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Company Participants

- Jim Stark
- Todd A. Becker
- Jerry L. Peters
- Jeffrey S. Briggs

Other Participants

- Theresa Chen
- Adam Samuelson
- Farha Aslam
- Craig Edward Irwin
- Tyler L. Etten
- Laurence Alexander
- Maheep Mandloi
- Sandy Klugman
- Pavel S. Molchanov
- Heather Lynn Jones
- Majid Khan

MANAGEMENT DISCUSSION SECTION

Operator

Good day, everyone, and welcome to the Green Plains Third Quarter 2015 Financial Results Conference Call. Today's call is being recorded.

At this time, I would like to turn the call over to Mr. Jim Stark. Please go ahead, sir.

Jim Stark

Thanks, Jay. Welcome to our combined third quarter 2015 earnings call for both Green Plains Inc. and Green Plains Partners. Participants on today's call are Todd Becker, President and Chief Executive Officer; Jerry Peters, our Chief Financial Officer; and Jeff Briggs, our Chief Operating Officer.

We have posted a slide presentation for you to follow along, and you can find this presentation on the Investor page under the Events & 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 the Form 10-Q, Form 10-K and other reports and filings with the Securities and Exchange Commission.

You may also refer to page two of the website presentations for information about factors that could cause different outcomes. We do not undertake any duty to update any forward-looking statements.

And now, I would like to turn the call over to Todd Becker.

Todd A. Becker

Thanks, Jim, and good morning, everybody and welcome to our joint conference call this morning for Green Plains Inc. and Green Plains Partners. Let's get right to it.

So first off, I would like to discuss our ethanol production run rate for the third quarter. We made a conscious choice to run slower due to a combination of factors, including running for yield, planned and unplanned downtime, producing 21% of the quarter's ethanol gallons for export markets, and weaker margin structure in mid-July. We produced 215.6 million gallons of ethanol in the quarter. We sold approximately 15,000 barrels to 20,000 barrels per day during late July and through August, but it ramped up our production back to normal in September.

We have seen stocks tighten in EIA data to 18.3 million barrels this week, which has led to a positive [ph] slant (02:19) to spot margins. We improved our ethanol yield during the quarter, which was 2.85 gallons per bushel of corn for the third quarter compared to 2.81 gallons per bushel for the third quarter of 2014.

In fact, if we adjust for the export gallons produced in the quarter, our yield was 2.86 gallons per bushel, which is a record for Green Plains. We have some plants that pushed close to 2.9 gallons per bushel, as many of our capital improvements are paying off.

For Green Plains Partners, we did exceed the minimum volume commitment of 212.5 million gallons for the quarter; and with the current production pace, we expect to increase volumes that are put through the partnership in the fourth quarter.

Because this is mainly a volume-driven business at this point, I'll let Jerry cover more of the financial data with you at the end of the call. And at the end of the call, I will cover some strategic points.

We are completing approximately 35 million gallons of our Phase I expansion project this quarter, which will take our production capacity to 2.89 million gallons per day. We anticipate producing at approximately 95% of total capacity or 251 million gallons this quarter, which will be the highest ethanol production quarter in our history.

Remember, these new gallons do not come up all at once, and we are ramping up throughout the whole quarter; yet, we remain on budget and on time with these initial gallons.

For the third quarter, Green Plains reported net income of $6.2 million or $0.16 a share, and we generated $36.3 million of EBITDA for the third quarter. As you saw in our earnings release yesterday, we have made some changes on how we will report segments to you. Jerry will review that in a few minutes.

As a result, we are now providing a consolidated ethanol crush margin, which is operating income before depreciation and amortization from the ethanol production segment, including corn oil production, plus the Green Plains Partners' storage and transportation fees. This number is intended to give you a comparative measure of our ethanol production margins versus others in the industry.

For the third quarter of 2015, all of these added together were $34.9 million or $0.16 a gallon. Obviously, the payment to GPP is publicly available, but we wanted to give you a wholesale look into the crush.

By now, you have seen the acquisition announcements we have made over the last several weeks. We will finalize the purchase of the plant located in Hereford, Texas, within the next couple of weeks. The plant is running today, and we expect a smooth transition to our platform from this location.

Murphy USA did a great job of finishing the construction and upgrading [ph] its plant (04:57). While we often said the destination model is really not in our plant, this plant is a bit of a different animal. The facility has performed well since the upgrades were completed, and we believe it will rank overall in the middle of the range [ph] above our plans (05:11) from a profitability standpoint, and we believe we can enhance this profitability in many ways.

First, we will [ph] sever all (05:18) third-party agreements. Second, we believe we can increase many of the operational metrics because of our investment in 12 other plants and the experience we have. And finally, this will be an excellent location to bring [indiscernible] (05:29) trains of corn and distillers grains to distribute locally by using the great infrastructure of the plant.

Not many other plants in the U.S. have this opportunity with the amount of feed demand in the 50-mile radius. Our team is also working diligently to make improvements of the Hopewell, Virginia plant. I know this may sound crazy to some of you, but we believe we can improve this plant's economics by more than $0.40 a gallon. So how are you going to do this? I'll give you some of the biggest examples today.

The plant sells a low quality distillers grain somewhere around 25% below the market. By spending a mere $500,000 on upgrading the system, we will improve the plant's overall economics by $0.10 a gallon.

In addition, we will better the SG&A and labor by almost $0.20 a gallon, even after maintaining the same local workforce. And between corn oil production being installed and various other things like chemicals and water, we will add another $0.10 or so. We believe the investment we are making will significantly improve the operating cost on a per-gallon basis and expect this all to be completed by the second quarter of 2016.

Lastly, we will use this site as a transload for distillers grains to containers. And more importantly, we believe we can ship ethanol in from our other plants and distribute in the local markets, enhancing not only the ethanol plant economics, but it also has the potential to enhance the Green Plains Partners business.

In all, we will add 160 million gallons of annual capacity, and when combined with the expansion gallons added, we will start 2016 with 12 million tons of corn processing capacity, 1.2 billion gallons of ethanol production, 3.4 million tons of livestock feed and 290 pounds of corn oil production.

So what about the five points of capital allocation, which we have discussed with you? We are investing $112 million growing our business through the two announced acquisitions related to our current group of assets. Since the inception of the organic expansion of project, we invested $19.6 million as part of Phase I organic ethanol expansion and since the beginning of 2015.

We invested $10.2 million on our grain storage expansion and now have over 50 million bushels a grain storage at our 12 ethanol plants. We increased the quarterly cash dividend to $0.12 per share, which is a 50% increase from the previous dividend and a second annual increase in the cash dividend paid to shareholders. Since the dividend was initiated in August of 2013, the company has returned $22 million to shareholders.

During the third quarter, we reduced our term debt by $5 million; and finally, we repurchased 191,700 common shares for approximately $4 million. We have the capital to continue to grow our platform, and we will be smart managers of our balance sheet and be opportunistic with the execution of our capital allocation strategy.

