



CREATING ECONOMIC VALUE FROM CORN

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NEWSLETTER

MARCH - MAY 2013



Promote and Protect Your Investment!

James A. Seurer, Chief Executive Officer

Unless you've been on a deserted island the past few years, you are well aware of the challenges our industry (and your investment) faces. Our battle against Big Oil, Big Food, and Big Environment has really begun to heat up and it entered a critical point this year as there are now at least four (4) bills on the floor of the US House to reverse our country's RFS ("Renewable Fuel Standard") which requires the blending of ethanol. Each of our deep pocketed opponents make their own unfounded, emotional arguments as to why ethanol is a bad for all of us and bad for our country. Never mind that ethanol is a totally renewable source of energy that we "grow" in South Dakota and other friendly areas, never mind that ethanol is the best rural development idea to come along in decades, and never mind that ethanol helps clean our polluted air.

It's the classic "David versus Goliath" story as our opponents come from different angles of attack which have sometimes aligned themselves with one another to defeat "American Agriculture". Politics sure does make strange bedfellows.

Whether you're an investor in the ethanol industry or a corn producer who's on the sidelines, you ARE in this game and you have at MUCH at stake....like your investment...or more importantly, your livelihood. Here is what you can do right now to help our significantly underfunded side of this battle:

- **Use Ethanol...**Enough said!
- **Promote Ethanol Use to Your Family and Friends...**Educate others, especially those in urban areas, about the benefits of ethanol...primarily national security, clean air, and rural development (jobs). If you need facts to help with this discussion, you can access our industry trade group websites through our home page or contact our office.
- **Ask your Favorite C-Store for E15...**Our industry has already met the demand for E10 and now we must move to the next level to eliminate the current "blend wall". Customer feedback is a powerful influence and retailers will listen...E15 is safe for all vehicles with a model year of 2001 and newer, which is nearly 80% of the autos on the road today. Ask for it today!
- **Contact Your Local and National Elected Officials...**It is crucial that we have support at all levels and in all parts of the country. Although we generally enjoy strong support in the rural areas, we don't in urban areas. A recent bill which passed both chambers of the Florida Statehouse and awaits the Florida governor's action will prevent state officials from requiring the use of ethanol in that state. Even though the RFS is a FEDERAL mandate and can't be side-stepped by state laws, this approval points to the perception problems that we face with the public's acceptance of our product and, more importantly, the fact that our opponents' strategies are working.
- **Directly Contract Corn with GLE...**If you are a corn producer, your direct contracting of your corn to one of GLE's plants or sites will help us realize a savings on our corn costs with, typically, no difference in price to you. This helps our profitability which, in turn, puts more money back in our pockets to fight our industry's battles and it helps get money back into our investors' pockets more quickly in the form of dividends. Remember, we must buy 84.0 million bushels of corn for our two plants and a \$0.05 to \$0.10 per bushel extra charge on this volume can exponentially add up to a large number.
- **Support Those Who Support Us...**In previous columns, I have asked ethanol industry stakeholders to support those who support us. A prime example is the ethanol industry trade group Growth Energy's alignment with New Holland equipment which is funneling millions of dollars our way that result from farm equipment sales to farmers and corn producers through the "Producer Club" program. GLE will be hosting a New Holland equipment field day later this summer to further promote this program.
- **Buy FFVs...**At a recent industry event, an official from a major auto manufacturer stated that flex fuel vehicles ("FFV") will no longer be made past 2016 if there isn't a greater level of consumer demand for them. As of now, a small federal tax credit effective through 2016, motivates auto makers to manufacture a FFV, NOT consumer demand. We must create a demand for these types of vehicles.
- **Follow Us on Facebook & Twitter...**GLE has made significant efforts to provide timely industry news through using social networking channels, in many cases, up-to-the-minute information is streamed to our investors and producers. Please feel free to utilize these tools to educate yourselves about our challenges or to find out about the latest turn of events.
- **Join an Industry Trade Organization...**The American Coalition for Ethanol and Growth Energy each have individual memberships that can be joined by individuals for a modest amount and the Renewable Fuels Association and Fuels America have robust websites that provide industry information. If you find the websites for these groups, you'll have everything you need to be connected to the "heartbeat" of the industry.



