



The

DISPATCH

STEVE'S REMARKS Comments from our GM

The company was struggling in October, November, and December to maintain a positive cash flow. The margins improved in the 2nd fiscal quarter and were much better than I would have expected as Gary's commentary will indicate. U.S. production did slow either through plants being idled or by reduction in output. Both reduced downward price pressure but has not relieved burdensome inventory levels that remain at historic levels and have put a lid on upward price movement. Our industry needs the "pressure wavier" to be granted to higher level blends such as E15 so retailers can offer the fuel full time and not be restricted during the summer months. The current trade dispute with China and retaliatory tariffs have basically stopped US ethanol imports into that country. China has a very aggressive E10 implementation plan, yet they will need our ethanol to make it happen by the end of 2020 as stated in their strategic plan. Lets hope our government and theirs can come to a speedy resolution for the good of both countries.

We are fortunate that we made the production enhancements we did over the past several years. I will attempt to some list the major improvements made by the company that have improved efficiency

and kept us among the industry leaders:

- Milling was revamped with mills that gave us a more uniform grind (I.E. more consistent particle size)
- Slurry tank mixer replacement for increased front-end enzyme activity
- Hydro-heater technology replaced the sparge system in slurry which improved our heat transfer, reduced our steam requirement, and maintained a consistent slurry temperature
- Density metering installed to maintain a consistent fermentation profile
- Chiller and cooling tower capacities were increased which gave the plant ability to maintain optimum temperature profiles within the fermenter to maximize yield
- Installation of 5 additional fermentation tanks
- Fermentation heat exchanger upgrades improving fermentation temperature profiles
- Optimization of distillation and mole sieve dehydration to process additional volume

The list of improvements is much longer than the what I have mentioned in the above itemization. The operations and maintenance

departments have made countless other changes in both the biological and mechanical systems of the plant that when integrated together have made an efficient plant, more efficient, while simultaneously increasing production capacity to 165 million gallons annually. All of this will help the company withstand the downturn and be ready when good times come again.

By the time you receive this newsletter the comment period for the E15 rule and RIN reform will have passed but the debate is are from over. It is almost assured lawsuits will be filed on both segments of the proposed rule. All of you should remain vigilant as the election draws closer and hold those you support accountable.

In closing, I hope all of you have a good spring. It's a great time of year to watch calves born, pastures grow, and the crops pop out of the ground.



Steve Roe
General Manager

Commodity Corner



Jake Wetter
Grain Merchandiser

with ethanol. LSCP has been part of this effort. Usually, most of our ethanol is shipped to markets

Spring is finally here!!! This winter has been a tough one, capped off by record flooding across the western corn belt. Flooding in late March was very disruptive to the ethanol industry causing delays in railroad service. The ethanol & rail industries are very resilient and made alternative routes to keep the country well supplied

along the east coast. With the floods disrupting production & shipments we have worked with the railroads & our ethanol marketer RPMG and have switched to shipping most of our ethanol this quarter west to California. California has a Low Carbon Fuel Standard and all transportation fuels are scored on their Carbon Intensity, with the goal of lowering the overall Carbon of their motor fuel. Buyers pay more for ethanol the lower the Carbon Score of the producing plant is. Little Sioux can ship our ethanol into California because we are an efficient plant with a good Carbon Intensity score. As LSCP has become more efficient over the years our carbon score continues to move lower which results in a higher price for ethanol delivered to California.

Corn prices have been stuck between \$3.40 - 3.70 cash the last 6 months. Forward contracting is still the best way to get the most for your bushel

of corn. New crop prices have been from \$3.50 at harvest to \$3.95 next summer. South America has a massive corn & soybean crop that they are just finishing up harvest with. Their corn crop was over a billion bushels larger than last years. Export competition will be fierce as all these bushels look for a home. World wheat crops are also in excellent condition and have potential to be another record as well. All this supply could not have come at a worse time. China has culled more than 30% of their swine herd due to Asian Swine Flu. This has applied more pressure on the soybean and soybean meal market than corn. Funds are record short and will likely keep markets under pressure if the weather is cooperative. If we happen to get a weather market going this summer, then be sure to sell a significant portion of this year's crop as you finish up selling the 2018 crop.

