



Siouxland Ethanol UPDATE

The Time To Use Higher Blends Is NOW!

An Overview from Nick Bowdish

President & CEO



Mid-level ethanol blends represent the vehicle with which ethanol investors can travel down the highway of financial returns like 2014.

As was discussed at the annual meeting back in March, there are numerous hurdles that our industry is fighting to clear in order to make this opportunity a reality.

Thank you so much to all those that attended and devoted some of your time to show your interest in Siouxland Ethanol and learn more about this effort from the Urban Air Initiative's perspective.

Many people have asked what they can do to help and how they learn more about topics like the E30 challenge that was initiated in Watertown, S.D. For starters, use an ethanol blend that exceeds 10% in your own vehicle and

become a platform in your own community to encourage others to do so.

I've included a map in this issue of the newsletter that shows where higher ethanol blends are available in the radius around Jackson, Neb.

For those that use technology, I call your attention to www.E85prices.com or the app that is available for your smart phone called E85 Prices (hosted by RFA) or Flex Finder (hosted by Growth Energy). The technology is interactive and can help you find higher ethanol blend availability in any U.S. market you care to search.

Personal experience with E30

E30, or a blend of 30% ethanol and 70% gasoline, is a high performance fuel, and I can attest to that from my own personal experience. Its finished octane value slightly exceeds that of 93-premium grade gasoline. I've consistently used E30 for 20,000 miles



Fuel pumps at Jackson Express offer consumers a choice of blends.

in my sport utility vehicle that is powered by a factory 5.0L V8 Supercharged engine that produces 510 horsepower. I broke the engine in on 10% ethanol and experienced a 16-mpg fuel economy. Since fueling with E30, my average fuel economy has jumped to 18.5-mpg.

The experience has taught me firsthand the lesson of not judging a fuel by its BTU content. While E30 has fewer BTUs, it's delivering far more

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Got Corn?

To sell corn or
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SIUOXLAND ETHANOL LLC

Are You Ready For The E30 Challenge?

by Dave VanderGriend,
Technical Manager, Fuel & Engine Technology, Urban Air Initiative

Urban Air Initiative is an organization that educates the public concerning the health threats posed by domestic use of petroleum-based fuels, and promotes changing the additives used in such fuels to reduce the threat to public health.

Who would have ever thought that a little place like Watertown, S.D. might be a trend setter for the rest of the nation? No, not for the latest fashion or a new dance craze, but for a fundamental change in the way we fuel our automobiles.



Watertown is challenging conventional wisdom in order for biofuels like ethanol to finally realize their true potential. That conventional wisdom is that our non-flex autos can only operate on 10% ethanol blends and at most, 15%. Those of us in the ethanol industry are well aware of the fact that the original Model T built by Henry Ford was designed to run on high blends of ethanol. Its high octane would allow for higher compression and increased efficiency, an elusive brass ring we continue to reach for today, more than 100 years later.

It took the Iranian oil embargoes of the late 1970s to spark a renewed interest in ethanol, and “gasohol” was born as a mix of 10% ethanol and 90% gasoline. But 10% volume blends should never have been the baseline. Cars then and now are capable of using much higher blends and the auto industry knows it. In fact the optimum blend to maximize octane and energy content is in the 25 - 40% volume range, according to the Department of Energy.

Why Pursue the E30 Challenge?

So what does this have to do with Watertown? Well, a revolution has to start somewhere and Glacial Lakes Energy, a local ethanol plant, is spearheading an “E30 Challenge” by encouraging everyone

to use blends up to E30 regardless of whether they have a flex fuel vehicle.

The goal of the E30 challenge is to increase the amount of ethanol that is chosen at the local blending pump and show the EPA that midlevel blends are proven to work in non-flex vehicles.

