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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**For the fiscal year ended October 31, 2020**

**OR**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**For the transition period from            to            .**

**COMMISSION FILE NUMBER 000-51177**

**GOLDEN GRAIN ENERGY, LLC**

(Exact name of registrant as specified in its charter)

**Iowa**

(State or other jurisdiction of  
incorporation or organization)

**02-0575361**

(I.R.S. Employer Identification No.)

**1822 43<sup>rd</sup> Street SW, Mason City, IA 50401**

(Address of principal executive offices)

**(641) 423-8525**

(Registrant's telephone number, including area code)

**Securities registered pursuant to 12(b) of the Act: None.**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

**Securities registered pursuant to Section 12(g) of the Act: Membership Units**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of April 30, 2020, the aggregate market value of the Class A membership units held by non-affiliates (computed by reference to the most recent offering price of Class A membership units) was \$14,940,167. As of April 30, 2020, the aggregate market value of the Class B membership units held by non-affiliates (computed by reference to the most recent offering price of the Class B membership units) was \$363,000.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of December 28, 2020, there were 18,953,000 Class A membership units outstanding and 920,000 Class B membership units outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this Annual Report on Form 10-K portions of its definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Annual Report.

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### Forward Looking Statements

This report contains forward-looking statements that involve future events, our future performance and our expected future operations and actions. In some cases you can identify forward-looking statements by the use of words such as "may," "will," "should," "anticipate," "believe," "expect," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue," or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

- A slowdown in global and regional economic activity, demand for our products and the potential for labor shortages and shipping disruptions resulting from pandemics including COVID-19;
- Ethanol, distiller grains and corn oil supply exceeding demand and corresponding price reductions;
- The small refiner exemptions which have been granted by the Trump administration which decreased demand for ethanol;
- The impact of the Chinese anti-dumping and countervailing duty on U.S. distiller grains;
- The Brazilian ethanol import duty and its impact on world ethanol demand and prices;
- Any delays in shipping our products by rail and corresponding decreases in our sales as a result of these shipping delays;
- Changes in the availability and price of corn and natural gas;
- Additional competition from electric vehicles which do not use liquid fuels, including ethanol;
- Our ability to profitably operate the ethanol plant, including the sale of distiller grains and corn oil, and maintain a positive spread between the selling price of our products and our raw material costs;
- The effect our hedging activities has on our financial performance and cash flows;
- Our ability to generate free cash flow to invest in our business, service our debt and satisfy the financial covenants contained in our credit agreement with our lender;
- Changes in our business strategy, capital improvements or development plans;
- Changes in plant production capacity or technical difficulties in operating the plant;
- Changes in general economic conditions or the occurrence of certain events causing an economic impact in the agriculture, oil or automobile industries;
- Changes in corn availability due to growing conditions, including unfavorable weather patterns;
- Lack of transport, storage and blending infrastructure preventing our products from reaching high demand markets;
- Changes in federal and/or state laws and environmental regulations (including the elimination or waiver of the Renewable Fuel Standard);
- Changes and advances in ethanol production technology;
- Competition from alternative fuel additives;
- Changes in interest rates or the lack of credit availability; and
- Our ability to retain key employees and maintain labor relations.

Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including the reasons described in this report. We are not under any duty to update the forward-looking statements contained in this report. We cannot guarantee future results, levels of activity, performance or achievements. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits, completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements with these cautionary statements. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal years ended in October and the associated quarters of those fiscal years.

## PART I

### ITEM 1. BUSINESS

#### Business Development

Golden Grain Energy, LLC was formed as an Iowa limited liability company on March 18, 2002, for the purpose of constructing, owning and operating a fuel-grade ethanol plant in Mason City in north central Iowa. References to "we," "us," "our" and the "Company" refer to Golden Grain Energy, LLC. Since December 2004, we have been engaged in the production of

ethanol and distiller grains at the plant. We started producing corn oil at the plant in 2009. We have the ability to produce more than 120 million gallons of ethanol per year.

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The ethanol industry experienced industry-wide record low ethanol prices throughout most of 2018 and 2019 due to reduced demand and high industry inventory levels. This continued into 2020 and the situation was compounded by the crisis associated with the 2019 novel coronavirus disease ("COVID-19"). In response to these unfavorable operating conditions and a slowdown in global and regional economic activity and a disruption in transportation fuel demand resulting from the COVID-19 pandemic, we reduced our ethanol production rate early in 2020 which impacted our total ethanol production for our 2020 fiscal year.

On July 17, 2017, our board approved moving forward with a multiple phase plant expansion. The project was materially completed in January 2020, including the entrance road and administration building. There are no remaining contractual commitments related to this project. To date, the total project cost was approximately \$24 million. We financed this expansion through cash generated by our operations.

### Principal Products

The principal products that we produce are ethanol, distiller grains and corn oil. The table below shows the approximate percentage of our total revenue which is attributed to each of our principal products for each of our last three fiscal years.

Product	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Ethanol	78%	79%	79%
Distiller Grains	18%	17%	17%
Corn Oil	4%	4%	4%

#### *Ethanol*

Ethanol is ethyl alcohol, a fuel component made primarily from corn and various other grains, which can be used as: (i) an octane enhancer in fuels; (ii) an oxygenated fuel additive for the purpose of reducing ozone and carbon monoxide vehicle emissions; and (iii) a non-petroleum-based gasoline substitute. Ethanol produced in the United States is primarily used for blending with unleaded gasoline and other fuel products. Ethanol blended fuel is typically designated in the marketplace according to the percentage of the fuel that is ethanol, with the most common fuel blend being E10, which includes 10% ethanol. The United States Environmental Protection Agency ("EPA") has approved the use of gasoline blends that contain 15% ethanol, or E15, for use in all vehicles manufactured in model year 2001 and later. In addition, flexible fuel vehicles can use gasoline blends that contain up to 85% ethanol called E85.

#### *Distiller Grains*

The principal co-product of the ethanol production process is distiller grains, a high protein, high-energy animal feed supplement primarily marketed to the dairy and beef industry. We produce two forms of distiller grains: Modified/Wet Distillers Grains ("MWDG") and Distillers Dried Grains with Solubles ("DDGS"). MWDG is processed corn mash that has been dried to approximately 50% moisture. MWDG has a shelf life of approximately seven days and is often sold to nearby markets. DDGS is processed corn mash that has been dried to approximately 10% moisture. It has a longer shelf life and may be sold and shipped to any market regardless of its vicinity to our ethanol plant. Our primary distiller grains product is DDGS.

#### *Corn Oil*

We separate a portion of the corn oil contained in our distiller grains which we market separately from our distiller grains. The corn oil that we produce is not food grade corn oil and therefore cannot be used for human consumption. The primary uses of the corn oil that we produce are for animal feed, industrial uses and biodiesel production.

### Principal Product Markets

As described below in "*Distribution Methods*," we market and distribute all of our ethanol, distiller grains and corn oil through RPMG, Inc. ("RPMG") a professional third party marketer. We have very limited control over the decisions RPMG makes regarding where our products are marketed. Our products are primarily sold in the domestic market, however, as domestic production of ethanol, distiller grains and corn oil continue to expand, we anticipate increased international sales of our products.

The principal purchasers of ethanol are generally wholesale gasoline marketers or blenders. The principal markets for our ethanol are petroleum terminals in the continental United States.

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Currently, the United States ethanol industry exports a significant amount of distiller grains. According to the U.S. Grains Council, during the 2019/2020 marketing year, the largest importers of United States distiller grains were Mexico, China, Canada, Japan, Colombia and South Korea. According to the U.S. Energy Information Administration, Brazil, Canada, India and Mexico were top destinations for ethanol exports for January 2020 through September 2020. However, overall exports of ethanol for this period decreased compared to the same period last year due to escalating trade barriers and the impacts of COVID-19. Tariffs implemented by Brazil and China on ethanol imported from the United States reduced export demand from these markets. Trade barriers with key markets may continue to take a toll on ethanol export demand negatively effecting domestic ethanol prices. Ethanol export demand is more unpredictable than domestic demand and tends to fluctuate throughout the year as it is subject to monetary and political forces in other nations. An example of this, the imposition of a tax on imported ethanol by Brazil has created uncertainty as to the viability of that market for ethanol produced in the United States and has required the United States producers to seek out other markets for their products. While Brazil still imports a significant amount of ethanol from the United States, these imports could be higher without these trade barriers.

Export demand has also decreased due to the disruption in global fuel demand resulting from travel restrictions in response to the COVID-19 pandemic. Restricted travel, new lockdown measures and slow economic growth continue to have a negative effect on global fuel consumption and it is unknown when such demand will recover as reopening efforts continue to evolve.

We expect our ethanol, distiller grains and corn oil marketer to explore all markets for our products, including export markets. However, due to high transportation costs, and the fact that we are not located near a major international shipping port, we expect a majority of our products to continue to be marketed and sold domestically.

### **Distribution Methods**

On October 1, 2012, we entered into an ethanol marketing agreement with RPMG. Because we are an owner of Renewable Products Marketing Group, LLC ("RPMG, LLC"), the parent company of RPMG, we receive favorable marketing fees from RPMG. Our ethanol marketing agreement allows us to elect to sell our ethanol through an index arrangement or at a fixed price agreed to between us and RPMG. Pursuant to the ethanol marketing agreement, RPMG is our exclusive marketer. The term of our ethanol marketing agreement is perpetual, until it is terminated by either party. The primary reasons our ethanol marketing agreement would terminate are if we cease to be an owner of RPMG, LLC, if there is a breach of the ethanol marketing agreement which is not cured, or if we give advance notice to RPMG that we wish to terminate the ethanol marketing agreement. Notwithstanding our right to terminate the ethanol marketing agreement, we may be obligated to continue to market our ethanol through RPMG for a period of time after the termination. Further, following the termination, we agreed to accept an assignment of certain railcar leases which RPMG has secured to service our ethanol sales. If our ethanol marketing agreement is terminated, it would trigger a redemption of our ownership interest in RPMG, LLC at our contributed capital balance at the time of termination.

On December 15, 2010, we entered into a distiller grains marketing agreement with RPMG. Pursuant to the agreement, RPMG agreed to market all of the distiller grains we produce. We agreed to pay RPMG a fee to market our distiller grains equal to the actual cost of marketing the distiller grains due to the fact that we are an owner of RPMG, LLC. We have the right to terminate the contract by giving RPMG ninety days written notice.

On February 2, 2009, we executed a corn oil marketing agreement with RPMG. Pursuant to the agreement, RPMG agreed to market all of the corn oil we produce, except for certain corn oil we may sell to corn oil customers we identified before we executed the agreement. Currently, all of our corn oil is being sold through RPMG. The agreement automatically renews for one year terms unless either party gives 180 days notice that the agreement will not be renewed. We agreed to pay RPMG a commission based on each pound of our corn oil that is sold by RPMG.

### **Sources and Availability of Raw Materials**

#### Corn

Our plant currently uses approximately 41 million bushels of corn per year. In October 2008, we received our Iowa grain dealer license which allows us to purchase corn directly from local producers in addition to local grain elevators as intermediaries. Our commodity manager is responsible for purchasing corn for our operations, scheduling corn deliveries and establishing hedging positions to protect the price we pay for corn.

High corn prices have a negative effect on our operating margins unless the price of ethanol and distillers grains out paces rising corn prices. Corn prices were lower during our 2020 fiscal year compared to previous years due primarily to

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decreased corn demand for ethanol production related to the COVID-19 pandemic. However, later in our 2020 fiscal year, corn prices were increasing due to unfavorable weather conditions which impacted the size of the corn crop harvested in the fall of 2020 in our corn purchase market. We have not had difficulty securing the corn we need to operate the ethanol plant. If there is less corn available in our local market due to the smaller corn crop harvested in the fall of 2020, we may have to source corn from outside of our normal corn purchasing area and the basis we have to pay in order to purchase the corn may be higher. Since corn is the primary raw material we use to produce our products, the availability and cost of corn can have a significant impact on the profitability of our operations.

### *Natural Gas*

Natural gas is an important input to our manufacturing process. We use natural gas to dry our distiller grains products to moisture contents at which they can be stored for longer periods of time. This allows the distiller grains we produce to be transported greater distances to serve broader livestock markets. We entered into an agreement with Interstate Power and Light Company to deliver all of the natural gas required by the plant. The agreement continues for a period of 5 years ending on December 31, 2023, with the option for the parties to agree to 1-year extensions thereafter. We do not anticipate any problems securing the natural gas we require to continue to operate the ethanol plant at capacity during our 2021 fiscal year or beyond.

### *Electricity*

We have an agreement with Interstate Power and Light Company to supply all electricity required by the plant. The agreement is month-to-month and may be terminated by either party by giving 60 days prior written notice. We have elected to continue this contract on a month-to-month basis and have not given or received notice of termination of this agreement. We do not anticipate any problems securing the electricity that we require to continue to operate the ethanol plant at capacity during our 2021 fiscal year or beyond.

### *Water*

The primary water supply for our plant is generated by one 800 gallon-per-minute pump at the well drilled at the plant site. We have a second high capacity well that has capacity to produce 600 gallons of water per minute. These two wells provide adequate water capacity to operate the plant under normal circumstances. In addition, we are connected to the City of Mason City's water supply for fire protection and in the event the water supplied by our wells is not sufficient. We have installed an underground distribution system for potable water, process water, fire protection and sanitary sewer lines. In addition, we pay Mason City for any potable water usage at the plant based on our actual usage times the current rate ordinance. In November 2018, we commissioned a third water well that has the capacity of producing an additional 500 gallons of water per minute. With these three wells, we can produce over 1,500 gallons of water per minute on site and will likely be less dependent on the City of Mason City for our water supply. We do not anticipate any problems securing the water that we require to continue to operate the ethanol plant at capacity during our 2021 fiscal year or beyond.

### **Patents, Trademarks, Licenses, Franchises and Concessions**

We do not currently hold any patents, trademarks, franchises or concessions. We were granted a perpetual and royalty free license by ICM, Inc. to use certain ethanol production technology necessary to operate our ethanol plant. The cost of the license granted by ICM, Inc. was included in the amount we paid to Fagen, Inc. to design and build our ethanol plant and expansion.

### **Seasonality Sales**

We experience some seasonality of demand for our ethanol, distiller grains and corn oil. Since ethanol is predominantly blended with gasoline for use in automobiles, ethanol demand tends to shift in relation to gasoline demand. As a result, we experience some seasonality of demand for ethanol in the summer months related to increased driving and, as a result, increased gasoline demand. In addition, we experience some increased ethanol demand during holiday seasons related to increased gasoline demand. We also experience decreased distiller grains demand during the summer months due to natural depletion in the size of herds at cattle feed lots and when the animals are turned out to pasture or are slaughtered. Further, we expect some seasonality of demand for our corn oil since a major corn oil user is biodiesel plants which typically reduce production during the winter months.



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### Working Capital

We primarily use our working capital for purchases of raw materials necessary to operate the ethanol plant and for capital expenditures to maintain and upgrade the ethanol plant. Our primary sources of working capital are income from our operations as well as our revolving term loan with our primary lender, Farm Credit Services of America ("Farm Credit"). For our 2021 fiscal year, we anticipate using cash from our operations to maintain our current plant infrastructure. Management believes that we will be able to secure sufficient working capital to continue to operate the plant at capacity.

### Dependence on a Major Customer

As discussed above, we rely on RPMG for the sale and distribution of all of our products and are highly dependent on RPMG for the successful marketing of our products. We do not currently have the ability to market our ethanol, distiller grains and corn oil internally should RPMG be unable to market these products for us at acceptable prices. We anticipate that we would be able to secure alternate marketers should RPMG fail, however, a loss of our marketer could significantly harm our financial performance.

### Competition

We are in direct competition with numerous ethanol producers, many of which have greater resources than we do. As of October 31, 2020, the Renewable Fuels Association ("RFA") estimates that there are 210 ethanol production facilities in the United States with capacity to produce approximately 17.6 billion gallons of ethanol per year. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET Biorefining, and Valero Renewable Fuels, each of which are capable of producing significantly more ethanol than we produce.

The following table identifies the largest ethanol producers in the United States along with their production capacities.

**U.S. FUEL ETHANOL PRODUCTION CAPACITY  
BY TOP PRODUCERS\***  
**Producers of Approximately 800  
million gallons per year (MMgy) or more**

<u>Company</u>	<u>Current Capacity (MMgy)</u>	<u>Percent of Market</u>
Archer Daniels Midland	1,716	10 %
Poet Biorefining	1,805	10 %
Valero Renewable Fuels	1,730	10 %
Green Plains Renewable Energy	1,128	6 %
Flint Hills Resources	840	5 %
<b>TOTAL</b>	<b>7,219</b>	<b>41 %</b>

Updated: October 31, 2020

\*According to RFA Information

### Ethanol Competition

Ethanol is a commodity product where competition in the industry is predominantly based on price and consistent fuel quality. Larger ethanol producers may be able to realize economies of scale in their operations that we are unable to realize. Further, we have experienced increased competition from oil companies which have purchased ethanol production facilities, including Valero Renewable Fuels and Flint Hills Resources, which are subsidiaries of larger oil companies. These oil companies are required to blend a certain amount of ethanol each year. Therefore, the oil companies may be able to operate their ethanol production facilities at times when it is unprofitable for us to operate our ethanol plant. Further, some ethanol producers own multiple ethanol plants which may allow them to compete more effectively by providing them flexibility to run certain production facilities while they have other facilities shut down. This added flexibility may allow these ethanol producers to compete more effectively, especially during periods when operating margins are unfavorable in the ethanol industry. Finally some ethanol producers which own ethanol plants in geographically diverse areas of the United States may spread the risk they encounter related to feedstock prices.

We anticipate increased competition from renewable fuels that do not use corn as the feedstock. Many of the current ethanol production incentives are designed to encourage the production of renewable fuels using raw materials other than corn.

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One type of ethanol production feedstock that is being explored is cellulose. Cellulose is the main component of plant cell walls and is the most common organic compound on earth. Cellulose is found in wood chips, corn stalks, rice straw, amongst other common plants. Cellulosic ethanol is ethanol produced from cellulose. If this technology can be profitably employed on a commercial scale, it could potentially lead to ethanol that is less expensive to produce than corn-based ethanol. Cellulosic ethanol may also capture more government subsidies and assistance than corn-based ethanol which could decrease demand for our product or result in competitive disadvantages for our ethanol production process.

