



# SIUXLAND ETHANOL LLC UPDATE

Spring 2018

## An Opportunity for Agriculture

### An Overview from Nick Bowdish President & CEO



The Environmental Protection Agency announced on April 2nd that the greenhouse gas (GHG) emissions standards for model year 2022-2025 are not appropriate, reversing the Obama

administration's Mid-Term Evaluation decision as they walked out the door. This announcement is the first step in the process of revising the standards. Expect to see a proposed rulemaking later this year. This process of resetting future automobile CAFÉ standards is an immense opportunity for agriculture to reprioritize our resources and focus on unleashing the next wave of domestic ethanol demand by focusing on ethanol's octane value in the supply chain. If

successful, prosperity to all of agriculture can return to levels experienced from 2008 to 2012.

EPA acknowledged comments that high octane blends (e.g., E25 - E30) should be considered as part of the Mid-Term Evaluation and that EPA should consider requiring these blends be made available at service stations. EPA agrees that these commenters have identified both current and promising technologies that may be able to deliver significant improvements in reducing GHG emissions once fully deployed.

Our work now will be demonstrating and convincing EPA that its own rules are the primary obstacles to the development of these technologies. EPA should take action on the following:

1. Set a minimum 98-100 RON Gasoline Standard.
2. Extend the 1 psi RVP waiver to E10+ Blends.

3. Approve an E25-E30 certification fuel so automakers can optimize engines.
4. Update the MOVES model to account for the emission reduction benefits of higher ethanol blends.
5. Adopt Argonne National Lab's GREET model for the life cycle analysis of corn-based ethanol.
6. Update EPA's 2007 Mobile Source Air Toxics Cost-Benefit Analysis.
7. Fix the R-factor in the fuel economy formula that is cheating ethanol blends.
8. Provide CAFÉ credits for vehicles designed for use with high-octane fuels.

I had the opportunity to personally meet with EPA Administrator Scott Pruitt on March 22nd and discuss these important issues. Agriculture needs to go on offense and reject the notion that ten percent of the fuel tank is something to be satisfied with.

## The California Market for Ethanol

Almost all of the ethanol produced by Siouxland Ethanol heads to California via tanker rail cars. The reason Siouxland Ethanol ships to California is due to a favorable Carbon Intensity (CI) score from the California Air Resources Board (CARB) because of the use of landfill gas and energy efficiency projects that are in use at the plant.

When CARB originally launched the Low Carbon Fuel Standard (LCFS) years ago, corn ethanol was not viewed favorably due to assumptions about agricultural practices and ethanol produc-

tion that have since proven false. With updated studies, CARB is now able to see that corn ethanol's carbon reduction profile is far more beneficial to the state of California than previously believed.

In comments to CARB, ACE said: "Ethanol has been the largest single source of credits since inception of the LCFS, including virtually all the credits generated in 2011 and 2012 and representing a majority of the credits generated since 2013." ACE said in its comments that CARB needs to consider "unlocking additional GHG benefits" by

allowing market access to higher ethanol blends beyond E10.

Ethanol has played a key role in the success of California's Low Carbon Fuel Standard so far. CARB needs ethanol to continue to meet its goals and needs to give ethanol fair treatment rather than stacking the deck in favor of electric vehicles which have less than stellar performance in terms of ownership and repurchase in the state and nationwide.



# It's all about Octane

**Pam Miller**

*Board Chair and Director of Industry and Investor Relations*



The new buzz word is octane – and that's a good thing for ethanol. Pure ethanol has a very high octane rating of 113. That's why when you add ethanol to regular fuel, the octane rating goes higher. Octane is the component of gasoline that provides oxygenate in your vehicle's engine that makes it run efficiently. The higher the octane rating, the less likely the fuel is going to pre-ignite at higher

pressures and damage your engine. Engines designed to work with higher octane burn the fuel more efficiently and completely – meaning better gas mileage and less harmful emissions in the exhaust. One MIT study even estimated that if higher octane fuels and engines designed for them became more widespread, the U.S. could cut annual CO2 emissions by 35 million tons.

