UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2020

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

Commission file number 000-50254

LAKE AREA CORN PROCESSORS, LLC
(Exact name of registrant as specified in its charter)

South Dakota	**46-0460790**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

46269 SD Highway 34, P.O. Box 100, Wentworth, South Dakota 57057
(Address of principal executive offices)

(605) 483-2676
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: **Membership Units**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☒ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with an new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of June 30, 2020, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's membership units held by non-affiliates of the registrant was $14,306,375 computed by reference to the most recent public offering price on Form S-4.

As of March 12, 2021, there were 29,620,000 membership units of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this Annual Report on Form 10-K portions of its definitive information statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this Annual Report (December 31, 2020). This information statement is referred to in this report as the 2021 Information Statement.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance, or our expected future operations and actions. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "future," "intend," "could," "hope," "predict," "target," "potential," or "continue" or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions based upon current information and involve numerous assumptions, risks and uncertainties. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the reasons described in this report. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- A slowdown in global and regional economic activity, demand for our products and the potential for labor shortages and shipping disruptions resulting from pandemics including COVID-19;
- Reductions in the corn-based ethanol use requirement in the Federal Renewable Fuels Standard;
- The impact of small refinery exemptions from the RFS which have reduced ethanol demand;
- Oversupply in the ethanol industry resulting in lower market ethanol prices;
- Negative operating margins which result from lower ethanol prices;
- Lower ethanol prices due to the Chinese and Brazilian ethanol tariffs;
- Lower distillers grains prices due to the Chinese anti-dumping and countervailing duty tariffs;
- Lower gasoline prices may negatively impact ethanol prices which could hurt our profitability;
- Availability and costs of raw materials, particularly corn and natural gas;
- Changes in the price and market for ethanol, distillers grains and corn oil;
- Our ability to maintain liquidity and maintain our risk management positions;
- Changes in the availability and cost of credit;
- Changes and advances in ethanol production technology;
- The effectiveness of our risk management strategy to offset increases in the price of our raw materials and decreases in the prices of our products;
- Overcapacity within the ethanol industry causing supply to exceed demand;
- Our ability to market and our reliance on third parties to market our products;
- The decrease or elimination of governmental incentives which support the ethanol industry;
- Changes in the weather or general economic conditions impacting the availability and price of corn;
- Our ability to generate free cash flow to invest in our business and service our debt;
- Changes in plant production capacity or technical difficulties in operating the plant;
- Changes in our business strategy, capital improvements or development plans;
- Our ability to retain key employees and maintain labor relations;
- Our liability resulting from potential litigation;
- Competition from alternative fuels and alternative fuel additives; and
- Other factors described elsewhere in this report.

The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I

ITEM 1. BUSINESS.

Overview

Lake Area Corn Processors, LLC is a South Dakota limited liability company that owns and manages an ethanol plant that has a nameplate production capacity of 90 million gallons of ethanol per year through its wholly-owned subsidiary Dakota Ethanol, L.L.C. The ethanol plant currently produces at rates in excess of 90 million gallons of ethanol per year. The ethanol plant is located near Wentworth, South Dakota. Lake Area Corn Processors, LLC is referred to in this report as "LACP," the "Company," "we," or "us." Dakota Ethanol, L.L.C. is referred to in this report as "Dakota Ethanol" or the "ethanol plant."

Since September 4, 2001, we have been engaged in the production of ethanol and distillers grains. Fuel grade ethanol is our primary product accounting for the majority of our revenue. We also sell distillers grains and corn oil, the principal co-products of the ethanol production process.

The ethanol industry experienced industry-wide record low ethanol prices throughout most of 2018 and 2019 due to reduced demand and high industry inventory levels. This continued into 2020 and the situation was compounded by the crisis associated with the 2019 novel coronavirus disease ("COVID-19"). In response to these unfavorable operating conditions and a slowdown in global and regional economic activity and a disruption in transportation fuel demand resulting from the COVID-19 pandemic, we reduced our ethanol production rate early in 2020 which impacted our total ethanol production for our 2020 fiscal year.

General Development of Business

LACP was formed as a South Dakota cooperative on May 25, 1999. On August 20, 2002, our members approved a plan to reorganize into a South Dakota limited liability company. The reorganization became effective on August 31, 2002, and the assets and liabilities of the cooperative were transferred to the newly formed limited liability company. Following the reorganization, our legal name was changed to Lake Area Corn Processors, LLC.

Our ownership of Dakota Ethanol represents our primary asset and source of revenue. Since we operate Dakota Ethanol as a wholly-owned subsidiary, all net income generated by Dakota Ethanol is passed to LACP. We make distributions of the income received from Dakota Ethanol to our unit holders in proportion to the number of units held by each member.

We entered into a loan agreement with the Small Business Association through First State Bank, Gothenburg, NE on April 4, 2020 for $760,400 as part of the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan matures in January 2023 and has an interest rate of 1%. Proceeds of the loan are restricted for use towards payroll costs and other allowable uses such as covered utilities for incurred before December 31, 2020 under the Paycheck Protection Program Rules. Provisions of the agreement allow for a portion of the loan to be forgiven if certain qualifications are met. We applied for forgiveness of this loan. The Paycheck Protection Program Flexibility Act, which was put into effect on June 5, 2020, may effect the terms of our loan.

On June 5, 2020, we entered into a Third Amendment to our credit agreement with Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA ("Farm Credit") (the "Third Amendment"). Under the Third Amendment, the available credit under the revolving operating note was reduced to $2,000,000 and the available credit on the reducing revolving note was increased to $48,000,000. The working capital covenant was reduced to $11,000,000 and the net worth covenant was reduced to $18,000,0000. The next measurement date for the debt service coverage ratio was deferred until December 31, 2021. The annual installment on the term note for 2020 was deferred until maturity in 2025. The interest rates were unchanged.

During our 2019 fiscal year, we completed a plant expansion project which expanded our production capacity to approximately 90 million gallons of ethanol per year. The cost of the expansion was approximately $36 million. As a result of the plant expansion project, results of prior years may be materially different from future years.

Financial Information

Please refer to "**Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**" for information regarding our results of operations and "**Item 8 - Financial Statements and Supplementary Data**" for our audited consolidated financial statements.

Principal Products

The principal products produced at the ethanol plant are fuel grade ethanol, distillers grains and corn oil. The table below shows the approximate percentage of our total revenue which is attributed to each of our primary products for each of our last three fiscal years.

Product	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Ethanol	76%	78%	77%
Distillers Grains	20%	18%	20%
Corn Oil	4%	4%	3%

Ethanol

Ethanol is ethyl alcohol, a fuel component made primarily from corn and various other grains. Ethanol is primarily used as: (i) an octane enhancer in fuels; (ii) an oxygenated fuel additive for the purpose of reducing ozone and carbon monoxide vehicle emissions; and (iii) a non-petroleum-based gasoline substitute. Ethanol produced in the United States is primarily used for blending with unleaded gasoline and other fuel products. Ethanol blended fuel is typically designated in the marketplace according to the percentage of the fuel that is ethanol, with the most common fuel blend being E10, which includes 10% ethanol. The United States Environmental Protection Agency ("EPA") has approved the use of gasoline blends that contain 15% ethanol, or E15, for use in all vehicles manufactured in model year 2001 and later. In addition, flexible fuel vehicles can use gasoline blends that contain up to 85% ethanol called E85.

An ethanol plant is essentially a fermentation plant. Ground corn and water are mixed with enzymes and yeast to produce a substance called "beer," which contains approximately 15% alcohol, 11% solids and 74% water. The "beer" is boiled to separate the water, resulting in ethyl alcohol, which is then dehydrated to increase the alcohol content. This product is then mixed with a certified denaturant, such as gasoline, to make the product unfit for human consumption which allows it to be sold commercially.

Distillers Grains

A principal co-product of the ethanol production process is distillers grains, a high protein, high-energy animal feed supplement primarily marketed to the dairy and beef industry. We primarily produce distillers grains in two forms, modified/wet distillers grains and dried distillers grains. Modified/wet distillers grains have a higher moisture content than dried distillers grains. Our modified/wet distillers grains are sold primarily in our local market because they have a shorter shelf life and are more expensive to transport than dried distillers grains.

Corn Oil

We separate a portion of the corn oil contained in our distillers grains which we market separately from our distillers grains. The corn oil that we produce is not food grade corn oil and therefore cannot be used for human consumption. The primary uses for the corn oil that we produce are animal feed, industrial uses and biodiesel production.

Principal Product Markets

Ethanol

The primary market for our ethanol is the domestic fuel blending market. However the ethanol industry has focused on increasing ethanol exports. According to the U.S. Energy Information Administration, Brazil, Canada, India and Mexico were top destinations for ethanol exports in 2020. However, overall exports of ethanol for this period decreased compared to the same period last year due to escalating trade barriers and the impacts of COVID-19. Tariffs implemented by Brazil and China on ethanol imported from the United States reduced export demand from these markets. Trade barriers with key markets may continue to take a toll on ethanol export demand negatively effecting domestic ethanol prices. Ethanol export demand is more unpredictable than domestic demand and tends to fluctuate throughout the year as it is subject to monetary and political forces in other nations. An example of this, the imposition of a tax on imported ethanol by Brazil has created uncertainty as to the viability of that market for ethanol produced in the United States and has required the United States producers to seek out other markets for their products. While Brazil still imports a significant amount of ethanol from the United States, these imports could be higher without these trade barriers.

Export demand has also decreased due to the disruption in global fuel demand resulting from travel restrictions in response to the COVID-19 pandemic. Restricted travel, new lockdown measures and slow economic growth continue to have a negative effect on global fuel consumption and it is unknown when such demand will recover as reopening efforts continue to evolve.

Ethanol is generally blended with gasoline before it is sold to the end consumer. Therefore, the primary purchasers of ethanol are fuel blending companies which mix the ethanol we produce with gasoline. As discussed below in the section entitled "Distribution of Principal Products," we have a third party marketer that sells all of our ethanol. Our ethanol marketer makes substantially all decisions regarding where our ethanol is sold.

Distillers Grains

Distillers grains are primarily used as animal feed. Distillers grains are typically fed to animals instead of other traditional animal feeds such as corn and soybean meal. Distillers grains exports have increased in recent years as distillers grains have become a more accepted animal feed. Currently, the United States ethanol industry exports a significant amount of distiller grains. According to the U.S. Grains Council, during the 2019/2020 marketing year, the largest importers of United States distiller grains were Mexico, China, Canada, Japan, Colombia and South Korea.

During 2016, China began an anti-dumping and countervailing duty investigation related to distillers grains imported from the United States which contributed to a decline in distillers grains shipped to China. In January 2017, the Chinese finalized the anti-dumping and anti-subsidy duties. The anti-dumping duties range from 42.2% to 53.7%, and the final anti-subsidy tariffs range from 11.2% to 12%. The trade actions taken by the Chinese have resulted in further declines in distillers grains demand and prices. The significant reduction in distillers grains exports to China requires United States distillers grains producers to seek out alternative markets.

We anticipate that the vast majority of our distillers grains will continue to be sold in the domestic market due to our plant's location. Further, management anticipates that we will continue to sell a large proportion of our distillers grains in the modified/wet form which is marketed locally.

Corn Oil

The primary markets for corn oil are the industrial chemicals market, animal feeding market and the biodiesel production market. The biodiesel blenders' tax credit expired at the end of 2017. However, on December 20, 2019, the biodiesel blenders' tax credit was reinstated retroactively for 2018 and 2019 after it expired at the end of 2017, and a forward looking extension was included for the years 2020, 2021, and 2022. Since corn oil can be used as a feedstock to produce biodiesel, when biodiesel production increases it has a positive impact on corn oil prices. However, additional corn oil supply has continued to enter the market which has impacted corn oil prices. The market for corn oil is expected to continue to shift as changes in supply and demand of corn oil interact. Our corn oil is primarily marketed in the United States and we do not expect that significant exports of corn oil will occur in the near future.

Distribution of Principal Products

Ethanol Distribution

We have an ethanol marketing agreement with RPMG, Inc. ("RPMG"), a professional third party marketer, which is the sole marketer of our ethanol. We are an equity owner of Renewable Products Marketing Group, LLC ("RPMG, LLC"), the parent company of RPMG, which allows us to realize favorable marketing fees in the sale of our ethanol, distillers grains and corn oil. Our ethanol marketing agreement provides that we can sell our ethanol either through an index arrangement or at a fixed price agreed to between us and RPMG. The term of our ethanol marketing agreement is perpetual, until it is terminated according to the terms of the agreement. The primary reasons our ethanol marketing agreement would terminate are if we cease to be an owner of RPMG, LLC, if there is a breach of our ethanol marketing agreement which is not cured, or if we give advance notice to RPMG that we wish to terminate our ethanol marketing agreement. Notwithstanding our right to terminate our ethanol marketing agreement, we may be obligated to continue to market our ethanol through RPMG for a period of time after termination. Further, following termination we agreed to accept an assignment of certain railcar leases which RPMG has secured to service our ethanol sales. If our ethanol marketing agreement is terminated, it would trigger a redemption by RPMG, LLC of our ownership interest in RPMG, LLC.

Distillers Grains Distribution

Other than the distillers grains that we market locally without a third party marketer, our distillers grains are marketed by RPMG. Our distillers grains marketing agreement with RPMG automatically renews for additional one-year terms unless notice of termination is given as provided by the distillers grains marketing agreement. We pay RPMG a commission based on each ton of distillers grains sold by RPMG.

We market a portion of our distillers grains to our local market without the use of an external marketer. Currently, we market approximately 62%, based on volume, of our distillers grains internally. Shipments of these products are made to local markets by truck. This has allowed us to sell less distillers grains in the form of dried distillers grains which has decreased our natural gas usage and improved our margins from the sale of distillers grains.

Corn Oil Distribution

We market all of our corn oil through RPMG. Our corn oil marketing agreement automatically renews for additional one year terms unless either party gives 180 days notice that the agreement will not be renewed. We pay RPMG a commission based on each pound of our corn oil that is sold by RPMG.

New Products and Services

We did not introduce any new products or services during our 2020 fiscal year.

Patents, Trademarks, Licenses, Franchises and Concessions

We do not currently hold any patents, trademarks, franchises or concessions. We were granted a license by Broin and Associates, Inc. ("Broin"), the company that designed and built the ethanol plant, to use certain ethanol production technology necessary to operate our ethanol plant. The cost of the license granted by Broin was included in the amount we paid Broin to design and build our ethanol plant.

Sources and Availability of Raw Materials

Corn Feedstock Supply

The major raw material required for our ethanol plant to produce ethanol, distillers grains and corn oil is corn. The plant operates at a rate in excess of its nameplate capacity of 90 million gallons of ethanol per year. We anticipate using approximately 31 million bushels of corn. The area surrounding the ethanol plant usually provides an ample supply of corn to meet and exceed our raw material requirements for the production capacity of the plant.

Corn prices have been volatile in recent years due to changes in corn demand as well as yield and production fluctuations that have had a significant impact on corn prices. High corn prices have a negative effect on our operating margins unless the price of ethanol and distillers grains out paces rising corn prices. We could experience a drought or other unfavorable weather conditions during our 2021 fiscal year which could impact the price we pay for corn and could negatively impact the availability of corn near our plant. If we experience a localized shortage of corn, we may be forced to purchase corn from producers located farther away from our ethanol plant which can increase our transportation costs. In addition, if new corn customers enter the market, it can increase demand for corn which could result in higher corn prices. Since corn is the primary raw material we use to produce our products, the availability and cost of corn can have a significant impact on the profitability of our operations.

Corn is supplied to us primarily from our members who are local agricultural producers and from purchases of corn on the open market. We anticipate purchasing corn from third parties should our members fail to supply us with enough corn to operate the ethanol plant at capacity. We do not anticipate experiencing difficulty purchasing the corn we require to operate the ethanol plant.

We have an agreement with John Stewart & Associates ("JSA") to provide us with consulting services related to our risk management strategy. We pay JSA a fee of $2,500 per month to assist us in making risk management decisions regarding our commodity purchases. The agreement renews on a month-to-month basis.

Natural Gas

Natural gas is an important input to our manufacturing process. We purchase our natural gas on the open market and the price for our natural gas is based on market rates. We have a contract with Northern Natural Gas for the interstate transportation of our natural gas. We contract with NorthWestern Energy for the local transportation of our natural gas. Both contracts expire in 2028. We have had no interruptions or shortages in the supply of natural gas to the plant since operations commenced in 2001. We anticipate that we will be able to purchase sufficient natural gas to continue to operate the ethanol plant during our 2021 fiscal year.

Electricity

Electricity is necessary for lighting and powering much of the machinery and equipment used in the production process. We contract with Sioux Valley Energy, Inc. to provide all of the electric power and energy requirements for the ethanol plant. We have had no interruptions or shortages in the supply of electricity to the plant since operations commenced in 2001.

Water

Water is a necessary part of the ethanol production process. It is used in the fermentation process and to produce steam for the cooking, evaporation, and distillation processes. We contract with Big Sioux Community Water System, Inc. to meet our water requirements. Our current agreement with Big Sioux was modified in February 2020 and expires in 2025. Since our operations commenced in September 2001, we have had no interruption in the supply of water and all of our requirements have been met.

Seasonal Factors in Business

We experience some seasonality of demand for our ethanol, distillers grains and corn oil. Since ethanol is predominantly blended with gasoline for use in automobiles, ethanol demand tends to shift in relation to gasoline demand. As a result, we experience some seasonality of demand for ethanol in the summer months related to increased driving and, as a result, increased gasoline demand. In addition, we experience some increased ethanol demand during holiday seasons related to increased gasoline demand. We also experience decreased distillers grains demand during the summer months due to natural depletion in the size of herds at cattle feed lots. Further, we expect some seasonality of demand for our corn oil since the biodiesel industry is a major corn oil user and biodiesel plants typically reduce production during the winter months. We experience some seasonality in the price we pay for natural gas with premium pricing during the winter months. This increase in natural gas prices coincides with increased natural gas demand for heating needs in the winter months.

Working Capital

We primarily use our working capital for purchases of raw materials necessary to operate the ethanol plant, payments on our credit facilities, distributions to our members and capital expenditures to maintain and upgrade the ethanol plant. Our primary sources of working capital are income from our operations and investments as well as our revolving lines of credit with our primary lender, Farm Credit. For our 2021 fiscal year, we anticipate using cash from our operations and our credit facilities to maintain our current plant infrastructure. Management believes that our current sources of working capital are sufficient to sustain our operations for our 2021 fiscal year and beyond.

Dependence on One or a Few Major Customers

As discussed above, we have marketing agreements with RPMG to market our ethanol, distillers grains and corn oil. Therefore, we rely on RPMG to market almost all of our products, except for the modified/wet distillers grains that we market locally. Our financial success will be highly dependent on RPMG's ability to market our products at competitive prices. Any loss of RPMG as our marketing agent or any lack of performance under these agreements or inability to secure competitive prices could have a significant negative impact on our revenues. While we believe we can secure new marketers if RPMG were to fail, we may not be able to secure such new marketers at rates which are competitive with RPMG's.

Our Competition

Ethanol Competition

We are in direct competition with numerous ethanol producers in the sale of our products and with respect to raw material purchases related to those products. Many of the ethanol producers with which we compete have greater resources than we do. While management believes we are a lower cost producer of ethanol, larger ethanol producers may be able to take advantage of economies of scale due to their larger size and increased bargaining power with both ethanol, distillers grains and corn oil customers and raw material suppliers. As of December 31, 2020, the Renewable Fuels Association estimates that there are 210 ethanol production facilities in the United States with capacity to produce approximately 17.6 billion gallons of ethanol per year. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET Biorefining, and Valero Renewable Fuels, each of which is capable of producing significantly more ethanol than we produce.

