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GPRE - Q3 2017 Green Plains Inc and Green Plains Partners LP Earnings Call

EVENT DATE/TIME: NOVEMBER 02, 2017 / 3:00PM GMT

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CORPORATE PARTICIPANTS

Carl S. Bleyl *Green Plains Inc. - EVP of Ethanol Marketing*

Jeffrey S. Briggs *Green Plains Inc. - COO*

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

John Neppl *Green Plains Inc. - CFO*

Todd A. Becker *Green Plains Inc. - CEO, President and Director*

CONFERENCE CALL PARTICIPANTS

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

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

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

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

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

Jeffrey Michael Schnell *Jefferies LLC, Research Division - Equity Associate*

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

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

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

Tyler Lee Etten *Piper Jaffray Companies, Research Division - Research Analyst*

PRESENTATION

Operator

Good day, everyone, and welcome to the Green Plains Inc. and Green Plains Partners Third Quarter 2017 Results Conference Call. Today's call is being recorded.

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

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

Thanks, James. Welcome to the Green Plains Inc. and Green Plains Partners Third Quarter 2017 Earnings Call.

Participants on the call today are Todd Becker, our President and Chief Executive Officer; John Neppl, our Chief Financial Officer; Jeff Briggs, our Chief Operating Officer; Steve Bleyl, Executive Vice President of Ethanol Marketing.

There is a slide presentation for you to follow along. You can find this 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 or 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 and Form 10-Qs and other reports and filings with the Securities and Exchange Commission.

You may also refer to the second page of our website presentation for information about factors. We do not undertake any duty to update any forward-looking statements.

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

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Thanks, Jim, and good morning to everybody and thanks for joining our call today. We reported net income of $34.4 million or $0.74 a share for the third quarter. There are couple items I want to talk about briefly, and John will expand on them later.

In that, we recorded an impact of our research and development tax credit of $49.5 million in the third quarter. The R&D tax credit relates to various product trials we performed in our ethanol plants over a number of years.

While this should not overshadow the small operating loss in the quarter, the credit is highly beneficial to our shareholders in either future refunds or lower cash taxes to be paid.

To give you a bit more perspective, if you recall, we have always been about continuous improvement in the debottlenecking the plants. I've talked about enzymatic and mechanical improvements we have made over the years to drive yields higher and operating costs lower. We have literally done hundreds of trials at our plants over years and along with the benefits of findings ways to achieve higher yields, of which this quarter remains one of our highest.

We now have realized a different benefit for our shareholders. While this is all come at once, you have to remember, while our earnings are on quarter by quarter basis, tax strategies transcend through multiple years and often take time to come to fruition.

The internal and external team has spent countless hours getting to this point. On the go forward, John will spend some time discussing the strategy around this later when he comes on.

Also we have previously indicated -- as we have previously indicated, we have a $12.3 million of charges related to the issuance of a new term loan replacing the existing Green Plains processing term loan and the Fleischmann's Vinegar term loan that, that went through our income statement and interest. Approximately 9.9% of that was noncash. The new term loan was a big step in our goal to simplify our capital structure and position ourselves for future growth.

The quality of our asset base alongside the strength and liquidity of our balance sheet had a role in getting the loan done, but even more important was the diversification of our businesses as the debt market had an appreciation from the movement away from the volatility of ethanol. But and so, on an adjusted basis, removing the R&D credits and debt refinancing costs from our results, we have an adjusted net loss of $7.4 million or $0.18 a share. We generated $50.4 million of EBITDA for the third quarter inclusive of a $9 million of some of the R&D tax benefit that was required to be reflected as a reduction in operating expenses.

Our trailing 4 quarters of EBITDA totaled approximately $202 million, so often times the market solely focuses on this week or last. But when you look at Green Plains over time, we generate free cash flow in most market condition and remain focused on growing this overtime.

The consolidated crush margin was $0.15 a gallon for Q3. This was $0.02 a gallon less than we generated in the third quarter 2016, but $0.08 a gallon better than the previous quarter. While we had the best overall ethanol margin structure of the year, the weak starts to the quarter dampened the overall results of the segment. We had a negative absorption as we slowly came up from the slowdown in the second quarter.

We did take a disciplined approach to restarting the 9 plants in July when we took them down in late May, keeping another 16 million gallons off the market. All in all, between the slow start, keeping Hopewell down for most of the quarter and normal seasonal maintenance, our production was off, a total of 36 million gallons versus what we would have produced otherwise. And we did have some issues bringing up few of our plants, which had -- excuse me, which also negatively affected the company overall margin structure as well.

I'll talk more about our go-forward strategy on production levels later in the call. With the impact of the plants we acquired in 2016, offset slightly by slowly -- a slower July ramp up, Green Plains produced 313.7 (sic) [313.6] gallons of ethanol compared with 292 gallons for the same period in 2016. The production was over the minimum volume commitment to the partnership, so we did earn a majority MVC deficiency payment to Green Plains Partners back in the third quarter, which really demonstrates the stability of our platform with the partnership enables us to respond to downturns in the margin structure.

Segment EBITDA, excluding ethanol production and corporate activity totaled $36 million for the third quarter of 2017, and year to date, $107 million of EBITDA.

As we laid out for you last quarter, our expectations for 2018 with our non-Ethanol segments remain in the range between $165 million and $190 million of combined EBITDA, of which food and ingredients make up $60 million to $80 million of that; ag and energy, $30 million to $35 million; and Green Plains Partners approximately $75 million for the total of $165 million to $190 million.

Ag and energy segment had a weak quarter but we expect a strong finish to the year. Our overall merchant activities have lower results year-to-date as trading volumes and arbitrage opportunities were less than normal. Over the last 5 years since the inception of our merchant business alone, these opportunities have contributed about $100 million in total with a typical daily borrow of less than $500,000 and limited working capital usage. We still believe these numbers are attainable as we have seen market participants drop out as we continue to disintermediate along our supply chain.

The food and ingredients segment generated another solid quarter with $13.3 million in EBITDA, which is $8 million or so more than the third quarter of 2016. We expect that in the next few weeks, we will have all the Green Plains owned cattle on all of our feedlots.

At the end of the quarter, our company Cattle on feed daily average was about -- approximately 148,000 head, which is more than double the same period a year ago. With that said, as we build inventories, our company owned cattle on our feedlots, our fourth quarter will show some weakness as we absorb cost against those cattle as the accounting of revenues is at the end of the cycle.

Green Plains Partners reported $16.4 million of adjusted EBITDA with a coverage ratio of 1.0x for the quarter and 1.11x for the trailing 4 quarters. The GPP board approved an increase in the distribution of $0.46 for the third quarter, and that increase puts us at a threshold of the second tier target distribution levels for the incentive distribution rights for the partnership.

