

“RENEWABLE FUELS—ETHANOL COMES TO INDIAN COUNTRY!”



The upgrade and reopening of the NAPA Junction to Wagner Rail moves closer to reality. Local entities of government have received notice from the State of South Dakota Division of Railroads that all crossings are returned to grade at crossings on the Wagner NAPA Junction line. Over seventy crossings are in process of returning to service on the line that has not seen a train in several years. That will change soon as construction is scheduled to begin in early March on the fifty million gallon ethanol plant one mile east of Wagner. The renovated line will serve the ethanol plant as well as

offer several elevators on the line additional marketing options. The reopening of the line is good news to producers in the region as their grain moves to market and inputs such as fertilizer are shipped on the line. Wagner Native Ethanol has secured the services of CDI of Brookings as engineering firm for the upgrade on the line. Pat Beaudette, former Rail Division employee for the state will serve as construction manager for the line. Crossings reconstruction has begun in 2007 and in 2008 the existing sixty pound rail will be replaced with welded one hundred fifteen pound rail. The rail will facilitate the heavier cars that are being shipped. The fifty million gallon ethanol plant will be built by Fagen Inc of Gran-

ite Falls, Minnesota. Technology and design will be provided by ICM of Colwich, Kansas. The Fagen/ICM team is the nation's largest ethanol construction team. The Wagner Plant will incorporate new technology that will fuel the plant with corn stove rather than natural gas. The plant will receive additional energy credits for utilizing a renewable source of energy to power the plant versus the traditional approach of burning natural gas. Farmers will receive additional revenue for the corn stocks sold to the plant. Construction of the plant will take twelve to fourteen months and will employ forty people to operate the plant. The plant will process over 18,000,000 bushels of corn annually.

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ETHONAL::

- Reduces our dependence on foreign oil
- Reduces greenhouse gases 2006-equivalent of removing 1.21 million cars
- Produces 67% more energy than it takes to produce that compares to a loss of 20% with gasoline
- In 2004 the production of 420 million gallons of ethanol in the state of South Dakota accounted for nearly 3000 new jobs.

NEW ADMINISTRATIVE ASSISTANT/OFFICE MANAGER



Jennifer Rucktaeschel comes to us from Lake Andes, South Dakota as our Administrative Assistant/Office Manager. She started with Wagner Native Ethanol, LLC in August, 2007. Jennifer is originally from Colorado and moved to South Dakota in 2001. Jennifer has over 10 years

of commercial / consumer banking experience along with her Associates Degree in Business Arts. Jennifer's duties will also include various railroad related tasks including property management and regulatory functions. She is married to her husband

and they have three children, two boys and a daughter.

Jennifer enjoys hunting and fishing and especially spending time with her family.

HOW ETHANOL IS MADE



1. Corn is delivered to the ethanol plant via truck or rail.
2. The corn is loaded in storage structures designed to hold enough corn supply the ethanol plant for 10 days.
3. Grain passes through hammer mills which grind the feedstock in a flour of powder.
4. Milled grain is mixed with water and enzymes creating a liquid mixture, slurry.
5. The mixture is held in a liquefaction tanks to enable enzymes to break down starch into fermentable sugars.
6. Yeast is added to the mash which is allowed to ferment for 50 hours, resulting in a mixture called "beer" containing alcohol and solids.
7. The beer is pumped into a distillation columns which separate the alcohol (ethanol) from the solids. The 190-proof ethanol exits the top of the final column and the solid residue (stillage) is transferred to the base of the column for the co product (distillers grains) processing.
8. The ethanol contains 5 percent water (hydrous ethanol) and runs through molecular sieves to remove the remaining water molecules, resulting in 200-proof alcohol (anhydrous ethanol).
9. A small portion of gasoline is used to "denature" ethanol making it unfit for human consumption. The ethanol is stored until it is transported to a terminal for blending with gasoline.
10. The solids from the distillation column and water is transferred through a centrifuge for separation into thin stillage (a liquid with 5 percent solids) and wet distillers grains. Much of this stillage is recycled back to the slurry tanks, reducing the volume of water needed in the ethanol production process.
11. The distillers grain will be marketed in 3 forms, a wet product that is sold as is, a dry product at a 10% moisture or a semi dry product that is approximately 40-50% moisture. These DDGS are a valuable and high protein feed nation for livestock.
12. Carbon dioxide is given off during the fermentation stage of ethanol production and some ethanol plants collect the carbon dioxide and market it as a co product.

