



# Siouxland Ethanol

# UPDATE

## Plant Expansion Underway

Construction began in July on an \$8.5 million expansion of the Siouxland Ethanol plant to boost capacity, further lower the costs of production and create more value for shareholders.

SBI General & Mechanical of Waterbury, Neb., a company that builds plants for the U.S. energy and agriculture industries, is the general contractor for the project. It will oversee the installation of two new fermenters, a beer degasser and a new set of sieve bottles, add another cooling tower and make other improvements. The plant has received permits from the state of the Nebraska for construction.

Siouxland Ethanol has expanded its production of 50 million gallons of ethanol a year to about 65 million gallons per year. The expansion project is expected to boost capacity by 15 percent to move production to up to 80 million gallons per year.

The addition of two fermenters will



*Construction is underway on Siouxland Ethanol's \$8.5 million expansion.*

bring the plant's total to six. Along with added ethanol capacity, the expansion will boost the plant's output of corn oil and distillers grain.

"The board has discussed various ways to add value to the bottom line at Siouxland Ethanol and feel that increasing production is the best way," says Pam Miller, board chair. "We are excited about the progress we have

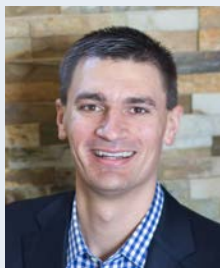
made in the past six months and are confident about our plans to continue to increase our production."

"More advanced technology will allow us to increase our production of all of our products -- ethanol, distillers grain and corn oil," says Nick Bowdish, president and CEO. "We expect capacity to start growing immediately when the work is done around the end of the year."

## Plenty of Corn for Ethanol Demand

### An Overview from Nick Bowdish

*President & CEO*



issue I address how the growing supply

Last quarter I talked about how a meaningful adoption of mid-level ethanol blends could be met with trend line yield growth in agriculture productivity. In this

in corn will provide plenty of feedstock to support future ethanol expansion.

In order to have enough ethanol for 70 percent of the fuel consumption in the United States to be E25, the industry needs to produce 10.175 billion more gallons than we did last year. After considering all the extra dried distillers grains production that comes with it, we would need to produce an additional

2.794 billion bushels of corn.

The trend line yield growth in corn production would have us producing 3.12 billion bushels more corn in the year 2030 as compared to what we produced last year. So we have 326 million bushels per year more than even all this extra ethanol demand would consume!

The scaling effect of corn yields

*continued on page 2*

# New Leader to Boost Communications and Advocacy



Pam Miller, Board of Directors Chair of Siouxland Ethanol and one of the plant's founders in 2004, joined the company this summer in a newly created position -- director of industry and investor relations.

Miller is working with communications with

shareholders and the public, and doing advocacy work for the ethanol industry. (See her testimony at an EPA hearing on pages 4-5.) She is participating in ethanol trade organizations such as the Association for Nebraska Ethanol Producers (ANEPP), American Coalition for Ethanol (ACE) and Urban Air Initiative. She will lead promotional efforts that will educate people about the benefits of ethanol. She continues as board chair.

Miller became involved in the ethanol industry in her elected position as a Dakota County Commissioner in 2003-2006. As a county leader she created the Dakota County Economic Development Committee whose members researched the benefits of opening an ethanol plant in the county.

"We wanted to create more economic development and expand the tax base for the county," Miller says. "We recruited other investors and conducted a feasibility study for the ethanol plant."

She ultimately wrote Siouxland Ethanol's business plan and was instrumental in its 2005 equity drive for investors. She has served on the board since the plant started production in 2007 and has led the board as chair since 2012.

Before joining the company in her new post, Miller served as dean at the College Center in South Sioux City – a partnership of Northeast Community College and Wayne State College. She and her husband, Earl, lived in Homer, Neb., for many years before moving to Dakota Dunes where he operates a construction business.

Miller is a member of the Siouxland Chamber of Commerce and the South Sioux City Chamber of Commerce boards.

"I enjoy being involved in the ethanol industry on the local, regional and national levels," Miller says. "Siouxland Ethanol is an excellent operation with a low-cost structure, dedicated employees and a bright future. Giving our plant a more visible presence and explaining the value of ethanol as a transportation fuel will benefit Siouxland Ethanol and the industry."