Ethanol, a T-Shirt and Jamaica

Harlan Schott, GLE Board of Director

My wife, Donna, and I travel to Jamaica each winter. Primarily people from the East Coast frequent the area where we stay. This year, my decision to take along and wear as a cover up, a t-shirt emblazoned with the word 'Ethanol' brought a whole new dimension to our trip. It also confirmed the important task we face in educating people about ethanol and agriculture.

It began the first day I walked to the beach wearing the shirt. Two people approached me asking if the 'Ethanol' on my shirt referred to the fuel made from corn. I said "Yes", adding that I was part of a group that owns ethanol plants in South Dakota. Their strong reaction surprised me. They asked how we could support ethanol, when it's using up all of the food in the world and supports only ag lobbies and large agricultural companies like Monsanto?

The next day, more people congregated around me, and it appeared I was the only one in support of ethanol. I asked, "Why is it that you are so anti-ethanol?" They replied that they read in the New York Times about all of the subsidies that farmers receive. One gentleman said they traveled through South Dakota on their way to Mount Rushmore and saw the half-a-million-dollar-combines that farmers have, and only use a few days a week. Another complained that it was unrealistic to expect ethanol would ever make our country energy independent.

While I wasn't prepared for the strong response my shirt elicited, this experience provided me a unique opportunity to pull out some facts and hopefully dispel some myths.

I explained that in this land of opportunity, ethanol has provided a means to increase the standard of living for farmers by creating a value-added product. I shared that while ethanol production does reduce the country's dependence on foreign oil, the intent was never to make the U.S. totally energy independent through the use of the corn-based product. However, the environmental benefits of ethanol are evident in our smog-free cities. When compared to ordinary gasoline, ethanol lowers the level of toxic emissions in vehicle exhaust - reducing air pollution. I also explained the important role ethanol's by-product - distillers grains - play in cattle feeding.

These were messages my newfound audience had never heard, and some asked why these positive attributes of ethanol weren't talked about in the media. I don't know if I changed anyone's opinion, but at least I gave them factual information.

My t-shirt incident was eye-opening. It convinced me of one thing: we sometimes live in a bubble, expecting others outside of agriculture to understand our industry. Even in South Dakota, the majority of people are now three or four generations removed from their agricultural background. We can hire lobbyists and PR firms to represent us, but it's important we tell our own story. Take the time to tell others that we're proud of who we are, what we do, and how we do it - and that we produce ethanol for the right reasons. We don't have to apologize for anything. In fact, maybe more of us should start wearing an 'ethanol' t-shirt. And then let the conversations begin.

Harlan Schott lives in Vermillion, SD and has served as a board member of GLCP for the past six years.

Ethanol means cheaper gas, same food prices

\$1.09 per gallon

Average savings at the pump because of U.S. ethanol in 2011.

1¢ per pound

U.S. retail beef and pork prices might have been, at most, just one cent per pound lower in recent years if the RFS had not existed, according to independent economic modeling results.

2.90%

The average annual food price inflation rate since 2005, the year the RFS was enacted. That compares to an annual average of 3.33% since 1980.