While we are paying cash for the assets, we expect to replenish our balance sheet through free cash flow generation, increased financing for the new assets and payments from GPP on the dropdowns when they occur. We expect to offer the new plants' transportation and distribution assets to Green Plains Partners sometime during the fourth quarter.

Now, I'm going to turn the call over to Jerry to review both Green Plains Inc. and Green Plains Partners' financial performance, and I'll come back later to discuss the outlook for the remainder of the year.

Jerry L. Peters

Thanks, Todd. First, I will do a quick overview of Green Plains Inc. and then discuss Green Plains Partners. As we now have two companies to discuss and many operating and strategic developments to review, I will not complete a line-by-line review of our operating results, but instead provide a high level overview of results and focus on providing additional clarity on unusual items.

For Green Plains Inc, consolidated revenues were $743 million in the third quarter, which was down $91 million or about 11% from a year ago. That change was driven by lower production volumes and lower commodity prices.

Volumes of ethanol sold for the quarter were up 1% to 294 million gallons, while the average realized price per gallon was 22% lower than last year's third quarter.

Our consolidated operating income for the quarter was $19.8 million versus $75.1 million a year ago, primarily as a result of the weaker ethanol margin environment and lower production volumes in the third quarter of 2015 compared to a year ago. We realized an income tax benefit of $604,000 for the three months ended September 30, 2015, compared to an expense of $24.3 million for the same period in 2014.

On a year-to-date basis, our effective tax rate was 13%. While the formation of the partnership should provide a benefit of a lower effective tax rate, going forward we do not expect our full year rate to hold at this level. In fact, we expect our tax expense in the fourth quarter to push our full-year rate up closer to a normal corporate rate level.

Earnings before interest, income taxes, depreciation and amortization or EBITDA was $36.3 million for the third quarter of 2015 compared to $91.9 million for last year. As Todd mentioned, we have changed our reporting segments during the quarter. We have combined the corn oil production activities into our ethanol production segment as most of our peer group reports these businesses on a combined basis.

We also added Green Plains Partners as a new segment for obvious reasons. We closed September with total cash of over $512 million. The proceeds to Green Plains of the partnership's IPO were $155 million, and we paid $39 million of income taxes on the tax gain during the third quarter.

Total capital expenditures in the quarter were $14 million; and as Todd mentioned, we repurchased $4 million of common stock, paid $5 million in cash dividends, and reduced long-term debt by $5 million.

So, we closed the third quarter with $448 million of term debt, down from $495 million a year ago. Our net term debt is a negative $64.6 million at the end of the third quarter, which means we could pay off all of our term debt and have $65 million of cash on hand.

Now, for a quick run through of Green Plains Partners performance. This is the first quarter of operations and full financial reporting for the partnership, which along with GAAP requirements, makes for comparisons to prior periods a little challenging. Our historical comparisons reflect a GAAP requirement that show prior periods as if the partnership own the storage and transportation assets even prior to the time the contractual arrangement with Green Plains became effective.

As a result, for the prior periods, the partnership shows all of the expenses of the contributed operations, including significant railcar lease expenses with none of the related revenues from those assets. Our S-1, filed as a part of the IPO, included our forecast of financial results for the first several quarters, so I will use that as a basis of comparison for the partnership.

Adjusted EBITDA for the partnership was $13.1 million, down about 8% from the S-1 estimate of $14.2 million. This was a result of Green Plains' lower ethanol production during the quarter, which resulted in 23 million gallons or about 9% lower throughput than the S-1 estimate.

Distributable cash flow or DCF was $12.9 million when compared to the S-1 filing, down $1.1 million. As Todd mentioned earlier in the call, throughput gallons from Green Plains Inc. did exceed the minimum volume commitments of 212 million gallons, which is the same for each quarter during the year. However, the slowdown in production did affect our comparisons for partners to this earlier forecast.

As Green Plains ethanol production rate returns to approximately the 95% range that Todd mentioned for the fourth quarter, partner should see throughput gallons in the range of about 250 – just over 250 million gallons to 254 million gallons. This would not include volumes and related revenues expected from a dropdown transaction related to certain assets at the two plants Green Plains is acquiring currently.

We expect the storage and transportation assets from these plants to be transferred to the partnership late in Q4, which should add up to 160 million gallons per year of throughput to the partnership beginning next year. As we announced on October 22, the partnership declared its first distribution in the third quarter of $0.40 per unit. The distribution coverage ratio is 0.99 for the third quarter. We fully expect to see this ratio move back into our target range of 1.1 times coverage measured on an annual basis.

With the progress we've made on capacity expansions and acquisitions, we are confident in our ability to grow the partnership's distributions.

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

Todd A. Becker

Thanks, Jerry. So let me give everyone some other brief business highlights since we have so much to talk about today. First, our corn oil business now part of the ethanol production segment benefited during the third quarter and now on the fourth quarter from our export program. While a year ago was much slower, our vegetable oil trading team sold significant volumes offshore. In fact, we sold enough to cover all of our volumes we produced through the rest of the year.

This team was part of the initiative to build our merchant business, but as you can see, there's also a positive impact to our production platform. This was consistent with the plan with all the teams we have in our different trading businesses.

The price of corn oil has firmed a bit, as we see some traditional biodiesel companies coming in for coverage. The increase in feed demand, good export business and the fact that about 5% of all the corn oil produced at ethanol plants is now being upgraded to food grade in many countries.

We have also seen China return for soy oil from the U.S., which is indirectly helping our product we produced. The marketing and distribution segment had a solid quarter of trade flows. This was driven from our energy trading group in natural gas and ethanol and our veg oil activities.

The agribusiness group was slightly weak for the quarter as we were gearing up for harvest. We expect a strong fourth quarter as we made a concerted effort to fill our space as much as we could prior to harvest. We completed the Obion grain storage building and filled the total space this year. And now, you could see a picture of this project on our website when you open up our homepage, which is up live now. It is one of the largest of its kind in the U.S. capable of holding 5.5 million bushels in covered flat storage.

We believe we have changed the trade flows in the area with that opening of the building and most of it was filled with farmer origination. We are also looking to add another storage expansion down there as well.

Overall, [ph] besides Lufkin (16:39) and Riga, which have lower crops this year, we expect to fill all of our grain storage, which as mentioned, now has over 50 million bushels of capacity companywide. Of that, 22 million bushels is new grain storage at our ethanol plants, of which almost 90% full at this point. Our cattle operations are starting to see a recovery in margins. Cattle going in to a feedlot today are seeing somewhere between $50 and $100 [ph] a head (17:05) margins for only October placements.

[ph] Cattle (17:08) should contribute nicely to the fourth quarter, as well as we hedge most of our placed cattle earlier in the year before the break in prices and came out of this cycle basically unscathed.

Finally, as we continue to roll out our farmer direct programs, we bought over 55% of the corn in the fourth quarter from local producers, as our new customer relationship software is starting to benefit our supply chain.

