



December 2020 Newsletter

The Quarterly Update

WPE's fiscal year closed on September 30th. The COVID pandemic situation has certainly made this challenging year. Given these added challenges, we ended the fiscal year with a decent financial performance. A copy of the quarterly unaudited financials and a copy of the audited financial results have both been included with this newsletter.

Coming through the winter months last year, we were doing pretty well. While margins were not as wide as we would have liked, we were performing very competitively against others in the industry. We were at full capacity, crushing mainly sorghum, and enjoying solid operational performance metrics. As we got into February, China started to honor their commitments to the Phase 1 China trade agreement, and they started importing US sorghum. This started to put pressure on our local sorghum basis. And then in early March, Saudi Arabia pushed oil prices downward as the OPEC nations were unable to reach an agreement on production volumes. Oil prices fell from around \$50 per barrel down into the \$20 range. Reducing crude oil prices put pressure on gasoline and ethanol prices. Also during March, we started hearing about travel and work restrictions and state issued stay-at-home orders due to the spread of COVID. By the first of April, the nation was quickly closing down, and we were scrambling to reduce production rates as gasoline demand quickly dropped to around 50% of normal demand. We reduced our production capacity to 50% through April and early May, and we were back to full production capacity by the end of May. While we were able to get back to full production, things were definitely not the same. First, China's continued imports of US sorghum pushed sorghum basis values well above corn, and we transitioned to running virtually 100% corn as our feedstock. Crude oil pricing partially recovered, and it has hovered around \$40 per barrel since June. Finally, gasoline demand only recovered to about 90% of historical demand.

Many of us thought the pandemic situation would only affect us for a couple of months this summer and then we would get back to "normal". This has obviously not happened, and we continue have precautions in place to safeguard employees' health against the virus. We have restrictions against visitors to the site, and we have implemented a face covering and social distancing policy. We have had a handful of employees that have contracted COVID-19 or have been quarantined due to close contact with others that have tested positive. The employees of Western Plains Energy and Western Plains Trucking have stepped up time and time again over the last few months to make sure that we were able to manage through the required quarantine absences.

Board of Managers

- **Jeff Torluemke**

President

- **Ron Blaesi**

Vice-President

- **Ben Dickman**

Secretary

- **Brian Baalman**

Manager

- **Rick Billinger**

Manager

- **Scott Foote**

Manager

- **Gary Johnson**

Manager

- **Dave Mann**

Manager

- **Steve Sershen**

Manager

In comparing the fourth fiscal quarter of this year with the fourth quarter from the previous fiscal year, ethanol production was up 5.9% while grain grind was up only 4.9%, which provided an increased conversion yield (gallons of ethanol per bushel of grain) of 0.96%. During the fourth fiscal quarter in 2019, our feedstock consisted of 92.7% sorghum and 7.3% corn. For this fourth quarter, we used 99.2% corn and 0.8% sorghum. Revenue from ethanol sales were up by approximately \$171,000, revenue from distiller sales overall were down by 9.4%, and revenue from oil sales were up nearly three times from the same quarter in the last fiscal year. Grain expenses for the quarter were on average \$0.02 per bushel cheaper, while ingredient expenses were up 2.2%, energy costs were down 1.4%, and administrative expenses were down 6.3%.

Comparing the 2020 fiscal year to the 2019 fiscal year, ethanol production was down by 0.8% which is mainly due to the COVID related slow down in April and May, and grain grind was down 1.1%. The conversion yield increased by 0.009 gallon per bushel year on year. Total revenues were down by \$3.4 million, which were mainly driven by lower ethanol pricing. Total costs of goods sold were down by \$1.3 million, driven mainly by lower grain and energy expenses. For the fiscal year, our grain grind consisted of 53.5% corn and 46.5% sorghum. For the 2019 fiscal year, we used 19.9% corn and 80.1% sorghum. The EBTIDA value for this fiscal year was down by nearly 30% compared to the previous year, but total net income was up considerably this year due to the financial write-down on the anaerobic digester assets that we took at the end of the 2019 fiscal year.

We have had a decent start for this fiscal year, but I think that it is going to be tough rest of the year for us due to regional grain basis values and an expected resurgence of the COVID virus. Kansas had a pretty good corn and sorghum crop this year, but our regional basis values are running about \$0.50 per bushel higher than historical values. China has been paying a premium value for sorghum over corn, which reduces the overall regional volume of grain that is usually available to us. In addition, there were some spots in Western Kansas that had low yields due to drought, wind, and/or hail. Also, Eastern Colorado had some areas of poor production as well, and the derecho storm this summer in Iowa destroyed a large number of acres of corn. All of these events have created competition for the grain in our area resulting in higher than normal basis values. In addition, we are starting to see gas demand down. Some of the demand reduction is the normal seasonal drop but some is also COVID related. I don't think we will see closures like we did last March/April, but additional restrictions across the country are starting to be implemented. Again, it looks like it is going to be a challenging year, but please know that we remain committed to focusing on the details and mitigating the risks as much as we can.

