Green Plains Inc.
Form 10-Q
July 31, 2015

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 June 30, 2015

Commission File Number 001-32924

Green Plains 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.)
450 Regency Parkway, Suite 400, Omaha, NE 68114	(402) 884-8700
(Address of principal executive offices, including zip code)	(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.

Yes No

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

Yes No

Indicate by check mark 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 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 No

The number of shares of common stock, par value $0.001 per share, outstanding as of July 28, 2015 was 38,086,537 shares.

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GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	June 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 399,488	$ 425,510
Restricted cash	17,468	29,742
Accounts receivable, net of allowances of $1,335 and $1,231, respectively	116,051	138,073
Income taxes receivable	12,541	-
Inventories	215,847	254,967
Prepaid expenses and other	13,672	18,776
Deferred income taxes	-	7,495
Derivative financial instruments	37,772	36,347
Total current assets	812,839	910,910
Property and equipment, net of accumulated depreciation of $305,650 and $274,543, respectively	819,555	825,210
Goodwill	40,877	40,877
Other assets	52,957	51,560
Total assets	$ 1,726,228	$ 1,828,557
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 98,377	$ 170,199
Accrued and other liabilities	32,438	61,118
Income taxes payable	-	2,907
Unearned revenue	8,593	3,965
Short-term notes payable and other borrowings	199,591	209,886
Current maturities of long-term debt	9,289	63,465
Current deferred income taxes	1,298	-

Total current liabilities	349,586	511,540
Long-term debt	443,555	399,440
Deferred income taxes	121,009	115,235
Other liabilities	4,865	4,893
Total liabilities	919,015	1,031,108
Stockholders' equity		
Common stock, $0.001 par value; 75,000,000 shares authorized; 45,284,888 and 44,808,982 shares issued, and 38,084,888 and 37,608,982 shares outstanding, respectively	45	45
Additional paid-in capital	573,632	569,431
Retained earnings	297,498	299,101
Accumulated other comprehensive income (loss)	1,846	(5,320)
Treasury stock, 7,200,000 shares	(65,808)	(65,808)
Total stockholders' equity	807,213	797,449
Total liabilities and stockholders' equity	$ 1,726,228	$ 1,828,557

See accompanying notes to the consolidated financial statements.

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GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	$ 744,490	$ 837,858	$ 1,482,878	$ 1,571,747
Cost of goods sold	697,164	759,543	1,409,997	1,392,683
Gross profit	47,326	78,315	72,881	179,064
Selling, general and administrative expenses	22,924	19,369	44,375	41,774
Operating income	24,402	58,946	28,506	137,290
Other income (expense)				
Interest income	210	143	430	255
Interest expense	(10,564)	(9,704)	(19,722)	(19,463)
Other, net	(1,034)	704	(1,965)	1,734
Total other income (expense)	(11,388)	(8,857)	(21,257)	(17,474)
Income before income taxes	13,014	50,089	7,249	119,816
Income tax expense	5,222	17,775	2,775	44,299
Net income	$ 7,792	$ 32,314	$ 4,474	$ 75,517
Earnings per share:				
Basic	$ 0.20	$ 0.86	$ 0.12	$ 2.14
Diluted	$ 0.19	$ 0.82	$ 0.11	$ 1.88
Weighted average shares outstanding:				
Basic	38,027	37,467	37,916	35,322
Diluted	40,075	39,359	39,565	41,308
Cash dividend declared per share	$ 0.08	$ 0.04	$ 0.16	$ 0.08

See accompanying notes to the consolidated financial statements.

GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited and in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$ 7,792	$ 32,314	$ 4,474	$ 75,517
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on derivatives arising during period, net of tax (expense) benefit of $2,470, $(12,364), $(3,327) and $72,146, respectively	(4,108)	19,671	5,558	(119,121)
Reclassification of realized (gains) losses on derivatives, net of tax expense (benefit) of $(6,031), $(36,471), $(962) and $(67,543), respectively	10,030	58,020	1,608	111,521
Total other comprehensive income (loss), net of tax	5,922	77,691	7,166	(7,600)
Comprehensive income	$ 13,714	$ 110,005	$ 11,640	$ 67,917

See accompanying notes to the consolidated financial statements.

GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 4,474	$ 75,517
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	31,081	29,362
Amortization of debt issuance costs and debt discount	3,668	4,549
Deferred income taxes	11,323	9,463
Stock-based compensation	1,054	3,037
Undistributed equity in loss of affiliates	2,159	871
Other	104	52
Changes in operating assets and liabilities before effects of business combinations:		
Accounts receivable	21,918	(6,509)
Inventories	39,120	29,018
Derivative financial instruments	10,033	(26,232)
Prepaid expenses and other assets	5,220	1,599
Accounts payable and accrued liabilities	(100,228)	2,461
Current income taxes	(13,021)	24,035
Unearned revenues	4,628	2,854
Other	1,671	936
Net cash provided by operating activities	23,204	151,013
Cash flows from investing activities:		
Purchases of property and equipment	(28,690)	(28,935)
Acquisition of businesses, net of cash acquired	-	(23,900)
Investments in unconsolidated subsidiaries	(3,309)	(3,277)
Net cash used by investing activities	(31,999)	(56,112)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	178,400	443,767
Payments of principal on long-term debt	(188,744)	(419,699)

Proceeds from short-term borrowings	1,568,129	1,782,974
Payments on short-term borrowings	(1,577,555)	(1,822,904)
Payments of cash dividends	(6,077)	(2,893)
Change in restricted cash	12,275	(12,084)
Payments of loan fees	(4,289)	(6,286)
Proceeds from exercises of stock options	634	3,576
Net cash used by financing activities	(17,227)	(33,549)
Net change in cash and cash equivalents	(26,022)	61,352
Cash and cash equivalents, beginning of period	425,510	272,027
Cash and cash equivalents, end of period	$ 399,488	$ 333,379

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GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

Continued from the previous page

	Six Months Ended June 30, 2015	2014
Supplemental disclosures of cash flow:		
Cash paid for income taxes	$ 4,552	$ 7,790
Cash paid for interest	$ 19,114	$ 18,117
Supplemental investing and financing activities:		
Assets acquired in acquisitions and mergers	$ -	$ 25,611
Less: liabilities assumed	-	(1,711)
Net assets acquired	$ -	$ 23,900
Common stock issued for conversion of 5.75% Notes	$ -	$ 89,950

See accompanying notes to the consolidated financial statements.

GREEN PLAINS 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 “Green Plains” or the “Company” in the consolidated financial statements and in these notes to the consolidated financial statements refer to Green Plains Inc., an Iowa corporation, and its subsidiaries.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany balances and transactions have been eliminated on a consolidated basis for reporting purposes. Unconsolidated entities are included in the financial statements on an equity basis. Results for the interim periods presented are not necessarily indicative of results to be expected for the entire year.

The accompanying unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, or GAAP, for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The consolidated financial statements should be read in conjunction with the Company’s annual report on Form 10-K for the year ended December 31, 2014.

The unaudited financial information reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. The adjustments are of a normal recurring nature, except as otherwise noted.

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. The Company bases its estimates on historical experience and other assumptions that it believes are proper and reasonable under the circumstances. The Company regularly evaluates the appropriateness of estimates and assumptions used in the preparation of its consolidated financial statements. Actual results could differ from those estimates. Key accounting policies, including but not limited to those relating to revenue recognition, depreciation of property and equipment, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

Description of Business

Green Plains is North America's fourth largest ethanol producer. The Company operates its business within four segments: (1) production of ethanol and distillers grains, collectively referred to as ethanol production, (2) corn oil production, (3) grain handling and storage and cattle feedlot operations, collectively referred to as agribusiness, and (4) marketing, merchant trading and logistics services for Company-produced and third-party ethanol, distillers grains, corn oil and other commodities, and the operation of fuel terminals, collectively referred to as marketing and distribution. The Company also is a partner in a joint venture to commercialize advanced technologies for the growing and harvesting of algal biomass.

Revenue Recognition

The Company recognizes 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.

For sales of ethanol, distillers grains and other commodities by the Company's marketing business, revenue is recognized when title to the product and risk of loss transfer to an external customer. Revenues related to marketing operations for third parties are recorded on a gross basis as the Company takes title to the product and assumes risk of loss. Unearned revenue is reflected on the consolidated balance sheets for goods in transit for which the Company has received payment and title has not been transferred to the customer. Revenues from the Company's fuel terminal operations, which include ethanol transload services, are recognized when these services are completed.

The Company routinely enters into fixed-price, physical-delivery energy commodity purchase and sale agreements. In certain instances, the Company intends to settle these transactions by transferring its obligations to other counterparties rather than by physical delivery. These transactions are reported net as a component of revenues. Revenues also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges, and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income (loss).

Sales of agricultural commodities, including cattle, 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. Revenues related to grain merchandising are presented gross in the statements of operations with amounts billed for shipping and handling included in revenues and also as a component of cost of goods sold. Revenues from grain storage are recognized as services are rendered.

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 the Company's 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 unrealized gains and losses on related derivative financial instruments not designated as cash flow hedges, inbound freight charges, inspection costs and transfer costs. Corn feedstock costs also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges, and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income (loss). Plant overhead costs primarily consist of plant utilities, plant depreciation and outbound freight charges. Shipping costs incurred directly by the Company, including railcar lease costs, are also reflected in cost of goods sold.

