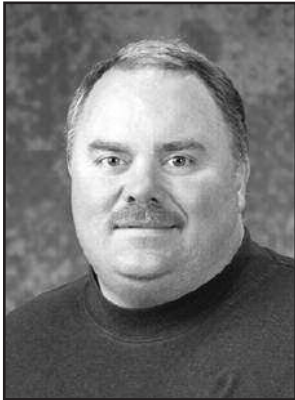




Granite Falls Energy LLC

Producing Renewable Energy for a Cleaner Environment!



From the desk of Tracey Olson

Chief Executive Officer/General Manager

December 2008

This has been a historic year. From the volatility in the commodity markets to the melt down of the world financial markets, many events have occurred with profound effects on the world economy and the ethanol industry. I think it is natural for all investors to have many questions in these uncertain times. Here is a summary of the events and the outcomes of the 2008 fiscal year, and an insight at the direction of Granite Falls Energy going into the future.

As of October 31, 2008 Granite Falls Energy completed its 2008 fiscal year and its 3rd year of operations. Granite Falls Energy finished the year with a loss. The loss was a result of hedging and operational losses. The audited financial statements, available at the end of January 2009, will document the actual results.

Any loss is hard to accept, and Management and the Board do not take losses lightly. But be assured, Granite Falls Energy is a financially strong company with less than \$520,000 of long term debt and is presently carrying a zero balance on its available revolving line of credit. We are confident that we will continue to operate through this tough market environment and have the working capital available to be able to capture margins as the markets evolve.

Where do we go from here? The management and staff at Granite Falls Energy are continuously monitoring our operations to find ways to reduce costs, improve margins, and produce additional revenue. We continually push our vendors and our DDGS and ethanol marketers to reduce costs and maximize returns. With the volume of the commodities we process, fractions of cents add up quickly. Risk Management is by far the most important role that we all must perform. In addition, we need to continue to develop new co-products and markets for those products.

The addition of the corn oil separator has been a great success and has produced over \$1M in revenues since the start of operations the end of May. We continue to learn and gain operational experience with the machine. The experience we have gained with the installation of the oil separator has allowed us to provide limited design and consulting services to other plants wishing to install this equipment. To date, Granite Fall Energy has assisted one plant in successfully installing and operating an oil extraction system and another plant is in the process of installing the equipment. The services provided have produced additional revenue and has forged a stronger working relationship between Granite Falls Energy and these plants. I am a firm believer in continuing to develop relationships which allow open communications and sharing of information and equipment, potentially reducing overall costs.

In late September, Granite Falls Energy received the environmental permits to increase production to 49.9 million gallons per year of undenatured ethanol. This is a 4.9 million gallon increase over our original permit. In addition, the permit

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320-564-3100**



Robin Spaude
GFE Plant
Manager

Well, GFE has just completed its third anniversary of operation in October. When I reflect back on operations for the past three years I have to say that the plant, overall, has been very stable from a performance standpoint. We've made good improvements in process efficiencies from natural gas consumption, improved production yields from fermentation and reductions in chemical usage and water consumption. Natural gas consumption, for example, has been reduced approximately 11% from initial startup and approximately 18% below the process guarantees. Chemical consumption in our process has been reduced nearly 15% from fiscal 2007 and production increased approximately 2% over the average in 2007. Maintenance staffing has remained at four maintenance technicians and a maintenance manager which is testimony to how well our plant is maintained and runs. We take pride in house-keeping and constantly receive compliments on cleanliness and a neat and orderly operation. The GFE production staff has worked very hard to stay clean and lean and continues working hard at improving production efficiency.

In my last newsletter from spring 2008 I talked a bit about hydrology and the fact that aquifer recovery was progressing as predicted. In May of this year we started seeing a flattening of the recovery trend and then started to see static water levels drop in the aquifer by the end of September. Bear in mind that we haven't operated our wells since Feb 2007. The DNR attributed this drop to the drought conditions that we've been seeing in our area. Data logger readings of late October 2008 now show the aquifer to be in the recovery mode again. Currently, the aquifer has recovered to approximately 90% of the original static water levels prior to plant operation in November 2005.

GFE completed another scheduled shut down in October which was our 7th since start up. The plant is showing some wear in the expected areas (drag chains stretching, 90 degree elbow abrasion from chemicals and mash, wear on mash pump impellers and etc.) but nothing out of the ordinary. This recent shutdown was routine and yet was very thorough as we are looking harder at wear points throughout the plant. We did see more river silt carry through our water distribution system this past summer which we did not see the previous year, however, the sludge tanks and presses handled that with no problems.

Oil separation equipment became operational in late May of 2008, on schedule, and took right off with minimal issues. The GFE staff and consultants did an excellent job of engineering and integrating this system into our plant. If you were to see the system you'd think it was originally installed when the plant was built. We have had a few learning experiences to go through since May with one of them being the need for more oil storage as the production output exceeded our expectations. Cleanliness and back-flushing of equipment internals is critical as the machine spins at nearly twice the rpm (approx 8000 rpm) as a conventional centrifuge/decanter.

In late September of this year MPCA signed off on our amendment to increase production of undenatured alcohol from 45 MGY to 49.9 MGY. Our plant is capable of higher production output but after a long wait on the permit amendment we're happy to see this and to get into production of modified wet distillers grains. The increased production is not noticed in the plant except for a little higher steam load and more alcohol and DDGS output. There were certain caveats that were required of GFE by MPCA and we have implemented those changes.

