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Biofuels Update

2022-05-17 11:34:46 EDT
***Iowa Governor Reynolds Signs E15 Access Bill Into Law

Iowa Gov. Kim Reynolds on Tuesday morning signed into law a bill that will put the state on the path to widespread E15 access by 2026 after both chambers of the state Legislature approved the measure in late April.

The 2022 Biofuel Access Bill (House File 2128), which Reynolds, a Republican, introduced in January, will require more than half of the state's fuel retailers to offer E15 on at least one pump. Beginning in January 2023, new stations and those that install new pumps would have to offer the fuel from at least half of their dispensers.

The measure will provide waivers to small retailers with older equipment.

In addition, the bill will require that all new or upgraded fuel infrastructure be B20 compatible and that all E15-approved pumps also have the capability of selling E85.

The measure will revise an existing E15 promotion tax break that ranges from 3cts to 10cts/gal -- depending on the time of year -- to a full-year 9ct/gal credit through 2025. And it will extend a 16ct/gal credit for E85 through 2028.

Further, the bill will extend through 2028 programs that provide credits of 5cts/gal for blends of biodiesel between 11% and 20%, 7cts/gal for blends between 20% and 30%, and 10cts/gal for 30% and higher.

The bill was approved by Iowa's House in February but was later amended by the Senate to include language authorizing the state's Secretary of Agriculture to exempt fuel retailers that sell less than 300,000 gal/year.

Iowa Department of Revenue data from 2021 show that roughly 30% of retail stations, which account for about 5% of Iowa's total fuel sales, would qualify for the exemption.

In a release following the signing of the measure, Iowa Renewable Fuels Association (IRFA) Executive Director Monte Shaw said, it was the "most important piece of biofuels legislation" in state history.

"With the stroke of her pen, Governor Reynolds made history today," Shaw said. "The Iowa Biofuels Access bill is nation-leading policy that will greatly expand consumers' ability to find lower-cost biofuels at pumps across the state."

And Emily Skor, CEO of Growth Energy, said the measure, "is a win-win for the economy and the environment, and we're glad to see this legislation enacted, which will have a permanent impact for generations to come."

Clean Fuels Alliance America (CFAA) CEO Donnell Rehagen said that, with the passage of the measure, "Iowa joins the ranks of Illinois, Minnesota and others with some of the most forwarding-thinking legislation that values the production and use of biodiesel."

--Reporting by Patrick Newkumet, pnewkumet@opisnet.com; Editing by Jordan Godwin, jgodwin@opisnet.com

Second Quarter 2022

The DISPATCH

STEVE'S REMARKS Comments from our GM

Steve Roe
General Manager

Looking back at the 2nd fiscal quarter the negative results were disappointing at first, but after spending some time in review of the quarter, results did turn out well considering the circumstances. Expectations for the winter quarter are never high because of lower gas demand and the resulting buildup of ethanol stocks, but this quarter we had escalating raw material cost including corn, natural gas, and fermentation ingredients. Inflation of our raw ingredients did adversely affect our cost of production, but fortunately gross sales outpaced the cost increases to date. The procurement group bought significant supplies of corn for future delivery which increased our upfront corn cost from the resulting hedge losses. As futures moderate our nearby cost will decrease which will bring those losses back into the p/l through wider grind margins in the deferred months.

The corn protein project as I mentioned at the annual meeting has been a challenge. We did make two changes to the protein drier at our spring shutdown. We sped up two conveyors to allow more recycle and enlarged five airlocks to allow the dried product to exit the system. We are now able to dry the product to specification because of the additional recycle capability and the airlock change to date has stopped the plugging issue through the cyclones. Output of protein is currently 192 ton per day, there is still work to do to reach our 220 ton per day goal, but we are moving in the right direction. Changes within the protein extraction system affects other plant systems so it's been a challenge to keep the entire plant operating on an even keel. The operations department has done a great job adapting to the challenge. We are learning more about the system every day and how to adjust to achieve best performance. Hopefully we get run times to approach or meet the ethanol production segment. If this is achieved the learning curve will increase substantially allowing us to identify additional pinch points in the system. Today, the drier does not appear to be a future pinch point which is fantastic news.