As John will discuss later in the call, the reversal of last quarter's MVC deficiency payment impacted Q3. But based on current ethanol production, we expect a stronger Q4 and a better coverage ratio. We are deeply committed to the success of the partnership as we retain a large stake upstairs at Green Plains Inc.

Now, I'll turn the call over to John, to review both Green Plains Inc. and Green Plains Partners financial performance, and I'll come back on the call later to discuss the current trends in the ethanol industry and our outlook for Green Plains. John?

John Neppl - *Green Plains Inc. - CFO*

Thank you, Todd. First, I'd like to tell everyone listening that I'm excited to join Green Plains. Living in Omaha and having worked in the ag and energy industry, I watched Green Plains grow from a small ethanol company into a significant commodity processing enterprise.

It has been an amazing story and I'm looking forward to working closely with the senior team into the future.

Now, on to the results in the third quarter. Green Plains consolidated revenues were $901.2 million in the third quarter, which was 7% higher than the third quarter a year ago. Revenues were positively impacted by the additions of Fleischmann's Vinegar during the fourth quarter 2016, the 3 ethanol plants acquired in September 2016 and the addition of 3 cattle feedlots acquired earlier this year.

Consolidated volumes of ethanol sold were for the quarter were up 13% to 380 million gallons, while the average realized price per gallon was up slightly over the last year's third quarter. Our utilization rate for ethanol production assets was approximately 84% for the third quarter of 2017.

Consolidated net income for the quarter was $34.4 million versus net income of $7.9 million a year ago. The increase is primarily due to the $49.5 million R&D credit recognized in the quarter, partially offset by the $12.3 million of debt extinguishment charges related to the issuance of our new term loan in August.

With respect to the R&D credit, Todd mentioned, early this year, we undertook a study with a third-party adviser to evaluate whether we had qualifying expenses within the R&D credit, which Congress made permanent at the end of 2015. The detailed study was conducted covering all open tax years, which included 2013 through 2016 and year-to-date 2017. Management reviewed the detailed conclusions of the study with the third-party tax adviser, and determined a recognition of the tax benefit was appropriate.

The R&D tax credit recognized includes qualifying activities conducted from the beginning of 2013 through the third quarter of 2017. We filed for the 2013 R&D tax credit via an amended 2013 tax return in the middle of September 2017. It was critical for us to complete this analysis by September 15, in order to ensure we met the statute of limitations on the 2013 tax year.

The return for 2016 including the effect of R&D credits was filed subsequent to quarter-end by the normal due date. The 2014 and 2015 amended returns will be filed by the end of this year. The credit recognized this quarter also includes an estimate for qualified activities conducted thus far in 2017.

We have not yet determined the impact of this R&D credit as it relates to our ongoing effective tax rate. That will depend upon our expected future qualifying activities and the amount of the current claims ultimately realized.

As Todd touched on in his opening remarks, with the completion of the $500 million term loan in August, we incurred $12.3 million of charges related to the write off of debt issuance costs and a prepayment penalty related to refinancing of 2 existing notes. $9.4 million of the charge was noncash. Excluding the effects of the R&D tax credit and the onetime debt extinguishment charges, our adjusted net loss for the quarter was $7.4 million or $0.18 per share.

Earnings before interest, income taxes, depreciation and amortization, EBITDA for the third quarter was $50.4 million, inclusive of $9 million of the R&D credit, which was reported as a reduction of operating expenses. This compares to EBITDA of $41.9 million for the third quarter last year.

For Green Plains, our CapEx was approximately $13.3 million in the third quarter, including our investment in the construction of the Beaumont joint venture with $5.4 million representing investment for maintenance capital expenditures.

Our debt at the end of third quarter was $1.3 billion. This balance includes $454 million on our commodity revolvers, which are secured by significant working capital or readily marketable inventory of $541 million at September 30.

On Slide 9 of the IR presentation, you will note that our term debt increased by $96 million this quarter due to the new term loan issuance resulting in an increase in our pro forma term debt leverage ratio to 2.9x at the end of the third quarter. Our liquidity remains solid at $292.4 million in total cash along with $297 million of availability on the revolvers at the end of the quarter.

As we indicated in the earnings release yesterday, the company's completion of the $500 million term loan financing was a significant milestone in our company's history and was a good step in simplifying our debt structure. The company did repurchase just under 336,000 shares of common stock for $5.7 million during the third quarter. Approximately $84.3 million remains authorized for repurchases under the stock repurchase plan approved by the Board in August of 2014.

For Green Plains Partners, we reported adjusted EBITDA of $16.4 million, a decrease of 2.4% from the third quarter of 2016 of $16.8 million. The adjusted EBITDA includes an $828,000 reduction for credit back to Green Plains, making up the majority of the $1 million deficiency payment from the second quarter. We expect that the balance of the deficiency payment will true up in the fourth quarter.

Green Plains Partners had 308 million gallons of throughput volume at our ethanol storage assets, which was 4.1% more than the third quarter of last year. Distributable cash flow of $14.9 million was down 7.7% from the $16.2 million reported a year ago. Again, distributable cash flows were impacted by the MVC payment credit back to Green Plains in the third quarter. Maintenance CapEx was $19,000 in the third quarter of 2017. Our year-to-date maintenance CapEx of $182,000 is well below our expected run rate, and we think it will be in the range of $300,000 this year due mostly to fewer scheduled maintenance projects on the partnership's assets.

The partnership's distribution of $0.46 per unit declared on October 19, results in a coverage ratio of 1x for the third quarter. On a 12-month basis adjusted EBITDA was $69.7 million; distributable cash flow was $64.3 million; and declared distributions were $57.8 million resulting in a 1.11x coverage ratio. We continue to maintain a coverage ratio that is inline with our long-term target of 1.1x.

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

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Thanks, John. And as of this time on this call, we are approximately 90% locked in for the fourth quarter and margins are in high single-low double-digits. All the data that we see supports a program like this but the wild card still remains unexpected export volumes this quarter.

Since the beginning of the fourth quarter, margins have continued to drift downward. Industry-wide inventories are 1.7 million barrels higher than a year ago and days of demand is sitting slightly over 21 days.

Overall, we are in a slight oversupply situation for current ethanol demand, but not enough to justify a broad industry slowdown as most of the plants are still running with positive contribution margins and there lies the dilemma. Even if we see some additional exports, we will remain in this situation, but it will be a positive impetus for 2018. So how does this oversupply get sorted out? With ethanol at the widest discount to gasoline in many years, and this extends out on the curve through 2018, it is getting noticed. It is not only the cheapest octane but approaching the cheapest BTU again, which could lead to some growth in exports but a few things need to happen.

