



NEWSLETTER
October 2007

Distillations from the President

As I write this column, it is just a few days past our first year of operation and it has been a Great year! The plant has been running well above nameplate capacity ever since the second week of operations. We are selling quality distiller's grain at a premium. The netbacks on our ethanol sales have been good. All of which have made this first year a great start. I often get asked, "What are we doing next?" Questions about expansion and using new technologies are common. There are certainly

many avenues that we could pursue and the board does keep an eye on different ideas. The main focus of the board has been debt reduction, followed by returning a dividend to our investors and making capital



improvements that have a rapid rate of return and that improve operational efficiencies. You will read elsewhere in this newsletter about debt reduction and you have shared in the dividends. We have increased grain storage to 1.9 million bushels to help ensure a 24/7 365-day supply of corn and to allow us to buy more corn when the price is right. This is a capital improvement that will serve us now and into the future. We are currently adding to our rail capacity; this will help to better manage our railcar logistics. This helps us eliminate leaving railcars sitting on the CN sidings at a cost to us and if our output greatly increases, we will be able to group railcars to capture better freight rates. The board, working together with management, continues to explore ways to reduce costs, increase efficiencies and protect profit margins. The biggest challenge over the next 12 to 18 months will be

working through an expected 6 billion gallons of additional ethanol production coming online. The anticipation of what is perceived to be an oncoming glut of ethanol has encouraged buyers to adopt a wait and see attitude. This has caused ethanol prices to drop from the good prices we have been enjoying. The risk management committee knows what our breakeven price could be based on different scenarios and it is working to price both our corn needs and our ethanol sales at levels which will protect profit margins. There are new markets for ethanol opening up which could offset the increase in supply. How far prices swing will depend on how well the demand matches the supply.

I am looking forward to seeing you at the WWREC's next annual meeting December 6th, 2007. Have a safe harvest.

**Paul Harrison
President**

Secretary/Treasurer's Report

As I write this article, our plant continues to operate efficiently and profitably. The risk management committee and WWE management have been able to actively hedge the risks associated with our purchase and sales. Your plant employees have been able to maintain ethanol production at levels in excess of the plant's nameplate capability. This excess production translates into profit and positive cash flow.

Positive cash flow has allowed your Board of Managers to pursue a very aggressive reduction of our debt load. Recently we paid off a \$3 million equity loan with Capitaline several years ahead of schedule. This loan carried a hefty interest rate and

by paying it off we will save \$480,000 per year in interest. We have also been able to pay off our senior lender – Agstar approximately \$6.2 million in long term debt principle. Our agreement with Agstar is to pay off about \$2.3 million per year. We built \$2.4 million worth of new grain bins, \$300,000 for a new maintenance building, \$890,000 for a railroad spur addition and about \$15.3 million in operating inventory during this year's operation. We have done this all without borrowing any additional money. Our operating loan has a zero balance. Of course, we have also returned to you earlier this year over one million dollars in dividends. It has been a very good year, to say the least.

While last years cash flow performance was stellar, there are clouds on the horizon in the future months. Ethanol is a commodity and its price is determined in part by supply. New production from new and expanding plants is adding another 2.6 billion gallons of ethanol in the next six months. The prospects of this additional production have weighed heavy on the price of our ethanol. Last year we were selling ethanol at our plant in the \$2.00 per gallon range, next year the bids we are receiving are in the \$1.50 to \$1.60 per gallon range. The price of corn also continues to be very volatile. Our objectives continue to be to operate as efficiently as possible and to continue to reduce our debt obligations whenever and wherever we can.

We have just completed 11 months of operation in this fiscal year and are busy in preparation for our next year. Our 2007-2008 budget is complete and has been approved by the Board of Managers. This budget will be our road map to monitor our performance as we proceed through the year. It reflects margins that are more in line with what we expected when we were first proposing the plant. These margins reflect a profit, but much less than those generated this year. In fact, about 70 % less. We are planning to adjust by spending less on capital improvements and other areas not deemed absolutely necessary. As you all are aware, just when you think you have got things figured out – something changes and the outcome is completely different than what was planned. The world has not changed, 2008 will offer challenges, but with good planning, good management and sound decision making we will do just fine. Stay tuned.

Ray Dreger

General Manager's Report

Our mission statement concludes
"IN AN ENVIRONMENTALLY SOUND MANNER "

We have demonstrated our commitment here at the plant level by developing a prairie restoration project in conjunction with the local schools and Pheasants Are Forever, protected two wetlands near the plant site, and setting aside an area for endangered plant species. Along with these projects we produce enough ethanol to mix with over 400 million gallons of ethanol at a 10% blend reducing carbon monoxide emissions by over 48,000 tons every year. This is a remarkable achievement in supporting YOUR mission statement.

One of the current environmental issues we face is converting more acres to corn production and many of those acres will be coming from CRP and non previously farmed acreage. Because of this I have recently become involved with the Red Cedar River Basin Project. It is important for us to be at the forefront of this issue to show the community and our critics that we are concerned about the effects of increased ethanol production and how it influences the Red Cedar River Basin.

A current test project is underway with the farmers in Grant Township in Dunn County and the results of the initial survey will be out in a couple of weeks. It is a grass roots approach to find out what producers needs are and how the conservation department can help. As this develops I look forward to WWE taking a lead role and doing what we can to support this project.

