

# Annual Report 2020



Growing Relationships to Maximize Success!®





## A Message From the CEO

**Rick Vaughan**

Thank You all customers and members for your valued business and continued support. Thank You all IAS employees and Pine Lake employees for your hard work and dedication to our organization.

Fiscal 2020 has been a challenging year. We had three major items challenging our customers as well as our organization. It began with a late and wet harvest in the fall of 2019. Late harvests always bring challenges to our business. Covid-19 brought new hardships into our businesses beginning in early spring and has continued into this fall. On August 10, 2020 the derecho storm impacted large numbers of acres in our southern geography.

I would like to take time this year to thank our employees, their families and our customers. Covid-19 provided new challenges for all of us. We are used to dealing with wet springs, bad winters and late harvests even though we prefer otherwise. Covid-19 provided a level of uncertainty we had not dealt with before. Our customers were patient and understanding. Our employees were proactive and diligent with our Covid-19 prevention protocols. Our employees' and customer's commitment to limiting Covid-19 exposure while maintaining expected service levels proved successful through the spring and summer. These commitments by all parties have limited our experience and impact from Covid-19 with our daily routines.

The financial impact of Covid-19 however has been a different story. Our livestock producers were directly impacted by the sudden disruptions to the normal meat distribution channels and especially by the livestock harvesting facility capacity constraints. This livestock disruption for our customers directly impacts the grain and protein areas of our business. Fortunately, as of this

publication the Covid-19 financial ramifications suffered this spring are closer to pre Covid-19 normal, but still not to where we prefer for our livestock customers.

The derecho storm in August 2020 was another first for many of us. Fortunately, we never experienced any personal injuries. Our Union location suffered the loss of five bins and our Lawn Hill location lost one bin. The larger impact across a wider area of our territory was the loss and damage to houses, farmsteads and crops. Our farm families and employees suffered varying degrees of loss and damage that will take several years to fully rebuild. I have never experienced this magnitude of good corn crops being disked under due to the inability to harvest them. It truly is disheartening for all involved.

Our fiscal 2020 total financial results are improved compared to fiscal 2019. The path to those financial results varies. Local earnings without Pine Lake are \$10.9 million which is down from last year, primarily due to some excellent margins in fiscal 2019 and some reduced volumes in fiscal 2020. We had a good balance of local earnings across our operating divisions. This balance is extremely important as it produces excellent cash flow for our ongoing operations and improves our balance sheet. Regional cooperative earnings were down slightly in FY 2020. These earnings are primarily from CoBank, Land O'Lakes and AGP. These reduced earnings from these regionals would be consistent with our view of their operating environments. Extraordinary income and investment income were up in FY 2020. This area has had changes in our reporting requirements that must be recognized more often. The improvement in financial markets at August 31, 2020 contributed to these gains.



We had positive financial results at Pine Lake Corn Processors (PLCP) heading into March when the Covid-19 travel reductions began. The reductions in travel demand adversely affected ethanol demand. March and April suffered large losses that were difficult to overcome by fiscal year end resulting in a loss of \$2.9 million for fiscal 2020. Overall, ethanol returns are trending in the right direction and Pine Lake realized improvement in fiscal 2020 compared to fiscal 2019.

We maintained our pledge to annually pay past equities to our members. Fiscal 2020 saw a 20% increase in the amount of equity payments to our members. We will once again be allocating and paying current year patronage. The cash portion of total patronage dividends will be 50% again this year. IAS will pass through the Domestic Production Activities Deduction (Section 199) equivalent of \$.1146/bushel on all member grain sold to and bought from IAS during our fiscal 2020 year. Fiscal year 2020 patronage checks will be mailed near Thanksgiving. We are pleased and proud to be able to return these levels of profits to our owners and reinvest these levels of capital back into your business.

The financial results and patronage rates for fiscal 2020 and 2019 are outlined in this publication for your review.

All in all, the last twelve months have been very challenging, but also very rewarding. We have witnessed the resolve of our farming communities and employees to positively react and proactively adjust to the challenges at hand. Without that resolve our farming communities, employees and company would not be here today to enjoy the optimism of next year's new crop of grain and livestock. The ongoing optimism of a new cycle beginning provides a very rewarding opportunity to work in agriculture.

The board, employees and I thank all our members and customers for your support this past year. We will work hard to continue to earn your business going forward and we appreciate the opportunity you have afforded us. Have a safe and prosperous 2021.





## A Message From Board President

**Randy Blake**

2020 has been a challenging year to say the least. From Covid-19, to dry weather, to a derecho, our members and cooperative have experienced a very difficult year. Depressed grain and livestock prices, along with a very difficult ethanol environment has affected the bottom line of our patrons and our cooperative alike. I want to thank all our employees for their hard work and dedication for serving our customer's needs, while having to deal with the challenges of the Covid-19 pandemic. The board knows that it's the employees who make the biggest difference in the success of a company and we are proud to be associated with such an outstanding group of individuals. We applaud your efforts.