We need to fight the Brazil tariff placed on gallons over the duty-free amounts. We are continually looking at ways to engage China and opening back up their markets to get ready for their 2020 10% initiative and to use our product to prime the pump there.

We are working hard to get an open program with Mexico and we believe we will make progress in 2018 and there are so many other important initiatives with countries like Canada, India, the Philippines and more. Green Plains exports for the third quarter were approximately 11% of our ethanol gallons produced, going through a variety of international markets. I'll talk a bit on the opening of our Beaumont terminal this month in a little bit.

Gasoline demand continues to recover from the slow start we have this year. Now, we believe it should get back on track, but still flattish overall as we head into 2018 where we should see some small growth for that year. Our major and most important focus remains expanded blends using E15 as the driver. Over 1,000 retailers offer E15 today and we expect another 1,000 to be offering E15 by this time next year, if not more.

We are seeing a real competitive responses to stations that put in the infrastructure versus those who do not. The ones that did not are losing share and starting to spend their capital of their own to complete E15 upgrades. That is an important fact along with a major terminals from Texas to North Dakota offering blended E15 at the rack.

The other thing that can have an impact is less supply and a more disciplined industry but at the hard one. But if we do see a slight expansion in exports, additional E15 demand and also the fact that we are such a discount to gasoline, all of that is positive to 2018 fundamentals as production seems to be at least leveling off for now.

We will continue to flex our production, based on market conditions more than we have in the past. We will act much faster when we feel it is in best interest of our shareholders. While always focused on our commitment and growth prospects of the partnership.

Our platform is set up well to do this and we have seen the impact of this already when we act, like we did in the second quarter. Our food and ingredients segment had another solid quarter led by results from the Fleischmann's Vinegar Company and continued growth of our cattle business. We experienced much higher demand for our specialty vinegars in the third quarter, which contributed to our growth.

Let me give you some metrics. Volume is up this year overall, mid- to high single digits in that business. Our organic product sales are up considerably higher than that. Still small but our bio-herbicide business is gaining traction and it also experienced double-digit growth. The capital projects to increase our production of white distilled vinegar, apple cider and antimicrobials are close to completion, which should keep Fleischmann's on a strong growth [plan] throughout 2017 and going into 2018.

Overall, as we ended our first full year of operation since the acquisition, the business exceeded our expectations and should continue to perform very well.

Green Plains Cattle also had another solid quarter. The integration of our recently acquired feedlots is going well and by year-end, we will have transitioned to all company-owned cattle. Our Jefferson import/export terminal is scheduled to start receiving ethanol in the month of November and expect to load our first vessel later this month.

We have a base-forward look at business [on] already and continue contracting discussions with several parties. The terminal is uniquely positioned to service both domestic and export demand. And currently, we are considering offering this to the partnership in the first part of 2018.

Within the partnership, the terminal in North Little Rock has broken ground and remains on schedule to be in service towards the end of the first quarter of 2018. Volumes through our existing third-party terminals of ethanol were strong, but we did have a slight drop in other product volumes, which you saw represented in the release.

Something I've not talked about much is our algae initiative. Yes, we still have one, and yes, we are still -- and yes, we are starting to make a feed product which has been our focus. We have discovered a path to use certain [streams] from the ethanol process to feed the growth of the algae capitalizing on our expertise in fermentation.

We have applied for a patent around every aspect of this process and we do not need to buy raw sugar to feed our process. We have moved this to our York facility, where we have inherited a world-class lab and fermentation facility to start to scale this process. At York, we have started production of algae in our 8,000-gallon fermenters and yet, we are very early in our scale up but the jump has -- held yields to this point. We have achieved our best yields to date and recently completed a round of trout feeding trials confirming our commercial direction.

The fish fed with our products was on par with our industry-standard feed conversion ratios as compared to products on the market today, but saw as much as a 13% growth advantage by the time the trout reached market weight.

This quarter we are setting up continuous production at our York facility and the goal is to produce first batches, albeit small to be included in commercial feed. So what's the vision here? It will be a bolt-on technology to existing ethanol plants, utilizes very low value stream and add value to the whole process. In the next 3 to 6 months, we want to make progress on the bolt-on design.

We are starting to see an economic path forward. This has to be profitable for us to make the investment in the next step around commercial production. We'll update more in the coming months. But one thing is for sure, we can make algae that can be fed today.

In closing, we have invested in new technologies, focused on improving our efficiencies and you're seeing the benefit of this focus through the tax credit this quarter. And we believe this benefit belongs to our shareholders, but we wanted to make sure we did all the work to deliver it with consequence -- or with confidence.

We also understand we have work to do with improvement of our ongoing operations. At some of our plants, our costs are under review and we need to focus on reducing operating cost per gallon, which will be a major initiative for us going forward. We partnered with seed companies, farmers and others to improve our ability to buy direct and improve yields. Enogen corn is just one example of this as we continue to offer this to our customers across many plants in our platform. Our farmer direct programs continue to gain traction every day as we disintermediate the traditional system.

I also want to comment on our CFO transition as well. First, many of you know Jerry Peters, he has retired and we are grateful to his commitment for the last 10 years, and we did achieve his goal of getting the term loan B done, like we did this quarter before he retired and it was quite an achievement. He's a big part of the story at Green Plains and he will remain on the Board of the partnership. We are fortunate as well to have John Neppl join the team. He's depth and understanding of our business on day one is something most companies will never get with a new CFO. We have not missed a beat. Now, John gets to pave and mold in the next 10 years or more. John's extensive experience of businesses like ours should give you all confidence that Green Plains is in good hands.

So finally, the last 10 years is what has led us here today. The next 10 years will be focused on making sure the ethanol production platform remains low cost, which means driving additional costs out of the system and we'll update you on our efforts on upcoming quarters, but we know we need to do this.

We have 4 or 5 major growth areas we are focusing on for the next 10 years outside of ethanol production. First, we need to upgrade the quality of distillers protein that we produce today. Technology is moving fast in this area and we believe one of them will come to the surface and we will implement this technology across our platform.

Second, we need to invest in the MLP to diversify earnings and we continually look at opportunities in terminal assets. Third, we have a food ingredient strategy to grow that business, both organically and with bolt-on businesses. Fourth, we want our cattle-feeding business to selectively acquire assets that make sense. And fifth, continually analyze a longer supply chain where we can add value with our customer base either in the input or the output side.

We believe this will shape the future and you have seen when we focus on value added predictable income streams, the company has delivered the results that we said we would. But in the end, we do have pent-up earnings power in our ethanol production as well and we must deliver on that.

So thanks for coming on the call today and I'll ask James to start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll take our first question today from Farha Aslam with Stephens Inc.

