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Green Plains Renewable Energy, Inc.
Form 10-K
February 15, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from ____ to ____

Commission file number 001-32924

Green Plains Renewable Energy, Inc.

(Exact name of registrant as specified in its charter)

Iowa

(State or other jurisdiction of incorporation or organization)

84-1652107

(I.R.S. Employer Identification No.)

450 Regency Parkway, Suite 400, Omaha, NE 68114

(Address of principal executive offices, including zip code)

(402) 884-8700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, \$.001 par value

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Name of exchanges on which registered: NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Company's voting common stock held by non-affiliates of the registrant as of June 29, 2012 (the last business day of the second quarter), based on the last sale price of the common stock on that date of \$6.24, was approximately \$155.9 million. For purposes of this calculation, executive officers, directors and holders of 10% or more of the registrant's common stock are deemed to be affiliates of the registrant.

As of February 11, 2013, there were 30,102,595 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Shareholders are incorporated by reference in Part III herein. The Company intends to file such Proxy Statement with the Securities and Exchange Commission no later than 120 days after the end of the period covered by this report on Form 10-K.

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Cautionary Information Regarding Forward-Looking Statements

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this report, and they may also be made a part of this report by reference to other documents filed with the SEC, which is known as "incorporation by reference."

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Forward-looking statements generally do not relate strictly to historical or current facts, but rather to plans and objectives for future operations based upon management's reasonable estimates of future results or trends, and include statements preceded by, followed by, or that include words such as "anticipates," "believes," "continue," "estimates," "expects," "intends," "outlook," "plans," "predicts," "may," "could," "should," "will," and words and phrases of similar meaning, and include, but are not limited to, statements regarding future operating or financial performance, business strategy, business environment, key trends, and benefits of actual or planned acquisitions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that our expectations regarding future events are based on reasonable assumptions, any or all forward-looking statements in this report may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement is guaranteed, and actual future results may vary materially from the results expressed or implied in our forward-looking statements. The cautionary statements in this report expressly qualify all of our forward-looking statements. In addition, we are not obligated, and do not intend, to update any of our forward-looking statements at any time unless an update is required by applicable securities laws. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in the section entitled "Risk Factors" in this report or in any document incorporated by reference. Specifically, we may experience significant fluctuations in future operating results due to a number of economic conditions, including, but not limited to, competition in the ethanol and other industries in which we operate, commodity market risks, financial market risks, counter-party risks, risks associated with changes to federal policy or regulation, risks related to closing and achieving anticipated results from acquisitions, and other risk factors detailed in our reports filed with the SEC. Actual results may differ from projected results due, but not limited, to unforeseen developments.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this report or in any document incorporated by reference might not occur. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference in this report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business.

Overview

References to “we,” “us,” “our,” “Green Plains,” or the “Company” in this report refer to Green Plains Renewable Energy, Inc., an Iowa corporation founded in June 2004, and its subsidiaries.

We are a leading, vertically-integrated producer, marketer and distributor of ethanol. We focus on generating stable operating margins through our diversified business segments and our risk management strategy. We believe that owning and operating assets throughout the ethanol value chain enables us to mitigate changes in commodity prices and differentiates us from companies focused only on ethanol production. Today, we have operations throughout the ethanol value chain, beginning upstream with our grain handling and storage operations, continuing through our ethanol, distillers grains and corn oil production operations and ending downstream with our ethanol marketing, distribution and blending facilities. Following is our visual presentation of the ethanol value chain:

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Our disciplined risk management strategy is designed to lock in operating margins by forward contracting the primary commodities involved in or derived from ethanol production: corn, natural gas, ethanol and distillers grains, along with the corn oil extracted prior to the production of distillers grains. We also seek to maintain an environment of continuous operational improvement to increase our efficiency and effectiveness as a low-cost producer of ethanol.

We review our operations within the following four separate operating segments:

- **Ethanol Production.** We are North America's fourth largest ethanol producer. We operate a total of nine ethanol plants in Indiana, Iowa, Michigan, Minnesota, Nebraska and Tennessee, with approximately 740 million gallons per year, or mmgy, of total ethanol production capacity. At capacity, these plants collectively consume approximately 265 million bushels of corn and produce approximately 2.1 million tons of distillers grains annually.
- **Corn Oil Production.** We operate corn oil extraction systems at all nine of our ethanol plants, with the capacity to produce approximately 155 million pounds annually. The corn oil systems are designed to extract non-edible corn oil from the whole stillage process immediately prior to production of distillers grains. Industrial uses for corn oil include feedstock for biodiesel, livestock feed additives, rubber substitutes, rust preventatives, inks, textiles, soaps and insecticides.
- **Agribusiness.** Within our bulk grain business, we have three grain elevators with approximately 5.8 million bushels of total storage capacity. Our ethanol production segment has approximately 11.0 million bushels of additional storage capacity at our ethanol plants. We believe our bulk grain business provides synergies with our ethanol production segment as it supplies a portion of the feedstock for our ethanol plants.
- **Marketing and Distribution.** Our in-house marketing business is responsible for the sales, marketing and distribution of all ethanol, distillers grains and corn oil produced at our nine ethanol plants. We also market and provide logistical services for ethanol and other commodities for third-party producers. Additionally, our wholly-owned subsidiary, BlendStar LLC, operates nine blending or terminaling facilities with approximately 846 mmgy of total throughput capacity in seven south central U.S. states.

In December 2012, we sold 12 grain elevators located in northwestern Iowa and western Tennessee consisting of approximately 32.6 million bushels of our grain storage capacity and all of our agronomy and retail petroleum operations. We believe the sale of assets, previously included in our agribusiness segment, represented an opportunity to maximize shareholder value. We will continue to participate in grain handling and storage activities through our remaining grain handling assets and future grain storage expansion at or near our ethanol plants.

We intend to continue to take a disciplined approach in evaluating new opportunities related to potential acquisition of additional ethanol plants by considering whether the plants fit within the design, engineering and geographic criteria we have developed. In our marketing and distribution segment, our strategy is to expand our marketing efforts by entering into new or renewal contracts with other ethanol producers. We also intend to pursue opportunities to develop or acquire additional grain elevators, specifically those located near our ethanol plants. We believe that owning additional grain handling and storage operations in close proximity to our ethanol plants enables us to strengthen relationships with local corn producers, allowing us to source corn more effectively and at a lower average cost. We also plan to continue to grow our downstream access to customers and are actively seeking new marketing opportunities with other ethanol producers. We also own 49% interest in BioProcess Algae LLC, which was formed to commercialize advanced photo-bioreactor technologies for growing and harvesting algal biomass. We continue our support of the BioProcess Algae joint venture.

To optimize the value of our assets, we began utilizing a portion of our railcar fleet to transport crude oil for third parties and to lease railcars to other users. At the end of 2012, we had 632 railcars leased to other users.

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Our Competitive Strengths

We believe we have created an efficient platform with diversified revenues and income streams. Fundamentally, we focus on managing commodity price risks, improving operating efficiencies and optimizing market opportunities. We believe our competitive strengths include:

Disciplined Risk Management. We believe risk management is a core competency of ours. Our primary focus is to lock in favorable operating margins whenever possible. We do not speculate on general price movements by taking unhedged positions on commodities such as corn, ethanol or natural gas. Our comprehensive risk management platform allows us to monitor real-time commodity price risk exposure at each of our plants, and to respond quickly to lock in acceptable margins or to temporarily reduce production levels at our ethanol plants during periods of compressed margins. By using a variety of risk management tools and hedging strategies, including our internally-developed real-time operating margin management system, we believe we are able to maintain a disciplined approach to risk management.

Demonstrated Asset Acquisition and Integration Capabilities. We have demonstrated the ability to make strategic acquisitions that we believe create synergies within our vertically-integrated platform. We believe acquiring and developing complementary businesses enhances our ability to mitigate risks. Our balance sheet allows us to be selective in that process. Since our inception, we have acquired or developed nine ethanol plants in addition to upstream grain handling and storage businesses and downstream blending and distribution businesses. We installed corn oil extraction technology at each of our ethanol plants to generate incremental returns from this value-added product. We believe these acquisitions and improvements have been successfully integrated into our business and have enhanced our overall returns.

Focus on Operational Excellence. All of our plants are staffed by experienced industry personnel. We focus on incremental operational improvements to enhance overall production efficiencies and we share operational knowledge across our plants. Using real-time production data and control systems, we continually monitor our plants in an effort to optimize performance. We believe our ability to improve operating efficiencies provides an operating cost advantage over most of our competitors. In turn, we believe we are well positioned to increase operating margins for any facilities that we may acquire in the future.

Leading Vertically-Integrated Ethanol Producer. We believe our operations throughout the ethanol value chain reduce our commodity and operating risks, and increase our pricing visibility and influence in key markets. Combined, we believe our agribusiness, ethanol production, corn oil production, and marketing and distribution segments provide efficiencies across the ethanol value chain, from grain procurement to blending fuel. Our agribusiness operations help to reduce our supply risk by providing grain handling and storage capabilities. We market and distribute approximately one billion gallons of internally-produced and third-party ethanol annually. Our corn oil systems are designed to extract non-edible corn oil that has multiple industrial uses. Our blending or terminaling facilities allow us to source, store, blend and distribute ethanol and biodiesel across multiple states.

Proven Management Team. Our senior management team averages over 20 years of commodity risk management and related industry experience. We have specific expertise across all aspects of the ethanol supply, production, and distribution chain – from agribusiness, to plant operations and management, to commodity markets and risk management, to ethanol marketing.

Our Growth Strategy

We intend to continue our focus on strengthening and diversifying our vertically-integrated platform by implementing or further acting upon the following growth strategies:

Expand Marketing and Distribution Activities. We plan to continue expanding our downstream access to customers and seeking opportunities to arbitrage markets with minimal risk allocation. We currently participate in ethanol logistic, transload and splash blending services and have begun to expand the capacity of these facilities through organic growth. The expansion of our capacity will encourage the distribution of blended fuel. We believe that further growth of our distribution efforts will enable us to continue to capitalize on our vertically-integrated platform.

Develop or Acquire Strategically-Located Grain Storage. We intend to pursue opportunities to develop or acquire additional grain elevators within the agribusiness segment, specifically those located near our ethanol plants. We also intend to increase the grain storage capacity at our ethanol plants to take advantage of our current infrastructure. We believe that owning additional grain storage in close proximity to our ethanol plants enables us to strengthen relationships with local corn

producers, allowing us to source corn more effectively and at a lower average cost. Since all of our plants are located within or near the corn belt where a number of competitors also have ethanol facilities, we believe that owning grain elevators provides us with a competitive advantage in the origination of corn.

Pursue Consolidation Opportunities within the Ethanol Industry. We continue to focus on the potential acquisition of additional ethanol plants. In the past several years, we have been approached with opportunities to acquire existing ethanol plants. We believe those plants were available for a number of reasons including financial distress of a particular facility, a lack of operational expertise or a desire by existing owners to exit their original investment. We take a disciplined approach in evaluating new opportunities by considering whether the plants fit within the design, engineering and geographic criteria we have developed. We acquired one ethanol plant during 2011 that met our criteria. We believe that our integrated platform, plant operations experience and disciplined risk management approach give us the ability to generate favorable returns from our acquisitions.

Improve Operational Efficiency. We seek to enhance profitability at each of our plants by increasing our production volumes through operational improvements. We continually research operational processes that may increase our efficiency by increasing yields, lowering our processing cost per gallon and increasing our production volumes. Additionally, we employ an extensive cost control system at each of our plants to continuously monitor our plants' performance. We are able to use performance data from our plants to develop strategies for cost reduction and efficiency that can be applied across our platform.