Safety first, last and always...



Chris Williams
Plant Manager

Safety plays an important role in our daily lives. We want to live in a safe home and in a safe neighborhood. We want to consume safe food and water. However, even with the best alarm systems in our home and the best food safety programs, danger is still present.

Little Sioux Corn Processors wants only the highest safety standards for their employees and visitors. As you may have read in our last newsletter, we had an incident at our plant in

November. The incident investigation had us reevaluating our PHA (Process Hazard Analysis). Accidents can happen and we want to make sure we take a serious safety role for ourselves, our employees, and our investors. Our goal is to avoid having to learn from our accidents and to become proactive at preventing another loss.

For the rebuilding of our Energy Center after the incident that occurred, we diligently looked over every blueprint with a magnifying glass and asked ourselves “How safe will this be, will it work?” We installed many safeties that should keep this event from happening again.

Some of these safeties included installing an automated vent to atmosphere valve as a means for over-pressuring

distillation, automated recirculation of distillation flows if temperatures are not within operating limits, automatic kill switches for each boiler on the Distributed Control System (DCS), dryer exhaust ventilation to atmosphere, better distribution of power so if one part of the plant gets power knocked out, the other parts will respond appropriately, tighter hot work control, more specific alarms, and additional training for employees.

Even with all these measures in place LSCP will continue to keep working to maintain a safe workplace. Safety is our number one goal. Tomorrow is our reward for working safely today.

New Research Finds Most Cars Benefit from Ethanol Blends

By the Urban Air Initiative

The car you are driving today can most likely benefit from using higher blends of ethanol. That's right, new research shows that non flex fuel vehicles can take advantage of ethanol's octane and emission reducing benefits.

A new study done by North Carolina State University found that most vehicles on the road today can adapt to mid-level blends, helping cars run more efficiently while reducing greenhouse gas emissions along with other pollutants. In fact, the study found that mid-level ethanol blends lowered particulate matter, carbon monoxide and carbon dioxide.

“This study confirms what the Urban Air Initiative has known to be true, that a high quality mid-level ethanol blend provides

environmental advantages in most vehicles on the road today,” said UAI Technical Director Steve Vander Griend.

That means that everyone has the potential to start using mid-level ethanol blends. These blends are a higher quality fuel, improving performance and octane. While that's good for your engine, it's even better for the air you breathe. Another study by University of California Riverside found that ethanol blends can reduce toxic emissions by up to 50%. This is because when more ethanol is added to fuel, it helps decrease the most toxic compounds added to gasoline.

These toxics are called aromatics, and they are known carcinogens such as benzene and toluene. Aromatics are added to gasoline to boost octane. Refiners started using them as a replacement for



Most cars today can benefit from using more ethanol.

- Better Quality
- Lower Emissions
- Environmentally Friendly

- 2019 study by
North Carolina State University
www.FixOurFuel.com

lead. However, ethanol can replace aromatics providing a clean octane solution. Since ethanol entered the market at 10%, it has helped replace eight billion gallons of aromatics annually.

With an E15, E20 or E30, aromatic content continues to decrease.

So next time your car needs a fill up, consider choosing a mid-level ethanol blend. Your car and the environment will thank you.



Little Sioux Corn Processors
4808 F Avenue, Marcus, IA 51035

Dear Owner,

For the first time in 20 years – 20 years!!! – in 2018 ethanol use in the U.S. went down. And it went down as a direct result of small refinery exemptions from the RFS granted by former EPA Administrator Scott Pruitt.

Who got these “small” refinery exemptions? Companies like ExxonMobil and Chevron.

Our champions are fighting back as hard as they can. Ethanol needs these unjustified exemptions reigned in and year-round E15 finalized by June 1st.

We need to support our champions in Iowa and in Congress as they fight to restore a strong RFS and grow demand for ethanol.

To do that, we need your support for LSCP PAC today.