A number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells, plug-in hybrids, electric cars or clean burning gaseous fuels. Electric car technology has recently grown in popularity, especially in urban areas. While there are currently a limited number of vehicle recharging stations, making electric cars not feasible for all consumers, there has been increased development of these recharging stations, making electric car technology more widely available. Additional competition from these other sources of alternative energy, particularly in the automobile market, could reduce the demand for ethanol, which would negatively impact our profitability.

In addition to domestic producers of ethanol, we face competition from ethanol produced in foreign countries, particularly Brazil. Ethanol imports have been lower in recent years and ethanol exports have been higher which was one of the reasons for improved operating margins in the ethanol industry. As of May 1, 2013, Brazil increased its domestic ethanol use requirement from 20% to 25% which decreased the amount of ethanol available in Brazil for export. Further, in August 2017, Brazil instituted a quota and tariff on ethanol produced in the United States and exported to Brazil which reduced exports to Brazil. Brazil increased the quota during our 2019 fiscal year which resulted in additional demand from Brazil, however, without this quota and tariff, Brazilian exports likely would have been higher. In December 2020, the Brazilian quota expired so all ethanol produced in the United States and exported to Brazil is now subject to Brazil's import tariff. In the future, we may experience increased ethanol imports from Brazil which could put negative pressure on domestic ethanol prices and result in excess ethanol supply in the United States.

Competition among ethanol producers may continue to increase as gasoline demand decreases due to more fuel efficient vehicles being produced. If the concentration of ethanol used in most gasoline does not increase and gasoline demand is lower due to increased fuel efficiency by the vehicles operated in the United States, competition may increase among ethanol producers to supply the ethanol market.

### *Distiller Grains Competition*

Our ethanol plant competes with other ethanol producers in the production and sale of distiller grains. Distiller grains are primarily used as animal feed which replaces corn and soybean meal. As a result, we believe that distiller grains prices are positively impacted by increases in corn and soybean prices. In recent years the United States ethanol industry has increased exports of distiller grains which management believes has positively impacted demand and prices for distiller grains in the United States. However, Chinese tariffs have negatively impacted exports to China which has negatively impacted distiller grains demand and prices.

### *Corn Oil Competition*

We compete with many ethanol producers for the sale of corn oil. Many ethanol producers have installed the equipment necessary to separate corn oil from the distiller grains they produce which has increased competition for corn oil sales and has resulted in lower corn oil market prices.

## **Governmental Regulation and Federal Ethanol Supports**

### Federal Ethanol Supports

The ethanol industry is dependent on several economic incentives to produce ethanol, the most significant of which is the Federal Renewable Fuels Standard (the "RFS"). The RFS requires that in each year, a certain amount of renewable fuels must be used in the United States. The RFS is a national program that does not require that any renewable fuels be used in any particular area or state, allowing refiners to use renewable fuel blends in those areas where it is most cost-effective. The RFS statutory volume requirement increases incrementally each year until the United States is required to use 36 billion gallons of renewable fuels by 2022. Starting in 2009, the RFS required that a portion of the RFS must be met by certain "advanced" renewable fuels.

These advanced renewable fuels include ethanol that is not made from corn, such as cellulosic ethanol and biomass based biodiesel. The use of these advanced renewable fuels increases each year as a percentage of the total renewable fuels required to be used in the United States.

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The EPA has the authority to waive the RFS statutory volume requirement, in whole or in part, provided one of the following two conditions have been met: (1) there is inadequate domestic renewable fuel supply; or (2) implementation of the requirement would severely harm the economy or environment of a state, region or the United States. Annually, the EPA is required to pass a rule that establishes the number of gallons of conventional and advanced renewable fuels that must be used in the United States which is called the renewable volume obligations (RVO). Recently, the EPA has been granting small refinery exemptions from the RFS while not using its authority to waive the RFS statutory volume requirements. These small refinery exemptions created unallocated gallons reducing the corn-based conventional biofuel RFS requirements by 2.25 billion gallons in 2018 and 2 billion gallons in 2019. These small refinery exemptions have had a significant negative impact on domestic demand for ethanol and have resulted in negative operating margins in the ethanol industry.

On November 30, 2018, the final RVO for 2019 was set at 19.29 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. However, the EPA did not address small refinery exemptions in its 2019 RVO release. In addition, the EPA did not address the reallocation of 500 million gallons from the 2016 RVO which was ordered by a federal court in a recent lawsuit. In June 2019, the EPA proposed an RVO of 20.04 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. On December 19, 2019, the final RVO for 2020 was set at 20.09 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. The EPA has not set a final RVO for 2021 and indications are that the RVO will be left open for the Biden administration to complete. The ethanol industry has been pushing the EPA and the Trump administration to reverse the effects of these small refinery waivers which we believe are the reason for the poor operating margins during 2018 and 2019. In January 2020, the Tenth Circuit Court of Appeals ruled that small refinery exemptions may only be granted to refineries that had secured them continuously each year since 2010. Consistent with this ruling, in September 2020, the EPA denied certain small refinery exemption petitions filed by oil refineries in 2020 seeking retroactive relief from their ethanol use requirements for prior years.

In February 2010, the EPA issued new regulations governing the RFS. These new regulations are called RFS2. The most controversial part of RFS2 involves what is commonly referred to as the lifecycle analysis of greenhouse gas emissions. Specifically, the EPA adopted rules to determine which renewable fuels provided sufficient reductions in greenhouse gases, compared to conventional gasoline, to qualify under the RFS program. RFS2 establishes a tiered approach, where regular renewable fuels are required to accomplish a 20% greenhouse gas reduction compared to gasoline, advanced biofuels and biomass-based biodiesel must accomplish a 50% reduction in greenhouse gases, and cellulosic biofuels must accomplish a 60% reduction in greenhouse gases. Any fuels that fail to meet this standard cannot be used by fuel blenders to satisfy their obligations under the RFS program. The scientific method of calculating these greenhouse gas reductions has been a contentious issue. Many in the ethanol industry were concerned that corn based ethanol would not meet the 20% greenhouse gas reduction requirement based on certain parts of the environmental impact model that many in the ethanol industry believed was scientifically suspect. However, RFS2 as adopted by the EPA provides that corn-based ethanol from modern ethanol production processes does meet the definition of a renewable fuel under the RFS program. Our ethanol plant was grandfathered into the RFS due to the fact that it was constructed prior to the effective date of the lifecycle greenhouse gas requirement and is not required to prove compliance with the lifecycle greenhouse gas reductions. Many in the ethanol industry are concerned that certain provisions of RFS2 as adopted may disproportionately benefit ethanol produced from sugarcane which could make sugarcane based ethanol, which is primarily produced in Brazil, more competitive in the United States ethanol market. If this were to occur, it could reduce demand for the ethanol that we produce.

Most ethanol that is used in the United States is sold in a blend called E10. E10 is a blend of 10% ethanol and 90% gasoline. E10 is approved for use in all standard vehicles. Estimates indicate that gasoline demand in the United States is approximately 143 billion gallons per year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 14.3 billion gallons per year. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. This is a theoretical limit because it is believed that it would not be possible to blend ethanol into every gallon of gasoline that is being used in the United States and it discounts the use of higher percentage blends such as E15 or E85. These higher percentage blends may lead to additional ethanol demand if they become more widely available and accepted by the market. Gasoline demand was lower for 2020 due to COVID-19.

Many in the ethanol industry believe that it will be impossible to meet the RFS requirement in future years without an increase in the percentage of ethanol that can be blended with gasoline for use in standard (non-flex fuel) vehicles. The EPA has approved the use of E15, gasoline which is blended at a rate of 15% ethanol and 85% gasoline, in vehicles manufactured in the model year 2001 and later. However, there are still state hurdles that need to be addressed in some states before E15 will become more widely available. Many states still have regulatory issues that prevent the sale of E15. Sales of E15 may be limited because it is not

approved for use in all vehicles, the EPA requires a label that management believes may discourage consumers from using E15, and retailers may choose not to sell E15 due to concerns regarding liability. In June 2019, the

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Trump administration approved the use of E15 year-round which has somewhat expanded the use of E15, but has not been significant enough to offset demand losses which resulted from the small refinery waivers from the RFS.

In May 2020, the United States Department of Agriculture ("USDA") announced the Higher Blends Infrastructure Incentive Program which consists of up to \$100 million in funding for grants to be used to increase the availability of higher blends of ethanol and biodiesel fuels. Funds may be awarded to retailers such as fueling stations and convenience stores to assist in the cost of installation or upgrading of fuel pumps and other infrastructure. In October 2020, the USDA announced the first round of awards to recipients of \$22 million worth of grants.

### Effect of Governmental Regulation

The government's regulation of the environment changes constantly. We are subject to extensive air, water and other environmental regulations and we have been required to obtain a number of environmental permits to construct and operate the ethanol plant. It is possible that more stringent federal or state environmental rules or regulations could be adopted, which could increase our operating costs and expenses. It also is possible that federal or state environmental rules or regulations could be adopted that could have an adverse effect on the use of ethanol. Plant operations are governed by the Occupational Safety and Health Administration ("OSHA"). OSHA regulations may change such that the costs of operating the ethanol plant may increase. Any of these regulatory factors may result in higher costs or other adverse conditions effecting our operations, cash flows and financial performance.

We have obtained all of the necessary permits to operate the ethanol plant. During our 2020 fiscal year, we incurred costs and expenses of approximately \$511,000 complying with environmental laws, including the cost of obtaining permits. Although we have been successful in obtaining all of the permits currently required, any retroactive change in environmental regulations, either at the federal or state level, could require us to obtain additional or new permits or spend considerable resources in complying with such regulations.

In late 2009, California passed a Low Carbon Fuels Standard ("LCFS"). The California LCFS requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which is measured using a lifecycle analysis, similar to the RFS. The LCFS could have a negative impact on demand for corn-based ethanol and result in decreased ethanol prices affecting our ability to operate profitably.

In August 2017, Brazil instituted an import quota for ethanol produced in the United States and exported to Brazil, along with a 20% tariff on ethanol imports in excess of the quota. In September 2019, the Brazilians increased the tariff free import quota from 600 million liters to 750 million liters. The quota expired in December 2020 so all U.S. ethanol exports to Brazil are now subject to the tariff. This tariff has reduced exports of ethanol to Brazil and may continue to negatively impact ethanol exports from the United States. Any reduction in ethanol exports could negatively impact market ethanol prices in the United States. In addition, the Chinese government increased the tariff on United States ethanol imports into China from 30% to 45% and ultimately to 70%. Due to other recent tariff activity between the United States and China, management does not expect these Chinese tariffs to be removed in the near term. Both China and Brazil have been major sources of import demand for United States ethanol and distillers grains. These trade actions may result in negative operating margins for United States ethanol producers.

### **Employees**

As of October 31, 2020, we had 51 full-time employees and no part-time employees. We anticipate that we will have approximately 54 full-time employees and no part-time employees during the next 12 months.

### **ITEM 1A. RISK FACTORS.**

*You should carefully read and consider the risks and uncertainties below and the other information contained in this report. The risks and uncertainties described below are not the only ones we may face. The following risks, together with additional risks and uncertainties not currently known to us or that we currently deem immaterial could impair our financial condition and results of operation.*

### **Risks Relating to Our Business**

*We are subject to global and regional economic downturns and related risks and the effects of COVID-19 or another pandemic may materially and adversely affect demand and the market price for our products.* The level of demand for our products is affected by global and regional demographic and macroeconomic conditions. A significant downturn in

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global economic growth, or recessionary conditions in major geographic regions for prolonged periods, may lead to reduced demand for our products, which could have a negative effect on the market price of our products. In December 2019, a novel coronavirus surfaced in Wuhan, China (“COVID-19”). The spread of COVID-19 worldwide has resulted in businesses suspending or substantially curtailing global operations and travel, quarantines, and an overall substantial slowdown of economic activity. Transportation fuels in particular, including ethanol, have experienced significant price declines and reduced demand. The effects of COVID-19 have and may continue to materially and adversely affect the market price for our products, our business, results of operations and liquidity.

***COVID-19 or another pandemic may negatively impact our ability to operate our business which could decrease or eliminate the value of our units.*** COVID-19 has resulted in significant uncertainty in many areas of our business. We do not know how long these conditions will last. This uncertainty is expected to negatively impact our operations. We may experience labor shortages if our employees are unable or unwilling to come to work. If our suppliers cannot deliver the supplies we need to operate our business or if we are unable to ship our products due to trucking or rail shipping disruptions, we may be forced to suspend operations or reduce production. If we are unable to operate the ethanol plant at capacity, it may result in unfavorable operating results. Any shut down of operations or reduction in production, especially for an extended period of time, could reduce or eliminate the value of our units.

***The EPA issued small refinery exemption waivers to the RFS requirement which has resulted in demand destruction and negatively impacted profitability in the ethanol industry.*** During 2019, the ethanol industry learned that the EPA has been issuing small refinery waivers to the ethanol use requirements in the RFS. In previous years, when the EPA issued small refinery exemption waivers, the EPA reallocated the waived gallons to other refiners. The EPA under the Trump Administration was granting significantly more waivers than in the past and was not reallocating the waived gallons to other refiners. These actions resulted in demand destruction in 2018 and 2019 which led to reduced market ethanol prices and negative operating margins in the ethanol industry. This reduction in ethanol demand has negatively impacted the profitability of our operations. In January 2020, the Tenth Circuit Court of Appeals ruled that small refinery exemptions may only be granted to refineries that had secured them continuously each year since 2010. Consistent with this ruling, in September 2020, the EPA denied certain small refinery exemption petitions filed by oil refineries in 2020 seeking retroactive relief from their ethanol use requirements for prior years. These small refinery exemption waivers have impacted the ethanol industry which could reduce or eliminate the value of our units.

***Our profitability is dependent on a positive spread between the price we receive for our products and the raw material costs required to produce our products.*** Practically all of our revenue is derived from the sale of our ethanol, distiller grains and corn oil. Our primary raw material costs are related to corn costs and energy costs. Our profitability depends on a positive spread between the market price of the ethanol, distiller grains and corn oil we produce and the raw material costs related to these products. While ethanol, distiller grains and corn oil prices typically change in relation to corn prices, this correlation may not always exist. In the event the prices of our products decrease at a time when our raw material costs are increasing, we may not be able to profitably operate the ethanol plant. Further, if the spread between the price we receive for our products and the raw material costs associated with producing those products is negative for an extended period of time, we may fail which could negatively impact the value of our units.

***Declines in the price of ethanol or distiller grains would significantly reduce our revenues.*** The sales prices of ethanol and distiller grains can be volatile as a result of a number of factors such as overall supply and demand, the price of gasoline and corn, levels of government support, and the availability and price of competing products. We are dependent on a favorable spread between the price we receive for our ethanol and distiller grains and the price we pay for corn and natural gas. Any lowering of ethanol and distiller grains prices, especially if it is associated with increases in corn and natural gas prices, may affect our ability to operate profitably. We anticipate the price of ethanol and distiller grains to continue to be volatile in our 2021 fiscal year as a result of the net effect of changes in the price of gasoline and corn and increased ethanol supply offset by changes in ethanol demand. Declines in the prices we receive for our ethanol and distiller grains could lead to decreased revenues and may result in our inability to operate the ethanol plant profitably for an extended period of time which could decrease the value of our units.

***Decreasing gasoline prices may lower ethanol prices which could negatively impact our ability to operate profitably.*** Discretionary blending is an important secondary market which is often determined by the price of ethanol versus the price of gasoline. In periods when discretionary blending is financially unattractive, demand for ethanol may be reduced. Historically, the price of ethanol was less than the price of gasoline which increased demand for ethanol from fuel blenders. However, in recent years, gasoline prices were lower which reduced the spread between the price of gasoline and the price of ethanol and led to

decreased ethanol demand. If gasoline prices decrease again during our 2021 fiscal year, it could result in lower ethanol prices which could decrease the value of our units.

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***We may be forced to reduce production or cease production altogether if we are unable to secure the corn we require to operate the ethanol plant.*** We require a significant amount of corn to operate the ethanol plant at capacity. In recent years, the supply of corn in the market has been higher and we have not had difficulty securing the corn we require at prices that allow us to operate profitably. However, during 2020 we experienced poor weather conditions which impacted the corn crop which was harvested in the fall of 2020 in our corn purchase area. The smaller corn crop in our corn purchase area has already resulted in higher corn prices and may continue to negatively impact corn prices during our 2021 fiscal year. If we are unable to secure the corn we require to continue to operate the ethanol plant, or we are unable to secure corn at prices that allow us to operate profitably, we may have to reduce production or cease operating altogether which may negatively impact the value of our units.

***We engage in hedging transactions which involve risks that could harm our business.*** We are exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn and natural gas in the ethanol production process, along with sales of ethanol. We seek to minimize the risks from fluctuations in the prices of corn, natural gas and ethanol through the use of hedging instruments. The effectiveness of our hedging strategies is dependent on the price of corn, natural gas and ethanol and our ability to sell sufficient products to use all of the corn and natural gas for which we have futures contracts. Our hedging activities may not successfully reduce the risk caused by price fluctuation which may leave us vulnerable to high corn and natural gas prices or relatively lower ethanol prices. Alternatively, we may choose not to engage in hedging transactions in the future and our operations and financial conditions may be adversely affected during periods in which corn and/or natural gas prices increase or ethanol prices decrease. Further, we may be required to use a significant amount of cash to make margin calls required by our commodities broker as a result of decreases in corn prices and the resulting unrealized and realized losses we may experience on our hedging activities. Utilizing cash for margin calls has an impact on the cash we have available for our operations which could result in liquidity problems during times when corn prices change significantly which can harm our profitability.

***Our business is not diversified.*** Our success depends almost entirely on our ability to profitably operate our ethanol plant. We do not have any other lines of business if we are unable to operate our ethanol plant and manufacture ethanol, distiller grains and corn oil. Further, all of our investments are in companies involved in the ethanol industry. If economic or political factors adversely affect the market for ethanol, distiller grains or corn oil, we have no other line of business to fall back on. Our business would also be significantly harmed if the ethanol plant could not operate at full capacity for any extended period of time.

