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 September 30, 2019

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

For the transition period from __________ to __________

COMMISSION FILE NUMBER 000-52033

RED TRAIL ENERGY, LLC

(Exact name of registrant as specified in its charter)

North Dakota	**76-0742311**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3682 Highway 8 South, P.O. Box 11, Richardton, ND 58652
(Address of principal executive offices)

(701) 974-3308
(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: Class A 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 any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the membership units held by non-affiliates of the registrant as of March 31, 2019 was $34,969,920. There is no established public trading market for our membership units. The aggregate market value was computed by reference to the most recent offering price of our Class A units which was $1 per unit.

As of December 20, 2019, there were 40,148,160 Class A Membership Units 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 proxy 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.

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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 terminology 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 on 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:

- The reduction or elimination of the renewable fuels use requirement in the Federal Renewable Fuels Standard (RFS);
- The Chinese distillers grains tariffs and their impact on world distillers grains markets;
- The Chinese and Brazilian ethanol import duties and their impact on world ethanol demand and prices;
- Any delays in shipping our products by rail and corresponding decreases in our sales as a result of these shipping delays;
- An unfavorable spread between the market price of our products and our feedstock costs;
- Fluctuations in the price and market for ethanol, distillers grains and corn oil;
- Availability and costs of our raw materials, particularly corn and natural gas;
- Changes in or lack of availability of credit;
- Changes in the environmental regulations that apply to our plant operations and our ability to comply with such regulations;
- Ethanol supply exceeding demand and corresponding ethanol price reductions impacting our ability to operate profitably and maintain a positive spread between the selling price of our products and our raw material costs;
- Our ability to generate and maintain sufficient liquidity to fund our operations, meet debt service requirements and necessary capital expenditures;
- Our ability to continue to meet our loan covenants;
- Limitations and restrictions contained in the instruments and agreements governing our indebtedness;
- Results of our hedging transactions and other risk management strategies;
- Changes in or elimination of governmental laws, tariffs, trade or other controls or enforcement practices that currently benefit the ethanol industry including:
    - national, state or local energy policy - examples include legislation already passed such as the California low-carbon fuel standard as well as potential legislation in the form of carbon cap and trade;
    - legislation mandating the use of ethanol or other oxygenate additives; or
    - environmental laws and regulations that apply to our plant operations and their enforcement.
- Changes and advances in ethanol production technology; and
- Competition from alternative fuels and alternative fuel additives.

Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including the reasons described in this report. We are not under any duty to update the forward-looking statements contained in this report. We cannot guarantee future results, 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.

AVAILABLE INFORMATION

Information about us is also available at our website at *www.redtrailenergyllc.com*, under "SEC Compliance," which includes links to reports we have filed with the Securities and Exchange Commission. The contents of our website are not incorporated by reference in this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

Business Development

Red Trail Energy, LLC was formed as a North Dakota limited liability company in July of 2003, for the purpose of constructing, owning and operating a fuel-grade ethanol plant near Richardton, North Dakota in western North Dakota. References to "we," "us," "our" and the "Company" refer to Red Trail Energy, LLC. We began production in January 2007.

In March 2017, we entered into a new $10 million revolving loan (the "Revolving Loan") with U.S. Bank National Association ("U.S. Bank"). As part of this transaction, we signed a Credit Agreement dated March 17, 2017 (the "Credit Agreement"). Interest accrues on any outstanding balance on the Revolving Loan at a rate of 1.77% in excess of the one-month London Interbank Offered Rate ("LIBOR"). In May 2019, we renewed our Revolving Loan with U.S. Bank. The renewal extended the maturity date until May 31, 2020. On October 1, 2019 we terminated our Revolving Loan with U.S. Bank.

Principal Products

The principal products that we produce are 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 2019	Fiscal Year 2018	Fiscal Year 2017
Ethanol	78%	76%	82%
Distillers Grains	19%	21%	14%
Corn Oil	3%	3%	4%

Ethanol

Ethanol is ethyl alcohol, a fuel component made primarily from corn and various other grains, which can be 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 contains 10% ethanol. The United States Environmental Protection Agency (the "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 2019, the EPA changed regulations which now allow E15 to be sold year-round in all markets in the United States. In addition, flexible fuel vehicles can use gasoline blends that contain up to 85% ethanol called E85.

