Green Plains Renewable Energy, Inc.
Form 10-K
February 17, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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	**84-1652107**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
450 Regency Parkway, Suite 400, Omaha, NE 68114	**(402) 884-8700**
(Address of principal executive offices, including zip code)	**(Registrant s telephone number, including area code)**

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

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 x

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 x

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 x 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 x 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	x
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 x

The aggregate market value of the Company s voting common stock held by non-affiliates of the registrant as of June 30, 2011 (the last business day of the second quarter), based on the last sale price of the common stock on that date of $10.79, was approximately $224.2 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 10, 2012, there were 33,322,581 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the 2012 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 wo impact, 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.

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We are a leading, vertically-integrated producer, marketer and distributer 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 the effects of changes in commodity prices on our profitability and differentiates us from companies focused only on ethanol production. We have grown rapidly, primarily through acquisitions. Today, we have operations throughout the ethanol value chain, beginning upstream with our agronomy and grain handling operations, continuing through our approximately 740 million gallons per year, or mmgy, of ethanol production capacity and our corn oil production, and ending downstream with our ethanol marketing, distribution and blending facilities. Following is our visual presentation of the ethanol value chain:

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 operate a total of nine ethanol plants in Indiana, Iowa, Michigan, Minnesota, Nebraska and Tennessee, with approximately 740 mmgy of total ethanol production capacity. At capacity, these plants collectively will 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 130 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. We operate three lines of business within our agribusiness segment: bulk grain, agronomy and petroleum. 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. In our bulk grain business, we have 15 grain elevators with approximately 39.1 million bushels of total storage capacity. We sell fertilizer and other agricultural inputs and provide application services to area producers through our agronomy business. Additionally, we sell petroleum products including diesel, soydiesel, blended gasoline and propane, primarily to agricultural producers and consumers.

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 distribute ethanol for third-party ethanol producers. Production capacity of these third-party producers is approximately 260 mmgy. Additionally, we own and operate nine blending or terminaling facilities with approximately 625 mmgy of total throughput capacity in seven south central U.S. states.

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 renew existing marketing contracts, as well as enter new contracts with other ethanol producers. We also intend to pursue opportunities to develop or acquire additional grain elevators and agronomy businesses, specifically those located near our ethanol plants. We believe that owning additional agribusiness 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. Additionally, we are a partner in a joint venture, BioProcess Algae LLC, formed to commercialize advanced photo-bioreactor technologies for the growing and harvesting of algal biomass.

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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 elevators and agronomy 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 for approximately 39.1 million bushels. Assuming full production capacity at each of our plants and those of our third-party ethanol producers, we would market and distribute approximately one billion gallons of ethanol per year from twelve plants. 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 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 Elevators. We intend to pursue opportunities to develop or acquire additional grain elevators within the agribusiness segment, specifically those located near our ethanol plants. We believe that owning additional grain elevators 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 additional 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 Next Generation Biofuel Opportunities. 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, low-cost feedstocks for human nutrition, 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 1.6 billion gallons in 2000 to 13.2 billion gallons in 2010, according to the U.S. Energy Information Administration, or EIA. As of February 13, 2012, the Renewable Fuels Association, or RFA, estimated that there were 209 ethanol production facilities in the United States with capacity to produce approximately 14.8 billion gallons of ethanol per year. Annual ethanol production for 2011, based upon average monthly production in the first ten months of the year, was expected to be 13.8 billion gallons. While the market prices for our feedstock commodities are volatile and at times result in unprofitable ethanol operations, during the past three years, there have been few occasions where the simple crush spread, which we define as the market value of 2.8 gallons of ethanol less the cost of one bushel of corn (which represents the typical industry yield), has dropped to below $0.10 per gallon. We believe that ethanol, as a proportion of total transportation fuels, will continue to experience increased demand in the United States as there remains a focus on reducing reliance on petroleum-based transportation fuels due to 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. According to the EIA, approximately 75% of the conventional gasoline market (which is approximately 60% of the total gasoline market) has switched to producing a lower grade of gasoline, commonly referred to as CBOB. CBOB is an 84 octane sub-grade gasoline that is economical to produce. As a result, octane must be added to the fuel prior to sale to consumers. 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 2000 to 2010, ethanol as a component of the United States gasoline supply has grown from 1.3% to 9.0%. In 2011 alone, ethanol replaced the need for approximately 329 million barrels of oil in the United States (based upon monthly average production for the first ten months of the year).

E15 Blending Waiver. In October 2010, the U.S. Environmental Protection Agency, or EPA, granted a partial waiver for the use of up to 15% ethanol blended with gasoline, or E15, in model year 2007 and newer passenger vehicles, including cars, SUVs and light pickup trucks. In January 2011, the EPA granted a second partial waiver for E15 in model year 2001 to 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. Over 141 million vehicles, or 60% of the passenger vehicles in service, would be eligible to use E15. We also believe that ethanol blended in the U.S. gasoline supply is an important step towards the long-term introduction of more renewable fuels into the transportation sector and that increasing the ethanol blend percentage in the domestic gasoline supply could have a positive impact on the demand for ethanol.

Economics of Ethanol Blending. We believe that ethanol is cheaper to produce than petroleum-based gasoline. Ethanol s favorable production economics were previously enhanced in the United States by the Volumetric Ethanol Excise Tax Credit, or VEETC (commonly referred to as the blender s credit), which was realized by refiners and blenders and was generally passed on to consumers for a benefit of $0.45 per gallon of ethanol used. The blender s credit expired on December 31, 2011. Ethanol is currently priced in wholesale markets at a sufficient discount to petroleum-based gasoline to provide fuel blenders with a strong economic incentive to blend with ethanol, even without the blender s credit.

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 2, 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 million gallons to 15.0 billion gallons in 2015.

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 RFA, U.S. ethanol exports in 2011 exceeded the volume of exports in 2010, generating approximately 1.2 billion gallons in ethanol exports in 2011.

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 will 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	1,040,000	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
Riga, Michigan(1)	60	Oct. 2010	Delta-T	138	525,000	1,239,140
Shenandoah, Iowa	65	Aug. 2007	ICM	123	500,000	1,500,000
Superior, Iowa	60	July 2008	Delta-T	238	525,000	1,226,406

(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 dry 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 November 2012 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

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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. Water quality is very important. Much of the water used in an ethanol plant is recycled back into the process. The plants require boiler makeup water and cooling tower water. Boiler makeup water is treated on-site to minimize minerals and substances that would harm the boiler. Recycled process water cannot be used for this purpose. Cooling tower water is deemed non-contact water (it does not come in contact with the mash) and, therefore, can be regenerated back into the cooling tower 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 grain and farm supply business with three primary operating lines of business: bulk grain, agronomy and petroleum. We have seven locations in northwestern Iowa with approximately 19.6 million bushels of grain storage capacity, 3.6 million gallons of liquid fertilizer storage and 12,000 tons of dry fertilizer storage. We operate at five locations in western Tennessee with grain storage capacity of approximately 13.7 million bushels. We also 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 believe our agribusiness operations increase our operational efficiency, reduce commodity price and supply risks, and diversify our revenue streams.

Bulk Grain. We buy bulk grain, primarily corn, wheat, 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. We have grain storage capacity of approximately 39.1 million bushels, not including the on-site storage capacity at each of our ethanol plants. This capacity supports the grain merchandising activities at our Central City, Lakota, Obion, Ord, Shenandoah and Superior ethanol plants. These bulk grain commodities are readily traded on commodity exchanges and inventory values are affected by market changes and spreads. To 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.

Agronomy. We have agronomists on staff who consult and provide services to our customers. The agronomy division also sells dry and liquid fertilizer and agricultural inputs, such as chemicals, seed and supplies that we buy wholesale, and provides application services to area producers. Having these experts on staff, coupled with the wide variety of agricultural products we offer, allows us to provide customized attention and build long-term relationships with our customers.

Petroleum. A portion of our business consists of selling diesel, soydiesel, blended gasoline and propane that we buy wholesale, primarily to agricultural producers and consumers. We believe this business line demonstrates our ability to provide a range of fuel products that support the local communities in which we are located.

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Seasonality is present within our agribusiness operations. The spring planting and fall harvest periods have the largest seasonal impact, directly impacting the quarterly operating results of our agribusiness segment. This seasonality generally results in higher revenues and stronger financial results for this segment during the second and fourth quarters while the financial results of the first and third quarters generally will reflect periods of lower activity with low to negative margins.

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 distribute ethanol for third-party ethanol producers. Assuming full production capacity at each of our plants and those of our third-party ethanol producers, we would market and distribute more than one billion gallons of ethanol on an annual basis. Additionally, within the marketing and distribution segment, we operate nine blending or terminaling facilities, with approximately 625 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 our third-party producers 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 easily ship ethanol and distillers grains throughout the United States. Our railcar fleet is comprised of approximately 1,790 leased tank cars for the transportation of ethanol and approximately 770 leased hopper cars for the transportation of distillers grains. The lease contract terms range from 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.

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

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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 820,000 gallons and throughput capacity of approximately 625 mmgy. The BlendStar facilities are summarized below:

Facility Location	Storage Capacity (gallons)	Throughput Capacity (mmgy)
Birmingham, Alabama	120,000	130
Little Rock, Arkansas	30,000	36
Louisville, Kentucky	60,000	30
Bossier City, Louisiana[(1)]	60,000	60
Collins, Mississippi	180,000	180
Oklahoma City, Oklahoma	150,000	84
Tulsa, Oklahoma		24
Knoxville, Tennessee	60,000	21
Nashville, Tennessee	160,000	60

(1) Five-acre facility is owned by BlendStar.

In November 2011, we announced plans to build, own and operate a new ethanol unit train terminal in Birmingham, Alabama on the BNSF Railway. The new terminal will have 160,000 barrels, or approximately 6.7 million gallons, of storage capacity and will be able to receive full 96-car unit trains of ethanol, which can be offloaded within 24 hours. The terminal is expected to be completed in the fourth quarter of 2012. BlendStar s existing Birmingham terminal will be retrofitted to handle other biofuels and liquid products when construction of the new unit train terminal facility is complete.

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 supply 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.

Merger and Acquisition Activity

In January 2009, we acquired a controlling interest in biofuel terminal operator BlendStar LLC. The acquisition of BlendStar was a strategic investment within the ethanol value chain whose operations are included in our marketing and distribution segment.

In July 2009, we acquired the membership interests in two limited liability companies that owned ethanol plants in Central City and Ord, Nebraska. These plants, which are a part of our ethanol production segment, were acquired to add to our overall ethanol and distillers grains production. Following implementation of process improvements, collectively they have production capacity of approximately 155 mmgy.

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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 are included in our agribusiness segment.

In October 2010, we acquired Global Ethanol, LLC, which owned ethanol plants in Lakota, Iowa and Riga, Michigan. These plants have production capacity of approximately 160 mmgy and are part of our ethanol production segment, 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 has production capacity of approximately 60 mmgy, adding to our ethanol, distillers grains and corn oil production and is part of our ethanol production segment. We are constructing 1.6 million bushels of additional grain storage capacity at the Otter Tail plant with completion expected in 2012.

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.

Algae Joint Venture

In November 2008, we formed a joint venture, BioProcess Algae LLC, between us, Clarcor Inc., BioHoldings, Ltd. and NTR plc, to commercialize algae production as part of our commitment to next-generation biofuels. BioProcess Algae is focused on developing technology to grow and harvest algae, which consume carbon dioxide in commercially viable quantities. We believe algae production fits well into our business model since we already engage in the business of marketing biofuel and feed products. The algae produced have the potential to be used for advanced bio-fuel production, high quality animal feed, or as biomass for energy production, but the current primary focus is on efficiently capturing carbon dioxide to grow and harvest algae. Using advanced photobioreactor technology developed from base technology licensed from BioProcessH2O LLC, BioProcess Algae currently is producing algae at a pilot plant located at our ethanol plant in Shenandoah, Iowa, sustained by the plant s recycled heat, water and carbon dioxide. Construction of Phase II was completed and the Grower Harvesters bioreactors were successfully started up in January 2011. Phase II allows for verification of growth rates, energy balances and operating expenses, which are considered to be some of the key steps to commercialization. The cost of the Phase II project was shared by the joint venture partners. As part of the Phase II funding, we increased our ownership in BioProcess Algae to 35%.

During the third quarter of 2011, BioProcess Algae constructed an outdoor Grower Harvester system next to our Shenandoah ethanol plant, and began successfully producing algae. BioProcess Algae also successfully completed its first round of algae-based poultry feed trials, in conjunction with the University of Illinois. The algae strains produced by the Grower Harvester system for the feed trials demonstrated high energy and protein content that was readily available, similar to other high value feed products used in the feeding of poultry today.

BioProcess Algae broke ground on a five acre algae farm in the first quarter of 2012 at the same location. If we and the other BioProcess Algae members determine that the venture can achieve the desired economic performance from the five acre farm, a build-out of 400 acres of Grower Harvester reactors will be considered. The cost of such a build-out is estimated at $40 million to $60 million and could take up to a year 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. If a decision was made to replicate such a 400 acre algae farm at all of our ethanol plants, we estimate that the required investment could range from $300 million to $500 million. BioProcess Algae currently is exploring potential algae markets including animal feeds, nutraceuticals and biofuels.

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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 2011, 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, 2011, 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. We believe that by the end of 2012, annual U.S. ethanol production capacity could reach 15.0 billion gallons.

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, 2011, the states of Iowa, Indiana, Michigan, Minnesota, Nebraska and Tennessee had a total of 107 operating ethanol plants. The state of Iowa had 42 operating 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 operating 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 with much greater resources than ours have developed, or are developing, increased foreign ethanol production capacities. Brazil is the world s second largest ethanol producer. Brazil makes ethanol primarily from sugarcane. Several large companies produce ethanol in Brazil. For example, in August 2010, Royal Dutch Shell formed a joint venture with Cosan, which produces approximately 450 mmgy of sugarcane-based ethanol per year.

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 fuel solutions. 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, a federal Renewable Fuels Standard, or RFS, has been and will continue to be a driving factor in the growth of ethanol usage. As mandated by the RFS, 12.6 billion gallons of conventional biofuels, which corn-based ethanol falls under, were required to be blended into the U.S. fuel supply in 2011, increasing to 15.0 billion gallons per year by the year 2015. 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 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 to include ethanol and other fuels produced from fossil fuels like coal and natural gas. We believe the RFS is a significant component of national energy policy that reduces dependence on foreign oil by the United States. As a result, we believe that the RFS Flexibility Act and the Domestic Alternative Fuels Act will not garner sufficient support to be enacted; however, no assurance can be provided.

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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. Over 141 million vehicles, or 60% of the passenger vehicles in service, would be eligible to use E15.

Another previous benefit to the industry was the Volumetric Ethanol Excise Tax Credit, or VEETC (often commonly referred to as the blender s credit) created by the American Jobs Creation Act of 2004. This credit allowed gasoline distributors who blend ethanol with gasoline to receive a federal excise tax credit of $0.45 per gallon of pure ethanol used, or $0.045 per gallon for E10 and $0.3825 per gallon for E85. The credit expired on December 31, 2011 and the impact on ethanol demand is uncertain at this time.

Ethanol produced in foreign countries, from sugarcane or other feed stocks imported into the United States, was previously subject to an import tariff of $0.54 per gallon. The import tariff expired on December 31, 2011. Production imported from the Caribbean region was eligible for tariff reduction or elimination under a program known as the Caribbean Basin Initiative. Depending on feed stock prices, ethanol imported from foreign countries may be less expensive than domestically-produced ethanol though foreign demand, transportation costs and infrastructure constraints may temper the market impact on the United States. However, the impact of the expired tariff on the demand for domestically-produced ethanol is uncertain at this time.

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.

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 many details remain to be addressed in CFTC rulemaking proceedings, at this time we do not anticipate any material impact to our risk management strategy.

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

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 2. 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 2 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 GHG emissions from transportation fuels by 2020. An Indirect Land Use Change component is included in this lifecycle GHG emissions calculation, though this standard is being challenged by numerous lawsuits. On December 29, 2011, the U.S. District Court for the Eastern District of California issued several rulings in federal lawsuits challenging the LCFS. One of the rulings preliminarily prevents CARB from enforcing these regulations during the pending litigation. On January 23, 2012, CARB unsuccessfully attempted to appeal these rulings in the U.S. District Court for the Eastern District of California and on January 26, 2012 filed another appeal with the Ninth Circuit Court of Appeals.

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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

As of December 31, 2011, we had 665 full-time, part-time and temporary or seasonal employees. At that date, we employed 100 people, including 44 employees of our subsidiary, Green Plains Trade Group LLC, at our corporate office in Omaha, 152 employees at our agribusiness operations, 5 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.

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. Conversely, a prolonged increase in the price of, or demand for, gasoline could lead the U.S. government to avoid limiting imported ethanol; the import tariff of $0.54 per gallon was allowed to expire on December 31, 2011.

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 has tracked along with the price 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. Corn oil revenues historically have not been significant to our business; however, our business may be materially affected by price volatility of corn oil in the future as we expand our corn oil production.

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. For example, during 2011, the Green Plains Bluffton loan agreement was amended to include equity contributions in the denominator of the fixed coverage ratio and increase the capital expenditures limit. 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.