For the remainder of the call, I'll discuss ethanol production fundamentals a bit more and then a bit more in Green Plains Partners. This past week, we finally saw a bigger draw of ethanol inventories, down to 18.3 million barrels as some of the export volumes we have been watching finally hit the numbers. We believe exports will still come in between 800 million gallons and 1 billion gallons for the year, and gasoline demand in the U.S. remained strong.

We believe [ph] there has been China business done (17:57) as our inquiries squarely center around this demand. At this point, we are scheduled to ship 10% of our production volume [ph] we're (18:06) exporting in the fourth quarter, but expect that number to go higher as we have a flurry of potential business.

[ph] Besides that (18:12), domestic demand is also at a record weekly pace. We are running 2.4% above the total last year on demand as gasoline demand is almost up 4%. Our blend rate nationally is still only 9.4% even at a record price, so you could see we still have room to gain share.

China and India gas demand is up 10% year-to-date, and we expect the same for 2016, which we believe will also keep ethanol demand firm for that part of the world. While ethanol is a slight premium to wholesale gasoline [ph] thereby (18:45) and that spread has been narrowing, we continue to see usage remain higher on the world as the forward curve beyond April is still a discount to gasoline.

Ethanol still trades $0.25 to $0.50 a gallon under all octane and oxygenate substitutes. We have done very little work on the forward ethanol curve as the best margins [ph] are in the nearby or (19:05) for the next 30 days. Those ethanol margins continue to be in the low to mid-teens EBITDA per gallon, but remember that includes corn oil, which is now how we're going to report across to you on a gross wholesale crush, also including the [ph] put through (19:20) fees that we paid down to the partnership.

One thing to remember with the partnership is the fact that while it's $0.05 a gallon put-through, GPRE still owns approximately 62% of GPP, so we get the benefit of about that much back to Green Plains' shareholders at Green Plains Inc.

Even with this margin outlook, we will continue to expand ethanol production and acquire ethanol plants. To us, it's very simple. It's about continuing to add to the base of operations we started with seven years ago. We believe the billion dollars or so we have invested in this company allows us to acquire and make better all types of plants if they meet our requirements. Green Plains Partners also allows us to grow the company using a very competitive cost of capital as compared to much larger companies we compete with.

Finally, Green Plains Partners is a serious growth platform. We will offer the two new assets we've acquired, continue the search for bolt-on terminal businesses and organically grow the terminal volumes we have today. We're just getting started with this opportunity.

We are one of the last MLPs to go public, but even more importantly, we are the only ethanol-centric MLP on the market today and believe our first-mover advantage in our distribution will suit all of our shareholders well in the future.

I'll say it again, scale has its advantages in a commodity processing business like ours and we certainly believe ethanol continues to remain a permanent and expanding part of the world's fuel supply and plan to continue to grow into one of the largest suppliers of this high octane fuel additive.

Yes, we are still seriously looking for other opportunities to diversify our core business as well, but with our history and the MLP now in place, we can continue to be a consolidator across the industry. As I pointed our earlier, our five main legs of capital allocation remain the same: acquisitive growth, organic growth, debt paydown, dividend growth, and share buybacks. We have the balance sheet and the employees to be successful in executing our strategy.

So with that, I want to thank everybody for joining the call today, and I'll ask Jay to start the question-and-answer session.

Q&A

Operator

Thank you, sir. [Operator Instructions] We'll go first to Theresa Chen, Barclays Capital.

<Q - Theresa Chen>: Good morning.

<A - Todd A. Becker>: Good morning.

<A - Jerry L. Peters>: Good morning.

<Q - Theresa Chen>: My first question with relation to the partnership, in regards to the potential dropdown in the fourth quarter, given the persistent headwinds across the MLP sector, what are your thoughts on valuation for the dropdown and how are you planning to fund it? Will it be with – [ph] relying (22:08) primarily on your revolver?

<A - Todd A. Becker>: So, specifically in terms of the headwinds, look, I think from our standpoint, we literally – less than 60 days or 90 days ago, during those headwinds that I think are very similar to today, dropped all of our assets obtained at a valuation, and we believe at this point, the new dropdown will be consistent with those valuations that we saw earlier on.

And in terms of funding, Jerry, I'll let you comment on that.

<A - Jerry L. Peters>: Yeah. In terms of funding, we do have our $100 million revolver that's fully available to us, completely undrawn. So we would intend to fund the acquisition with that withdraws [indiscernible] (22:45) revolver.

<Q - Theresa Chen>: Got it. And given that you're going to pay the – continue your expansion program, which will provide excess cash flows for the partnership along with the acquisition, what are your thoughts around how to balance distribution growth versus coverage in the short term when you have these excess cash flows come on?

<A - Jerry L. Peters>: Well, as I said, we're targeting about 1.1 times coverage ratio measured on an annual basis and so we don't want to get out ahead of ourselves on increasing the distribution, but obviously the pace of dropdowns and other opportunities that might become available to us will really drive the overall growth rate. So we want to maintain that 1.1 times coverage and then grow as our business grows proportionally.

<Q - Theresa Chen>: Great. Thank you very much.

<A - Todd A. Becker>: Thank you.

Operator

We'll go next to Adam Samuelson with Goldman Sachs.

<Q - Adam Samuelson>: Yes, thanks. Good morning, everyone. Maybe first, Todd, on the ethanol margin outlook, I want to make sure I was clear on the – what you said in the prepared remarks that you expected ethanol – the equivalent of the new crush margin disclosure to be low to mid-teens in the fourth quarter, and it was $0.16 in 3Q. Did I hear that right? Just want to make sure it's apples-to-apples.

<A - Todd A. Becker>: Yeah. So when you add up, when you take the ethanol crush plus corn oil, which includes then still before we take out the nickel going out to GPP, that all added up to $0.16 a gallon. When we're looking at the fourth quarter today in the spot market and it's inverted into December, so December margins aren't as good as the spot. The spot today remains somewhere between $0.15 and $0.17 a gallon, including the $0.045 for corn oil. So the spot, before in the previous way that we would have reported it prior to distribution to GPP, spot margins are somewhere between $0.13 and $0.15 going home last night. So when you look at that [ph] and add (24:57) corn oil, you're going to get into that $0.16 to $0.18 a gallon range with corn oil in the spot market.

The December market right now is really only showing $0.05 to $0.07 a gallon before you add into corn oil, so that's gets you up to $0.11 or so, the $0.12 a gallon and that's also before you take out GPP. So from a gross crush perspective, the spot is somewhat similar to what we saw last quarter, but we're going to have to work through that, but the fundamentals look like they're in our favor at least to continue that through the quarter.

<Q - Adam Samuelson>: Okay, that's very helpful clarification. Can you talk about farmer selling? I mean, certainly you talked about filling out most of your grain storage, but how are you seeing farmer selling and the availability of corn as you look out three months, six months? And we're hearing a lot about farmer retention and farmers really tightly holding on to their grain and how that impacts maybe your Western versus your Eastern plants?

