

FINANCIAL & OPERATIONAL EXPERTS

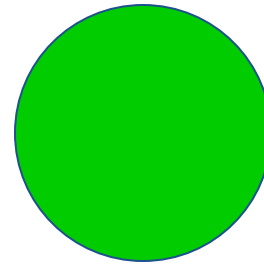
2008 ABI Rocky Mountain
Bankruptcy Conference



The Ethanol Slope

Ethanol – Green Circle, Blue Square or Black Diamond?

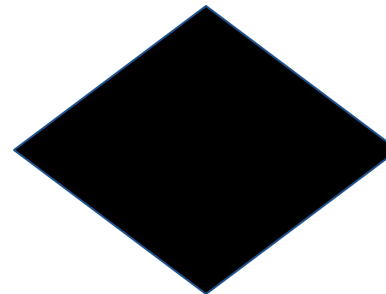
- Energy law enacted in 2005 that mandated the use of renewable fuel in gasoline.
- This created a wave of prosperity for many farmers.
- That prosperity looks like it is about to end.



Easy Slope



Moderate or
Intermediate Slope



Advanced Slope

Threats to the Ethanol Industry

- Environmental Issues
- Technology
- Government Action
- Market Forces



The Toughest
Run!

Environmental Issues

- Water is a fact of life.
 - 3 to 5 gallons of water are needed to produce 1 gallon of ethanol.
 - Water consumption is running up against water constraints.
- Emission problems exist.
 - EPA has begun testing at plants.
 - Many plants are emitting pollutants that exceed the rate allowed.
 - The EPA is negotiating with the industry over emission control technology.
 - Thermal oxidizers are an option, but cost in the \$1 million range.
- Corn is the primary source.
 - There are land-use limitations.
 - There are high energy costs to run the plants.
 - There are transportation costs.
 - Corn cannot be grown everywhere.
 - The best alternative is switchgrass, other corn or maize strains, or cellulose related materials.

Parabolic Skis!

Technology

- Dry mills may become obsolete.
- Using switchgrass or other feedstock as an alternative will require new technology.
- Upgrading the technology is expensive.