***If RPMG fails, it may negatively impact our ability to profitably operate the ethanol plant.*** All of our ethanol, distiller grains and corn oil is marketed by RPMG. Therefore, nearly all of our revenue is derived from sales that are secured by RPMG. If RPMG is unable to market all of our products, it may negatively impact our ability to profitably operate the ethanol plant. While management believes that we could secure an alternative marketer if RPMG were to fail, switching marketers may negatively impact our cash flow and our ability to continue to operate the ethanol plant. If we are unable to sell all of our ethanol, distiller grains and corn oil at prices that allow us to operate profitably, it may decrease the value of our units.

***We depend on our management and key employees, and the loss of these relationships could negatively impact our ability to operate profitably.*** We are highly dependent on our management team to operate our ethanol plant. We may not be able to replace these individuals should they decide to cease their employment with us, or if they become unavailable for any other reason. While we seek to compensate our management and key employees in a manner that will encourage them to continue their employment with us, they may choose to seek other employment. Any loss of these executive officers and key employees may prevent us from operating the ethanol plant profitably which could decrease the value of our units.

***We may violate the terms of our credit agreements and financial covenants which could result in our lender demanding immediate repayment of our loans.*** We have a credit facility with Farm Credit Services of America ("Farm Credit"). Our credit agreements with Farm Credit include various financial loan covenants. We are currently in compliance with all of our financial loan covenants. Current management projections indicate that we will be in compliance with our loan covenants for at least the next 12 months. However, unforeseen circumstances may develop which could result in us violating our loan covenants. If we violate the terms of our credit agreements, including our financial loan covenants, Farm Credit could deem us to be in default of our loans and require us to immediately repay any outstanding balance of our loans. If we do not have the funds available to repay the loans or we cannot find another source of financing, we may fail which could decrease or eliminate the value of our units.

***Our operations may be negatively impacted by natural disasters, severe weather conditions, and other unforeseen plant shutdowns which can negatively impact our operations.*** Our operations may be negatively impacted by events outside



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of our control such as natural disasters, severe weather, strikes, train derailments and other unforeseen events which may negatively impact our operations. If we experience any of these unforeseen circumstances which negatively impact our operations, it may affect our cash flow and negatively impact the value of our business.

*We may incur casualty losses that are not covered by insurance which could negatively impact the value of our units.* We have purchased insurance which we believe adequately covers our losses from foreseeable risks. However, there are risks that we may encounter for which there is no insurance or for which insurance is not available on terms that are acceptable to us. If we experience a loss which materially impairs our ability to operate the ethanol plant which is not covered by insurance, the value of our units could be reduced or eliminated.

### Risks Related to Ethanol Industry

*The ethanol industry is an industry that is changing rapidly which can result in unexpected developments that could negatively impact our operations and the value of our units.* The ethanol industry has grown significantly in the last decade. This rapid growth has resulted in significant shifts in supply and demand of ethanol over a very short period of time. As a result, past performance by the ethanol plant or the ethanol industry generally might not be indicative of future performance. Recently, a significant number of ethanol plants have been expanding their production capacity which could impact the supply and demand balance in the industry. We may experience a rapid shift in the economic conditions in the ethanol industry which may make it difficult to operate the ethanol plant profitably. If changes occur in the ethanol industry that make it difficult for us to operate the ethanol plant profitably, it could result in a reduction in the value of our units.

*Excess ethanol supply in the market could put negative pressure on the price of ethanol which could lead to tight operating margins and may impact our ability to operate profitably.* In the past, the ethanol industry has confronted market conditions where ethanol supply exceeded demand which led to unfavorable operating conditions. A disconnect between ethanol supply and demand can result in lower ethanol prices which can result in unfavorable operating conditions. The United States benefited from additional exports of ethanol in recent years which may not continue to occur during our 2021 fiscal year. We may experience periods of ethanol supply and demand imbalance during our 2021 fiscal year. If we experience excess ethanol supply, either due to increased ethanol production or lower gasoline demand, it could negatively impact the price of ethanol which could hurt our ability to profitably operate the ethanol plant.

*Distiller grains demand and prices may be negatively impacted by the Chinese anti-dumping duty.* China was recently the world's largest importer of distiller grains produced in the United States. On January 12, 2016, the Chinese government announced that it would commence an anti-dumping and countervailing duty investigation related to distiller grains imported from the United States. On January 10, 2017, China announced a final ruling related to its anti-dumping and countervailing duty investigation imposing anti-dumping duties from a range of 42.2% to 53.7% and anti-subsidy duties from 11.2% to 12.0%. The imposition of these duties has resulted in a significant decline in demand from this top importer and negatively impacted prices for distiller grains produced in the United States. Due to continued trade disputes and tensions between the United States and China, management does not expect these tariffs to be removed in the near term. This reduction in demand could negatively impact our ability to profitably operate the ethanol plant.

*A reduction in ethanol exports to Brazil due to the imposition by the Brazilian government of a tariff on U.S. ethanol could have a negative impact on ethanol prices.* Brazil has historically been a top destination for ethanol produced in the United States. However, in 2017, Brazil imposed a 20% tariff on ethanol which is produced in the United States and exported to Brazil after a small quota is reached. This tariff has resulted in a decline in demand for ethanol from Brazil and could negatively impact the market price of ethanol in the United States and our ability to profitably operate the ethanol plant. The effect of the tariff has been mitigated somewhat by the adoption of a rate tariff quota that allows 750 million liters of ethanol annually to be allowed into Brazil before the tariff applies. However, this rate tariff quota expired on December 14, 2020, so all of the ethanol exports to Brazil will be subject to the 20% tariff. This tariff has negatively impacted ethanol demand and prices in the United States.

*Many ethanol producers are expanding their production capacity which could lead to an oversupply of ethanol in the United States.* Recently, many ethanol producers have commenced projects to expand their ethanol production capacities. These expansions have resulted in a significant increase in the supply of ethanol in the United States. Currently, ethanol prices are supported by ethanol exports which may not continue at their current levels. While many in the ethanol industry are working to increase the amount of ethanol that is used domestically, specifically in the form of E15, which contains 15% ethanol as compared to the 10% ethanol which is used in most current blends, adoption of E15 has not been as rapid as most ethanol producers would like. Also, the additional ethanol capacity which is being constructed has in the past and may continue to exceed current domestic

and export demand. An oversupply of ethanol could negatively impact domestic ethanol prices which could negatively impact our ability to profitably operate the ethanol plant.

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***Demand for ethanol may not continue to grow unless ethanol can be blended into gasoline in higher percentage blends for standard vehicles.*** Currently, ethanol is primarily blended with gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% gasoline. Estimates indicate that approximately 143 billion gallons of gasoline are sold in the United States each year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 14.3 billion gallons. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. Many in the ethanol industry believe that the ethanol industry has reached this blend wall. In order to expand demand for ethanol, higher percentage blends of ethanol must be utilized in standard vehicles. Such higher percentage blends of ethanol are a contentious issue. Automobile manufacturers and environmental groups have fought against higher percentage ethanol blends. The EPA approved the use of E15 for standard (non-flex fuel) vehicles produced in the model year 2001 and later. The fact that E15 has not been approved for use in all vehicles and the labeling requirements associated with E15 may lead to gasoline retailers refusing to carry E15. Further, a limited number of flex-fuel vehicles are being manufactured which has impacted higher percentage blends such as E85. Without an increase in the allowable percentage blends of ethanol that can be used in all vehicles, demand for ethanol may not continue to increase which could decrease the selling price of ethanol and could result in our inability to operate the ethanol plant profitably, which could reduce or eliminate the value of our units.

***Technology advances in the commercialization of cellulosic ethanol may decrease demand for corn-based ethanol which may negatively affect our profitability.*** The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste, and energy crops. This trend is driven by the fact that cellulose-based biomass is generally cheaper than corn, and producing ethanol from cellulose-based biomass would create opportunities to produce ethanol in areas of the country which are unable to grow corn. The Energy Independence and Security Act of 2007 and the 2008 Farm Bill offer strong incentives to develop commercial scale cellulosic ethanol. The RFS requires that 16 billion gallons per year of advanced bio-fuels must be consumed in the United States by 2022. Additionally, state and federal grants have been awarded to several companies which are seeking to develop commercial-scale cellulosic ethanol plants. This has encouraged innovation and has led to several companies which are either in the process or have completed construction of commercial scale cellulosic ethanol plants. If an efficient method of producing ethanol from cellulose-based biomass is developed, we may not be able to compete effectively. If we are unable to produce ethanol as cost-effectively as cellulose-based producers, our ability to generate revenue and our financial condition will be negatively impacted.

***Changes and advances in ethanol production technology could require us to incur costs to update our plant or could otherwise hinder our ability to compete in the ethanol industry or operate profitably.*** Advances and changes in the technology of ethanol production are expected to occur. Such advances and changes may make the ethanol production technology installed in our ethanol plant less desirable or obsolete. These advances could allow our competitors to produce ethanol at a lower cost than us. If we are unable to adopt or incorporate technological advances, our ethanol production methods and processes could be less efficient than our competitors, which could cause the ethanol plant to become uncompetitive or completely obsolete. If our competitors develop, obtain or license technology that is superior to ours or that makes our technology obsolete, we may be required to incur significant costs to enhance our technology or acquire new technology so that our ethanol production remains competitive. Alternatively, we may be required to seek third-party licenses, which could also result in significant expenditures. These third-party licenses may not be available or, once obtained, they may not continue to be available on commercially reasonable terms. These costs could negatively impact our financial performance by increasing our operating costs and reducing our net income which could decrease the value of our units.

***We operate in an intensely competitive industry and compete with larger, better financed companies which could impact our ability to operate profitably.*** There is significant competition among ethanol producers. There are numerous producer-owned and privately-owned ethanol plants operating throughout the Midwest and elsewhere in the United States. We also face competition from ethanol producers located outside of the United States. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET, and Valero Renewable Fuels, each of which is capable of producing significantly more ethanol than we produce. Further, many believe that there will be further consolidation occurring in the ethanol industry which will likely lead to a few companies which control a significant portion of the United States ethanol production market. We may not be able to compete with these larger producers. These larger ethanol producers may be able to affect the ethanol market in ways that are not beneficial to us which could negatively impact our financial performance and the value of our units.

***Competition from the advancement of alternative fuels and electric vehicles may lessen demand for ethanol.*** Alternative fuels, gasoline oxygenates and ethanol production methods are continually under development. A number of automotive,

industrial and power generation manufacturers are developing alternative clean power systems using fuel cells, plug-in hybrids, and electric cars or clean burning gaseous fuels. Like ethanol, these emerging technologies offer an option to

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address worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. If these alternative technologies continue to expand and gain broad acceptance and become readily available to consumers for motor vehicle use, we may not be able to compete effectively. This additional competition could reduce the demand for ethanol, resulting in lower ethanol prices that might adversely affect our results of operations and financial condition.

***If exports of ethanol are reduced, ethanol prices may be negatively impacted.*** The United States ethanol industry depends on ethanol exports. Due to lower global gasoline demand, ethanol exports were lower during our 2020 fiscal year. In 2017, China and Brazil both implemented import tariffs on United States ethanol and later both increased those tariffs. As a result of small refinery exemptions, we are experiencing the impact of excess ethanol supplies in the market. Without exports of ethanol, excess ethanol supplies in the United States will continue which could continue to negatively impact prices. Any decrease in ethanol prices or demand may negatively impact our ability to profitably operate the ethanol plant.

***Consumer resistance to the use of ethanol based on the belief that ethanol is expensive, adds to air pollution, harms engines and/or takes more energy to produce than it contributes or based on perceived issues related to the use of corn as the feedstock to produce ethanol may affect demand for ethanol.*** Certain individuals believe that the use of ethanol will have a negative impact on gasoline prices at the pump. Some also believe that ethanol adds to air pollution and harms car and truck engines. Still other consumers believe that the process of producing ethanol actually uses more fossil energy, such as oil and natural gas, than the amount of energy that is produced. Further, some consumers object to the fact that ethanol is produced using corn as the feedstock which these consumers perceive as negatively impacting food prices. These consumer beliefs could potentially be wide-spread and may be increasing as a result of efforts to increase the allowable percentage of ethanol that may be blended for use in vehicles. If consumers choose not to buy ethanol based on these beliefs, it would affect demand for the ethanol we produce which could negatively affect our profitability and financial condition.

***Failures of our information technology infrastructure could have a material adverse effect on operations.*** We utilize various software applications and other information technology that are critically important to our business operations. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, including production, manufacturing, financial, logistics, sales, marketing and administrative functions. We depend on our information technology infrastructure to communicate internally and externally with employees, customers, suppliers and others. We also use information technology networks and systems to comply with regulatory, legal and tax requirements. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses and ransomware attacks by computer hackers or other cybersecurity risks, telecommunication failures, user errors, natural disasters, terrorist attacks or other catastrophic events. If any of our significant information technology systems suffer severe damage, disruption or shutdown, and our disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected.

***A cyber attack or other information security breach could have a material adverse effect on our operations and result in financial losses.*** We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and ransomware as well as other events that could have a security impact. If we are unable to prevent cyber attacks and other information security breaches, we may encounter significant disruptions in our operations which could adversely impact our business, financial condition and results of operations or result in the unauthorized disclosure of confidential information. Such breaches may also harm our reputation, result in financial losses or subject us to litigation or other costs or penalties.

### **Risks Related to Regulation and Governmental Action**

***Government incentives for ethanol production may be reduced or eliminated in the future, which could hinder our ability to operate at a profit.*** The ethanol industry is assisted by various federal and state ethanol incentives, the most important of which is the RFS set forth in the Energy Policy Act of 2005. The RFS helps support a market for ethanol that might disappear without this incentive. The EPA has the authority to waive the RFS statutory volume requirement, in whole or in part, provided certain conditions have been met. Annually, the EPA is supposed to pass a rule that establishes the number of gallons of different types of renewable fuels that must be used in the United States which is called the renewable volume obligations. In the past, the EPA has set the renewable volume obligations below the statutory volume requirements. If the EPA were to significantly reduce the volume requirements under the RFS or if the RFS were to be otherwise reduced or eliminated by the exercise of the EPA waiver authority

or by Congress in the future, the market price and demand for ethanol could decrease which will negatively impact our financial performance.

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***The California Low Carbon Fuel Standard may decrease demand for corn-based ethanol which could negatively impact our profitability.*** California passed a Low Carbon Fuels Standard ("LCFS") which requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which reductions are measured using a lifecycle analysis. Management believes that these regulations restrict corn-based ethanol produced in the Midwest from being used in California. California represents a significant ethanol demand market. If the ethanol industry is unable to supply corn-based ethanol to California, it could significantly reduce demand for the ethanol we produce. This could result in a reduction of our revenues and negatively impact our ability to profitably operate the ethanol plant.

***Changes in environmental regulations or violations of these regulations could be expensive and reduce our profitability.*** We are subject to extensive air, water and other environmental laws and regulations. In addition, some of these laws require our plant to operate under a number of environmental permits. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, damages, criminal sanctions, permit revocations and/or plant shutdowns. In the future, we may be subject to legal actions brought by environmental advocacy groups and other parties for actual or alleged violations of environmental laws or our permits. Additionally, any changes in environmental laws and regulations, both at the federal and state level, could require us to spend considerable resources in order to comply with future environmental regulations. The expense of compliance could be significant enough to reduce our profitability and negatively affect our financial condition.

***Carbon dioxide may be regulated in the future by the EPA as an air pollutant requiring us to obtain additional permits and install additional environmental mitigation equipment, which could adversely affect our financial performance.*** In 2007, the Supreme Court decided a case in which it ruled that carbon dioxide is an air pollutant under the Clean Air Act for motor vehicle emissions. In 2011 the EPA issued a tailoring rule that deferred greenhouse gas regulations for ethanol plants until July of 2014. However, in July of 2013 the D.C. Circuit issued an opinion vacating the EPA's deferral of those regulations for biogenic sources, including ethanol plants. On June 23, 2014 the U.S. Supreme Court affirmed in part and reversed in part the D.C. Circuit's decision. For plants that already hold PSD permits the court generally affirmed the EPA's ability to regulate greenhouse gas emissions. Our plant produces a significant amount of carbon dioxide. While there are currently no regulations restricting carbon dioxide emissions, if the EPA or the State of Iowa were to regulate carbon dioxide emissions by plants such as ours, we may have to apply for additional permits or we may be required to install carbon dioxide mitigation equipment or take other as yet unknown steps to comply with these potential regulations. Compliance with any future regulation of carbon dioxide, if it occurs, could be costly and may prevent us from operating the ethanol plant profitably which could decrease or eliminate the value of our units.

***Government policies and regulations, particularly those affecting the agricultural sector and related industries, could adversely affect our operations and profitability.*** Agricultural commodity production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, import and export restrictions on agricultural commodities and commodity products can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Future governmental policies, regulations or actions affecting our industry may adversely affect the supply of, demand for and prices of our products, restrict our ability to do business and cause our financial results to suffer.

## ITEM 2. PROPERTIES

Our ethanol plant is located on an approximately 231-acre site in north-central Iowa. The plant's address is 1822 43<sup>rd</sup> Street SW, Mason City, Iowa. We produce all of our ethanol, distiller grains and corn oil at this site. The ethanol plant has capacity to produce more than 120 million gallons of ethanol per year. During our 2019 fiscal year, we purchased an additional approximately 57 acres of land adjacent to our ethanol plant which may be used for plant upgrade projects we may undertake in the future.

All of our tangible and intangible property serves as collateral for our senior credit facility with Farm Credit. Our senior credit facility is discussed in greater detail under "**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Short-Term and Long-Term Debt Sources.**"



[Table of Contents](#)**ITEM 3. LEGAL PROCEEDINGS**

From time to time in the ordinary course of business, we may be named as a defendant in legal proceedings related to various issues, including without limitation, workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

There is no public trading market for our Class A or Class B membership units. We have created a qualified online matching service ("QMS") in order to facilitate trading of our units. The QMS consists of an electronic bulletin board that provides information to prospective sellers and buyers of our units. We do not receive any compensation for creating or maintaining the QMS. We do not become involved in any purchase or sale negotiations arising from the QMS. In advertising the QMS, we do not characterize the Company as being a broker or dealer or an exchange. We do not give advice regarding the merits or shortcomings of any particular transaction. We do not receive, transfer or hold funds or securities as an incident of operating the QMS. We do not use the QMS to offer to buy or sell securities other than in compliance with the securities laws, including any applicable registration requirements. We have no role in effecting the transactions beyond approval, as required under our operating agreement, and the issuance of new certificates.