The following table identifies the largest ethanol producers in the United States along with their production capacities.

U.S. FUEL ETHANOL PRODUCTION CAPACITY
BY TOP PRODUCERS
Producers of Approximately 800
million gallons per year (MMgy) or more

Company	Current Capacity (MMgy)	Percent of Total
Archer Daniels Midland	1,716	9.8%
POET Biorefining	1,805	10.3%
Green Plains Renewable Energy	1,128	6.4%
Valero Renewable Fuels	1,730	9.8%
Flint Hills Resources	840	4.8%

Updated: December 31, 2020

The products that we produce are commodities. Since our products are commodities, there are typically no significant differences between the products we produce and the products of our competitors that would allow us to distinguish our products in the market. As a result, competition in the ethanol industry is primarily based on price and consistent fuel quality.

We have experienced increased competition from oil companies that have purchased ethanol production facilities. These oil companies are required to blend a certain amount of ethanol each year. Therefore, the oil companies may be able to operate their ethanol production facilities at times when it is unprofitable for us to operate our ethanol plant. Further, some ethanol producers own multiple ethanol plants which may allow them to compete more effectively by providing them flexibility to run certain production facilities while they have other facilities shut down. Finally some ethanol producers who own ethanol plants in geographically diverse areas of the United States may spread the risk they encounter related to feedstock prices due to localized corn shortages or poor growing conditions.

A number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells, plug-in hybrids, electric cars or clean burning gaseous fuels. Electric car technology has recently grown in popularity, especially in urban areas, and continues to represent a source of competition for the ethanol industry. While there are currently a limited number of vehicle recharging stations, making electric cars not feasible for all consumers, there has been increased development of these recharging stations which is making this technology more widely available. Additional competition from these other sources of alternative energy, particularly in the automobile market, could reduce the demand for ethanol, which would negatively impact our profitability.

In addition to domestic producers of ethanol, we face competition from ethanol produced in foreign countries, particularly Brazil. Ethanol imports have been lower in recent years and ethanol exports have been higher. As of May 1, 2013, Brazil increased its domestic ethanol use requirement from 20% to 25% which decreased the amount of ethanol available in Brazil for export. Further, in August 2017, Brazil instituted a quota and tariff on ethanol produced in the United States and exported to Brazil which reduced exports to Brazil. Brazil increased the quota during our 2019 fiscal year which resulted in additional demand from Brazil, however, without this quota and tariff, Brazilian exports likely would have been higher. In December 2020, the Brazilian quota expired so all ethanol produced in the United States and exported to Brazil is now subject to Brazil's import tariff. In the future, we may experience increased ethanol imports from Brazil which could put negative pressure on domestic ethanol prices and result in excess ethanol supply in the United States.

Competition among ethanol producers may continue to increase as gasoline demand decreases due to more fuel efficient vehicles being produced. If the concentration of ethanol used in most gasoline does not increase and gasoline demand is lower due to increased fuel efficiency by the vehicles operated in the United States, competition may increase among ethanol producers to supply the ethanol market.

Distillers Grains Competition

Our ethanol plant competes with other ethanol producers in the production and sales of distillers grains. Distillers grains are primarily used as an animal feed supplement which replaces corn and soybean meal. As a result, we believe that distillers grains prices are positively impacted by increases in corn and soybean prices. In addition, in recent years the United States ethanol industry has increased exports of distillers grains which management believes has positively impacted demand and prices for distillers grains in the United States. In the event these distillers grains exports decrease, including as a result of the Chinese tariffs which have significantly reduced export demand for distillers grains, it could lead to an oversupply of distillers grains in the United States. An oversupply of distillers grains could result in increased competition among ethanol producers for sales of distillers grains which could negatively impact market distillers grains prices in the United States.

Corn Oil Competition

We compete with many ethanol producers for the sale of corn oil. Many ethanol producers have installed the equipment necessary to separate corn oil from the distillers grains they produce which has increased competition for corn oil sales.

Governmental Regulation

Federal Ethanol Supports

The ethanol industry is dependent on several economic incentives to produce ethanol, the most significant of which is the Federal Renewable Fuels Standard (the "RFS"). The RFS requires that in each year, a certain amount of renewable fuels must be used in the United States. The RFS is a national program that does not require that any renewable fuels be used in any particular area or state, allowing refiners to use renewable fuel blends in those areas where it is most cost-effective. The RFS statutory volume requirement increases incrementally each year until the United States is required to use 36 billion gallons of renewable fuels by 2022. Starting in 2009, the RFS required that a portion of the RFS must be met by certain "advanced" renewable fuels. These advanced renewable fuels include ethanol that is not made from corn, such as cellulosic ethanol and biomass based biodiesel. The use of these advanced renewable fuels increases each year as a percentage of the total renewable fuels required to be used in the United States.

The United States Environmental Protection Agency (the "EPA") has the authority to waive the RFS statutory volume requirement, in whole or in part, provided one of the following two conditions have been met: (1) there is inadequate domestic renewable fuel supply; or (2) implementation of the requirement would severely harm the economy or environment of a state, region or the United States. Recently, the EPA has been granting small refinery exemptions from the RFS while not using its authority to waive the RFS statutory volume requirements. These small refinery exemptions created unallocated gallons reducing the corn-based conventional biofuel RFS requirements by 2.25 billion gallons in 2018 and 2 billion gallons in 2019. These small refinery exemptions have had a significant negative impact on domestic demand for ethanol and have resulted in negative operating margins in the ethanol industry.

On November 30, 2018, the final RVO for 2019 was set at 19.29 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. However, the EPA did not address small refinery exemptions in its 2019 RVO release. In addition, the EPA did not address the reallocation of 500 million gallons from the 2016 RVO which was ordered by a federal court in a recent lawsuit. In June 2019, the EPA proposed an RVO of 20.04 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. On December 19, 2019, the final RVO for 2020 was set at 20.09 billion gallons and the corn-based ethanol RVO was set at 15 billion gallons. The EPA has not yet established the RVO for 2021. The ethanol industry has been pushing the EPA to reverse the effects of these small refinery waivers which we believe are the reason for the poor operating margins during 2018 and 2019. In January 2020, the Tenth Circuit Court of Appeals ruled that small refinery exemptions may only be granted to refineries that had secured them continuously each year since 2010. Consistent with this ruling, in September 2020, the EPA denied certain small refinery exemption petitions filed by oil refineries in 2020 seeking retroactive relief from their ethanol use requirements for prior years.

Most ethanol that is used in the United States is sold in a blend called E10. E10 is a blend of 10% ethanol and 90% gasoline. E10 is approved for use in all standard vehicles. Estimates indicate that gasoline demand in the United States is approximately 143 billion gallons per year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 14.3 billion gallons per year. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. This is a theoretical limit because it is believed that it would not be possible to blend ethanol into every gallon of gasoline that is being used in the United States and it discounts the use of higher percentage blends such as E15 or E85. These higher percentage blends may lead to additional ethanol demand if they become more widely available and accepted by the market.

Many in the ethanol industry believe that it will be impossible to meet the RFS requirement in future years without an increase in the percentage of ethanol that can be blended with gasoline for use in standard (non-flex fuel) vehicles. The EPA has approved the use of E15, gasoline which is blended at a rate of 15% ethanol and 85% gasoline, in vehicles manufactured in the model year 2001 and later. However, there are still state hurdles that need to be addressed in some states before E15 will become more widely available. Many states still have regulatory issues that prevent the sale of E15. Sales of E15 may be limited because it is not approved for use in all vehicles, the EPA requires a label that management believes may discourage consumers from using E15, and retailers may choose not to sell E15 due to concerns regarding liability. In addition, different gasoline blendstocks may be required at certain times of the year in order to use E15 due to federal regulations related to fuel evaporative emissions which may limit E15 sales in these markets. As a result, the approval of E15 by the EPA has not had an immediate impact on ethanol demand in the United States. In June 2019, the Trump Administration approved the use of E15 year-round which has somewhat expanded the use of E15.

In May 2020, the United States Department of Agriculture ("USDA") announced the Higher Blends Infrastructure Incentive Program which consists of up to $100 million in funding for grants to be used to increase the availability of higher blends of ethanol and biodiesel fuels. Funds may be awarded to retailers such as fueling stations and convenience stores to assist in the cost of installation or upgrading of fuel pumps and other infrastructure. In October 2020, the USDA announced the first round of awards to recipients of $22 million worth of grants. Recently the USDA closed on an additional $30 million worth of grants in a second round of funding.

Effect of Governmental Regulation

The government's regulation of the environment changes constantly. We are subject to extensive air, water and other environmental regulations and we have been required to obtain a number of environmental permits to construct and operate the ethanol plant. It is possible that more stringent federal or state environmental rules or regulations could be adopted, which could increase our operating costs and expenses. It also is possible that federal or state environmental rules or regulations could be adopted that could have an adverse effect on the use of ethanol. Plant operations are governed by the Occupational Safety and Health Administration ("OSHA"). OSHA regulations may change such that the costs of operating the ethanol plant may increase. Any of these regulatory factors may result in higher costs or other adverse conditions effecting our operations, cash flows and financial performance.

We have obtained all of the necessary permits to operate the ethanol plant. During our 2020 fiscal year, our costs of environmental compliance were approximately $219,000. We anticipate that our environmental compliance costs will be approximately $230,000 during our 2021 fiscal year. Although we have been successful in obtaining all of the permits currently required, any retroactive change in environmental regulations, either at the federal or state level, could require us to obtain additional or new permits or spend considerable resources in complying with such regulations.

In late 2009, California passed a Low Carbon Fuels Standard ("LCFS"). The California LCFS requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which is measured using a lifecycle analysis, similar to the RFS. The LCFS could have a negative impact on demand for corn-based ethanol and result in decreased ethanol prices affecting our ability to operate profitably.

In August 2017, Brazil instituted an import quota for ethanol produced in the United States and exported to Brazil, along with a 20% tariff on ethanol imports in excess of the quota. The quota expired in December 2020 so all U.S. ethanol exports to Brazil are now subject to the tariff. This tariff and quota have reduced exports of ethanol to Brazil and may continue to negatively impact ethanol exports from the United States. Any reduction in ethanol exports could negatively impact market ethanol prices in the United States. In addition, the Chinese government increased the tariff on United States ethanol imports into China from 30% to 45% and ultimately to 70%. Due to other recent tariff activity between the United States and China, management does not expect these Chinese tariffs to be removed in the near term. Both China and Brazil have been major sources of import demand for United States ethanol and distillers grains. These trade actions may result in negative operating margins for United States ethanol producers.

We are subject to environmental oversight by the EPA. There is always a risk that the EPA may enforce certain rules and regulations differently than South Dakota's environmental administrators. South Dakota or EPA rules are subject to change, and any such changes could result in greater regulatory burdens on plant operations. We could also be subject to environmental or nuisance claims from adjacent property owners or residents in the area arising from possible foul smells or other air or water discharges from the ethanol plant. Such claims may result in an adverse result in court if we are deemed to engage in a nuisance that substantially impairs the fair use and enjoyment of property.

Employees

As of December 31, 2020, we had 43 full-time employees. We do not expect the number of employees to materially change in the next 12 months.

ITEM 1A. RISK FACTORS.

You should carefully read and consider the risks and uncertainties below and the other information contained in this report. The risks and uncertainties described below are not the only ones we may face. The following risks, together with additional risks and uncertainties not currently known to us or that we currently deem immaterial could impair our financial condition and results of operation.

Risks Relating to Our Business

We are subject to global and regional economic downturns and related risks and the effects of COVID-19 or another pandemic may materially and adversely affect demand and the market price for our products. The level of demand for our products is affected by global and regional demographic and macroeconomic conditions. A significant downturn in global economic growth, or recessionary conditions in major geographic regions for prolonged periods, may lead to reduced demand for our products, which could have a negative effect on the market price of our products. In December 2019, a novel coronavirus surfaced in Wuhan, China ("COVID-19"). The spread of COVID-19 worldwide has resulted in businesses suspending or substantially curtailing global operations and travel, quarantines, and an overall substantial slowdown of economic activity. Transportation fuels in particular, including ethanol, have experienced significant price declines and reduced demand. The effects of COVID-19 have and may continue to materially and adversely affect the market price for our products, our business, results of operations and liquidity.

COVID-19 or another pandemic may negatively impact our ability to operate our business which could decrease or eliminate the value of our units. COVID-19 has resulted in significant uncertainty in many areas of our business. We do not know how long these conditions will last. This uncertainty is expected to negatively impact our operations. We may experience labor shortages if our employees are unable or unwilling to come to work. If our suppliers cannot deliver the supplies we need to operate our business or if we are unable to ship our products due to trucking or rail shipping disruptions, we may be forced to suspend operations or reduce production. If we are unable to operate the ethanol plant at capacity, it may result in unfavorable operating results. Any shut down of operations or reduction in production, especially for an extended period of time, could reduce or eliminate the value of our units.

The EPA issued small refinery exemption waivers to the RFS requirement which has resulted in demand destruction and negatively impacted profitability in the ethanol industry. During 2019, the ethanol industry learned that the EPA has been issuing small refinery waivers to the ethanol use requirements in the RFS. In previous years, when the EPA issued small refinery exemption waivers, the EPA reallocated the waived gallons to other refiners. The EPA under the Trump Administration was granting significantly more waivers than in the past and was not reallocating the waived gallons to other refiners. These actions have resulted in demand destruction in 2019 and 2020 which led to reduced market ethanol prices and negative operating margins in the ethanol industry. This reduction in ethanol demand has negatively impacted the profitability of our operations. In January 2020, the Tenth Circuit Court of Appeals ruled that small refinery exemptions may only be granted to refineries that had secured them continuously each year since 2010. Consistent with this ruling, in September 2020, the EPA denied certain small refinery exemption petitions filed by oil refineries in 2020 seeking retroactive relief from their ethanol use requirements for prior years. These small refinery exemption waivers have impacted the ethanol industry which could reduce or eliminate the value of our units.

The spread between ethanol and corn prices can vary significantly which can negatively impact our financial condition. Our only source of revenue comes from sales of our ethanol, distillers grains and corn oil. The primary raw materials we use to produce our ethanol, distillers grains and corn oil are corn and natural gas. In order to operate the ethanol plant profitably, we must maintain a positive spread between the revenue we receive from sales of our products and our corn and natural gas costs. This spread between the market price of our products and our raw material costs has been volatile in the past. If we were to experience a period of time where this spread is negative, and the negative margins continue for an extended period of time, it may prevent us from profitably operating the ethanol plant which could decrease the value of our units.

Decreasing gasoline prices may lower ethanol prices which could negatively impact our ability to operate profitably. Recently, the price of ethanol has been less than the price of gasoline which increased ethanol demand. However, at times gasoline prices have decreased significantly which have reduced the spread between the price of gasoline and the price of ethanol. When it occurs, this trend has negatively impacted ethanol prices. If this trend continues for a significant period of time, it could hurt our ability to profitably operate the ethanol plant which could decrease the value of our units.

We may be forced to reduce production or cease production altogether if we are unable to secure the corn we require to operate the ethanol plant. We require a significant amount of corn to operate the ethanol plant at capacity. In recent years, other than in our 2019 fiscal year, the supply of corn in the market has been higher and we have not had difficulty securing the corn we require at prices that allow us to operate profitably. However, poor weather conditions can have a significant impact on corn production. If the corn crop harvested in future years is smaller than we have recently experienced, it is possible that we could experience corn shortages which could negatively impact our ability to operate the ethanol plant. We may also experience a shortage of corn in our local market which may not increase national corn prices but may require us to increase our corn basis in order to attract corn which can impact our overall corn costs. If we are unable to secure the corn we require to continue to operate the ethanol plant, or we are unable to secure corn at prices that allow us to operate profitably, we may have to reduce production or cease operating altogether which may negatively impact the value of our units.

Our revenue will be greatly affected by the price at which we can sell our ethanol, distillers grains and corn oil. Our ability to generate revenue is dependent on our ability to sell the ethanol, distillers grains and corn oil that we produce. Ethanol, distillers grains and corn oil prices can be volatile as a result of a number of factors. These factors include overall supply and demand, the market price of corn, the market price of gasoline, levels of government support, general economic conditions and the availability and price of competing products. Ethanol, distillers grains and corn oil prices tend to fluctuate based on changes in energy prices and other commodity prices, such as corn and soybean meal. Exports of our products and the various trade actions taken by China and Brazil have impacted the market prices for our products. If we experience lower prices for our products for a significant period of time, the value of our units may be negatively affected.

Our business is not diversified. Our success depends primarily on our ability to profitably operate our ethanol plant. We do not have any other lines of business or any other significant source of revenue if we are unable to operate our ethanol plant and manufacture ethanol, distillers grains and corn oil. If economic or political factors adversely affect the market for ethanol, distillers grains and corn oil, we may not be able to continue our operations. Our business would also be significantly harmed if our ethanol plant could not operate at full capacity for any extended period of time, which could reduce or eliminate the value of our units.

Our inability to secure credit facilities we may require in the future may negatively impact our liquidity. While we do not currently require more financing than we have, in the future we may need additional financing. If we require financing in the future and we are unable to secure such financing, or we are unable to secure the financing we require on reasonable terms, it may have a negative impact on our liquidity which could negatively impact the value of our units.

Our product marketer may fail to market our products at competitive prices which may cause us to operate unprofitably. RPMG is the sole marketer of all of our ethanol, corn oil and some of our distillers grains, and we rely heavily on its marketing efforts to successfully sell our products. Because RPMG sells ethanol, corn oil and distillers grains for a number of other producers, we have limited control over its sales efforts. Our financial performance is dependent upon the financial health of RPMG as most of our revenue is attributable to RPMG's sales. If RPMG breaches our marketing agreements or it cannot market all of the ethanol, corn oil and distillers grains we produce, we may not have any readily available means to sell our ethanol, corn oil and distillers grains and our financial performance could be negatively affected. While we market a portion of our distillers grains internally to local consumers, we do not anticipate that we would have the ability to sell all of the distillers grains, corn oil and ethanol we produce ourselves. If our agreements with RPMG terminate, we may seek other arrangements to sell our ethanol, corn oil and distillers grains, including selling our own products, but we may not be able to achieve results comparable to those achieved by RPMG which could harm our financial performance. Switching marketers may negatively impact our cash flow and our ability to continue to operate the ethanol plant. If we are unable to sell all of our ethanol, distillers grain and corn oil at prices that allow us to operate profitably, it may decrease the value of our units.

We engage in hedging transactions which involve risks that could harm our business. We are exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn and natural gas in the ethanol production process. We seek to minimize the risks from fluctuations in the prices of corn, natural gas and ethanol through the use of hedging instruments. These hedging instruments can be risky and can negatively impact our liquidity. In times when commodity prices are volatile, we may be required to use significant amounts of cash to make margin calls as a result of our hedging positions. The effectiveness of our hedging strategies is dependent on the price of corn, natural gas and ethanol and our ability to sell sufficient products to use all of the corn and natural gas for which we have futures contracts. Our hedging activities may not successfully reduce the risk caused by price fluctuation which may leave us vulnerable to corn and natural gas prices. We may choose not to engage in hedging transactions in the future and our operations and financial conditions may be adversely affected during periods in which corn and/or natural gas prices increase. These hedging transactions could impact our ability to profitably operate the ethanol plant and negatively impact our liquidity.

