



First Quarter 2018
LSCP, LLLP
General Manager Comments

The 1st Quarter of the fiscal year ended on December 31, 2017 with an unaudited net profit of approximately \$833,000. Margins came under pressure from new supply coming on line, reduced gasoline demand, and the import tariff imposed by Brazil. All of these individual factors had some effect on ethanol profitability but the cumulative effect of the three took their toll. There were numerous plants including Little Sioux that have increased their annual production capacity by an estimated 400 million gallons over the last 2-3 years, in addition three new Greenfield plants will come on line in 2018 increasing production capacity by another 300 million gallons per year. The industry needs E-15 and robust export demand to keep supply from outpacing demand.

The two additional fermentation tanks came on line in late November increasing our fermentation time from 55 hours to 70 hours. The milling project started up in early January 2018 allowing us to accept higher moisture corn (max. 18.0) and utilize a finer screen pattern. These two capital projects will allow us to maximize yields and maintain the company's productivity goals of 3.0 gallons of ethanol per bushel and the mystical 1-pound corn oil yield per bushel. After the additional equipment came on line, we did see positive results in January but we still have work to do in reaching our goals over the long run.

After our fall shutdown, we worked hard to push the plant past the 160 to 165 million gallon hurdle. As the weather cooled it became apparent we would need additional steam capacity to maintain our current production level and have the reserve to increase production. To alleviate the steam shortage, we rented a temporary boiler which went on line in December and due to regulatory requirements restricting the use of portable equipment, the temporary boiler will be replaced by a permanent package boiler in the 3rd quarter of 2018. Once we had the required steam we soon found that our distillation system had reached its capacity as well. We are currently operating at a 162 to 163 million gallon rate and until we make improvements to distillation the plant has reached its production capacity. We also feel our current 190 proof condensers are under sized which is creating backpressure in the system, these condensers will be replaced at our spring 2018 shutdown. They were due for their 10-year recertification as required by law, so replacement is timely for both regulatory requirements and production improvement. Hopefully their replacement allows us to increase production to reach the next goal, 170 million gallons.

In closing, I don't want to paint a picture of doom regarding the company's or the industry's outlook, Little Sioux and the ethanol industry will be around for a long time. We operate a very efficient facility that is one of the lower cost producers. The world needs octane and corn ethanol supplies the cheapest source. Economics always wins in the marketplace regardless of all the hype to the contrary.

Steve

Financial Statements Review

First Quarter Ended December 31, 2017

We ended the quarter with a profit for LSCP, LLLP of \$833,000 resulting in a profit for the LLC of \$504,000. This compares to last year where LSCP, LLLP showed a profit of \$8,865,000 resulting in a profit for the LLC of \$4,957,000.

The Fiscal Quarter Ended December 31, 2017 and 2016 (unaudited) results are as follows:

	Three Months Ended December 31, 2017 (Unaudited)	Three Months Ended December 31, 2016 (Unaudited)
Revenues	\$ 61,681,000	\$ 56,582,000
Cost of Goods Sold	59,689,000	46,819,000
Gross Margin	<u>1,992,000</u>	<u>9,763,000</u>
Selling, General and Administrative Expenses	1,206,000	1,021,000
Other Income and (Expense)	<u>47,000</u>	<u>123,000</u>
Net Income Before Minority Interest	833,000	8,865,000
Minority Interest in Subsidiary Income	329,000	3,908,000
Net Income for Little Sioux Corn Processors LLC	<u><u>\$ 504,000</u></u>	<u><u>\$ 4,957,000</u></u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	3.07	30.20

Fiscal YTD December 2017 Revenues are 9% higher than last year due to a 26% increase in ethanol gallons sold offset by a 20% reduction in ethanol prices. Additionally, co-product volumes increased by 4% along with a 19% increase in co-product prices.

Cost of Goods Sold for the quarter showed a 27% increase from last year resulting from a 25% increase in corn bushels used to obtain higher ethanol volumes. Additionally, all direct costs were similarly higher due to the higher ethanol volumes.