RAILROAD PROJECT BEGINS



The reconstruction and rehabilitation of the 46 mile rail line from NAPA Junction to Wagner is a broad scope, multi-phase-project consisting of numerous construction elements.

The project requires a tie replacement program, a rail replacement program, a bridge upgrade program, a track ballasting and surfacing program, a drainage construction and improvements

program, a timber clearing and vegetation control program along with the reconstruction of the at grade railroad crossings along the line.

Work has begun and continues on the timber clearing and vegetation control program. The scope of the project includes the cutting and removal of growth that has occurred over the past 25 to 30 years along the railroad right of way.

The first phase of the track construction program focuses on the reconstruction of the railroad crossings. Numerous crossing of State Highways, community streets and rural roads have had the railroad gradients altered and track

component removed leaving the line unpassable for railroad equipment. Work has been completed on replacing the railroad grade at some of the rural crossings and designs have been completed for reconstruction of the numerous other crossings. Once the railroad grades and crossings are restored, the various elements of the railroad reconstruction will begin.

The rail line will be able to accommodate the heavy rail cars loads required of today's ethanol and grain industries when the project is completed.

WHERE IS THE DEMAND FOR ETHANOL GOING?

The future of ethanol is very optimistic. Current production is 7-8 billion gallons. Where do the policy makers think we should go?

Passed Energy Policy Act 2005:

*4.0 billion gallons in 2006

*7.5 billion gallons in 2012

Our recent expansion in the ethanol industry has reached the 7.5 billion gallons 4 years before the 2012 requirement.

WHAT'S NEXT?

President Bush's Goal

*35 billion gallons by 2017

Senate 23-Bipartisan bill

*10 billion gallons by 2010

*30 billion gallons by 2020

*60 billion gallons by 2030

37 Governors ethanol coalition

*12 billion gallons by 2010

*15 billion gallons by 2015

*37 billion gallons by 2025

25 X 25 Coalition

(25% of our energy from renewable fuels by 2025) RFS of 45-50 billion gallons by 2025

Farm Bill and/or Energy Bill

Both are pending in congress

RFS 36 billion by 2022

8.5 billion by 2008

It is apparent that renewable fuels are an important segment of helping our nation reach energy independence. The exact roadmap is still under debate but both parties are supportive!!



Wagner Native Ethanol, LLC
210 S Main St
PO Box 250
Wagner, SD 57380

Phone: 605-384-4524
Fax: 605-384-4356
E-mail: wnethanol@hotmail.com

Coming soon to the
Web!

KERNELS OF TRUTH



Truth: Corn Prices have little effect on retail price of food

Truth: The cost of energy, employee wages and benefits, retail packaging and marketing all have a much larger impact on the price of food than changes in the price of corn.

Truth: There's only 6 cents of corn in each gallon of milk.

Truth: There's only 19 cents of corn in a steak, and 26 cents in a pork chop.

Truth: There's less than 6 cents of corn sweetener in a liter of pop.

Truth: In the past year, ethanol production (7 billion gallons of it) reduces gas prices by \$0.45 per gallon.

Truth: Without ethanol, food prices would go up , not down.

Truth: South Dakota producers will harvest more than 559 million bushels of corn in 2007.

Truth: South Dakota currently has 13 operating ethanol plants.

Truth: The South Dakota Corn Utilization Council is one of the most active community organizations in South Dakota.