We may incur casualty losses that are not covered by insurance which could negatively impact the value of our units. We have purchased insurance which we believe adequately covers our potential losses from foreseeable risks. However, there are risks that we may encounter for which there is no insurance or for which insurance is not available on terms that are acceptable to us. If we experience a loss which materially impairs our ability to operate the ethanol plant which is not covered by insurance, the value of our units could be reduced or eliminated.

Our operations may be negatively impacted by natural disasters, severe weather conditions, and other unforeseen plant shutdowns which can negatively impact our operations. Our operations may be negatively impacted by events outside of our control such as natural disasters, severe weather, strikes, train derailments and other unforeseen events which may negatively impact our operations. If we experience any of these unforeseen circumstances which negatively impact our operations, it may affect our cash flow and negatively impact the value of our business.

We depend on our management and key employees, and the loss of these relationships could negatively impact our ability to operate profitably. We are highly dependent on our management team to operate our ethanol plant. We may not be able to replace these individuals should they decide to cease their employment with us, or if they become unavailable for any other reason. While we seek to compensate our management and key employees in a manner that will encourage them to continue their employment with us, they may choose to seek other employment. Any loss of these managers or key employees may prevent us from operating the ethanol plant profitably and could decrease the value of our units.

We may violate the terms of our loan agreements and financial covenants which could result in our lender demanding immediate repayment of our loans. We have a credit facility with Farm Credit. Our credit agreements with Farm Credit include various financial loan covenants. We are currently in compliance with all of our financial loan covenants. Current management projections indicate that we will be in compliance with our loan covenants for at least the next 12 months. However, unforeseen circumstances may develop which could result in us violating our loan covenants. If we violate the terms of our loan agreements, Farm Credit, our primary lender, could deem us in default of our loans and require us to immediately repay any outstanding balance of our loans. If we do not have the funds available to repay the loans and we cannot find another source of financing, we may fail which could decrease the value of our units.

Risks Related to Ethanol Industry

Excess ethanol supply in the market could put negative pressure on the price of ethanol which could lead to tight operating margins and may impact our ability to operate profitably. In the past the ethanol industry has confronted market conditions where ethanol supply exceeded demand which led to unfavorable operating conditions. Most recently, in 2012, profitability in the ethanol industry was reduced due to increased ethanol imports from Brazil at a time when gasoline demand in the United States was lower and domestic ethanol supplies were higher. This disconnect between ethanol supply and demand resulted in lower ethanol prices at a time when corn prices were higher which led to unfavorable operating conditions. We may experience periods of time when ethanol supply exceeds demand which could negatively impact our profitability. During 2020 we experienced excess ethanol supply compared to demand which negatively impacted profitability in the industry. The United States benefited from additional exports of ethanol in recent years which may not continue to occur during our 2021 fiscal year. We may experience periods of ethanol supply and demand imbalance during our 2021 fiscal year. If we experience excess ethanol supply, either due to increased ethanol production or lower domestic or foreign demand, it could negatively impact the price of ethanol which could hurt our ability to profitably operate the ethanol plant.

Demand for ethanol may not increase past current levels unless higher percentage blends of ethanol are more widely used. Currently, ethanol is primarily blended with gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% gasoline. Estimates indicate that approximately 143 billion gallons of gasoline are sold in the

United States each year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum domestic demand for ethanol is 14.3 billion gallons. This is commonly referred to as the "blend wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. Many in the ethanol industry believe that the ethanol industry has reached this blend wall. In order to expand demand for ethanol, higher percentage blends of ethanol must be utilized in standard vehicles. Such higher percentage blends of ethanol are a contentious issue. Automobile manufacturers and environmental groups have fought against higher percentage ethanol blends. The EPA approved the use of E15 for standard (non-flex fuel) vehicles produced in the model year 2001 and later. The fact that E15 has not been approved for use in all vehicles and the labeling requirements associated with E15 may lead to gasoline retailers refusing to carry E15. Without an increase in the allowable percentage blends of ethanol that can be used in all vehicles, demand for ethanol may not continue to increase which could decrease the selling price of ethanol and could result in our inability to operate the ethanol plant profitably, which could reduce or eliminate the value of our units.

Changes and advances in ethanol production technology could require us to incur costs to update our plant or could otherwise hinder our ability to compete in the ethanol industry or operate profitably. Advances and changes in the technology of ethanol production are expected to occur. Such advances and changes may make the ethanol production technology installed in our plant less desirable or obsolete. These advances could also allow our competitors to produce ethanol at a lower cost than we are able. If we are unable to adopt or incorporate technological advances, our ethanol production methods and processes could be less efficient than our competitors, which could cause our plant to become uncompetitive or completely obsolete. If our competitors develop, obtain or license technology that is superior to ours or that makes our technology obsolete, we may be required to incur significant costs to enhance or acquire new technology so that our ethanol production remains competitive. Alternatively, we may be required to seek third-party licenses, which could also result in significant expenditures. These third-party licenses may not be available or, once obtained, they may not continue to be available on commercially reasonable terms. These costs could negatively impact our financial performance by increasing our operating costs and reducing our net income.

Decreases in ethanol demand may result in excess production capacity in our industry. The supply of domestically produced ethanol is at an all-time high. According to the Renewable Fuels Association, as of December 31, 2020, there are 210 ethanol plants with capacity to product approximately 17.6 billion gallons of ethanol per year. Excess ethanol production capacity may have an adverse impact on our results of operations, cash flows and general financial condition. Further, ethanol demand may be negatively impacted by reductions in the RFS. While the United States is currently exporting ethanol which has generally resulted in increased ethanol demand, these ethanol exports may not continue. If ethanol demand does not grow at the same pace as increases in supply, we expect the selling price of ethanol to decline. If excess capacity in the ethanol industry continues to occur, the market price of ethanol may decline to a level that is inadequate to generate sufficient cash flow to cover our costs, which could negatively affect our profitability.

We operate in an intensely competitive industry and compete with larger, better financed companies which could impact our ability to operate profitably. There is significant competition among ethanol producers. There are numerous producer-owned and privately-owned ethanol plants operating throughout the Midwest and elsewhere in the United States. We also face competition from ethanol producers located outside of the United States. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET Biorefining, and Valero Renewable Fuels, each of which is capable of producing significantly more ethanol than we produce. Further, many believe that there will be consolidation occurring in the ethanol industry which will likely lead to a few companies that control a significant portion of the United States ethanol production market. We may not be able to compete with these larger producers. These larger ethanol producers may be able to affect the ethanol market in ways that are not beneficial to us which could negatively impact our financial performance and the value of our units.

Competition from the advancement of alternative fuels and other technologies may lessen demand for ethanol. Alternative fuels, gasoline oxygenates and ethanol production methods are continually under development. A number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells, plug-in hybrids, and electric cars or clean burning gaseous fuels. Like ethanol, these emerging technologies offer an option to address worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns. If these alternative technologies continue to expand and gain broad acceptance and become readily available to consumers for motor vehicle use, we may not be able to compete effectively. This additional competition could reduce the demand for ethanol, resulting in lower ethanol prices that might adversely affect our results of operations and financial condition.

Consumer resistance to the use of ethanol based on the belief that ethanol is expensive, adds to air pollution, harms engines and/or takes more energy to produce than it contributes or based on perceived issues related to the use of corn as the feedstock to produce ethanol may affect demand for ethanol. Certain individuals believe that the use of ethanol will have a negative impact on gasoline prices at the pump. Some also believe that ethanol adds to air pollution and harms car and truck engines. Still other consumers believe that the process of producing ethanol actually uses more fossil energy, such as oil and natural gas, than the amount of energy that is produced. Further, some consumers object to the fact that ethanol is produced using corn as the feedstock which these consumers perceive as negatively impacting food prices. These consumer beliefs could potentially be wide-spread and may be increasing as a result of recent efforts to increase the allowable percentage of ethanol that may be blended for use in vehicles. If consumers choose not to buy ethanol based on these beliefs, it would affect demand for the ethanol we produce which could negatively affect our profitability and financial condition.

If exports of ethanol are reduced, including as a result of the imposition of tariffs on U.S. ethanol, ethanol prices may be negatively impacted. The United States ethanol industry was supported during our 2020 fiscal year with exports of ethanol, which has generally over the recent years increased demand for our ethanol. Management believes these exports of ethanol were due to lower market ethanol prices in the United States and increased global demand for ethanol. Further, in 2017 both Brazil and China implemented tariffs on ethanol produced in the United States. These tariffs have resulted in decreased demand for ethanol from these countries which has negatively impacted ethanol prices in the United States. Any decrease in ethanol prices or demand may negatively impact our ability to profitably operate the ethanol plant.

Distillers grains demand and prices may continue to be negatively impacted by the Chinese antidumping and countervailing duty investigation. China was historically the world's largest importer of distillers grains produced in the United States. On January 12, 2016, the Chinese government announced that it would commence an anti-dumping and countervailing duty investigation related to distillers grains imported from the United States. In January 2017, the Chinese set the final anti-dumping duties from 42.2% to 53.7%, and set the final anti-subsidy tariffs from 11.2% to 12%. Both during the investigation and after the announcement of the duty, distillers grains demand and prices have been negatively impacted. While we expect China to continue to import some distillers grains, due to continued trade disputes and tensions between the United States and China, management does not expect these tariffs to be removed in the near term which could continue to negatively impact market distillers grains demand and prices. This reduction in demand along with lower domestic corn prices could negatively impact our ability to profitably operate the ethanol plant.

A reduction in ethanol exports to Brazil due to the imposition by the Brazilian government of a tariff on U.S. ethanol could have a negative impact on ethanol prices. Brazil has historically been a top destination for ethanol produced in the United States. However, in 2017, Brazil imposed a 20% tariff on ethanol which is produced in the United States and exported to Brazil. This tariff has resulted in a decline in demand for ethanol from Brazil. The effect of the tariff had been mitigated somewhat by the adoption of a rate tariff quota that allowed 750 million liters of ethanol annually to be allowed into Brazil before the tariff applies. However, this rate tariff quota expired on December 14, 2020, so all of the ethanol exports to Brazil is now subject to the 20% tariff. This tariff has negatively impacted ethanol demand and prices in the United States, and could negatively impact our ability to profitably operate the ethanol plant.

Overcapacity within the ethanol industry could cause an oversupply of ethanol and a decline in ethanol prices. Excess ethanol production capacity could have an adverse impact on our results of operations, cash flows and general financial condition. If demand for ethanol does not grow at the same pace as increases in supply, we would expect the price of ethanol to decline. If excess capacity in the ethanol industry occurs, the market price of ethanol may decline to a level that is inadequate to generate sufficient cash flow to cover our costs which could reduce the value of our units.

Many ethanol producers are expanding their production capacity which could lead to an oversupply of ethanol in the United States. Recently, many ethanol producers have commenced projects to expand their ethanol production capacities. These expansions could result in a significant increase in the supply of ethanol in the United States. Currently, ethanol prices are supported by ethanol exports which may not continue at their current levels. While many in the ethanol industry are working to increase the amount of ethanol that is used domestically, specifically in the form of E15, which contains 15% ethanol as compared to the 10% ethanol which is used in most current blends, adoption of E15 has not been as rapid as most ethanol producers would like. Also, the additional ethanol capacity which is being constructed may exceed current domestic and export demand. An oversupply of ethanol negatively impacts domestic ethanol prices which could negatively impact our ability to profitably operate the ethanol plant.

We made significant investments in Guardian Hankinson, LLC and Ring-neck Energy & Feed, LLC which may fail. In December 2013, we made a $12 million investment in Guardian Hankinson, LLC, an entity that owns an ethanol plant in North Dakota. In addition, in July 2017, we made a $10 million investment in Ring-neck Energy & Feed, LLC. Both of these companies will face many of the same risks that we face in operating our ethanol plant. Further, we have limited control over the management decisions made by Guardian Hankinson, LLC and Ring-neck Energy & Feed, LLC. If Guardian Hankinson, LLC or Ring-neck Energy & Feed, LLC is ultimately unsuccessful, it could negatively impact the return we receive on our investment which could negatively impact our financial performance and the value of our units.

Failures of our information technology infrastructure could have a material adverse effect on operations. We utilize various software applications and other information technology that are critically important to our business operations. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, including production, manufacturing, financial, logistics, sales, marketing and administrative functions. We depend on our information technology infrastructure to communicate internally and externally with employees, customers, suppliers and others. We also use information technology networks and systems to comply with regulatory, legal and tax requirements. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses and ransomware attacks by computer hackers or other cybersecurity risks, telecommunication failures, user errors, natural disasters, terrorist attacks or other catastrophic events. If any of our significant information technology systems suffer severe damage, disruption or shutdown, and our disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected.

A cyber attack or other information security breach could have a material adverse effect on our operations and result in financial losses. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and ransomware as well as other events that could have a security impact. If we are unable to prevent cyber attacks and other information security breaches, we may encounter significant disruptions in our operations which could adversely impact our business, financial condition and results of operations or result in the unauthorized disclosure of confidential information. Such breaches may also harm our reputation, result in financial losses or subject us to litigation or other costs or penalties.

Risks Related to Regulation and Governmental Action

Government incentives for ethanol production may be reduced or eliminated in the future, which could hinder our ability to operate at a profit. The ethanol industry is assisted by various federal and state ethanol incentives, the most important of which is the RFS set forth in the Energy Policy Act of 2005. The RFS helps support a market for ethanol that might disappear without this incentive. The EPA has the authority to waive the RFS statutory volume requirement, in whole or in part, provided certain conditions have been met. Annually, the EPA is supposed to pass a rule that establishes the number of gallons of different types of renewable fuels that must be used in the United States which is called the renewable volume obligations. In the past, the EPA has set the renewable volume obligations below the statutory volume requirements. On December 19, 2019, the EPA released its final rule and set the 2020 total volume obligation at 20.09 billion gallons of which 15.0 billion gallons could be met by corn-based ethanol. The EPA has not yet set the RVO for 2021. If the EPA were to significantly reduce the volume requirements under the RFS or if the RFS were to be otherwise reduced or eliminated by the exercise of the EPA waiver authority or by Congress in the future, the market price and demand for ethanol could decrease which will negatively impact our financial performance.

The California Low Carbon Fuel Standard may decrease demand for corn-based ethanol which could negatively impact our profitability. California passed a Low Carbon Fuels Standard ("LCFS") which requires that renewable fuels used in California must accomplish certain reductions in greenhouse gases which reductions are measured using a lifecycle analysis. Management believes that these regulations could preclude corn-based ethanol produced in the Midwest from being used in California. California represents a significant ethanol demand market. If the ethanol industry is unable to supply corn-based ethanol to California, it could significantly reduce demand for the ethanol we produce. This could result in a reduction of our revenues and negatively impact our ability to profitably operate the ethanol plant.

Tax reform legislation could impact our members. On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (the "Tax Reform Act"), which amends certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Tax Reform Act has wide ranging impacts, including changes to the taxation of limited liabilities companies such as the Company. The Tax Reform Act includes changes to U.S. federal tax rates, limits the deductibility of interest and allows for the expensing of capital expenditures. The impact of this tax reform on the Company and any implementing regulations and interpretations could adversely affect our business and financial condition and require that we restructure the Company.

Changes in environmental regulations or violations of these regulations could be expensive and reduce our profitability. We are subject to extensive air, water and other environmental laws and regulations. In addition, some of these laws require our plant to operate under a number of environmental permits. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, damages, criminal sanctions, permit revocations and/or plant shutdowns. In the future, we may be subject to legal actions brought by environmental advocacy groups and other parties for actual or alleged violations of environmental laws or our permits. Additionally, any changes in environmental laws and regulations, both at the federal and state level, could require us to spend considerable resources in order to comply with future environmental regulations. The expense of compliance could be significant enough to reduce our profitability and negatively affect our financial condition.

Carbon dioxide may be regulated in the future by the EPA as an air pollutant requiring us to obtain additional permits and install additional environmental mitigation equipment, which could adversely affect our financial performance. In 2007, the Supreme Court decided a case in which it ruled that carbon dioxide is an air pollutant under the Clean Air Act for motor vehicle emissions. In 2011 the EPA issued a tailoring rule that deferred greenhouse gas regulations for ethanol plants until July of 2014. However, in July of 2013 the D.C. Circuit issued an opinion vacating the EPA's deferral of those regulations for biogenic sources, including ethanol plants. On June 23, 2014 the U.S. Supreme Court affirmed in part and reversed in part the D.C. Circuit's decision. For plants that already hold PSD permits the court generally affirmed the EPA's ability to regulate greenhouse gas regulations. Our plant produces a significant amount of carbon dioxide. While there are currently no regulations restricting carbon dioxide emissions, if the EPA or the State of South Dakota were to regulate carbon dioxide emissions by plants such as ours, we may have to apply for additional permits or we may be required to install carbon dioxide mitigation equipment or take other as yet unknown steps to comply with these potential regulations. Compliance with any future regulation of carbon dioxide, if it occurs, could be costly and may prevent us from operating the ethanol plant profitably which could decrease or eliminate the value of our units.

Government policies and regulations, particularly those affecting the agricultural sector and related industries, could adversely affect our operations and profitability. Agricultural commodity production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, trade tariffs, duties, subsidies, import and export restrictions on commodities and commodity products, can influence industry profitability, the planting of certain crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports. In addition, international trade disputes can adversely affect trade flows by limiting or disrupting trade between countries or regions. Future governmental policies, regulations or actions affecting our industry may adversely affect the supply of, demand for and prices of our products, restrict our ability to do business and cause our financial results to suffer. We may experience negative impacts of higher ethanol tariffs and other disruptions to international agricultural trade. In April of 2018, the Chinese government increased the tariff on United States ethanol imports into China from 30% to 45% and ultimately 70%. We cannot estimate the exact effect this tariff increase will have on the overall domestic ethanol market. However, the increased tariff is expected to reduce overall United States ethanol export demand, which could have a negative effect on domestic ethanol prices.

ITEM 2. PROPERTIES.

We own Dakota Ethanol as a wholly-owned subsidiary. The ethanol plant is located on Dakota Ethanol's 210-acre rural site near Wentworth, South Dakota. All of our operations occur at our plant in Wentworth, South Dakota.

All of Dakota Ethanol's tangible and intangible property, real and personal, serves as the collateral for debt financing with FCSA described below under "**Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Indebtedness**."

ITEM 3. LEGAL PROCEEDINGS.

From time to time in the ordinary course of business, Dakota Ethanol or Lake Area Corn Processors may be named as a defendant in legal proceedings related to various issues, including, worker's compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings, directly or indirectly, and we are not aware of any claims pending or threatened against us or any of the managers that could result in the commencement of material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED MEMBER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Recent Sales of Unregistered Equity Securities

None.

Market Information

There is no public trading market for our units. Our units may only be transferred in accordance with our Capital Units Transfer System, which provides for transfers by gift to family members, upon death, and through a qualified matching service, subject to approval by our board of managers. Our qualified matching service is operated through Variable Investment Advisors, Inc., a registered broker-dealer based in Sioux Falls, South Dakota. Variable Investment Advisor's Alternative Trading System may be accessed at www.agstocktrade.com. The matching service consists of an electronic bulletin board that provides information to prospective sellers and buyers of our units. We do not receive any compensation relating to the matching service. We have no role in effecting the transactions beyond approval, as required under our operating agreement, and the issuance of new certificates. So long as we remain a publicly reporting company, information about us will be publicly available through the SEC's filing system.

Unit Holders

As of March 12, 2021, we had 29,620,000 membership units issued and outstanding and a total of approximately 1,069 unit holders.