The standard octane rating recommended for most car engines is 87. The discussion at the moment is about setting a higher minimum octane rating. The automakers are in favor of setting a minimum octane number that is higher so they can design cars in the future that are optimized to run with more octane. This would allow them to use high compression engines in cars in the future

that will meet the CAFÉ and GHG (Greenhouse Gas) emission standards being set by the government.

Back to ethanol, because of its naturally high octane rating, it is the answer to the dilemma of how does the nation meet the new standards in the future. By using a high octane blend of ethanol (e.g., E25 or E30), fuel can have an octane rating of 98-100. The other option is for oil companies to produce and use more aromatics which is also a source of octane, although not as high. It's not very feasible from a chemical standpoint for oil companies to produce a fuel with a 98 RON or 100 RON using aromatics. It is also more costly to produce aromatics at the refinery which will increase the cost of fuel for all of us in the future.

The bigger issue is the use of more aromatics will cause more toxic exhausts to pollute our air and cause adverse health effects. This cannot be allowed to happen. Oil companies are fighting again for market share and we must fight to make sure that ethanol is recognized for its octane value, the ability to clean the air and protect our health.

I recently traveled to Washington, DC where I met with our US Senators and Representatives from Iowa, Nebraska and South Dakota. I was able to deliver this message to them and their staff and will stay in touch with them to make sure they have the factual information to continue to be our champions of ethanol.

## Annual Meeting of Investors

The annual meeting of the unitholders of Siouxland Ethanol was held at the Delta Hotel on March 27, 2018. Over 300 people attended and enjoyed a dinner and heard updates about Siouxland Ethanol and the ethanol industry.

A surprise appearance by Senator Joni Ernst started the evening. Sen. Ernst represents Iowa in the US Senate and is one of the ethanol industry's biggest champions. She was impressive as she shared what has been happening in Washington, DC recently. Sen. Ernst has participated in many meetings at the White House where the ethanol industry and the RFS is the main agenda item. Her knowledge of our industry is impressive as is her ability to command the respect and attention of all in the room.

After dinner, Troy Bredenkamp, Executive Director of Renewable Fuels Nebraska, discussed efforts by the state trade

organization to promote the use of ethanol in Nebraska. Bredenkamp shared results of the first year of a marketing campaign that ties ethanol to Husker football. RFN is looking forward to a second year and plans to capitalize on the heightened excitement of Husker football with Coach Frost at the helm. Bredenkamp explained that ads for ethanol will appear on Huskers.com and in Memorial Stadium during home games. The popular giveaway campaign which drives people to the website to enter a drawing for free game and tailgate tickets as well as educating people about ethanol will continue.

Nick Bowdish, President and CEO, gave an informative presentation about the plant and the increase in production and energy efficiency. He shared information on the ethanol industry as a whole including export markets and discussions with the EPA.



*Senator Joni Ernst speaking to the Siouxland Ethanol investors during the annual meeting.*



*Doug Nelson, Siouxland Ethanol board member and investor Rod Kvols of Laurel.*

# FINANCIAL REPORT

## SUMMARY OF OPERATION NOTES

- Revenues in this quarter higher compared to same period in 2017 due to higher prices received on sale of ethanol and distillers grains.
- Gross Profit higher this quarter compared to same period in 2017 due to 12% increase in crush margin.
- Current six months Gross Profit down compared to same period in 2017 due to lower crush margin encountered in our first quarter of the current fiscal year

## BALANCE SHEET NOTES

- Current assets and members' equity down as of 3/31/18 due to cash distribution of \$1,700/unit paid in March 2018

## KEY METRICS NOTES

- Ethanol yield shows an increase over the previous year. Hitting an above average industry high of 3.0!