<A - Todd A. Becker>: Yeah. So we made a very concerted effort prior to harvest because you had an opportunity to buy bushels at the end of last year's crop to start filling our space long before the farmer started harvesting his corn. So we came in to harvest somewhere around 60% full on our space before even harvest even started, which has allowed us then to take advantage of what's happening today and fill almost the whole remainder of that space.

With that said, we've seen a significant uptick in basis levels across the West and the East over the last two weeks. Farmer retention is high. [indiscernible] (26:30) Eastern markets, especially Indiana and Ohio have seen the [ph] firmest (26:35) corn basis. It's hard to buy corn from the farmer. We are looking at bringing Western bushels to the East this year. I think that's going to happen. It's starting to happen right now, which we haven't seen since 2012. But that doesn't mean there isn't enough corn. It just means most of the corn is in the West and it's going to have to move to some of the deficit markets.

But farmer retention remains high. The crop is almost harvested. I think that nobody in general got their fill and demand remains very good every day. The ethanol continues to grind every single day, you have cattle feeding margins. You've got other margins across the industry. And if you're a grain handler, you're competing with a really voracious appetite for daily domestic demand. But on the other hand, Adam, export demand is terrible out of the U.S. for corn. We're not priced competitively in the world and the weekly sales are awful. And that's kind of allowing at least to temper the enthusiasm to make massive highs because or make new highs in the corn basis mainly because you just don't have the additional extra export demand that we would have seen in previous years.

<Q - Adam Samuelson>: That's a helpful color. And then maybe just finally on the Texas plant acquisition. Can you talk about timing to maybe execute on some of the [ph] DVG sale (28:00) opportunities and logistics opportunities that you were targeting?

<A - Todd A. Becker>: Yeah. So that's a great opportunity for us [indiscernible] (28:09). Besides running the plant, we expect we'll be shipping unit trains of corn and potentially distillers grains down there. We have some capital improvements to make, so we could have very efficient load-outs, but when you look at what's the infrastructure that we bought down there, it could easily handle the importing of corn and the distillers grains from the Midwest in a very deep market of demand in the Hereford market, which is quoted every day.

So we expect once we close, we will move very quickly to also enhance the profitability of that asset. And I would say within 30 days to 60 days, we'll be in business with our logistic assets being able to load out into the market. Maybe it takes a little bit longer than that, but overall we will immediately make capital investments to start to become a more of a destination terminal as well.

<Q - Adam Samuelson>: All right, great. That's helpful. I'll pass the line.

<A - Todd A. Becker>: Thank you very much.

Operator

We'll go next to Farha Aslam with Stephens.

<Q - Farha Aslam>: Hi, good morning.

<A - Todd A. Becker>: Good morning.

<Q - Farha Aslam>: When you look at the outlook for ethanol going into next year, would you anticipate ethanol margins improving from current levels? Could you just give us a bit of a longer-term perspective of how you see the ethanol markets developing into next year?

<A - Todd A. Becker>: Well, yeah. We anticipate that in order for this demand to get the volumes that it needs, it needs to incent the producer to keep running at maximum levels. And so when you look at the forward curve today, when you have corn at a carry and ethanol flat, once again, we are staring at a curve that has been similar to the last seven years, besides one or two instances where the best margins are in the spot. And most of the time we have seen these ethanol margins roll forward; whether that will be a $0.15 to $0.18 margin or $0.08 to $0.10 margin, I can't – or $0.30 to $0.40 margins I can't predict today, except to tell you that we believe in order to incent production in Q1 and Q2 against the demand that we see, against cheaper gasoline prices and excellent export demand, you're going to have to continue to incent the ethanol producer to run at the pace of 940 gallons to 960 gallons each day. And so we believe ethanol margins will roll forward. To some extent it will be hard to say whether they roll forward to higher levels or lower levels, but they will roll forward.

<Q - Farha Aslam>: Okay. So when you think about in your new context of crush margins per gallon, what would be your normal kind of level that you would say is a normal level that you anticipate [ph] operating at (30:46)?

<A - Todd A. Becker>: Well, so I mean, our view always was the mid-cycle margin was $0.15 to $0.18 a gallon before corn oil. And when you add corn oil to that, it's somewhere between $0.19 and $0.22 to $0.23 a gallon. So today right now as we had indicated we're kind of in that $0.16 a gallon to $0.17 a gallon with corn oil, so a little bit below mid-cycle margins, but we would also continue the legacy stocks draws out of the EIA data with the ramped up export program that we believe is going to happen for the next couple of months.

So our view is still it's $0.15 to $0.18 mid-cycle margins and add corn oil on top of that now and that would give you the new math in terms of how we're thinking about and how we're presenting the gross crush margin to you.

<Q - Farha Aslam>: And so that doesn't change with the addition of your two new facilities, you anticipate those two new facilities to run at that same level?

<A - Todd A. Becker>: Yeah. So I mean, when you look at mid-cycle industry margins and as well as ours, kind of we believe we're kind of a cross-section of the industry, yet you can see that we're performing right with what everybody else is reporting as well around these numbers.

The Hereford plan is right in the middle of the range. It will be a little bit better or a little bit worse depending on the quarter than our middle of the range plan. And we will wait and see where Virginia comes up. I mean, Virginia is going to be a bit of work in progress. We think initially it will benefit GPP as you mentioned, but we also believe there's other opportunities to enhance our profitability and be accretive to GPRE shareholders both ways.

So these plants, GP – or Virginia just went down, so that's been in the EIA data, and Hereford is running, so we're not bringing on new volumes that aren't really in the market up through a month ago or even some of it through today. So these aren't new volumes that's coming to markets. We're not adding any new capacity with these acquisitions.

<Q - Farha Aslam>: Helpful. And then my final question is on your tax rate. In the quarter it was positive. And so how did taxes go positive and then how do we expect that to flow into next quarter? Could you give us some more color on the tax rate, please?

<A - Jerry L. Peters>: Sure. The way that taxes are calculated, they're calculated on a cumulative year-to-date basis, and it's really dynamic when excluding the MLP on a year-to-date basis you're pretty close to breakeven.

The other thing that comes into play in our tax rate is something called the Section 199 deduction, which depending on the profitability of ethanol, we received additional tax benefits, and it lowers our tax rate. So as you kind of swing from one level of profitability on a year-to-date basis to another, it changes your effective tax rate and it all kind of drops out in that quarter. So frankly, the $604,000 benefit was a little bit of a surprise to us as we were calculating our taxes. And as I said, when you step back and look at it on a full-year basis and try to predict where we're going to come out for the rest of the year, I think we'll return on a full-year basis back up close to the 35% level.

<Q - Farha Aslam>: So the fourth is at 35%?

<A - Jerry L. Peters>: No, on a full-year basis.

<Q - Farha Aslam>: Full year.

<A - Jerry L. Peters>: So the fourth quarter could even be – I think when you back through that, the fourth quarter could even be above 35% just that quarter alone.

<Q - Farha Aslam>: Okay. And then into next year we use 35%?

