



The

DISPATCH

STEVE'S REMARKS Comments from our GM

The 2020 fiscal year was challenging for all of us. Margins were thin the first 3 quarters because of oversupply, insufficient demand, and the COVID-19 Pandemic. Plants across the country began to shut down because of margin pressure in late 2019 and this phenomenon accelerated in March and April 2020. Demand was crushed to be blunt. Demand signals started coming back in early May and most midwestern production facilities resumed production by early summer although several have elected to remain shutdown until more clear signals regarding additional demand become more apparent. I don't like watching plants not operating, at the same time, reduced production has balanced itself with demand at this juncture. This balance has allowed LSCP to operate at profitable levels in the 4th fiscal quarter which Laura's financial portion of the newsletter will highlight. This turn of events was most welcome. I remain optimistic regarding our ability to generate profitable

returns in the 1st quarter which if realized gets us off to a good start in fiscal 2021. The startup in late second fiscal quarter of the Fluid Quip system will help solidify a sustainable and profitable operation moving forward.

Chris laid out the tasks performed during our October maintenance shutdown in his comments. Numerous projects were delayed when our spring shutdown was cancelled because of the COVID-19 pandemic. The plant had a tremendous amount of activity going on simultaneously. Everyone did a great job of working together allowing all the projects to be completed as scheduled. Chris and group start planning the next shutdown within weeks of the previous shutdown completion. A lot of time is spent getting it right, they have succeeded once again.

I think everyone was pleasantly surprised regarding the resiliency of today's hybrids on corn and soybeans. In most cases yields of

both commodities surpassed pre-harvest expectations. We had an extremely dry summer for the most part and the crop still performed. Not long ago, drought conditions like we experienced would have been disastrous, but this year was anything but a disaster in NW Iowa. Those that were in the path of Derecho would disagree, the storm annihilated corn in its path and was severe enough to have caused damage to soybeans as well. Northwest Iowa and Little Sioux were fortunate it missed us.

Have a good Thanksgiving and Christmas. Enjoy your family best you can with the pandemic still very much alive.



Steve Roe
General Manager

Commodity Corner



Jake Wetter
Grain Merchandiser

The coronavirus pandemic has now impacted all four quarters of 2020, and seemingly every aspect of life and business. The U.S. economy has been improving since late spring, but progress has slowed measurably. Rebounding from the virus has been difficult, and more challenges lie ahead. The U.S. economic recovery is sputtering. With COVID-19 cases stubbornly high, and cooler

temperatures forewarning a return to the indoors, the economic progress ahead will be slower than the gains already achieved. A historic number of hurricanes, devastating fires, droughts, wind storms – nothing about 2020 has been easy. But as always, essential rural industries are finding new ways to survive and in

some cases, thrive. The U.S. ethanol industry continues to recover from the market & economic crash caused by the COVID-19 pandemic lockdowns. Fuel demand crashed to a low of about 50% of normal in early April. Conditions improved weekly thru June. Since then, a new baseline level of gasoline/ethanol demand has been established, equating to 85%-90% of pre-COVID demand. Based on EIA data on an annualized basis, weekly production averaged 14.2 billion gallons for the third quarter, 89% of the first quarter's average production of 15.9 billion gallons. Ethanol supply and demand remain in relative balance at current production levels which have allowed for stable margins & returns for ethanol plants. If this continues, then a stable industry outlook over the next two quarters for U.S. ethanol will be a welcome sight after a tumultuous 2020. Demand may return closer to normal next summer as this winter there are still heavy restrictions on travel & large gatherings.

Writing the previous newsletter, grain prices & outlook was pretty bleak. What a difference 90 days has made. One had a pretty good idea that prices would not remain depressed forever and were optimistic for a rally. The only thing that is surprising is the price level; we

never figured on getting prices this high, especially during the U.S. harvest. Who would have thought we could rally corn \$1.25 & soybeans \$2.50 right through harvest. Even better when ethanol rallies 35c/gal, DDGS \$70/ton & corn oil 10 c/lb and our processing margins are as good or better than when prices were cheap. Great to see and certainly helps the mood around the Midwest!!!

The unknowns of Chinese demand, South American weather & uncertain economy this winter are prompting elevated risk premiums being put in the markets. How these factors play out will determine price direction this winter. Will China ship all of the announced sales? So far they have booked 415 million bushels of US corn. An impressive number compared to recent years. Will all these export commitments ship? No one knows. The bigger question is what does China do moving forward? Are the recent purchases a flash in the pan or will they become a consistent buyer of US corn? Most of the purchases to date happened from July 1st to October 1st. Do the Chinese have an appetite for \$4 US corn? Time will tell, but take advantage and make some sales at profitable levels this winter. A case can be made for cash corn at \$3.50 or \$4.50 by the time I write the next newsletter article.

Whatever it takes...



