GREEN PLAINS RENEWABLE ENERGY, INC.
Form 10-Q
May 15, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2009

Commission File Number 001-32924

GREEN PLAINS RENEWABLE ENERGY, INC.
(Exact name of registrant as specified in its charter)

Iowa	**84-1652107**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9420 Underwood Avenue, Suite 100

Omaha, NE 68114

(Address of principal executive offices, including zip code)

(402) 884-8700

(Registrant s telephone number, including area code)

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

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

Large accelerated filer

. Accelerated filer . Non-accelerated filer **X** . Smaller reporting company .

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

The number of shares of common stock, par value $0.001 per share, outstanding as of April 30, 2009 was 24,933,514 shares.

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GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

		March 31, 2009 (unaudited)		December 31, 2008
ASSETS				
Current assets				
Cash and cash equivalents	$	53,541	$	64,839
Accounts receivable, net of allowances of $147 and $174, and including amounts from related parties of $0 and $2,177, respectively		37,411		54,306
Inventories		52,393		47,033
Prepaid expenses		6,461		13,341
Deposits		11,950		10,385
Derivative financial instruments and other		4,661		3,065
Total current assets		166,417		192,969
Property and equipment, net		498,479		495,772
Investment in unconsolidated subsidiaries		1,277		1,377
Financing costs and other		12,798		2,948
Total assets	$	678,971	$	693,066
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities				
Accounts payable, including amounts to related parties of $166 and $9,824, respectively	$	46,400	$	61,711
Accrued liabilities		6,800		14,595
Derivative financial instruments		4,495		4,538
Current maturities of long-term debt		32,779		27,405
Notes payable		3,030		-

Total current liabilities		93,504		108,249
Long-term debt		301,397		299,011
Other liabilities		5,534		5,821
Total liabilities		400,435		413,081
Stockholders equity				
Common stock, $0.001 par value; 50,000,000 shares authorized; 24,904,708 and 24,659,250 shares issued and outstanding, respectively		25		25
Additional paid-in capital		290,614		290,421
Accumulated deficit		(19,800)		(10,459)
Accumulated other comprehensive loss		(289)		(298)
Total Green Plains stockholders equity		270,550		279,689
Noncontrolling interest		7,986		296
Total stockholders equity		278,536		279,985
Total liabilities and stockholders equity	$	678,971	$	693,066

See accompanying notes to the consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues		
Ethanol	$ 161,854	$ -
Grain	17,318	-
Agronomy products	4,462	-
Distillers grains	34,880	-
Other	2,568	-
Total revenues	221,082	-
Cost of goods sold	219,203	-
Gross profit	1,879	-
Operating expenses	9,059	1,953
Operating loss	(7,180)	(1,953)
Other income (expense)		
Interest income	74	-
Interest expense, net of amounts capitalized	(2,514)	(58)
Other, net	334	(6)
Total other income (expense)	(2,106)	(64)
Loss before income taxes	(9,286)	(2,017)
Income tax provision (benefit)	-	-
Net loss	(9,286)	(2,017)
Net (income) loss attributable to noncontrolling interest	(55)	230
Net loss attributable to Green Plains	$ (9,341)	$ (1,787)

Earnings (loss) per share basic and diluted:

Income attributable to Green Plains stockholders	$ (0.38)	$ (0.24)
Weighted average shares outstanding:		
Basic and diluted	24,865	7,498

See accompanying notes to the consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net loss attributable to Green Plains	$ (9,341)	$ (1,787)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	6,169	8
Unrealized (gains) losses on derivative financial instruments	1,303	-
Stock-based compensation expense	153	136
Changes in operating assets and liabilities:		
Accounts receivable	18,166	-
Inventories	(5,360)	-
Derivative financial instruments	(2,932)	-
Prepaid expenses and other assets	7,016	345
Deposits	(1,565)	-
Accounts payable and accrued liabilities	(24,102)	12,266
Other	(613)	-
Net cash provided (used) by operating activities	(11,106)	10,968
Cash flows from investing activities:		
Purchases of property and equipment	(1,304)	(47,669)
Investment in business	(7,500)	-
(Investment in) withdrawal of restricted cash	-	2,204
Cash acquired in acquisition of business	4,280	-
Sale (purchase) of investments	-	(894)
Other	(101)	(230)
Net cash used by investing activities	(4,625)	(46,589)
Cash flows from financing activities:		
Proceeds from the issuance of debt	8,516	-