*continued from pg 1*

per acre going from 168 bushels to 195 bushels provides plenty of corn to supply growing feed demand, export demand, and ethanol demand growth. The problem for the corn producer is whether or not demand can grow faster than Mother Nature produces the new supply. The Board of Directors and management team at Siouxland Ethanol are working hard to provide leadership on this important issue.

To that end, I'm very pleased to be working alongside Pam Miller in her new role as director of investor and industry relations at Siouxland Ethanol. Pam will be a strong voice at the table of many of the industry

stakeholder meetings providing leadership on matters that will drive future ethanol demand.

There is a key midterm review of the automobile CAFÉ standards that comes out this summer. It will provide a rare opportunity for the ethanol industry to coalesce with the automotive industry in structuring a platform for higher-octane fuels to command more of the future liquid transportation fuels market share.

The petroleum industry will fight tooth and nail against this to protect their own economic interests and we will need all hands on deck. It's no different today than when John D. Rockefeller funded prohibition to put a stop to Henry Ford's Model T running

on alcohol fuel. Different decade – same economic fight.

## **Plant Production Expansion**

The production expansion is underway as we received a variance from the Nebraska Department of Environmental Quality to proceed with construction. We plan to install two new fermenters, an additional cooling tower, a beer degasser, a new set of sieve bottles, and a few other minor improvements. We will work to complete the projects by the end of December and intend on instantly adding shareholder value as the cost per gallon of ethanol decreases.



# A Look at Investor and Industry Relations

by Pam Miller, Director of Investor and Industry Relations

Since taking on the position of director of investor and industry relations in June, I have been seeking ways in which we can go to the next level as a company. The board of directors feels it is important to be a leader in our community and in our industry.

We have always strived to have a company that you, the investors, are proud of. A big part of that has been to have employees who do excellent work and keep this plant running 24/7. Under the leadership of Nick Bowdish, our CEO, we are seeing production and yields that are record-setting in our history.

We want to be more visible in our communities and spread our message that ethanol is a good thing. You may have noticed more recent coverage on TV and in the newspapers about Siouxland Ethanol. We will continue to seek media coverage so that you see the value of Siouxland Ethanol in the news as often as possible. I've also had the opportunity to speak at the South Sioux City Optimist Club where the members listened intently and asked good questions so they were better informed consumers when they go to fill up their vehicle.

The message that I shared focused on the benefits of ethanol including:

- reduced toxic emissions from the tailpipes of vehicles when using a higher blend of ethanol
- increased engine performance from the higher octane value when using a mid-level ethanol blend
- reduced reliance on foreign oil
- increased value added to our agricultural economy
- the ability to help the automakers meet the CAFE regulations of 54.5 mpg by 2025
- reduction of greenhouse gasses that lead to problems in our atmosphere

We have talked about the increasing availability of E15 and higher blends at our local gas stations. We appreciate Jackson Express for being a leader in making blender pumps available locally. We look forward to the new Kum and Go stations in Sioux City and South Sioux City adding E15 to their pumps. We will be participating in an E15 promotion this fall to help provide education at the pump so people know what blend would work best in their vehicle and why.

I welcome more opportunities to speak to organizations so that we can share factual information about ethanol to as many people as possible. Please contact me if you know of any clubs or groups that would be willing to hear our message.

***Please contact me if you know of any clubs or groups that would be willing to hear our ethanol message.***

The board of directors approved a plan to expand the plant which will increase production by 15 percent and add future capacity to operations. Nick provided detailed financial analysis and in-depth plans for the \$8.5 million expansion. We were pleased to accept the bid from SBI General and Mechanical out of Waterbury,

NE to be our general contractor. They are also using many local subcontractors which helps to churn that \$8.5 million even more in our community. Dirt work started earlier in July and the auger cast pilings are being installed at the end of July. The return on investment will begin to be felt by our unit holders fairly quickly with increased production and a lower cost structure.

I was in Washington, DC for a trade organization meeting in July. The first day was spent on Capitol Hill, meeting with staff of our congressmen and senators. I was lucky and was assigned to meet with our Nebraska delegation. It was a bit like 'preaching to the choir' but it was important to thank them for their support and encourage them to keep up the good fight on the protection of the RFS and other measures to advance the use of ethanol. The networking opportunity and chance to gain knowledge from the other ethanol leaders was priceless.

