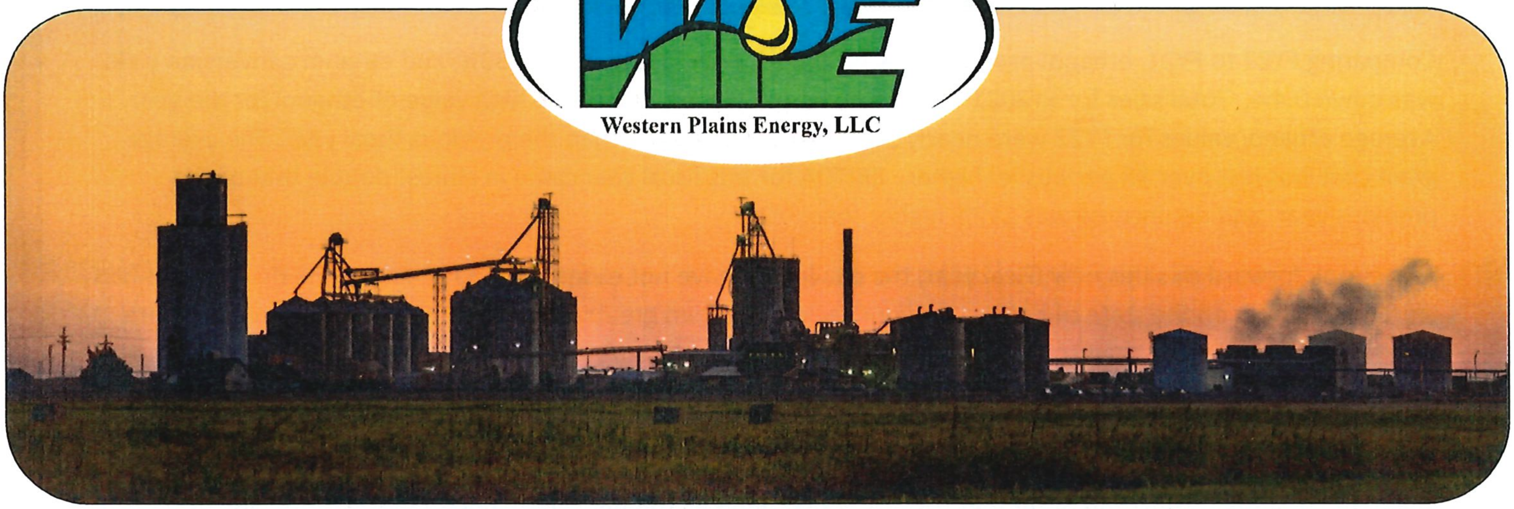
Western Plains Energy, LLC



October 2022 Newsletter

We have completed another fiscal year, and I am happy to report that while FY2021-22 was a challenging year, it was also a very successful year. In fact, this was the second-best financial performance in the company's history. While the financial audit has not been completed, a copy of the unaudited financials for the fiscal year has been included with this newsletter.

The biggest challenge that we faced this past year was grain pricing. Both the grain market values and the basis values have been substantially higher than historical values. Grain market values generally hit a low in the summer of 2022, after the COVID pandemic set in, and we have seen pretty sharp increases in pricing since that time. Coming into last fall's harvest, market values were generally between $5.00 and $5.50 per bushel. Shortly after harvest, values pushed higher, hitting a high of $8.27 by late April. Pricing has settled back some, and today's pricing has been hovering just under $7.00 per bushel, which is about double the value prior to COVID.

While grain prices were high, wet distiller values and ethanol values were also up significantly. Wet distiller values typically follow corn values, which resulted in substantially higher distiller values. Ethanol values typically trend with values from the energy sector. As consumers, we have all felt the increased prices at the pump. While ethanol values didn't climb as high as the prices we saw at the gasoline pump, we did see ethanol values over $3.00 per gallon.

Although we had a very successful fiscal year, the last 3 months of the year were not great. Ethanol values eroded just as we entered the fourth quarter. Chicago cash values were $2.85 in mid-June, and values had fallen to $2.55 by mid-July. It is somewhat difficult to compare the fourth quarter for this fiscal year to the same quarter for the previous fiscal year as we operated at a reduced production rate in the previous year. Overall, we produced 55% more ethanol in this fiscal year, and all expense line items for Costs of Good Sold were higher. From a unit value perspective, net ethanol values were just slightly lower this most recent quarter compared to the same quarter the previous year. Unit sales values for WDG were up 20% and distiller oil was up 19%. Grain unit costs were up 27%. Natural gas usage was down 20% and electrical usage was down 18%, both on a per gallon basis.

