



The

DISPATCH

STEVE'S REMARKS Comments from our GM

I have been contemplating this quarter's newsletter for some time. I wanted an upbeat message, so I will lay out the difficult first and then talk about the positives for the company. We all know COVID-19 is still with us and has affected everyone's lives to some degree. Various vaccines are being rolled out to the public. The obstacles are many but with time and tenacity, all willing individuals will be vaccinated. Infection rates seemed to have peaked at present and are diminishing. Ethanol demand in the late 1st quarter was lackluster at best and downright awful at worst. People did not travel during the holiday season, they stayed close to home and everyone knows people must drive for our business to be successful. Demand faltered and production remained very strong under the circumstances, consequently, margins and profitability were under stress and have remained so into the new year. Although not great we have seen improvement over the past few weeks. If COVID-19 gets under

control and people start moving around our performance will improve. Ethanol and our co-products have been following the soybeans and corn higher which is positive for the company.

Our Still-PRO Fifty project has been going well. Like everyone, COVID-19 has given us challenges with quarantines and people out with the virus. The winter has been milder than we have experienced in previous years which is good, but we still had numerous cold weather challenges. Thankfully, the building has been closed in so work can continue through the snow and cold without interruption. Equipment delivery has been slowed to a degree but nothing extraordinary or excessive. The current startup is slated for late April or very early May. I admit it has been delayed about 30 days from previous estimates but for a project of this magnitude and complexity all has gone and is going well. Make no mistake, startup cannot occur fast enough. We have all seen the value of corn protein. Soybeans and corn

have appreciated in price. Soybean meal is no exception, it will make our corn protein more valuable. It is a great time to start up a corn protein plant. I do not think we could have hit the timing much better.

The 2020 year is behind us. All of us look forward to 2021 and the potential it holds for those in agriculture.

Prices are favorable now, giving producers an opportunity to lock in commodity prices not seen for awhile. Let us hope our business has the same opportunity as we move forward. Before we know it, spring will be here with renewed optimism as crops go into the ground.



Steve Roe
General Manager

Commodity Corner



Jake Wetter
Grain Merchandiser

It is January 28th today and corn has hit a 7½ year high on strong demand & fund buying. China came to the US in a big way this week. Grain markets are surging higher this week, led by corn which managed to make new contract highs of \$5.50 this morning. Massive corn sales to China of 150 million bu for this marketing year have been announced this week. It will be interesting to see if they actually ship all the sales that are on the books. Cheaper bushels out of South America will be available in the next 60-90 days and then there is a \$1/bu cash inverse to new crop in the US. Robust

Chinese demand has been spurred by Beijing's desire to approach import targets in an initial trade deal with the USA. China came back for soybeans following the trade war of 2018 & 2019, but I would argue that its return had more to do with rebuilding its hog herd than with its commitment to the phase-one trade deal. China has already reported record soybean imports of 100 million tons for the 2020 calendar year. In 2021 the expected volume could reach 105 million tons. Not to be outdone, corn imports to China have also skyrocketed. Corn imports in the 2020/21 season could be up to 27 million tons worldwide, including 18 million from the United States. Moving forward China is forecast to import annual volumes between 25 million and 40 million tons of corn annually. This new demand is great news for US Agriculture. Of course, sales don't necessarily mean shipments and there have been instances where China has rolled 50% of their sales into the following year but that should not be considered the rule.

New demand for US ethanol has also showed up from China. China has bought about 200 million gallons of U.S. ethanol for the first half of 2021, matching its previous record for annual imports of US ethanol. This is welcome news for the ethanol industry as other exports are down 400 million gallons due to decreased demand because of COVID restrictions.

Strong demand from China combines with an increase in global weather-related supply risks to provide fundamental support. Many nations are also increasing their grain reserves following the Covid-related supply disruptions of the past year. Money continues to flow into the broader commodity sector, with special focus on the grain and oilseed sector. Traders point toward strong fundamentals, with a surge in money supply likely amplifying the markets response. The Federal Reserve's balance sheet is up 78% year-on-year, while M1 money supply is up 70% year-on-year. A number of smart money financial institutions and individuals are bullish hard assets of all kinds. Some are on record calling for a new bull

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Continuous Growth and Learning



Chris Williams
Plant Manager

Education is vital in American society. I believe it is just as important in the workforce. It teaches us the importance of hard work while helping us grow and develop. Little Sioux Corn Processors has grown over the years. Some employees are original and have carried on through all the changes while others have joined us along the way.

Little Sioux started out producing 40 million gallons per year (mgy) in 2003 and throughout the years, we have increased production to 165 mgy capacity. To facilitate the increased production, a lot has had to change. Keeping our employees informed about these changes is a vital part of our Process Safety Management (PSM) program. We have a system to document changes with management of change programs. This allows employees to understand what has changed and why.

Training is not one-dimensional.

Extensive safety training is essential to prevent employee injury. Nevertheless, training does not stop there. To maintain efficiency, we need to be able to troubleshoot problems. In order to do this we must understand: how the process flows, what things get recycled, what is normal, what is not normal and the concept of what is occurring at every step along the way. Our training program works with a mixture of classroom instruction, electronic testing, hands on activities and repetition of skills. Trust me, if any of you have taken a tour of the plant you fully understand there is a lot going on here.

The process is constantly changing with updates in chemical uses, changes in rates, as well as the addition and deletion of equipment. A great example is the addition of oil separation. This equipment and process was once new to us. We have made it our own and have now become one of the industry leaders in corn oil extraction. The changes in the yeast and enzyme industries have created the ability to have a liquid cream yeast over a dry yeast which changes the dynamics of propagation and fermentation. The expansion of the original alpha and gluco

amylase enzymes now offer the capabilities of breaking down bonds with other enzymes, phytases, proteases, cellulases and so on.

