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Green Plains Inc.
Form 10-K
February 10, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number 001-32924

Green Plains Inc.

(Exact name of registrant as specified in its charter)

Iowa

(State or other jurisdiction of incorporation or organization)

84-1652107

(I.R.S. Employer Identification No.)

450 Regency Parkway, Suite 400, Omaha, NE 68114

(Address of principal executive offices, including zip code)

(402) 884-8700

(Registrant's telephone number, including area code)

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

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Name of exchanges on which registered: NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer . Accelerated filer . Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Company's voting common stock held by non-affiliates of the registrant as of June 30, 2014 (the last business day of the second quarter), based on the last sale price of the common stock on that date of \$32.87, was approximately \$1.1 billion. For purposes of this calculation, executive officers, directors and holders of 10% or more of the registrant's common stock are deemed to be affiliates of the registrant.

As of February 5, 2015, there were 37,608,982 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference in Part III herein. The Company intends to file such Proxy Statement with the Securities and Exchange Commission no later than 120 days after the end of the period covered by this report on Form 10-K.

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Cautionary Information Regarding Forward-Looking Statements

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this report, and they may also be made a part of this report by reference to other documents filed with the SEC, which is known as "incorporation by reference."

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Forward-looking statements generally do not relate strictly to historical or current facts, but rather to plans and objectives for future operations based upon management's reasonable estimates of future results or trends, and include statements preceded by, followed by, or that include words such as "anticipates," "believes," "continue," "estimates," "expects," "intends," "outlook," "plans," "predicts," "may," "could," "should," "will," and words and phrases of similar meaning, and include, but are not limited to, statements regarding future operating or financial performance, business strategy, business environment, key trends, and benefits of actual or planned acquisitions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that our expectations regarding future events are based on reasonable assumptions, any or all forward-looking statements in this report may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement is guaranteed, and actual future results may vary materially from the results expressed or implied in our forward-looking statements. The cautionary statements in this report expressly qualify all of our forward-looking statements. In addition, we are not obligated, and do not intend, to update any of our forward-looking statements at any time unless an update is required by applicable securities laws. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in the section entitled "Risk Factors" in this report or in any document incorporated by reference. Specifically, we may experience significant fluctuations in future operating results due to a number of economic conditions, including, but not limited to, competition in the ethanol and other industries in which we operate, commodity market risks, financial market risks, counter-party risks, risks associated with changes to federal policy or regulation, risks related to closing and achieving anticipated results from acquisitions, and other risk factors detailed in our reports filed with the SEC. Actual results may differ from projected results due, but not limited, to unforeseen developments.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this report or in any document incorporated by reference might not occur. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference in this report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business.

Overview

References to “we,” “us,” “our,” “Green Plains,” or the “Company” in this report refer to Green Plains Inc., an Iowa corporation founded in June 2004, and its subsidiaries.

We are a Fortune 1000, vertically-integrated producer, marketer and distributor of ethanol focused on generating stable operating margins through our diversified business segments and our risk management strategy. We believe that owning and operating strategically-located assets throughout the ethanol value chain enables us to mitigate changes in commodity prices and differentiates us from companies focused only on ethanol production. We have operations throughout the ethanol value chain, beginning upstream with our grain handling and storage operations, continuing through our ethanol, distillers grains and corn oil production operations, and ending downstream with our marketing, terminal and distribution services. Following is our visual presentation of the ethanol value chain:

Our disciplined risk management strategy is designed to lock in operating margins by forward contracting the primary commodities involved in or derived from ethanol production: corn, natural gas, ethanol, distillers grains and corn oil. We also seek to maintain a safe environment of continuous operational improvement to increase our efficiency and effectiveness as a low-cost producer of ethanol.

