



**First Quarter 2017**  
**LSCP, LLLP**  
**General Manager Comments**

The Company ended the 1<sup>st</sup> Quarter of year fiscal year 2017 on December 31, 2016 with an unaudited net profit of approximately 8.86 million. The market during the quarter was very strong because of exports to Brazil, China, and other importers. The extent of the rally was surprising to most people. It was great to see for the industry and for us, without it I'm certain margins would have suffered and instead we recorded some of the best results for this period in recent history. Production continues to grow; the industry needs strong exports and good domestic demand to maintain our present level of prosperity.

The distillation expansion we began last summer is moving along nicely and on schedule. We fully expect to bring the equipment on line after our spring shutdown in early April. It will be the final leg of our expansion to the 150 million rate we started almost 2 years ago. We are currently operating in the 142-143-million-gallon range and have been successful in maintaining our corn to ethanol conversion rates. The Oct/Nov/Dec 2016 results came in at 2.98 gallon of ethanol per bushel which was slightly less than the previous quarter but still above the industry average. January and February numbers indicate we have a good possibility of reaching back over the 3.0 gallons of ethanol per bushel conversion rate. The plant is operating well and our recipe looks very good. Time will tell! The annual meeting is the first week of April this year so March will be hot off the press. Hopefully the plant can report a 3.0 conversion rate for the second fiscal quarter. The company has set a high bar as it relates to performance, hopefully we can continue to live up to our expectations.

In early January, we submitted permit modifications to the Iowa Department of Environmental Quality seeking a production capacity of 185 million gallons per year. We are in the draft phase of this request as of this writing. I fully expect signed permits to be in our possession by early March. The request for modification included two additional fermentation tanks, two hammer mills, and a fermentation tower expansion expanding the tower from 5 cells to 7. This should get us close to the 170-million-gallon rate leaving us 15 million gallons of blue sky production capacity. The amount of innovation in this industry is truly astounding, it appears impossible but our 140-production rate today seemed that way not too long ago. Engineering is fully underway designing this project. I expect we will have the design completed by late March. We will entertain bids at that point and make our presentation to the Board for their consideration in early summer. If approved, I would expect construction to begin late this summer or early fall with completion in late 2018 or early 2019.

In years past the 1<sup>st</sup> calendar quarter of any calendar year has been a drag for the industry. It was not uncommon to experience losses during this period. 1<sup>st</sup> quarter 2016 was an exception and it appears 1<sup>st</sup> quarter 2017 will be as well. Good news for all of us! The improvements the company has made over the previous 2-3 years has made this possible. We are more efficient and at the same time increased production which has increased the bottom line making the company more successful. Each of you should be proud of the company's success!

See you at the Annual Meeting in April

Steve

## Financial Statements Review

### First Quarter Ended December 31, 2016

We ended the quarter with a profit for LSCP, LLLP of \$8,865,000 resulting in a profit for the LLC of \$4,957,000. This compares to last year where LSCP, LLLP showed a profit of \$4,025,000 resulting in a profit for the LLC of \$2,250,000.

**The Fiscal Quarter Ended December 31, 2016 and 2015 (unaudited) results are as follows:**

	<b>Three Months Ended December 31, 2016 (Unaudited)</b>	<b>Three Months Ended December 31, 2015 (Unaudited)</b>
Revenues	\$ 56,582,000	\$ 58,674,000
Cost of Goods Sold	46,819,000	53,878,000
Gross Margin	<u>9,763,000</u>	<u>4,796,000</u>
Selling, General and Administrative Expenses	1,021,000	1,107,000
Other Income and (Expense)	<u>123,000</u>	<u>336,000</u>
Net Income Before Minority Interest	8,865,000	4,025,000
Minority Interest in Subsidiary Income	3,908,000	1,775,000
Net Income for Little Sioux Corn Processors LLC	<u><u>\$ 4,957,000</u></u>	<u><u>\$ 2,250,000</u></u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	30.20	13.71

Fiscal YTD December 2016 Revenues are 4% lower than last year due to 10% less ethanol sales gallons, offset by 15% higher ethanol sales prices. Co-product sales prices were mixed with Corn Oil prices increasing over last year, offset by reduced prices of DDG and MWDG.

Cost of Goods Sold for the quarter showed a 13% reduction from last year resulting from a 10% reduction in prices paid for corn and a significant swing in the Change in Inventory category.

Our Selling, General and Administrative expenses were consistent with last year's amount.

**Balance Sheet as of December 31, 2016 and 2015:**

	<b>December 31, 2016 Unaudited</b>	<b>December 31, 2015 Unaudited</b>
Total Current Assets	\$ 44,622,000	\$ 59,141,000
Net Property and Equipment	83,633,000	74,506,000
Other Assets	8,995,000	9,019,000
Total Assets	<u>\$ 137,250,000</u>	<u>\$ 142,666,000</u>
Total Current Liabilities	\$ 18,598,000	\$ 19,734,000
Other Long Term Liabilities	-	-
Long Term Debt, net of current maturities	-	-
Minority Interest	50,846,000	52,733,000
Members' Equity, 164,115 outstanding units	67,806,000	70,199,000
Total Liabilities and Members Equity	<u>\$ 137,250,000</u>	<u>\$ 142,666,000</u>

The decrease in Total Current Assets and Members Equity is a result of a lower cash balance over last year resulting from the cash distributions paid in 2016 partially offset by 2016 earnings. The increase in Net Property and Equipment is a result of new capital expenditures offset by normal depreciation. Other Assets are similar with last year.

**Other Comments:**

Our annual meeting is scheduled for April 6, 2017 at 7:00 pm. The meeting will again be held at Western Iowa Tech in Cherokee. The complete audited financial statements for Fiscal 2016 and the annual meeting material will be mailed prior to the meeting. Please reserve this date and plan to attend.

Gary



## ACE Scholarship Program Now Open!

The American Coalition for Ethanol is pleased to notify you that we will be awarding three \$1000 scholarships to employees and dependents of employees and shareholders of ACE Ethanol Producer, Voting, and Associate member companies and organizations in good standing.

### **Eligibilities:**

Employees or shareholders, spouses of employees or shareholders, or dependent children age 24 and under of employees or shareholders, of an Associate, Voting, or Ethanol Producer member of ACE are eligible. Employees must be employed a minimum of one year as of the application deadline date.

Applicants must be high school seniors or graduates who plan to enroll, or students who are already enrolled, in a full-time undergraduate course of study at an accredited two- or four-year college or university, or vocational-technical school for an entire upcoming academic year.

The program is administered by Scholarship Management Services, a program of Scholarship America, a national nonprofit student aid service organization.

**The deadline for application is April 1. All entries must be postmarked by that date.**

Please make all eligible employees aware of this opportunity available to them through your company's membership in the American Coalition for Ethanol.

Winners will be notified by Scholarship America on or around May 10.

Again, thank you for your continued support of the ethanol industry, and best of luck to all applicants.

Copies of the application have been mailed to the main contact of each member organization; you can make copies to distribute, or contact Shannon Gustafson at [sgustafson@ethanol.org](mailto:sgustafson@ethanol.org) to receive the application electronically.

*The ACE Scholarship Program is made possible by proceeds from raffle ticket sales, and funded in part by ACE's partnership with AMCM, Association Motor Club Marketing. A portion of the proceeds from each membership purchased through AMCM's "I Support Biofuels" link on [www.amcm-online.com](http://www.amcm-online.com) goes towards the scholarships awarded to ACE members and their families through the ACE scholarship program.*