CVEC
CHIPPEWA VALLEY ETHANOL COMPANY
SUMMER 2022

GENERAL MANAGER'S MESSAGE

Chad Friese
GENERAL MANAGER

This letter is generally referred to as the Summer Newsletter, but I feel like I'm still waiting on spring. After a challenging winter with many freeze thaw cycles which is never fun in a production facility, that thawing moisture always seems to find places to freeze later where it shouldn't be and isn't wanted. Then a transition into a spring season that doesn't want to spring. Hopefully this all means the PERFECT summer.

The plant has certainly had its weather challenges, and everything has been far from perfect, but working through those challenges has been worth the effort. Margins were great as we started the 2022 fiscal year in October and the CVEC team capitalized on the opportunities. As the calendar year started we prepared for a tightening market and maybe a transition to focus more production on industrial alcohol with Glacial Grain Spirits. The big dip in ethanol prices came in January and February but everything remained profitable and then energy values and ethanol pricing started back higher. We are all starting to feel the effect of those higher prices right now, but just like in previous years of higher feedstock values the ethanol market continues to show positive margins for fuel.

CVEC continues to look at opportunities to diversify revenues and mitigate future risk. One of those risks, though I'm not sure why, is carbon intensity. Ethanol is one of the least carbon intense fuels in the energy market and has had a constant reduction over the years as ethanol yield per bushel of corn goes up and energy consumed per bushel of corn converted goes down. The carbon that comes from the plant as part of the process is actually consumed by the next crop, and the carbon is effectively recycled every year. Of course no credit or measurements are in place to track this carbon recycling. The farm is getting more and more efficient as well, but still the push for more. Due to this continued focus on carbon reductions, CVEC will be looking into areas that can continue to lower the plants "carbon intensity". The areas that can have the greatest impact currently look to be carbon capture and storage; the carbon is collected, compressed, put into a pipeline and stored indefinitely underground. Solar power is another effective way to lower carbon intensity. Another area is working with local growers to continue to lower the carbon intensity of the feedstock coming into the plant. All these are at least a year away, but we are working through them as options. With regard to the

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feedstock, we are currently working with 11 other ethanol facilities and American Coalition for Ethanol on a USDA grant that would fund a pilot study and pay farmers for conservation practices focused on carbon reduction and soil management. Maybe we will have more to share on this at the fall informational meeting.