The Company uses exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on its agribusiness segment's grain and cattle inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices. These contracts are predominantly settled in cash. The Company is exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sale contracts. Grain inventories held for sale, forward purchase contracts and forward sale contracts in the agribusiness segment 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 fair value of grain inventories held for sale, forward purchase and sale contracts, and exchange-traded futures and options contracts in the agribusiness segment, are recognized in earnings as a component of cost of goods sold.

Derivative Financial Instruments

To minimize the risk and the effects of the volatility of commodity price changes primarily related to corn, ethanol, cattle and natural gas, the Company uses various derivative financial instruments, including exchange-traded futures, and exchange-traded and over-the-counter options contracts. The Company monitors and manages this exposure as part of its overall risk management policy. As such, the Company seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Company may take hedging 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 in which these hedging activities can themselves result in losses.

By using derivatives to hedge exposures to changes in commodity prices, the Company has exposures on these derivatives to credit and market risk. The Company is exposed to credit risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. The Company minimizes its credit risk by entering into transactions with high quality counterparties, limiting the amount of financial exposure it has with each counterparty, and monitoring the financial condition of its counterparties. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices or interest rates. The Company manages market risk by incorporating monitoring parameters within its risk management strategy that limit the types of derivative instruments and derivative strategies the Company uses, and the degree of market risk that may be undertaken by the use of derivative instruments.

The Company evaluates its contracts that involve physical delivery to determine whether they may qualify for the normal purchase or normal sale exemption and are expected to be used or sold over a reasonable period in the normal course of business. Any contracts that do not meet the normal purchase or sale criteria are recorded at fair value with the change in fair value recorded in operating income unless the contracts qualify for, and the Company elects, hedge accounting treatment.

Certain qualifying derivatives related to ethanol production and agribusiness segments are designated as cash flow hedges. Prior to entering into cash flow hedges, the Company evaluates the derivative instrument to ascertain its effectiveness. For cash flow hedges, any ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until gains and losses from the underlying hedged transaction are realized. In the event that it becomes probable that a forecasted transaction will not occur, the Company would discontinue cash flow hedge treatment, which would affect earnings. These derivative financial instruments are recognized in current assets or other current liabilities at fair value.

At times, the Company hedges its exposures to changes in the value of inventories and designates certain qualifying derivatives as fair value hedges. The carrying amount of the hedged inventory is adjusted through current period results for changes in the fair value arising from changes in underlying prices. Any ineffectiveness is recognized in current period results to the extent that the change in the fair value of the inventory is not offset by the change in the fair value of the derivative.

Recent Accounting Pronouncements

The Company will be required to adopt the amended guidance in ASC Topic 606, Revenue from Contracts with Customers, which replaces existing revenue recognition guidance by requiring revenue recognition to reflect the transfer of promised goods or services to customers. The updated standard permits the use of either the retrospective or cumulative effect transition method. The Financial Accounting Standards Board has approved deferral of required adoption of the amended guidance by one year, from January 1, 2017 to January 1, 2018. Early application beginning January 1, 2017 is permitted. The Company has not yet selected a transition method nor has it determined the effect of the updated standard on its consolidated financial statements and related disclosures.

Effective January 1, 2016, the Company will adopt the amended guidance in ASC Topic 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amended guidance will be applied on a retrospective basis, wherein the balance sheet of each individual period presented will be adjusted to reflect the period-specific effects of applying the new guidance.

Effective January 1, 2017, the Company will adopt the amended guidance in ASC Topic 330, Inventory: Simplifying the Measurement of Inventory. The amended guidance requires inventory to be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amended guidance will be applied prospectively.

2. FAIR VALUE DISCLOSURES

The following methods, assumptions and valuation techniques were used in estimating the fair value of the Company's financial instruments:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 unrealized gains and losses on commodity derivatives relate to exchange-traded open trade equity and option values in the Company's brokerage accounts.

Level 2 – directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets other than quoted prices included within Level 1; quoted prices for identical or similar assets in markets that are not active; and other inputs that are observable or can be substantially corroborated by observable market data by correlation or other means. Grain inventories held for sale in the agribusiness segment are valued at nearby futures values, plus or minus nearby basis levels.

Level 3 – unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. The Company currently does not have any recurring Level 3 financial instruments.

