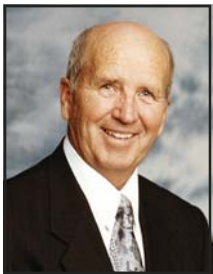




NEWSLETTER

Comments from the Chair and the Prez



John Malchine
Board Chairman & CEO

John and Gary thank the member investors who took time out of their busy schedules to attend the second annual investors meeting held February 26. It was a very special day for us personally, and those who attended the meeting helped make it even more special.

The investors that attended the meeting were pleasantly surprised to find a check included in their packets. For those who did not attend the meeting, the packets were mailed first class the next day. This first distribution represents a portion of the profits from the company for 2003. We hope that all the investors were as pleased with Badger's first full year's performance as we were.



Gary Kramer
President & General Mgr

During the first quarter of 2004 the plant continued to average at or above a 48 MGY rate. On one side, prices for both ethanol and distiller's grains are robust while on the other side; Erik Huschitt has done an excellent job of managing risk on the corn and natural gas. The BSE staff continues to work hard to find ways of fine-tuning the process in order to generate the maximum amount of ethanol from a bushel of corn - with the least amount of energy.

During the annual meeting it was announced that BSE has partnered with EPCO, Inc. for the purpose of processing the carbon dioxide gas coming from the ethanol plant. EPCO expects to begin construction of the carbon dioxide facility in the near future and start production during the summer. Another revenue stream for BSE has been created by providing raw gas to this new EPCO plant.

Earlier this year, Badger State Ethanol was honored by being nominated for the 2003 Wisconsin Outstanding Manufacturer of the Year Award. As many of you already know, the awards banquet was held in Milwaukee on Feb. 26, following the annual meeting. We managed to make it on time for the meal (the most important part) and the announcement of awards. Kathy, Doris, John and I all looked really good, (it was black tie), but unfortunately good looks don't go very far in this type of competition. We did not receive any awards but felt honored to be there anyway. Most of the winners were companies that have been in business for several years with outstanding stories of success, community involvement and commitment to their employees. All four of us came away with a broader perspective on the impact a successful company can have both inside and outside its walls.

Until next time, enjoy spring and be sure to use an ethanol blend every chance you get!



Erik Huschitt

Commodities Manager



Hello everyone, It was great to see so many of you at the annual meeting.

China has been in almost every piece of commodity news, so I thought I'd share a little interesting information. China is a "bull in the china shop" and will impact our business in the future in every way from grain prices to energy demand.

China has always had a large population but the buzz of late is the fact that they are now enjoying disposable income which will change the face of the world. China's population was 1,286,000,000 in 2003 compared to the US population of 292,525,000. Surface area of China is 9.5 mln sq km; slightly smaller than the U.S. 9.6 mln sq km

In 2001, China had 18 million vehicles; of which 5 million were cars. If China's number of motor vehicles per capita were comparable to the world average their fleet would be 160 million. China's fleet is growing at about 50% per year and is projected to be over 150 million by 2020. One out of every 120 Chinese now own their own car; this compares to the United States which currently has 203 million cars; 1.9 per household. This huge Chinese car growth potential and trend will undoubtedly lead to more energy consumption. China currently consumes 4.975 million bbl/day compared to the U.S. @ 19.65 million bbl/day.

One would only have to go back 4 years to read articles talking about China's bumper crops putting pressure on their grain prices. Today's headlines read "Grain production dives to 13-yr low in China." In 2003 they had production of only 435 million tons; 6% less than 2002 and 512 million in 1998. The Chinese Minister of Agriculture said China has set overall grain output for 2004 at 455 million tons with acreage for grain crops not less than 100 million hectares. You must feed people and grains are an important part of this.

Equally important to feeding a country with rising disposable income is meat. Since 1985 China's pork output has reached 40 mmt (4.7 times the level in the U.S.) China's beef sector has grown from an inconsequential output in 1980 to the third largest in the world. China has half the world's pigs and poultry. Based on a survey collected by China's National Bureau of Statistics, per capita meat consumption has increased by more than 1.5% annually from 1985 to 1999.

You will hear more about China in the upcoming months and years. The potential growth and the problems that come along with it will be just another factor of the many that have to be considered as we push forward in this industry.