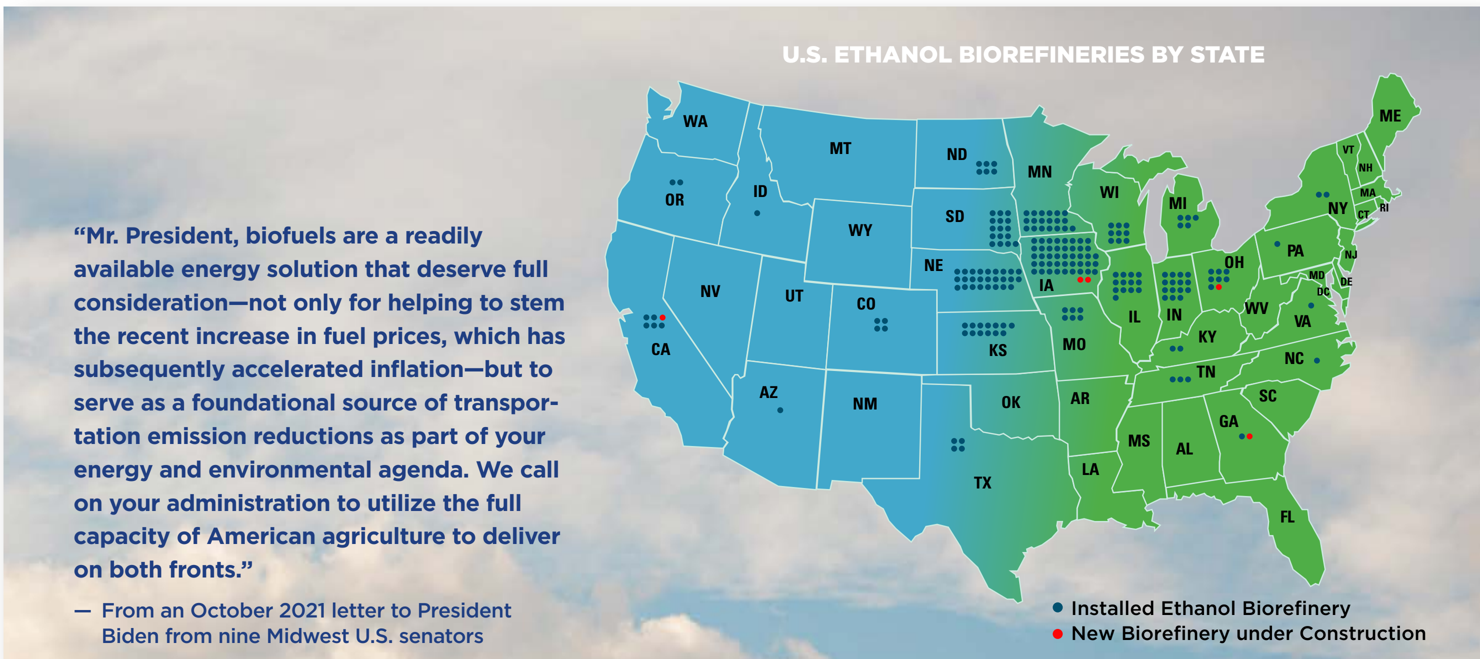
The CVEC investments are all doing well financially also, and they are all struggling with some of these same carbon focused decisions. Ringneck Energy has signed an agreement with Summit Carbon Solutions to capture their carbon, but the Guardian plants are still looking at the opportunities. All the investment plants are running well, at or above their production budgets, and finding the feedstocks they need to maintain those production levels. Feedstock for the plants may get a little tight, similar to last year with a late planting in each plants respective surrounding area making the transition to new crop later. Ringneck Energy may have difficulties getting enough corn after last year's drought to get to the next harvest, we'll be watching that. I think it's possible that all the plants including CVEC have to stretch to make the transition.

Politics as always continue to frustrate the industry, but it appears that for now there is a plan in place that allows continued growth in the fuel ethanol market with the summertime exemptions for E15. There has been alot of misinformation out in the media and we all must continue to be diligent and constant in our education of ethanol's benefits. The state of Minnesota along with 7 other Midwestern states have taken action to make E15 year round a permanent addition for all 2001 and newer vehicles starting in 2023. Nationally the best fix still needs to come from our elected officials, and there doesn't appear to be a fix in the immediate future. The CVEC team continues to work hard on your behalf getting the most benefit that we can in this every changing and evolving market of ethanol.

FACT:

Ethanol actually REDUCES greenhouse gas emissions

Corn ethanol's carbon intensity is 44-52% lower than the average for gasoline, according to experts at Argonne National Laboratory, Harvard, MIT and other institutions. Some corn ethanol on the market today achieves a 61% reduction. Multiple pathways exist for ethanol to reach net-zero carbon emissions by 2050 or sooner. The Renewable Fuel Standard has resulted in significant reductions in greenhouse gas emissions, with cumulative CO2 savings of 980 million metric tons to date.



Renewable Fuels Association 2022 Ethanol Industry Outlook

SHAREHOLDER

Locate shares for sale & shares sold on www.cvec.com

REMINDER! The QUARTERLY FINANCIAL UPDATES will now be provided on our website at www.cvec.com. Hover over "NEWS/LINKS," click "FINANCIAL STATEMENTS." To access the documents, use the password CVEC$.