As of October 31, 2020, there were approximately 882 holders of record of our Class A and Class B units.

The following table contains historical information by quarter for the past two years regarding the actual unit transactions that were completed by our unit-holders during the periods specified. We believe this most accurately represents the current trading value of our units. The information was compiled by reviewing the completed unit transfers that occurred on the QMS bulletin board or through private transfers during the quarters indicated.

<b>Quarter</b>	<b>Low Price</b>	<b>High Price</b>	<b>Average Price</b>	<b>Number of Units Traded</b>
2019 1st	\$7.50	\$7.50	\$7.50	2,500
2019 2nd	\$7.40	\$8.00	\$7.80	15,000
2019 3rd	\$7.50	\$7.50	\$7.50	5,000
2019 4th	—	—	—	None
2020 1st	—	—	—	None
2020 2nd	\$6.50	\$6.50	\$6.50	16,000
2020 3rd	\$6.00	\$6.00	\$6.00	15,000
2020 4th	\$5.90	\$5.90	\$5.90	4,000

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The following tables contain the bid and asked prices that were posted on the QMS bulletin board and includes some transactions that were not completed. We believe the table above more accurately describes the trading value of our units as the bid and asked prices below include some offers that never resulted in completed transactions. The information was compiled by reviewing postings that were made on the QMS bulletin board.

<u>Seller's Quarter</u>	<u>Low Price</u>	<u>High Price</u>	<u>Average Price</u>	<u>Number of Units Posted</u>
2019 1st	\$7.50	\$7.50	\$7.50	2,500
2019 2nd	\$7.50	\$8.00	\$7.83	32,500
2019 3rd	\$7.50	\$7.50	\$7.50	10,000
2019 4th	\$6.85	\$7.50	\$7.12	40,000
2020 1st	\$6.60	\$7.00	\$6.90	48,000
2020 2nd	\$6.00	\$6.75	\$6.45	54,500
2020 3rd	\$6.00	\$6.75	\$6.33	47,000
2020 4th	\$5.75	\$6.00	\$5.88	41,666

<u>Buyer's Quarter</u>	<u>Low Price</u>	<u>High Price</u>	<u>Average Price</u>	<u>Number of Units Posted</u>
2019 1st	—	—	—	None
2019 2nd	—	—	—	None
2019 3rd	—	—	—	None
2019 4th	\$6.75	\$6.75	\$6.75	25,000
2020 1st	—	—	—	None
2020 2nd	—	—	—	None
2020 3rd	—	—	—	None
2020 4th	—	—	—	None

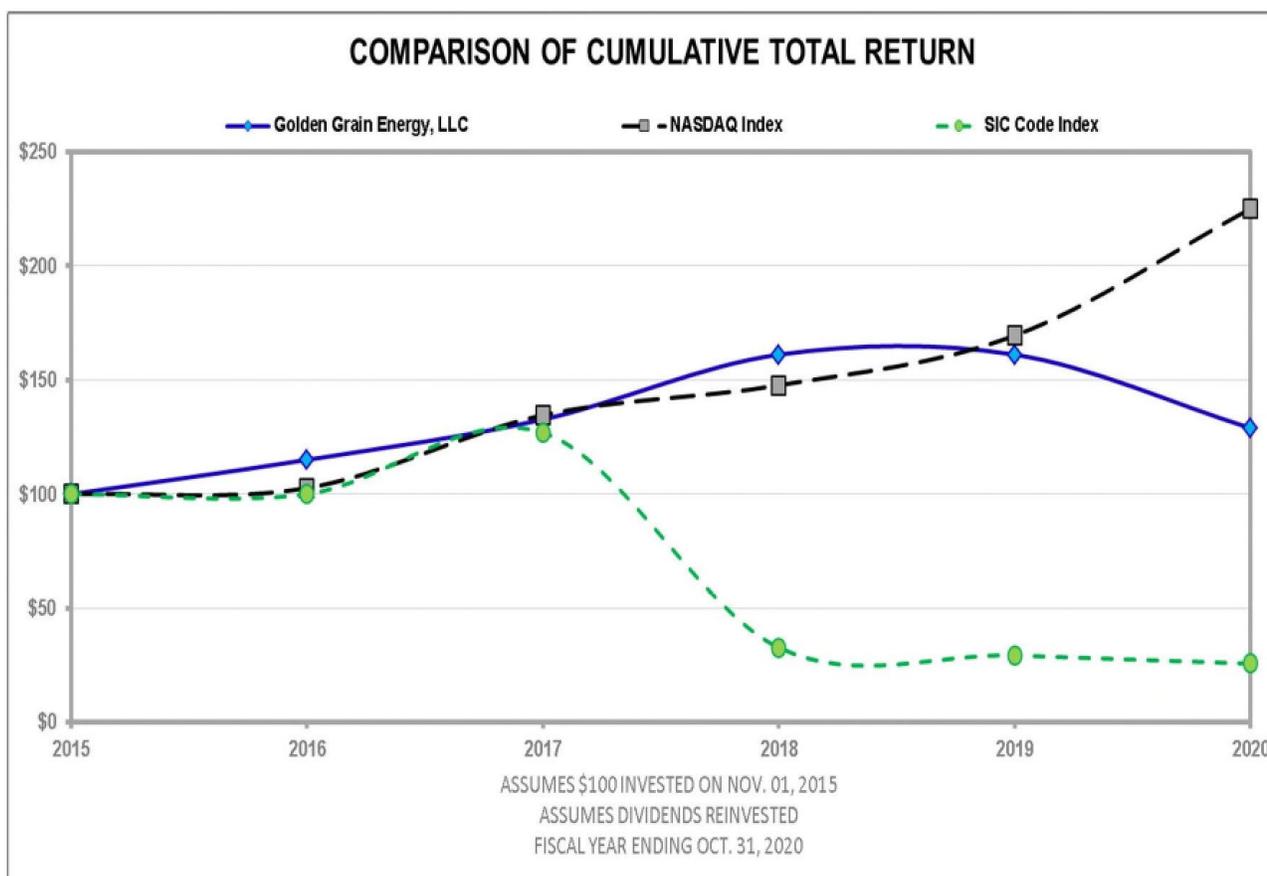
As a limited liability company, we are required to restrict the transfers of our membership units in order to preserve our partnership tax status. Our membership units may not be traded on any established securities market or readily traded on a secondary market (or the substantial equivalent thereof). All transfers are subject to a determination that the transfer will not cause us to be deemed a publicly traded partnership.

### DISTRIBUTIONS

Our board of directors has complete discretion over the timing and amount of distributions to our unit holders subject to certain restrictions in our credit agreements and our operating agreement. Our operating agreement requires the board of directors to try to make cash distributions at such times and in such amounts as will permit our unit holders to satisfy their income tax liability related to owning our units in a timely fashion. Our expectations with respect to our ability to make future distributions are discussed further in "**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**" Distributions are restricted by certain loan covenants in our credit agreements with Farm Credit.

### PERFORMANCE GRAPH

The following graph shows a comparison of cumulative total member return since November 1, 2015, calculated on a dividend reinvested basis, for the Company, the NASDAQ Composite Index (the "NASDAQ Market Index") and an index of other companies that have the same SIC code as the Company (the "SIC Code Index"). The graph assumes \$100 was invested in each of our units, the NASDAQ Market Index, and the SIC Code Index on November 1, 2015. Data points on the graph are annual. Note that historic unit price performance is not necessarily indicative of future unit price performance.

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Company/Market/Peer Group	10/31/2015	10/31/2016	10/31/2017	10/31/2018	10/31/2019	10/31/2020
Golden Grain Energy, LLC	\$100.00	\$115.03	\$132.73	\$161.17	\$161.17	\$128.93
NASDAQ Index	\$100.00	\$102.66	\$134.62	\$147.73	\$169.54	\$225.23
SIC Code Index	\$100.00	\$100.00	\$126.97	\$32.71	\$29.25	\$25.67

Pursuant to the rules and regulations of the Securities and Exchange Commission, the performance graph and the information set forth therein shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

#### ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial and operating data as of the dates and for the periods indicated. The selected balance sheet financial data as of October 31, 2018, 2017 and 2016 and the selected statement of operations data and other financial data for the years ended October 31, 2017 and 2016 have been derived from our audited consolidated financial statements that are not included in this Form 10-K. The selected balance sheet financial data as of October 31, 2020 and 2019 and the selected statement of operations data and other financial data for each of the years in the three year period ended October 31, 2020 have been derived from the audited Financial Statements included elsewhere in this Form 10-K. You should read the following table in conjunction with "Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the accompanying notes included elsewhere in this Form 10-K. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following consolidated financial data.



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<b>Statement of Operations Data:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenues	\$ 194,329,476	\$ 203,793,847	\$ 179,501,244	\$ 213,455,567	\$ 200,697,852
Cost of Goods Sold	188,782,979	203,969,863	175,745,659	188,326,404	185,345,104
Insurance Claim Recoveries, net	—	—	1,600,000	—	—
Gross Profit (Loss)	5,546,497	(176,016)	5,355,585	25,129,163	15,352,748
Operating Expenses	4,144,385	3,706,721	3,623,272	3,844,410	3,646,121
Operating Income (Loss)	1,402,112	(3,882,737)	1,732,313	21,284,753	11,706,627
Other Income (Expense), net	4,476,551	2,170,335	4,638,986	8,114,071	8,686,615
Net Income (Loss)	\$ 5,878,663	\$ (1,712,402)	\$ 6,371,299	\$ 29,398,824	\$ 20,393,242
Weighted Average Units Outstanding	19,873,000	19,873,000	19,873,000	19,873,000	19,873,000
Net Income (Loss) Per Unit	\$ 0.30	\$ (0.09)	\$ 0.32	\$ 1.48	\$ 1.03
Cash Distributions per Unit	\$ 0.10	\$ 0.25	\$ 0.75	\$ 1.25	\$ 0.95

<b>Balance Sheet Data:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current Assets	\$ 42,422,107	\$ 32,093,425	\$ 35,164,094	\$ 53,988,590	\$ 48,098,413
Net Property and Equipment	67,417,851	72,088,805	73,878,806	63,477,489	66,686,967
Other Assets	29,248,983	25,848,153	26,229,379	26,363,336	25,978,526
Total Assets	139,088,941	130,030,383	135,272,279	143,829,415	140,763,906
Current Liabilities	11,194,110	9,140,200	7,634,070	7,716,286	9,237,168
Long-Term Liabilities	3,582,326	469,040	539,414	477,883	449,066
Members' Equity	124,312,505	120,421,143	127,101,795	135,635,246	131,077,672
Book Value Per Unit	\$ 6.26	\$ 6.06	\$ 6.40	\$ 6.83	\$ 6.60

\* See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of our financial results.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Results of Operations

#### Comparison of the Fiscal Years Ended October 31, 2020 and 2019

The following table shows the results of our operations and the percentage of revenues, cost of goods sold, operating expenses and other items to total revenues in our statement of operations for the fiscal years ended October 31, 2020 and 2019:

<b>Statement of Operations Data</b>	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Revenues	\$ 194,329,476	100.0	\$ 203,793,847	100.0
Cost of Goods Sold	188,782,979	97.1	203,969,863	100.1
Gross Profit (Loss)	5,546,497	2.9	(176,016)	(0.1)
Operating Expenses	4,144,385	2.1	3,706,721	1.8
Operating Income	1,402,112	0.7	(3,882,737)	(1.9)
Other Income (Expense), net	4,476,551	2.3	2,170,335	1.1
Net Income (Loss)	\$ 5,878,663	3.0	\$ (1,712,402)	(0.8)

**Revenues.** Our total revenue was less for our 2020 fiscal year compared to the same period of 2019, primarily due to decreased ethanol revenue, partially offset by higher distiller grains and corn oil revenue during the 2020 period. For our 2020 fiscal year, ethanol sales accounted for approximately 78% of our total revenue, distiller grains sales accounted for approximately 18% of our total revenue, and corn oil sales accounted for approximately 4% of our total revenue. For our 2019



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fiscal year, ethanol sales accounted for approximately 79% of our total revenue, distiller grains sales accounted for approximately 17% of our total revenue, and corn oil sales accounted for approximately 4% of our total revenue.

The average price we received per gallon of ethanol we sold was approximately 3.4% less for our 2020 fiscal year compared to the same period of 2019. Management attributes this decrease in the average price we received for our ethanol to significantly lower ethanol demand early in 2020 as a result of the COVID-19 pandemic and its effect on gasoline demand. Since ethanol is primarily blended with gasoline for fuel, when gasoline demand is lower it has a corresponding impact on ethanol demand. While gasoline demand decreases were the most pronounced early in 2020, gasoline demand was lower throughout our 2020 fiscal year. Management anticipates that the impacts of the COVID-19 pandemic will continue during our 2021 fiscal year which can continue to impact ethanol demand and prices.

We sold approximately 2.2% fewer gallons of ethanol during our 2020 fiscal year compared to the same period of 2019 due to decreased ethanol production. We produced less ethanol during our 2020 fiscal year compared to the same period of 2019 as a result of market conditions which impacted profitability during the second quarter of our 2020 fiscal year. Our corn to ethanol conversion rate decreased by approximately 2% during our 2020 fiscal year compared to the same period of 2019. Management anticipates that ethanol production will be higher during our 2021 fiscal year compared to our 2020 fiscal year provided that profitability in the ethanol industry is maintained and we do not experience widespread decreased gasoline demand due to travel restrictions from the COVID-19 pandemic.

In prior years ethanol exports provided additional ethanol demand which positively impacted ethanol prices. However, during our 2020 fiscal year, because the COVID-19 pandemic impacted gasoline demand globally as many countries implemented travel restrictions to avoid the spread of the virus, we did not experience the same level of export demand as in prior years. However, management anticipates that export demand may increase in our 2021 fiscal year provided travel restrictions are reduced during our 2021 fiscal year.

During our 2020 fiscal year, we experienced combined realized and unrealized losses on our ethanol derivatives of approximately \$1,243,000 which decreased our revenue. By comparison, we experienced combined realized and unrealized losses on our ethanol derivative instruments of approximately \$270,000 during our 2019 fiscal year which decreased our revenue.

The average price per ton we received for our dried distiller grains and modified/wet distiller grains were each slightly higher for our 2020 fiscal year compared to the same period of 2019. Management attributes these price increases with decreased distiller grains supplies in the marketplace due to reduced ethanol production by the ethanol industry during our 2020 fiscal year. Distiller grains have become an important part of animal feeding rations which can have an impact on prices when the market supply is lower. Management anticipates that global corn and soybean prices may be higher during our 2021 fiscal year due to a smaller corn harvest in 2020 in our local corn production area which may result in higher distiller grains prices during our 2020 fiscal year.

Distiller grains prices have been impacted during our recent fiscal years as a result of Chinese trade policies which impacted distiller grains. In 2017, China implemented final tariffs on United States distiller grains which essentially closed the Chinese markets for United States producers. Management believes that this trade dispute has negatively impacted our profitability which could continue during our 2021 fiscal year. In addition, trade negotiations and tariffs continue to affect global supply and demand of both corn and distiller grains. If there are significant changes in these policies, it could have a material impact on both demand and commodity pricing.

We sold approximately 2% fewer total tons of distiller grains during our 2020 fiscal year compared to the same period of 2019 due to decreased ethanol production along with increased corn oil production. When we increase the amount of corn oil we produce, it results in less total tons of distiller grains. Management anticipates increased distiller grains sales during our 2021 fiscal year as we anticipate increased ethanol production during our 2021 fiscal year.

The average price we received for our corn oil was approximately the same during our 2020 fiscal year compared to the same period of 2019. Corn oil prices have been positively impacted by the extension of the biodiesel blenders' credit which has provided certainty to the biodiesel market. The corn oil we produce is also used for animal feed and certain industrial uses.

We sold approximately 5% more pounds of corn oil during our 2020 fiscal year compared to the same period of 2019 due to an increase in the amount of corn oil we extracted per bushel of corn for the 2020 period. Management anticipates a similar amount of corn oil sales during our 2021 fiscal year.



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*Cost of Goods Sold.* Our cost of goods sold was lower for our 2020 fiscal year compared to the same period of 2019 due to decreased corn and natural gas usage along with decreased market corn and natural gas prices during the 2020 period. Our average cost per bushel of corn before derivative activities was approximately 8% less during our 2020 fiscal year compared to the same period of 2019. Management attributes this decrease to decreased corn demand, particularly in the ethanol industry, due to the COVID-19 pandemic which negatively impacted markets during our 2020 fiscal year. Corn prices have been higher following the end of our 2020 fiscal year due to a smaller corn crop in our local area during 2020. Management anticipates that corn costs will be higher during our 2021 fiscal year and management expects corn basis to be higher during our 2021 fiscal year. In addition, continued trade policy and tariffs have impacted the corn market in 2020 and changes in those policies may have a significant impact on the price of corn.

We used slightly less bushels of corn during our 2020 fiscal year compared to 2019 due primarily to decreased ethanol production partially offset by lower corn to ethanol conversion efficiency. Management anticipates consistent corn consumption during our 2021 fiscal year compared to our 2020 fiscal year provided that we can maintain positive operating margins that allow us to continue to operate the ethanol plant at capacity.

Our natural gas costs decreased by approximately 17% during our 2020 fiscal year compared to the same period of 2019 primarily due to lower natural gas prices per MMBtu along with decreased natural gas usage during our 2020 fiscal year. Our average cost per MMBtu of natural gas was approximately 14% lower during our 2020 fiscal year compared to the same period of 2019. Our natural gas costs were significantly higher during our 2019 fiscal year due to very cold weather during the beginning of 2019 which resulted in a short period of time with significantly higher natural gas prices per MMBtu. Management anticipates that 2021 natural gas prices will be similar to our 2020 fiscal year due to derivative positions that we anticipate will help protect from market and weather volatility during 2021. However, if we experience an exceptionally cold and long winter during our 2021 fiscal year or a significant change in supply, we could see a slight increase in natural gas prices.

Our natural gas use during our 2020 fiscal year decreased by approximately 3% compared to our 2019 fiscal year. Management attributes this decrease to lower overall production along with improved energy efficiency during our 2020 fiscal year.