<A - Jerry L. Peters>: Yeah. I think on a long-term full-year basis, the 35%, maybe a little lower than that because of the MLP benefit, should be a reasonable estimate to use, maybe in the 30% range on a long-term go-forward basis. But again it's a very dynamic calculation with the Section 199 deduction and other things going on in our tax rates.

<Q - Farha Aslam>: That's helpful. Thank you.

<A - Todd A. Becker>: Thanks.

Operator

We'll go next to Craig Irwin of ROTH Capital Partners.

<Q - Craig Edward Irwin>: Good morning. Thank you for taking my question. Todd, can you talk a little bit about the pace of industry-wide debottlenecking, whether or not you think that the constrained margins that we've seen this year impact that rate, and what do you think will influence that over the next few quarters?

<A - Todd A. Becker>: Yeah. So I think you've seen the benefit of debottlenecking already this year when you're running at that 960 gallons to 970 gallons pace consistently even up to 980 gallons.

I think that includes most of the debottlenecking that has been done and getting up to people's RIN limits. And so what allowed us to go after this first 100 million gallons that we've mentioned is the fact that we had RIN capacity, and we did not have to go after the efficient producer pathway on any of that capacity. And so that's what we went after first. We're in process of doing that, but we had very major projects to do. So for example, Lakota was a 20-million gallon plus project, because they had that much RIN capacity. In some plants we couldn't do any more debottlenecking because we didn't have RIN capacity.

So there's a lot of plants out there that once you debottleneck up to a certain point, you have to make a decision, you want to take the risk of producing over your RIN capacity and having to buy a RIN [ph] under (36:23) $0.30 or $0.40 or $0.50 a gallon. And so we think a lot of the debottlenecking has been done. We think they're seeing that in the numbers. And while you'll see capacity creep every year, I don't believe necessarily you'll see it as fast of a pace as you've seen over the last 12 months to 18 months.

<Q - Craig Edward Irwin>: Great. Thank you. My second question is about mycotoxins. So there's been increased discussion out there about mycotoxin, some speculation that this current forecast could include a greater prevalence of some of the fungi that have harmful effects when feeding at DDGS at greater rates. Can you discuss with us how you handle typical pricing for your DDGS whether or not it includes consideration for mycotoxins and whether or not you're seeing the harmful fungi and other contaminants in the feedstocks that could potentially result in this being an issue?

<A - Todd A. Becker>: Hey, Craig, we haven't seen this year. We test all the time across our dump. And I'll let Jeff comment a little bit, but we haven't seen with new crop corn this year any relevant mycotoxin, aflatoxin, any kind of toxins come across our dump that would have any effect on pricing of our feed project. Jeff, you want to comment on that?

<A - Jeffrey S. Briggs>: Yeah. Especially with new crop, we typically test for vomi, vomitoxin and aflatoxin at the beginning of a new crop. It's prevalent in certain areas depending on weather, depending on the harvest timing. So we do make sure we do watch the product. And the interest thing what you find is eventually what the farmers do is, they adjust their feed ration to make sure they feed the appropriate levels consistent with any levels that are out there. So on certain marketplaces there are values and there are levels that are out there that the farmers just modify.

Any pricing impact tend to be short-lived. And then based on their adjustment of their feed inclusion rates, they adjust pretty much down as part of what the components they do feed there. So it's not something we're worried about. It's not something we've seen. The weather has been very conducive. It's been a very dry harvest. Typically you see those issues at a very wet harvest. So at this point for the year, it's not a concern that we have.

<Q - Craig Edward Irwin>: Great. Thank you for that. And then last question, if I may. 21% exports in the quarter, that's a nice number, nice to see those volumes go overseas. I don't think you shared this in your prepared comments, but is there a number maybe you can share with us for the fourth quarter and the first quarter as far as commitments you've already made?

<A - Todd A. Becker>: Yeah. So what we said is we had prior to the call 10% of our quarter's production sold, but we have significant inquiries and we believe that number will go up for the rest of the quarter and potentially push up towards the number that we saw in the third quarter.

Fourth quarter is still shaping up. We do have very good interest as well in the first quarter. We're starting to see new entrants come in. We believe the China business has been done and is being done as we speak. We think there's a program on. We haven't done any direct business, but we believe some of the sales we have sold are for that business. We remain very optimistic for the China and the India business to kick in in 2016 with the amount of gas, and gas demand that they see increases.

So overall, we continue to see good strong export activity and we'll be a part of that. Almost all of our plants can make the product needed, and we could ship it in volume with the critical mass that we have. So when players come in, we could sell the volume and we have been doing that. We did a nice train package for early December, which it bumped up our volumes a bit more. And so we are there every day aggressively trying to price export gallons as we focus continually getting more of this product offshore.

<Q - Craig Edward Irwin>: Thanks again for taking my questions.

<A - Todd A. Becker>: Thank you.

Operator

We'll go next to Tyler Etten with Piper Jaffray.

<Q - Tyler L. Etten>: Hey, guys, thanks for taking my questions. Looking at your acquisitions, it seems like they're a little bit outside of your previous footprint. I was wondering if this was a strategy change that we can see in the future or if this was just an opportunity that came in at the right price?

<A - Todd A. Becker>: Both of these were opportunities that came in the right price. We had not been focusing at all on those markets and our acquisition strategy, and again, we continue to look for other acquisitions and continue to focus on acquisitions within our normal geographic footprint. And we're looking and working on those as well.

But I would tell you that those came on very quickly. They were interesting, Virginia for the points that we talked about and Texas for the points that we talked about as well. And the ability to move and close very quickly allows us to get these plants bought and allows the seller to execute their strategy of selling non-core assets. And so it was more of the right place – right price, right time, right location for us. The interesting about what people don't know is the interesting about Hereford is the fact that Lakota is also [ph] Lorgi/ICM (41:39) plant. So we have experience running a plant like that, so that is not outside of our wheelhouse. We understand how they run and that is a plant we believe that we can move in very quickly, improve some of the operations, but also enhance profitability by doing all the other things we talked about.

We're not focused on other destination markets at this point, but those were just two plants that were opportunistically not that far out from the wheelhouse of what we would operate today.

<Q - Tyler L. Etten>: Excellent. That's good to know going forward.

My second question would be, how do you guys think about forecasting DDGS going forward? Obviously, there's some pressure towards the end of this year. And just wondering how we should think about modeling that?

<A - Todd A. Becker>: With China, the distillers market is much firmer in the U.S. and without China, we kind of go back to that 80% to 90%, possibly 100% of price of corn. All that's in the model. Right now, when we talk about forward margins, they include the current market value for distillers grains, which is somewhere between 85% and 95% across our system, sometimes we get a little more than that. I think what's interesting is even though China has dropped out of the market, we still see them occasionally come in for volumes, but we still have seen the other parts of the world – or other countries in that part of the world step up for continued volumes out of the U.S. and container quantities we have as a company. A year or two ago, we would have said we sell no containers direct to offshore, and this quarter alone, in the fourth quarter, we're going to ship over 5,000 direct containers. That's still a small player in the container business, but we're not allowing others to get in between our business anymore, so we can earn a larger percentage against the price of corn, and that's what's very interesting about Hopewell, which is the fact that we believe, we can ship distillers from our plant into Hopewell, load them into containers on our own site and ship them out of the East Coast.