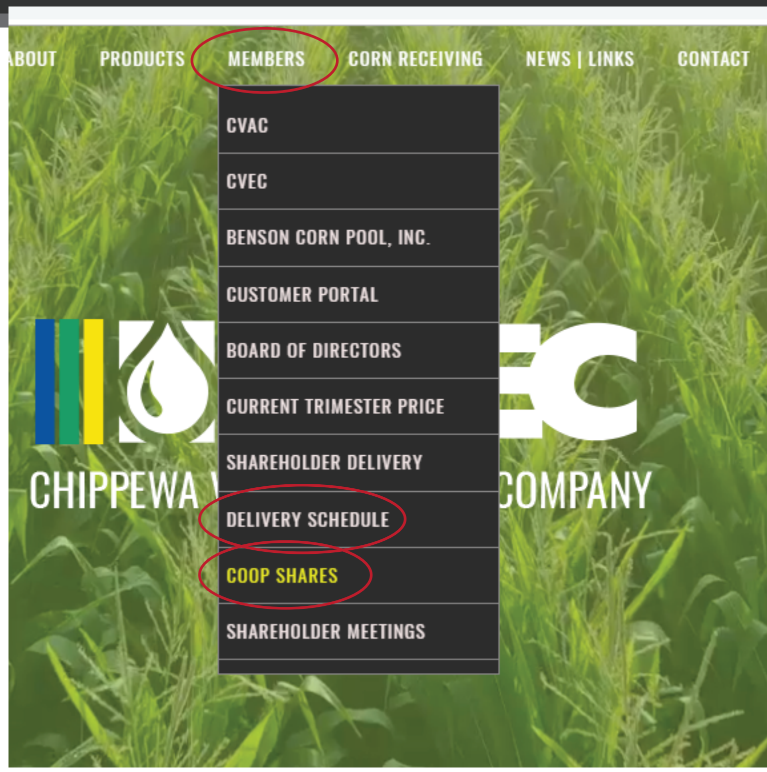
3RD TRIMESTER PRICE ANNOUNCED.
The price for 3rd trimester of FY 2022 will be $6.50/bushel plus freight and equalization.

DELIVERY NOTICES START WITH THE LETTER "A" FOR 3RD TRIMESTER.
Delivery notices will begin with the letter "A" for the period beginning June 1, 2022. CVAC will be calling in 30% of total corn deliveries for 3rd trimester of 2022. Open delivery will continue in place and any shareholders who own 50,000 bushels or more will continue to have two weeks in which to deliver your corn.

The ENROLLMENT LETTER for Benson Corn Pool will be mailed to all members mid June. The deadline for enrolling bushels is August 1st. This is the time to remove or enter any bushels into BCP for FY 2023.

THE PRICE ADJUSTMENT ON 2ND TRIMESTER BUSHELS was $1.55/bushel and will be mailed out on June 6th to shareholders who deliver their bushels. If you are signed up for direct deposit your payment will go directly into your account.

DIRECT DEPOSIT is available for all CVAC shareholders and CVEC corn deliveries. If you're interested in direct deposit, please call the CVEC main office at 320-843-4813.



Please remember that if you need to defer grain income, under Minnesota State Law a Deferred Payment Contract must be signed within 30 days of DELIVERY. Note that the 30 day deadline is based on the delivery date NOT the date that a contract is filled so please keep a close eye on this if you think you may be deferring income this year. If you are unsure of whether or not you will need to defer, please err on the side of caution and defer. We can always bring the income back if you need to, but once it's been more than 30 days since delivery we can no longer defer the payment.

INFORMATIONAL MEETING

Date: TBD (Early September)
McKinneys on Southside, Benson | More info to come

CVAC DELIVERY SCHEDULES

FISCAL YEAR 2022 /2023	FIRST TO DELIVER	FISCAL YEAR 2023 /2024	FIRST TO DELIVER	FISCAL YEAR 2024 /2025	FIRST TO DELIVER
1st Trimester	B	1st Trimester	L	1st Trimester	U
2nd Trimester	S	2nd Trimester	C	2nd Trimester	D
3rd Trimester	K	3rd Trimester	T	3rd Trimester	M

Higher Blends, Higher Benefits

If our nation is to fully reap the benefits of ethanol's low-carbon attributes, the renewable fuel will need a larger share of America's gas tank. That's why RFA continues its efforts to expand the availability of E15 and flex-fuels like E85 at the pump, while simultaneously advocating for more flex-fuel vehicles on the road.