Invest in Advanced Technology for Growing and Harvesting Algae. We plan to continue our investment in the BioProcess Algae joint venture, which is focused on commercialization of advanced photo-bioreactor technologies for the growing and harvesting of algal biomass which can be used as high-quality feedstocks for human nutrition, pharmaceutical applications, animal feed and biofuels. We believe this technology has specific applications with facilities that emit carbon dioxide, including ethanol plants. Algae are currently grown in BioProcess Algae's Grower Harvester™ reactors co-located with our Shenandoah, Iowa ethanol plant.

Ethanol Industry Overview

The ethanol industry has grown significantly over the past decade, with annual reported production increasing from 1.8 billion gallons in 2001 to 13.3 billion gallons in 2012, according to the U.S. Energy Information Administration, or EIA. According to Ethanol Producer Magazine, as of December 31, 2012, there were 218 ethanol plants within the United States, capable of producing 14.8 billion gallons of ethanol annually, as well as several new plants that were under construction or expanding their capacity. We believe ethanol, as a proportion of total transportation fuels, will continue to experience consistent, to possibly increased, demand in the United States due to a continuing focus on reducing reliance on petroleum-based transportation fuels. Contributing factors include high and volatile oil prices, heightened environmental concerns, and energy independence and national security concerns. We believe ethanol's environmental benefits, ability to improve gasoline performance, fuel supply extender capabilities, attractive production economics and favorable government incentives could enable ethanol to comprise an increasingly larger portion of the U.S. fuel supply as more fully described below:

- Emissions Reduction. Ethanol demand increased substantially in the 1990's, when federal law began requiring the use of oxygenates in reformulated gasoline in cities with unhealthy levels of air pollution on a seasonal or year-round basis. These oxygenates included ethanol and MTBE which, when blended with gasoline, reduce vehicle emissions. Although the federal oxygenate requirement was eliminated in 2006, oxygenated gasoline continues to be used in order to help meet separate federal and state air emission standards. The refining industry has all but abandoned the use of MTBE making ethanol the primary clean air oxygenate currently used.
- Octane Enhancer. Ethanol, with an octane rating of 113, is used to increase the octane value of gasoline with which it is blended, thereby improving engine performance. It is used as an octane enhancer both for producing regular grade gasoline from lower octane blending stocks and for upgrading regular gasoline to premium grades. The domestic gasoline market continues to evolve as refiners are producing more conventional blendstocks for oxygenate blending, or CBOB. According to data gathered by the EIA, CBOB represents approximately 85% of total conventional gasoline sold in 2012. CBOB is an 84 octane sub-grade gasoline, which requires ethanol or other octane sources to meet the minimum octane rating requirements for the U.S. gasoline market. Ethanol has become the primary additive used by refiners to increase octane levels.

- **Fuel Stock Extender.** Ethanol is a valuable blend component that is used by refiners in the United States to extend fuel supplies. According to the EIA, from 2001 to 2012, ethanol as a component of the United States gasoline supply has grown from 1.4% to 10.0%. In 2012 alone, ethanol replaced the need for approximately 316 million barrels of oil in the United States.
- **E15 Blending Waiver.** Through a series of decisions beginning in October 2010, the U.S. Environmental Protection Agency, or EPA, has granted a waiver for the use of up to 15% ethanol blended with gasoline, or E15, in model year 2001 and newer passenger vehicles, including cars, SUVs and light pickup trucks. In June 2012, the EPA gave final approval for the sale and use of E15 ethanol blends. The nation's first retail E15 ethanol blends were sold in July 2012. As of December 31, 2012, the EPA had reported 79 fuel manufacturers that were registered to sell E15.
- **Mandated Use of Renewable Fuels.** The growth in ethanol usage has also been supported by legislative requirements dictating the use of renewable fuels, including ethanol. The Energy Independence and Security Act of 2007, confirmed by the EPA regulations on the Renewable Fuel Standard, or RFS II, issued in February 2010 mandated a minimum usage of corn-derived renewable fuels of 12.0 billion gallons in 2010, increasing annually by 0.6 billion gallons to 15.0 billion gallons in 2015.
- **Net Ethanol Exports.** The United States has a long history as a net importer of ethanol. According to the U.S. Department of Agriculture, or USDA, Brazil has historically been the world's low-cost supplier of ethanol. However, the USDA stated that in 2010, the United States became the global low-cost ethanol producer, generating a trade surplus of \$556.0 million. According to the EIA, U.S. ethanol exports in 2011 and 2012 of approximately 1.2 billion gallons and 725 million gallons, respectively, exceeded imports of 174 million gallons and 533 million gallons, respectively.

Our Operating Segments

Ethanol Production Segment

We have the capacity to produce approximately 740 mmgy of ethanol within our ethanol production segment. Our plants use a dry mill process to produce ethanol and co-products such as wet, modified wet or dried distillers grains. Processing at full capacity, our plants consume approximately 265 million bushels of corn and produce approximately 2.1 million tons of distillers grains annually. We operate all of our ethanol plants through wholly-owned operating subsidiaries. A summary of these plants is outlined below:

Plant	Plant Production Capacity (mmgy)	Start or Acquisition Date	Technology	Land Owned (acres)	On-Site Corn Storage Capacity (bushels)	On-Site Ethanol Storage Capacity (gallons)
Bluffton, Indiana	120	Sept. 2008	ICM	420	2,040,000	2,800,000
Central City, Nebraska ⁽¹⁾	100	July 2009	ICM	40	1,200,000	2,250,000
Fergus Falls, Minnesota ⁽¹⁾	60	Mar. 2011	Delta-T	114	1,325,000	2,000,000
Lakota, Iowa ⁽¹⁾	100	Oct. 2010	ICM/Lurgi	93	1,410,000	2,500,000
Obion, Tennessee ⁽²⁾	120	Nov. 2008	ICM	230	2,100,000	2,894,000
Ord, Nebraska ⁽¹⁾	55	July 2009	ICM	170	400,000	1,500,000

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Riga, Michigan ⁽¹⁾	60	Oct. 2010	Delta-T	138	1,525,000	1,239,000
Shenandoah, Iowa	65	Aug. 2007	ICM	123	500,000	1,500,000
Superior, Iowa	60	July 2008	Delta-T	238	525,000	1,226,000

- (1) These plants operated under different ownership prior to the stated start date.
- (2) We lease an additional 129 acres of land near the Obion, Tennessee plant.

Corn Feedstock and Ethanol Production

Ethanol is a chemical produced by the fermentation of carbohydrates found in grains and other biomass. Ethanol can be produced from a number of different types of grains, such as corn, wheat and sorghum, as well as from agricultural waste products such as rice hulls, cheese whey, potato waste, brewery and beverage wastes and forestry and paper wastes. At present, the majority of ethanol in the United States is produced from corn because corn contains large quantities of carbohydrates, can be handled efficiently and is in greater supply than other grains. Such carbohydrates convert into glucose

more easily than most other kinds of biomass. Outside the United States, sugarcane is the primary feedstock used in ethanol production.

Our plants use corn as feedstock in the dry mill ethanol production process. Each of our plants requires, depending on their production capacity, approximately 20 million to 40 million bushels of corn annually. The price and availability of corn are subject to significant fluctuations depending upon a number of factors that affect commodity prices in general, including crop conditions, weather, governmental programs and foreign purchases. Because the market price of ethanol is not directly related to corn prices, ethanol producers are generally not able to compensate for increases in the cost of corn feedstock through adjustments to prices charged for their ethanol.

Our corn supply is obtained primarily from local markets. We utilize cash and forward purchase contracts with grain producers and elevators for the physical delivery of corn to our plants. At our Iowa (except Lakota), Minnesota, Nebraska and Tennessee plants, we maintain relationships with local farmers, grain elevators and cooperatives which serve as our primary sources of grain feedstock. Most farmers in the areas where our plants are located have stored their corn in their own storage facilities, which allows us to purchase much of the corn needed to supply our plants directly from farmers throughout the year. At our Indiana, Michigan and Lakota, Iowa plants, we have contracted with third-party grain originators to supply all of our corn requirements for ethanol production. These contracts terminate between September 2013 and September 2015. Each of our plants is also situated on rail lines that we can use to receive corn from other regions of the country, if local corn supplies are insufficient.

Corn is received at the plant by truck or rail, which is then weighed and unloaded in a receiving building. Storage bins are utilized to inventory grain, which is passed through a scalper to remove rocks and debris prior to processing. Thereafter, the corn is transported to a hammer mill where it is ground into coarse flour and conveyed into a slurry tank for enzymatic processing. Water, heat and enzymes are added to convert the complex starch molecules into simpler carbohydrates. The slurry is heated to reduce the potential of microbial contamination and pumped to a liquefaction tank where additional enzymes are added. Next, the grain slurry is pumped into fermenters, where yeast, enzymes, and nutrients are added, to begin a batch fermentation process. A beer column, within the distillation system, separates the alcohol from the spent grain mash. Alcohol is then transported through a rectifier column, a side stripper and a molecular sieve system where it is dehydrated to 200 proof. The 200 proof alcohol is then pumped to a holding tank and then blended with approximately two percent denaturant (usually natural gasoline) as it is pumped into finished product storage tanks.

Distillers Grains

The spent grain mash from the beer column is pumped into one of several decanter type centrifuges for dewatering. The water, or thin stillage, is pumped from the centrifuges and then to an evaporator where it is dried into a thick syrup. The solids, or wet cake, that exits the centrifuge are conveyed to the dryer system. The wet cake is dried at varying temperatures, resulting in the production of distillers grains. Syrup might be reapplied to the wet cake prior to drying, providing additional nutrients to the distillers grains. Distillers grains, the principal co-product of the ethanol production process, are principally used as high-protein, high-energy animal fodder and feed supplements marketed to the dairy, beef, swine and poultry industries.

Dry mill ethanol processing potentially creates three forms of distillers grains, depending on the number of times the solids are passed through the dryer system; wet, modified wet and dried distillers grains. Wet distillers grains are processed wet cake that contains approximately 65% to 70% moisture. Wet distillers grains have a shelf life of approximately three days and can be sold only to dairies or feedlots within the immediate vicinity of an ethanol plant. Modified wet distillers grains, which have been dried further to approximately 50% to 55% moisture, have a slightly longer shelf life of approximately three weeks and are marketed to regional dairies and feedlots. Dried distillers grains, which have been dried more extensively to approximately 10% to 12% moisture, have an almost indefinite shelf life and may be stored, sold and shipped to any market regardless of its proximity to an ethanol plant.

Utilities

The production of ethanol requires significant amounts of natural gas, electricity and water.

Natural Gas. Ethanol plants produce process steam from their own boiler systems and dry the distillers grains co-product via a direct gas-fired dryer. Depending on certain production parameters, our ethanol plants are expected to use approximately 22,000 to 32,000 British Thermal Units of natural gas per gallon of production. The price of natural gas can be volatile; therefore, we use hedging strategies to mitigate increases in gas prices. We have entered into certain service

agreements for the natural gas required by our ethanol plants and pay tariff fees to these providers for transporting the gas through their pipelines to our plants.

Electricity. Our plants require between 0.5 and 1.0 kilowatt hours of electricity per gallon of production. Local utilities supply necessary electricity to all of our ethanol plants at market-based rates.

Water. Although some of our plants satisfy the majority of their water requirements from wells located on their respective properties, each plant also obtains potable water from local municipal water sources at prevailing rates. Each facility operates a filtration system to purify the well water that is utilized for its operations. Local municipalities supply all of the necessary water for our plants that do not have onsite wells. Much of the water used in an ethanol plant is recycled back into the process.