Payment of principal on long-term debt	(2,932)	-
Proceeds from notes payable	-	34,323
Proceeds from exercises of stock options	40	-
Capital contributions	-	475
Payment of loan fees and equity in creditors	(1,191)	(413)
Net cash provided by financing activities	4,433	34,385
Net change in cash and equivalents	(11,298)	(1,236)
Cash and cash equivalents, beginning of period	64,839	1,774
Cash and cash equivalents, end of period	$ 53,541	$ 538

Continued on the following page

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

Continued from the previous page

	Three Months Ended March 31,			
		2009		**2008**
Supplemental disclosures of cash flow:				
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	2,064	$	58
Noncash additions to property and equipment:				
Property and equipment acquired in acquisition	$	7,437	$	-
Capital lease obligation incurred for equipment		322		-
Total noncash additions to property and equipment	$	7,759	$	-
Supplemental noncash investing and financing activities:				
Assets acquired in acquisition	$	21,593	$	-
Less liabilities assumed		(6,202)		-
Total noncash additions to property and equipment	$	15,391	$	-

See accompanying notes to the consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1.

BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References to the Company

References to we, us, our, Green Plains or the Company in the consolidated financial statements and in these n the consolidated financial statements refer to Green Plains Renewable Energy, Inc., an Iowa corporation, and its subsidiaries. As discussed below, the consolidated financial statements for the three-month period ended March 31, 2008 are those of VBV LLC and its subsidiaries.

Reverse Acquisition Accounting

VBV LLC (VBV) and its subsidiaries became wholly-owned subsidiaries of the Green Plains Renewable Energy, Inc. pursuant to a merger on October 15, 2008. Under the purchase method of accounting in a business combination effected through an exchange of equity interests, the entity that issues the equity interests is generally the acquiring entity. In some business combinations (commonly referred to as reverse acquisitions), however, the acquired entity issues the equity interests. Statement of Financial Accounting Standard (SFAS) No. 141, Business Combinations, requires consideration of the facts and circumstances surrounding a business combination that generally involve the relative ownership and control of the entity by each of the parties subsequent to the merger. Based on a review of these factors, the October 2008 merger with VBV (the Merger) was accounted for as a reverse acquisition (i.e., Green Plains was considered the acquired company and VBV was considered the acquiring company).

As a result, Green Plains assets and liabilities as of October 15, 2008, the date of the Merger closing, have been incorporated into VBV s balance sheet based on the fair values of the net assets acquired, which equaled the consideration paid for the acquisition. SFAS No. 141 also requires an allocation of the acquisition consideration to individual assets and liabilities including tangible assets, financial assets, separately recognized intangible assets, and goodwill. Further, the Company s operating results (post-Merger) include VBV s operating results prior to the date of closing and the results of the combined entity following the closing of the Merger. Although VBV was considered the acquiring entity for accounting purposes, the Merger was structured so that VBV became a wholly-owned subsidiary of Green Plains Renewable Energy, Inc.

Since the Merger occurred toward the end of our fiscal year and involved complex legal and accounting issues, Green Plains performed a tentative allocation of the purchase price using preliminary estimates of the values of the assets and liabilities acquired. We have engaged an expert to assist in the determination of the purchase price allocation for purposes of SFAS No. 141. We believe the final allocation will be determined during 2009 with prospective adjustments recorded to our financial statements at that time, if necessary, in accordance with SFAS No. 141. A true-up of the purchase price allocation could result in gains or losses recognized in our consolidated financial statements in future periods.

Change in Fiscal Year End

Effective April 1, 2008, the Company changed its fiscal year end from March 31 to December 31 to more closely align our year end with that of the majority of our peer group.

Consolidated Financial Statements

In the consolidated financial statements and the notes thereto, all references to the three-month period ended March 31, 2008 are related to VBV and its subsidiaries as the predecessor company pursuant to reverse acquisition accounting rules. Although pre-merger Green Plains had been producing ethanol since August 2007, under reverse acquisition accounting rules, the merged Company s consolidated financial statements reflect VBV s results as a development stage company (from inception on September 28, 2006 until September 2008) and as an operating company since September 2008. Accordingly, the Company s operating results (post-Merger) include the operating results of VBV and its subsidiaries prior to the date of the Merger and the results of the combined entity following the closing of the Merger.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The accompanying consolidated balance sheet as of December 31, 2008, which has been derived from our audited consolidated financial statements as filed in our annual report for the transition period then ended and the unaudited interim consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to those rules and regulations. The consolidated financial statements at March 31, 2009, and for the three-months ended March 31, 2009 and 2008, are unaudited and reflect all adjustments of a normal recurring nature, except as otherwise disclosed herein, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the consolidated financial position, results of operations and cash flows for the interim periods. The results of the interim periods are not necessarily indicative of the results for the full year. The consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Form 10-K as filed with the SEC and notes thereto and risk factors contained therein for the nine-month transition period ended December 31, 2008.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Description of Business