There have been no changes in valuation techniques and inputs used in measuring fair value. The following tables set forth the Company's assets and liabilities by level (in thousands):

	Fair Value Measurements at June 30, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets:				
Cash and cash equivalents	$ 399,488	$ -	$ -	$ 399,488
Restricted cash	17,468	-	-	17,468
Margin deposits	15,037	-	(15,037)	-
Inventories carried at market	-	13,979	-	13,979
Unrealized gains on derivatives	11,519	21,968	4,285	37,772
Total assets measured at fair value	$ 443,512	$ 35,947	$ (10,752)	$ 468,707
Liabilities:				
Unrealized losses on derivatives	$ 8,261	$ 12,592	$ (10,752)	$ 10,101
Total liabilities measured at fair value	$ 8,261	$ 12,592	$ (10,752)	$ 10,101

	Fair Value Measurements at December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets:				

Cash and cash equivalents	$ 425,510	$ -	$ -	$ 425,510
Restricted cash	29,742	-	-	29,742
Margin deposits	24,488	-	(24,488)	-
Inventories carried at market	-	36,411	-	36,411
Unrealized gains on derivatives	11,877	18,111	6,359	36,347
Other assets	118	3	-	121
Total assets measured at fair value	$ 491,735	$ 54,525	$ (18,129)	$ 528,131
Liabilities:				
Unrealized losses on derivatives	$ 18,129	$ 28,082	$ (18,129)	$ 28,082
Total liabilities measured at fair value	$ 18,129	$ 28,082	$ (18,129)	$ 28,082

The Company believes the fair value of its debt approximated $654.3 million compared to a book value of $652.4 million at June 30, 2015 and the fair value of its debt approximated $676.5 million compared to a book value of $672.8 million at December 31, 2014. The Company estimates the fair value of its outstanding debt using Level 2 inputs. The Company believes the fair values of its accounts receivable and accounts payable approximated book value, which were $116.1 million and $98.4 million, respectively, at June 30, 2015 and $138.1 million and $170.2 million, respectively, at December 31, 2014.

Although the Company currently does not have any recurring Level 3 financial measurements, the fair values of the tangible assets and goodwill acquired and the equity component of convertible debt represent Level 3 measurements and were derived using a combination of the income approach, the market approach and the cost approach as considered appropriate for the specific assets or liabilities being valued.

3. SEGMENT INFORMATION

Company management reviews financial and operating performance in the following four separate operating segments: (1) production of ethanol and distillers grains, collectively referred to as ethanol production, (2) corn oil production, (3) grain handling and storage and cattle feedlot operations, collectively referred to as agribusiness, and (4) marketing, merchant trading and logistics services for Company-produced and third-party ethanol, distillers grains, corn oil and other commodities, and the operation of fuel terminals, collectively referred to as marketing and distribution. Selling, general and administrative expenses, primarily consisting of compensation of corporate employees, professional fees and overhead costs not directly related to a specific operating segment, are reflected in the table below as corporate activities.

During the normal course of business, the Company enters into transactions between segments. Examples of these intersegment transactions include, but are not limited to, the ethanol production segment selling ethanol to the marketing and distribution segment and the agribusiness segment selling grain to the ethanol production segment. These intersegment activities are recorded by each segment at prices approximating market and treated as if they are third-party transactions. Consequently, these transactions impact segment performance. However, revenues and corresponding costs are eliminated in consolidation and do not impact the Company’s consolidated results.

The following tables set forth certain financial data for the Company’s operating segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Ethanol production:				
Revenues from external customers (1)	$ 38,856	$ (71,054)	$ 102,950	$ (98,486)
Intersegment revenues	411,582	603,529	764,441	1,169,332
Total segment revenues	450,438	532,475	867,391	1,070,846
Corn oil production:				
Revenues from external customers (1)	-	(7)	(13)	-
Intersegment revenues	17,027	20,381	33,836	36,765
Total segment revenues	17,027	20,374	33,823	36,765
Agribusiness:				
Revenues from external customers (1)	78,642	33,488	136,976	51,729
Intersegment revenues	264,935	347,116	527,718	651,354
Total segment revenues	343,577	380,604	664,694	703,083
Marketing and distribution:				
Revenues from external customers (1)	626,992	875,431	1,242,965	1,618,504

Intersegment revenues	31,887	34,595	71,262	68,060
Total segment revenues	658,879	910,026	1,314,227	1,686,564
Revenues including intersegment activity	1,469,921	1,843,479	2,880,135	3,497,258
Intersegment eliminations	(725,431)	(1,005,621)	(1,397,257)	(1,925,511)
Revenues as reported	$ 744,490	$ 837,858	$ 1,482,878	$ 1,571,747

(1) Revenues from external customers include realized gains and losses from derivative financial instruments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross profit (loss):				
Ethanol production	$ 24,284	$ 35,171	$ 17,464	$ 106,859
Corn oil production	9,625	10,931	20,010	18,746
Agribusiness	4,006	2,499	9,218	5,475
Marketing and distribution	10,714	9,899	22,868	50,615
Intersegment eliminations	(1,303)	19,815	3,321	(2,631)
	$ 47,326	$ 78,315	$ 72,881	$ 179,064
Operating income (loss):				
Ethanol production	$ 18,230	$ 30,111	$ 5,087	$ 96,337
Corn oil production	9,567	10,874	19,778	18,582
Agribusiness	2,258	1,269	5,468	2,205
Marketing and distribution	4,564	4,391	10,172	36,885
Intersegment eliminations	(1,303)	19,815	3,381	(2,571)
Corporate activities	(8,914)	(7,514)	(15,380)	(14,148)
	$ 24,402	$ 58,946	$ 28,506	$ 137,290