Bid and Asked Prices

The following table contains historical information concerning completed unit transactions that occurred during our last two fiscal years. Our bulletin board trading system does not track bid and asked prices and therefore we only have information concerning completed unit transactions.

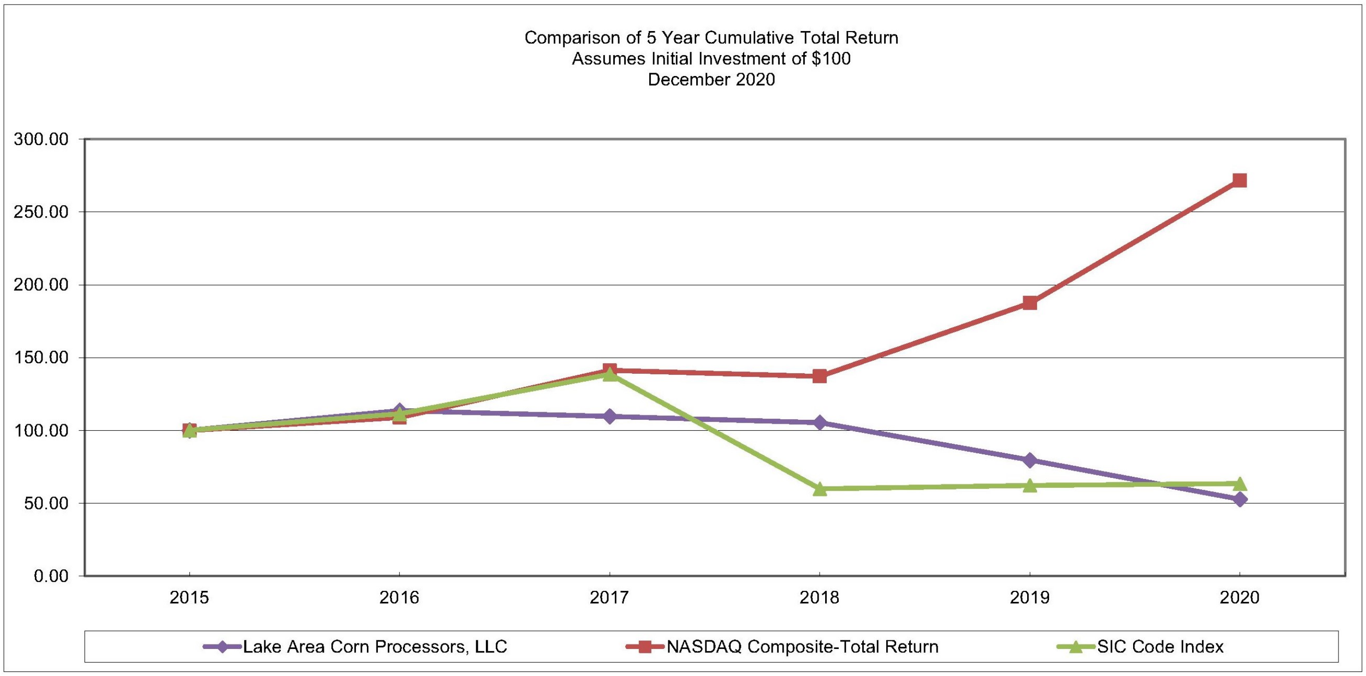
Quarter	Low Price	High Price	Average Price	Number of Units Traded
First Quarter 2019	$ 3.09	$ 3.25	$ 3.15	$ 23,000
Second Quarter 2019	3.00	3.10	3.02	54,500
Third Quarter 2019	2.75	2.80	2.79	31,500
Fourth Quarter 2019	2.40	2.50	2.43	29,000
First Quarter 2020	2.10	2.34	2.16	59,000
Second Quarter 2020	—	—	—	—
Third Quarter 2020	1.50	1.51	1.50	45,000
Fourth Quarter 2020	1.57	1.63	1.61	90,000

Distributions

Our board of managers has complete discretion over the timing and amount of distributions to our unit holders subject to certain restrictions in our credit agreements and our operating agreement. Our expectations with respect to our ability to make future distributions are discussed further in "**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**." Distributions are restricted by certain loan covenants in our credit agreements with Farm Credit.

Performance Graph

The following graph shows a comparison of cumulative total member return since December 31, 2015, calculated on a dividend reinvested basis, for the Company, the NASDAQ Composite Index (the "NASDAQ Market Index") and an index of other companies that have the same SIC code as the Company (the "SIC Code Index"). The graph assumes $100 was invested in each of our units, the NASDAQ Market Index, and the SIC Code Index on December 31, 2015. Data points on the graph are annual. Note that historic unit price performance is not necessarily indicative of future unit price performance. The data for this performance graph was compiled for us by Zacks Investment Research, Inc.



Pursuant to the rules and regulations of the Securities and Exchange Commission, the performance graph and the information set forth therein shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected consolidated financial data, which is derived from our audited financial statements for the periods indicated. The selected consolidated balance sheet financial data as of December 31, 2018, 2017 and 2016 and the selected consolidated income statement data and other financial data for the years ended December 31, 2017 and 2016 have been derived from our audited consolidated financial statements that are not included in this Form 10-K. The selected consolidated balance sheet financial data as of December 31, 2020 and 2019 and the selected consolidated income statement data and other financial data for each of the years in the three year period ended December 31, 2020 have been derived from the audited Consolidated Financial Statements included elsewhere in this Form 10-K. You should read the following table in conjunction with (i) the consolidated financial statements and accompanying notes included elsewhere in this Form 10-K; (ii) "**Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**"; and (iii) "**Item 1A - Risk Factors**" found elsewhere in this Form 10-K. Among other things, those items include more detailed information regarding the basis of presentation for the following consolidated financial data.

Statement of Operations Data:	2020	2019	2018	2017	2016
Revenues	$ 130,521,814	$ 115,986,821	$ 74,703,630	$ 84,821,788	$ 88,812,550
Cost of Revenues	124,493,268	114,687,231	68,619,694	76,253,945	76,097,861
Gross Profit	6,028,546	1,299,590	6,083,936	8,567,843	12,714,689
Operating Expense	4,418,074	4,060,343	3,837,659	3,717,291	3,642,087
Income (Loss) From Operations	1,610,472	(2,760,753)	2,246,277	4,850,552	9,072,602
Other Income (Expense)	(554,833)	(1,063,431)	470,310	1,534,531	2,332,606
Net Income (Loss)	$ 1,055,639	$ (3,824,184)	$ 2,716,587	$ 6,385,083	$ 11,405,208
Capital Units Outstanding	29,620,000	29,620,000	29,620,000	29,620,000	29,620,000
Net Income (Loss) Per Capital Unit	$ 0.04	$ (0.13)	$ 0.09	$ 0.22	$ 0.39
Cash Distributions per Capital Unit	$ —	$ —	$ 0.10	$ 0.20	$ 0.40

Balance Sheet Data:	2020	2019	2018	2017	2016
Working Capital	$ 12,348,891	$ 8,323,445	$ 72,709	$ 6,131,109	$ 11,313,046
Net Property, Plant & Equipment	61,367,497	66,707,481	63,748,268	39,968,930	34,824,202
Total Assets	121,857,947	119,810,318	102,866,072	84,072,240	78,116,089
Long-Term Obligations	35,561,237	37,993,208	23,593,368	6,983,944	26,556
Members' Equity	65,268,579	64,212,940	68,037,124	68,282,537	67,821,454
Book Value Per Capital Unit	$ 2.20	$ 2.17	$ 2.30	$ 2.31	$ 2.29

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

Comparison of the Fiscal Years Ended December 31, 2020 and 2019

The following table shows the results of our operations and the percentage of revenues, cost of revenues, operating expenses and other items to total revenues in our consolidated statements of operations for the fiscal years ended December 31, 2020 and 2019:

	2020		2019	
Income Statement Data	**Amount**	**%**	**Amount**	**%**
Revenue	$ 130,521,814	100.0	$ 115,986,821	100.0
Cost of Revenues	124,493,268	95.4	114,687,231	98.9
Gross Profit	6,028,546	4.6	1,299,590	1.1
Operating Expense	4,418,074	3.4	4,060,343	3.5
Income (Loss) from Operations	1,610,472	1.2	(2,760,753)	(2.4)
Other Income (Expense)	(554,833)	(0.4)	(1,063,431)	(0.9)
Net Income (Loss)	$ 1,055,639	0.8	$ (3,824,184)	(3.3)

Revenues

Revenue from ethanol sales increased by approximately 9.6% during our 2020 fiscal year compared to the same period of 2019. Revenue from distillers grains sales increased by approximately 20.4% during our 2020 fiscal year compared to the same period of 2019. Revenue from corn oil sales increased by approximately 35.6% during our 2020 fiscal year compared to the same period of 2019.

Ethanol

Our ethanol revenue increased by approximately 9.6% during our 2020 fiscal year compared to our 2019 fiscal year. This increase in ethanol revenue was due to increased gallons of ethanol produced and sold due to our plant expansion project partially offset by a lower average price we received per gallon of ethanol sold. The average price we received for our ethanol during our 2020 fiscal year was approximately 8.2% lower compared to our 2019 fiscal year. Management attributes this decrease in the average price we received per gallon of ethanol with decreased gasoline demand due to travel restrictions from the COVID-19 pandemic. Since ethanol is typically blended with gasoline, when gasoline demand is lower, it has a corresponding impact on ethanol demand. As a result, we experienced a significant decrease in average ethanol prices during our first and second quarters of our 2020 fiscal year. Ethanol prices rebounded during our third and fourth quarters of our 2020 fiscal year. Ethanol exports were also lower during our 2020 fiscal year compared to our 2019 fiscal year as the COVID-19 pandemic had an impact on gasoline and ethanol demand globally. Management expects ethanol prices to remain lower during our 2021 fiscal year as gasoline demand will continue to be negatively impacted by COVID-19. However, management believes that as the COVID-19 vaccine is administered, it may result in increased travel which may have a positive impact on ethanol prices.

Ethanol sales volumes were greater during our 2020 fiscal year compared to the same period of 2019 due to our plant expansion project, which was operational for our entire 2020 fiscal year, partially offset by lower ethanol sales during our first and second quarters of 2020 due to the COVID-19 pandemic. The total gallons of ethanol we sold during our 2020 fiscal year was approximately 19.4% greater compared to the same period of 2019. Management anticipates increased ethanol production and sales during our 2021 fiscal year compared to our 2020 fiscal year provided ethanol demand is higher during our 2021 fiscal year compared to our 2020 fiscal year. Further, management anticipates that we will continue to work to maximize our production following completion of our plant expansion project.

Distillers Grains

Our total distillers grains revenue increased by approximately 20.4% for our 2020 fiscal year compared to the same period of 2019. The increase in revenue from distillers grains was primarily due to increased tons of distillers grains sold during our 2020 fiscal year. For our 2020 fiscal year, we sold approximately 38.1% of our total distillers grains, by volume, in the dried form and approximately 61.9% of our total distillers grains in the modified/wet form. For our 2019 fiscal year, we sold approximately 25.9% of our total distillers grains, by volume, in the dried form and approximately 74.1% of our total distillers grains in the modified/wet form. The average price we received for our modified/wet distillers grains was approximately 1.3% less for our 2020 fiscal year compared to the same period of 2019. Due to our plant expansion project, the supply of modified/wet distillers grains in our market is higher which has had an impact on the price we received for our modified/wet distillers grains. Modified/wet distillers grains have a shorter shelf life and are more expensive to transport compared to dried distillers grains. As a result, they are only sold in our local market.

The average price we received for our dried distillers grains was approximately 0.4% greater during our 2020 fiscal year compared to the same period of 2019. Management attributes this increase in dried distillers grains prices with lower distillers grains production in the United States due to reduced ethanol demand. This reduction in distillers grains production reduced the supply of distillers grains in the market which had a positive impact on prices.

Management expects that distillers grains prices may be higher during our 2021 fiscal year due to anticipated higher corn prices during our 2021 fiscal year which typically has a positive impact on distillers grains prices. Further, if China and the United States reach an agreement on trade disputes which have occurred in recent years, it may have a positive impact on distillers grains prices and demand.

Management anticipates increased distillers grains production during our 2021 fiscal year compared to our 2020 fiscal year due to anticipated increased overall production at the ethanol plant provided ethanol demand remains steady during our 2021 fiscal year.

Corn Oil

Our total corn oil revenue increased by approximately 35.6% during our 2020 fiscal year compared to the same period of 2019. Our total pounds of corn oil sold increased by approximately 27.4% during our 2020 fiscal year compared to the same period of 2019, primarily due to increased production due to our plant expansion project. Management anticipates increased corn oil production during our 2021 fiscal year compared to our 2020 fiscal year due to anticipated increased production provided ethanol demand remains at current levels allowing us to operate the ethanol plant at capacity during our 2021 fiscal year.

The average price we received for our corn oil was approximately 6.4% greater during our 2020 fiscal year compared to the same period of 2019. Management believes that corn oil prices were higher due to less total industry-wide ethanol production during our 2020 fiscal year which reduced the volume of corn oil in the market. In addition, corn oil demand remained favorable due to demand from the biodiesel industry which uses corn oil as a feedstock to produce biodiesel. The biodiesel blenders' tax credit was reinstated through 2022 so we expect that corn oil demand will remain higher through 2022.

Cost of Revenues

The primary raw materials we use to produce ethanol, distillers grains and corn oil are corn and natural gas.

Corn

Our cost of revenues relating to corn was approximately 8.1% greater for our 2020 fiscal year compared to the same period of 2019. Our average cost per bushel of corn decreased by approximately 10.0% for our 2020 fiscal year compared to our 2019 fiscal year. Management attributes the decrease in corn prices to decreased corn demand from the ethanol industry. Corn demand was lower due to decreased ethanol demand during the COVID-19 pandemic. Management anticipates corn prices will be higher during our 2021 fiscal year due to anticipated higher corn demand from the ethanol industry.

We used approximately 19.9% more bushels of corn during our 2020 fiscal year compared to the same period of 2019 due to increased overall production at the ethanol plant during our 2020 fiscal year. Management expects our corn consumption will be higher during our 2021 fiscal year compared to our 2020 fiscal year due to an anticipated increase in ethanol production during our 2021 fiscal year provided ethanol demand returns to more normal levels during our 2021 fiscal year.

We experienced approximately $1,627,000 of combined realized and unrealized loss for our 2020 fiscal year related to our corn derivative instruments which increased our cost of goods sold. By comparison, we experienced approximately $906,000 of combined realized and unrealized loss for our 2019 fiscal year related to our corn derivative instruments which increased our cost of goods sold We recognize the gains or losses that result from the changes in the value of our derivative instruments from corn in cost of goods sold as the changes occur. As corn prices fluctuate, the value of our derivative instruments are impacted, which affects our financial performance.

Natural Gas

Our cost of revenues related to natural gas increased by approximately 10.8% for our 2020 fiscal year compared to our 2019 fiscal year. This increase was due to increased consumption due to our plant expansion project, partially offset by lower natural gas costs per MMBtu during our 2020 fiscal year compared to the same period of 2019. Natural gas prices were lower during our 2020 fiscal year compared to the same period of 2019 primarily because of decreased natural gas demand and lower energy prices generally during 2020 which decreased natural gas prices during that period of time. Our average cost per MMBtu of natural gas during our 2020 fiscal year was approximately 6.7% less compared to the cost for our 2019 fiscal year. Management anticipates higher natural gas costs per MMBtu during 2021 due to cold weather during the first quarter of our 2021 fiscal year.

We used approximately 18.6% more MMBtus of natural gas during our 2020 fiscal year compared to the same period of 2019 due to increased overall production due to our plant expansion project. Management anticipates that our natural gas consumption during our 2021 fiscal year will increase due to expected increased production during our 2021 fiscal year provided we can operate the ethanol plant at capacity during our 2021 fiscal year.

Operating Expense

Our operating expenses were higher for our 2020 fiscal year compared to the same period of 2019 due primarily to increased professional fees and property insurance premiums.

Other Income and Expense

Our interest and other income was greater during our 2020 fiscal year compared to our 2019 fiscal year due to additional dividend income from our lender during the 2020 period. Our equity in net income of our investments was higher during our 2020 fiscal year compared to our 2019 fiscal year due to increased profitability in the ethanol industry which impacts the income generated by our investments. We had significantly more interest expense during our 2020 fiscal year compared to our 2019 fiscal year due to borrowing for our plant expansion project. During the time the expansion was under construction, interest was capitalized. When the expansion became operational, subsequent interest was expensed to our statement of operations.

Results of Operations

Comparison of the Fiscal Years Ended December 31, 2019 and 2018

The following table shows the results of our operations and the percentage of revenues, cost of revenues, operating expenses and other items to total revenues in our consolidated statements of operations for the fiscal years ended December 31, 2019 and 2018:

Income Statement Data	2019 Amount	2019 %	2018 Amount	2018 %
Revenue	$ 115,986,821	100.0	$ 74,703,630	100.0
Cost of Revenues	114,687,231	98.9	68,619,694	91.9
Gross Profit	1,299,590	1.1	6,083,936	8.1
Operating Expense	4,060,343	3.5	3,837,659	5.1
Income (Loss) from Operations	(2,760,753)	(2.4)	2,246,277	3.0
Other Income (Expense)	(1,063,431)	(0.9)	470,310	0.6
Net Income (Loss)	$ (3,824,184)	(3.3)	$ 2,716,587	3.6

Revenues

Revenue from ethanol sales increased by approximately 56.7% during our 2019 fiscal year compared to the same period of 2018. Revenue from dried distillers grains sales increased by approximately 97.4% during our 2019 fiscal year compared to the same period of 2018. Revenue from modified distillers grains sales increased by approximately 32.7% during our 2019 fiscal year compared to the same period of 2018. Revenue from corn oil sales increased by approximately 88.4% during our 2019 fiscal year compared to the same period of 2018.

Ethanol

Our ethanol revenue increased by approximately $32.7 million during our 2019 fiscal year compared to our 2018 fiscal year, an increase of approximately 56.7%. This increase in ethanol revenue was due to increased gallons of ethanol produced and sold due to our plant expansion project along with an increase in the average price we received for our ethanol. The average price we received for our ethanol during our 2019 fiscal year was approximately $0.06 higher compared to our 2018 fiscal year. Management attributes this increase in the average price we received per gallon of ethanol with fewer small refinery waiver exemptions which were allowed by the EPA during our 2019 fiscal year compared to our 2018 fiscal year. Also, due to unfavorable operating margins in the ethanol industry, some ethanol producers reduced production or ceased production altogether which resulted in a drop in ethanol supply in the market. This decrease in ethanol supply provided some price support for the ethanol we produced. Ethanol exports were lower during our 2019 fiscal year compared to our 2018 fiscal year which had a negative impact on market ethanol demand. The ethanol industry depends on ethanol exports which are more volatile than domestic demand.

Ethanol sales volumes were greater during our 2019 fiscal year compared to the same period of 2018 due to our plant expansion project which was operational during our 2019 fiscal year. Our total gallons of ethanol sold during our 2019 fiscal year was approximately 49.2% greater compared to the same period of 2018, an increase of approximately 22,793,000 gallons.

