Siouxland Ethanol LLC

Summer 2022

A Rail Good Day

Siouxland Ethanol capitalized on strong core margins for the industry and delivered solid results in its most recent quarter. Earnings were propelled by the decline in corn prices which resulted in previously accumulated equity in our corn inventory and forward corn purchase contracts from prior quarters to reach the financial statements during the quarter just ended. As of June 30th, the company has virtually zero equity in its cash commodity positions as they are all very close to the current market price.

Spot margins are positive but lower in July as fuel prices have declined and cash corn basis has strengthened as the plant grinds its way to the end of the crop year. The immediate area around Jackson is significantly behind in precipitation this growing season and crops are stressed. Prior years have taught to not bet against seed genetics but everyone locally would sure appreciate some rain.

The most prevalent factor impacting Siouxland Ethanol today is the melt down of the railroads nationwide. We are fortunate to have a guest contribution to the newsletter this quarter from Patrick Boyle, Director of Logistics at our marketing partner Renewable Products Marketing Group. Patrick and his entire team at RPMG are working 7 days a week to constantly adjust their daily plan to allow our plant to remain at full capacity. While Patrick covers the situation and metrics well, Siouxland Ethanol can't stress enough the integral role that RPMG plays to make our company successful.

From June 29th to July 6th, Siouxland Ethanol found itself in a group of shippers that were told by the BNSF that no shipments would be allowed to California without a permit issued by the BNSF and Siouxland Ethanol received no permit authorizations during this time. Our plant quickly found itself with over 100 loaded rail cars waiting for service and customers in California waiting for ethanol. The conclusion of that week was the third time in the past 90 days that Siouxland Ethanol found itself within six hours of shutting the facility down because it was full of product. To focus on the positive, I will say that at least the BNSF notified us of their plan to not pull loads from the facility ahead of this nerve-wracking week and the lack of industry service by the railroads nationwide has kept a lid on ethanol industry production and been supportive to margins. However, great margins don't mean much if a plant can't operate.

Railroads are a critical component for the ethanol business to be successful. There are a lot of people that work for the railroad that are just as essential as our staff at Siouxland Ethanol. Fundamentally, one problem remains in that the railroads in the United States are not structurally responsible for an appropriate amount of financial risk to incentivize them to carry a surplus reserve of labor and equipment. That risk is borne by the shippers like Siouxland Ethanol and the railroad business model rewards decision making that maintains a just-in-time, just sufficient enough allocation of resources. The ethanol industry maintained its workforce through the depths of the pandemic. The railroad industry did not and the aggregate effect is blatantly obvious in 2022. The previous quarter has drilled into our heads that any day Siouxland Ethanol and our destination customers receive railroad service, it's a rail good day.

Nick Bowdish
President & CEO

The State of the Railroads

Prior to the Covid 19 shut down, our railroad partners fought hard for what they considered to be incremental business. Incremental business is any volume that could be or had been moved by truck or moved to a competitive destination where two or more rail lines serviced the destination. Over the last 6 months, this has completely changed. The railroads have attempted to get cars off their line, even offering incentives to suppliers that decreased fleet sizes, or just telling suppliers they must decrease shipment volumes because they will not get serviced. Along with attempting to limit/decrease fleet sizes, railroads have prohibited shipments from origins to destinations if they have not shipped that route in the last year. This extreme change has created obvious market disruptions; while producers have gallons to hit multiple markets, the railroads are taking away the flexibility of those shipments.

Crew Deficit: ~4,100

Updating our crew models with the most recent data points for network velocity (last week) results in the following updated estimates with regard to the minimum number of additional crews required to trigger a service recovery. We've regressed slightly, with net velocity for the four major systems slightly slower last week, which pushes our estimated crew deficit from ~4,000 to ~4,100.

In terms of predicting the order in which these systems operationally inflect for the better, look at the % Deficit column on the far right. The smaller the number, the closer to recovery.

Train & Engine Headcount (April) versus Estimated Crews Required to Trigger a Service Rebound

Railroad	Actual Crews	Required Crews	Crew Deficit	% Deficit
Union Pacific	13,748	14,530	782	5.7%
BNSF	14,578	16,082	1,504	10.3%
CSX	7,046	8,077	1,031	14.6%
Norfolk Southern	7,921	8,667	746	9.4%
Total	**43,293**	**47,356**	**4,063**	**9.4%**

Source: STB and Loop Capital estimates.