Education and promotion is focused on the community with print and radio ads, as well as seminars with dealerships, technical colleges, city police and fleet managers, farmers, unions, and mechanics. The retailers are also educated on the value of octane, clean air, and local jobs. At the Urban Air Initiative we are actively engaged in this project as it completely supports our push for higher ethanol blends to improve fuel quality, reduce emissions, and protect public health.

Blend Wall is a Myth

The so-called blend wall is a myth and auto makers are helping us prove that.

- In its 2016 owners' manual, BMW's Mini Hardtop recently endorsed the use of E25 higher octane blends in its standard (non-flex fuel) vehicles.
- Mercedes-Benz engineers have urged the EPA to approve the use of high octane E30 blends because they have “ridiculous power and good fuel economy.”
- All gasoline-powered vehicles in Brazil efficiently operate on blends of at least 27% ethanol (E27).

A recent study by Ford, GM, and Chrysler found that E30's higher octane could improve vehicle performance and mileage and that even non-calibrated standard vehicles could benefit from ethanol's superior octane properties.



EPA is Fighting the E30 blends.

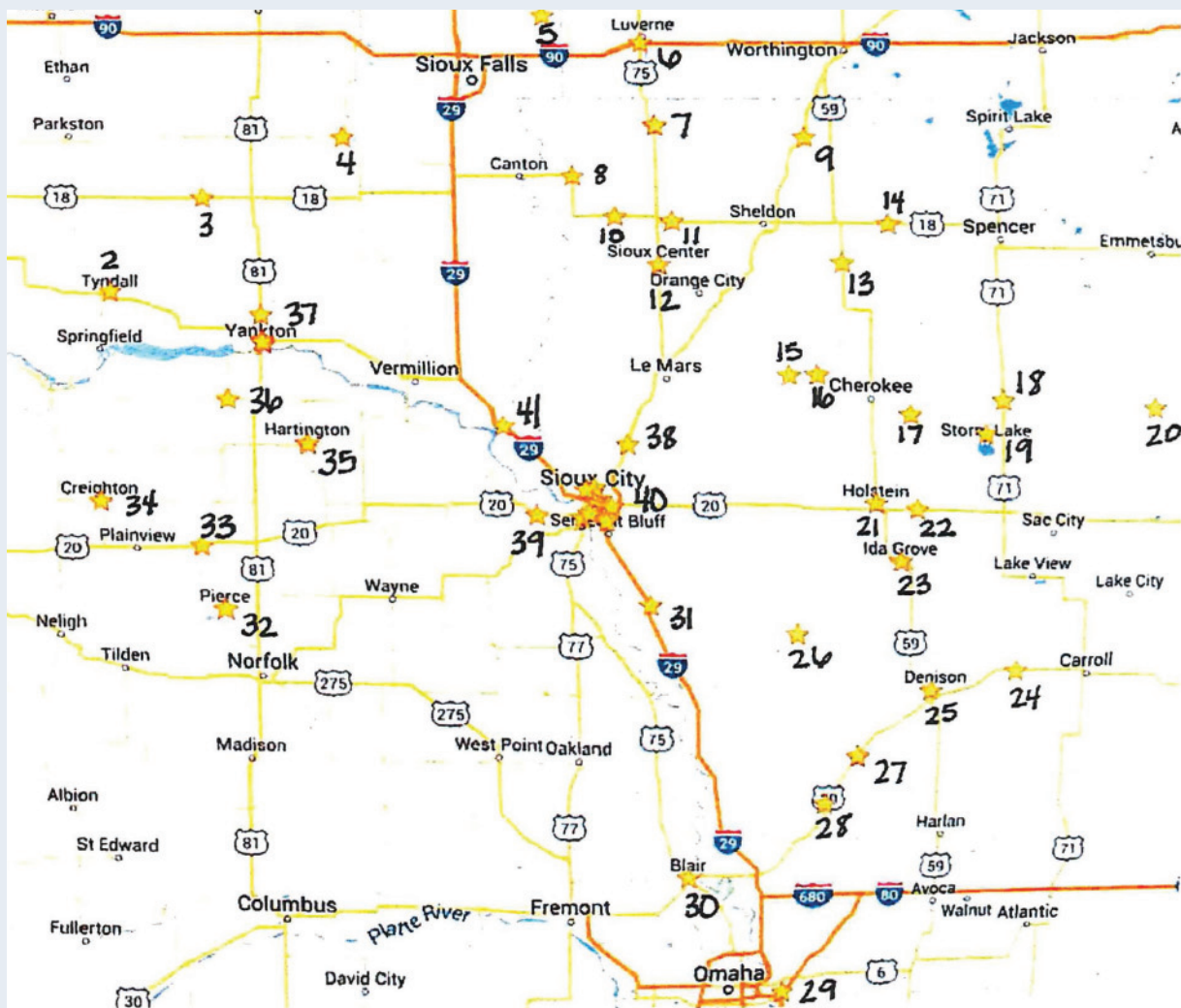
So why don't American motorists have access to these higher blends? Because the EPA refuses to certify E30 test fuels for commercial use, and prohibits the use of E30 blends in standard vehicles, even though many experts confirm that such vehicles are identical to so-called “flexfuel” vehicles (FFVs).