Distillers Grains

The principal co-product of the ethanol production process is distillers grains, a high protein animal feed supplement primarily marketed to the dairy and beef industry. We produce two forms of distillers grains: distillers dried grains and modified distillers grains. Modified distillers grains is processed corn mash that has been dried to approximately 50% moisture which has a shelf life of approximately seven days and is often sold to nearby markets. Distillers dried grains is processed corn mash that has been dried to approximately 10% moisture. It has a longer shelf life and may be sold and shipped to any market regardless of its vicinity to our ethanol plant.

Corn Oil

In March 2012, we commenced operating our corn oil extraction equipment. The corn oil that we are capable of producing is not food grade corn-oil and it cannot be used for human consumption. The primary uses of the corn oil that we produce are for animal feed, industrial uses and biodiesel production.

Principal Product Markets

We market nearly all of our products through a professional third party marketer, RPMG, Inc. ("RPMG"). The only products we sell which are not marketed by RPMG are E85 and E30 and certain modified distillers grains which we market internally to local customers. RPMG is a subsidiary of Renewable Products Marketing Group, LLC ("RPMG, LLC"). We are a part owner of RPMG, LLC which allows us to realize favorable marketing fees for our products and allows us to share in the profits generated by RPMG, LLC. Our ownership interest in RPMG, LLC also entitles us to a seat on its board of directors which is filled by Gerald Bachmeier, our Chief Executive Officer. Except for the modified distillers grains and E85/E30 we market locally, RPMG decides where our products are marketed and sold. Our products are primarily sold in the domestic market; however, as domestic production of ethanol, distillers grains and corn oil continue to expand, we anticipate increased international sales of our products. Recently, the United States has exported a significant amount of distillers grains to Mexico, Vietnam, Indonesia, South Korea and the European Union. China was not a significant source of export demand due to increased tariffs which make United States distillers grains not feasible for export to China. In addition, the United States exported significant amounts of ethanol to Brazil, Canada, India and the European Union.

We expect our product marketer to explore all markets for our products, including export markets. However, due to high transportation costs, and the fact that we are not located near a major international shipping port, we expect a majority of our products to continue to be marketed and sold domestically.

Distribution Methods

Our ethanol plant is located near Richardton, North Dakota in Stark County, in the western half of North Dakota. We selected the Richardton site because of its proximity to existing coal supplies, the initial fuel source for our ethanol plant, and accessibility to road and rail transportation. Our plant is served by the Burlington Northern and Santa Fe Railway Company.

We sell and market the ethanol, distillers grains and corn oil produced at the plant through normal and established markets, including local, regional and national markets. Our products are primarily shipped by rail and by truck in our local market. We have separate marketing agreements with RPMG for our ethanol, distillers grains and corn oil. Whether or not our products are sold in local markets will depend on decisions made by RPMG, except for the modified distillers grains which we internally market locally. Local markets are evaluated on a case-by-case basis.

Ethanol

We have an exclusive marketing agreement with RPMG for the purposes of marketing and distributing all of the ethanol we produce at the ethanol plant. Because we are an owner of RPMG, LLC, our marketing fees are based on RPMG's actual cost to market our ethanol. 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 the ethanol marketing agreement would terminate are if we cease to be an owner of RPMG, LLC, if there is a breach of the agreement which is not cured, or if we give advance notice to RPMG that we would like to terminate the agreement. Notwithstanding our right to terminate the ethanol marketing agreement, we may be obligated to continue to market our ethanol through RPMG for a period of time after the termination. Further, following the termination, we agreed to accept an assignment of certain railcar leases which RPMG has secured to service us. If the ethanol marketing agreement is terminated, it would trigger a redemption of our ownership interest in RPMG, LLC.

Distillers Grains

On August 29, 2013, we executed a distillers grain marketing agreement with RPMG effective starting on October 1, 2013. Pursuant to the marketing agreement, RPMG markets all of the dried distillers grains we produce and we will continue to internally market our modified distillers grains. Due to the fact that we are a part owner of RPMG, LLC, RPMG will only charge us its actual cost of marketing our distillers grains to its customers. The initial term of the marketing agreement was one year and thereafter the agreement renews for additional one year periods unless we elect not to renew the agreement. The agreement may be terminated by either party based on certain events described in the agreement or based on the bankruptcy or insolvency of either party.

We market and sell our modified distillers grains internally. Substantially all of our sales of modified distillers grains are to local farmers and feed lots.