Distillers Grains

Our total distillers grains revenue increased for our 2019 fiscal year compared to the same period of 2018. The increase in revenue was due to increased average prices we received for our distillers grains along with increased production due to our plant expansion project. For our 2019 fiscal year, we sold approximately 25.9% of our total distillers grains, by volume, in the dried form and approximately 74.1% of our total distillers grains in the modified/wet form. For our 2018 fiscal year, we sold approximately 17.0% of our total distillers grains, by volume, in the dried form and approximately 83.0% of our total distillers grains in the modified/wet form. The average price we received for our dried distillers grains was approximately 8.1% less during our 2019 fiscal year compared to the same period of 2018, a decrease of approximately $11 per ton. Management attributes this decrease in dried distillers grains prices with the impact of our plant expansion on available buyers of our dried distillers grains. When we increased the amount of dried distillers grains we were selling following the plant expansion, the price our customers were willing to pay was lower. In addition, export demand was not as strong during our 2019 fiscal year for dried distillers grains which had a negative impact on prices.

The average price we received for our modified/wet distillers grains was approximately 5.6% greater for our 2019 fiscal year compared to the same period of 2018, an increase of approximately $7 per dry equivalent ton. Since demand for modified/wet distillers grains is a more local market, it is not as impacted by export demand as compared to dried distillers grains.

Corn Oil

Our total corn oil revenue increased by approximately 88.4% during our 2019 fiscal year compared to the same period of 2018. Our total pounds of corn oil sold increased by approximately 87.6% during our 2019 fiscal year compared to the same period of 2018, an increase of approximately 8,612,000 pounds, primarily due to increased production due to our plant expansion project. The average price we received for our corn oil was comparable during our 2019 fiscal year and the same period of 2018.

Cost of Revenues

The primary raw materials we use to produce ethanol, distillers grains and corn oil are corn and natural gas.

Corn

Our cost of revenues relating to corn was approximately 83.2% greater for our 2019 fiscal year compared to the same period of 2018. Our average cost per bushel of corn increased by approximately 22.8% for our 2019 fiscal year compared to our 2018 fiscal year. Management attributes the increase in corn prices to unfavorable weather conditions and late planting during the 2019 growing season along with late harvest. In addition, there were fewer acres planted with corn during 2019 which impacted the size of the corn harvest. These unfavorable weather conditions and fewer planted acres resulted in less corn harvested during 2019 which had an impact on prices.

We used approximately 49.2% more bushels of corn during our 2019 fiscal year compared to the same period of 2018 due to increased overall production at the ethanol plant during our 2019 fiscal year.

We experienced approximately $906,000 of combined realized and unrealized loss for our 2019 fiscal year related to our corn derivative instruments which increased our cost of goods sold. By comparison, we experienced approximately $550,000 of combined realized and unrealized gain for our 2018 fiscal year related to our corn derivative instruments which decreased our cost of goods sold.

Natural Gas

Our cost of revenues related to natural gas increased by approximately $1,085,000, an increase of approximately 28.9%, for our 2019 fiscal year compared to our 2018 fiscal year. This increase was due to increased consumption due to our plant expansion project, partially offset by lower market natural gas costs per MMBtu during our 2019 fiscal year compared to the same period of 2018. Natural gas prices were lower during our 2019 fiscal year compared to the same period of 2018 primarily because of strong natural gas supply during 2019 which decreased natural gas prices during that period of time. Our average cost per MMBtu of natural gas during our 2019 fiscal year was approximately 13.9% less compared to the cost for our 2018 fiscal year.

We used approximately 49.8% more MMBtus of natural gas during our 2019 fiscal year compared to the same period of 2018 due to increased overall production due to our plant expansion project.

Operating Expense

Our operating expenses were higher for our 2019 fiscal year compared to the same period of 2018 due primarily to increased wages and benefits for our larger staff due to the plant expansion project.

Other Income and Expense

Our interest and other income was greater during our 2019 fiscal year compared to our 2018 fiscal year due to additional dividend income from our lender during the 2019 period. Our equity in net income of our investments was lower during our 2019 fiscal year compared to our 2018 fiscal year due to less profitability in the ethanol industry which negatively impacts the income generated by our investments. We had significantly more interest expense during our 2019 fiscal year compared to our 2018 fiscal year due to borrowing for our plant expansion project. During the time the expansion was under construction, interest was capitalized. When the expansion became operational, subsequent interest was expensed to our statement of operations.

Changes in Financial Condition for the Fiscal Year Ended December 31, 2020 compared to the Fiscal Year Ended December 31, 2019.

Current Assets

We had more cash and cash equivalents at December 31, 2020 compared to December 31, 2019, primarily due to increased deferred payment corn liability along with increased net income during our 2020 fiscal year. We had more accounts receivable at December 31, 2020, compared to December 31, 2019, due to our increased sales volumes. We had decreased inventory values at December 31, 2020, compared to December 31, 2019, due primarily to the timing of our year end and shipments of our products. The value of our derivative financial instruments was greater at December 31, 2020 compared to December 31, 2019, primarily because we had more unrealized gains on our forward corn positions along with more cash in our margin account as of December 31, 2020 compared to December 31, 2019. We had more prepaid expenses at December 31, 2020 compared to December 31, 2019 due to insurance premium increases during our 2020 fiscal year.

Property and Equipment

The value of our property and equipment was lower at December 31, 2020 compared to December 31, 2019 due to the net effect of our capital projects during our 2020 fiscal year, offset by the regular depreciation of our assets during our 2020 fiscal year.

Other Assets

The value of our investments was less at December 31, 2020, compared to December 31, 2019, mainly due to distributions in excess of earnings from our investments during the 2020 fiscal year.

Current Liabilities

At December 31, 2020, we had fewer checks which were issued in excess of the amount of cash we had in our bank accounts, compared to at December 31, 2019, due to the timing of transfers between our accounts. Any checks which are presented for payment in excess of the balances in our bank accounts are paid from our revolving lines of credit. Our accounts payable was higher at December 31, 2020, compared to December 31, 2019, due to increased corn payables at the end of our 2020 fiscal year. We had less accrued liabilities at December 31, 2020, compared to December 31, 2019 due to less interest payable at the end of the 2020 fiscal year. The liability on our balance sheet related to our derivative instruments was less at December 31, 2020, compared to December 31, 2019, due to having fewer unrealized losses on our forward corn purchases at December 31, 2020, compared to at December 31, 2019. The current portion of our long-term debt payments was greater at December 31, 2020 and at December 31, 2019 due to the current portion of the Paycheck Protection Program Loan we received in 2020.

Long-Term Liabilities

Our long-term liabilities were less at December 31, 2020, compared to December 31, 2019, due to payments we made on our long-term debt during our 2020 fiscal year.

Liquidity and Capital Resources

Our main sources of liquidity are cash from our continuing operations, distributions we receive from our investments and amounts we have available to draw on our revolving credit facilities. Management does not anticipate that we will need to raise additional debt or equity financing in the next twelve months and management believes that our current sources of liquidity will be sufficient to continue our operations during that time period. We anticipate that any capital expenditures we undertake will be paid out of cash from operations and existing loans, but will not require any additional debt or equity financing.

Currently, we have two revolving loans which allow us to borrow funds for working capital. These two revolving loans are described in greater detail below in the section entitled "**Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Indebtedness**." As of December 31, 2020, we had $30,000,000 outstanding and $18,000,000 available to be drawn on these revolving loans. Management anticipates that this is sufficient to maintain our liquidity and continue our operations.

The following table shows cash flows for the fiscal years ended December 31, 2020 and 2019:

	Fiscal Years Ended December 31	
	2020	2019
Net cash provided by operating activities	$ 9,238,635	$ 7,517,770
Net cash used in investing activities	(359,221)	(9,700,103)
Net cash (used in) provided by financing activities	(3,065,256)	13,308,049

Cash Flow From Operations. Our operating activities generated more cash during our fiscal year ended December 31, 2020, compared to the same period of 2019, primarily due to having more net income during the 2020 period.

Cash Flow From Investing Activities. Our investing activities used less cash during our fiscal year ended December 31, 2020, compared to the same period of 2019, primarily because we had less capital expenses during the 2020 period compared to the 2019 period.

Cash Flow From Financing Activities. Our financing activities provided less cash during our fiscal year ended December 31, 2020, compared to the same period of 2019, primarily due to net payments on borrowings during the 2020 period compared to net proceeds from borrowings during the same period of 2019.

The following table shows cash flows for the fiscal years ended December 31, 2019 and 2018:

	Fiscal Years Ended December 31	
	2019	2018
Net cash provided by operating activities	$ 7,517,770	$ 7,804,468
Net cash used in investing activities	(9,700,103)	(26,323,269)
Net cash provided by financing activities	13,308,049	15,113,779

Cash Flow From Operations. Our operating activities generated less cash during our fiscal year ended December 31, 2019, compared to the same period of 2018, primarily due to having less net income during the 2019 period which was partially offset by an increase in accounts payable which had a positive impact on cash during the 2019 period.

Cash Flow From Investing Activities. Our investing activities used less cash during our fiscal year ended December 31, 2019, compared to the same period of 2018, primarily because we had less capital expenses related to our expansion project during the 2019 period compared to the 2018 period.

Cash Flow From Financing Activities. Our financing activities provided less cash during our fiscal year ended December 31, 2019, compared to the same period of 2018, primarily due to fewer net proceeds from borrowing we incurred during the 2019 period offset by decreased distributions to our members.

Indebtedness

We maintain a comprehensive credit facility with Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA (collectively "FCSA"). We have a $2 million revolving operating line of credit (the "Operating Line"), a $48 million reducing revolving loan (the "Reducing Revolving Loan") and a $8 million term loan (the "2017 Term Loan"). All of our assets, including the ethanol plant and equipment, its accounts receivable and inventory, serve as collateral for our loans with FCSA.

Operating Line

On October 21, 2019, Dakota Ethanol amended the revolving promissory note from Farm Credit Services of America (FCSA) in the amount up to $10,000,000 or the amount available in accordance with the borrowing base calculation, whichever is less. On June 5, 2020, the available balance of the Operating Line was reduced to $2,000,000. Interest on the outstanding principal balance will accrue at 300 basis points above the 1 month LIBOR rate and is not subject to a floor. The rate was 3.15% at December 31, 2020. There is a non-use fee of 0.25% on the unused portion of the $2,000,000 availability. The note is collateralized by substantially all assets of the Company. The note expires on November 1, 2021. On December 31, 2020, Dakota Ethanol had $0 outstanding and $0 available to be drawn on the revolving promissory note under the borrowing base calculation.

Reducing Revolving Loan

On February 6, 2018, Dakota Ethanol executed a reducing revolving promissory note from FCSA in the amount up to $40,000,000 or the amount available in accordance with the borrowing availability under the credit agreement. The available balance of the Reducing Revolving Loan was increased to $48,000,000 on June 5, 2020. The amount Dakota Ethanol can borrow on the note decreases by $1,750,000 semi-annually starting on July 1, 2021 until the maximum balance reaches $32,250,000 on July 1, 2025. The note matures on January 1, 2026. Until February 1, 2023, interest on the outstanding principal balance will accrue at 325 basis points above the 1 month LIBOR rate until February 1, 2023 and increases to 350 basis points thereafter until maturity. The rate was 3.40% at December 31, 2020. The note contains a non-use fee of 0.50% on the unused portion of the note. On December 31, 2020, Dakota Ethanol had $30,000,000 outstanding and $18,000,000 available to be drawn on the note.

2017 Term Loan

On August 1, 2017, Dakota Ethanol executed a term note with FCSA in the amount of $8 million. Dakota Ethanol agreed to make monthly interest payments starting September 1, 2017 and annual principal payments of $1,000,000 starting on August 1, 2018. The notes matures on August 1, 2025. The payment due on August 1, 2020 was deferred to August 1, 2025. Interest on the outstanding principal balance will accrue at 325 basis points above the 1 month LIBOR rate until February 1, 2023 and increases to 350 basis points thereafter until maturity. The rate was 3.40% at December 31, 2020. On December 31, 2020, Dakota Ethanol had $6,000,000 outstanding on the note.

2020 Loans

We entered into a loan agreement with the Small Business Association through First State Bank, Gothenburg, NE on April 4, 2020 for $760,400 as part of the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan matures in January 2023 and has an interest rate of 1.0%. Proceeds of the loan are restricted for use towards payroll costs and other allowable uses such as covered utilities for an eight-week period following the loan under the Paycheck Protection Program Rules. Provisions of the agreement allow for a portion of the loan to be forgiven if certain qualifications are met. We applied for the loan to be forgiven during June of 2020. We are currently awaiting approval of the application. The Paycheck Protection Program Flexibility Act, which was put into effect on June 5, 2020, may effect the terms of our loan.

The Company also received an Economic Injury Disaster Loan (EIDL) in the amount of $10,000 in June 2020. Repayment of the loan will begin in June 2021 and has a 30 year term at 3.75% interest.

Covenants

Our credit facilities with FCSA are subject to various loan covenants. If we fail to comply with these loan covenants, FCSA can declare us to be in default of our loans. The material loan covenants applicable to our credit facilities are our working capital covenant, local net worth covenant and our debt service coverage ratio. We are required to maintain working capital (current assets minus current liabilities plus availability on our revolving loan) of at least $11.0 million. We are required to maintain local net worth (total assets minus total liabilities minus the value of certain investments) of at least $18 million. We are required to maintain a debt service coverage ratio of at least 1.25:1.00. Dakota Ethanol is also restricted from making distributions to Lake Area Corn Processors without the consent of the lender.

As of December 31, 2020, we were in compliance with our financial covenants under the FCSA loans. Management's current financial projections indicate that we will be in compliance with our financial covenants for the next 12 months and we expect to remain in compliance thereafter. Management does not believe that it is reasonably likely that we will fall out of compliance with our material loan covenants in the next 12 months. If we fail to comply with the terms of our credit agreements with FCSA, and FCSA refuses to waive the non-compliance, FCSA may require us to immediately repay all amounts outstanding on our loans.

Contractual Cash Obligations

In addition to our debt obligations, we have certain other contractual cash obligations and commitments. The following table provides information regarding our consolidated contractual obligations and commitments as of December 31, 2020:

	Payments Due By Period				
Contractual Cash Obligations	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**After Five Years**
Long-Term Debt Obligations	$ 42,581,626	$ 2,441,398	$ 4,915,087	$ 5,208,287	$ 30,016,854
Purchase Obligations	24,092,515	22,706,515	369,600	369,600	646,800
Other Liabilities	4,000	4,000	—	—	—
Total Contractual Cash Obligations	$ 66,678,141	$ 25,151,913	$ 5,284,687	$ 5,577,887	$ 30,663,654

Application of Critical Accounting Policies

Management uses estimates and assumptions in preparing our consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Of the significant accounting policies described in the notes to our consolidated financial statements, we believe that the following are the most critical:

Derivative Instruments

We enter into short-term forward grain, option and futures contracts as a means of securing corn for the ethanol plant and managing exposure to changes in commodity prices. We enter into short-term forward, option and futures contracts for sales of ethanol to manage exposure to changes in commodity prices. All of our derivatives are designated as non-hedge derivatives, and accordingly are recorded at fair value with changes in fair value recognized in net income. Although the contracts are considered economic hedges of specified risks, they are not designated as nor accounted for as hedging instruments.

As part of our trading activity, we use futures and option contracts offered through regulated commodity exchanges to reduce our risk and we are exposed to risk of loss in the market value of inventories. To reduce that risk, we generally take positions using cash and futures contracts and options.

Unrealized gains and losses related to derivative contracts for corn purchases are included as a component of cost of revenues and derivative contracts related to ethanol sales are included as a component of revenues in the accompanying financial statements. The fair values of derivative contracts are presented on the accompanying balance sheets as derivative financial instruments.

Goodwill

Annually, as well as when an event triggering impairment may have occurred, the Company performs an impairment test on goodwill. The Company performs a quantitative analysis that tests for impairment. The second step, if necessary, measures the impairment. During the first quarter of 2020 a triggering event was determined to have occurred and an impairment test was performed as of March 31, 2020. The Company determined there was no impairment at that time. The Company performs the annual analysis on December 31 of each fiscal year. The Company determined that there was no impairment of goodwill at December 31, 2020 and 2019.

Inventory Valuation

Inventories are generally valued using methods which approximate the lower of cost (first-in, first-out) or net realizable value. In the valuation of inventories and purchase commitments, net realizable value is based on estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Revenue Recognition

The Company generally recognizes revenue at a point in time when performance obligations are satisfied. Revenue from the production of ethanol and related products is recorded when control transfers to customers. Generally, ethanol and related products are shipped FOB shipping point, based on written contract terms between Dakota Ethanol and its customers. Collectability of revenue is reasonably assured based on historical evidence of collectability between Dakota Ethanol and its customers. Interest income is recognized as earned.

Shipping costs incurred by the Company in the sale of ethanol, dried distillers grains and corn oil are not specifically identifiable and as a result, revenue from the sale of those products is recorded based on the net selling price reported to the Company from the marketer.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to the impact of market fluctuations associated with commodity prices and interest rates as discussed below. We have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars. We use derivative financial instruments as part of an overall strategy to manage market risk. We use cash, futures and option contracts to hedge changes to the commodity prices of corn and natural gas. We do not enter into these derivative financial instruments for trading or speculative purposes, nor do we designate these contracts as hedges for accounting purposes.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from holding loans which bear variable interest rates. As of December 31, 2020, we had $36,000,000 outstanding on our variable interest rate loans with interest accruing at a rate of 3.40%. Our variable interest rates are calculated by adding a set basis to LIBOR. If we were to experience a 10% increase in LIBOR, the annual effect such change would have on our statement of operations, based on the amount we had outstanding on our variable interest rate loans as of December 31, 2020, would be approximately $5,400.

Commodity Price Risk

We are exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn and natural gas in the ethanol production process. We seek to minimize the risks from fluctuations in the prices of corn and natural gas through the use of hedging instruments. In practice, as markets move, we actively manage our risk and adjust hedging strategies as appropriate. Although we believe our hedge positions accomplish an economic hedge against our future purchases, they are not designated as such for hedge accounting purposes, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We are marking to market our hedge positions, which means as the current market price of our hedge positions changes, the gains and losses are immediately recognized in our cost of revenues.

The immediate recognition of hedging gains and losses can cause net income to be volatile from quarter to quarter due to the timing of the change in value of the derivative instruments relative to the cost and use of the commodity being hedged. We recorded an increase to our cost of revenues of approximately $1,627,000 related to derivative instruments for our fiscal year ended December 31, 2020. We recorded an increase to our cost of revenues of approximately $906,000 related to derivative instruments for the fiscal year ended December 31, 2019. There are several variables that could affect the extent to which our derivative instruments are impacted by price fluctuations in the cost of corn or natural gas. However, it is likely that commodity cash prices will have the greatest impact on the derivatives instruments with delivery dates nearest the current cash price.

As of December 31, 2020, we were committed to purchasing approximately 5.2 million bushels of corn with an average price of $4.19 per bushel. These corn purchases represent approximately 17% of our expected corn usage for the next 12 months. As corn prices move in reaction to market trends and information, our statement of operations will be affected depending on the impact such market movements have on the value of our derivative instruments. Depending on market movements, crop prospects and weather, these price protection positions may cause immediate adverse effects to our financial results, but are designed to produce long-term positive growth for us.

We have 289,000 bushels of corn inventory delivered under delayed-pricing contracts. The contracts have various pricing deadlines through October 29, 2021. We are subject to risk of changes in the corn market until they are priced.

As of December 31, 2020, we were committed to purchasing approximately 301,000 MMBtus of natural gas with an average price of $2.90 per MMBtu. Under these arrangements, we assume the risk of a price decrease in the market price of natural gas between the time the price is fixed and the time the natural gas is delivered. We account for these transactions as normal purchases, and accordingly, does not mark these transactions to market. The natural gas purchases represent approximately 15% of the projected annual plant requirements.