Andy Wicks, a local legend in the auto world, has led the effort to educate his fellow mechanics in Watertown about the value of E30. Wicks makes a great point when he says “If you've ever dealt with an engineer, they are very quick to tell you something is not possible simply because they do not have sufficient test data. It has been instilled in them to never apply a stamp of approval to a limited knowledge basis. The testing we have done leads us to believe blends up to E30 will not only be tolerated, but embraced by our vehicles we drive every day.”

With a focused message to dealers, mechanics and employees at auto parts stores, the E30 Challenge will continue to provide positive and accurate information. Once this education method is refined, Urban Air Initiative intends to take the package to the next town, and the next.

Today, all vehicles are approved for E10 blends, nearly 80% are approved for 15%, and we may be on our way to 30%, thanks to a little place called Watertown.

Are you ready for the E30 Challenge in your town?



* In addition to the communities shown on the map, Valentine NE has two gas stations selling E-30 fuel.

Area Fuel stations that sell E15 or E30 for your vehicles

NEBRASKA

1. **Valentine***
Conoco Fueling Station, 203 E Hwy 20
Sinclair, 1002 E Hwy 20
30. **Blair**
Blair One Stop, 1458 Washington St.
32. **Pierce**
Toms Service, 332 Main St.
Pierce One Stop, 85286 Hwy 13
33. **Osmond**
Osmond Mini Mart, 202 E Hwy 20
34. **Creighton**
Creighton 59 LLC, 409 Main St.
35. **Hartington**
Harrington Stop & Go, 605 North Robinson
Jerry's Service, 202 S Broadway Ave
36. **Crofton**
Lewis and Clark Mini Mart 89001 Hwy 121
30. **Blair**
Blair One Stop, 1458 Washington St.
39. **Jackson**
Jackson Express, 400 W Elk St.
40. **South Sioux City**
Kum & Go, 3808 Dakota Ave
Heritage Excess - Atokad, 1501 Stable Dr.