This past year the board has also felt the effects of the virus in the way we do business. Last spring, we conducted board meetings via conference calls and then last summer we transitioned back to in-person board meetings while trying to maintain social distancing. Some of our time was spent assisting management in dealing with all the challenges that Covid-19 has brought to our cooperative. Keeping our employees and customers as safe as possible has been a high priority for IAS this past year and I have no doubt this will continue into 2021. The rest of the year our time has been

spent on reviewing financials, present and future capital expenditures and looking for opportunities both internal and external that we feel would be beneficial to IAS in the future. IAS is committed to investing in projects that would help provide the best possible service for our patrons.

Now in its third year, our Associate Board Program continues to be a success. Associate board members are appointed by the board for one-year terms in hopes of having experienced future full time board members. We feel this is a great alternative for anyone interested in becoming a board member without the commitment of a three-year term. If anyone has interest in one of these positions, please contact me or one of the other board members.

On behalf of the entire board, I would like to thank all our patrons for their business this past year. Your cooperative has had another profitable year and we are committed to continue to pay patronage back to our members. The board's goal for your cooperative is to provide its customers with competitively priced products and excellent service while maintaining a strong balance sheet. With your continued support we know IAS has a bright future. We want to be your preferred ag business partner.

YOUR SUCCESS  
IS OUR GOAL!



# Innovative Ag Services, Co. Annual Meeting Minutes

December 9, 2019

The fifteenth annual meeting of Innovative Ag Services Co. was held at the Comfort Suites Hotel in Cedar Falls on Monday, December 9, 2019. The meeting was called to order at 1:00 p.m. by Chairman Randy Blake.

Minutes of the 2018 Annual Meeting were read. It was moved and seconded to approve the minutes. Motion carried.

Ballots were mailed out to all of the company's members. The ballots contained one item of business; that being the election of new directors for the company - Candidates include Loren Manternach, Steve Perry, and Joe Thraenert.

Two IAS members, Norm Zimmerman and Marvin Manternach tallied the ballots and provided a signed affidavit of the election results. The results reported that Loren Manternach, Steve Perry and Joe Thraenert were each elected to three- year terms.

It was moved and seconded to accept the results of the election and destroy the ballots. Motion carried.

Randy Blake reported that the board of directors reviewed the auditors' report issued by Meriwether Wilson and Company at a previous meeting and approved its statements of operations for the fiscal year ending on August 31, 2019. The content of the auditors' report is on record and a summary of it was recently sent out to the patrons in the annual report.

Dividend payments approved by the board were recently mailed.

There was no other old business.

There was also no new business brought from the floor.

The meeting was adjourned at 1:10 p.m.

Submitted by,

Loren Manternach, Secretary





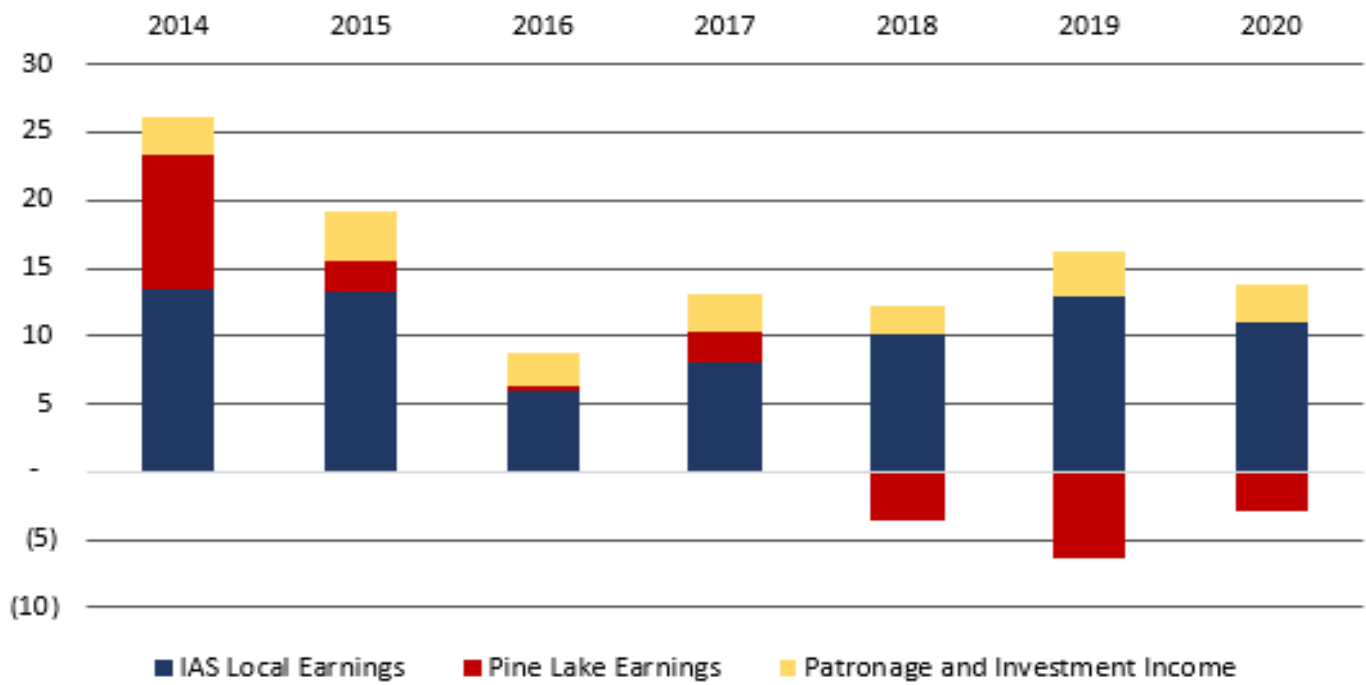
Income Statement	FY 2020	FY 2019
Grain Sales	\$ 276,839,944	\$ 292,471,468
Merchandise Sales	<u>279,241,875</u>	<u>304,899,344</u>
<b>Total Sales</b>	556,081,819	597,370,812
<b>Cost of Sales</b>	<u>501,993,678</u>	<u>543,332,136</u>
<b>Gross Commodity Savings</b>	54,088,141	54,038,676
<b>Other Income</b>	<u>26,222,205</u>	<u>24,074,798</u>
<b>Gross Operating Revenues</b>	80,310,346	78,113,474
<b>Operating Expenses</b>	<u>72,312,540</u>	<u>72,073,421</u>
<b>Local Income</b>	7,997,806	6,040,053
<b>Patronage Income and Investment Income</b>	2,789,305	3,235,141
<b>Other Income</b>	<u>520,935</u>	<u>407,510</u>
<b>Net Savings Before Taxes</b>	11,308,046	9,682,704
<b>Income Taxes</b>	<u>1,705,515</u>	<u>258,296</u>
<b>Net Savings</b>	<u><u>\$ 9,602,531</u></u>	<u><u>\$ 9,424,408</u></u>