And so, when we look at opportunities like a Hopewell or we look at opportunities like a Texas plant, like that where are the things that we can add value with the things that we're doing in our supply chain. So I mean, when we look across the supply chain, whether it's in natural gas or whether it's in our corn oil business, which then has selling offshore as well or now whether it's the distillers grain to add 3% to 5% value on at least that amount of distillers that we sell offshore, those are all the things we're doing because we brought teams of merchants in to build out our third-party distribution platforms and training businesses on enhancing the overall margin structure.

So overall by doing some of these things, we can enhance it, but in general we're seeing good inclusion rates in the domestic demand for distillers grains even with China out of the business, and I think we've kind of gotten to a base level where we will do without China.

<Q - Tyler L. Etten>: Great. Thanks for taking my questions.

<A - Todd A. Becker>: Thank you.

Operator

We'll go next to Laurence Alexander with Jefferies.

<Q - Laurence Alexander>: Good morning. So two quick ones, you may have covered this already. Did you disclose the amount of EBITDA you're transferring to the MLP? And secondly, the acquisition multiples that you're paying, could be lower than they were historically, can you just talk a little bit about what prompted that? And whether you see this as a new run rate going forward?

<A - Todd A. Becker>: So I'll answer the second question first. The acquisition multiples were based on certain factors on how we value plants like that. But again, you can't purchase a Midwestern plant like most of our other plants at those values today. So we are working on other acquisition opportunities, whether we get them done or not in the Midwest, which I would say are higher than the values we are paying today at a higher multiple than the values we are paying today.

But we're looking at those also as we get into kind of an overall blended rate of how we're making acquisition. As I said, Virginia was a plant because we have $1 billion invested, we were able to walk in there and look at what we needed to do, but that's only because the – if we went in individually as an individual owner, that would have been a harder plant to own, but because we have the platform we can go on and buy it. And Texas just fit well into our platform. Murphy wanted to close quickly, we wanted – we could close quickly and we were able to do that. So overall though, I would say the multiples for a Midwestern ethanol plant of the right vintage with the right technology would trade higher than the multiples we're paying today. Jerry, you want to talk about the EBITDA for...?

<A - Jerry L. Peters>: Yeah, Laurence, in terms of the EBITDA transferred, if you will, to the MLP, I'll just kind of walk you through how to arrive at that. We didn't specifically disclose that number separately. But if you just look at our volume activity, about 215 – I think it was 215.6 million gallons produced during the quarter, that all would have flowed through the tanks at $0.05 a gallon, so that works out to about $11 million gross. And then the railcar activity is probably another $1.5 million, and then BlendStar on top of that for another couple of million dollars. So that's about $14.5 million of total EBITDA and of course, the partnership reported $13.1 million, so the difference would be expenses. So kind of a long way to answer your question, but that's how you can get to the EBITDA that slips over to the MLP now.

<A - Todd A. Becker>: So I think one thing that's really important for people to understand about this relationship is the fact that and I will say it again is Green Plains almost owns two-thirds of the MLP stock. So while we transfer nickel a gallon or so of cash flow into the MLP, we then get dividend back or distributed back, 62% of those back to GPRE. So it's really a net couple of cent a gallon cost off of the EBITDA per gallon, because GPRE still retains significant ownership of the MLP, and I think that's where we can really drive lots and lots value for both sides of shareholders.

<Q - Laurence Alexander>: Okay, thank you.

<A - Todd A. Becker>: Thank you.

Operator

We will go next to Ed Westlake with Credit Suisse.

<Q - Maheep Mandloi>: Good morning, Maheep on behalf of Ed Westlake here. On the acquisitions, can you talk about if you had to compete with other players for those acquisitions? And are you seeing any other assets available today or in the future for more M&A in the U.S.?

<A - Todd A. Becker>: We compete on every acquisition we made. So I mean, we competed in Virginia. We competed in – again, I don't know, how the whole process is working on either of those, but I'm assuming there were other people that were looking at the assets, but some of the characteristics we brought to the table I think were unique.

Yeah, there are other people looking at assets in the market today. We believe there will be other assets that come to market, whether it's one-off farmer owned or multiple owner assets, multiple owned assets by one owner. I mean, I still think that there's still consolidation happening in the industry. We're focused on that. We continue to search for opportunities, and we believe that we will continue to grow our business through acquisitions in the future. And I can't really give you a direct line into specifically what's out there, but each and every day, there is something that we are possibly working on and again, whether they get to a close, it's hard to say, but we continually work very hard to grow all parts of the business.

<A - Jerry L. Peters>: And I would just add to that that what we bring to the table in these one-off deals in particular is the ability to close quickly with cash. And so people aren't concerned about our ability to rapidly get it to a close, and our ability to finance it since we have cash on the balance sheet to make the acquisition.

<Q - Maheep Mandloi>: Makes sense. Thanks. And as a follow-up, given the acquisitions, how should we think about your capacity utilization in Q4 and in 2016? And then I have a follow-up.

<A - Todd A. Becker>: Yeah. So what we said in Q4 is we'll run somewhere between kind of 95%, 96% of total capacity, which will give us around 250 million gallon run rate. Jerry, you mentioned, maybe 254 million gallons. As we'll run through the MLP, so you can see that the volume will go up from 215 million gallons last quarter to 250 million gallons this quarter, which will be beneficial to the GPP distribution, as well as you'll see that from GPRE standpoint, we're starting to see those capacity to come up as we bring more of the organic expansion online during the quarter.

For next year, it depends on the margin structure. As you see, we are absolutely willing to lower our run-rate based on margin structures, and we would be willing to do that again. Now that we have the size, scope and scale, we believe that at this point, if margins narrow up, we will narrow up our production capacity [ph] as they expand (50:51). We'll look to see where we can take out – have opportunities to expand our production capacity. So we believe overall the fundamentals remain solid for kind of next 12 months to 18 months. It's just a matter of will we see margins roll through and what will happen with all the four commodities that we trade.

<Q - Maheep Mandloi>: And just looking for demand, do you still expect export markets to stay at that 800 million gallon to 1 billion gallon for next year, or is it too early to get into that right now? Thank you.

<A - Todd A. Becker>: No, we expect that. We actually would say that our expectation is that export demand remains between 800 million gallons and 1 billion gallons next year. Now, I would say that one thing to watch is the sugar market. Sugar markets is hitting $0.15 now in March, April, May, and above that. And when you look at that, and you say where does it compete in the world against $3.75 corn, even with the reais, even with some of the other factors, ethanol still remains out of the U.S., the cheapest delivered molecule in the world today.

And so, the Brazilian has a lot of demand. They're taking most through excess capacity locally. They don't have a lot of export capacity excess and whatever they do they are getting whatever they export, they are going to need to import on the other side. So our view is that with the very or the potential bullish case in sugar that's shaping up in the market today, with corn sitting where it's at today, and the resilience of the U.S. farmer to grow big crop, we believe we will continue to remain the most competitive octane molecule in the world out of the U.S.