IOWA

7. **Rock Rapids**
Popkes Car Care Center, 800 1st Ave
8. **Inwood**
Oak St. Station #98, 2403 US Hwy 18
9. **Sibley**
Jack Rabbit Junction, 1708 Pierce
10. **Rock Valley**
Community Oil Co., 1204 Golf Course Rd
11. **Hull**
Hull Coop Assoc., 1207 Hwy. 18
12. **Sioux Center**
Coop Gas and Oil, 153 North Main St.
13. **Primghar**
Pro-GO, 155 South Rerick Ave
14. **Hartley**
Dyno's 361 3rd St., NW
15. **Marcus**
Marcus Junction, LLC, 406 Hwy 3
16. **Cleghorn**
First Coop Assoc., 100 Hwy. 3
17. **Aurelia**
First Coop Assoc., 102 South Main St.
18. **Storm Lake**
STAR Energy, 1508 East 4th St.
Sparky's One Stop
20. **Pocahontas**
Pro Coop Cenex, 101 N. Main
21. **Holstein**
Holstein Renewable Fuel, 204 E 1st
First Coop Assoc., 211 N Main
22. **Galva**
First Coop Assoc., 1583 Market
23. **Ida Grove**
Galva Holstein Ag, LLC, 600 Hwy 175 W
24. **Westside**
Farmers Coop, 100 Eagle St.
25. **Denison**
BC's Ampride Truck Pza, 506 Hwy 59 N
Petroloc, 82Q 2nd Ave N.
26. **Mapleton**
Grab & Go, 401 So. 4th St.
27. **Dunlap**
Town & Country 204 N. 6th St.
Heller Implement, 310 N. 6th
28. **Woodbine**
United Western Coop, 3165 Hwy 30
29. **Council Bluffs**
Buckey's Express, 759 Madison
31. **Sloan**
Kum & Go, Hwy 141
38. **Hinton**
Ampride, 121 N Floyd Ave

40. **Sioux City**
Kum & Go, 2626 Court St.
Kum & Go, 1373 Pierce
Kum & Go, 1005 Gordon
Kum & Go, 1925 S Lakeport
Sapp Bros Petroleum, 129 Steuben
Murphy's USA, 3420 Singing Hills

SOUTH DAKOTA

2. **Tyndall, SD**
Schmidt's Service Consumer Supply Co Inc.,
1408 Main
3. **Menno**
Country Pride Coop, 551 East Hwy 18
4. **Parker**
Gillas Stern, 107 E 4th St.
5. **Garretson**
Palisades Oil Co., 25353 485th Ave
37. **Yankton**
Gillas Stern, 100 E 4th St.
Prairie Pumper, 909 Broadway
Cork "N" Bottle, 1500 Broadway
Double T Truck Stop, 30649 US Hwy 81
41. **Elk Point**
Kum & Go, 32562 477th Ave

MINNESOTA

6. **Luverne**
Expressway Luverne, 1002 S Kniss Ave

Investors Learn of New Goals at Annual Meeting

Some 250 shareholders who attended the Siouxland Ethanol Annual Meeting March 1 heard Nick Bowdish, interim president and CEO, present a financial overview, address ethanol exports and highlight goals for the upcoming year.

Canada is the largest importer of ethanol, Bowdish said. “We have immense opportunity worldwide to find new homes for ethanol abroad, particularly in China. Siouxland Ethanol is engaged and focused on market development as we push production to 70 million gallons a year.”

As the plant prepares to mark its 10th anniversary next year, plant staff members are working to increase production further to 75 million gallons a year, he said. To get there, the board may consider additional investment in equipment.

“We’re very proud that we’re debt free,” said Pam Miller, Board Chair. “A small amount of debt would make sense to increase plant production. We want the plant to grow further and be an economic driver in Dakota County.”

Siouxland Ethanol will have tight margins for the next few months, Bowdish said. “You are the investors, and we will bust our tails to find every penny we can bring to the bottom line from your asset.”

In introducing the speaker, Bowdish said, “We will see an E30 blend accepted in the future. The plant and the industry will benefit from the higher blend of E30 being promoted by Urban Air Initiative and others (see page 2). At Siouxland Ethanol we want to be in on the nationwide activity and be out in front leading the cause.”



The Siouxland Ethanol Annual Meeting on March 1 attracted 250 guests.



Nick Bowdish, new President & CEO, middle, is joined by Mark Rolfes, chief financial officer, left, and Pat Baker, plant manager.



Board members included this group: left, Pam Miller, board chair, Dakota Dunes, SD.; Tom Lynch, Lincoln Neb., Darrell Downs and his wife Doris, Marcus, Iowa



Board members David Hallberg of Omaha and Doug Nelson of Jackson, Neb.