<b>Balance Sheet as of 8/31</b>		
<b>Assets</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Current Assets</b>		
Cash	\$ 2,206,410	\$ 1,747,518
Accounts Receivable	14,001,942	18,128,750
Margin Deposits & Derivatives	10,045,448	6,935,981
Inventory	88,528,012	107,240,774
Prepaid Expenses and Other Current Assets	6,888,229	5,417,789
<b>Total Current Assets</b>	<b>121,670,041</b>	<b>139,470,812</b>
<b>Investments</b>	25,489,054	24,913,177
<b>Fixed Assets</b>		
Property & Equipment	286,595,516	278,484,687
Accumulated Depr	(163,097,422)	(145,981,764)
<b>Net Property, Plant &amp; Equipment</b>	<b>123,498,094</b>	<b>132,502,923</b>
<b>Other Assets</b>	<b>1,787,220</b>	<b>1,761,096</b>
<b>Total Assets</b>	<b>\$ 272,444,409</b>	<b>\$ 298,648,008</b>

<b>Liabilities and Member Equity</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Current Liabilities</b>		
Operating Note	\$ 2,947,820	\$ 20,209,766
Current Portion LT Debt & Capital Leases	11,075,887	6,156,198
Accounts Payable	23,293,078	34,309,050
Accrued Expenses	6,056,808	6,065,783
Margin Liability on Hedges		7,361,439
Adjustment to Market on Open Contracts	5,702,647	
Allocated Patronage Refunds	2,020,250	2,890,937
<b>Total Current Liabilities</b>	<b>51,096,490</b>	<b>76,993,173</b>
<b>Long Term Liabilities</b>		
LT Deferred Liabilities	19,489,446	20,431,958
LT Debt & Capital Leases	37,498,457	43,674,344
<b>Total Long Term Liabilities</b>	<b>56,987,903</b>	<b>64,106,302</b>
<b>Member Equity</b>		
Memberships and Subscriptions	1,395,457	1,410,021
Allocated Earnings	36,767,267	36,936,164
Allocated Patronage Refunds	2,020,250	2,890,937
Cooperative Education	85,099	62,012
Retained Earnings	137,320,354	131,766,970
Accum and Other Comp Inc/Loss	(13,228,411)	(15,517,571)
<b>Total Member Equity</b>	<b>164,360,016</b>	<b>157,548,533</b>
<b>Total Liabilities &amp; Member Equity</b>	<b>\$ 272,444,409</b>	<b>\$ 298,648,008</b>