Government Action

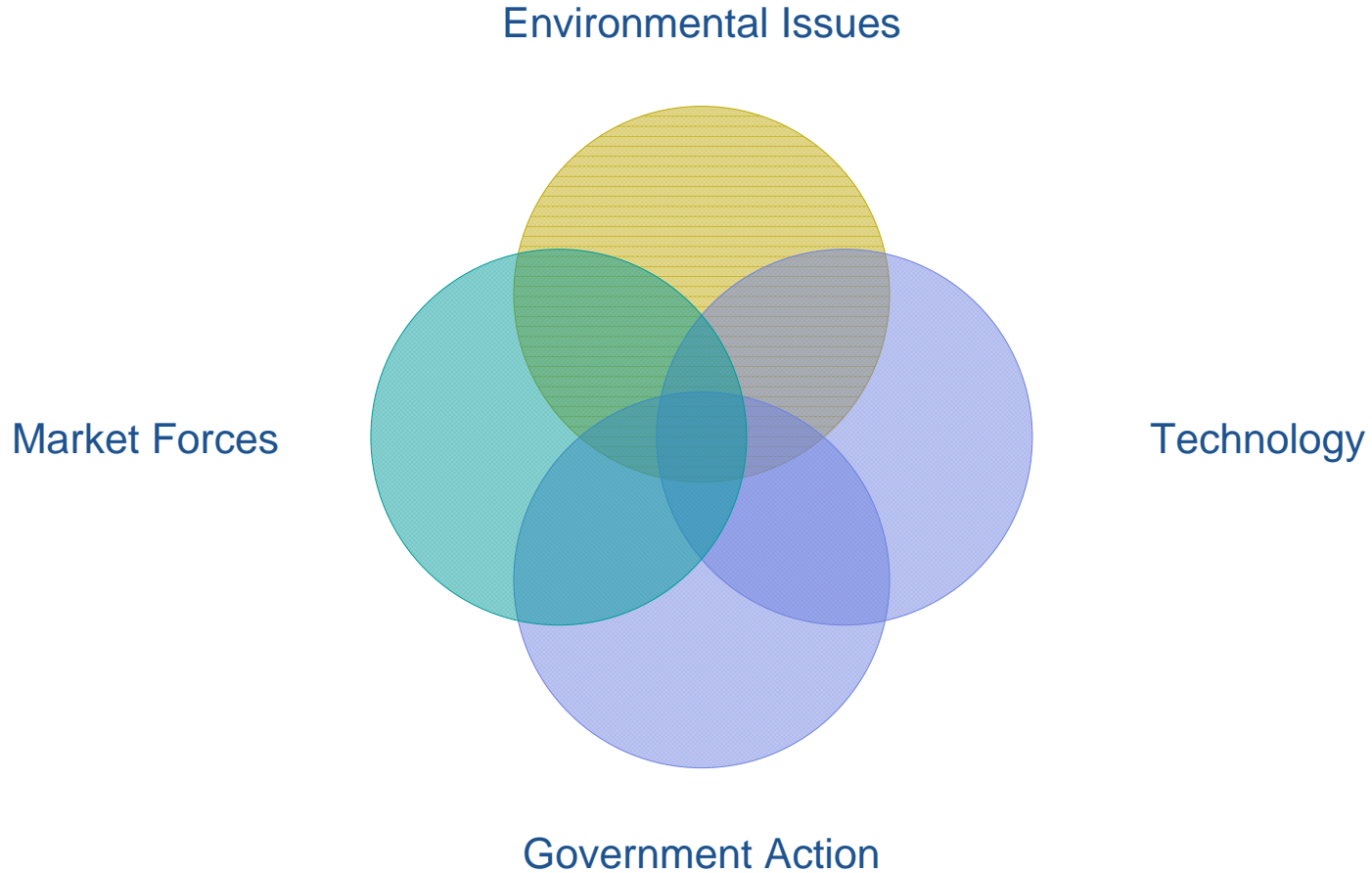
- Ethanol production is heavily dependent on federal and state regulations.
- Government mandates are not tied to production
 - Plants must reach a certain volume of production to receive subsidies.
- Access to money to build the roads, water supplies, and natural gas pipelines to serve ethanol plants is another factor.
 - Federal and state assistance may shift from year to year.

Market Forces

- The supply side is trending towards large plants, thus putting the squeeze on smaller plants.
- Many more permits issued than plants built, for instance, Illinois has issued 38 permits for new ethanol plants since 2006; only 5 are under construction.
- Soaring construction and financing costs and the high corn prices is putting a halt to the construction of plants.
- Ethanol production has increased the price of feed grain.
 - Driving down margins for hog and cattle farmers.

- Transportation of ethanol is a major problem.
 - Means of transportation is via train, truck and barge; all very expensive.
 - Ethanol cannot be shipped through the country's fuel pipeline due to its water soluble nature and corrosive qualities.

Cruising the Fall Line



Yard Sale

- The price of ethanol has dropped approximately 30% in the past few months.
- The price of corn has remained high.
- Margins are low pushing some plants to the brink of bankruptcy, or into bankruptcy.

Question & Answer Time



Q & A



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Test your knowledge

(Answers on Next Slide)

Yard Sale	<input type="checkbox"/>	A. The markings used to indicate the difficulty of a mountain's slopes
Mashed potatoes	<input type="checkbox"/>	B. A fall or near-fall when the endge of your ski digs into the snow.
Parabolic skis	<input type="checkbox"/>	C. Making a long run at less than breakneck speed.
Granular surface	<input type="checkbox"/>	D. The straightest and steepest line down a slope. You will likely follow this line if you fall.
Green circles, blue squares and black diamonds	<input type="checkbox"/>	E. Snow that has been groomed and is not fresh and powdery.
Cruising	<input type="checkbox"/>	F. Heavy, wet snow.
Off-trails	<input type="checkbox"/>	G. Where you shouldn't be - ungroomed, unpatrolled slopes.
Fall Line	<input type="checkbox"/>	H. New skis that are changing the industry. They promise speed and control.
Catching an edge	<input type="checkbox"/>	I. A wipeout fall. Skis, poles, hat, etc. end up strewn along the mountainside.

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