Some important caveats to note with regard to this table:

1. Some of the railroad's T&E crew headcount numbers (Actual Crews) include trainees, which are higher as a percentage of total now than historically, which in turn makes the crew deficit numbers look slightly better (smaller) than they actually are.
2. When railroads are running poorly, crew capacity is diluted by *non-productive crew starts*, such as deadheads (repositioning crews by road transport) and recrews (replacing a crew due to an unanticipated expiration of the allowable 12 hours).
3. It will likely take several months before conductor graduates in the field are satisfactorily productive.

Over the course of the last year, the consistent message from the railroads has been that they are short power and crews. They are hiring and are 6 months from getting back to "normal." What they fail to expand on is they are working on a rolling 6-month calendar, not a static 6-month calendar. Due to the shortage of crews, there have been multiple delays in railroad performance; from executing pulling shipments from the origin to delays in shipping along the route. These delays are exacerbated every weekend as we are seeing a trend in shipments slowing down enroute to destination. Shippers are in a constant game of playing catch-up to make up for the railroads inability to move product effectively.

Railroads cut too deep when laying off & furloughing employees during Covid and were slow to react once the market recovered. Now, they are paying the price because furloughed employees they had counted on coming back, found new positions, and are not coming back. That means the railroads are forced to look into a new recruiting market for new employees. The training and onboarding process of new employees takes 6 months or more and the attrition rate for new employees is 75% or more. Most, if not all, railroads, are hiring. That is the constant message that is being delivered today, but when asked when they think they will be fully staffed, the question remains unanswered.

According to data compiled by the Surface Transportation Board (STB) key indicators measuring railroad performance reveals a reduction in performance from pre Covid levels. Data shows that in Q3 of 2019, the average train speed across all networks was 22.26 mph. That number increased to just over 23 mph in Q3 of 2020. In Q1 of 2022 that speed had fallen to 21.35 mph. Average cars online for all railroads was 164,295 in Q3 of 2019. That number dropped to 155,809 in Q3 of 2020. As of Q1 2022, the number of cars online had popped back up to 163,166. Origin dwell time (hours) is the final indicator and is the most easily trackable metric for shippers. In Q3 of 2019, the average origin dwell time for all railroads was 20 hrs. In Q3 of 2020 that decreased ever so slightly to 19.58 hrs. In Q1 of 2022, the dwell time average had increased to 33.45 hrs. The numbers tell the story. Most layoffs happened sometime in Q2 of 2020 when train speeds were 25.33 mph, cars online averaged 155,809, and origin dwell was at 12.01 hrs. In the eyes of the railroads these metrics would suggest they were over-powered and over crewed.

Patrick Griffin Boyle
Director of Logistics
Renewable Products
Marketing Group, LLC

While railroad logistics are not in a great spot today, the railroads are confident they have a plan in place to rectify the situation.

A Director's Perspective

My ethanol career started in 2003 as a newly elected county official in Dakota County, Nebraska. I ran on a platform of economic development focused on increasing the tax base and lowering property taxes. After a SWOT analysis and research in 2003, our Dakota County Economic Development committee came to the quick realization that we had all the attributes for a successful ethanol plant.

After recruiting others to come together with me and form a new company called Siouxland Ethanol, LLC, I began to write the business plan for our plant. I learned of the many positive things about ethanol, everything from reducing our dependence on foreign oil to cleaner air and the economic benefit for the local area – and that was just the beginning. We met with Ron Fagen in the back of a Family Table Restaurant in Marcus, IA (thanks to Ronnie Wetherell and Darrell Downs for arranging the meeting) and pitched Dakota County as the site of his next ethanol plant build. Next thing I know, I'm driving around the county with his business development person, searching for the perfect site. By 2005, we had raised our required equity (in record!) and held our groundbreaking. By 2007, we were producing 50 million gallons of ethanol! By 2020, we were producing 90 million gallons of ethanol, tons of distillers grains, and corn oil as well – and continuing to push the plant to maximum productivity.

I served as Vice Chair of the Siouxland Ethanol board in the beginning years of the company and became Chair in 2012, serving in that role until 2020. I've served on the boards of Renewable Fuels Association, American Coalition for Ethanol and Renewable Fuels Nebraska. When a call came in 2021 from Renewable Fuels Nebraska in search of a new Executive Director, I decided to take the position on an interim basis and served in that role for the next 11 months. Now newly retired from day-to-day responsibilities, I am enjoying my position as a board member for Siouxland Ethanol.