Corn Oil Production Segment

We operate corn oil extraction systems at all nine of our ethanol plants. The corn oil systems are designed to extract non-edible corn oil from the thin stillage evaporation process immediately prior to production of distillers grains.

Corn oil is produced by processing syrup and evaporated thin stillage, through a decanter style centrifuge or a disk stack style centrifuge. Corn oil has a lower density than water or solids which make up the syrup. The centrifuges separate the relatively light oil from the heavier components of the syrup, eliminating the need for significant retention time. De-oiled syrup is returned to the process for blending into wet, modified, or dry distillers grains.

Industrial uses for corn oil include feedstock for biodiesel, livestock feed additives, rubber substitutes, rust preventatives, inks, textiles, soaps and insecticides. Our corn oil is primarily sold to biodiesel manufactures and, to a lesser extent, feed lot and poultry markets. We generally transport our corn oil by truck to locations in a close proximity to our ethanol plants, primarily in the southeastern and midwestern regions of the United States.

Agribusiness Segment

We operate our agribusiness segment primarily through our wholly-owned subsidiary, Green Plains Grain Company LLC, which is a bulk grain business. We own and operate grain elevators in Essex, Iowa, Hopkins, Missouri and St. Edward, Nebraska, with grain storage capacities of approximately 1.9 million, 2.0 million and 1.9 million bushels, respectively. We buy bulk grain, primarily corn and soybeans, from area producers and provide grain drying and storage services to those producers. The grain is then sold to grain processing companies and area livestock producers. These bulk grain commodities are readily traded on commodity exchanges and inventory values are affected by market changes and spreads. In an attempt to reduce risk due to market fluctuations from purchase and sale commitments, we enter into exchange-traded futures and options contracts designed to serve as economic hedges. We believe our agribusiness operations increase our operational efficiency, reduce commodity price and supply risks,

and diversify our revenue streams.

Seasonality is present within our agribusiness operations. The fall harvest period generally results in higher revenues and stronger financial results for this segment during the fourth quarter.

Marketing and Distribution Segment

We have an in-house marketing business responsible for the sale, marketing and distribution of all ethanol, distillers grains and corn oil produced at our nine ethanol plants. We also market and provide logistical services for ethanol and other commodities for third-party ethanol producers. Additionally, our wholly-owned subsidiary, BlendStar LLC, operates nine blending or terminaling facilities, with approximately 846 mmgy of total throughput capacity, allowing us to source, store, blend and distribute biodiesel and ethanol, including our production and that of other producers, across multiple states.

Marketing

We market our ethanol and that of a third-party producer to many different customers on a local, regional and national basis. In addition, we purchase ethanol from other independent producers to realize price arbitrages that may exist. To achieve the best prices for the ethanol that we market, we sell into local, regional and national markets under sales agreements with integrated energy companies, jobbers, retailers, traders and resellers. Under these agreements, ethanol is priced under fixed and indexed pricing arrangements. Local markets are the easiest to service because of their close proximity to the related production facility. Deliveries to the majority of the local markets, within 150 miles of the plants, are generally transported by truck, and deliveries to more distant markets are shipped by rail using major U.S. rail carriers.

The market for distillers grains generally consists of local markets for wet, modified wet and dried distillers grains, and national markets for dried distillers grains. If our plants operate at full capacity and all of our distillers grains were marketed in the form of dried distillers grains, we expect that our ethanol plants would produce approximately 2.1 million tons of distillers grains annually. In addition, the market can be segmented by geographic region and livestock industry. The bulk of the current demand is for dried distillers grains delivered to geographic regions without significant local corn or ethanol production. Our market strategy includes shipping a substantial amount of distillers grains as dried distillers grains to regional and national markets by rail.

Most of our modified wet distillers grains are sold to midwestern feedlot markets. Our dried distillers grains are generally shipped to feedlot and poultry markets, as well as to Texas and west coast rail markets. Some of our distillers grains are shipped by truck to dairy, beef, and poultry operations in the eastern United States. Also, at certain times of the year, we transport product to the Mississippi River to be loaded on barges. We also ship by railcars into Eastern and Southeastern feed mill, poultry and dairy operations, as well as to domestic trade companies. Access to these markets allows us to move product into markets that are offering the highest net price.

Transportation and Delivery

To meet the challenge of marketing ethanol and distillers grains to diverse market segments, five of our plants have extensive rail siding capable of handling more than 150 railcars at their production facilities and the other four plants have rail siding that can accommodate approximately 90 railcars at their locations. At certain of our locations, we have large loop tracks which enable loading of unit trains of both ethanol and dried distillers grains, as well as spurs connecting the site's rail loop to the railroad mainline or spurs that allow movement and storage of railcars on-site. These rail lines allow us to sell our products to various regional and national markets. The rail providers for our ethanol plants can switch cars to most of the other major railroads, allowing the plants to ship ethanol and distillers grains throughout the United States. Our railcar fleet is comprised of approximately 1,626 leased tank cars for the transportation of ethanol and approximately 719 leased hopper cars for the transportation of distillers grains. The lease contract terms range from approximately six months to ten years. We seek to optimize the utilization of our rail assets, including potential use for transportation of products other than ethanol and distillers grains, depending on market opportunities. To optimize the value of our assets, we began utilizing a portion of our railcar fleet to transport crude oil for third parties and to lease railcars to other users. At December 31, 2012, we had 632 railcars leased to other users.

Ethanol Blending and Distribution

We own and operate biofuel holding tanks and terminals, and provide terminaling, splash blending and logistics solutions through our wholly-owned subsidiary, BlendStar LLC, to markets that currently do not have efficient access to renewable fuels. BlendStar operates blending and terminaling facilities at one owned and eight leased locations on approximately 19 acres in seven states with a combined total storage capacity of approximately 7.6 million gallons and throughput capacity of approximately 846 mmgy. The BlendStar facilities are summarized below:

Facility Location	Storage Capacity (gallons)	Throughput Capacity (mmgy)
Birmingham, Alabama - Unit Train Terminal	6,720,000	300
Birmingham, Alabama - Other	120,000	72
Little Rock, Arkansas	30,000	36
Louisville, Kentucky	60,000	30
Bossier City, Louisiana	180,000	60
Collins, Mississippi	180,000	180
Oklahoma City, Oklahoma	150,000	84
Tulsa, Oklahoma	-	24
Nashville, Tennessee	160,000	60

In December 2012, we completed construction and began operations at a 96-car unit train terminal in Birmingham, Alabama. The new terminal is served by the BNSF Railway and has a throughput capacity of 300 million gallons of ethanol annually.

Risk Management and Hedging Activities

The profitability of our operations and our industry are highly dependent on commodity prices, especially prices for corn, ethanol, distillers grains and natural gas. Because market price fluctuations among these commodities are not always correlated, at times ethanol production may be unprofitable.

We enter into forward contracts to sell a portion of our respective ethanol and distillers grains production or to purchase a portion of our respective corn or natural gas requirements in an attempt to partially offset the effects of volatility of ethanol, distillers grains, corn and natural gas prices. To a much lesser extent, we also engage in other hedging transactions involving exchange-traded futures contracts for corn, natural gas and ethanol from time to time. The financial statement impact of these activities is dependent upon, among other things, the prices involved and our ability to physically receive or deliver the commodities involved. Hedging arrangements also expose us to the risk of financial loss in situations where the counterparty to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the price of the commodity underlying the hedging agreement and the actual prices paid or received by us for the physical commodity bought or sold. Hedging activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. A hedge position is often settled in the same time frame as the physical commodity is either purchased (corn and natural gas) or sold (ethanol, distillers grains and corn oil). Hedging losses may be offset by a decreased cash price for corn and natural gas and an increased cash price for ethanol, distillers grains and corn oil. We also vary the amount of hedging or other risk mitigation strategies we undertake, and we may choose not to engage in hedging transactions at all. By using a variety of risk management tools and hedging strategies, including our internally-developed real-time operating margin management system, we believe our approach to risk management allows us to monitor real-time operating price risk exposure at each of our plants and to respond quickly to lock in acceptable margins when they are available or temporarily reduce production levels at our ethanol plants during periods in which we have identified compressed margins. In addition, our multiple business lines and revenue streams help diversify our operations and profitability.

Recent Acquisition and Disposition Activity

In April 2010, we acquired agribusiness operations in western Tennessee which included five grain elevators with federally licensed grain storage capacity of 11.7 million bushels. The five grain elevators and other assets acquired were included in our agribusiness segment prior to their sale in December 2012.

In October 2010, we acquired Global Ethanol, LLC, which owned ethanol plants in Lakota, Iowa and Riga, Michigan. These plants, which are part of our ethanol production segment and have production capacity totaling approximately 160 mmgy, were acquired to add to our overall ethanol, distillers grains and corn oil production.

In March 2011, we acquired an ethanol plant and certain other assets near Fergus Falls, Minnesota. The plant, which is part of our ethanol production segment, has production capacity of approximately 60 mmgy, adding to our ethanol,

distillers grains and corn oil production. We are constructing 0.6 million bushels of additional grain storage capacity at the plant with completion expected in 2013.

In June 2011, we acquired 2.0 million bushels of grain storage capacity located in Hopkins, Missouri. The grain elevator is located approximately 45 miles from our Shenandoah, Iowa ethanol plant and is included in our agribusiness segment.

In July 2011, we acquired the 49% interest in biofuel terminal operator BlendStar LLC that we did not previously own. BlendStar, whose operations are included in our marketing and distribution segment, provides ethanol transload and splash blending services.

In January 2012, we acquired 1.9 million bushels of grain storage capacity located in St. Edward, Nebraska. The grain elevator is located approximately 40 miles from our Central City, Nebraska ethanol plant and is included in our agribusiness segment.

In December 2012, we sold 12 grain elevators located in northwestern Iowa and western Tennessee. The sale of assets, previously included in our agribusiness segment, consisted of approximately 32.6 million bushels of our grain storage capacity and all of our agronomy and retail petroleum operations.

BioProcess Algae Joint Venture

The BioProcess Algae joint venture is focused on developing technology to grow and harvest algae, which consume carbon dioxide, in commercially viable quantities. Construction of Phase II next to our Shenandoah ethanol plant was completed and the Grower Harvesters™ bioreactors were successfully started up in January 2011. Phase II allowed for verification of growth rates, energy balances and operating expenses, which are considered to be some of the key steps to commercialization. In April 2012, we increased our ownership of BioProcess Algae to 49% pursuant to our purchase of ownership interests previously held by NTR plc.

In June 2012, BioProcess Algae and a subsidiary of Bioseutica BV, a leading producer of highly purified pharmaceutical-grade Omega-3 fatty acids, entered into a commercial supply agreement for the production of EPA-rich Omega-3 oils for use in concentrated EPA products for nutritional and/or pharmaceutical applications. BioProcess Algae continues to explore additional potential algae markets including animal feeds, nutraceuticals and biofuels.

BioProcess Algae initiated Phase III and broke ground on a five-acre algae farm at the Shenandoah ethanol plant in the first quarter of 2012. Construction is complete on approximately three acres of the algae farm and the facilities were inoculated with algae in October 2012. Construction of Phase IV, involving an additional 4.25 acres of reactors and a new downstream processing facility has begun with completion expected in September 2013. If we and the other BioProcess Algae members determine that the venture can achieve the desired economic performance from Phases III and IV, a larger build-out, possibly as large as 200 to 400 acres, of Grower Harvester reactors at the Shenandoah ethanol plant will be considered. Such a build-out may be completed in stages and could take up to two years to complete. Funding for BioProcess Algae for such a project would come from a variety of sources including current partners, new equity investors, debt financing or a combination thereof.