## Historical Pre-Tax Income in Millions



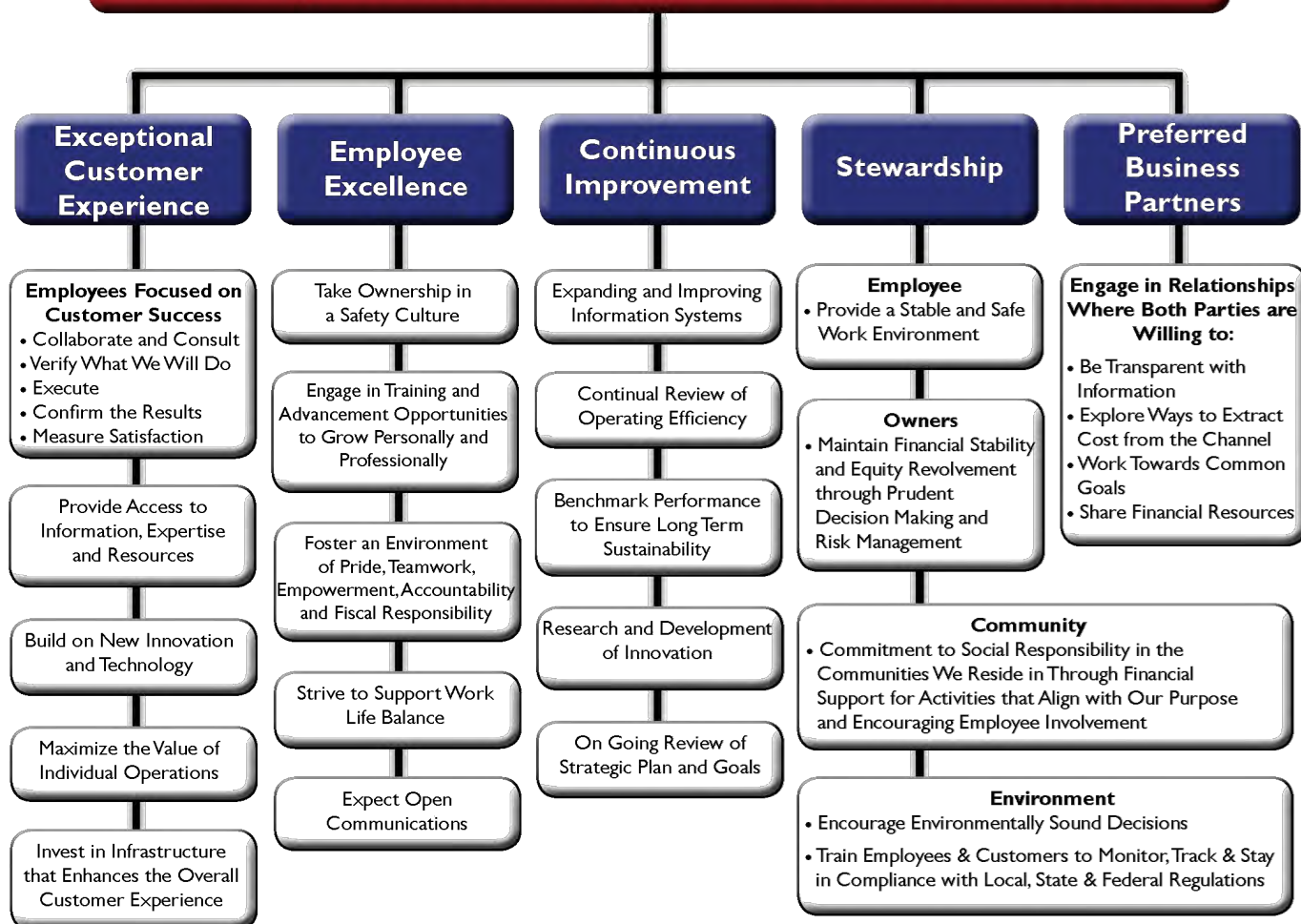


<b>Distribution of Net Income</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>Patronage Dividend</b>		
Cash Patronage Dividend (50%)	2,020,250	2,890,937
Deferred Patronage Dividend (50%)	2,020,250	2,890,937
Addition to Retained Earnings	<u>5,562,031</u>	<u>3,642,534</u>
Net Savings	\$ 9,602,531	\$ 9,424,408

<b>Patronage Distribution Rates &amp; DPAD Deduction</b>	<b>FY 2020</b>	<b>FY 2019</b>
Grain Purchased and Sold Bushels	- ¢	1.09 ¢
DPAD Deduction Passed through to Members per bushel	11.46 ¢	9.60 ¢
Grain Services	8.71 %	7.50 %
Agronomy Sales & Service	2.25 %	3.00 %
Feed & Feed Services	2.25 %	3.00 %
Refined Fuels Gallons	7.50 ¢	7.50 ¢
Propane Gallons	7.50 ¢	7.50 ¢

## Growing Relationships to Maximize Success!



## Feed Division - Mike Duncomb

The IAS Feed Division has closed the books for 2020 with positive results. I think all would agree that 2020 has been like no other year and there are many things we could not have forecast as we began 2020 ten months ago. We all have a new appreciation for how outside events can impact our business and industry, as well as a new appreciation for the sensitivity of our supply chains. Despite all the challenges this past year, we have continued to see good demand and exports for meat, milk, and eggs. We are hopeful that the restaurant and food service industry will continue to improve and we long for some normalcy for our schools and colleges, which all have a direct impact on our businesses. IAS and our producers continue to adjust, working to position ourselves for the long term.