<Q - Maheep Mandloi>: Thanks for that.

Operator

We'll go next to Sandy Klugman with Vertical Research Partners.

<Q - Sandy Klugman>: Good morning. A follow-up question on ethanol exports. How do you size the opportunity for exports over the long term, and how critical do you think the development of offshore markets is to keep the domestic supply-demand balance tight?

<A - Todd A. Becker>: So there's a couple of factors and we believe that exports will continue as global demand for gasoline continues to grow. Again, we said China is up 10%, India is up 10%, other countries are up and a lot of these countries are now focusing on octane and clean air, especially what we're seeing out of these initial stages from China. Whether that continues into 2016, we'll have to wait and see, but we believe with some of the policies they have in place and some of the areas that we are hearing phasing out some MTBE, ethanol is a logical replacement.

We will continue to focus globally on other markets, we believe that will continue to take the excess – some of the excess capacity that we have in the U.S. versus domestic demand, but we are making significant progress on E15 as well, and we have stations and chains that are rolling out E15 across the United States. And that we believe that the E15 demand growth in 2016 will keep domestic demand continuing to grow and 2017 as well, which we think will be the big rollout of the E15 year. We remain at discount to gasoline out on the curve; albeit, we are a slight premium nearby, but that is not stopping anybody from an octane value and blending ethanol, and you could see that from our weekly demand numbers, even at a premium to gasoline, we are blending at maximum levels.

So our view is between 18 million barrels and 19 million barrels, you're not in a tight environment, but you're not necessarily in a [ph] loose (54:20) stocks environment. We like to see those numbers below 18 million barrels and then if it runs above 20 million barrels, we'll have work to do in terms of keeping capacity in check. But overall, everything we're seeing should keep stocks within these range, sub-20 million barrels.

<Q - Sandy Klugman>: Okay, great. Thank you. And then the EP is expected to release its final rule for the 2014, 2016 RVOs pretty soon. Are you anticipating any significant changes from the proposed rule from June?

<A - Todd A. Becker>: I don't think we're going to see significant change. There is a possibility we could see a bigger number based on some of the winds that are blowing, but again I don't have very good insight to what that number is going to be, except the fact that while people complained that it was the [ph] $14 million (55:09) for 2016 was below the mandate by law and really by law they don't have the ability to change that number. The law is the law, but if they do go to [ph] $14 million (55:20) that's still not a bad number for our industry in terms of a mandate. We didn't complain about that number as a company, and we believe that should be – it's adequate enough to keep good base demand in the U.S. for 2016.

<Q - Sandy Klugman>: Thank you very much.

Operator

We'll go next to Pavel Molchanov with Raymond James.

<Q - Pavel S. Molchanov>: Hey, guys, thanks for taking the question. Two kind of high-level [ph] rolls (55:48) if I may, first on the futures curve for ethanol on the [ph] fee bought (55:54) is actually in backwardation, it's downward sloping even though gasoline and crude oil are both trending up, and I'm curious why you think that is?

<A - Todd A. Becker>: Well, nobody really extends and for the last seven years the market does not extend coverage beyond – much beyond the spot market. This is not an uncommon curve that we're used to seeing all the way up through September. We're basically flat or within $0.03 to $0.05 a gallon of today's price. And so, oil while at a carry because of the amount of stocks they have in the world, gasoline fundamentals are not necessarily great in gas and don't forget you make the change from different driving seasons, which then changes gasoline prices up and down and the curve changes.

So ethanol is just flat and will probably remain flat. Stocks are tight enough to keep us inverted, but they're not loose enough to put us back into any kind of carry market or contango market. So it's a very common curve that we're seeing where corn is continually stayed at a carry.

<Q - Pavel S. Molchanov>: Okay. And secondly, we're now about a year away from the U.S. election and obviously, candidates are spending a lot of time in corn country. Now they do have different opinions about the RFS. So I'm curious kind of which [ph] related (57:21) stocks are about any prospect of legislative reform either before November 2016 or more likely after November 2016?

<A - Todd A. Becker>: I think depending on, again, depending on who wins the White House and depending on who the next president will be, they all have different views. I mean, I think we're solid on the Democratic side in terms of the front-runners' support for ethanol.

On the Republican side, the two or three top front-runners support ethanol in one way, shape or form or another, I mean, you've seen that come out. You saw a little bit of a flip-flop, but I'm not sure that we're going to take that to heart just yet and then I think from there, I don't think the program costs the consumer very much money. While its mandate, there's no reduction in the fuel excise tax. It doesn't cost the consumer anything in terms of any direct costs. The value of the octane keeps gas prices down. So overall, I think we've been able to tell our story to the larger pool of candidates. Now let's say that the bottom tier candidates on the Republican side, they're all questionable, and we'll just have to wait to see what happens.

<Q - Pavel S. Molchanov>: Right, appreciate it guys.

<A - Todd A. Becker>: Okay, thank you.

Operator

We'll go next to Heather Jones of BB&T Capital Markets.

<Q - Heather Lynn Jones>: Good afternoon.

<A - Todd A. Becker>: Good morning or good afternoon.

<Q - Heather Lynn Jones>: I had a few quick questions. First on the margin structure, I was wondering for a while now ECB has tended to be better than Western Corn Belt, but given the weather issues we saw in the Eastern Corn Belt this year, I was wondering if you expect that to flip over the next year as far as the margin structure for ethanol?

<A - Todd A. Becker>: Yeah. So, what we [audio gap] (59:18) – and so, when we look out even now with the corn basis as it is, we're still seeing some of the stronger margins in East, so Obion continues to remain – Tennessee continues to remain our strongest margin structure. But I would tell you that coming on quickly are some Nebraska margins and the spread is narrowing and the North West Iowa margins as well as some of our South West Iowa margins.

So, we are starting to see some of the places in the West close the gap, even in terms of Bluffton with the high corn basis in Indiana, those margins are probably going to be more suspect than they have been in the past. But overall in the average, we think the western margins will compensate. So, yes.

Overall, [ph] we side to (01:00:09) Obion, the West is definitely coming up on the East, and we expect that to continue to happen. So you are correct where we believe that will transfer back to the West this year.

<Q - Heather Lynn Jones>: Okay. And I think you made some comments about corn oil about 5% of production now being further refined into food grade. Did you say that's being done in export markets, or is it being done here domestically?

<A - Todd A. Becker>: It is not being done domestically today. It is being done in export markets that we're seeing. We believe about 5% of what goes off of what we produce in the U.S., of which then goes offshore is being converted into food grade using different processes that are not uncommon around the world today.

<Q - Heather Lynn Jones>: I mean, is that something that could be added here because there's about a $0.10 to $0.15 per pound differential in the cost, so is that technology that could be added to the U.S. plants?

<A - Todd A. Becker>: We are working hard on exploring that option today.