If you have any questions or comments, please feel free to contact me at [pam.miller@siouxlandethanol.com](mailto:pam.miller@siouxlandethanol.com).



# Local Ethanol Supporters Address EPA Hearing

The Environmental Protection Agency held a public hearing in Kansas City, Mo., June 9 to receive comments for the proposed rule “Renewable Fuel Standard Program: Standards for 2017 and Biomass-Based Diesel Volume for 2018.”

The hearing provided an opportunity for the public to comment on the proposal or send in comments.

Here is the testimony of Pam Miller chair of the board of directors for Siouxland Ethanol, LLC, now working in an advocacy role.

“We feel strongly that the EPA should comply with the RVO of 15 billion gallons of corn ethanol as established by Congress in the RFS.

“We have seen firsthand what happens when the intent of Congress and the administration is carried out. We had the good fortune to start our equity drive to fund our plant in August, 2005, the same day that President Bush signed the Energy Policy Act into law which authorized the RFS. Eight days later, we completed our equity drive and had 700 private investors, including local farmers and business people, excited about economic growth for our area, increased corn basis, reduced dependency of foreign oil and a cleaner fuel.

“Siouxland Ethanol now produces 70 mgy of ethanol a year, an increase of 40 percent in production. This has come about because of improved technology and small continuous investments in our plant. We are contemplating plans for further substantial investment into our plant which will raise our production even higher. And we are not alone in the industry. Many plants are considering investments to increase production. The technology is there. The investors are on board. But with the EPA unwilling to carry out the intent of Congress and fully comply with the RVO of 15 billion gallons of conventional renewable biofuels, that leads to uncertainty which does not bode well for advancements and growth.

“We see a bright future for ethanol as a source for cleaning up the air that we breathe. The original intent of the EPA was to provide for a cleaner healthier environment for America. With the passing of the Clean Air Act in 1970, direction was given to the EPA on how to make that happen. The Clean Air Act is a federal law that regulates air emissions from stationary and mobile sources. We strongly support the work that Urban Air Initiative is doing to promote the clean octane and low carbon value of ethanol. Urban Air’s collaborative efforts with



*EPA officials listen to testimony about the RFS from 140 various individuals in Kansas City, Mo., on June 9.*

auto makers, the Ag industry, the ethanol industry and health organizations have produced strong research that concludes the use of increased blends of ethanol coincides with cleaner air and less health issues for people who are affected most.

“I urge the EPA to:

- Remove barriers to the full acceptance of ethanol so people have a choice of what they use to fuel their vehicles.
- Allow the waiver for the Reid Vapor Pressure for higher levels of ethanol blends.
- Recognize the studies that show the carbon sequestration value of corn on farm ground, resulting in a carbon sink and having a positive effect on the carbon index in the GREET model for convention corn ethanol.
- Recognize the health benefits of higher blends, particularly E30.
- Insist that the laboratories use correct certification fuels in testing.
- Recognize the importance of ethanol’s ability to displace gasoline’s aromatic hydrocarbons which reduces primary and secondary emissions of toxic air pollutants including particulate matter and other volatile compounds.
- Comply with section 202(L) of the Clean Air Act.

“By reducing these barriers to ethanol, the general public will be free to choose the blended gas of their choice and the result will be a dramatic increase in the demand for ethanol.

“Compliance by the EPA of the Regulatory Volume Obligation at 15 billion gallons of corn based ethanol for 2017 is necessary to keep moving in the direction of providing a clean octane low carbon fuel that meets the original intent of the EPA.”

## EPA HEARING TESTIMONY

*Taylor Nelson also addressed the hearing.*

"I'm Taylor Nelson and I'm from Jackson, Neb, a small town in the northeast corner of the state. I am a 25 year old college graduate. I am recently married and have returned to my home town in rural Nebraska where I am currently working to transition into our family farming operation as the 5th generation. I am also an owner of a retail fuel and convenience store business in Jackson along with my wife and father. Thank you for the opportunity to testify in opposition to the proposed reductions in the RFS, particularly the corn ethanol requirements.

"In 2007, Jackson, a town of 205 people, opened the doors to a new ethanol plant. The RFS has played a vital role in the establishment of our plant and the rippling effect of stronger markets for local grain, job creation, small community revitalization, and many other positive residual effects. The RFS not only helped us build our own plant but also led me to install four ethanol blender pumps at our station to deliver clean renewable energy to our customers.