The following table sets forth revenues by product line (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Ethanol	$ 468,998	$ 618,386	$ 913,299	$ 1,148,427
Distillers grains	128,503	143,695	237,891	280,687
Corn oil	19,619	22,196	38,700	39,328
Grain	53,688	44,172	152,774	73,372
Cattle	66,287	3,431	111,478	3,431
Other	7,395	5,978	28,736	26,502
	$ 744,490	$ 837,858	$ 1,482,878	$ 1,571,747

The following table sets forth total assets by operating segment (in thousands):

	June 30, 2015	December 31, 2014
Total assets:		
Ethanol production	$ 875,086	$ 983,289
Corn oil production	31,990	31,405
Agribusiness	230,037	234,626
Marketing and distribution	264,795	305,675
Corporate assets	334,207	290,123
Intersegment eliminations	(9,887)	(16,561)
	$ 1,726,228	$ 1,828,557

4. INVENTORIES

Inventories are carried at the lower of cost or market, except grain held for sale and fair value hedged inventories, which are valued at market value. The components of inventories are as follows (in thousands):

	June 30, 2015	December 31, 2014
Finished goods	$ 43,820	$ 34,639
Grain held for sale	6,653	23,027
Raw materials	39,000	78,095
Work-in-process	104,719	100,221
Supplies and parts	21,655	18,985
	$ 215,847	$ 254,967

5. GOODWILL

The Company did not have any changes in the carrying amount of goodwill, which was $40.9 million, during the six months ended June 30, 2015. Goodwill of $30.3 million is attributable to the ethanol production segment and $10.6 million is attributable to the marketing and distribution segment.

6. DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2015, the Company's consolidated balance sheet reflects unrealized gains, net of tax, of $1.8 million in accumulated other comprehensive income. The Company expects that all of the unrealized gains at June 30, 2015 will be reclassified into operating income over the next 12 months as a result of hedged transactions that are forecasted to occur. The amount ultimately realized in operating income, however, will differ as commodity prices change.

Fair Values of Derivative Instruments

The following table provides information about the fair values of the Company's derivative financial instruments and the line items on the consolidated balance sheets in which the fair values are reflected (in thousands):

	Asset Derivatives' Fair Value		Liability Derivatives' Fair Value	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Derivative financial instruments (1)	$ 22,735 (2)	$ 11,859 (3)	$ -	$ -
Other assets	-	3	-	-
Accrued and other liabilities	-	-	10,101	28,082
Total	$ 22,735	$ 11,862	$ 10,101	$ 28,082

(1) Derivative financial instruments as reflected on the consolidated balance sheets are net of related margin deposit assets of $15.0 million and $24.5 million at June 30, 2015 and December 31, 2014, respectively.

(2) Balance at June 30, 2015 includes $1.2 million of net unrealized gains on derivative financial instruments designated as cash flow hedging instruments.

(3)Balance at December 31, 2014 includes $0.6 million of net unrealized losses on derivative financial instruments designated as cash flow hedging instruments.

Refer to Note 2 - Fair Value Disclosures, which also contains fair value information related to derivative financial instruments.

Effect of Derivative Instruments on Consolidated Statements of Operations and Consolidated Statements of Stockholders' Equity and Comprehensive Income

The following tables provide information about gains or losses recognized in income and other comprehensive income on the Company's derivative financial instruments and the line items in the consolidated financial statements in which such gains and losses are reflected (in thousands):

Gains (Losses) on Derivative Instruments Not Designated in a Hedging Relationship	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues	$ 3,617	$ (4,884)	$ (166)	$ 13,366
Cost of goods sold	(11,233)	3,560	(18,209)	2,398
Net increase (decrease) recognized in earnings before tax	$ (7,616)	$ (1,324)	$ (18,375)	$ 15,764

Gains (Losses) Due to Ineffectiveness of Cash Flow Hedges	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues	$ (28)	$ 264	$ (59)	$ (82)
Cost of goods sold	494	(1,610)	23	(750)
Net increase (decrease) recognized in earnings before tax	$ 466	$ (1,346)	$ (36)	$ (832)

Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Net Income	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues	$ (8,141)	$ (125,177)	$ 3,708	$ (213,323)
Cost of goods sold	(7,920)	30,686	(6,278)	34,259
Net increase (decrease) recognized in earnings before tax	$ (16,061)	$ (94,491)	$ (2,570)	$ (179,064)