The company has 4 significant projects on the 2022 calendar which include relocation of the distillation cooling tower, additional AltiPro storage, slurry tank replacement, and a maintenance/spare part storage building. Construction on the cooling tower began this week with completion of civil work and preparation for required concrete structures. The foundation for the protein storage is complete. The bin is on site in pieces and will be erected in late May/June with final commissioning at our fall shutdown. The warehouse is slated for September delivery with a late 2022 completion date. The slurry tank replacement will be completed at our fall shutdown. Compared to previous years, the new construction work at LSCP is considered light by us at the plant.

Time will tell if +$4.00 gasoline slows demand or is ignored. I think its too soon to tell. If people are optimistic about their future, they will continue to be mobile which is good for our industry, obviously. Let's hope people want and do get out and move around. Its good for business!

Have a good spring season

Commodity Corner

Jake Wetter
Grain Merchandiser

Several factors have had an incredibly positive impact on grain prices in the last 8 months. War, inflation, supply issues and strong demand have all lead to prices near or at all time highs for corn, soybeans & wheat.

The 2022 Russian invasion of Ukraine and lingering war have had major price impacts for ag commodities. Russia & Ukraine are major exporters of corn, wheat, barley, canola, sunflower oil as well and UAN & Urea fertilizers. Corn has rallied from $6 in early February to over $8 here in early May. Traders have continued to add premium to the markets because so many unknowns about the corn supply for the world this year. So many questions that will take months to sort out the answers. Do farmers have enough seed, fertilizer and fuel to plant a crop? How much cropland can even be planted? Can grain transportation and storage systems handle the harvest? When will grain export elevators on the Black Sea become operational? Will the Ukraine government limit or suspend grain exports? The USDA in their May report estimated Ukraine corn exports will be roughly half the quantity exported the last two years and wheat exports will be about 1/3 of normal. Let's hope they can achieve those levels.

Outside markets and macro-economic issues and concerns have driven the commodity complex higher as well. Investor concerns around inflation and the steps the Fed is taking to tame it are the main force. The Fed is expected to continue raising interest rates to combat inflation that is at 40 year highs. Inflation is still very much alive and well, with fund managers seeking those hard assets that they can use to protect their portfolios from the eroding effects of inflation. Ag grain commodities currently are

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Spring Maintenance

Chris Williams
Plant Manager

Even the best-built machines need proper preventative maintenance to remain productive and reach their maximum working life. LSCP completed its 37th scheduled maintenance shutdown this spring.

This weeklong process requires substantial coordination between maintenance managers, schedulers, technicians, production operators, production managers, contractors, and safety crews. Our high protein expansion added over 30 new pieces of equipment requiring lockouts, cleaning, repairs, and inspections.

First our ring dryer, rotary dryers, thermal oxidizers, regenerative thermal oxidizer, and boilers all required a thorough cleaning. Next, are the inspections of the safety devices and burner systems. Followed up by inspection of the insulation within each. After the equipment is cleaned and running, the systems need to be tuned for the best efficiency. Also in the energy centers, feed conveyors get inspected for worn belts, bearings, guards, paddles, and any additional wear concerns. Boilers are inspected by the state to ensure that they are in full compliance.

Exchanger plate packs get swapped, cleaned, and inspected for product buildup that could reduce heat transfer. Evaporators get hydro-blasted to ensure all 850 tubes of each evaporator, a total of 15,300 tubes get cleaned to obtain good heat transfer. In addition to cleaning evaporators, the whole stillage, thin stillage, centrate, distiller corn oil and syrup lines get cleaned to reduce fouling and ensure nothing will plug. Syrup, Slurry, and Liquefaction tanks get emptied and inspected to make sure mixers bushings are in good working order.

Many of the pumps get taken apart for inspection of the couplers, impellers, bearing, gaskets, seals, shafts, and casing for wear. If something is not working properly it is fixed immediately. No matter how small the issue, it is addressed to prevent the potential of it growing into a much larger problem.

There is an incredible amount of work done during this week. Grains, production, maintenance, and safety teams do an excellent job preparing the work areas, locking out affected equipment, inspecting and replacing worn parts and cleaning up the mess upon completion. A huge thanks to each of them for pulling it all off without a hitch. We could not complete everything without the dedication of our team. The amount of downtime we have as a company is dependent upon a good preventative maintenance program. Thanks to the everyone who helped make the 2022 spring shutdown a success!

Summit Sequester Site

AMES, Iowa (May 11, 2022) – Today, Summit Carbon Solutions ("Summit"), developer of the world's largest carbon capture and storage project, which will capture and permanently store up to 20 million tons per year of carbon dioxide from dozens of ethanol and other industrial facilities across the Midwestern United States, is pleased to announce the successful completion of its equity fundraising efforts, which have resulted in over $1 billion in total equity commitments.