As of December 31, 2020, we are committed to selling approximately 38,000 dry equivalent tons of distillers grains with an average price of $148 per ton. The distillers grains sales represent approximately 18% of the projected annual plant production.

As of December 31, 2020, we are committed to selling approximately 1,681,000 pounds of distillers corn oil with an average price of $0.36 per pound. The distillers corn oil sales represent approximately 7% of the projected annual plant production.

We do not have any firm-priced sales commitments for ethanol as of December 31, 2020.

A sensitivity analysis has been prepared to estimate our exposure to ethanol, corn and natural gas price risk. Market risk related to these factors is estimated as the potential change in income resulting from a hypothetical 10% adverse change in the average cost of our corn and natural gas prices and average ethanol price as of December 31, 2020, net of the forward and future contracts used to hedge our market risk for corn and natural gas usage requirements. The volumes are based on our expected use and sale of these commodities for a one year period from December 31, 2020. The results of this analysis, which may differ from actual results, are as follows:

	Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)	**Unit of Measure**	**Hypothetical Adverse Change in Price**	**Approximate Adverse Change to Income**
Ethanol	92,000,000	Gallons	10 %	$ 11,710,362
Corn	27,299,311	Bushels	10 %	$ 12,257,390
Natural Gas	1,769,000	MMBTU	10 %	$ 449,149

For comparison purposes, our sensitivity analysis for our 2019 fiscal year is set forth below.

	Estimated Volume Requirements for the next 12 months (net of forward and futures contracts)	**Unit of Measure**	**Hypothetical Adverse Change in Price**	**Approximate Adverse Change to Income**
Ethanol	92,000,000	Gallons	10 %	$ 11,132,000
Corn	25,568,666	Bushels	10 %	$ 9,946,211
Natural Gas	1,284,296	MMBTU	10 %	$ 346,760

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members and the Board of Managers of Lake Area Corn Processors, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lake Area Corn Processors, LLC and its subsidiary (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in members' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Goodwill

As reflected on the Company's balance sheet at December 31, 2020, the Company has goodwill of $10,395,766. As disclosed in Note 2 to the financial statements, the Company tests goodwill for impairment annually on December 31, as well as on an interim date if an event occurs or circumstances exist that may indicate impairment. A goodwill impairment loss is recorded if the fair value is below the carrying value of the applicable reporting unit. The Company performed goodwill impairment tests at March 31, 2020 and December 31, 2020, using a quantitative evaluation based on a discounted cash flow valuation model. The March 31, 2020, impairment test was the result of the circumstances that existed within the industry due to impacts of the COVID-19 pandemic. The impairment tests require management to make assumptions when estimating the fair value of the reporting unit, including projections of gross margin per gallon of ethanol produced, plant production levels, and the discount rate.

We identified the valuation of goodwill as a critical audit matter because of certain significant assumptions management makes in determining the fair value of the reporting unit, including projections of gross margin per gallon of ethanol produced, plant production levels, and the discount rate. The significant judgments made by management resulted in a high degree of auditor judgment and an increased audit effort in performing procedures, including the use of a valuation specialist, and evaluating evidence obtained related to the significant assumptions used by management.

Our audit procedures related to the Company’s valuation of goodwill included the following, among others:

- We tested the completeness, accuracy, and relevance of the underlying data used in developing management's estimates by comparing to source documentation and published market data.
- We evaluated management’s assumptions for consistency with evidence obtained in other areas of the audit.
- We evaluated the reasonableness of the methods and significant assumptions used in developing management’s estimates, including the projections of gross margin per gallon of ethanol produced, plant production levels, and the discount rate by:
  - Testing the reasonableness of management’s projected gross margin per gallon of ethanol produced by comparing to historical performance and published market data for the Company’s primary products and inputs.
  - Testing the reasonableness of management’s projected production levels by comparing to historical performance and recent production levels that have occurred subsequent to the Company’s 2019 expansion.
  - Utilizing an internal valuation specialist to evaluate the reasonableness of the discount rates and testing the relevance and reliability of source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rates selected by management.

/s/ RSM US LLP

We have served as the Company's auditor since 2007.

Des Moines, Iowa
March 12, 2021

LAKE AREA CORN PROCESSORS, LLC
Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 18,637,811	$ 12,823,653
Accounts receivable	585,054	684,866
Accounts receivable (related party)	1,633,760	891,227
Inventory	9,768,916	10,543,422
Derivative financial instruments	2,074,010	505,025
Prepaid expenses	677,471	479,422
Total current assets	33,377,022	25,927,615
PROPERTY AND EQUIPMENT		
Land	874,473	874,473
Land improvements	8,631,224	8,631,224
Buildings	9,316,576	9,316,576
Equipment	95,867,639	95,395,121
Construction in progress	6,303	150,925
	114,696,215	114,368,319
Less accumulated depreciation	(53,328,718)	(47,660,838)
Net property and equipment	61,367,497	66,707,481
OTHER ASSETS		
Goodwill	10,395,766	10,395,766
Investments	16,636,367	16,682,169
Other	81,295	97,287
Total other assets	27,113,428	27,175,222
TOTAL ASSETS	$ 121,857,947	$ 119,810,318

See Notes to Consolidated Financial Statements

LAKE AREA CORN PROCESSORS, LLC
Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Outstanding checks in excess of bank balance	$ 319,608	$ 1,155,264
Accounts payable	18,526,170	13,812,388
Accrued liabilities	732,544	933,668
Derivative financial instruments	244,181	698,850
Current portion of notes payable	1,201,628	1,000,000
Other	4,000	4,000
Total current liabilities	21,028,131	17,604,170
LONG-TERM LIABILITIES		
Notes payable	35,561,237	37,989,208
Other	—	4,000
Total long-term liabilities	35,561,237	37,993,208
COMMITMENTS AND CONTINGENCIES (Note 10)		
MEMBERS' EQUITY (29,620,000 units issued and outstanding)	65,268,579	64,212,940
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 121,857,947	$ 119,810,318

See Notes to Consolidated Financial Statements

LAKE AREA CORN PROCESSORS, LLC
Consolidated Statements of Operations

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
REVENUES	$ 130,521,814	$ 115,986,821	$ 74,703,630
COSTS OF REVENUES	124,493,268	114,687,231	68,619,694
GROSS PROFIT	6,028,546	1,299,590	6,083,936
OPERATING EXPENSES	4,418,074	4,060,343	3,837,659
INCOME (LOSS) FROM OPERATIONS	1,610,472	(2,760,753)	2,246,277
OTHER INCOME (EXPENSE)			
Interest and other income	495,474	180,801	67,042
Equity in net income (loss) of investments	343,728	(60,908)	403,268
Interest expense	(1,394,035)	(1,183,324)	—
Total other income (expense)	(554,833)	(1,063,431)	470,310
NET INCOME (LOSS)	$ 1,055,639	$ (3,824,184)	$ 2,716,587
BASIC AND DILUTED EARNINGS (LOSS) PER UNIT	$ 0.04	$ (0.13)	$ 0.09
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	29,620,000	29,620,000	29,620,000

See Notes to Consolidated Financial Statements

LAKE AREA CORN PROCESSORS, LLC
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2020, 2019 and 2018

	Members' Equity
Balance, December 31, 2017	$ 68,282,537
Net income	2,716,587
Distributions ($.10 per capital unit)	(2,962,000)
Balance, December 31, 2018	68,037,124
Net (loss)	(3,824,184)
Balance, December 31, 2019	64,212,940
Net income	1,055,639
Balance, December 31, 2020	$ 65,268,579

See Notes to Consolidated Financial Statements

LAKE AREA CORN PROCESSORS, LLC
Consolidated Statements of Cash Flows

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
OPERATING ACTIVITIES			
Net income (loss)	$ 1,055,639	$ (3,824,184)	$ 2,716,587
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	5,718,454	4,965,966	3,173,391
Distributions in excess of earnings from investments	45,803	1,252,223	1,848,747
Loss on disposal of property and equipment	—	—	38,088
(Increase) decrease in			
Receivables	(642,721)	(347,041)	1,996,181
Inventory	774,506	(2,981,920)	(2,035,408)
Prepaid expenses	(198,049)	(213,629)	(46,050)
Derivative financial instruments	(2,023,655)	379,355	266,524
Increase (decrease) in			
Accounts payable	4,713,782	8,123,326	(323,542)
Accrued and other liabilities	(205,124)	163,674	169,950
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,238,635	7,517,770	7,804,468
INVESTING ACTIVITIES			
Purchase of property and equipment	(359,221)	(9,066,179)	(25,913,312)
Purchase of investments	—	(633,924)	(409,957)
NET CASH USED IN INVESTING ACTIVITIES	(359,221)	(9,700,103)	(26,323,269)
FINANCING ACTIVITIES			
Increase (decrease) in outstanding checks in excess of bank balance	(835,656)	(1,091,951)	1,572,279
Borrowings on notes payable	60,770,400	85,500,000	26,873,268
Payments on notes payable	(63,000,000)	(71,100,000)	(10,274,268)
Financing costs paid	—	—	(95,500)
Distributions to members	—	—	(2,962,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,065,256)	13,308,049	15,113,779
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,814,158	11,125,716	(3,405,022)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,823,653	1,697,937	5,102,959
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 18,637,811	$ 12,823,653	$ 1,697,937
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period for interest, net of capitalized interest of $148; $831,170; and $518,703 in 2020, 2019 and 2018, respectively	$ 1,510,468	$ 835,236	$ —
Capital expenditures in accounts payable	—	—	1,160,834

See Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF OPERATIONS

Principal Business Activity

Lake Area Corn Processors, LLC and subsidiary (the Company) is a South Dakota limited liability company.

The Company owns and manages Dakota Ethanol, LLC (Dakota Ethanol), a 90 million-gallon (annual nameplate capacity) ethanol plant located near Wentworth, South Dakota. Dakota Ethanol sells ethanol and related products to customers located in North America.

In addition, the Company has investment interests in five companies in related industries. See note 5 for further details.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of its wholly owned subsidiary, Dakota Ethanol. All significant inter-company transactions and balances have been eliminated in consolidation.

Revenue Recognition

The Company has adopted the guidance of ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires the Company to apply the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation. The Company generally recognizes revenue at a point in time. The Company's contracts with customers have one performance obligation and a contract duration of one year or less.

The following is a description of principal activities from which we generate revenue. Revenues from contracts with customers are recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Generally, ethanol and related products are shipped FOB shipping point and control of the goods transfers to customers when the goods are loaded into trucks or when rail cars are shipped. Consideration is based on predetermined contractual prices or on current market prices.

- Sales of Ethanol
- Sales of Distillers Grains
- Sales of Distillers Corn Oil

Disaggregation of Revenue:

All revenue recognized in the income statement is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue according to product line:

	2020	2019	2018
Revenues ethanol	$ 99,077,363	$ 90,415,936	$ 57,705,675
Revenues distillers grains	25,519,999	21,200,904	14,677,962
Revenues distillers corn oil	5,924,452	4,369,981	2,319,993
	$ 130,521,814	$ 115,986,821	$ 74,703,630

Contract Assets and Contract Liabilities:

The Company has no significant contract assets or contract liabilities from contracts with customers.

The Company receives payments from customers based upon contractual billing schedules; accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities include payments received in advance of performance under the contract, and are realized with the associated revenue recognized under the contract.

Shipping Costs

Shipping costs incurred by the Company in the sale of ethanol, dried distiller's grains and corn oil are not specifically identifiable and as a result, revenue from the sale of those products is recorded based on the net selling price reported to the Company from the marketer.

When the Company performs shipping and handling activities after the transfer of control to the customers (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized.

Cost of Revenues

The primary components of cost of revenues from the production of ethanol and related co-products are corn expense, energy expense (natural gas and electricity), raw materials expense (chemicals and denaturant), and direct labor costs.

Shipping costs on modified and wet distiller's grains are included in cost of revenues.

Inventory Valuation

Inventories are generally valued using methods which approximate the lower of cost (first-in, first-out) or net realizable value. In the valuation of inventories, net realizable value is based on estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand accounts and other accounts with original maturities of three months or less that provide withdrawal privileges.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within fifteen days from the invoice date. Unpaid accounts receivable with invoice dates over thirty days old bear interest at 1.5% per month. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management regularly reviews trade receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The valuation allowance was $0 and $0 as of December 31, 2020 and 2019 respectively.

Investment in commodities contracts, derivative instruments and hedging activities

The Company is exposed to certain risks related to our ongoing business operations. The primary risks that the Company manages by using forward contracts or derivative instruments are price risk on anticipated purchases of corn and natural gas and the sale of ethanol, distillers grains and distillers corn oil.

The Company is subject to market risk with respect to the price and availability of corn, the principal raw material the Company uses to produce ethanol and ethanol by-products. In general, rising corn prices result in lower profit margins and, therefore, represent unfavorable market conditions. This is especially true when market conditions do not allow us to pass along increased corn costs to our customers. The availability and price of corn is subject to wide fluctuations due to unpredictable factors such as weather conditions, farmer planting decisions, governmental policies with respect to agriculture and international trade and global demand and supply.

Certain contracts that literally meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases or sales are documented as normal and exempted from the accounting and reporting requirements of derivative accounting.

The Company does not apply the normal purchase and sales exemption for forward corn purchase contracts. As of December 31, 2020, the Company is committed to purchasing approximately 5.2 million bushels of corn on a forward contract basis with an average price of $4.19 per bushel. The total corn purchase contracts represent 17% of the projected annual plant corn usage.

The Company has 289,000 bushels of corn inventory delivered under delayed-pricing contracts. The contracts have various pricing deadlines through October 29, 2021. The Company is subject to risk of changes in the corn market until they are priced.

The Company enters into firm-price purchase commitments with natural gas suppliers under which the Company agrees to buy natural gas at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price decrease in the market price of natural gas between the time the price is fixed and the time the natural gas is delivered. At December 31, 2020, the Company is committed to purchasing approximately 301,000 MMBtu's of natural gas with an average price of $2.90 per MMBtu. The Company accounts for these transactions as normal purchases, and accordingly, does not mark these transactions to market. The natural gas purchases represent approximately 15% of the projected annual plant requirements.

The Company enters into firm-price sales commitments with distillers grains customers under which the Company agrees to sell distillers grains at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price increase in the market price of distillers grain between the time the price is fixed and the time the distillers grains are delivered. At December 31, 2020, the Company is committed to selling approximately 38,000 dry equivalent tons of distillers grains with an average price of $148 per ton. The Company accounts for these transactions as normal sales, and accordingly, does not mark these transactions to market. The distillers grains sales represent approximately 18% of the projected annual plant production.

The Company enters into firm-price sales commitments with distillers corn oil customers under which the Company agrees to sell distillers corn oil at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price increase in the market price of distillers corn oil between the time this price is fixed and the time the distillers corn oil is delivered. At December 31, 2020, the Company is committed to selling approximately 1,681,000 pounds of distillers corn oil with an average price of $0.36 per pound. The Company accounts for these transactions as normal sales, and accordingly, does not mark these transactions to market. The distillers corn oil sales represent approximately 7% of the projected annual plant production.

The Company does not have any firm-priced sales commitments for ethanol as of December 31, 2020.

The Company enters into short-term forward, option and futures contracts for ethanol, corn and natural gas as a means of managing exposure to changes in commodity and energy prices. All contracts of the Company are designated as non-hedge derivatives and are recorded at fair value with changes being recognized in net income, or are designated as normal purchases and normal sales and are evaluated for inherent losses. Although the contracts are considered economic hedges of specified risks, they are not designated as and accounted for as hedging instruments.

As part of our trading activity, the Company uses futures and option contracts offered through regulated commodity exchanges to reduce risk of loss in the market value of inventories and purchase commitments. To reduce that risk, the Company generally takes positions using forward and futures contracts and options.

Derivatives not designated as hedging instruments at December 31, 2020 and December 31, 2019 were as follows:

	Balance Sheet Classification	December 31, 2020	December 31, 2019
Corn forward contracts in gain position		$ 1,742,054	$ 160,687
Futures and options contracts in gain position		—	33,338
Futures and options contracts in loss position		(1,799,688)	(1,500)
Total forward, futures and options contracts		(57,634)	192,525
Cash held by broker		2,131,644	312,500
	Current Assets	$ 2,074,010	$ 505,025
Corn forward contracts in loss position	Current Liabilities	$ (244,181)	$ (698,850)

Futures and options contracts and cash held by broker are all with one party and the right of offset exists. Therefore, on the balance sheet, these items are netted in one balance regardless of position.

Forward contracts are with multiple parties and the right of offset does not exist. Therefore, these contracts are reported at the gross amounts on the balance sheet.

Realized and unrealized gains and losses related to derivative contracts related to corn and natural gas purchases are included as a component of cost of revenues and derivative contracts related to ethanol sales are included as a component of revenues in the accompanying financial statements.

	Statement of Operations	Years Ended December 31,		
	Classification	2020	2019	2018
Net realized and unrealized gains (losses) related to purchase contracts:				
Futures and options contracts	Cost of Revenues	$ (1,211,861)	$ (8,631)	$ 1,544,635
Forward contracts	Cost of Revenues	(415,420)	(897,283)	(994,854)

Investments

The Company has investment interests in five companies in related industries. All of these interests are at ownership shares less than 20%. These investments are flow-through entities. Per ASC 323-30-S99-1, they are being accounted for by the equity method of accounting under which the Company's share of net income is recognized as income in the Company's statements of operations and added to the investment account. Distributions or dividends received from the investments are treated as a reduction of the investment account. The Company consistently follows the practice of recognizing the net income based on the most recent reliable data.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of derivative financial instruments, lower of cost or net realizable value accounting for inventory and forward purchase contracts and goodwill impairment evaluation.

Concentrations of Credit Risk

The Company's cash balances are maintained in bank depositories and regularly exceed federally insured limits. The Company has not experienced any losses in connection with these balances.

Property and Equipment

Property and equipment is stated at cost. Significant additions and betterments are capitalized, while expenditures for maintenance, repairs and minor renewals are charged to operations when incurred. Depreciation on assets placed in service is computed using the straight-line method over estimated useful lives as follows:

- Land improvements 20-40 years
- Equipment 5-20 years
- Buildings 15-40 years

Equipment relates to two general categories: mechanical equipment and administrative and maintenance equipment. Mechanical equipment generally relates to equipment for handling inventories and the production of ethanol and related products, with useful lives of 15 to 20 years, including boilers, cooling towers, grain bins, centrifuges, conveyors, fermentation tanks, pumps and drying equipment. Administrative and maintenance equipment is equipment with useful lives of 5 to 15 years, including vehicles, computer systems, security equipment, testing devices and shop equipment.

The Company reviews its property and equipment for impairment whenever events indicate that the carrying amount of an asset group may not be recoverable. An impairment loss is recorded when the sum of the undiscounted future cash flows is less than the carrying amount of the asset group. An impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. During the first quarter of 2020, the COVID-19 pandemic represented a change in circumstance that indicated the carrying value of property and equipment may not be recoverable. The Company calculated the undiscounted future cash flows of the property and equipment and determined them to be recoverable. Accordingly, no impairment was recorded. No indicators of impairment were identified at December 31, 2020 and 2019.

Goodwill

Annually, as well as when an event triggering impairment may have occurred, the Company performs an impairment test on goodwill. The Company performs a quantitative analysis that tests for impairment. The second step, if necessary, measures the impairment. During the first quarter of 2020 a triggering event was determined to have occurred and an impairment test was performed as of March 31, 2020. The Company determined there was no impairment at that time. The Company performs the annual analysis on December 31 of each fiscal year. The Company determined that there was no impairment of goodwill at December 31, 2020 and 2019.