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Ethanol Leader Explains Toxins In Gasoline

"Petroleum-based fuels threaten our health." That's what Dave VanderGriend, a national ethanol industry leader, told investors at the Siouxland Ethanol Annual Meeting to drive home the point of increasing the ethanol blend in gas at the pump.

VanderGriend, CEO of ICM, Inc., an ethanol technology company, is also the leader of Urban Air Initiative, which is working to reduce tail pipe emissions caused by aromatics added to gasoline.

Aromatics are a base component of gasoline derived from crude oil. Refiners manipulate chemicals like benzene, toluene, and xylene – to increase octane ratings.

"We've researched the health effects, the mortality rate, effects on mental ability," he said. "There are higher levels of sickness and absenteeism among schools that are located by major highways."

VanderGriend held up a box of moth balls, telling investors that naphthalene, the ingredient in moth balls, is also found in crude oil and gasoline. It's toxic, which makes tail pipe emissions more dangerous. The chemicals get released into the air as ultrafine particles that can

be absorbed through the lungs or skin.

Aromatics, also called additives, are carcinogens and benzene is the most hazardous, he said. In 2007, the EPA capped the volume of benzene in gasoline due to its known health effects, but it did not regulate other aromatics. The two other aromatics – toluene and xylene – convert to benzene during the combustion process, making them just as harmful, he said.

Additives in gasoline represent some 25 percent of the average gallon of unleaded gasoline.

Lead was removed years ago because it was known to be unsafe. "Today, benzene is gasoline's new lead," VanderGriend said.

Since aromatics boost the octane value of gasoline, oil companies keep them, despite their known harmful effects.

"The EPA is not managing regulatory control over aromatics," VanderGriend said. "The EPA has created a flawed

model and has put up a brick wall. We have filed a suit against them."

What's the answer? An increased amount of ethanol in gasoline will be more effective at increasing octane and safer for people, VanderGriend said. *See story on E30 on page 2-3.*



Dave VanderGriend showed this box of moth balls, and said the same dangerous chemical in moth balls is in gasoline posing a danger to people's health.



Urban Air is working to share the message with ethanol advocacy groups about the health threats of gasoline tail pipe emissions. It's promoting change in the additives used in fuels to reduce the threat to public health.

"We have an opportunity to improve the air we breathe," he said. "Tell your friends and neighbors."

Nebraska Congressman Introduces Bill to Support Ethanol

Bill Would Allow E15 Year Long



Adrian Smith

Consumers currently can use 15% ethanol in their gas tanks only nine months a year, and Nebraska Congressman Adrian Smith (R-NE) wants to make it available year-long.

Smith introduced H.R. 1736 to extend the current EPA Reid vapor pressure waiver to include E15.

The waiver exists because the Clean

Air Act requires the EPA to limit evaporative emissions of gasoline June 1 - Sept. 15, because evaporation rates increase in warmer summer temperatures and emissions can contribute to air pollution.

The EPA restricts retail sales unless the fuels go through extra, costly refining. It creates a strong disincentive because retailers cannot sell E15 year round.

Smith calls the rule unfounded and antiquated. In addition, E15 costs two to 10 cents per gallon less than E10, so refusing to allow E15 sales in summer

robs consumers of the chance to save money.

"My bill would reverse this non-scientific regulation out of EPA that was created in 1990," said Rep. Smith during a recent interview. Legislation during an election year is challenging, so he may find other legislation on which to attach the bill.

To express support or ask questions contact Smith at <https://adriansmith.house.gov>.

Nebraska Ethanol Plant Continues Cranking up Production in 2016

Reprinted Courtesy of the Sioux City Journal (March 27, 2016 edition)

When Siouxland Ethanol first fired up its machinery in 2007, the plant had the capacity to produce 50 million gallons of ethanol per year.