Improving Crush Margins and Production Numbers Mark the Quarter

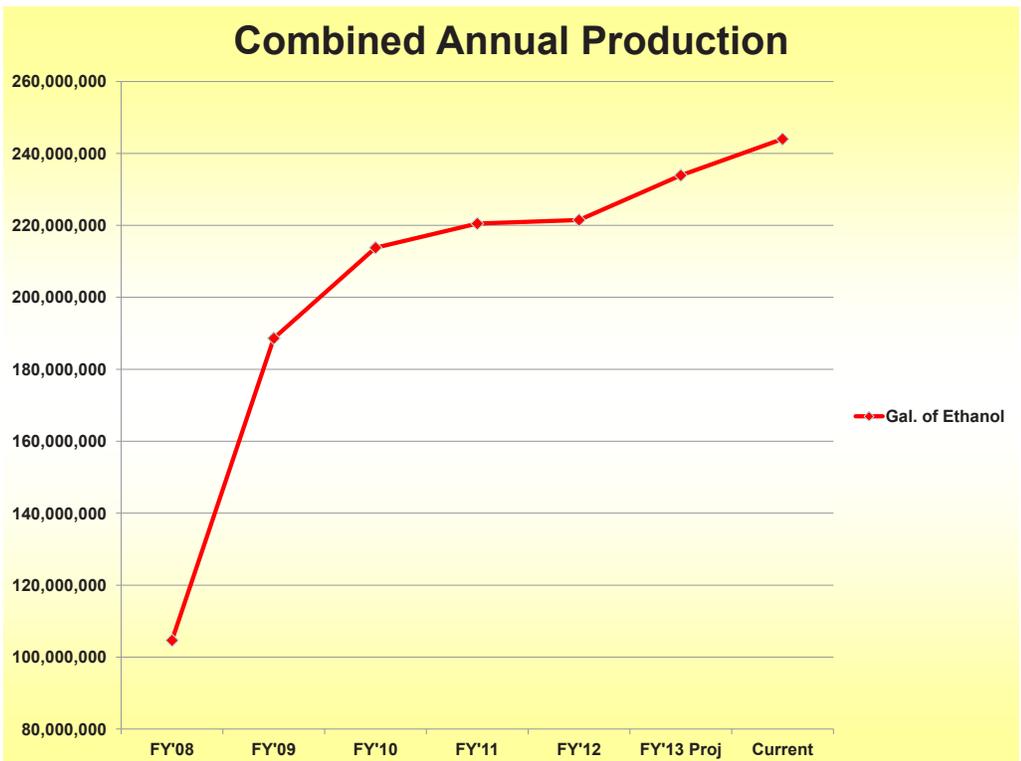
The crush margin or the spread between ethanol and corn prices began improving in mid-January, increasing the prospects for profitability in ethanol production. "Even with corn values at the \$7 level through January, February, and most of March," says Director of Commodities Roger Hansen, "we've experienced strong ethanol prices."

GLE Director of Energy Commodities Bert Magstadt explains that those higher prices are based primarily on lower-than-expected ethanol stocks. "The slightly increased blend rate required by the Renewable Fuel Standard (RFS) coupled with reduced ethanol production over the past six to nine months resulted in an earlier-than-average "short" market for ethanol," says Magstadt. He added that the lack of corn availability due to drought conditions and the poor margins resulted in several ethanol plants slowing or stopping production. In early April, production in the U.S. was approximately 10-12% lower than the same time in 2012. "Basically, since the first of the year, ethanol prices rose and the price of corn didn't," he says.

GLE was able to take advantage of the improved margins with increased production. "This last quarter marked the strongest production numbers our company has experienced," says Director of Operations Frank Moore. In fact, the two plants combined reached a first-ever 20-million-gallon month in December. Watertown installed its new oil separation unit and has begun production while Mina works on yield improvement technology, increasing operating revenues and added value to GLE's operations, says Moore.

Magstadt says the industry will continue to experience an interesting margin environment. "Ethanol stocks should remain under pressure until the new crop harvest and an ample corn supply is available for processing," he explains.

In terms of demand for GLE's distiller products, Hansen says distiller values have stayed very strong throughout the winter and into the spring. "We've seen some increase in demand due to the hay shortages and the delay in spring weather in our trade area," says Hansen.



Renewal Fuels Standard Debate

Terry O'Keefe, Staff Correspondent for the *Watertown Public Opinion Newspaper*
Reprinted from April 8, 2013

The debate over the federal Renewable Fuels Standard (RFS), which requires the blending of ethanol as an additive to gasoline, continues in Washington as the House Committee on Energy and Commerce again reviews its effectiveness and the impact of what is called the blend wall. The wall comes into play when ethanol producers reach a level of production that limits expansion in the industry as refineries scale back on ethanol demand.

Now, more than five years after legislation that created the RFS, the oil and ethanol industries are once again battling each other, with oil looking to limit the ethanol requirements and ethanol fighting for expansion of the standards.

The Renewable Fuels Association (RFA) has been one of the major ethanol advocates which has stepped up and offered its ideas to the committee, and the association recently submitted a 10-page document outlining why the standards should not only be kept, but increased to lessen the country's dependence on foreign oil imports, among other things.