We experienced approximately \$524,000 of combined realized and unrealized gains for our 2020 fiscal year related to our corn and natural gas derivative instruments which decreased our cost of goods sold. By comparison, we experienced approximately \$821,000 of combined realized and unrealized gains for our 2019 fiscal year related to our corn and natural gas derivative instruments which decreased our cost of goods sold. We recognize the gains or losses that result from the changes in the value of our derivative instruments from corn and natural gas in cost of goods sold as the changes occur. As corn and natural gas prices fluctuate, the value of our derivative instruments are impacted, which affects our financial performance.

During our 2019 fiscal year we recorded a loss on fixed assets due to an impairment of idled property. We recorded an impairment on fixed assets of approximately \$2,608,000 on equipment we had constructed and placed in service to accept steam and tie into Golden Renewable Energy, LLC.

*Operating Expenses.* Our operating expenses were higher during our 2020 fiscal year compared to the same period of 2019 primarily due to increases in property tax and insurance expenses. Management anticipates that our operating expenses will be higher during our 2021 fiscal year compared to our 2020 fiscal year due to anticipated higher property tax expense, insurance costs and increased regular plant maintenance expenses.

*Other Income.* Other income items, including equity in net income of investments, interest and other, were higher for our 2020 fiscal year compared to the same period of 2019 due primarily to an increase in our portion of the net income generated by our investments. Our investments are in companies in the ethanol industry. We had less interest income during our 2020 fiscal year compared to the same period of 2019 due to having less cash on hand during the 2020 period.

**Results of Operations**Comparison of the Fiscal Years Ended October 31, 2019 and 2018

The following table shows the results of our operations and the percentage of revenues, cost of goods sold, operating expenses and other items to total revenues in our statement of operations for the fiscal years ended October 31, 2019 and 2018:



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Statement of Operations Data	2019		2018	
	Amount	%	Amount	%
Revenues	\$ 203,793,847	100.0	\$ 179,501,244	100.0
Cost of Goods Sold	203,969,863	100.1	175,745,659	97.9
Insurance Claim Recoveries, net	—	—	1,600,000	0.9
Gross Profit	(176,016)	(0.1)	5,355,585	3.0
Operating Expenses	3,706,721	1.8	3,623,272	2.0
Operating Income	(3,882,737)	(1.9)	1,732,313	1.0
Other Income (Expense), net	2,170,335	1.1	4,638,986	2.6
Net Income	\$ (1,712,402)	(0.8)	\$ 6,371,299	3.5

*Revenues.* Our total revenue was higher for our 2019 fiscal year compared to the same period of 2018, primarily due to increased gallons sold as well as an increase in the average price we received for ethanol and corn oil sales. We produced more ethanol and dried distiller grains during our 2019 fiscal year compared to the same period of 2018. For our 2019 fiscal year, ethanol sales accounted for approximately 79% of our total revenue, distiller grains sales accounted for approximately 17% of our total revenue, and corn oil sales accounted for approximately 4% of our total revenue. For our 2018 fiscal year, ethanol sales accounted for approximately 79% of our total revenue, distiller grains sales accounted for approximately 17% of our total revenue, and corn oil sales accounted for approximately 4% of our total revenue.

The average price we received per gallon of ethanol we sold was approximately 3% higher for our 2019 fiscal year compared to the same period of 2018. Management attributes this increase in the average price we received for our ethanol to less gallons of ethanol production online at the end of our 2019 fiscal year which reduced supplies. Uncertainty existed throughout our 2019 fiscal year related to whether the EPA would grant additional Small Refiner Exemption (SRE) waivers as part of the Renewable Fuels Standard (RFS) for 2019.

We produced approximately 8% more gallons and sold approximately 10% more gallons of ethanol during our 2019 fiscal year compared to the same period of 2018 due to increased ethanol production. During our third fiscal quarter of 2018 we experienced plant production issues which reduced our ethanol production. Our corn to ethanol conversion rate increased by approximately 2% during our 2019 fiscal year compared to the same period of 2018 due to increased plant efficiencies and more consistent plant production rates. In May 2018, our production was impacted by damage we experienced to our distillation columns following our spring shutdown. As a result of this loss, we filed a claim for business interruption insurance due to the fact that our operations were interrupted for approximately four weeks. In October 2018 we settled this insurance claim for approximately \$3 million, of which approximately \$1.6 million was related to our business interruption claim. We received the settlement funds in November 2018. During the second quarter of our 2019 fiscal year we received an additional approximately \$184,000 related to final claim adjustments.

During our 2019 fiscal year, we experienced combined realized and unrealized losses on our ethanol derivatives of approximately \$270,000 which decreased our revenue. By comparison, we experienced combined realized and unrealized gains on our ethanol derivative instruments of approximately \$2,000 during our 2018 fiscal year which increased our revenue.

The average price per ton we received for our dried distiller grains was approximately 8% more for our 2019 fiscal year compared to the same period of 2018, and the average price per ton we received for our modified/wet distiller grains was approximately 21% more for our 2019 fiscal year compared to the same period of 2018. Management attributes these price increases with strong global protein markets, specifically in soybean meal, and increasing domestic livestock production during the 2019 period. Since distiller grains are primarily used as a feed substitute for corn and soybean meal, when soybean or corn prices increase and the supply of these competing products decrease, it positively impacts distiller grains demand and prices. Distiller grains prices were impacted as a result of Chinese trade policies. In 2017, China implemented final tariffs on United States distiller grains which essentially closed the Chinese markets for United States producers.

We sold approximately 6% more total tons of distiller grains during our 2019 fiscal year compared to the same period of 2018 due to increased ethanol production.

The average price we received for our corn oil increased by approximately 2% during our 2019 fiscal year compared to the same period of 2018. Management believes that the increase in corn oil prices was driven by an increase in total corn oil

demand that outpaced corn oil supply due to reduced ethanol production driven by SREs. Corn oil is used primarily as animal feed, for certain industrial uses and for biodiesel production.

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We sold approximately 1% fewer pounds of corn oil during our 2019 fiscal year compared to the same period of 2018 due to an approximate 1% decrease in the amount of corn oil we extracted from a bushel of corn for the 2019 period.

*Cost of Goods Sold.* Our cost of goods sold was higher for our 2019 fiscal year compared to the same period of 2018 due to higher corn grind due to an increase in ethanol production as well as an increase in corn price per bushel. Our average cost per bushel of corn before derivative activities was approximately 11% higher during our 2019 fiscal year compared to the same period of 2018. Management attributes this increase to volatility in prices, specifically local basis levels, which was impacted by the amount of corn in our local draw area following the 2018 harvest. In addition, continued trade policy and tariffs impacted the corn market in 2019.

We consumed approximately 6% more bushels of corn during our 2019 fiscal year compared to 2018 due primarily to increased ethanol production. We were able to increase our corn conversion efficiency by approximately 2% during our 2019 fiscal year compared to 2018 which allowed us to produce more gallons of ethanol per bushel of corn in each year.

Despite increased ethanol production, our natural gas costs decreased by approximately 4% during our 2019 fiscal year compared to the same period of 2018 primarily due to significantly higher natural gas costs during the first quarter of our 2018 fiscal year as compared to the same period of 2019. The average price we paid per MMBtu of natural gas was approximately 12% lower during our 2019 fiscal year compared to the same period of 2018. Management attributes this decrease in natural gas prices with a colder than average winter in 2018 that included long periods of extremely cold temperatures and improved derivative activity in 2019 which minimized the volatility of the price we paid for natural gas during our 2019 fiscal year.

Our natural gas consumption during our 2019 fiscal year increased by approximately 9% compared to our 2018 fiscal year. Management attributes this increase to more ethanol gallons produced along with an approximate 1% decrease in the efficiency of natural gas usage per gallon of ethanol produced.

We experienced approximately \$821,000 of combined realized and unrealized gains for our 2019 fiscal year related to our corn and natural gas derivative instruments which decreased our cost of goods sold. By comparison, we experienced approximately \$2,767,000 of combined realized and unrealized gains for our 2018 fiscal year related to our corn and natural gas derivative instruments which decreased our cost of goods sold.

During our 2019 fiscal year we recorded a loss on fixed assets due to an impairment of idled property. We recorded an impairment on fixed assets of approximately \$2,608,000 on equipment we had constructed and placed in service to accept steam and tie into Golden Renewable Energy, LLC.

*Operating Expenses.* Our operating expenses were slightly higher during our 2019 fiscal year compared to the same period of 2018 primarily due to increases in property tax and technology expenses, which were partially offset by decreases in employee bonuses. Employee bonuses are calculated, in part, based off of net income.

*Other Income.* Other income items, including equity in net income of investments, interest and other, were lower for our 2019 fiscal year compared to the same period of 2018 due primarily to a decrease in our portion of the net income generated by our investments. Our investments are in companies in the ethanol industry. During our 2018 fiscal year, one of our investments continued to make distributions in excess of the equity balance recorded by the Company and therefore that excess is recorded as income for our 2018 fiscal years; however, they made no distributions in our 2019 fiscal year. We had an increase in income from our marketable securities and cash equivalents during our 2019 fiscal year compared to the same period of 2018.

#### **Changes in Financial Condition for the Fiscal Years Ended October 31, 2020 and 2019**

*Current Assets.* We had approximately \$17.6 million in cash and equivalents at October 31, 2020 compared to approximately \$15.9 million in cash and equivalents at October 31, 2019. In addition, at October 31, 2020 we had approximately \$5.1 million in marketable securities associated with short-term investments we purchased during our recent fiscal years. This compares to approximately \$871,000 of marketable securities at October 31, 2019. We had a higher accounts receivable balance at October 31, 2020 compared to October 31, 2019 which is due to a higher price of ethanol and timing of sales at the end of 2020 compared to the end of 2019. The asset value of our derivative instruments was lower at October 31, 2020 compared to October 31, 2019 due to changes in the unrealized gain we had on our derivative instruments. The value of our corn inventory was higher at October 31,

2020 compared to October 31, 2019 primarily due to higher corn costs per bushel at the end of our 2020 fiscal year. Our finished goods inventory was lower at October 31, 2020 compared to October 31, 2019 due to the timing of our fiscal year end compared to shipments of our products.

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*Property and Equipment.* The net value of our property and equipment was lower at October 31, 2020 compared to October 31, 2019 due to regular depreciation of our assets partially offset by our capital projects during our 2020 fiscal year. Plant improvements during our 2020 fiscal year primarily included our new administrative building and access road. During the year ended October 31, 2019, we decreased our property and equipment by approximately \$2.6 million from an impairment on fixed assets for equipment we had constructed and placed in service to accept steam and tie into Golden Renewable Energy, LLC.

*Other Assets.* Our investments and other assets were slightly lower at October 31, 2020 compared to October 31, 2019 due mainly to less net income generated by investments compared to distributions received from investments during the 2020 fiscal year which decreases the asset balance. We had increased other assets at October 31, 2020 compared to October 31, 2019 due to a \$1.4 million receivable from our tax increment financing related to our plant expansion and our operating lease right of use assets.

*Current Liabilities.* Our accounts payable balance was higher at October 31, 2020 compared to October 31, 2019 due primarily to an increase in our payables for corn purchases at October 31, 2020. We included as a current liability at October 31, 2020 a portion of our Paycheck Protection Program ("PPP") loan under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Following the end of our 2020 fiscal year, our PPP loan was forgiven and we will not be required to repay the loan. Due to a change in accounting treatment for leases, we now are required to include a portion of our operating leases as an asset with a corresponding liability on our balance sheet. As of October 31, 2020 we had approximately \$1 million associated with our leases with no comparable asset at October 31, 2019.

*Long-term Liabilities.* Our deferred compensation was higher at October 31, 2020 compared to October 31, 2019 due to increased bonus deferrals related to our management bonuses that were awarded during previous fiscal years, but will be paid in future years. We included as a long-term liability at October 31, 2020 a portion of our PPP loan. Following the end of our 2020 fiscal year, our PPP loan was forgiven and we will not be required to repay the loan. At October 31, 2020 we had approximately \$1.3 million in long-term liabilities related to the new accounting treatment of operating leases. At October 31, 2020 we had approximately \$1.3 million in deferred revenue related to our tax increment financing related to our plant expansion project.

## Liquidity and Capital Resources

Based on financial forecasts performed by our management, we anticipate that we will have sufficient cash from our current credit facilities and cash from our operations to continue to operate the ethanol plant at capacity for the next 12 months. As of October 31, 2020, we had \$35 million available pursuant to our revolving term loan. In addition, we had approximately \$17.6 million in cash and equivalents and approximately \$5.1 million in short-term marketable securities at October 31, 2020.

We recently completed a multiple phase expansion of the ethanol plant. The expansion cost approximately \$24 million, all of which was paid through operating income and was substantially completed in the first half of our 2020 fiscal year. Management continually evaluates conditions in the ethanol industry and explores opportunities to improve the efficiency and profitability of our operations which may require additional capital expenditures

We do not anticipate securing any additional equity or debt financing for working capital in the next 12 months. However, if we experience unfavorable operating conditions, we may have to secure additional sources of capital.

The following table shows our cash flows for the fiscal years ended October 31, 2020 and 2019:

	<b>Fiscal Year Ended October 31</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities	\$ 13,247,608	\$ 12,972,230
Net cash (used in) investing activities	(10,375,762)	(1,474,185)
Net cash (used in) financing activities	(1,226,800)	(4,883,584)

### Cash Flow From Operations

Our cash flows from operations for our 2020 fiscal year were lower compared to our 2019 fiscal year due primarily to the net effect of an insurance payment we received during the 2019 period partially offset by higher net income during the 2020 period. We also had changes to our accounts receivable which impacted our cash flows during our 2020 fiscal year.

[Table of Contents](#)Cash Flow From Investing Activities

We used more cash for investing activities during our 2020 fiscal year compared to the same period of 2019 primarily due to purchases of marketable securities during our 2020 fiscal year. During our 2019 fiscal year, we had more capital expenditures which were partially offset by proceeds from sale of marketable securities during the 2019 period. Our capital expenditures during our 2019 fiscal year was primarily for plant improvements associated with a new slurry system, warehouse, process wells and fermentors.

Cash Flow From Financing Activities.

We used less cash for financing activities during our 2020 fiscal year as compared to our 2019 fiscal year primarily due to a smaller distribution paid to our members during our 2020 fiscal year. We also received cash from our PPP loan during our 2020 fiscal year.

The following table shows our cash flows for the fiscal years ended October 31, 2019 and 2018:

	<b>Fiscal Year Ended October 31</b>	
	<b>2019</b>	<b>2018</b>
Net cash provided by operating activities	\$ 12,972,230	\$ 13,424,754
Net cash (used in) investing activities	(1,474,185)	(6,886,716)
Net cash (used in) financing activities	(4,883,584)	(14,733,420)

Cash Flow From Operations

Our cash flows from operations for our 2019 fiscal year were lower compared to our 2018 fiscal year due primarily to decreased net income during the 2019 period. We also received an insurance payment during our 2019 fiscal year consisting primarily of equipment repair costs, professional fees and loss of business income from a property and business interruption insurance claim filed in July 2018.

Cash Flow From Investing Activities

We used less cash for investing activities during our 2019 fiscal year compared to the same period of 2018 primarily due to a decrease in capital expenditures partially offset by a decrease in proceeds from the sale of marketable securities. Our capital expenditures during our 2019 and 2018 fiscal years were primarily for plant improvements associated with a new slurry system, warehouse, process wells and fermentors.

Cash Flow From Financing Activities.

We used less cash for financing activities during our 2019 fiscal year as compared to our 2018 fiscal year primarily due to smaller distributions paid to our members during our 2019 fiscal year.

**Short-Term and Long-Term Debt Sources**

We have a credit facility with Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA ("Farm Credit"). On September 1, 2020, we entered into a new Credit Agreement (the "Credit Agreement") with Farm Credit. Pursuant to the Credit Agreement, we executed a \$35 million reducing revolving loan (the "Reducing Revolving Loan"). The amount available pursuant to the Reducing Revolving Loan decreases by \$5 million on the first day of August each year starting on August 1, 2021. The maturity date is August 1, 2023. Interest accrues on the Reducing Revolving Loan based on three options available to us. We agreed to pay an annual fee of 0.5% of the unused portion of the Reducing Revolving Loan.

*Reducing Revolving Loan*

As of October 31, 2020, we had no outstanding balance on our Reducing Revolving Loan with an accrued interest rate of 3.4% in excess of the London Interbank Offered Rate (LIBOR) which equaled 3.55% per year at October 31, 2020. As of October 31, 2020, we had \$35 million available to be drawn on this loan.

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*Administrative Agency Agreement*

As part of the Farm Credit loan, we entered into an Administrative Agency Agreement with CoBank, ACP ("CoBank"). CoBank purchased a participation interest in the Farm Credit loan and was appointed the administrative agent for the purpose of servicing the loans. As a result, CoBank will act as the agent for Farm Credit with respect to our loans. We agreed to pay CoBank an annual fee of \$5,000 as the agent for Farm Credit.

*Covenants*

Our credit agreements with Farm Credit are subject to numerous covenants including requiring us to maintain various financial ratios. As of October 31, 2020, we were in compliance with all of our loan covenants with Farm Credit. Based on current management projections, we anticipate that we will be in compliance with our loan covenants for the next 12 months and beyond.

*Paycheck Protection Program Agreement*

We entered into a loan agreement with the Small Business Association through Cresco Union Savings Bank (CUSB) on April 7, 2020 for approximately \$860,000 as part of the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan matures in April 2022 and has an interest rate of 1%. Proceeds of the loan are restricted for use towards payroll costs and other allowable uses such as covered utilities for an eight-week period following the loan under the Paycheck Protection Program Rules. Provisions of the agreement allow for the loan to be forgiven if certain qualifications are met. On December 8, 2020, we were notified that this entire loan was forgiven.

*Grants and Government Programs*

In December 2019, we entered into a Development Agreement with Cerro Gordo County, the county in which our ethanol plant is located, related to our plant expansion project. Pursuant to this Development Agreement, we were obligated to spend \$23 million associated with our expansion project and in exchange, Cerro Gordo has agreed to refund 100% of the increased property taxes associated with the project up to a maximum benefit of \$2 million. There is a 10 year term associated with this incentive subject to the cap.