We review our operations within the following four separate operating segments:

- **Ethanol Production.** We are North America's fourth largest ethanol producer. We operate twelve ethanol plants in Indiana, Iowa, Michigan, Minnesota, Nebraska and Tennessee. We have the capacity to consume approximately 360 million bushels of corn per year and produce over one billion gallons of ethanol and approximately 2.9 million tons of distillers grains annually.
- **Corn Oil Production.** We operate corn oil extraction systems at our ethanol plants, with the capacity to produce approximately 250 million pounds annually. The corn oil systems are designed to extract non-edible corn oil, a value-added product, from the whole stillage immediately prior to production of distillers grains. Industrial uses for corn oil include feedstock for biodiesel, livestock feed additives, rubber substitutes, rust preventatives, inks, textiles, soaps and insecticides.
- **Agribusiness.** Within our bulk grain business, we have grain storage capacity of approximately 42.2 million bushels. Our cattle feedlot operation has the capacity to support approximately 70,000 head of cattle. We believe our agribusiness operations provide synergies with our ethanol production segment as it supplies a portion of the feedstock and utilizes a portion of the distillers grains output of our ethanol plants.
- **Marketing and Distribution.** Our in-house marketing business is responsible for the sale, marketing and distribution of all ethanol, distillers grains and corn oil produced at our ethanol plants. We also market and provide logistical services for ethanol and other commodities for a third-party producer. We purchase and sell ethanol, distillers grains, corn oil, grain, natural gas and other commodities and participate in other merchant trading activities in various markets. Additionally, we operate eight fuel terminals with approximately 822 million gallons per year, or mmgy, of total throughput capacity in seven south central U.S. states. To optimize the value of our assets, we utilize a portion of our leased railcar fleet to transport crude oil for third parties.

In June 2014, we acquired the assets of a cattle-feeding business near Kismet, Kansas, which includes a feedlot and grain storage facilities. The operation, which is part of our agribusiness segment, consists of approximately 2,600 acres of land, which has the capacity to support 70,000 head of cattle, and approximately 3.8 million bushels of grain storage capacity.

In June 2013, we acquired an ethanol plant located in Atkinson, Nebraska with the capacity to produce approximately 50 mmgy. We began operations at the ethanol plant early in the third quarter of 2013. Corn oil extraction technology was installed at the plant late in the fourth quarter of 2013. Also, in June 2013, we acquired a grain elevator in Archer, Nebraska. In November 2013, we acquired two ethanol plants, located in Wood River, Nebraska and Fairmont, Minnesota, with combined annual production capacity of approximately 230 mmgy. The Fairmont, Minnesota plant,

which was not operational at the time of its acquisition, began operations in January 2014 upon completion of certain maintenance and enhancement projects.

We intend to continue to take a disciplined approach in evaluating new opportunities related to potential acquisition of additional ethanol plants by considering whether the plants meet our design, engineering, valuation and geographic criteria. We believe certain expansion projects could be implemented at our ethanol plants that have the potential to utilize the

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strategic location and capacity of these assets and cost effectively increase our annual production. In our marketing and distribution segment, our strategy is to build or acquire additional fuel terminals, expand our marketing efforts by entering into new or renewed contracts with other ethanol producers and realize additional profit margins by optimizing our commodity logistics. In 2013, we began to implement a plan to realign our agribusiness operations by adding grain storage capacity located at or near our ethanol plants to take advantage of our current infrastructure and enhance our corn origination and trading capabilities. We intend to continue to add grain storage capacity with the goal of owning approximately 50 million bushels of total storage capacity by the end of 2015. We also intend to pursue opportunities to develop or acquire additional grain elevators, specifically those located near our ethanol plants. We believe that owning additional grain handling and storage operations in close proximity to our ethanol plants enables us to strengthen relationships with local corn producers, allowing us to source corn more effectively and at a lower average cost. We will also consider acquisitions of additional cattle feedlot operations. We also own approximately 63% of BioProcess Algae LLC, which was formed to commercialize advanced photo-bioreactor technologies for growing and harvesting algal biomass.

Our Competitive Strengths

We believe we have created an efficient platform with diversified revenues and income streams. Fundamentally, we focus on managing commodity price risks, improving operating efficiencies and optimizing market opportunities. We believe our competitive strengths include:

Disciplined Risk Management. We believe risk management is a core competency of ours. Our primary focus is to lock in favorable operating margins whenever possible. We do not speculate on general price movements by taking significant unhedged positions on commodities such as corn, ethanol or natural gas. Our comprehensive risk management platform allows us to monitor real-time commodity price risk exposure at each of our plants, and to respond quickly to lock in acceptable margins or to temporarily reduce production levels at our ethanol plants during periods of compressed margins. By using a variety of risk management tools and hedging strategies, including our internally-developed real-time operating margin management system, we believe we are able to maintain a disciplined approach to risk management.