Chris Williams
Plant Manager

Shutdown came with some additional challenges as the Spring Shutdown was skipped due to COVID and we had all the tie ins for the new Fluid-Quip High Protein Feed Additions. With the pandemic still ongoing this fall, we had to take extra precautions with the amount of people that would be on our plant-site. Our sign in and permit stations were moved to a more open area and a mask was required for all approaching the station. The goal was to limit the exposure of Little Sioux employees to outside contractors. The processes implemented reduced risk and allowed us to successfully shutdown.

One of the large projects was to modify the

To be successful, all plants need to streamline operations and maximize efficiency. Some of the ways we do that is with preventative maintenance and planned shut-downs. This Fall

Shutdown came with some additional challenges as

main natural gas line regulator to allow for extra gas use with the new Fluid-Quip drying equipment. Black Hills energy managed this project for us. Another project that was time-consuming, was removing a set of mole sieve bottles and vaporizer. One of the mole sieve bottles showed a crack during a mechanical integrity inspection. Attempts to patch the crack were unsuccessful so, a new bottle was the next best fix. This required that all the old sieve beads be removed from the old set of mole sieve bottles and disposed of. The bottles then had to be lifted out using a crane and the new bottles had to be placed and refilled with new mole sieve beads. The vaporizer had to have all the turbulators removed, cleaned, and replaced. It was a large project that required good communication among crews.

The ethanol plant had some of the standard shutdown items such as boiler inspections, exchanger plate swaps, pump inspections, fan balancing, cooling tower inspections and repairs, evaporator cleaning, and syrup line cleaning. We had insulation inspections and repairs done to dryers, thermal oxidizer, and boilers along with burner and ductwork cleaning and safety

checks. We had some infrared inspections and cleanings to our MCC rooms that required some plant power outages that coordinated with timing of when contractors were working in different areas. LSCP had to prep several lines for tie ins for the High Protein Feed Project that is in addition to the current ethanol process. Many of the tie ins here were at the whole stillage, thin-stillage, and backset to the front-end lines. The project will have some learning curve to it as it includes a different style of drying system and several other pieces of equipment that we are not entirely familiar with. The Fluid-Quip project is expected to go online spring of 2021.

Another safe, successful shutdown in the books. We owe thanks to our employees and contractors that worked long shifts to get the plant safely shutdown, locked out, repaired, unlocked, and safely up and running again in less than a week's time. Many weeks of planning and scheduling are needed to make each shutdown a success. There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

Spoiler Alert: Freddy Krueger Isn't Real Either

Ron Lamberty
Senior Vice President, American Coalition for Ethanol

I did that wrong, didn't I? You're supposed to say "spoiler alert" so people can stop reading and not have the result ruined for them, right? Kind of defeats the purpose when you put the actual spoiler right in the headline. Come to think of it, though, I probably didn't spoil it for anyone. Most people already know, and the rest will choose not to believe what they read—or see with their own eyes—because it doesn't fit their view of the world.

Happy Halloween, but the operative word in my headline is "either." Anyone who is part of the ethanol industry, especially those in market development, has been trying to fight off imaginary ethanol Freddy Kruegers and Jasons and Godzillas for decades. By now, E10 has been used by so many people for long enough that we only occasionally have to argue its safety. But add another 5% ethanol and part of the petroleum marketer

world loses its freaking marbles—and at times, some ethanol people sympathetically lose a few of theirs right along with them.

Remember, E15 was submitted for EPA approval because Underwriters Laboratories (UL) listings for equipment compatible with gasoline/ethanol blends specified up to 15% alcohol. Getting equipment UL listed for E10 required testing it with 15% ethanol, which is why some fuel equipment manufacturers have warranted their equipment for 15% ethanol for 20 years or more. Testing with 15% alcohol is also why UL said they'd support local authorities (AHJs) who permitted use of UL listed E10 gasoline dispensers for E15 all the way back in early 2009.

It is a fact most existing retail fueling infrastructure is already compatible with E15, and yet I'm regularly contacted by ethanol supporters asking how we can help more small chain and single station owners who are terrified of the cost of the infrastructure they would need

and unable to afford to take the risk.

If the cost was as high as they've been told it is, it would indeed be terrifying. Fortunately, like Freddy, those E15 cost monsters aren't real either.

Station owners are terrified because they're supposed to be terrified by the very real-appearing E15 capital expense monster created by the persistent anti-ethanol misinformation campaigns of API, AFPM, and oil companies. Their motives in stoking fear are simple—they don't want to lose any more of "their" market. But petroleum marketer groups promote the horror stories, too. Why?

Maybe it's because their members—the frightened station owners—have required EMV credit card upgrades due next spring and many have tanks reaching the end of 30-year warranties. Elected officials might see those as "costs of doing business." But if petroleum marketer groups can parlay E15 infrastructure cost mythology with a fictitious

"government E15 mandate," they might get legislators to provide real government dollars they can use for those expenses unrelated to ethanol. (Sound far-fetched? Florida already did it.)