Green Plains was formed in June 2004 to construct and operate dry mill, fuel grade ethanol production facilities. Ethanol is a renewable, environmentally clean fuel source that is produced at numerous facilities in the United States, mostly in the Midwest. In the U.S., ethanol is produced primarily from corn and then blended with unleaded gasoline in varying percentages.

To add shareholder value, Green Plains expanded its business operations beyond ethanol production to integrate a full-service grain and agronomy business (via the April 2008 acquisition of Great Lakes Cooperative), ethanol marketing services, (see Note 3 related to the October 2008 merger between Green Plains and VBV, which provided additional ethanol production and marketing services) and terminal and distribution assets (see Note 4 related to the January 2009 acquisition of majority interest in Blendstar LLC, a biofuel terminal operator). As discussed above, under reverse acquisition accounting rules, VBV was considered the acquiring company in the October 2008 merger.

VBV was formed in September 2006 to capitalize on biofuels opportunities available within the United States. The goal was to create a company in the ethanol business with an integrated network combining production, distribution and marketing. VBV purchased controlling interest in two development stage ethanol plants: Indiana Bio-Energy, LLC, now known as Green Plains Bluffton LLC, and Ethanol Grain Processors, LLC, now known as Green Plains Obion LLC. Both plants were designed as dry mill, natural gas fired ethanol plants with estimated production capacity of 110 million gallons per year of fuel grade ethanol.

Operations commenced at our Shenandoah, IA plant in August 2007, and at our Superior, IA plant in July 2008. Each of these ethanol plants has expected production capacity of 55 million gallons per year (mmgy). In September 2008 and November 2008, respectively, the Bluffton, IN and Obion, TN facilities commenced ethanol production activities. Prior to the commencement of ethanol production at the Bluffton plant, VBV had no significant revenue-producing operations and had historically incurred net losses from operations during its development stage. At full capacity, the combined ethanol production of our four facilities is 330 million gallons per year. Processing at full capacity will consume approximately 120 million bushels of corn and produce approximately 1,020,000 tons of distillers grains.

The Company also has an in-house fee-based marketing business, Green Plains Trade Group LLC (Green Plains Trade), a wholly-owned subsidiary of the Company, which provides ethanol marketing services to other producers in the ethanol industry. We have entered into several ethanol marketing agreements with third parties, pursuant to which the Company has agreed to market substantially all of the ethanol that is expected to be produced by such parties on an annual basis. Annual production from these third-party plants is expected to be approximately 305 million gallons. Our plan is to expand our third-party ethanol marketing operations. Green Plains Trade is also now responsible for the sales, marketing and distribution of all ethanol produced at our four production facilities.

In April 2008, Green Plains completed the acquisition of Great Lakes Cooperative, a full-service cooperative that specializes in grain, agronomy, feed and petroleum products with seven locations in northwestern Iowa. Now known as Green Plains Grain Company LLC (Green Plains Grain), this business complements the ethanol plants in its grain handling and marketing, as well as grain procurement required in ethanol processing.

In January 2009, the Company acquired majority interest in Blendstar LLC, a Houston-based biofuel terminal operator with six facilities in five states. Green Plains owns 51% of Blendstar (see *Note 4 Acquisition* for further discussion related to this acquisition).

The Company believes that as a result of the 2008 mergers and the January 2009 Blendstar acquisition, the combined enterprise is a stronger, more competitive company capable of achieving greater financial strength, operating efficiencies, earning power, access to capital and growth than could have been realized previously.

Revenue Recognition

We recognize revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed and determinable; and collectability is reasonably assured.

