



The

# DISPATCH

## STEVE'S REMARKS Comments from our GM

The passing of the Inflation Reduction Act has created an array of opportunities for the ethanol industry and Little Sioux in particular. The 45Z and 45Q tax credits that were once a credit that would sell at a discount are going to be paid in cash which means discounts to not apply. The tax credit was good for us, the cash payment makes it better. There are millions at stake but the regulations are not all complete by the IRS or the Department of Treasury. A lot hinges on this rulemaking, it's imperative we get our seat at the table to capitalize. There are tax credits for combined heat and power, wind turbines, and let down turbines. The amount of capital available to enhance LSCP operations is many but wading through these opportunities creates a big challenge for the board and management regarding the best opportunity for creating value for the company. It will be interesting to watch and see the results of their effort.

This will be my 21st year this month as General Manager/CEO of LSCP. When I arrived in May 2002, the first 3 fermenters were being built, the 400,000 bushels of corn storage had been slipped and the corn dump and the DDGS building were up. The concrete was being poured for the process buildings and for the novice that I was, it was a little

intimidating. I knew very little concerning plant operations or fermentation but as the years past we all grew with the facility. Fortunately, a solid staff was nurtured and matured over time into a very knowledgeable group of people. Some like to say they have the most efficient ethanol plant, my answer to that comment has always been we may not be the most efficient, but we are on the top end of the scale.

Operationally the company has expanded from a 40-million-gallon production facility to a plant that produces 165 million gallons. These 3 major expansions over the years helped us remain competitive in the industry and provide a return on investment which is quite impressive when you stop and think about it. The original equity investment was about 18.5 million dollars. A plant worth north of 250 million was built with a relatively small equity investment, although back in 2001 finding the money was a major hill to climb. A fact I find quite amazing is the angst many had concerning procurement of corn. Vast amounts of sweat and capital were expended on the original 18-million-bushel grind. Now we grind 55 million annually and pardon me for sounding crass, but we just do it. Of course, there were those who said we'd end up burning

distiller's grains as an alternative to natural gas because the overwhelming over supply of distillers would drive the price lower and the industry would burn it as a last option. Burn it or bury some used to say, how far from the truth is that?

All of you know I have announced my retirement. My last day will be June 30. Micki and I are relocating to Anamosa, a small town in eastern Iowa. Micki and I left eastern Iowa and have been gone for over 40 years. My daughter and son-in-law live in Cedar Rapids which is about 30 minutes from our home just off HW 151. Today HW 151 is a four-lane road, back when we left it was two lanes in many spots with more curves than a crooked snake. 30 minutes today was at least 40 then, I like it better now. If any of you get over that way, stop in and enjoy Grant Wood country.

Steve



**Steve Roe**  
*General Manager*

## Commodity Corner



**Jake Wetter**  
*Grain Merchandiser*

91.4 million acres at a trend line yield of 181.5 bpa, which would be a new record. Previous

The May USDA report has come and went. No major surprises in the report provided a rather muted reaction. USDA is predicting a return to more favorable weather and trend line yields for both corn & soybeans. USDA is penciling in

record corn yield was the 2021/22 crop of 176.7 bpa. It will take truly outstanding weather this summer to produce a new record yield. A large area of the corn belt is dryer than last year according to the last drought monitor. Locally, we have seen some very nice rains in early May but we have a long way to go to realize an excellent yielding crop as soil moisture is parched after the last two years drought.

The ag markets are trading through and around many hurdles that will lead to further and increased volatility. It will be a very bumpy ride as we navigate through this 2023 summer growing season. US weather will always be a hot topic in the summer, Ukraine exports drying up,

add uncertainty in the US economy and it will be a very rocky road as we move thru summer. Expect large moves of 10+ c/bu for corn with little or no rhyme or reason as the market absorbs the latest news.

Not only will the CBOT market be volatile, but cash corn basis is starting to really standout as something special this year. Currently we are bidding 90c/bu over July futures, which is a record high by 40 cents. The last two years our average bid vs the July was 30 over. Basis has truly been at incredible levels the past couple of years. LSCP's cash basis vs the July from 2014-2020 averaged 20 under. The combination of smaller, drought reduced crops and increased

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# Commodity Corner

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local demand has turned basis on its head. Basis is moving grain from where it is needed, (NW Iowa) in from areas that have a surplus. Carryout is predicted to be close to 1.5 billion bushels, so we are not out of corn, just need to relocate it from where it is to where it is needed. Eventually, buyers will find bushels to cover their remaining old crop corn needs. Over time, mother nature will be more cooperative and basis will revert to

more normalized values.

So, what does one do with all the elevated volatility in both futures and basis markets?

#1 – Get your old crop cash corn sold sooner rather than later. Take advantage of the record basis levels as they will not last very long and can change the most. Unlike the CBOT, there are no limits on basis moves and we have seen basis changes of over a \$1/bu in the past.

#2 – Use any weather rally this summer to aggressively market new crop corn. Most producers have very little new crop corn sold. Use any rallies this summer to get caught up on new crop marketing.