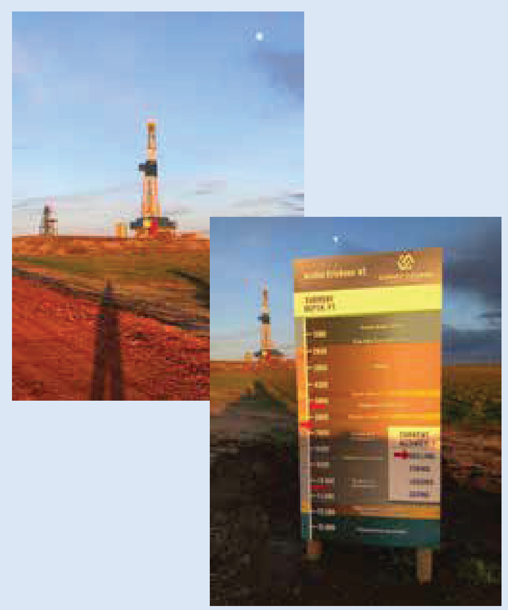
Along with the $600+ million already raised from prior investors, including Continental Resources, Inc. and Tiger Infrastructure Partners, Summit has secured commitments of an additional $400+ million, including $300 million from TPG Rise Climate, the dedicated climate investing strategy of TPG's global impact investing platform TPG Rise.

These commitments and the conclusion of Summit's fundraise come on the heels of its recent announcement of its joint venture with Minnkota Power Cooperative that will provide Summit access to the largest fully permitted permanent carbon dioxide storage site in the United States. Together with the storage sites Summit is developing independently, the joint venture will provide Summit with total storage capacity of approximately 1.2 billion tons of carbon dioxide.

"Summit Carbon Solutions continues to make great strides in the development of its transformational decarbonization project and the completion of this fundraise ensures we will be well capitalized to deliver for all our stakeholders. We are excited to announce TPG Rise Climate's investment and to welcome them as partners in Summit Carbon Solutions," said Bruce Rastetter, CEO of Summit Agricultural Group. "We have been highly selective with our capital raise by searching for partners who share our vision and who bring unique abilities to add value to the company. TPG Rise Climate undoubtedly meets those standards and we are delighted to have them among our diverse group of strategic partners."

"We could not be more pleased to have TPG Rise Climate as an investor in Summit Carbon Solutions. From the outset, we always knew that successfully executing this project would require expertise and perspective from a wide variety of industries, including agriculture, biofuels, infrastructure, and energy, and we're proud to say that Summit is joined by world class partners and investors across that spectrum, now including TPG Rise Climate," said Justin Kirchhoff, President of Summit Ag Investors. "Summit Carbon Solutions will make a substantial environmental, social, and economic impact across its project footprint, and we look forward to working with the team at TPG Rise to deliver on that promise."

"The global fight against climate change requires an all-of-the-above approach to decarbonization and low carbon biofuels can play an increasing role," said Hank Paulson, Executive Chairman of TPG Rise Climate and former U.S. Treasury Secretary. "The United States can be a global leader in jump-starting the carbon capture and sequestration industry with innovative companies like Summit Carbon Solutions. We are pleased to be working with the team at Summit on this groundbreaking endeavor and look forward to the opportunities it will create."



"A project of this size and complexity requires both extensive expertise in infrastructure and project development as well as substantial impact-driven capital. We are proud to join Summit Carbon Solutions and other high-caliber investors to bring TPG Rise Climate's unique skillset to this ambitious, first-of-its kind project, " said Mike Stone, Chief Investment Officer of TPG Rise.

Summit Carbon Solutions seeks to lower greenhouse gas emissions by connecting industrial facilities via strategic infrastructure to store carbon dioxide safely and permanently in the Midwestern United States. For more information, visit: www.SummitCarbonSolutions.com.