For our part, ACE is helping retailers reduce E15 fears with the recent addition of the Flex Check Compatibility tool to the flexfuelforward.com fuel marketer ethanol information website. Flex Check was created so curious station owners and operators can meander around the site on their own schedule and find out what they really need to be E15 compatible. Once they know the truth, some can print out documentation they'll need, and at the very least, they'll know what they need (and don't need) to sell E15. It won't be as scary as they expected.

Finally, my buddy Jae Woo Sim used to remind me what was right and true by repeatedly smacking my arm and saying, "Come on, Lambo. You know. You know!" You know, too. Get out and vote.

FINANCIAL STATEMENT

Review

By Laura Lunders



Laura Lunders
CFO

LSCP, LLC Statement of Operations For Periods Ended September 30, 2020 and 2019

	Quarter Ended September 30, 2020 (Unaudited)	Quarter Ended September 30, 2019 (Audited)	Fiscal Year Ended September 30, 2020 (Unaudited)	Fiscal Year Ended September 30, 2019 (Audited)
Revenues	\$71,475,000	\$74,358,000	\$253,593,000	\$252,983,000
Cost of Goods Sold	\$61,352,000	\$64,308,000	\$241,004,000	\$241,838,000
Gross Margin	\$10,123,000	\$10,050,000	\$12,589,000	\$11,145,000
Operating Expenses	\$868,000	\$1,572,000	\$4,972,000	\$5,155,000
Income from Operations	\$9,255,000	\$8,478,000	\$7,617,000	\$5,990,000
Other Income (Expenses)	\$177,000	\$9,537,000	\$580,000	\$9,891,000
Net Income	\$9,432,000	18,015,000	\$8,197,000	\$15,881,000
Net Income/Unit	\$34.80	\$66.46	\$30.24	\$58.59
Distribution/Unit			\$40.00	\$7.10

We are pleased with the 4th Qtr of FY 2020 profitability with the pandemic leaving us with uncertainties at the end of 3rd Qtr. We ended FY 4th Qtr very comparable to last year 4th Qtr with our ethanol production gallons and corn grind. However, we did have a decline in ethanol net back of 5% and a reduction in the price paid per bushel for corn of 20% for same fiscal quarter. The operating expenses and other income show quite a variance, if you remember, we settled up with the insurance company on the boiler incident before fiscal year end, which is represented in these figures.

LSCP, LLC Balance Sheet For Periods Ended September 30, 2020 and 2019

	As of September 30, 2020 (Unaudited)	As of September 30, 2019 (Audited)
Total Current Assets	\$17,939,000	\$44,046,000
Net Property and Equipment	\$122,295,000	\$103,910,000
Other Assets	\$3,869,000	\$3,885,000
Total Assets	\$144,103,000	\$151,841,000
Total Current Liabilities	\$11,638,000	\$16,718,000
Owner's Equity	\$132,465,000	\$135,123,000
Total Liabilities and Equity	\$144,103,000	\$151,841,000
Book Value/Unit	\$489	\$498

There are no significant changes to the Balance Sheet from year-to-year to report. 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. The increase in Owner's Equity is a result of yearly earnings less distributions to owners.

LSCP, LLC Owner's Data For Periods Ended September 30, 2020

Our most recent sales are as follows:

Class A: September 2020 - 190 Units @ \$495
Class C: August 2020- 120 Units @ \$495

We have seen an uptick of units sold from FY 2019 to FY 2020. In FY 2020, there were 710 units sold at an average price of \$494 compared to 106 units at an average price of \$524 in FY 2019.

Fluid-Quip Construction



MSC building



Protein Storage Tanks



Dryer structure



Little Sioux Corn Processors
4808 F Avenue, Marcus, IA 51035

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We have a brand New App...

We are pleased to announce that we have a brand new app available for all corn suppliers. The phone application will be accessible for both Android and iPhone Users, and the web portal can be accessed from your home computer or laptop with an internet connection. The best part is that it is absolutely free to download & use!!! Download the Little Sioux Corn Processors App today to take advantage of the many great benefits.

- **Scale Tickets** – Simple to understand scale ticket information delivered to your app in real time.
- **Contracts** – Contract information in the palm of your hand so you will know

exactly where you stand on contract balances.

- **Cash Bids** – Easy access to cash bids for all delivery months.
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- **Chat** – Stay in touch with built-in instant messenger to negotiate offers in real-time with a chat that links directly with Blake or Jake.
- **Futures Pricing** – Stream all the commodity futures data to check grains, livestock & energy markets.

- **Weather** – localized weather conditions & forecasts.
- **News** – Access to premium news through commodity newswires.

