be shrunk at 1.35% per point. No drying charge will be assessed on corn from 15.1% to 18.0% moisture.
- ii. Corn over 18.0%, **if accepted**, will be shrunk at 1.35% per point and incur a 2-cent per point drying charge to 18.0%.
- iii. Other discountable factors include:
 1. Test weight Discount
 53.9 to 52.0 pounds 1 cent per pound
 51.9 to 50.0 pounds 2 cents per pound
 49.9 pounds and under 3 cents per pound
 2. Foreign Material Discount
 3.1% to 5.0% 2 cents per point
 5.1% to 6.0% 3 cents per point
 6.1% and over 4 cents per point
 3. Damage Discount
 5.1% to 10.0% 2 cents per point
 10.1% and over 3 cents per point
 4. Other Discount
 Musty, Sour, COFO 10 cents per bushel each factor
 Infested 3 cents per bushel

Marketing Alternatives

- i. Spot Price – can price bushels based on the daily-posted bid.
- ii. Forward Contract – can price bushels for future delivery based on the posted bid.
- iii. Basis Contract – can set the basis for bushels for future or nearby delivery.
- iv. Price Later – no charge for Price Later through December 31, 2004. After December 31, 2004 Price Later will cost 3.5 cents per bushel per month. Charges subject to change as market conditions dictate.
- v. Average Price – can be received as long as the quantity to be priced and pricing trimester are declared **prior** to the beginning of the trimester. Trimesters are defined as Sept 1 – Dec 31, Jan 1 – Apr 30, and May 1 – Aug 31.

Delivery

- i. Members have until the end of the delivery trimester to declare the Marketing Alternative for corn delivered during the trimester. If no declaration is made, the bushels will automatically be applied to a Basis Contract.

Quad County Corn Processors reserves the right to reject corn that is not suitable for processing.

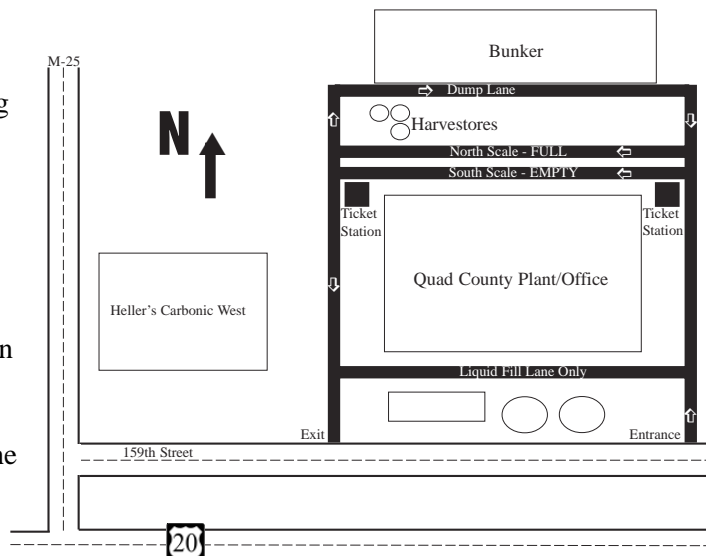
Quad County Corn Processors reserves the right to correct printing errors.

POLICY SUBJECT TO CHANGE WITHOUT NOTICE

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





2004 Income Tax Items

by Bruce F. Edwards, CPA

The following is an update of income tax items of interest to the members of QCCP.

Just as with prior years, each member will receive a Form K-1 for calendar year 2004. The Form K-1 will provide you the specific income tax information, including your share of Federal and Iowa taxable income and the Federal Small Ethanol Producer Income Tax Credit. The timing of the issuance of the K-1s goes as follows. The fiscal year end is December 31, 2004, the books are closed by Kristi in the early days of January of 2005, our firm performs the audit of the books no later than the middle of January and we meet with the entire Board and Management to discuss the audit results. Immediately thereafter, we prepare the K-1s, which will be mailed out to the members around February 1, 2005.

Just as a reminder, the Federal Small Ethanol Producer Income Tax Credit is required to be included in federal taxable income. Therefore, the amount of federal taxable income on your Form K-1 will approximate your share of the company's net income plus your share of the federal income tax credit. Incidentally, the federal income tax credit for the company each year, including calendar 2004, is a grand total of \$1,500,000. With 2720 Delivery Shares outstanding, this equates to \$551 of federal tax credit per share.

Your 2004 Iowa taxable income from QCCP will approximate your share of the company's 2004 net income.

Finally, in the Spring of 2004, each member was asked to pay a corn reimbursement amount to QCCP. The payment was either in the form of cash or the physical delivery of corn. As was communicated last Spring to the members by Mike Jerke as approved by the Board of Directors, this payment, whether in cash or in kind, is a current deduction for income tax purposes for each member for 2004. Likewise, the receipts by QCCP are 2004 taxable income to the Company as Corn Reimbursement Income.

If you have any specific income tax questions, we recommend that you see your tax advisor prior to the end of the year.



Quad County Corn Processors hosted the Sac County Tractor Ride participants on July 24. Their event, held in conjunction with Early's Crossroads Days included a tour of the plant.

Quad County Corn Processors has good quality hay for sale in square and large round bales. Please contact Mike Jerke at 712-282-4628.



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