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

Could we go through your expectations of supply/demand balance this year and next year in particular what you expect exports to be, E15 to take and production.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Sure. So right now, we're running right around a 15.8 -- 15.7 to 15.8 run rate billion gallons for the year as an industry. We think we will export 1.25 to 1.30 billion gallons of ethanol this year. Domestic demand is running right at that 14.3 to 14.4 billion pace this year. And that would get us right to, on the low side of 15.55 to 15.75 billion, and the rest being made up in E15 to kind of get us to where we think we'll be. So we started the year a little under -- right around 19 million barrels and we will end the year, we believe, right around 21 million barrels, we should see some draws and then possibly build towards the end of the year depending on the final movement on exports towards in December. So that's the balance.

For 2018, I still think we're going to run at that 1.30 million average per day, a 1.30 to 1.40 million average per day. And when we take that into consideration, we are optimistic that exports could exceed this year. We have a lot of work to do. We have countries that we're working on. We believe that the countries, all of that -- that I mentioned on the call, all have great opportunities with Mexico, Brazil, China and so on. And so our view for next year, keeping Brazil steady, which the Brazilians have indicated to us that they would be steady at those numbers even with the tariff. I think that's probably the most risky number in our estimate. But if they are steady, we could exceed that 1.3 to 1.4 billion gallons next year for exports, with China being the wildcard.

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

And E15, next year?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

E15 next year could add 200 to 400 million gallons of new demand depending on the roll out versus this year. If we have 2,000 stations and if you say those stations on average are super stations in general, that sell 3 million to 4 million gallons of gasoline. When you put that all into the calculator and do the math, it's somewhere between 200 and 400 million gallons of new additional demand over that. So we're not building a lot, we're not drawing a lot. It's just kind of a weekly basis; we're steady. But overall, it looks -- at least, if we can slow down this creep that the industry has been challenged with over the last couple of years, I think at that point, we could at least have an equilibrium and possibly swing in our favor at certain times of the year.

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

As a follow-up, in your release, you talk about Green Plains becoming more flexible with its production. Could you talk about sort of fixed cost absorption, how much do you know you'd have to absorb if you do slow down? And how you think about kind of the staff at the plants that you do slow down?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. Labor is actually not a huge component of our overall costs in general. So labor -- the labor, we kept everybody employed the last time we slowed down and I would imagine at this point, depending on the length of a slowdown, and if we did a slowdown, that we would not want to impact our employees very much, as that is really not a huge part of our cost structure.

The bigger thing is, is when we look at it, we'll go right down to the worst to best and determine which are close to not covering variable and which are slightly positive. And then looking at that against the impact that we feel would be to the margin structure. So if we could run, 1.5 billion gallons at $0.08 a gallon or 1.2 billion gallons at $.20 a gallon, the investment is well worth it. We will absorb those cost easily across the platform while still maintaining the MVCs at the PPP level, which we are very focused as well, we do not want to have a huge negative impact on that business either, but we want to continue to grow that business. So we just basically are looking to say, if we even took -- went down to the MVC level, which again is not in our plan right now, that's 300 million gallons or 700 million barrels off the market, our belief is that, that would have a positive impact for the overall margin structure. And that's just something that we look at, or even the 1 month that we went down 50 million or 60 million gallons, the reason that -- we believe the reason that we are in a position at least today to lock margins away, as an industry, is because some of the actions that we have taken in the market that we believe positively impacted our results because of the volume. We have the ability to and the right to flex our volumes in the market, and we're at that point with scale at 1.5 billion gallons and willing to do it. And that if margins aren't giving our shareholders a return, we will absolutely flex those volumes more aggressively than we have in the past. And we believe that every one penny expansion -- all we would really need is about $0.01 expansion overall on the remaining gallons to absorb most of those fixed costs across the platform.

Operator

Next we'll hear from Heather Jones with Vertical Group.

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

I have a couple of questions. But First, I was just given -- I want to know, given that we have -- seemingly have much better regulatory visibility given recent pronouncements from the EPA. And as you noted in your comments, profitability to the blender and/or refiner is at or near record levels. I was wondering, do you see any chance that obligated parties like merchant refiners would potentially seek to do acquisitions or partnerships on the ethanol's space?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. I can't comment on that. I don't think -- thus far, we've seen besides Valero and a few others take positions in ethanol plants. It has been a good hedge to date. I mean, if you look at ethanol earnings versus some companies [bring] costs, there is an offset overall on that. I think, yes, when I look at the potential for blending ethanol at these values along with their price of the RIN, there's a great opportunity and there's ways to mitigate, and I think that you're already seeing that with some merchant refiners doing that whether it's through more blending or pushing it through retail.

I think what's important to note though is that, the EPA did grant a record amount of waivers for small merchant refiners this year on the RIN front. And to their benefit, we obviously hear about the 3 or 4 ones in the market that complain about it, but there has been a record amount of waivers for hardships around RINs that the EPA has given, and I think that's an important fact as well.

I don't know if merchant refiners come into ethanol or not. I think long-term, it is a strong and stable growing industry. We are dealing with a bit of oversupply right now for the last 24 months, and that's something that we're dealing with through creep. I think -- although some of that creep is over, we will see some new stuff come online still. But in general, our discount to gasoline is really, we believe, a driver in our international demand. When we see these type of discounts in the past, we have seen significant interest in our product more globally than we have before, and I think we are starting to see that again. We are starting to see a pickup of export interest as we finish the year for 2018 volumes more than we saw this time last year.

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

And secondly, I wanted to talk about the deterioration in your relative performance. Your consolidated crush margins have generally tracked extremely well with this industry benchmark that we use. And in Q2, there was a divergence, but the majority of that could be explained by the lower utilization. But this divergence this quarter once you adjust for the nonrecurring R&D credit, it actually worsened from Q2. It was nearly $0.10 a gallon and a gap with some of your public peers was unprecedented. .

So my question is, what happened? Are the plants you've acquired such poor quality that they are weighing on the entire platform? And if so, why did they get so much worse during Q4 -- I mean, during Q3.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Let's go back in kind of the last 4 quarters. In Q4, we performed well. In Q1, I think we outperformed most of those companies that you mentioned on our crush margin, some of that was due to hedging programs. Q2, we lifted when we took off those gallons, we made an effort to reduce. And

I think our spread at that point in general, besides one, was right on track. So I don't think we added a massive divergence all throughout those 3 quarters, in fact, even 3 quarters ago, I think we were either tied or the best performer that quarter on a crush margin standpoint in Q1.

