

# Big River Resources *The Value Adder* Cooperative

November 2011

The Official Newsletter of Big River Resources Cooperative Volume 10 Issue 4

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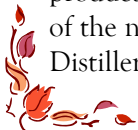
## Big River Purchases An Ethanol Plant

Big River Resources, LLC and Western Wisconsin Energy, LLC of Boyceville, WI have announced their execution of an exclusive agreement for Big River to acquire Western Wisconsin Energy's ethanol production facility located near Boyceville.

Local developers formed Western Wisconsin Energy, LLC in 2003. The facility began ongoing successful operations in 2006 producing in excess of 55 million gallons per year. Western Wisconsin Energy owners and Big River view this is an opportunity to continue to provide the Boyceville area employment opportunities, support the local community, and provide a price support for corn to the local agricultural community.



Big River Resources, LLC continues to fully evaluate growth as an option. It's goals include providing employment opportunity for rural communities, sustainability support for the local communities, adding value to agricultural products while adding value to investor returns. In doing so, Big River Resources, LLC supports the energy independence of the nation by producing environmentally friendly renewable fuel ethanol, improving feed infrastructure with high value Distillers Grains, and decreasing our dependence on foreign oil.



### Happy Fall!



A Fallen Leaf is Nothing More Than  
a Summer's Wave Goodbye

The ethanol industry creates jobs and investment across the nation – especially in rural areas.



● FOR YOUR INFORMATION ●

Ethanol adds value to America's corn harvest and helps reduce the cost of federal farm programs.



## Cooperative Board of Directors

Raymond E. Defenbaugh, President

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Jim Gunter

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# Company Overview

The 2011 harvest season is quickly winding down as another year is drawing to a close. The fall season proved out to be a better than expected production for most of Big River Resources agricultural communities. There were a few exceptions such as the southern areas of Iowa that unfortunately missed some of the August rainfall that blessed the areas to the north and east. Big River grain elevator facilities were busy moving corn to the ethanol facilities to meet late summer grind needs through September and early October as they began a harvest that brought record new crop corn receipts in spite of a marginal weather year for much of the Midwest. Investments made in 2011 to improve grain handling and add the Aledo and Edgington facilities provided additional corn throughout the summer to meet grind needs as well as improved service to our customers in their busy harvest season. Big River extends a thank you to all our customers for their patronage this harvest season.

Big River Resources continued the successful year of ethanol operations through the 3rd quarter with solid production results processing 89 million bushels of locally grown corn into 245 million gallons of ethanol, 722 thousand tons of DDGS and 4.3 million gallons of non-food grade corn oil. Production of higher value products provided solid 3rd quarter financial results with \$15.9 million net income contributing to record year-to-date net earnings of \$45.3 million increased from last year's \$35.9 million. These positive results allowed the Board of Directors to declare a dividend to be paid in November. This declared dividend is \$500 per unit to members of record in October to provide a return to your investment. Currently 4th quarter of 2011 is projected to provide solid earnings opportunities that will complete another successful year. Ethanol margins have been variable with the higher corn prices throughout the year from a strong start in the first and second quarters that narrowed in August only to rebound in late September. Current margins in October have been at 2 year high levels with an opportunity to continue through 4th quarter. Big River commodity and risk committee teams have been diligent in managing the volatility risk and higher prices through this period with solid hedging and margin management to avoid price exposure that could create the potential of significant losses for your business. Overall Big River has been financially rewarded by a solid performing set of Board of Directors and employee teams to deliver such positive results.

Big River Resources continually reviews opportunities as they occur in the agricultural and ethanol industry as a course of business with the goal of ensuring beneficial growth to maintain and improve the investment of our members for long term viability and returns. In June, the Board of Directors and Management Team began a review of the 55 million gallon ethanol plant owned by Western Wisconsin Energy, LLC located in Boyceville, Wisconsin. This company is grass roots ethanol organization that began in the same manner as Big River with a farmer owned cooperative seeking the same goals of adding value to agricultural production, improving rural community opportunity and providing local quality jobs with a return to local investment. The review of this business revealed a well maintained and profitable facility in a good location operated by a solid employee team. With these due diligence results, a projection of earnings with or without the addition was prepared providing the support for a decision to pursue the acquisition of the facility. We were successful in the bidding process and are currently finalizing preparations to close on the purchase on December 1st, 2011. This acquisition will be 100% owned by Big River Resources and will complement our existing centralized structure with additional production capacity and earnings to provide meaningful, measured growth to your company. This addition will increase your employee team from 204 to 236 along with increased productive capacity from 330 million gallons to 385 million gallons. Big River Resources Board of Directors and Employee teams look forward to welcoming the Boyceville employee's and facility to the Big River Resources organization.

