

## Note from our General Manager:

The ethanol industry has been pushing for some time, President Trump has teased us with promises of year-round E15 sales, and finally the wait is over. In early October, he announced his directive to the EPA to complete the rulemaking process to make it possible for year-round E15 sales.

This is significant because until now, during the summer months, E15 could only be sold as a flex fuel, similar to E85. This was based on the EPA rule regarding Reid Vapor Pressure (RVP) which measures the volatility of gasoline, and the limit on how much ethanol that could be blended into gasoline and sold without being labeled for flex fuel vehicle use only during months of higher gasoline volatility (summer) due to air temperature. E15 actually has a lower RVP rating than E10, but the EPA rule denied any blending of ethanol over 10% during summer months, unless it was labeled for use in flex fuel vehicles only.

While the announcement was made in early October, it is not anticipated that the ruling will become final until shortly before June 15, 2019, the date which the summer RVP limitation would take effect. We also are aware that the petroleum industry has already made it clear that they will file lawsuits in an attempt to block the rule change. It will become a court decision whether the change occurs in time to affect summer 2019. There is optimism within the industry that the rulemaking change will stand that test.

Not only does this change in rules benefit the ethanol industry, but it will also be a great benefit to retailers who no longer will have to deal with seasonal relabeling and the loss in sales that is a result of the confusion at the pumps. Consumers can also take advantage of lower prices of E15 at the gas pump throughout the entire year. Blending ethanol at a rate of 15% provides the opportunity for consumers to save up to \$.10 per gallon compared to the current 10% ethanol blend. The increase in ethanol blend also will impact corn growers as it should increase the need for corn to keep up with demand for more ethanol, at a time when farm families are suffering from low crop prices and high supply costs.

This need for change in EPA rulemaking comes at a critical time for the ethanol industry. It seems we continue to face new challenges every year, and this one is no exception. With record production of over 16 billion gallons annually, trade tariffs limiting exports, steady to declining gasoline demand, and a significant number of small refiner exemptions granted earlier this year (noted in previous newsletters), ethanol values have sagged to lows not seen in over 13 years.

Margins for the entire year of 2018 have been tight, and continued to erode during the calendar third quarter, which has traditionally been the strongest quarter of the year for financial performance. As we head into the final quarter of the year, there doesn't appear to be anything that will improve the picture in the short term, so anything to boost ethanol demand as we move through 2019 should help to improve the economics for the industry and Show Me Ethanol. We will continue to update you each quarter on the progress relating to year-round E15 sales.



Richard Hanson  
General Manager

## Q3 2018 Plant Update

Another long, hot summer is behind us; it is a chilly 34 degrees already as this article is written! The summer months can be difficult for the process; high temperatures can make it difficult to maintain optimal temperatures needed for ideal operation. Our employees executed extremely well, operating the facility in excess of 125% of design for the entire period. For the quarter, we produced just over 16.6 Million gallons of ethanol, 40,000 tons of DDGS, and 4.9 million lbs. of corn oil.

We completed our Fall shutdown the last week of August, the crews completed all of the planned work on schedule, within budget, and with zero injuries. This shutdown included the first complete rebuild of our ground corn conveyors, which have been delivering corn flour to the process for over 10 years now. These 2 conveyors span over 450 feet, and received new chains, paddles, gearboxes, bearings, shafts and sprockets. We also completed an upgrade inside the boiler, which has improved the quality of the steam delivered to the process, which helps heat exchange and water use efficiency. We completed our annual boiler safety inspection, and 3 year pressure safety devices testing and rebuilds.

Like most years, we will use the end of the year to refresh our focus on efficiency and safety, while making plans for 2019. We look forward to another safe and successful harvest, and wish everyone a happy holiday season!

Brian Pasbrig  
Plant Manager

## Financial Results for Third Quarter Ended September 30, 2018

Total Sales were made up of \$20.8 million of Ethanol, \$6.7 million of Distiller Grains and \$1.3 million of Corn Oil.

Total Expenses include Corn costs in the amount of \$20.7 million. Net income for the third quarter of 2018 was \$0.8 million.

Year to date Sales are \$90.3 million with expenses of \$86 million resulting in Net Income of \$4.3 million. Included in year to date expenses are \$64.2 million of Corn costs.

