



Siouxland Ethanol

UPDATE

Progress, Policy and Pressure

An Overview from Nick Bowdish

President & CEO



Siouxland Ethanol is a happening place at the moment. The production expansion is on schedule and on budget, both of which are equally important.

SBI continues to be a great partner of Siouxland Ethanol and this was demonstrated again as they worked tirelessly to incorporate all major tie-ins during our recent maintenance outage at the end of September. I commend all our contractors and employees for another safe turn around. The staff at Siouxland Ethanol did a tremendous job and completed several important tasks, none the least of which was our mandatory 10-year inspections on three of the five storage tanks in the tank farm. I'm happy to report no major issues.

The most visible change on the property is the progress made on the two new fermenters. This increased capacity will provide substantially more fermentation time which will allow us to produce the maximum amount of ethanol per bushel of corn.

While both daily production and ethanol yield are up as compared to the same quarter one year ago, our team is confident there is more room for improvement and this extra fermentation time will greatly assist us in that endeavor.

We Must Challenge EPA Policy

Switching gears, the Environmental Protection Agency released some

additional changes on ethanol policy recently in a proposed rule making. For the first time, it clarifies that ethanol blends from E16-E50 will be treated by the EPA as alternative fuels and not as gasoline.

In this rule making, there is black and white guidance by the EPA that they will not accept re-labeling E15 a "flex fuel" as a way to comply with the Reid vapor pressure restrictions in the summertime. If this rule becomes final, it is disastrous for the progress being made with local retailers like Kum & Go and others on the expansion of E15 pumps.

Our industry needs to focus on getting this archaic rule changed by either making something happen with Congressman Adrian Smith's bill or by getting a regulatory change on Reid vapor pressure at EPA before June 1, 2017. (See page 2)

The Renewable Fuel Standard certainly did amazing things for our country and communities, but at this juncture in the lifespan of renewable fuels like ethanol, we have many other



These fermenters will increase production when they are completed next month.

priorities that need just as much, if not more attention.

The burdensome surplus of corn and soybean stocks in the United States is back to stay unless one of two things happen; either mother nature inflicts a severe drought like 2012 or the individuals making a living farming today get off the sidelines, challenge their board members and staff inside the traditional farm lobby to a fresh wave of thinking, and get investing their own time in driving the next round of ag policy in this country while realizing that it is driven and regulated as much inside the Environmental Protection Agency as it is inside the United States Department of Agriculture.

We don't need a new farm bill as much as we need a major house cleaning inside EPA. The facts support our case and we all deserve cleaner air that higher blends of ethanol can provide.

Ethanol Does Not Create “Check Engine” Light Problem

When auto mechanics are told that a “check engine” is on, they need to know that it’s not a problem with ethanol. It’s an issue with maintenance.

That’s what Andy Wicks, who owns the premiere high-performance shop, DynoTune, in Watertown, SD, told area mechanics in Sioux City in September.

Wicks has led an effort to educate fellow mechanics about the value of E30 and brought his message to a special program at 4 Brothers. Mechanics from Knoepfler Chevrolet, Sioux City Ford, Vern Eide Honda, Tires Tires Tires and K&S Service attended and asked questions.

The EPA is mandating higher fuel standards and car manufacturers want to produce smaller engines with really big horsepower, Wicks said. The message he “wants to send to mechanics and car dealers is that they can enjoy increased sales and better margins if they know how to take care of vehicles using E30.”

Cars today adapt better to ethanol

blends, the engine expert said.

Wicks has tested 50 different vehicles using 30 percent blended ethanol. The study included foreign and domestic manufacturers as well as new and older vehicles with up to 190,000 miles. Wicks said 60,000 miles have been monitored and documented with no engine issues whatsoever. Wicks said his research also is showing that the ethanol content in the fuel is cleaning the injectors and removing carbon deposits while delivering a 94 percent octane rating. He says that number is surpassing any non-ethanol blended premium fuels at gas stations.

“We’ve learned there is no significant change in miles per gallon and we have documented proof that engines have more torque and more horsepower using premium E30 fuel,” he said. Since ethanol is a cleaner burning fuel, it’s better for the environment.

“The ethanol industry has done a terrible job educating technicians and



Andy Wicks of DynoTune from Watertown, SD talked to local auto mechanics about the benefits of ethanol and the need to understand maintenance.

others,” the South Dakotan told the group, and set out to explain “how maintenance is the key ‘Check engine lights’ has been a non-issue. We want people to understand the facts.”

In addition to his talks with auto mechanics, Wicks has helped educate community groups, dealerships, technical colleges, city police and fleet managers and farmers unions.