One key piece of this strategy is the U.S. Department of Agriculture's Higher Blends Infrastructure Incentive Program (HBIIP), which provides matching grants for higher blend infrastructure projects around the country. USDA in December 2021 unveiled a plan to make an additional $100 million available for the program to continue increasing the sales and use of higher blends of ethanol. Additional biofuel infrastructure funding of nearly $1 billion was included in the Build Back Better Act in 2021, and RFA remains hopeful those provisions become law in 2022. Our work to assist retailers and marketers participate in these funding opportunities will continue into 2022.

And while flex-fuels like E85 continue to gain in popularity, automakers continue to backtrack on their production of FFVs. For model year 2022, only Ford and GM offer FFVs; and of the 11 models available, five are for fleet purchases only. This is a marked difference from the more than 80 different models from eight manufacturers that were available to consumers as recently as the 2015 model year. RFA continues to strongly advocate for the production of more FFVs and fairness in how alternative fuel vehicles are incentivized under fuel economy and greenhouse gas regulations. One example of our advocacy was the introduction of the Clean Fuels Vehicle Act of 2021 by Sens. Amy Klobuchar (D-MN) and Joni Ernst (R-IA). The bill would establish an automaker tax credit for each FFV produced and restore certain compliance credits for FFVs under federal fuel economy regulations.

CAN YOU FLEX FUEL?

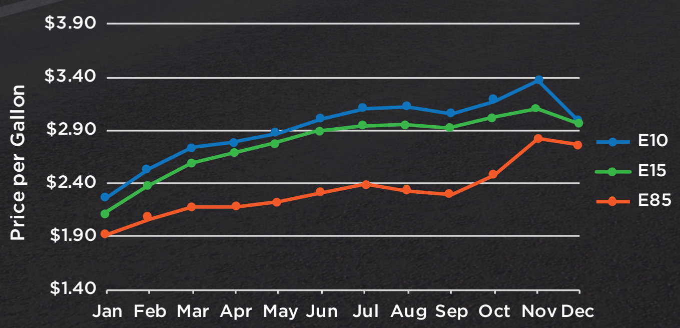
The following model year 2022 vehicles are available as flex-fuel vehicles (FFVs):

- Ford Explorer 3.3L
- Ford F-150 3.3L
- Ford F-150 5.0L
- Ford Super Duty (F-250, F-350) 6.2L
- Ford Transit 3.5L
- Ford Transit Connect 2.0L

Fleet Purchase Only:

- Ford Police Interceptor 3.3L
- Chevrolet Silverado 5.3L
- Chevrolet Silverado HD 6.6L
- GMC Sierra 5.3L
- GMC Sierra HD 6.6L

2021 NATIONAL AVERAGE RETAIL PRICES FOR E10, E15 & E85



Source: RFA based on data from E85prices.com

COMMODITY COMMENTS

Brody Padgett
COMMODITIES MANAGER

It seems that for the past several years it's been one challenging time after another, and so far 2022 hasn't let us down in that regard. As I type this, corn planting in our area has largely come to an end (one way or another) and we still have most of the soybean acres to get in. The abnormally wet and cool spring has led to planting delays and local corn acreage that will likely be 10-20% less than producers had intended to plant. Tight domestic corn supplies, South American weather issues, and the Russian invasion of Ukraine have led to price and volatility levels not seen since 2012. Only a few years removed from sub $3 corn, we've already seen corn futures trade well over a two dollar range year to date, with cash prices topping out at just over $8 per bushel.

Given the volatility in price, CVEC management and the CVAC board have again tried to be as aggressive as possible with the 3rd trimester advance price set at $6.50 plus storage and equalization while trying not to overpay and create a scenario where we'd have to have a negative price adjustment. However, the board is again committed to reviewing the advance price on a monthly basis and will adjust it higher if prices were to trend back towards the market highs seen earlier this spring.

