



The

DISPATCH

STEVE'S REMARKS Comments from our GM

The effects of Covid-19 are still with us. Ethanol demand did improve after the initial shock in March and April when the country began to open back up from the Covid-19 lockdown. May and June demand returned to about 85-90% of pre-Covid-19 usage. A return to normal is not going to happen soon, certain areas of the country are still under restriction regarding travel and business operation. Outbreaks of the Covid-19 virus continue to surface which only causes more people to be cautious and limit their activities outside their local community. We are fortunate that LSCP operates a very efficient plant that allows us to navigate through adversity like we just experienced and continue to deal with over the coming months.

The good news is your company has weathered the past 6 months of calendar 2020 in a very favorable financial condition.

We were successful in obtaining long term financing for the Still-Pro 50 project. We have paid a considerable portion of the project from cash reserves to date although borrowing will increase as the project moves closer to completion. The wet pad extension has been operational since late May, the Still-Pro 50 drier foundation is complete, and the MSC building foundation work is well underway. Equipment is ordered and being delivered to our laydown area south of the plant on a regular basis. Drier construction will be underway by mid-August. The project seems to be moving along as planned with a mid-1st quarter 2021 startup. We are most excited about the financial stability the project will provide the company. Ethanol production has been good to the LSCP investor, Still-pro 50 will add needed diversity to our revenue stream creating increased value to LSCP and its members.

Everyone who lives in NW Iowa knows we have had a dry summer. Crops on lighter soils have shown stress and, in some cases, harvested for silage. It is amazing how resilient the corn crop has been to this point. Good genetics, good subsoil moisture, and cooler temperatures have made a big difference. Some say it is as dry or drier than 1988; it gives me pause to think how the crops would react if not for the huge strides in crop genetics. We need rain, it's on everybody's mind, hopefully we get a good soaker soon to help the crops finish going into fall.

Steve



Steve Roe
General Manager

Commodity Corner



Jake Wetter
Grain Merchandiser

Corn futures traded lower throughout the last half of July as ideal weather remains over much of the corn belt and a bullish demand driver remains elusive outside of recent Chinese purchases. As of Sunday, August 2nd, NASS reported the corn crop at 72 percent in good-to-excellent condition, this compares to a crop rating of 57 percent in good-to-excellent condition last year. Despite the reduction in planted acres at the end of June, all indications point to a large new crop even with a good chunk of Iowa on the dry side. Locally, we are really struggling to get timely rains and it will be

a challenge to match the outstanding crops we have become accustomed to the last 5 years.

While the supply side of the equation continues to come into focus, demand remains a big question mark. Ethanol production for much of the summer has been 10% behind a year ago levels. Current crop year corn usage for ethanol is right around 4.8 billion down from 5.5 billion before the pandemic hit. Current estimates for new crop ethanol usage of 5.2 billion bushels reclaiming half of this year's usage decrease. Ethanol margins continued to weaken since the first half of July as both the ethanol and corn markets sold off since the beginning of July. Weekly ethanol production continues to match up with weekly usage very well. Hopefully, positive production margins can continue. It will all be dependent upon gasoline usage & economic activity as the world continues to manage the COVID-19 situation.

Corn export sales for the next marketing year are slightly ahead of the historical pace at this

point of the year, primarily due to Chinese interest. Record high Dalian corn futures have led to a flurry of large Chinese export sales for new crop U.S. corn. Cheap ocean freight is also helping increase export interest to other destinations.

Overall, expect the depressed corn prices to continue for the next few months. The anticipated 3 billion bushel carryout for the coming year will keep pressure on the market until a bullish demand story can unfold. One would think that cheap corn prices would be good for ethanol production margins. Weekly corn and spot ethanol producer margin data over the last 15 years indicates essentially no correlation between ethanol margins and corn prices. Higher corn prices may impact ethanol producers' working capital needs and other operating factors but do not appear to impact margins. The same is the case with oil prices and oil refiner margins. Producer margins depend on the product supply and demand balance (market tightness/looseness) of ethanol. Here is to increasing demand for both corn & ethanol so we can all benefit from better economics in the years ahead.

“Beating The Heat”



Chris Williams
Plant Manager

The one thing we cannot control, the weather. Farmers face challenges every year trying to predict when is the best time to plant their crops. They cannot plant too early or they will deal with frost, they cannot plant too late or they will miss peak growing conditions. Well farmers, you are not alone. Seasonal changes affect the ethanol plant too, not only the condition of the corn we process, but also the efficiency in how the plant runs.

