26530 Highway 24 East
PO Box 9
Carrollton, MO 64633

Inside this issue:

Facebook: @ShowMeEthanol

Twitter: @SMEFuel

On Friday, October 11, 2019 sixteen senior students from Chillicothe High School toured Show Me Ethanol. This tour was part of the College and Career Readiness that all CHS high school students participated in on Friday. The CHS students were all participating in activities to prepare them for their future career. CHS seniors toured area businesses that were within their chosen career field. The seniors that toured Show Me Ethanol are all choosing to pursue a career in the Agriculture and Natural Resources career pathway. Students came to the tour had this to say, "I am amazed that nothing goes to waste, every part is used in some way." Colten Sewell.

Show Me Ethanol LLC

26530 Hwy 24 East
Carrollton, MO 64633
Phone: 660-542-6493
Fax: 660-542-6392
www.smefuel.com

October 2019

General Manager's Report

This past quarter there was a change in management at Show Me Ethanol (SME). Rich Hanson left the company in July after 10 years of service. During Rich's tenure, we paid off all outstanding debt and returned over $75 Million to ownership. We are grateful for Rich's contributions to the company and wish him well in his future endeavors.

The poor ethanol margin environment continued during this quarter. Ethanol prices for June-Aug were at 5-year lows. Corn basis has been higher than normal to make up for low corn board price, which negatively impacted crush margin. The 2018 drought combined with 2019 flooding has made it difficult for the entire ag community in Carrollton, including SME.

National politics and policy decisions are also having a negative impact to our business. While the trade situation continues, a major impact that has received less attention is the Small Refinery Exemptions (SRE's) that the EPA has been handing out to the oil industry. These exemptions have reduced ethanol demand by over 4 billion gallons since the current Administration took office! Recently this issue has received more attention in the press, culminating with the President announcing that he has instructed EPA to uphold the law and implement the Renewable Fuels Standard (RFS) as Congress intended. Recently the EPA announced a proposed rule that provides the details on how this problem might be solved, and again we see that this Administration is not actually doing what it said it would do. This newsletter includes a recent policy update from the Missouri Corn Growers Association highlighting the challenges we face and how you can get involved.

Despite the challenging weather and policy issues, we are optimistic that SME will continue to operate with positive cash flow, though our net income for 2019 might be neutral. Operationally the staff has done an excellent job, our efficiency is among industry leaders, and operational costs are in the low end compared to our peers. We are positioned well to take advantage of positive margin opportunities when the time comes.

Meet the GM

The Board named Brian Pasbrig as General Manager in August 2019. Brian joined Show Me Ethanol in October 2013 as Plant Manager.

Brian has 22 years of ethanol production experience in all facets and phases of the ethanol facility. His experience includes being the Owner's Representative and Plant Manager for the construction and start-up of two greenfield facilities, assisting with start-up and process improvement work with two facilities in Spain, and multiple expansion and operations management at ethanol plants ranging in age from new to over 100 years old in the United States. Brian holds a bachelor's degree in business administration. Raised in Phoenix, AZ, Brian is married and has three adult daughters.

Financial Results for Third Quarter Ended September 30, 2019

Total Sales were made up of $19.9 million of Ethanol, $5.4 million of Distillers Grains and $1.3 million of Corn Oil.

Total Expenses include Corn costs in the amount of $22.0 million. A Net Loss for the Third Quarter of 2019 was $1.2 million.

2019 Financial Metrics

(dollars in millions)	1st Qtr	2nd Qtr	3rd Qtr
Total Assets	45.6	45.8	44.5
Members Equity	42.5	42.4	41.1
Sales	28.9	29.6	26.6
Expenses	28.9	29.7	27.8
Net Income (Loss)	0.03	-0.05	-1.2

2019 Commodity Prices/Costs

$	1st Qtr	2nd Qtr	3rd Qtr
Ethanol (gal)	1.25	1.34	1.36
DDGS (ton)	156	141	146
Corn (bu)	3.92	4.13	4.21

Operations Report

October is here, bringing cooler weather, football, candy corn, and pumpkin spice! Hopefully harvest is progressing well for everyone, especially those who continue to struggle through weather related issues. The flooding continues to affect us like it has most in the Carrollton area. While the flooding has impacted the business negatively, we are grateful that we haven't suffered the consequences of the flooding like many of our neighbors.

The plant ran fairly well during the quarter, albeit at slower rates due to the negative margin environment. We completed the planned outage in July successfully; finishing the new molecular sieve bottle expansion that will enable slightly better production rates at slightly lower energy consumption than prior years. Several other minor maintenance tasks were completed during this outage. We did experience a few unplanned outages during the quarter, most were weather related as strong thunderstorms rolled through the area.

In Q4 we will continue to focus on maximizing efficiency, modulating production rates to optimize our financial performance, while beginning to plan our next major outage in March 2020. There are some significant projects that will be completed during this outage including replacing the Dryer B burner housing and tubes in a heat exchanger in the Energy Center.