Q3, we had a couple of issues. We held up more gallons and we, even with positive contribution margins, it was slow to come up, we held an extra week off. It takes time to turn on these plants. We had a slow start up at 2 of our plants, which hit our P&L this quarter, which I would say it was probably $0.01 or $0.02 of the spread. We had high R&M at 1 or 2 of our plants, which also hit our crush margin this quarter. And so when you look at all that, there is a gap. We did have -- July was very weak for us because of all those things. We actually -- when we look at August and Sept, our crush margin for August and Sept this year was actually in the high-teens pushing towards $0.20 a gallon, we just had such a poor July that weighed us down, Heather. So while, I would argue that, yes, the July definitely weighed us down a lot, we were performing at the level where we should have been performing in August and Sept, but it didn't come through as for the whole quarter. And so we had a very poor July based on those factors.

Do I think the plants we acquired, we have -- they have thus far performed okay. I mean, we never said they were going to be above the median, we said they were right at the median and some were a little bit below the median. We continue to evaluate which plants needs to flex up and flex down production. There are a lot of cost improvements that we are still going after in these plants that we believe in the next couple of quarters, we will start to see the benefit of that again.

So when -- and we're also hedged this quarter as well. We hedged as the market was getting a little bit better. So we probably didn't pick up. It's our last 20 days of the quarter where margins really expanded probably $0.10 or more on the open gallons and we were basically at that point, we would not have picked that up. So I guess, in the first quarter, we like it when we hedged. And in the third quarter, we don't like it when we hedge. And we had a bad July based on coming back up out of this shutdown, which benefited the whole market. The only reason the market has these margins in my opinion is because of what we were able to do in the end of the second quarter and the beginning of the third quarter.

So I guess, we have to -- yes, you're absolutely right, we did underperform, but we have a lot of explanations for that. And we are very focused on the go forward not just on achieving market margins, but also reducing our costs in general. I mean, we still have ways to go and we have a couple of pennies of operating costs to get out of our platform overall and we're focused on that every day.

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

Yes, and as a follow-up to that, I was wondering if you could like give us something more to hold on to. Because what I see happening, it reminds me a lot of the chicken industry. So a few years ago, Pilgrim's and Tyson, the leaders were so uncompetitive that they created like an umbrella for all their more nimble competitors. And so their more nimble competitors could expand and know that Tyson and Pilgrim's would be bleeding before they even were at break even. And so they took on the burden of rationalizing supply for the industry. And the industry -- the ethanol industry is expanding, more production is coming online next year, and it seems like you guys not only need to make sure you don't underperform, you need to become like the best -- the least cost producers out there, so that you're not bearing the burden of supply rationalization. So I'm just wondering if you could -- and I'm sure I'm not telling you anything you don't already know. So I'm wondering if you could just give us greater detail about how you're going to make GPRE the least cost producer to keep that from happening?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Well, we're [asked] -- nobody will ever get to -- there is a least cost producer out there that has a big platform, which they bought them right and they have 10 or 11 of the best plants in the platform, you're not going to get to that level. And so comparing yourself against a 10-plant least cost producer, with the platform that they have is going to be hard to do. A single one-off plant, it's all location at that point. Some of those are least cost depending on where they by their corn, some of them are depending on where they sell their ethanol. In general, I believe that with the acquisitions that we have made and we're driving costs out now, we will get ourselves back into a position where our operating costs are right in line where they always have been. We have been saying that we are $0.29, $0.32 per gallon on the average operating cost after ethanol after the gross margin line and -- of ethanol and natural gas distillers and corn. And we think we're heading right back to there -- obviously -- and our yields are improving, and our corn oil yields are improving. And I'm not sure we have to bear the burden. I think the demand that we're going to see through E15 and exports are going to bear the burden of taking this extra inventory, which I think it's beneficial to us. And I don't think it's a -- you don't have to take off 500 million gallons out of this market to get it back in balance. I mean the market in general is really only out of balance 200 to 300 million gallons. If you get 700 million barrels off the market next year -- if you just did that, we would have a very interesting margin structure. So I don't think bearing the burden, it's not our place to bear the burden of the industry nor do we expect that we will do that. I'm confident that we can certainly act appropriately for our shareholders, and bear the burden for our shareholders and get ourselves in line. But listen, it's -- I'm not sure you can judge 1 quarter versus Q1 judging another quarters and saying that we have fallen off to the abyss of the operating structure. I don't -- we certainly didn't have that have that conversation in Q1. And so we have good explanations in July. August and Sept performed very well. It was just coming out of those shutdowns, it was more difficult and more costly than we thought and cost us this quarter. That's really -- the biggest driver to our underperformance on the crush margin was our July performance, which weighed us down heavily.

Operator

We'll now move on to Laurence Alexander with Jefferies.

Jeffrey Michael Schnell - *Jefferies LLC, Research Division - Equity Associate*

This is Jeff Schnell on for Laurence. Todd, can you talk about the potential opportunity in China if they were to go to E10. How would you expect this to play out? Would they build? Would they import? Could you talk about the dynamics?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. Our intelligence says, there's somewhere in the range of 9 operating ethanol plants in China that today are producing about 650 million gallons, but can produce close to 1 billion gallons, so that's their -- where we believe is their internal production capability today, but are not operating at capacity. We believe the 10% is somewhere in that 3.5 to 4 billion gallon range of demand in 2020.

In the meantime, there is an opportunity for the U.S. to participate in that market and provide them product, and where we are at versus the cost of gasoline is we're even becoming competitive into China with even some areas with the import duty. And so what we're seeing today is, a lot of talk, a little bit of interest. We think some -- we're hearing rumors that some business could be getting done, which we believe would be positive. I think it will be a slow start if we do anything and start to get their product into the market, but it is a cheap molecule. And I think that's the most important thing. It is a cheap molecule, they don't have the capacity to be self-sustaining yet, but I would say, they will work up to that capacity in the coming years to at least take care of some of that. I think they're open to it, I think this trip to China by the administration is extremely important for distillers, grains and for ethanol. I think it's on the agenda and I think that, with some of the things that you're seeing in the soy protein complex around lower protein soybeans, the interest around DGGs is definitely picking up in general, both in Asia and the U.S. and around the world because of what DGGs bringing -- being really lowest per cost of protein as well. And so that's a -- we think it's all positive going forward. I'm cautiously optimistic as I always am about China, but thus far, the initial messages are looking positive.

Jeffrey Michael Schnell - *Jefferies LLC, Research Division - Equity Associate*

And the $165 million to $190 million of nonethanol EBITDA, is that the bridge for 2018, is that correct? Just to clarify.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

That is correct.

