



Granite Falls Energy LLC

Producing Renewable Energy for a Cleaner Environment!



From the desk of Tracey Olson

Chief Executive Officer/General Manager

March 2009

Hello from Granite Falls Energy. I hope your new year has been happy and healthy. Granite Falls Energy started its new fiscal year on November 1, 2008 and completed its first fiscal quarter on January 31, 2009. The Board of Governors and Management knew that the first quarter was going to be very challenging due to the drastic decline in the energy markets as a result of the overall turmoil in the global economy. Much time has been spent analyzing all facets of our operations from procuring our inputs, reviewing plant operating efficiencies, staffing, and marketing of our products. As a direct result of the analyses, Granite Falls Energy made the decision to change our ethanol marketer. On December 23, 2008, Granite

Falls Energy ended its marketing agreement with Aventine Renewable Energy and started marketing its ethanol with Eco-Energy, Inc. of Franklin, Tennessee.

The Aventine program was a marketing pool where all parties shared equally in the total expenses and then shared equally in the sales proceeds. The Eco-Energy program allows Granite Falls Energy to stand alone and make all decisions as to when to sell and at what price. The Eco-Energy program gives Granite Falls Energy more flexibility to capture margins when they come available and it allows us to capture certain freight advantages that were forfeited in the pooling arrangement. We are very happy with the decision to go to Eco-Energy and feel that it has dramatically improved our margins. We look forward to continuing to work with Eco-Energy to enhance our operations.

As I stated above, our fiscal quarter ended on January 31, 2009. Granite Falls Energy maintained positive cash flows through this challenging quarter. The markets have shown improvement in the last few months, but we feel they will continue to be very challenging through the first part of the year. We expect to see seasonally higher ethanol prices as the summer driving period approaches and the demand for motor fuel increases. We also continue to watch the corn market very closely. The latest USDA supply and demand numbers show that estimated corn demand is decreasing due to livestock liquidation, lower export sales and less demand for corn from ethanol. The estimated carry out is approximately 1.7 billion bushels for the 2008 crop. As a result, we feel that corn prices will remain at current levels or possibly go lower.

The Annual Meeting of Members for Granite Falls Energy, LLC is scheduled for Thursday, March 19, 2009. The meeting will take place at the Prairie's Edge Convention Center in Granite Falls. All members will be receiving a proxy statement explaining the business to be conducted at the meeting. Please complete, sign and return the Proxy card per the instructions. I would encourage all members to complete and return their Proxy cards immediately. If you are planning to attend the meeting in person, you have the option of completing the Proxy card at the meeting. All members present at the meeting will be allowed to change any Proxy card submitted prior to the meeting date, if they so choose. It is very important that the Proxy cards are completed. The Operating Agreement requires 40% representation of membership units for a quorum. A quorum is necessary to conduct official business at the meeting.

The cold, snowy, and windy weather in January created its share of challenges with plant operations. Snow removal became an almost daily exercise with the rail yard being especially affected. There were many days that the rail switches required several cleanings per day to allow safe passage of the rail cars. The weather also hampered the efforts of

Continued on page 3

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www.granitefallsenergy.com**

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Paul Enstad
Chairman of the
Board of Governors

I encourage all of you to attend the annual meeting scheduled for March 19, 2009. Registration begins at 8:00 AM and the meeting starts at 9:00 AM. The meeting will be held at Prairie's Edge Casino near Granite Falls, Minnesota. We have much to tell you about fiscal year 2008. We will talk about the past year and the financial information pertaining to your company. We will also talk about the future and what your company may expect for 2009 and beyond. The meeting will be informative and we have a great guest speaker this year. His name is Dr. Robert Zurbin. Dr. Zurbin is the author of 'Energy Victory' and is a strong proponent of biofuels production. I think we will all find his presentation very interesting and I think his message will carry some much needed and refreshing news. To read more about Dr. Zurbin, go to his website at http://www.energyvictory.net/energy_victory_book.htm.

I am excited about the future of Granite Falls Energy. I for one am getting tired of the same negative economic news making headlines every day. I must admit that it is a challenge to write a newsletter article when times are not as positive as in years past. We had a tough year in 2008. The ethanol industry is stressed and we have all heard or read about the bankruptcy filings. We will put last year behind us and move on. I believe that we can see the light at the end of the tunnel at Granite Falls Energy. The reasons that I am optimistic are many. I believe that our Board and Management have the vision and strategies in place to get back to profitability again soon. At this time, we are perhaps a bit conservative with our risk management plans and it is a good chance that we may not always hit the home runs

but we will remain in business and we will be positioned to take advantage of the market when it presents itself. The demand for ethanol is now improving somewhat. Corn prices have become manageable again. Our plant at Granite Falls Energy is very efficient with great yields. Our expanded use permit has allowed us to run this plant where it should be and we are lined up to maximize production. Feed demand is good. Financially we are also in a good position. Our working capital has not been depleted like we hear so much about. Our working capital position is adequate. We are greatly anticipating the time when we can show profits again. I do not expect repeats of 2006 or 2007 but those were exceptional years with exceptional profits. I have visited with many of you, in the past and the one message that I heard loud and clear was this: Pay down the debt first. You are very smart investors and you should be commended for owning a debt free ethanol plant. Thankfully the decision was made to pay the plant off and we did not rush into a major expansion right away. We chose to let the dust settle a little and we will continue to do so. Last year we had very volatile markets and we came out of this period showing losses. We anticipate 2009 to be a turnaround year where we can gear up for more stable times in the future. Profits and distributions to the members are foremost in our minds and our number one goal.