Mark Condon, Siouxland Ethanol board member and former owner of Condon Auto, invited these auto mechanics to hear Andy Wicks talk about the impact of E30 in car engines. Condon and Wick are in the center of the photo at left.



Support Congressman’s Bill

Nebraska Congressman Adrian Smith (R-NE) introduced H.R. 1736 to extend the current EPA Reid vapor pressure Clean Air Act waiver to include E15 to allow the fuel to be sold year-round, including summer.

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. **To express support or ask questions go to Smith’s website at adriansmith.house.gov.**



Pam Miller and Nick Bowdish visit with US Congressman Adrian Smith at Siouxland Ethanol.

FINANCIAL REPORT

FINANCE HIGHLIGHTS

- \$2,000/unit distribution declared September 2016; payable in November 2016
- Quarterly production rates 23% higher than same fiscal quarter 2015
- Quarterly production costs down nearly \$.02/gallon, as compared to the same fiscal quarter 2015
- Quarter ending 9/30/2016, 3 units traded \$17,500/unit
- Fiscal Year 2016 results (unaudited)
 - Net Income: \$ 11.6MM
 - Net Income/Unit: \$ 3,071
 - EBITDA/gal: \$.27

Please keep Siouxland Ethanol updated on your contact information to ensure you receive your distribution check, tax information and other pertinent information timely.

UNAUDITED

SUMMARY OF OPERATIONS	3 Month ended 9/30/2016	9 Months ended 9/30/2016	12 Months ended 9/30/2016
Total Revenues	30,692,641	90,565,906	114,660,601
Gross Profit	4,901,390	12,422,503	13,766,878
Net Income	4,181,310	10,726,523	11,636,882
Net Income/Unit	1,104	2,831	3,071

UNAUDITED

BALANCE SHEETS	As of 9/30/2016	As of 9/30/2015
Current Assets	\$ 36,063,325	\$ 36,513,439
Total Assets	\$ 83,539,194	\$ 85,423,337
Current Liabilities	\$ 13,188,329	\$ 8,020,670
Long-Term Liabilities	\$ 682,592	\$ 615,725
Members' Equity	\$ 69,668,273	\$ 76,786,942
Distributions/Unit	\$ 3,000	\$ 1,950
Book Value/Unit	\$ 18,387	\$ 20,266

KEY METRICS

	Quarter Ended 9/30/2016	Quarter Ended 9/30/2015
Ethanol Yield (Gal/bu)	2.93	2.87
BTU/gal	24,590	25,656
KW/gal	.62	.71
Corn Oil (Lbs/bu)	.98	.86
Ethanol Production (Gal/day)	196,700	159,900



Choosing E15 at these pumps are from left: Ron Wetherall, Siouxland Ethanol board member; Iowa State Senator Rick Bertrand with Keith George, plant employee and Steve Pohlman, a retired Sioux City Methodist minister with Chuck Beck of the American Coalition for Ethanol.

E15 Promotion Pays Off

Siouxland Ethanol board members and employees and a staff member of American Coalition for Ethanol (ACE) provided education at the pumps in Siouxland on September 23 to promote E15 and answer questions about ethanol. Thank you to Jackson Express and the Kum & GO

stations in Sioux City and South Sioux City for participating. At least 8 of every 10 people chose to use E15 during the day. TV and radio stations and local newspapers gave the day positive news coverage.

High Octane Support

What do you serve at a Siouxland Ethanol booth at summer outings to generate fun comments and good discussion? A drink that represents the high octane content of ethanol, of course!

So Pam Miller served farmers and others a concoction of vodka and cointreau with orange juice and lemonade. "It gave them a kick, just like octane from ethanol does in your car!" says the board chair. "We had lots of return customers and great visibility for our ethanol message."



Jim Miller, an investor, checks the booth at the South Sioux City Chamber Golf Outing.



Siouxland Ethanol booth at Wisner Tractor Pull (Thunder by the River) in August.

Advocacy Activities



Board chair and industry advocate Pam Miller recently spoke at the Biofuels Financial Conference in Minneapolis on strategic planning for board and management teams in the ethanol industry.

Miller also authored an article in the September issue of "Ethanol Producer" magazine, a national trade publication. Her article "The Definition of Insanity" addressed the concerns of children's health experts about air pollution and CO2 emissions generated by toxins in gasoline causing much of the ill health of children today. Miller's article quotes a report that concludes that thousands of heart attacks, emergency room visits and other serious health issues, including a loss of work and productivity, could be avoided if higher levels of ethanol would displace much of the aromatics found in regular gasoline.

ANNUAL MEETING
Mark your 2017 Calendar
March 7, 2017

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Our Mission

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.