**Contractual Cash Obligations**

In addition to our long-term debt obligations, we have certain other contractual cash obligations and commitments. The following table provides information regarding our consolidated contractual obligations and approximate commitments as of October 31, 2020:

<b>Contractual Cash Obligations</b>	<b>Payment Due By Period</b>				
	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>After Five Years</b>
Operating Lease Obligations	\$ 2,461,000	\$ 1,090,000	\$ 1,371,000	\$ —	\$ —
Purchase Obligations	8,567,000	7,068,000	1,499,000	—	—
Total Contractual Cash Obligations	<u>\$ 11,028,000</u>	<u>\$ 8,158,000</u>	<u>\$ 2,870,000</u>	<u>\$ —</u>	<u>\$ —</u>

**Critical Accounting Policies**

Management uses estimates and assumptions in preparing our financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Of the significant accounting policies described in the notes to our financial statements, we believe that the following are the most critical:

*Revenue Recognition*

In the first quarter of 2019, the Company adopted Accounting Standards Update (ASU) 2014-9, Revenue from Contracts with Customers (Topic 606). Under the ASU, revenue from the sale of the Company's products is recognized at the time control transfers to the customers. This generally occurs upon shipment, loading of the goods or when the customer picks up the goods.

The Company believes for its contracts with customers, control is transferred at a point in time, typically upon delivery to the customers. When the Company performs shipping and handling activities after the transfer of control to the

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customers (e.g. when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Interest income is recognized as earned. Shipping costs incurred by the Company in the sale of ethanol, distiller grains and corn oil are not specifically identifiable and as a result, revenue from the sale of ethanol, distiller grains and corn oil is recorded based on the net selling price reported to the Company from the marketer.

*Investment in Commodities Contracts, Derivative Instruments and Hedging Activities*

We evaluate contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting and treated as normal purchases or normal sales if documented as such. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business.

We enter into short-term cash, option and futures contracts as a means of securing corn and natural gas for the ethanol plant and managing exposure to changes in commodity and energy prices. We occasionally also enter into derivative contracts to hedge our exposure to price risk as it relates to ethanol sales. As part of our risk management process, we use futures and option contracts through regulated commodity exchanges or through the over-the-counter market to manage our risk related to pricing of inventories. All of our derivatives, other than those excluded under the normal purchases and sales exclusion, are designated as non-hedge derivatives, with changes in fair value recognized in net income. Although the contracts are economic hedges of specified risks, they are not designated or accounted for as hedging instruments.

Realized and unrealized gains and losses related to derivative contracts related to corn and natural gas are included as a component of cost of goods sold and derivative contracts related to ethanol are included as a component of revenues in the accompanying financial statements. The fair values of contracts are presented on the accompanying balance sheet as derivative instruments.

*Investments*

We have less than a 20% investment interest in five companies in related industries. These investments are being accounted for by the equity method of accounting under which our share of net income is recognized as income in our statement of operations and added to the investment account. Distributions or dividends received in excess of the carrying value are recognized as income in our statement of operations. The investments are evaluated for indications of impairment on a regular basis, a loss would be recognized when the fair value is determined to be less than the carrying value.

**Off-Balance Sheet Arrangements.**

We currently have no off-balance sheet arrangements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are exposed to the impact of market fluctuations associated with commodity prices as discussed below. We have no exposure to interest rate risk as we had no amount outstanding on our variable interest loan at the end of our 2020 fiscal year and we have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars. We use derivative financial instruments as part of an overall strategy to manage market risk. We use cash, futures and option contracts to hedge changes to the commodity prices of corn, natural gas and ethanol. We do not enter into these derivative financial instruments for trading or speculative purposes, nor do we designate these contracts as hedges for accounting purposes.

**Commodity Price Risk**

We seek to minimize the risks from fluctuations in the prices of raw material inputs, such as corn and natural gas, and finished products, such as ethanol and distiller grains, through the use of hedging instruments. In practice, as markets move, we actively manage our risk and adjust hedging strategies as appropriate. Although we believe our hedge positions accomplish an economic hedge against our future purchases and sales, management has chosen not to use hedge accounting, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We are using fair value accounting for our hedge positions, which means as the current market price of our hedge positions changes, the realized or unrealized gains and

losses are immediately recognized in our cost of goods sold or as an offset to revenues. The immediate recognition of hedging gains and losses under fair value accounting can cause net income to be volatile from quarter to quarter

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due to the timing of the change in value of the derivative instruments relative to the cost and use of the commodity being hedged.

As of October 31, 2020, we had price protection in place for approximately 6% of our anticipated corn needs, approximately 64% of our natural gas needs and 0% of our ethanol sales for the next 12 months.

A sensitivity analysis has been prepared to estimate our exposure to ethanol, corn and natural gas price risk. Market risk related to these factors is estimated as the potential change in income resulting from a hypothetical 10% adverse change in the average cost of our corn and natural gas prices and average ethanol price as of October 31, 2020, net of the forward and future contracts used to hedge our market risk for corn and natural gas usage requirements. The volumes are based on our expected use and sale of these commodities for a one year period from October 31, 2020. The results of this analysis, which may differ from actual results, are as follows:

	<b>Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)</b>	<b>Unit of Measure</b>	<b>Hypothetical Adverse Change in Price</b>	<b>Approximate Adverse Change to Income</b>
<b>Natural Gas</b>	1,093,000	MMBTU	10%	\$ 292,000
<b>Ethanol</b>	120,000,000	Gallons	10%	14,996,000
<b>Corn</b>	37,751,000	Bushels	10%	13,217,000

For comparison purposes, our sensitivity analysis for our 2019 fiscal year is set forth below.

	<b>Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)</b>	<b>Unit of Measure</b>	<b>Hypothetical Adverse Change in Price</b>	<b>Approximate Adverse Change to Income</b>
<b>Natural Gas</b>	660,000	MMBTU	10%	\$ 164,000
<b>Ethanol</b>	107,400,000	Gallons	10%	15,132,000
<b>Corn</b>	31,374,000	Bushels	10%	12,327,000

### Liability Risk

We participate, along with other plants in the industry, in a group captive insurance company (Captive). The Captive insures losses related to workman's compensation, commercial property and general liability. The Captive reinsures catastrophic losses for all participants, including the Company, in excess of predetermined amounts. Our premiums are accrued by a charge to income for the period to which the premium relates and is remitted by our insurer to the captive reinsurer. These premiums are structured such that we have made a prepaid collateral deposit estimated for losses related to the above coverage. The Captive insurer has estimated and collected an amount in excess of the estimated losses but less than the catastrophic loss limit insured by the Captive. We cannot be assessed over the amount in the collateral fund.

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## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA



RSM US LLP

### Report of Independent Registered Public Accounting Firm

To the Members and the Board of Directors of Golden Grain Energy, LLC

#### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Golden Grain Energy, LLC (the Company) as of October 31, 2020 and 2019, the related statements of operations, changes in members' equity and cash flows for each of the three years in the period ended October 31, 2020, and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*RSM US LLP*

We have served as the Company's auditor since 2006.  
Rochester, Minnesota  
December 28, 2020

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**GOLDEN GRAIN ENERGY, LLC**  
**Balance Sheets**

<b>ASSETS</b>	<b>October 31, 2020</b>	<b>October 31, 2019</b>
<b>Current Assets</b>		
Cash and equivalents	\$ 17,582,312	\$ 15,937,266
Marketable securities	5,113,066	870,706
Accounts receivable	7,326,519	2,509,938
Other receivables	191,768	215,981
Derivative instruments	862,516	1,115,525
Inventory	8,346,764	8,534,358
Prepaid expenses and other	2,999,162	2,909,651
Total current assets	42,422,107	32,093,425
<b>Property and Equipment</b>		
Land and land improvements	14,319,211	14,319,211
Building and grounds	33,719,636	30,891,090
Grain handling equipment	16,084,232	16,038,202
Office equipment	2,457,090	458,385
Plant and process equipment	122,038,667	121,636,606
Construction in progress	3,189,865	5,038,278
	191,808,701	188,381,772
Less accumulated depreciation	124,390,850	116,292,967
Net property and equipment	67,417,851	72,088,805
<b>Other Assets</b>		
Investments	25,019,870	25,416,170
Right of use assets from operating leases	2,324,631	—
Other assets	1,904,482	431,983
Total other assets	29,248,983	25,848,153
<b>Total Assets</b>	<b>\$ 139,088,941</b>	<b>\$ 130,030,383</b>

Notes to Financial Statements are an integral part of this Statement.

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**GOLDEN GRAIN ENERGY, LLC**  
**Balance Sheets**

<b>LIABILITIES AND MEMBERS' EQUITY</b>	<b>October 31, 2020</b>	<b>October 31, 2019</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 6,798,427	\$ 6,188,819
Accrued expenses	2,930,479	2,827,791
Retainage payable	34,813	123,590
Current portion of long-term debt	430,250	—
Current portion operating lease liabilities	1,000,141	—
Total current liabilities	<u>11,194,110</u>	<u>9,140,200</u>
<b>Long-term Liabilities</b>		
Deferred Compensation	514,409	469,040
Long-term debt, net of current maturities	430,250	—
Other long-term liabilities	1,324,490	—
Deferred revenue, net of current portion	1,313,177	—
Total long-term liabilities	<u>3,582,326</u>	<u>469,040</u>
<b>Commitments and Contingencies</b>		
<b>Members' Equity (19,873,000 units issued and outstanding)</b>	<u>124,312,505</u>	<u>120,421,143</u>
<b>Total Liabilities and Members' Equity</b>	<u>\$ 139,088,941</u>	<u>\$ 130,030,383</u>

Notes to Financial Statements are an integral part of this Statement.

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**GOLDEN GRAIN ENERGY, LLC**  
Statements of Operations

	<u>Year Ended</u> <u>October 31, 2020</u>	<u>Year Ended</u> <u>October 31, 2019</u>	<u>Year Ended</u> <u>October 31, 2018</u>
<b>Revenues</b>	\$ 194,329,476	\$ 203,793,847	\$ 179,501,244
<b>Cost of Goods Sold</b>	188,782,979	203,969,863	175,745,659
<b>Insurance claim recoveries, net (see note 14)</b>	—	—	1,600,000
<b>Gross Profit (Loss)</b>	5,546,497	(176,016)	5,355,585
<b>Operating Expenses</b>	4,144,385	3,706,721	3,623,272
<b>Operating Income (Loss)</b>	1,402,112	(3,882,737)	1,732,313
<b>Other Income (Expense)</b>			
Other income (expense)	1,396,264	238,140	(643,461)
Interest income, net	37,494	215,995	18,672
Equity in net income of investments	3,042,793	1,716,200	5,263,755
<b>Total Other Income</b>	4,476,551	2,170,335	4,638,966
<b>Net Income (Loss)</b>	\$ 5,878,663	\$ (1,712,402)	\$ 6,371,299
<b>Basic &amp; diluted net income (loss) per unit</b>	\$ 0.30	\$ (0.09)	\$ 0.32
<b>Weighted average units outstanding for the calculation of basic &amp; diluted net income (loss) per unit</b>	19,873,000	19,873,000	19,873,000
<b>Distributions Per Unit</b>	\$ 0.10	\$ 0.25	\$ 0.75

Notes to Financial Statements are an integral part of this Statement.

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**GOLDEN GRAIN ENERGY, LLC**  
Statements of Cash Flows

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	<b>Year Ended</b> <b>October 31, 2020</b>	<b>Year Ended</b> <b>October 31, 2019</b>	<b>Year Ended</b> <b>October 31, 2018</b>
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ 5,878,663	\$ (1,712,402)	\$ 6,371,299
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	8,784,700	9,999,546	9,092,277
Unrealized (gain) loss on risk management & marketable securities	56,220	(686,080)	71,059
Gain on sale of property & equipment	(369,324)	—	—
Impairment of and loss on disposal of long-lived assets	—	2,755,663	3,140
Amortization of deferred revenue	(133,117)	—	(93,443)
Amortization of debt issuance costs	5,556	—	—
Cancellation of note receivable	—	—	599,421
Change in accretion of interest on grant & note receivable	(51,386)	(2,326)	(188,138)
Distributions (earnings) in excess of earnings (distributions) from investments	396,300	303,343	(710,373)
Gain on insurance proceeds from involuntary conversion & business interruption	—	(183,739)	(3,000,000)
Insurance proceeds from involuntary conversion & business interruption	34,965	3,183,739	—
Deferred compensation expense	45,369	(67,374)	58,531
Change in assets and liabilities			
Accounts receivable	(4,816,581)	(1,424,357)	4,854,616
Inventory	187,594	(1,657,402)	(2,572,160)
Prepaid expenses and other	(65,298)	306,586	(189,669)
Accounts payable	4,132,642	2,130,571	(243,236)
Accrued expenses	(838,695)	26,462	(628,570)
Net cash provided by operating activities	<u>13,247,608</u>	<u>12,972,230</u>	<u>13,424,754</u>
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(6,710,121)	(11,538,228)	(18,538,159)
Proceeds from sale of equipment	334,359	—	10,000
Purchase of marketable securities	(4,000,000)	(7,515)	(34,645)
Proceeds from sale of marketable securities	—	10,071,558	11,676,088
Net cash (used in) investing activities	<u>(10,375,762)</u>	<u>(1,474,185)</u>	<u>(6,886,716)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from long-term debt	860,500	—	—
Payments for debt issuance costs	(100,000)	—	—
Distributions to members	(1,987,300)	(4,968,250)	(14,904,750)
Payments received on grant receivable	—	84,666	171,330
Net cash (used in) financing activities	<u>(1,226,800)</u>	<u>(4,883,584)</u>	<u>(14,733,420)</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	1,645,046	6,614,461	(8,195,382)
<b>Cash and Equivalents – Beginning of Period</b>	<u>15,937,266</u>	<u>9,322,805</u>	<u>17,518,187</u>
<b>Cash and Equivalents – End of Period</b>	<u>\$ 17,582,312</u>	<u>\$ 15,937,266</u>	<u>\$ 9,322,805</u>
<b>Supplemental Cash Flow Information</b>			
Interest paid	\$ 77,665	\$ 51,177	\$ 56,609
<b>Supplemental Disclosure of Noncash Operating &amp; Investing Activities</b>			
Accounts Payable related to construction in process	\$ 220,065	\$ 897,808	\$ 1,304,936
Deferred revenue received through grant receivable	1,452,109	—	—
Right-of-use asset and lease liability recorded	3,372,603	—	—



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Notes to Financial Statements are an integral part of this Statement.

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**GOLDEN GRAIN ENERGY, LLC**  
 Statements of Changes in Members' Equity  
 For the years ended October 31, 2020, 2019 and 2018

<b>Balance - October 31, 2016</b>	\$	131,077,672
Distribution for 19,873,000 Class A and Class B units, November 2016 & May 2017, \$1.25 per unit		(24,841,250)
Net Income		29,398,824
<b>Balance - October 31, 2017</b>	\$	135,635,246
Distribution for 19,873,000 Class A and Class B units, November 2017 \$0.75 per unit		(14,904,750)
Net Income		6,371,299
<b>Balance - October 31, 2018</b>	\$	127,101,795
Distribution for 19,873,000 Class A and Class B units, November 2018 \$0.25 per unit		(4,968,250)
Net (Loss)		(1,712,402)
<b>Balance - October 31, 2019</b>	\$	120,421,143
Distribution for 19,873,000 Class A and Class B units, November 2019 \$0.10 per unit		(1,987,300)
Net Income		5,878,663
<b>Balance - October 31, 2020</b>	\$	124,312,505

Notes to Financial Statements are an integral part of this Statement.

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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Nature of Business

Golden Grain Energy, LLC ("Golden Grain Energy" and the "Company") is an approximately 120 million gallon annual production ethanol plant near Mason City, Iowa. The Company sells its production of ethanol, distiller grains with solubles and corn oil primarily in the continental United States. The Company also holds several investments in various companies that focus on ethanol production, marketing and/or logistics.

Organization

Golden Grain Energy is organized as an Iowa limited liability company. The members' liability is limited as specified in Golden Grain Energy's operating agreement and pursuant to the Iowa Revised Uniform Limited Liability Company Act.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Equivalents

The Company's cash balances are maintained in bank depositories and regularly exceed federally insured limits. The Company has not experienced any losses in connection with these balances. Also included in cash and equivalents are highly liquid investments, that are readily convertible into known amounts of cash, which are subject to an insignificant risk of change in value due to interest rate, quoted price or penalty on withdrawal and have a maturity of three months or less.

Marketable Securities

The Company determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short term or long term on the Balance Sheet, based on contractual maturity date and are stated at cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments -Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 requires entities to establish an allowance for credit losses for most financial assets. Prior GAAP was based on an incurred loss methodology for recognizing credit losses on financial assets measured at amortized cost and available-for sale debt securities. The update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect that adoption of the new standard will have a significant impact on the financial statements.

Marketable securities consisted of mutual funds and overnight money market accounts invested in intermediate-term municipal and government bonds. For the periods ended October 31, 2020 and 2019, there were no other-than-temporary impairments recognized. Mutual funds are measured at fair value using prices obtained from pricing services. Any unrealized or realized gains and losses on the securities are recorded as part of other income. The Company recorded interest, dividends and net realized and unrealized gains (losses) from these investments as part of other income as follows:

	Year Ended October 31,		
	2020	2019	2018
Net earnings (loss) on marketable securities	\$ 410,209	\$ 316,000	\$ (135,000)

As of	Marketable Securities	
	Cost	Fair Market Value
October 31, 2020	\$ 4,835,000	\$ 5,113,000
October 31, 2019	767,000	871,000



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

Accounts Receivable

Credit sales are made primarily to one customer and no collateral is required. The Company carries these accounts receivable at original invoice amount with 0 allowance for doubtful accounts due to the historical collection rates on these accounts.

Investments

The Company has less than a 20% investment interest in five companies in related industries. These investments are being accounted for by the equity method of accounting under which the Company's share of net income is recognized as income in the Company's statement of operations and added to the investment account. Distributions or dividends received from the investments are treated as a reduction of the investment account. Distributions or dividends received in excess of the carrying value are recognized as income in the statement of operations. The investments are evaluated for indications of impairment on a regular basis. A loss would be recognized when the fair value is determined to be less than the carrying value.

The fiscal years of Renewable Products Marketing Group, LLC (RPMG) and Guardian Energy Janesville, LLC end on September 30 and the fiscal years of Absolute Energy, LLC, Homeland Energy Solutions, LLC and Lawrenceville Tank, LLC, end on December 31. The Company consistently follows the practice of recognizing the net income based on the most recent reliable data. Therefore, the net income which is reported in the Company's statement of operations for the period ended October 31, 2020, for all companies, is based on the investee's results for the twelve month period ended September 30 of each year.

