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CORPORATE PARTICIPANTS

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

Jerry L. Peters *Green Plains Inc. - CFO*

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

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

CONFERENCE CALL PARTICIPANTS

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

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

Edward Westlake *Crédit Suisse AG, Research Division - MD and Co-Head of the Global Equity Oil and Gas Research*

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*

Kenneth Bryan Zaslow *BMO Capital Markets Equity Research - MD of Food and Agribusiness Research and Food and Beverage Analyst*

Patrick Wang

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

Sandy H. Klugman *Vertical Research Partners, LLC - VP*

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

PRESENTATION

Operator

Good day, everyone, and welcome to the Green Plains Inc. and Green Plains Partners First Quarter 2017 Results. Today's call is being recorded. At this time, I would like to turn the call over to Jim Stark. Please go ahead, sir.

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

Thanks, Rebecca. Welcome to the Green Plains Partners and Green Plains Inc. First Quarter 2017 Earnings Call.

Participants on today's call are Todd Becker, President and Chief Executive Officer; Jerry Peters, our Chief Financial Officer; Jeff Briggs, our Chief Operating Officer; and Steve Bleyl, who's the 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 make 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 on the Risk Factors section of our Form 10-Qs and 10-Ks and other reports and filings with the Securities and Exchange Commission. You may also refer to Page 2 of the website presentation for information about factors that could cause different outcomes. We do not undertake any duty to update any forward-looking statements.

Now I would like to turn the call over to Todd Becker.

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

Thanks, Jim, and thanks for joining our call this morning. We reported a small net loss of $3.6 million or $0.09 a share for the first quarter. We had $17.4 million of operating income, which is a $40 million improvement over the first quarter of 2016, as the (inaudible) better, but still on the weak side. EBITDA was $43.8 million for the quarter, which is almost a $50 million improvement from last year, as our results are driven by strong contributions from ag and energy services, food and ingredients and the partnership. The EBITDA from these 3 segments in the first quarter of 2017 were more than double generated in the first quarter of 2016 in the same 3 segments. These results illustrate the diversification strategy to minimize the effects of a weaker ethanol quarter while keeping the upside opportunity intact for when ethanol margins trend higher and we can generate stronger free cash flows, which will be a significant focus of ours going forward. The consolidated ethanol crush margin, which is operating income before depreciation and amortization from the ethanol production segment, including corn oil plus intercompany's fees, such as Green Plains Partners' storage and transportation fees, was $0.12 a gallon for the quarter. This was much improved over the roughly breakeven consolidated crush margin from the last year first quarter. Our profit before tax and minority interest was only around $700,000 negative.

Remember that while we have the deduction from minority interest after that, we monetize our distribution assets through Green Plains Partners. We still own 65% of that entity. And today, it is worth more than $400 million of equity value to the Green Plains Inc. shareholders.

The ethanol plant acquired late last year are running well and are contributing to the overall ethanol platform. Fleischmann's Vinegar is also performing better than expected and continues to see solid growth in its base business as well as the antimicrobial and specialty vinegar products.

We produced 326.4 million gallons of ethanol or about 90% capacity utilization. We ran slower this quarter due to several factors. Almost 20% of our production was exported, and we slowed down to make that specification. And we did slow down production in the middle part of the first quarter because of the weakened margin environment. We are running harder for the second quarter. But since this is a big seasonal plant maintenance quarter, we currently expect to run approximately 93% of stated capacity, and that could possibly get better as well.

We also produced 877,000 tons of distillers grains and 75.4 million pounds of corn oil while processing over 3.2 million tons of corn. Our yield was 2.88 gallons of ethanol per bushel of corn for the quarter. That ties the record setback in the fourth quarter of 2015. We continue to see yield improvements because of the investments we've made over the years.

Green Plains Partners reported its second best quarterly performance since the IPO, reporting $17.6 million of adjusted EBITDA and a coverage ratio of 1.13x for the quarter and 1.19x for the last 12 months. Our coverage ratios remain strong even with plants' slowdowns. And as the plants continue to ramp up production, we expect another strong year for GPP. We increased our distribution against unitholders for the sixth straight quarter, and we would expect that trend to continue.

The ethanol margin environment was better in the first quarter of 2017 compared to the first quarter a year ago. Gasoline demand is trending better over the last few weeks, and the ethanol blend remained strong going back to September of last year. We expect U.S. ethanol exports for the first quarter to be around 380 million gallons, which will be the second best quarter ever, only behind the fourth quarter of 2011. We believe the industry will still export between 1.1 billion and 1.2 billion gallons or more this year.

Ethanol production inventories is something we continue to monitor very closely. While we are the first to acknowledge that the numbers published are the numbers that drive the market.

we do believe the weekly numbers are all a suspect, what causes us to say this as the adjustments made for the month of January, February between a net 25,000 and 30,000 barrels per day correction in our favor as production was lower and demand was higher in the true-ups.

While stocks are not changing, the EIA is just playing with the in-transit number. Net, it's less bearish than the weeklies are painting. And as the seasonal demand picks up, if production remains lower than the weekly numbers reported, the draws will be expected or we will need to prove these fundamentals out.

In addition with the better margin environment through the end of the first quarter this year versus the last and the 2nd quarter margin environment that started better than last year, this leads us to believe that spring seasonal maintenance of plants have been pushed deeper into the 2nd quarter or further.

2017 is shaping up to be a stronger year for us, and the front half will be much better than last year as the first quarter EBITDA of 2017 was more than our total first half of 2016. I'll come back later to discuss in more detail our segments, some recent announcements and expanding Green Plains Cattle Co. as well.

Now I'll turn the call over to Jerry to review both Green Plains Inc. and Green Plains Partners financial performance.

Jerry L. Peters - *Green Plains Inc. - CFO*

Thanks, Todd. Good morning, everybody. For Green Plains Inc., consolidated revenues was $888 million in the first quarter, which was up about $139 million or 18% from a year ago, driven by increased ethanol production because of the 3 plants we acquired in September of last year and the addition of Fleischmann's Vinegar company in October.

Consolidated volumes of ethanol sold for the quarter were up 10% to 359 million gallons, while the average realized price per gallon was 12% higher than last year's first quarter. Our utilization rate for our ethanol production assets was approximately 90% for the first quarter.