Total feed volumes this past year were down 6.8%. Revenue and service income were down 2.5% and division earnings were down slightly from fiscal 2019.

Our swine feed business is down from the previous year with several factors affecting volumes. We had two large swine customers exit the business. Through the spring and summer months, many producers were “slowing” down pigs until the packing plants started catching up with harvesting pork, negatively affecting feed volumes. We also continue to see several of our independent producers migrate toward the integrator business, negatively affecting our business. Our swine team continues to work diligently, helping our producers manage production, nutrition, and finances to optimize their businesses.

The beef business continues to be a bright spot in our division. Our beef producers have had to deal with many of the same issues as our swine and dairy producers with interruptions in demand, packer slowdowns, and challenges to profitability, but our beef business continues to grow and increase in market share. Our feedlot team is growing our business by making good production, nutrition, and business decisions using feedlot records and providing sound marketing advice. Our cow/calf business continues to grow as well with the beef team focusing on balanced nutrition throughout the year.

The dairy business started 2020 with some optimism with trade agreements being put in place and good demand for dairy products. Then Covid-19 hit, devastating demand for milk and dairy products. Our producers have worked very hard to manage production levels to help get supply back in line with demand, but the process has been slow as we wait for restaurant, food service, and school demand to increase. Our dairy team is working diligently to help our producers manage nutrition, production, and cash flow. Our dairy feed business is down from the previous fiscal year as we have seen several producers cutting production and others exiting the industry.

Our manufacturing and distribution team works to build on our efficiency along with upgrading our information systems and technology to meet our producer's expectations. We are working to build a seamless system to improve our ordering processes, eliminate double entry of information, and provide mixing, batching, and invoicing information directly to our customer's systems. This will be an ongoing improvement process. We have also continued to improve the IAS fleet.

Finally, the feed division's success is our people who are committed to working with our customers every day to help with their operations success. The IAS team has worked through a multitude of challenges in 2020 and enjoy bringing a positive attitude to build a successful feed business. Thank you very much for your business this past year.





## Energy Division - Randy Swenson

The energy business has been, and will always be, a very interesting and volatile business. This describes the entire sector of agriculture. Farmer producers must deal with prices out of their control, as they continue to grow the best yields in the country. Along with uncertain costs, Mother Nature tries to drown or dry up their spirits. Energy, being one of these costs, has always been and will always be a very volatile commodity.

This fiscal year has been a challenging year, to say the least. Everyone along with IAS experienced the challenges of LP logistics, issues of LP supplier changes and Covid-19 creating an environment we have never lived through. Energy markets were as crazy as we have ever seen.

When you look at the overall temperatures of the FY20 heating season, degree days were down 8% from the previous year, whereas last year was up 6% from FY18. Our year's propane sales were up 4% from last year, with most of the gallons coming from the wet corn dryer season, with winter gallons being down.

Refined fuels were very steady with diesel sales almost even to last year and gasoline down 1.1%. Overall gasoline sales were down across the country during Covid-19 with a much higher percentage than what we experienced. Gasoline sales compete with new convenience stores and

customer opportunities like HyVee's fuel saver card. That will continue to be a struggle, but we will carry on analyzing our cardtrolls on their current state to keep them open. That continues to be an ongoing process.

Predictions for 2021 crude oil & fuel prices seem to stay on the level side if things stay unsettled in the world. The U.S. is a net exporter of crude oil, but we all know that it takes one event in the Middle East and our costs soar.

Energy price forecasts are highly uncertain and with any predictions, prices could differ significantly from the forecast levels.

The agriculture sector in America is a very fast paced and "get it done now" environment and it's hard to find individuals with the work ethic that we have been accustomed to in the past. It took us some time, but we have those positions filled and we couldn't ask for better employees. It redeemed my feelings that we would never find hard workers. We certainly have employees that will give their 100% effort towards satisfying and servicing our customers. With tremendous drivers and employees, we strive to continue the value-added service to our customers.

We look forward to continuing to grow our energy business with our great customers!



## **Agronomy Division - Tim Krausman**

Fiscal year 2020 will go down as a year to remember. We started off the year with a challenging fall. Wet soil conditions and late maturing crops were a couple of the major obstacles. As we prepared for the spring season, we ran into Covid-19 and learned how to deal with a pandemic we have not seen before. As we implemented new safety procedures, we enjoyed a spring that allowed record pace planting, fertilizer, and chemical applications. With the late planting we experienced the previous year, growers ramped up their capability of getting crops in the ground quickly. Due to the rapid planting, we did lose some chemical application in some areas, especially in the pre-plant soybeans. Due to the fall and spring weather challenges we did see some slightly reduced volumes of fertilizer sales. We are expecting the earlier maturing crop will allow a better fall fertilizer application window.