Corn Oil

In March 2012, we executed a corn oil marketing agreement with RPMG to sell all of the corn oil that we produce. We pay RPMG a commission based on each pound of corn oil that RPMG sells on our behalf. The initial term of the corn oil marketing agreement was one year and the agreement automatically renews for additional one year terms unless either party gives notice that it will not extend the agreement past the current term.

New Products and Services

We did not introduce any new products or services during our 2019 fiscal year.

Sources and Availability of Raw Materials

Corn

Our ethanol plant used approximately 22.6 million bushels of corn during our 2019 fiscal year, or approximately 62,000 bushels per day, as the feedstock for its dry milling process. Our commodity manager is responsible for purchasing corn for our operations, scheduling corn deliveries and establishing hedging positions to protect the price we pay for corn.

During our 2019 fiscal year, we were able to secure sufficient corn to operate the plant and do not anticipate any problems securing enough corn during our 2020 fiscal year. Almost all of our corn is supplied from farmers and local grain elevators in North Dakota and South Dakota. During our 2019 fiscal year, corn prices have been higher than prior years, mainly due to weather issues which delayed corn planting and many believe will impact the amount of corn harvested in the fall of 2019. Despite these issues, we have not had difficulty securing the corn we require for our operations and we anticipate that we will be able to secure the corn we need to operate the ethanol plant during our 2020 fiscal year, although potentially at a higher price. While we do not anticipate encountering problems sourcing corn, a shortage of corn could develop, particularly if we experience an extended drought or other production problem during our 2020 fiscal year. Poor weather can be a major factor in increasing corn prices. If the United States were to endure an entire growing season with poor weather conditions, it could result in a prolonged period of higher than normal corn prices.

Corn prices are also impacted by world supply and demand, the price of other commodities, current and anticipated stocks, domestic and export prices and supports and the government's current and anticipated agricultural policy. Corn prices have been volatile in the past and volatility could return to the market in the future. While we have experienced several years of very favorable corn crops with relatively flat corn demand which reduced market corn prices, if poor weather conditions lead to a decrease in the amount of corn produced in the future, it could result in corn price volatility and increased corn prices.

Natural Gas

Following our natural gas conversion project which was completed during the second quarter of our 2015 fiscal year, we use natural gas as the fuel source to power our ethanol plant. We are using natural gas to produce process steam and to dry our distillers grains products. Due to our close proximity to the Bakken oil field which produces a significant amount of natural gas, we anticipate that natural gas prices in our area will remain lower and the cost to transport the natural gas to our ethanol plant will be low. We entered into a natural gas supply agreement with Rainbow Gas Company which provides a supply of natural gas to the ethanol plant. We do not anticipate any difficulty securing the natural gas we require to operate the ethanol plant.

Electricity

The production of ethanol uses significant amounts of electricity. We entered into a contract with Roughrider Electric Cooperative to provide our needed electrical energy. This contract was renewed in August 2019. This contract automatically renews unless either party gives notice of its intent not to renew the agreement.

Water

To meet the plant's water requirements, we entered into a ten-year contract with Southwest Water Authority to purchase raw water. Our contract requires us to purchase a minimum of 160 million gallons of water per year. We anticipate receiving adequate water supplies 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 perpetual and royalty free license by ICM, Inc. ("ICM") to use certain ethanol production technology necessary to operate our ethanol plant. The cost of the license granted by ICM was included in the amount we paid to Fagen, Inc. to design and build the plant.

Seasonality of Sales

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 number of animals at feed lots and during times when cattle are turned out to pasture. Finally, corn oil is used for biodiesel production which typically decreases in the winter months due to decreased biodiesel demand. This decrease in biodiesel demand leads to decreased corn oil demand during the winter months.

Working Capital

We primarily use our working capital for purchases of raw materials necessary to operate our ethanol plant and for capital expenditures to maintain and upgrade the plant. During our 2019 fiscal year, our primary sources of working capital were cash from our operations as well as our revolving line-of-credit with U.S. Bank. We are in the process of securing a new line of credit with another financial institution to replace the U.S. Bank line of credit. Management anticipates that we will have sufficient working capital to operate at capacity during our 2020 fiscal year without seeking additional sources of equity or debt financing. However, if we experience unfavorable operating conditions during our 2020 fiscal year, it is possible we may need to secure additional sources of working capital.

Dependence on a Few Major Customers

As discussed above, we rely on RPMG for the sale and distribution of all of our ethanol, dried distillers grains and corn oil. Accordingly, we are highly dependent on RPMG for the successful marketing of most of our products. We anticipate that we would be able to secure alternate marketers should RPMG fail, however, a loss of our relationship with RPMG could significantly harm our financial performance.