Consolidated operating income for the quarter was $17.4 million versus an operating loss of $22.6 million a year ago. This significant improvement is primarily due to a much better ethanol crush, increased ethanol production volumes from our acquisitions, strong cattle margins and the addition of Fleischmann's Vinegar.

Earnings before interest, income taxes, depreciation and amortization or EBITDA for the first quarter was $43.8 million, which as Todd said, was nearly a $50 million improvement over last year.

For Green Plains, our CapEx was approximately $15 million in the first quarter, including our normal maintenance capital expenditures as well as expenditures for growth projects, including some nice customer-driven expansions at Fleischmann's Vinegar. We manage these projects based on an internal competition for capital focused on long-term project returns and cash flow generation from our operations.

Our total debt now stands at $1.1 billion at the end of the first quarter. This balance includes $336 million on our commodity revolvers, which are secured by significant working capital or readily marketable inventory of about $395 million at March 31. Balances on our commodity revolvers can be somewhat seasonal and will continue to increase with the expansion of our business. For example, we recently closed on an expansion and extension of our cattle revolver, ultimately taking lender commitment from $100 million to $300 million in anticipation of the working capital needs for acquisition of the Cargill lots. We expect to gradually draw on this revolver as we transition the company-owned cattle in the acquired feedlots over the next 6 or 7 months.

At the same time, we're focused on continuing to reduce our term debt. We paid down about $29 million on our term Loan B in the first quarter under the suite structure in place and now have only $0.19 of debt per gallon on our ethanol plants, the lowest level in our history. As you can see on a Side 8 of the IR presentation, our pro forma term debt leverage ratio is 2.8x at the end of the first quarter. Our liquidity was solid with $295 million in total cash on the balance sheet, along with $129 million available on our revolvers.

Subsequent to the end of the first quarter, we entered into a privately negotiated agreement to exchange approximately 1.3 million shares of the company's common stock for approximately $24 million in aggregate principal amount of our 3/4 convertible notes that were due in 2018. This is consistent with our strategy to delever our balance sheet and not -- and should not be used as anything else. Because of this exchange, we will now account for both issues of convertible notes for earnings per share purposes on an as-if converted basis instead of the treasury methods that we used previously. But since the 3/4 notes are convertible into stock at a strike price below our current trading value, the use of the if-converted method has little effect on our EPS calculation. Again, the convertible note exchange occurred after quarter-end, which will result in an additional reduction of about $24 million in term debt. And when combined with the reduction in the term loan B, this quarter, we will post at least a $52 million reduction in term debt from year-end levels.

For Green Plains Partners, we reported adjusted EBITDA of $17.6 million, an increase of 26% from the first quarter of 2016, which was $13.9 million, the primary driver being 29.7% higher throughput volumes on our ethanol storage assets. It is worth noting that because of the forward curve for ethanol, Green Plains increased inventories by approximately 7 million gallons in the partnership storage facility. That resulted in the partnership's deferred revenue balance to increase. We expect the partnership's financial result will benefit from a return to more normal inventory levels in the second quarter.

Green Plains Partners had 321.1 million gallons of throughput volume at our ethanol storage assets, which was approximately 73.6 million gallons more than the first quarter of last year.

Distributable cash flow was $16.2 million or $2.8 million higher than the $13.3 million reported a year ago. Maintenance CapEx was $106,000 in the first quarter of 2017.

The partnership's distribution of $0.44 per unit results in a coverage ratio for the first quarter of 1.13x. On a last 12-month basis, adjusted EBITDA was $69.4 million, distributable cash flow was $65.5 million and declared distributions were $55.2 million, resulting in 1.19x coverage ratio. We believe our coverage ratio along with our low debt balance provides considerable flexibility and opportunity for growth in our distribution going forward.

I'll turn the call back over to Todd.

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

So thanks, Jerry. Ethanol margins started the second quarter on a positive note. We have seen a little pullback recently, but we believe in relative terms, our hedging in the first quarter was helpful to the overall results.

We currently have approximately 50% of our total Q2 production open, but we did hedge a bit extra versus the spot market in May and June. Which is helping to shield the last few days' weakness. And we plan our remaining discipline on how we lock in margins as we move into summer driving season.

As Jerry mentioned, we did hold additional ethanol inventory coming out of the first quarter into the second, but we expect we will return to normal inventory levels by the end of the second quarter as we took advantage of the term structure of the curve to earn an extra return on the margin as well.

We continue to believe that gasoline demand will be flat to a slight increase over 2016. Exports are in line with our estimates, and we continue to see ethanol blending not experienced in our industry in prior years. We believe that this is the effect of E15 presence in the market, and we continue to see more retailers sign up for E15. Right now, the industry has over 800 locations in 29 states selling this product, including major national chains. And the rollout still continues. We are pleased with the financial performance of our nonethanol segment in the first quarter. Ag and energy services, food and ingredients and the partnership generated $32.6 million of operating income before corporate activities.

Our cattle feeding had another solid quarter. And with the announced expansion of our feeding operations, we believe this business can generate annual operating income before depreciation of $30 million to $45 million in 2018. As a point to calibrate this, our 70,000-head feedlot in Kansas generated approximately $19 million of operating income before depreciation in the last 15 months, which is probably towards the high end of that location's potential, but still valuable to illustrate the opportunity.

We believe that we are off the lows of cattle feeding cycle with the recovery in the Southern U.S. moisture levels in recent years, and global beef demand remains strong as U.S. is exporting more beef than expected this year. Even during the cyclical lows of this feeding cycle, our lots performed well, and it's all due to our risk management core competencies applied to this business.

So back to our acquisition. Currently, Cargill owns all the cattle in the soon-to-be-acquired feedlots. But once the transaction is completed and as Cargill brings their cattle to market, Green Plains will replace them with company-owned cattle at the Leoti and Yuma lots. This will be a slow ramp-up of our working capital investments, much like when we bought Supreme Cattle feeding operations.

And I should mention in a separate much smaller transaction in March, we acquired a 30,000 headlot in Hereford, Texas, which is about 25 miles away from our ethanol plant in Hereford. This acquisition was a very good value and is strategically located to take advantage of our feed production and corn origination capabilities. Our philosophy for managing the cattle business is pretty -- very straightforward. We treat it like any other processing business. We calculate the cattle crush margin and make decisions according to returns and profitability. Having a strategic supply relationship with Cargill further stabilizes one side of that structure, and we know what we need to do everyday to operate profitably.