We now come to a new expansion beginning in 2021 where we are adding on a protein feed expansion which is another new process to learn. Flows of product paths change, final products change, recycled products change, and we will add over 50 new major pieces of equipment and countless minor pieces of equipment. Some of the equipment is similar to things we already have, while some is completely different. Discovering how it will all work together will be an enormous challenge for everyone at Little Sioux Corn Processors. There will be many long hours and things that will not work right but our 'try and try again' attitude is what will help bring us through it all.

With this new process we welcomed several new employees to the team. We are challenging and empowering these additional resources to learn the ethanol process in time to learn the new protein process with us and become valuable assets to the already remarkable Little Sioux employee team.



MSC Fiber Separation



MSC pumps and process tanks

FINANCIAL STATEMENT

Review

By Laura Lunders



Laura Lunders
CFO

LSCP, LLC Statement of Operations For Periods Ended December 31, 2020 and 2019

	Quarter Ended December 31, 2020 (Unaudited)	Quarter Ended December 31, 2019 (Unaudited)
Revenues	\$71,177,000	\$70,232,000
Cost of Goods Sold	\$71,957,000	\$64,824,000
Gross Margin	(\$780,000)	\$5,408,000
Operating Expenses	\$1,236,000	\$1,373,000
Income from Operations	(2,016,000)	\$4,035,000
Other Income (Expenses)	\$1,087,000	\$193,000
Net Income	(\$929,000)	\$4,228,000
Net Income/Unit	(\$3.43)	\$15.60
Distribution/Unit	\$23.60	\$40.00

The statement of operations for 1st Qtr FY 2021 when compared to 1st Qtr FY 2020 has one glaring line that jumps out at us, cost of goods sold. The fluctuation in the corn price and unrealized derivative losses are the driver of the increase in COGS. We have also seen a 5% reduction in ethanol netback over the 1st quarter 2021. LSCP ethanol and co-product production along with corn grind and energy costs are consistent with our historical run rates.

We see operating expenses being consistent with the same quarter of last year. However, other income jumped as LSCP qualified for a biofuels program payment.

LSCP, LLC Balance Sheet For Periods Ended December 31, 2020 and 2019

	As of December 31, 2020 (Unaudited)	As of December 31, 2019 (Unaudited)
Total Current Assets	\$27,870,000	\$40,032,000
Net Property and Equipment	\$127,407,000	\$105,634,000
Other Assets	\$3,318,000	\$3,976,000
Total Assets	\$158,595,000	\$149,642,000
Total Current Liabilities	\$23,243,000	\$21,133,000
Total Long-Term Liabilities	\$9,869,000	-\$0
Owner's Equity	\$125,483,000	\$128,509,000
Total Liabilities and Equity	\$158,595,000	\$149,642,000
Book Value/Unit	\$463	\$474

The decrease in Total Current Assets and the offsetting increase in Net Property Plant and Equipment is again due to payments on the High Protein Feed project. We took our first draw against the HPF project financing, which is represented in Long-Term Liabilities.

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

Most Recent Sales	Current Offers to Purchase	Current Offers to Sell
Class A: October 2020 - 120 Units @ \$480	Class A - 30 Units @ \$485	Class C - 120 Units @ \$470
Class B: November 2020 - 150 Units @ \$470	Class C - 120 Units @ \$430	

The Board of Directors declared a dividend of \$23.60/unit paid in December 2020.

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

From front page

market with commodities that will exceed the 2008 super cycle. Of course the market has already had an amazing run and many are just talking to support their position. The 2008 super cycle lasted until the 2008 financial crisis brought about by the housing collapse.

All these new influences have created an amazing amount of volatility. 25c/bu limit moves in corn have happened twice in the last month already. The roller coaster ride has started. You best strap yourself in and enjoy the ride because the rollercoaster stops for no one. In order to sustain rallies, the money flow has to continue to be there. How long until that sector dries up is beyond any one person's knowledge. A commodity super inflation cycle is at hand as the sun is finally shining brightly on American agriculture. Incomes will be lifted. Lock in these profitable prices for both old & new crop! Make hay while the sun is shining!! No one knows when these markets will roll over. The biggest mistake US farmers will make in the period ahead is thinking much higher prices are coming for grains and holding on too long. Opportunities like these don't historically come very often and typically don't stay for very long either. The corn market that has just skyrocketed an uninterrupted \$2.30 over five months to the extraordinary heights. This steep mostly uninterrupted rally has generated understandably historical bullish sentiment not seen since 2012's peak. I hate to even try to make a prediction on market direction anymore. Markets are difficult to predict. You can be wrong about fund positions, export sales, market direction, crop report estimates, weather events, trade, and a myriad of other items on a near daily basis. Next to a weather forecast, a market forecast might be the only thing we pay for that is consistently wrong. And in some cases, not even close. But alas, it is a lot more fun to wonder how high markets will go than it has been the last few years of wondering how long the pain will last. Keep SOME bushels for the possibility of a surge higher due to threats to the 2021 crop this growing season. Keeping a lot of bushels is very risky. A wise old man once told me "You will never grow broke making a profit." Historically, \$5.50 spot futures are a pivot point that either kills a bull rally or spawns another major leg higher. By the time this newsletter hits your mailbox, we may know the answer to this question. These markets will continue to move quickly so enjoy the ride!!!



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MSC Building



MSC separation equipment



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