Note Receivable

The Company carried a note receivable from an unrelated party with a balance of approximately \$599,000 as of October 31, 2017, included in other assets. This balance included the original face value plus accrued interest. During 2018, the Company deemed the likelihood of collecting on the note receivable remote and wrote-off the entire balance, which is included in other expense on the statement of operations for the period ended October 31, 2018.

Revenue and Cost Recognition

In the first quarter of 2019, the Company adopted Accounting Standards Update (ASU) 2014-9, Revenue from Contracts with Customers (Topic 606). Under the ASU, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and with consideration of short-term nature of customer payments, the Company has adopted the practical expedient related to the financing component of the contract. The Company applied the five-step method outlined in the ASU to all contracts with customers and elected the modified retrospective implementation method. The Company generally has a single performance obligation in its arrangements with customers. The Company believes for its contracts with customers, control is transferred at a point in time, typically upon delivery to the customers. When the Company performs shipping and handling activities after the transfer of control to the customers (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Adopting the practical expedient for contract costs, the Company expenses contract costs when incurred because the amortization period would have been less than one year. The implementation of the new standard does not have any material impact on the measurement or recognition of revenue of prior periods, however additional disclosures have been added in accordance with the ASU.

Revenues from contracts with customers are recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. The principal activities which we generate revenue include: sales of ethanol, sales of distiller grains and sales of corn oil.

All revenue recognized in the statement of operations is considered to be revenue from contracts with customers. The disaggregation of revenue according to product line, along with accounts receivable from contracts with customers, is as disclosed in Note 6. Shipping costs incurred by the Company in the sale of ethanol, distiller grains and corn oil are not specifically identifiable and as a result, revenue from the sale of ethanol, distiller grains and corn oil are recorded based on the net selling price reported to the Company from its marketer. Railcar lease costs incurred by the Company in the sale and shipment of distiller grain products are included in cost of goods sold.

Based upon the timing of the transfer of control of our products to our customers, there are no contract assets or liabilities as of October 31, 2020.



[Table of Contents](#)**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**Inventory

Inventories are generally valued at the lower of weighted average cost or net realizable value. In the valuation of inventories and purchase commitments, net realizable value is defined as estimated selling price in the ordinary course of business less reasonable predictable costs of completion, disposal and transportation.

Grant Receivable and Deferred Revenue

Grant receivables are recorded when the payments to be received can be estimated and when payment is reasonably assured. The Company recorded a grant receivable and corresponding deferred revenue of approximately \$1,400,000 associated with an agreement approved in December 2019 for tax increment financing monies associated with the plant expansion that was completed in January 2020 to be received over a 10 year period for the tax increment financing monies. These grants were recorded at their net present value using a discount rate of approximately 5%. Related deferred revenue was recorded and is being amortized into income as a reduction of property taxes over the life of the grant. As of October 31, 2020 the grant receivable was approximately \$1,400,000 and was included in long-term other assets and the long-term portions of deferred revenue was approximately \$1,400,000.

Property & Equipment

Property and equipment are stated at historical cost. Significant additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to operations when incurred. The Company uses the straight-line method of computing depreciation over the estimated useful lives between 3 and 40 years.

The Company reviews its property and equipment for impairment whenever events indicate that the carrying amount of the asset group may not be recoverable. If circumstances require a long-lived asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset group to the carrying value of the asset group. If the carrying value of the asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

During the year ended October 31, 2019, the Company identified idled property with a net book value of approximately \$2,608,000. The fair value of this asset group was considered to be minimal and the Company recorded an impairment loss of this full value, including in cost of goods sold for the year ended October 31, 2019.

Income Taxes

The Company was formed under sections of the federal and state income tax laws which provide that, in lieu of corporate income taxes, the members separately account for their pro rata share of the Company's items of income, deductions, losses and credits. As a result of this election, no income taxes have been recognized in the accompanying financial statements.

Investment in commodities contracts, derivative instruments and hedging activities

The Company evaluates its contracts to determine whether the contracts are derivative instruments. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting and treated as normal purchases or normal sales if documented as such. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business.

The Company enters into short-term cash, option and futures contracts as a means of securing corn and natural gas for the ethanol plant and managing exposure to changes in commodity and energy prices. The Company occasionally also enters into derivative contracts to hedge its exposure to price risk as it relates to ethanol sales. As part of its risk management process, the Company uses futures and option contracts through regulated commodity exchanges or through the over-the-counter market to manage its risk related to pricing of inventories. All of the Company's derivatives, other than those excluded under the normal purchases and sales exclusion, are designated as non-hedge derivatives, with changes in fair value recognized in net income. Although the contracts are economic hedges of specified risks, they are not designated or accounted for as hedging instruments.

Realized and unrealized gains and losses related to derivative contracts related to corn and natural gas are included as a component of cost of goods sold and derivative contracts related to ethanol are included as a component of revenues in the



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**Notes to Financial Statements**

accompanying financial statements. The fair values of contracts are presented on the accompanying balance sheet as derivative instruments net of cash due from/to broker.

*Net earnings (loss) per unit*

Basic and diluted earnings (loss) per unit are computed using the weighted-average number of Class A and B units outstanding during the period.

*Environmental liabilities*

The Company's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdiction in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company's liability is probable and the costs can be reasonably estimated. No liability has been recorded as of October 31, 2020, 2019 or 2018 for environmental liabilities.

*Incentive Compensation Plan*

The Company has an incentive compensation plan for certain employees equal to 1% of net income. Awards pursuant to the incentive compensation plan are paid in cash after the Company's net income is determined for each fiscal year. Awards made pursuant to the plan are immediately vested and paid. No amounts were paid in fiscal year ending October 31, 2020.

*Fair Value*

Financial instruments include cash and equivalents, marketable securities, receivables, accounts payable, accrued expenses and derivative instruments. The fair value of marketable securities and derivative financial instruments is based on quoted market prices, as disclosed in Note 8. The fair value, determined using level 3 inputs, of all other current financial instruments is estimated to approximate carrying value due to the short-term nature of these instruments.

As of October 31, 2020 the Company believes the carrying value of long-term debt approximates the fair value.

*Risks and Uncertainties*

The Company has certain risks and uncertainties that it will experience during volatile market conditions, which can have a severe impact on operations. The Company's revenues are derived from the sale and distribution of ethanol and distiller grains to customers primarily located in the United States. Corn for the production process is supplied to the plant primarily from local agricultural producers and from purchases on the open market. For the 2020 fiscal year, ethanol sales accounted for approximately 78% of total revenue, distiller grains sales accounted for approximately 18% of total revenue and corn oil sales accounted for approximately 4% of total revenue while corn costs averaged approximately 75% of cost of goods sold.

The Company's operating and financial performance is largely driven by the prices at which ethanol is sold and the net expense of corn. The price of ethanol is influenced by factors such as supply and demand, weather, government policies and programs, and unleaded gasoline and the petroleum markets with ethanol selling, in general, for less than gasoline at the wholesale level. Excess ethanol supply in the market, in particular, puts downward pressure on the price of ethanol. The Company's largest cost of production is corn. The cost of corn is generally impacted by factors such as supply and demand, weather, and government policies and programs. The Company's risk management program is used to protect against the price volatility of these commodities.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 has negatively impacted the Company's operations, suppliers or other vendors, and customer base. Any quarantines, labor shortages or other disruptions to the Company's operations, or those of their customers, may adversely impact the Company's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Company operates, resulting in an economic downturn that could affect demand for its goods and services. The extent to which the coronavirus impacts the Company's long-term results will depend on future developments, which are highly uncertain and cannot be predicted, including new



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02 "Leases" ("ASU 2016-02"). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases greater than one year in duration and classified as operating leases under previous GAAP. Under the new guidance, lessees are required to recognize the following for all leases (with the exception of short-term leases): (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted cash flow basis; and (2) a "right of use" asset, which is an asset that represents the lessee's right to use the specified asset for the lease term. The Company adopted this accounting standard effective November 1, 2019. Upon adoption, the Company elected a practical expedient which allows existing leases to retain their classification as operating leases. The Company has elected to account for lease and related nonlease components as a single lease component. See Note 11 for more detailed information regarding leases.

In August 2018, FASB issued ASU No. 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 changes some of the disclosure requirements related to fair value measurements related to the Level 1, 2 and 3 investments. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and for interim periods within that fiscal year. The Company is currently evaluating the impact of its pending adoption of the new standard on the financial statement.

**2. INVENTORY**

Inventory consisted of the following as of October 31, 2020 and October 31, 2019:

	<u>October 31, 2020</u>	<u>October 31, 2019</u>
Raw Materials	\$ 4,977,047	\$ 4,259,459
Work in Process	1,964,403	1,877,354
Finished Goods	1,405,314	2,397,545
Totals	<u>\$ 8,346,764</u>	<u>\$ 8,534,358</u>

**3. BANK FINANCING**

The Company has entered into a master loan agreement with Farm Credit Services of America (FLCA) which includes revolving term loans with original maximum borrowings of \$35 million and which currently has availability of \$35 million and matures on August 1, 2023. Interest on the term loan is payable monthly at 3.15% above the one-month LIBOR (3.6% as of October 31, 2020). The borrowings are secured by substantially all the assets of the Company. The credit agreements are subject to covenants, including requiring the Company to maintain various financial ratios, as well as certain distribution limitations. As of October 31, 2020, the Company was in compliance with all of the loan covenants. Failure to comply with the protective loan covenants or maintain the required financial ratios may cause acceleration of any outstanding principal balances on the loans and/or imposition of fees and penalties. As of October 31, 2020 and 2019, the Company had no outstanding borrowings.

The Company entered into a loan agreement with the Small Business Association through Cresco Union Savings Bank (CUSB) on April 7, 2020 for approximately \$860,000 as part of the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan matures in April 2022 and has an interest rate of 1%. Proceeds of the loan are restricted for use towards payroll costs and other allowable uses such as covered utilities for an eight-week period following the loan under the Paycheck Protection Program Rules. Provisions of the agreement allow for a portion of the loan to be forgiven if certain qualifications are met. On December 8, 2020, the Company was notified that the entire loan was forgiven.

**4. RELATED PARTY TRANSACTIONS**



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

The Company purchased corn and materials from employees, members of its Board of Directors or Risk Management Committee that own or manage elevators and construction companies. The Company also purchased ingredients from RPMG. Purchases during the fiscal years ended October 31, 2020, 2019 and 2018 totaled approximately \$37,269,000, \$40,569,000 and \$41,478,000, respectively. As of October 31, 2020 and 2019, the amounts owed to related parties was approximately \$593,000 and \$547,000, respectively.

## 5. EMPLOYEE BENEFIT PLANS

The Company had a deferred phantom unit compensation plan for certain employees equal to 1% of net income implemented during its fiscal year ended October 31, 2014. Currently, the Company has a cash bonus compensation plan which is paid shortly after the fiscal year in which the cash bonus is earned. During the fiscal years ended October 31, 2020, 2019 and 2018, the Company recorded compensation expense related to the prior deferred phantom unit compensation plan of approximately none, none and \$59,000, respectively. As of October 31, 2020 and 2019, the Company had a liability of approximately \$514,000 and \$469,000 outstanding as deferred compensation, respectively, and had no additional expense to be recognized as future compensation expense as all units were fully vested as of October 31, 2020.

The Company has a retirement plan which provides retirement savings options for all eligible employees. Employees meeting certain eligibility requirements can participate in the plan. The Company makes a matching contribution based on the participants' eligible wages. The Company made matching contributions of approximately \$153,000, \$150,000 and \$154,000 during the years ended October 31, 2020, 2019 and 2018, respectively.

## 6. COMMITMENTS, CONTINGENCIES AND AGREEMENTS

### Ethanol, Distiller Grains and Corn Oil marketing agreements and major customers

The Company has entered into marketing agreements with RPMG, a marketing company, for the exclusive rights to market, sell and distribute the entire ethanol, distiller grains and corn oil inventory produced by the Company. The marketing fees are presented net in revenues.

Approximate sales and marketing fees related to the agreements in place are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Sales ethanol	\$ 153,132,000	\$ 161,953,000	\$ 141,904,000
Sales distiller grains	34,950,000	34,987,000	30,501,000
Sales corn oil	7,999,000	7,685,000	7,650,000
Marketing fees-ethanol	200,000	243,000	262,000
Marketing fees-distiller grains	247,000	258,000	235,000
Marketing fees-corn oil	62,000	60,000	59,000
	<u>As of</u>	<u>October 31, 2020</u>	<u>October 31, 2019</u>
Amount due from RPMG	\$ 7,326,000	\$ 2,489,000	

The Company entered into a \$13.3 million agreement for additional grain storage and receiving. The estimated completion of this project is June 2021.

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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

**7. RISK MANAGEMENT**

The Company's activities expose it to a variety of market risks, including the effects of changes in commodity prices. These financial exposures are monitored and managed by the Company as an integral part of its overall risk-management program. The Company's risk management program focuses on the unpredictability of financial and commodities markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

To reduce price risk caused by market fluctuations, the Company generally follows a policy of using exchange traded futures contracts to reduce its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts and uses exchange traded futures contracts to reduce price risk. Exchange-traded futures contracts are valued at market price. Changes in market price of contracts related to corn and natural gas are recorded in cost of goods sold and changes in market prices of contracts related to sale of ethanol are recorded in revenues.

The following table represents the approximate amount of realized and unrealized gains (losses) and changes in fair value recognized in earnings on commodity contracts for periods ended October 31, 2020, 2019 and 2018 and the fair value of derivatives as of October 31, 2020 and 2019:

	<u>Statement of Operations Classification</u>	<u>Realized Gain (Loss)</u>	<u>Change in Unrealized Gain (Loss)</u>	<u>Total Gain (Loss)</u>
Derivatives not designated as hedging instruments:				
Commodity Contracts for the fiscal year 2020	Revenue	\$ (1,441,000)	\$ 198,000	\$ (1,243,000)
	Cost of Goods Sold	1,866,000	(1,342,000)	524,000
	Total	<u>\$ 425,000</u>	<u>\$ (1,144,000)</u>	<u>\$ (719,000)</u>
Commodity Contracts for the fiscal year 2019	Revenue	\$ (154,000)	\$ (116,000)	\$ (270,000)
	Cost of Goods Sold	(156,000)	977,000	821,000
	Total	<u>\$ (310,000)</u>	<u>\$ 861,000</u>	<u>\$ 551,000</u>
Commodity Contracts for the fiscal year 2018	Revenue	\$ —	\$ 2,000	\$ 2,000
	Cost of Goods Sold	2,659,000	108,000	2,767,000
	Total	<u>\$ 2,659,000</u>	<u>\$ 110,000</u>	<u>\$ 2,769,000</u>
	<u>Balance Sheet Classification</u>	<u>October 31, 2020</u>	<u>October 31, 2019</u>	
Futures and option contracts				
In gain position		\$ 470,000	\$ 1,930,000	
In loss position		(290,000)	(608,000)	
Cash held by broker		683,000	(206,000)	
	Current Asset	<u>\$ 863,000</u>	<u>\$ 1,116,000</u>	

As of October 31, 2020, the Company had the following approximate outstanding purchase and sale commitments, of which approximately \$922,000 of the purchase commitments and all of the sale commitments were with related parties. As of October 31, 2018 the Company recognized an impairment on our forward purchase contracts of approximately \$394,000. This reduced inventory on the balance sheet and increased cost of good sold on the statement of operations. There was no impairment on our forward purchase contracts as of October 31, 2020.



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

	<u>Commitments Through</u>		<u>Amount</u>
<b>Sale commitments</b>			
Distiller grains - fixed price	December 2020	\$	5,255,000
Corn Oil - fixed price	December 2020		2,086,000
<b>Purchase commitments</b>			
Corn - fixed price	April 2022	\$	2,503,000
Corn - basis contract	December 2020		194,000
Natural gas - fixed price	February 2022		5,623,000

As of October 31, 2020, the Company has fixed price futures and forward contracts in place for approximately 6% of anticipated corn needs for the next 12 months and 0% of ethanol sales for the next 12 months with no open positions beyond that point. As of October 31, 2020, the Company has fixed priced futures and forward contracts in place for approximately 64% of its natural gas needs for the next 12 months and approximately 12% of its natural gas needs for the next 24 months with no open positions beyond that point.

As of October 31, 2020, the Company had approximately 672,000 bushels with approximate market value of \$2,500,000 of credit sale corn contracts. As of October 31, 2019, the Company had approximately 212,000 bushels with approximate market value of \$805,000 of priced later and deferred payment corn contracts.

## 8. FAIR VALUE MEASUREMENTS

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Marketable Securities: The Company's investments in short-term liquid investments (e.g. mutual funds), are classified within Level 1, carried at fair value based on the quoted market prices.

Derivative financial instruments: Commodity futures and exchange-traded commodity options contracts are reported at fair value utilizing Level 1 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from markets such as the CME and NYMEX. Crush swaps are bundled contracts or combined contracts that include a portion of corn, ethanol and natural gas rolled into a single trading instrument. These contracts are reported at fair value utilizing Level 2 inputs and are based on the various trading activity of the components of each segment of the bundled contract.



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

The following table summarizes financial assets and financial liabilities measured at the approximate fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities				
Assets, October 31, 2020	\$ 5,113,000	\$ 5,113,000	\$ —	\$ —
Assets, October 31, 2019	871,000	871,000	—	—
Derivative financial instruments				
October 31, 2020				
Assets	\$ 470,000	\$ 470,000	\$ —	\$ —
Liabilities	(290,000)	(149,000)	(141,000)	—
October 31, 2019				
Assets	\$ 1,930,000	\$ 1,650,000	\$ 280,000	\$ —
Liabilities	(608,000)	(80,000)	(528,000)	—

**9. INVESTMENTS**

Condensed, combined financial information of the Company's investments in Absolute Energy, Homeland Energy Solutions, Guardian Energy, Lawrenceville Tank and RPMG is as follows (in 000's).