Locally, CVEC production and margins have been outstanding this year and I believe we will continue to add to our profits as we move through early to mid-summer, but corn availability is likely to be a challenge by the time we get to late summer and early fall. Strong processing margins, good export demand to both the PNW and Canadian markets, and a smaller old crop production will likely lead to Minnesota posting the lowest carryout stocks level seen in the past twenty years. The challenge of bridging the gap between old crop and new crop corn supplies will obviously be made even worse by the late planting and slow start to the growing season, leading to what will likely be a late October harvest start given normal growing conditions this summer. Demand for ethanol remains strong however so I am hopeful that margins will remain at profitable levels even in the event that corn values were to move higher from here.

Please feel free to call with any questions specific to shareholder delivery, or to discuss the various contracting options available to CVEC. Also take note of the new Flexible Pricing Program outlined in this newsletter. Stop in the office or call Sara or myself to walk through how this new program may fit your individual operation's marketing plan.

ETHANOL MYTH BUSTED

FACT:

Ethanol has NOT caused cropland expansion

Misinformed ethanol critics often assume that increased ethanol production can only be accomplished with a big increase in cropland, and that forestland and other natural habitat will be converted to corn acres. In reality, there has been very little increase in corn acres planted during the "ethanol era" because farmers are growing so much more corn per acre. And additional corn acres haven't come from forest or grassland. They have come from "crop switching" (e.g. replacing wheat or cotton) or expiring CRP. What's more, since the Renewable Fuel Standard expanded in 2007, total U.S. cropland has actually trended lower.

New Flexible Pricing Program

New for FY23, on a two-year trial basis, will be an alternative delivery arrangement to the traditional Area Average +4 pricing structure and trimester delivery schedule. Up until this point, a delivering shareholder's only option was to have bushels called in for delivery throughout the fiscal year and priced utilizing the Area Average +4 pricing model. As a reminder, upon delivery under the traditional delivery program a producer is paid an advance rate plus storage & equalization, plus freight. At the end of each of the three trimesters, producers then receive a price adjustment that trues them up to the Area Average +4.

Under the new Flexible Pricing Program, a delivering shareholder may choose to OPT-IN to an agreement with CVEC under which CVEC commits to delivering on the shareholder's obligation to CVAC (the cooperative) in exchange for the shareholder's commitment to sell a like quantity of bushels to CVEC during the fiscal year, for a delivery period(s) of the seller's choice using whatever pricing tools are normally available to CVEC corn suppliers on the open market (i.e. cash sale, basis only, HTA, Avg Price). In addition to your contracted price, you will also receive your normal shareholder freight rate. Simply put, for every share that you have in the delivering position, and that you have opted-in to the Flexible Pricing Program, you must market a bushel of corn to CVEC for the delivery period(s) of your choice, by whatever pricing mechanism you choose, and CVEC will pay you freight on top of your established contract price.

A few key points:

- The traditional Area Average +4 pricing and delivery structure is not going away.
- Members must first have their bushels in the delivery position (not enrolled in the BCP) and then OPT-IN to the Flexible Pricing Program.
- Enrollment into the Flexible Pricing Program will coincide with the BCP enrollment period of June 15 – August 1. Enrollment forms and information will be mailed with the BCP enrollment letter in mid-June.
- Once enrolled in the Flexible Pricing Program, a contract for bushels to arrive to CVEC will be generated and the member will then be responsible for establishing a delivery period and price within the fiscal year. Freight will be paid as a premium upon delivery.
- There is no minimum bushel requirement to enroll into the Flexible pricing program, and a member may have bushels enrolled in the program while still having bushels in the traditional Area Average +4 position and/or the BCP.
- If a member in the program fails to market and deliver their commitment to CVEC during fiscal year, CVEC will charge the member the cost of replacement plus a contract cancellation fee.
- If shares that are enrolled in the Flexible Pricing Program are sold during the fiscal year, any undelivered contract quantities must be cancelled with CVEC prior to share transfer.
- This program is being offered on a two-year trial basis, with our goal being that during the initial two year trial period any tweaks or improvements may be made so that it may then be implemented as a permanent and established option going forward.

