

06 - 0618

STATE OF MINNESOTA

Office Memorandum  
DEPARTMENT OF AGRICULTURE

DATE: February 7, 2006

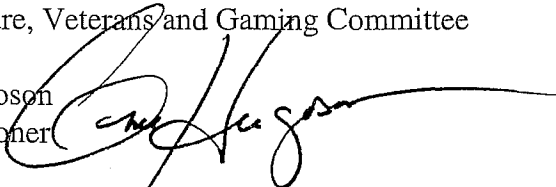
TO: Representative Gregory Davids, Chair,  
Agriculture and Rural Development Committee

Representative Dennis Ozment, Chair, Agriculture,  
Environment and Natural Resources Finance Committee

Senator Dallas Sams, Chair, Environment,  
Agriculture and Economic Development Budget Division

Senator James Vickerman, Chair  
Agriculture, Veterans and Gaming Committee

FROM: Gene Hugoson  
Commissioner



SUBJECT: 2006 Report on Ethanol Plants Receiving Producer Payments

Attached is the 2006 report required by Minnesota Statutes section 41A.09 on plants receiving producer payments from the State of Minnesota. Section 41A.09 requires a report "summarizing aggregated data" on the operations of these plants, based on disclosures and financial reports these producers are required to submit to the Department of Agriculture.

If you or your staff have any questions about this report or would like to discuss it, please contact Steve Ernest, Financial Management Director, at 651-201-6580.

c: Perry Aasness  
Jim Boerboom

Sen. James Vickerman, Chair  
Agriculture, Veterans and  
Gaming Committee  
226 State Capitol

Sen. Dallas Sams, Chair  
Environment, Agriculture and Economic  
Economic Development Budget Division  
328 State Capitol

Rep. Gregory Davids, Chair  
Agriculture and Rural  
Development Committee  
477 State Office Building

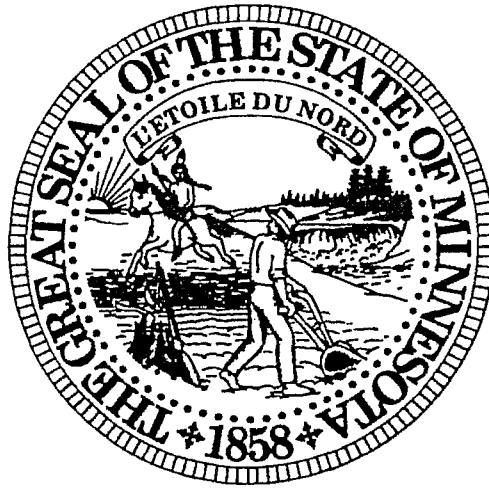
Rep. Dennis Ozment, Chair  
Agriculture, Environment and Natural  
Natural Resources Finance Committee  
479 State Office Building

February, 2006

To the Chairs of the Legislative committees on agricultural policy and finance:

Attached is the 2006 report required by Minnesota Statutes section 41A.09 on plants receiving producer payments from the State of Minnesota. Section 41A.09 requires a report "summarizing aggregated data" on the operations of these plants, based on disclosures and financial reports these producers are required to submit to the Department of Agriculture.

06 - 0618



**Ethanol Plants Receiving  
Producer Payments  
From the State of Minnesota**

2006 Report

February 15, 2006

Minnesota Department of Agriculture

**Ethanol Plants Receiving  
Producer Payments  
From the State of Minnesota**

2006 Report

This report is submitted in fulfillment of the statutory requirement in section 41A.09, which states:

*Not later than the 15<sup>th</sup> day of February in each year the commissioner shall deliver to the chairs of the standing committees of the senate and the house of representatives that deal with agricultural policy and agricultural finance issues an annual report summarizing aggregated data from plants receiving payments under this section during the preceding calendar year. Audited financial statements and notes and disclosure statements submitted to the commissioner are nonpublic data under section 13.02, subdivision 9. Notwithstanding the provisions of chapter 13 relating to nonpublic data, summaries of the submitted audited financial reports and notes and disclosure statements will be contained in the report to the committee chairs and will be public data.*

Thirteen ethanol plants received producer payments and/or deficiency payments from the State of Minnesota in calendar year 2005. These plants are:

Agra-Resources Co-op; EXOL (Albert Lea),  
Agri-Energy, LLC (Luverne),  
Al-Corn Clean Fuel Limited Partnership (Claremont),  
Central Mn Ethanol Co-op (Little Falls),  
Chippewa Valley Ethanol Company, LLLP (Benson),  
CornPlus, LLLP (Winnebago),  
Diversified Energy Co., LLC (Morris),  
Ethanol 2000, LLP (Bingham Lake),  
Gopher State Ethanol, LLC (St. Paul),  
Heartland Corn Products (Winthrop),  
Melrose Dairy Proteins, LLC (Melrose),  
Minnesota Energy (Buffalo Lake) and  
Pro-Corn, LLC (Preston).