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Additionally, in October 2010 we acquired Global Ethanol, LLC, which we renamed Green Plains Holdings II LLC, or Holdings II. Global Ethanol s lenders had agreed, during a specified forbearance period, to not exercise any right or remedy under its credit agreement for specified defaults related to certain loan covenants that it had been unable to satisfy. Upon closing of the Global Ethanol acquisition, Holdings II entered into an amendment to the existing credit agreement which modifies existing covenants and extends the forbearance period to April 1, 2013. If any future defaults under Holdings II s credit agreement occur, the lenders are permitted to accelerate the maturity date on the outstanding balance. Notwithstanding these actions, we cannot assure you that Holdings II will be able to comply with the new covenants going forward or obtain additional waivers for non-compliance.

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. For example, in March 2011, we acquired our Otter Tail ethanol plant with an annual production capacity of approximately 60 million gallons of ethanol, in June 2011, we acquired 2.0 million bushels of grain storage capacity located in Hopkins, Missouri and in January 2012, we acquired 1.9 million bushels of grain storage capacity located in St. Edward, Nebraska. 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.

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The domestic market for ethanol is largely dictated by federal mandates for blending ethanol with gasoline. The RFS mandate level for conventional biofuels for 2012 of 13.2 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. Any significant increase in production capacity beyond the RFS level might have an adverse impact on ethanol prices. Additionally, the RFS mandate with respect to ethanol derived from grain could be reduced or waived entirely. A reduction or waiver of the RFS mandate could adversely affect the prices of ethanol and our future performance. 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 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 to include ethanol and other fuels produced from fossil fuels like coal and natural gas. We believe the RFS 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.

Referred to as the blender s credit, the Volumetric Ethanol Excise Tax Credit, or VEETC, provided companies with a tax credit to blend ethanol with gasoline. The Food, Conservation and Energy Act of 2008, or the 2008 Farm Bill, amended the amount of tax credit provided under VEETC to 45 cents per gallon of pure ethanol and 38 cents per gallon for E85, a blended motor fuel containing 85% ethanol and 15% gasoline. The blender s credit expired on December 31, 2011.

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 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 and consumer acceptance, 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. 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 E85 fuels and flexible-fuel technology vehicles 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 amended RFS 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

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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 2. 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 2 mandate. The EPA issued its final rule on GHG emissions from stationary sources under the Clean Air Act in May 2010. These final rules 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.

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The California Air Resources Board, or CARB, has adopted a Low Carbon Fuel Standard, or LCFS, requiring a 10% reduction in GHG emissions from transportation fuels by 2020. Additionally, an Indirect Land Use Change, or ILUC, component is included in the lifecycle GHG emissions calculation. On December 29, 2011, the U.S. District Court for the Eastern District of California issued several rulings in federal lawsuits challenging the LCFS. One of the rulings preliminarily prevents CARB from enforcing these regulations during the pending litigation. On January 23, 2012, CARB unsuccessfully attempted to appeal these rulings in the U.S. District Court for the Eastern District of California and on January 26, 2012 filed another appeal with the Ninth Circuit Court of Appeals. While this standard is currently being challenged by various lawsuits, implementation of such a standard may have an adverse impact on our market for corn-based ethanol in California if it is determined that corn-based ethanol fails to achieve lifecycle GHG emission reductions.

Our agribusiness business is 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. Because a portion of our grain sales are to exporters, 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.

We buy and sell various other commodities within our agribusiness division, some of which are readily traded on commodity futures exchanges. For example, we sell agronomy products to producers which necessitate the purchase of large volumes of fertilizer and chemicals for retail sale. Fixed-price purchase obligations and carrying inventories of these products 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, as well as the price of raw materials. Fluctuating costs of inventory and prices of raw materials could decrease operating margins and adversely affect profitability.

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, 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, 2011, our total debt was $636.8 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;

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- 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 past four 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 few 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, 2011, the top ten domestic producers accounted for approximately 48.6% 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 the world. Brazil s ethanol production is sugarcane based, as opposed to corn based, and has historically been less expensive to produce. 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.

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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 35% 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 advanced bio-fuel production, high quality animal feed, or as biomass for energy production, 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, including ethanol plants that emit carbon dioxide. 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 have had a history of operating losses from 2006 to 2008, and may incur operating losses in the future, which could be substantial. Although we have sustained profitability from 2009 to 2011, we may not be able to continue to sustain 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 and deliver ethanol, distillers grains or corn oil that does not meet the specifications defined by the 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.

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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 agreements, we purchase all of our third-party producers ethanol production. In turn, we sell the ethanol in various markets for future deliveries. Under these marketing agreements, the third-party producers are not obligated to produce any minimum amount of ethanol and we cannot assure you that we will receive the full amount of ethanol that these third-party plants are expected to produce. The interruption or curtailment of production by any of our third-party producers for any reason could cause us to be unable to deliver quantities of ethanol sold under the contracts. As a result, we may be forced to purchase replacement quantities of ethanol at higher prices to fulfill these contractual obligations. 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 plant 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 plant 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 the sales of fertilizer or pesticides during typical application periods, 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.

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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.

Our principal shareholders have substantial influence over us and they may make decisions with which you disagree.

As of December 31, 2011, subsidiaries of NTR plc, Wilon Holdings, S.A., and Wayne Hoovestol, a director and our former Chief Executive Officer, beneficially own approximately 23.5%, 6.3% and 2.8%, respectively, of our outstanding common stock. NTR, Wilon and Mr. Hoovestol have entered into a Shareholders Agreement with us in which Wilon has the right to designate one individual to be nominated to our board so long it holds more than 2.5% of our outstanding stock. NTR, Wilon and Mr. Hoovestol have agreed to vote for Wilon s nominee at any meeting of shareholders for the purpose of electing directors. As a result of the share ownership by NTR, Wilon and Mr. Hoovestol, these shareholders have the ability to significantly influence the composition of our Board of Directors and other matters requiring shareholder approval including mergers and other significant transactions. These shareholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. This concentration of ownership could present or delay a change of control of us or deprive shareholders of a right to receive a premium for their shares as part of our sale, which could also affect the market price of our common stock.

A significant percentage of our outstanding voting stock is held by a concentrated number of shareholders which could impact your liquidity.

As of December 31, 2011, approximately 36.8% of our outstanding common stock is held by NTR, Wilon, and our executive officers and directors. Continued concentrated ownership could result in fewer shares being available to be traded in the market, resulting in reduced liquidity. In addition, a decision by one or more large shareholder to liquidate its holdings could adversely affect the trading price of our stock. On August 11, 2010, the SEC declared effective the S-3 Registration Statement we had filed at the request of NTR to register the resale of 11,227,653 shares of our common stock representing all of NTR s shares held at that date, as permitted under the Shareholders Agreement. The registration statement permits NTR to sell some or all of its shares without restriction. On September 9, 2011, we repurchased 3.5 million shares of common stock from NTR plc reducing their ownership to 7,727,653 shares. The registration of the remaining shares of common stock does not necessarily mean that NTR will offer or sell any more of these shares.

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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;
- 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.

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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 disclosed and detailed in our discussion of the ethanol production segment, we own a total of approximately 1,530 acres of land in nine locations with a combined plant production capacity of 740 mmgy. We also lease approximately 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 134 acres of land at seven locations in northwest Iowa for our agribusiness operations with grain storage capacity of approximately 19.6 million bushels, 3.6 million gallons of liquid fertilizer storage and 12,000 tons of dry fertilizer storage. We also 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. In west Tennessee, we own 38 acres of land with grain storage capacity of approximately 13.7 million bushels. In June 2011, we acquired approximately 5.1 acres of land in Hopkins, Missouri with licensed grain storage capacity of approximately 2.0 million bushels and in January 2012, we acquired 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 at these sites will be adequate to accommodate our current needs, as well as potential expansion.

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 (with one owned location currently in development) throughout the south central United 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.

In April 2011, Aventine Renewable Energy, Inc. filed a complaint in the United States Bankruptcy Court for the District of Delaware in connection with its Chapter 11 bankruptcy naming as defendants Green Plains Renewable Energy, Inc., Green Plains Obion LLC, Green Plains Bluffton LLC, Green Plains VBV LLC and Green Plains Trade Group LLC. This action alleges $24.4 million of damages from preferential transfers or, in the alternative, $28.4 million of damages from fraudulent transfers under an ethanol marketing agreement and an unspecified amount of damages for a continuing breach of a termination agreement related to rail cars. We are unable to predict the outcome of these matters at this time, and any views formed as to the viability of these claims or the financial exposure which could result may change as the matters proceed through their course. We intend to defend these claims vigorously.

Green Plains Bluffton LLC was issued a notice of violation under Section 113(a)(1) of the Clean Air Act by the EPA on July 1, 2011 for violations of the Indiana State Implementation Plan for exceeding NOx emission limits per hour and for operation of the thermal oxidizer below the required average temperature pursuant to the Federally Enforceable State Operating Permit issued to the facility by the Indiana Department of Environmental Management. The EPA has proposed a fine of approximately $197 thousand though we believe there are mitigating factors that may reduce this amount below such level once resolved. Furthermore, we believe we may have recourse to the vendor who installed the continuous emissions monitoring system, the operation of which was the source of the violation.

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

Item 4. Mine Safety Disclosures.

Not Applicable.

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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, 2011	High	Low
Three months ended December 31, 2011 (1)	$ 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
Year Ended December 31, 2010	**High**	**Low**
Three months ended December 31, 2010	$ 13.64	$ 10.53
Three months ended September 30, 2010	12.35	8.12
Three months ended June 30, 2010	16.25	10.12
Three months ended March 31, 2010	17.97	11.23

(1) The closing price of our common stock on December 31, 2011 was $9.76

Holders of Record

As of December 31, 2011, as reported to us by our transfer agent, there were 2,673 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 17,871,407 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 surrender shares upon the vesting of restricted stock grants to satisfy payroll tax withholding obligations. The following table sets forth the shares that were surrendered by month during the fourth quarter of 2011.

Month	Total Number of Shares Withheld	Average Price Paid per Share
October	9,626	$ 9.94
November	3,771	$ 10.43
December		$
Total	13,397	$ 10.08

On September 9, 2011, we repurchased 3.5 million shares of common stock at a price of $8.00 per share from a subsidiary of NTR plc, which is a principal shareholder. We do not have a share repurchase program and do not intend to retire the repurchased shares.

Recent Sales of Unregistered Securities

None.

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Equity Compensation Plans

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

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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 fiscal year ended November 30, 2007, for the 13-month period ended December 31, 2008, and for the years ended December 31, 2009, 2010 and 2011. The graph assumes that the value of the investment in our common stock and each index was $100 at November 30, 2006, and that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Green Plains Renewable Energy, the NASDAQ Composite Index,

and the NASDAQ Clean Edge Green Energy Index

*$100 invested on 11/30/06 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

	11/06	11/07	12/08	12/09	12/10	12/11
Green Plains Renewable Energy, Inc.	$ 100.00	$ 36.09	$ 6.64	$ 53.66	$ 40.64	$ 35.22
NASDAQ Composite	$ 100.00	$ 110.40	$ 65.47	$ 94.93	$ 111.79	$ 110.50
NASDAQ Clean Edge Green Energy	$ 100.00	$ 179.32	$ 71.67	$ 106.31	$ 109.08	$ 60.73

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, 2011, 2010 and 2009, and the balance sheet data as of December 31, 2011 and 2010 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 nine-month transition period ended December 31, 2008 and the fiscal year ended March 31, 2008, and the balance sheet data as of December 31, 2009, December 31, 2008 and March 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

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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.

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Nine-Month Transition Period Ended December 31, 2008 (1)	Year Ended March 31, 2008 (1)
Statement of Operations Data:					
(in thousands, except per share information)					
Revenues	$ 3,553,712	$ 2,133,922	$ 1,305,793	$ 188,758	$
Cost of goods sold	3,381,480	1,981,396	1,221,745	175,444	
Gross profit	172,232	152,526	84,048	13,314	
Selling, general and administrative expenses	73,219	60,475	44,923	18,467	5,423
Operating income (loss)	99,013	92,051	39,125	(5,153)	(5,423)
Total other income (expense)	(37,114)	(26,000)	(18,880)	(2,896)	1,423
Net income (loss)	38,213	48,162	20,154	(8,049)	(4,000)
Net income (loss) attributable to Green Plains	38,418	48,012	19,790	(6,897)	(3,520)
Earnings (loss) per share attributable to Green Plains:					
Basic	$ 1.09	$ 1.55	$ 0.79	$ (0.56)	$ (0.47)
Diluted	$ 1.01	$ 1.51	$ 0.79	$ (0.56)	$ (0.47)
Other Data:					
EBITDA (unaudited and in thousands) (2)	$ 148,620	$ 129,550	$ 67,707	$ 601	$ (3,980)

	December 31, 2011	2010	2009	2008	March 31, 2008
Balance Sheet Data (in thousands)**:**					
Cash and cash equivalents	$ 174,988	$ 233,205	$ 89,779	$ 62,294	$ 538
Current assets	576,420	606,686	252,446	190,797	5,285
Total assets	1,420,828	1,397,779	878,081	693,263	254,175
Current liabilities	360,965	342,503	174,332	108,446	26,856
Long-term debt	493,407	527,900	388,573	299,011	80,711
Total liabilities	915,471	900,137	567,373	413,278	107,567
Stockholders equity	505,357	497,642	310,708	279,985	107,986

(1) The October 15, 2008 merger with VBV, LLC was accounted for as a reverse acquisition. Although VBV was considered the acquiring entity for accounting purposes, the merger was structured so that VBV became our wholly-owned subsidiary. As a result, our assets and liabilities as of October 15, 2008, the date of the merger closing, were incorporated into VBV s balance sheet based on the fair values of the net assets, which equaled the consideration paid in the merger. U.S. generally accepted accounting principles, or GAAP, also requires an allocation of the acquisition consideration to individual assets and liabilities including tangible assets, financial assets, separately-recognized intangible assets and goodwill. Pursuant to reverse merger accounting rules, our consolidated financial statements and results of operations for the nine-month transition period ended December 31, 2008, the year ended March 31, 2008 and the period from September 29, 2006 (date of inception) to March 31, 2007 reflect the historical financial results of VBV and its subsidiaries for these periods, along with the acquired fair value of our assets and liabilities as of October 15, 2008 and our financial results since October 15, 2008.

(2) Management uses earnings before interest, income taxes, noncontrolling interests, depreciation and amortization, or EBITDA, to compare the financial performance of our business segments and to internally manage those segments. Management believes that EBITDA provides useful information to investors as a measure of comparison with peer and other companies. EBITDA should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with generally accepted accounting principles. EBITDA calculations may vary from company to company. Accordingly, our computation of EBITDA may not be comparable with a similarly titled measure of another company. The following sets forth the reconciliation of net income to EBITDA for the periods indicated (in thousands):

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	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Nine-Month Transition Period Ended December 31, 2008	Year Ended March 31, 2008
Net income (loss) attributable to Green Plains	$ 38,418	$ 48,012	$ 19,790	$ (6,897)	$ (3,520)
Interest expense	36,645	26,144	18,827	4,119	
Depreciation and amortization	50,076	37,355	28,635	4,531	20
Net income (loss) attributable to noncontrolling interests	(205)	150	364	(1,152)	(480)
Income taxes	23,686	17,889	91		
EBITDA	$ 148,620	$ 129,550	$ 67,707	$ 601	$ (3,980)

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated financial condition and results of operations. This discussion should be read in conjunction with the consolidated financial statements included herewith and notes to the consolidated financial statements thereto and the risk factors contained herein.

Overview

We were formed in June 2004, incurring development costs until our first two plants were completed. Our plant in Shenandoah, Iowa commenced operations in August 2007 and our plant in Superior, Iowa commenced operations in July 2008. To complement and enhance our ethanol production facilities, in April 2008, we acquired Great Lakes Cooperative, a full-service farm cooperative in northwestern Iowa and southwestern Minnesota. As a result of our October 2008 merger with VBV LLC, we acquired two additional ethanol plants, located in Bluffton, Indiana and Obion, Tennessee, that commenced operations in September 2008 and November 2008, respectively. In January 2009, we acquired a majority interest in BlendStar which operates nine blending or terminaling facilities with approximately 625 mmgy of total throughput capacity in seven states in the south central United States. In July 2009, we acquired two limited liability companies that owned ethanol plants in Central City and Ord, Nebraska that added operating capacity totaling 150 mmgy. In April 2010, we acquired five grain elevators with federally licensed grain storage capacity of 11.7 million bushels, all located in western Tennessee, within 50 miles of our Obion ethanol plant. In October 2010, we acquired Global Ethanol, LLC, adding two ethanol plants with a combined annual production capacity of approximately 160 million gallons. In March 2011, we acquired an ethanol plant near Fergus Falls, Minnesota with an annual production capacity of approximately 60 million gallons. In June 2011, we acquired 2.0 million bushels of grain storage capacity located in Hopkins, Missouri, which is approximately 45 miles from our Shenandoah, Iowa ethanol plant. In July 2011, we acquired all remaining noncontrolling interests in BlendStar. In January 2012, we acquired 1.9 million bushels of grain storage capacity located in St. Edward, Nebraska, which is approximately 40 miles from our Central City, Nebraska ethanol plant.