## UNIT TRADING NEWS

- 13 units traded this quarter for an average price of \$26,385/unit

**Please be sure to keep Siouxland Ethanol updated on your contact information. This helps ensure you receive your distribution check, tax & other pertinent information timely. Thank you!**

## UNAUDITED

### SUMMARY OF OPERATIONS

	3 Months Ended 3/31/2018	3 Months Ended 3/31/2017	6 Months Ended 3/31/2018	6 Months Ended 3/31/2017
Total Revenues	\$37,469,800	\$34,255,690	\$71,920,331	\$69,080,060
Gross Profit	\$5,389,163	\$3,896,449	\$8,823,235	\$11,810,168
Net Income	\$4,768,410	\$3,575,865	\$7,755,311	\$10,470,154
Net Income/Unit	\$1,311	\$944	\$2,132	\$2,763
Distribution/Unit	\$1,700	\$1,800	\$1,700	\$1,800

## UNAUDITED

### BALANCE SHEETS

	As of 3/31/2018	As of 9/30/2017
Current Assets	\$28,411,677	\$32,621,323
Total Assets	\$79,398,131	\$84,634,339
Current Liabilities	\$5,213,787	\$5,411,925
Long-Term Liabilities	\$1,748,632	\$1,809,013
Members' Equity	\$72,435,712	\$77,413,401
Book Value/Unit	\$19,911	\$21,279

### KEY METRICS

	Quarter Ended 3/31/2018	Quarter Ended 3/31/2017
Ethanol Yield (Gal/bu)	3.00	2.98
Natural Gas (BTU/gal)	22,621	24,356
Electricity (KW/gal)	.53	.52
Corn Oil (Lbs/bu)	.92	1.00
Ethanol Production (Gal/day)	235,803	228,170
Annualized Production (MGY)	83.2	80.5

# PAC Raffle Winners

At the Siouxland Ethanol annual meeting, a raffle was held as a fundraiser for Siouxland Ethanol LLC PAC. The money raised will be used in upcoming elections to help support our ethanol champions in

state and federal races. The theme was "Go Huskers". Thanks to all of you who entered the raffle and congratulations to the following winners!

If you would like to make a contribution

to the PAC, please send your personal check made out to "Siouxland Ethanol LLC PAC" to Siouxland Ethanol, Attention: Mark Rolfes, 1501 Knox Blvd., Jackson, NE 68743.



Gary Frerichs from Coleridge, NE won the panoramic print of the University of Nebraska Memorial Stadium.



Pam Howell from Hartington, NE won the Nebraska football signed by Scott Frost, Huskers coach, with authentication certificate.



Darlene Weborg from Pender, NE won two tickets for the Nebraska Huskers vs. Colorado football game on Sept. 9. Tickets to a great tailgate party included, too!



1501 Knox Boulevard  
Jackson, NE 68743

## OUR BOARD OF DIRECTORS

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**John Meuret** • Brunswick, NE  
**Doug Nelson** • Jackson, NE  
**Ronald Wetherell** • Cleghorn, IA

## 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.

We would be happy to distribute the newsletter and other vital information to you by email if you wish. Please send a note to [amy.williams@siouxlandethanol.com](mailto:amy.williams@siouxlandethanol.com) with your email address.



**Got Corn?**  
To sell corn or buy  
DG products, call Carl or Kasey  
**402-632-6206**

# Debunking myths about Ethanol

The myths about ethanol have abounded for years. Let's give credit where credit is due – Big Oil has done a great job of convincing people that ethanol is bad. We'll use this space each month to debunk a myth – with facts!

*I heard that fuel with ethanol is cheaper at the pump because of the governmental subsidies that the industry receives.*

**FALSE!** The corn starch ethanol industry receives NO subsidies. The cost of fuel with ethanol is less expensive because it is less expensive to produce. Plain and simple.

*But isn't the Renewable Fuel*

*Standard (RFS) a subsidy that benefits the ethanol industry?*

**FALSE!** The RFS is a federal program created by Congress to reduce greenhouse gas emissions and expand the nation's renewable fuels sector while reducing reliance on imported oil. This mandate to the oil companies requires that a certain amount of renewable

fuels (e.g., ethanol and biodiesel) be used each year. The result has been cleaner air, lower greenhouse gas emissions and a boost to the agricultural economy. Without the RFS, the oil companies would not have blended any ethanol so as to not cut into their market share of the transportation fuel business.