"The RFS has done and is doing exactly what it was designed to do. When a program is put in place which triggers new business and commerce along with capital investments by people like myself it should protect that commitment that we make. Every time that the EPA chooses to step in and make changes to the RFS it is a direct blow to us. Installing ethanol blender pumps and building a c-store business is something that takes long range planning.

"The idea that people are not using ethanol or that we have hit a blend wall is not true. I drove 290 miles to very passionately deliver my message. I have made the investments to make higher ethanol blends available and people use them. As of today our current blend ratio on all gallons of gasoline sold is about 22 percent far beyond the mythical 10 percent "blend wall." We did what the RFS and many other state and federally backed programs were designed to do and made the choice to make ethanol



*Taylor Nelson of Jackson, Neb., testifies at EPA hearing.*

available to our consumers and they are responding!

"Being an end user of corn based e98 ethanol I am able to split the RINs from the physical gallon and offer customers outstanding value at the pump. The RINs and their value is another benefit of the RFS and the economics speak for themselves and customers are seeing that.

"The use of biofuels will continue to grow if the confusion that EPA has created around the use of higher level ethanol blends ceases. They need to be able to be promoted and sold for what they are; a clean burning source of octane, grown and produced locally, with outstanding economics.

"As cleaner air and higher performance and efficiency come to the forefront, please do not undermine your commitment to the RFS and my investment to sell ethanol blends.

"I hope that the established facts and figures being presented will help the EPA to see the potential that will lie in upholding the RFS. I hope that my testimony helps the EPA see the vital role they play in ensuring a successful rural America for many generations."

# Got Corn?

To sell corn or  
buy DDG  
products, call Susan.



## SI OUXLAND ETHANOL LLC

# 402-632-6205



## Employee Golf Outing

Some two dozen employees enjoyed a golf outing and grilled burgers provided by board members Shennen Saltzman and Doug Nelson. The popular annual outing was held at Covington Links in South Sioux City.



From left back row are: Bruce Malcom, Dwight Lienemann and Daryl Johannsen, Front row from left are: Greg Wenger, Aimee James, Amy Williams, Jake Carlson and Hugo Curiel.



From left are Robin Mari and Scott Webb.



Pat Baker in the fareway after a long shot.



Siouxland Ethanol board members Doug Nelson, left, and Shennen Saltzman fed hungry golfers.



## County Fair Support

Visitors to the Dakota-Thurston County Fair Aug. 3-7 will see Siouxland Ethanol as a sponsor through a corn box for kids set up just outside the of the show arena.

The box was a big hit with children last year, giving them a fun activity as parents took part in the animal shows. Come out and enjoy the fair!



Truckers coming into the grain receiving area have seen an improvement.

## Grain Receiving Gets a Boost

Siouxland Ethanol put down asphalt to and from bay #3 of grain receiving. It allows the plant to dedicate two grain receiving pits for inbound corn only and directs all distillers grain loading to the third bay, G-3.

It reduces turnaround time for corn haulers, distillers trucks and farmers transporting corn to the facility. This project is complete and will impact thousands of truckers and farmers doing business with Siouxland Ethanol. More than 175,000 truck deliveries have been made since 2007.

**Want to  
Buy or Sell Units  
of Siouxland  
Ethanol?**

Visit [SiouxlandEthanol.com](http://SiouxlandEthanol.com).  
Click on "Stock trading"  
found on the left and follow  
he "unit trading" guidelines.  
**402-632-2676**

# FINANCIAL REPORT

## FINANCE HIGHLIGHTS

- \$1,000/unit distribution declared and paid in June
- Production rates continue to increase; production costs down. Production costs down in 3rd fiscal quarter approximately \$.05/gallon, as compared to the same fiscal quarter 2015.
- June Ethanol yield 2.976 gal/bu; Corn Oil lbs/bu 1.102
- Quarterly increase in working capital of nearly \$2.2M.
- EBITDA/gal: Q2 \$0.20; Q3 \$0.36

