



# The DISPATCH

## STEVE'S REMARKS Comments from our GM

Little Sioux ended the 4th quarter of the 18 fiscal year with an unaudited profit of approximately \$5.2 million dollars. Net profit for the year was about \$16 million dollar. Our YTD and Quarterly results were buoyed by a \$5.4 million-dollars corn and ethanol hedge gain. The company took a hedge position on ethanol in the 4th quarter which contributed about \$2.4 million dollars over prevailing market price to the company's bottomline. \$5.2 million is an impressive result under current market conditions. Looking back, everyone is glad we took the position and executed as we had planned.

The projects under construction as of September 30 have dwindled to less than a handful. Those remaining are small in scope and are not capital intensive. During the fiscal year we completed slightly over \$14 million of capital improvements, we have less than

\$2.5 million remaining on the short list for completion into the first half of calendar 2019. Quite a difference in activity and required capital. We are installing an additional distillers corn oil separator which is included in the \$2.5 million noted previously. We have found 2 units do not supply the needed separation capacity at our current rate of production. The unit will allow us to separate additional oil which is a boost to profitability and potential reward to you, the investor. This unit is scheduled for startup in late November.

The EPA was given direction by President Trump to expedite the rule making process that will bring E-15 into the market place without interruption during the summer months. E-15 after rulemaking finalization and publishing to the federal register can be sold year-round. The RFS will push blenders to market E-15 up to the 15 billion-gallon RFS requirement

if small refiner waivers are not granted for 2019 and beyond. Small refinery waivers destroyed demand and dropped the blending requirement well below the 15.0-billion-gallon threshold in 2018. All of you need to keep the pressure on your House and Senate representation at the federal level. You need to remind those at the state level of this issue so they in turn keep Washington DC attuned to this important issue for ethanol and Iowa.

Have a safe and bountiful harvest. It's going to be a challenge, I'm sure with the wet weather we have all experienced the past 30 days.



**Steve Roe**  
*General Manager*

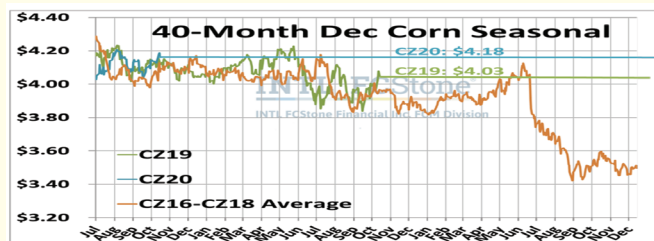
## 2018 Harvest



**Jake Wetter**  
*Grain Merchandiser*

By the time this newsletter gets to you, many of you will have completed the 2018 harvest. Yields in the area have been excellent again this year. Hard to believe this will be the 4th year in a row that North-west Iowa has averaged over 200 bpa corn & 60 bpa soybeans. We have truly been blessed with exceptional crops! The big question I get all the time is what do I do now? Hind sight is always 20/20 but 90% of the time forward sales beat spot prices during harvest. Most producers would

love to sell this year's crop for \$3.50 or \$3.60 cash. Guess what we are bidding for harvest corn in the fall of 2019? Cash bids for next fall have been \$3.50-\$3.68 the last month. Get started selling today! With a huge soybean carryout and expected increase in corn acres next spring, the market will probably be rather subdued this winter. By selling the carry in the corn market and into the stronger seasonal times of the year, you will have a higher average selling price than just waiting and selling in the spot market at harvest. One tool producers can use to forward sell for next fall are Accumulator Contracts. Accumulators enable a customer to "accumulate" at a futures



Little Sioux Corn Processors is happy to announce a new program for our commodity customers. We are now able to bring the power of the internet to your business! The GrainTrac Pass program gives customers just the ticket they need to access their accounts day or night. Customers can view their delivery histories, contract balances, settlements & more! Reports may be printed or saved as Excel spreadsheet applications. LSCP will have a convenient link to GrainTrac Pass from our web page to access your account. Call the office today to get your login & password set up!!!

price above the market as long as the market stays within a specific trading range. Currently, the range is about 20 c/bu up or down from where December 2019 futures have been trading the last couple of months. Please call and discuss as there are some risk that need to be understood before signing up.