#3 – Enjoy the ride! We have had tremendous cash prices & profits in production agriculture in the last several years. Times will not always be this good so enjoy them while they are here!

## It's That Time of Year...



**Chris Williams**  
*Plant Manager*

In April we completed our 40th preventative maintenance planned shutdown for the plant. As many of you are already aware we complete a spring and fall shutdown every year to go through and inspect and clean

equipment. The process takes about a week by the time all the equipment gets taken down, flushed out, and locked out. Our maintenance team and outside contractors do the work, then we unlock all the equipment and start it back up hoping it all goes back together smoothly.

The more equipment that gets worked on, the more things there are to lock out safely and the more chances that something could go wrong. Fortunately, we didn't run into major surprises that we didn't have the parts and people to take

care of it, but there is always that risk. Shutdown creates additional work for that week and employees and contractors work extra hours that week to get it all done. To be honest, there is a lot of planning that goes in prior to shutdown in terms of lining up contractors, getting parts here, and communicating to everyone who is doing what tasks. After shutdown there is still a lot of cleanup, parts replenishment, tuning to get efficiency and paperwork. We have been through many shutdowns and as I get older it seems like one is gone and the next one is at the doorstep again. It's an important yet expensive time for the plant.

This spring shutdown we did typical work inspecting boilers, pressurized vessels, dryers, conveyors, pumps, valves, gearbox, motors, hammermills, and heat exchangers. We did standard evaporators, gas fired equipment, process lines, bin, and tank cleaning. In addition to the regular projects, we had some sieve vaporizer cleaning, and we were able to get our automated slurry strainers and the regen scrubber projects plumbed in. We did a major overhaul to one of

the dryer inlet screws and incline drags for a dryer. Overall, the projects went rather smoothly.

We have completed construction to our maintenance warehouse and are in the process of labeling, inventory counting, and organizing many of our spare parts. We have completed our distillation cooling tower project and will be working this summer to demo the old tower. We have a couple more projects out there that we are awaiting their arrival, as lead times have made considerable jumps within the last couple of years.

I want to finish by saying thank you to Steve Roe, our General Manager/CEO for the last 21 years here at LSCP. As many of you know Steve last day with us will be June 30th. Steve has been here from the beginning and has been instrumental in our growth from a 40-million-gallon production facility to a plant that now produces 165 million gallons a year. He has left a great legacy of a commendable work ethic and excellent service. It is time for well-deserved rest and relaxation. Wishing you the best as you begin this new chapter of your life.



Front Row: Dale Arends, Darrell Downs, Vince Davis, Myron Pingel  
Back Row: Harold Post, Daryl Haack, Doug Lansink, Steve Core,  
Ron Wetherell, Verdell Johnson, Steve Roe, Tim Ohlson



Recognizing Ron Wetherell - Verdell Johnson - Steve Roe for their years of leadership to LSCP. Ron Wetherell remains on the BOD but has stepped down from being the chairman. Verdell Johnson has resigned from the BOD after 23 years with Harold Post being appointed to fill his seat. Steve Roe will retire as the CEO-GM after 21 years.

# FINANCIAL STATEMENT

## Review

By Laura Lunders



Laura Lunders  
CFO

### LSCP, LLC Statement of Operations For Periods Ended March 31, 2023 and 2022

	Quarter Ended March 31, 2023 (Unaudited)	Quarter Ended March 31, 2022 (Unaudited)	Six Months Ended March 31, 2023 (Unaudited)	Six Months Ended March 31, 2022 (Unaudited)
Revenues	\$ 121,936,000	\$ 115,701,000	\$ 238,850,000	\$ 265,469,000
Cost of Goods Sold	118,407,000	115,767,000	226,300,000	220,309,000
Gross Margin	3,529,000	(66,000)	12,550,000	45,160,000
Operating Expenses	1,703,000	1,373,000	3,200,000	2,821,000
Income from Operations	1,826,000	(1,439,000)	9,350,000	42,339,000
Other Income (Expenses)	403,000	277,000	996,000	213,000
Net Income	\$ 2,229,000	\$ (1,162,000)	\$ 10,346,000	\$ 42,552,000
Net Income/Unit	\$ 8.22	\$ (4.29)	\$ 38.17	\$ 156.98
Distribution/Unit**			\$ 125.00	\$ 79.88

In comparing Q2 FY23 vs Q2 FY22, we have an increase in revenues, mostly from having more stable production of the co-products and being able to capture more dollars per ton as well. The COGS increase stems from the increase cost of natural gas & transportation costs. The operating expenses are up due to the settlement with the IRS on the tax deductions taken in 2014 by a former equity investment.

