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PRESENTATION

Operator

Good day, everyone, and welcome to the Green Plains Inc. and Green Plains Partners fourth quarter 2017 results conference call. Today's conference is being recorded. At this time, I would like to turn our conference over to Jim Stark. Please go ahead.

Jim Stark - *Green Plains Inc. - VP of Investor & Media Relations*

Thanks, Kevin. Welcome to the Green Plains Inc. and Green Plains Partners fourth quarter and fiscal year 2017 earnings call. Participants on today's call are Todd Becker, President and Chief Executive Officer; John Neppl, our Chief Financial Officer; and Jeff Briggs, Chief Operating Officer. There is a slide presentation for you to follow along. You can find that presentation on the Investor page under the Events and Presentations link on both corporate websites.

During this call we will be making forward-looking statements, which are predictions, projections and other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in yesterday's earnings press releases and the comments made during this conference call and in the Risk Factors section of our Form 10-K, Form 10-Q and other reports and filings with the Securities and Exchange Commission. You may also refer to page 2 of the website presentation for information about factors that could cause different outcomes. We do not undertake any duty to update any forward-looking statement.

Now I'd like to turn the call over to Todd Becker.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Thanks, Jim, and good morning, everyone, and thanks for joining our call today. We reported net income of $46.6 million or $0.98 a share for the fourth quarter. There's a tax benefit of $52.8 million recorded in the quarter related to the reevaluation of our deferred tax liabilities at the newer lower corporate tax rate. Excluding the reevaluation of deferred tax liabilities, we had a slight net loss for the quarter of $6.2 million or $0.16 a diluted share. I'll let John talk more about the tax benefit later in the call and how the new law affects the tax rate going forward.

We generated $36.1 million of EBITDA for the fourth quarter, and our 2017 EBITDA totaled approximately $155 million. The consolidated crush margin was $0.08 per gallon for fourth quarter. While we came into the quarter partially hedged in the financial markets, the physical basis reached multiyear lows as the market was oversupplied and production was ramping up for the winter.

For example, what typically would trade at a $0.10 to $0.12 under basis level in the western Corn Belt, we saw days as low as $0.17 under in some locations. So while we were hedged, we did see some slippage of a couple of pennies with the physical market on average that we have not experienced before this widespread as an industry.

In addition, December declined rapidly in the financial crush as well. For the year our consolidated ethanol crush margin was $0.10 per gallon. If we go back in our history, the lowest crush margin for us over a year was in 2012, when we reported $0.09 a gallon.

Our operating costs for our ethanol production are heading in the right direction, and we are finally starting to see this. It takes about 1.5 to 2 years once we've purchased a plant to get their costs fully in line with our other plants and operating efficiently within the rest of the platform. This has been the case in December. As we ran harder, we saw operating costs decline per gallon across our platform.

The one outlier that is being addressed is Madison, Illinois, which we are converting from continuous to batch production this quarter, and we will see a significant improvement in the operating costs per gallon which, when completed, will help the overall platform narrow the gap to our best plant located in Obion, Tennessee.

We did see operating costs spike a bit in 2017 as a result of the 3 plants we acquired in September of 2016. Overall, though, these assets now fit nicely within the portfolio, especially as it relates to our new export terminal, where we can internalize barge shipments. And I'll get into that later as I discuss the startup in Beaumont, Texas.

Green Plains recorded a record 340.8 million gallons of ethanol in the fourth quarter compared with 334.2 million gallons for the same period in 2016. This was approximately 91% of our operating capacity for the quarter. Then we averaged approximately 84% for 2017.

For the partnership, the minimum volume commitment is approximately 80% of our total ethanol production capacity at Green Plains. Also, the remainder of the MVC deficiency payment to Green Plains Partners from back in the second quarter of 2017 was trued up in the fourth quarter with only a slight impact to the distributable cash flow of Green Plains Partners.

I would also like to add that 18% of our ethanol production for the fourth quarter was exported to a variety of locations including Brazil, India and the United Emirates, with a third of that volume moving through our export terminal in Beaumont in December. We are pleased with the operation of the terminal, and Jefferson Energy has been a solid joint-venture partner.

I am pleased to say that we exceeded the expectation we laid out for our 2017 non-ethanol segment EBITDA of $150 million. Our ag and energy segment generated $33.9 million of EBITDA, food and ingredients generated $49.8 million of EBITDA and the partnership generated $71 million of EBITDA for 2017. Our 2018 expectations for these non-ethanol segments remain in the range between $160 million and $190 million of combined EBITDA.

Ag and energy segment finished the year with a strong quarter which we anticipated, which was led by increased profits in natural gas merchant and trading activities. Volatility overall was low in 2017 which limited opportunities in our merchant business overall, but even in a year like that, we still generated good results in that segment.

The food and ingredients segment had a good quarter with $10.1 million of EBITDA. If you recall, we indicated that this would have a weaker quarter, as we were transitioning from Cargill-owned cattle to company-owned cattle, and there are costs associated with this process. We cannot recognize any margin on those cattle until sold. It's just a timing issue that we have no control on as this transition takes place.

Looking back on 2017, I'm pleased to say our cattle-feeding business performed very well for us. We started the year with 63,500 head of cattle, company-owned, and ended the year with 217,000 head, a 240% increase. This was a result of purchasing 3 feedlots in the first half of the year, adding 180,000 head of capacity.

We generated $57 per head of EBITDA in the fourth quarter. For the year, we generated $85 per head of EBITDA, which does not include any third-party hoteling income generated in 2017 from the Cargill cattle. If we actually include that, we generated $113 a head on the sale -- excuse me -- $113 per head, all in on the sale of approximately 198,000 head of cattle for 2017. As we have indicated previously, if we cannot hedge a minimum baseline of approximately $50 per head of EBITDA, we will slow down our purchasing.

We continue to see very favorable trends with our vinegar business. Organic apple cider vinegar volume increased 46% in the fourth quarter of 2017 versus the previous year. This was possible because a good portion of the $14 million growth capital investment we made in vinegar in 2017. Health and wellness trends continue to drive volume and margin expansion. In addition, we are experiencing increased demand for organic white distilled vinegar, which is up 31% in the year compared to 2016, and excellent growth in the antimicrobial markets as well.

Green Plains Partners reported $19 million of adjusted EBITDA with a coverage ratio of 1.15x for the quarter and 1.08x for the trailing 4 quarters. The GPP Board approved an increase in the distribution to $0.47 for the fourth quarter, and that increase puts us above the threshold of the second tier target distribution level for the incentive distribution rights for the partnership.

Now I'm going to turn the call over to John to review Green Plains Inc. and Green Plains Partners financial performance. And I will come back in the call later to discuss the Partnership, current trends in the ethanol industry and the outlook for Green Plains.

John Neppl - *Green Plains Partners LP - CFO of Green Plains Holdings LLC*

Thank you, Todd. I'm sure many of you are interested in hearing what we have to say about the impact of the Tax Cuts and Jobs Act of 2017. But first let me run through our results for the fourth quarter.

Green Plains Inc. consolidated revenues were $921 million in the fourth quarter, down 1% from the fourth quarter a year ago. Revenues were impacted by lower volumes and a lower average price for ethanol, offset by the addition of 3 cattle feedlots acquired earlier in 2017 and the addition of the vinegar business, acquired in the fourth quarter of 2016.

Consolidated volume of ethanol sold for the quarter was down 5.4% to 359 million gallons but was up almost 6% for the full year to 1.48 billion gallons.

Consolidated net income for the quarter was $46.6 million versus a net income of $18.7 million a year ago. Excluding the reevaluation of deferred tax liabilities, we had a loss of $6.2 million or $0.16 per diluted share. We recognized a tax benefit of $52.8 million due to the reevaluation of deferred tax liabilities under the newly enacted Tax Cuts and Jobs Act.

