



The

DISPATCH

STEVE'S REMARKS Comments from our GM

The company experienced a challenging 2nd fiscal quarter with the advent of the Covid-19 pandemic and the subsequent lockdown of the U.S. which hit domestic ethanol demand reducing consumption by half and simultaneously raising in-tank stocks to unprecedented levels. The losses to the bottom line were substantial in March and April. We reduced rate of production in early April to approximated 80 million gallons per year for the following reasons. First, stocks in storage had to be reduced to have any hope of an economic recovery for our business near term, sharp reductions in demand caused our customers to sharply curtail nominations for shipment, and economics dictated reduced rates to conserve cash reserves. LSCP is not unique, almost all production facilities reduced rates of production up to complete shutdown of plants for the aforementioned reasons. Hopefully, the worst is over, and our business and the country can work toward an economic turnaround. Personally, I think our economy will come quickly once our country comes out of lockdown and the virus becomes more manageable as treatment

methodology develops.

During the first week of May demand for our product began to resurface. End users started asking questions about moving up nominations. In a few short days, consumptive demand had resurfaced, margins improved, and LSCP is back to normal rate and for now the cash bleed is over. All markets moved in a positive direction which indicates demand on a broad scale has improved. The industry needs demand for our product to continue moving upward. LSCP is not unique if economics are better for us, its better for everyone. An over supply that exceeds demand will cause deterioration in our ability to maintain operations with satisfactory returns. Today, the market is anticipating continued ramp up in gasoline demand which translates to increased ethanol demand as well. Let's hope it continues.

The Still-Pro 50 project designed by Fluid Quip is moving along nicely. The wet pad extension will be commissioned the week of May 27. Electrical underground for the protein drier and the decanter building is nearly complete. Concrete pilings for the drier foundation have

been installed. The concrete contractor is actively working on foundations in this area. Once the wet pad extension is complete demolition on the old pad and civil work on the MSC building will begin shortly thereafter. The project is coming together nicely and hopefully is ready for startup in first quarter 2021. It cannot happen soon enough; protein segregation will be a big boost to the economic stability of LSCP.

The corn and soybean crop went into the ground in record time. A far different story than 2019, one which most producers I am sure would rather forget. At least for now NW Iowa escaped frost damage when the most recent cold snap came through. The prospects for good yields are promising, let's hope the returns get better for our raw material and ethanol as well.



Steve Roe
General Manager

Commodity Corner



Jake Wetter
Grain Merchandiser

The Covid-19 pandemic has had a catastrophic impact on gasoline & ethanol demand this spring. US fuel demand was 50% of normal the first half of April. Ethanol crashed to an all-time low of 80 c/gal in Chicago. Dozens of ethanol plants have closed or idled back production to match actual usage as the ethanol industry was already struggling with record stocks. There simply was nowhere to go with ethanol regardless of price. Weekly

corn use for ethanol went from a high of 110 million bushels per week down to 55 million bushels per week.

Demand has begun to rebound, but none the less, corn usage for ethanol has been decreased by an estimated 425 million bu this crop year. Decreased demand from the pandemic has caused corn carryout to swell from 1.8 billion to 2.1 billion bushels this summer. Cash prices have also collapsed. Losing \$1/bu in a little over a month.

The 2020 corn crop is off to a fantastic start. Planting conditions across much of the corn belt are the best in years. USDA estimating 97 million planted acres & trend-line yields of 178.5 bpa projecting a record

crop of 16 billion bu for 2020-2021. Record crop has led to a forecasted carryout to 3.3 billion bushels, the highest level since the 1987-1988 marketing year. Stocks relative to use at 22.4% would be the highest since 1992-1993. USDA forecast the farm price for corn to drop 11.1% from its current-year estimate of \$3.60 down to an average of \$3.20/bu over 2020-2021. Not a very rosy picture for corn prices moving forward.

Seems like all spring all we have heard has been bad news. It is not all doom and gloom. There is reason for optimism moving forward. No industry is more essential than agriculture. We will prevail. Ag producers & processors have seen tough times before. Demand for our feed & fuel will be robust as the world recovers from the pandemic. Food & food security will be at the

continued on page 2

Drilling scenarios



Chris Williams
Plant Manager

Learning is not obtained by chance; it must be sought after. Retention occurs with repetition. Little Sioux Corn Processors has many training programs that are required annually to keep action plans fresh in employees' minds as they go about their daily activities. We are required to have a Spill Prevention, Control Measures, and Control Plan (SPCC) in place to address what steps should be taken to keep our environment safe.