Nine years later, as U.S. output of ethanol continues to grow and as alternative blends become increasingly common at gas pumps, the Dakota County plant is ratcheting up its production in a big way.

In February, the company completed a push that streamlined its processes, tweaked some ingredients and added some new equipment. As a result, production capacity grew from 50 to 65 million gallons per year.

Now, Siouxland Ethanol's board of directors is eyeing another push that could raise it as high as 75 million.

"Ethanol production is based on a lowest-cost-producer model, and we intend to be the lowest-cost producer of ethanol in the area," said Pam Miller, Siouxland Ethanol's board chairwoman. "We're looking to take advantage for our shareholders by increasing production, and it will allow for an increase in the bottom line."

To do this, the plant has hired an engineering firm to design a plan and provide a cost estimate for the necessary upgrades. The board will then review it before setting any official goals.

While Miller said the steps the company will take to increase efficiency depend on the plan, she said it will not require more construction and will not likely add to the plant's current staff of 37.

"With better technology and improved technology, we're able to increase without increasing our number of employees," she said.

Siouxland Ethanol's 24/7 facility is backed by some 700 investors, most living within a 100-mile radius of Jackson. Along with ethanol, the plant also manufactures distillers grain and corn oil used for livestock feed.

Net Income in the plant's 2015 fiscal year, which ended in September, totaled about \$10.5 million. That's a respectable amount, Miller said, in a year following a monster 2014, when the plant brought in \$36 million.

"Things are a little bit tighter right now because of the price of ethanol, but it was a positive margin (last year)," she said. "We're able to make money, and we'll maximize that."

According to the Renewable Fuels Association, U.S. ethanol plants produced 14.81 billion gallons of ethanol in 2015, up 470 million gallons from 2014. Nebraska is the nation's second-largest producer of ethanol behind Iowa.

New Leader

Leading the charge at Siouxland Ethanol is new interim president and CEO Nick Bowdish, who started with the company in December. Bowdish is a former general manager for Platinum Ethanol in Arthur, Iowa, and project developer at Fagen Inc. in Granite Falls, Minnesota.

"He is very visionary about where we can go, and he's driven to make it happen," Miller said. "They have seen our production and our yield go up dramatically since he came on board."

Miller said the company has been working with Urban Air Initiative, a nonprofit seeking to fight harmful toxins in the air caused by gasoline, to encourage the Environmental Protection Agency to call for reduction of toxins in gasoline. Since ethanol is cleaner-burning, both organizations see it as an important alternative.

Miller also applauded the effort of companies like Kum & Go, which expanded its E15 fuel offerings in 2015. E15 fuel contains 15 percent ethanol.

"E15 is catching on. We think there's a greater value and benefit of having an even higher blend," Miller said. "We'd like to see E20 and really E30, and what we'd like to see is choice at the pump so that consumers can pick what level of ethanol they would like."



A truck delivers corn to Siouxland Ethanol

FINANCIAL REPORT

HIGHLIGHTS

- Production rates up, plant efficiencies improve, production costs down. Production costs down in 2nd fiscal quarter approximately 17% on a per gallon basis, as compared to the prior fiscal year 2015.
- Reporting 2nd quarter net profit of approximately \$1.8M. Fiscal YTD net profit over \$2.7M or \$723/unit.
- Quarterly increase in working capital of nearly \$3.2M.
- Quarter ending 3/31/2016, 9 units traded at \$18,000/unit.