As you know, the act reduced the federal tax rate to 21%, which means, of course, that our deferred tax liabilities were reduced. As you probably know, the act was written quickly and in some cases vaguely, causing confusion and some unintended consequences such as the Section 199(a) issue, which Todd will discuss later.

Currently as we interpret the new tax law, there are components of the act that have positive and negative impacts to Green Plains. While the overall corporate tax rate decreased from 35% to 21%, which is an obvious benefit to us and the ability to expense 100% of CapEx, which reduces current cash taxes, our level of profitability, combined with our current capital structure, could limit our ability to deduct 100% of our interest expense. In addition, the deductibility of officer compensation is more limited and there is no longer an exception for performance-based compensation, which negatively impacts our effective tax rate.

Our effective tax rate going forward will be highly dependent upon 2 factors: one is the consolidated crush and resulting earnings, and two, our view of capturing all of our interest deduction on a carry-forward basis. The best guidance I can give you at this point is that our consolidated effective book tax rate could range between 20% and 30% at a $0.15 midcycle consolidated crush on a go-forward basis. This range would be consistent with the years of 2015 and 2016.

As with many companies, the potential limitation of interest deductibility is incenting us to reevaluate our overall capital structure. While any unused interest deduction can be carried forward to future periods indefinitely, we want to ensure that we are properly considering this potential impact over the long run. As we have previously said, our tax strategy is a multiyear approach and requires long-term planning. Certainly, if reducing our debt has a positive impact on our effective tax rate and overall profitability, it will be a strong consideration in determining our long-term structure.

Earnings before interest, income taxes, depreciation, amortization, or EBITDA, for the fourth quarter was $36.1 million compared to EBITDA of $83.5 million for the fourth quarter last year. For Green Plains, our CapEx was approximately $21 million in the fourth quarter, including completion of our investment in the construction of the Beaumont terminal, which included $6.3 million in the fourth quarter. We spent about $13 million on maintenance CapEx across our ethanol production assets, the cattle feedlots and our vinegar business. We anticipate we will spend about $50 million in CapEx in 2018, with about two-thirds of that being maintenance CapEx. Of that amount, we expect about $2 million to be spent at the Partnership.

Our total debt at the end of the fourth quarter was just under $1.4 billion. This balance includes $526 million on our commodity revolvers, which are secured by significant working capital or readily marketable inventory of $631 million at December 31. On Slide 11 of the IR presentation, you will note our total debt increased by $67 million during the quarter due to an increase in the number of cattle in our feedlots. Our term debt leverage ratio was 5.4x at the end of the fourth quarter, resulting from lower EBITDA, as our net term debt remained fairly steady. Our liquidity remains solid at $280.5 million in cash along with $392 million available on our revolvers at the end of the year.

For the year, Green Plains returned $25.6 million to our shareholders, with dividends of $18.9 million and share repurchases of $6.7 million. For Green Plains Partners, we reported adjusted EBITDA of $19 million for the quarter, which was roughly the same as the fourth quarter of 2016. The adjusted EBITDA does include the $182,000 reduction for credit back to Green Plains, making up the remainder of the MVC deficiency payment from the second quarter of 2017.

Green Plains Partners had 335 million gallons of throughput volume at its ethanol storage assets, which was 1% less than the fourth quarter of last year. This is about 5 million gallons less than the production volume sold by the ethanol production segment. The difference in gallons is due to a build in inventory in tanks which were not sold to customers by year end.

Distributable cash flow of $17.6 million was lower by $200,000 from the $17.8 million reported a year ago. Distributable cash flow was impacted by the MVC payment credit back to Green Plains in the fourth quarter. Maintenance CapEx was minimal in the fourth quarter.

The partnership's distribution of $0.47 per unit, declared on January 18, results in a coverage ratio of 1.15x for the fourth quarter. On a last 12 months' basis, adjusted EBITDA was $69.7 million, distributable cash flow was $64.3 million and declared dividends were $59.1 million, resulting in a 1.08x coverage ratio. We continue to manage the business with a target coverage ratio of 1.10x over the long term.

Now I'd like to turn it back over to Todd.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Thanks, John. We are approximately 35% locked in for the first quarter, which effectively means we're in the spot market. So let's get right into the fundamental outlook.

As I indicated last quarter, we are effectively 2 to 3 days oversupplied as an industry and we will remain that way, yet something seems a bit different. The physical markets have tightened up, as evidenced by several factors. The first is in relation to the quarter we just finished, the physical weakness has gone away. Basis levels have returned to normal or better, and it is hard to find excess volumes if you need them, depending on the market. Second, the New York Harbor-Chicago spread has widened out to double digits after spending the last several years well below that. And third, the term structure of the market has narrowed significantly over the last several weeks, which also represents the physical market is tight, even with greater stocks than last year.

Margins over the last several weeks had begun to show improvements out in the curve because of all these factors, but we still have a lot of work to do. We have not done anything locked in on the margin curve beyond the first quarter, as we believe we should start to see an improvement as we move closer to summer driving season and really haven't had that much opportunity or motivation to lock away forward margins. The job of the market is to build stocks in the driving season but is having trouble doing this with such strong export demand, which I will get into shortly.

Gasoline demand has started off the year 6% better than 2017 in spite of all the severe winter storms around the United States, so gas demand weakness was a major factor of last year that transpired during the quarter that led to Q2 weakness -- not the case this year. In January we did slow our production levels at our marginal plants, and we'll make a decision on what to do for the remainder of the quarter, depending on the market. The underlying physical tightness is not translating yet to a big expansion in margins but something will have to give, and our bias is positive to the forward margin structure from here.

Exports are strong and robust. While the industry totaled a record 1.37 billion gallons of exports for 2017, we expect exports in 2018 to be 1.7 billion to 1.8 billion gallons, as our discount to gasoline remains wide and our octane remains cheap. Green Plains sold 200 million gallons of export grade last year, or 15% of total exports, and we expect to maintain or increase our share of exports in 2018. We expect strong demand from Canada, Brazil, India, Philippines and the Middle East, and hopefully, Mexico and China will kick in as well.

The increased exports are good, but we need domestic ethanol consumption to grow as well. Our expectation for 2018 is that the industry will produce approximately 1,050,000 barrels per day, which is 16.1 billion gallons annualized. This run rate is approximately 1.7% higher than the 1,032,000 barrels per day we produced in 2017.

So how does this translate to the demand side of the equation? We expect domestic blend to be 14.3 billion to 14.4 billion gallons. As E15 demand kicks in, we believe this could add another 100 million to 150 million gallons of additional demand, weighted to the last half of the year. And if we export 1.7 billion to 1.8 billion gallons, the total demand will be somewhere between 16.1 billion and 16.4 billion gallons.

If a larger number were to happen or if Brazil and China step up their purchases, we don't have the capacity or stocks to handle that and would radically change the economics we see today. If the physical market seems tight today, that would pale in comparison to what we would feel later in the year. Again, we need a continuation of strong exports as first evidenced in December data of 170 million gallons, and we think January will be just as strong or stronger.

We continue to focus on expanded blends and using E15. The U.S. currently has over 1,300 retailers offering E15 today, and we expect another 700 stations to be offering E15 by the end of the year. The 100 million to 150 million gallons of incremental ethanol from E15 could actually increase as well as we start looking at 2019. The retailer is highly motivated to sell as much as E15 as they can, as economics are significant in their favor.

The industry continues to work with the EPA and our elected officials to sell E15 year round with an RVP waiver of some sort. We are encouraged by Administrator Pruitt's recent comments that he expects to soon decide on the EPA's authority to grant the waiver. We think that the push from the auto industry for higher-octane fuels works to our advantage as well.

Now let's review the food and ingredients segment for a bit. First let's talk about our cattle business. Based on current capacity, we plan to market 520,000 head in 2018. We are moving forward with expanding our Kismet operation to 85,000 head, up 12,000 from its current capacity. This project will require approximately $2.5 million of capital which, based on 2017 EBITDA per head, is a solid investment. We are also seeking to acquire more cattle-feeding operations in 2018.