Gross Margin was reduced by 80% because of the 20% reduction in the ethanol prices received compared to only a 1% reduction of the per bushel price paid for corn.

Our Selling, General and Administrative expenses were consistent with last year on a per gallon basis.

Balance Sheet as of December 31, 2017 and 2016:

	December 31, 2017 Unaudited	December 31, 2016 Unaudited
Total Current Assets	\$ 29,894,000	\$ 44,622,000
Net Property and Equipment	92,506,000	83,633,000
Other Assets	4,396,000	8,995,000
Total Assets	<u>\$ 126,796,000</u>	<u>\$ 137,250,000</u>
Total Current Liabilities	\$ 17,282,000	\$ 18,598,000
Other Long Term Liabilities	-	-
Long Term Debt, net of current maturities	-	-
Minority Interest	46,560,000	50,846,000
Members' Equity, 164,115 outstanding units	62,954,000	67,806,000
Total Liabilities and Members Equity	<u>\$ 126,796,000</u>	<u>\$ 137,250,000</u>

The decrease in Total Current Assets and Members Equity is a result of a lower cash balance over last year resulting from the cash distributions paid in 2017 and the purchase of the ownership of a limited partner, partially offset by 2017 earnings.

The increase in Net Property and Equipment is a result of new capital expenditures offset by normal depreciation.

Other Assets decreased as a result of the sale of the Akron property.

Other Comments:

Our annual meeting is scheduled for April 5, 2018 at 7:00 pm. The meeting will again be held at Western Iowa Tech in Cherokee. The complete audited financial statements for Fiscal 2017 and the annual meeting material will be mailed prior to the meeting. Please reserve this date and plan to attend.

You should have received your 2017 K1. You will notice that Little Sioux has contracted for a Research and Experimentation study for years 2014 and 2017. These studies allow the Little Sioux owners to take advantage of tax credits. Please discuss amending your 2014 tax return with your tax preparer to capture this credit. We have hired the consultant to review the 2015 and 2016 R & E credits as well. Those studies will be completed in 2018.

Gary



Dear Shareholder,

Ethanol is under heavy assault in Washington, DC, and **we need your support for Little Sioux Corn Processors PAC to battle back!**

That's right – Texas Senator Ted Cruz is at it again! He has:

- continued his relentless and dishonest crusade to undermine or eliminate the Renewable Fuel Standard (RFS) at every opportunity.
- stood in the way of efforts to eliminate senseless regulations which would allow year-round sales of E15 and lower RIN prices.
- exploited refinery workers at bankrupt Philadelphia Energy Solutions (PES) by ignoring PES' woeful mismanagement and ludicrously blaming the RFS for the refinery's plight.
- used the RFS as a scapegoat to unjustly hold up the nomination of Iowa Secretary of Agriculture Bill Northey for a senior USDA post for over four months.

Now Senator Ted Cruz is taking his anti-renewable fuels crusade all the way to the Oval Office. This week, Senator Cruz will be personally urging President Trump to undermine the RFS, but our champions, Senators Chuck Grassley and Joni Ernst, will be there to defend rural America.

We need your contribution to LSCP PAC today to help bolster our biofuel champions – including Governor Reynolds, Senator Grassley and Senator Ernst – and encourage them keep up the fight against the oil industry onslaught.

Senator Cruz is not alone. Texas' other U.S. Senator, John Cornyn, is drafting legislation to eliminate the RFS, and EPA Administrator Scott Pruitt has been asked to allow small refiners to be exempt from the RFS, which could eliminate demand for over one billion gallons of ethanol.

Please act today to help Iowa's ethanol leaders fight back against Texas and Big Oil. **Will you join me in writing a personal check for \$500, \$100 or \$50 to LSCP PAC?**

Sincerely,

LSCP PAC

P.S. 2018 may be the year that determines the future of ethanol and rural America. **Now is the time to donate to LSCP PAC!**