It has been rewarding to see strong distribution checks being sent usually twice a year to our investors. And I love to see the investors that come to the annual meeting every year. I remember helping many of them with the paperwork in 2005 as we were signing up our unitholders.

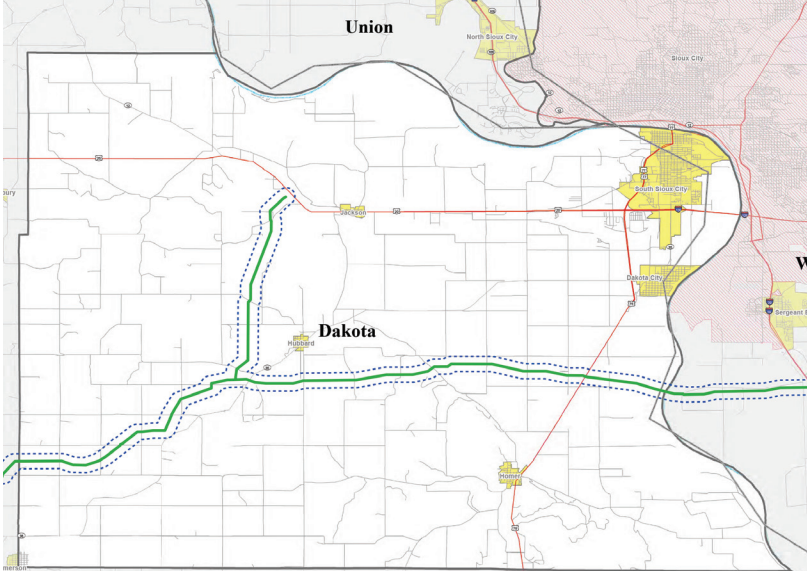
Our mission statement, developed many years ago, calls for Siouxland Ethanol to be an efficient producer of ethanol and its co-products with a low carbon footprint. That is where I think the future opportunities for ethanol and our co-products lie. We have benefitted greatly from achieving a low carbon score for our ethanol that we sell into California. There are more opportunities in this market such as working with our corn producers to help them see value in being recognized as a low carbon feed source for the ethanol we make. Partnering with our farmers has always been the right thing to do and, by working together in this 'low carbon/ carbon sequestration' market, we can achieve a win-win.

I love using higher blends of ethanol in my 2015 non-flex fuel vehicle. E30 is the sweet spot for engine performance, mileage performance, cost, better air, and of course low carbon. While it is sometimes frustrating to feel like we are taking baby steps to get to the common place usage of higher blends (anything higher than E10), we need to keep pushing and be part of the effort to see higher blends be accepted and preferred in a world that is increasingly concerned about climate change and the environment as well as dependence on foreign sources of not only oil, but also the components of an electric vehicle.

The story of Siouxland Ethanol has many chapters left to be written. It is a strong plant that has been well maintained with investments made back into the plant to provide for continued efficiencies and increased productivity. Siouxland Ethanol has succeeded in being a good employer and taxpaying entity in Dakota County. I look forward, with the rest of the board members, to evaluating opportunities for positive returns on investment to our unitholders.

Pam Miller
Board Director

The Quest to Sequester Continued...



The ethanol industry is undergoing a transformation. With fuel prices continuing to rise, the national conversation around utilizing the domestic bioeconomy to better meet the demands today, and in the future, has shifted its focus to how biofuels can play a significant role in that energy mix.

It is crucial that we take steps to increase the demand for value-added agriculture products to ensure the viability of the ethanol industry and companies like Siouxland Ethanol. As Chief Executive Officer of Navigator CO2, my goal is to help solve this challenge by leveraging our team's experience to create a carbon ecosystem in which businesses, communities, and the planet all thrive.

The Navigator team has a strong track record in developing infrastructure, having safely constructed and operated over 1,300 miles of pipeline in communities around the U.S. As a company, we've made a commitment to design, construct, operate and maintain our systems safely and reliably, working in tandem with local communities. We accomplish this by listening to stakeholders and meeting or exceeding minimum safety, design, construction, and operating standards set forth by federal, state, and local governments.

The Heartland Greenway Carbon System will be no exception. This project will capture up to 15 million metric tons of carbon dioxide per year at full capacity. Carbon capture, utilization, and storage (CCUS) is a well-researched and proven technology that is already being used by the ethanol industry to reduce the carbon intensity of fuel products. While the scale of this CCUS project is unprecedented, our experience in building this type of infrastructure is not. As we've done several times before, we will safely develop, build, and complete the Heartland Greenway System in a methodical, multi-phased approach.