We have included a form with this newsletter titled "Shareholder Contact Information Update Form". We would like to make sure that we have your proper contact information on file, and we would like to also collect your email address as we are migrating towards electronic communications for such things like this newsletter and the proxy information for the annual meeting. Please take a moment to review the included form. In particular, we would like you to make sure that we have the proper information for "Contact Person", "Phone Number 1" and "Email Address". You can make

INFORMATION



Update

IT'S TIME to update our Shareholder contact information. Enclosed in this newsletter is a form titled "Shareholder Contact Information Update Form". **Please take a moment to verify your information is correct and current.**

On the form we are also asking Shareholders to designate if they would like to receive the WPE quarterly newsletter and annual Proxy Statement by email.

Return completed form to dzerr@wpellc.com or
Western Plains Energy, LLC, 3022 County Road 18, Oakley, KS 67748

Please contact Dusty Ann Zerr if you have any questions or concerns at
dzerr@wpellc.com or by phone at (785) 672-8810.

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any necessary corrections to the information by simply drawing a line through the info provided and writing in the proper information. Also, please provide an email and sign the bottom of the form, and then return the form back to us.

We have also included a letter regarding the tax estimate for shareholders for calendar year 2020.

The annual shareholder meeting will be held in mid-March. We are currently planning to hold the meeting virtually via electronic video conferencing due to the pandemic situation. This year's board nominating committee consists of Brian Baalman, Rick Billinger, and Dave Mann. Please contact Derek Peine (dpeine@wpellc.com or 785.672.8810) or a member of the committee if you are interested in running for a board seat. A specific date and time for the meeting will be sent out in early February with the proxy statements for the meeting and instructions on how to connect to the virtual meeting. Anyone wishing to run for a board seat must express their interest before the end of January.

From our families to yours, may you all have a blessed and merry Christmas season!



It is with sincere sadness that we share the loss of one of our great employees, Larry Kinderknecht. Larry had such a caring personality and was always the first to offer to help someone out. He helped to lift the spirits of all those around him, he didn't know a stranger, and some of his best friends were also his co-workers. He had just passed the 15-year employment mark with Western Plains Energy.



Obituary

Larry Kinderknecht, 51, passed away on Tuesday, November 24, 2020, at KU Medical Hospital in Kansas City, KS.

Larry was born on August 8, 1969, in St. Joseph, MO, the son of Robert "Bob" and Virginia (Billinger) Kinderknecht. He graduated from Wheatland High School in 1988 and attended Colby Community College. He worked at QuinStar Implement in Quinter for many years before joining the team at Western Plains Energy in Campus. He resided on a small farm outside of Quinter.

Larry always had a way to make any one who crossed his path feel like his friend. He loved his animals, including calves, goats, pigs and geese on his farm, along with plenty of dogs and cats; special sidekicks, Sid, the 3-legged cat and Clyde, his dog. Of course, his favorite hobbies were watching NASCAR and NFL, especially the Dallas Cowboys. He also enjoyed playing cards with family and friends and would usually talk his way to winning or saying that he won!

Survivors include: his mother, Virginia, Park, KS; sister, Lisa and husband Larry Cox, Ellis, KS; brother, Donnie Kinderknecht, Seattle, WA; niece, Emily and husband Jordan Mattheyer; nephew, Ethan and wife Britny Cox, both of Ellis, KS; and great-nephew, Mason Mattheyer and great niece, Mallory Cox and many other relatives and friends. He was preceded in death by his father, Bob Kinderknecht.

We miss you Larry. May you rest in peace!



EMPLOYEE HIGHLIGHTS

Even in a pandemic, our Team was still able to accomplish some great achievements! We would not be where we are today without the hard work and dedication they have demonstrated. Our people have remained resilient when faced with adversity. We are extremely proud to highlight a few of our team members who have contributed to our successes.

2020 SERVICE AWARD RECIPIENTS

15 Years with WPE:

Greg Doll – Commodities Manager, hired 4/25/2005

Larry Kinderknecht – Shipping & Receiving Operator, hired 9/19/2005

10 Years with WPE:

Cody Holzmeister – Yard Supervisor, hired 8/24/2010

MILLION MILER CLUB RECIPIENTS

Verlyn Richardson – one million miles driven accident free, hired 1/29/2011

Darin Honeyman – one million miles driven accident free, hired 1/29/2011

Thanks to our veterans

Paul (P.D.) Williams – E6 Staff Sergeant, National Guard

Brian Wolf – SGT, U.S. Army and National Guard

Cody Holzmeister – Petty Officer Third Class, U.S. Navy

Matthew Folmar – Corporal, U.S. Army

Michael Reed – Petty Officer Third Class, U.S. Navy

“Our people are our greatest asset.”

- Derek Peine, CEO

New to the Team

Troy Charles

Distillation & Evaporation Operator, hired 8/28/2020

Nicholas Byerly

Cook Operator, hired 9/15/2020

Ethan Batchelor

Cook Operator, hired 9/15/2020

Valdemar Rubio

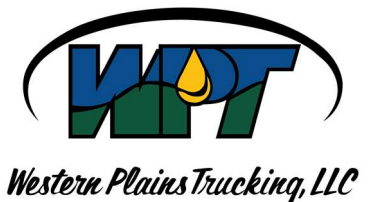
Cook Operator, hired 9/21/2020

Michael Reed

Cook Operator, hired 10/12/2020

Jerry Langley

WPT Driver, hired 11/10/2020



Western Plains Trucking, LLC