We are a leading, vertically-integrated producer, marketer and distributer 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 agronomy and grain handling operations, continuing through our approximately 740 million gallons per year, or mmgy, of ethanol production capacity and ending downstream with our ethanol marketing, distribution and blending facilities.

Our management reviews our operations in four separate operating segments:

Ethanol Production. We operate a total of nine ethanol plants in Indiana, Iowa, Michigan, Minnesota, Nebraska and Tennessee, with approximately 740 mmgy of total ethanol production capacity. At capacity, these plants collectively will consume approximately 265 million bushels of corn and produce approximately 2.1 million tons of distillers grains annually.

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Corn Oil Production. We operate corn oil extraction systems at all nine of our ethanol plants, with the capacity to produce approximately 130 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. We operate three lines of business within our agribusiness segment: bulk grain, agronomy and petroleum. In our bulk grain business, we have 15 grain elevators with approximately 39.1 million bushels of total storage capacity. We sell fertilizer and other agricultural inputs and provide application services to area producers, through our agronomy business. Additionally, we sell petroleum products including diesel, soydiesel, blended gasoline and propane, primarily to agricultural producers and consumers. 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 distribute ethanol for third-party ethanol producers with production capacity totaling approximately 260 mmgy. Additionally, our wholly-owned subsidiary, BlendStar LLC, operates nine blending or terminaling facilities with approximately 625 mmgy of total throughput capacity in seven states in the south central United States.

We have redefined our operating segments to segregate corn oil production as a reportable segment to reflect the manner by which executive management manages, allocates resources to, and measures the performance of our businesses. We initiated corn oil production in October 2010, with implementation of such extraction technology at all of our ethanol plants completed during 2011. Corn oil production was previously reported as a component of our marketing and distribution segment; however, all prior period segment results have been restated to reflect this change.

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 renew existing marketing contracts, as well as enter new contracts with other ethanol producers. We also intend to pursue opportunities to develop or acquire additional grain elevators and agronomy businesses, specifically those located near our ethanol plants. We believe that owning additional agribusiness 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 continue our support of the BioProcess Algae joint venture, which is focused on developing technology to grow and harvest algae, which consume carbon dioxide, in commercially viable quantities. Construction of Phase II was completed and the Grower Harvesters bioreactors were successfully started up in January 2011. Phase II allows for verification of growth rates, energy balances and operating expenses, which are considered to be some of the key steps to commercialization. The cost of the Phase II project was shared by the joint venture partners. As part of the Phase II funding, we increased our ownership in BioProcess Algae to 35%. During the third quarter of 2011, BioProcess Algae constructed an outdoor Grower Harvester system next to our Shenandoah ethanol plant, which is successfully producing algae. BioProcess Algae successfully completed its first round of algae-based poultry feed trials, in conjunction with the University of Illinois. The algae strains produced by the Grower Harvester system for the feed trials demonstrated high energy and protein content that was readily available, similar to other high value feed products used in the feeding of poultry today. BioProcess Algae broke ground on a five acre algae farm in the first quarter of 2012 at the same location. If we and the other BioProcess Algae members determine that the venture can achieve the desired economic performance from the five acre farm, a build-out of 400 acres of Grower Harvester reactors will be considered. The cost of such a build-out is estimated at $40 million to $60 million and could take up to a year 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. If a decision was made to replicate such a 400 acre algae farm at all of our ethanol plants, we estimate that the required investment could range from $300 million to $500 million. BioProcess Algae currently is exploring potential algae markets including animal feeds, nutraceuticals and biofuels.

Industry Factors Affecting our Results of Operations

Variability of Commodity Prices. Our operations and our industry are highly dependent on commodity prices, especially prices for corn, ethanol, distillers grains and natural gas. Because the market prices of these commodities are not always

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correlated, at times ethanol production may be unprofitable. As commodity price volatility poses a significant threat to our margin structure, we have developed a risk management strategy focused on locking in favorable operating margins when they are available. We continually monitor market prices of corn, natural gas and other input costs relative to the prices for ethanol and distillers grains at each of our production facilities. We create offsetting positions by using a combination of derivative instruments, fixed-price purchases and sales contracts, or a combination of strategies within strict limits. Our primary focus is not to manage general price movements of individual commodities, for example to minimize the cost of corn consumed, but rather to lock in favorable profit margins whenever possible. By using a variety of risk management tools and hedging strategies, including our internally-developed real-time margin management system, we believe we are able to maintain a disciplined approach to risk.

There may be periods of time that, due to the variability of commodity prices and compressed margins identified by our risk management system, we make a decision to reduce or cease ethanol production operations at certain of our ethanol plants. In the first quarter of 2012, we have reduced production volumes at two of our ethanol plants by approximately 30%, or about 5% of our total production, in direct response to unfavorable operating margins. In response to relatively strong margins in the fourth quarter of 2011, the ethanol industry increased production and ended the year with excess inventories, which has adversely affected the margin environment in the beginning of 2012.

Reduced Availability of Capital. Some ethanol producers have faced financial distress over the past few years, culminating with bankruptcy filings by several companies. This, in combination with continued volatility in the capital markets has resulted in reduced availability of capital for the ethanol industry generally. In this market environment, we may experience limited access to incremental financing.

Legislation. Federal and state governments have enacted numerous policies, incentives and subsidies to encourage the usage of domestically-produced alternative fuel solutions. Passed in 2007 as part of the Energy Independence and Security Act, a federal Renewable Fuels Standard, or RFS, 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 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 to include ethanol and other fuels produced from fossil fuels like coal and natural gas.

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 allowable 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 truck. In January 2011, the EPA granted a second partial waiver for E15 for use in model year 2001 to 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. Another major benefit to the industry was the blender s credit, which allowed gasoline distributors who blended ethanol with gasoline to receive a federal excise tax credit of $0.45 per gallon of pure ethanol used, or $0.045 per gallon for E10 and $0.3825 per gallon for E85. The blender s credit expired on December 31, 2011; however, even without the blender s credit, ethanol remains at a discount to gasoline.

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 many details remain to be addressed in CFTC rulemaking proceedings, at this time we do not anticipate any material impact to our risk management strategy.

Critical Accounting Policies and Estimates

This disclosure is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe are proper and reasonable under the circumstances. We continually evaluate the appropriateness of estimates and assumptions used in the preparation of our consolidated financial statements. Actual results could differ materially from those estimates. Key accounting policies, including but not limited to those relating to revenue recognition, property and equipment, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

We recognize revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed and determinable; and collectability is reasonably assured. For sales of ethanol, corn oil and distillers grains, we recognize revenue when title to the product and risk of loss transfer to an external customer.

We routinely enter into fixed-price, physical-delivery ethanol sales agreements. In certain instances, we intend to settle the transaction by open market purchases of ethanol rather than by delivery from our own production. These transactions are reported net as a component of revenues.

Revenue from sales of agricultural commodities, fertilizers and other similar products is recognized when title to the product and risk of loss transfer to the customer, which is dependent on the agreed upon sales terms with the customer. These sales terms provide for passage of title either at the time shipment is made or at the time the commodity has been delivered to its destination and final weights, grades and settlement prices have been agreed upon with the customer. Shipping and handling costs are recorded on a gross basis in the statements of operations with amounts billed included in revenues and also as a component of cost of goods sold. Revenue from grain storage is recognized as services are rendered. Revenue related to grain merchandising is recorded on a gross basis.

Revenue related to our marketing operations for third parties is recorded on a gross basis in the consolidated financial statements, as we take title to the product and assume risk of loss. Unearned revenue is reflected on our consolidated balance sheet for goods in transit for which we have received payment and title has not been transferred to the external customer. Revenue from ethanol transload and splash blending services is recognized as these services are rendered.

Intercompany revenues are eliminated on a consolidated basis for reporting purposes.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on our ethanol production facilities, grain storage facilities, railroad track, computer equipment and software, office furniture and equipment, vehicles, and other fixed assets has been provided on the straight-line method over the estimated useful lives of the assets, which currently range from 3 to 40 years.

Land improvements are capitalized and depreciated. Expenditures for property betterments and renewals are capitalized. Costs of repairs and maintenance are charged to expense as incurred.

We periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets, which is accounted for prospectively.

Impairment of Long-Lived Assets and Goodwill

Our long-lived assets consist of property and equipment. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. We measure recoverability of assets to be held and used by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, we record an impairment charge in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges have been recorded during the periods presented.

Our goodwill consists of amounts relating to our acquisitions of Green Plains Ord, Green Plains Central City, Green Plains Holdings II, Green Plains Otter Tail and BlendStar. We review goodwill at an individual plant or subsidiary level for impairment at least annually, as of October 1, or more frequently whenever events or changes in circumstances indicate that impairment may have occurred. We perform a two-step impairment test to evaluate goodwill. Under the first step, we compare the estimated fair value of the reporting unit with its carrying value (including goodwill). If the estimated fair value of the reporting unit is less than its carrying value, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit s goodwill by allocating the reporting unit s fair value to all of its assets and liabilities other than goodwill. We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. As of our most recent annual review of goodwill, we have determined that the estimated fair value of each reporting unit substantially exceeds each of their respective carrying values.

The reviews of long-lived assets and goodwill require making estimates regarding amount and timing of projected cash flows to be generated by an asset or asset group over an extended period of time. Management judgment regarding the existence of circumstances that indicate impairment is based on numerous potential factors including, but not limited to, a decline in our future projected cash flows, a decision to suspend operations at a plant for an extended period of time, a sustained decline in our market capitalization, a sustained decline in market prices for similar assets or businesses, or a significant adverse change in legal or regulatory factors or the business climate. Significant management judgment is required in determining the fair value of our long-lived assets and goodwill to measure impairment, including projections of future cash flows. Fair value is determined through various valuation techniques including discounted cash flow models, market values and third-party independent appraisals, as considered necessary. Changes in estimates of fair value could result in a write-down of the asset in a future period. Given the current economic and regulatory environment and uncertainties regarding the impact on our business, there are no assurances that our estimates and assumptions will prove to be an accurate prediction of the future.

Derivative Financial Instruments

We use various financial instruments, including derivatives, to minimize the effects of the volatility of commodity price changes primarily related to corn, natural gas and ethanol. We monitor and manage this exposure as part of our overall risk management policy. As such, we seek to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We may take hedging positions in these commodities as one way to mitigate risk. We have put in place commodity price risk management strategies that seek to reduce significant, unanticipated earnings fluctuations that may arise from volatility in commodity prices, principally through the use of derivative instruments. While we attempt to link our hedging activities to our purchase and sales activities, there are situations where these hedging activities can themselves result in losses.

By using derivatives to hedge exposures to changes in commodity prices, we have exposures on these derivatives to credit and market risk. We are exposed to credit risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. We minimize our credit risk by entering into transactions with high quality counterparties, limiting the amount of financial exposure we have with each counterparty and monitoring the financial condition of our counterparties. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices or interest rates. We manage market risk by incorporating monitoring parameters within our risk management strategy that limit the types of derivative instruments and derivative strategies we use, and the degree of market risk that may be undertaken by the use of derivative instruments.

We evaluate our contracts to determine whether the contracts are derivatives as certain derivative contracts that involve physical delivery may qualify for the normal purchases or normal sales exemption as they will be expected to be used or sold over a reasonable period in the normal course of business. Any derivative contracts that do not meet the normal purchase or sales criteria are recorded at fair value with the unrealized gains and losses from the change in fair value recorded in operating income unless the contracts qualify for hedge accounting treatment.

Certain qualifying derivatives within our ethanol production segment are designed as cash flow hedges. Prior to entering into cash flow hedges, we evaluate the derivative instrument to ascertain its effectiveness. For cash flow hedges, any ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until gains and losses from the underlying hedged transaction are realized. In the event that it becomes probable that a forecasted transaction will not occur, we would discontinue cash flow hedge treatment, which would affect earnings. These derivative financial instruments are recognized in other current assets or liabilities at fair value.

We use exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on our grain inventories and forward purchase and sales contracts within our agribusiness segment. Exchange-traded futures and options contracts are valued at unadjusted prices in an active market. Grain inventories held for sale, forward purchase contracts and forward sale contracts of this segment are valued at market prices, where available, or other market quotes adjusted for differences, primarily transportation, between the exchange-traded market and the local markets on which the terms of the contracts are based. Changes in the fair value of grain inventories held for sale, forward purchase and sale contracts, and exchange-traded futures and options contracts, are recognized in earnings as a component of cost of goods sold. We are exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sales contracts.

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Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with GAAP. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis and for net operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management s evaluation of the need for a valuation allowance must consider positive and negative evidence, and the weight given to the potential effects of such positive and negative evidence is based on the extent to which it can be objectively verified.

Related to accounting for uncertainty in income taxes, we follow a process by which the likelihood of a tax position is gauged based upon the technical merits of the position, perform a subsequent measurement related to the maximum benefit and the degree of likelihood, and determine the amount of benefit to be recognized in the financial statements, if any.

Recently Issued Accounting Pronouncements

Effective January 1, 2011, we adopted the amended guidance in ASC Topic 805, *Business Combinations*, which, if we complete a business combination during the reporting period, requires us to disclose our pro forma revenue and earnings as though the business combinations that occurred during the current period had occurred as of the beginning of the comparable prior annual reporting period. The amended guidance also requires us to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings.

Effective January 1, 2011, we adopted the second phase of the amended guidance in ASC Topic 820, *Fair Value Measurements and Disclosures*, which requires us to disclose information in the reconciliation of recurring Level 3 measurements regarding purchases, sales, issuances and settlements on a gross basis, with a separate reconciliation for assets and liabilities. We did not experience an impact from the additional disclosure requirements as we do not have any recurring Level 3 measurements.

Effective January 1, 2012, we will be required to adopt the third phase of amended guidance in ASC Topic 820, *Fair Value Measurements and Disclosures.* The purpose of the amendment is to achieve common fair value measurement and disclosure requirements by improving comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and those prepared in conformity with International Financial Reporting Standards, or IFRS. The amended guidance clarifies the application of existing fair value measurement requirements and requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. We currently would not be impacted by the additional disclosure requirements as we do not have any recurring Level 3 measurements.

Effective January 1, 2012, we will be required to adopt the amended guidance in ASC Topic 220, *Comprehensive Income*. This accounting standards update, which helps to facilitate the convergence of GAAP and IFRS, is aimed at increasing the prominence of other comprehensive income in the financial statement by eliminating the option to present other comprehensive income in the statement of stockholders equity, and requiring comprehensive income to be reported in either a single continuous statement or in two separate but consecutive statements reporting net income and other comprehensive income. This amended guidance will be implemented retroactively. We have determined that the changes to the accounting standards will affect the presentation of consolidated financial information but will not have a material effect on the Company s financial position or results of operations.

Effective January 1, 2012, we will be permitted to adopt the amended guidance in ASC Topic 350, *Intangibles Goodwill and Other.* The amended guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. We have determined that the changes to the accounting standards will not impact our disclosure or reporting requirements.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our consolidated financial condition, results of operations or liquidity.

Components of Revenues and Expenses

Revenues. In our ethanol production segment, our revenues are derived primarily from the sale of ethanol and distillers grains, which is a co-product of the ethanol production process. In our corn oil production segment, our revenues are derived from the sale of corn oil, which is extracted from the whole stillage process immediately prior to the production of distillers grains. In our agribusiness segment, the sale of grain, fertilizer and petroleum products are our primary sources of revenue. In our marketing and distribution segment, the sale of ethanol, distillers grains and corn oil that we market for our nine ethanol plants and the sale of ethanol we market for the ethanol plants owned by third parties represent our primary sources of revenue. Revenues also include net gains or losses from derivatives.

Cost of Goods Sold. Cost of goods sold in our ethanol production and corn oil production segments includes costs for direct labor, materials and certain plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in the operation of our ethanol plants. Plant overhead costs primarily consist of plant utilities, plant depreciation and outbound freight charges. Our cost of goods sold is mainly affected by the cost of ethanol, corn, natural gas and transportation. In these segments, corn is our most significant raw material cost. We purchase natural gas to power steam generation in our ethanol production process and to dry our distillers grains. Natural gas represents our second largest cost in this business segment. Cost of goods sold also includes net gains or losses from derivatives.

Grain, fertilizer and petroleum acquisition costs represent the primary components of cost of goods sold in our agribusiness segment. Grain inventories, forward purchase contracts and forward sale contracts are valued at market prices, where available, or other market quotes adjusted for differences, primarily transportation, between the exchange-traded market and the local markets on which the terms of the contracts are based. Changes in the market value of grain inventories, forward purchase and sale contracts, and exchange-traded futures and options contracts are recognized in earnings as a component of cost of goods sold.

In our marketing and distribution segment, purchases of ethanol, distillers grains and corn oil represent the largest components of cost of goods sold. Transportation expense represents an additional major component of our cost of goods sold in this segment. Transportation expense includes rail car leases, freight and shipping of our ethanol and co-products, as well as costs incurred in storing ethanol at destination terminals.