Effective Portion of Cash Flow Hedges Recognized in Other Comprehensive Income (Loss)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Commodity Contracts	$ (6,578)	$ 32,035	$ 8,885	$ (191,267)

Gains (Losses) from Fair Value Hedges of Inventory	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Cost of goods sold (effect of change in inventory value)	$ (1,002)	$ (693)	$ (2,370)	$ 2,453
Cost of goods sold (effect of fair value hedge)	817	729	3,900	(2,049)
Ineffectiveness recognized in earnings before tax	$ (185)	$ 36	$ 1,530	$ 404

There were no gains or losses due to the discontinuance of cash flow hedge or fair value hedge treatment during the three and six months ended June 30, 2015 and 2014.

The following table summarizes volumes of open commodity derivative positions as of June 30, 2015 (in thousands):

June 30, 2015						
	Exchange Traded		Non-Exchange Traded			
Derivative Instruments	Net Long & (Short) (1)		Long (2)	(Short) (2)	Unit of Measure	Commodity
Futures	(12,220)				Bushels	Corn, Soybeans and Wheat
Futures	6,400	(3)			Bushels	Corn
Futures	80,556				Gallons	Ethanol
Futures	(93,660)	(3)			Gallons	Ethanol
Futures	(5,473)				mmBTU	Natural Gas
Futures	(2,540)	(4)			mmBTU	Natural Gas
Futures	2,600				Pounds	Cattle
Futures	(17,800)	(3)			Pounds	Cattle
Futures	12				Barrels	Crude Oil
Futures	(4,140)				Pounds	Soybean Oil
Options	622				Bushels	Corn, Soybeans and Wheat
Options	4,506				Gallons	Ethanol
Options	(35,544)				Pounds	Cattle
Options	(80)				Barrels	Crude Oil
Options	6,540				Pounds	Soybean Oil
Options	77				mmBTU	Natural Gas
Forwards			24,094	(9,223)	Bushels	Corn and Soybeans
Forwards			4,950	(198,922)	Gallons	Ethanol
Forwards			135	(423)	Tons	Distillers Grains
Forwards			16,513	(90,146)	Pounds	Corn Oil
Forwards			8,047	(5,134)	mmBTU	Natural Gas

(1) Exchange traded futures and options are presented on a net long and (short) position basis. Options are presented on a delta-adjusted basis.
(2) Non-exchange traded forwards are presented on a gross long and (short) position basis including both fixed-price and basis contracts.
(3) Futures used for cash flow hedges.
(4) Futures used for fair value hedges.

Energy trading contracts that do not involve physical delivery are presented net in revenues on the consolidated statements of operations. Included in revenues are net gains of $2.4 million and $7.7 million for the three and six months ended June 30, 2015, respectively, and net losses of $0.2 million and $1.3 million for the three and six months ended June 30, 2014, respectively, on energy trading contracts.

7. DEBT

The principal balances of the components of long-term debt are as follows (in thousands):

	June 30, 2015	December 31, 2014
Green Plains Fairmont and Green Plains Wood River:		
$62.5 million term loan	$ -	$ 40,000
Green Plains Holdings II:		
$46.8 million term loans	-	29,510
$20.0 million revolving term loan	-	6,000
Green Plains Obion:		
$37.4 million revolving term loan	-	27,400
Green Plains Processing:		
$345.0 million term loan	321,840	213,775
Green Plains Superior:		
$15.6 million revolving term loan	-	15,025
Corporate:		
$120.0 million convertible notes	103,072	100,845
Other	27,932	30,350
Total long-term debt	452,844	462,905
Less: current portion of long-term debt	(9,289)	(63,465)
Long-term debt	$ 443,555	$ 399,440

Short-term notes payable and other borrowings at June 30, 2015 included working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of $81.4 million, $47.0 million and $71.2 million, respectively. Short-term notes payable and other borrowings at December 31, 2014 included working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of $77.0 million, $37.0 million and $95.9 million, respectively.

Ethanol Production Segment

During the second quarter of 2015, Green Plains Processing LLC (“Green Plains Processing”), a wholly-owned subsidiary of the Company, amended its senior secured credit facility to increase the outstanding borrowings by $120.0 million. The proceeds were primarily used to refinance debt outstanding, with maturity dates ranging from November 2015 to May 2020, at certain of the Company’s subsidiaries (that are now subsidiaries of the Green Plains Processing), which include Green Plains Holdings II LLC, Green Plains Obion LLC, Green Plains Superior LLC, Green Plains Fairmont LLC and Green Plains Wood River LLC, to pay fees and expenses in connection therewith and for general corporate purposes.