LSCP management and employees conduct mock spill drill scenarios and deployment activities to practice the steps to be taken if a spill event were to occur. Our operators are trained on how to communicate a spill, how to keep a safe distance from the spill and how to barricade off safe zones. This drill demonstrates employees have access to

the spill materials and know how to use them.

This spring our employees will conduct a table-top drill discussing what will be done. Questions will be asked such as: What is the chemical we are dealing with? What specific chemical properties and hazards does it have? Is it flammable? What approach distances should we maintain? How much product was spilled? Who do we need to contact to report the spill and where are those numbers located? What are the current weather conditions and how will that affect the spill?

We will test the use of our public announcement system, radio communication and have employees practice an evacuation. They will understand what areas they should go to and what they need to do once they are in their evacuation locations. We typically time our response at getting people to locations quickly. We will follow-up with a debriefing of what we did right and what items we can improve on. We will then share this information with any team members that were unable to participate

that day.

Last, but not least, we will get our equipment out in the "drill" location. We will simulate that we are checking safe zones and create a safe approach distance. We will demonstrate that we can get our equipment to the needed spaces in this drill. We will be determining if we have good access points and can pay attention to the way the spill would naturally flow with the nearby landscape.

Being able to act fast and safely is important for protecting our environment, employees, and community. We have simulated several tank ruptures, truck collisions, pipeline damage, and dangerous chemical mixture scenarios in the past. We have also participated in past emergency management drills with the county and state. We work closely with community fire departments and have done trainings with them as well. Knowing what we do well and what we can improve determines how well we succeed in environmental protection. We never want to stop learning because if we stop learning we stop growing.

continued from page 1

fore front of every family's mind, whether they are across the street or across the globe. Well-run businesses both big & small that can adapt & move forward will be rewarded as the economy recovers.

Looking ahead I feel like the

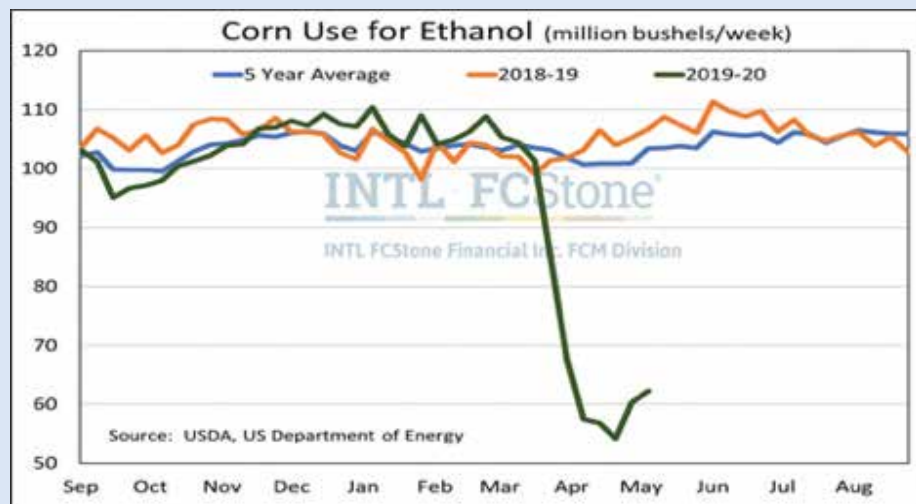
worst is now behind us. How quickly can the economy recover & will there be a relapse? Will recovery be characterized as a slow crawl or brisk bounce? How soon will critical food demand from restaurants/travel/meetings recover? Nobody can know, but it sure feels like the markets

have put in a bottom. Demand will surprise people. The old saying cheap prices cures cheap prices is especially true today. Could China finally buy US ag commodities in a big way to finish out 2020? Will cheap gas price & fear of mass transit cause gas demand to rebound or grow

from past years usage? A surprise weather rally is not out of the question either. Many areas of the western corn belt have been drier than normal the last 6 months.

Eventually, markets will rebound, rally & recover. Be ready to sell aggres-

sively when better prices arrive. Eliminating or minimizing risk should be a part of everyone's business plan. Forward contracting is a great way to mitigate risk. By selling corn for delivery 6 - 12 months from the current time, you can capture the carry and receive a 30-45 cent per bushel premium for your corn. Your goal with forward contracting corn sales is not only to sell at the high end of the market, but to establish a known revenue per acre for your year's work. Businesses from multinational corporations to small mom and pop operations use contracting for one very simple reason: to take an unknown figure and turn it into a known figure. Be safe out there & be ready for better times ahead!!