The group is asking legislators to consider increased use of higher ethanol blends, such as E15 and E85, 15 percent and 85 percent blends of ethanol in gasoline. The E15 blend was approved for autos with a model year of 2001 and newer by federal regulators earlier, but has been slow to catch on. The highest blend (E85) is designed only for vehicles that have engines considered to be flex-fuel usable.

The RFA, in comments submitted to the committee and released to the media blamed oil companies for making the blend wall an issue in the first place, saying if the RFS is allowed to work as designed, the blend wall will come down.

In short, RFA believes the blend wall is a creation of the oil companies failure to respond appropriately to the very clear market signal given upon the passage of the Energy Independence and Security Act of 2007, a bill they vehemently opposed and are seeking to re-litigate today, RFA President and CEO Bob Dinneen says. "By refusing to make (or allow their franchisees to make) the investments necessary to provide market access to increasing volumes of renewable fuels, they hope to create a self-fulfilling prophecy that the RFS targets cannot be met."

"One, Congress should not reward such blatant disregard for the law. Two, there is nothing wrong with the RFS that cannot be fixed with what is right with the RFS and that includes the blend wall." Dinneen continues "the blend wall effect will have the most impact on emerging renewable energy sources and technology development."

"It is important to note at the outset that overcoming the blend wall issue is most critical to the success of cellulosic and advanced biofuels just now beginning their journey toward commercialization," Dinneen said. "Those next generation fuels need the assurance of market demand beyond the E10 blend market to attract investors."

Leaving the market artificially constrained further limits market opportunities for next generation biofuels, missing an opportunity to meaningfully increase America's use of renewable fuels and reduce our dependence on imported oil.

The battle over the RFS continues in the US Congress. At this writing, there were at least 4 bills introduced to "roll back" the use of ethanol as set forth in the RFS.



Black Ink Returns

Financial Report for Three Months Ending February 28, 2013 (unaudited)

In Millions

Total Assets	\$232.3	Current Assets	\$84.6
Total Liabilities	\$114.1	Current Liabilities	\$42.1
Net Worth	\$118.2	Working Capital	\$42.5
Net Income for Quarter	\$2.2	Net Income to Date	\$1.0

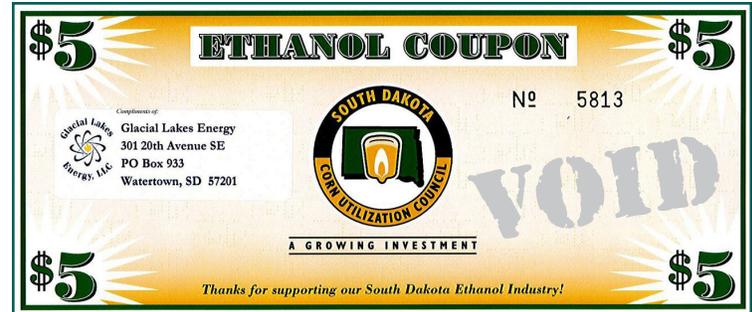
Glacial Lakes Corn Processors' (GLCP) second quarter ending February 28, 2013 resulted in a net income of \$2.2 million, up from a \$1.2 million loss in the first quarter of the company's 2013 fiscal year. "Industry conditions improved significantly towards the end of the quarter. Ethanol stocks nationwide are currently at some of their lowest levels on record," says Rob Sauer, Interim Chief Financial Officer. "That fact, combined with reduced production levels, has driven up ethanol-to-corn spreads by over a percent, which put us in the black."

While some ethanol plants have slowed or even shut down, Sauer says GLE is going full steam ahead, grinding 20.8 million bushels in the second quarter. "There is industry capacity on the sidelines working to our benefit right now," he explains. In addition, he credits additional factors that worked in GLE's favor, including the company's ability to deliver steady yield performance despite low-starch corn, its sound corn procurement, and steady risk management policy responsible for locking in respectable margins.

"Over the past quarter, we generated some sound cash flow," says Sauer, "helping bolster our financial position by increasing working capital by \$5.8 million while still paying down \$3.3 million on our long-term debt."