Our Competition

Domestic Ethanol Competitors

We compete with numerous other ethanol producers located throughout the United States, several of which have much greater resources, in the sales of ethanol and distillers grains. In 2012, the three largest ethanol producers in North America were Archer-Daniels-Midland Company, POET, LLC and Valero Energy Corporation. We believe that our principal competitors' expected managed production capacity and ethanol marketed ranges between approximately 200 mmgy and approximately 1,800 mmgy. Based on production capacity as reported by Ethanol Producer Magazine, we believe we are the fourth largest ethanol producer in North America. According to Ethanol Producer Magazine, as of December 31, 2012, there were 218 ethanol-producing plants within the United States, capable of producing 14.8 billion gallons of ethanol annually, as well as several new plants that were under construction or expanding their capacity. The industry typically does not operate at 100% of capacity with historical rates of annual production to available plant capacity averaging in the high 80 percent to the low 90 percent range.

Competition for corn supply from other ethanol plants and other corn consumers exists in all areas and regions in which our plants operate. According to Ethanol Producer Magazine, as of December 31, 2012, the states of Iowa, Indiana, Michigan, Minnesota, Nebraska and Tennessee had a total of 110 operational ethanol plants. The state of Iowa had 42 operational ethanol plants concentrated, for the most part, in the northern and central regions of the state where a majority of the corn is produced. The state of Nebraska had 25 operational ethanol plants.

Foreign Ethanol Competitors

We also face competition from foreign producers of ethanol and such competition may increase significantly in the future. Large international companies have developed, or are developing, increased foreign ethanol production capacities. Brazil is the world's second largest ethanol producer. Brazil's ethanol production is sugarcane based, as opposed to corn based, and has historically been less expensive to produce. Under RFS II, certain parties were obligated to meet an advanced biofuel standard calling for 2.0 billion gallons of biofuels in 2012. During 2012, sugarcane ethanol imported from Brazil totaling approximately 530 million gallons has been one of the most economical means for obligated parties to meet this standard.

Other Competition

Alternative fuels, gasoline oxygenates and ethanol production methods are continually under development by ethanol

and oil companies. Ethanol production technologies continue to evolve, and changes are expected to occur primarily in the area of ethanol made from cellulose obtained from other sources of biomass such as switchgrass or fast-growing poplar trees. Because our plants are designed as single-feedstock facilities, we have limited ability to adapt the plants to a different feedstock or process system without additional capital investment and retooling.

Regulatory Matters

Government Ethanol Programs, Policies and Subsidies

In an effort to reduce this country's dependence on foreign oil, federal and state governments have enacted numerous policies, incentives and subsidies to encourage the usage of domestically-produced alternative fuels. The U.S. ethanol industry has benefited significantly as a direct result of these policies. While historically the ethanol industry has been dependent on economic incentives, the need for such incentives has and may continue to diminish as the acceptance of ethanol as a primary fuel and as a fuel extender continues to increase.

Passed in 2007 as part of the Energy Independence and Security Act, RFS II has been, and we expect will continue to be, a driving factor in the growth of ethanol usage. The RFS Flexibility Act was introduced on October 5, 2011 in the U.S. House of Representatives to reduce or eliminate the volumes of renewable fuel use required by RFS II based upon corn stocks-to-use ratios. The Domestic Alternative Fuels Act of 2012 was introduced on January 18, 2012 in the U.S. House of Representatives to modify the RFS II to include ethanol and other fuels produced from fossil fuels like coal and natural gas. Due to drought conditions, the possibility of further legislation aimed at reducing or eliminating the renewable fuel use required by RFS II may also be heightened.

Under the provisions of the Energy Independence and Security Act, the EPA has the authority to waive the mandated RFS II requirements in whole or in part. To grant the waiver, the EPA administrator must determine, in consultation with the Secretaries of Agriculture and Energy, that one of two conditions has been met: (1) there is inadequate domestic renewable fuel supply or (2) implementation of the requirement would severely harm the economy or environment of a state, region or the United States. In the third quarter of 2012, several waiver requests were filed with the EPA based on drought conditions, which were subsequently denied by the EPA.

To further drive growth in the increased adoption of ethanol, Growth Energy, an ethanol industry trade association, and a number of ethanol producers requested a waiver from the EPA to increase the amount of ethanol blended into gasoline from the current 10% level, or E10, to a 15% level, or E15. In October 2010, the EPA granted a partial waiver for E15 for use in model year 2007 and newer model passenger vehicles, including cars, SUVs and light pickup trucks. In January 2011, the EPA granted a second partial waiver for E15 for use in model year 2001 through 2006 passenger vehicles. On February 17, 2012, the EPA announced that evaluation of the health effects tests on E15 are complete and that fuel manufacturers are now able to register E15 with the EPA to sell. In June 2012, the EPA gave final approval for the sale and use of E15 ethanol blends. The nation's first retail E15 ethanol blends were sold in July 2012. According to the EPA, as of December 31, 2012, 79 fuel manufacturers were registered to sell E15.

Approximately 72% of the passenger vehicles in service would be eligible to use E15.

Changes in corporate average fuel economy, or CAFE, standards have also benefited the ethanol industry by encouraging use of E85 fuel products. CAFE provides an effective 54% efficiency bonus to flexible-fuel vehicles running on E85. Though E85 is not in widespread use today, auto manufacturers may find it attractive to build more flexible-fuel trucks and sport utility vehicles that are otherwise unlikely to meet CAFE standards.

In addition to these federal standards, many states have taken other steps to encourage ethanol consumption including tax credits, mandated blend rates and subsidies.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Reform Act, which, among other things, aims to improve transparency and accountability in derivative markets. While the Reform Act increases the regulatory authority of the Commodity Futures Trading Commission, or CFTC, regarding over-the-counter derivatives, there is uncertainty on several issues related to market clearing, definitions of market participants, reporting, and capital requirements. While some of the details have been addressed in CFTC regulations, others remain and at this time we do not anticipate any material impact to our risk management strategy.

Environmental and Other Regulation

Our ethanol production and agribusiness activities are subject to environmental and other regulations. We obtain environmental permits to construct and operate our ethanol plants.

Ethanol production involves the emission of various airborne pollutants, including particulate, carbon dioxide, oxides of nitrogen, hazardous air pollutants and volatile organic compounds. In 2007, the U.S. Supreme Court classified carbon dioxide as an air pollutant under the Clean Air Act in a case seeking to require the EPA to regulate carbon dioxide in vehicle emissions. In February 2010, the EPA released its final regulations on the Renewable Fuels Standard, or RFS II. We believe these final regulations grandfather our plants at their current operating capacity, though expansion of our plants will need to meet a threshold of a 20% reduction in greenhouse gas, or GHG emissions from a 2005 baseline measurement to produce ethanol eligible for the RFS II mandate. In order to expand capacity at our plants, we may be required to obtain additional permits, install advanced technology, or reduce drying of certain amounts of distillers grains.

Separately, the California Air Resources Board, or CARB, has adopted a Low Carbon Fuel Standard, or LCFS, requiring a 10% reduction in average carbon intensity of gasoline and diesel transportation fuels from 2010 to 2020.

After a series of rulings that temporarily prevented CARB from enforcing these regulations, the State of California Office of Administrative Law approved the LCFS on November 26, 2012, and revised LCFS regulations take effect in January 2013. An Indirect Land Use Change, or ILUC, component is included in this lifecycle GHG emissions calculation which may have an adverse impact on the market for corn-based ethanol in California. CARB has stated that in 2013 it plans to revise the ILUC and the annual standards related to ethanol that is produced from corn or sugarcane to reflect the lower carbon intensity of ethanol in the 10% blends used during the 2010 baseline year.

Part of our business is regulated by environmental laws and regulations governing the labeling, use, storage, discharge and disposal of hazardous materials. Our agribusiness operations are subject to government regulation and regulation by certain private sector associations. Production levels, markets and prices of the grains we merchandise are affected by federal government programs, which include acreage control and price support programs of the U.S. Department of Agriculture, or USDA. In addition, grain that we sell must conform to official grade standards imposed by the USDA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargos.

We also employ maintenance and operations personnel at each of our ethanol plants. In addition to the attention that we place on the health and safety of our employees, the operations at our facilities are governed by the regulations of the Occupational Safety and Health Administration, or OSHA.

Employees

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As of December 31, 2012, we had 529 full-time, part-time and temporary or seasonal employees. At that date, we employed 86 people, including 42 employees of our subsidiary, Green Plains Trade Group LLC, at our corporate office in Omaha, 20 employees at our agribusiness operations, 6 employees at BlendStar and the remainder at our nine ethanol plants.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) are available free of charge on our website at www.gpreinc.com as soon as reasonably practicable after we file or furnish such information electronically with the SEC. Also available on our website in our corporate governance section are the charters of our audit, compensation, and nominating committees, and a copy of our code of conduct and ethics that applies to our directors, officers and other employees, including our Chief Executive Officer and all senior financial officers. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Item 1A. Risk Factors.

We operate in an evolving industry that presents numerous risks. Many of these risks are beyond our control and are driven by factors that often cannot be predicted. Investors should carefully consider the risk factors set forth below, as well as the other information appearing in this report, before making any investment in our securities. If any of the risks described below or in the documents incorporated by reference in this report actually occur, our financial results, financial condition or stock price could be materially adversely affected. These risk factors should be considered in conjunction with the other information included in this report.

Risks relating to our business and industry

Our results of operations and ability to operate at a profit is largely dependent on managing the spread among the prices of corn, natural gas, ethanol and distillers grains, the prices of which are subject to significant volatility and uncertainty.

The results of our ethanol production business are highly impacted by commodity prices, including the spread between the cost of corn and natural gas that we must purchase, and the price of ethanol and distillers grains that we sell. Prices and supplies are subject to and determined by market forces over which we have no control, such as weather, domestic and global demand, shortages, export prices, and various governmental policies in the United States and around the world. As a result of price volatility for these commodities, our operating results may fluctuate substantially. Increases in corn or natural gas prices or decreases in ethanol or distillers grains prices may make it unprofitable to operate our plants. No assurance can be given that we will be able to purchase corn and natural gas at, or near, current prices and that we will be able to sell ethanol or distillers grains at, or near, current prices. Consequently, our results of operations and financial position may be adversely affected by increases in the price of corn or natural gas or decreases in the price of ethanol or distillers grains.

We continuously monitor the profitability of our ethanol plants with a variety of risk management tools, including our internally-developed real-time operating margin management system. In recent years, the spread between ethanol and corn prices has fluctuated widely and narrowed significantly. Fluctuations are likely to continue to occur. A sustained narrow spread or any further reduction in the spread between ethanol and corn prices, whether as a result of sustained high or increased corn prices or sustained low or decreased ethanol prices, would adversely affect our results of operations and financial position. Further, combined revenues from sales of ethanol and distillers grains could decline below our marginal cost of production, which could cause us to reduce or suspend production at some or all of our plants. A decrease in production volumes could adversely impact our overall profitability.

Our risk management strategies, including hedging transactions, may be ineffective and may expose us to decreased liquidity.

