



Ethanol - The Alternative Solution

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

June 2010

From the Chairman:

What can YOU do for your company?

Homeland Energy Solutions' continued and long-term success requires a team effort. Production staff and management can make the plant run smoothly and efficiently, but you, the shareholder, can have an impact in a number of different ways.

- **Use ethanol exclusively**—the myths about negative and problem causing properties of ethanol use have been disproven. Recent studies using a higher inclusion rate of ethanol have actually boosted miles per gallon in the Ford Taurus, the Chevy Impala and other comparable cars.

- **Ask your local fueling station to consider a blender pump.** With this dispenser, they can offer zero blend unleaded as well as four other blends up to 85% ethanol.

- **Don't be shy in defending ethanol** as a very reliable source of energy. The food vs. fuel debate has been addressed much to the embarrassment of the grocery

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200 attend annual meeting

Homeland Energy Solutions held its second annual membership meeting March 30, 2010, at the Starlite Lounge in Lawler, Iowa.

About 200 people attended the meeting, which included presentations to update the members on current conditions at the plant and in the ethanol industry as a whole.

Ron Fagen, with Fagen Inc., the plant's design-build contractor, talked about his commitment to promoting ethanol in the United States.

The members also heard from:

CFO Jeff Grober, regarding the company's 2009 financial report.

Operations manager Kevin Howes' operations and production report.

Steve Bleyl from Green Plain Renewable Energy, regarding ethanol marketing opportunities for Homeland Energy Solutions.

Steve Markham from CHS, regarding marketing of the distillers grains, which is a co-product of the ethanol process, and are being marketed largely for the export market, reaching Asia, Mexico, Canada, Morocco and Turkey.

Grant Menke from the Iowa Renewable Fuels Association, regarding IRFA's efforts to encourage an E10 standard in the state.

The presenters, along with Home-

land Energy Solutions Board Chairman Steve Eastman and CEO Walt Wendland, fielded many questions from the members also.

A primary order of business for the annual meeting was the election of directors, as required by the company's by-laws within a year of the beginning of production at the plant.

There were 14 candidates for eight available positions. Directors were elected to 3, 2 or 1-year terms, to establish staggered terms for the board moving forward.

Elected to 3-year terms were James Boeding, Patrick Boyle and Chad Kuhlens. Elected to 2-year terms were Jerry Calease, Maurice Hyde and Christine Marchand. Matthew Driscoll and Duane Schwickerath were each elected to 1-year terms.

They are joined on the board by Leslie Hansen, appointed by Golden Grain Energy, and by Ed Hatten and Steve Retterath, representing Retterath's investment in Homeland.

Wendland thanked the founding board of directors for their efforts in bringing HES to fruition. "They put a great deal of effort into Homeland over the years with no compensation. They really got Homeland off to a great start because of their commitment and effort," he said.

First quarter records strong results as HES begins making term loan payments

Homeland Energy Solutions had a strong first quarter of 2010. The operation of the plant continues to be very efficient allowing us to continue to see favorable financial results in a tightening ethanol market.

The quarter ended with net income topping \$6 million or over \$66 per membership unit.

Homeland was required to start making principal payments on the term loan in February 2010. We were also required by our bank covenants to make a \$5 million payment of principal on the term loan in April 2010, which further reduced our outstanding long term liability. Highlights of the financial results are as follows.

A more detailed version is currently available on the HES website at www.homelandenergysolutions.com, under Investor Relations - SEC Filings or by [clicking here](#).

BALANCE SHEET		
	3/31/10	12/31/09
Current Assets	\$25,017,424	\$19,811,778
Property & Equipment	146,436,843	149,107,152
Other Assets	13,134,598	13,600,758
Total Assets	184,588,865	182,519,688
Current Liabilities	15,498,682	\$12,652,511
Long-term Liabilities	55,410,855	62,263,911
Total Members' Equity	113,679,328	107,603,266
Total Liabilities & Equity	184,588,865	182,519,688
Book Value per membership unit	1,243	1,177

INCOME STATEMENT		
	Qtr Ended 12/31/09	Qtr Ended 3/31/09
Revenue	\$57,013,486	--
Cost of Goods Sold	49,837,844	--
Operating Expenses	467,321	1,216,537
Operating Income (Loss)	6,708,321	(1,216,537)
Other Income (Expenses)	(632,259)	77,557
Net Income (Loss)	6,076,062	(1,138,980)
Net Income (Loss) Per Unit	66.44	(12.46)

Let's all do our part ... Cont'd from Page 1

manufacturers—the 18 cents of corn in a box of corn flakes is not the culprit in the big picture of food costs.

- **If you produce grain, will you please give Stan or Kay a call** to check the price of corn. We are definitely in need of high quality corn that lends itself to a high conversion rate of corn to alcohol and also impacts the value of our DDGS (dried distillers grain). Please call 563-238-5555. Don't forget to ask about the livestock feed we have available.

- **Lobby for a 10% standard in Iowa and**

support national efforts to allow E15. Use your political powers of persuasion to adopt and maintain a energy policy in this country—when the price of crude is cheap we have the bad habit of forgetting about the wise use of our resources. Be a renewable fuels advocate.

Will you give us a willing hand in fostering the growth and profitability of our industry AND Homeland Energy?

— **Jim Boeding, Chairman
HES Board of Directors**

Early US crop estimates project record corn harvest, supply

USDA put out its first estimate of the size of this year's corn crop in mid-May, and not surprisingly, it projects an all-time record 13.4 billion bushels of corn.

In fact, much of the report was as expected. Over the past two generations, corn farmers have shown an amazing ability to produce more grains – corn included – per acre of land. In 2010, that trend shows no sign of slowing.