# Wrenching to Reduce Breakdowns



**Chris Williams**  
*Plant Manager*

Little Sioux Corn Processors focuses on plant upkeep and maintenance twice a year, every spring and fall. Contractors are pulled from the surrounding area to assist with this extensive 120 hour stretch of cleaning, inspecting, repairing, and maintaining. We perform preventative plant maintenance shutdowns to keep the elements from getting a foot hold and to comply with safety and manufacturer guidelines for equipment, tanks, and piping. This year's fall shut down

began on Sunday, September 30th. Some of the major projects this year consisted of the moving a baghouse for our corn milling system, a full PCS7 changeover for our Distributed Control System (DCS), programming for our boiler, burner rebuilding in a dryer, along with the typical evaporator, syrup line, dryer and boiler cleaning. Being organized, prepared and resourceful during this downtime can stack up to valuable non-disruptive operating hours between shutdowns which can add to the plants bottom line. Planning from one shutdown to another is ongoing. After a shutdown is complete, LSCP management team, employees, and contractors start building the list for the next. The best preparation for tomorrow is by doing

a job the best it can be done today.



*Baghouse relocation*

# A Snapshot of China



*Corn in northern china*



*Model of COFCO ethanol plant*



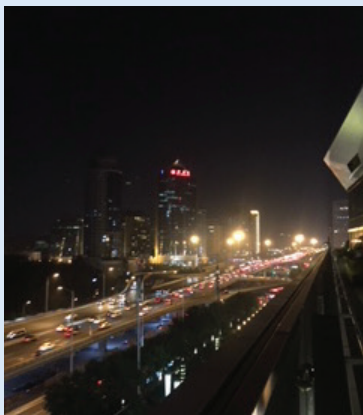
*Power plant in major city*



*Corn delivery to COFCO ethanol plant*



*Forbidden city moat*



*Beijing at night*



*Forbidden city ramp stairway*



*Forbidden city palace*



*Forbidden city statue of protection*

# FINANCIAL STATEMENT

## Review

By Gary Grotjohn

LSCP, LLC Statement of Operations For Periods Ended September 30, 2018 and 2017				
	Quarter Ended September 30, 2018 (Unaudited)	Quarter Ended September 30, 2017 (Unaudited)	Fiscal Year Ended September 30, 2018 (Unaudited)	Fiscal Year Ended September 30, 2017 (Audited)
Revenues	\$68,599,000	\$62,641,257	\$267,417,000	\$243,509,824
Cost of Goods Sold	\$62,147,000	\$52,251,828	246,592,000	\$211,654,243
Gross Margin	\$6,452,000	\$10,389,429	20,825,000	31,855,581
Operating Expenses	\$1,245,000	\$1,221,674	\$5,084,000	\$5,178,427
Income from Operations	\$5,207,000	\$9,167,755	\$15,741,000	\$26,677,154
Other Income (Expenses)	\$46,000	\$70,350	\$248,000	\$995,467
Net Income	\$5,253,000	\$9,238,105	\$15,989,00	\$27,672,621

Revenues for the quarter and for the fiscal year increased over last year. Higher ethanol sales volumes and coproduct sales were partially offset by lower ethanol sales prices. Cost of Goods Sold for the quarter and for the fiscal year were higher than last year. These increases resulted from increased bushels of corn ground from increased ethanol production along with increased per bushel costs. Gross Margins were lower than last year due to lower ethanol prices along with higher corn prices paid. The ethanol vs corn cost grind margin dropped approximately 54% from fiscal last year.