In an attempt to partially offset the effects of volatility of ethanol, distillers grains, corn oil, corn and natural gas prices, we enter into forward contracts to sell a portion of our respective ethanol, distillers grains and corn oil production or to purchase a portion of our respective corn or natural gas requirements. To a much lesser extent, we also engage in other hedging transactions involving exchange-traded futures contracts for corn, natural gas, ethanol and unleaded gasoline from time to time. The financial statement impact of these activities is dependent upon, among other things, the prices involved and our ability to physically receive or deliver the commodities involved. Hedging arrangements also expose us to the risk of financial loss in situations where the counterparty to the hedging contract defaults on its contract or, in the case of exchange-traded contracts, where there is a change in the expected differential between the price of the commodity underlying the hedging agreement and the actual prices paid or received by us for the physical commodity bought or sold. Hedging activities can themselves result in losses when a position is purchased in a declining market or a position is sold in a rising market. A hedge position is often settled in the same time frame as the physical commodity is either expensed as a cost of goods sold (corn and natural gas) or sold (ethanol, distillers grains and corn oil). Hedging losses may be offset by a decreased cash price for corn and natural gas and an increased cash price for ethanol, distillers grains and corn oil. We also vary the amount of hedging or other risk mitigation strategies we undertake, and we may choose not to engage in hedging transactions at all. We cannot assure you that our risk management and hedging activities will be effective in offsetting the effects of volatility. If we fail to offset such volatility, our results of operations and financial position may be adversely affected.

We also attempt to reduce the market risk associated with fluctuations in commodity prices through the use of derivative financial instruments. Sudden changes in commodity prices may require cash deposits with brokers, or margin calls. Depending on our open derivative positions, we may require additional liquidity with little advance notice to meet margin calls. As part of our risk management strategy, we have routinely had to, and in the future will likely be required to, cover margin calls. While we continuously monitor our exposure to margin calls, we cannot guarantee you that we will be able to

maintain adequate liquidity to cover margin calls in the future.

Price volatility of each commodity that we buy and sell could each adversely affect our results of operations and our ability to operate at a profit.

Corn. Because ethanol competes with non-corn derived fuels, we generally are unable to pass along increases in corn costs to our customers. At certain levels, corn prices may make ethanol uneconomical to produce. There is significant price pressure on local corn markets caused by nearby ethanol plants, livestock industries and other corn consuming enterprises. Additionally, local corn supplies and prices could be adversely affected by rising prices for alternative crops, increasing input costs, changes in government policies, shifts in global markets, or damaging growing conditions such as plant disease or adverse weather, including but not limited to drought.

Natural Gas. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond our control, such as weather conditions, overall economic conditions, and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could impair our ability to manufacture ethanol for our customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our results of operations and financial position.

Ethanol. Our revenues are dependent on market prices for ethanol. These market prices can be volatile as a result of a number of factors, including, but not limited to, the availability and price of competing fuels, the overall supply and demand for ethanol and corn, the price of gasoline and corn, and the level of government support.

Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an octane enhancer to improve the octane rating of the gasoline with which it is blended and, to a lesser extent, as a gasoline substitute. As a result, ethanol prices are influenced by the supply of and demand for gasoline. Our results of operations may be materially harmed if the demand for, or the price of, gasoline decreases. Market prices for ethanol produced in the U.S. are also influenced by the supply of and demand for imported ethanol. Imported ethanol is not subject to an import tariff and under RFS II sugarcane ethanol imported from Brazil has been one of the most economical means for obligated parties to meet an advanced biofuel standard.

Distillers Grains. Distillers grains compete with other protein-based animal feed products. The price of distillers grains may decrease when the prices of competing feed products decrease. The prices of competing animal feed products are based in part on the prices of the commodities from which these products are derived. Downward pressure on commodity prices, such as soybeans, will generally cause the price of competing animal feed products to decline, resulting in downward pressure on the price of distillers grains.

Historically, sales prices for distillers grains have been correlated with prices of corn. However, there have been occasions when the price increase for this co-product has lagged behind increases in corn prices. In addition, our distillers grains co-product competes with products made from other feedstocks, the cost of which may not have risen as corn prices have risen. Consequently, the price we may receive for distillers grains may not rise as corn prices rise, thereby lowering our cost recovery percentage relative to corn.

Due to industry increases in U.S. dry mill ethanol production, the production of distillers grains in the United States has increased dramatically, and this trend may continue. This may cause distillers grains prices to fall in the United States, unless demand increases or other market sources are found. To date, demand for distillers grains in the United States has increased roughly in proportion to supply. We believe this is because U.S. farmers use distillers grains as a feedstock, and distillers grains are slightly less expensive than corn, for which it is a substitute. However, if prices for distillers grains in the United States fall, it may have an adverse effect on our business.

Corn Oil. Industrial uses for corn oil include feedstock for biodiesel, livestock feed additives, rubber substitutes, rust preventatives, inks, textiles, soaps and insecticides. Corn oil is generally marketed as a feedstock for biodiesel and, therefore, the price of corn oil is affected by demand for biodiesel. In general, corn oil prices follow the same price trends as heating oil and soybean oil. If the price for corn oil fluctuates, it may have an adverse effect on our business.

Our existing debt arrangements require us to abide by certain restrictive loan covenants that may hinder our ability to operate and reduce our profitability.

The loan agreements governing secured debt financing at our subsidiaries, and the convertible debt issued in November 2010 contain a number of restrictive affirmative and negative covenants. These covenants limit the ability of our subsidiaries to, among other things, incur additional indebtedness, make capital expenditures above certain limits, pay dividends or distributions, merge or consolidate, or dispose of substantially all of their assets.

We are also required to maintain specified financial ratios, including minimum cash flow coverage, minimum working capital and minimum net worth. Some of our loan agreements require us to utilize a portion of any excess cash flow generated by operations to prepay the respective term debt. A breach of any of these covenants or requirements could result in a default under our loan agreements. If any of our subsidiaries default, and if such default is not cured or waived, our lenders could, among other remedies, accelerate their debt and declare that debt immediately due and payable. If this occurs, we may not be able to repay such debt or borrow sufficient funds to refinance. Even if new financing is available, it may not be on terms that are acceptable. No assurance can be given that the future operating results of our subsidiaries will be sufficient to achieve compliance with such covenants and requirements, or in the event of a default, to remedy such default.

In the past, we have received waivers from our lenders for failure to meet certain financial covenants and have amended our subsidiary loan agreements to change these covenants. No assurance can be given that, if we are unable to comply with these covenants in the future, we will be able to obtain the necessary waivers or amend our subsidiary loan agreements to prevent a default. Default by us or any of our subsidiaries with respect to any loan in excess of \$10.0 million constitutes an event of default under our convertible senior notes, which could result in the convertible senior notes being declared due and payable.

We may fail to realize all of the anticipated benefits of mergers and acquisitions that we have undertaken or may undertake because of integration challenges.

We have increased the size of our operations significantly through mergers and acquisitions and intend to continue to explore potential merger or acquisition opportunities. The anticipated benefits and cost savings of such mergers and acquisitions may not be realized fully, or at all, or may take longer to realize than expected. Acquisitions involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the operations, technologies, products, existing contracts, accounting processes and personnel of the target and realizing the anticipated synergies of the combined businesses;
- risks relating to environmental hazards on purchased sites;
- risks relating to acquiring or developing the infrastructure needed for facilities or acquired sites, including access to rail networks;
- difficulties in supporting and transitioning customers, if any, of the target company;
- diversion of financial and management resources from existing operations;
- the purchase price or other devoted resources may exceed the value realized, or the value we could have realized if the purchase price or other resources had been allocated to another opportunity;
- risks of entering new markets or areas in which we have limited or no experience, or are outside our core competencies;
-

potential loss of key employees, customers and strategic alliances from either our current business or the business of the target;

- assumption of unanticipated problems or latent liabilities, such as problems with the quality of the target company's products; and
- inability to generate sufficient revenue to offset acquisition costs and development costs.

We also may pursue growth through joint ventures or partnerships. Partnerships and joint ventures typically involve restrictions on actions that the partnership or joint venture may take without the approval of the partners. These types of provisions may limit our ability to manage a partnership or joint venture in a manner that is in our best interest but is opposed by our other partner or partners.

Future acquisitions may involve the issuance of equity securities as payment or in connection with financing the business or assets acquired and, as a result, could dilute your ownership interest. In addition, additional debt may be necessary in order

to complete these transactions, which could have a material adverse effect on our financial condition. The failure to successfully evaluate and execute acquisitions or joint ventures or otherwise adequately address the risks associated with acquisitions or joint ventures could have a material adverse effect on our business, results of operations and financial condition.

The ethanol industry is highly dependent on government usage mandates affecting ethanol production and favorable tax benefits for ethanol blending and any changes to such regulation could adversely affect the market for ethanol and our results of operations.

The domestic market for ethanol is largely dictated by federal mandates for blending ethanol with gasoline. The RFS II mandate level for conventional biofuels for 2013 of 13.8 billion gallons approximates current domestic production levels. Future demand will be largely dependent upon the economic incentives to blend based upon the relative value of gasoline versus ethanol, taking into consideration the relative octane value of ethanol, environmental requirements and the RFS II mandate. Any significant increase in production capacity beyond the RFS II mandated level might have an adverse impact on ethanol prices.

Additionally, under the provisions of the Energy Independence and Security Act, the EPA has the authority to waive the mandated RFS II requirements in whole or in part. To grant the waiver, the EPA administrator must determine, in consultation with the Secretaries of Agriculture and Energy, that one of two conditions has been met: (1) there is inadequate domestic renewable fuel supply or (2) implementation of the requirement would severely harm the economy or environment of a state, region or the United States. In the third quarter of 2012, the governors of North Carolina and Arkansas, as well as a number of livestock groups, filed waiver requests with the EPA based on drought conditions. In November 2012, the agency decided not to grant the requested waiver. Our operations could be adversely impacted if a waiver is requested and granted in the future.

The RFS Flexibility Act was introduced on October 5, 2011 in the U.S. House of Representatives to reduce or eliminate the volumes of renewable fuel use required by the RFS II mandate based upon corn stocks-to-use ratios. The Domestic Alternative Fuels Act of 2012 was introduced on January 18, 2012 in the U.S. House of Representatives to modify the RFS II mandate to include ethanol and other fuels produced from fossil fuels like coal and natural gas. Due to drought conditions in 2012, the possibility of further legislation aimed at reducing or eliminating the renewable fuel use required by the RFS II mandate may also be heightened. We believe the RFS II mandate is a significant component of national energy policy that reduces dependence on foreign oil by the United States. Our operations could be adversely impacted if the RFS Flexibility Act or the Domestic Alternative Fuels Act of 2012 are enacted.

Federal law mandates the use of oxygenated gasoline. If these mandates are repealed, the market for domestic ethanol would be diminished significantly. Additionally, flexible-fuel vehicles receive preferential treatment in meeting corporate average fuel economy, or CAFE, standards. However, high blend ethanol fuels such as E85 result in lower fuel efficiencies. Absent the CAFE preferences, it may be unlikely that auto manufacturers would build flexible-fuel vehicles. Any change in these CAFE preferences could reduce the growth of E85 markets and result in lower ethanol prices, which could adversely impact our operating results.

To the extent that such federal or state laws or regulations are modified, the demand for ethanol may be reduced, which could negatively and materially affect our ability to operate profitably.

Future demand for ethanol is uncertain and may be affected by changes to federal mandates, public perception, consumer acceptance and overall consumer demand for transportation fuel, any of which could negatively affect demand for ethanol and our results of operations.

Ethanol production from corn has not been without controversy. Although many trade groups, academics and governmental agencies have supported ethanol as a fuel additive that promotes a cleaner environment, others have criticized ethanol production as consuming considerably more energy and emitting more greenhouse gases than other biofuels and potentially depleting water resources. Some studies have suggested that corn-based ethanol is less efficient than ethanol produced from switchgrass or wheat grain and that it negatively impacts consumers by causing prices for dairy, meat and other foodstuffs from livestock that consume corn to increase. Additionally, ethanol critics contend that corn supplies are redirected from international food markets to domestic fuel markets. If negative views of corn-based ethanol production gain acceptance, support for existing measures promoting use and domestic production of corn-based ethanol could decline, leading to reduction or repeal of federal mandates which would adversely affect the demand for ethanol. These views could also negatively impact public perception of the ethanol industry and acceptance of ethanol as an alternative fuel.