This report aggregates data from twelve of the thirteen producer plants into a financial section, a statistical section and percentage of ownership section. Gopher State Ethanol, LLC (St. Paul) is not included in the aggregate data since it is no longer a producer.

#### **FINANCIAL SECTION:**

The financial section presents the current year Balance Sheet aggregate data and a comparison Balance Sheet with current and prior year data. The current year data is in the form of a Balance Sheet presenting the aggregate total of all twelve entities and the average of the twelve aggregate entities. In summary, the aggregate total assets of the entities for 2005 are \$449,326,435 which is an increase of \$35,195,966 from the 2004 aggregate total assets of \$414,130,469. The total liabilities for 2005 are \$147,887,800 which is a decrease of \$62,736,427 from the 2004 aggregate total liabilities of \$210,624,227. The aggregate total equity for 2005 is \$301,438,635 which is an increase of \$97,932,393 from the 2004 aggregate total equity of \$203,506,242.

#### **STATISTICAL SECTION:**

The statistical section presents current year and comparison summary information including; revenues, sales, profits, government incentives, patronage dividends, interest expense, etc. The resulting ratios include ratios of liquidity, leverage, activity and profitability. As with the financial data information, the presentation is the same with the aggregate total and the average of all twelve entities. Notable statistics include total sales for 2005 of \$805,365,844 which is an increase of \$240,028,251 from the 2004 total sales of \$565,337,593. Aggregate net income for 2005 totaled \$121,929,788 which is an increase of \$88,365,783 from the 2004 net income of \$33,564,005. Aggregate Government Incentives for 2005 total \$21,165,538 which is a decrease of \$14,095,150 from the 2004 incentives of \$35,260,688. The decrease was due to the State of

Minnesota reduction of \$4,144,640 and the Federal Bio-Program reduction of \$9,950,510. The 2005 Government Incentives reported on the producer financial statements were provided by the State of Minnesota in the amount of \$19,653,286 and the CCC Bio-Energy program provided \$1,512,252.

#### **OWNERSHIP SECTION:**

The percentage of ownership section presents aggregate producer disclosure on ethanol producer plant entity ownership. This data is presented based on overall ownership type and M.S. 500.24 defined farmer ownership.

#### **For 2005:**

Overall ownership of the producer plants for 2005 were: 43% by individuals with less than 10% ownership, 51% by cooperatives, 4% by corporations and 2% by LLC's.

Ownership by farmers or other entities eligible to farm or own agricultural land in Minnesota as defined in M.S. 500.24 for 2005 totaled approximately 60%: approximately 29% by farmers with less than 10% direct ownership and approximately 31% by farmers through membership in cooperatives.

#### **For comparison - 2004:**

Overall ownership of the producer plants for 2004 were: 40% by individuals with less than 5% ownership, 5% by individuals with greater than 5% ownership, 46% by cooperatives, 8% by corporations and 1% by LLC's.

Ownership by farmers or other entities eligible to farm or own agricultural land in Minnesota as defined in M.S. 500.24 for 2004 totaled approximately 62%: approximately 26% by farmers with less than 5% direct ownership and approximately 36% by farmers through membership in cooperatives.

## Financial Section

**Minnesota Department of Agriculture  
Balance Sheet of Summary Data from Ethanol Disclosures  
Received for the First Quarter Fiscal Year 2005**