The $345.0 million senior secured credit facility is guaranteed by the Company and each of the subsidiaries of Green Plains Processing, and secured by the stock and substantially all of the assets of Green Plains Processing and its subsidiaries. The credit facility bears interest at a rate equal to 5.5% plus LIBOR, subject to a 1.0% floor. At June 30, 2015, the interest rate on this term debt was 6.5%. Commencing in the third quarter of 2015, scheduled principal payments are $0.9 million each quarter. The terms of the credit facility require the Borrower to maintain a maximum total leverage ratio at the end of each fiscal quarter of not more than 4.00 to 1.00, initially, decreasing to 3.25 to 1.00 over the life of the credit facility. The terms of the credit facility also require a minimum fixed charge coverage ratio of 1.25 to 1.00. The credit facility has a provision that requires the Company to make quarterly special payments of 50% to 75% of the available free cash flow from the entity’s operations subject to certain limitations.

Agribusiness Segment

Green Plains Grain has a $125.0 million senior secured asset-based revolving credit facility with various lenders to provide for working capital financing. The lenders will make loans up to the maximum commitment based on eligible collateral. The amount of eligible collateral is determined by a calculated borrowing base value equal to the sum of percentages of eligible cash, eligible receivables and eligible inventories, less certain miscellaneous adjustments. Advances are subject to interest charges at a rate per annum equal to the LIBOR rate plus 2.25% or the base rate plus 3.25%. The revolving credit facility matures on August 26, 2016. The revolving credit facility includes total revolving credit commitments of $125.0 million and an accordion feature whereby amounts available under the facility may be increased by up to $75.0 million of new lender commitments upon agent approval. The facility also allows for additional seasonal borrowings up to $50.0 million. The total commitments outstanding under the facility cannot exceed $250.0 million.

As security for the Green Plains Grain revolving credit facility, the lenders received a first priority lien on certain cash, inventory, accounts receivable and other assets owned by subsidiaries within the agribusiness segment. The terms of the credit facility include various affirmative covenants and negative covenants, including maintenance of working capital of $19.4 million for 2015 and maintenance of tangible net worth of $26.3 million for 2015. The credit facility also includes a capital expenditure limitation of $8.0 million annually, plus any equity contributions from the Company and any unused amount from the previous year. In addition, the credit facility requires maintenance of a fixed charge coverage ratio at the end of each fiscal quarter of 1.25 to 1.00 and an annual leverage ratio at the end of each fiscal quarter of 6.00 to 1.00. This revolving credit facility also contains restrictions on distributions with respect to capital stock, with exceptions for distributions of up to 40% of net profit before tax, subject to certain conditions.

Green Plains Cattle has a $100.0 million senior secured asset-based revolving credit facility with various lenders to provide for working capital financing for the cattle feedlot operations. The lenders will make loans up to the maximum commitment based on eligible collateral. The amount of eligible collateral is determined by a calculated borrowing base value equal to the sum of percentages of eligible receivables, eligible inventories and eligible other current assets, less certain miscellaneous adjustments. Advances are subject to interest charges at a variable rate per annum equal to the LIBOR rate for the outstanding period plus 3.00%, 2.50%, or 2.00%, depending upon availability. The revolving credit facility matures on October 31, 2017. The revolving credit facility includes total revolving credit commitments of $100.0 million and an accordion feature whereby amounts available under the facility may be increased by up to $50.0 million of new lender commitments upon agent approval.

As security for the Green Plains Cattle revolving credit facility, the lenders received a first priority lien on certain cash, inventory, accounts receivable, property and equipment and other assets owned by Green Plains Cattle. The terms of the credit facility include affirmative covenants and negative covenants, including maintenance of working capital of $15.0 million for 2015, maintenance of net worth of $20.3 million for 2015 and maintenance of a total debt to tangible net worth ratio of 3.50 to 1.00. The credit facility also includes an annual capital expenditure limitation of $3.0 million, plus any unused amount from the previous year.

Marketing and Distribution Segment

Green Plains Trade has a $150.0 million senior secured asset-based revolving credit facility with various lenders to provide for working capital financing. The lenders will make loans up to $150.0 million based on eligible collateral. The amount of eligible collateral is determined by a calculated borrowing base value equal to the sum of percentages of eligible receivables and eligible inventories, less certain miscellaneous adjustments. The outstanding balance, if any, is subject to interest charges at the lender's floating base rate plus the applicable margin or LIBOR plus the applicable margin. The revolving credit facility matures on November 26, 2019. In addition to other customary covenants, this revolving credit facility contains restrictions on distributions with respect to capital stock, with exceptions for distributions with respect to tax obligations, subject to certain conditions, whereby distributions may be made in an amount up to 50% of net income if (a) undrawn availability under this facility, on a pro forma basis, is greater than $10.0 million for the preceding 30 days and (b) as of the date of the distribution, the borrower would be in compliance with the fixed charge coverage ratio on a pro forma basis. The loan agreement includes affirmative covenants and negative covenants including maintenance of a fixed charge coverage ratio of 1.15 to 1.00 and capital expenditure limitation of $1.0 million annually. At June 30, 2015, Green Plains Trade had $11.1 million presented as restricted cash on the consolidated balance sheet, the use of which was restricted for repayment towards the outstanding loan balance.

