The DISPATCH

Little Sioux Corn Processors

Third Quarter 2021

STEVE'S REMARKS Comments from our GM

Steve Roe
General Manager

It seemed at the beginning of 2021 the headwinds for the country and this industry were overwhelming. Gasoline demand was dismal compared to 2019 and much debate revolved around when and if it would recover; but it has and is currently close to pre-pandemic levels. The demand for ethanol and our co-products was robust during the past quarter. We enjoyed one of our best performances in the company's history at an unaudited 9.996-million-dollar profit. Our raw material (i.e. corn) escalated in price in a very steep upward move but fortunately ethanol, distillers grains, and corn oil followed lockstep. I think it could be challenging to repeat but this industry and LSCP are resilient and with current economic conditions the trend may continue for awhile.

The corn protein system was launched in late May. The integration of this process into the current plant was challenging for everyone but the group responded extremely well. We ran at approximately half rate through the months of June and July while the kinks were worked out. The goal is a consistent 50% corn protein with low fiber and fat content. The company has branded this product with the trademark AltiPro. Reaching this hurdle on a consistent basis has been challenging but we will get there over time. Today we are averaging over 49 percent protein on a consistent basis so our goal, although challenging, is attainable. At this writing, we have just concluded a two-day shutdown of the hi-protein system. We replaced an undersized pump and upgraded the internal pieces of equipment within the MSC building and protein drier. The focus coming out of shutdown will be to reach 220 tons of hi-protein production each day, while simultaneously working our protein purity up over the 50 percent level.

I don't need to tell anyone that we've had an abnormally dry spring and summer. It is amazing how the crops have withstood this stress and look good under the conditions. Although I am sure there are areas that have not fared as well because of wind, hail damage and inadequate rainfall. I feel for those in that situation. It's always hard when rain is sparse but fortunately, we have received much-needed moisture in the last half of July and early August that has kept the crop moving in the right direction. Although without question we need more to assure a successful 2021 harvest across Northwest Iowa.

Commodity Corner

Jake Wetter
Grain Merchandiser

A boost to the bottom line!! Corn oil has always provided a nice boost to our bottom line here at LSCP. Ten years ago we were extracting about a half pound of corn oil per bushel. Today we are extracting well over 1 pound per bushel. Doubling our corn oil yield in the past 10 years has been an impressive accomplishment. This has been accomplished thru installing an additional centrifuge, equipment optimization, new extraction aids and most recently, the start-up of the MSC protein system, has added to our ability to produce corn oil.

Not only has our production of corn oil doubled, but so has the price!! Corn oil price has historically traded from 25-30 c/lb for much of the last 8 years. With the uptick in demand from renewable diesel fuel, the price has doubled to over 60 c/lb this summer. Renewable diesel fuel is gaining investment support in the US and Canada, as the drive to reduce carbon emissions from trucks and other diesel uses is stimulating development of the fuel. Renewable diesel shares the same fat, oil, and grease feedstocks as biodiesel. Even though both bio-based fuels help in replacing fossil fuels with renewables and thereby reduce global climate emissions, only renewable diesel can be used in high concentrations and even as a standalone product in all diesel engines. US production capacity for renewable diesel will increase significantly through 2024, based on announced projects and those that are under construction. As of the end of 2020, estimated US production capacity for renewable diesel totaled nearly 0.6 billion gallons per year (gal/y). EIA forecasts it to reach 5.1 billion gal/y by

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The struggle is real....

Chris Williams
Plant Manager

Last year many businesses were forced to close or reduce production rates due to COVID. The struggle of finding and maintaining a quality workforce is at an all-time high. Virtually every restaurant, store or manufacturing facility is trying to hire help. Some restaurants and shops are reducing hours of operation or closing for additional days because they do not have enough coverage for their normal business hours.

A recent study shows that 85% of Human Resource executives express the biggest challenge they have is the organization's inability to recruit and retain good employees and managers. Turnover has a direct impact on company revenue and profitability. New strategies to attract, retain, and improve productivity are more important now than ever before.

Maintaining our employees is vital because they already know the cause and effect of process changes, have experienced the "Don't do that because it will do this…" and have learned and adapted their behaviors to keep inefficiencies from happening. Inexperienced employees may not have experienced these situations, so they are not able to react in the same manner. Therefore, by retaining employees, we will have a higher caliber workforce that will positively affect our bottom line.

As you know, we have been at the cutting edge with our technology, which has put us in a constant state of construction since 2014. The steady state of constant construction can take its toll on people. It is difficult to keep training documents up to date when things are constantly changing. Maps to show where things are located change, procedures change, etc. With construction comes additional staffing to train, supervise and communicate. All of this is necessary to keep quality and safety standards high.

We are blessed to have a staff that takes ownership as they do. Our employees are truly our greatest assets. They keep things clean, maintained, and operating well. They pay attention to the slightest changes and try to correct them before they become a bigger problem. Additionally, we hope to be able to continue to provide more growth opportunities to all our employees.