Get Your "Ethanol Bucks" at GLE

Are you looking for a unique gift idea? Why not promote ethanol by giving Ethanol Bucks. GLE is now carrying the \$5 certificates that can be used to purchase ethanol-blended fuels at any South Dakota retail location. Produced by the South Dakota Corn Utilization Council, Ethanol Bucks are an excellent way to encourage the use of ethanol and raise awareness of our industry. To receive Ethanol Bucks for yourself, others, or to use as a donation or fundraiser, contact Jessi Eidson or Marcy Kohl at 605-882-8480.



Membership Available in Growth Energy



Growth Energy, an industry trade organization that represents producers and supporters of ethanol, recently announced, for the first time, that they will accept individual memberships. The \$15 per-year membership provides a direct link to an organization that is on the front lines working to build momentum for American ethanol and fight the battle of public perception. Individual members receive exclusive access to special benefits, including quarterly town hall conference calls, and regular emails on current industry issues, topics, and strategies. GLE provides significant financial support to several industry groups including Growth Energy.

For more information about Growth Energy, go to growthenergy.com. To join, click the *About Growth Energy* and *Membership Options* pages.

Price-Later Program Now Available

GLE in Watertown, is now offering a FREE price-later program. This deferred payment program, available on a limited number of bushels, gives producers an opportunity to bring in corn at no cost until October 1. For more information, contact Roger or Tami at 605-882-8916.

GLE Now on Social Media and More

Have you taken time to "Like Us" on Facebook or "Follow Us" on Twitter? GLE continues to find new and innovative ways to stay in touch with our shareholders, customers, and the general public. "We're posting regularly to both our Facebook and Twitter accounts," explains Marcy Kohl, Manager of Corporate Administration. "It provides a platform for us to communicate not only information about our business but also what's happening in the world of ethanol."

Kohl says GLE utilizes social media to announce everything from changes in corn receiving hours at the Watertown and Mina facilities to requests for action on legislative issues. It is also used to link users to informative articles or videos concerning the ethanol industry.

GLE is also staying in touch via Constant Contact, a system that allows GLE to send out e-mail messages to shareholders. "Our intent is not to bog down our members with e-mails, but to share important information only when needed," explains Kohl. To be put on the Constant Contact list, shareholders can submit their e-mail address to Marcy Kohl at mkohl@glaciallakesenergy.com or by calling her at 605-882-8480.

We can also send you text messages - primarily daily corn bids - right to your mobile phone. Register for the texting service on the bottom right-hand corner of our home page www.glaciallakesenergy.com.

"Like Us" on Facebook  "Follow Us" on Twitter 



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IN MEMORY

WE WOULD LIKE TO TAKE A MOMENT TO HONOR ONE OF GLACIAL LAKES ENERGY, LLC SHAREHOLDERS WHO HAS PASSED:
MR. LYNN SANDERSON OF CONDE, SD. LYNN WAS A HUGE ADVOCATE OF GLE AND THE ETHANOL INDUSTRY.
LYNN WAS CONSCIENTIOUS OF THE ENVIRONMENT AND TOOK A CREATIVE APPROACH TO FARMING.
HE WILL BE MISSED BY HIS FRIENDS AT GLE. REST IN PEACE.

Cautionary Statements Regarding Forward- Looking Statements

This document contains forward-looking statements involving future events, future business and other conditions, our future performance and our expected future operations and actions.

In some cases you can identify forward-looking statements by the use of words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "predict," "hope," "should," "could," "may," "future," "continue," "potential" or the negatives of these terms or other similar expressions. These statements are based on management's beliefs and expectations and on information currently available to management.

Forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Important factors that could significantly affect future financial condition and results include, among others, operating margins in the ethanol industry, the rapid pace of expansion in the industry, the cost of corn and the price of ethanol, changes in ethanol supply and demand, changes in current legislation or regulations that affect ethanol supply and demand, disruptions to infrastructure or in the supply of raw materials, the results of our risk management and hedging transactions, and ethanol industry valuations generally.

Our actual results or actions may differ materially from those set forth in the forward-looking statements for many reasons, including events that are beyond our control or assumptions not proving to be accurate or reasonable. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this document. We cannot guarantee our future results, levels of activity, performance or achievements.