Selling, General and Administrative Expenses. Selling, general and administrative expenses are recognized at the operating segment level, as well as at the corporate level. These expenses consist of employee salaries, incentives and benefits; office expenses; board fees; and professional fees for accounting, legal, consulting, and investor relations activities. Personnel costs, which include employee salaries, incentives and benefits, are the largest single category of expenditures in selling, general and administrative expenses. We refer to selling, general and administrative expenses that are not allocable to a segment as corporate activities.

Other Income (Expense). Other income (expense) includes interest earned, interest expense, amortization of debt financing costs and other non-operating items.

Results of Operations

Comparability

The following summarizes various events that affect the comparability of our operating results for the past three years:

July 2009	Green Plains Central City and Green Plains Ord were acquired
April 2010	Green Plains Grain Company TN assets were acquired
October 2010	Green Plains acquired the Lakota and Riga ethanol plants
October 2010	Green Plains Commodities LLC began corn oil extraction

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March 2011	Green Plains Otter Tail was acquired
June 2011	Green Plains Grain Company acquired Hopkins, Missouri grain elevator
July 2011	Green Plains acquired remaining 49% noncontrolling interests in BlendStar
January 2012	Green Plains Grain Company acquired St. Edward, Nebraska grain elevator

The year ended December 31, 2010 includes a full year of operations at our Central City and Ord ethanol plants, approximately eight months of operations at our Tennessee agribusiness operations, and two months of operations, including corn oil extraction, at our Lakota and Riga ethanol plants. The year ended December 31, 2011 includes a full year of operations at our Tennessee agribusiness operations and our Lakota and Riga ethanol plants, approximately nine months of operations at our Otter Tail ethanol plant, and the deployment of corn oil extraction technology at all remaining ethanol plants.

Segment Results

Our operations fall within the following four segments: (1) production of ethanol and related distillers grains, collectively referred to as ethanol production, (2) corn oil production, (3) grain warehousing and marketing, as well as sales and related services of agronomy and petroleum products, collectively referred to as agribusiness, and (4) marketing and distribution of Company-produced and third-party ethanol, distillers grains and corn oil, collectively referred to as marketing and distribution. Selling, general and administrative expenses, primarily consisting of compensation of corporate employees, professional fees and overhead costs not directly related to a specific operating segment, are reflected in the table below as corporate activities. When the Company s management evaluates segment performance, they review the information provided below, as well as segment earnings before interest, income taxes, noncontrolling interest, depreciation and amortization.

During the normal course of business, our operating segments enter into transactions with one another. For example, our ethanol production and corn oil production segments sell ethanol, distillers grains and corn oil to our marketing and distribution segment and our agribusiness segment sells grain to our ethanol production segment. These intersegment activities are recorded by each segment at prices approximating market and treated as if they are third-party transactions. Consequently, these transactions impact segment performance. However, intersegment revenues and corresponding costs are eliminated in consolidation, and do not impact our consolidated results.

The table below reflects selected operating segment financial information for the periods indicated (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Revenue:			
Ethanol production			
Revenue from external customers	$ 128,780	$ 63,001	$ 61,629
Intersegment revenue	2,005,141	1,052,424	669,708
Total segment revenue	2,133,921	1,115,425	731,337
Corn oil production			
Revenue from external customers	1,466	995	
Intersegment revenue	43,391	707	
Total segment revenue	44,857	1,702	
Agribusiness			
Revenue from external customers	358,968	248,619	147,890
Intersegment revenue	195,172	122,133	74,076
Total segment revenue	554,140	370,752	221,966
Marketing and distribution			
Revenue from external customers	3,064,498	1,821,307	1,096,274
Intersegment revenue	467	293	
Total segment revenue	3,064,965	1,821,600	1,096,274
Revenue including intersegment activity	5,797,883	3,309,479	2,049,577
Intersegment elimination	(2,244,171)	(1,175,557)	(743,784)

Revenue as reported	$ 3,553,712	$ 2,133,922	$ 1,305,793

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	Year Ended December 31,		
	2011	**2010**	**2009**
Gross profit:			
Ethanol production	$ 87,010	$ 105,079	$ 47,825
Corn oil production	27,067	878	
Agribusiness	34,749	25,199	22,561
Marketing and distribution	23,112	21,192	13,572
Intersegment eliminations	294	178	90
	$ 172,232	$ 152,526	$ 84,048
Operating income:			
Ethanol production	$ 73,242	$ 93,410	$ 38,778
Corn oil production	26,999	878	
Agribusiness	11,721	5,614	8,847
Marketing and distribution	9,475	9,673	4,843
Intersegment eliminations	334	188	85
Corporate activities	(22,758)	(17,712)	(13,428)
	$ 99,013	$ 92,051	$ 39,125

The table below shows total assets for our operating segments as of the periods indicated (in thousands):

	December 31,	
	2011	**2010**
Total assets:		
Ethanol production	$ 879,500	$ 850,049
Corn oil production	24,601	7,204
Agribusiness	233,201	239,595
Marketing and distribution	181,466	169,148
Corporate assets	121,429	142,666
Intersegment eliminations	(19,369)	(10,883)
	$ 1,420,828	$ 1,397,779

Year ended December 31, 2011 Compared to the Year ended December 31, 2010

Consolidated Results

Revenues increased $1.4 billion for the year ended December 31, 2011 compared to the same period in 2010 as a result of acquired operations and changes in commodity prices. We acquired our western Tennessee agribusiness operations in April 2010, our Lakota and Riga ethanol plants in October 2010, and our Otter Tail ethanol plant in March 2011. Revenue from existing operations was also impacted by increases in commodity prices, production efficiencies at our ethanol plants and the increase in the volume of corn oil extracted in 2011 compared to 2010. Gross profit increased $19.7 million compared to the same period in 2010. Gross profit increases in the corn oil production, agribusiness and market and distribution segments were partially offset by a decrease in gross profit in the ethanol production segment. Operating income increased $7.0 million compared to the same period in 2010. In addition to the factors identified above, selling, general and administrative expenses increased $12.7 million compared to the same period in 2010 due to the expanded scope of our operations.

Income before taxes was also affected by an increase in interest expense of $10.5 million due to debt issued to finance the acquisitions and $90.0 million of convertible notes issued in November 2010. Income tax expense for the year ended December 31, 2011 increased compared to 2010 due to an increase in income before taxes and additional state filing requirements resulting from acquired operations. In addition, income tax expense for the year ended December 31, 2010 was favorably impacted by the release of a portion of valuation allowances against certain deferred tax assets, established in prior years due to the uncertainty of realization.

The following discussion of segment results provides greater detail on period to period results.

Ethanol Production Segment

The table below presents key operating data within our ethanol production segment for the periods indicated:

	Year Ended December 31, 2011	2010
Ethanol sold (thousands of gallons)	721,535	544,388
Distillers grains sold (thousands of equivalent dried tons)	2,047	1,566
Corn consumed (thousands of bushels)	255,437	194,327

Revenues for the ethanol production segment increased $1.0 billion for the year ended December 31, 2011 compared to the same period in 2010. Revenues for the year ended December 31, 2011 included production of an additional 170 million gallons from our Lakota and Riga ethanol plants which were acquired in October 2010, as well as production from our Otter Tail ethanol plant, which was acquired in late March 2011. The Lakota, Riga and Otter Tail plants contributed an additional $516.0 million in combined revenues for the year ended December 31, 2011. The remaining increase in revenues was due to increased volume from production efficiencies at our other ethanol plants and increases in ethanol and distillers grains prices.

Cost of goods sold in the ethanol production segment increased $1.0 billion for the year ended December 31, 2011 compared to the same period in 2010. The increase was due primarily to the consumption of 61.1 million additional bushels of corn and a 56.9% increase in the average cost per bushel during 2011 compared to 2010. The volume increase was due to a full year of production at our Lakota and Riga plants and three quarters of production at our newly-acquired Otter Tail plant. Gross profit and operating income for the ethanol production segment decreased by $18.1 million and $20.2 million, respectively, for the year ended December 31, 2011 compared to 2010 primarily due to a greater increase in the average cost per bushel of corn than the average price per gallon of ethanol, which increased by 43.1%. In addition, depreciation and amortization expense for the ethanol production segment increased to $43.2 million during 2011 compared to $32.6 million in 2010 due to the acquisitions of the plants noted above in the fourth quarter of 2010 and first quarter of 2011.

Corn Oil Production Segment

We initiated corn oil production in the fourth quarter of 2010 with the acquisition of our Lakota and Riga ethanol plants and installation and deployment of corn oil extraction technology at our Obion and Ord ethanol plants. In 2011, we deployed corn oil extraction technology at our other ethanol plants. We currently have the capacity to produce approximately 130.0 million pounds of corn oil annually. During the year ended December 31, 2011, we sold 96.3 million pounds of corn oil compared to 5.0 million pounds in 2010.

Agribusiness Segment

The table below presents key operating data within our agribusiness segment for the periods indicated:

	Year Ended December 31, 2011	2010
Grain sold (thousands of bushels)	69,336	56,215
Fertilizer sold (tons)	64,749	60,653

Our agribusiness segment had an increase of $183.4 million in revenues, an increase of $9.6 million in gross profit, and an increase in operating income of $6.1 million for the year ended December 31, 2011 compared to 2010. Revenue, gross profit and operating income increased primarily due to an increase in fertilizer volumes from our agribusiness operations in Iowa, the sale of an additional 12.4 million bushels of grain from our western Tennessee agribusiness operations acquired in April 2010 and increases in average grain prices. The Tennessee agribusiness operations contributed $289.0 million in revenue in 2011 compared with $141.6 million in 2010. The agribusiness segment s quarterly performance fluctuates on a seasonal basis with generally stronger results expected in the second and fourth quarters each year.

Marketing and Distribution Segment

Marketing and distribution revenues increased $1.2 billion for the year ended December 31, 2011 compared to the same period in 2010. The increase in revenues was primarily due to an increase in ethanol revenues of $1.1 billion and an increase in distillers grains revenues of $124.0 million. The remainder of the increase in revenue is attributable to sales of corn oil, which we began producing in October 2010. During 2011, we sold 96.3 million pounds of corn oil. We sold 1,064 million gallons of ethanol within the marketing and distribution segment during 2011 compared to 917 million gallons sold during the same period in 2010 and experienced an increase in revenue per gallon of ethanol sold due to higher prices. The increase in ethanol volumes is due to the expanded production of our own plants as a result of efficiency improvements and additional capacity from recently acquired operations. Marketing and distribution volumes from third-party ethanol producers decreased when comparing the year ended December 31, 2011 to the same period in 2010 due to the termination of a third-party marketing contract with expected production of 110 mmgy in May 2011.

Gross profit for the marketing and distribution segment increased $1.9 million and operating income decreased by $0.2 million for the year ended December 31, 2011 compared to 2010. The increase in gross profit was due primarily to increased ethanol and distillers grains volumes sold. Operating income was affected by an increase in selling, general and administrative expenses compared to 2010 due to an increase in personnel costs as a result of our growth and expanded operations.

Intersegment Eliminations

Intersegment eliminations of revenues increased $1.1 billion for year ended December 31, 2011 compared to the same period in 2010 due to an increase of $845.2 million, $107.6 million and $42.7 million in ethanol, distillers grains and corn oil, respectively, sold from our ethanol production and corn oil segments to our marketing and distribution segment. In addition, corn sales from our agribusiness segment to our ethanol production segment increased $72.8 million between the periods.

Corporate Activities

Operating income was impacted by an increase in operating expenses for corporate activities of $5.0 million for the year ended December 31, 2011 compared to the same period in 2010, primarily due to an increase in general and administrative expenses and personnel costs related to expanded operations.

Year ended December 31, 2010 Compared to the Year ended December 31, 2009

Consolidated Results

Several events that occurred during 2010 account for the overall increase in our revenues of $828.1 million, an increase in our gross profit of $68.5 million and an increase in operating income of $52.9 million. Our business activity increased primarily as a result of including a full year of operations from the Central City and Ord ethanol plants acquired in July 2009, additional agribusiness operations in western Tennessee acquired in April 2010 and additional ethanol plants acquired in October 2010. Selling, general and administrative expenses increased $15.6 million during 2010 due to the events described above. Interest expense increased $7.3 million during 2010 as compared to 2009 due to additional debt issued to finance these acquisitions and a convertible debt offering completed in November 2010. Income tax expenses of $17.9 million during 2010 were significantly higher than the expense of $0.1 million in 2009. Prior to 2009, we had losses before income taxes and the resulting potential tax benefits were fully reserved with a valuation allowance. A portion of those valuation allowances were released in 2009, resulting in an income tax provision of $0.1 million.

Management views our results on a segment level. See segment discussions below for more detail on period-to-period increases in revenues, gross profit and operating income.

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Ethanol Production Segment

The table below presents key operating data within our ethanol production segment for the periods indicated:

	Year Ended December 31, 2010	2009
Ethanol sold (thousand of gallons)	544,388	379,393
Distillers grain sold (thousand of equivalent dried tons)	1,566	1,098
Com consumed (thousand of bushels)	194,327	136,569

Revenue for the ethanol production segment increased $384.1 million for the year ended December 31, 2010, compared to the year ended December 31, 2009 due to increased ethanol production and an increase in the average revenue per gallon of ethanol sold. Revenues for the year ended December 31, 2009, included five months of revenues from our Central City and Ord plants since their acquisition in July 2009 compared to a full year of revenues from these two plants in 2010. Additional revenues earned in 2010 compared to 2009 at the Central City and Ord plants were $195.1 million. In addition, 2010 results included approximately two months of revenues from our Lakota and Riga plants acquired in October 2010, contributing combined revenue of $80.6 million.

Cost of goods sold in the ethanol production segment increased $326.8 million, for the year ended December 31, 2010 as compared to the year ended December 31, 2009, primarily due to increased sales volumes as a result of the additional production discussed above. Our largest component of cost of goods sold is corn, which increased due to the increased volumes of production and an increase in average cost per bushel of approximately 21% compared to the prior year. Included in the ethanol production segment s cost of goods sold during the year ended December 31, 2009 is a one-time charge of $4.6 million related to the cancellation of third-party ethanol marketing arrangements. Gross profit for the ethanol production segment increased $57.3 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009 due primarily to the additional operations discussed above as well as an increase in the ethanol yield per bushel of corn consumed.

Operating income increased $54.6 million for the year ended December 31, 2010, compared to the year ended December 31, 2009 due to the factors discussed above.

Corn Oil Production Segment

We initiated corn oil production in the fourth quarter of 2010 and therefore did not have any corn oil operations in 2009. During the year ended December 31, 2010, we had revenues of $1.7 million from the sale of corn oil.

Agribusiness Segment

The table below presents key operating data within our agribusiness segment for the periods indicated:

	Year Ended December 31, 2010	2009
Grain sold (thousands of bushels)	56,215	32,780
Fertilizer sold (tons)	60,653	48,108

Our agribusiness segment had increases of $148.8 million in revenue, $2.6 million in gross profit, and a decrease of $3.2 million in operating income for the year ended December 31, 2010 compared to the year ended December 31, 2009. These revenue and gross profit increases are primarily attributable to the acquisition of agribusiness operations in western Tennessee in April 2010. The 2010 results included eight months of activity from the acquired operations, contributing

$141.6 million to 2010 revenue. The decrease in operating income is primarily due to an increase in selling, general and administrative expenses of $5.9 million as a result of additional expenses related to the Tennessee operations. Also, operating income was affected by a decrease in grain drying income in Iowa as a result of a considerably drier harvest in 2010 compared with 2009. These negative effects on operating income were greater than the additional operating income attributable to the Tennessee acquisition.

Marketing and Distribution Segment

Marketing and distribution revenues increased $725.3 million for the year ended December 31, 2010, as compared to the year ended December 31, 2009. The Company sold 917 million gallons of ethanol within the marketing and distribution segment during the 2010, compared to 653 million gallons sold during 2009. The increase in revenues was primarily due to an increase in ethanol-related marketing and distribution of $710.6 million and an increase in marketing and distribution for distillers grains of $12.4 million. Gross profit for the marketing and distribution segment increased $7.6 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. As described above, the increase in gross profit was due to greater volume of marketing and distribution as compared to the prior year.

Initially, our Superior, Bluffton and Obion ethanol plants sold our ethanol production exclusively to outside marketers at a price per gallon based on a market price at the time of sale, less certain marketing, storage, and transportation costs, as well as a profit margin for each gallon sold. We stopped selling our ethanol production to outside marketers during the first quarter of 2009. Following completion of the VBV merger and prior to the termination of the agreements, nearly all of our ethanol that was sold to one of the outside marketers was repurchased by Green Plains Trade, reflected in the marketing and distribution segment, and resold to other customers. Corresponding revenues and related costs of goods sold were eliminated in consolidation.

Operating income for the marketing and distribution segment increased $4.8 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase in operating income was due to greater volume of marketing and distribution as compared to the prior year.

Intersegment Eliminations

Intersegment eliminations of revenues increased $431.8 million in 2010 due to a $363.7 million increase in ethanol sold from our ethanol production segment to our marketing and distribution segment and a $19.3 million increase in distillers grains sold from our ethanol production segment to our marketing and distribution segment. These increases are a result of the expanded scope of our operations in 2010.

