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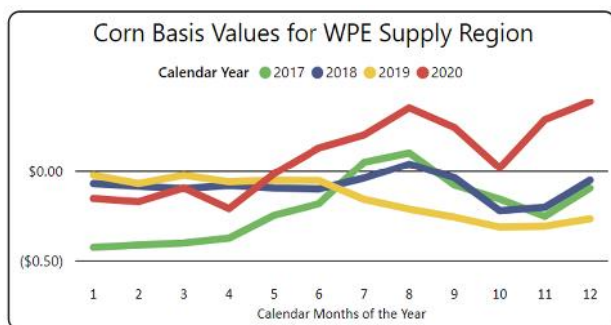
## January 2021 Newsletter

### The Quarterly Update

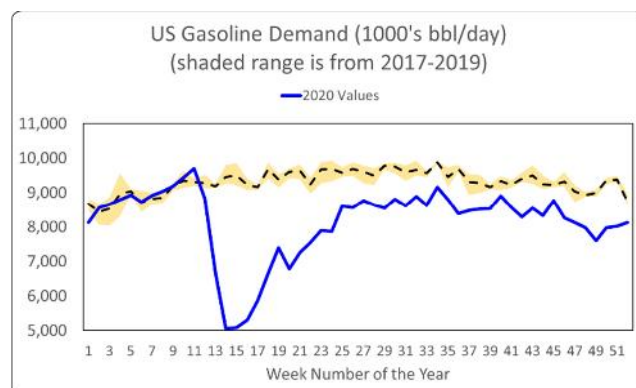
The first quarter of our fiscal year has closed, and the unaudited financials for the quarter are included. As I shared in the previous newsletter, this fiscal year is going to be a challenge for us. Regional grain basis values are high compared to historical basis values, and gasoline demand remains dampened due COVID-19 related issues.

The combined corn and sorghum production in Kansas for this crop year was nearly identical to the previous crop year. In total, Kansas produced 1.004 billion bushels of corn and sorghum, included 766 million bushels of corn and 238 million bushels of sorghum. Unfortunately, China started importing US sorghum in early 2020, and they continue to pay a premium for sorghum making it uneconomical for the Kansas ethanol industry to include sorghum in our crush. Shipping virtually all of the Kansas sorghum crop to China, decreases the total available grain for the Kansas ethanol

industry by 24%. Further, weather related issues also affected crop production in different areas in western Kansas, eastern Colorado, and southwestern Nebraska resulting in reduced supply and increased pressure on grain pricing. I have included a chart to the left that illustrates the increase in basis values for our grain supply region.



US gasoline demand also remains a concern for the industry. Gasoline demand dropped to around 50% of normal in March/April 2020 due to COVID restrictions, recovering to about 90% of normal in the summer and remaining there for the remainder of 2020. The ethanol industry was forced to shed production to match demand. Some facilities remain completely shut down, while others are running at reduced production. WPE typically operates very competitively to the industry; however, the current regional grain basis values are putting pressure on our competitiveness. As a result, we are currently operating at a reduced rate.



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Manager

In comparing the first fiscal quarter of this year with the first quarter from the previous fiscal year, ethanol production was up 1.1% while grain grind was up only 0.9%, which provided an increased conversion yield (gallons of ethanol per bushel of grain) of 1.02%. During the first fiscal quarter in the previous fiscal year, our feedstock consisted of 41% corn and 59% sorghum. For this first quarter, we used 99.8% corn and 0.2% sorghum. Revenue from ethanol sales were down by 9.0% as ethanol net back values were \$0.13 per gallon lower. Revenue from distiller product sales overall were up by 6.6% as wet distiller grain values averaged \$2.50 per ton higher, distiller oil values averaged \$0.01 per pound higher, and revenue from distiller oil sales were almost double that from the same quarter in the last fiscal year. Grain expenses for the quarter were on average \$0.64 per bushel higher, while ingredient expenses were 6.8% lower, energy costs were 2.7% higher, and administrative expenses were 4.54% higher.

Thank you to everyone who responded to our request in December for an update on any your contact information. It is important that we have the correct shareholder entity name, contact name, address, phone number, and email address on file. We received responses from about 25% of you. You can still submit the form that we supplied last month, or you can always contact Dusty Zerr ([dzerr@wpellc.com](mailto:dzerr@wpellc.com)) here at the office if you need to update any information or if you just want to confirm what information we have on file for you. The tax estimate for shareholders for calendar year 2020 was also included in the December packet.

Everyone should have received their distribution payment earlier this month, and year-end K-1's will be mailed to shareholders by February 15.

The **2021 Annual Meeting of Members** will be held on **March 11 at 2pm**. The meeting will be held virtually via electronic video conferencing due to the pandemic situation. Included with this packet is a letter that explains how to register and participate in the meeting. Also, included in the packet is your shareholder proxy statement. The material contains information for Class A members to vote on one Board of Managers position to represent Class A members, for Class B members to vote on one Board of Managers position to represent Class B members, and for Class E members to vote on one Board of Managers position to represent Class E members. If you are a Class A, Class B, or Class E member, please make sure to review the information and return the ballot as instructed in the information. There is no item on the meeting agenda for which Class C members are entitled to vote, and proxy ballots will not be included in packet information for Class C members. Members cannot vote in person or by proxy at the annual meeting; rather, ballots must be received as directed in the proxy statements by March 5, 2021. Please contact Derek Peine ([dpeine@wpellc.com](mailto:dpeine@wpellc.com)) or Dusty Zerr ([dzerr@wpellc.com](mailto:dzerr@wpellc.com)) at 785.672.8810 with any questions.

