March 2020

Dakota ETHANOL

LACP

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Annual meeting & voting: What you need to know

The annual meeting for Lake Area Corn Processors/Dakota Ethanol is scheduled for April 14, 2020, at Nicky's Restaurant in Madison, S.D. We are monitoring the status of the coronavirus in the area. If the conditions do not improve by the meeting date, we may postpone the meeting. Please monitor our website or call the office for the status of the meeting.

Please be sure to cast the ballot you received in the mail and return to it our office before the annual meeting. If you are unable to attend in person, your ballot counts toward a quorum.

CEO Report:

2019 expansion & investments update

Dakota Ethanol expansion completed

2019 was a very busy year for us with the completion and startup of the plant expansion, increasing our throughput from 50 MGY to 90 MGY (million gallons per year). With a mid-year startup there has been significant focus on working out the bugs and optimizing the recipe to achieve our objectives. I want to extend a huge thanks to all Dakota Ethanol employees for their time and effort toward this major capital investment. We continue to work toward lowering our carbon intensity, which has been paying off in the form of increased value for our ethanol that is shipped to Oregon and California.

Hankinson Renewable Energy investment

In December of 2013 we invested $12 million for a 10% ownership stake in a 120 MGY ethanol plant in Hankinson, N.D. Through December 2019, we have received $22 million in distributions, which has been used to pay off debt for the original investment and increase distributions paid to our members. Production for 2019 at that plant increased to 150 MGY with continued optimization and debottlenecking efforts. Local corn production and harvest was good for the plant; however, as you may know, harvest continues this spring for much of the corn in North Dakota.

Ringneck Energy investment

In 2017 we invested $10 million for an 11% ownership stake in an 80 MGY ethanol plant project in Onida, S.D. Construction of the plant was completed in early 2019 with startup in May. There were many challenges to overcome during construction and production start-up (weather, costs, equipment issues, etc.). However, I am pleased to report that the plant has recently been running at an 85

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CFO Report: Corn, ethanol supplies impact profits

Balance Sheet Data:	2019	2018	2017
Working Capital	$ 8,323,445	$ 72,709	$ 6,131,109
Net Property, Plant & Equipment	66,707,481	63,748,268	39,968,930
Total Assets	119,810,318	102,866,072	84,072,240
Long-Term Obligations	37,993,208	23,593,368	6,983,944
Members' Equity	64,212,940	68,037,124	68,282,537
Book Value Per Capital Unit	2.17	2.30	2.31

Statement of Operations	2019	2018	2017
Revenues	$ 115,986,821	$ 74,703,630	$ 84,821,788
Cost of Revenues	114,687,231	68,619,694	76,253,945
Gross Profit	1,299,590	6,083,936	8,567,843
Operating Expense	4,060,343	3,837,659	3,717,291
Income (Loss) From Operations	(2,760,753)	2,246,277	4,850,552
Other Income (Expense)	(1,063,431)	470,310	1,534,531
Net Income (Loss)	$ (3,824,184)	$ 2,716,587	$ 6,385,083
Capital Units Outstanding	29,620,000	29,620,000	29,620,000
Net Income (Loss) Per Capital Unit	$ (0.13)	$ 0.09	$ 0.22
Cash Distributions per Capital Unit	$ —	$ 0.10	$ 0.20

Increasing corn prices and depressed ethanol values hurt profitability during 2019. Increasing ethanol supply to the market offset by stable domestic demand and exports held ethanol values down for the year.

Below average corn production in our area has increased the corn cost and our cost of production. Dakota Ethanol produced 70 million gallons of ethanol in 2019, up from 47 million gallons in 2018. Production increased as we brought the expansion online during the second quarter of 2019. We are currently running at a 90 million gallon rate. The expansion has allowed for improved operational efficiencies and has reduced our fixed costs per gallon. The improved energy efficiencies are important to improving our carbon intensity (CI) score as we sell ethanol into markets that provide improved ethanol prices for lower CI scores. We continue to focus on efficiencies to reduce costs and improve CI revenues. Corn costs will continue to be a significant factor in profitability in 2020. Higher than usual corn prices will continue to weigh on profitability until the local corn production returns to normal.

—Rob Buchholtz, CFO

Industry update

SREs, tariffs cut ethanol demand at home & overseas

International trade disputes impaired exports of ethanol and distillers grains for the industry. As the industry currently produces more ethanol and distillers than we can consume domestically, we look to the export market to place the excess supply. Brazil and China have been key importers of ethanol and distillers grains in the past. They have implemented quotas and tariffs on exports from the United States. The diminished exports and tariffs have reduced the values we received for our products.

