Fourth Quarter 2022

The DISPATCH

LITTLE SIOUX CORN PROCESSORS

STEVE'S REMARKS Comments from our GM

Steve Roe
General Manager

Time again to sit down and put pen to paper and attempt to relay to all of you what occurred during the last fiscal quarter. This year has gone fast, its only weeks from Thanksgiving and Christmas. The plants emphasis this quarter was getting the MSC system up to the 220-ton guarantee while maintaining other operational benchmarks. The Ethanol, corn oil, DDGS drying, and MSC systems must work complimentary to each other for maximum output and profitability. We have finally reached the point where the systems are operating complimentary to each other. Up to now this was not the case. We still have work to do in this area, but the goalpost has gotten much closer. Since shutdown we have hit the 213-ton mark in protein production in a 24-hour period, its not 220 but its close. Hopefully by the time this newsletter reaches your mailbox we have crossed the finish line on the 220-ton goal.

The plant had 3 major projects that were under construction when the last update was published. The additional protein tank is complete giving us additional storage for protein. We will need it with the MSC reaching capacity. The additional tank will allow us to segregate production into 3 distinct quality groups if required to help us reap the highest value. The MSC system is science, no doubt, but its also an art. Some days are easier to maintain quality specifications than others. The value of the product is substantially better as you move higher in protein percentage over 50%. With the additional storage we can fine tune our product segregation. The cooling tower project is complete except for required electrical gear in the MCC powering the tower. Its hard to imagine but we ordered that gear last spring, its been delayed time and time again. We are being told the ship date is mid-January 2023. Let's hope it doesn't slip further. The warehouse building is scheduled to arrive mid-November 2022. The supplier was candid that shipment would not occur early, but they would hit the mentioned date. I think it will happen since the building has been in fabrication. The building should be up structurally before Christmas, although final completion will take us through most of January.

It was an abnormally dry summer and yields on soybeans and corn were down and, in some localities, down substantially, but overall yields were better than most were projecting. More than one told us the same story about the yield spread with the same hybrid from field to field, a slight difference in rainfall made for a substantial spread in production. There is no doubt, the soil is tapped, we need rain to build back subsoil inventory. I remain optimistic that normal precipitation in Northwest Iowa will return to make 2023 successful.

Commodity Corner

Jake Wetter
Grain Merchandiser

It has been an early fall this year. Harvest is all wrapped up, the temperature has dropped and even a few snow flurries in the air and it is only the second week of November. Harvest brought about surprises in a good way this year. Local yields didn't measure up to the last couple bumper crops, but still turned out very respectable for only receiving half of normal rainfall or less. In our immediate trade area, yields for both corn and soybeans were both generally down 10-15% from average.

The US crop size for both corn and soybeans has continued to shrink from mid summer on as weather has been less than ideal across much of the corn belt. The November USDA reports came & went this week with no surprises. Yields & carry outs both came in very close to trade estimates. Now, it is up to the cash/basis markets to get the corn from where it is to where it is needed. Both corn & soybeans will have tight carry outs this year. 1.182 billion bushels for corn & 220 million bushels for soybeans. USDA predicting average farm price of $6.80 for corn and $14.00 for soybeans.

Basis levels continue to be firm in the western corn belt as it completes its task of pulling cheaper eastern corn belt supplies west and south to the feed yards and end users. High basis numbers are to be expected in tight carryout crop years. Just because basis levels are high does not guarantee that even higher numbers are in the future. Once buyers get their needs covered they will back out of the market. The numbers they are willing to pay to get covered are often higher early on than they are later in the season especially when considering the cost to carry corn. Rising interest rates have caused the cost to carry corn to increase 1.5

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Commodity Corner

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c/bu vs just last year. 7% interest rates have definitely caused the cost of holding grain to increase.

High corn basis is also having an impact on US corn export business. International buyers are turning to South America to source their corn needs. South American offers for corn are $30-50 mmt cheaper than US based shipments. Trade also seems comfortable with UN/Russia agreement to extend the grain export corridor out of Ukraine for the foreseeable future. As with any short crop year, exports are the easiest demand base to ration. The world corn buyers do have options and they are cheaper than US offers. Expect to see US corn exports to shrink further as we move thru the crop year.

Volatility in price and basis is to be expected moving forward. High cash prices & low carry outs lead to larger swings in prices. When values change every day or many times a day, it's harder to outguess the market. Being right means holding your margins and working capital together, not outguessing the market. Take advantage of another profitable year by locking in some margin and moving on.

Speaking of profits, ethanol production margins have been a good the last year and a half. Spot ethanol margins are currently strong enough to encourage maximum possible output by the ethanol industry. Only logistics and lack of corn will keep industry production in check. The ethanol industry is currently running near 95% of installed capacity, so should see robust demand for corn as long as ethanol demand & logistics can keep up. The ethanol industry has some serious threats to demand moving forward. Domestic ethanol demand has been struggling with gas demand. The last six months, gas demand has been running 5-8% behind last year due to high costs from inflation and recessionary pressures. This will not improve as we move forward as the economy struggles to return to normal and more electric vehicles & more fuel efficient vehicles enter the US auto fleet. Ethanol exports are running lower than last year due to stronger US dollar and weakening global economic growth rates. We may have some serious challenges moving forward as an ethanol industry, but the many positive aspects of the industry will prevail. Ethanol margins look to remain positive as we move forward, but will be far from the record profits of the last year.

Growing Opportunities

Chris Williams
Plant Manager

Starting June of this year, LSCP hired an engineering firm to conduct a debottlenecking study on the facilities to determine what it will take to increase to 190 mgy ethanol production rates. The study started off with a lot of data collection with general arrangement drawings, piping and instrumentation drawings, plant flow diagrams, and mass energy balances all taken into consideration. A baseline project model was developed to try to understand all the plant flows.

To help direct focus, additional information as to the corn quality and grind sizing, distillation stream compositions, feed analysis, ferm cycle times, operational KPI's, and an owners list of bottlenecks were gathered to help explain product composition through each piece of equipment.

To prove the model two weeks of steady state run DCS numbers were pulled from the DCS to plug into the model to give the model validation. If there were any discrepancies with the model and the actual data, a deeper intellectual dive was taken to try to understand why the information was conflicting to resolve any invalid data points. Modeling a plant of this size and complexity was no easy task. The plant has already grown out of the "typical" ethanol plant design with double distillations, energy centers, and a high protein system. To maintain intellectual property rights, the high protein system was not considered for the modeling.

By July most of the modeling information had been collected for the study with more discussions being had on items that didn't fit the model exactly.

From that point on, a mass collection of data determined every piece of equipment's engineering design to determine what pieces of equipment could handle the extra flow and which would become bottlenecked by the additional flow and start to cause issues in maintaining higher rates. This is well over 200 pieces of equipment that needed the most recent engineering data, design, capacity, and pump curve information. The information had to be prioritized and reviewed to make sure the most recent revision was given for the study. The data mining continued until the end of September. Equipment data review ensuring that the latest revision was being used and that the most up-to-date data was being used for this model as the plant had been changing in the timeframe the modeling was done to accommodate and improve newly installed systems.

A few projects were developed quickly to be applied to the system to get tie in points before the scheduled shutdown in October. Tie in points for one of the systems was put in at shutdown with supplemental designing and project management to continue well into November.

By the end of October, a debottlenecking stair step diagram was developed finding the first bottleneck to be our distillation column capacity. After that, each bottleneck was predicted along the way to getting to the 190 mgy rate. From that point costs have been appropriated to each project to determine how much each stair step would cost to get to the 190 mgy. In November, a presentation will be given to the board of directors for them to determine what the next course of action will be for LSCP's future.

FINANCIAL STATEMENT *Review*

By Laura Lunders

Laura Lunders
CFO

LSCP, LLC
Statement of Operations
For Periods Ended Sept 30, 2022 and 2021

	Quarter Ended September 30, 2022 (Unaudited)	Quarter Ended September 30, 2021 (Audited)	Fiscal Year Ended September 30, 2022 (Unaudited)	Fiscal Year Ended September 30, 2021 (Audited)
Revenues	$ 133,160,000	$ 107,465,000	$ 534,315,000	$ 380,528,000
Cost of Goods Sold	133,530,000	95,743,000	464,877,000	348,888,000
Gross Margin	(370,000)	11,722,000	69,438,000	31,640,000
Operating Expenses	1,370,000	1,295,000	5,585,000	5,116,000
Income from Operations	(1,740,000)	10,427,000	63,853,000	26,524,000
Other Income (Expenses)	1,407,000	449,000	7,689,000	2,347,000
Net Income	$ (333,000)	$ 10,876,000	$ 71,542,000	$ 28,871,000
Net Income/Unit	$ (1.23)	$ 40.12	$ 263.93	$ 106.51
Distribution/Unit**			$ 135.21	$ 23.60

** Distributions were given in FYE 2022 (Dec 2021 & July 2022) and FYE 21 (Dec 2020).

While Q4 didn't end with positive net income, LSCP had a phenomenal fiscal year. If we purely look at the dollars, FY 2022 was our best, yet if we break it down based on production gallons, it was our 5th best year. We produced just shy of 160 million gallons which is astonishing when you consider where it all began, 50 million gallons.

It was great to have the total revenue increased by 40% but along with it came an increase in corn cost (28%), chemical costs (30%), and utility costs (68%) which came at no suprise to any of us. The netbacks higher on corn oil (45%) followed by ethanol at 36% more and feed coproducts averaging 20% greater helped boost the bottom line while production values remained consistent.

LSCP, LLC
Balance Sheet
For Periods Ended Sept 30, 2022 and 2021

	As of September 30, 2022 (Unaudited)	As of September 30, 2021 (Audited)
Total Current Assets	$ 74,940,000	$ 65,282,000
Net Property and Equipment	$ 134,670,000	$ 134,355,000
Other Assets	4,317,000	3,625,000
Total Assets	$ 213,927,000	$ 203,262,000
Total Current Liabilities	$ 23,753,000	$ 23,922,000
Total Long Term Debt		$ 24,070,000
Owner's Equity	190,174,000	155,270,000
Total Liabilities and Equity	$ 213,927,000	$ 203,262,000
Book Value/Unit	$ 702	$ 573

In reviewing the Balance Sheet in comparion to fiscal year 2021, we didn't see any drastic swings in the assets. We have a slight increase in Total Current Assets coming from having a fabulous year and being able to hold onto cash along with increased values on inventories. As for liabilities, we are excited to point out (again) we have NO Long-Term Debt at the end of the 2022 fiscal year. The AltiPro project was paid off in June 2022.

Reminder, tax year end for LSCP is December 31. Please sit tight while we work through the audit and projections to be able to provide a tax estimate letter the week of Dec 12th.

LSCP, LLC
Owner's Data

Most Recent Sales	Current Offers to Sell	Current Offers to Purchase
Class A	Class A	Class A
August 2022 - 250 Units @ $800		
Class B	Class B	Class B
August 2022 - 135 Units @ $700		
Class C	Class C	Class C
	120 Units @ $750	

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

Threat of freight rail strike delayed until early December

By Erin Voegele | November 09, 2022

The threat of a freight railroad strike has been pushed back from Nov. 20 to at least Dec. 4 after the BMWED, a union representing rail workers, has extended its cooling off period. A rail strike would negatively impact U.S. ethanol producers.

The Association of American Railroads on Nov. 9 announced freight railroads and BMWED have extended their cooling off period until at least Dec. 4 to align with other rail unions yet to ratify their tentative agreements. As a result of the agreement, members of the two largest rail unions – BLET and SMART-TD – will complete ratification votes that are currently underway prior to any potential work stoppage, according to AAR.

"This agreement to extend the cooling off period affords all unionized employees the opportunity to vote on their agreements free of a looming strike threat," said Ian Jefferies, president and CEO of AAR. "Our goal remains the same — successfully completing this round of bargaining — and we stand ready to reach an agreement with BMWED based upon the Presidential Emergency Board's recommendations."

To date, seven labor unions have ratified agreements based on the recommendations of three experienced arbitrators appointed by President Biden, with three other ratification votes pending, AAR said in a statement.

The Renewable Fuels Association is calling on the railroads and unions to quickly find a permanent solution. "While we are relieved to see an imminent strike and shutdown has been averted, kicking the can down the tracks is not a sustainable, long-term solution," said Geoff Cooper, president and CEO of the RFA. "The ethanol industry relies on rail to ship more than 70 percent of the Renewable fuel it produces each year; we need the railroads and unions to quickly hammer out a more permanent solution that will provide certainty for our members and their customers. If the railways shut down, so too do our nation's biorefineries."

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Corn Farmers: Feeding and Fueling a Cleaner America

By Tom Haag | November 06, 2022

Corn farms are an important part of the American ethos. Across the country, millions of farmers and their families help sustain the everyday way of life for millions more Americans they will never meet. Our efforts to grow crops and raise livestock year after year keep our nation self-reliant and secure.

It has been a tough year for a lot of people. Following months of record inflation, our nation faces an ongoing energy crisis while rising interest rates and continued impacts of climate change raise new concerns.

Fuel prices hit Americans especially hard this summer as the national average for a gallon of regular gas reached a record $5.01 in June. Following a steady decline thereafter, prices are rising yet again, averaging $3.88 per gallon this week. While significantly lower than earlier in the year, prices remain higher than a year ago.

To top it all off, OPEC's announcement last month to cut output by millions of barrels per day could cause the price of oil to jump back up, and when oil prices rise, gasoline prices follow. These increases impact every sector of our economy, driving inflation in the thick of harvest season.

Farmers understand our nation faces environmental and energy challenges, and we are proud to be part of the solution. Ethanol, made from corn, is key to enhancing U.S. energy security, lowering prices at the pump, reducing dependence on foreign energy sources, and lowering emissions.

I'm from Minnesota, a state that leads the way when it comes to producing and using biofuels. In fact, Minnesota is home to 16 percent of the nation's retail locations offering E15, a higher ethanol blend often marketed as Unleaded 88. E15 costs less and has fewer emissions than regular gasoline, which is a 10 percent ethanol blend.

The proof that ethanol lowers fuel prices is at the pump, where Minnesota drivers saved 25 cents per gallon on E15 when gas prices were at their highest this summer. Thanks to E15, drivers in our state saved $7 million between June and August, while nationwide savings totaled $57 million. Today, consumers nationwide are continuing to save up to 30 cents or more per gallon on E15.

In addition to saving consumers money, ethanol also cuts emissions and helps clean up our fuel. According to the Department of Energy's Argonne National Lab, ethanol results in up to 52% fewer greenhouse gas emissions than gasoline over its life cycle. The GHG emissions reductions from biofuels are utilized in the Inflation Reduction Act that President Biden recently signed into law. New energy and climate policies in this law will help more farmers continue to expand and enhance sustainable production practices. These production practices enable us to contribute to even lower carbon biofuels, including new fuels such as sustainable aviation fuel.

Even with the progress made, there is more to be done, including expanding higher blends of ethanol to save drivers more with even cleaner fuels. The bipartisan Next Generation Fuels Act would build on the Biden administration's actions by increasing our fuel supply through the expansion of higher ethanol blends to reduce emissions, improve engine efficiency and save consumers money at the pump. These are the type of innovative policies that can drive progress on both energy affordability and emissions reduction goals while supporting our rural communities.

Through fuel price volatility, America's corn farmers remain steadfast in our commitment to supporting long-term energy and climate solutions through low-carbon fuels that increase the nation's fuel supply and save Americans money at the pump.

These are uncertain times, and it's hard to know what new challenges will arise in the year ahead. But as we have done for generations, farmers are here to tackle them together and partner with policymakers to advance home-grown solutions. By expanding ethanol choices for consumers, policymakers can do their part to feed and fuel a cleaner America, too.

Tom Haag serves as president of the National Corn Growers Association, which represents 40,000 dues-paying corn growers and the interests of more than 300,000 farmers. Haag is a fourth-generation family farmer from south-central Minnesota.