



Golden Growers
Cooperative

Memberandum

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GGC Board Approves Distribution of \$0.13/Unit

On June 15th, the Golden Growers Board of Directors approved a \$0.13/Unit distribution of \$2,013,762 to members of record as of June 1, 2020. A \$0.13/Unit distribution is a penny lower than what the Golden Growers Board had been distributing more recently. It has been the GGC Board's goal to level out distributions through the current ProGold lease. They estimated capital expenses, the timing of payment for capital projects, and declining lease payments. Now that estimates have been replaced with updated financial information, it appears they may fall short of their projected reserve balance at the end of the lease period. Therefore, the GGC Board decided to make an adjustment in member distributions to avoid more significant adjustments in the future. Future distributions may be adjusted up or down as we receive more accurate financial information.

This distribution will retire a portion of remaining 2018 allocated income. With this distribution, the remaining equity credit balance of \$6,158,568 or \$0.40/bushel. This balance is useful in determining per Unit basis levels and does not constitute an outstanding obligation for GGC.

Golden Growers has issued payments to members totaling \$193,918,145 or 211.7% of the original investment in the ProGold plant.

Ethanol Under Stress

The renewable fuels industry has been on a roller coast for several months now and the financial stress is widespread throughout the sector.

In response to a challenge brought against the EPA by the Renewable Fuels Association, National Corn, the American Coalition for Ethanol, and the National Farmers Union, 10th circuit federal court ruled in early January that the EPA didn't have the authority to issue small refinery exemptions from the renewable fuels standard (RFS) for three refineries. The court determined that hardship extensions were intended to help the industry transition to meeting the RFS blending requirements. If a refinery didn't qualify for a hardship exemption in prior years, it shouldn't qualify for an extension of an exemption that was not previously granted.

As background, the Trump administration's EPA granted 85 small refinery 'hardship' exemptions between 2016 and 2018 totaling more than 4 billion gallons of demand that was lost. For 2015, the number of extensions approved by EPA was down to 7. Most of the exemptions that were granted in 2016-18 had either not previously received a hardship waiver or their temporary or 'transitional' exemptions had lapsed.

Refiners insisted that the ruling be appealed. In late February, thirteen oil state Senators asked President Trump to appeal the 10th circuit decision suggesting that if the ruling stands it would put, 'a dozen small refiners under severe financial strain and thousands of jobs at risk.'

On March 24th, the Trump administration decided not to appeal the 10th circuit ruling and indicated that they may apply the ruling nationwide. This was a big win for the renewable fuels industry despite continuing efforts by refiners to continue with their appeal. Still, Trump administration officials indicated that they would look for other ways to help blunt the financial impact of the decision.

In the midst of all of this the oil and ethanol industry were beginning to feel the oil price war between the Saudis and Russians. Add to that the impacts of the novel coronavirus and all parties were pleading for federal assistance and relief.

The ethanol industry insists that the 10th circuit ruling be applied to the 25 pending petitions before the EPA for 2019. The industry also points to a 2017 U.S. District court ruling that ordered the EPA to restore 500 million gallons of inappropriately waived 2016 blending requirements and a 2020 EPA rule whereby EPA must account for exempted volumes to make sure RFS requirements are met.

On May 1st farm and renewable fuel groups asked the EPA to oppose the American Petroleum Institute's petition to request reconsideration of the 2020 final rule on the RFS. The API letter wants the final rule to eliminate any measure to 'reallocate' demand destruction related to the small refinery, hardship waivers. They pointed out that the EPA has yet to officially confirm that the 10th circuit decision would be applied nationwide.

In late May, renewable fuel advocates became alarmed when they learned that small refineries were petitioning the EPA for exemptions for previous compliance years for which they had not timely applied. Presumably, the goal is to retroactively request waivers and make them eligible for continued waivers in line with the 10th circuit ruling. Importantly, the EPA informed members of the Senate Environment and Public Works committee that they were sending the DOE those requests despite the fact that they were not appearing anywhere on the EPA's RFS dashboard (that would normally list all waiver applications).