FINANCIAL STATEMENT Review

By Laura Lunders

Laura Lunders
CFO

LSCP, LLC
Statement of Operations
For Periods Ended March 31, 2022 and 2021

	Quarter Ended March 31, 2022 (Unaudited)	Quarter Ended March 31, 2021 (Unaudited)	Six Months Ended March 31, 2022 (Unaudited)	Six Months Ended March 31, 2021 (Unaudited)
Revenues	$ 115,701,000	$ 89,667,000	$ 265,469,000	$ 160,844,000
Cost of Goods Sold	115,767,000	80,480,000	220,309,000	152,437,000
Gross Margin	(66,000)	9,187,000	45,160,000	8,407,000
Operating Expenses	1,373,000	1,249,000	2,821,000	2,485,000
Income from Operations	(1,439,000)	7,938,000	42,339,000	5,922,000
Other Income (Expenses)	277,000	889,000	213,000	1,976,000
Net Income	$ (1,162,000)	$ 8,827,000	$ 42,552,000	$ 7,898,000
Net Income/Unit	$ (4.29)	$ 32.56	$ 156.98	$ 29.14
Distribution/Unit**			$ 79.88	$ 23.60

** Distributions were given in December 2021 (FYE 22) and December 2020 (FYE 21).

In the six-months ended financial comparison, the majority of the increase in revenues comes from ethanol netback averaging 72% higher. We were able to capture increased revenues in the value of coproducts as well, just not to the extent of ethanol. The COGS increase was due to corn cost (up 38%), natural gas (up 88%) and the reality of the rising costs of all inputs. We see our operating expenses are consistent year over year with the other income (expenses) movement coming from investment income being offset by interest expense in FY 2022 vs CARES Act grants/funding received in FY 2021.

LSCP, LLC
Balance Sheet
For Periods Ended March 31, 2022 and 2021

	As of March 31, 2022 (Unaudited)	As of March 31, 2021 (Unaudited)
Total Current Assets	$ 83,733,000	$ 48,942,000
Net Property and Equipment	$ 130,718,000	$ 131,003,000
Other Assets	4,135,000	3,328,000
Total Assets	$ 218,586,000	$ 183,273,000
Total Current Liabilities	$ 28,480,000	$ 17,087,000
Total Long Term Debt	$ 13,906,000	$ 31,876,000
Owner's Equity	176,200,000	134,310,000
Total Liabilities and Equity	$ 218,586,000	$ 183,273,000
Book Value/Unit	$ 650	$ 495

Total Current Assets increase stems from increased values of inventory and positive margins from the 1st quarter of the FY.
Net Property Plant and Equipment is consistant year over year. In March 2021, we were finishing up the AltiPro project. In FY 2022, we have projects that are just getting started. The Current Liabilities increase comes from the increased value of the corn and number of bushels being deferred or on price later.
Long-Term Debt is the the financing of the AltiPro project. We made the 8M required payment in Aug 2021 along with a voluntary payment of 10M in March 2022.

LSCP, LLC
Owner's Data

Most Recent Sales
Class A
- February 2022 - 120 Units @ $625
- March 2022 - 300 Units @ $750
- April 2022 - 400 Units @ $750

Class B
- February 2022 - 56 Units @ $575
- March 2022 - 60 Units @ $540
- March 2022 - 60 Units @ $550

Class C
- March 2022 - 120 Units @ $600

Current Offers to Sell
Class A
- 522 Units @ $800

Class B
- 56 Units @ $650
- 57 Units @ $650

Current Offers to Purchase
Class A
- 400 Units @ $750
- 200 Units @ $630
- 120 Units @ $630
- 150 Units @ $630

Class B
- 56 Units @ $525

Class C
- 30 Units @ $575

Please be sure to contact LSCP if you have updated contact information to help ensure you receive information timely.

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seen as serving that purpose, with relatively tight supplies that have ongoing risks that could create even tighter supply levels. The principle of inflation is very simple – demand exceeds supply. Supply was reduced by the pandemic, followed by the war in Ukraine. Meanwhile, demand is artificially high due to the $9 trillion in stimulus currently in the economy that pushes consumer buying interest above levels that the supply chains were developed to handle under normal times; let alone during the challenging times of the pandemic and Ukrainian war.

The May USDA report was expected to be bullish the grain markets and it did not disappoint. For corn, USDA noted its outlook is for lower production, domestic use, exports, ending stocks, and higher prices. Please take advantage of these $7 & 8 cash corn prices. Normally, we don't spend very much time above $8 cash. Since, LSCP opened 19 years ago, we have only had 40 days that we had a $8 cash corn bid or higher. Veterans of the corn market seem to be less enthused with buying $8/bu corn knowing that rationing ensures that we truly never really run out of grain. The US weather could provide a spark this summer to push prices even higher, but the aftermath of the Russian/Ukraine war, unforeseen Black Swain events and macro-economic price developments could overpower even poor weather this summer.