Previously, the Company sold ethanol and distillers grains in-house and via third-party marketers, who were our customers for purposes of revenue recognition. Specifically, Green Plains Superior LLC, Green Plains Bluffton and Green Plains Obion each had contracted with independent marketers to purchase all of their ethanol production. These third-party marketers were responsible for subsequent sales, marketing, and shipping of the ethanol and distillers grains. Accordingly, once the ethanol or distillers grains were loaded into rail cars and bills of lading were generated, the criteria for revenue recognition were considered to be satisfied and sales were recorded. The agreements with these third-party marketers terminated in January 2009 and February 2009. Green Plains Trade is now responsible for the sales, marketing and distribution of all ethanol produced at the Company s four production facilities. For sales of ethanol and distillers grains by Green Plains Trade, sales are recognized when title to the product and risk of loss transfer to the customer. Under our contract with CHS, Inc., certain shipping costs for dried distillers grains are incurred directly by us, which are reflected in cost of goods sold. For distillers grains sold to local farmers, bills of lading are generated and signed by the driver for outgoing shipments, at which time sales are recorded. Revenues from Blendstar, which offers ethanol transload and splash blending services, are recognized as these services are rendered.

The Company routinely enters into fixed-price, physical-delivery ethanol sales agreements. In certain instances, the Company intends to settle the transaction by open market purchases of ethanol rather than by delivery from its own production. These transactions are reported net as a component of revenues.

Sales of agricultural commodities, fertilizers and other similar products are recognized when title to the product and risk of loss transfer to the customer, which is dependent on the agreed upon sales terms with the customer. These sales terms provide for passage of title either at the time shipment is made or at the time the commodity has been delivered to its destination and final weights, grades and settlement prices have been agreed upon with the customer. Shipping and handling costs are included as a component of cost of goods sold. Revenues from grain storage are recognized as services are rendered. Revenues related to grain merchandising are presented gross.

Cost of Goods Sold

Cost of goods sold includes costs for direct labor, materials and certain plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in the operation of our ethanol plants. Grain purchasing and receiving costs, other than labor costs for grain buyers and scale operators, are also included in cost of goods sold. Direct materials consist of the costs of corn feedstock, denaturant, and process chemicals. Corn feedstock costs include realized and unrealized gains and losses on related derivative financial instruments, inbound freight charges, inspection costs and internal transfer costs. Plant overhead costs primarily consist of plant utilities, plant depreciation, sales commissions and outbound freight charges. Shipping costs incurred directly by us, including railcar lease costs, are also reflected in cost of goods sold. Throughput and unloading fees incurred by Blendstar are recognized as these services are rendered.

We use exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on our agribusiness grain inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices. Forward purchase contracts and forward sale contracts are valued at market prices, where available, or other market quotes adjusted for differences, primarily transportation, between the exchange-traded market and the local markets on which the terms of the contracts are based. Changes in the market value of inventories, forward purchase and sale contracts, and exchange-traded futures and options contracts, are recognized in earnings as a component of cost of goods sold. These contracts are predominantly settled in cash. We are exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sales contracts.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141. SFAS No. 141R requires the acquirer to recognize the identifiable assets acquired, liabilities assumed, contingent purchase consideration and any noncontrolling interest in the acquiree at fair value on the date of acquisition. In April 2009, the FASB issued Final Staff Position (FSP) 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which amends SFAS No. 141R by establishing a model to account for certain pre-acquisition contingencies. Under FSP 141R-1, the acquirer is required to recognize, at fair value, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, then the acquirer should follow the recognition criteria in SFAS No. 5, Accounting for Contingencies, and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss an interpretation of FASB Statement No. 5. SFAS No. 141R and FSP 141R-1 are effective for annual reporting periods beginning January 1, 2009, and will apply prospectively to business combinations completed on or after that date. The impact of the adoption of SFAS No. 141R and FSP 141R-1 will depend on the nature of acquisitions completed after that date.

In January, 2009 the FASB issued FSP 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments. These expand the fair value disclosures required for all financial instruments within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to interim periods. FAS 107-1 and APB Opinion No. 28-1 are effective for interim periods ending after June 15, 2009, and may result in increased disclosures in our interim periods.

2. FAIR VALUE DISCLOSURES

Effective April 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value. The following methods and assumptions were used in estimating the fair value of the Company s financial instruments (which are separate line items in the consolidated balance sheet):

Level 1 Market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs):

Cash and cash equivalents The carrying value of cash, cash equivalents and marketable securities represents their fair value due to the high liquidity and relatively short maturity of these instruments. Marketable securities considered cash equivalents are invested in low-risk interest-bearing government instruments and bank deposits, and the carrying value is determined by the financial institution where the funds are held.