In a letter to the EPA, Renewable Fuels Association President Geoff Cooper wrote that requests SRE exemptions from prior years is "no more than a thinly veiled attempt to circumvent" the 10th circuit court decision. "This end-run strategy was explicitly acknowledged by Under Secretary Menezes who described the prior year exemption petitions

as ‘gap fillings’ intended to establish, without regard to merit, a continuous string of exemptions ‘to be consistent with the 10th Circuit decision.’”

After weeks of delay, on June 18th the EPA finally posted 52 petitions for retroactive waivers on their dashboard. The waivers are for compliance years 2011 through 2018. The oil industry is split on whether the EPA should approve the waivers. A refiners industry organization insists that the EPA wrongly denied waivers in the past to justify retroactive relief. The American Petroleum Institute (API), on the other hand, will not support granting prior year waivers. Instead, the API suggests the requests are evidence of a broken RFS that should be repealed.

In a statement released by Growth Energy, CEO Emily Skor stated, “EPA’s dashboard confirms that the refiners hope to rewrite history, just to bypass the 10th Circuit Court and push more biofuels out of the marketplace.”

Adding more uncertainty by consideration of these ‘gap filling’ exemptions would add insult to injury. More than 70% of ethanol plants have either shut down or substantially reduced production due reduced demand for driving fuels. Offering up more waivers (or a string of prior year waivers) would make the situation much worse for the entire corn milling industry.

Sources: Farm Progress; Progressive Farmer; American Coalition for Ethanol, Reuters

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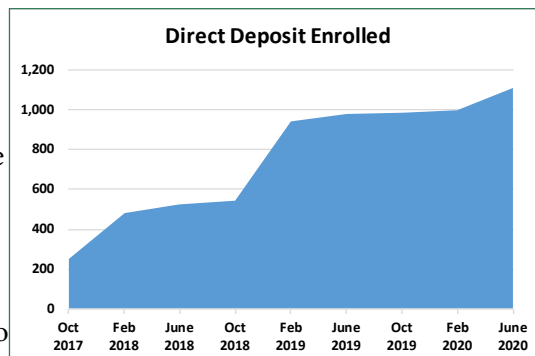
June 2020 Memberandum Newsletter



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Direct Deposit Ticks Upward

Since we first began our effort to encourage members to participate in Direct Deposit, we’ve seen continued growth. Our first payment in October of 2017 had 250 members participating. For the June 2020 payment, 1110 members or 72.5% of members will be participating. Clearly, members are becoming more comfortable with the reliability, convenience, and security of Direct Deposit. We are grateful for your willingness to participate! If you are not using Direct Deposit, please consider enrolling now. If you have concerns or questions, feel free to give our office a call to discuss them. Once you are enrolled, you’ll be glad you did it and will wonder what you were waiting for!



Notify GGC of Changes!

Please remember to notify GGC immediately of address, phone number changes, or to report the death of a member. Call us at 701-281-0468 or email scotts@goldengrowers.com.

Thinking of Selling or Buying GGC Membership Units?

We often receive calls from members to inquire about buying or selling GGC Membership Units. Members are reminded that all ‘arms length’ or non immediate family transfers MUST go through our Qualified Matching Service, FNC Ag Stock, LLC in Grand Forks, ND. At www.fncagstock.com, go to the GGC page and review recent sales, offers to sell, and standing offers to buy. You can find additional information on GGC’s website.

Important Dates:

September 7 - Last day to submit transfer requests
September 17 - GGC Board Meeting
October 15 - 2021 Annual Delivery Election in Mail
December 15 - GGC Board Meeting
December 15 - Deadline for 2021 ADA Elections
March 25, 2020 - GGC Board Meeting
March 26, 2020 - GGC Annual Meeting

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