<Q - Heather Lynn Jones>: Okay. And then finally, your [ph] ADM (01:01:13) as well as you guys have had really constructive comments on Chinese ethanol demand today, and I mean, their fuel demand has been pretty strong for years now, I mean, what do you think is triggering their increased demand for ethanol at this point in time and what gives you comfort into having good visibility in that extending beyond like the next few months?

<A - Todd A. Becker>: Yeah. So they have the Olympics, I think in 2022 or sometime in the next four years to six years, and they know in certain parts of the country they have an MTBE issue in terms of tailpipe emission. And so they have a concerted effort, and we have said this about a year or two years ago that while they're first working on the food problem and food issues there, the next place they're going to have to work on is their clear air issues.

And so I think they discovered the fact that ethanol is a cleaner burning fuel and can displace MTBE in their fuel supply.

So if you think about it, their demand is up 10% this year and there were about a 30 billion gallon demand market as compared to the U.S. at 140 billion gallons. They could really and they have a 10% mandate in their countries which they're not fulfilling. They have a really insatiable demand for the world export gallons that we produce in terms of excess capacity. They could clear it if they wanted to. I don't think they will. But I would say that they are definitely starting to see the benefit of this – the value of the octane that we bring, the ability to extend their fuel supply. India is doing it. The Philippines are doing it, and China is a new entrant.

We'll see if its continues. I'm always suspect of China programs because we've seen it in distillers grains. We've seen it in corn, soybean meal and just about every other commodity that we export there were eventually, if prices go down against what they buy, they often find ways not to come back to the market.

But in our case, we are already at low prices. So we believe at least we're going to get some traction on the program, they're looking at that as a long-term value, and we'll see if the program continues. I think they started with [ph] test loads (01:03:18) last year, and we're starting to see larger volumes take shape. And if that catches some traction, I think that will be a nice tailwind for us. So, overall, I think they're waking up to the overall value between clean air and octane that they get from ethanol.

<Q - Heather Lynn Jones>: And do you think the value of such given where the U.S. ethanol is priced, is the value such that it wouldn't make sense for them to invest the capital domestically because it's well-known that they have massive stores of corn, some of which is not even useful for feed any longer. Is the price disparity such that it doesn't make sense for them to put the capital on the ground and just try to build up their own domestic ethanol industry?

<A - Todd A. Becker>: They have a domestic ethanol industry today and they are going to put some money into their domestic ethanol industry. But more so, they have very high price of domestic corn. And so while we have $3.75 corn, their price of domestic corn is $8 to $9. So you're not going to be able to compete from a molecule standpoint with a very – even with the stocks that they have, we know that the domestic price of corn continues to remain high in China.

So, from that standpoint they would not be competitive today to say what's their long-term view on domestic prices, they can't seem to get those prices down, so investing capital with even a long-term view of $6 to $8 corn domestically in China, you still won't compete with the world price of corn. So overall, I think you'll see some investment, but the world has a little bit of excess capacity right now.

I think one thing that they always thought was Brazilian ethanol was cheaper than U.S. ethanol. And if you went into China that was the first thing they would say, how could we ever buy U.S. ethanol because Brazilian is cheaper, when they've now been shown that U.S. ethanol continues to be the cheapest molecule on a deliver basis into their country or at least competes very well with South America, and now they're waking up to that fact that they can buy it out of the U.S. as well.

<Q - Heather Lynn Jones>: Okay, thank you.

<A - Todd A. Becker>: Thank you.

Operator

We have time for more one final questioner. We'll go next to Majid Khan with Tourbillon Capital.

<Q - Majid Khan>: Hi, guys, most of my questions have been asked but congrats, Todd, on managing through a very difficult environment.

<A - Todd A. Becker>: Thank you. Appreciate it.

<Q - Majid Khan>: It sounds like you're fairly constructive on exports and from your comments given where the EPA is currently on its numbers, which imply a big step-up into next year. I'm wondering you've had some use or needs for cash this year as some of this CapEx rolls off, what does your pipeline look like in terms of deals that you're looking at into next year and if it's not very full, I was wondering like how are you thinking about potentially being more aggressive on the buyback authorization that you already have.

<A - Todd A. Becker>: I think the last time we talked at a conference, we were talking somewhere between kind of $200 million and $400 million of deals that we were in discussions on, possibly even higher. So we continue to focus on potential acquisitions and completed $100 million of that. Again, don't know if we're going to get to the rest of it, but we continue to focus on it and one of the reasons we've been able to achieve good value is our ability to write the check and close very closely with no financing contingencies.

And so, we like to have that optionality. We've been looking at terminal businesses. We've been looking at ethanol plants. We've been looking at other opportunities along the supply chain. And so, if we feel like those opportunities dry up, and we have no other place to deploy capital, we will continue to focus on the five layers of our capital allocation. There's not a lot of organic left to do. There is another $100 million to spend, we believe, in terms or 100 million gallons to go after, which will be a little higher than the first 100 million gallons based on efficient producer and all the other things that we talked about.

So we want to make sure we have dry powder to pay cash for that, but we also are now generating free cash flows again in the quarter, in the fourth quarter, so we'll again focus on the other three components of dividend, debt paydowns and stock buybacks. I think we started our program. We still have the authorization in place. And again, we are not unwilling to buy our shares back, but we want to make sure that we have lots of dry powder to continue to grow the business because those are just as accretive as buying our shares.

So, again, if we run out of other options having the cash under – and once we replenish the cash, and there's nothing else to do with that cash, we will look to with other three pillars including stock buybacks again. And I'm not going to say that – and we're not done with that program either, so we have plenty of room in the buyback program, again, to start to look at this quarter as well.

<Q - Majid Khan>: And so to the extent that you don't have a lot of needs for the cash given where you bought back stock this last quarter, is it fair to assume that if the stock is cheap to book value, you guys can be potentially more aggressive in the market all else equal?

<A - Todd A. Becker>: Yeah. All else equal, yes. Our view is that it is a good value when the stock goes below book value. Part of our issue is always some of the time our window is closed. We don't have a [ph] 10B (01:09:09) program in place because we want to make sure we have the optionality to do things, but we always watch when our window is open and window is closed. But yeah, we believe we stepped in below book value this quarter and that is always when we're looking at the long-term use of capital for our shareholders, we believe for our shareholders stepping in below book value is a good time to do that.

<Q - Majid Khan>: Sounds great. Keep up the good work. Thanks.

<A - Todd A. Becker>: Thank you very much.

Operator

That does conclude today's question-and-answer session, I'd like to turn the conference back over to Mr. Todd Becker for closing remarks.

Todd A. Becker

Well, thanks everybody for coming on the call and helping us make it an efficient call somewhat similar to the amount of time we spent almost every other quarter. So we hope we've given you some good insights to the different businesses that we have, including Green Plains Partners, which helping us get through our first conference call there. We appreciate that, so looking forward to talking to you next quarter and remain optimistic about our overall business. Thanks for coming on the call today, and we'll talk to you soon.

Operator

That does conclude today's conference. Thank you for your participation.