This won't be easy as ethanol faces opposition from Oil-backed members of Congress and unelected D.C. bureaucrats!

In the face of this fierce opposition, we must double our efforts in defending the 365,000 jobs dependent on the ethanol industry! Let's work together to make 2019 a landmark year for the ethanol industry!

With another round of small refinery exemptions up for review, there is no time to lose.

We need your contribution to LSCP PAC today to support our champions in both DC and Des Moines, and to defend American jobs and encourage consumers to use higher ethanol blends!

Please write a personal check for \$500, \$100 or \$50 made out and returned to LSCP PAC. With your support, LSCP PAC can continue to back candidates who will fight for renewable fuels from the Iowa Statehouse all the way to the U.S. Capitol.

Sincerely,

LSCP PAC

P.S. If we don't fight to defend the RFS and year-round E15 by electing pro-ethanol candidates, who will? Let's go “all in” to make 2019 one of our best years yet!

ETHANOL IS UNDER ATTACK...

THE HILL

“The administration needs to scrap this anti-consumer policy that exacerbates problems with the failed Renewable Fuel Standard. Studies have shown that E15 gasoline can damage vehicle engines and fuel systems - potentially leaving Americans to pay expensive car repair bills due to bad policy.”

Frank Macchiarola, API Vice President, March 12, 2019

RealClear Energy

“The ensuing expansion and intensification of crop agriculture has transformed the landscape, leading to a cascade of negative impacts on wildlife habitat, water resources, and the climate.”

-Dr. Aaron Smith from University of California-Davis on study by National Wildlife Federation, April 9, 2019

Washington Examiner

**“Pain at the pump?
Thank the ethanol lobby”**

Editorial, April 14, 2019

The Gazette

thegazette.com

**“Biofuels: A bad use of
Iowa’s valuable land”**

*Mike Carberry of Iowa City, Director of
Green State Solutions, March 31, 2019*



MIGHTY EARTH

“At a time when our planet is already facing a climate crisis, our biofuels policies are increasing carbon emissions and destroying millions of acres of prairies, wetlands, and forests.”

*Press Release from Rose Garr, Senior Campaign
Director for Mighty Earth, April 3, 2019.*

HELP US FIGHT BACK!!

**Contribute to LSCP PAC today
and help us set the record straight!!!**

FINANCIAL STATEMENT *Review*

By Gary Grotjohn



Gary Grotjohn
Controller

LSCP, LLC Statement of Operations For Periods Ended March 31, 2019 and 2018

	Quarter Ended March 31, 2019 (Unaudited)	Quarter Ended March 31, 2018 (Unaudited)	Six Months Ended March 31, 2019 (Unaudited)	Six Months Ended March 31, 2018 (Unaudited)
Revenues	\$62,987,000	\$68,785,000	\$111,386,000	\$130,466,000
Cost of Goods Sold	\$58,883,000	\$66,672,000	\$110,634,000	\$126,358,000
Gross Margin	\$4,104,000	\$2,113,000	\$752,000	\$4,108,000
Operating Expenses	\$1,228,000	\$1,332,000	\$2,442,000	\$2,542,000
Income from Operations	\$2,876,000	\$781,000	(\$1,690,000)	\$1,566,000
Other Income (Expenses)	\$108,000	\$99,000	\$219,000	\$146,000
Net Income	\$2,984,000	\$880,000	(\$1,471,000)	\$1,712,000

Revenues decreased from last year. Lower ethanol sales volumes due to the boiler explosion contributed to this reduction. Cost of Goods Sold were lower than last year. These decreases resulted from decreased production due to the boiler explosion. Fiscal YTD Gross Margins were lower than last year due to lower production levels, lower ethanol prices, and higher corn prices paid. LSCP purchases business interruption insurance that helps replace revenues when events like the boiler explosion occur. While we have not recorded any expected income in our YTD Statement of Operations, we believe that the insurance reimbursement will be approximately \$3.5 million through March.