	<u>Total</u>	<u>Average</u>
<b>Assets</b>		
<b>Current</b>		
Cash.....	\$ 49,837,833	\$ 4,153,153
Accounts Receivable.....	70,183,957	5,848,663
Inventory.....	24,040,291	2,003,358
Other.....	4,600,260	383,355
<i>Total Current Assets</i>	<u>148,662,341</u>	<u>12,388,528</u>
<b>Investments</b>		
In Coops.....	3,976,241	331,353
Other.....	18,799,784	1,566,649
<i>Total Investments</i>	<u>22,776,025</u>	<u>1,898,002</u>
<b>Fixed Assets</b>		
Land.....	13,120,302	1,093,359
Plant & Equipment.....	425,008,305	35,417,359
Accumulated Depreciation.....	(162,829,872)	(13,569,156)
<i>Total Fixed Assets</i>	<u>275,298,735</u>	<u>22,941,561</u>
<b>Other Assets</b>		
Financing Costs.....	764,220	63,685
Other.....	1,825,114	152,093
<i>Total Investments</i>	<u>2,589,334</u>	<u>215,778</u>
<b>Total Assets</b>	<u>\$ 449,326,435</u>	<u>\$ 37,443,870</u>
<b>Liabilities:</b>		
<b>Current</b>		
Accounts Payable.....	\$ 40,539,374	\$ 3,378,281
Current Portion Long-Term Debt.....	13,816,775	1,151,398
Earnings Distribution.....	12,190,482	1,015,874
Other.....	11,017,934	918,161
<i>Total Current Liabilities</i>	<u>77,564,565</u>	<u>6,463,714</u>
<b>Long-Term</b>		
Co-Bank.....	29,976,967	2,498,081
Other.....	39,902,943	3,325,245
Other Long Term Liabilities.....	443,325	36,944
<i>Total Long Term Liabilities</i>	<u>70,323,235</u>	<u>5,860,270</u>
<i>Total Liabilities</i>	<u>147,887,800</u>	<u>12,323,983</u>
<b>Equity:</b>		
Cooperative.....	107,219,616	8,934,968
Other.....	165,894,875	13,824,573
Undistributed.....	28,324,144	2,360,345
<i>Total Equity</i>	<u>301,438,635</u>	<u>25,119,886</u>
<b>Total Liabilities &amp; Equity</b>	<u>\$ 449,326,435</u>	<u>\$ 37,443,870</u>



**Minnesota Department of Agriculture  
Balance Sheet Summary Data from Ethanol Disclosures  
Comparison of 2005 & 2004 Disclosures\***

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
<b>Current</b>			
Cash.....	\$ 49,837,833	\$ 14,532,998	\$ 35,304,835
Accounts Receivable.....	70,183,957	37,979,353	32,204,604
Inventory.....	24,040,291	31,331,970	(7,291,679)
Other.....	4,600,260	19,305,093	(14,704,833)
<i>Total Current Assets</i>	<u>148,662,341</u>	<u>103,149,414</u>	<u>45,512,927</u>
<b>Investments</b>			
In Coops.....	3,976,241	2,930,824	1,045,417
Other.....	18,799,784	3,797,101	15,002,683
<i>Total Investments</i>	<u>22,776,025</u>	<u>6,727,925</u>	<u>16,048,100</u>
<b>Fixed Assets</b>			
Land.....	13,120,302	12,830,420	289,882
Plant & Equipment.....	425,008,305	393,294,998	31,713,307
Accumulated Depreciation.....	(162,829,872)	(106,474,016)	(56,355,856)
<i>Total Fixed Assets</i>	<u>275,298,735</u>	<u>299,651,402</u>	<u>(24,352,667)</u>
<b>Other Assets</b>			
Financing Costs.....	764,220	1,271,905	(507,685)
Other.....	1,825,114	3,329,823	(1,504,709)
<i>Total Investments</i>	<u>2,589,334</u>	<u>4,601,728</u>	<u>(2,012,394)</u>
<b>Total Assets</b>	<u>\$ 449,326,435</u>	<u>\$ 414,130,469</u>	<u>\$ 35,195,966</u>
<b>Liabilities:</b>			
<b>Current</b>			
Accounts Payable.....	\$ 40,539,374	\$ 43,556,978	\$ (3,017,604)
Current Portion Long-Term Debt.....	13,816,775	20,195,221	(6,378,446)
Earnings Distribution.....	12,190,482	6,209,007	5,981,475
Other.....	11,017,934	13,510,492	(2,492,558)
<i>Total Current Liabilities</i>	<u>77,564,565</u>	<u>83,471,698</u>	<u>(5,907,133)</u>
<b>Long-Term</b>			
Co-Bank.....	29,976,967	52,562,421	(22,585,454)
Other.....	39,902,943	74,426,108	(34,523,165)
Other Long Term Liabilities.....	443,325	164,000	279,325
<i>Total Long Term Liabilities</i>	<u>70,323,235</u>	<u>127,152,529</u>	<u>(56,829,294)</u>
<i>Total Liabilities</i>	<u>147,887,800</u>	<u>210,624,227</u>	<u>(62,736,427)</u>
<b>Equity:</b>			
Cooperative.....	107,219,616	76,150,222	31,069,394
Other.....	165,894,875	115,796,996	50,097,879
Undistributed.....	28,324,144	11,559,024	16,765,120
<i>Total Equity</i>	<u>301,438,635</u>	<u>203,506,242</u>	<u>97,932,393</u>
<b>Total Liabilities &amp; Equity</b>	<u>\$ 449,326,435</u>	<u>\$ 414,130,469</u>	<u>\$ 35,195,966</u>

\*The above comparison is between the 2005 and the 2006 Ethanol Producer reports and does not reflect the producer fiscal year end. In fact, due to reporting requirement changes, the above differences reflect a 24 month accumulated change.