Having a cattle feedlot capacity of 255,000 head achieves scale and provides us with the ability, based on current feed rations, to use over 300,000 tons of company-produced distillers grains. And based on pricing performance, that number can go higher as well. In addition, we will use approximately 50 million pounds of corn oil annually at these lots. In both cases, our cattle business will be either the largest customer or close to the largest for each of these commodities we produce across the company.

We had a strategic goal of becoming a 200,000-plus head cattle feeder, and I'm pleased we can check off another one of our objectives while becoming the fourth largest in the United States.

To close out on our food and ingredients segment discussion, when you look at the business we have put together, the segment today has the potential to generate between $60 million and $80 million of EBITDA per year consistently starting in 2018, which will be a full year for the cattle business and a continued realization of growth initiatives in vinegar. Our food-grade corn oil business globally continues to contribute as well. The strategy revolves around capitalizing on the trend of protein demand growth globally, either food or feed; and helping clean label trends in our vinegar business, both industrial and retail.

We still remain focused on exploiting other adjacencies in our supply chain where common suppliers of raw material or common customers of products produced exist. And we're exploring many opportunities to do this, both organic and external.

The Jefferson import-export terminal is progressing well, and we continue to have significant interest in the open-season contracting going on. This fact gives us the confidence that ethanol exports remain strong in the near future. We believe we are close to having customers engaged in contracts and the build-out of the terminal remains on schedule for opening mid- to late 2017.

We do have an update on the Little Rock unit train terminal. Green Plains Partners and Delek have executed a 50-50 joint venture agreement forming the North Little Rock energy logistics partnership. Recently, the JV signed a lease with the Little Rock Port Authority to locate the terminal within their 2,600-acre industrial park. 2 Class 1 railroads serve the terminal, and there's quick access to major interstates that are near to Little Rock Port. The JV has also executed 5-year terminal put-through agreements with customers to support the financial performance of the terminal.

Initially, we anticipate this facility will handle 2 to 3 unit trains a month. Approximately 100,000 barrels of storage will be built along with other infrastructure items. The cost of the project is coming well below initial estimates, which should increase returns for the unitholders of GPP. Green Plains Partners will provide half the funding for the project, and we anticipate the terminal to be completed in the first quarter of 2018.

While this has taken several iterations and extra time, the outcome is far better than the original project announced, and we are very excited about this development. With our recent acquisitions and the expansion of our cattle feeding operation, balance sheet management and maintaining a strong liquidity position remains important to us. We believe that 2017 is set up well for our platform, and we will take every opportunity to improve our term debt leverage. We have reduced, as Jerry mentioned, debt on the balance sheet by $52 million. We believe that if we focus on this part of the balance sheet, we can make a significant dent on our overall debt levels over the next 18 months. This benefit should ultimately accrue to the shareholders of Green Plains, much like it has in the past under similar initiatives.

As you know, we are a growth company, and we continue to look for opportunities to expand across all the segments of our business. And as we've done in the past, we will opportunistically take advantage of growth, and we believe that's long-term value of our shareholders, but we're also keenly focused on maintaining financial strength and flexibility.

Finally, we continue to focus on our 5 pillars of capital allocation, as outlined in the past, inclusive of return of capital to shareholders when appropriate.

So thanks for joining us on the call this morning, I'll turn it over to Rebecca to start the question-and-answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question will come from Adam Samuelson with Goldman Sachs.

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

Maybe first, talking about the ethanol markets a little bit more and maybe looking in the rearview a little bit at the first quarter and even through April, the industry production levels, which are still up pretty considerably year-on-year. I know, Todd, in your prepared remarks, you said that the weekly data might be overstating things a little bit. But can you talk about what it says for implied industry capacity as you think about the year-on-year production increases? And certainly, the exports have been good, but the domestic demand growth is hard to come up with demand growth matching production. So how do you think the plants are actually running and the sustainability of the run rates in the first quarter?

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

Sure. So the original first quarter numbers have come down that were reported -- were updated by EIA down 15,000 barrels a day to about 10,025 on average for the quarter. If you annualize that -- and that was a winter quarter with a lot of production on -- over the industry. Annualize that, that's about a 15.8 billion gallon run rate for supply. We think that's probably going to be the number with slowdowns in the second and third quarter on turnarounds and then coming back into the fourth quarter. So when you look at that, your base number again is about 15.8 billion gallons of production. We don't see much more coming out from that perspective. We'll see some weeks that are obviously better. But in general, that's where we think we'll be. And we think we'll see continued adjustment by EIA as well as those numbers. So if you start with that perspective, we think gasoline demand for the year will be in that 143 billion to 144 billion gallon range somewhere -- same as last year or maybe a little bit better, maybe a couple of percent. And then -- so then we have to clear then 14 -- or 1.4 billion gallons somehow to not build stocks from year-end to year-end. We believe, right now, we're tracking very strongly towards the 1.1 billion gallon export number. But in recent days, we've been -- or recent weeks as well, we've been seeing demand growth from a lot of different areas. And I would say there's a high probability that number could be better, in that 1.1 billion to 1.3 billion gallon range. And then you don't have much left over after that to get to 15.8 billion, so 14.4 billion plus 1.1 billion to 1.3 billion, you're right at 15.7 billion. And if you get any other E15 blending, which is what we're seeing, we think ultimately year-end to year-end, stocks will not grow very much and could actually be lower. But in that cycle, we're going to see some very strong weeks of demand. And if the export pace continues overall, we think the numbers you see today will be kind of where -- we'll start drawing our stocks down a little bit here and then maybe grow towards the end of the year. So overall, that's our view of what we've seen from Q1 through April.

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

That's very helpful. Then on that export side, can you talk about some of the markets there? And I know there's been talk in Brazil of implementing a tariff on ethanol imports. Any view on the likelihood that that goes through and/or the other markets, somebody picking up the slack from Brazil as you move through the year?