Corporate Activities

Operating income was impacted by an increase in expenses for corporate activities of $4.3 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009, primarily due to an increase in compensation, which was largely attributable to an increase in short-term incentive compensation based on the achievement of certain performance goals during 2010 and an increase in number of corporate employees resulting from expanded operations. Income before taxes related to corporate activities was affected by an increase in interest expense of $0.9 million and an increase in amortization of debt issuance costs of $0.1 million, related to $90 million of convertible debt issued early in November 2010.

Liquidity and Capital Resources

On December 31, 2011, we had $175.0 million in cash and equivalents, excluding restricted cash, comprised of $71.5 million held at the parent entity and the remainder at our subsidiaries. We had an additional $221.6 million available under our revolving credit agreements at our subsidiaries, some of which was subject to borrowing base restrictions or other specified lending conditions at December 31, 2011. Funds held at our subsidiaries are generally required for their ongoing operational needs and distributions from our subsidiaries are restricted per the loan agreements. Additionally, at December 31, 2011, there were approximately $528.6 million of net assets at our subsidiaries that were not available to be transferred to the parent company in the form of dividends, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

We incurred capital expenditures of $42.5 million in the year ended December 31, 2011 primarily for the installation of corn oil extraction facilities and expansions of grain storage capacity. Capital spending for 2012 is expected to be approximately $31.3 million, including the construction of a new ethanol unit train terminal in Birmingham, Alabama within

our marketing and distribution segment, expected to be completed in the third quarter of 2012. The remainder of our capital spending primarily relates to other recurring capital expenditures in the ordinary course of business. We believe available borrowings under our credit facilities and cash provided by operating activities will be sufficient to support our working capital, capital expenditures and debt service requirements for the foreseeable future.

In March 2010, we sold approximately 6.3 million newly-issued shares of our common stock at a price of $13.50 per share. The net proceeds of this equity offering totaled approximately $79.7 million. We used the net proceeds of this offering for general corporate purposes and to acquire or invest in additional facilities.

In November 2010, we issued $90.0 million in 5.75% convertible senior notes due November 2015. The notes bear interest at a fixed rate of 5.75% per year, payable on May 1 and November 1 of each year, beginning May 1, 2011. The net proceeds of this issuance totaled approximately $86.6 million. We used the net proceeds for general corporate purposes and to acquire or invest in additional facilities.

On August 15, 2011, we entered into two short-term inventory financing arrangements with a financial institution. Under the terms of the financing agreements, we sold grain for $10.0 million, issued warehouse receipts to the financial institution and simultaneously entered into agreements to repurchase the grain in future periods. The agreements mature in January and February of 2012. We accounted for the agreements as short-term notes rather than sales, and recorded our repurchase obligation at fair value at the end of each period. At December 31, 2011, the grain inventory and short-term notes payable were valued at $8.9 million.

On September 9, 2011, we repurchased 3.5 million shares of common stock at a price of $8.00 per share from a subsidiary of NTR plc, which is a principal shareholder. We do not have a share repurchase program and do not intend to retire the repurchased shares.

Net cash provided by operating activities was $108.9 million for the year ended December 31, 2011 compared to $34.8 million in 2010. Cash provided by operating activities for the year ended December 31, 2011 was affected by an increase in accounts payable and a decrease in derivative financial instruments offset partially by increases in accounts receivable and inventory. Net cash used by investing activities was $54.5 million for the year ended December 31, 2011, primarily due to the acquisition of our Otter Tail ethanol plant, the construction of additional grain storage and the installation of corn oil extraction equipment. Net cash used by financing activities was $112.6 million for the year ended December 31, 2011 due to the repayment of debt, net of proceeds from new issuances, of $68.8 million and $28.2 million in cash outflows for the repurchase of treasury stock. We made scheduled principal payments and $13.1 million in free cash flow payments for a total of $206.9 million in debt reduction on our term debt facilities and long-term revolving credit facilities, offset by advances of $138.1 million from long-term revolving credit facilities, during the year ended December 31, 2011. Green Plains Trade and Green Plains Grain utilize short-term revolving credit facilities to finance working capital requirements. These facilities are frequently drawn upon and repaid resulting in significant cash movements that are reflected on a gross basis within financing activities as proceeds from and payments on short-term notes payable and other borrowings.

Our business is highly impacted by commodity prices, including prices for corn, ethanol, distillers grains and natural gas. We 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 significant liquidity with little advanced notice to meet margin calls. We continuously monitor our exposure to margin calls and believe that we will continue to maintain adequate liquidity to cover such margin calls from operating results and borrowings. Increases in grain prices and our expanded grain handling capacity have led to more frequent and larger margin calls.

We are in compliance with our debt covenants related to the period ended December 31, 2011. Based upon our current forecasts, we believe we will maintain compliance at each of our subsidiaries for the upcoming twelve months, or if necessary have sufficient liquidity available on a consolidated basis to resolve a subsidiary s noncompliance; however, no obligation exists to provide such liquidity for a subsidiary s compliance. No assurance can be provided that actual operating results will approximate our forecasts or that we will inject the necessary capital into a subsidiary to maintain compliance with its respective covenants. In the event actual results differ significantly from our forecasts and a subsidiary is unable to comply with its respective debt covenants, the subsidiary s lenders may determine that an event of default has occurred. Upon the occurrence of an event of default, and following notice, the lenders may terminate any commitment and declare the entire unpaid balance due and payable.

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We believe that we have sufficient working capital for our existing operations. However, we can provide no assurance that we will be able to secure additional funding for any of our operations. A sustained period of unprofitable operations may strain our liquidity and make it difficult to maintain compliance with our financing arrangements. While we may seek additional sources of working capital in response, we can provide no assurance that we will be able to secure this funding if necessary. We may sell additional equity or borrow additional amounts to improve or preserve our liquidity; expand our ethanol plants; build additional or acquire existing ethanol plants; or build additional or acquire existing agribusiness and ethanol distribution facilities. We can provide no assurance that we will be able to secure the funding necessary for these additional projects or for additional working capital needs at reasonable terms, if at all.

Debt

For additional information related to our debt, see *Note 10 Debt* included herein as part of the Notes to Consolidated Financial Statements.

Ethanol Production Segment

Each of our ethanol production segment subsidiaries have credit facilities with lender groups that provide for term and revolving term loans to finance construction and operation of the production facilities.

The Green Plains Bluffton loan is comprised of a $70.0 million amortizing term loan and a $20.0 million revolving term loan. At December 31, 2011, $48.0 million related to the term loan was outstanding, along with the entire revolving term loan. The term loan requires monthly principal payments of approximately $0.6 million. The loans mature on November 19, 2013.

The Green Plains Central City loan is comprised of a $55.0 million amortizing term loan and a $30.5 million revolving term loan as well as a revolving credit supplement of up to $11.0 million. At December 31, 2011, $46.6 million related to the term loan was outstanding, along with $24.7 million on the revolving term loan. The term loan requires monthly payments of $0.6 million. The term loan and the revolving term loan mature on July 1, 2016 and the revolver matures on June 29, 2012 with an option to renew.

The Green Plains Holdings II loan is comprised of a $34.1 million amortizing term loan, a $42.6 million revolving term loan and a $15.0 million revolving line of credit loan. At December 31, 2011, $27.9 million was outstanding on the term loan, along with $35.7 million on the revolving term loan and $15.0 million on the revolving line of credit loan. The term loan requires quarterly principal payments of $1.5 million. The revolving term loan requires semi-annual principal payments of approximately $2.7 million. The amortizing term loan will mature on January 1, 2015. The revolving term loan will mature on April 1, 2016. The revolving line of credit will mature on April 30, 2013.

On February 9, 2012, Green Plains Holdings II entered into an amended and restated credit agreement comprised of a $26.4 million amortizing term loan and a $51.1 million revolving term loan. The final maturity dates of the amortizing term loan and revolving term loan are July 1, 2016 and October 1, 2018, respectively.

The Green Plains Obion loan is comprised of a $60.0 million amortizing term loan and a revolving term loan of $37.4 million. At December 31, 2011, $25.7 million related to the term loan and $36.2 million on the revolving term loan was outstanding. The term loan requires quarterly principal payments of $2.4 million. The term loan matures on August 20, 2014 and the revolving term loan matures on September 1, 2018.

The Green Plains Ord loan is comprised of a $25.0 million amortizing term loan and a $13.0 million revolving term loan as well as a statused revolving credit supplement of up to $5.0 million. At December 31, 2011, $21.3 million related to the term loan was outstanding, $12.2 million on the revolving term loan, along with $3.3 million on the revolver. The term loan requires monthly payments of $0.3 million. The term loan and the revolving term loan mature on July 1, 2016 and the revolver matures on June 29, 2012 with an option to renew.

The Green Plains Otter Tail loan is comprised of a $30.3 million amortizing term loan, a $4.7 million revolver and a $19.2 million note payable. At December 31, 2011, $27.4 million related to the term loan, $4.7 million on the revolver and $18.9 million on the note payable were outstanding. The term loan requires monthly principal and interest payments of $0.5 million and the note payable requires monthly principal payments of $0.3 million beginning October 1, 2014. The term loan matures on September 1, 2018 and the revolver matures on March 23, 2012. We are currently in negotiations and expect to renew this revolver on or before its maturity date.

The Green Plains Shenandoah loan is comprised of a $30.0 million amortizing term loan and a $17.0 million revolving term loan. At December 31, 2011, $6.1 million related to the term loan was outstanding along with the entire $17.0 million on the revolving term loan. The term loan requires quarterly principal payments of $1.2 million. The term loan matures on May 20, 2013 and the revolving term loan matures on November 1, 2016.

The Green Plains Superior loan is comprised of a $23.5 million amortizing term loan and a $10.0 million revolving term loan. At December 31, 2011, $20.8 million related to the term loan was outstanding, along with the entire $10.0 million on the revolving term loan. The term loan requires quarterly principal payments of $1.375 million. The term loan matures on July 20, 2015 and the revolving term loan matures on July 1, 2017.

Each term loan, except for the Green Plains Holdings II and Green Plains Otter Tail agreements, has a provision that requires us to make annual special payments equal to a percentage ranging from 65% to 75% of the available free cash flow from the related entity s operations (as defined in the respective loan agreements), subject to certain limitations. During the year ended December 31, 2011, $13.1 million was paid under these requirements.

With certain exceptions, the revolving term loans within this segment are generally available for advances throughout the life of the commitment. Interest-only payments are due each month on all revolving term facilities until the final maturity date, with the exception of the Green Plains Obion loan, which requires additional semi-annual payments of $4.675 million beginning March 1, 2015.

The term loans and revolving term loans bear interest at LIBOR plus 3.00% to 4.50% or lender-established prime rates. Some have established a floor on the underlying LIBOR index. In some cases, the lender may allow us to elect to pay interest at a fixed interest rate to be determined. As security for the loans, the lenders received a first-position lien on all personal property and real estate owned by the respective entity borrowing the funds, including an assignment of all contracts and rights pertinent to construction and on-going operations of the plant. Additionally, debt facilities of Green Plains Central City and Green Plains Ord are cross-collateralized. These borrowing entities are also required to maintain certain combined financial and non-financial covenants during the terms of the loans.

Green Plains Bluffton also received $22.0 million in Subordinate Solid Waste Disposal Facility Revenue Bond funds from the city of Bluffton, Indiana, of which $19.1 million remained outstanding at December 31, 2011. The revenue bond requires: semi-annual principal and interest payments of approximately $1.5 million through March 1, 2019; and a final principal and interest payment of $3.745 million on September 1, 2019. The revenue bond bears interest at 7.50% per annum.

Agribusiness Segment

The Green Plains Grain loans, executed on October 28, 2011, are comprised of a $30.0 million amortizing term loan and a $195.0 million revolving credit facility with various lenders to provide the agribusiness segment with additional term and working capital funding. The term loan and revolving credit facility mature on November 1, 2021 and October 28, 2013, respectively. Equal payments of principal sufficient to amortize the term loan in full over a 15-year period, plus interest, are due on the first day of every month with the remaining outstanding balance and all accrued interest due on the loan maturity date. The principal balance of each advance of the revolving credit facility shall be due and payable on the respective maturity date but no later than October 28, 2013. The term loan bears interest at a fixed rate of 6.00% per annum. Advances of the revolving credit facility are subject to interest charges at a rate per annum equal to the LIBOR rate for the outstanding period, or the base rate, plus the respective applicable margin. At December 31, 2011, $27.8 million on the term loan and $27.0 million on the various revolving loans were outstanding. As security for the amortizing term loan the lender received a first priority lien on certain real estate and other property owned by the subsidiaries within the agribusiness segment. As security for the revolving credit facility, the lender received a first priority lien on certain cash, inventory, machinery, accounts receivable and other assets owned by subsidiaries of the agribusiness segment.

On August 15, 2011, we entered into two short-term inventory financing arrangements with a financial institution. Under the terms of the financing agreements, we sold quantities of grain totaling $10.0 million, issued warehouse receipts to the financial institution and simultaneously entered into agreements to repurchase the grain in future periods. The agreements mature in January and February of 2012. We have accounted for the agreements as short-term notes, rather than sales, and have recorded our repurchase obligation at fair value at the end of each period. At December 31, 2011, grain inventory and the short-term notes payable were valued at $8.9 million.

Marketing and Distribution Segment

The Green Plains Trade loan is comprised of a senior secured revolving credit facility of up to $70.0 million, subject to a borrowing base of 85% of eligible receivables. At December 31, 2011, $33.7 million was outstanding on the revolving credit facility. The revolving credit facility expires on March 31, 2014 and bears interest at the lender s commercial floating rate plus 2.5% or LIBOR plus 3.5%. As security for the loan, the lender received a first-position lien on accounts receivable, inventory and other collateral owned by Green Plains Trade.

Corporate Activities

We also have $90.0 million of 5.75% Convertible Senior Notes due 2015. The Notes represent senior, unsecured obligations, with interest payable on May 1 and November 1 of each year. The Notes may be converted into shares of common stock and cash in lieu of fractional shares of the common stock based on a conversion rate initially equal to 69.7788 shares of the common stock per $1,000 principal amount of Notes, which is equal to an initial conversion price of $14.33 per share. The conversion rate is subject to adjustment upon the occurrence of specified events. We may redeem for cash all, but not less than all, of the Notes at any time on and after November 1, 2013, if the last reported sale price of our common stock equals or exceeds 140% of the applicable conversion price for a specified time period, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest. Default with respect to any loan in excess of $10.0 million constitutes an event of default under the convertible senior notes, which could result in the convertible senior notes being declared due and payable.

Contractual Obligations

Our contractual obligations as of December 31, 2011 were as follows (in thousands):

		Payments Due By Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term and short-term debt obligations (1)	$ 637,058	$ 143,359	$ 165,875	$ 203,706	$ 124,118
Interest and fees on debt obligations (2)	104,795	29,609	42,662	23,668	8,856
Operating lease obligations (3)	52,686	16,566	22,252	11,010	2,858
Deferred tax liabilities	55,875				55,875
Purchase obligations					
Forward grain purchase contracts (4)	237,594	235,747	1,847		
Other commodity purchase contracts (5)	22,519	22,519			
Other	3,698	3,315	383		
Total contractual obligations	$ 1,114,225	$ 451,115	$ 233,019	$ 238,384	$ 191,707

(1) Includes the current portion of long-term debt and excludes the discount on long-term debt of $292 thousand.
(2) Interest amounts are calculated over the terms of the loans using current interest rates, assuming scheduled principle and interest amounts are paid pursuant to the debt agreements. Includes administrative and/or commitment fees on debt obligations.
(3) Operating lease costs are primarily for railcars and office space.
(4) Purchase contracts represent index-priced and fixed-price contracts. Index purchase contracts are valued at current quarter-end prices.
(5) Includes fixed-price ethanol, dried distillers grains and natural gas purchase contracts.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk.

We are exposed to various market risks, including changes in commodity prices and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. In the ordinary course of business, we enter into various types of transactions involving financial instruments to manage and reduce the impact of changes in commodity prices and interest rates. At this time, we do not expect to have exposure to foreign currency risk as we expect to conduct all of our business in U.S. dollars.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from holding term and revolving loans that bear variable interest rates. Specifically, we have $636.8 million outstanding in debt as of December 31, 2011, $400.0 million of which is variable-rate in nature. Interest rates on our variable-rate debt are determined based upon the market interest rate of either the lender s prime rate or LIBOR, as applicable. A 10% change in interest rates would affect our interest cost on such debt by approximately $1.7 million per year in the aggregate. Other details of our outstanding debt are discussed in the notes to the consolidated financial statements included as a part of this report.

Commodity Price Risk

We produce ethanol, distillers grains and corn oil from corn and our business is sensitive to changes in the prices of each of these commodities. The price of corn is subject to fluctuations due to unpredictable factors such as weather; corn planted and harvested acreage; changes in national and global supply and demand; and government programs and policies. We use natural gas in the ethanol production process and, as a result, our business is also sensitive to changes in the price of natural gas. The price of natural gas is influenced by such weather factors as extreme heat or cold in the summer and winter, or other natural events like hurricanes in the spring, summer and fall. Other natural gas price factors include North American exploration and production, and the amount of natural gas in underground storage during both the injection and withdrawal seasons. Ethanol prices are sensitive to world crude-oil supply and demand; crude-oil refining capacity and utilization; government regulation; and consumer demand for alternative fuels. Distillers grains prices are sensitive to various demand factors such as numbers of livestock on feed, prices for feed alternatives, and supply factors, primarily production by ethanol plants and other sources.