As we worked our way through this growing season, we incurred another obstacle in terms of Dicamba applications on soybeans. Just as we were beginning our post applications of soybeans, the U.S. Court of Appeals for the Ninth Circuit vacated the registration of three dicamba herbicides

XtendiMax, Engenia, and FeXapan temporarily making it illegal to apply on soybeans. After a few days, the EPA allowed application of inventories in retailer's warehouses and grower's facilities. This regulatory delay and uncooperative weather made it difficult to get applications done due to the restrictive label requirements.

With all these challenges we were still able to have a financially successful fiscal year 2020 in the agronomy division at IAS. Our employees overcame many challenges and continued maximum effort and focus on serving our customers. Our customers were also very good at working with us, as we navigated these unprecedented times.

We will continue to stay focused on our strategy moving forward of bringing value to each acre for every grower we work with. This may mean adding or reducing products and services, while incorporating newer or underutilized practices. We will continue to strive to bring great agronomic recommendations, utilize technology where possible, and incorporate Truterra tools to maximize stewardship and profitability for growers.

## **Continued Emphasis on Safety & Compliance - Brian Kramer**

Innovative Ag Services is committed to continuously improving its safety culture and providing a safe environment for its employees. Returning each employee home safely each day to their family is our goal. Like most success stories, this too takes strategy, a lot of hard work, and commitment from those involved.

While keeping our employees safe is certainly important, so too is reducing the company to unnecessary risk by developing and enforcing sound safety and compliance practices.

Employee safety training meetings continue to occur on a monthly basis. We also require ongoing training in months that do not interfere with servicing our customer needs. In addition to insurance company audits, IAS conducts its own internal auditing process focusing on three primary areas; compliance record documentation, facility & equipment, and grain and feed mill housekeeping. These audits ensure we are staying in compliance

with regulatory bodies like OSHA, EPA, DNR, and respective state departments of agriculture.

Innovative Ag Services also internally inspects our anhydrous ammonia nurse tank fleet and facility plumbing on a five-year certification schedule. These efforts help ensure our employees and customers alike that our equipment is safe to use.

One new initiative this past fiscal year was the implementation of a safety boot program for our qualifying employees. Employees who are working in positions where boots with slip resistant soles and safety toe protection are required, are provided with an annual cost share program offsetting most of the cost of the purchase. Our goal with the program is to reduce the event of slips, trips, and falls associated with less than desirable footwear. This will help keep our employees safe and over the long term reduce employee down time and workers compensation costs. Thank you for your patronage and please work safely!



## Grain Division - Robin Sampson

The Innovative Ag Services Grain Division saw a slightly improved fiscal year in 2020. That was not without some challenges throughout the ag sector that impacted IAS, as well as provided some opportunities.

Our corn and bean volumes were down slightly as farmers held onto grain given the lower prices and carries in the marketplace. Despite the lower grain quality due to the lengthy, wet harvest in the fall of 2019, farm storage bins were filled. Drying revenues were up significantly with the wet harvest conditions and propane shortage across the Midwest. Storage revenues were down with additional fall purchase activity. Overall, total grain revenues were up slightly over the previous year. Expenses were slightly higher than the previous year as well. Utilities and dryer fuel expenses were higher, which can be expected in a cold and wet fall like 2019 when our customers were harvesting corn into December. We continue to review our expenses and processes for better efficiencies. We strive for ways to enhance employee responsibility and accountability throughout our location teams across the company. The Grain Division had a respectable year given the economic impacts of COVID that no one had ever experienced or predicted.

Our objective continues to be to add value for our members, improve revenue streams and become more efficient in our daily grain handling processes. It is imperative that we strive for continuous improvement in these areas every day given the dynamic marketplace we operate in, the outside factors that can affect our business, and the ever-changing needs of our customers as we all compete together in a world market. As we look at improvement in our facilities, we look for incremental dollars that can give our locations and our members a competitive advantage in the marketplace. This year we completed our project at Hubbard, which included the demolition of our concrete workhouse and annex silo, along with the construction of a steel bin utilized for soybean storage. This improvement created a smoother soybean delivery process for our customers and added some soybean storage capacity in an area that improves our competitive advantage in local consumption markets. We also made some

improvements in grain handling at various locations, but specifically Garden City. As a result of the derecho we experienced in August, not only were crops damaged, but our Union and Lawn Hill locations suffered structural damage. We lost 1.775 million bushels of bin space at those two locations. After the storm, we immediately started the clean-up and rebuilding process to assure we would be prepared to service our customers for harvest grain delivery. To date we have rebuilt 903,000 bushels at our Union location. Both locations remain fully operational to as we continue the repair process.