Jeffrey Michael Schnell - *Jefferies LLC, Research Division - Equity Associate*

Okay and then lastly if I can, it seems like this is the highest level of being hedged for the quarter. Given your comments on supply/demand then what you're seeing in the forward curve, what sort of prompted that level of hedging and is this on the -- is the 90% on the full production? Or do you have any assets down or operating at reduced rates for Q4?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

90 -- right around high 80s% to 90% is in our total production of what we expect in that 340 million to 350 million gallon range. We are making decisions on the rest of the quarter on some plants. But at this point, we expect to operate in that range and its 90% against those gallons. We can move, and if we see something positive coming out of China and/or other export markets, we can move quickly to lift that. But we felt like, let's lock it in for the quarter, at least to have some certainty because the -- when you have 21.5 million barrels and 1.7 million barrels more than last year, the physical markets are not telling you at this point that they'll be a massive expansion in margins, but they're also not telling you at this point that they need to go down very much as well. So right now we just felt like to take the risk off the table, let's get a hedging program on it. And this quarter, we will continue to generate high levels of free cash flow even at these levels hedged.

Operator

Adam Samuelson with Goldman Sachs has the next question.

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

Maybe first, Todd, going back to this question about running the assets. And I'm just trying to reconcile kind of the incremental operating costs of bringing in assets up and down that you certainly bore in July. And the comments you made about 2018 that while markets only a couple of 100 million gallons long, I mean given maybe -- was it onetime challenges on the operating cost that you think wouldn't repeat if you flex the system? Or would you actually considered being proactive and you shut down 1 or 2 couple of facilities to really sort out the supply problem now for 2018. Can you give me any thoughts there?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Sure. So we learned a lot on a couple of facilities especially the new ones that we bought, bringing them back up was harder and more costly than we expected. Jeff can comment a little bit, maybe on just a color of that without getting too deep into the weeds. But I think it's important to understand that they were a bit more of a challenge to bring back up from a shutdown that we did. Jeff, you want to comment?

Jeffrey S. Briggs - *Green Plains Inc. - COO*

Right, the Abengoa assets, the continuous fermentation process took some more time to get started, whereas the [batch] process is relatively straightforward. Some infection issues, just some throughput issues, fermentation timing. In addition to that just some maintenance issues. Todd talked about trying to reduce the costs. We certainly had some deferred maintenance in the Abengoa assets that we bought. So catching that up, trying to make sure the plants are more reliable.

All of those playing to that decision in that process going forward. Having said that, I think that we're very skilled in taking a plant offline, bring them up. We've had some specific one-off issues here and there over the years. And so we know what we need to do. But we'll, certainly, look and see where it makes the most sense to do that from a margin standpoint. And it's not just operating costs, it maybe crush margin locally in the various markets as well. And so that's always under analysis, and we know that we need to be going forward certainly with the new assets that we've acquired.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

And we think that -- bringing those assets, we think the cost of that was -- in general, for that month over the whole platform was somewhere in that $0.05 to $0.06 a gallon range, just overall cost of the whole platform, it was very expensive to exercise for us to bring those back up along with R&M that flowing through the income statement as well. So it had a detrimental impact to the quarter, that July start up. While, it certainly had a positive impact overall -- to the overall cost margin. That was a bit more of an investment than I thought we were going to make in shutting down.

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

Okay. And then, I guess -- my second question was going to be around capital allocation. And just looking at your stock price today, trading below book value, quite low value for the ethanol plants when you back out the MLP, can you think about opportunities to maximize shareholder value here? I mean, it would seem like there's a good opportunity to monetize some of the MLP perhaps to buy back some of the parent, but any thoughts on maximizing the value there?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. We think about it all the time. And we thought about it last quarter when we got below $17. While I can't tell you what we would do this quarter. In our board meeting -- we'll discuss this with our board and see what their -- what the strategy will be overall. We're highly focused on share price of both. MLP -- equity markets have been a bit weak at this point. So we're certainly not in any hurry to do anything from the MLP side. And in general, our Green Plains Partners has performed fairly well against the backdrop of the broader MLP performance. And it is due to the fact that we maintain high coverage -- we maintain a good coverage ratio and have been continued to increase the distribution.

On the GPRE side, we do have the share buyback authorized. I think in the past, as we've seen weakness, we have stepped in and bought. The last time we did that last quarter, we stepped in and the market kind of get away from us and rallied throughout once we -- after we had stepped in, and then the window shut on us anyways. And now the window will open back up in a few days, and we'll make the assessment accordingly to what we want to do. We are highly focused on it. We don't like share price. We believe it's under valued, basis the future and the future earnings [K] power of this platform and that we will not be afraid to try to maximize value from that perspective.

Operator

Next, we'll hear from a Craig Irwin with Roth Capital Partners.

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

So Todd, to continue along the theme of valuation. It seems that if we look at the nonethanol EBITDA and what you've shared over the last couple of quarters about the trajectory there, that there's a pretty significant amount of skepticism in the market about your targets being achieved. Maybe can you recap what allows you the significant visibility in those businesses, feedlots, vinegar and other items? And maybe share anything you can on the growth potential on these businesses and what you see as sort of directly related opportunities to continue to expand that.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. So when we look at the 3 segments and we take them each step by step, the -- first, we start with ag and energy. We are going to come out of harvest, we believe, close to full at our grain elevators -- our grain storage capacity of 60 million gallons or so -- or 60 million bushels, I'm sorry. And with the market paying you a significant return above costs in your space earnings. And so we'll come out of harvest full with an ability to earn against that.

In addition to that, we are starting to see a stronger finish to our merchant trading businesses our distribution businesses overall. We had a weak second quarter in ag and energy due to low merchant volumes, so we started to see a pickup in Q3 and now we should really see a pickup in Q4. And we'll still end the year in that -- should be above $30 million for EBITDA in ag and energy, even though we had the weak start, some of that is coming back through just normal counting practices, where it was just timing issues. So what we are -- we believe next year, we'll be able to achieve the same, if not better, in that $30 million to $35 million range or more based on [essential] grain earnings. Our food and ingredient segment has had 2 components to it, which is the cattle-feeding -- 3 components actually cattle-feeding operations, our Fleischmann's Vinegar segment and food-grade corn oil, all of which we believe can earn in that $60 million to $80 million range, of which, cattle obviously, is the one that can potentially supercharge those earnings depending on the margin structure there. But we still are buying cattle based on what we believe our base margins that we can earn against the operation that we have. We have high ROI's, the business has a high ROI and a high return on equity. And that's what we're looking to do maybe one -- a little bit more in terms of acquisitions there to continue to maintain that business. I don't think we wanted to a major acquisition, but we want to do -- we are looking at some expansion projects at our sites and may be another yard.