We are committed to growing this business and the fundamentals remain very solid, and our risk management programs have continued to prove successful in managing this business. In fact, one thing often not talked about is how much meat we are exporting out of the U.S. as compared to a year ago. Export sales are up 64% versus a year ago. And this time last year, the U.S. was up 25% from the year before. This was led by Japan, South Korea and Hong Kong, which many believe is ending up in China.

We continue to see solid growth in Fleischmann's Vinegar. Organic product sales and antimicrobials are experiencing increased demand, as is industrial vinegar for the red meat and poultry industries. We will continue to focus first on organic expansions, and we are fully seeking bolt-on acquisitions as well and other ingredient businesses to acquire. As you know, multiples remain very high for these types of companies, so we will need to be patient and wait for the right opportunity. We believe the value of Fleischmann's is far greater than when we bought it, and it is not adequately reflected in the valuation of Green Plains today.

Our Jefferson import-export terminal is open for business. The first ethanol train, unit train, arrived on November 11. Since then we've unloaded 22 unit trains and loaded 9 vessels in startup, and we have a very strong February on the books as well. Almost all of this volume is internal and we are expanding market share, as we are one of the few players that can provide international customers with an end-to-end solution for their buying needs of any export specification and grade since our plant network can do that.

We do have some other customers outside of Green Plains using the terminal on a spot basis, and we are working hard to sign up customers into long-term contracts. But thus far Green Plains Inc. is driving volumes through the terminal, and we are just fine with that. We have also offloaded 2 barges of ethanol into the terminal, and we are seeing an increase in the amount of truck traffic picking up domestic ASTM Spec ethanol for delivery in the southern U.S. as well. Those barges originated in our Madison, Illinois, ethanol plant. Currently we are considering offering our portion of the joint venture to the partnership in the first part of this year.

For the partnership, the terminal in North Little Rock remains on schedule to be in service towards the end of the first quarter of 2018. We are working on several opportunities to grow the partnership, either organically or through acquisitions. This is one of our top priorities in 2018, as we would like to target nonaffiliated revenues and income of 25% of the mix, up from the current 6%. Green Plains represents 94% of the partnership's revenues, and we will change that. I continue to believe that the growth in the partnership can be a significant value creator for the shareholders of Green Plains as well.

Algae continues to see breakthroughs on a number of fronts. Trout feed trial results are exceeding expectation, with a 13% growth advantage with the same feed conversion ratio. Or in other words, the fish in the trial ate the same amount of feed as the control group but gained 13% more with our algae inclusion in their feed. With respect to algae production, we are experiencing yield improvements at our new location in York, Nebraska. We believe as aquaculture continues to grow around the world, so does our opportunity with algae as an important feed additive for this industry. We hope to make significant progress in commercializing our algae production in 2018 as a bigger part of our protein strategy across the platform.

As part of that, high-protein distiller grains are a reality, as several technologies exist and others are also emerging in the mix. The technology offers a potential lift in the profitability of the ethanol plants where we install it. We see this as a way to reduce earnings volatility, much like corn oil did in the past.

We believe the Partnership which we announced with Syngenta in December for Enogen corn is another way to improve our production assets. We use Enogen corn currently at 7 plants and are experiencing notable difference in the plants' performance from a yield perspective for ethanol in corn oil. It also helps to drive operating expenses lower at those plants because of the improved operational efficiencies. We will adopt this across the whole platform over the next several years.

As you may have seen, we have formed a cooperative in Kansas so our farmer customers can join for a nominal fee to continue to sell grain to us. We do believe that Congress will get Schedule 199(a) fixed. While we are not sure of the timing, they do not want to beat a disadvantage in the interim.

In closing, the market setup is certainly interesting, and we are expecting improvement in the coming months as the demand for our products continues to grow. As we focus on the next 10 years, our plan is to leverage the capabilities of the platforms we have built since 2008.

We have several major priorities for our shareholders. One of our biggest priorities will be debt reduction. We will begin to focus on that over the next year. While our working capital financing is driven by our growth in our cattle and trading business, we will focus on reducing term debt, much like our strategy several years ago when we were net term debt 0. After that, our priority is all about protein, and we make a lot of it. The world is short and will continue to be that way, as evidenced by the increased replacement value of standard distiller's grains. We have rallied replacement values from the last year's low to 110% or 120% the value of corn as global demand has upticked and domestic usage is very firm.

To upgrade the protein will not be cheap from a capital perspective, but the upside in value to an ethanol asset would be great, as we believe we can ultimately achieve a minimum realized value equivalent to high-protein soy meal or more. In combination with our algae initiative, we believe we will be in an advantaged position to service domestic and global fishmeal markets.

We will invest in the MLP to diversify earnings and continue to look at opportunities to invest in additional distribution assets. Again, we are not getting credit for this value, as Green Plains owns 62.5% of the partnership today and now is moving into the high splits. We are going to expand our cattle-feeding operation to utilize the expertise we have gained in this industry, and we will deploy a food ingredients strategy to grow that business, both organically and with bolt-on businesses.

And lastly, we will drive out costs and improve efficiencies in our core platform and supply chain that adds value to the bottom line. This strategy is all driven by the ever-increasing global demand for protein and octane, which aligns with our energy, ag and food platform we have in place today.

Thanks for calling in today, and I'll ask Evan to start the question-and-answer session.

QUESTIONS AND ANSWERS

Operator

[Operator Instructions.] Our first question comes from Farha Aslam from Stephens Inc.

Farha Aslam - *Stephens Inc., Research Division - MD*

Todd, could you just explain a little bit more about physical basis? You highlighted that it's getting tighter. And also your commentary on physical inventory, how that's getting tighter even though the supply numbers that we're seeing seem to be large.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, so the physical basis got very weak during the fourth quarter and late in the third quarter of last year. So what that really means is that so when we say we're hedged, we're financially hedged, but oftentimes we still have physical to sell. And historically, the physical basis has been pretty well in line with historical numbers. So if it's 12 under in Iowa or 2 over in Tennessee, or even in blocked in to the financial markets, and we saw very weak physical markets as we were a bit oversupplied and trains were moving rapidly and we saw some new stuff come online from production. But that all got cleaned up later in the fourth quarter and early into the first quarter, where now we saw better than historical levels in the first quarter, but again, the margins remained weak.

So there's something. What we have been saying to the market is that there seems to be a disconnect between the physical markets and the financial crush. In the physical markets, there were times when you could not buy a train. Chicago was trading at 1 to 2 over this quarter, and it was very hard to get excess ethanol and excess physical stocks of ethanol, even though the stocks looked large because demand is so good. And so as demand continues to increase in terms of our export demand and the needs for that, even though you might see stocks moving around from 22 million to 23 million barrels, none of that is really translating into a big physical weakness into the market like we saw in Q4 at this point.

Farha Aslam - *Stephens Inc., Research Division - MD*

Okay, so the tightening of the physical basis that you're highlighting in the first quarter is going to help profitability in the first quarter itself?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Well, it's not translating yet into a much better margin structure. It's just pointing out that the physical markets remain tight even though stocks are a little bit higher than last year. But as we see increasing demand, it looks like it's heading in the right direction. This is a quarter where we really need to build stocks coming into driving season. And with export demand so robust, I don't think we're going to be able to do that. And if we start to see an uptick in domestic demand as we get into driving season, we're focused more on the Q2/Q3 changes that we expect to see. But it's not translating into such a -- there's a disconnect between the margin structure and the underlying physical markets and the spreads as well.

So late in the fourth quarter, we were in almost a full carry situation, where calendar spreads were $0.04 a month, so you literally were being incented to keep your ethanol back and carry it or put it into storage and carry it. Where those spreads have come into -- either once in a month or even inverted in some markets -- which again translates into the fact that there is physical tightness going on out there, but it's not translating yet into a better margin structure overall.