Earnings Per Unit

For purposes of calculating basic earnings per unit, units issued are considered outstanding on the effective date of issuance. Diluted earnings per unit are calculated by including dilutive potential equity units in the denominator. There were no dilutive equity units for the years ending December 31, 2020, 2019, and 2018.

Income Taxes

The Company is taxed as a limited liability company under the Internal Revenue Code. The income of the Company flows through to the members to be taxed at the member level rather than the corporate level. Accordingly, the Company has no tax liability.

Management has evaluated the Company's tax positions under the Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Company is no longer subject to income tax examinations by the U.S. federal, state or local authorities for the years before 2016.

Environmental Liabilities

The Company’s operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company’s liability is probable and the costs can be reasonably estimated.

Reporting Segment

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance. The Company has determined that it has six operating segments that give rise to two reportable segments. See "Note 3 - Segments" in our Notes to Consolidated Financial Statements included elsewhere in this report for financial information about our segment reporting.

Recently Issued Accounting Pronouncements

In January 2017, FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350)" (ASU 2017-04). ASU 2017-04 simplifies the test for goodwill impairment. It eliminates the two-step process of assessing goodwill impairment and replaces it with one step which compares the fair value of the reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying value exceeds the fair value up to the amount of the goodwill attributed to the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, and for interim periods within that fiscal year. The Company adopted ASU 2017-04 for the fiscal year 2020. The Company found it preferable to adopt ASU 2017-04 because the benefits of this standard to users of the financial statements will outweigh the costs of following the pre-existing guidance. The standard has not had a material impact on the Company's consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" (ASU 2018-13). ASU 2018-13 improves the effectiveness of the fair value disclosures in the financial statements. It adds, removes and modifies various disclosure requirements relating to the fair value hierarchy. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and for interim periods within that fiscal year. The Company adopted ASU 2018-13 for the fiscal year 2020. The standard has not had a material impact on the Company's consolidated financial statements.

Risks and Uncertainties

The Company has certain risks and uncertainties that it will experience during volatile market conditions, which can have a severe impact on operations. The Company's revenues are derived from the sale and distribution of ethanol and distiller grains to customers primarily located in the United States. Corn for the production process is supplied to the plant primarily from local agricultural producers and from purchases on the open market. For the twelve months ended December 31, 2020, ethanol sales averaged approximately 76% of total revenues, while approximately 20% of revenues were generated from the sale of distillers grains and 4% of revenues were generated from the sale of corn oil. For the twelve months ended December 31, 2020, corn costs averaged approximately 77% of cost of goods sold.

The Company's operating and financial performance is largely driven by the prices at which it sells ethanol and the net expense of corn. The price of ethanol is influenced by factors such as supply and demand, weather, government policies and programs, and unleaded gasoline and the petroleum markets. Excess ethanol supply in the market, in particular, puts downward pressure on the price of ethanol. The Company's largest cost of production is corn. The cost of corn is generally impacted by factors such as supply and demand, weather, and government policies and programs. The Company's risk management program is used to protect against the price volatility of these commodities.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 negatively impacted the Company's operations, suppliers or other vendors, and customer base. Gasoline demand has been reduced in the United States which temporarily forced the Company to reduce ethanol production in 2020. Any quarantines, labor shortages or other disruptions to the Company's operations, or those of their customers, may adversely impact the Company's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Company operates, resulting in an economic downturn that could affect demand for its goods and services. The extent to which the coronavirus impacts the Company's long-term results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

NOTE 3 - SEGMENTS

The Company reports its financial and operating performance in two segments: (1) production, which includes the manufacture and marketing of fuel-grade ethanol and co-products of the ethanol production process and (2) ethanol producing equity method investments, which consists of the aggregation of the Company's two equity method operating segments of investment in Guardian Hankinson, LLC and investment in Ring-neck Energy & Feed, LLC. The Company discloses its other identified operating segments in an all other category, which consists of the Company's investments in RPMG, LLC, Lawrenceville Tank, LLC, and Guardian Energy Management, LLC.

The Company's two reportable segments have been identified based on their unique characteristics. Our production segment is the Company's ethanol plant that is operated in a manner chosen by our chief decision making team. The ethanol producing equity method segment are aggregated operating segments investments that have exceeded the quantitative thresholds for reportable segments which have similar economic characteristics but our chief decision making team does not have input into the daily operations of those entities. The all other category is comprised of investments that fall below the quantitative thresholds for reporting segments and the Company's chief decision making team has no input into their daily operations. Production includes the core operating drivers of the Company's consolidated financial statements which consist of the production and sale of ethanol and its co-products. Ethanol producing equity method investments derive their revenues from the production and sale of ethanol and its co-products. The all other category receives its revenues from marketing fees, management fees, and storage fees. The reconciliation item is necessary due to reportable segments not being consolidated in the financial statements, but rather are reflected as equity method investments.

The Company re-evaluated its reported segments during the year and identified two reporting segments in accordance with that review. The segments were identified using standards under ASC 280-10-50. They each engage in business activities, the operating results are reviewed by the Company's chief operating decision maker, and discrete financial information is available for each segment.

The following tables set forth certain financial data for the Company's operating segments:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Net Sales			
Production	$ 130,521,814	$ 115,986,821	$ 74,703,630
Ethanol Producing Equity Method Investments	325,954,417	321,321,517	242,531,567
All Other	14,200,489	19,180,356	17,077,039
Total	470,676,720	456,488,694	334,312,236
Reconciliation	(340,154,906)	(340,501,873)	(259,608,606)
Consolidated	$ 130,521,814	$ 115,986,821	$ 74,703,630
Gross Profit			
Production	$ 6,028,546	$ 1,299,590	$ 6,083,936

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Ethanol Producing Equity Method Investments	11,976,243	12,354,418	8,798,849
All Other	8,840,138	13,024,964	10,986,461
Total	26,844,927	26,678,972	25,869,246
Reconciliation	(20,816,381)	(25,379,382)	(19,785,310)
Consolidated	$ 6,028,546	$ 1,299,590	$ 6,083,936
Net Income (Loss)			
Production	$ 1,055,639	$ (3,824,184)	$ 2,716,587
Ethanol Producing Equity Method Investments	307,019	(708,491)	2,797,756
All Other	2,411,213	2,562,676	2,563,348
Total	3,773,871	(1,969,999)	8,077,691
Reconciliation	(2,718,232)	(1,854,185)	(5,361,104)
Consolidated	$ 1,055,639	$ (3,824,184)	$ 2,716,587
Interest Income			
Production	$ 3,615	$ 11,876	$ 11,657
Ethanol Producing Equity Method Investments	21,902	23,104	89,190
All Other	2,395,057	2,810,198	2,639,671
Total	2,420,574	2,845,178	2,740,518
Reconciliation	(2,416,959)	(2,833,302)	(2,728,861)
Consolidated	$ 3,615	$ 11,876	$ 11,657
Interest Expense			
Production	$ 1,394,035	$ 1,183,324	$ —
Ethanol Producing Equity Method Investments	4,276,226	5,673,185	3,530,500
All Other	2,469,656	3,337,002	2,120,931
Total	8,139,917	10,193,511	5,651,431
Reconciliation	(6,745,882)	(9,010,187)	(5,651,431)
Consolidated	$ 1,394,035	$ 1,183,324	$ —
Depreciation and Amortization			
Production	$ 5,718,454	$ 4,965,966	$ 3,173,391
Ethanol Producing Equity Method Investments	26,742,646	23,314,542	18,486,710
All Other	235,325	871,269	990,583
Total	32,696,425	29,151,777	22,650,684
Reconciliation	(26,977,971)	(24,185,811)	(19,477,293)
Consolidated	$ 5,718,454	$ 4,965,966	$ 3,173,391
Expenditures for Additions to Long-lived Assets			
Production	$ 359,221	$ 9,066,179	$ 25,913,312
Ethanol Producing Equity Method Investments	2,431,446	22,592,254	89,378,887
All Other	47,650	50,176	14,800
Total	2,838,317	31,708,609	115,306,999
Reconciliation	(2,479,096)	(22,642,430)	(89,393,687)
Consolidated	$ 359,221	$ 9,066,179	$ 25,913,312

	December 31, 2020	December 31, 2019
Total Assets		
Production	$ 121,857,947	$ 119,810,318
Ethanol Producing Equity Method Investments	244,353,900	259,662,054
All Other	175,909,073	186,431,339
Total	542,120,920	565,903,711
Reconciliation	(420,262,973)	(446,093,393)
Consolidated	$ 121,857,947	$ 119,810,318
Equity Method Investments		
Production	$ 16,636,367	$ 16,682,169
Ethanol Producing Equity Method Investments	2,206,234	2,411,119
All Other	189,347	220,077
Total	19,031,948	19,313,365
Reconciliation	(2,395,581)	(2,631,196)
Consolidated	$ 16,636,367	$ 16,682,169

NOTE 4 - INVENTORY

Inventory consisted of the following as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Raw materials	$ 5,096,067	$ 4,968,731
Finished goods	2,474,638	3,505,224
Work in process	1,090,893	952,319
Parts inventory	1,107,318	1,117,148
	$ 9,768,916	$ 10,543,422

As of December 31, 2020 and December 31, 2019, the Company recorded a lower of cost or net realizable value write-down on corn inventory of approximately $0 and $424,000, ethanol inventory of approximately $0 and $167,000, distillers grains inventory of approximately $13,000 and $72,000, and corn oil inventory of approximately $0 and $0, respectively.

NOTE 5 - INVESTMENTS

Dakota Ethanol has a 5% investment interest in the Company's ethanol marketer, Renewable Products Marketing Group, LLC (RPMG). The net income which is reported in the Company's income statement for RPMG is based on RPMG's September 30, 2020, 2019 and 2018 audited results. The carrying amount of the Company's investment was approximately $1,208,000 and $1,295,000 as of December 31, 2020 and 2019, respectively.

Dakota Ethanol has a 10% investment interest in Lawrenceville Tanks, LLC (LT), a partnership to construct and operate an ethanol storage terminal in Georgia. The net income which is reported in the Company's income statement for LT is based on LT's December 31, 2020, 2019 and 2018 unaudited results. The carrying amount of the Company's investment was approximately $194,000 and $251,000 as of December 31, 2020 and 2019, respectively.

Lake Area Corn Processors has a 10% investment interest in Guardian Hankinson, LLC (GH), a partnership to operate an ethanol plant in North Dakota. The net income which is reported in the Company's income statement for GH is based on GH's December 31, 2020, 2019 and 2018 audited results. The carrying amount of the Company's investment was approximately $5,012,000 and $4,991,000 as of December 31, 2020 and 2019, respectively.

Lake Area Corn Processors has a 17% investment interest in Guardian Energy Management, LLC (GEM), a partnership to provide management services to ethanol plants. The net income which is reported in the Company's income statement for GEM is based on GEM's December 31, 2020, 2019 and 2018 unaudited interim results. The carrying amount of the Company's investment was approximately $90,000 and $53,000 as of December 31, 2020 and 2019, respectively.

Lake Area Corn Processors has an 11% investment interest in Ring-neck Energy & Feed, LLC (REF), a partnership to operate an ethanol plant in South Dakota. The net income which is reported in the Company's income statement for REF is based on REF's December 31, 2020 and 2019 audited results. The carrying amount of the Company's investment was approximately $10,134,000 and $10,093,000 as of December 31, 2020 and 2019, respectively. REF commenced operations during the second quarter of 2019. Prior to then, the ethanol plant was under construction. The carrying amount of the investment exceeds the underlying equity in net assets by approximately $1,057,000. The excess is comprised of a basis adjustment of approximately $434,000 and capitalized interest of $623,000. The excess is amortized over 20 years. The amortization is recorded in equity in net income of investments.

Condensed, combined unaudited financial information of the Company's investments in RPMG, LT, GH, GEM and REF are as follows:

Balance Sheet	12/31/2020	12/31/2019	12/31/2018
Current assets	$ 218,336,920	$ 219,618,012	$ 189,839,430
Other assets	201,926,053	226,475,381	234,748,455
Current liabilities	209,538,950	187,381,453	175,836,322
Long-term liabilities	48,854,217	95,219,540	78,589,892
Member's equity	161,869,806	163,492,402	170,161,671
Revenue	340,154,906	340,501,873	259,608,606
Gross Profit	20,816,381	25,379,382	19,785,310
Net Income	2,718,232	1,854,185	5,361,104

The Company recorded equity in net income (loss) of approximately $344,000, $(61,000) and $403,000 from our investments for the years ended December 31, 2020, 2019 and 2018 respectively. The Company received distributions of approximately $390,000, $1,191,000 and $2,290,000 for our investments for the years ended December 31, 2020, 2019 and 2018 respectively. The Company has undistributed net earnings in investees of approximately $662,000 and $713,000 as of December 31, 2020 and 2019, respectively.

NOTE 6 - REVOLVING OPERATING NOTE

On February 6, 2018, Dakota Ethanol executed a revolving promissory note with Farm Credit Services of America (FCSA) in the amount up to $10,000,000 or the amount available in accordance with the borrowing base calculation, whichever is less. Dakota Ethanol amended the note agreement with FCSA in June of 2020. Under the amendment, the available credit under the revolving operating note was reduced to $2,000,000. Interest on the outstanding principal balances will accrue at 300 basis points above the one-month LIBOR rate and is not subject to a floor. The rate was 3.15% at December 31, 2020. There is a non-use fee of 0.25% on the unused portion of the $2,000,000 availability. The note is collateralized by substantially all assets of the Company. The note expires on November 1, 2021. On December 31, 2020, Dakota Ethanol had no outstanding and no available to be drawn on the revolving promissory note under the borrowing base.

NOTE 7 - LONG-TERM NOTES PAYABLE

On August 1, 2017, Dakota Ethanol executed a term note from FCSA in the amount of $8,000,000. Dakota Ethanol agreed to make monthly interest payments starting September 1, 2017 and annual principal payments of $1,000,000 starting on August 1, 2018. The payment on August 1, 2020 was deferred after the note was amended with FCSA and is now due on August 1, 2025. The notes matures on August 1, 2025. Interest on the outstanding principal balance will accrue at 325 basis points above the one-month LIBOR rate until February 1, 2023 and increases to 350 basis points thereafter until maturity. The rate was 3.40% at December 31, 2020. On December 31, 2020, Dakota Ethanol had $6,000,000 outstanding on the note.

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On February 6, 2018, Dakota Ethanol executed a reducing revolving promissory note from FCSA in the amount up to $40,000,000 or the amount available in accordance with the borrowing availability under the credit agreement. Dakota Ethanol amended the note agreement with FCSA in June of 2020. Under the amendment, the available credit on the reducing revolving note was increased to $48,000,000. The amount Dakota Ethanol can borrow on the note decreases by $1,750,000 semi-annually starting on July 1, 2021 until the maximum balance reaches $32,250,000 on July 1, 2025. The note matures on January 1, 2026. Interest on the outstanding principal balance will accrue at 325 basis points above the one-month LIBOR rate until February 1, 2023 and increases to 350 basis points thereafter until maturity. The rate was 3.40% at December 31, 2020. The note contains a non-use fee of 0.50% on the unused portion of the note. On December 31, 2020, Dakota Ethanol had $30,000,000 outstanding and $18,000,000 available to be drawn on the note.

As part of the note payable agreement, Dakota Ethanol is subject to certain restrictive covenants establishing financial reporting requirements, distribution and capital expenditure limits, minimum debt service coverage ratios, net worth and working capital requirements. Dakota Ethanol is also restricted from making distributions to Lake Area Corn Processors without the consent of the lender. The note is collateralized by substantially all assets of the Company. The note payable agreement was amended in June 2020 with modifications to the requirements. The working capital covenant was reduced to $11,000,000 and the net worth covenant was reduced to $18,000,000. The next measurement date for the debt service coverage ratio was deferred until December 31, 2021. Management's current financial projections indicate that we will be in compliance with our revised financial covenants for the next 12 months and we expect to remain in compliance thereafter.

The Company entered into a loan agreement with the Small Business Association through First State Bank, Gothenburg, NE on April 4, 2020 for $760,400 as part of the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan matures in January 2023 and has an interest rate of 1%. Proceeds of the loan are restricted for use towards payroll costs and other allowable uses such as covered utilities for incurred before December 31, 2020 under the Paycheck Protection Program Rules. Provisions of the agreement allow for a portion of the loan to be forgiven if certain qualifications are met. The Company has applied for forgiveness of this loan. The Paycheck Protection Program Flexibility Act, which was put into effect on June 5, 2020, may effect the terms of our loan.

The Company also received an Economic Injury Disaster Loan (EIDL) in the amount of $10,000 in June 2020. Repayment of the loan will begin in June 2021 and has a 30 year term at 3.75% interest.

The balance of the notes payable as of December 31, 2020 and 2019 is as follows:

	2020	2019
Note Payable - FCSA	$ 36,000,000	$ 39,000,000
Note Payable - Other	770,400	—
Less unamortized debt issuance costs	(7,535)	(10,792)
	36,762,865	38,989,208
Less current portion	(1,201,628)	(1,000,000)
	$ 35,561,237	$ 37,989,208

Principal maturities for the next five years are estimated as follows:

Years Ending December 31,	Principal
2021	$ 1,201,628
2022	1,510,504
2023	1,048,847
2024	1,000,208
2025	2,000,215
thereafter	30,008,998
	$ 36,770,400

NOTE 8 - EMPLOYEE BENEFIT PLANS

Dakota Ethanol maintains a 401(k) plan for the employees who meet the eligibility requirements set forth in the plan documents. Dakota Ethanol matches a percentage of the employees' contributed earnings. Employer contributions to the plan totaled approximately $133,000, $123,000 and $113,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 9 - FAIR VALUE MEASUREMENTS

The Company complies with the fair value measurements and disclosures standard which defines fair value, establishes a framework for measuring fair value, and expands disclosure for those assets and liabilities carried on the balance sheet on a fair value basis.

The Company’s balance sheet contains derivative financial instruments that are recorded at fair value on a recurring basis. Fair value measurements and disclosures require that assets and liabilities carried at fair value be classified and disclosed according to the process for determining fair value. There are three levels of determining fair value.

Level 1 uses quoted market prices in active markets for identical assets or liabilities.

Level 2 uses observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 uses unobservable inputs that are not corroborated by market data.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Derivative financial instruments. Commodity futures and options contracts are reported at fair value utilizing Level 1 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the CBOT and NYMEX markets. Over-the-counter commodity options contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the over-the-counter markets. Forward purchase contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from local grain terminal bid values. The fair value measurements consider observable data that may include live trading bids from local elevators and processing plants which are based off the CBOT markets.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

LAKE AREA CORN PROCESSORS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018

	Total	Level 1	Level 2	Level 3
December 31, 2020				
Assets:				
Forward contracts	$ 1,742,054	$ —	$ 1,742,054	$ —
Liabilities:				
Derivative financial instruments, futures and options contracts	$ 1,799,688	$ 1,799,688	$ —	$ —
Forward contracts	244,181	—	244,181	—
December 31, 2019				
Assets:				
Derivative financial instruments, futures and options contracts	$ 33,338	$ 33,338	$ —	$ —
Forward contracts	160,687	—	160,687	—
Liabilities:				
Derivative financial instruments, futures and options contracts	$ 1,500	$ 1,500	$ —	$ —
Forward contracts	698,850	—	698,850	—

During the years ended December 31, 2020 and 2019, the Company did not make any changes between Level 1 and Level 2 assets and liabilities. As of December 31, 2020 and 2019, the Company did not have any Level 3 assets or liabilities.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at December 31, 2020 and 2019.