SUMMARY OF OPERATIONS	Quarter ended 3/31/2016	6 Months ended 3/31/2016
Total Revenues	\$ 27,609,488	\$ 51,706,381
Gross Profit	\$ 2,347,807	\$ 3,692,182
Net Income	\$ 1,830,239	\$ 2,740,598
Net Income/Unit	\$ 483	\$ 723

BALANCE SHEETS	As of 3-31-2016	As of 9-30-2015
Current Assets	\$ 28,832,083	\$ 36,513,439
Total Assets	\$ 75,463,868	\$ 85,423,337
Current Liabilities	\$ 2,675,720	\$ 8,020,670
Long-Term Liabilities	\$ 649,159	\$ 615,725
Members' Equity	\$ 72,138,989	\$ 76,786,942
Book Value/Unit	\$ 19,039	\$ 20,266

KEY METRICS	Quarter Ended 3-31-2016	Quarter Ended 3-31-2015
Ethanol Yield (Gal/Bu)	2.90	2.88
Natural Gas (BTU/Gal)	24,400	23,500
Electricity (KW/Gal)	0.57	0.61
Corn Oil (Lbs/Bu)	0.96	0.88
Ethanol Production (Gal/Day)	183,000	160,000



continued from page 1

performance at a cheaper cost per mile.

Agriculture Needs E30

Consider the impact of the information released in the most recent USDA planting intentions report. The acres planted to corn are



expected to be 93.6 million acres in 2016 and with a trend line yield, there is only demand for about 90 million acres. Agriculture's problem is that no other commodity is calling for those 3.6 million extra acres.

The world is plush with stocks of soy, cotton and wheat. Taking no action on mid-level ethanol blends is the equivalent of voting that agriculture should be driven back to the doldrums of decades ago. We need 600 million bushels of new corn demand to keep \$4 corn and we need it NOW. Where are all the turkeys and chickens that were squawking on the national stage in 2008 and 2012 now?



A smart phone app to find flex fuel stations

In a future newsletter, I intend to show you how a meaningful adoption of mid-level ethanol blends can be met with trend line yield growth in agriculture productivity.

Until then, find a blend of ethanol that exceeds 10% for your vehicle and become part of the solution. And don't forget to remind your neighbor who wants to complain about agriculture's tough margins and is only consuming 10% ethanol.

Meet Board Member Vern Henjes



Vernon Henjes, C.P.A., was appointed to the Siouxland Ethanol Board of Directors last September, and serves on the audit committee. He is a registered investment advisor and also

serves as president and part owner of the Iowa Better Trucking Bureau in Sioux City which he acquired with his sons in 2013. Vern also serves as council president of his church in Dakota Dunes.

Did you have early ties with agriculture?

I was one of five children born and raised on a farm near Walthill, Neb., and was involved in the grain and livestock operations until my high school graduation. I attended a business college and began my career with Williams & Com-

pany in Sioux City as a staff accountant. In 1966, I passed the CPA exam and became a partner in the firm. In 1990, I became a co-founder and co-owner of an accounting firm that is now Henjes, Connor & Williams, P.C., I retired in 2012. My wife Carolyn and I have four children and six grandsons.

How do you provide value to the board with your expertise in accounting?

As a member of the audit committee, I can discuss issues with the outside accounting firm at a different level because of the technical nature of terminology used in the business. I also work to stay current with changes in accounting rules that can change the presentation of items in our financial statements and advise the board accordingly. In addition, I monitor income tax issues that relate to our business.

What surprised you on the board?

I've been surprised about how complex some of the issues are that the board has to deal with on a regular basis. Also, the diversity of knowledge of the board as a group is very impressive. The regulatory hurdles that ethanol plants have to deal with and the never-ending legislative roadblocks to industry changes would discourage lesser

people. Fortunately, Siouxland Ethanol has a top-notch management team and staff in place. They're bottom-line oriented and strive to be a low-cost producer of clean energy.

Have you made financial recommendations since joining the board?

My tax experience actually helped shortly after I joined the board. One example of this was when I explained the benefits of making a tax election that can benefit heirs of estates who receive units of the company or for new owners of units purchased from current members.

Mission Statement Siouxland Ethanol

To be an efficient producer of ethanol and its co-products with a low carbon footprint, and to promote the "clean octane" value of ethanol which will ensure long-term profitability for the industry and the investors in Siouxland Ethanol.

OUR BOARD OF DIRECTORS

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