So again, I think the market's a bit confused. I think there's some nearby pressure, hedge pressure, in the daily spot market. Each day the market continues to get pressured from a spot perspective, but it's not translating necessarily into physical -- a bunch of loose -- or a bunch of physical ethanol sitting around looking for a home like we saw a bit in the fourth quarter.

Farha Aslam - *Stephens Inc., Research Division - MD*

Okay, and then a longer-term question. You'd highlighted, when we think about your tax rate, about a $0.15 EBITDA margin. Is that the long-term margin that we should think that Green Plains can achieve? And anything that points you to go above or below that level? How should we think about that $0.15 EBITDA? I think that's down from about $0.20 to $0.25 in terms of historical levels you were targeting.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

For the past 4 or 5 years, I think we've indicated a midcycle margin at $0.15. So that's going to be just where we're at parity and there's just a little bit, there's excess supply or excess demand in any given day, and stocks are in that 20 million to 21 million barrel range. And so -- or however many days of demand.

When you look over the long term, we did not -- that's only a midcycle margin. If you go back to December of 2016, we generated $0.27 a gallon. So our view is that we have not invested in this company, so we're in a midcycle margin. And we believe over the long term we will do better than that. But as we are right now in this situation where stocks seem to be a bit oversupplied and demand is catching up with supply right now, I think demand will grow bigger than supply. And I think things like the Brazil programs, the China programs -- all of that could lead to a better margin structure than the midcycle margin. But we did not build these plants to earn $0.15 a gallon.

John Neppl - *Green Plains Partners LP - CFO of Green Plains Holdings LLC*

Farha, this is John. I picked $0.15 as just an illustration. We've done analysis at various consolidated crush numbers to try to identify what our go-forward tax rate will be. And that was just simply an illustration, nothing more -- not any kind of prediction on the go-forward numbers.

Farha Aslam - *Stephens Inc., Research Division - MD*

Okay, so this would be -- a $0.15 would be a conservative number and we'd look to get better than that over time. Is that how we should think about it?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Absolutely. Because $0.15 includes $0.05 for corn oil -- or $0.04 for corn oil. So it's really, when you go back in history, that $0.15 5 years ago did not include corn oil. So when we talk about that, we think that's a conservative, lower end of the margin structure over a long period of time.

Operator

Our next question comes from Adam Samuelson from Goldman Sachs.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

Maybe first on ethanol, and Todd, I wanted to just make sure we understand your supply view and the balances for this year. You think production up 1.7% to 1,050,000 barrels a day. We've been running above that this year. And I'm just trying to think of it, what's the risk on capacity creep in the industry if there's just more, just a surprise to the upside pretty continuously for the last couple of years? As you look at your own footprint, do you actually think your production's up that 1.7% year-over-year in 2018, and how would you dimensionalize the risks to that number?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, so from our standpoint, we don't have any expansion projects at all in 2017, and we don't expect that we will see any increase in our production in 2017. From an industry perspective, some time later in the year we will see 150 million gallons of new capacity come online from some new construction, but that's limited to those couple of plants. I don't think there's much else going online. Projects, we think, have slowed across the industry in general as margins continue to be somewhat muted and the investment returns aren't quite as good.

So in general, when we take a look at the full year, we believe when you'd start to think about shutdowns, shutdowns will be coming. And last year at this time, we started -- the shutdown season is about 30 days away, and we went below 1 million barrels a day, and then we came out of shutdowns, ramped up pretty hard. I think there's -- we have taken Hopewell down for the foreseeable future until the margin structure changes. We have York fully 100% committed to B grade. I think you've seen some others talk about production capacity at some of their plants are changing around as well. And so I think overall with the pluses and minuses, I think 1,050,000 barrels a day is a reasonable expectation. Plus or minus 5,000 barrels is probably the right way to think about it. And I don't think capacity creep will be quite as robust as we've seen over the last several years.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

And just to be clear, because in '17 you took some bigger downtime over the summer months that was maybe market driven. Your expectation is still against that comp, you would be flat, even though you don't have any other kind of capacity increments to come?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

That's correct.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

Okay, and then just a question on the food side. Maybe could you dimensionalize the food ingredients business was down year-over-year despite the additions on cattle? And I get that there's timing for the company-owned cattle in the Cargill lots, but you had a full quarter of Fleischmann's last year. What was the cost on cattle that maybe is hard for us to see, the Fleischmann year-over-year? And specifically on Fleischmann's, is there an expectation for EBITDA from that business for 2018?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we're not going to get completely into the fourth quarter except to say that as we were building cattle, we had more expenses associated. So basically, when we were taking out all -- while the Cargill cattle was being marketed and we were building cattle, you have all the expenses associated with the cattle and you have none of the revenue associated with all that cattle. So it was one of those quarters where the expenses were outsized relative to the amount of head we had in the yards that we could recognize. So as we're marketing 6 months ago placements in December and recognizing a much smaller amount of revenue against those, we have to take expenses against the full amount of 200,000-plus head. And so it's just -- it's an outlier quarter that happens if you buy a new feedlot or if you fill up a new feedlot after coming empty, where you have to have all of the expenses associated on all the cattle and you might only be marketing 25% equivalent.

So Fleischmann's year-over-year, both from a quarter perspective and a year perspective, was a record for the company. And we expect another year like that next year as well. We had mentioned that we bought the company for $250 million on just under a sub-10 multiple and we've improved the business since then. We think the business over the long term is in the next 5 years is in that $28 million to $35 million range of capability, but could certainly move up and down from there based on some of the underlying markets. But all of the growth trends are in our favor, and we have expanded and spent money to expand that business to achieve those kind of numbers.

And then cattle on the other side when you look at it, if we're going to have -- market 520,000 head at a minimum $50 a head, we've not earned $50 a head for several years, so it's just the minimum number. So our view is that we could earn $50 to $60 a head on the minimum, which is $30 million on top of that. And so in general, that's how we break out that segment as a baseline.

Operator

Our next question comes from Heather Jones from the Vertical Group.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Just a quick question. When you were laying out your demand scenario for '18, you remarked on how strong year-to-date gas demand has been. And granted, it's easy comps, but on a full-year basis, you're really not expecting much growth in gas demand and thus lending?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, gas demand, we still think will be in that 1.43 billion to 1.44 billion gallons range. 1.44 billion gallons would be better. I think it's very hard to predict because of the strength in the first quarter where the full year will be, so we're going to go with all the experts that are in that 1.43 billion to 1.44 billion gallons range and keep it at that. Obviously, a lot of things are in play there -- the cost of gas, the economy and everything else -- so that's basically -- we're in a much better situation year-to-date with gas demand than we were last year, so we're not feeling the big drop-off and no place to go with ethanol, which might be some of the reasons why the physical tightness. There were some markets that were running out, some markets that were oversupplied, and it's one of those supply-and-demand dislocations that we sometimes see in the market. But those are all positive signs for our longer-term demand for our product, ethanol.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

And then going to the high-protein DDG, so you would obviously know this better than me. But like some of the numbers we run, some of the products that are out there are really strong, potentially really strong returns, especially if you're bullish protein demand for the next few years. So it would seem like it would be one of your higher-return projects you could potentially invest in. So I was just wondering, like where it ranks with the likelihood of you guys putting that into one of your plants once you push the Beaumont terminal down to the partnership. Just give us a better sense on that.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Okay, so I'll start backwards. We don't need to push the Beaumont project down to the partnership to move on high-protein DDGs because we do have the liquidity and the capability to do that. We're in the final stages of evaluating multiple technologies, and there's also emerging technologies that we're starting to see on bringing the protein up in this product as well as there's some on the soy meal products, bringing theirs up as well. And there's a crossover between some of these technologies.