Q3 Financial Metrics

<i>(dollars in millions)</i>	\$
Total Assets	52.0
Members Equity	49.2
Sales	28.9
Expenses	28.1
3rd Qtr Net Income	0.8

At their October 16 meeting, the Board of Managers approved a \$5,000,000 distribution. A check for your portion is included.

This brings the total to \$77,000,000 returned to investors to date on a total investment of \$37,857,968.



In 2017 211 ethanol plants in 28 states produced 15.8 Billion gallons of ethanol.

### E15 Bus Tour

On September 20, the Show Me Ethanol team welcomed a visit from Growth Energy's E15 Now bus, which is touring the country to rally support for quick action on the President's promise to unleash E15 ethanol blends. The tour has visited presidential rallies, fairs and football games across the heartland. During the visit, our own Richard Hanson spoke with the press about the need to lift seasonal Environmental Protection Agency (EPA) regulations that don't allow many fuel retailers to offer higher ethanol blends during the summer. For more information or to support Growth Energy's campaign, visit [E15now.com](http://E15now.com).



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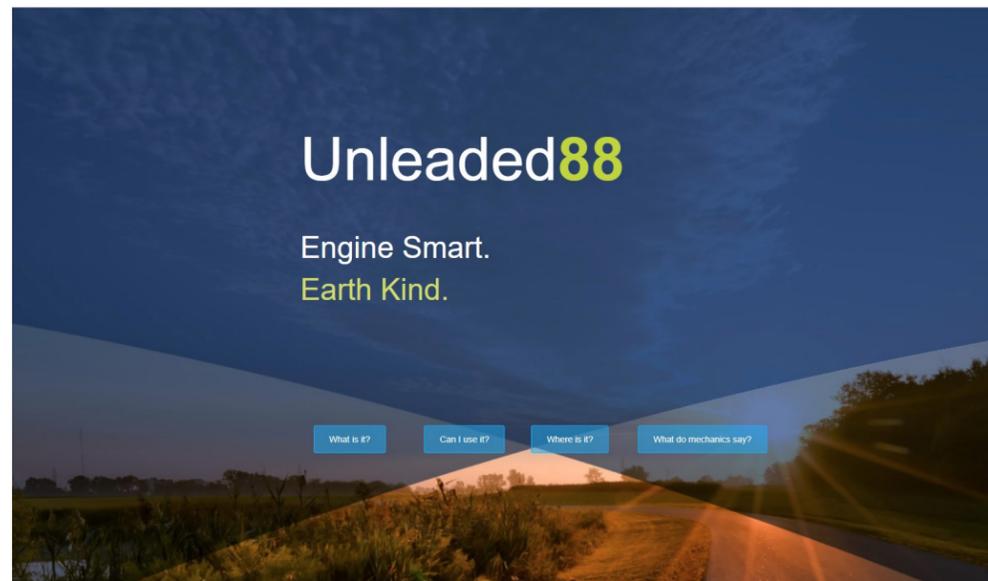
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Show Me Ethanol News

October 2018

### Growth Energy's Unleaded 88 Website Has Officially Launched

On October 2 Growth Energy announced the launch of a new website for Unleaded 88 fuel. [Unl88.com](http://Unl88.com) Unleaded 88 is the unified brand identity for E15 - a fuel blended with 15 percent ethanol and is approved by the Environmental Protection Agency for cars model year 2001 and newer. That is equal to 9 out of 10 cars on the road today.



[Unl88.com](http://Unl88.com) is an easy to navigate hub for consumers looking for more information on Unleaded 88 and its' benefits. The website showcases the value Unleaded 88 provides – whether consumers are looking for a fuel that's good for their engines, their wallets, or the environment – in a simple and straightforward way. Born out of a request from convenience store retailers for a unified brand identity for E15, Unleaded 88 has made its debut across the country and will be the consistent labeling at more than 80 percent of today's E15 stations.



#### Inside this issue

- [www.unl88.com](http://www.unl88.com).....1
- General Manager Update.....2
- Q3 2018 Plant Update.....3
- Financial Results 3rd Quarter .....3
- E15 Bus Tour .....4

#### Our Mission Statement

To provide clean and renewable products to our customers, quality returns for our investors, while providing safe and ethical working conditions and benefits for our employees

Check out the new website [unl88.com](http://unl88.com) for more information.