<u>Balance Sheet</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Current Assets	\$ 285,395	\$ 337,643	\$ 309,869
Other Assets	246,389	258,655	268,900
Current Liabilities	168,842	224,439	199,683
Long-term Debt	47,529	55,368	63,535
Members' Equity	315,413	316,491	315,550

<u>Twelve Months Ended</u>			
<u>Income Statement</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Revenue	\$ 847,425	\$ 776,635	\$ 771,762
Gross Profit	58,093	34,731	78,167
Net Income	40,259	25,026	67,128

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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

The following table (in 000's) shows the condensed financial information of Homeland Energy Solutions, which represents greater than 10% of the Company's net income for the year ended October 31, 2020. The Company's equitable portion of assets of Homeland Energy Solutions is greater than 10% of the Company total assets as of the years ended October 31, 2020 and 2019.

<b>Homeland Energy Solutions Condensed Financial Information</b>			
<b>Balance Sheet</b>	<b>9/30/2020</b>	<b>9/30/2019</b>	<b>9/30/2018</b>
Current Assets	\$ 49,855	\$ 92,654	\$ 89,707
Other Assets	134,837	138,578	139,631
Current Liabilities	13,018	47,436	44,366
Long-term Debt	11,729	18,574	20,947
Members' Equity	159,945	165,222	164,025
<b>Twelve Months Ended</b>			
<b>Income Statement</b>	<b>9/30/2020</b>	<b>9/30/2019</b>	<b>9/30/2018</b>
Revenue	\$ 288,582	\$ 313,029	\$ 300,385
Gross Profit	24,101	13,093	25,740
Net Income	12,289	10,559	21,831

The Company recorded equity in net income of investments of approximately \$621,000 from Absolute Energy, \$0 from Guardian Energy, \$2,129,000 from Homeland Energy Solutions and \$293,000 from our other investments for a total of approximately \$3,043,000 for the fiscal year ended October 31, 2020. Income for the fiscal years ended October 31, 2019 and 2018 totaled approximately \$1,716,000 and \$5,264,000, respectively. The Company has undistributed net earnings of investees of approximately \$15,679,000 and \$12,068,000 as of October 31, 2020 and 2019, respectively.

## 10. MEMBERS' EQUITY

The total number of Class A and B units outstanding as of October 31, 2020 and 2019 was 19,873,000. Allocations of profits, losses and distributions as well as voting rights are identical for both Class A and B units except for in the case of disposition of properties in dissolution. In such case, Class B units have preferential treatment in the allocation of any remaining gain.

## 11. LEASE OBLIGATIONS

Effective November 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842). The Company elected the option to apply the transition provisions at the adoption date instead of the earliest comparative period presented in the financial statements. By making this election, the Company has not applied retrospective reporting for prior years. The Company elected the short-term lease exception provided for in the standard and therefore only recognized right-of-use assets and lease liabilities for leases with a term greater than one year. The Company elected the package of practical expedients to not re-evaluate existing contracts as containing a lease or the lease classification unless it was not previously assessed against the lease criteria. In addition, the Company did not reassess initial direct costs for any existing leases.

A lease exists when a contract conveys to a party the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company recognized a lease liability at the lease commencement date, as the present value of future lease payments, using an estimated rate of interest that the Company would pay to borrow equivalent funds on a collateralized basis. A lease asset is recognized based on the lease liability value and adjusted for any prepaid lease payments, initial direct costs, or lease incentive amounts. The lease term at the commencement date includes any renewal options or termination options when it is reasonably certain that the Company will exercise or not exercise those options, respectively.

The Company leases rail cars and rail moving equipment with original terms up to 5 years. The Company is obligated to pay costs of insurance, taxes, repairs and maintenance pursuant to the terms of the leases. These costs are in addition to regular lease payments and are not included in lease expense. Rent expense incurred for the operating leases during fiscal years ended



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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

October 31, 2020, 2019 and 2018 was approximately \$1,467,000, \$1,975,000 and \$1,382,000. The lease agreements have maturity dates ranging from April 2021 to May 2024. The weighted average remaining life of the lease term for these leases was 1.88 years as of October 31, 2020.

The discount rate used in determining the lease liability for each individual lease was the Company's estimated incremental borrowing rate of 4.95%. The right-of-use asset from operating leases, included in other assets, and operating lease liabilities, included in current and long term liabilities was \$2,325,000 as of October 31, 2020.

At October 31, 2020, the Company had the following approximate minimum rental commitments under non-cancelable operating leases:

2021	\$	1,090,000
2022		801,000
2023		453,000
2024		118,000
Total	\$	<u>2,462,000</u>

A reconciliation of the undiscounted future payments in the schedule above and the lease liabilities recognized in the consolidated balance sheet as of October 31, 2020, is shown below.

Undiscounted future payments	\$	2,462,000
Discount effect		<u>(137,000)</u>
Discounted future payments	\$	<u>2,325,000</u>

## 12. GROUP INSURANCE

The Company participates, along with other plants in the industry, in a group captive insurance company (Captive). The Captive insures losses related to workman's compensation, commercial property and general liability. The Captive reinsures catastrophic losses for all participants, including the Company, in excess of predetermined amounts. The Company's premiums are accrued by a charge to income for the period to which the premium relates and is remitted by the Company's insurer to the captive reinsurer. These premiums are structured such that the Company has made a prepaid collateral deposit estimated for losses related to the above coverage. The Captive insurer has estimated and collected an amount in excess of the estimated losses but less than the catastrophic loss limit insured by the Captive. The Company cannot be assessed over the amount in the collateral fund.

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**GOLDEN GRAIN ENERGY, LLC**  
**Notes to Financial Statements**

**13. QUARTERLY FINANCIAL REPORTING (UNAUDITED)**

Summary quarterly results are as follows:

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>Year ended October 31, 2020</b>				
Total revenues	\$ 57,567,896	\$ 35,323,572	\$ 44,902,846	\$ 56,535,162
Gross profit (loss)	2,605,865	(6,707,483)	2,991,434	6,656,681
Operating income (loss)	1,331,903	(7,729,528)	1,996,857	5,802,880
Net income (loss)	3,414,218	(7,817,408)	\$ 2,715,403	7,566,450
Basic & diluted income (loss) per unit	\$ 0.17	\$ (0.39)	\$ 0.14	\$ 0.38
<b>Year ended October 31, 2019</b>				
Total revenues	\$ 46,196,377	\$ 49,608,660	\$ 51,773,780	\$ 56,215,030
Gross profit	(621,266)	1,570,724	(1,502,206)	376,732
Operating income (loss)	(1,592,662)	593,600	(2,430,563)	(453,112)
Net income (loss)	(1,179,271)	1,228,441	(1,673,866)	(87,706)
Basic & diluted income (loss) per unit	\$ (0.06)	\$ 0.06	\$ (0.08)	\$ —
<b>Year ended October 31, 2018</b>				
Total revenues	\$ 47,479,043	\$ 45,886,524	\$ 41,465,388	\$ 44,670,289
Gross profit	60,857	2,341,798	833,081	2,119,849
Operating income (loss)	(987,179)	1,259,684	100,698	1,359,110
Net income (loss)	(1,317,498)	3,321,205	1,440,371	2,927,221
Basic & diluted income (loss) per unit	\$ (0.07)	\$ 0.17	\$ 0.07	\$ 0.15

**14. BUSINESS INTERRUPTION**

In May 2018 the Company experienced damage to their distillation columns which impacted ethanol production at its facility causing a business interruption for approximately four weeks. As a result, the Company incurred expenses of approximately \$4.0 million in the year ended October 31, 2018 consisting primarily of equipment repair costs, professional fees and loss of business income. The Company filed property and business interruption insurance claims in July 2018.

The claims were predominately settled in October 2018 for a net recovery of approximately \$3.0 million, consisting of approximately \$1.4 million from the property insurance claim and \$1.6 million from the business interruption claim. On the statement of operations for the period ending October 31, 2018, approximately \$1.0 million increased revenues, approximately \$400,000 decreased cost of sales and \$1.6 million was classified as insurance claim recoveries, net. The funds were received by the Company in November 2018. During the period ending October 31, 2019, approximately \$184,000 was received and reduced cost of sales. This additional amount brought the total recovery on this claim to approximately \$3.2 million.

**15. SUBSEQUENT EVENTS**

On November 18, 2020 the Board of Directors declared a \$0.20 per unit distribution for members as of record of December 1, 2020 to be paid in January 2021.

[Table of Contents](#)**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.****Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer (the principal executive officer), Chad Kuhlert, along with our Chief Financial Officer (the principal financial officer), Brooke Peters, have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of October 31, 2020. Based on this review and evaluation, these officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the forms and rules of the Securities and Exchange Commission; and to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**Internal Control Over Financial Reporting**Inherent Limitations Over Internal Controls

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of October 31, 2020.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. As we are a non-accelerated filer, management's report is not subject to attestation by our



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registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002 that permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting during the fourth quarter of our 2020 fiscal year which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item is incorporated by reference in the definitive proxy statement from our 2021 Annual Meeting of Members to be filed with the Securities and Exchange Commission within 120 days of our 2020 fiscal year end. This proxy statement is referred to in this report as the 2021 Proxy Statement.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

**Exhibits Filed as Part of this Report and Exhibits Incorporated by Reference.**

The following exhibits and financial statements are filed as part of, or are incorporated by reference into, this report:

(1) **Financial Statements**

The financial statements appear beginning at page 32 of this report.

(2) **Financial Statement Schedules**

All supplemental schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(3) **Exhibits**

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<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Filed Herewith</u>	<u>Incorporated by Reference</u>
3.1	<a href="#">Articles of Organization of the registrant.</a>		Exhibit 3.1 to the registrant's registration statement on Form SB-2 (Commission File 333-101441).
3.2	<a href="#">Third Amended and Restated Operating Agreement of the registrant</a>		Exhibit 3.2 to the registrant Form 10-K filed with the Commission on January 17, 2008.
3.3	<a href="#">First Amendment to the Third Amended and Restated Operating Agreement of Golden Grain Energy, LLC dated February 20, 2012.</a>		Exhibit 3.1 to the registrants Form 10-Q filed with the Commission on March 15, 2012.
3.4	<a href="#">Second Amendment to the Third Amended and Restated Operating Agreement of Golden Grain energy, LLC dated February 25, 2013.</a>		Exhibit 3.1 to the registrant's Form 10-Q filed with the Commission on March 15, 2013
4.1	<a href="#">Form of Membership Unit Certificate.</a>		Exhibit 4.2 to the registrant's registration statement on Form SB-2 (Commission File 333-101441).
10.1	<a href="#">Member Control Agreement dated April 11, 2006 between the registrant and Renewable Products Marketing Group, LLC.</a>		Exhibit 10.1 to the registrant's Form 10-QSB filed with the Commission on June 14, 2006.
10.2	<a href="#">Management Services Agreement with Homeland Energy Solutions, LLC dated December 15, 2008.</a>		Exhibit 10.11 to the registrant's Form 10-K filed with the Commission on January 29, 2009.
10.3	<a href="#">Management Phantom Unit and Bonus Plan dated December 19, 2008.</a>		Exhibit 10.12 to the registrant's Form 10-K filed with the Commission on January 29, 2009.
10.4	<a href="#">Corn Oil Marketing Agreement between the registrant and Renewable Products Marketing Group, LLC dated January 27, 2009. +</a>		Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on March 17, 2009.
10.5	<a href="#">Master Loan Agreement between the registrant, Farm Credit Services of America FLCA and Farm Credit Services of America, PCA dated July 21, 2010.</a>		Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on September 14, 2010.
10.6	<a href="#">Real Estate Mortgage between the registrant, Farm Credit Services of America FLCA and Farm Credit Services of America, PCA dated July 21, 2010.</a>		Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on September 14, 2010.
10.7	<a href="#">\$25,000,000 Revolving Term Loan Supplement between the registrant, Farm Credit Services of America FLCA and Farm Credit Services of America, PCA dated July 21, 2010.</a>		Exhibit 10.3 to the registrant's Form 10-Q filed with the Commission on September 14, 2010.
10.8	<a href="#">\$5,000,000 Revolving Term Loan Supplement between the registrant, Farm Credit Services of America FLCA and Farm Credit Services of America, PCA dated July 21, 2010.</a>		Exhibit 10.4 to the registrant's Form 10-Q filed with the Commission on September 14, 2010.
10.9	<a href="#">\$5,000,000 Revolving Loan Supplement between the registrant, Farm Credit Services of America FLCA and Farm Credit Services of America, PCA dated July 21, 2010.</a>		Exhibit 10.5 to the registrant's Form 10-Q filed with the Commission on September 14, 2010.
10.10	<a href="#">Member Fuel Ethanol Marketing Agreement between the registrant and RPMG, Inc. dated April 22, 2010. +</a>		Exhibit 10.21 to the registrant's Form 10-K filed with the Commission on December 23, 2010.
10.11	<a href="#">Distillers Grains Marketing Agreement between the registrant and Renewable Products Marketing Group, Inc. dated December 10, 2010. +</a>		Exhibit 10.22 to the registrant's Form 10-K filed with the Commission on December 23, 2010.
10.12	<a href="#">Amendment to the Master Loan Agreement between Farm Credit Services of America, FLCA, Farm Credit of America, PCA and Golden Grain Energy, LLC dated June 23, 2011.</a>		Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on September 14, 2011.
10.13	<a href="#">Revolving Credit Supplement between Farm Credit of America, PCA and Golden Grain Energy, LLC dated June 23, 2011.</a>		Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on September 14, 2011.

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10.14 <a href="#">Revolving Term Loan Supplement between Farm Credit Services of America, FLCA and Golden Grain Energy, LLC dated June 23, 2011.</a>	Exhibit 10.3 to the registrant's Form 10-Q filed with the Commission on September 14, 2011.
10.15 <a href="#">Third Amended Management Services Agreement between Homeland Energy Solutions, LLC and Golden Grain Energy, LLC dated December 15, 2011.</a>	Exhibit 10.15 to the registrant's Form 10-K filed with the Commission on December 23, 2011.
10.16 <a href="#">Member Amended and Restated Ethanol Marketing Agreement between RPMG, Inc. and Golden Grain Energy, LLC dated August 27, 2012.+</a>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on September 13, 2012.
10.17 <a href="#">Membership Unit Repurchase Agreement dated December 12, 2012 between Golden Grain Energy, LLC and Steven Retterath.</a>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on March 15, 2013.
10.18 <a href="#">Amendment to the Master Loan Agreement dated December 26, 2012 between Golden Grain Energy, LLC and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA.</a>	Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on March 15, 2013.
10.19 <a href="#">Revolving Term Loan Supplement dated December 26, 2012 between Golden Grain Energy, LLC and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA.</a>	Exhibit 10.3 to the registrant's Form 10-Q filed with the Commission on March 15, 2013.
10.20 <a href="#">\$5,000,000 Revolving Term Loan Supplement dated December 26, 2012 between Golden Grain Energy, LLC and Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA.</a>	Exhibit 10.4 to the registrant's Form 10-Q filed with the Commission on March 15, 2013.
10.21 <a href="#">Termination Agreement dated May 16, 2014 between Golden Grain Energy, LLC and Homeland Energy Solutions, LLC.</a>	Exhibit 99.1 to the registrant's Form 8-K filed with the Commission on May 16, 2014.
10.22 <a href="#">Revolving Term Loan Supplement between CoBank and Golden Grain Energy dated March 20, 2015.</a>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on June 11, 2015.
10.23 <a href="#">Credit Agreement between Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA and Golden Grain Energy, LLC dated September 1, 2020.</a>	Exhibit 10.1 to the registrant's Form 10-Q filed with the Commission on September 14, 2020.
10.24 <a href="#">Amended and Restated Revolving Term Promissory Note between Farm Credit Services of America, FLCA and Farm Credit Services of America, PCA and Golden Grain Energy, LLC dated September 1, 2020.</a>	Exhibit 10.2 to the registrant's Form 10-Q filed with the Commission on September 14, 2020.
14.1 <a href="#">Code of Ethics of Golden Grain Energy, LLC, adopted January 14, 2004.</a>	Exhibit 14.1 to the registrant's Form 10-KSB filed with the Commission on January 29, 2004.
31.1 <a href="#">Certificate Pursuant to 17 CFR 240.13a-14(a)</a>	X
31.2 <a href="#">Certificate Pursuant to 17 CFR 240.13a-14(a)</a>	X
32.1 <a href="#">Certificate Pursuant to 18 U.S.C. Section 1350</a>	X

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32.2	<a href="#">Certificate Pursuant to 18 U.S.C. Section 1350</a>	X
101	The following financial information from Golden Grain Energy, LLC's Annual Report on Form 10-K for the fiscal year ended October 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets as of October 31, 2020 and October 31, 2019, (ii) Statements of Operations for the fiscal years ended October 31, 2020, 2019 and 2018, (iii) Statements of Cash Flows for the fiscal years ended October 31, 2020, 2019 and 2018, (iv) Statements of Members' Equity for the fiscal years ended October 31, 2020, 2019 and 2018, and (v) the Notes to Consolidated Financial Statements.*	

(+) Confidential treatment requested.

(\*) Furnished herewith.

**ITEM 16. FORM 10-K SUMMARY.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GOLDEN GRAIN ENERGY, LLC**

December 28,  
Date: 2020

/s/ Chad Kuhlert

Chad Kuhlert  
Chief Executive Officer  
(Principal Executive Officer)

December 28,  
Date: 2020

/s/ Brooke Peters

Brooke Peters  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: <u>December 28, 2020</u>	<u>/s/ Dave Sovereign</u> Dave Sovereign, Chairman and Director
Date: <u>December 28, 2020</u>	<u>/s/ Jim Boeding</u> Jim Boeding, Director
Date: <u>December 28, 2020</u>	<u>/s/ Stan Laures</u> Stan Laures, Director
Date: <u>December 28, 2020</u>	<u>/s/ Jerry Calease</u> Jerry Calease, Director
Date: <u>December 28, 2020</u>	<u>/s/ Dustin Petersen</u> Dustin Petersen, Director
Date: <u>December 28, 2020</u>	<u>/s/ Dave Reinhart</u> Dave Reinhart, Director
Date: <u>December 28, 2020</u>	<u>/s/ Leslie Hansen</u> Leslie Hansen, Director
Date: <u>December 28, 2020</u>	<u>/s/ Duane Lynch</u> Duane Lynch, Director
Date: <u>December 28, 2020</u>	<u>/s/ Steve Sukup</u> Steve Sukup, Vice Chairman and Director
Date: <u>December 28, 2020</u>	<u>/s/ Roger Shaffer</u> Roger Shaffer, Director