Beyond the federal mandates, there are limited markets for ethanol. Discretionary blending and E85 blending are important secondary markets. Discretionary blending is often determined by the price of ethanol versus the price of gasoline. In periods when discretionary blending is financially unattractive, the demand for ethanol may be reduced. Also, the demand for ethanol is affected by the overall demand for transportation fuel, which peaked in 2007 and has been declining steadily since then. Demand for transportation fuel is affected by the number of miles traveled by consumers and the fuel economy of vehicles. Market acceptance of E15 may partially offset the effects of decreases in transportation fuel demand. A reduction in the demand for our products may depress the value of our products, erode our margins, and reduce our ability to generate revenue or to operate profitably. Consumer acceptance of E15 and E85 fuels is needed before ethanol can achieve any significant growth in market share.

Increased federal support of cellulosic ethanol may result in reduced incentives to corn-derived ethanol producers.

Recent legislation, such as the American Recovery and Reinvestment Act of 2009 and the Energy Independence and Security Act of 2007, provides numerous funding opportunities in support of cellulosic ethanol, which is obtained from other sources of biomass such as switchgrass and fast growing poplar trees. In addition, the RFS II mandates an increasing level of production of biofuels that are not derived from corn. Federal policies suggest a long-term political preference for cellulosic processes using alternative feedstocks such as switchgrass, silage, wood chips or other forms of biomass. Cellulosic ethanol may have a smaller carbon footprint because the feedstock does not require energy-intensive fertilizers and industrial production processes. Additionally, cellulosic ethanol is favored because it is unlikely that foodstuff is being diverted from the market. Several cellulosic ethanol plants are under development. As research and development programs persist, there is the risk that cellulosic ethanol could displace corn ethanol. In addition, any replacement of federal incentives from corn-based to cellulosic-based ethanol production may reduce our profitability.

Our plants are designed as single-feedstock facilities and would require significant additional investment to convert to the production of cellulosic ethanol. Additionally, our plants are strategically located in high-yield, low-cost corn production areas. At present, there is limited supply of alternative feedstocks near our facilities. As a result, the adoption of cellulosic ethanol and its use as the preferred form of ethanol would have a significant adverse impact on our business.

Any inability to maintain required regulatory permits may impede or completely prohibit our ability to successfully operate our plants. Additionally, any change in environmental and safety regulations, or violations thereof, could impede our ability to successfully operate our businesses.

Our ethanol production and agribusiness segments are subject to extensive air, water and other environmental regulation. We have had to obtain a number of environmental permits to construct and operate our plants. Ethanol production involves the emission of various airborne pollutants, including particulate, carbon dioxide, oxides of nitrogen, hazardous air pollutants and volatile organic compounds. In addition, the governing state agencies could impose conditions or other restrictions in the permits that are detrimental to us or which increase our costs above those

required for profitable operations. Any such event could have a material adverse effect on our operations, cash flows and financial position.

Environmental laws and regulations, both at the federal and state level, are subject to change and changes can be made retroactively. It is possible that more stringent federal or state environmental rules or regulations could be adopted, which could increase our operating costs and expenses. Consequently, even if we have the proper permits at the present time, we may be required to invest or spend considerable resources to comply with future environmental regulations. Furthermore, ongoing plant operations are governed by OSHA. OSHA regulations may change in a way that increases the costs of operations at our plants. If any of these events were to occur, they could have an adverse impact on our operations, cash flows and financial position.

Part of our business is regulated by environmental laws and regulations governing the labeling, use, storage, discharge and disposal of hazardous materials. Because we use and handle hazardous substances in our businesses, changes in environmental requirements or an unanticipated significant adverse environmental event could have an adverse effect on our business. We cannot assure you that we have been, or will at all times be, in compliance with all environmental requirements, or that we will not incur material costs or liabilities in connection with these requirements. Private parties, including current and former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us, or contained in its products. We are also exposed to residual risk because some of our facilities and land may have environmental liabilities arising from their prior use. In addition, changes to environmental regulations may require us to modify existing plant and processing facilities and could significantly increase the cost of those operations.

Our business is affected by the regulation of greenhouse gases, or GHG, and climate change. New climate change regulations could impede our ability to successfully operate our business.

Our plants emit carbon dioxide as a by-product of the ethanol production process. In 2007, the U.S. Supreme Court classified carbon dioxide as an air pollutant under the Clean Air Act in a case seeking to require the EPA to regulate carbon dioxide in vehicle emissions. On February 3, 2010, the EPA released its final regulations on RFS II. We believe these final regulations grandfather our plants at their current operating capacity, though expansion of our plants will need to meet a threshold of a 20% reduction in GHG emissions from a 2005 baseline measurement for the ethanol over current capacity to be eligible for the RFS II mandate. The EPA issued its final rule on GHG emissions from stationary sources under the Clean Air Act in May 2010.

Separately, CARB has adopted a LCFS requiring a 10% reduction in average carbon intensity of gasoline and diesel transportation fuels from 2010 to 2020. After a series of rulings that temporarily prevented CARB from enforcing these regulations, the State of California Office of Administrative Law approved the LCFS on November 26, 2012, and revised LCFS regulations take effect in January 2013. An ILUC component is included in this lifecycle GHG emissions calculation which may have an adverse impact on the market for corn-based ethanol in California. CARB has stated that in 2013 it plans to revise the ILUC and the annual standards related to ethanol that is produced from corn or sugarcane to reflect the lower carbon intensity of ethanol in the 10% blends used during the 2010 baseline year.

These federal and state regulations may require us to apply for additional permits for our ethanol plants. In order to expand capacity at our plants, we may have to apply for additional permits, install advanced technology, or reduce drying of certain amounts of distillers grains. We may also be required to install carbon dioxide mitigation equipment or take other steps unknown to us at this time in order to comply with other future law or regulation. Compliance with future law or regulation of carbon dioxide, or if we choose to expand capacity at certain of our plants, compliance with then-current regulation of carbon dioxide, could be costly and may prevent us from operating our plants as profitably, which may have an adverse impact on our operations, cash flows and financial position.

Our agribusiness operations are subject to significant governmental and private sector regulations.

Our agribusiness operations are subject to government regulation and regulation by certain private sector associations, compliance with which can impose significant costs on our business. Failure to comply with such regulations can result in additional costs, fines or criminal action. Production levels, markets and prices of the grains we merchandise are affected by federal government programs, which include acreage control and price support programs of the USDA. In addition, grain that we sell must conform to official grade standards imposed by the USDA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargos. Changes in government policies and producer supports may impact the amount and type of grains planted, which in turn, may impact our ability to buy grain in our market region. A portion of our grain sales may be to exporters. Therefore, the imposition of export restrictions or tariffs could limit our sales

opportunities.

Our agribusiness segment is affected by the supply and demand of commodities, and is sensitive to factors that are often outside of our control.

Within our agribusiness segment, we compete with other grain merchandisers, grain processors and end-users for the purchase of grain, as well as with other grain merchandisers, private elevator operators and cooperatives for the sale of grain. Many of our grain competitors are significantly larger and compete in more diverse markets, and our failure to compete effectively would impact our profitability.

Fixed-price purchase obligations and carrying grain inventories subject us to the risk of market price fluctuations for periods of time between the time of purchase and final sale. Weather, economic, political, environmental and technological conditions and developments, both local and worldwide, as well as other factors beyond our control, can affect the supply and demand of these commodities and expose them to liquidity pressures due to rapidly rising or falling market prices. Changes in the supply and demand of these commodities can also affect the value of inventories held for resale. Fluctuating costs of grain inventory could decrease operating margins and adversely affect profitability of the agribusiness segment.

While our grain business hedges the majority of its grain inventory positions with derivative instruments to manage risk associated with commodity price changes, including purchase and sale contracts, we are unable to hedge all of the price risk of each transaction due to timing, unavailability of hedge contract counterparties and third-party credit risk. Furthermore,

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there is a risk that the derivatives we employ will not be effective in offsetting the changes associated with the risks we are attempting to manage. This can happen when the derivative and the hedged item are not perfectly matched. Our grain derivatives, for example, do not hedge the basis pricing component of our grain inventory and contracts. Basis is defined as the difference between the cash price of a commodity in one of our grain facilities and the nearest in time exchange-traded futures price. Differences can reflect time periods, locations or product forms. Although the basis component is smaller and generally less volatile than the futures component of grain market prices, significant unfavorable basis movement on grain positions as large as ours may significantly impact our profitability.

Our debt level could negatively impact our financial condition, results of operations and business prospects.

As of December 31, 2012, our total debt was \$663.3 million. Our level of debt could have significant consequences to our shareholders, including the following:

- requiring the dedication of a substantial portion of cash flow from operations to make payments on debt, thereby reducing the availability of cash flow for working capital, capital expenditures and other general business activities;
- requiring a substantial portion of our corporate cash reserves to be held as a reserve for debt service, limiting our ability to invest in new growth opportunities;
- limiting the ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate and other activities;
- limiting the flexibility in planning for, or reacting to, changes in the business and industry in which we operate;
- increasing our vulnerability to both general and industry-specific adverse economic conditions;
- being at a competitive disadvantage against less leveraged competitors;
- being vulnerable to increases in prevailing interest rates;
- subjecting all or substantially all of our assets to liens, which means that there may be no assets left for shareholders in the event of a liquidation; and
- limiting our ability to make business and operational decisions regarding our business and subsidiaries, including, among other things, limiting our subsidiary's ability to pay dividends, make capital improvements, sell or purchase assets or engage in transactions deemed appropriate and in our best interest.

Most of our debt bears interest at variable rates, which creates exposure to interest rate risk. If interest rates increase, our debt service obligations with respect to the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease.

Our ability to make scheduled payments of principal and interest, or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow in the future sufficient to service our debt because of factors beyond our control, including but not limited to the spread between corn prices and ethanol and distillers grains prices. If we are unable to generate sufficient cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Despite our current debt levels, we and our subsidiaries may incur substantially more debt or take other actions which would intensify the risks discussed above.

Despite our current debt levels, we and our subsidiaries may incur additional debt in the future, including secured debt. We and certain of our subsidiaries are not currently restricted under the terms of our debt from incurring additional debt, pledging assets, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the debt but that could diminish our ability to make payments thereunder.

We operate in capital intensive businesses and rely on cash generated from operations and external financing. Limitations on access to external financing could adversely affect our operating results.

Some ethanol producers have faced financial distress, culminating with bankruptcy filings by several companies over the

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past five years. This, in combination with continued volatility in the capital markets has resulted in reduced availability of capital for the ethanol industry generally. Construction of our plants and anticipated levels of required working capital were funded under long-term credit facilities. Increases in liquidity requirements could occur due to, for example, increased commodity prices. Our operating cash flow is dependent on our ability to profitably operate our businesses and overall commodity market conditions. In addition, we may need to raise additional financing to fund growth of our businesses. In this market environment, we may experience limited access to incremental financing. This could cause us to defer or cancel growth projects, reduce our business activity or, if we are unable to meet our debt repayment schedules, cause a default in our existing debt agreements. These events could have an adverse effect on our operations and financial position.

Our subsidiaries' debt facilities have ongoing payment requirements which we generally expect to meet from their operating cash flow. Our ability to repay current and anticipated future indebtedness will depend on our financial and operating performance and on the successful implementation of our business strategies. Our financial and operational performance will depend on numerous factors including prevailing economic conditions, volatile commodity prices, and financial, business and other factors beyond our control. If we cannot pay our debt service, we may be forced to reduce or delay capital expenditures, sell assets, restructure our indebtedness or seek additional capital. If we are unable to restructure our indebtedness or raise funds through sales of assets, equity or otherwise, our ability to operate could be harmed and the value of our stock could be significantly reduced.