### LSCP, LLC Balance Sheet

	As of March 31, 2023 (Unaudited)	As of September 30, 2022 (Audited)
Total Current Assets	\$ 52,190,000	\$ 74,728,000
Net Property and Equipment	\$ 133,200,000	\$ 134,670,000
Other Assets	5,250,000	5,424,000
Total Assets	\$ 190,640,000	\$ 214,822,000
Total Current Liabilities	\$ 24,000,000	\$ 24,463,000
Total Long Term Debt	\$ -	\$ 200,000
Owner's Equity	166,640,000	190,159,000
Total Liabilities and Equity	\$ 190,640,000	\$ 214,822,000
Book Value/Unit	\$ 615	\$ 702

There weren't significant changes on the Balance Sheet for the 6 months ended, March 31. The change in Current Assets & Owner's Equity is the difference in the distribution in December 2022 & the Net Income for the first six months of the fiscal year.

### LSCP, LLC Owner's Data

#### Most Recent Sales

Class A  
May 2023 - 1550 Units @ \$800  
Class B  
March 2023 - 206 Units @ \$800  
May 2023 - 150 Units @ \$825  
Class C  
March 2023 - 80 Units @ \$800  
May 2023 - 150 Units @ \$825

#### Current Offers to Sell

Class A  
100 Units @ \$1,000  
Class B  
Class C

#### Current Offers to Purchase

Class A  
700 Units @ \$800  
Class B  
Class C

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

## EMERGENCY WAIVER TO EASE E15 SUMMER SALES IS WIN FOR MOTORISTS, ENERGY SECURITY AND FARMERS

April 28, 2023

JOHNSTON, IOWA – Today the EPA announced it is exercising emergency powers to grant a volatility waiver for E15, blends of gasoline and 15 percent ethanol. As a result, consumers will continue to have access to the fuel option that is usually 10 to 20 cents per gallon less than E10. Without today's action, fuel suppliers would have restricted distribution on May 1 and retailers would have been forced to stop selling E15 during the summer beginning on June 1.

"With high fuel prices and recent OPEC oil cuts, ensuring E15 remains available for consumers is great news," stated Iowa Renewable Fuels Association (IRFA) Executive Director Monte Shaw. "We appreciate all the retailers, consumers, farmers and elected officials who raised their voices in support of E15, and we are glad that EPA listened. E15 sales in Iowa and around that country have greatly increased as consumers become more familiar with its cost-savings and performance. In Iowa we are clearly on the path where E15 will be the 'new normal' in a few years."

Today's action means that E10 and E15 will have the same volatility limit for the summer driving season that runs from June 1 to September 30. With the same volatility limit, the same gasoline blendstock can be used for both 10 and 15 percent ethanol blends. This prevents oil refiners from gaming the system by supplying only the E10 blendstock and, thereby, freezing E15 out of the market.

Shaw continued: "Given action by Governor Reynolds to use her authority under the Clean Air Act to permanently equalize the volatility regulations for E10 and E15, this should have been moot. However, EPA proposed to begin enacting the equal volatility provisions in 2024, so we really needed today's news to bridge the gap. Now retailers and consumers know there is a consistent, year-round road ahead for E15."

EPA has the authority to issue emergency provisions based on the supply of fuel. Today's gasoline stocks are below 2022 levels when a similar emergency action was taken. In addition to restrictions on Russian oil and the impact of the war in Ukraine, this year OPEC also recently enacted supply reductions that have spiked fuel prices.

The Iowa Renewable Fuels Association represents the state's liquid renewable fuels industry and works to foster its growth. Iowa is the nation's leader in renewable fuels production with 42 ethanol refineries capable of producing 4.5 billion gallons annually – including 34 million gallons of annual cellulosic ethanol production capacity – and 11 biodiesel facilities with the capacity to produce 410 million gallons annually. For more information, visit the Iowa Renewable Fuels Association website at: [www.iowarfa.org](http://www.iowarfa.org).



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### BOARD OF DIRECTORS:

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**Harold Post** - Holstein, IA  
**Ray Bradbury** - Decatur, IL

# RENEWABLE FUELS IMPACT ON THE IOWA ECONOMY

## Contribution of the Renewable Fuels Industry to the Economy of Iowa

By John Urbanchuk, Managing Partner, ABF Economics

February 2, 2023

Prepared for the Iowa Renewable Fuels Association

Producing a record 4.5 billion gallons of ethanol and 349 million gallons of biodiesel in 2022, Iowa continues to be the nation's leader in biofuels production and biofuels continue to have a significant impact on Iowa's economy.

### Biofuels Positive Impact on Iowa Economy Remains Strong

Based on its size and scope, in 2022 the renewable fuels industry had the following impacts on Iowa's economy:

- Accounted for nearly 7.2 billion of Iowa GDP;
- Generated \$3.5 billion of income for Iowa households; and
- Supported more than 57,000 jobs through the entire Iowa economy.

To view the full study, go to <https://iowarfa.org/wp-content/uploads/2023/02/2022-Econ-Impact-report.pdf>

	GDP	Income	Employment
	(Mil 2022\$)	(Mil 2022\$)	(Jobs)
<b>Ethanol*</b>	\$6,129	\$3,024	50,007
<b>Biodiesel</b>	\$1,022	\$506	7,278
<b>Total</b>	\$7,151	\$3,531	57,285

\*Includes agriculture, investment in R&D, and exports