We attempt to reduce the market risk associated with fluctuations in the price of corn, natural gas, ethanol, distillers grains and corn oil by employing a variety of risk management and economic hedging strategies. Strategies include the use of forward fixed-price physical contracts and derivative financial instruments, such as futures and options executed on the Chicago Board of Trade and the New York Mercantile Exchange.

We focus on locking in operating margins based on a model that continually monitors market prices of corn, natural gas and other input costs against prices for ethanol and distillers grains at each of our production facilities. We create offsetting positions by using a combination of forward fixed-price physical purchases and sales contracts and derivative financial instruments. As a result of this approach, we frequently have gains on derivative financial instruments that are conversely offset by losses on forward fixed-price physical contracts or inventories and vice versa. In our ethanol production segment, gains and losses on derivative financial instruments are recognized each period in operating results while corresponding gains and losses on physical contracts are generally designated as normal purchases or normal sales contracts and are not recognized until quantities are delivered or utilized in production. For cash flow hedges, any ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until gains and losses from the underlying hedged transaction are realized. In the event that it becomes probable that a forecasted transaction will not occur, we would discontinue cash flow hedge treatment, which would affect earnings. During the year ended December 31, 2011, revenues and cost of goods sold included net losses from derivative financial instruments of $45.3 million and $39.5 million respectively. To the extent the net gains or losses from settled derivative instruments are related to hedging current period production, they are generally offset by physical commodity purchases or sales resulting in the realization of the intended operating margins. However, our results of operations are impacted when there is a mismatch of gains or losses associated with the change in fair value of derivative instruments at the reporting period when the physical commodity purchase or sales has not yet occurred since they are designated as a normal purchase or normal sale.

In our agribusiness segment, inventory positions, physical purchase and sale contracts, and financial derivatives are marked to market with gains and losses included in results of operations. The market value of derivative financial instruments such as exchange-traded futures and options has a high, but not perfect, correlation to the underlying market value of grain inventories and related purchase and sale contracts.

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Ethanol Production Segment

A sensitivity analysis has been prepared to estimate our ethanol production segment exposure to ethanol, corn, distillers grains and natural gas price risk. Market risk related to these factors is estimated as the potential change in net income resulting from hypothetical 10% changes in prices of our expected corn and natural gas requirements, and ethanol and distillers grains output for a one-year period from December 31, 2011. This analysis excludes the impact of risk management activities that result from our use of fixed-price purchase and sale contracts and derivatives. The results of this analysis, which may differ from actual results, are as follows (in thousands):

Commodity	Estimated Total Volume Requirements for the Next 12 Months	Unit of Measure	Net Income Effect of Approximate 10% Change in Price
Ethanol	740,000	Gallons	$ 102,154
Corn	265,000	Bushels	$ 102,445
Distillers grains	2,100	Tons (1)	$ 17,396
Natural gas	20,300	MMBTU (2)	$ 3,638

(1) Distillers grains quantities are stated on an equivalent dried ton basis.
(2) Millions of British Thermal Units

Corn Oil Production Segment

A sensitivity analysis has been prepared to estimate our corn oil production segment exposure to corn oil price risk. Market risk related to these factors is estimated as the potential change in net income resulting from hypothetical 10% changes in prices of our expected corn oil output for a one-year period from December 31, 2011. This analysis includes the impact of risk management activities that result from our use of fixed-price sale contracts. Market risk at December 31, 2011, based on the estimated net income effect resulting from a hypothetical 10% change in such prices, was approximately $0.4 million.

Agribusiness Segment

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, foreign and domestic government farm programs and policies, changes in global demand created by population changes and changes in standards of living, and global production of similar and competitive crops. To reduce price risk caused by market fluctuations in purchase and sale commitments for grain and grain held in inventory, we enter into exchange-traded futures and options contracts that function as economic hedges. The market value of exchange-traded futures and options used for economic hedging has a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value, known as basis, is much less volatile than the overall market value of exchange-traded futures and tends to follow historical patterns. We manage this less volatile risk by constantly monitoring our position relative to the price changes in the market. In addition, inventory values are affected by the month-to-month spread relationships in the regulated futures markets, as we carry inventories over time. These spread relationships are also less volatile than the overall market value and tend to follow historical patterns, but also represent a risk that cannot be directly offset. Our accounting policy for our futures and options, as well as the underlying inventory positions and purchase and sale contracts, is to mark them to the market and include gains and losses in the consolidated statement of operations in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate agribusiness segment exposure to market risk of our commodity position (exclusive of basis risk). Our daily net commodity position consists of inventories related to purchase and sale contracts and exchange-traded contracts. The fair value of our position, which is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices, is approximately $484 thousand at December 31, 2011. Market risk at that date, based on the estimated net income effect resulting from a hypothetical 10% change in such prices, was approximately $30 thousand.

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Item 8. Financial Statements and Supplementary Data.
The required consolidated financial statements and notes thereto are included in this report and are listed in Part IV, Item 15.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.
None.

Item 9A. Controls and Procedures.
Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. These disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure. Based upon that evaluation, our management, including the Chief Executive Officer and the Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

Under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, our management assessed the design and operating effectiveness of internal control over financial reporting as of December 31, 2011 based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2011. KMPG LLP, an independent registered accounting firm, has audited and issued a report on the Company s internal control over financial reporting as of December 31, 2011. That report is included herein.

Changes in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles. In the fourth quarter of 2011, we implemented a process and information system enhancement, principally related to contract and risk management activities, in our trade operations that are reported as a part of the marketing and distribution segment. The process and information system resulted in modification to internal controls over the purchases, sales, accounts payable, accounts receivable, cash receipts and inventory management related to distillers grains. There were no other material changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Green Plains Renewable Energy, Inc.:

We have audited Green Plains Renewable Energy, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 17, 2012 expressed an unqualified opinion on those consolidated financial statements and related financial statement schedule.

/s/ KPMG LLP

Omaha, NE

February 17, 2012

Item 9B. Other Information.
None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information included in the sections entitled Information about the Board of Directors and Corporate Governance, Proposal 1 Election of Directors, Executive Officers, and Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement for the 2012 Annual Meeting of Stockholders (the Proxy Statement) is incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to our Chief Executive Officer and all senior financial officers, including the Chief Financial Officer, principal accounting officer, other senior financial officers and persons performing similar functions. The full text of the Code of Ethics is published on our website at *www.gpreinc.com* in the Investors Corporate Governance section. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Ethics on our website within five business days following the adoption of such amendment or waiver.

Item 11. Executive Compensation.

Information included in the sections entitled Information about the Board of Directors and Corporate Governance, Director Compensation and Executive Compensation in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information included in the sections entitled Principal Shareholders, Equity Compensation Plans and Executive Compensation in the Proxy Statement is incorporated herein by reference. Information concerning our equity compensation plans is set forth in Item 5 of this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information included in the sections entitled Information about the Board of Directors and Corporate Governance and Certain Relationships and Related Party Transactions, if any, in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information included in the section entitled Independent Public Accountants in the Proxy Statement is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) Financial Statements. The following index lists consolidated financial statements and notes thereto filed as part of this annual report on Form 10-K.

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Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2011 and 2010	F-2
Consolidated Statements of Operations for the years-ended December 31, 2011, 2010 and 2009	F-3
Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss) for the years-ended December 31, 2011, 2010 and 2009	F-4
Consolidated Statements of Cash Flows for the years-ended December 31, 2011, 2010 and 2009	F-5
Notes to Consolidated Financial Statements	F-7

(2) Financial Statement Schedules. The following condensed financial information and notes thereto are filed as part of this annual report on Form 10-K.

	Page
Schedule I Condensed Financial Information of the Registrant	F-37

All other schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits. The following exhibit index lists exhibits incorporated herein by reference, filed as a part of this annual report on Form 10-K, or furnished as part of this annual report on Form 10-K.

Exhibit Index

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Merger among the Company, GPMS, Inc., Global Ethanol, LLC and Global Ethanol, Inc. dated September 28, 2010 (Incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K, dated October 22, 2010)
3.1(a)	Second Amended and Restated Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K filed October 15, 2008)
3.1(b)	Articles of Amendment to Second Amended and Restated Articles of Incorporation of Green Plains Renewable Energy, Inc. (Incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K, filed May 9, 2011)
3.2(a)	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.2 of the Company s Current Report on Form 8-K filed on October 15, 2008)
3.2(b)	First Amendment to the Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 99.2 of the Company s Current Report on Form 8-K filed on March 13, 2009)
4.1	Shareholders Agreement by and among Green Plains Renewable Energy, Inc., each of the investors listed on Schedule A, and each of the existing shareholders and affiliates identified on Schedule B, dated May 7, 2008 (Incorporated by reference to Appendix F of the Company s Registration Statement on Form S-4/A filed September 4, 2008)
4.2	Form of Senior Indenture (Incorporated by reference to Exhibit 4.5 of the Company s Registration Statement on Form S-3/A filed December 30, 2009)

4.3	Form of Subordinated Indenture (Incorporated by reference to Exhibit 4.6 of the Company s Registration Statement on Form S-3/A filed December 30, 2009)
4.4	Indenture relating to the 5.75% Convertible Senior Notes due 2015, dated as of November 3, 2010, between the Company and Wilmington Trust FSB, including the form of Global Note attached as Exhibit A thereto (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed November 3, 2010)

4.5	Form of Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed October 22, 2010)
*10.1	Amended and Restated Employment Agreement dated October 24, 2008, by and between the Company and Jerry L. Peters (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, dated October 28, 2008)
*10.2	2007 Equity Incentive Plan (Incorporated by reference to Appendix A of the Company s Definitive Proxy Statement filed March 27, 2007)
10.3	Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.53 of the Company s Registration Statement on Form S-4/A filed August 1, 2008)
*10.4(a)	Employment Agreement with Todd Becker (Incorporated by reference to Exhibit 10.54 of the Company s Registration Statement on Form S-4/A filed August 1, 2008)
*10.4(b)	Amendment No. 1 to Employment Agreement with Todd Becker, dated December 18, 2009. (Incorporated by reference to Exhibit 10.7(b) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.5(a)	Construction/Permanent Mortgage Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing dated as of February 27, 2007 by Green Plains Bluffton LLC (f/k/a Indiana Bio-Energy, LLC) in favor of AgStar Financial Services, PCA (Incorporated by reference to Exhibit 10.48 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
10.5(b)	Amended and Restated Master Loan Agreement, dated September 30, 2011, by and among Green Plains Bluffton LLC and AgStar Financial Services, PCA (Incorporated by reference to Exhibit 10.06 of the Company s Quarterly Report on Form 10-Q, filed November 1, 2011)
10.5(c)	First Amendment to Amended and Restated Master Loan Agreement, dated February 16, 2012, by and among Green Plains Bluffton LLC and AgStar Financial Services, PCA

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10.6(a)	Loan Agreement between City of Bluffton, Indiana and Green Plains Bluffton LLC (f/k/a Indian Bio-Energy, LLC) dates as of March 1, 2007 (Incorporated by reference to Exhibit 10.46 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
10.6(b)	Indenture of Trust dated as of March 1, 2007 by and between the City of Bluffton, Indiana, Indiana Bio-Energy, LLC (n/k/a Green Plains Bluffton LLC) and U.S. Bank National Association (Incorporated by reference to Exhibit 10.47 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
10.6(c)	Subordinate Construction/Permanent Mortgage, Security Agreement, Assignment of Leases and Rents, Financing Statement and Fixture Filing dated as of March 1, 2007 between Green Plains Bluffton LLC (f/k/a Indiana Bio-Energy, LLC) and U.S. Bank National Association (Incorporated by reference to Exhibit 10.49 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
*10.7	Non-Statutory Stock Option Agreement between Steve Bleyl and Green Plains Renewable Energy, Inc. dated October 15, 2008 (Incorporated by reference to Exhibit 10.50 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
*10.8	Non-Statutory Stock Option Agreement between Edgar Seward and Green Plains Renewable Energy, Inc. dated October 15, 2008 (Incorporated by reference to Exhibit 10.51 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
*10.9	Non-Statutory Stock Option Agreement between Michael Orgas and Green Plains Renewable Energy, Inc. dated November 1, 2008 (Incorporated by reference to Exhibit 10.52 of the Company s Annual Report on Form 10-KT, dated March 31, 2009)
*10.10	Employment Agreement by and between Green Plains Renewable Energy, Inc. and Michael C. Orgas dated November 1, 2008 (Incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q filed May 15, 2009)
*10.11	Employment Offer Letter to Edgar Seward dated October 15, 2008 (Incorporated by reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q filed May 15, 2009)
*10.12(a)	2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K dated May 11, 2009)
*10.12(b)	Form of Stock Option Award Agreement for 2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.19(b) of the Company s Annual Report on Form 10-K filed February 24, 2010)
*10.12(c)	Form of Restricted Stock Award Agreement for 2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.19(c) of the Company s Annual Report on Form 10-K/A (Amendment No. 1) filed February 25, 2010)
*10.12(d)	Form of Deferred Stock Unit Award Agreement for 2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.19(d) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.13(a)	Credit Agreement by and among Green Plains Ord LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent and the Banks named therein, dated July 2, 2009 (Incorporated by reference to Exhibit 10.5 of the Company s Quarterly Report on Form 10-Q filed August 10, 2009)
10.13(b)	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing by and among Green Plains Ord LLC, Ticor Title Insurance Company and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.22(b) of the Company s Annual Report on Form 10-K filed February 24, 2010)

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10.13(c)	Security Agreement by and among Green Plains Ord LLC, Green Plains Holdings LLC and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.22(c) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.13(d)	Affiliate Security Agreement between Green Plains Central City LLC and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.22(d) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.13(e)	Affiliate Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing between Green Plains Central City LLC, Ticor Title Insurance Company, and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.22(e) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.14(a)	Credit Agreement by and among Green Plains Central City LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent, and the Banks named therein, dated July 2, 2009 (Incorporated by reference to Exhibit 10.6 of the Company s Quarterly Report on Form 10-Q filed August 10, 2009)
10.14(b)	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing by and among Green Plains Central City LLC, Ticor Title Insurance Company, and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.23(b) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.14(c)	Security Agreement by and among Green Plains Central City LLC, Green Plains Holdings LLC and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.23(c) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.14(d)	Affiliate Security Agreement between Green Plains Ord LLC and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.23(d) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.14(e)	Affiliate Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing between Green Plains Ord LLC, Ticor Title Insurance Company, and AgStar Financial Services, PCA, dated July 2, 2009 (Incorporated by reference to Exhibit 10.23(e) of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.14(f)	First Amendment to Credit Agreement by and among Green Plains Central City LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent, and the Banks named therein, dated December 31, 2010 (Incorporated by reference to Exhibit 10.23(f) of the Company s Annual Report on Form 10-K filed March 4, 2011)
10.14(g)	Second Amendment dated June 30, 2011 to the Credit Agreement dated July 2, 2009 by and among Green Plains Central City LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent and the Banks named therein (Incorporated by reference to Exhibit 10.5 of the Company s Quarterly Report on Form 10-Q filed August 3, 2011)
10.14(h)	Third Amendment dated June 30, 2011 to the Credit Agreement dated July 2, 2009 by and among Green Plains Central City LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent and the Banks named therein (Incorporated by reference to Exhibit 10.6 of the Company s Quarterly Report on Form 10-Q filed August 3, 2011)
10.14(i)	First Amendment dated June 30, 2011 to Credit Agreement dated July 2, 2009 by and among Green Plains Ord LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent and the Banks named therein (Incorporated by reference to Exhibit 10.7 of the Company s Quarterly Report on Form 10-Q filed August 3, 2011)
10.14(j)	Second Amendment dated June 30, 2011 to Credit Agreement dated July 2, 2009 by and among Green Plains Ord LLC, Green Plains Holdings LLC, AgStar Financial Services, PCA as Administrative Agent and the Banks named therein (Incorporated by reference to Exhibit 10.8 of the Company s Quarterly Report on Form 10-Q filed August 3, 2011)
10.15(a)	Amended and Restated Revolving Credit and Security Agreement dated January 21, 2011 by and between PNC Bank, National Association (as Lender and Agent) and Green Plains Trade Group LLC (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed January 27, 2011)