Operating Summary:

	Q3 2019	Q2 2019
Ethanol Produced (Million Gals)	14.84	16.44
DDGS Produced (000 tons)	36.7	38.0
MDGS Produced (tons)	4,371	6,417
Corn Oil Produced (Million lbs)	4.8	4.8
Corn Purchased (Million Bu)	5.3	5.7

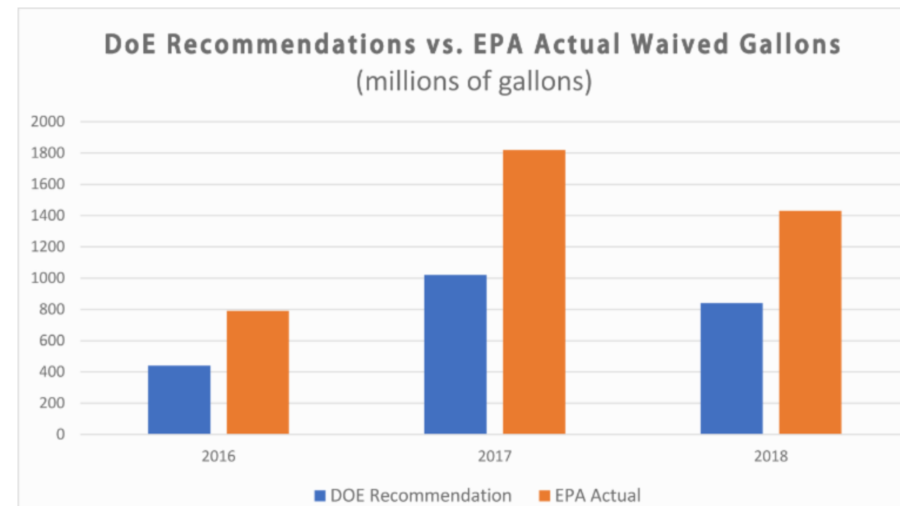
Over the past few months the plant has made corn oil production optimization a huge focus. The results show in the operating summary table. Ethanol and co-product productions are down from last quarter, corn purchases are down from last quarter, but corn oil production is the same as last quarter. The team has done an excellent job on this project!

EPA Ignoring President in Proposed Ethanol Rule

In early October, we applauded President Trump for his plan to address lost ethanol demand due to small refinery exemptions (SREs) granted to oil refineries by the Environmental Protection Agency (EPA). In industry briefings and the Oct. 4 official announcement, the administration assured corn growers the EPA would bring the ethanol obligation back up to the 15-billion-gallon mark required by law.

Just a few days later, EPA unveiled its proposed supplemental rule that was ***supposed*** to reflect President Trump's deal. Instead, the Oct. 15 rollout revealed farmers would only get back roughly ***half*** of the gallons EPA granted through exemptions. **EPA is saying, "trust us."** But this agency's actions to undermine ethanol and the federal Renewable Fuel Standard (RFS) over the last few years don't inspire any level of trust.

What changed? President Trump directed EPA to restore lost gallons to the RFS using a three-year-average of the actual number of gallons EPA had granted in its refinery exemptions. In its proposal, EPA said instead it would use waiver levels that had been *recommended* by the Department of Energy (DoE). EPA routinely ignores the DOE recommendations and has granted over twice as many ethanol gallons in exemptions. By using those DOE numbers, the amount of ethanol volume returned to the RFS would be **essentially cut in half.**



The Details Matter

President Trump's agreement: 1.34 billion gallons of ethanol would be returned to the RFS based on a **3-year average of actual waived gallons**

EPA's proposal: only 770 million gallons of ethanol would be returned to the RFS based on a **3-year average of DoE numbers.**

Following DoE numbers, farmers only get back **half of the gallons that EPA** actually granted.

Small Refinery Exemptions are big. Over the past three years, EPA has aggressively eroded ethanol demand by granting SREs at an unprecedented rate, totaling more than 4 billion gallons of ethanol. In August, EPA announced 31 refinery exemptions for over 1.4 billion gallons. This had an immediate impact on ethanol and corn prices, and crippled ethanol plants struggling to break even. Moving forward, we must make sure the proposed rule puts a stop to EPA's destruction of ethanol demand in the years to come.

What can be done? Missouri Corn continues to work with NCGA and other corn and ethanol organizations to make positive changes to this proposal. Thanks to those growers who reached out with phone calls, emails, and letters. With the president's announcement earlier this month, we believed we had made a significant impact. We'll continue to be involved and reach out to Washington, D.C., on your behalf.

Submit your comments. A public hearing was held in Michigan Oct. 30, where General Manager Brian Pasbrig provided testimony on behalf of the shareholders and employees of Show Me Ethanol. A 30-day comment period opened October 29th. Please visit the Mo Corn Growers website to submit your comments on this critical issue.

Mo Corn Growers Member Update

www.mocorn.org