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General Manager/CEO Update

SECTION 199A TAX DEDUCTION

The Tax Cuts and Jobs Act of 2017 legislation passed by Congress during December 2017 included language that has come to be known as the Section 199A deduction. Section 199A provides for potential income tax benefits for farmers to sell their products to entities taxed as an agricultural cooperative. The wording that provides the benefit to cooperative businesses was an unintended consequence of some last minute wording added to the legislation. There is a proposed legislative change to the Section 199A wording to level the playing field for all grain purchasing entities. It is uncertain if or when the change will be adopted. We are working with our advisors to monitor the legislation and evaluate options for Lake Area Corn Processors and Dakota Ethanol to provide the maximum benefit to our investors

and customers.

Construction progresses in Onida. The winter weather has been favorable and allowed construction crews to make good progress and stay on schedule. Key agreements for utilities and marketing are being finalized. Startup is expected late in Q4 2018 to early Q1 2019. Once operational, the plant will produce 80 million gallons of ethanol annually.

The Annual meeting will be held on April 17th at Nicky's in Madison, with lunch served at 12:00 and meeting at 1:00. Business to be conducted at the meeting will be business and industry updates along with the election of board members for the expiring terms. Please take the time to cast your ballot and return it to our office as your ballot counts towards the quorum for the election.

— *Scott Mundt,*
General Manager & CEO
Dakota Ethanol

Market Update - Paul Geraets

The USDA released the monthly World Ag Supply Demand Export (WASDE) report which was supportive for corn and less supportive for wheat and beans.

On the bullish side....DEMAND... Good export pace (forecasted to increase further), Good ethanol demand, good livestock demand.

Supply...we've moved from a well-supplied global grain inventory to one that is decreasing with known Argentina crop production issues on the order of 20% reduction. The US corn carryout has also been reduced to 2.127B from 2.320B bushel in the Feb report.

On the bearish side.....good old crop supplies, the threat of raising another record crop in the Northern Hemisphere. Trade policy (TTP,

NAFTA, Tariffs). Renewable Fuels Standard attacks. Plentiful world feed wheat supplies. Managed money held a significant short position into the mid Jan lows and recently switched to become significantly long, which is viewed as a bearish factor once they lose interest in grains and reduce their length. Farmer still has a lot of selling to do yet as well.

The Trump administration is attempting to garner better trade deals through a number of untraditional means. The recent executive order of a 25% tariff on steel imports and 10% tariff aluminum imports from overseas is highly likely to cause a backlash that will most likely negatively impact the US farmer in agricultural products since we depend on exports for an outlet for excess production beyond domestic demand. Trade has been an ongoing situation, but has escalated lately.

"This newsletter contains forward-looking statements. We undertake no responsibility to update any forward-looking statement. When used, the words "believe", "expect", "will", "can", "estimate", "anticipate" and similar expressions are intended to identify forward-looking statements. Readers should not place undue reliance on any forward-looking statements and recognize that the statements are not predictions of actual future results; which could, and likely will differ materially from those anticipated in the forward-looking statements due to risks and uncertainties, including those described in our SEC filings."

Market Update, cont.

We see high level conversations being held to dismantle the RFS or portions of it that the oil industry doesn't like. The recent bankruptcy of a PA refinery looks like an oil industry sacrificial lamb setting the stage for big oil to get some publicity through TX Senator Cruz to rework the RFS.

We've seen a good amount of farmer selling and while I'd agree early March isn't normally known for highs in the grain markets, we have seen elevated prices this time of the year in the past with similar South American weather problems leading to world supply/demand adjustments which is what we're experiencing this year. If we have a US weather issue develop, we would likely see a market reaction maybe more significant than normal if the Brazilian corn crop (which is being planted now) isn't normal or better than normal...stay tuned.

Leave us with an offer.....last year we implemented a new automated system to more easily handle offers to sell corn. It is much more user friendly than what we used to do. Please call and talk to myself or Jennie if you have a price in mind that you'd be willing to sell at. This system will email you once it is entered and again when it fills. Having open offers at your delivery points should be part of an overall marketing plan that meets your operational goals. A marketing plan can take a lot of the stress and worry out of marketing grain. Let us be a part of your success.

Please pardon the construction mess and delays. We work with the construction crews to minimize the disruption to the day-to-day activity at the plant. Providing quality service for corn deliveries and distillers shipments is our top priority.

Construction Update

The RTO project is on schedule. Crews worked through the winter installing equipment. The RTO will be operational in the second quarter of 2018.

The expansion project is progressing. The detailed engineering has been the focus of the project over the winter months. Crews will start excavating once the frost leaves the ground. Large equipment has been ordered and is being manufactured. We expect twelve months of construction with the new equipment coming on-line during the second quarter of 2019.

LACP 2017 Financial Report

Lake Area Corn Processors released its financial report for the year ended December 31, 2017. Net income decreased from 2016. The decrease in net income was primarily due to decreased revenues from ethanol and distillers grains as the industry's increased production put price pressure on the domestic markets. Other income was lower as our investments in other ethanol plants provided lower profits. Working capital is lower as we used more cash for plant improvements and outside investments. See below for excerpts from our annual report filed with the SEC on form 10-K. The full 10-K report is available on our website at <https://www.dakotaethanol.com/lacp>

Statement of Operations Data:	2017	2016	2015	2014	2013
Revenues	\$ 84,821,788	\$ 88,812,550	\$ 88,997,947	\$ 124,469,094	\$ 145,412,968
Cost of Revenues	76,253,945	76,097,861	81,445,770	89,068,125	129,091,165
Gross Profit	8,567,843	12,714,689	7,552,177	35,400,969	16,321,803
Operating Expense	3,717,291	3,642,087	1,827,789	3,550,980	3,511,026
Income From Operations	4,850,552	9,072,602	5,724,388	31,849,989	12,810,777
Other Income (Expense)	1,534,531	2,332,606	2,929,142	7,957,330	494,070
Net Income	\$ 6,385,083	\$ 11,405,208	\$ 8,653,530	\$ 39,807,319	\$ 13,304,847
Capital Units Outstanding	29,620,000	29,620,000	29,620,000	29,620,000	29,620,000
Net Income Per Capital Unit	\$ 0.22	\$ 0.39	\$ 0.29	\$ 1.34	\$ 0.45
Cash Distributions per Capital Unit	\$ 0.20	\$ 0.40	\$ 0.30	\$ 1.00	\$ 0.20
Balance Sheet Data:	2017	2016	2015	2014	2013
Working Capital	\$ 6,131,109	\$ 11,313,046	\$ 8,443,572	\$ 6,634,185	\$ 17,836,992
Net Property, Plant & Equipment	39,968,930	34,824,202	34,184,059	28,349,272	22,958,064
Total Assets	84,072,240	78,116,089	79,746,514	78,574,975	82,577,805
Long-Term Obligations	6,983,944	26,556	106,475	226,940	9,170,592
Members' Equity	68,282,537	67,821,454	68,264,246	68,600,228	58,455,182
Book Value Per Capital Unit	\$ 2.31	\$ 2.29	\$ 2.30	\$ 2.32	\$ 1.97