Our goal by offering this additional delivery and pricing flexibility is to make it easier for our members to deliver on their shareholder bushel commitment as well as make share ownership and obligations easier to understand for producers in the area that are considering the purchase of CVAC shares, which over time should also aid in the support of share value and liquidity. If you have any questions about this new delivery option or would like to discuss how it may fit your specific situation, please don't hesitate to call myself or Sara at 320-843-1231.

Brody Padgett, Commodities Manager

Join CVEC, MN Corn & GPC C-Store to support better fuels!

THURSDAY, JUNE 23

3-6:00 pm

CVEC has teamed up with MN Corn Growers Assoc and the new Glacial Plains C-Store in Benson to promote the use of ethanol blends in your vehicles! Chat with members of MN Corn and CVEC, let us pump your fuel and take advantage of food specials in the new store!

Follow Chippewa Valley Ethanol on Facebook for more information!

Prizes & Drawings

for those who fill up with an ethanol blend 20% or higher

MinnesotaCorn GROWERS ASSOCIATION

E85 85% Ethanol

for 85¢

price valid only during promotion hours

Welcome

NEW CVEC TEAM MEMBERS

CVEC CHIPPEWA VALLEY ETHANOL COMPANY

MARISSA CONNELLY LOGISTICS COORDINATOR

LUKE LIPPERT QC LAB MANAGER

DRAKE VLAMINCK UTILITY OPERATOR

BRADY ROURKE (not pictured) UTILITY OPERATOR

NEW!

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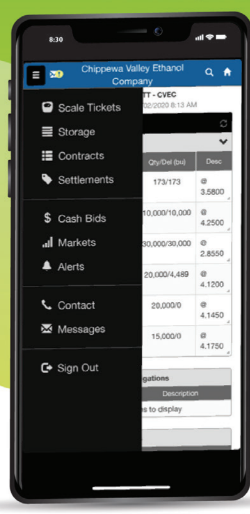

***NOW** IT'S EASIER THAN EVER TO...*

- Review scale tickets
- Access settlements
- See cash bids
- Check remaining bushels to haul on contracts
- Review & eSign contracts
- Access data for annual tax and crop insurance reporting
- Export information to Excel

YOUR CORN DELIVERY INFO AT YOUR FINGERTIPS!

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Call Sara at 320-843-1228 with questions

CHIPPEWA VALLEY ETHANOL COMPANY
270 20th St NW | Benson, MN 56215

CHAIRMAN'S CHAT

David Thompson
CVAC CHAIRMAN

Mother nature has given us a very challenging spring. Hopefully by the time you read this most of your crop will be in the ground. There should be plenty of sub soil moisture to get it up and growing.

2022 is shaping up to be another great year for CVAC. As noted in the cover letter with your April distribution check, CVAC has an unaudited net income of more than 25.5 million dollars for the first 6 months of 2022. We expect to make some nice additions to that total through the balance of the year. High demand and strong prices for ethanol, DDG's and corn oil have been able to offset high corn prices. The staff and management at CVEC have done an exceptional job of keeping the plant running efficiently through a number of challenges including the mid-May storm that went through the area. We commend them for their dedication and effort.

The board and management at CVAC is always looking ahead to the future. The biggest industry buzz the past couple years is about carbon and carbon intensity (CI) scores. We continue to look at options to best position CVAC for future markets. Going forward a low CI score could potentially offer market premiums or in some cases, be essential for market access. To lower CI scores, we are looking at hooking up to the Summit pipeline and the use of solar energy. We are doing extensive due diligence on these and other options as the long term impact to CVAC is monumental.

We look forward to seeing you at our early September informational meeting to bring you up to date on these projects and other information about CVAC and the ethanol industry. Have a great summer!