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10.15(b)	Amended and Restated Revolving Credit Note dated January 21, 2011 by and among Green Plains Trade Group LLC, the Lenders and PNC Bank, National Association (as Lender and Agent) (Incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed January 27, 2011)
10.15(c)	Revolving Credit Note dated January 21, 2011 by and among Green Plains Trade Group LLC, the Lenders and PNC Bank, National Association (as Lender and Agent) (Incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed January 27, 2011)
10.15(d)	Revolving Credit Note dated January 21, 2011 by and among Green Plains Trade Group LLC, the Lenders and PNC Bank, National Association (as Lender and Agent) (Incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K filed January 27, 2011)
*10.16	Short-Term Incentive Plan (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed January 27, 2010)
*10.17	Director Compensation effective January 1, 2009 (Incorporated by reference to Exhibit 10.26 of the Company s Annual Report on Form 10-K filed February 24, 2010)
10.18	Asset Purchase Agreement dated as of April 19, 2010 by and among Green Plains Grain Company TN LLC, as the Buyer, and Union City Grain Company LLC, Dyer Gin Company, Inc. and Thomas W. Wade, Jr. Living Trust dated July 25, 2002, collectively as the Seller, and Wade Gin Company, LLC (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed April 22, 2010)
10.19	Asset Purchase Agreement dated as of April 19, 2010 by and among Green Plains Grain Company TN LLC, as the Buyer, and Farmers Grain of Trenton LLC, Farmers Grain Crop Insurance, LLC and Wilson Street Properties L.L.C., collectively as the Seller (Incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed April 22, 2010)
*10.20	Employment Agreement dated March 4, 2011 by and between the Company and Jeffrey S. Briggs (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, filed March 8, 2011)
*10.21	Employment Agreement dated March 4, 2011 by and between the Company and Carl S. (Steve) Bleyl (Incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K, filed March 8, 2011)
10.22	Master Loan Agreement dated June 13, 2011 by and among Green Plains Obion LLC and Farm Credit Services of Mid-America, FLCA (Incorporated by reference to Exhibit 10.12 of the Company s Quarterly Report on Form 10-Q, filed August 3, 2011)
10.23(a)	Master Loan Agreement dated June 20, 2011 by and among Green Plains Superior LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.9 of the Company s Quarterly Report on Form 10-Q, filed August 3, 2011)
10.23(b)	Term Loan Supplement dated June 20, 2011 by and among Green Plains Superior LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.10 of the Company s Quarterly Report on Form 10-Q, filed August 3, 2011)
10.23(c)	Revolving Term Loan Supplement dated June 20, 2011 by and among Green Plains Superior LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.11 of the Company s Quarterly Report on Form 10-Q, filed August 3, 2011)
10.24	Stock Repurchase Agreement between Greenstar North America Holdings Inc. and Green Plains Renewable Energy. Inc. (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, filed September 14, 2011)
10.25(a)	Master Loan Agreement, dated September 28, 2011, by and among Green Plains Shenandoah LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q, filed November 1, 2011)
10.25(b)	Revolving Term Loan Supplement, dated September 28, 2011, by and among Green Plains Shenandoah LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.4 of the Company s Quarterly Report on Form 10-Q, filed November 1, 2011)

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10.25(c)	Multiple Advance Term Loan Supplement, dated September 28, 2011, by and among Green Plains Shenandoah LLC and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.5 of the Company s Quarterly Report on Form 10-Q, filed November 1, 2011)
10.26(a)	Credit Agreement dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc., BNP Paribas Securities Corp. as Lead Arranger, Rabo Agrifinance, Inc. as Syndication Agent, ABN AMRO Capital USA LLC as Documentation Agent and BNP Paribas as Administrative Agent (Incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(b)	Security Agreement dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and BNP Paribas (Incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(c)	Promissory Note dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and Bank of Oklahoma (Incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(d)	Promissory Note dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and U.S. Bank National Association(Incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(e)	Promissory Note dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and Farm Credit Bank of Texas(Incorporated by reference to Exhibit 10.5 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(f)	Loan Agreement dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and Metropolitan Life Insurance Company (Incorporated by reference to Exhibit 10.6 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(g)	Secured Promissory Note dated October 28, 2011 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. and Metropolitan Life Insurance Company (Incorporated by reference to Exhibit 10.7 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(h)	Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents (Missouri) dated October 28, 2011 by Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. for the benefit of Metropolitan Life Insurance Company (Incorporated by reference to Exhibit 10.8 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(i)	Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents (Tennessee) dated October 28, 2011 by Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. for the benefit of Metropolitan Life Insurance Company (Incorporated by reference to Exhibit 10.9 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(j)	Mortgage, Security Agreement, Fixture Filing and Assignment of Leases and Rents (Iowa) dated October 28, 2011 by Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc. for the benefit of Metropolitan Life Insurance Company (Incorporated by reference to Exhibit 10.10 of the Company s Current Report on Form 8-K, filed November 3, 2011)
10.26(k)	First Amendment to Credit Agreement dated January 6, 2012 by and among Green Plains Grain Company LLC, Green Plains Grain Company TN LLC, Green Plains Essex Inc., BNP Paribas and the Required Lenders
10.27(a)	Amended and Restated Credit Agreement, dated February 9, 2012 by and among Green Plains Holdings II, various lenders and CoBank, ACB (as Administrative Agent, Syndication Agent and Lead Arranger)
10.27(b)	Amended and Restated Support and Subordination Agreement, dated February 9, 2012 by and among Green Plains Holdings II, as Borrower, Green Plains Renewable Energy, Inc., as Parent, and CoBank, ACB, as Administrative Agent

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10.27(c)	Security Agreement, dated February 9, 2012 by and among Green Plains Holdings II (the Grantor) and CoBank, ACB (the Secured Party)
10.27(d)	Second Amendment to Mortgage, dated February 9, 2012 by and among, Green Plains Holdings II and CoBank ACB
10.27(e)	Second Amendment to Amended and Restated Real Estate Mortgage, dated February 9, 2012 by and among Green Plains Holdings II and CoBank, ACB
21.1	Schedule of Subsidiaries
23.1	Consent of KPMG LLP
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following information from Green Plains Renewable Energy, Inc. s Annual Report on Form 10-K for the annual period ended December 31, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statement of Operations, (iii) the Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss) (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements and Financial Statement Schedules (tagged as blocks of text).

* Represents management compensatory contracts

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREEN PLAINS RENEWABLE ENERGY, INC.
(Registrant)

Date: February 17, 2012

By: */s/ Todd A. Becker*
Todd A. Becker
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Todd A. Becker Todd A. Becker	President and Chief Executive Officer (Principal Executive Officer) and Director	February 17, 2012
/s/ Jerry L. Peters Jerry L. Peters	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 17, 2012
/s/ Wayne B. Hoovestol Wayne B. Hoovestol	Chairman of the Board	February 17, 2012
/s/ Jim Anderson Jim Anderson	Director	February 17, 2012
/s/ Jim Barry Jim Barry	Director	February 17, 2012
/s/ James F. Crowley James F. Crowley	Director	February 17, 2012
/s/ Gordon F. Glade Gordon F. Glade	Director	February 17, 2012
/s/ Michael McNicholas Michael McNicholas	Director	February 17, 2012
/s/ Gary R. Parker Gary R. Parker	Director	February 17, 2012
/s/ Brian D. Peterson Brian D. Peterson	Director	February 17, 2012
/s/ Alain Treuer Alain Treuer	Director	February 17, 2012

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Green Plains Renewable Energy, Inc.:

We have audited the accompanying consolidated balance sheets of Green Plains Renewable Energy, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in the Index in Item 15. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and related financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2012, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

February 17, 2012

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 174,988	$ 233,205
Restricted cash	19,619	27,783
Accounts receivable, net of allowances of $263 and $121	106,198	89,170
Inventories	229,070	184,888
Prepaid expenses and other	8,610	7,222
Deferred income taxes	14,828	8,463
Deposits	5,679	11,091
Derivative financial instruments	17,428	44,864
Total current assets	576,420	606,686
Property and equipment, net	776,789	747,421
Goodwill	40,877	23,125
Other assets	26,742	20,547
Total assets	$ 1,420,828	$ 1,397,779
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 172,328	$ 151,112
Accrued and other liabilities	29,825	27,742
Unearned revenue	15,453	22,581
Short-term borrowings	69,599	89,183
Current maturities of long-term debt	73,760	51,885
Total current liabilities	360,965	342,503
Long-term debt	493,407	527,900
Deferred income taxes	55,970	25,079
Other liabilities	5,129	4,655
Total liabilities	915,471	900,137
Stockholders equity		
Common stock, $0.001 par value; 75,000,000 and 50,000,000 shares authorized; 36,413,611 and 35,793,501 shares issued and 32,913,611 and 35,793,501 shares outstanding, respectively	36	36
Additional paid-in capital	440,469	431,289
Retained earnings	95,761	57,343
Accumulated other comprehensive income (loss)	(2,953)	(420)
Treasury stock, 3,500,000 and 0 shares, respectively	(28,201)	
Total Green Plains stockholders equity	505,112	488,248
Noncontrolling interests	245	9,394

Total stockholders equity	505,357	497,642
Total liabilities and stockholders equity	$ 1,420,828	$ 1,397,779

See accompanying notes to the consolidated financial statements.

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,		
	2011	2010	2009
Revenues	$ 3,553,712	$ 2,133,922	$ 1,305,793
Cost of goods sold	3,381,480	1,981,396	1,221,745
Gross profit	172,232	152,526	84,048
Selling, general and administrative expenses	73,219	60,475	44,923
Operating income	99,013	92,051	39,125
Other income (expense)			
Interest income	310	313	225
Interest expense	(36,645)	(26,144)	(18,827)
Other, net	(779)	(169)	(278)
Total other expense	(37,114)	(26,000)	(18,880)
Income before income taxes	61,899	66,051	20,245
Income tax expense	23,686	17,889	91
Net income	38,213	48,162	20,154
Net (income) loss attributable to noncontrolling interests	205	(150)	(364)
Net income attributable to Green Plains	$ 38,418	$ 48,012	$ 19,790
Earnings per share:			
Income attributable to Green Plains stockholders - basic	$ 1.09	$ 1.55	$ 0.79
Income attributable to Green Plains stockholders - diluted	$ 1.01	$ 1.51	$ 0.79
Weighted average shares outstanding:			
Basic	35,276	31,032	24,895
Diluted	41,808	32,347	25,069

See accompanying notes to the consolidated financial statements.

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

AND COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Common Stock		Additional Paid-in	Retained	Accum. Other Comp. Income	Treasury Stock		Total Green Plains Stockholders	Non-controlling	Total Stockholders
	Shares	Amount	Capital	Earnings	(Loss)	Shares	Amount	Equity	Interest	Equity
Balance, December 31, 2008	24,659	$ 25	$ 290,421	$ (10,459)	$ (298)		$	$ 279,689	$ 296	$ 279,985
Net income				19,790				19,790	364	20,154
Unrealized gain on derivatives					175			175		175
Total comprehensive income								19,965	364	20,329
Stock-based compensation	65		1,208					1,208		1,208
Stock options exercised	263		176					176		176
Acquisition									8,584	8,584
Other	(30)		426					426		426
Balance, December 31, 2009	24,957	25	292,231	9,331	(123)			301,464	9,244	310,708
Net income				48,012				48,012	150	48,162
Unrealized loss on derivatives					(297)			(297)		(297)
Total comprehensive income								47,715	150	47,865
Stock-based compensation	102		2,124					2,124		2,124
Stock options exercised	23		200					200		200
Share issuance	6,325	6	79,726					79,732		79,732
Acquisition related issuance	4,386	5	56,964					56,969		56,969
Other			44					44		44
Balance, December 31, 2010	35,793	36	431,289	57,343	(420)			488,248	9,394	497,642
Net income				38,418				38,418	(205)	38,213
Unrealized loss on derivatives, net of tax effect of $1,700					(2,533)			(2,533)		(2,533)
Total comprehensive income								35,885	(205)	35,680

Repurchase of common stock						3,500	(28,201)	(28,201)		(28,201)
Purchase of noncontrolling interest in BlendStar, net of tax			5,572					5,572	(8,944)	(3,372)
Stock-based compensation	593		3,429					3,429		3,429
Stock options exercised	28		179					179		179
Balance, December 31, 2011	36,414	$ 36	$ 440,469	$ 95,761	$ (2,953)	3,500	$ (28,201)	$ 505,112	$ 245	$ 505,357

See accompanying notes to the consolidated financial statements.

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2011	2010	2009
Cash flows from operating activities:			
Net income	$ 38,213	$ 48,162	$ 20,154
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	50,076	37,355	28,635
Amortization of debt issuance costs	2,449	1,476	778
Loss on sale of property and equipment	106		
Deferred income taxes	22,710	16,520	
Stock-based compensation expense	3,429	2,124	1,208
Undistributed equity in loss of affiliates	779	169	
Allowance for doubtful accounts	142	79	55
Changes in operating assets and liabilities before effects of business combinations:			
Accounts receivable	(17,059)	(30,023)	13,493
Inventories	(38,837)	(83,497)	(35,724)
Deposits	5,412	2,073	(2,740)
Derivative financial instruments	26,429	(46,424)	424
Prepaid expenses and other assets	(1,354)	860	4,537
Accounts payable and accrued liabilities	23,408	74,642	18,830
Unearned revenues	(7,128)	13,046	5,130
Other	114	(1,746)	(1,353)
Net cash provided by operating activities	108,889	34,816	53,427
Cash flows from investing activities:			
Purchases of property and equipment	(42,483)	(20,030)	(13,788)
Acquisition of businesses, net of cash acquired	(8,115)	(41,871)	(3,101)
Other	(3,923)	(665)	(895)
Net cash used by investing activities	(54,521)	(62,566)	(17,784)
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt	138,088	128,982	30,661
Payments of principal on long-term debt	(206,866)	(75,058)	(37,730)
Proceeds from short-term borrowings	3,525,923	2,133,335	679,720
Payments on short-term borrowings	(3,543,798)	(2,076,537)	(667,334)
Proceeds from issuance of common stock		79,732	
Payments for repurchase of common stock	(28,201)		
Acquisition of noncontrolling interest	(3,125)		
Change in restricted cash	8,164	(15,229)	(12,323)
Payments of loan fees	(3,648)	(4,249)	(1,328)
Other	878	200	176
Net cash provided (used) by financing activities	(112,585)	171,176	(8,158)
Net change in cash and equivalents	(58,217)	143,426	27,485
Cash and cash equivalents, beginning of period	233,205	89,779	62,294

Cash and cash equivalents, end of period	$ 174,988	$ 233,205	$ 89,779

Continued on the following page

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Continued from the previous page

	Year Ended December 31,		
	2011	**2010**	**2009**
Supplemental disclosures of cash flow:			
Cash paid for income taxes	$ 971	$ 9	$ 167
Cash paid for interest	$ 35,217	$ 25,828	$ 13,930
Supplemental noncash investing and financing activities:			
Common stock issued for merger and acquisition activities	$	$ 56,969	$
Assets acquired in acquisitions and mergers	$ 62,686	$ 214,299	$ 141,001
Less: liabilities assumed	(54,571)	(115,459)	(129,316)
Net assets acquired	$ 8,115	$ 98,840	$ 11,685

See accompanying notes to the consolidated financial statements.

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

References to the Company

References to Green Plains or the Company in the consolidated financial statements and in these notes to the consolidated financial statements refer to Green Plains Renewable Energy, Inc., an Iowa corporation, and its subsidiaries.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and entities which it controls. All significant intercompany balances and transactions have been eliminated on a consolidated basis for reporting purposes. Unconsolidated entities are included in the financial statements on an equity basis.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported within the consolidated financial statements have been reclassified to conform to the current year presentation. The Company previously reported margin deposits required for exchange-traded activity as deposits on the consolidated balance sheets. The liabilities associated with this exchange-traded activity were previously reported as a derivative financial instrument liability. Since this activity has a right of offset, the Company reclassified cash deposits of approximately $43.4 million at December 31, 2010, and derivative liabilities of approximately $32.1 million at December 31, 2010, to derivative financial instruments in current assets.

Description of Business

The Company operates its business within four segments: (1) production of ethanol and distillers grains, collectively referred to as ethanol production, (2) corn oil production, (3) grain warehousing and marketing, as well as sales and related services of agronomy and petroleum products, collectively referred to as agribusiness, and (4) marketing and distribution of Company-produced and third-party ethanol, distillers grains and corn oil, collectively referred to as marketing and distribution. Additionally, the Company is a partner in a joint venture that was formed to commercialize advanced photo-bioreactor technologies for the growing and harvesting of algal biomass.

Ethanol Production Segment

Green Plains is North America s fourth largest ethanol producer. The Company operates its nine ethanol plants, which have the capacity to produce approximately 740 million gallons per year, or mmgy, of ethanol, through separate wholly-owned operating subsidiaries. The Company s ethanol plants also produce co-products such as wet, modified wet or dried distillers grains, as well as corn oil which is included in a separate segment. The Company s plants use a dry mill process to produce ethanol and co-products. At capacity, the Company s plants consume approximately 265 million bushels of corn and produce approximately 2.1 million tons of distillers grains annually.

Corn Oil Production Segment

The Company produces corn oil at all nine of its ethanol plants within the corn oil production segment, which have the capacity to produce approximately 130 million pounds annually. The Company operates its corn oil extraction systems through its wholly-owned subsidiary, Green Plains Commodities LLC. The corn oil systems are designed to extract non-edible corn oil from the whole silage 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.