And so we are in the final stages of making a decision on which technology we will do based on, obviously, the uplift in protein and the returns that we get from that. When you look at it against global protein demand and what you're able to uplift the protein, if you can uplift your protein at or above high-pro soy meal and you can gain those values, you will pick up what we believe is about $0.10 to $0.12 a gallon of margin in each 100 million type gallon ethanol plant. And that's significant and that's steady, and we think there's supply (inaudible)you can get in place to lock in that spread. And so we want to make sure that when we choose, we choose wisely, we choose the one that we can deliver on, we choose one that will deliver the quality that we need. And we are also looking at off-take partners right now, both domestically and globally for the product, to make sure that the product will ship and have a place to go. So it's a combination of all of that. It is coming, though.

But it's not like corn oil. Corn oil was $2 million to $3 million per ethanol plant, and this is a significantly higher cost to do this. And so we don't believe it will roll out quite as fast as corn oil. If you've got to write a check for $40 million or $60 million, depending on what you choose, so it's not going to be quite the same rollout as we saw in corn oil. But what we believe it will do over time is reduce earnings volatility in this industry and revalue these assets. Because if all of a sudden you walk in the door and you're getting $0.10 to $0.12 a gallon from a portion of your protein and you're getting $0.03 to $0.05 a gallon from your corn oil, before you even make ethanol, these plants will generate somewhere between $0.10 and $0.15 a gallon, and that's before you even start to think about ethanol. And I think that's going to be an important rerating, that once we announce the first one. And even if the industry rolls it all out, it won't affect global protein demand very much. But I think it will be a very slow rollout for the industry because of the cost structure that it takes to get it. But I think it's very supportive of our long-term thesis on protein, but also understanding that these ethanol plants have a lot of pent-up value from multiple different types of opportunities.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Right, that's a very valid point you make about the high cost of putting it out. So that and your export terminal, just fast-forwarding, let's call it 18 months to 2 years, and you put this high-pro technology at multiple plants. And a lot of these 1- and 2-plant operators, co-ops, they're not going to be able to afford this. So doesn't this and your export terminal -- a big differentiator for you guys potentially?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we believe that for a company our size with the financial capabilities we have to do things like this, when you take a look at -- first, when you start out with our non-ethanol operating income and our non-ethanol EBITDA at a baseline of $160 million to $180 million, and then you add on top of that the fact that our export terminal is just getting started and is giving us great insights to global demand, and we are providing end-to-end solutions for our customers, put on top of that you've got your corn oil business and your high-pro distiller's grain business, it's going to take time to, again, work this all through the valuations. But put that all together and then look at the valuation of the MLP as well, which we believe there's a lot of growth opportunities there, and the cattle business, and it's going to be a very interesting exercise to look at Green Plains and look at our valuation, which today, we believe, is undervalued relative to where we should be.

Operator

Our next question comes from Laurence Alexander from Jefferies.

Laurence Alexander - *Jefferies LLC, Research Division - VP & Equity Research Analyst*

I guess I have a couple of quick ones and then a couple of open-ended, if you don't mind. The first one is could you give a quick update on the amount of your plants that are using Enogen on the algae side? And also for the cattle, $113 EBITDA per head, do you see that as a good number or is that like midcycle? What do you think like a high, unsustainable number on that front would be? And then I'll get to the open-ended questions.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Okay, for the Enogen question, we used Enogen at 7 of our plants last year, and we're in a 1- to 2-year rollout to 17 plants over the next year. Some will take a little bit longer because as Syngenta moves to gain market share in the eastern U.S., that they're really, that's one place of, area of expansion for them, and they'll use our plants out there to help them do that. It's a great partnership we have with them, and it's a great product. And so every time we've done a sign-up with them, it sells out very quickly. Local farmers love the product. The yield is keeping pace with what they're growing on their farm. And we believe that overall, it helps Green Plains with our supply chain and helps Syngenta sell more seed of all their products. And so that's the first step of what we're doing there.

On algae, what we've done is we basically have converted our technology, and we have patented it to take a outflow of the ethanol plant as the major feedstock to grow algae in using fermentation technology. And the reason we moved it to York is when we bought York, we inherited a world-class fermentation scale-up lab that was built there for $30 million or $40 million. And we inherited that for not very much cost at all. And that's why we moved very quickly to York to start to scale up this product. We have a few design things that we're working on, but we think in late March we will get to a point where once we get into larger fermenters there, we will then come out with our scale-up opportunity. We have been aggressively in fish trials. We're looking also at other fish trials in Asian markets. And everywhere that we have been able to inject our product into feed trials, it has supercharged the returns that -- feed returns that we've seen in fish trials.

So we believe we have a special product that is fully patented, using a feedstock from the ethanol plant. And we have applied for the patent, so we have the provisional. But we believe that we'll gain the full patent on it, and it could be rolled out across a lot of our plants. So again, we have a few things left to prove it out, so we have made more progress in actually feeding our product and seeing the returns and actually making product than we have, really, since the beginning.

So we'll see. It always takes longer than you think. We've been talking about this for 8 years, but our cash burn is very low, and now we're just in the function of figuring out if we can commercialize this over the next several years. And so we think it's -- and use it in combination with possibly high-pro distillers and to come up with a interesting product for the world fishmeal market.

And then lastly, the cattle margin. The cattle margin, $113 was the inclusive of revenue that we received, but we didn't have much cost associated with it in general because we were just feeding, as for a fee, cattle for customers. When we look back at what we achieved on our cattle alone, notwithstanding the extra revenue, it was in the $80 a head range. And we earned that last year as well, in 2016, in the 80s, and we earned that in 2017. So while we always start with a baseline of $50, we want to be conservative because there are times we see $20 and %30 feeding margins, we always start out at $50. But then, obviously, our returns get better. We're working with packers on branded programs, on all-natural programs. And so those are where we get uplifts. The quality of our genetics that we've put into the yard have gone up significantly, and we're getting better returns as well with our agreements and our Partnerships with Cargill that we've put in place, which I think is paying off for both parties as we feed the cattle and they use it. We're very focused on giving them very high-quality genetics that they can, obviously, do better with as well. And so while I certainly would use $50 to $60 on the model, we have achieved in the 80s over the last several years.

Laurence Alexander - *Jefferies LLC, Research Division - VP & Equity Research Analyst*

Okay, great. And then I guess just lastly, I guess one for each of you. So maybe for John, in the 5 months that you've been with Green Plains, can you give any perspective on what has surprised you positively or negatively or what you see as the biggest challenges over the next couple of years? And I guess lastly, much of your earlier discussion was around how you're shifting the center of gravity into these co-product revenue margin streams. And when I think about my conversations with investors, a lot of the questions that come up is this view that excluding those, your ethanol plants are creeping up the cost curve and becoming less competitive over time. Could you talk a little bit about that, like either philosophically or if there are metrics you would point to, to argue where you are on the cost curve and how you feel about that?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Sure. Let me address the second question first, and I'll let John come on and eloquently discuss his first 5 months.

So we creeped up the cost curve through acquisitions of plants that were very high cost which we felt like we could fix. And over the last couple of years, we're starting to see the results of our investment in those plants of time and talent to get those costs down. And we really saw the best results we've seen, really over the last year or so, year and a half, in December, where our cost curve really dropped down more towards below historical levels.

So everything is judged off of the best plant. So when we look at an Obion, Tennessee, we have the corn, the ethanol, the distillers and the natural gas. And what we used to say is, "Deduct $0.27 -- $0.28 to $0.30 a gallon off of that to get to an EBITDA number. That's how we used to guide the market.

We creeped up over $0.30 a gallon with the acquisitions of these plants as well as there's other cost increases happening as well, whether railcars or things like that. So it's not all just because we bought some higher-cost operating plants. And so now we've spent the last year and a half or two in finalizing with what we're doing in Madison on moving from continuous to batch to drive those costs back into our historical cost level of $0.28 to $0.30 a gallon. That's where we would like to be. We're not going to get the whole platform to an Obion or a best-in-class ICM in the middle of Iowa at $0.23 or $0.24 a gallon. We're not going to get the whole -- the cost curve there because we just -- we didn't buy those type of plants for a lot of our platform because we certainly got plants at very good values, and they have returned very well for our shareholders.