Steve Christensen

Just the Facts!

How does ethanol's demand for corn impact food prices?

- The costs of labor, processing, packaging, advertising, and transportation make up the vast majority of the real cost of food. Eighty-one cents of every food-cost dollar comes from these "off-farm" factors.

- Only about four cents worth of corn goes into a box of Corn Flakes cereal.

Annual Meeting

Our next annual meeting will be held December 6, 2007 at the Off Broadway Banquet Center in Menomonie. The agenda and time schedule has yet to be decided. Everyone should see the final schedule in the near future.

Let's talk freight allowance, volume incentive, and corn pool fees. We are currently working on closing the books for 2007. For those of you who have been looking and asking for information regarding these you will see that at the annual meeting. If you did not deliver all your corn or pick up all the distillers to fulfill your commitment you can wait until our books are closed and there will be more information regarding these three topics at the annual meeting.

****IMPORTANT**** Please note that in order for your freight allowance, volume incentive, and corn pool fees to be allocated correctly; the name under which your corn is delivered and distillers are purchased needs to be in the same name as your stock certificate. Any questions please contact Tammy at the office 715/643-2602.

Just the Facts!

Does ethanol force a "food versus fuel" choice?

- The majority of the U.S. corn crop is used as livestock feed, while only a small portion – only 9 percent – is used for human consumption, in products like starches, sweeteners, and cereals.
- According to the United Nations, there is more food per capita on a global scale today than ever before. Lack of infrastructure, access to capital, and political instability are the roadblocks – not a shortage of food.

Corn Procurement Manager's Report

Now that I have been with Western Wisconsin Energy, LLC for four months, I wish I could tell

you that I know all of the ways of the world, but I can't so I will try and enlighten you with some of the factors that I am seeing that are affecting the different commodity markets.

Wheat has been the real story the past few months as it seems like it is making new all time highs everyday. The main story in wheat is low production numbers in the U.S. and Eastern Europe while Argentina and Australia are in the middle of a drought. Due to these tight supplies countries like Russia have talked about imposing export taxes to try and keep the supplies in their local markets. In addition, the weak U.S. dollar has invited many foreign countries to look to the U.S. for their wheat needs.

Soybeans have been trying to get acres back that they lost to corn this past crop year. Traditionally the \$10 CBOT level on soybeans would have received an overwhelming amount of new acres planted in South America but with the U.S. dollar



currently as cheap as it is this only translates to roughly a \$7 CBOT level. So in order to get those extra acres we only have a couple of options 1) we would need to see the U.S. dollar strengthen so South America could take advantage of the increased prices that we are seeing domestically or 2) see more of a price rally on the soybeans. Keep in mind though that it is really getting too close to planting season in South America and that probably won't allow for a lot of increased acres this year, creating a very tight supply and demand ratio for next fall. Therefore the soybean industry is really going to try and buy those acres between now and April.

You may think that working at the ethanol plant I would talk about corn first, but it is really the wheat and soybeans that have been driving the corn market and will make the largest determining factor

in the prices that we will see in corn. Corn is looking excellent throughout the U.S. We are looking at having a crop of over 13 billion bushels, the largest corn crop ever. It will be interesting to see just how well everyone was able to prepare for the increased corn production this year and how much bottle-necking we will see on the transportation side of things this fall and how that will relate to basis levels. The increased supply will be used as more ethanol plants are getting built. In addition with the weak dollar and shortage of wheat, countries that traditionally use wheat for feed are looking for alternative products to use like distillers grains and corn which will see a steady export demand. The conversations that I have had are not whether we will lose corn acres to soybeans and wheat this next spring but how many acres are we willing to lose?

This all adds up for some really good opportunities for producers this coming year. Although with the good demand it really boils down to how well you manage your farm and stay on top of your input costs. While many of the input costs are rising at the same time; I have heard many people stating that "\$3 possibly \$4 corn is the new \$2 corn". This is similar to what we realized in the early 70's when \$1 corn was the standard and within a three year period \$2 corn was the new standard. Make sure and use our website www.dpp.farmstech.com/wwe to put in your offers on your corn so that you don't miss out on any selling opportunities while you are out in the fields. I know that not everyone can be watching the CBOT every minute of every day to assure that they get the prices that they need, so take advantage of this helpful tool so you don't miss out.

Gunnar Tomsen
Unknown - "It is a lot easier to spend less than you make than make more than you spend."

Distillers Merchandiser's Report

We are currently coming off our semi-annual shut-down and all things are fine. We needed to do standard maintenance and some repairs. The distillers are looking very good and if we aren't already, we hope to do business with you in the near future. Our product is still at the 30% protein level and with the cooler temperatures our flow ability is improving. I did attend the annual distillers meeting

this year and with the expansion in the ethanol industry we are finding new markets and uses for distillers. I have heard good reports on the performance of the animals that we are feeding. We currently are exporting a small percentage of our product to Japan, Indonesia and Canada. The customers in these countries really like our product and want more. We will serve our local area first and look at other markets for the remainder. We have trimmed the rail portion of our sales on anticipation of greater sales locally. I hope you have a great harvest, that your children and grandchildren win their games, and that you stay safe and healthy during this busy time of the year.

Matt Thompson



Are You Interested in
Buying or Selling Shares?
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