Nationally we have faced challenges also. Small Refinery Exemptions waivers (SREs) issued by the EPA under the Renewable Fuels Standard (RFS) over the past several years have reduced the value of RINs and ethanol. In June 2019, the Trump Administration approved the use of E15 year-round which has somewhat expanded the use of E15, but has not been significant enough to offset demand losses which resulted from the small refinery waivers from the RFS.

In the Midwest, weather was a significant event during 2019. Ample moisture made for a wet spring, summer and fall in many areas. The wet spring made for planting challenges as many fields were planted late or were not planted at all. The summer provided less than ideal growing conditions and yields were below average for much of the Midwest. The fall didn't offer much reprieve as the continued wetness made harvest difficult and early snows caught some fields unharvested and they will wait for spring to harvest. In Dakota Ethanol's draw area, approximately 40% of the acres were unplanted. As a result, the basis has narrowed significantly and we are drawing corn from a much larger area than we traditionally have. We look forward to a dry spring in 2020 that will allow for timely planting and good crop development.

—Scott Mundt, CEO

Commodity update

Wet 2019 puts damper on area corn yield, quality

Last spring was exceptionally wet across a number of key corn production areas which led to record amounts of prevent plant acres nationally and here in South Dakota, including Dakota Ethanol's draw area. There were a lot of moving parts influencing farmers' decisions to plant or not plant. A good percentage of area farmers planted corn much later than they normally do with varying degrees of success, leaving most disappointed with much below average corn yields with high moisture and low test weight which challenged drying systems. This has led to storability issues.

Those conditions have led to a tighter than normal corn supply, which has resulted in a tighter than normal corn basis. This has led to corn coming into our area from non-traditional areas who have more bushels available. Historically, Dakota Ethanol enjoys a lower corn cost compared to our peers, but this year that had to change to be able to procure enough corn to supply the plant, which nearly doubled its usage.

In January, with a small capital improvement project, we're able to unload corn by rail using the existing truck unload system. If we have another wet spring planting season or subpar growing season, it is likely we'll import corn by rail if it's viable to do so.

Keep an eye out for grain quality as we've been seeing corn going out of condition already, especially with higher foreign material and moisture as temperatures warm up.

Scale automation has been working well though we are still working through a few lingering issues. Overall, it has upheld our commitment to above average customer service.

On the feed side, we've been making a new product we're calling Dakota Cake which has a moisture level in between modified and wet cake and is priced competitively. It stacks high and won't freeze into hard clumps like wet cake does. If you think this product may be a fit for your livestock operation or want more information, please feel free to reach out to us.

For years now, Dakota Ethanol has been utilizing and monetizing our lower CI through plant efficiencies and wet feed production. Recently, another opportunity to reduce our Carbon Intensity (CI) lies in proving our area growers produce corn more efficiently than the default CI that the marketplace currently assigns to raising a bushel of corn. Stay tuned to our website and other communications as DE is currently planning to move in this direction and will need some grower member participation to accomplish this goal. DE looks to partner with producers to add value to both of our operations.

—Paul Geraets, commodity manager

CEO Report ...

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MGY rate exceeding the nameplate target. It was necessary for us to contribute an additional $500,000 in June of 2019 (part of a $4.5 million dollar capital call) so our investment now totals $10.5 million of which $6 million is financed with a long term note with payments of $1 million per year through 2025. Corn production and harvest was better than average for areas surrounding the Ringneck plant in 2019.

—Scott Mundt, CEO

We are hiring

We are looking for talented and motivated individuals to be part of our team. See our website at www.dakotaethanol.com and click the jobs link for career opportunities.

LACP Capital Unit Trading Recap

There are 29,620,000 capital units issued and outstanding and approximately 1,062 unit holders. The following table contains information concerning completed unit transactions that occurred during our last fiscal year. Units traded during 2019 represent 0.5% of the total units outstanding.

Quarter	Low Price	High	Average	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

For more details on Lake Area Corn Processors, LLC trading please contact Variable Investment Advisors at 1-800-859-3018 or visit their website at www.agstocktrade.com or contact our office.

News and notes

Contact information

Do we have your current address and phone number? Have you moved? No longer have a home phone? Is your cell phone your only phone number? What is your email address? Call or send an email to investor-relations@dakotaethanol.com with your current contact information.