We are a holding company, and there are limitations on our ability to receive distributions from our subsidiaries.

We conduct most of our operations through subsidiaries and are dependent upon dividends or other intercompany transfers of funds from our subsidiaries to generate free cash flow. Moreover, some of our subsidiaries are currently, or are expected in the future to be, limited in their ability to pay dividends or make distributions to us by the terms of their financing agreements. Consequently, we are not able to rely on the cash flow from one subsidiary to satisfy the loan obligations of another subsidiary. As a result, if a subsidiary is unable to satisfy its loan obligations, we may not be able to prevent a default on the loan by providing additional cash to that subsidiary, even if sufficient cash exists elsewhere in our consolidated organization.

Increased ethanol industry penetration by oil companies or other multinational companies may adversely impact our margins.

We operate in a very competitive environment. The ethanol industry is primarily comprised of smaller entities that engage exclusively in ethanol production and large integrated grain companies that produce ethanol along with their base grain businesses. We face competition for capital, labor, corn and other resources from these companies. Until recently, oil companies, petrochemical refiners and gasoline retailers have not been engaged in ethanol production to a large extent. These companies, however, form the primary distribution networks for marketing ethanol through blended gasoline. During the past five years, several large oil companies have entered the ethanol production market. If these companies increase their ethanol plant ownership or other oil companies seek to engage in direct ethanol production, there will be less of a need to purchase ethanol from independent ethanol producers like us. Such a structural change in the market could result in an adverse effect on our operations, cash flows and financial position.

We operate in a highly competitive industry.

In the United States, we compete with other corn processors and refiners, including Archer-Daniels-Midland Company, POET, LLC and Valero Energy Corporation. Some of our competitors are divisions of larger enterprises and have greater financial resources than we do. Although some of our competitors are larger than we are, we also have many smaller competitors. Farm cooperatives comprised of groups of individual farmers have been able to compete successfully. As of December 31, 2012, the top ten domestic producers accounted for approximately 48.7% of all production, with production capacities ranging from approximately 200 mmgy to 1,800 mmgy. If our competitors consolidate or otherwise grow and we are unable to similarly increase our size and scope, our business and prospects may be significantly and adversely affected.

Our competitors also include plants owned by farmers who earn their livelihood through the sale of corn and competitors whose primary business is oil refining and retail gasoline sales. These competitors may continue to operate their plants when market conditions are uneconomic due to benefits realized in other operations.

Depending on commodity prices, foreign producers may produce ethanol at a lower cost than we can, which may result in lower ethanol prices which would adversely affect our financial results.

There is a risk of foreign competition in the ethanol industry. Brazil is currently the second largest ethanol producer in

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the world. Brazil's ethanol production is sugarcane based, as opposed to corn based, and, depending on feedstock prices, may be less expensive to produce. Under RFS II, certain parties were obligated to meet an advanced biofuel standard calling for 2.0 billion gallons of biofuels in 2012. During 2012, sugarcane ethanol imported from Brazil has been one of the most economical means for obligated parties to meet this standard. The advanced biofuel standard increases to 2.75 billion gallons for 2013. Other foreign producers may be able to produce ethanol at lower input costs, including costs of feedstock, facilities and personnel, than we can.

While foreign demand, transportation costs and infrastructure constraints may temper the market impact throughout the United States, competition from imported ethanol may affect our ability to sell our ethanol profitably, which may have an adverse effect on our operations, cash flows and financial position.

If significant additional foreign ethanol production capacity is created, such facilities could create excess supplies of ethanol on world markets, which may result in lower prices of ethanol throughout the world, including the United States. Such foreign competition is a risk to our business. Any penetration of ethanol imports into the domestic market may have a material adverse effect on our operations, cash flows and financial position.

Our success may depend on our ability to manage our growing and changing operations.

Since our formation in 2004, our business has grown significantly in size and complexity. This growth has placed, and is expected to continue to place, significant demands on our management, systems, internal controls and financial and physical resources. In addition, if we acquire additional operations, we expect that we will need to further develop our financial and managerial controls and reporting systems to accommodate future growth. This will require us to incur expenses related to hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding our information technology infrastructure. Our inability to manage growth effectively could have an adverse effect on our results of operations, financial position and cash flows.

Future acquisitions may involve the issuance of equity securities as payment or in connection with financing the business or assets acquired and, as a result, could dilute your ownership interest. In addition, additional debt may be necessary in order to complete these transactions, which could have a material adverse effect on our financial condition. The failure to successfully evaluate and execute acquisitions or joint ventures or otherwise adequately address the risks associated with acquisitions or joint ventures could have a material adverse effect on our business, results of operations and financial condition.

We may fail to realize the anticipated benefits of our joint venture to commercialize algae production.

We have 49% ownership in a joint venture that is focused on developing technology to grow and harvest algae, which consume carbon dioxide, in commercially viable quantities. The algae produced have the potential to be used for

high-quality feedstocks for human nutrition, pharmaceutical applications, animal feed and biofuels, but our current primary focus is on efficiently growing and developing primary markets for algae on a large scale. We believe this technology has specific applications with facilities that emit carbon dioxide, including ethanol plants. We may fail to realize the expected benefits of capturing carbon dioxide to grow and harvest algae as acceptable production rates, operating costs, capital requirements and product market prices may not be achieved.

We have had a history of operating losses and may incur future operating losses.

We incurred operating losses from 2006 to 2008, as well as during the first three quarters of 2012, and may incur operating losses in the future, which could be substantial. Although we have had periods of sustained profitability, we may not be able to maintain or increase profitability on a quarterly or annual basis, which could result in a decrease in the trading price of our common stock.

Our ability to successfully operate is dependent on the availability of energy and water at anticipated prices.

Our plants require a significant and uninterrupted supply of natural gas, electricity and water to operate. We rely on third parties to provide these resources. We cannot assure you that we will be able to secure an adequate supply of energy or water to support current and expected plant operations. If there is an interruption in the supply of energy or water for any reason, such as supply, delivery or mechanical problems, we may be required to halt production. If production is halted for an extended period of time, it may have a material adverse effect on our operations, cash flows and financial position.

Replacement technologies are under development that might result in the obsolescence of corn-derived ethanol or our

process systems.

Ethanol is primarily an additive and oxygenate for blended gasoline. Although use of oxygenates is currently mandated, there is always the possibility that a preferred alternative product will emerge and eclipse the current market. Critics of ethanol blends argue that ethanol decreases fuel economy, causes corrosion of ferrous components and damages fuel pumps. Any alternative oxygenate product would likely be a form of alcohol (like ethanol) or ether (like MTBE). Prior to federal restrictions and ethanol mandates, MTBE was the dominant oxygenate. It is possible that other ether products could enter the market and prove to be environmentally or economically superior to ethanol. It is also possible that alternative biofuel alcohols such as methanol and butanol could evolve into ethanol replacement products.

Research is currently underway to develop other products that could directly compete with ethanol and may have more potential advantages than ethanol. Advantages of such competitive products may include, but are not limited to: lower vapor pressure, making it easier to add gasoline; energy content closer to or exceeding that of gasoline, such that any decrease in fuel economy caused by the blending with gasoline is reduced; an ability to blend at a higher concentration level for use in standard vehicles; reduced susceptibility to separation when water is present; and suitability for transportation in petroleum pipelines. Such products could have a competitive advantage over ethanol, making it more difficult to market our ethanol, which could reduce our ability to generate revenue and profits.

New ethanol process technologies may emerge that require less energy per gallon produced. The development of such process technologies would result in lower production costs. Our process technologies may become outdated and obsolete, placing us at a competitive disadvantage against competitors in the industry. The development of replacement technologies may have a material adverse effect on our operations, cash flows and financial position.

We may be required to provide remedies for the delivery of off-specification ethanol, distillers grains or corn oil.

If we produce or purchase ethanol, distillers grains or corn oil that does not meet the specifications defined by our sales contract, we may be subject to quality claims requiring us to refund the purchase price of any non-conforming product or replace any non-conforming product at our expense. We may be forced to purchase replacement quantities of ethanol, distillers grains or corn oil at higher prices to fulfill these contractual obligations. In addition, ethanol, distillers grains or corn oil purchased from other producers, including producers that we provide marketing and distribution services for, and subsequently sold to others may result in similar claims if the product does not meet applicable contract specifications.

Our revenue from the sale of distillers grains depends upon its continued market acceptance as an animal feed.

Distillers grains is a co-product from the fermentation of various crops, including corn, to produce ethanol. Antibiotics may be utilized during the fermentation process to control bacterial contamination; therefore antibiotics may be present in small quantities in distillers grains marketed as animal feed. The U.S. Food and Drug Administration's, or FDA's, Center for Veterinary Medicine has expressed concern about potential animal and human health hazards from the use of distillers grains as an animal feed due to the possibility of antibiotic residues. As a result, the market value of this co-product could be diminished if the FDA were to introduce regulations that limit the sale of distillers grains in the domestic market or for export to international markets, which in turn would have a negative impact on our profitability. If public perception of distillers grains as an acceptable animal feed were to change or if the public became concerned about the impact of distillers grains in the food supply, the market for distillers grains would be negatively impacted, which would have a negative impact on our profitability.

We extract non-edible corn oil from the whole stillage process immediately prior to the production of distillers grains. Several universities are trying to determine how corn oil extraction may affect nutritional energy values of the resulting distillers grains. If it is determined that corn oil extraction adversely affects the digestible energy content of distillers grains, the value of our distillers grains may be affected, which could have a negative impact on our profitability.

Our operating results may suffer if our marketing and sales efforts are not effective.

We have established our own marketing, transportation and storage infrastructure. We lease tanker railcars and have contracted with storage depots near our customers and at strategic locations for efficient delivery of our finished ethanol product. We have also hired a marketing and sales force, as well as logistical and other operational personnel to staff our distribution activities. The marketing, sales, distribution, transportation, storage or administrative efforts we have implemented may not achieve expected results. Any failure to successfully execute these efforts would have a material adverse effect on our results of operations and financial position. Our financial results also may be adversely affected by our need to establish inventory in storage locations to fulfill our marketing and distribution contracts.

We are exposed to credit risk resulting from the possibility that a loss may occur from the failure of our contractual counterparties to perform according to the terms of our agreements.

In selling ethanol, distillers grains and corn oil we may experience concentrations of credit risk from a variety of customers, including major integrated oil companies, large independent refiners, petroleum wholesalers, other marketers and jobbers. We are also exposed to credit risk resulting from sales of grain to large commercial buyers, including other ethanol plants. Our fixed-price forward contracts also result in credit risk when prices change significantly prior to delivery. In addition, we may prepay for or make deposits on undelivered inventories. Concentrations of credit risk with respect to inventory advances are primarily with a few major suppliers of petroleum products and agricultural inputs. The inability of a third party to make payments to us for our sales, to provide product to us on advances made, or to perform on fixed-price contracts may cause us to experience losses and may adversely impact our liquidity and our ability to make our payments when due.

A loss may occur from the failure of our counterparties to perform according to the terms of their marketing agreements.

Under our third-party marketing agreement, we purchase all of a third-party producer's ethanol production. In turn, we sell the ethanol in various markets for future deliveries. Under this marketing agreement, the third-party producer is not obligated to produce any minimum amount of ethanol and we cannot assure you that we will receive the full amount of ethanol that this third-party plant is expected to produce. The interruption or curtailment of production by this third-party producer for any reason could cause us to be unable to deliver quantities of ethanol sold under the contract. As a result, we may be forced to purchase replacement quantities of ethanol at higher prices to fulfill this contractual obligation. However, these recoveries would be dependent on our third-party producer's ability to pay, and in the event they were unable to pay, our profitability could be materially and adversely impacted.