Demonstrated Acquisition and Integration Capabilities. We believe U.S. ethanol production capacity is poised for further consolidation and have demonstrated the ability to make strategic acquisitions that we believe create synergies within our vertically-integrated platform and enhance our ability to mitigate risks. Our balance sheet allows us to be opportunistic in that process. Since our inception, we have acquired or developed twelve ethanol plants in addition to upstream grain handling and storage businesses, a cattle-feeding operation and downstream terminal and distribution services. We installed corn oil extraction technology at each of our ethanol plants to generate incremental returns from this value-added product. We believe such acquisitions, developments and improvements have been successfully integrated into our business and have enhanced our overall returns.

Focus on Operational Excellence. All of our plants are staffed by experienced industry personnel. We focus on continuous incremental operational improvements to enhance overall production efficiencies, and we share operational knowledge across our plants. Using real-time production data and control systems, we continually monitor our plants in an effort to optimize performance. We believe our ability to improve operating efficiencies provides an operating cost advantage over most of our competitors. In turn, we believe we are well positioned to increase operating margins for any facilities that we may acquire in the future.

Leading Vertically-Integrated Ethanol Producer. We believe our operations throughout the ethanol value chain reduce our commodity and operating risks, and increase our pricing visibility and influence in key markets. Combined, we believe our agribusiness, ethanol production, corn oil production, and marketing and distribution segments provide efficiencies across the ethanol value chain, from grain procurement to blending fuel. Our agribusiness operations help to reduce our supply risk by providing grain handling and storage capabilities. Using our logistical capabilities and expertise, we market and distribute ethanol, distillers grains, corn oil and other commodity products. Our corn oil systems are designed to extract non-edible corn oil that has multiple industrial uses. Our fuel terminals allow us to source, store, blend and distribute ethanol and biodiesel across multiple states.

Proven Management Team. Our senior management team averages approximately 25 years of commodity risk management and related industry experience. We have specific expertise across all aspects of the ethanol supply, production, and distribution chain – from agribusiness, to plant operations and management, to commodity markets and risk management, to ethanol marketing and distribution. We believe the level of operational and financial expertise of our management team will prove critical in successfully executing our business strategies.

Our Business Strategies

We intend to continue our focus on strengthening and diversifying our vertically-integrated platform by implementing or continuing the following growth strategies:

Pursue Attractive Organic Growth Opportunities. We believe certain expansion projects could be implemented at our ethanol plants that have the potential to utilize the strategic location and capacity of these assets and cost effectively increase our annual production. We also intend to increase the grain storage capacity at our ethanol plants to take advantage of our existing infrastructure as well as strengthen relationships with local corn producers, allowing us to source corn more effectively and at a lower average cost. We intend to pursue opportunities to develop additional grain elevators at or near our ethanol plants. Since all of our plants are located within or near the corn belt where a number of competitors also have ethanol facilities, we believe that owning grain elevators provides us with a competitive advantage in the procurement of corn supplies.

Pursue Accretive Acquisitions and Consolidation Opportunities. We continue to focus on the potential acquisition of additional ethanol plants and grain elevators. In the past several years, we have been approached with opportunities to acquire ethanol plants. We believe those plants were available for a number of reasons including financial distress of a particular facility, a lack of operational expertise or a desire by existing owners to exit their original investment. We take a disciplined approach in evaluating new opportunities by considering whether the plants or grain elevators fit within our design, engineering, financial and geographic criteria. We believe that our integrated platform, plant operations experience and disciplined risk management approach give us the ability to generate favorable returns from chosen acquisitions.

Expand Marketing and Distribution Activities. We plan to continue expanding our downstream access to customers and seeking opportunities to arbitrage markets with minimal risk allocation. We currently participate in ethanol logistic, transload services and continually seek opportunities to expand the capacity of these facilities through organic growth. We intend to seek acquisition of fuel terminal facilities that involve conventional, as well as renewable, fuels. We believe the expansion of our capacity will encourage the distribution of blended fuel and enable us to continue to capitalize on our vertically-integrated platform.

Conduct Safe, Reliable, Efficient Operations and Improve Operational Efficiency. We are committed to maintaining the safety, reliability, environmental compliance and efficiency of our operations. All of our assets are staffed by experienced industry personnel. We will also continue to focus on incremental operational improvements to enhance overall production results. We continually research op