



Ethanol - The Alternative Solution

Homeland Energy Solutions · 2779 Highway 24 · Lawler, IA 52154
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Plant News & Ethanol Update

December 2009

DDGS quality must be a top priority

Toxins threaten marketability of DDGS

Weather conditions in the summer and fall, and their resulting impact on grain quality, have put Homeland Energy Solutions in the unenviable position of having to turn away loads of corn this fall due to levels of mycotoxins in the grain, particularly vomitoxin. Vomitoxin can be hazardous when it is present in certain amounts in rations fed to livestock, particularly swine.

Because DDGS account for approximately 15% of Homeland Energy Solutions' revenue, we want to ensure that we maintain high quality feed stocks for our customers. Toxins are especially worrisome because processing concentrates toxins in the DDGS to roughly three times the level present in the corn.

Because FDA guidelines call for levels of vomitoxin of no greater than 5 parts per million (ppm), Homeland Energy will reject corn with levels of more than 2 ppm.

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Open house hosts 1200+



The open house held in September was a huge success. More than 1200 investors and customers were able to make it to Lawler for the open house. The warm fall day welcomed attendees who were able to take a guided tour of the plant and have their questions answered first hand by the production crew.



We would like to thank everyone who had a hand in making the day a success, including those who loaned the use of equipment and employees who assisted on their day off. Water was donated by Hawkeye Rural Electric Cooperative, who also served the food for the event.

The board members were available to give tours of the plant and answer questions. Anyone with other questions can call our office.

A stellar third quarter for 2009

Homeland Energy Solutions filed its Sept. 30, 2009, quarterly report with the SEC on Nov. 12. It showed profits for the quarter of over \$4.2 million or \$46.25 per membership unit. The increase in profits was primarily driven by a 40% increase in gallons sold, a 13% decrease in the average corn price and a 4% decrease in natural gas costs over the previous quarter. Homeland was also able to generate enough cash to pay down long term debt by more than \$9 million. For more information please view our complete 10Q filing at <http://www.sec.gov/Archives/edgar/data/1366744/000095012309061736/c92501e10vq.htm> or by following the SEC filing link on our website.

BALANCE SHEET			
	9/30/09	6/30/09	12/31/08
Current Assets	\$13,777,374	\$20,839,788	\$160,466
Property & Equipment	151,519,272	153,696,670	139,822,177
Other Assets	13,915,427	13,897,954	13,073,975
Total Assets	179,212,073	188,434,412	153,056,618
Current Liabilities	9,983,528	7,563,462	9,456,921
Long-term Liabilities	73,128,527	89,000,705	51,636,807
Total Members' Equity	96,100,018	91,870,245	91,962,890
Total Liabilities & Equity	179,212,073	188,434,412	153,056,618
Book Value per membership unit	1,051	1,005	1,006

INCOME STATEMENT				
	Qtr Ended 9/30/09	Qtr Ended 6/30/09	Qtr Ended 3/31/09	Year to Date
Revenue	\$52,934,845	\$39,562,718	--	\$92,497,563
Cost of Goods Sold	47,307,748	38,133,578	--	85,441,326
Operating Expenses	685,278	150,199	1,216,537	2,052,014
Operating Income (Loss)	4,941,819	1,278,941	(1,216,537)	5,004,223
Other Income (Expenses)	(712,046)	(232,607)	77,557	(867,096)
Net Income (Loss)	4,229,773	1,046,334	(1,138,980)	4,137,127
Net Income (Loss) Per Unit	46.25	11.44	(12.46)	45.24

Tax estimates assist members in planning

Homeland Energy is in the beginning stages of tax return planning for the year. Due to the difference between book and tax depreciation and the extension of bonus depreciation through 2009, we anticipate having taxable income below our net

income figure. The Federal taxable loss is estimated to be approximately \$125-\$140 per membership unit. Because Iowa does not participate in the Federal bonus depreciation program, the estimated tax loss for Iowa is estimated to be between \$0

and \$15 per membership unit. K-1 Forms will be mailed to you no later than Feb. 20, 2010. Please inform your tax preparer of this information so you can plan accordingly for your 2009 income taxes.

Toxins generate corn quality concerns ... continued from Page 1

In order to reduce confusion and aid efficiency in the corn delivery process, we encourage members and other producers who are delivering corn to HES to bring a sample in for testing before delivering any of your questionable corn to Homeland.

