

### Office Hours

8:00 am—5:00 pm

Dumping Hours 7:30 am—4:30 pm

Loading hours 7:30 am—4:30 pm

Monday—Friday

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# Dakota ETHANOL

[www.dakotaethanol.com](http://www.dakotaethanol.com)



December 2005



## *U.S. Ethanol Industry Surpasses First Year Goal of RFS*

### *September Production Sets New Record, Soars Over 4 Billion Gallons Annually*

WASHINGTON, DC -- The Renewable Fuels Association (RFA) announced November 25, 2005 that the U.S. ethanol industry is now producing at a rate of more than 4 billion gallons annually. According to data released by the U.S. Energy Information Administration (EIA), ethanol production in the U.S. was averaging 261,000 barrels per day (b/d). That annualizes to just over 4 billion gallons.

Ethanol production was up 1,000 b/d over August, and up 35,000 b/d over September 2004.

Currently, 93 ethanol plants in 20 states have a combined production capacity of more nearly 4.2 billion gallons a year. There are 23 ethanol plants and seven expansions under construction with a combined annual capacity of more than one billion gallons.

For more information, visit the Renewable Fuels Association website at: [www.ethanolRFA.org](http://www.ethanolRFA.org).

**Dakota Ethanol, LLC** continues to operate very efficiently and are seeing consistently higher production numbers. November saw approx 4.3 million gallons of ethanol produced. As far as day to day operations, most all of the familiar faces you have been accustomed to seeing are here. The only familiar face that is not here is Dean Frederickson, former GM, and the technical manager position, which has been vacant for some time. A better relationship and communication with LACP members is already evident through a new website with more information posted, a very attractive format and very user friendly functions. Feel free to contact us with any concerns you may have with Dakota Ethanol, LLC or Lake Area Corn Processors, LLC.

**You have all seen the headlines**, ethanol is in the news. There are two facilities a week going up; every month seems to bring new records as far as production. Existing plants are expanding. Where does this lead us? Without a doubt, ethanol production has meant more for rural America in economic development than anything in history. The recent legislation of a Renewable Fuel Standard has established a floor for ethanol usage and ethanol just makes good sense all the way around. The misconception that it takes more energy to produce than you get out of ethanol has been proven wrong over and over again. Latest USDA information confirms that you get a net energy gain of 167% producing ethanol! If you are looking at investing in a plant, please make the effort to check out the offering. Don't assume all plants are structured the same and expect the same results from all plants, as all plants are not the same. The price tag of the latest technology needs to be weighed against profitability. So many parameters play a role in the success of an ethanol plant, especially a new plant, such as energy costs, corn costs, federal and state incentives, how profits are distributed, and of course, the overall cost of the plant. Take a look at the long term debt and the overall price tag of the plant. Maybe purchasing more units in an existing plant [Lake Area Corn Processors, LLC] would make good sense for a couple of reasons; the average price of ownership would be far below market when averaged into an original investment. You may see a disbursement, or dividend, from an existing plant in a matter of months, not a year or better. Please see more industry and stock news on page two.

**Ethanol Day** at the State legislature will be held on February 1, 2006. Please reserve your seats early and let's have a full bus to make the trip to Pierre. We need your support for ethanol and biofuels at the state level. Please notify us by January 6, 2006 if interested so we can make arrangements for transportation. Give Susan a call at 605-483-2676 for details or reservations.

**Please check out our new website** at [www.dakotaethanol.com](http://www.dakotaethanol.com). You will find a new appearance and a more friendly format to navigate, especially in the grain bid and information area. Also, in the LACP section you will find previous LACP newsletters posted and trading information with a link to [www.agstocktrade.com](http://www.agstocktrade.com). A delivery schedule is posted for your convenience. If you have any questions or suggestions, please don't hesitate to contact us.



## Commodities Comments

Due to the changes in our marketing agreements, Commodity Specialists Company [CSC] of Minneapolis has been contracted to market our DDGS production since November 1<sup>st</sup>, 2005. CSC can be reached at 1-800-769-1066. Dakota Ethanol, LLC is marketing our own wet cake, modified and syrup production in house. Please contact Andrea Eddy or Paul Geraets regarding the sales of these wet products. They can be reached at 1-888-539-2676 or 605-483-2676. We would be able to send out samples and nutrient analysis if interested.

Corn deliveries are going well for dry corn and operating with normal delivery hours. Wet corn deliveries need to be schedule with Paul or Andrea as we have limited ability to utilize wet corn. Pile corn with snow/ice in it is particularly troublesome for us...we are not set up to handle that type of corn. Please keep an eye on your bins as moisture corn is prone to heating this time of the year and these bins need to be cored and aired to maintain quality.

If you have corn to market, please give us a call or check out our daily bids at [www.dakotaethanol.com](http://www.dakotaethanol.com). Please meet your committed bushels as scheduled and if you are not sure of your delivery schedule you will find posted on our website or simply give us a call.

Please note we will be closed on December 26<sup>th</sup> and January 2nd, 2006. Normal business hours will resume on Tuesday, January 3, 2006.

Happy Holidays and Best Wishes for 2006.

**The LACP trimester corn price** has been set at \$1.85 for the trimester January 2006—April 2006. For those in the average pricing structure, you will receive 80%, or \$1.48 upon delivery. As in the past, you will also receive 80% of the applicable discounts [if any] and 80% of the freight allowance, with settlement at the end of the trimester based on actual terminal averages.

### Year End Tax Preparation & Earnings

The K-1 tax statements for 2005 will be sent out in mid February 2006. Year-to-date disbursements have been \$0.22 per capital unit; or a total of \$6,516,400 disbursed to members of Lake Area Corn Processors, LLC. To aid in your year end tax preparation, please refer to the most recent quarterly (10-Q) financial reports as posted on the SEC website ([www.sec.gov](http://www.sec.gov)) for Lake Area Corn Processors, LLC. Please review the earnings through the third quarter of 2005. From this review and comparison to last year's earnings, you should be able to form an opinion on projected annual earnings for 2005 and your portion based upon your amount of capital units owned.

Another consideration will be the small producer tax credit. Under the current law, small ethanol producers are allowed a 10-cents per gallon production income tax credit up to 15 million gallons of production annually. The credit is capped at \$1.50 million per year per producer. The Energy Policy Act of 2005 [HR 6], changed the definition of a "small ethanol producer" from 30 million gallons per year to 60 million gallons per year to more accurately reflect the changing industry. This is effective for 2005 and for taxable years after date of enactment and sunsets December 31, 2010. This would equate to approximately \$0.045 per capital unit for LACP Members. Please be aware that there are certain rules involving the tax credit that may affect individual members differently. Therefore, we recommend you consult your tax advisor regarding this tax information and any implications it may have on your individual tax and financial situation.