And at Green Plains Partners, it is pretty easy to lay out at this point. We have them kind of estimated in that $75 million to $80 million range, and we are very optimistic of the startup of our Beaumont terminal. We have not only our own volume that we are going to put through there for the next 5 or 6 months that we have on the books already, but we are seeing more and more volume every day come to us that we are selling as Green Plains. And we're supporting the terminal through our own volumes. It's going to be beneficial, not only to the partnership but also to the parent. And I would say the thing that put us back a little bit was the hurricane pushed the opening back a little bit. It gave the market a bit reluctance in terms of contracting, but we are starting to see the interest a lot more inbound call from people that want to be in the terminal, from companies that want to be in the terminal and even our own volumes, alone are pushing us close to where we thought we would be just on when we built it and they're starting to see even above that to where the upsides returns will be just from our own internal volume at this point.

So we're optimistic that Beaumont with a 1.3 billion or 1.4 billion or 5.0 billion gallon export program, Beaumont will be a heavily utilized terminal as well, so that will help Green Plains Partners next year. And potentially, if we did take down some volumes, it would help offset some of that with our volumes from Inc., but that is all in place at this point.

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

Great. And then my next question is really a follow-up on the commentary around the Abengoa plants and the restart there. Can you parse for us how much of the challenges that you had was learnings in -- actually executing a restart on these plants versus structural things that will impact your ability to bring them up and down in the future?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

It was not structural, it was a -- they needed a lot of work, anyways, when we bought them. We did a lot of work to them when we were down. And when we go down like that -- in a plant like that, where it's not just a normal ICM or Delta-T, and it was just a little bit a different of a process. But some of it was driven by higher R&M because of the shutdown. Some of it was driven by harder to bring back up, but we learned a lot of lessons, and I would say it would be a lot easier next time. Jeff you want to...

Jeffrey S. Briggs - *Green Plains Inc. - COO*

Yes. absolutely. I mean we'll have a different process doing that if do that again.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

And so overall, we learned a lot of lessons again, it was a big drag on our quarter, just bringing some of these plants back up, and -- because of the quarter would have been a much different, would have been different than we achieved mainly due to that July performance.

Operator

Next we have Tyler Etten with Piper Jaffray.

Tyler Lee Etten - *Piper Jaffray Companies, Research Division - Research Analyst*

I was wondering if you could, just your thoughts around the Renova Bio policy being discussed in Brazil about how U.S. ethanol fits into a potential deal like that? And then a follow-up, is there any desire for GPRE to operate or build out capacity in Brazil given the push of capacity in the region.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

We don't know all the specifics in the Renova Bio program. I mean, We think there's some benefits overall. But in general, I think there's a lot of wait and see. There's a lot of pushback at the government level to implementation. And I think in the end, we have to wait and see what the overall program will be.

Optimistically though, I think that Brazil needs and wants our product. I know that at the highest levels, there are still discussions taking place on this import duty. And it's getting a lot of attention at -- in Washington, and we'll see what happens with that. But if you talk to the market down there, they still believe they will bring in the volumes necessary to achieve their targets in which we think could be somewhat substantially similar to this year's volumes.

And then the second question? Investing in Brazil. I'm sorry. So the second question on investing in Brazil at this point, we do not have an investment initiative or thesis for Green Plains to be an investor in Brazil.

Tyler Lee Etten - *Piper Jaffray Companies, Research Division - Research Analyst*

Okay. And then just last one, just your thoughts on the news out of China, building out their own production. A competitor had mentioned that they don't have the water to produce something like that. Just interested in your guys' takes?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes, I don't know their internal capabilities or not. I mean they don't have -- Water has always been an issue in China, and that is a good point. In general, they have corn there. I'm not sure the quality of the corn -- given the quality of distillers that they would need at this point, but they do have an initiative and they will continue to grow more corn as they go forward. And ethanol -- if ethanol is part of their strategy, I think that they'll probably build more ethanol plants and use their local corn with U.S. ethanol as a filler to come in. Much like they built -- they have [site] crushing there as well, and so they buy U.S. soybeans. .

So it's going to be hard to say exactly what they'd do. I think water is a good issue, a good point. But in general, we believe that, that the relationship between the U.S. and China, and the -- at the highest levels are discussing these topics as we think now -- I think one very important point when we think about China is to look at the distillers grain issue. When China exited the market a few years ago, the world thought we wouldn't clear our product. Yet, we found a price, and right now about 100% price of corn. We found a price and the world is clearing our product. If China reentered today, we might have a little bit of excess, but that product has found a home already. And I think when you look at that example, especially when it's the cheapest source of protein to feed an animal and you have an issue with protein and soybeans this year, I think, China's waking up to the fact that they should begin to relook at this product as well as I think the whole ethanol thing is happening -- is a somewhat similar idea there, which is we kicked out a product that we really want to use, does that make sense? And so I think that we will have windows of opportunities to sell our products into there as well for ethanol. And all of that is beneficial to the overall balance between supply and demand in the U.S.

Operator

We'll now hear from Eric Stine with Craig-Hallum.

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

Most questions have been asked, but I was just wondering, just to clarify something on the exports said on Brazil. When you were talking about cautious optimism that, that is flat, year-over-year. When you think about 2018, does that assume that the tariffs go away? Or does that assume that if it's kind of steady state from where we stand right now?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

No. I'm not assuming that the tariffs go away at those numbers. So you can look at it in a couple of ways. If you're an importer and you have the license to import your share and if you bring in double that, on average, you have a 10% duty against your license, not 20% against the other half. And at 10%, the windows start to work if you bring in that total volume.

And so that's how I think some will a look at it, which is, "Hey, I'll get my 160 in free, I'll get my 160 in with 20%, which is 320 at 10%." And the window is open at that point or close to open at that point, and I think that's how they'll view it instead of making, whatever -- $0.10, they'll make $0.03 on import. And again, I don't know their numbers, I'm just giving you an example. But I don't know their margin numbers on the import. But I think that the market is focused on bringing in volume. And I think they'll definitely look at the engineering of the number and the import tariff to say, "How do I spread that over a larger amount of gallons?" And I think the market was not really focused on that, they were just focused on the 20%. So when you do that, I think we have an opportunity there.

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

Okay. And then maybe last one for me, just -- as you think out a little bit longer term, you obviously mentioned China, but just some other markets that you see on the export front? I know there's some talk about India opening up, and that's a very sizable market. Maybe just some other ones that you might see as you look out a few years.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

So China, we talked about. Mexico, we think are doing -- we think there's a lot of work being done for some time in 2018 to bring in volumes. Our view, Steve, on volume is what?

Carl S. Bleyl - *Green Plains Inc. - EVP of Ethanol Marketing*

For Mexico, we're still looking at, probably, 200 million right now, and that still doesn't include the 3 major cities.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

So Mexico around 200 million is our estimate for 2018. Bring in China. India had a major tender for ethanol.

Carl S. Bleyl - *Green Plains Inc. - EVP of Ethanol Marketing*

But they increase the requirement on, and they still haven't met the original one. So that was an interesting thing, that they increased their overall tender value.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

To 1 billion gallons.