We are exposed to potential business disruption from factors outside our control, including natural disasters, seasonality, severe weather conditions, accidents, and unforeseen operational failures due to faulty construction design or other factors, any of which could adversely affect our cash flows and operating results.

Potential business disruption in available transportation due to natural disasters, significant track damage resulting from a train derailment, or strikes by our transportation providers could result in delays in procuring and supplying raw materials to our ethanol or grain facilities, or transporting ethanol and distillers grains to our customers. We also run the risk of unforeseen operational issues, due to faulty construction design or other factors, that may result in an extended facility shutdown. Such business disruptions would cause the normal course of our business operations to stall and may result in our inability to meet customer demand or contract delivery requirements, as well as the potential loss of customers.

Many of our grain business activities, as well as corn procurement for our ethanol plants, are dependent on weather conditions. Adverse weather may result in a reduction in grain harvests caused by inadequate or excessive amounts of rain during the growing season, or by overly wet conditions, an early freeze or snowy weather during the harvest season. Additionally, corn stored in an open pile may become damaged by too much rain and warm weather before the corn is dried, shipped, consumed or moved into a storage structure.

Casualty losses may occur for which we have not secured adequate insurance.

We have acquired insurance that we believe to be adequate to prevent loss from foreseeable risks. However, events occur for which no insurance is available or for which insurance is not available on terms that are acceptable to us. Loss from such an event, such as, but not limited to, earthquake, tornado, war, riot, terrorism or other risks, may not be insured and such a loss may have a material adverse effect on our operations, cash flows and financial position.

Our Obion, Tennessee plant is located within a recognized seismic zone. The design of this facility has been modified to fortify it to meet structural requirements for that region of the country. We have also obtained additional insurance coverage specific to earthquake risk for this plant. However, there is no assurance that this facility would remain in operation if a seismic event were to occur.

If our internal computer network and applications suffer disruptions or fail to operate as designed, our operations will be disrupted and our business may be harmed.

We rely on network infrastructure and enterprise applications, and internal technology systems for our operational, marketing support and sales, and product development activities. The hardware and software systems related to such

activities are subject to damage from earthquakes, floods, lightning, tornados, fire, power loss, telecommunication failures and other similar events. They are also subject to acts such as computer viruses, physical or electronic vandalism or other similar disruptions that could cause system interruptions and loss of critical data, and could prevent us from fulfilling our customers' orders. We cannot assure you that any of our backup systems would be sufficient. Any event that causes failures or interruption in our hardware or software systems could result in disruption of our business operations, have a negative impact on our operating results, and damage our reputation.

We may not be able to hire and retain qualified personnel to operate our ethanol plants.

Our success depends, in part, on our ability to attract and retain competent personnel. For each of our plants, qualified managers, engineers, operations and other personnel must be hired. Competition for both managers and plant employees in the ethanol industry can be intense, and we may not be able to attract and retain qualified personnel. If we are unable to hire and retain productive and competent personnel, the amount of ethanol we produce may decrease and we may not be able to efficiently operate our ethanol plants and execute our business strategy.

Risks relating to ownership of our common stock

The price of our common stock may be volatile.

The trading price of our common stock may be highly volatile and could be subject to fluctuations in response to a number of factors beyond our control. Some of these factors are:

- our results of operations and the performance of our competitors;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who follow us or other companies in our industry;
- changes in general economic conditions;
- changes in market prices for our products or for our raw materials;
- actions of our historical equity investors, including sales of common stock by our directors, executive officers and significant shareholders;
- actions by institutional investors trading in our stock;
- disruption of our operations;
- any major change in our management team;
- other developments affecting us, our industry or our competitors; and
- U.S. and international economic, legal and regulatory factors unrelated to our performance.

In recent years the stock market has experienced significant price and volume fluctuations. These fluctuations may be unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our Company or its performance, and those fluctuations could materially reduce our

common stock price.

Anti-takeover provisions could make it difficult for a third party to acquire us.

Our second amended and restated articles of incorporation, our amended and restated bylaws and Iowa law contain anti-takeover provisions that could have the effect of delaying or preventing changes in control of us or our management. These provisions could also discourage proxy contests and make it more difficult for our shareholders to elect directors and take other corporate actions without the concurrence of our Board of Directors. The provisions in our charter documents include the following:

- a classified Board of Directors pursuant to which our directors are divided into three classes, with three-year staggered terms;
- members of our Board of Directors can only be removed for cause by shareholders with the affirmative vote of not less than two-thirds of the outstanding shares of capital stock;

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- shareholder action may be taken only at a special or annual meeting, and not by any written consent, except where required by Iowa law;
- our bylaws restrict our shareholders' ability to make proposals at shareholder meetings; and
- our Board of Directors has the ability to cause us to issue authorized and unissued shares of stock from time to time.

We are subject to the provisions of the Iowa Business Corporations Act, or IBCA, under which, certain business combinations between an Iowa corporation whose stock is publicly traded or held by more than 2,000 shareholders and an interested shareholder are prohibited for a three-year period following the date that such a shareholder became an interested shareholder unless certain exemption requirements are met. In addition, certain other provisions of the IBCA may have anti-takeover effects in certain situations.

Certain provisions in the convertible notes and the related indenture could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the notes will have the right to require us to repurchase their notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their notes in connection with such takeover. In either case, and in other cases, our obligations under the notes and the related indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

The foregoing items may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Non-U.S. holders may be subject to U.S. income tax with respect to gain on disposition of their common stock.

If we are or have been a U.S. real property holding corporation at any time within the shorter of the five-year period preceding a disposition of common stock by a non-U.S. holder or such holder's holding period of the stock disposed of, such non-U.S. holder may be subject to United States federal income tax with respect to gain on such disposition. Because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other trade or business assets and our non-U.S. real property interests, there can be no assurance that we are not a USRPHC or will not become one in the future.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our loan agreements grant a security interest in substantially all of our owned real property. See Note 10 – Debt included herein as part of the Notes to Consolidated Financial Statements for a discussion of our loan agreements.

Corporate

We currently lease approximately 29,857 square feet of office space at 450 Regency Parkway in Omaha, Nebraska for our corporate headquarters, which houses our corporate administrative functions and commodity trading operations.

Ethanol Production Segment

As detailed in our discussion of the ethanol production segment, we own a total of 1,566 acres of land in nine locations with a combined plant production capacity of 740 mmgy. We also lease 129 acres of land near our Obion plant. We believe that the property owned and leased at the sites of our nine ethanol plants will be adequate to accommodate our current needs, as well as potential expansion, at those sites.

Agribusiness Segment

We own approximately 11 acres of land at our grain elevator in Essex, Iowa, with grain storage capacity of approximately 1.9 million bushels at this site. We also own approximately 5.1 acres of land in Hopkins, Missouri with licensed grain storage capacity of approximately 2.0 million bushels. We own approximately 5.8 acres of land in St. Edward,

Nebraska with grain storage capacity of approximately 1.9 million bushels. We believe that the property owned will be adequate to accommodate our current needs, as well as potential expansion, at those sites.

Marketing and Distribution Segment

Our ethanol, distillers grains and corn oil marketing operations are located at our corporate office, which is discussed above. BlendStar owns nine acres and leases approximately 19 acres of land in ten locations in seven south central U.S. states, as disclosed in Item 1 – Business, for its blending and terminaling operations. We believe that the property owned and leased at the locations will be adequate to accommodate our current needs, as well as potential expansion.

Item 3. Legal Proceedings.

We are currently involved in litigation that has arisen in the ordinary course of business; however, we do not believe that any of this litigation will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock trades under the symbol "GPRE" on The NASDAQ Global Market, or NASDAQ. The following table sets forth, for the periods indicated, the high and low common stock sale prices as reported by NASDAQ.

Year Ended December 31, 2012	High	Low
Three months ended December 31, 2012 (1)	\$ 8.42	\$ 5.59
Three months ended September 30, 2012	6.50	3.57
Three months ended June 30, 2012	10.95	6.13
Three months ended March 31, 2012	12.00	9.60
Year Ended December 31, 2011	High	Low
Three months ended December 31, 2011	\$ 11.48	\$ 8.34
Three months ended September 30, 2011	12.06	9.06
Three months ended June 30, 2011	12.80	9.87
Three months ended March 31, 2011	13.00	10.97

(1) The closing price of our common stock on December 31, 2012 was \$7.91.

Holders of Record

As of December 31, 2012, as reported to us by our transfer agent, there were 2,821 holders of record of our common stock, not including beneficial holders whose shares are held in names other than their own. This figure does not include approximately 22.5 million shares held in depository trusts.

Dividend Policy

To date, we have not paid dividends on our common stock. The payment of dividends on our common stock in the future, if any, is at the discretion of the Board of Directors and will depend upon our earnings, capital requirements, financial condition and other factors our board views as relevant. The payment of dividends may also effectively be limited by covenants in our subsidiaries' loan agreements. Our board does not intend to declare any dividends in the foreseeable future.

Issuer Purchases of Equity Securities

Employees generally surrender shares upon the vesting of restricted stock grants to satisfy payroll tax withholding obligations. No shares were surrendered during the fourth quarter of 2012. On March 9, 2012, we repurchased 3.7 million shares of common stock for \$37.2 million from a subsidiary of NTR plc, which was previously our largest shareholder. We do not have a share repurchase program and do not intend to retire the repurchased shares.

Recent Sales of Unregistered Securities

None.

Equity Compensation Plans

Refer to Part III, Item 12, contained herein, for information regarding shares authorized for issuance under equity compensation plans.

Performance Graph

The following line-graph compares our cumulative stockholder return on an indexed basis with the NASDAQ Composite Index (IXIC) and the NASDAQ Clean Edge Green Energy Index (CELS) for the 13-month period ended December 31, 2008, and for the years ended December 31, 2009, 2010, 2011 and 2012. The graph assumes that the value of the investment in our common stock and each index was \$100 at November 30, 2007, and that all dividends were reinvested.

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	11/07	12/08	12/09	12/10	12/11	12/12
Green Plains Renewable Energy, Inc.	\$ 100.00	\$ 18.40	\$ 148.70	\$ 112.60	\$ 97.60	\$ 79.10
NASDAQ Composite	100.00	58.69	81.77	96.75	98.05	110.14
NASDAQ Clean Edge Green Energy	100.00	31.44	104.28	95.97	40.43	35.76

The information contained in the Performance Graph will not be deemed to be soliciting material or to be filed with the SEC, nor will such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Act, or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into any such filing.

Item 6. Selected Financial Data.

The following selected financial data have been derived from our consolidated financial statements. The statement of operations data for the years ended December 31, 2012, 2011 and 2010, and the balance sheet data as of December 31, 2012 and 2011 are derived from and should be read in conjunction with our audited consolidated financial statements, including accompanying notes, included elsewhere in this report. The statement of operations data for the year ended December 31, 2009 and the nine-month transition period ended December 31, 2008, and the balance sheet data as of December 31, 2010, December 31, 2009 and December 31, 2008 were derived from our audited consolidated financial statements not included in this report, which also contain a description of a number of matters that materially affect the comparability of the periods presented. The data should be read together with Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of this report. The financial information below is not necessarily indicative of results to be expected for any future period. Future results could differ materially from historical results due to many factors, including those discussed in Item 1A – Risk Factors of this report.

				Nine-Month Transition Period Ended December 31, 2008 (1)
	Year Ended December 31, 2012	2011	2010	2009

Statement of Operations Data: