



NOVEMBER 2019

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## CEO Comments:

# Getting connected to local ag community

With nearly six months of production behind us, Ringneck Energy is living up to our commitment to be a vital partner in the local agricultural community and economy.

Conditions throughout this growing season have shown the benefits our plant can provide to producers in our area, as we have been able to take in corn at up to 20 percent moisture—taking pressure off area farmers who had delayed planting and may not have sufficient drying facilities on their operations—and producing wet distillers grains that have proven to be popular with local backgrounders and cattle feeders, especially as fall weaning has gotten underway.

Our production and sales of wet distillers grains has doubled since September, with the assistance of Dakotaland Feed. A strong truck market for dried grains has also developed, allowing us to ship all of our DDGs from the last six weeks by truck, rather than relying on the uncertain export market that Commodity Manager Kevin Kjorsvik mentions in his report on Page 2.

One aspect of our wet grains that has been popular with feeders is the natural pH environment maintained throughout our system, which means no added acidics or caustics that might end up in the feed.

Along with being busy with trucks

*Continued on Page 4*



## Employee Spotlight:

### Greg Bergeron, operations trainer

**Tell us about your previous experience in ethanol or related industries.**

I started my career in the ethanol industry in 1998 as a board operator at Gopher Ethanol in Minnesota. As I worked my way through a couple of other ethanol plants, as well as ICM, I moved up to shift lead and then to plant manager, gaining 20 years of experience in the ethanol industry.

**What attracted you to Ringneck Energy?**

I had taken a short break from the industry when I heard about Ringneck's job opportunities. Although the plant manager position had already been filled, I wanted to get back into ethanol, so I accepted a shift lead position to begin with, and am now Ringneck's operations trainer.

**Share a bit about your family and/or hobbies.**

My wife, Terry, and I have been married for 20 years. I have two stepsons and five grandchildren. In my free time, I enjoy bowling, fishing and gaming.



## Operations Update:

### Plant hits nameplate capacity

It's hard to believe it is almost Thanksgiving. Fermentation results remain excellent with very minimal sugar loss and no infection problems.

We have been taking wetter than normal corn from the local producers to try and give them another outlet for the higher moisture corn. The plant has shown it is capable of running over 80MMGY rate and we need to keep it running at the higher rates.

We have been experiencing vibration issues with our boiler for a while, but the manufacturer thinks they have a resolution. We recently downed the plant for needed repairs and cleaned the evaporators. Now that these two tasks are completed, we are able to push the plant to achieve over nameplate capacity.

We have identified and resolved

many small warranty issues and continue to work on others. There are a few new employees who have started over the last few months. Stu Adams, the current maintenance manager, has resigned and will be leaving us around Thanksgiving. We have had several current employees show interest in the position, but a replacement is yet to be named.

One of the things operations has been focusing on is creating a robust operator training program which includes updating all SOPs.

I am proud to say that Ringneck has not had any recordable injuries or lost time injuries to date.

*—Mike Stanley, plant manager*

## Commodity

### Comments:

### Local corn, wet distillers markets strong amidst uncertainty

The corn market has been in a downtrend this month, pressured by fund selling and poor export sales.

However, basis remains firm, especially in South Dakota, as extensive preventive plant acres in portions of the state require end users to expand their nets to get coverage. Slow farmer selling has also supported basis levels.

Export values are coming around as we've seen US prices become competitive on the world stage, but sales remain well below the pace needed to meet trade expectations.

Sales of wet distillers have steadily improved as cattle slowly come off pastures. Prices have also climbed in concert with the increasing demand.

The outlook for DDGs is stagnant. There is a lot of uncertainty to DDG exports- and ethanol plants have been slow to throw out offers when they don't know what their corn costs are in future months. Therefore, the market remains ill defined. The main market mover going forward will remain trade discussions with China. There is no further clarity on this front as daily reports, rumors and tweets continue to push the market up or down based on trader's perception if they are supportive to a deal getting inked or not.

If you have questions about current pricing or would like to sell corn or milo to Ringneck Energy, please call Kevin Kjorsvik at (605) 945-6982 or Ann Peacock at (605) 945-6986.

*— Kevin Kjorsvik,  
commodity manager*

## Financial Comments:

# Ringneck posts positive EBIDTA for October

In financial news for Ringneck Energy, we are currently pursuing Research & Development Tax Credits. It appears we could potentially get \$1.2-\$2M in available tax credits to be used to offset income from Ringneck Energy. This won't be applicable this year as we project a loss, but could be used in future years when we start disbursing

dividends. This first year, we could look at a loss ranging from \$130M-\$135M by taking bonus depreciation to \$115-120M if we take bonus depreciation only on the assets with a 7-year life.

Please don't hesitate to call if you have any questions.

—Danci Baker, CFO

Balance Sheet	10/31/19		Income Statement	YTD
Current Assets	\$ 10,967,621.43		Revenue	\$ 46,991,703.73
Long Term Assets	\$ 136,579,134.59		Cost of Goods Sold	\$ 46,376,888.20
<i>Total Assets</i>	<i>\$ 147,546,756.02</i>		Operating Expense	\$ 10,162,943.14
			Other Income (Loss)	\$ 186,374.15
Current Liabilities	\$ 7,611,173.38		<i>Net Income (Loss)</i>	<i>\$ (9,361,753.46)</i>
Long Term Liabilities	\$ 67,515,276.40			
Total Equity	\$ 72,420,306.24			
<i>Total Liabilities &amp; Equity</i>	<i>\$ 147,546,756.02</i>			

## Ethanol news to know:

# Tell EPA to stick to the deal and RFS

*Condensed from South Dakota Corn Growers*

A deal is a deal. At least it should be.

But when dealing with the EPA and the Trump administration on ethanol obligations and promises, don't bank on it. The government changes direction more frequently than a hungry South Dakota walleye. What's promised one day is sometimes squashed the next. It's enough to make your head spin.

This has been one of the most challenging corn crops ever. So, it was a big deal when President Trump pledged to live up to the 15 billion gallon ethanol blending requirements of the Renewable Fuel Standard (RFS).

But then the Environmental Protection Agency (EPA) turned around and cut back on that pledge. And that's a bum deal for corn farmers.

Ethanol proponents are calling it a "bait and switch" maneuver—a tactic

of offering or advertising something that looks like a great deal to gain favor, then following up with something less desirable.

The Renewable Volume Obligation, or RVO, is where the EPA tinkered with the president's deal. The RVO determines how much biofuel oil refiners will blend into the motor-fuel mix.

President Trump announced October 4 that he had directed the EPA to follow the letter of the law and use a three-year average of renewable fuel gallons actually waived by the EPA to account for waivers going forward. However, the EPA proposal that was released 11 days later called for a three-year average of the Department of Energy's recommended waivers, rather than an average of the renewable fuel gallons actually waived by the EPA. Huge difference.

The bottom line is the RFS mandates a total of 15 billion gallons

to be blended and that requirement should be met.

The EPA's slap in the face to the agriculture industry is especially painful when the forces of nature are pummeling South Dakota farmers. Floods, rain and muddy soil left a high percentage of fields unplanted. And as October nears an end, nearly 40 percent of the state's soybeans and nearly 85 percent of the corn remain in fields.

The EPA and President Trump need to hear directly from farmers.

Here's the deal. We're asking you to visit <https://www.ncga.com> and tell the EPA to do the right thing and honor the president's deal on ethanol. You can also call the White House at 202-456-1111 or 202-456-1414 or email by going to <https://www.whitehouse.gov/contact/>. Please don't wait. Because 15 billion gallons of ethanol is a big deal for corn farmers.



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Walt Wendland

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**Our Mission:**

To produce renewable energy that adds value to grain and livestock production, enhances the income of our investor partners, provides a safe and rewarding work environment that creates economic opportunities for the surrounding area.

**Goals for the Company:**

- Produce 80 million gallons per year of bio-fuel ethanol focusing on the local, regional and national markets by first quarter of 2019.
- Produce a high-protein feed source for the local livestock.
- Return maximum profits to member investors.
- Add value to agriculture in the area.
- Meet the standard 20% reduction in greenhouse gas emissions.
- Improve efficiency with the latest technology.

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**CEO's outlook: Positive... Cont'd from Page 2**

hauling out wet distillers, DDGs, and ethanol (we are supplying most of the region to our west, as far as Wyoming and Montana, with ethanol), trucks are rolling in at a rapid rate. We hit a record rate of receiving 250,000 bu in a single day earlier this month.

With the plant demonstrating that it can run above nameplate capacity, as long as our wet feed market continues to grow, and we have corn available, we are going to maximize production throughout the winter.

One priority item we are addressing, in order to improve access to the West Coast ethanol market, is data collection to develop our carbon intensity score, increasing the value of our ethanol for blenders serving California and Oregon.

Despite having started up in some of the toughest circumstances the ethanol industry has faced in its history, we have a positive EBIDTA and I feel positive about the future.

—Walt Wendland, CEO

**DISCLAIMER**

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*Additionally, certain information contained in this newsletter was obtained from our own research and other sources believed to be credible and reliable. In particular, we have used information provided by trade organizations for the ethanol industry, which may present information in a manner that is more favorable to that industry than would be presented by an independent source. Although we believe our sources are reliable, we have not independently verified such information and make no guarantees as to its accuracy or completeness.*





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