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

It's interesting, because the guys we talk to in Brazil that are buying are still buying and thinking about the whole year and not really limiting it to 0.5 years or it's going to all stop in July. So our view is Brazil is going to remain strong throughout the year and any hiccup in sugar at all, and those just keep pushing it towards sugar, and they do have a structural short that they need to fill. So Brazil will definitely be a feature. It's been very strong in the first quarter. And we think that the numbers, the market thinks right now for April, May, June are too low; and even July, August, Sep as well. And then from there -- our internal sources are telling us that it's probably a 50-50 chance on this tariff. But I would only say that any tariff would be a -- something that I think the U.S. is looking at closely as well from the other side, saying how would we react to that tariff whether coming on corn, beef or any other products that we would import even in the California. And so Brazilian against the [ARB]. So in general, I think while they're looking at it, I think in reports that we've seen down in Brazil, they know that the U.S. has already made comments about doing the same on other products if they focus on ethanol. So hard to say what will happen, but the guys that we sell to or sell through to Brazil are still coming at us hard for offers all the way through the curve.

Operator

Next we'll hear from Ed Westlake with Crédit Suisse.

Edward Westlake - *Crédit Suisse AG, Research Division - MD and Co-Head of the Global Equity Oil and Gas Research*

Congratulations on building up, what looks like, quite a large business in the cattle feeding. Just maybe some questions on a look-back stat hat's obviously sort of a bigger contribution to overall EBITDA. I mean, what has typically driven the lows and the highs of that business as you look back?

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

A lot of it's availability of feeders and then beef demand overall. And so when you had the droughts a couple of years ago on the south, feeders and the availability of feeders and high-quality feeders to put into your lots. Basically we've got them at 750 or so, and we sell them at 1,350 pounds or so. And that's the job of the feedlot. So a couple of years ago, during the cycle when there's droughts, it's harder to buy feeder cattle. Now with the recovery, the moisture in the Southern Plains and really the larger build-up in those types of inventories, we are seeing better availability. And on the other side, packer margins have been pretty good for a while. And demand is good, and exports are good. So -- but I would tell you, even during -- there's 2 ways of approach the cattle business. There's the old way that a lot of people still approach, which is buy your cattle every day and deal with whatever the market is going to do and sell your cattle at the price that you get and not risk-manage, because the balance sheets aren't strong. If you are a cattle feeder with a stronger balance sheet, you can treat them much like we treat ethanol or any other type of production, and we can hedge off. And so every single day when we purchase for our feedlots, we know exactly how much we're going to make on that lot of cattle. And so we can always make the decision, because our overall fixed investment is very low, whether we want to fill our lots or not. And we don't have to feed cattle, because we don't own a packer. So that's the difference between kind of a cattle feeder integrated to a packer and a cattle feeder that is out on its own. The fixed investment is low. Working capital investment is high. Returns are good. But in general, we don't have to buy cattle and lose money, and we won't do that. So we've only been opportunistic in those lower markets that we'll buy them if we can make money. And we -- our lot in Supreme down in Kansas has been as low as 35,000, 40,000 heads when margins were lower. And we just ran and paid our expenses. And then in times when it's good, we filled up to 72,000 heads. So we have the flexibility do that and the financial strength to hedge. And that's the differentiating factor in this business that I think people don't understand. The historical viewpoint is that it's so volatile, whatever happens in cattle is just going to impact your margin. But that's only because you weren't hedging. So there is a process on the other side of that as well.

Edward Westlake - *Crédit Suisse AG, Research Division - MD and Co-Head of the Global Equity Oil and Gas Research*

And so when you come back to the $60 million to $80 million of EBITDA from the year, combined larger business in 2018, that's sort of like done at a sort of a low, mid, high kind of margin assumption...

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

I would say that's kind of a 40 to 70th percentile or 80th percentile, kind of in that range of here's the 40th to 80th percentile of the business. It could always be lower, and it could be also a lot higher. I mean, cattle margins have had better margins than even what we were illustrating there as well. So what we wanted to kind of give is somewhere in the -- in that range of 40% to 80% range of opportunity. The top end is obviously unlimited depending on what the margins do. But we think we can limit the bottom end as well by not having to fill our lots up when times are a little bit tighter in feeding. So which is what we've done. We've now have 3 years of history, so just about -- the worst cycle in cattle and the best cycle in cattle all in the same time. So we have a pretty good understanding of what our lots will do in both of those times. In a very good margin environment, we can be better than that. I mean, that also includes Fleischmann's in there as well. So that $60 million to $80 million includes the Fleischmann's business and also our corn oil business -- our food-grade corn oil business. It's a solid -- it has a solid predictable cash flow stream even with the volatility of the cattle business, which is much less by multiples of the volatility of the ethanol business, I can tell you that.

Edward Westlake - *Crédit Suisse AG, Research Division - MD and Co-Head of the Global Equity Oil and Gas Research*

And then putting my farmer's almanac question and I'm putting it on to you, any thoughts, as we said at the stage, on the corn appreciates early?

Jerry L. Peters - *Green Plains Inc. - CFO*

On the -- excuse me, on the what?

Edward Westlake - *Crédit Suisse AG, Research Division - MD and Co-Head of the Global Equity Oil and Gas Research*

On the harvest of corn.

Jerry L. Peters - *Green Plains Inc. - CFO*

Yes, so look, I think the market, we got a lot of moisture, hit us all at once. Looks like we have a few more cycles to come through of the rain, but we also have a lot of windows. We have a lot of areas of the U.S. that are ahead in planting. And we have some that are slightly behind and then a few areas that are definitely more behind like Minnesota and Michigan. We think we'll -- you could -- Iowa state just released that you could plant to May 15 without a yield drag. So that's another 15 days or so. So I think over that time period, we will make significant progress. And we're right where the 5-year average is anyways. We're a little bit behind last year. But if you look at some of the data that's out there, we don't expect that you'd have significant yield drag. We do have to get some of these colder areas, where like Michigan and Minnesota planted. But in general, we're focused on the 2 worst areas, which is the mid-south and that other area I just mentioned. So I think we'll get it planted. I think the insurance date is late May and early June. So we have a long time from that perspective. The farmers are still focused on planting corn. Putting the acres will go in, and at that point, it's just Mother Nature. And so overall, we're not going to change our acres number very much. We'll watch yield closely, but thus far, we have no reason to drop that at this point yet either.

Operator

From Stephens, we'll go to Farha Aslam.

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

The question which gotten most this morning is really about the ethanol forward margin. When we just look at the futures curve, it shows that ethanol is barely profitable on an EBITDA basis. But your comment and ADM's this morning are very constructive about the margin profile you're seeing right now in Q2, Q3. Could you help us bridge the difference?