This issue's Employee Feature

Mike Hanneman, Production Supervisor

Mike Hanneman serves BSE as one of four production supervisors. Mike is the team leader for one of the production crews. In the absence of the plant manager (nights and weekends) the production supervisor is in charge of operations for the entire plant. Responsibilities typically include maintaining daily production levels, reviewing quality control data from the shift tanks, cook, fermenters, distillation, solids separation, TO/RTO operations, taking his turn at the control board and filing daily production reports. All of this while maintaining a safe work environment throughout the plant. Staying busy is not a problem for Mike or any of the other supervisors.

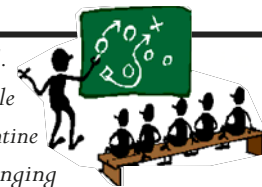
Mike is a 20 year veteran of the U.S. Navy in which he specialized in anti-submarine warfare. He enjoys camping, gardening, wood-working and golf. When asked about his involvement with the ethanol industry, Mike responded "I believe the ethanol industry has a great future. It is good for America, for agriculture, and for the environment. I am very proud to be a part of it".



Jacob Duke

Plant Manager

Bio: Jacob is a native of Peoria, Illinois. He graduated from Northern Arizona University with a B.S. in Environmental Science/Microbiology. He is also a 2000 graduate of the highly esteemed Dale Carnegie Management Course. The last seven years he has been with Williams BioEnergy (now Aventine Renewable Energy, Inc.) in Pekin, Illinois. During his employment Jacob has worked in capacities ranging from Professional Technician and Microbiologist to positions in management.



Over the last few months we've seen several records broken from a production standpoint. Careful attention to detail by the shift supervisors and plant operators ensure the efficient operation of the facility. According to benchmarking performed by ICM, we are finishing fermentation with lower levels of total sugar than the rest of the ICM designed plants. Tighter control over the amount of grain being fed into each fermentor has allowed us to produce greater amounts of alcohol in each fermentor. An additional benefit is a reduction in the number of episodes of infection related to heat exchangers.

Rigorous cleaning procedures have allowed the plant to run consistently higher production rates than have been observed in the past. BSE is running the cleanest fermentation that I've ever seen. Along those same lines, we've implemented process changes that have resulted in increased longevity of wear parts in cleaning equipment. Freedom from servicing this equipment is allowing the maintenance department to catch up on projects that should further improve operations.

In December, the regenerative thermal oxidizer (RTO) was installed. After working through the initial start-up bugs, the RTO is operating smoothly. ICM visited recently with a private testing firm to monitor our emissions. The results indicate that operating the RTO puts us well within our emission requirements, even when drying all of our distiller's grain.

We are anticipating installation of a fifth centrifuge this spring. The addition of this machine should allow us to run the dryers more efficiently. The fifth centrifuge will also provide us with the ability to shut off one machine for preventative maintenance or repairs and not affect production. Lead time for some parts on these machines can be several weeks. One plant has had to run at reduced rates for an extended period of time due to the short supply of parts in the United States.

My future plans include developing and implementing a training program and a more goal oriented review system. As the ethanol industry expands and the demand for experienced employees increases it will be necessary to train new employees in the most efficient and effective manner possible.



Ron Stauffer

Grain Handlers' Supervisor

Hello from the rail yard; My team and I are responsible for loading wet and dry distillers' grain, loading rail ethanol, unloading denaturant cars and unit corn trains and switching in the rail yard. A typical day for my crew and me would consist of loading 7 ethanol cars, loading 7 DDG cars or unloading 25 corn cars and loading 100 tons of wet feed onto trucks. We also tend to daily routine jobs such as clean up and light maintenance. In the month of January we handled 377 railcars through our yard.



The best part of my job is running my own full size model train set. I am an avid model train collector and I also like to "Rail Fan", that is to go out in the country to watch and photograph trains.

I grew up on the dairy farm where BSE is now located. Today, my wife Michelle and I live less than a mile from the plant. She has been employed with Monroe Veterinary Service and has been for almost 25 years. She enjoys animals and has two Australian Shepherds that she trains for agility competition. During the summertime she often travels on weekends throughout the Midwest to compete in agility competition.

Graduating from the University of Wisconsin-Platteville with a degree in Ag economics, I have worked at numerous grain elevators and feed mills in the area. I am very proud to be part of a company that contributes to the future of American agriculture.

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is progress; working together is success*

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2ND ANNUAL



INVESTORS' MEETING