Innovative Ag Services is positioned to take advantage of diverse market opportunities throughout Iowa, the United States, and across the globe. Due to the demand for grain in Iowa, IAS is a trusted supplier to the local Iowa consumption market. In fiscal 2020, 75% of our elevator corn was sold to local feed mills and ethanol plants, 11% to the river markets, and 14% percent rail. Rail shipments this year were sent to the gulf export markets, Canada, and southeastern United States. On the soybean side, 60% as sold to processors, 34% to the river markets, and 6% rail. Opportunities presented themselves in a stronger river market than last year, which was led by a robust export market due to China's appetite for soybeans, as well as competitive grain prices in the world market. A short crop in the eastern Midwest also led to favorable rail values. IAS's diverse marketing opportunities provide value to our members, along with IAS patronage and tax savings that members can realize by marketing their grain through IAS. The IAS grain team strives to offer our customers the best alternatives for marketing and service in the industry.

A sincere THANK YOU from our grain team for your business over the past year and support of your local cooperative.



## HR Shared Services - Carla Elliott

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Fiscal year 2020 has turned out to be one like no other. Our focus this year was to work on growing our employee engagement, and this has been done in a way we never planned. When the novel coronavirus (Covid-19) arrived, it tested all of us to think outside the box, and it still has our attention.

Since the end of February there has been a steady flow of communication. We were always good about putting out our internal newsletter to our employees, but our communication was heightened to a new level. At the onset of Covid-19 our leadership team started out meeting twice a week. We did this to ensure we had a voice on the subject and to communicate what our plan would be. We wanted our employees to know where we stood and what was to be expected. These meetings eventually became once a week and now as needed. The communication to the employees is still going out routinely as we have updates. This message includes mailings to our employee's homes to ensure our employee's families know what we are doing to prevent the spread of Covid-19 as well as give them a resource on prevention. I believe these communications have brought clarity and stability to this event. We continue to learn each day, and it is, and continues to be, as they say a journey.

As an essential business I believe all of us were and still are grateful to be employed even with all of the uncertainty. Despite everything going on, I have been amazed by the resiliency of our employees. There has been no crowd to cheer them on in the stands to beat the opposition, instead they work hard but silently without question. As a team they rally together knowing we must continue to move forward and embrace the change that has been forced upon us. This will not beat us. We are winning!

The taking in of harvest helps keep us focused on helping our member/customers and gives us some reprieve from the world around us. With that said, we are hoping our members have weathered the

derecho as best possible and our thoughts are with those who were unfortunately in the path of it, your loss is our loss.

FY 2021 may bring us challenges also but I am certain our employees will rise to those challenges. HR will continue to work hard to take care of our greatest asset, our employees, and look forward to working with, and for, this incredible group in the coming year.

In closing, we appreciate your business and support of our employees who are working every day to deliver an exceptional experience for you, our customer. If you have feedback for the HR Shared Services group, please feel free to call (319) 465-2022 Ext. 1060, or email us at [hr.dept@ias.coop](mailto:hr.dept@ias.coop). We are "Growing Relationships to Maximize Success!"

Through hard times we rise.





## Ethanol Demand While Facing a Global Pandemic - Pine Lake Corn Processors

Not since WWII, have we ever seen this kind of demand destruction for motor fuel. Covid-19 took the demand for gasoline and ethanol to less than 50% from the previous year levels.

The months of March, April and May were very difficult for the country and certainly for the ethanol industry. Pine Lake Corn Processors has developed a lower cost structure over the past three years, and we were able to sustain operations, while many other ethanol plants (about 30 in total) were forced to shut down. In addition, many other plants had to curtail production during the height of the pandemic.

This past year we constructed a new syrup concentrator that will lower our natural gas usage another 6-7%, which again improves our competitive position. The new evaporator is scheduled to be online November 1<sup>st</sup>.

We continue to optimize the corn oil yield and the ethanol yield while improving our cost structure in the areas of chemicals, labor, maintenance, natural gas, electricity, and general administration. We lowered production costs 7.9% from the previous year, which was a record low as well.

We continue to investigate, research and evaluate a revised process that will improve oil yield by 20% and produce a new high protein product than can sell for more than double the current price of DDG. As the process gets defined and fully engineered, we will investigate the business case for such a project.

Some key highlights for the year

- Improved corn oil yield by 12.1% to 1.04#/bu. This ranks in the top 5% of the industry
- Improved ethanol yield by 0.6%, which resulted in increased revenue by \$200,000
- Lowered our total production cost by 7.9% for annual savings of \$875,000
- Lowest natural gas usage/gallon – 2.8% lower than 2019

- Lowest electrical usage/gallon – 2.5% lower than 2019
- Record low unplanned downtime in both distillation units
- 73M gal production versus 75M gal in 2019, lower due to Covid-19 demand destruction