Addition information may be found at the following resources:

- 2009 Corn Quality Issues. Iowa State University Extension:
<http://www.extension.iastate.edu/CropNews/2009/1015hurburghelmore.htm>
- Late Harvest Resources. University of Minnesota Extension:
<http://www.extension.umn.edu/lateharvest/>
- Crop Maturity and Harvest Issues. Purdue University Department of Agronomy:
<http://www.agry.purdue.edu/ext/corn/cafe/harvest/>
- Test Weight Issues in Corn. Purdue University Department of Agronomy:
<http://www.agry.purdue.edu/ext/corn/news/timeless/TestWeight.html>
- GIPSA Grain Inspection Handbook: Book II: Chap-

FDA Advisory Levels for Vomitoxin	
Product and Intended Use	Vomitoxin Level (parts per million)
For grain and grain byproducts destined for swine. (FDA advises that commodities containing this level of vomitoxin not exceed 20 percent of the ration.)	5 p.p.m.
For grain and grain byproducts destined for beef cattle and feedlot cattle older than four months, as well as for chickens. (FDA recommends that commodities containing this level of vomitoxin not exceed 50 percent of the ration for these species.)	10 p.p.m.
For grain and grain byproducts destined for all other animal species. (FDA recommends that commodities containing this level of vomitoxin not exceed 40 percent of the ration.)	5 p.p.m.

- ter 4 (Corn):
<http://archive.gipsa.usda.gov/referencelibrary/handbooks/graininsp/grbook2/corn.pdf>
- Mycotoxins in Feeds: FDA CVM's Perspective:
http://www.fda.gov/AnimalVeterinary/Products/AnimalFoodFeeds/Contaminants/ucm_050974.htm

'09 crop expected to exceed '08

The USDA's Nov. 1 crop report predicted the 2009 corn yield to reach 162.9 bu/acre, with a total estimated production of 12.92 billion bushels, more than 800 million bushels above 2008 production levels.

As of Nov. 11, the agency was predicting Iowa alone would produce 2.44 billion bushels, up from 2.19 billion in 2008. Minnesota's total corn for 2009 was forecast to be 1.22 billion bushels, up for 1.18 the year before.

In its Nov. 10 report, the USDA also cut its 2009-10 corn export fore-

cast by 50 million bushels, increasing the predicted corn carry out for 2009-10 to 1.625 billion bushels.

2009 soybean production is also expected to exceed 2008 levels (3.3 billion bushels compared to 2.96 billion). The USDA raised its soybean crush forecast and its export forecast for soybeans, resulting a forecasts soybean carryout for 2009-10 of 270 million bushels.

This should ensure adequate supplies of corn to meet the needs of the 12 billion gallon ethanol production required in the 2007 RFS2.

**Attention
Grain
Customers:**

**Interested in direct
deposit?**

**Please contact the HES
office at 563-238-5555
or deastman@etoh.us.**

This newsletter contains forward-looking statements. We undertake no responsibility to update any forward looking statement. When used, the words "believe", "hope", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements. Readers should not place undue reliance on any forward-looking statements and recognize that the statements are not predictions of actual future results, which could and likely will differ materially from those anticipated in the forward-looking statements due to risks and uncertainties, including those described in our Securities and Exchange Commission filings, copies of which are available through our web site or upon request.

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CEO's comments**Plant starts off on positive note**

Homeland Energy Solutions was fortunate to begin production this year just as the ethanol industry moved back into the "black," and as a result, has enjoyed virtually all positive margins since the first day.

There have been some growing pains, including challenges in balancing loading out DDGs with taking in 150,000 bu or more of corn each day, but farmers have been patient and the staff has found ways to help get trucks in and out of the plant as quickly as possible.

The staff at Homeland Energy have a good understanding of what it takes to get their plant to perform at high levels of production and they continue to find ways to optimize

production.

Every plant is a little bit different. This one has had some add-ons that help the plant to be more energy efficient and be able to produce at higher levels of production

We are currently installing an advanced process control system that is expected to further optimize performance of the plant by controlling and understanding all of the variables that we have to take into consideration in the production process.

We will continue to work diligently to ensure the plant performs to its peak capabilities for our investors.

**- Walt Wendland
President & CEO**

*Best wishes for a Merry Christmas and Happy New Year
from the Board, Management and Staff of Homeland Energy Solutions*