When temperatures and humidity rise, the cooling towers and chilling systems have a lot more work to do. All the plant equipment generates heat as they conduct work throughout the plant. Exothermic chemical reactions in our plant also produce heat and our boilers boil water to generate steam pressure. Heat is important in starch breakdown, distillation separation, and evaporation areas.

The cooling towers at our plant have a ba-

sin of water in them with pumps that push water to different equipment around the plant. At the top of a cooling tower there are fans running that pull air through the structure. The cooling tower supply water runs through heat exchangers and is then returned (and evenly distributed) to the cooling tower where the heat energy is evaporated off and pulled from the air with fans, which allows the water to cool. To get the best heat exchange, the cooling tower water must be treated for scale, algae, and slime growth. In the summer we have two chillers that we use to further cool this water for the fermentation cooling tower.

In the fermentation process, as the yeast particles work, they produce energy as sugars are consumed and ethanol and carbon dioxide are made. Yeast are biological organisms that require their environment to be not too hot, and not too cold, but just right. If temperatures get too hot for the yeast, they will die and the sugars from the corn will not be converted to alcohol. If the temperatures are too cold, the yeast particles will not wake up from their dormant stage. Yeast are the most active between 18-24 hours into a cycle and the most heat is generated. As temperatures rise outside, it is easy for the temperatures in the fermenters to increase causing yeast stress and glycerol

production, which decreases yield and efficiency. The operations team uses the DCS computer operating system to stage fermentation temperatures and chilling loads to ensure that the cooling capacity of the chillers and cooling tower is balanced and that the fermenters in the earlier stages of fermentation get priority over the fermenters that are further along in production.

In distillation, heat generation is important as it creates pressure. LSCP distillation design operates under vacuum conditions created when the hot rectifier boils the alcohol to separate it from water and the 190 proof vapors are cooled in the 190 condensers, creating a vacuum. This vacuum force is the driver of the distillation process and without it, distillation would not run efficiently. If the distillation vessels lost vacuum (increased in pressure by heating up), safety relief valves would relieve the pressure to keep vessels and tanks from being damaged. This would be an unideal situation that reiterates the importance the cooling tower is for combating heat loads.

So, the battle continues, trying to predict the weather and plan how to react so that we have an efficient production strategy.

Little Sioux Corn Processors congratulates Gary Grotjohn on his retirement as CFO

The Board of Directors and employees of LSCP thank Gary for his 17 years of service as Chief Financial Officer. Through the many ups and downs in the ethanol industry, Gary's leadership and commitment to excellence have helped provide both financial stability and profitability. Gary's integrity and work ethic set a high standard for his coworkers. We will miss seeing him in the office each day. We wish Gary and his wife Linda a happy and relaxing retirement. It is well-deserved.

Congratulations, Gary!

LSCP names Laura Lunders as the new CFO. Laura grew up



south of Cleghorn and returned to northwest Iowa in 2007 when she accepted the position as Accounting and Compliance Manager here at LSCP. Laura graduated from Buena Vista University in 2002 and has her Master of Business Administration from Drake University. She

is a licensed public accountant, enrolled agent and has her own Accounting and Tax Business. Laura is committed to the community, volunteers on several boards and organizations and has proven herself to be a valuable leader at Little Sioux for more than a decade.

FINANCIAL STATEMENT

Review

By Laura Lunders



Laura Lunders
CFO

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

	Quarter Ended June 30, 2020 (Unaudited)	Quarter Ended June 30, 2019 (Unaudited)	Six Months Ended June 30, 2020 (Unaudited)	Six Months Ended June 30, 2019 (Unaudited)
Revenues	\$48,582,000	\$67,238,000	\$183,076,000	\$178,624,000
Cost of Goods Sold	\$46,853,000	\$66,901,000	\$180,619,000	\$177,538,000
Gross Margin	\$1,729,000	\$337,000	\$2,457,000	\$1,086,000
Operating Expenses	\$1,493,000	\$1,136,000	\$4,094,000	\$3,575,000
Income from Operations	\$236,000	(\$799,000)	(\$1,637,000)	(\$2,489,000)
Other Income (Expenses)	\$74,000	\$68,000	\$402,000	\$287,000
Net Income	\$310,000	731,000	(\$1,235,000)	(\$2,202,000)

Quarterly comparison of revenues shows a decrease as production volumes dwindled due to COVID-19 in April along with an approximate price decline of 25% on ethanol. The YTD revenues increased as production returned once the boiler came back online in August 2019. Quarterly Cost of Goods Sold decreased due to slowed production in April 2020, yet we see a YTD COGS increase because the corn cost per bushel is close to 2.5% higher at 2020 YTD.