Still, the numbers that USDA is projecting are quite impressive and go a long way towards putting an end to the food fight between corporate livestock interests and American farmers and ethanol producers.

Here are some of the key points from the report:

- May corn supplies are projected at a record 15.1 billion bushels, 325 million higher than in 2009/10. This is the first time corn supplies have ever surpassed the 15 billion bushel threshold.
- Corn production for 2010/11 is projected at a record 13.4 bil-

lion bushels, up 260 million from 2009/10.

- USDA projects 88.8 million acres of corn to be planted, up slightly from 2009, but below corn acreage levels seen in past.
- Yield expectations are 163.4 bushels per acre, 2.7 bushels higher than a yield number based on the trend from 1990-2009.
- Year-end surpluses for 2010/11 are expected to be 1.8 billion bushels, up from last year.
- Corn use for ethanol in the 2010/11 marketing year (Sept. 1-Aug. 31) is expected to be 4.6 billion bushels. This equates to 12.85 billion gallons of ethanol and more than 35 million metric tons of livestock feed products, including distillers grains.

While corn for ethanol use continues to grow, so too do exports of both corn and DDGS. All of this increase in use comes simultaneously with a growth in year-end surpluses, demonstrating that there are ample supplies of corn available for feed and fuel use

with nearly 2 billion of bushels to spare.

It may also be worth noting that planting and emergence of the crop are all well ahead of historical averages. Should farmers see a near-normal growing season – something that has eluded them in recent years – USDA's first yield estimate likely will prove to be on the low side. Consider that last year, despite an extremely late planting season and the worst harvest conditions in recent memory, farmers tallied a record average corn yield of 164.7 bushels/acre.

Without ethanol production, rapidly growing supplies of corn would overburden the market, bottom out prices and force the federal government to spend billions in farm program payments. This may be the goal of the American Meat Institute and the Grocery Manufacturers of America, but it would be devastating to rural America.

— *Matt Hartwig,*
Renewable Fuels Association

New officers lead Homeland

At the first board meeting following the annual meeting, the newly-elected board of directors met to organize and elect officers for the board. Jim Boeding was elected as chairman, with Leslie Hansen as vice chairman. Christy Marchand was elected secretary. The board has also organized its standing committees: executive, audit, risk management, executive compensation and board compensation.

Congratulations on your first year!

On April 4th, the plant celebrated one year of operations. "I want to congratulate the staff for their performance and dedication. They have learned to work together well as a team, and they have successfully optimized the performance of our members' investment," said Walt Wendland, Homeland Energy Solutions President and CEO.

Homeland Energy Solutions

Board of Directors

Jim Boeding, Chairman
 Leslie Hansen, Vice Chairman
 Christine Marchand, Secretary
 Pat Boyle
 Jerry Calease
 Matthew Driscoll
 Ed Hatten
 Maurice Hyde
 Chad Kuhlert
 Steve Retterath
 Duane Schwickerath

Management Team

Walter Wendland,
 President & CEO
 Jeff Grober,
 Chief Financial Officer
 Chad Kuhlert, Plant Manager
 Stan Wubbena, Grain
 Merchandiser

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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.

What a Difference a Year Can Make

Science exposes holes in indirect land use attacks

By Bob Dinneen in *Ethanol Producer Magazine*, June 2010
 (www.ethanolproducer.com)

The notion that American ethanol production is leading to deforestation and other environmental calamities has been trumpeted by once-responsible environmental groups and their newly found friends in the oil, livestock and food processing industries since the widely refuted polemic by Tim Searchinger appeared in Time magazine more than two years ago.

Known as indirect land use change (ILUC), this environmental red herring has been used to slow, halt and even destroy America's quest for a domestic renewable fuels industry. But what of this 'science'? In the two years since, have we gotten any smarter? The short answer is yes. The longer answer is...compared to what?

A new study conducted by Wally Tyner, a professor at Purdue University and consultant to California's Air Resources Board, calculates that the ILUC penalty for corn-based ethanol is nearly 1/10th that scratched out by Searchinger and his cohorts. At less than 14 grams of greenhouse gas (GHG) emissions per megajoule of energy produced (13.9 g/MJ), Tyner's new findings are less than half those calculated by CARB in its low carbon fuels standard (LCFS) from just one year ago.

In successive years we have seen this so-called penalty of ILUC cut in half, and then halved again as real science begins to wrap its arms around the issue.

The new findings by Tyner are significant for a number of reasons. They clearly demonstrate that the wild exaggerations made about the greenhouse gas impacts of domestic

ethanol production were just that: exaggerations. They also underscore the critical importance of using up-to-date data and real world assumptions when seeking to explore such complex issues. Seeking to portray worst-case scenarios in an effort to derail industries providing real jobs to real Americans under the guise of science is a dangerous and potentially costly endeavor.

Moreover, these findings should also inform the decision made by CARB to approve a LCFS that will purposefully exclude domestic ethanol from the California fuel market. In finalizing the rule, CARB made a big show of promising to update its findings should new science become available. Well, new science is now available. And this science is being provided by CARB's lead consultant using the model CARB used in constructing the LCFS. If ever there was a case for review, this would be it.

Let's be perfectly clear, penalizing domestic ethanol producers for land decisions made in sovereign nations half the world away is bad science. It has no place in state or federal regulation. As such, any reference to it should be removed. The fact that some continue to suggest it must be part of the discussion is evidence that the fight for sanity continues. At the very least, such penalties should be applied to all fuels equally. That is a far cry from today's selective use against only ethanol.

However, the lessons we are learning from the ILUC debate should be taken to heart by policymakers and other opinion leaders alike. Sound science, not hyperbole and unproven theory, must dictate our energy choices.