Corporate Activities

In September 2013, the Company issued $120.0 million of 3.25% Convertible Senior Notes due 2018, or the 3.25% Notes. The 3.25% Notes represent senior, unsecured obligations of the Company, with interest payable on April 1 and October 1 of each year. At the time the Company issued the 3.25% Notes, it was only permitted to settle conversions with shares of its common stock. The Company received shareholder approval at its 2014 annual meeting, held in the second quarter, to allow for flexible settlement which gives it the option to settle conversions in cash, shares of common stock, or any combination thereof. The Company intends to satisfy conversion of the 3.25% Notes with cash for the principal amount of the debt and cash or shares of common stock for any related conversion premium. The 3.25% Notes contain liability and equity components which were bifurcated and accounted for separately. The liability component of the 3.25% Notes, as of the issuance date, was calculated by estimating the fair value of a similar liability issued at an 8.21% effective interest rate, which was determined by considering the rate of return investors would require for comparable debt of the Company without conversion rights. The amount of the equity component was calculated by deducting the fair value of the liability component from the principal amount of the 3.25% Notes, resulting in the initial recognition of $24.5 million as debt discount costs recorded in additional paid-in capital. The carrying amount of the 3.25% Notes will be accreted to the principal amount over the remaining term to maturity, and the Company will record a corresponding amount of noncash interest expense. Additionally, the Company incurred debt issuance costs of $5.1 million related to the 3.25% Notes and allocated $4.0 million of debt issuance costs to the liability component of the 3.25% Notes. These costs will be amortized to noncash interest expense over the five-year term of the 3.25% Notes. Prior to April 1, 2018, the 3.25% Notes will not be convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment upon the occurrence of certain events, including the payment of a quarterly cash dividend that exceeds $0.04 per share. As a result, the conversion rate was recently adjusted to 48.1992 shares of common stock per $1,000 principal amount of 3.25% Notes, which is equal to a current conversion price of approximately $20.75 per share. In addition, the Company may be obligated to increase the conversion rate for any conversion that occurs in connection with certain corporate events, including the Company calling the 3.25% Notes for redemption.

The Company may redeem for cash all, but not less than all, of the 3.25% Notes at any time on or after October 1, 2016 if the sale price of the Company's common stock equals or exceeds 140% of the applicable conversion price for a specified time period ending on the trading day immediately prior to the date the Company delivers notice of the redemption. The redemption price will equal 100% of the principal amount of the 3.25% Notes, plus any accrued and unpaid interest. In addition, upon the occurrence of a fundamental change, such as a change in control, holders of the 3.25% Notes will have the right, at their option, to require the Company to repurchase their 3.25% Notes in cash at a price equal to 100% of the principal amount of the 3.25% Notes to be repurchased, plus accrued and unpaid interest. Default with respect to any loan in excess of $10.0 million constitutes an event of default under the 3.25% Notes, which could result in the 3.25% Notes being declared due and payable.

Covenant Compliance

The Company, including all of its subsidiaries, was in compliance with its debt covenants as of June 30, 2015.

Capitalized Interest

The Company had $218 thousand and $393 thousand in capitalized interest during the three and six months ended June 30, 2015.

Restricted Net Assets

At June 30, 2015, there were approximately $701.5 million of net assets at the Company's subsidiaries that were not available to be transferred to the parent company in the form of dividends, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

8. STOCK-BASED COMPENSATION

The Company has an equity incentive plan which reserves a total of 3.5 million shares of common stock for issuance pursuant to its terms. The plan provides for the granting of shares of stock, including options to purchase shares of common stock, stock appreciation rights tied to the value of common stock, restricted stock, and restricted and deferred stock unit awards to eligible employees, non-employee directors and consultants. The Company measures share-based compensation grants at fair value on the grant date, adjusted for estimated forfeitures. The Company records noncash compensation expense related to equity awards in its consolidated financial statements over the requisite service period on a straight-line basis. Substantially all of the Company's existing share-based compensation awards have been determined to be equity awards.

The following table summarizes exercisable stock option activity for the six months ended June 30, 2015:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2014	339,750	$ 10.82	3.1	$ 4,763
Granted	-	-	-	-
Exercised	(32,300)	19.79	-	282
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at June 30, 2015	307,450	$ 9.88	2.8	$ 5,356
Exercisable at June 30, 2015 (1)	307,450	$ 9.88	2.8	$ 5,356