

Financial Results for Third Quarter Ended September 30, 2017

Net sales were \$30.6 million for the third quarter of 2017, an increase of 0.7% when compared to \$30.4 million for the third quarter of 2016.

Average ethanol selling price for the quarter was \$1.44 per gallon vs. \$1.46 per gallon in 2016. DDGS average selling price was \$123.59 per ton in Q3 2017 vs. \$147.34 of Q3 of 2016, and corn oil averaged \$.30 per pound vs \$.26 per pound during Q3 in 2016. Corn cost averaged \$3.45 per bushel during these three months, compared to \$3.83 per bushel during the same period in 2016.


Gross profit was \$5.8 million for the third quarter of 2017, compared to \$7.3 million for the third quarter of 2016.

Net income for the third quarter of 2017 was \$3.4 million compared to \$5.0 million for the third quarter of 2016.

The following is the Income Statement for Third Quarter 2017:

	3rd Qtr 2017
Sales	\$ 30,552,589
Cost of Goods Sold	<u>24,734,990</u>
Gross Profit	\$ 5,817,599
 Selling, General and Administrative Depreciation	 \$ 1,106,657 <u>1,293,047</u>
Net Income	<u>\$ 3,417,895</u>

George Grimes
Controller / Human Resource Director



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Show Me Ethanol News

October 2017

Note from Our General Manager:

Earlier this year, I reported that President Trump vowed solid support for the renewable fuels industry, and that we would have to wait and see if his appointees followed his lead. Well, we’ve been seeing that Sonny Pruitt, Director of the EPA, certainly has taken a different path. While he hasn’t attempted to modify the RFS as it pertains to corn ethanol, he did suggest a reduction in the biodiesel volume. This is not good for our renewable fuels industry, as we need to continue moving upward, not backward.

Recently, I spent a couple days in Washington, DC, along with several others representing our ethanol industry. In small groups over two days, we visited over 200 legislators in the Senate and House of Representatives. Our main message was that the RFS works, and should be left alone. We also asked for support of House Bill 1311, to provide consumers the opportunity to purchase E15 year-round. There was a lot of positive interaction with the legislators and their staffs during our visits. I am proud to say that most of the Missouri Representatives and all the Senators from our state are very strong advocates for our industry.

Not only are we continuing to fight a domestic battle, but we are also facing a challenge in the international marketplace. In recent months, we have been seeing a variety of countries impose or threaten import tariffs on U. S. produced ethanol. We are able to produce ethanol more economically than anywhere in the world. We have the ability to provide cleaner, more environmentally safe octane throughout the world, but the political powers will, decide if will be allowed.

I know this all seems like doom and gloom, but it shouldn’t be viewed as such. It simply means we have to keep supporting the industry and educating those who need more information, to realize the benefits and value of ethanol to consumers globally.



Rich Hanson

In This Issue

- General Manager Update
- Plant Update
- Latin America Trade Tour
- DDGS Exports
- Financial Results for Third Quarter

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.

Q3 2017 Plant Update

The plant completed its fall shut down and major maintenance activities in late August 2017. During the outage, over 200 work orders were completed by 85 employees and subcontractors in a 48-hour period. Significant activities included; detailed inspections of all 40 chain drag and screw conveyors on site, integrity testing on 2 evaporators, replacement of the hammermill baghouse, and control upgrades on all the natural gas burners in the plant. These activities will go a long way to ensuring continued safe and efficient operations.

The plant continues to produce at a very high level, with over 16.8 million gallons produced, an annualized rate of 67 million gallons/year. This is slightly lower than last quarter due to the impact of summer heat and shutdown activities in late August. We consumed 5.8 million bushels of corn and produced nearly 4.5 million lbs. of corn oil and 42,000 tons of DDGS. Corn to ethanol yield was 2.9 gallons per bushel, and we are recovering almost 0.8 lbs. of corn oil per bushel of corn. It is also noteworthy that our energy efficiency is very high; we use less than 25,000 BTU of natural gas energy to produce ethanol and DDGS. This efficiency is a key part of our ability to qualify as an efficient producer under the EPA Efficient Producer Petition Process, which allows us to produce more gallons than originally anticipated in our 2008 registration under the Renewable Fuels Standard.

In Q4 the plant will remain focused on maximizing production while maintaining our excellent efficiency. We hope everyone has a safe harvest and happy holiday season.

Brian Pasbrig
Plant Manager

Latin America Trade Tour

Thanks to the Missouri Corn Growers Association we had the opportunity to take members of LTA – ESOTA, a delegation of Latin American ministry and industry members on a tour of our facility. Their visit to SME was part of a program highlighting ethanol production and its value chain in the United States prior to the Ethanol Summit of the Americas in Houston.

The group was very impressed with the operation, performance, and especially the cleanliness of our facility, taking plenty of photo opportunities and asking questions at every stop. SME provided a box lunch in the conference room where a Q&A session broke out keeping Rich, Anthony, Jody, and the translators plenty busy for the remainder of their visit. Overall it was a great experience for everyone involved, parting with a better understanding of the ethanol production process and its impact on the agricultural industry as a whole.

Jody Hamilton
Environmental, Safety, and Production Coordinator



DDGS Exports Continue, Utilizing a Different Form of Transportation

It's been an exciting summer in DDGS sales, but not without challenges. Show Me Ethanol has always had a reputation of producing high quality, consistent, export grade DDGS. In the past, we have been able to capitalize on that reputation, selling direct to the export market through trans loaders in and around the Kansas City area. But a little over a year ago, that changed with tariffs for DDGS imports into China. Then came the Vietnam ban due to Phyto sanitary issues (fear of importing bugs along with commodities) and that changed the market drastically. The export market retracted with the container market taking the largest hit. DDGS values traded well under 100% of corn for most of the past year and container loading of DDGS in Kansas City came to a virtual standstill. Luckily, good domestic demand put a floor under prices, but they have not traded close to the highs since the tariffs were put in place. Exports continued, but the majority traded bulk out of the center gulf and not containers. That left us, as well as many other plants, in a tough situation. We had two choices, go back to trading the domestic market and compete with inferior quality feed further driving down the price, or find a way to continue exporting without using containers. We chose the latter and set up a barge program that started in May and ended in October.

Show Me Ethanol is not a stranger to loading barges, but it was not business as usual. Prior to this year, we loaded 4 or 5, over a period of 7 years. This time we had the volume to load one a week and that brought on additional logistical challenges. The first step was easy. We partnered with a nearby grain/agronomy retailer with the capability of loading on the Missouri River. They were excited once again to work with us and continue to utilize the Missouri River as much as possible. The tough part came when trying to coordinate the boat schedule, barge availability, weather and manage inventory at the plant. Exciting is the word that I can use today but challenging is a better description. In the end, everything just kind of clicked. We loaded 14 barges this past summer with the option to load a couple more after harvest slows down. It might not seem like much, but it was more than 700 truckloads of DDGS. These barges were loaded in Brunswick, MO, and then added to larger barge strings in St Louis which ended up between Baton Rouge and New Orleans to be transferred to bulk vessels. The end destination of each barge is not something international feed traders always know and even if they do know most are not willing to share, I did get confirmation that several went to Turkey for feeding beef and dairy cattle.

At Show Me Ethanol, we continue to watch the ever-changing market and capitalize on our feed quality as well as our access to multiple markets, to find the best value for our product. We are not sure what the fall and winter will look like for DDGS values, but the past barge loading program provided nearly 10% more value than the domestic or the Kansas City container market. Opportunities like this are out there and we will be ready to adapt and capitalize on them as they arise.

Anthony Schreiner
Merchandiser