We are hearing a lot about cellulosic ethanol. There is a lot of news out there on this subject. A lot of research is taking place. I firmly believe that we will always have a place for using corn as the feedstock for ethanol production. I believe the future of corn based ethanol is very bright. Right now we can produce ethanol cheaper with corn than we can with other materials. As a corn producer myself I know that the farmers will continue to grow corn and they will continue to increase production on a per acre basis. Some of the technology farmers are using will make huge strides in corn production. We do not expect cellulosic ethanol production to create problems for Granite Falls Energy. We welcome the expansion of ethanol from other sources. We just need to make sure that the consumer understands that using ethanol not only helps create jobs and opportunities for people but it also reduces our demand for oil. Contrary to several recent reports, ethanol is a clean, renewable energy resource and it does not pollute. Common sense will win the day for ethanol. Think about it. What does it take to get that barrel of crude oil to the consumer as a refined product? If you really weigh everything including the protection of our overseas oil interests and the political unrest this can create, we have a very easy conclusion when it comes to ethanol. Think about how we can grow the corn right here in our backyard and bring it to Granite Falls Energy and make our fuel. An added benefit is that we also produce a high energy feed for the livestock producers. I can easily reach the conclusion that we have the upper hand over big oil. With our employees at the Granite Falls Energy refinery along with the corn and livestock farmers working together, we can produce fuel in a better way. This method of producing our energy needs is far less complicated than our continuing dependence on foreign oil. I look forward to seeing you at the annual meeting.

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I'm glad to see winter is nearly over; at least the bitter cold.

People have asked from time to time what season is better for plant operations. My answer is: it depends on which part of the plant. I then give examples; the cold temperatures give denser air therefore the vacuum system for distillation & dehydration performs better, water consumption during the winter months is extremely low due to less evaporation loss from the cooling tower, less issues with BOD's (biological organisms/bacteria) in cooling water discharge means less chlorine consumption, less spoilage with modified wet distillers grain or corn while in storage and etc. Warm temperatures, on the other hand, is advantageous to boiler operations; i.e. less steam load demand to run the plant. A difference of 30 degrees outside air temperature can reduce boiler steam load by nearly 6000#/hr therefore less natural gas to consume. Warmer water temperatures require less water treatment chemical to adjust pH and hardness and for remove TDS.

GFE is now operating under the amended air permit which allowed us to ramp up to 49.9 MGY (million gallons per year, undentured alcohol) and to produce modified wet distillers grain for the local market. The obvious noticeable changes that we see are ethanol tank storage and DDG storage filling up faster therefore more truck and rail traffic and the plants consumption of natural gas and water being more efficient at the higher production rate. Demand for modified is increasing monthly and has not been a problem for us to handle. Inclement weather that prevents trucks from coming in on the scheduled day of pickup can throw a curve at us but we have learned how to manage the unexpected better.

Our production and maintenance teams continue to work on improving the process by shortening routine downtime by slowing down rather than shutting down, tweaking the throughput times from cook to yeast propagation to fermenter download to the beerwell resulting in lower production chemical consumption; all to improve our ethanol production yields of ethanol. We've had encouraging results especially in the biological and mechanical aspects of our plant.

During this past quarter we had to replace our sulfamic acid lines; safety being a major factor in that decision. Otherwise, we have been focused for the past several months on tightening our belt and running lean, staying under the operating budget and yet working on the engineering aspects of the process and plant equipment improvements. We also network with many other plants of our size looking for ways to improve operations, yet protect our proprietary interests.

April 2009 will bring another scheduled maintenance shutdown (our 8th) and we look forward to this one as we anticipate having to do less cleaning of dryer system ductwork and less cleaning required in our evaporators as a result of the installation of the oil separation process which may also allow us to increase the time between cleaning cycles.

We are working closely with MPCA on getting our NPDES/SDS permit renewed. They are reviewing our renewal application and we are expecting to receive comments from the MPCA shortly.



Robin Spaude
GFE Plant
Manager

Continued from front page

Twin Cities and Western Railroad (TC&W) in keeping the rail cars flowing in and out of the plant. Our employees and the TC&W worked diligently and did a super job ensuring operations continued.

The rail yard is very critical in the continued operations of Granite Falls Energy. In a typical month, Granite Falls Energy loads approximately 140 ethanol tanker cars, 60 DDGS cars and unloads approximately 60 rail cars of corn. We have had great success with keeping the rail yard operations running smoothly thanks to the hard work of Chad Nelson, Brian Feuerhelm, and Dustin McCarty in the grains area along with help from the Operations and Maintenance departments.

The cold January could not dampen the enthusiasm of all Americans as the Obama Administration took office. The new Administration continues to promote renewable energy sources and promises continued support of ethanol. However, the ethanol industry continues to be attacked by special interest groups trying to pull the rug out from under the progress America has made to reduce its dependence on foreign oil and becoming energy independent.

There have been numerous articles and studies regarding the air emissions or the 'carbon footprint' that the production of corn ethanol leaves. Many of these studies rely on the theory of 'indirect land use change.' The theory of 'indirect land use' tries to hypothesize that if crops in the U.S. are used for biofuels production, the result is a change in land use in other countries and a substantial carbon debt which should be attributed to biofuels production. This theory gives no credit for the advancements in ethanol process technology nor does it take into account the technology innovations which allow farmers to produce more corn on the same acres.

We all must continue to question and debate these theories to ensure the continued support and advancements in biofuels. On December 15, 2008 President Obama stated, "In the 21st century, we know that the future of our economy and national security is inextricably linked with one challenge: energy." Ethanol is a part of our energy solution, and we must do our part in continuing to make advancements to help ensure our economic viability and national security.

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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.