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

Yes. I mean, I think if you look at it today versus last 4 days, we've seen a definite setback in the margin structure just based on some of this weather in the corn market and a little bit of selling in the front end the ethanol curve. For us, we are done with April. We're partially done with May and June. So we -- obviously, we're watching it closely. And we believe that the market is just waiting for one big draw. If that were to happen, I think we will, at that point -- and we believe that will happen based on seasonal demands, exports, what we're seeing and also run rates coming down. I think one draw gets people back into the mode of just -- they're just not going to continually lay on this ethanol market. Fundamentally, what we're seeing is some strong regional demand for the product as we come on the driving season. Export demand looks great. So I think that if you look at it in a vacuum to today in the last 3 days and what we've lost in the market, I think just give us -- we're one draw away from recovering most of that. And demand remains good. I think that's why -- where the optimism comes from. Coming into this time of the year and laying on the front end of this curve, there -- that's not probably what I would do. But I think overall, coming out of winter, you've got a hot summer. I think production levels, what you've seen in winter, probably don't increase, but demand levels do. And we'll just have to see what happens, which I think is where the level of optimism comes from these levels. And we came in 5, 6 days ago and margins were in that range of $0.12 to $0.17, $0.18 a gallon all in, depending on where you're at, some higher, some lower, depending on what type of plant you have, where and what location. And we've just got -- we got hit in the last few days on the margin structure, but I don't think anybody believes that's a sustainable hit.

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

That's helpful. And then some more color on the export market. Could you share with us, kind of here in the second quarter, which markets are particularly strong that you're producing and shipping to? And longer term, could you talk about the opportunity in Mexico and if you think China can come back to the U.S. market?

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

So the strong -- obviously, Brazil is strong. We think it remains strong through April, May, June. The program looks big, optically looks big. We'll have to make sure we execute through that. Steve, do you want to comment on Canada, Mexico and others that you're seeing as well?

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

Canada's come back up towards the 10% blend level that we anticipated, up from 5% in the previous year. So we're seeing that lift from them. We're also seeing the India piece, pretty much running at the rates we project about going to replace into the industrial grade. We are hearing there's some attempts to just look and feel grade in India. But right now, it's all industrial grade going there. The Mexico piece that you mentioned, just generally, there's conferences on it now. The petroleum liberalization in Mexico is proceeding. Some would say not fast enough. Some are saying it's moving at a fast rate. But there's still a lot of uncertainty around that liberalization. And the point of getting ethanol approved to go into the blend is the piece that we're still waiting for.

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

Well, that's important for sure.

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

Any color on when we could get a decision from Mexico and what the size of Mexico could be?

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

Well, it's 5.7 for their MTD blend rate now which should put it about 750 million gallons of demand. Because the 10% level, it's about 1.2 billion gallons. The message from the energy commission down there is somewhere in September or October, they could make a ruling on that. But there's still a lot of infrastructure play in Mexico that has to be put in place to accommodate receiving of ethanol into the market. Some are still there now but there's a lot to be built out. The other thing, China, we're holding China still at a very low level. 0 to just small leakage into the country. We don't project a lot going into China.

Operator

From Bank of Montreal, Ken Zaslow.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food and Agribusiness Research and Food and Beverage Analyst*

Just a quick question. I know you talked about how large the food and food ingredients could be. When you think about the partnership with the new facility and Jefferson coming online and anything about 2018, how do you think about that in terms of size? And how big that could be as well?

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

Jerry, want to address that?

Jerry L. Peters - *Green Plains Inc. - CFO*

Yes, sure. So the partnership -- I mean, it -- the increasing in the size of the partnership will depend largely on additional drop-down, acquiring additional assets where we can drop the tanks down, and then of course, the Jefferson terminal. We'll work on the Jefferson terminal probably in mid-summer for a drop-down. That -- as we've mentioned, that's a $55 million terminal. We have 50% of that. And so I think the, from a -- we haven't given real specific guidance on that. But from an EBITDA multiple standpoint, we're probably in about the -- once the drop-down is done, we'll probably be in the 7x to 8x range, kind of whatever typical market behavior is for a terminal like that.

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

Well, we haven't given that. We think it will be somewhere kind of a $6 million to $8 million addition to EBITDA in that business. And then Little Rock should add another $1 million or so.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food and Agribusiness Research and Food and Beverage Analyst*

Okay. And then the other question I have is on food and food ingredients, so there's generally 2 underlying businesses. Obviously, the cattle and the Fleischmann. To me, the 2 aspects of this business have different growth aspects, right? The Fleischmann actually should grow over time while the cattle kind of should move around that normalized margin. So is that the way to get past to that $60 million to $68 million over time should actually still grow? Maybe not at the pace that it's grown over the last 2 years, but should grow because of the underlying growth? Is that how to think about? So is that not the earnings power but that's the earnings starting point in 2018?

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

Yes. I mean if you look at -- obviously, the volatility is going to be in -- more on the cattle side, vinegar continues to grow and outpace the estimates that we initially thought. We bought it at a sub -- right around a sub-10 multiple. We think we'll get, at least, a turn or 2 out of that over the next couple of years. So that will provide steady growth and a steady base business, and a steady growing business. And then cattle will just be -- obviously, a good year is we can make $40 million to $60 million in those lots and steadily make somewhere in the $30 million to $40 million range overall. So being kind of -- we're not giving specifics on all of it, but you can kind of extrapolate that. Vinegar will be the base and a growing base and cattle will be the one that really supercharges the return.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food and Agribusiness Research and Food and Beverage Analyst*

Final question is when you think about ethanol margins, not in 2017, but '18 and '19, as the supplies -- the supply and demand balances, what would you say -- is there any reason it should not be a return on investment, (inaudible) like the 10%? Or how do think of a return on assets on that?

Jerry L. Peters - *Green Plains Inc. - CFO*

Yes, I mean return on assets, yes, I mean you can look at that, and we've done a lot of work on that and looking at our free cash flows. And so we're focused on that. Obviously, our return on net assets over the last 4 or 5 years have averaged in the 5% to 7% range. And we think over time, as we get into a more balanced environment and demand continues to increase and E15 continues to pull on exports as well, we could push those return on net assets higher than that. Whether we get to 10% or not, that's a probably an outsized year. But in general, 6% to 8% return on net assets and we'll walk through that [cap] with you. And then move away to other return to our shareholders as well. So yes, I mean, I think it's -- when you go to a steady $0.15 to $0.20 a gallon margin overall, put that over our total gallons now, and you look at what we've invested, our return should continue to increase.