My wife and I are proud to call Nebraska home and will be bringing the Navigator corporate headquarters to Omaha in the coming months. As a landowner myself, I understand having questions about new infrastructure and what it means for your property. We are sensitive to the fact that this work is being conducted on your land, which is why we plan to work with you directly, compensate you fairly, and, if needed, make route adjustments to ensure we are putting forward a project that everyone can be proud of. We've also retained specialized, local restoration companies to address the unique details of your property and help accommodate specific requests you would incorporate into the restoration process so that your land returns to its pre-construction condition.

We are still very early in the process, but we plan to start construction in 2024 after we've been granted the necessary jurisdictional permits. This construction phase will create over 1,000 jobs in Nebraska alone. We have already made public commitments to hire local professionals, which not only benefits Dixon and Dakota counties, but also increases residents' personal income, giving other local industries in the community an economic boost.

Every step we take from this point forward is towards effective carbon solutions that will benefit all stakeholders, from ethanol producers to generational family farms. Now, perhaps more than ever, it's going to take all of us to create a more sustainable future, and we are excited about moving forward with this partnership.

Matt Vining
CEO, Navigator CO2

Financial Highlights

Comparison Of Operations
Three Months Ended:

- Overall revenues up quarter over quarter primarily the result of higher prices received on all products sold. Ethanol netbacks were 12% higher, co-product values for distillers grains and corn oil were also up 37% and 48%, respectively.
- Although we did see a 36% increase in our cost of corn and a 135% increase in the natural gas costs, the combination of increased revenues noted above and favorable movement in hedge positions combined for an $11.6MM increase in gross profit quarter over quarter.
- Siouxland Ethanol participated in the USDA Biofuel Producer Relief program to offset market losses due to the Covid-19 pandemic. Grant funds were received in May 2022 and are considered other income also contributing to the net income for the quarter ending June 30, 2022.

Comparison Of Operations
Nine Months Ended:

- The strong rebound of the June 2022 quarter noted above has pushed our fiscal year to date revenues to $240.2MM and net income to $53.0MM, compared to $159.1MM and $8.2MM the year before.
- Additionally, the plant is running well with a nearly 7% increase in production year over year.

- The strong quarter ending June 2022, has increased our working capital to $53.6MM. Even with the two distributions totaling $56.512MM already paid fiscal year to date, working capital is nearly back to beginning of the year levels.
- 4 units traded during the quarter ending June 30, 2022, averaging $31,000/unit.

SUMMARY OF OPERATIONS	3 Months Ended 6/30/2022	3 Months Ended 6/30/2021	9 Months Ended 6/30/2022	9 Months Ended 6/30/2021
Total Revenues	$84,391,076	$70,715,977	$240,151,474	$159,119,435
Gross Profit	$20,071,738	$8,550,353	$47,820,080	$8,653,664
Net Income	$26,981,553	$8,018,693	$53,041,046	$8,242,058
Net Income/Unit	$7,639	$2,270	$15,017	$2,334
Distribution/Unit	$-	$-	$16,000	$1,000

BALANCE SHEET	As Of 6/30/2022	As Of 9/30/2021
Current Assets	$66,395,562	$69,637,995
Total Assets	$125,635,454	$129,841,397
Current Liabilities	$12,804,247	$13,486,870
Long-Term Liabilities	$1,306,968	$1,359,336
Members' Equity	$111,524,239	$114,995,191
Book Value/Unit	$31,575	$32,558

KEY METRICS	3 Months Ended 6/30/2022	3 Months Ended 6/30/2021
Ethanol Yield (Gal/bu)	3.01	3.03
Corn Oil (Lbs/bu)	1.07	1.1
Ethanol Production (Gal/day)	272,925	270,035
Ethanol Production MGY	96.3	95.3
Natural Gas (BTU/gal)	22,947	22,919
Grid Electricity (KW/gal)	0.01	0.02

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!

Siouxland Ethanol was proud to sponsor the **Nebraska Ag Youth Institute** and the 186 high school juniors and seniors who spent the week exploring careers in Agriculture. Nick Bowdish addressed the delegates at breakfast and covered the opportunities in the Ethanol Industry.

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MISSION STATEMENT

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.

Successful Spring Shut Down 2022

20 contracted companies on site

40 projects planned

39 projects completed

30 lock out permits

40 confined space permits

30 “hot work” permits

0 safety incidents

Approximately **80 hours total** the plant was shut down