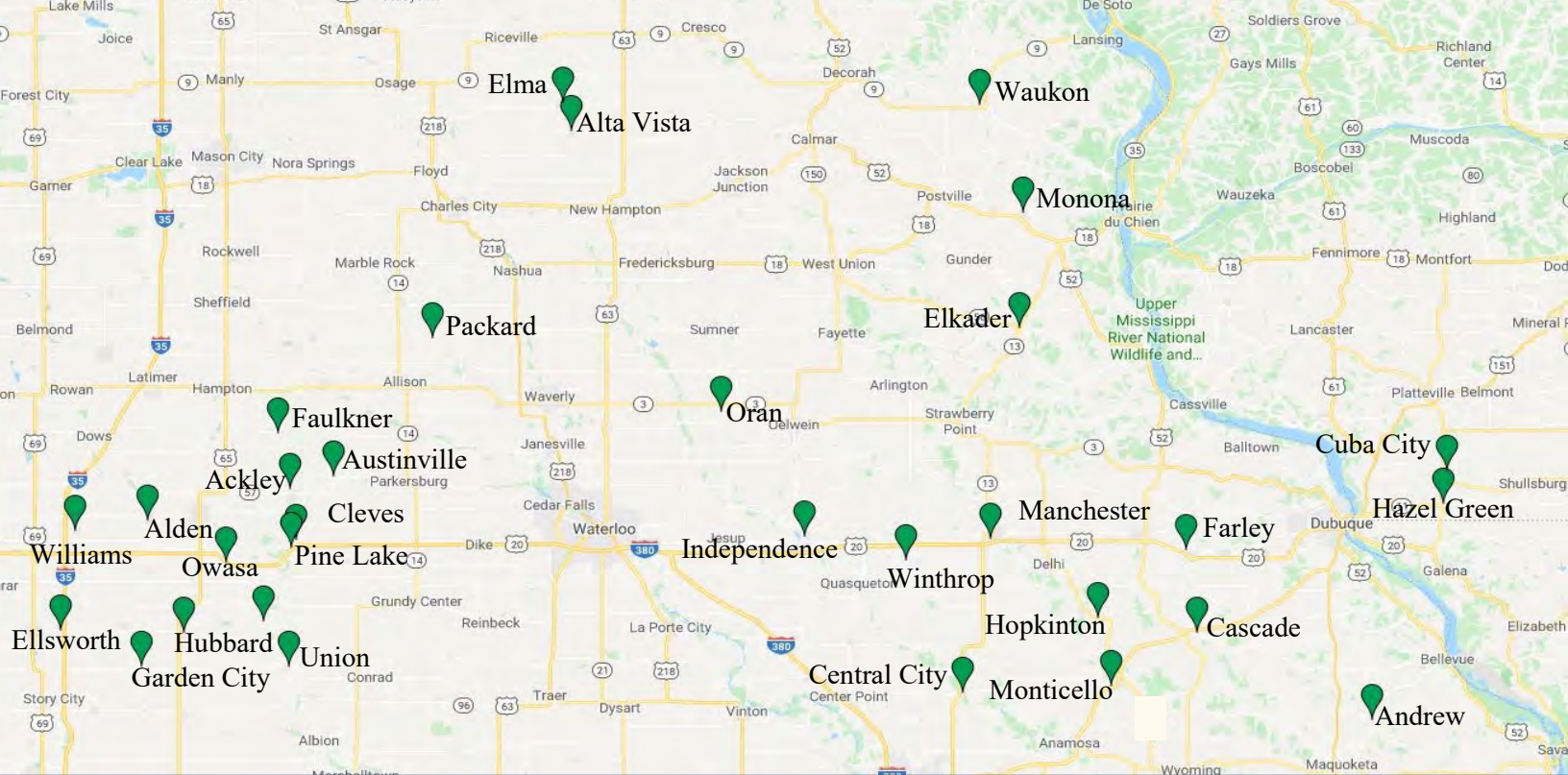
Our operations group has remained consistent with Keith Halfwassen (Maintenance Manager), Remington Ringena (Operations Manager), Wendy Clikeman (Lab Manager), Ryan Rolph (Operations Support Manager) and Jason Stephens (Safety and Environmental Manager).

Mike Miller celebrated his 6<sup>th</sup> year anniversary as the Financial Controller. Scott Zabler completed his 14<sup>th</sup> year as General Manager, overseeing all the ethanol and DDG sales and coordinating those sales with the purchasing of corn, natural gas and chemicals.

From Pine Lake Corn Processors, we would like to thank all our corn suppliers for their patience through our long expansion project and grain dump addition.

All these accomplishments were made possible by our 36 employees that have demonstrated great skill, commitment, patience and hard work to the success of Pine Lake.





President  
Randy Blake  
Bellevue



Vice-President  
Paul Cook  
Hubbard



2nd Vice-President  
Steve Perry  
New Providence



Secretary  
Loren Manternach  
Cascade



Tim Burrack  
Arlington



Ryan Collins  
Harpers Ferry



Adam Hill  
Ellsworth



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New Providence



Joe Thraenert  
Elma



Allen Jaspers  
Steamboat Rock  
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Jeff Lindsay  
Manchester  
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