Carl S. Bleyl - *Green Plains Inc. - EVP of Ethanol Marketing*

They took it up 1 billion gallons.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

They took it up 1 billion gallons...

Carl S. Bleyl - *Green Plains Inc. - EVP of Ethanol Marketing*

Liters. Liters.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

1 billion liters, sorry, for their tender, which we think is a positive point that we are looking at on the Indian markets . The Philippines still continues to build out their internal industry while bringing in our volumes. And we sold some volumes to the Middle East again this week. We have India volume on for 2018 already. We've got Canada, continues to be a strong user of ethanol and when, especially, when you are my $0.40 in their gas, they truly take advantage of that and they take advantage of that blend opportunities.

So when you add all that up altogether, we're highly competitive in the world from a price perspective, which should bring more volume on, it will probably take longer than we think, but we are starting to see more inquiries come in now for volume that we've seen probably the last 6 weeks based on the discount to gasoline.

Operator

Omar Mejias for with BMO Capital Markets.

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

Omar filling in for Ken. Most questions were asked already, but I think you guys touched on it earlier, but can you give a little bit of color on what's your estimate for the production creep for next year.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

It's going to probably be 1% to 2% in that range. We -- I think people are running. Even though if you put on some of volume, if you run full out, you may see some drop in efficiencies, but I think in general, we think we will be 1.030 to 1.040 type daily average for next year, which then get you to 15.8 to 15.9 out with some production -- with some new construction coming on potentially late in the year.

So on the overall average, we're not creeping it all right now. I think we're done as a company. I think others are done. There are some projects still being under construction. But in general, on average -- I think even right now you're starting to see this year, we're getting these 1050's but it's cooler, so you can run better.

I think the one thing we have to look at is that through some of the technology that we have put into place, running slower or running faster is not having the impact on yield anymore at least in our platform that we could run slower and maintain the same yield as when we run faster. So when we start to see the yields where we're at today at 287, and 288s and 289s. When we run faster, we actually don't see those yields drop as much anymore as we would in the past. So that is done through front end efficiencies and things that we have put into place.

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

And one quick follow-up to that. Just based on this year's weather, I think the temperatures were a little bit cooler, was that -- is there any impact on -- I mean was there a sizable impact on production there? Is there a way to quantify that? So just any color around that weather and being in a little bit cooler this year during Summer.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

On ethanol production or corn production?

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

Ethanol production.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

Yes. I think we ran easier this summer. I mean we didn't -- we had about a month of real hot weather, where we maxed out cooling capacities. But in general, if you look at the weather over the last 3 or 4 months, there was not a lot of stress put on our system and cooling capacity, so the industry ran really well, I think, overall.

Operator

Next we'll hear from Pavel Molchanov with Raymond James.

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

Just one question for me and I ask this knowing that you guys are not, yourselves, involved in cellulosic ethanol. But in the last 48 hours, we saw 2 of the remaining players in cellulosic, one in Italy and 1 domestically. And now I'm seeing an exit from that part of the market, and I thought I would get your perspective on that.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

We have not invested in it to date. We always said we are fast follower. Maybe there'll be some bolt-ons that you can get a little bit out of -- I know that companies are working on those. I think a major plant is a hard thing to accomplish and be competitive. Look, we're a dollar, we are now $1.40 to $1.50 a gallon ethanol. Corn remains in the mid $3s and oil is at $60. This is our set up as an industry to make -- for corn ethanol. We just need a little bit more demand or just a little bit less supply, and this industry will right itself very, very quickly.

From the cellulosic side, it is -- there's a lot of money per gallon being spent when you could build a new corn-based ethanol plant for $1.80 a gallon. And people have spent $10 or $15 a gallon trying to get these plants up and running. It's a hard equation and it's a long road. And it is something that from our respective we didn't spend any time on and nor do we plan on it in the future at this point.

So it's not surprising, but it certainly is disheartening at this point to see that, that happening. Will put you on #1 next year, so you don't have to wait to be #10 in the queue for next quarter. So we'll not do that for you guys.

Operator

Our final question is up from Selman Akyol with Stifel.

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

So questions regarding the MLP. You talked about needing to invest in the MLP to diversify. And I'm curious as to what you're looking at. I mean clearly, you've got terminal in Beaumont. You've got Little Rock, but what else do you see longer term?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

We think there's an opportunity for us to look at fuel terminals that are inline with things that we could do for them with the build out of E15, and that's probably a couple of years. So if there is a one-off terminal in different areas that we believe that does a nice amount of volume for that terminal that we could add value through expanding their ethanol volumes or other products, we'll look at those terminals, and valuations -- Obviously, we have to be somewhat cognizant of the overall valuation and on limitations of what we can do. But we've just recently upsized the revolver for GPP, either getting ready for a drop of Jefferson in 2018 and/or looking at other opportunities before that as well and -- so we believe that -- we believe over the long-term, we should have some diversification over straight Green Plains volumes coming from the ethanol plants for the market to understand how serious we are about creating value in that entity.

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

Got you. And then just one thing on the quarter, in the press release, you guys referenced lower third-party throughput volumes down at Birmingham, what's the outlook for that?

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

What we said actually was that we had a lower volumes of other products. Ethanol actually performed very well through all of our terminals. It was really things like biodiesel and other products that we saw lower volumes this quarter. But in terms of the ethanol volumes that we thought we would handle, we've handled actually -- mostly steady at all of our terminals and saw an increase in Birmingham. So we'll have to look at that. And we see an increase, Steve?

Carl S. Bleyl - *Green Plains Inc. - EVP of Ethanol Marketing*

Yes, we do. But what you're missing is biodiesel.

Todd A. Becker - *Green Plains Inc. - CEO, President and Director*

And the biodiesel is really where we saw the fall off this quarter in volumes, which we think potentially comes back with some of the new certainty that they're getting around in their markets as well.

Operator

That will conclude our question-and-answer session. I will now turn the call over to Todd Baker -- or excuse me, Todd Becker for any additional closing comments.

Todd A. Becker *- Green Plains Inc. - CEO, President and Director*

I've been called worse. So anyway, thanks, everybody, for coming on the call today. Obviously, a quarter that had a lot of moving pieces. We continue to focus on costs and will continue to focus on costs getting them back in line. And on the go forward, we were still very optimistic 2018, it might have been a pushback from 2017, but where we are at today with a little bit slower pace of capacity creep. Potentially higher exports and domestic demand steady. And E15 starting to catch a tailwind. We still remain very optimistic for the go-forward strategy and what we're trying to accomplish at Green Plains. So thanks coming on the call today and we'll see you next quarter.

Operator

That does conclude today's conference call. Thank you for you participation. You may now disconnect.