So if we can get ourselves back in within a nickel or $0.06 of the best in class on an overall 17-plant platform at somewhere sub-$0.30 a gallon, in that $0.28 to $0.29 range, that's what we're shooting for. We saw that happen and starting to see that in the fourth quarter of last year, where we were creeping down the cost curve again. And Jeff and his team are fully focused in 2018 on continuing that. And we have a lot more projects, again, coming on that we will continue to work down the cost curve and drive more value for our shareholders from that perspective. It's a huge focus for us, but again, sometimes things take a bit longer. But over the long term, if you think about if we're within a nickel or $0.06 to our absolute best plant and we add things on like high-pro DDGs and corn oil and algae and all the other things that we're doing, focusing toward the Gulf and getting a margin there, looking at selling our distilleries grains and our cattle feedlots -- all of those help the overall competitiveness of our platform to the very best in class. So it's a bit of a combination and a bit of a formula.

John Neppl - *Green Plains Partners LP - CFO of Green Plains Holdings LLC*

Laurence, this is John. I would say that 5 months, I think, next week, first of all from a pluses/minuses, I think it's all been pluses. Seriously, though, if I look at overall my assessment after 5 months, I think on the positive side, I think the attention to detail here and the sharing and the flow of information internally around what's happening, really day-to-day -- intra-day, even -- I think has been pretty fascinating and, I think, very interesting for me.

We have fantastic bank support, I think the financial community in general. A lot of the bank relationships we have are with people that I knew before in my past work life. But I think that the support in the capital markets for the company, especially on the banking side, has been fabulous. And I can only hope that I can keep that going forward as we constantly are looking for opportunities on our capital structure and have certainly had a very strong group of banks supporting us along the way.

I think on the challenging side, I think it's really a couple more industry things that I understood but maybe didn't fully appreciate. And one is just the sensitivity of the ethanol margins for a company our size, because we produce 1.5 billion gallons a year. And obviously, the lack of a forward curve at times keeps you wondering what's going to happen around the corner. But we always seem to find the margin when we get there. But it's certainly volatile. And I've been accustomed to volatility, but it's really looking forward and what we can expect for a margin and how we can manage that -- I have a new appreciation for that, having come in from the outside.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Hey, Laurence one other thing just to close out on the discussion we had on the ethanol plants. Because of our portfolio of assets and what's changing in the global markets around all the different countries that buy all of the different grades, we can make any grade for any country across our portfolio. And as the global demand for ethanol grows, we believe we are in a unique position to give any customer using the Beaumont terminal, with our portfolio of assets upstream, any grade they want, any time they want it, anywhere they want it. And it's a total end-to-end solution.

We're not getting credit for that value yet, but as demand continues to grow and we see global demand continue to grow, we think we will be one of the only players in the market to allow somebody to get that. And the importance of traceability and tracking where your shipment comes from, especially with the European standards that are in place, we believe we're one of the only companies that will be able to do that.

Operator

The next question comes from Brett Wong from Piper Jaffray.

Brett William Sprinces Wong - *Piper Jaffray Companies, Research Division - Principal & Senior Research Analyst*

I first wanted to dig in a little bit on the exports, just a quick clarification. Todd, you talked about at 1.7 billion to 1.8 billion gallons as export opportunity in '18, but the deck says 1.5 billion to 1.7 billion. Just wondering the deviation there. And really, how many gallons do you think you're exporting to China in 2018?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, so Jim's just not keeping up with me right now, so I'll have to talk with him about that. But in general, our view, it's a -- the view that we have as a company is a 1.7 billion to 1.8 billion gallon view. Some things have to happen around that. But in general, I think that we will be in that range and could end up higher.

China, we think, will come in, in that 200 million gallon range. They were aggressive in the first quarter. And if you just do 1 cargo a month for the rest of the year, that's 200 million gallons. We think in the first quarter alone, though, we'll be pretty close to 100 million gallons. And so if they reengage at all, that is just going to be additive to our idea on where exports are going to be. So I think that's an important fact, is that half their year will be done in the first quarter, and their policy is to use more ethanol. So it's very hard to predict what's going to happen there. It's very hard to predict if they will fully turn it on or not. But thus far, I think they like buying cheap product; they like buying cheap octane. And quite frankly, they're buying cheap corn equivalent, and that's a bigger part of it.

Brett William Sprinces Wong - *Piper Jaffray Companies, Research Division - Principal & Senior Research Analyst*

Thanks. And Jim, that wasn't my intention by any means to -- (Laughter) I just wanted to check on it. But also, Todd, if you can talk longer term, and obviously, we're seeing the impacts here as China's looking for cleaner air emissions, right, of importing U.S. ethanol, do you think -- your thoughts on just the E10 policy there in general. And really, do you think that they're going to really import a lot of U.S. ethanol to meet what China typically is self-fulfilling in terms of their policies? And then obviously, just getting to E10, do they have the water availability there to grow their corn, et cetera, et cetera? Just your thoughts on that longer-term demand opportunity.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

I think longer-term demand, it's a huge opportunity for ethanol as they need it. I think overall, they're working through this burdensome corn situation that they've had, and that was one of the reasons that they were supporting internal production of ethanol. They're still not running all of their ethanol plants because of the -- they're starting to see a bit of a scarceness in certain regions on their corn. I wouldn't say they're anywhere close to running out, but it looks like some of the reports out of China, demand continues to grow and are starting to work through the excess.

That's all positive for us. I don't think that -- you know, it's easier to import chap ethanol and use more corn locally and domestically. Same thing with distillers' grains. If you take a look at China policy on distillers' grains, in our view it was an error on their part to lock this product out. It's cheap protein and the world took it. And so we cleared everything that we made at higher values last year than where we saw China when they left. And so I think that we are still going to be, have opportunities to continue to take advantage of the policy that they're putting place on E10. And I think they're going to on and off focus on the United States to make up some of the shortages that they may have. So overall, I think that's positive for us.

Again, as anybody that knows me as if from a long-term perspective, China is always a nice-to-have, but it's never something I always depend on, because it's hard to predict when they'll come in and out of the market. But we have a very competitive, cheap octane, clean-burning fuel, and they've recognized that fact.

Brett William Sprinces Wong - *Piper Jaffray Companies, Research Division - Principal & Senior Research Analyst*

Just one last one for me on the high-pro DDGs. When I was back in the industry 10 years ago -- wow, it's been a while -- we were looking at these technologies. And as you mentioned, Todd, there's a lot of hurdles, (inaudible) being a big one. But why are you doing this now? It gets a little back to the question Laurence was just asking. Are there any more cost deficiency opportunities across your platform, or is it just good technology, the frac technology's gotten better? And then on top of that, why -- I'm sure you've obviously done this analysis. But why not look at building out more of the non-ethanol assets?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Well, from both perspective is the technology across many different areas of protein through, whether mechanical or fermentation technology, it has the abilities and the processes and the competing technologies have all rapidly gotten better, whether you're in soy processing, whether you're in grain processing, whether you're in some other protein. We've seen upticks in capabilities, and I think it's finally starting to translate back to upgrading our protein.

Also over the last 10 years, if you look at what's happened, is the world is clearing all the protein and needs more, and we'll need more in the next 10 or 15 years, as evidenced by whoever you talk to in agriculture or whatever companies, their strategy is all around servicing that global growth of protein demand. I think it's not going to go away, extremely robust.

And so when we look at it and we say, "Where are we going to allocate capital?" we have invested well over $1 billion in ethanol assets, and we have always said, "You haven't seen anything yet." So we started out, we used to make DDGs and we made ethanol. Now we make DDGs, ethanol, and corn oil. Now we are using getting rid of alpha amylase through technology in the corn plant with Enogen. And then we're looking at domestic growth in distiller's demand. And then the next thing you say is, "What can you do with these? These are basically just factories that you continue to upgrade the quality of your product." And so this is just a natural line extension of what we do already at the ethanol plant. And if you can gain -- if you can reduce earnings volatility over the long term by having a product that will have long-term value from a plant that you can produce it for a -- really, it's a minimal investment, relatively speaking -- to be dollars and cents per gallon that you can earn, why wouldn't you do that?