Operator

And our next question will come from Sandy Klugman with Vertical Research Partners.

Sandy H. Klugman - *Vertical Research Partners, LLC - VP*

Given the increased size of your cattle feed operations, what percentage of your DDG production do you expect to go into the merchant market? And then what's your outlook for the DDG market? Do you see prices moving higher, given that they're trading at their largest discount to corn in 6 or 7 years? And are there any regions that you see potentially selling in the demand GAAP created by China's tariffs?

Jerry L. Peters - *Green Plains Inc. - CFO*

Yes. So when we look at our cattle production, we think that is a 300,000 to 400,000 ton opportunity over about 4 million tons that we produced. The other 3.6 million tons, obviously were available to the market. Our goal is not to sell to the merchant market and it's to sell to the end-user direct. And we have been eliminating that within our supply chain. So we export somewhere between 400,000 to 600,000 tons of distillers directly to customers around the world. And then from there, that leaves us another, probably leave us somewhere around 3 million tons we sell domestically. The export market hit a high of about 12.5 million tons a few years ago. It will probably be more like 10.5 to 11 million tons going forward. We are seeing countries like Turkey, make up some of that slack demand and other countries as well that are coming in and buying up the product. There's a chance Vietnam returns to the market, albeit a slow return as well, which was a nice customer for us as well. So I think we are displacing China over a certain amount of time here, not fully. But we're starting to see both, at these price levels, domestic inclusion rates, pickup, as well as exports business to other countries pickup. And we're highly focused on that. So while we're trading at these levels, we feel like they're bottoming out. And it feels like where you could fit this into your [ration], the market is starting to increase inclusion rates across the board.

Sandy H. Klugman - *Vertical Research Partners, LLC - VP*

Okay, great. And then just a follow-up. You've achieving average yields of 2.88 gallons per bushel. Do you see this moving higher in the near-term? Oris this a function of winter temperatures being more optimal for fermentation?

Jerry L. Peters - *Green Plains Inc. - CFO*

No. Actually, we've invested a lot into yield improvement. And so while we ran a little slower, we still had to [run for exports back] so. Overall, our view is that this 2.85 to 2.9 is where we'll be for a while. To push through there, obviously, we're going to run as hard as we run all year long and it probably be hard to push over 2.9 for a while, but we'll continue to look for opportunities to do that. But at this point, in this 2.85 to 2.90 level, I think that's consistent for the longer term.

Operator

From Piper Jaffray, Brett Wong.

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

Todd, you, of course, talked a lot already about the strong ethane exports to Brazil as part of what's happening there. But can you talk to what the ARB opportunity looks like right now? And at current prices, what import tax would actually be needed to curve you as ethanol going there? And that's, of course, assuming current prices in that sugar fundamentals are unchanged?

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

Yes, the ARB is still open and if there was an export tax, it would probably be close to -- at times open depending on the geographics. But in other parts of the country, closed. So the export tax would definitely have some impact realistically. We believe they're structurally short and internal prices would react anyways through that, if that were to happen. But I do think, it sparks other trade issues. If Brazil does moves to do that on the other side of the stuff, I think it will raise a lot of red flags. And when they need to export their products out of their country into our market, again, you know what's going on in Washington. I think that would raise red flags, much like the whole bio-diesel case going on right now. I mean, basically, if you can -- we'll wait and see what happens this week in bio-diesel. But if the bio-diesel industry wins the case for putting an import tax in on bio-diesel, I think at that point, it probably sends at least a fair warning to the Brazilians that I'm implementing an import duty on our ethanol, it could spark an all-out interesting events on other products coming in here. And I think the industry would call fall for that. So -- and multiple industries will call for that. And multiple farm groups will call for that as well. So I don't know if that's the way you want to head, but if they did head that way, our belief is that we will still see some demand from there, but it'll be probably a little muted during the last half. But right now everything we see out there is demand continues to go on. And they continue to buy out on the curve.

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

I'm definitely seeing all sorts of trade relationship pressures, I think, just in the whole region. But then my next question just want to get on the cattle business. And do you see any impacts from the Brazilian beef scandal, obviously that impacted prices, and just wondering what kind of exports you saw there given that exports fell off in Brazil? And as we move -- as that gets behind us then what are your expectations are for exports out of the U.S. and how that impacts that business?

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

I think that fixed itself pretty quick. Most of the countries that locked out Brazil, opened up very quickly. Our view is just demand. There is a protein thesis out there: whether it's protein from grains or proteins from beef that the world just wants more. And we're producing it. And we have the availability to ship it. And I think that's the bigger driver than the beef demand -- or the beef scandal in Brazil. That had a bit of an impact for a few days. But in general, obviously, the world demand is growing. If we can get China to open up and take our beef, that's obviously helpful. Our view is there's a lot of hoops to jump through, to labeling and tracking, tracing and all that kind of stuff to make that happen. That would be the thing that we're watching most closely in terms of the long-term demand thesis if we can make the breakthrough there. And there's a skepticism around that, but there's also optimism around that as well.

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

Okay, but in terms of as we look through the rest of this year, there's really a short-term impact which I would agree with basing everything we hear, just from the issues out of Brazil that you wouldn't really see impact to that business as we look at the next few quarters?

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

No, no, not at all. I mean, this is just driven by good old-fashioned demand for beef around the world and we have it available and we're exporting it.

Operator

From Jefferies, Laurence Alexander.

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

This is Jeff Schnell on for Lawrence. In a normalized environment, is there a split of ethanol to nonethanol assets you'd be comfortable with? In the event that multiples for ethanol assets remain high, would you add a leg to the stool that doesn't have as clear of synergies that are as Fleischmann's or the cattle business?

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

We're focused on adjacencies, whether organic or external, whether horizontal or vertical. As we said in the past, if we share a set of common customers on the front end over the back end, that becomes interesting for us. Whether it's farmers that sells soy or our feed customers that buy protein, I would say this co-location opportunities, as we mentioned, but I always explain whether around other types of commodities that production or processing capacity even to go as far as soy processing down the road to look at co-location opportunities, which we've explored with third parties using our industrial sites to do that. So that I think at this point, you wouldn't see us venture outside of what we do and what we know. And at this point, the requirement is there has to be an adjacency. And we probably wouldn't bring in a business that we would introduce that would differentiate something that we've done in the past.