FINANCIAL STATEMENT *Review*

By Gary Grotjohn



Gary Grotjohn
Controller

LSCP, LLC Statement of Operations For Periods Ended March 31, 2020 and 2019

	Quarter Ended March 31, 2020 (Unaudited)	Quarter Ended March 31, 2019 (Unaudited)	Six Months Ended March 31, 2020 (Unaudited)	Six Months Ended March 31, 2019 (Unaudited)
Revenues	\$63,653,000	\$62,987,000	\$133,886,000	\$111,386,000
Cost of Goods Sold	\$68,324,000	\$58,883,000	\$133,156,000	\$110,634,000
Gross Margin	(\$4,671,000)	\$4,104,000	\$730,000	\$752,000
Operating Expenses	\$1,238,000	\$1,228,000	\$2,604,000	\$2,442,000
Income from Operations	(\$5,909,000)	\$2,876,000	(\$1,874,000)	(\$1,690,000)
Other Income (Expenses)	\$135,000	\$108,000	\$329,000	\$219,000
Net Income	(\$5,774,000)	\$2,984,000	(\$1,545,000)	(\$1,471,000)

Revenues increased over last year as volumes returned following last year's reductions from the boiler explosion. The impact of volume increases was softened by a 12% reduction in ethanol sales prices in the 2nd fiscal quarter. Cost of Goods Sold increased over last year resulted from higher input volumes discussed above coupled with a 6% and 9% increase in corn prices paid for the quarter and fiscal YTD respectively.

LSCP, LLC Balance Sheet For Periods Ended March 31, 2020 and 2019

	As of March 31, 2020 (Unaudited)	As of March 31, 2019 (Unaudited)
Total Current Assets	\$23,607,604	\$39,185,000
Net Property and Equipment	\$106,708,720	\$94,952,000
Other Assets	\$3,630,427	\$4,291,000
Total Assets	\$133,946,751	\$138,428,000
Total Current Liabilities	\$11,211,773	\$19,326,371
Owner's Equity	\$122,734,978	\$117,771,099
Total Liabilities and Equity	\$133,946,751	\$137,097,470

The decrease in Total Current Assets and the offsetting increase in Net Property Plant and Equipment is a result of payments for the High Protein Feed Project. 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, 2020 and 2019

	Quarter Ended March 31, 2020 (Unaudited)	Quarter Ended March 31, 2019 (Unaudited)
Outstanding Ownership Units	271,065	271,065
Original Cost of Units (\$1000/15)	\$66.67	\$66.67
Period Earnings	\$4,228,000	(\$4,455,000)
Per Unit	15.60	(16.44)
% of Original Unit Cost	23%	-25%
Ethanol Gallons Produced-Denatured	39,682,225	32,385,566
Per Unit (Annualized)	585.58	477.90

Most Recent Unit Sales

Class A: Feb. 2020 - 280 Units @ \$500 Class A: Feb. 2020 - 120 Units @ \$480
Class B: April 2019 - 56 Units @ \$523 Class C: April 2018 - 120 Units @ \$650

Ethanol Blends Saving Lives through Reduced Vehicle Emissions

That is the conclusion of a new peer reviewed technical paper published in the Journal of Air & Waste Management, validating previous research efforts by the Urban Air Initiative that find when ethanol is added to gasoline, it significantly reduces toxic emission tied to air pollution.

The research team leading this effort included notable refinery and fuel emission experts who looked at hundreds of earlier studies on emissions and ethanol. A glaring error, according to the authors, is that these studies assume a standard fuel is created for testing emissions. However, the research found that test fuels rarely resemble real-world fuels, similar to what consumers purchase.

The paper found that when simply adding ethanol to fuel, it reduces the most carbon intensive and carcinogenic fuel additives called aromatics. Replacing these benzene-based additives with ethanol directly reduces particulate matter (PM) and NOx emissions, both of which are ozone precursors and represent significant health risks to the public. The discrepancy the authors found in the previous studies centered on the fact that test fuels add ethanol and aromatics together to raise octane, while oil refiners actually reduce aromatics to utilize ethanol as an octane enhancer. Comparing a baseline E0 fuel to E10 and E15 shows the ethanol blends are significantly better when real world fuel blending conditions are used.

"What this new paper makes clear is the aromatic reduction resulting from increased ethanol volumes provides significant health benefits from lower particulate emissions," said Urban Air President Dave VanderGriend. "The Urban Air Initiative and its supporters in the ethanol industry call on the EPA to look at this research and consider the facts uncovered in this paper as it prepares to make regulatory decisions about ethanol blended fuels."

And, in light of the current health crisis, the fact that regions suffering from air pollution are experiencing higher cases of the COVID-19 virus suggests reducing emissions needs to be a national priority for the EPA, according to VanderGriend.



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Construction progress on our High Protein Feed Expansion Project