With that in mind, if you know someone who would enjoy a career with a growing company who is safety-conscious, flexible, dependable, and able to adapt to changing conditions easily, please get them to turn in an application. This is a great place to work and there are many opportunities for us to grow within.

RFA Founder Calls for Correction of EPA Transportation Office's "Shocking Miscarriage of Environmental Justice"

Sao Paulo, Brazil – (August 9, 2021) – Speaking to the 14th Annual Bioenergy Conference hosted by Brazilian government and industry stakeholders, the founder of the U.S. Renewable Fuels Association (RFA) charged U.S. EPA Office of Transportation and Air Quality (OTAQ) bureaucrats with a "shocking miscarriage of their environmental justice responsibilities" and for defying a mandatory law requiring the agency to reduce toxic, carcinogenic components in gasoline.

Classified as aromatics, refiners produce these benzene-based compounds, also known as BTEX, from crude oil to increase octane in gasoline despite existing laws requiring EPA to reduce them to the greatest extent achievable.

David E. Hallberg, who formed the RFA in January 1981 and served as its first CEO during the formative years of the U.S. fuel ethanol industry, noted that high octane, low carbon ethanol blends can cost effectively provide the required aromatics reductions. However, EPA has unlawfully blocked their development for decades. Hallberg noted this disturbing trend continues as the proposed fuel efficiency rule released last week failed to address gasoline even after EPA was presented with indisputable supporting information.

"Several powerful OTAQ officials—some of whom have been in their positions for thirty years—are restricting the use of the wrong gasoline component," said Hallberg.

"These public servants have for too long now managed to hide behind bad science, defective models which they themselves have admitted fail to predict the most dangerous pollutants, and oil industry-manipulated test data. They have allowed the continued use of billions of gallons annually of the most carbon intensive, toxic, and expensive gasoline components in direct violation of Congressional directives first enacted in the 1990 Clean Air Act Amendments."

In a 2011 report to Congress, EPA projected that by 2020, 90% of the $2 trillion in savings from the Clean Air Act's health benefits would come from reductions in fine particulate matter (PM) and its associated toxics and only 10% from ozone control. However, Hallberg argues that OTAQ's defective models have hidden the truth from the public, press, and Congress that the predominant source of fine and ultrafine PM is gasoline BTEX. Even more troubling, he says, these dangerous emissions will get worse as advanced gasoline direct injection (GDI) engines dominate the U.S. light-duty fleet unless aromatics are substantially reduced.

Numerous other organizations expressed their dismay that EPA has failed to act, particularly when the fuel economy rule presented such an opportunity. The Clean Fuels Development Coalition's Executive Director Douglas Durante said, "The Department of Energy and their national labs, along with auto industry scientists confirm that high octane ethanol blends such as E30 can reduce UFP-bound toxics, black carbon and other dangerous emissions by 45 – 85% in optimized high-compression engines." Durante noted that CFDC has been working through the High Octane Low Carbon Alliance, led by former Senate Majority Leader Tom Daschle, to convey this message.

"The Alliance for Automotive Innovation (AAI)—whose members manufacture 99% of new vehicles sold in the US—wrote Senator Daschle endorsing his efforts to establish a national higher octane gasoline standard using HOLC fuels "in new and existing internal combustion engines…as soon as possible," said Durante. "The pending fuel economy rule presented a tremen-

FINANCIAL STATEMENT *Review*

By Laura Lunders

Laura Lunders
CFO

LSCP, LLC
Statement of Operations
For Periods Ended June 30, 2021 and 2020

	Quarter Ended June 30, 2021 (Unaudited)	Quarter Ended June 30, 2020 (Unaudited)	Nine Months Ended June 30, 2021 (Unaudited)	Nine Months Ended June 30, 2020 (Unaudited)
Revenues	$112,219,500	$48,582,000	$273,064,000	$183,076,000
Cost of Goods Sold	100,699,000	$46,853,000	253,143,000	180,619,000
Gross Margin	11,520,500	1,729,000	19,921,000	2,457,000
Operating Expenses	$1,345,500	1,493,000	3,824,000	4,094,000
Income from Operations	10,175,000	236,000	16,097,000	(1,637,000)
Other Income (Expenses)	(178,500)	74,000	1,798,000	$402,000
Net Income	$9,996,500	$310,000	$17,895,000	($1,235,000)
Net Income/Unit	$36.88	$1.14	$66.02	($4.56)
Distribution/Unit				$40.00

When looking at the quarterly financials comparison, we see revenue and COGS more than double. The revenue growth is due to being back at full rate (we had slower production rate for the month of April 2020), netback on ethanol in 3rd FQ 21 vs 3rd FQ 20 averaging a $1 more per gallon, the co-product netbacks seeing an average increase of 160%. The COGS jump is primarily due to cost of corn. Other income(expense) flipped to an expense as we are now incurring interest cost on the term note.

In the nine month comparison, we see favorable increases in revenues and COGS for the same reasons as quarterly increases. Other income is up due to a grant and capitalizing on a sale.

LSCP, LLC
Balance Sheet
For Periods Ended June 30, 2021 and 2020

	As of June 30, 2021 (Unaudited)	As of June 30, 2020 (Unaudited)
Total Current Assets	$65,610,000	$19,975,000
Net Property and Equipment	$134,853,000	$114,037,000
Other Assets	3,439,000	3,904,000
Total Assets	**$203,902,000**	**$137,916,000**
Total Current Liabilities	$27,712,000	$14,871,000
Total Long-Term Debt	$31,883,000	
Owner's Equity	144,307,000	$123,045,000
Total Liabilities and Equity	**$203,902,000**	**$137,916,000**
Book Value/Unit	**$532**	**$454**

The increase in Total Current Assets stems from borrowing funds, timing of receivables, and increased valuations on inventory. The Net Property Plant and Equipment is due to various capital improvements and the AltiPro project. The Current Liabilities increase is mainly due to higher corn price in June 2021 vs June 2020, our average bid was $6.83 vs 3.09 on comparable bushels. We also have the first payment due on the Term Debt in August 2021. Long-Term Debt is from the the financing of the AltiPro project. Increase in Owner's Equity is a result of yearly earnings less distributions to owners.

LSCP, LLC
Owner's Data
For Periods Ended December 31,2020

Most Recent Sales	Current Offers to Purchase	Current Offers to Sell
Class A - June 2021 - 150 Units @ $480	Class A - 150 Units @ $480	None
Class A - June 2021 - 150 Units @ $480		
Class A - June 2021 - 95 Units @ $480		
Class B - July 2021 - 150 Units @ $500		
Class C - July 2021 - 90 Units @ $475		

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

From front page

2024. It is truly amazing the amount of revenue corn oil has been generating for LSCP. It is a revenue stream that should continue to grow into the future as more demand picks up from these new renewable diesel plants.

Crops this summer are being nursed along in some key states where there are severe shortages in subsoil moisture but continue to receive rains that keep the topsoil somewhat supplied. Western Corn belt states continue to be rather dry and have cut yield potential significantly in some spots. The eastern corn belt is considered the "garden spot" this summer and many are expecting record yields out of the eastern corn belt. Overall, crops will most likely be slightly below average as a national average. Couple the strong world-wide demand for commodities with the smaller crop production and the markets should stay well supported thru the winter. I would expect ending stocks for both corn & soybeans next summer to be very similar to this year. Low ending stocks should support $5 corn & beans in the teens. It will take an extremely good crop next winter in South America to put significant pressure on prices. It is great to have good crop prices and good ethanol production margins at the same time. Here is to the continued good fortune into the future!!

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

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.

New feature for our LSCP App...

We have new feature for our LSCP app that is available for both Android & iPhone users. We now have the ability to electronically sign all grain contracts. With a push notification sent directly to producer's phone, you can now execute a grain scale contract within seconds - anytime, anywhere - with eSign. No more waiting on the mail and wasting paper and postage on contracts. You can sign your contracts from the palm of your hand. Producers can even print off a paper copy for your records if you wish. Download the Little Sioux Corn Processors App today to take advantage of the many great benefits. You can see scale tickets instantly, contract balances, cash bids, put in cash corn offers above the market, see dump hours, weather forecast, commodity news wires & check market prices. Download & sign up today to streamline your corn sales.

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From page 2

dous opportunity to protect public health and reduce CO2 emissions immediately."

Durante said although the proposed rule did not solicit comments on the role of high- octane fuels in meeting efficiency and emission requirements, they intend to provide extensive comments and call on EPA to explain how they can ignore the health threat of gasoline.

"Even the Trump Administration, not exactly known for a focus on health and the environment, requested comments on these issues," said Durante.

Doug Sombke of the National Farmers Union said an increase in octane not only provides significant health benefits if non-toxic and low carbon ethanol is used but it also increases demand for domestic agriculture products.

"EPA continues to view these issues with tunnel vision," said Sombke. "Creating jobs in the ag sector, reducing oil imports, reducing gasoline prices, and stimulating other sectors of the economy are all near- to mid-term benefits that should be part of a new fuel economy standard, but the EPA is unlawfully focusing only on electric vehicles."

Hallberg predicted that new facts recently brought to the attention of President Biden's new EPA Administrator Michael S. Regan will persuade him to correct OTAQ's misguided policies. "There is indisputable evidence that urban PM-borne toxics are the predominant health threat in urban areas and inflict disproportionate harm on infants, children, and residents of economically- disadvantaged communities," he said.

"Administrator Regan insists that he will be driven by science and the rule of law in guiding his decisions. If he honors those words, I believe Mr. Regan will demand a long overdue course correction and encourage a national E30 clean octane standard in the final SAFE-2 and Fine PM rules."