## Cooperative Member Stats

Class B Shares: 3,281

Class C Shares: 343

TOTAL SHARES 3,624

Total Cooperative Members – 647

Equity Book Value Per Share: \$21,394

These are internal, unaudited financials as of 9/30/11

Cooperative Investment in Big River Resources, LLC

TOTAL UNITS – 5,616.40

Total Shares BRR, LLC Has Outstanding: 20,654.40

Coop Owns 27.19% of Big River Resources, LLC

## Big River Resources, LLC

Consolidated Financial Results

January - September 2011

Ordinary Net Income: 45,319,152

ROI (Return on Investment): 30.67%

ROE (Return on Equity): 14.49%

Current Ratio: 2.34:1



These are internal, unaudited financials as of 9/30/11



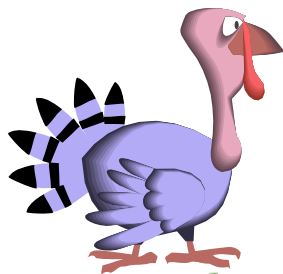
# Company Overview Continued

Politically the ethanol industry continues hold their own in response to ongoing attempts to derail the gains made to create a level playing field for the biofuels business. Currently it is expected we will see the Volumetric Ethanol Excise Tax Credit (VEETC), small producer's tax credit and 54 cent import tariff expire on December 31, 2011. These incentives have served the purpose to generate the construction and growth of the industry over the past 6-7 years. With this expiration, it is projected that the most significant impact will be an increase tax revenues paid by the American consumer in the form of higher gasoline prices in the amount of 5 cents per gallon. Ethanol as a blend component carries many benefits including higher octane, reduced environmental emissions and the opportunity for refiners to include lower value components in their overall gasoline base blend stock. With ethanol now a major component to the fuel supply chain as well as the value to refiners and blenders, we anticipate minimal impact to our domestic demand for ethanol. On a worldwide basis, ethanol is becoming an increasing component of gasoline with ongoing growth of renewable fuels initiatives and demand for fuel. Big River Resources Galva facility has produced ethanol for export for 9 of the past 12 months to supply record export volumes in September and October of this year. These exports are anticipated to continue into the future to meet on going demand in Europe, Brazil, Canada and Asia. In response to concerns on food production; world feed grain production continues to grow with the economic incentive of higher commodity prices providing improved economics for utilization of modern farming practice, seed technology and fertilization in areas that previously did not have the financial incentive to implement efficiency improvements. Russian states, Australia and South America have all increased production, transportation and storage infrastructure to meet the growing world feed and food grain needs. It is anticipated we will continue to see utilization of feed wheat and other grains on a competitive basis providing support for the continued economic use of corn for ethanol production well into the future. With this change on a worldwide basis we continue to have confidence in our industry and the ability to remain a viable part of the fuel, feed and agricultural business industries.



 A turkey is a funny bird,  
Its head goes wobble, wobble, wobble.  
All it knows is just one word,  
"Gobble, gobble, gobble." 

**Thanksgiving is  
November 24th**



## Pumpkin Dip

- 1-15 oz Instant Vanilla Pudding
- 1-15 oz Can Pumpkin
- 2 tsp Pumpkin Spice
- 1-16 oz Cool Whip

Blend pudding, pumpkin and pumpkin spice together.

Fold in cool whip and chill at least one hour. Serve with graham crackers or ginger snaps.



## Commodity Corner



Congratulations on another successful harvest. Hopefully it was safe and for the most part uneventful for everyone. This time of the year gives us a clearer understanding of many questions and concerns that have been on our minds for much of the growing season. However, many new questions are created in the fall season as well.

From a grain marketing standpoint we have the snapshot of the current market and numerous S&D models to serve as our guidelines in any decisions to be made this fall. Currently basis levels and board spreads indicate that the market is attempting to incentivize more grain to market. However, the flat price, which is what a majority of the Big River corn suppliers consider, is not helping much. Iowa corn is worth roughly \$6.50/bushel as of this writing. Although this is \$2.00/bushel more than last harvest values, when compared to the lofty summer prices recently seen, it does not measure up. The current S&D issued by USDA does however suggest that \$6.50 is not far off base from a valuation perspective. If we consider the prevalent market ideas of corn carryout last summer (650 million bushels, old and new crop; corn price \$7.50) versus the current carryout expectations of 866 million bushels, it becomes more clear why current prices are \$1.00/bushels less.

Markets continually ebb and flow, and although we now know much more about our crop than we did in September, we can be certain that there will be changes and even shocks ahead. Nobody knows what they will be. However, our snapshot today suggests that corn marketed at \$6.50-\$7.00 is not going to be a major source of regret over the coming year.

As you continue to answer more questions through the course of the calendar year, feel free to call one of our merchandising staff for solutions. Deferred price contracts and basis contracts are useful tools this time of year if you believe there is upside pricing opportunity ahead. Depending on what the tax man has to say, deferred payment contracts can help you manage your tax liabilities. Remember, don't be afraid to cost average forward contracts either...no one sells 100% of their grain in the top 10% of the pricing zone.

As always, thank you for your patronage.



## Investor Communications

For any investor questions regarding shares, fees or intention sheets please call or e-mail Carrie Blom at (319) 768-5892 or [carrie.blom@bigriverresources.com](mailto:carrie.blom@bigriverresources.com). The intention/declaration letters have been sent out for the 2011/2012 year. The intention/declarations (Class B—light blue in color & Class C—light brown in color) were due August 19th, please turn them in so we can update our records accordingly. If you have any address or phone number changes please make sure you contact us immediately so we can update our records. It is imperative we have your current information so we can continue to communicate with you.

*For any question regarding grain sales, contracts or delivery times please call:*

- For West Burlington:** Jim Hansen at (319) 768-5863
- For Monmouth:** Kevin Lovdahl at (309) 734-8423
- For Galva:** Dennis Aupperle at (309) 932-3851
- For Dyersville:** Steve Timp at (563) 875-5530
- For Edgington/Aledo:** Terry Sponheim at (309) 795-1700

*For any questions regarding dry or modified distillers please call:*

Ron Stover at (319) 768-5864



**Bids for all locations can be found at: [www.bigriverbids.com](http://www.bigriverbids.com)**

## Truck Unload Hours



<b>West Burlington</b>	7:00 am to 4:00 pm for corn and distillers
<b>Monmouth</b>	7:00 am to 4:00 pm for corn
<b>Edgington / Aledo</b>	7:00 am to 4:00 pm for corn
<b>Galva</b>	7:00 am to 4:00 pm for corn and distillers
<b>Dyersville</b>	7:00 am to 4:00 pm for corn and distillers

### DATES TO REMEMBER



Holidays: November 24th, December 26th & January 2 -Big River will be closed in observation.