I think, again, it will be self-fulfilling as well. It's much like corn oil. Once you build 1 or 2, they start to pay for themselves. Well, that certainly is going to be harder to do with this, but you would start to see that once you're at 2 of these things, you're going to be able to start to pay for half of the next one. And then when you're at 3, you'll pay for two-thirds of the following one. And then you start to roll them out, and they start to pay for themselves, and that's how we're looking at it. So we believe while the capital spend will be great in the front end, it will start to pay for themselves in the back end, and you just start building them.

On the front of non-ethanol, we are -- when you look at the next 5 years or 10 years of what our plan is as a company, it doesn't necessarily include buying more ethanol assets unless there's something interesting, and we will acquire them. We're certainly not afraid to do that. We're waiting for the market to see if there's opportunities to do that.

But beyond that, we're focused on 4 or 5 initiatives. One is building out our cattle feeding. One is the protein initiative. One is also looking at our MLP and saying, "How do we diversify revenues away from Green Plains so that the market will accrue more value to a MLP that's not fully dependent on the parent's revenues?" And we are 100% focused on doing that, both from a GPRE inkboard and a Green Plains Partner Board's perspective.

And then finally, looking at the high value of food ingredient business, using Fleischmann's as a platform of growth. Fleischmann's is a great platform. It provides a steady and growing operating income, and it's been around for 140 years and it has long-term relationships with all the major food and ingredients companies. And we believe we can leverage those capabilities at both organically, with bolt-on acquisitions of other vinegar producers as well as looking at outside ingredients opportunities where we believe we can add value form everything else that we do as a company.

So when we look at those four major initiatives, we believe that protein will be part of that. And then once you gain that high-value protein, where does that lead next and who are your new customers and what are the opportunities after that? So we are very excited about our plan for the next 5 years or so.

Operator

Our next question comes from Eric Stine from Craig-Hallum.

Eric Andrew Stine - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Just a few quick ones for me. So you mentioned you idled some production the first quarter. Just wondering if you could quantify that or give that maybe as a percentage of your overall production. Then just to confirm, are you seeing other people in the industry do that? I know in Q2 you went at it alone. So any details there would be helpful.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we reduced January by approximately 20% overall, inclusive of Hopewell, which is down until margins improve. But also now what we're seeing in the go-forward is Madison is going to go down for about the month of February as we are changing over from continuous to batch production. And then also, just we took our lowest-producing plants and we just said, "We are going to." It didn't make or lose any money for us by doing that and it was very marginal so we took that production down. We haven't made a decision yet in February what to do with that, but with the export demand that we're seeing and the need to supply and stem the loads that are coming, we'll have to just figure out what we flesh up and down during the quarter and then come out of the quarter ready to go.

Eric Andrew Stine - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Got it. And maybe this quick on E15. It sounds like you've got a decent level of confidence that a year-round waiver might be granted. Just thoughts on what you think that would mean in terms of incremental volumes. Is it a couple hundred million gallons, or thoughts there would be good.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

I'm not sure I have huge confidence, but I know that we're working hard as we look at some of the things that are going on in Washington and using E15 waiver, our RVP waiver as a potential bargaining tool for other things. But again, there's not much progress being made on the fronts, other than I know that the EPA is looking at it, the White house is thinking about it and the industry groups like it. And the automakers love it, from what we understand. They want high-octane fuels, they want available high-octane fuels and they want to raise standard from 87 octane as your minimum base fuel. And so all of that plays well into the fact that the RVP waiver is important. If we get it, I think it's at that point, it's a great opportunity to sell a lot more E15 across the U.S. Right now, by selling E15 the blender, the retailer blender, if he buys his base fuel, is getting somewhere between $0.50 and $1.00 of blend margin on that extra 5% of fuel. And I think that's a highly motivating factor. We're seeing some markets that did not get any incentive money. We're seeing retailers on any of their new stations put in E15 pumps and selling it because they're competing with the early adopters who are selling E15 and selling a lot of it and making good money doing it. So overall, we are cautiously optimistic, more so than any certainty around getting it.

Operator

Our next question comes from Omar Mejias from BMO Capital Markets.

Omar J. Mejias - *BMO Capital Markets Equity Research - Associate*

This is actually Omar in for Ken. Just a quick question on exports. I know you provided some color on China, but could you guys talk about Brazil? I know there have been some news around them potentially removing some of the tariffs, I guess hinging on the U.S. allowing beef imports from Brazil. But what are your thoughts there? Any color on the potential upside? Or I think also they're been talking about building some ethanol, corn ethanol plants down there. So just your general view on Brazil.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

We're generally positively inclined towards the country, both in '18 and over the long term. Last year we did 438 million gallons. This year we're estimating that we will do something structurally similar. Even with the tariff, it still has positive economics to come in. And then your weighted average, it has very positive economics. We think renewable bio and that program that they're putting place is long-term structurally bullish for demand in Brazil. We'll start to see some of that in '18 and '19, but more towards ;20 when some of the targets need to be hit. I think anybody down there would say that is structurally bullish demand out of that region.

The corn ethanol industry is just starting up down there. I think there's a few plants that people are building or that some have started. They're profitable, they're positive and it looks like they're gaining some traction down there as well to, hopefully, get some of the demand locally as well. So overall, we are structurally bullish Brazil on the long term. We believe because of the size and the scope and the scale of our corn crops that we're coming in at with record yield this year and the incredible genetics that we have, we believe we will remain long term competitive versus sugar-based ethanol for the foreseeable future, if not longer.

Omar J. Mejias - *BMO Capital Markets Equity Research - Associate*

And on your outlook, do you guys are incorporating any incremental exports to Japan? And how do you guys look at India and export market?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Japan is going to be icing on the cake this year. They opened up their market. Based on our carbon footprint, we now qualify to go into Japan. And again, I think that's going to be something that we will focus on in 2018 to see if we can get some of those gallons. Any 50 million or 100 million gallon difference makes a big difference for our stock situation if we can get 50 million to 10 million gallons into Japan this year, that's another 2 million or 3 million barrels that comes off the supply. And again, when I'm talking about my numbers, we're not even including much into Japan in those numbers at all yet. But we believe in '19, we will be able to gain share in Japan, if not even in '18.

Oh, and India. Did you ask about India as well?

Omar J. Mejias - *BMO Capital Markets Equity Research - Associate*

Are there any incremental thoughts there with -- I think there was some U.S. delegations out there trying to open the market. Any thoughts there?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we think India is another great opportunity for us. We're seeing India demand all throughout the curve in 2018 and even into 2019, starting to look for pricing. And so we're -- last year they did about 170 million gallons. They were the #3 buyer out of the United States. We think that this year they could exceed those numbers, and we're starting to see that through some of the inquiries we're getting already. So that's why we have a positive spin on exports, but again, we need to get some of this business done.

Omar J. Mejias - *BMO Capital Markets Equity Research - Associate*

And the last one for me is more of a housekeeping item here. How should we think about capacity utilization? I know you guys talked about production cuts in Q1, and just how should we think about that for the full year as well? Any color?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

I think as we ramp up the remainder of the year, we have full production run rates structurally similar to the fourth quarter that we'll run -- fourth quarter '17 -- that we think we can run at. And obviously, we have downtime coming and things like that. But in general, we'll run towards our historical 90% to 92% of historical -- of capacity.

Omar J. Mejias - *BMO Capital Markets Equity Research - Associate*

And that includes Q1 as well?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes.