LSCP, LLC Balance Sheet For Periods Ended September 30, 2018 and 2017		
	Fiscal Year Ended September 30, 2018 (Unaudited)	Fiscal Year Ended September 30, 2017 (Audited)
Total Current Assets	\$34,908,000	\$34,677,213
Net Property and Equipment	\$93,913,000	\$89,242,955
Other Assets	\$4,332,000	\$4,642,097
Total Assets	\$133,153,000	\$128,562,265
Total Current Liabilities	\$12,103,000	\$10,819,618
Owner's Equity	\$121,050,000	\$117,742,647
Total Liabilities and Equity	\$133,153,000	\$128,562,265

Increase in Net Property and Equipment resulted from increased capital expenditures less normal depreciation. Increase in Owner's Equity is a result of yearly earnings less distributions to owners.

LSCP, LLC Owner's Data For Periods Ended September 30, 2018 and 2017				
	Quarter Ended September 30, 2018 (Unaudited)	Quarter Ended September 30, 2017 (Unaudited)	Fiscal Year Ended September 30, 2018 (Unaudited)	Fiscal Year Ended September 30, 2017 (Audited)
Outstanding Ownership Units	271,065	271,065	271,065	271,065
Original Cost of Units (\$1000/15)	\$66.67	\$66.67	\$66.67	\$66.67
Distribution to Owners			\$12,685,267	\$23,457,183
Per Unit			\$46.80	\$86.54
% of Original Unit Cost			70%	130%
Period Earnings	\$5,253,000	\$9,238,105	\$15,989,000	\$27,672,621
Per Unit	19.38	34.08	\$58.99	\$102.09
% of Original Unit Cost	29%	51%	88%	153%
Ethanol Gallons Produced-Denatured	41,108,522	37,346,125	162,635,197	142,083,358
Per Unit			600	524

**Most Recent Unit Sales**  
Class A: May 2018 - 50 Units @ \$676      Class B: March 2018 - 100 Units @ \$650      Class C: April 2018 - 120 Units @ \$650

# China Trip

IRFA sponsored by U.S. Grains Council for China to implement 10% ethanol blend by 2020

**Steve Roe**  
*General Manager*

This past September I had the opportunity to travel to China as a representative of the Iowa Renewable Fuels Association. I was one of four from IRFA along with 4 from the Iowa Corn Board. Both groups were sponsored by the U.S. Grains Council. China is in the process of implementing a 10% ethanol blend into their countries fuel supply by 2020. I can assure you all those involved in China are moving toward implementation whether it be ethanol producers, oil and refining, or those charged with strategic investment within China. All understand the goal and are focused on hitting the target. China will be investing in their own ethanol production facilities to meet this demand as it's introduced province by province until all gasoline within the major 26 provinces are 100% ethanol blended gasoline. China currently has about 600 million gallons of production capacity. China's Governmental investment group has another 1.3-1.4 billion gallons of production moving into the construction phase soon. China no doubt will be adding additional capacity to meet the 4-billion-gallon demand forecast. To say the least, its quite the undertaking not only as it relates to scope but the timing of the goal. The US ethanol industry has a great opportunity to supply some of this demand. The Chinese business community realizes US ethanol is competitive in the world market. When the demand signal comes from China the ethanol industry in the US is in a great position to capitalize on this new demand and help China realize its goal.





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Call us daily for current corn bids. We have a large supply of distillers grains on hand at all times - Contact us for your distillers grains needs.

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# **It's Clean. It's Green. It's E15.**

*Courtesy Iowa Renewable  
Fuels Association*

E15 is an environmentally-friendly, lower-cost fuel that burns cleaner than gasoline. It's a blend of 15% ethanol and 85% gasoline, and has been approved by the U.S. Environmental Protection Agency (EPA) for use in all 2001 and newer cars, trucks and SUVs.

E15 has also undergone more testing than any other fuel in

history. Research by the U.S. Department of Energy concluded when E15 was compared to gasoline, there were no significant changes in vehicle tailpipe emissions or vehicle driveability as ethanol content increased.

Ninety percent of fuel purchases made in the U.S. go into model year 2001 and newer vehicles – meaning the vast majority of drivers can choose E15 today!