Commodity inventories and contracts Exchange-traded futures and options contracts are valued at quoted market prices. Forward purchase contracts and forward sale contracts are valued at market prices where available or other market quotes, adjusted for differences, primarily transportation, between the exchange traded market and the local markets on which the terms of the contracts are based. Changes in the market value of inventories, forward purchase and sale contracts, and exchange-traded futures and options contracts are recognized in earnings as a component of cost of goods sold. These contracts are predominantly settled in cash.

Derivative financial instruments These instruments are valued at fair market value based upon information supplied by the broker at which these instruments are held. The fair value is determined by the broker based on closing quotes supplied by the Chicago Board of Trade or other commodity exchanges. The Chicago Board of Trade is an exchange with published pricing.

Level 2 The reporting entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Accounts receivable, accounts payable and accrued liabilities The carrying value of accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value due to the short duration of these items.

3. BUSINESS COMBINATION

In May 2008, definitive merger agreements were entered into by Green Plains and VBV. At that time, VBV held majority interest in two companies that were constructing ethanol plants. These two companies were Indiana Bio-Energy, LLC (IBE) of Bluffton, IN, an Indiana limited liability company which was formed in December 2004; and Ethanol Grain Processors, LLC, (EGP) of Obion, TN, a Tennessee limited liability company which was formed in October 2004. The Merger was completed on October 15, 2008. VBV and its subsidiaries became wholly-owned subsidiaries of Green Plains. Pursuant to the terms of the Merger, equity holders of VBV, IBE and EGP received Green Plains common stock and options totaling 11,139,000 shares. Upon closing of the Merger, VBV, IBE and EGP were merged into subsidiaries of the Green Plains. IBE has been renamed as Green Plains Bluffton LLC and EGP has been renamed as Green Plains Obion LLC. Simultaneously with the closing of the Merger, NTR plc (NTR), a leading international developer and operator of renewable energy and sustainable waste management projects and majority equity holder of VBV prior to the Merger, through its wholly-owned subsidiaries, invested $60.0 million in Green Plains common stock at a price of $10 per share, or an additional 6.0 million shares. With this investment, NTR is our largest shareholder. This additional investment is being used for general corporate purposes and to finance future acquisitions.

4. ACQUISITION

On January 20, 2009, the Company acquired majority interest in Blendstar LLC, a biofuel terminal operator. The transaction involved a membership interest purchase whereby Green Plains acquired 51% of Blendstar from Bioverda U.S. Holdings LLC, an affiliate of NTR, for a total of $8.9 million. The purchase price is comprised of a $7.5 million cash payment and three future annual payments of $0.5 million, beginning in July 2009. These future annual payments are recorded in debt at a present value of $1.4 million. The allocation of the purchase price to specific assets and liabilities was based, in part, on outside appraisals of the fair value of certain assets acquired. Approximately $21.3 million is attributed to assets acquired, of which $5.3 million was allocated to goodwill and $3.1 million to intangible assets that are subject to amortization. Liabilities assumed total approximately $4.8 million. In addition, $7.6 million was recorded as noncontrolling interest in the purchase price allocation.

The acquisition of Blendstar is a strategic investment within the ethanol value chain. Blendstar operates terminal facilities in Oklahoma City, Little Rock, Nashville, Knoxville, Louisville and Birmingham and has announced commitments to build terminals in two additional cities. Blendstar facilities currently have splash blending and full-load terminal throughput capacity of over 200 million gallons per year. Blendstar s operations are included in the Marketing and Distribution segment.

5. SEGMENT INFORMATION

With the closing of the Merger, the Company s chief operating decision makers began to review its operations in three separate operating segments. These segments are: (1) production of ethanol and related by-products (which we collectively refer to as Ethanol Production), (2) grain warehousing and marketing, as well as sales and related services of agronomy and petroleum products (which we collectively refer to as Agribusiness) and (3) marketing and distribution of Company-produced and third-party ethanol and distillers grains (which we refer to as Marketing and Distribution).

VBV was formed on September 28, 2006. Prior to completion of the Merger, VBV had controlling interests in two development stage ethanol plants. Operations commenced at these plants in September 2008 and November 2008, respectively. Accordingly, VBV, the acquiring entity for accounting purposes, was a development stage company until September 2008.