Operator

Our next question comes from Selman Akyol from Stifel.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

A couple of questions on Partners. When you look out and you see 25% of Partners' business coming not from Green Plains Inc., what kind of timeframe are you looking at for that, to reach that goal?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Our goal is in the next 18 to 24 months, we are seeking to diversify those earnings.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay. And then given the weakness in 1QQ that you alluded to in terms of selling production there, should we be looking to be supported by the MVCs like we were in the second quarter of last year?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

I think we'll be at or above the MVC. If not, we'll support it internally form Green Plains. We'll always do that.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay. And then in terms of the dropdown of the terminal, can you just talk about what contracts are in place or you anticipate having in place? Would they be MVCs or would they be throughputs with MVCs or would they be take-or-pay contracts? Any thoughts on that?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we're seeking take-or-pay contracts. We're in multiple discussions with multiple parties to try and lock down that terminal. We will be one of those parties. Green Plains would support the whole terminal, but we think best for our shareholders and unit holders that Green Plains Partners, we diversify that a bit. And so we are very bullish that terminal, and as I said, right now we are still not even running at full steam, yet we are unloading 10 to 12 unit trains a month right now. And so -- and the boats, every boat has been loaded, been minimal demurrage. All the grades have been met; all the trains have been unloaded. There have been no real issues from a quality standpoint. It's really just getting everything in line, getting everything working, getting logistics straight. And it's starting to even become more efficient down there.

And so the market is seeing that, I think. The market is seeing that we load, we have less down days because of fog because we're related. We have better service from the standpoint of getting their trains unloaded. We can unload barges, and I think people and companies are starting to appreciate the capabilities of a terminal solely devoted towards loading these boats.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Appreciate that. And then do you anticipate selling out that terminal?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Selling out the terminal in terms of...

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Just being fully utilized in terms of loading?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, we anticipate that that terminal will be fully utilized in terms of loading. And even looking beyond that to say, "Where does the next expansion come from," because we always indicated that 500,000 barrels, we want to look at Phase 2 of another 500,000 barrels. But we want to get -- let's get through Phase 1 first and then figure out where we go from there.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

I got you. And then do you need to have that fully sold out on the 500,000 before you would drop it down, or would you drop it down with still some capacity to go?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

No, I think we could drop it down with some capacity to go. I think the GPP Board and [Compensation] Committee would be comfortable that Green Plains is sitting there supporting it already. And while we certainly would support it fully, again, I think over the long term our unit holders want to see some diversification of revenues. So that's why we're not going to take the whole terminal.

Selman Akyol - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Got you. And then the last one for me, distribution growth for 2018? Any comments there?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, I think over time, when we look at it, our goal is to remain -- our long-term goal is to be 1.1x coverage ratio and, as we said, an 8% to 10% growth rate. And so whether that's a penny or a half-penny to do that in '18 and '19 depends on, number one, the drop; number two, whether we make acquisitions. So all in all, we want to make sure that we maintain a coverage ratio well above 1, and we've certainly grown our distribution to date. And we are not going to stop growing our distribution. I think we'll just assess making sure that we keep our coverage ratio strong as well depending on how we do with the other segments.

Operator

Our next question comes from Pavel Molchanov from Raymond James.

Pavel S. Molchanov - *Raymond James & Associates, Inc., Research Division - Energy Analyst*

A broader question about the federal policy landscape. We're talking about the E15 waiver, but of course, we've heard the EPA also trying to make some changes to RIN policy that are much less. Shall we say amenable to ethanol interests. So I'm curious, 1 year in, do you look at this administration as a net positive or as a net negative for the industry?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

This administration is absolutely a net positive. The White House is supportive and has held a hard line on being supportive to the industry and understands the Midwestern support that helped them get there. And I think that -- but beyond that, I think he believes in the fact that you need to have an "all of the above" solution, and ethanol is one of those solutions, and has maintained support for the industry. Obviously, we have certain threats from certain senators, but we believe the bottom line is we're still in the driver's seat on the legislative front. We think we're going to be able to grow our market through potential RVP waivers. I think that legislatively, it will be hard to get a change. Regulatory threats, I think, are limited at this point. Obviously, Administrator Pruitt so far has followed the law, and I think that's very important. He is concerned about RINs and some of the costs associated with RINs to some independent refiners, and we certainly understand that. And I think he's trying to find solutions on how to help solve that. So we have indicated to him the best solution is the RVP waiver because we believe that immediately, that would start to limit the upside on RIN prices. We would sell more ethanol in the fuel supply. And it's hard when you have people complaining about the RINs, companies that complain about RINs that have distribution and retail capabilities and retail contracts but won't offer E15 in the market to mitigate. And I think the administration sees that, that if you want to mitigate, you first try to mitigate your risk and then come to us and talk about change. But now they're just trying to come -- they basically are -- the people that are against RINs are coming to get the change so they don't have to mitigate at all. And so I think that's one of the things that it doesn't give a lot of credibility.

Obviously, judicially we're looking at whether somebody's lawsuits ever get hold. But the bottom line is that the courts that they're in have repeatedly ruled in favor of the biofuels petitioners, and it's unlikely that any of these new cases will lead to meaningful changes in the RFS. So at the end of the day, the real question is, is there some negotiated deal between the industry and the refiners and congressmen or senators from certain oil states and corn states? It's a hard path, and so I think the status quo will be maintained, yet I do believe at some point, there will be some changes made, but none of them, I believe, are a threat to our industry.

Pavel S. Molchanov - *Raymond James & Associates, Inc., Research Division - Energy Analyst*

Okay, and a question about your M&A approach as well. As you clearly aim to diversify the revenue mix at the parent level, have you essentially rolled out boosting your ethanol capacity beyond 1.5 billion gallons, or is that still an option, opportunistically?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Oh, no, opportunistically, it's absolutely an option. We think that to really have scope and scale that you need, you need to be a 2 billion to 2.5 billion gallon player in this industry as we start to level off production. So our goals continually is seeking to expand all the pieces of our platform. But right at this point, you can't buy the ethanol plant that you would probably want to buy at any value that would make sense. So if you want to replace an Obion, Tennessee, or a Bluffton, Indiana, or a Shenandoah, Iowa, that cost to purchase that -- first, I'm not sure actually you could buy one like that. And if you wanted to, our view is it's pretty close to replacement to make an acquisition. And so there's a huge disconnect between the valuation of our underlying assets in ethanol and where we would have to pay to replace many of these assets. And we believe over time that disconnect will get worked out, because we've seen this before.

Operator

Our next question comes from Craig Irwin from Roth Capital Partners.

Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Pretty much everything that I was considering was already asked. The one thing on my mind is China exports. So they were a very small piece of the U.S. exports in '17, and you're explicitly including them in '18. I know there are a bunch of cargos that have been booked. Can you share with us an approximate number of gallons you expect to send to China in '18 and just confirm for us that this is over the top of the 30% tariff that's in place?

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Yes, I'm not exactly sure how the importers are approaching the tariff into China. But in terms of volumes, we think December was that 35 million to 45 million gallons of executions, but some of it went into January. And so overall, between December of 2017 and all of 2018 added on top of that, you could get pretty close to 250 million gallons, with about 40 million or so -- 35 to 40 million or so -- of that in December of '17. So in total, we think the baseline for China in 2018 is 200 million gallons, with half of that happening in the first quarter.

Operator

This does conclude our question-and-answer session. I'd now like to turn it back to Todd A. Becker for any additional or closing remarks.

Todd A. Becker - *Green Plains Partners LP - Chairman, CEO & President - Green Plains Holdings LLC*

Well, thanks, everybody, for coming on the call. We are very busy working on behalf of the shareholder on many different fronts, as you can see. We continue to focus on the growth of the platform, monetizing all the different income streams that we believe are there over the long term, improving the value of the assets overall and closing that gap between what we believe the valuation of this company is and what the market is giving us credit for. And so we will continue to work hard to close that gap and look for opportunities to do that. Thanks for coming on the call today.

Operator

This does conclude our conference for today. Thank you for your participation. You may disconnect.