SUMMARY OF OPERATIONS	3 Month ended 6/30/2016	6 Months ended 6/30/2016	9 Months ended 6/30/2016
Total Revenues	\$ 32,263,777	\$ 59,873,266	\$ 83,967,961
Gross Profit	\$ 5,173,305	\$ 7,521,113	\$ 8,865,488
Net Income	\$ 4,714,974	\$ 6,545,213	\$ 7,455,572
Net Income/Unit	\$ 1,244	\$ 1,727	\$ 1,968

## BALANCE SHEETS

	As of 6/30/2016	As of 9/30/2015
Current Assets	\$ 31,866,679	\$ 36,513,439
Total Assets	\$ 77,210,816	\$ 85,423,337
Current Liabilities	\$ 3,479,977	\$ 8,020,670
Long-Term Liabilities	\$ 665,876	\$ 615,725
Members' Equity	\$ 73,064,963	\$ 76,786,942
Book Value/Unit	\$ 19,283	\$ 20,266

## KEY METRICS

	Quarter Ended 6/30/2016	Quarter Ended 6/30/2015
Ethanol Yield (Gal/Bu)	2.93	2.87
BTU/gal	23,662	24,410
KW/gal	0.58	0.66
Corn Oil (Lbs/bu)	1.03	0.94
Ethanol Production (Gal/day)	195,800	153,800



## Follow Us on Facebook

Shareholders, friends and the public can now view plant and industry news on ethanol on the new Facebook page for Siouxland Ethanol, LLC.

We want your input. Please take a selfie of fueling your vehicle at the pump and tell us you choose ethanol. Send the photo for posting to Pam Miller, director of industry and investor relations at [pam.miller@siouxlandethanol.com](mailto:pam.miller@siouxlandethanol.com).

Tell us which ethanol blend you prefer and your name will be placed in a drawing for a Siouxland Ethanol, LLC polo shirt.

It's hoped we will have separate winners using E10, E15, E30 and E85.

Like Siouxland Ethanol, LLC and follow it, too.

"Our Facebook project is an effective and fun way to document that people are choosing different ethanol blends today," says Miller, "People have a choice of which ethanol blend fuel works best for their vehicles and their choices are helping us enjoy cleaner air."



Other scenes of the expansion project.



## Meet Board Member Bailey Aalfs



Bailey Aalfs has served on the Siouxland Ethanol board since 2007. Here is a brief interview with him.

### What is your background?

I was born in Algona, Iowa and grew up most of my life in Sioux City. I received my college degree in math and physics to be a structural engineer from the University of South Dakota. I started Sabre Communications in 1977 and was CEO of Sabre from 1977 to 2006. We initially served many customers overseas and gradually added new product

lines and expanded our customer base. Now most of the business is in the United States. I am now retired and serve on several boards.

### Are there similarities between your previous business and ethanol?

It's different because we were able to expand our products and customers over the years. With ethanol we are working with basically one product, corn, and its byproducts. We don't have control over corn prices because of the commodity market.

### What attracted you ethanol?

I was an investor early on and bought shares because I believed in the industry. I joined the board in 2007. I've enjoyed meeting people with different backgrounds and experiences on the board.

### How do you feel about ethanol's stronger advocacy direction?

We need more advocacy with the government and Pam is doing a terrific job as an advocate for our plant and the ethanol industry. I drive a flex fuel Lincoln Navigator and have been using E30 to see how it works with

my car, and it's been great. I appreciate that I can buy E30 at the Jackson Express and the station in Dakota Dunes. Congress created the renewable fuel standard (RFS) program to reduce greenhouse gas emissions, expand our country's renewable fuels and reduce our dependency on imported oil. We need the EPA to enforce their policy to allow more blended fuels. Automakers cannot meet the current regulations in place in regard to fuel efficiencies and polluted emissions. We need super charged engines and E30.

### 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

**Pam Miller** • Dakota Dunes, SD  
Chair

**Shennen Saltzman** • South Sioux City, NE  
Vice-Chair

**Bailey Aalfs** • Dakota Dunes, SD

**Steve Ausdemore** • Wisner, NE

**Mark Condon** • Sioux City, IA

**Darrell Downs** • Marcus, IA

**Craig Ebberson** • Belden, NE

**David Hallberg** • Omaha, NE

**Vernon Henjes** • Dakota Dunes, SD

**Tom Lynch** • Lincoln, NE

**Doug Nelson** • Jackson, NE

**Ronald Wetherell** • Cleghorn, IA