# Statistical Section

**Minnesota Department of Agriculture  
Statistical Summary Data from Ethanol Disclosures  
Received for the First Quarter Fiscal Year 2005**

	<u>Total</u>	<u>Average</u>
<b><u>Statistics</u></b>		
Gross Revenues.....	\$ 821,779,255	\$ 68,481,605
Sales.....	805,365,844	67,113,820
Operating Income.....	110,325,482	9,193,790
Profit before taxes.....	131,130,121	10,927,510
Net Income.....	121,929,788	10,160,816
Government Incentives:		
<i>MN Producer Payment</i> .....	19,653,286	1,637,774
<i>CCC Bio-Energy Program</i> .....	1,512,252	126,021
Patronage Dividends Paid/Other Dist.....	68,965,015	5,747,085
Interest Expense.....	6,093,013	507,751
<b><u>Liquidity:</u></b>		
Current Ratio.....	1.92	1.92
Quick Ratio.....	1.61	1.61
<b><u>Leverage:</u></b>		
Debt to total assets.....	16.00%	16.00%
Debt to equity.....	49.00%	49.00%
Liabilities to equity.....	23.00%	23.00%
Times interest earned.....	22.52	22.52
<b><u>Activity:</u></b>		
Inventory turnover.....	33.50	33.50
Fixed assets turnover.....	2.93	2.93
Total asset turnover.....	1.79	1.79
<b><u>Profitability</u></b>		
Profit margin on sales.....	15.00%	15.00%
Return on total assets.....	27.00%	27.00%
Return on total equity.....	40.00%	40.00%

**Minnesota Department of Agriculture  
Statistical Summary Data from Ethanol Disclosures  
Comparison of 2005 & 2004 Disclosures\***

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
<b><u>Statistics</u></b>			
Gross Revenues.....	\$ 821,779,255	\$ 441,553,566	\$ 380,225,689
Sales.....	805,365,844	565,337,593	240,028,251
Operating Income.....	110,325,482	2,946,983	107,378,499
Profit before taxes.....	131,130,121	31,135,788	99,994,333
Net Income.....	121,929,788	33,564,005	88,365,783
Government Incentives:			
<i>MN Producer Payment</i> .....	19,653,286	23,797,926	(4,144,640)
<i>CCC Bio-Energy Program</i> .....	1,512,252	11,462,762	(9,950,510)
Patronage Dividends Paid/Other Dist....	68,965,015	54,552,106	14,412,909
Interest Expense.....	6,093,013	7,821,522	(1,728,509)
<b><u>Liquidity:</u></b>			
Current Ratio.....	1.92	1.24	0.68
Quick Ratio.....	1.61	0.86	0.75
<b><u>Leverage:</u></b>			
Debt to total assets.....	16.00%	31.00%	-15.00%
Debt to equity.....	49.00%	103.00%	-54.00%
Liabilities to equity.....	23.00%	62.00%	-39.00%
Times interest earned.....	22.52	4.98	17.54
<b><u>Activity:</u></b>			
Inventory turnover.....	33.50	18.04	15.46
Fixed assets turnover.....	2.93	1.89	1.04
Total asset turnover.....	1.79	1.37	0.42
<b><u>Profitability</u></b>			
Profit margin on sales.....	15.00%	6.00%	9.00%
Return on total assets.....	27.00%	8.00%	19.00%
Return on total equity.....	40.00%	16.00%	24.00%

*\*The above comparison is between the 2005 and the 2006 Ethanol Producer reports and does not reflect the producer fiscal year end. In fact, due to reporting requirement changes, the above differences reflect a 24 month accumulated change.*

## Ownership Section

**Minnesota Department of Agriculture  
Ownership Summary Data from Ethanol Disclosures  
Received for the First Quarter Fiscal Year 2005**

<b>Ownership category/name</b>	<b>Overall % of total</b>	<b>M.S. 500.24 % of total (1)</b>
Individuals < 10% ownership	42.79%	29.15%
Cooperatives	51.04%	30.95%
Corporations	3.81%	0%
LLC	2.36%	0%
	100.00%	60.10%

Note:

(1) does not include estates/trusts which may qualify under 500.24