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

	As of June 30, 2020 (Unaudited)	As of June 30, 2019 (Unaudited)
Total Current Assets	\$19,975,000	\$37,433,000
Net Property and Equipment	\$114,037,000	\$91,117,000
Other Assets	\$3,904,000	\$3,938,000
Total Assets	\$137,916,000	\$132,488,000
Total Current Liabilities	\$14,871,000	\$15,448,000
Owner's Equity	\$123,045,000	\$117,040,000
Total Liabilities and Equity	\$137,916,000	\$132,488,000

The decrease in Total Current Assets and the offsetting increase in Net Property Plant and Equipment is a result of payments for the High Protein Feed project. Increase in Owner's Equity is a result of yearly earnings less distributions to owners.

LSCP, LLC Owner's Data For Periods Ended June 30, 2020 and 2019

	Quarter Ended June 30, 2020 (Unaudited)	Quarter Ended June 30, 2019 (Unaudited)
Outstanding Ownership Units	271,065	271,065
Original Cost of Units (\$1000/15)	\$66.67	\$66.67
Period Earnings	\$310,000	(\$731,000)
Per Unit	1.14	(2.70)
% of Original Unit Cost	2%	-4%
Ethanol Gallons Produced-Denatured	33,793,949	38,713,277
Per Unit (Annualized)	498.68	571.28

Most Recent Unit Sales

Class A: Feb. 2020 - 280 Units @ \$500 Class A: Feb. 2020 - 120 Units @ \$480
Class B: April 2019 - 56 Units @ \$523 Class C: April 2018 - 120 Units @ \$650

Replacing toxic additives in our fuel

As policymakers and public health experts dig deeper into the human costs of air pollution, including heightened risk from COVID-19 among vulnerable communities, a rapidly growing body of research is raising awareness of the threat posed by toxic fuel additives, including benzene, toluene, ethylbenzene, and xylene (BTEX).

These petroleum-based aromatic compounds play a dominant role in the formation of toxic emissions linked to cancer, as well as neurological, cardiovascular, and reproductive damage. According to the World Health Organisation, an estimated 4.2 million premature deaths globally are linked to air pollution, marking it as one of the world's top killers.

A safer and clean alternative: ethanol

Fortunately, people have a better option in ethanol, the single most affordable and abundant alternative to petroleum-based fuel additives that threaten air quality in communities across the globe. To fully appreciate ethanol's value, it is important to recognize that all petroleum requires additives to boost octane and allow engines to run.

Motor fuels contain a variety of petrochemicals, each with their own characteristics and hazards. Currently, aromatic and carbon compounds make up 19.3% of the unleaded gasoline that comes out of the pump, according to the US Environmental Protection Agency (EPA).

As a cleaner octane enhancer, ethanol can be used to displace a growing share of these BTEX fuel additives – a trade that offers savings in both emissions and cost.

Historically, ethanol's advantage over petroleum has been characterized by its potential to reduce greenhouse gas emissions – 39% or more according to US Department of Agriculture data – but in terms of protecting human health, the near-term benefits to air quality are now taking center stage. Clean energy leaders and health experts, including those at the American Lung Association, are all speaking out about the importance of alternative fuels like ethanol for protecting our respiratory health.

New research from experts like Dr Steffen Mueller at the University of Illinois Chicago, shows that cleaner biofuel blends can improve health outcomes and save lives.

Backed by science

Just last year, scientists at the Centre for Environmental Research and Technology at the University of California, Riverside, completed a landmark study on the toxic and particulate emissions of fuel blends. Supported by Growth Energy, the study confirmed the link between BTEX fuel additives in gasoline and higher emissions of aromatic chemicals like benzene, a known carcinogen.

It also found that BTEX additives drive significant increases in particulate emissions, which cause asthma and contribute to heart and lung disease.

Armed with the latest data, Growth Energy and other clean air advocates are calling on the EPA to embrace solutions that are available now as part of its review of the National Ambient Air Quality Standards for Particulate Matter (PM NAAQS).

Growth Energy is also standing shoulder to shoulder with other environmental champions who have rallied behind legislation to accelerate innovations in climate-friendly farming, jumpstart growth in advanced biofuels and drive the adoption of low-carbon transportation strategies.

We know these strategies can work. In fact, biofuels are responsible for nearly 80% of all the carbon reductions credited under California's Low Carbon Fuel Standard (LCFS), with the recorded carbon intensity of ethanol declining nearly 33% since 2011. With an increasing emphasis on higher ethanol blends like E15, this can ensure the next generation of fuel standards will deliver benefits for both our climate and human health. At a time when the importance of respiratory health has never been clearer, it is an opportunity not to be passed up.



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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.
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exactly where you stand on contract balances.

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