### Save the Date

WPE's Annual Meeting of the Members  
March 11, 2021 @ 2pm CT  
Meeting to be held virtually  
(See included information on how to attend)

I previously shared that one of the key focus areas for our business is to continue to decarbonize our production process, meaning we are working to lower the greenhouse gas (GHG) emissions of our ethanol production process. In the fuel world, GHG emissions are measured by what is termed "carbon intensity". Carbon intensity is simply the amount of carbon emissions that are created per unit of energy that is produced. More specifically, it is the measure of grams of carbon dioxide equivalent emissions that are

created to produce one megajoule of energy (i.e. ethanol). The Low Carbon Fuel Standard (LCFS) program in California provides an incentive to fuel producers to supply low carbon intensity fuel into California. The lower the carbon intensity, the higher premium you can obtain.

Based on the potential incentives provided by California's LCFS program, WPE is currently working on a number of projects to lower our carbon intensity. Within the ethanol production process, the three key opportunities to decrease carbon intensity is through increasing the conversion yield, lowering the amount fossil-fuel based natural gas used, and lowering the amount of grid electricity that is used. To lower the amount of grid electricity used, we are currently working on a project to install a wind turbine. The project is still in development, and we will have more to share on this project at the annual shareholder meeting in mid-March. Another potential way to reduce our carbon intensity is to reduce the GHG emissions associated with grain production. I say "potential" as the LCFS program does not currently allow ethanol facilities to adjust the metric associated with grain production in our calculation for carbon intensity. However, we believe that most of the agriculture producers in our region are already exceeding the environmental metrics that are currently used in the LCFS formulation. As such, we are actively reaching out to the grain producers in our area to ask them to partner with us and a 3<sup>rd</sup> party in a data gathering program. We need evidence to enable us to petition California to amend their current regulations and allow us to utilize the actual GHG emissions associated with the grain that we are using rather than being forced to use the current "plugged" metrics that their system forces us to use. Our intent is to share a portion of the value captured if we can get California to amend their program, allowing producers to monetize their environmental stewardship activities through their sale of grain to us. Please contact Greg Doll ([gdoll@wpellc.com](mailto:gdoll@wpellc.com)) via phone or email if you are interested in participating.

# Employee Highlights

## 1<sup>ST</sup> QUARTER WORK ANNIVERSARIES:

**Barb Boldt (Commodities Assistant)**

3/17/2004 – Celebrating 17 years

**Verlyn Richardson (WPT – Driver)**

1/29/2011 – Celebrating 10 years

**Darin Honeyman (WPT – Driver)**

1/29/2011 – Celebrating 10 years

**Bill William (WPT – Driver)**

1/7/2013 – Celebrating 8 years

**Dusty Zerr (CFO)**

3/1/2018 – Celebrating 3 years

## 1<sup>ST</sup> QUARTER BIRTHDAYS:

*Miranda Starns – January 8<sup>th</sup>*

*Michael Reed – January 10<sup>th</sup>*

*Tracy Ellegood – January 13<sup>th</sup>*

*Valdemar Rubio – January 18<sup>th</sup>*

*Jesus Campos – February 1<sup>st</sup>*

*Justin Deges – February 4<sup>th</sup>*

*Troy Meier – February 7<sup>th</sup>*

*Darrell Carman – February 21<sup>st</sup>*

*Kyle Braun – March 12<sup>th</sup>*

*Giovani Caasi – March 21<sup>st</sup>*

## New to the Team

### Nicholas Byerly

Cook Operator, hired 9/15/2020



Nicholas is currently working on Tyler Tholen's crew and has been learning the tricks of the trade quickly! If Nicholas could travel to any destination he would go to Ireland. He has three older sisters and one cat named, Ella.

### Ethan Batchelor

Cook Operator, hired 9/15/2020



Ethan was onboarded the very same day as Nicholas and is now a member of Robbie Bell's crew. Ethan has a Cocker Spaniel and his favorite food is Mexican. Ethan is a very talented individual with many hobbies, but his most recent interests include: blacksmithing, hunting, fishing, shooting, reading and researching.

### Valdemar Rubio

Cook Operator, hired 9/21/2020



Valdy, as we lovingly call him, began his journey with us back in September as a seasonal Scale Operator during the Fall 2020 Harvest season. However, we convinced Valdy to come on board full-time in December of 2020 as a Cook Operator on Adam Janousek's crew. His favorite food is pizza and he enjoys playing video games and learning other languages in his free time. We have learned Valdy is just a pretty cool guy!



### Michael Reed

Cook Operator, hired 10/12/2020

Michael joined our WPE family back in October and is already moving up the ranks. Michael was promoted to Distillation & Evaporation Operator on December 7<sup>th</sup>, 2020. Congratulations! Michael is originally from Glenwood Springs, Colorado. One interesting fact about Michael is that he has been a volunteer fire fighter for 10 years!

**Kyle Braun**

Shipping & Receiving Operator, hired 1/4/2021



You may have seen Kyle before at Oakley's Farm & Home store where he worked for nine years before beginning his employment with WPE. Kyle became part of our story just this year when he joined the Yard crew under Cody Holzmeister's direction. Kyle has excellent customer service skills, and we are so happy to have him. Kyle is an Omaha, Nebraska native and has two dogs, Annabelle & Ginger. If given the opportunity, Kyle would like to travel anywhere overseas!