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Marketing and Distribution Segment

The Company has an in-house marketing business, Green Plains Trade Group LLC, that is responsible for the sales, marketing and distribution of all ethanol, distillers grains and corn oil produced at the Company s nine ethanol plants. This marketing business also markets and distributes ethanol for third-party ethanol producers. At capacity, the Company would market approximately 740 mmgy of ethanol from its nine ethanol plants along with approximately 260 mmgy from third-party producers. Additionally, through its wholly-owned subsidiary, BlendStar LLC, the Company operates nine blending or terminaling facilities with approximately 625 mmgy of total throughput capacity in seven south central U.S. states.

Agribusiness Segment

The Company owns and operates grain handling and storage assets and provides complementary agronomy services to local grain producers through its agribusiness segment, primarily through its wholly-owned subsidiary, Green Plains Grain Company LLC, which has three primary operating lines of business: bulk grain, agronomy and petroleum. In addition to storage capacity at the Company s ethanol plants, Green Plains Grain has 15 grain elevators with approximately 39.1 million bushels of total storage capacity, which supplies a portion of the feedstock for the Company s ethanol plants; sells fertilizer and other agricultural inputs and provides application services to area producers through its agronomy business; and sells petroleum products including diesel, soydiesel, blended gasoline and propane, primarily to agricultural producers and consumers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents and Restricted Cash

The Company considers short-term highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents as of December 31, 2011 and 2010 included bank deposits. The Company also has restricted cash which is comprised of cash restricted as to use for payment towards a revenue bond and cash restricted as to use for payment towards a revolving credit agreement.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed and determinable; and collectability is reasonably assured.

For sales of ethanol and distillers grains by the Company s marketing business, revenue is recognized when title to the product and risk of loss transfer to an external customer. Revenues related to marketing operations for third parties are recorded on a gross basis in the consolidated financial statements as Green Plains Trade takes title to the product and assumes risk of loss. Unearned revenue is reflected on the consolidated balance sheets for goods in transit for which the Company has received payment and title has not been transferred to the customer. Revenues from BlendStar s biofuel terminal operations, which include ethanol transload and splash blending services, are recognized as these services are rendered.

The Company routinely enters into fixed-price, physical-delivery ethanol sales agreements. In certain instances, the Company intends to settle the transaction by open market purchases of ethanol rather than by delivery from its own production. These transactions are reported net as a component of revenues. Revenues also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges, and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income (loss).

Sales of agricultural commodities, fertilizers and other similar products are recognized when title to the product and risk of loss transfer to the customer, which is dependent on the agreed upon sales terms with the customer. These sales terms provide for passage of title either at the time shipment is made or at the time the commodity has been delivered to its destination and final weights, grades and settlement prices have been agreed upon with the customer. Shipping and handling costs are presented gross in the statements of operations with amounts billed included in revenues and also as a component of cost of goods sold. Revenues from grain storage are recognized as services are rendered. Revenues related to grain merchandising are presented gross.

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Cost of Goods Sold

Cost of goods sold includes costs for direct labor, materials and certain plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in the operation of the Company s ethanol plants. Grain purchasing and receiving costs, other than labor costs for grain buyers and scale operators, are also included in cost of goods sold. Direct materials consist of the costs of corn feedstock, denaturant, and process chemicals. Corn feedstock costs include unrealized gains and losses on related derivative financial instruments not designated as cash flow hedges, inbound freight charges, inspection costs and transfer costs. Corn feedstock costs also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges, and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income (loss). Plant overhead costs primarily consist of plant utilities, plant depreciation and outbound freight charges. Shipping costs incurred directly by the Company, including railcar lease costs, are also reflected in cost of goods sold.

The Company uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on its agribusiness segment s grain inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices. Commodity inventories, forward purchase contracts and forward sale contracts in the agribusiness segment are valued at market prices, where available, or other market quotes adjusted for differences, primarily transportation, between the exchange-traded market and the local markets on which the terms of the contracts are based. Changes in the market value of grain inventories, forward purchase and sale contracts, and exchange-traded futures and options contracts in the agribusiness segment, are recognized in earnings as a component of cost of goods sold. These contracts are predominantly settled in cash. The Company is exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sales contracts.

Derivative Financial Instruments

To minimize the risk and the effects of the volatility of commodity price changes primarily related to corn, ethanol and natural gas, the Company uses various derivative financial instruments, including exchange-traded futures, and exchange-traded and over-the-counter options contracts. The Company monitors and manages this exposure as part of its overall risk management policy. As such, the Company seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Company may take hedging positions in these commodities as one way to mitigate risk. While the Company attempts to link its hedging activities to purchase and sales activities, there are situations where these hedging activities can themselves result in losses.

By using derivatives to hedge exposures to changes in commodity prices, the Company has exposures on these derivatives to credit and market risk. The Company is exposed to credit risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. The Company minimizes its credit risk by entering into transactions with high quality counterparties, limiting the amount of financial exposure it has with each counterparty and monitoring the financial condition of its counterparties. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices or interest rates. The Company manages market risk by incorporating monitoring parameters within its risk management strategy that limit the types of derivative instruments and derivative strategies the Company uses, and the degree of market risk that may be undertaken by the use of derivative instruments.

The Company evaluates its contracts that involve physical delivery to determine whether they may qualify for the normal purchases or normal sales exemption and are expected to be used or sold over a reasonable period in the normal course of business. Any contracts that do not meet the normal purchase or sales criteria are recorded at fair value with the change in fair value recorded in operating income unless the contracts qualify for, and the Company elects, hedge accounting treatment.

Certain qualifying derivatives within the ethanol production segment are designated as cash flow hedges. Prior to entering into cash flow hedges the Company evaluates the derivative instrument to ascertain its effectiveness. For cash flow hedges, any ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until gains and losses from the underlying hedged transaction are realized. In the event that it becomes probable that a forecasted transaction will not occur, the Company would discontinue cash flow hedge treatment, which would affect earnings. These derivative financial instruments are recognized in current assets or other current liabilities at fair value.

Concentrations of Credit Risk

In the normal course of business, the Company is exposed to credit risk resulting from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Company transacts sales of

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ethanol and distillers grains and is marketing products for third parties, which may result in concentrations of credit risk from a variety of customers, including major integrated oil companies, large independent refiners, petroleum wholesalers, other marketers and jobbers. The Company is also exposed to credit risk resulting from sales of grain to large commercial buyers, including other ethanol plants, which it continually monitors. Although payments are typically received within fifteen days of sale for ethanol and distillers grains, the Company continually monitors this credit risk exposure. In addition, the Company 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.

Inventories

Corn to be used in ethanol production, ethanol and distillers grains inventories are stated at the lower of average cost or market.

Other grain inventories include readily-marketable physical quantities of grain, forward contracts to buy and sell grain, and exchange traded futures and option contracts (all stated at market value). The futures and options contracts, which are used to hedge the value of both owned grain and forward contracts, are considered derivatives. All agribusiness segment grain inventories are marked to the market price with changes reflected in cost of goods sold. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards.

Fertilizer inventories are valued at the lower of cost (weighted average) or market.

Finished goods inventory consists of denatured ethanol and its related co-products and is valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of these assets is generally computed using the straight-line method over the following estimated useful lives of the assets:

	Years
Plant, buildings and improvements	10-40
Ethanol production equipment	15-40
Other machinery and equipment	5-7
Land improvements	20
Railroad track and equipment	20
Computer and software	3-5
Office furniture and equipment	5-7

Property and equipment is capitalized at cost. Land improvements are capitalized and depreciated. Expenditures for property betterments and renewals are capitalized. Costs of repairs and maintenance are charged to expense as incurred.

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its fixed assets.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, currently consisting of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Significant management judgment is required in determining the fair value of long-lived assets to measure impairment, including projections of future discounted cash flows. No impairment charges were recorded for the periods reported.

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Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company has recorded goodwill for business combinations to the extent the purchase price exceeded the fair value of the net identifiable tangible and intangible assets of each acquired company. The Company s goodwill currently is comprised of amounts relating to its acquisitions of Green Plains Ord, Green Plains Central City, Green Plains Holdings II (Global), Green Plains Otter Tail and BlendStar.

Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test. Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, no further analysis is necessary.

The Company performs its annual impairment review of goodwill at October 1, and when a triggering event occurs between annual impairment tests. No impairment losses were recorded for the periods reported.

Financing Costs

Fees and costs related to securing debt financing are recorded as financing costs. Debt issuance costs are stated at cost and are amortized utilizing the effective interest method for term loans and on a straight-line basis for revolving credit arrangements over the life of the agreements. However, during periods of construction, amortization of such costs is capitalized in construction-in-progress.

Noncontrolling Interests

Noncontrolling interests represent the minority partners shares of the equity and income of a majority-owned and consolidated subsidiary of Green Plains Grain at December 31, 2011; and in prior periods also included the minority partners share of the equity and income of BlendStar. The Company acquired all remaining noncontrolling interests in BlendStar in 2011. Noncontrolling interests are classified on the consolidated statements of operations as a part of net income and the accumulated amount of noncontrolling interests are classified on the consolidated balance sheets as a part of stockholders equity.

Selling, General and Administrative Expenses

Selling, general and administrative expenses are primarily general and administrative expenses for employee salaries, incentives and benefits; office expenses; director compensation; and professional fees for accounting, legal, consulting, and investor relations activities; as well as non-plant depreciation and amortization costs.

Environmental Expenditures

Environmental expenditures that pertain to current operations and relate to future revenue are expensed or capitalized consistent with its capitalization policy. Probable liabilities incurred that are reasonably estimable are also expensed or capitalized according to this policy and if material, would be disclosed in the Company s quarterly and annual filings. Expenditures that result from the remediation of an existing condition caused by past operations and that do not contribute to future revenue are expensed as incurred.

Stock-Based Compensation

The Company recognizes compensation cost using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial reporting carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operating results in the period of enactment. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes uncertainties in income taxes within the financial statements based on FASB Accounting Standards Codification (ASC) 740. The standard prescribes a process by which the likelihood of a tax position is gauged based upon the technical merits of the position, and then a subsequent measurement relates the maximum benefit and the degree of likelihood to determine the amount of benefit recognized in the financial statements. The Company excludes interest and penalties on tax uncertainties from the computation of income tax expense. These costs are treated as pre-tax expenses.

Business Combinations

The Company accounts for business combinations based on the guidance within ASC 805, which generally requires an acquirer to recognize the identifiable assets acquired, liabilities assumed, contingent purchase consideration and any noncontrolling interest in the acquiree at fair value on the date of acquisition. It also requires an acquirer to recognize as expense most transaction and restructuring costs as incurred, rather than include such items in the cost of the acquired entity.

Recent Accounting Pronouncements

Effective January 1, 2011, the Company adopted the amended guidance in ASC Topic 805, *Business Combinations*, which, if the company completes a business combination during the reporting period, requires the Company to disclose pro forma revenue and earnings of the combined entity as though the business combinations that occurred during the current period had occurred as of the beginning of the comparable prior annual reporting period. The amended guidance also requires the Company to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings.

Effective January 1, 2011, the Company adopted the second phase of the amended guidance in ASC Topic 820, *Fair Value Measurements and Disclosures,* which requires the Company to disclose information in the reconciliation of recurring Level 3 measurements regarding purchases, sales, issuances and settlements on a gross basis, with a separate reconciliation for assets and liabilities. The Company did not experience an impact from the additional disclosure requirements as the Company does not have any recurring Level 3 measurements.

Effective January 1, 2012, the Company will be required to adopt the third phase of amended guidance in ASC Topic 820, *Fair Value Measurements and Disclosures.* The purpose of the amendment is to achieve common fair value measurement and disclosure requirements by improving comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and those prepared in conformity with International Financial Reporting Standards, or IFRS. The amended guidance clarifies the application of existing fair value measurement requirements and requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The Company currently would not be impacted by the additional disclosure requirements as the Company does not have any recurring Level 3 measurements.

Effective January 1, 2012, the Company will be required to adopt the amended guidance in ASC Topic 220, *Comprehensive Income*. This accounting standards update, which helps to facilitate the convergence of GAAP and IFRS, is aimed at increasing the prominence of other comprehensive income in the financial statements by eliminating the option to present other comprehensive income in the statement of stockholders equity, and requiring that net income and other comprehensive income be presented in either a single continuous statement or in two separate but consecutive statements. This amended guidance will be implemented retroactively. The Company has determined that the changes to the accounting standards will affect the presentation of consolidated financial information but will not have a material effect on the Company s financial position or results of operations.

Effective January 1, 2012, the Company will be permitted to adopt the amended guidance in ASC Topic 350, *Intangibles Goodwill and Other*. The amended guidance permits an entity to first assess qualitative factors to determine whether it is

more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The Company has determined that the changes to the accounting standards will not impact its disclosure or reporting requirements.

3. ACQUISITIONS

Acquisition of Otter Tail

In March 2011, the Company acquired an ethanol plant with an expected annual production capacity of 60 mmgy and certain other assets near Fergus Falls, Minnesota from Otter Tail Ag Enterprises, LLC, or Otter Tail, for $59.7 million. Consideration included $19.2 million of indebtedness to MMCDC New Markets Fund II, LLC, valued at $18.8 million, and $35.0 million in financing from a group of nine lenders, led by AgStar Financial Services, with the remaining $5.9 million paid in cash. The operating results of Otter Tail have been included in the Company s consolidated financial statements since March 24, 2011, providing revenue and operating income of $33.6 million and $0.1 million, respectively, for the year ended December 31, 2011.

	Amounts of identifiable assets acquired and liabilities assumed (in thousands)
Inventory	$ 4,986
Other current assets	738
Property and equipment, net	51,925
Current liabilities	(409)
Other	(138)
Total identifiable net assets	57,102
Goodwill	2,600
Purchase price	$ 59,702

The amounts above reflect final purchase price allocations. Goodwill related to the acquisition is tax deductible and results largely from economies of scale expected to be realized in the Company s operations.

Consolidated pro forma revenue and operating income, had the acquisition of the Otter Tail ethanol plants occurred on January 1, 2010, would have been $3.6 billion and $99.1 million, respectively, for the year ended December 31, 2011 and $2.2 billion and $92.1 million, respectively, for the year ended December 31, 2010. This unaudited information is based on historical results of operations and is not necessarily indicative of the results that would have been achieved had the acquisitions occurred on such date.

Acquisition of Remaining Interest in BlendStar

In January 2009, the Company acquired a 51% ownership interest in BlendStar, which operates nine blending and terminaling facilities with approximately 625 mmgy of total throughput capacity in seven states in the south central U.S. On July 19, 2011, the Company acquired the remaining 49% of BlendStar from the noncontrolling holders. BlendStar s operations are included in the marketing and distribution segment.

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4. GOODWILL

Changes in the carrying amount of goodwill attributable to each business segment during the years ended December 31, 2011 and 2010 were as follows (in thousands):

	Ethanol Production	Marketing and Distribution	Total
Balance, December 31, 2009	$ 3,945	$ 10,598	$ 14,543
Acquisiton of Global Ethanol	8,582		8,582
Balance, December 31, 2010	12,527	10,598	23,125
Adjustment to Global purchase price allocation	15,152		15,152
Acquisition of Otter Tail	2,600		2,600
Balance, December 31, 2011	$ 30,279	$ 10,598	$ 40,877

Revisions were made during 2011 to the preliminary purchase price allocation for the acquisition of Global Ethanol. The revisions resulted in a reduction of net property and equipment and an increase in goodwill of $15.2 million. Goodwill related to the acquisition is tax deductible and results largely from economies of scale expected to be realized in the Company s operations.

5. FAIR VALUE DISCLOSURES

The following methods, assumptions and valuation techniques were used in estimating the fair value of the Company s financial instruments:

Level 1 unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 unrealized gains and losses on commodity derivatives relate to exchange-traded open trade equity and option values in the Company s brokerage accounts.

Level 2 directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets other than quoted prices included within Level 1; quoted prices for identical or similar assets in markets that are not active; and other inputs that are observable or can be substantially corroborated by observable market data by correlation or other means. Grain inventories held for sale in the agribusiness segment are valued at nearby futures values, plus or minus nearby basis levels.

Level 3 unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. The Company currently does not have any recurring Level 3 financial instruments.

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There have been no changes in valuation techniques and inputs used in measuring fair value. The following tables set forth the Company s assets and liabilities by level that were accounted for at fair value as of December 31, 2011 and 2010 (in thousands):

	Fair Value Measurements at December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets				
Cash and cash equivalents	$ 174,988	$	$	$ 174,988
Restricted cash	21,820			21,820
Inventories carried at market		112,948		112,948
Unrealized gains on derivatives	15,710	6,010	(4,292)	17,428
Total assets measured at fair value	$ 212,518	$ 118,958	$ (4,292)	$ 327,184
Liabilities				
Unrealized losses on derivatives	$ 2,828	$ 5,287	$ (2,698)	$ 5,417
Margin deposits	1,594		(1,594)	
Inventory financing arrangements		8,894		8,894
Other	71			71
Total liabilities measured at fair value	$ 4,493	$ 14,181	$ (4,292)	$ 14,382

	Fair Value Measurements at December 31, 2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets				
Cash and cash equivalents	$ 233,205	$	$	$ 233,205
Restricted cash	32,183			32,183