Our next hurdle will be getting re-permitted for our NPDES/SDS permit which expires in April 2009. We sent the NPDES renewal application to MPCA on October 31, 2008. We received notice that they have received the application and will begin to process the applications. We are expecting to receive comments from the MPCA shortly and are prepared to diligently work through all questions and comments.

With the holiday season rapidly approaching I would like to wish everyone and their families a very Merry Christmas and a Happy and Prosperous New Year!

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allows GFE to produce modified distillers grain, or "wet cake". The ability to produce this wet cake allows GFE to offer another feed product to help meet a local demand while reducing energy costs of drying and offering more operational flexibility.

Although fiscal 2008 has been a very challenging year, everyone at Granite Falls Energy remains optimistic for the future of ethanol and the long term benefits of helping our nation become more energy independent; providing a cleaner, environmental friendly fuel; providing another market for our farm commodities; and providing economic growth and sustainability in rural America. We look to fiscal 2009 as an opportunity to use the knowledge we have gained from the bumps and bruises and market turmoil of fiscal 2008 to strengthen our resolve to make Granite Falls Energy a premier ethanol producer and a solid performing investment to our shareholders without taking undue risks.



Paul Enstad
Chairman of the
Board of Governors

To all investors with Granite Falls Energy, LLC

It is time to send out another newsletter to keep you informed with what is happening at Granite Falls Energy. We are all aware of the turmoil in the financial markets and the falling stock market. This has also affected Granite Falls Energy both positively and negatively. Commodity prices have fallen sharply so the cost of our feedstock, which is corn, has gotten much cheaper to buy. We anticipate that lower corn prices will allow us get back to a profitable crush margin. While corn prices are just part of the margin equation, at least the corn component is moving in the right direction. It appears that we will see another very large corn crop nationwide. Our local corn crop also appears to be decent. It is amazing how the new corn hybrids perform. It seems as if these corn hybrids can produce good yields with less rainfall and in more extreme weather conditions now than ever before. We believe domestic and global corn usage has dropped because of the high prices seen this summer. Natural gas prices have finally fallen back and we can now begin purchasing this product much cheaper than in the past. This is good news for your company, Granite Falls Energy.

Along with the falling commodity prices, we have also seen the price for a barrel of crude oil drop to below 50 dollars per barrel and projections are that we could go lower. This decrease affects the price that we receive for the ethanol that we produce. Ethanol tends to follow oil and fuel prices and so our netbacks to the plant will be less. Unleaded and ethanol demand has started to pick up again so hopefully we have seen the bottom for now. This time of the year tends to be seasonal lows for ethanol prices. Anything can happen and historical trends are not necessarily the norm right now with all of the financial problems occurring in this country and abroad. Another trend that is very easy to track is the Dow Jones. At this time, basically all of the commodities are following the trend of the Dow Jones.

This summer we were buying very high priced corn. If the markets would've continued to move higher, hedging high priced corn would have been profitable. Some of the industry gains were realized through hedging rather than on production. When commodity prices fell so sharply, hedging losses started to occur and for many, these losses spiraled out of control. Proper risk management procedures were not used in many cases.

Granite Falls Energy was not immune to some of this trading activity and we also have some hedging losses. We reported this to you with our SEC quarterly reports and by what Tracey reported in our last newsletter. Our losses could have been far greater if it were not for actions taken to stop the unnecessary hedging of high priced corn. Changes were made to correct the way we were doing business. We decided to move in a different direction and we changed our Marketing Advisement Firm and our Risk Manager resigned. Be assured that the Board and Management dealt with these issues in a timely fashion.

Our corn oil production is doing well and our permit for increased production has been issued. The new permit also allows us to begin producing modified distillers grains so our feed customers can call with their orders and be supplied wet cake from GFE. This is great news and the permitting has been a huge task finally accomplished. We have all anticipated this for a long time. More on these items are included in this newsletter. The employees at Granite Falls Energy continue to run the plant very efficiently and the fall shutdown and maintenance went very well.

As we move into the 2009 marketing year, your Board of Governors remains optimistic that we can have a profitable crush margin again very soon. We are still a very young company and as we begin our fourth year of production we will have experienced some of the best and some of the worst times in terms of market extremes. We are very fortunate that GFE is virtually debt free which gives us great staying power. It allows almost all of our financial statement's depreciation expense to go right to our cash flow. Remember that this is an investment and we have recently experienced a down cycle. Your investment has still been very profitable since inception. I believe more stable times are ahead of us. A sense of confidence remains at Granite Falls Energy and we are optimistically moving full steam ahead.

Paul Enstad, Chairman, GFE, LLC

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I encourage all investors to contact me via phone at (320) 564-3100 or via email at tolson@granitefallsenergy.com with any questions.

From the staff and management of Granite Falls Energy, I would like to extend warmest greetings for a happy and safe Christmas holiday season.

Producing Renewable Energy for a Cleaner Environment!

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Happy Holidays
from....

Granite Falls Energy, LLC
Employees

This letter contains forward-looking statements which discuss the future of the ethanol industry and our future operating and financial performance. Specifically, the forward-looking statements regarding future crush margins and our environmental permitting involve numerous assumptions, risks and uncertainties including, without limitation, changes in the availability of credit, demand and supply of ethanol, corn production, plant operations and the actions of regulatory authorities. Our actual results or actions may differ materially from these forward looking statements for many reasons, including factors identified in our periodic reports filed with the Securities and Exchange Commission. Please access our reports at www.sec.gov for more information.