The following are revenues, gross profit, operating income and total assets for our operating segments for the periods indicated (in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues:		
Ethanol Production	$ 137,503	$ -
Agribusiness	46,210	-
Marketing and Distribution	178,353	-
Intersegment eliminations	(140,984)	-
	$ 221,082	$ -
Gross profit (loss):		
Ethanol Production	$ (2,761)	$ -
Agribusiness	2,746	-
Marketing and Distribution	1,843	-
Intersegment eliminations	51	-
	$ 1,879	$ -
Operating income (loss):		
Ethanol Production	$ (7,432)	$ (1,953)
Agribusiness	(574)	-
Marketing and Distribution	775	-
Intersegment eliminations	51	-
	$ (7,180)	$ (1,953)

Previously, Green Plains Superior, Green Plains Bluffton and Green Plains Obion had contracted with third-party marketers to purchase all of their ethanol production. Under the agreements, we sold our ethanol production exclusively to them at a price per gallon based on a market price at the time of sale, less certain marketing, storage, and transportation costs, as well as a profit margin for each gallon sold. These agreements terminated in January and February 2009. Following completion of the Merger and prior to the termination of the agreements, nearly all of our ethanol that was sold to one of the third-party marketers was repurchased by Green Plains Trade, reflected in the Marketing and Distribution segment, and resold to other customers. Corresponding revenues and related costs of goods sold were eliminated in consolidation (see intersegment eliminations above).

6. INVENTORIES

The components of inventories are as follows (in thousands):

	March 31, 2009	December 31, 2008
Petroleum & agronomy items held for sale	$ 16,895	$ 15,925
Grain held for sale	11,185	10,574
Raw materials	14,283	9,503
Work-in-process	7,418	7,371
Finished goods	1,085	2,171
Supplies and parts	1,527	1,489
	$ 52,393	$ 47,033

7. FINANCIAL DERIVATIVE INSTRUMENTS

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 requires expanded disclosures regarding the location and amounts of derivative instruments in an entity s financial statements, how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and how derivative instruments and related hedged items affect an entity s financial position, operating results and cash flows. The adoption of SFAS No. 161 did not have an impact on our consolidated financial position and results of operations.

To minimize the risk and the effects of the volatility of commodity price changes primarily related to corn, natural gas and ethanol, the Company uses various derivative financial instruments, including exchange-traded futures, and exchange-traded and over-the-counter options contracts. We monitor and manage this exposure as part of our overall risk management policy. As such, we seek to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We may take positions in these commodities as one way to mitigate risk. While the Company attempts to link its hedging activities to purchase and sales activities, there are situations where these hedging activities can themselves result in losses.

SFAS No. 133 requires companies to evaluate their contracts to determine whether the contracts are derivatives as certain derivative contracts that involve physical delivery may be exempted from SFAS No. 133 treatment as normal purchases or normal sales. Commodity forward contracts generally qualify for the normal purchase or sales exception under SFAS No. 133 and are therefore not subject to its provisions as they will be expected to be used or sold over a reasonable period in the normal course of business.

Derivative contracts that do not meet the normal purchase or sales criteria are therefore brought to market with the corresponding gains and losses recorded in operating income unless the contracts qualify for hedge accounting treatment. The Company does not classify any commodity derivative contracts as hedging contracts for purposes of SFAS No. 133. These derivative financial instruments are recognized in other current assets or liabilities at fair value.

The financial statement locations of derivatives designated as hedging instruments under SFAS No. 133 are as follows (in thousands):

	Asset Derivatives Fair Value at				Liability Derivatives Fair Value at			
Derivatives		**March 31, 2009**		**December 31, 2008**		**March 31, 2009**		**December 31, 2008**
Balance Sheet Location								
Current assets:								
Inventories	$	(1,095)	$	2,752	$	-	$	-
Derivative financial instruments and other		4,676		1,915		-		-
Current liabilities:								
Derivative financial instruments		-		-		4,519		4,538
Total	$	3,581	$	4,667	$	4,519	$	4,538

8. PROPERTY AND EQUIPMENT

The components of property and equipment are as follows (in thousands):

	March 31, 2009	December 31, 2008
Construction-in-progress	$ 3,257	$ 1,180
Plant, buildings and improvements	264,474	264,474
Plant equipment	185,391	180,276
Land and improvements	35,247	35,006
Railroad track and equipment	22,127	22,225
Computer and software		