LSCP, LLC Balance Sheet For Periods Ended March 31, 2019 and 2018

	As of March 31, 2019 (Unaudited)	Fiscal Year Ended March 31, 2018 (Unaudited)
Total Current Assets	\$40,561,683	\$24,462,314
Net Property and Equipment	\$92,605,428	\$92,727,743
Other Assets	\$3,930,359	\$4,398,228
Total Assets	\$137,097,470	\$121,588,285
Total Current Liabilities	\$19,326,371	\$11,246,700
Owner's Equity	\$117,771,099	\$110,341,585
Total Liabilities and Equity	\$137,097,470	\$121,588,285

The increase in Total Current Assets and Total Current Liabilities is partially a result of an insurance payment advance. Increase in Owner's Equity is a result of yearly earnings less distributions to owners.

LSCP, LLC Owner's Data For Periods Ended March 31, 2019 and 2018

	Quarter Ended March 31, 2019 (Unaudited)	Quarter Ended March 31, 2018 (Unaudited)
Outstanding Ownership Units	271,065	271,065
Original Cost of Units (\$1000/15)	\$66.67	\$66.67
Period Earnings	(\$2,984,000)	\$880,000
Per Unit	(11.01)	3.25
% of Original Unit Cost	17%	5%
Ethanol Gallons Produced-Denatured	37,310,080	41,163,673
Per Unit (Annualized)	550.57	607.44

Most Recent Unit Sales

Class A: May 2018 - 50 Units @ \$676
Class B: April 2019 - 56 Units @ \$523
Class C: April 2018 - 120 Units @ \$650

THE BILLION GALLON MARKET NEXT DOOR



CE Senior Vice President Ron Lamberty speaking in Chihuahua, Mexico, in July 2018 for the fourth of six technical ethanol workshops the U.S. Grains Council held for Mexican petroleum equipment installers and retailers in 2018.

By Ron Lamberty, Senior Vice-President, American Coalition for Ethanol

Three years ago, gasoline retailers in Mexico had no control over what brand or grades of fuel they sold in their stations. They also didn't determine fuel prices, when they got fuel deliveries, or even whether they have fuel on hand. Eighty years ago, Mexico created the state-owned oil company Petróleos Mexicanos, better known as Pemex, and that company dictated every aspect of the Mexican fuel marketplace.

That began to change in 2016 when, following successful deregulation of other industries in the country, the Mexican government decided to deregulate the petroleum market, with phase-in of those new rules on a region by region basis starting in 2017. As those regions came on board, station owners could consider a brand change, and even a change in the products they sell at their locations. The U.S. Grains Council scheduled a series of workshops with the Mexican Association of Service Station Suppliers (AMPES), the Mexican equivalent of the Petroleum Equipment Institute (PEI), which represents companies selling fuel pumps, tanks, and other equipment and asked ACE to help introduce ethanol into the fuels discussion in Mexico.

ACE was chosen because our approach has always been to work with prospective retailers, and provide them with information and the experiences of other retailers and wholesalers who have already switched to the blends they were considering. At seven meetings in 2017 and 2018 we explained what ethanol is (200-proof tequila), and how it helps increase octane while reducing emissions and costs. As in the case with most retailer workshops, the last point — how much less ethanol costs, garnered the most attention.

With experience going all the way back to the 1980s, when ethanol was first sold in the United States utilizing "splash blend" racks near gasoline terminals, ACE has the unique ability to show petroleum marketers in Mexico how they could not only sell ethanol to station customers, but possibly be a supplier of ethanol to other stations using the same approach we took to first sell ethanol in the U.S. The three workshops that have been held so far in 2019 have offered more "how to" advice on equipment for splash blending, and discussions of how to deal with logistical challenges of getting ethanol to various locations in Mexico.

There are many hurdles to clear before there is widespread ethanol use in Mexico, and ACE will continue to provide whatever assistance we can to serve the potential billion+ gallon customer next door.



Little Sioux Corn Processors
4808 F Avenue, Marcus, IA 51035

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Enclosed is my contribution to help protect LSCP's future

☐ \$1,000 ☐ \$750 ☐ \$500 ☐ \$250 ☐ \$100 ☐ \$50

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