Board of Managers

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






Comparing FY22 to FY21, ethanol production was up 29%, grain usage was up 30%, and ethanol conversion yield was down 0.4%. Total sales for FY2021-22 set a company record, due to the high value of ethanol for the year. Average ethanol values for FY22 were nearly $0.75 per gallon higher than the previous fiscal year. The average grain cost was just over $2 per bushel higher. EBITDA for this fiscal year came in almost double that of the previous year, and net income was 117% higher than FY21.

As we look forward this this new fiscal year, the challenges have not eased. As you all know, the drought has had a dramatic effect on the state of Kansas, and our region has been greatly impacted. The previous average corn yields for the state have been trending between 130 bu/ac to 140 bu/ac; however, the latest USDA report shows the average for Kansas for this year at 115 bu/ac. It total, the Kansas corn crop is expected to be more than 20% lower than the previous crop year. Further, competition has been strong for the corn and sorghum that has been harvested, putting upward pressure on basis values as other end-users also try to lock up their grain supply. Our ability to compete against the other end-users is constrained by the net sales value of our ethanol, and as a result we have decided to reduce our production rate and minimize the financial impact of the higher priced grain. At this time, we expect to run reduced rate for the entire crop year. Reducing production rate is something that we do not take lightly as we know this decision we will have an impact on both our distiller customers and our ethanol customers. We have tried to be transparent and honest with our customers over the last couple of months so that they have been able to make other arrangements. The markets have been volatile, and I believe that we are going to need to focus on being nimble and forward looking as we transverse through this crop year.

While no one at WPE wants to run at reduced rate, this is not our first time at having to cut production. As you may remember, we slowed production in the summer of 2020 as the COVID pandemic caused a severe reduction in gasoline demand, and then we also reduced rate for several months in 2021 due to high grain prices. In both cases, we were able to navigate through the situation with a result that was more favorable than we imagined at the onset of the situation. All of us here at WPE are committed to staying focused on making the best decisions that we can as we grind through what looks to be a tough fiscal year.

On a brighter note, I wanted to share some news regarding a project that we recently completed. We have installed a new truck automation system, provided by a company called CompuWeigh, with the goal of decreasing the time spent onsite by grain trucks delivering grain and distiller trucks hauling out distiller products. The automated system allows truck drivers to remain in their trucks rather than having to come into the scale house as they are weighed in and weighed out. The project has significantly reduced the amount of time that the drivers spent onsite, and it has also created efficiencies for WPE staffing that are associated with scale house duties. We are also in the process of installing a similar automated system for ethanol truck drivers.

I also wanted to share with you that we have decided to move forward on two new projects this fiscal year. First, we have some dilapidated grain assets that were purchased from CoAg many years ago. After reviewing several options, we have decided that the costs to rehab these assets back into better physical condition that also meets ever-increasing safety compliance requirements outweigh the cost to build new grain storage. As such, we will be erecting three new McPherson concrete silos and taking down some of the older assets. In total, we will increase our onsite storage by about 600,000 bushels. We have also decided to replace our molecular sieve dehydration system with a membrane-based system that is expected to significantly decrease our thermal energy needs and further decarbonize our production process.

Employee Highlights

Employee Work Anniversaries

Name	Position	Start Date	Year of Service
Tracy Ellegood	Scale Operator	10/1/2003	19
Richard Holaday	Plant Manager	10/13/2003	19
Joe Renner	Maintenance Supervisor	10/20/2003	19
Robert Bell	Supervisor	10/27/2003	19
Aaron Betz	EHS Manager	11/3/2003	19
Brian Wolf	Maintenance Tech	10/15/2007	15
Troy Meier	Back End Operator	12/3/2012	10
Derek Peine	CEO	12/2/2013	9
Joni Wilson	Commodities Manager	12/8/2014	8
Megan Tuttle	Accounting Clerk	10/1/2018	4
Kristin Brooks	Receptionist Distillers Asst	10/1/2018	4
Miranda Ashmore	HR Manager	10/22/2018	4
Shayne Cook	WPT Driver	10/6/2021	1
Jonathan Corbett	Materials Operator	11/18/2021	1

Employee Birthdays

October Birthdays	Tawny Shaw, Verlyn Richardson, Charlie Murphy
November Birthdays	Robert Bell, Derek Peine, Colin Williams, Scottie Beachel
December Birthdays	Aaron Betz, Trent Meier

Welcome to our newest employees:

Damian Melgoza, Scottie Beachel, Tom Womack