



## Second Quarter 2017 General Manager Comments

The Company ended the 2<sup>nd</sup> Quarter of fiscal year 2017 on March 31, 2017 with a Y-T-D unaudited net profit of approximately 12.198 million. The market during the quarter was soft when compared to the previous 3 months because of reduced exports and lackluster domestic usage for gasoline blending. The company generated approximately 3.3 million dollars profit in the 2<sup>nd</sup> fiscal quarter, when compared to previous history is one of the top performers for this time period. I cannot emphasize enough the contribution increased yields have provided to our success. Our conversion rate averaged 2.9917 for the first 6 months and the last 3 months have averaged slightly over 3.0 gallons per bushel. Comparing our results today to 3 years ago when our conversion rate was about 2.85 is striking. We reduced corn grind by 1,151,787 bushels during the first six months when compared to our yield per bushel three years ago. Our average corn cost for first six months was \$3.35 per bushel, which reduced cost of grind by \$3,858,786. The cost of chemical additives increased 3.5 cents per gallon when compared to the 2.85 conversion cost structure. Ethanol production was 69,328,770 gallons during the first 6 months which increased our chemical additive cost by \$2,426,507. Netting the corn cost reduction with the chemical cost increase resulted in \$1,432,279 additional profit for the first 6 months. This is a striking comparison when you stop and realize the price of feedstock. The value added with higher conversion rates explodes as corn price improves or margins narrow. Yield becomes progressively more important in either case.

The distillation and sieve expansion we began last summer was completed during our spring shutdown and is operational. We are neck deep in optimization of the equipment and will reach the 150 million annual rate of production very soon. It is indeed a credit to all employees of Little Sioux and the contractors we chose for this project. Expansions never go without some issues, but the startup of this equipment went extremely smooth. The Board did approve two more fermentation tanks and additional corn milling in March. When completed we will be capable of producing up to 170 million gallons annually. We have sent out bid packages to interested parties and the fermentation project will be awarded to a contractor in early May. The milling contractor has been determined and the project should be complete by December 31, 2017 provided everything falls in place as planned. Keep in mind the steam generators (boilers) we currently utilize are original equipment and may not have the capacity remaining to reach the next production hurdle. Options for additional steam requirements are being evaluated. I will pass along additional information as we explore the options we have available to us. Obviously, we want to optimize our current equipment before additional boiler capacity is added. Optimization reduces our greenhouse gas footprint and cost structure, additional stand- a-lone boiler capacity does not.

The Board of Directors are always looking for ways to improve shareholder value. Everything I mentioned in the previous 2 paragraphs does exactly that without question. The LLC directors were approached by Indeck Inc. in February indicating they might be interested in selling their interest in LSCP, LLLP. Paperwork has been signed and funds were exchanged on May 1, 2017. Indeck owned 7.66284 percent of the company. This acquisition and subsequent retirement of the Indeck interest will increase Little Sioux Corn Processors LLC's share of the company from its current 55.91 percent to 60.55%. This is great news for all members of Little Sioux Corn Processors LLC. Congratulations to each of you!

Planting season is upon us. Please be careful, it's an important and fun time for agriculture. Take the proper steps to stay safe. In the end, does one more day really make any difference?

Steve

## Financial Statements Review By Gary Grotjohn

### Fiscal Quarter ended March 31, 2017

We ended the second fiscal quarter with a gain for LSCP, LLLP of \$3,334,000 resulting in a gain for the LLC of \$1,864,000. Combined with the profit from the first quarter, our year-to-date earnings for LSCP, LLLP are \$12,198,000 resulting in a gain for the LLC of \$6,820,000.

The Fiscal Quarter Ended March 31, 2017 and 2016 results are as follows:

	Three Months Ended March 31, 2017 (Unaudited)	Three Months Ended March 31, 2016 (Unaudited)
Revenues	\$ 57,573,000	\$ 56,477,106
Cost of Goods Sold	53,082,000	53,469,291
Gross Margin	<u>4,491,000</u>	<u>3,007,815</u>
Selling, General and Administrative Expenses	1,294,000	1,206,155
Other Income and (Expense)	<u>137,000</u>	<u>203,410</u>
Net Income Before Minority Interest	3,334,000	2,005,070
Minority Interest in Subsidiary Income	1,470,000	883,971
Net Income for Little Sioux Corn Processors LLC	<u>\$ 1,864,000</u>	<u>\$ 1,121,099</u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	11.36	6.83

Our revenues reflect an increase of approximately \$1,100,000 resulting from an increase in ethanol selling prices offset by a decrease in sales gallons. For the 2<sup>nd</sup> quarter, the ethanol prices were 9% higher on 1% lower sales gallons.

Our Cost of Goods Sold decreased by approximately \$387,000 largely resulting from an approximately 14 cent per bushel lower corn cost.

Our Selling, General and Administrative expenses were similar to last year.

Other Income/Expense was similar to last year.

The Results of the Six Months Ended March 31, 2017 and 2016 are as follows:

	Six Months Ended March 31, 2017 (Unaudited)	Six Months Ended March 31, 2016 (Unaudited)
Revenues	\$ 114,156,000	\$ 115,151,756
Cost of Goods Sold	99,905,000	107,350,353
Gross Margin	<u>14,251,000</u>	<u>7,801,403</u>
Selling, General and Administrative Expenses	2,313,000	2,310,287
Other Income and (Expense)	<u>260,000</u>	<u>584,774</u>
Net Income Before Minority Interest	12,198,000	6,075,890
Minority Interest in Subsidiary Income	5,378,000	2,678,665
Net Income for Little Sioux Corn Processors LLC	<u>\$ 6,820,000</u>	<u>\$ 3,397,225</u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	41.56	20.70

The increase in Gross Margins was mainly due to a 12% increase in ethanol sales prices and a 7% decrease in prices paid for corn. In addition, increased plant efficiencies increased the year-to-date corn/ethanol yield from 2.95 gallons per bushel in 2016 to 2.99 gallons per bushel in 2017.

Balance Sheet as of March 31, 2017 and 2016

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Total Current Assets	\$ 39,998,103	\$ 40,120,273
Net Property and Equipment	83,606,603	74,335,279
Other Assets	9,104,522	9,226,280
Total Assets	<u>\$ 132,709,228</u>	<u>\$ 123,681,832</u>
Total Current Liabilities	\$ 10,723,368	\$ 10,744,286
Derivative Instruments-Interest Swap	-	-
Long Term Debt, net of current maturities	-	-
Minority Interest	52,315,557	48,300,718
Members' Equity, 164,115 outstanding units	69,670,303	64,636,828
Total Liabilities and Members Equity	<u>\$ 132,709,228</u>	<u>\$ 123,681,832</u>

Total Current Assets are similar to last year.

The increase in Net Property and Equipment reflect new capital expenditures, offset by normal depreciation.

Total Current Liabilities are similar to last year.

Increases in Minority and Member's Equity accounts are a result of profits partially offset by cash distribution to owners.

Gary

