

STATE OF MINNESOTA

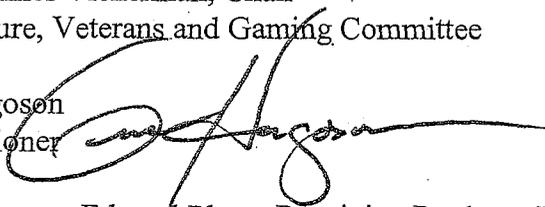
05 - 0463

Office Memorandum
DEPARTMENT OF AGRICULTURE

DATE: July, 2005

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: 2005 Report on Ethanol Plants Receiving Producer Payments

Attached is the 2005 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.

This is the first time this report is being prepared. This year's report is finished behind schedule due to a staff vacancy that occurred at the time the report was to be prepared.

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 651-215-5770.

c: Perry Aasness
Jim Boerboom

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

2005 Report

Minnesota Department of Agriculture

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

2005 Report

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

Not later than the 15th 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 from the State of Minnesota in calendar year 2004. 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, LP (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 the thirteen producer plants into a financial section, a statistical section and percentage of ownership section.

FINANCIAL SECTION:

The financial section data is in the form of a Balance Sheet presenting (1) the aggregate total of all thirteen entities, (2) the average of the thirteen aggregate entities and (3) the average of the eleven of the entities with the highest and lowest net asset entities eliminated. In summary, the aggregate total assets of the entities are \$414,130,469. The total liabilities are \$210,624,227, of which \$83,471,698 are current liabilities and \$127,152,529 are long term liabilities. The aggregate total equity is \$203,506,242.

STATISTICAL SECTION:

The statistical section presents 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, the average of all thirteen entities and the average of eleven of the entities with the highest and lowest net asset entities eliminated. Notable statistics include total sales of \$565,337,593 with profits before taxes totaling \$31,135,788. Government incentives total \$35,260,688, with the State of Minnesota Producer Payments providing \$23,797,926 and CCC Bio-Energy program providing \$11,462,762.

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 and M.S. 500.24 defined farmer ownership.

Overall ownership of the producer plants are: 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 total 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
Summary Data from Ethanol Disclosures
Received for the First Quarter Fiscal Year 2004**

	<u>Total Entities (1)</u>	<u>Average of Entities (2)</u>	<u>Average w/o Highest/Lowest (3)</u>
Assets			
Current			
Cash.....	\$ 14,532,998	\$ 1,117,923	\$ 788,199
Accounts Receivable.....	37,979,353	2,921,489	2,743,717
Inventory.....	31,331,970	2,410,152	2,259,212
Other.....	19,305,093	1,485,007	953,655
<i>Total Current Assets</i>	<u>103,149,414</u>	<u>7,934,570</u>	<u>6,744,783</u>
Investments			
In Coops.....	2,930,824	225,448	217,152
Other.....	3,797,101	292,085	284,239
<i>Total Investments</i>	<u>6,727,925</u>	<u>517,533</u>	<u>501,391</u>
Fixed Assets			
Land.....	12,830,420	986,955	753,160
Plant & Equipment.....	393,294,998	30,253,461	25,496,664
Less: Accumulated Depreciation.....	(106,474,016)	(8,190,309)	(6,562,989)
<i>Total Fixed Assets</i>	<u>299,651,402</u>	<u>23,050,108</u>	<u>19,686,834</u>
Other Assets			
Financing Costs.....	1,271,905	97,839	61,405
Other.....	3,329,823	256,140	252,343
<i>Total Other Assets</i>	<u>4,601,728</u>	<u>353,979</u>	<u>313,748</u>
Total Assets	<u>\$ 414,130,469</u>	<u>\$ 31,856,190</u>	<u>\$ 27,246,756</u>
Liabilities:			
Current			
Accounts Payable.....	\$ 43,556,978	\$ 3,350,537	\$ 2,817,963
Current Portion Long-Term Debt.....	20,195,221	1,553,479	1,342,682
Earnings Distribution.....	6,209,007	477,616	251,449
Other.....	13,510,492	1,039,269	810,020
<i>Total Current Liabilities</i>	<u>83,471,698</u>	<u>6,420,900</u>	<u>5,222,114</u>
Long-Term			
Co-Bank.....	52,562,421	4,043,263	4,043,263
Other.....	74,426,108	5,725,085	4,891,276
Other Long Term Liabilities.....	164,000	12,615	12,615
<i>Total Long Term Liabilities</i>	<u>127,152,529</u>	<u>9,780,964</u>	<u>8,947,155</u>
<i>Total Liabilities</i>	<u>210,624,227</u>	<u>16,201,863</u>	<u>14,169,269</u>
Equity:			
Cooperative.....	76,150,222	5,857,709	4,041,024
Other.....	115,796,996	8,907,461	8,449,757
Undistributed.....	11,559,024	889,156	586,705
<i>Total Equity</i>	<u>203,506,242</u>	<u>15,654,326</u>	<u>13,077,487</u>
Total Liabilities & Equity	<u>\$ 414,130,469</u>	<u>\$ 31,856,190</u>	<u>\$ 27,246,756</u>

Statistical Section

**Minnesota Department of Agriculture
 Summary Data from Ethanol Disclosures
 Received for the First Quarter Fiscal Year 2004**

	Total Entities (1)	Average of Entities (2)	Average w/o Highest/Lowest (3)
Statistics			
Gross Revenues.....	\$ 441,553,566	\$ 33,965,659	\$ 29,024,095
Sales.....	565,337,593	43,487,507	38,840,781
Operating Income.....	2,946,983	226,691	550,710
Profit before taxes.....	31,135,788	2,395,061	2,614,625
Net Income.....	33,564,005	2,581,847	2,826,828
Government Incentives (included in Net Income):			
<i>MN Producer Payment</i>	23,797,926	1,830,610	1,634,092
<i>CCC Bio-Energy Program</i>	11,462,762	881,751	795,354
Patronage Dividends Paid/Other Dist.....	54,552,106	4,196,316	3,355,181
Interest Expense.....	7,821,522	601,656	493,636
Liquidity:			
Current Ratio.....	1.24	1.24	1.29
Quick Ratio.....	0.86	0.86	0.86
Leverage:			
Debt to total assets.....	31.00%	31.00%	33.00%
Debt to equity.....	103.00%	103.00%	108.00%
Liabilities to equity.....	62.00%	62.00%	68.00%
Times interest earned.....	4.98	4.98	6.30
Activity:			
Inventory turnover.....	18.04	18.04	17.19
Fixed assets turnover.....	1.89	1.89	1.97
Total asset turnover.....	1.37	1.37	1.43
Profitability			
Profit margin on sales.....	6.00%	6.00%	7.00%
Return on total assets.....	8.00%	8.00%	10.00%
Return on total equity.....	16.00%	16.00%	22.00%

Ownership Section

**Minnesota Department of Agriculture
 Summary Data from Ethanol Disclosures
 Received for the First Quarter Fiscal Year 2004**

Ownership category/name	Overall % of total	M.S. 500.24 % of total (1)
Individuals < 5% ownership	39.93%	26.58%
Individuals > 5% ownership	4.75%	0%
Cooperatives	46.50%	35.77%
Corporations	7.83%	0%
LLC	1.00%	0%
	100.00%	62.35%

Note:

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