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

And then just on the hedging, is there a theoretical maximum that you could hedge in any quarter without swaying or dipping the market?

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

No, we could hedge a whole quarter without -- we could do that pretty easily of our production. To hedge 375 million gallons, 350 million gallons or so is not -- obviously, you can't do it in a day. And you got to kind of -- you have to take the time and have a strategy around that, which is what we did in the first quarter, which is why I believe we were able to hedge off something or before the drop on that January and partial part of February. We did that earlier in the fourth quarter. So we wish we'd had done more. But overall, we could hedge a whole quarter out, I think, over time. You can't get it all done in a day.

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

And then lastly for me, can you help with any rule of thumb or if you were to switch your production just from 20% of to export to 50% or if it would export our industrial grade, what would the impact on utilization rates? Is there any rule of thumb for that?

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

What we want is 50% of our platform, we'd be 80% -- 70% of the market. So I don't think that's going to happen. I think we are probably at 20% in the range of where we're going to be on the maximum side that we've seen over the years since we're really only 8% of U.S production at this point. So some quarters, we more than double. We are seeing other ethanol producers get involved in the export market direct as well and [cuts during the disintermediaries] those that don't own production, or you want to link up with those that own production to make sure that you have supply for your export. So overall, I don't think from our standpoint, you'll see much more from a sales percentage of our export grade to the market than what you saw in the first quarter.

Operator

From Vertical Group, we'll hear from Heather Jones.

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

I want to clarify really quickly your comment on hedging. So you said you're 50% hedged for Q2, but it sounds like it is more heavily weighted to May and June. Did I understand that correctly?

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

No. No, what I meant is when we look at 50%, obviously 1/3 of it's done already in April. So then there's only overall at 17% over in April. So we're around 50% hedged for the quarter in total. So we do have some May, June on, heavily more weighted towards May. So we do have a little bit on right now. But obviously, being impacted today by some of the weakness in the crush in last few days waiting for tomorrow. But in general, we do have a little bit of a book on. I think that helps us. I think the point is that the hedging does still work. It definitely helps us in the first quarter by putting a big forward book on and having some of the second quarter hedge as well, I think will help us. But overall, we still have plenty of work to do.

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

And then on the corn, specifically on corn, your physical ownership. So you've built out this storage capacity. You have on-the-ground storage and all. I mean, how are you positioned in your physical ownership of corn right now. And how should we think about that given what how corn has rallied recently?

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

We don't need to buy much of anything for this quarter. We're done, but obviously, we hedge it. We buy-basis and we hedge it when we've make it a flat price commodity when we sell our ethanol and we crush it in at that point. We don't have any -- there is no area that we own in ethanol plant than we have any worries about buying the last amount of corn. There has been no problem buying corn from the farmer. In fact, yesterday, on this rally, we bought 100% corn from the farmer on record purchases direct and that's been obviously something that we've been working on very hard. We bought no commercial corn yesterday. We had almost a record day of direct purchases. So when we look at third quarter, same. We are well positioned from a storage standpoint, to start bringing up all of our stores to get ready for harvest again and grind that. So when we walk in every day with our $50 million or $60 million bushels of corn that we have, you have to think about that so, that gives us a lot of capability to be patient on buying forward corn. We don't -- we disintermediated a lot of third parties from our supply chain. But I would say, the market will have no problem buying basis corn through new crop at all. There's enough of it around. Farmer on-farm stocks are high, and the farmer still has to market his corn. So overall, I would say this industry and anybody that uses corn is in a very good position to buy what they need and be patient to do that. Any strength in the basis is met very heavily with commercial selling or farmer selling.

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

Okay. I have 2 detail questions. So first, if I annualized your nonethanol businesses from Q1 and then just give some pro forma effect for your recent cattle acquisition, the Jefferson terminal, I'm getting to somewhere in the 140 to 150 range -- not allocating any corporate to that. But it sounds as if from your comments that, it sounds as if that number could be low, that you think those nonethanol businesses could accelerate from this level. So just wondering if you could speak to that analysis.

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

So food and ingredient, when we look at that, and then add in our ag and energy services. And then including the -- what are your nonethanol that you're using to get to the number and we can then try and at least comport to that?

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

Okay, well, this's going to take some time. I don't want to hog the time, so we can follow-up offline.

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

Okay, sounds good.

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

On the supply and demand side, so was wondering if you could give us a sense of where you -- what you've missed on the supply side where even with the EIA adjustment that's coming in higher, then not only you all, but generally, anyone anticipated. Wondering what was missed there if you're 15.8 annualized and then with maintenance shutdowns et cetera, if you're giving effect to some other new capacity that's in the pipeline. And finally, just your take on why demand has been -- domestic demand has been so sluggish to date. So just a really big picture question. But clearly, it's what drives everything.

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

Yes. So the supply picture, obviously, we've seen more projects of add a fermenter here and add a fermenter there. What we started a few years ago was there is a lot of fast followers to say, "Well, if they can do that, we can do that." So we were about, we figured the other day, about 6,000 -- 10,000 barrels a day of that. No, about 6,000 barrels of day of the added capacity that we've seen ourselves, about 150 million gallons, which is about 500,000 gallons a day -- about 10,000 barrels a day is coming directly from Green Plains in this increase. If you take that across industry, we know others are doing similar projects. And then we've done, after we announced there is a lot of fermentation projects, a lot of projects that would add capacity. So overall, the industry continues to debottleneck and demand just has to keep up with it. So it's just a matter of ebbing and flowing. And we believe that 2017 will be somewhere $100,025 a day. If we look at 2018, it'll probably be more than that based on what we're seeing in debottlenecking projects across the U.S. And overall, we just have to keep up with that on-demand.. A $100,025 a day is about 15.8. And then when we look at exports,we have to keep those going at a $1.1 billion to $1.3 billion. And then it all comes down to E15 and E15 program continues to roll out significant across the country, we're working with the government on the 1-pound waiver. We've seen legislation introduced to get a E15 blend sold all year round across the whole United States. But even without that, if you look at where we're at, at 29 states and 800 stations, that's not even a rollout yet. We have another 1,000 or so stations under construction for next year. Steve, is that correct?

