



November 2021 Newsletter

The Quarterly Update

Fiscal year 2020-21 has come to a close, and I am pleased to share that it was a successful year despite the challenges that we faced. Following on the heels of the COVID outbreak and the associated significant market disruptions, we had all hoped that FY2020-21 would be a chance to reset back to normal. But there was nothing normal about this past year. COVID continued, and continues, to impact our day-to-day business. While we have implemented monitoring and staged response plans, we must continue to be vigilant and prepared to respond to the potential of positive cases and quarantine requirements.

In addition, we experienced regional market conditions this past crop year that pushed our grain basis values well above historical values, putting WPE at a competitive disadvantage to the rest of the ethanol industry. As a result, we slowed our production rate for the majority of the fiscal year in an effort to minimize the impact of grinding higher priced grain. This strategy proved to work well. We were able to minimize the amount of grain that we needed to purchase, and we were also able to layer in forward grain purchases as the market and basis values pushed higher. As grain pushed higher, it pulled ethanol upward with it creating a margin gap that were able to capture.

With the strong performance, I am happy to share that the Board of Managers have declared a distribution of \$200 per share for shareholders of record as of October 1, 2021. The distributions will be sent out within the next few days. Enclosed with this newsletter is also a copy of the audited financials for your review and a copy of the tax estimate for calendar year 2021.

I also want to share that the wind turbine project was commissioned in mid-October 2021. The project was completed on time and on budget, and it is operating as expected. When the wind is blowing strong, we have seen WPE's electrical demand from the grid drop to zero, just as expected. I want to thank everyone who participated in the equity and debt raise for the wind turbine project. Your continued trust in WPE, the Board of Managers, and all the staff at WPE is greatly appreciated.

Board of Managers

- **Jeff Torluemke**
President
- **Ron Blaes**
Vice-President
- **Ben Dickman**
Secretary
- **Brian Baalman**
Manager
- **Rick Billinger**
Manager
- **Scott Foote**
Manager
- **Dave Mann**
Manager
- **Steve Sershen**
Manager



The quarterly unaudited financials are included with the newsletter. In comparing the fourth fiscal quarter of this year with the same quarter from the previous fiscal year, ethanol production was down 37% and grain grind was down 38%. This resulted in an increase of 2.3% in conversion yield (gallons of ethanol per bushel of grain). Revenue from ethanol sales was up by 17% and ethanol unit values averaged \$1.05 per gallon higher. Revenue from distiller

product sales pushed higher with the higher grain values. Wet distiller values averaged \$33 per ton higher this fiscal quarter than one year ago, and distiller oil values averaged \$0.36 per pound higher. Grain expenses for the quarter were on average \$2.98 per bushel higher, while ingredient expenses were 31% lower, energy costs were 3% higher, and administrative expenses were 9% higher. Comprehensive net income increased 90% over net income for the fiscal quarter last year.

Comparison of this fiscal year to the previous fiscal year, ethanol production was 22% lower and grain usage was 23% lower, resulting in an ethanol yield increase of 1.3%. Total revenue for the fiscal year was 12.5% higher, driven by higher ethanol values, higher wet distiller values, and higher distiller oil values. Grain costs were on average \$1.56 higher for the fiscal year, and total grain expenses were 12% higher. Comprehensive net income for the fiscal year was close to two times that of the previous fiscal year.

As we begin the 2021-22 fiscal year, margins have been strong. Values within the energy complex have pushed higher, including ethanol values. Grain basis values are also strong again this year; however, higher basis values are more widespread across the Midwest than last year, which allows WPE to remain more competitive within the industry. Looking ahead, I expect that margins will tighten. The strong margins are incentivizing increased supply, and we are starting to see inventory numbers build. This is typical for this time of year, but there is some concern that high gas prices could dampen gas demand which is directly linked to ethanol demand.

The annual shareholder meeting is being planned for the evening of Tuesday, March 22. More details will be shared as we get closer to the meeting.

Finally, it is with great sadness that we share the passing of Gary Johnson, a member of WPE's Board of Managers since the beginning of the company. Gary was well known and respected in the Oakley community. He was friendly to all and had a huge, caring heart. The Board of Managers and the staff will greatly miss Gary's enthusiasm and involvement in WPE! Thanks for all your contributions, and may you rest in peace!



Gary Lynn Johnson

Dec 5, 1946 – Oct 15, 2021

EMPLOYEE HIGHLIGHTS

2021 SERVICE AWARD RECIPIENTS

15 Years with WPE:

Trent Meier – Shipping &
Receiving Operator, hired
5/22/2006

Adam Janousek – Production
Supervisor, hired 5/22/2006

Giovani Caasi – Maintenance
Technician, hired 5/30/2006

10 Years with WPE:

Verlyn Richardson – Truck Driver,
hired 1/29/2011

Darin Honeyman – Truck Driver,
hired 1/29/2011

4TH QUARTER BIRTHDAYS

Verlyn Richardson 10/19

Charlie Murphy 10/27

Maria Rubio 11/7

Robbie Bell 11/20

Aaron Betz 12/12

Trent Meier 12/29

Thank you 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

Michael Reed –

Petty Officer Third Class, U.S. Navy

Shayne Cook –

E-5 Sergeant, Army

“Our successes are fueled by our people.”

– *Derek Peine, CEO*

New to the Team

Brandon Wilkinson

Truck Driver, hired 9/15/2021

Shayne Cook

Truck Driver, hired 10/6/2021

Michael Petersen

Cook Operator, hired 10/25/2021