Disclosure requirements for fair value of financial instruments require disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed above.

The Company believes the carrying amount of cash and cash equivalents (level 1), accounts receivable (level 2), accounts payable and accruals (level 2) and short-term debt (level 2) approximates fair value.

The carrying amount of long-term obligations (level 3) at December 31, 2020 of $36,770,400 had an estimated fair value of approximately $36,770,400 based on estimated interest rates for comparable debt. The carrying amount of long-term obligations at December 31, 2019 of $39,000,000 had an estimated fair value of approximately $39,000,000.

NOTE 10 - COMMITMENTS, CONTINGENCIES AND AGREEMENTS

Dakota Ethanol has entered into contracts and agreements regarding the operation of the ethanol plant as follows:

Natural Gas - The agreements provide Dakota Ethanol with transportation and distribution services for natural gas through October 2028, and is renewable annually thereafter. Fees for the services are at tariff rates approved by regulatory agencies. The agreement does not require minimum purchases of natural gas during their initial term.

Electricity - The agreement provides Dakota Ethanol with electric service through June 2029. The contract automatically renews unless prior notice of cancellation is given. The agreement sets rates for energy usage based on market rates and requires a minimum charge each month during the term of the agreement.

Expenses related to the agreements for the purchase of electricity and natural gas were approximately $8,899,000, $8,157,000, and $6,322,000, for the years ended December 31, 2020, 2019 and 2018, respectively.

Minimum annual payments during the term of the electricity agreement are as follows:

Years Ending December 31,	Amount
2021	$184,800
2022	184,800
2023	184,800
2024	184,800
2025	184,800
thereafter	646,800

Ethanol Fuel Marketing Agreement - Dakota Ethanol has an agreement with RPMG (a related party, see note 11), a joint venture of ethanol producers, for the sale, marketing, billing and receipt of payment and other administrative services for all ethanol produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement.

Distiller's Grain Marketing Agreement - Dakota Ethanol has an agreement with RPMG (a related party, see note 11), for the marketing of all distiller's dried grains produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement.

Corn Oil Marketing Agreement - Dakota Ethanol has an agreement with RPMG (a related party, see note 11), for the marketing of all corn oil produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement.

From time to time in the normal course of business, the Company can be subject to litigation based on its operations. There is no current litigation nor any litigation that is considered probable at this time.

NOTE 11 - RELATED PARTY TRANSACTIONS

Dakota Ethanol has a 5% interest in RPMG, and Dakota Ethanol has entered into marketing agreements for the exclusive rights to market, sell and distribute the entire ethanol, dried distiller's grains, and corn oil inventories produced by Dakota Ethanol. The marketing fees are included in net revenues. Dakota Ethanol also purchases denaturant from RPMG. Amounts due from RPMG are presented as accounts receivable (related party) on the balance sheet.

Revenues and marketing fees related to the agreements are as follows:

LAKE AREA CORN PROCESSORS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018

	Years Ended December 31,		
	2020	2019	2018
Revenues ethanol	$ 99,280,464	$ 90,555,111	$ 57,876,705
Revenues distillers grains	9,541,074	5,108,266	1,801,956
Revenues corn oil	5,969,230	4,406,438	2,334,245
Marketing fees ethanol	$ 203,101	$ 242,607	$ 254,555
Marketing fees distillers grains	68,354	36,935	12,294
Marketing fees corn oil	44,778	36,457	18,824
Denaturant purchases	1,503,071	918,071	755,521
Amounts due to RPMG	47,073	46,234	36,586

The Company purchased corn and services from members of its Board of Directors that farm and operate local businesses. Corn purchases from these related parties during the fiscal years ended December 31, 2020, 2019 and 2018 totaled approximately $1,022,000, $1,084,000 and $604,000, respectively. As of December 31, 2020 and 2019, the Company did not have any outstanding obligations to these related parties.

NOTE 12 - CAPTIVE INSURANCE

The Company participates, along with other plants in the industry, in a group captive insurance company (Captive). The Captive insures losses related to workman's compensation, commercial property and general liability. The Captive reinsures catastrophic losses for all participants, including the Company, in excess of predetermined amounts. The Company's premiums are accrued by a charge to income for the period to which the premium relates and is remitted by the Company's insurer to the captive reinsurer. These premiums are structured such that the Company has made a prepaid collateral deposit estimated for losses related to the above coverage. The Captive insurer has estimated and collected an amount in excess of the estimated losses but less than the catastrophic loss limit insured by the Captive. The Company cannot be assessed over the amount in the collateral fund.

LAKE AREA CORN PROCESSORS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018

NOTE 13 - QUARTERLY FINANCIAL REPORTING (UNAUDITED)

Summary quarterly results are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2020				
Total revenues	$ 32,456,238	$ 25,424,832	$ 33,917,787	$ 38,722,957
Gross profit (loss)	(7,849,642)	5,611,925	6,046,492	2,219,771
Income (loss) from operations	(9,189,480)	4,666,216	5,054,469	1,079,267
Net income (loss)	(10,475,043)	4,213,375	5,810,426	1,506,881
Basic and diluted earnings (loss) per unit	(0.35)	0.14	0.20	0.05
Year ended December 31, 2019				
Total revenues	$ 21,613,298	$ 26,096,989	$ 32,441,510	$ 35,835,024
Gross profit (loss)	2,450,262	1,298,964	(1,815,202)	(634,434)
Income (loss) from operations	1,440,935	372,585	(2,786,864)	(1,787,409)
Net income (loss)	1,790,204	(192,897)	(3,599,789)	(1,821,702)
Basic and diluted earnings (loss) per unit	0.06	(0.01)	(0.12)	(0.06)
Year ended December 31, 2018				
Total revenues	$ 19,804,272	$ 20,077,335	$ 18,796,356	$ 16,025,667
Gross profit	2,612,121	2,065,457	718,120	688,238
Income (loss) from operations	1,628,878	1,073,009	(153,933)	(301,677)
Net income (loss)	1,876,697	1,466,978	(182,218)	(444,870)
Basic and diluted earnings (loss) per unit	0.06	0.05	(0.01)	(0.01)

NOTE 14 - PARENT FINANCIAL STATEMENTS

The following financial information represents the unconsolidated financial statements of Lake Area Corn Processors, LLC as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018. The Company's ability to receive distributions from its wholly owned subsidiary, Dakota Ethanol, LLC, is based on the terms and conditions set forth in the Third Amendment to its credit agreement with Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA. Under the Third Amendment, Dakota Ethanol is restricted from making distributions to the Company without the consent of the lender.

The unconsolidated balance sheet is as follows:

LAKE AREA CORN PROCESSORS, LLC
UNCONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 58,505	$ 33,473
Prepaid expenses	24,542	17,084
Total current assets	83,047	50,557
OTHER ASSETS		
Goodwill	10,395,766	10,395,766
Investment in Dakota Ethanol	39,554,776	38,630,542
Investments - other	15,234,990	15,136,075
Total other assets	65,185,532	64,162,383
TOTAL ASSETS	$ 65,268,579	$ 64,212,940
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Total current liabilities	—	—
LONG-TERM LIABILITIES		
Total long-term liabilities	—	—
MEMBERS' EQUITY (29,620,000 units issued and outstanding)	65,268,579	64,212,940
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 65,268,579	$ 64,212,940

The unconsolidated statement of operation is as follows:

LAKE AREA CORN PROCESSORS, LLC
UNCONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
EQUITY IN NET INCOME (LOSS) OF CONSOLIDATED SUBSIDIARY	$ 1,073,965	$ (3,298,638)	$ 2,785,397
OPERATING EXPENSES	127,978	311,001	337,000
INCOME (LOSS) FROM OPERATIONS	945,987	(3,609,639)	2,448,397
OTHER INCOME (EXPENSE)			
Interest and other income	10,737	5,949	33
Equity in net income (loss) of investments	98,915	(220,494)	268,157
Total other income (expense)	109,652	(214,545)	268,190
NET INCOME (LOSS)	$ 1,055,639	$ (3,824,184)	$ 2,716,587

The unconsolidated statement of cash flows is as follows:

LAKE AREA CORN PROCESSORS, LLC
UNCONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
OPERATING ACTIVITIES			
Net income (loss)	$ 1,055,639	$ (3,824,184)	$ 2,716,587
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Distributions in excess of earnings from investments	(98,915)	1,220,493	1,893,858
Equity in (earnings) losses of consolidated subsidiary	(1,073,965)	3,298,638	(2,785,397)
(Increase) decrease in			
Prepaid expenses	(7,456)	(275)	—
Increase (decrease) in			
Accounts payable	—	—	(42,227)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(124,697)	694,672	1,782,821
INVESTING ACTIVITIES			
Distributions received from consolidated subsidiary	100,000	750,000	2,000,000
Investment in consolidated subsidiary	—	(1,000,000)	(1,100,000)
Purchase of investments	—	(500,000)	(10,000)
Other investing cash inflow (outflow)	49,729	41,338	280,686
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	149,729	(708,662)	1,170,686
FINANCING ACTIVITIES			
Distributions to members	—	—	(2,962,000)
NET CASH USED FOR FINANCING ACTIVITIES	—	—	(2,962,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,032	(13,990)	(8,493)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	33,473	47,463	55,956
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 58,505	$ 33,473	$ 47,463

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management, including our President and Chief Executive Officer (the principal executive officer), Scott Mundt, along with our Chief Financial Officer (the principal financial officer), Rob Buchholtz, have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2020. Based on this review and evaluation, these officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the forms and rules of the Securities and Exchange Commission; and to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Inherent Limitations Over Internal Controls

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods is subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. As we are a non-accelerated filer, management's report is not subject to attestation by our registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002 that permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended December 31, 2020 which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. MANAGERS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to the definitive information statement from our 2021 annual meeting of members to be filed with the Securities and Exchange Commission within 120 days after our 2020 fiscal year end on December 31, 2020. This information statement is referred to in this report as the 2021 Information Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to the 2021 Information Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED MEMBER MATTERS.

The information required by this Item is incorporated by reference to the 2021 Information Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND MANAGER INDEPENDENCE.

The information required by this Item is incorporated by reference to the 2021 Information Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to the 2021 Information Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following exhibits and financial statements are filed as part of, or are incorporated by reference into, this report:

(1) The financial statements appear beginning on page 33 of this report.

(2) All supplemental schedules are omitted because of the absence of conditions under which they are required or because the information is shown in the Consolidated Financial Statements or notes thereto.

(3) The exhibits we have filed herewith or incorporated by reference herein are identified in the Exhibit Index set forth below.

The following exhibits are filed as part of this report. Exhibits previously filed are incorporated by reference, as noted.

Exhibit No.	Exhibit	Filed Herewith	Incorporated by Reference
3.2	Amended and restated operating agreement of the registrant.		Filed as Exhibit 3.6 on the registrant's Form 10-K filed with the Commission on March 31, 2005 and incorporated by reference herein.
3.3	First amendment to the amended and restated operating agreement of the registrant.		Filed as Exhibit 99.1 on the registrant's Form 8-K filed with the Commission on March 19, 2007 and incorporated by reference herein.
3.4	Third Amendment to the Third Amended and Restated Operating Agreement of Lake Area Corn Processors, LLC dated January 9, 2018		Filed as Exhibit 99.1 on the registrant's Form 8-K filed with the Commission on January 10, 2018 and incorporated by reference herein.
10.1	Distillers Grains Marketing Agreement dated July 15, 2008 between RPMG, Inc. and Dakota Ethanol, L.L.C. +		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 14, 2008 and incorporated by reference herein.
10.2	Contribution Agreement between Renewable Products Marketing Group, LLC and Dakota Ethanol, L.L.C. dated April 1, 2007.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 14, 2007 and incorporated by reference herein.
10.3	Addendum to Water Purchase Agreement dated February 28, 2007 between Big Sioux Community Water Systems, Inc. and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 10-K filed with the Commission on March 30, 2007.
10.4	Risk Management Agreement dated November 28, 2005 between FCStone, LLC and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 8-K filed with the Commission on December 2, 2005 and incorporated by reference herein.
10.5	Employment Agreement between Scott Mundt and Dakota Ethanol, L.L.C. dated April 1, 2009		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on May 15, 2009 and incorporated by reference herein.
10.6	First Amended and Restated Construction Loan Agreement dated June 18, 2009 between First National Bank of Omaha and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 12, 2009 and incorporated by reference herein.
10.7	Corn Oil Marketing Agreement dated August 11, 2009 between RPMG, Inc. and Dakota Ethanol, L.L.C. +		Filed as Exhibit 10.2 on the registrant's Form 10-Q filed with the Commission on August 12, 2009 and incorporated by reference herein.
10.8	First Amendment to First Amended and Restated Construction Loan Agreement between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 13, 2010.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 13, 2010 and incorporated by reference herein.
10.9	Long Term Reducing Revolving Promissory Note between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 13, 2010.		Filed as Exhibit 10.2 on the registrant's Form 10-Q filed with the Commission on August 13, 2010 and incorporated by reference herein.
10.10	Operating Line of Credit Promissory Note between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 13, 2010.		Filed as Exhibit 10.3 on the registrant's Form 10-Q filed with the Commission on August 13, 2010 and incorporated by reference herein.
10.11	Member Ethanol Fuel Marketing Agreement between Dakota Ethanol, LLC and RPMG, Inc. dated March 26, 2010. +		Filed as Exhibit 10.22 on the registrant's Form 10-K filed with the Commission on March 30, 2011 and incorporated by reference herein.

10.12	Second Amendment of First Amended and Restated Construction Loan Agreement dated May 12, 2011 between Dakota Ethanol, L.L.C. and First National Bank of Omaha.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 11, 2011 and incorporated by reference herein.
10.13	Operating Line of Credit First Amended and Restated Revolving Promissory Note dated May 12, 2011 between Dakota Ethanol, L.L.C. and First National Bank of Omaha.	Filed as Exhibit 10.2 on the registrant's Form 10-Q filed with the Commission on August 11, 2011 and incorporated by reference herein.
10.14	Long Term Reducing Revolver First Amended and Restated Promissory Note dated May 12, 2011 between Dakota Ethanol, L.L.C. and First National Bank of Omaha.	Filed as Exhibit 10.3 on the registrant's Form 10-Q filed with the Commission on August 11, 2011 and incorporated by reference herein.
10.15	Third Amendment of First Amended and Restated Construction Loan Agreement between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 1, 2012.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on May 14, 2012 and incorporated by reference herein.
10.16	Second Amended and Restated Revolving Promissory Note (Operating Line of Credit) between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 1, 2012.	Filed as Exhibit 10.2 on the registrant's Form 10-Q filed with the Commission on May 14, 2012 and incorporated by reference herein.
10.17	Second Amended and Restated Promissory Note (Long Term Reducing Revolver) between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 1, 2012.	Filed as Exhibit 10.3 on the registrant's Form 10-Q filed with the Commission on May 14, 2012 and incorporated by reference herein.
10.18	Member Amended and Restated Marketing Agreement between RPMG, Inc. and Dakota Ethanol, L.L.C. dated August 27, 2012. +	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on November 13, 2012 and incorporated by reference herein.
10.19	Fourth Amendment to First Amended and Restated Construction Loan Agreement between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 1, 2013.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on May 13, 2013 and incorporated by reference herein.
10.20	Third Amended and Restated Revolving Promissory Note between Dakota Ethanol, L.L.C. and First National Bank of Omaha dated May 1, 2013.	Filed as Exhibit 10.2 on the registrant's Form 10-Q filed with the Commission on May 13, 2013 and incorporated by reference herein.
10.21	Credit Agreement between Farm Credit Services of America and Dakota Ethanol, L.L.C. dated May 15, 2013.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 13, 2013 and incorporated by reference herein.
10.22	First Amendment to Credit Agreement between Farm Credit Services of America and Dakota Ethanol, L.L.C. dated November 20, 2013.	Filed as Exhibit 10.22 on the registrant's Form 10-K filed with the Commission on February 27, 2014 and incorporated by reference herein.
10.23	Second Amendment to Credit Agreement between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C. dated November 12, 2014	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on November 13, 2014 and incorporated by reference herein.
10.24	2015 Water Purchase Agreement dated December 17, 2014 between Big Sioux Community Water Systems, Inc. and Dakota Ethanol, L.L.C.	Filed as Exhibit 10.24 on the registrant's Form 10-K filed with the Commission on February 26, 2015 and incorporated by reference herein.
10.25	Third Amendment to Credit Agreement dated May 4, 2015 between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on May 14, 2015 and incorporated by reference herein.
10.26	Fourth Amendment to Credit Agreement dated October 28, 2016 between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.	Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on November 14, 2016 and incorporated by reference herein.

10.27	Fifth Amendment to Credit Agreement dated August 1, 2017 between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 11, 2017 and incorporated by reference herein.
10.28	Master Agreement between Owner and Nelson Engineering, Inc. dated November 30, 2017.		Filed as Exhibit 10.28 on the registrant's Form 10-K filed with the Commission on March 2, 2018 and incorporated by reference herein.
10.29	Amended and Restated Credit Agreement dated February 2, 2018 between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.29 on the registrant's Form 10-K filed with the Commission on March 2, 2018 and incorporated by reference herein.
10.30	First Amendment to Amended and Restated Credit Agreement dated December 14, 2018 between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.30 on the registrant's Form 10-K filed with the Commission on February 28, 2019 and incorporated by reference herein.
10.31	Second Amendment to Amended and Restated Credit Agreement between Farm Credit Services of America, PCA and Farm Credit Services of America, FLCA and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on November 14, 2019 and incorporated by reference herein.
10.32	Third Amendment to Amended and Restated Credit Agreement between Farm Credit Services of America, PCA and Farm Credit Services of America FLCA and Dakota Ethanol, L.L.C.		Filed as Exhibit 10.1 on the registrant's Form 10-Q filed with the Commission on August 14, 2020 and incorporated by reference herein.
31.1	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	Filed herewith
31.2	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	Filed herewith
32.1	Certificate Pursuant to 18 U.S.C. Section 1350	X	Filed herewith
32.2	Certificate Pursuant to 18 U.S.C. Section 1350	X	Filed herewith
101	The following financial information from Lake Area Corn Processors, LLC's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019, (ii) Consolidated Statements of Income for the fiscal years ended December 31, 2020, 2019 and 2018, (iii) Statement of Changes in Members' Equity, (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2020, 2019 and 2018, and (v) the Notes to Consolidated Financial Statements.**		

+ Confidential Treatment Requested
** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAKE AREA CORN PROCESSORS, LLC

Date: March 12, 2021	/s/ Scott Mundt
	Scott Mundt
	President and Chief Executive Officer (Principal Executive Officer)
Date: March 12, 2021	/s/ Rob Buchholtz
	Rob Buchholtz
	Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 12, 2021	/s/ Ronald Alverson Ronald Alverson, Manager
Date: March 12, 2021	/s/ Todd Brown Todd Brown, Manager
Date: March 12, 2021	/s/ Randy Hansen Randy Hansen, Manager
Date: March 12, 2021	/s/ Rick Kasperson Rick Kasperson, Manager
Date: March 12, 2021	/s/ Marty Thompson Marty Thompson, Manager
Date: March 12, 2021	/s/ Wayne Backus Wayne Backus, Manager
Date: March 12, 2021	/s/ Dave Wolles Dave Wolles, Manager