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

Yes. We'll be, by year-end, we'll probably be 1,100 to 1,200 stores up and running.

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

Up and running on E15 and more coming in 2018.

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

Correct. More and more builds are continuing.

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

More builds are continuing. So and what we're seeing right now at E15 is that we are now getting retailers who said no and never, saying, "Yes, I need it now because the guy across the street is taking business from me. Is that correct, Steve?

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

Yes, I think the Dallas announcement with QuickTrip recently is one of the best examples of it.

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

So all we need is another 1% blend in the United States pushing through 10% to 11%. And you clear all the excess plus more, and you don't have much left to export. I think that's the key number, right? We're in this balance. And let's say the Mexico thesis continues or the Brazil thesis continues. You can reach a point here. We thought it'd be mid-'17. I think we're imbalanced. I don't know if we're structurally short just because of somebody debottlenecking and the first quarter demand was just a little bit lower based on gas demand. We think that's picking up and we did 930 last week. So we think that's -- we're just starting summer driving season and demand is picking up. So overall, imbalance, but we need E15 really to kick in to sway that in our direction. And we think that will happen.

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

And just real quick on the clarification. On '18, you think it will go up in the 1025. And you said based on debottlenecking. But are you taking into consideration -- I assume you are, some of the literally physical expansions that have happened at some plants and some of these proposed plants. I think there's a large one in Iowa. Does your '18 -- when you're looking at that, does that assume those happen as well?

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

Well, I think that plant probably comes on late '18 at earliest and probably up in '19. And so beyond that, you have that one in Michigan that's starting up and there wasn't much run, it's up and running and other than that there isn't that much on the board. Don't forget we started off York and Ravenna was started because those were shut down last year. Hopewell last quarter -- last year was shutdown in the first quarter that we started back up. And so you already saw a lot of impact from new capacity already through the numbers into the first quarter. And most of our expansions were done as well. So most of that was already in the numbers in the first quarter at a 1025 or so a day.

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

And so the year-on-year increases that we've been seeing should begin to moderate as the year progresses because they rolled in as the year progressed in '16.

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

I think they've rolled in as the year progressed in '17. And at the end of the year, '16. And yes, we'll still see fermenter projects come online, and we'll still see added capacity. We know of some other stuff happening. So but in general, we believe the whole average of the year will be in that range.

Operator

From Raymond James, Pavel Molchanov.

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

Just a quick one on the policy landscape. So it's been about 2 months since anyone has heard anything about the so called Icon-RFA deal. Given that we're already approaching the middle of the year, I guess, number one, if you have any tidbits to share on what those discussions in Washington look like? And secondly, if there is a change in the obligated parties, is that something that could be implemented in 2017? Or would it have to wait until 2018?

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

Okay. So we don't believe anything is happening on the obligated party at this point and nor do we believe that will change anytime soon. If it were to get -- if there were some thing to come out and some ruling to come out that it's going to change, it's a multiyear implementation as long as -- and Steve, how many years do they think it would take?

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

Right at 3 years, maybe a little further.

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

Over 3-year implementation just to get to that point from a government and regulatory standpoint.

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

With legislative (inaudible) and then the challenges.

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

And then the challenges and all those other things. So our view is that there was a lot of fireworks and a lot of rhetoric. The deal was not made with the industry to do that. Our customers don't want it. And when you look at our customers and who they are as an industry, not necessarily, some of that support the obligated party changed. Our customers don't want it and we want them to continue down the E15 implementation path. And we believe keeping the obligated party the same keeps them on that path of continuing to roll out higher blends with certainty that, that will have the market for it. So our view is that there was a lot of fireworks and we're back to, obligated party remains the same. And we don't believe the White House has any initiative at all or any appetite at all to change that at this point.

Operator

We'll go to Patrick Wang with Baird.

Patrick Wang

Just a quick one, moving back on the Jefferson terminal, it seems like people are appreciating the competitive advantages there versus ship traffic. Do you have anything to update at this point on a potential Phase 2 on that project?

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

Not at this point. I mean, we're looking at it, I can tell you that. But we wanted to get Phase 1 under contract and then determine what we need to do for Phase 2, but we do believe there is a probability -- a high probability of a Phase 2 expansion that would follow. But again, we want to make sure that Phase 1 goes well in contracting.

Operator

And your final question will come from Selman Akyol.

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

Just little bit follow-up there. In terms of thinking, in terms of Little Rock, what changed to bring that back on?

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

It was never off actually. It was just a function of the initial site that we chose met with an extreme resistance from part of the community. And we were the pawn in negotiating other things that they wanted. And we got in the middle and we decided we didn't want to be in the middle. Location-wise, it was never a question in terms of geographics. It was always -- well, if we can't build there, what's the next best site? Working with the Port of Little Rock has been a great experience to relocate that site. It's a big industrial site. They wanted us there. There's no issue and we moved on that. So from our perspective, it was never off the table. We just had to relocate that site. And we're in a much better situation based on the current choice. And it's cheaper so which is even better. So from our perspective, it's a win-win. It was worth the wait and worth the hassle. And I think the town that lost it, the town that it's not being built in lost out on a great opportunity to bring in industrial complex in there. And we were just a pawn in their arguments that they were having locally.

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

Got it. And originally, that was, I believe, proposed at $12 million. And you said, it's coming in less than expense....

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

Yes, it'll be less than $10 million and maybe even possibly even towards that $8 million range. We just want to get the final numbers.

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

I got you. And then last question just in terms of your thinking about Green Plains, do you have more of these sort of JV opportunities that you see out there that you haven't really started to pursue in terms of just driving future growth for Green Plains?

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

We have a list of opportunities we look at. Some are JVs, some are organic. Some are acquisitions. And it's really just a function of -- when we look at it, we know we have now 17 great industrial sites. We know that we have 10,000 customers that come into our plants. We've got both customers in multiple different lines going out of our plants and so where do we -- where can we take advantage of that supply chain? And where can we enter into things that are good for our shareholders, whether it's going to be an asset-type opportunity, a JV opportunity or a new-build opportunity. We look at all of those every day. So they're all on the table, but I wouldn't say any has more probability than anything else.

All right, thank you. Okay, everybody. Thanks a lot for coming on the call today. We appreciate it. And we'll talk to you next quarter. Thanks for your support.

Operator

Ladies and gentlemen, that does conclude today's presentation. We do thank everyone for your participation.