Competition

We are in direct competition with numerous ethanol producers, many of which have greater resources than we have. Larger ethanol producers may be able to take advantage of economies of scale due to their larger size and increased bargaining power with both customers and raw material suppliers. As of November 26, 2019, the Renewable Fuels Association ("RFA") estimates that there are 212 ethanol production facilities in the United States with capacity to produce approximately 16.6 billion gallons of ethanol annually. The RFA also estimates that approximately 9% of the ethanol production capacity in the United States is currently idled. In the past, the ethanol industry experienced consolidation where a few larger ethanol producers emerged who control a large portion of United States ethanol production. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET, and Valero Renewable Fuels, each of which are capable of producing significantly more ethanol than we produce. Collectively this group controls approximately 42% of the ethanol production capacity in the United States.

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 Industry Capacity
Archer Daniels Midland	1,716	10%
POET Biorefining	1,711	10%
Valero Renewable Fuels	1,697	10%
Green Plains Renewable Energy	1,111	7%
Flint Hills Resources	840	5%
TOTAL	7,075	42%

Updated: November 26, 2019

Ethanol Competition

Ethanol is a commodity product where competition in the industry is predominantly based on price and consistent fuel quality. Larger ethanol producers may be able to realize economies of scale in their operations that we are unable to realize. Further, we have experienced increased competition from oil companies who have purchased ethanol production facilities, including Valero Renewable Fuels and Flint Hills Resources, which are subsidiaries of larger energy companies. 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. This added flexibility may allow these ethanol producers to compete more effectively, especially during periods when operating margins are unfavorable in the ethanol industry. 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 decreased corn production and supplies.

We anticipate competition from renewable fuels that do not use corn as the feedstock. Many of the current ethanol production incentives are designed to encourage the production of renewable fuels using raw materials other than corn. One type of ethanol production feedstock that is being explored is cellulose. Cellulose is the main component of plant cell walls and is the most common organic compound on earth. Cellulose is found in wood chips, corn stalks, rice straw, amongst other common plants. Cellulosic ethanol is ethanol produced from cellulose. If this technology can be profitably employed on a commercial scale, it could potentially lead to ethanol that is less expensive to produce than corn based ethanol. Cellulosic ethanol may also capture more government subsidies and assistance than corn-based ethanol. This could decrease demand for our product or result in competitive disadvantages for our ethanol production process.

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 grown in popularity, especially in urban areas. While in the past there were a limited number of vehicle recharging stations, making electric cars not feasible for all consumers, there has been increased focus on developing these recharging stations which have made electric car 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 which was one of the reasons for improved operating margins in the ethanol industry. 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 also is likely to decrease the amount of ethanol Brazil has available for export. Brazil increased the quota during our 2019 fiscal year which resulted in additional demand from Brazil. 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.

Finally, many ethanol producers are increasing their production capacities through expansion projects which started becoming operational during our 2018 fiscal year. These expansion projects have increased the supply of ethanol in the market which has negatively impacted market ethanol prices and may continue to result in excess ethanol supply in the future. During our 2019 fiscal year many ethanols reduced production or ceased production altogether due to unfavorable operating margins which somewhat offset the additional ethanol production from these expansion projects.

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 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, it could lead to an oversupply of distillers grains in the

United States which could result in increased competition among ethanol producers for sales of distillers grains and could negatively impact 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 and has resulted in lower market corn oil prices.

Governmental Regulation and Federal Ethanol Supports

Federal Ethanol Supports

The ethanol industry is dependent on the ethanol use requirement in 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 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. Annually, the EPA is required 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 ("RVO").

The statutory RVO for all renewable fuels for 2018 was 19.29 billion gallons, of which corn-based ethanol could meet 15 billion gallons of the RVO. On November 30, 2018, the final RVO for 2019 was set at 19.92 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. During 2019 it came to light that the EPA was issuing waivers of the RVO obligations for certain small refineries. These small refinery waivers resulted in significant decreases in ethanol demand during 2018 and 2019 which are below the RVO requirements. Many in the ethanol industry believe these waivers did not meet the standards set out in the RFS. The ethanol industry has been pushing to EPA and the Trump administration to reverse the effects of these small refinery waivers which we believe contributed to poor operating margins during 2018 and 2019.

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 domestic demand for ethanol is approximately 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 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 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 exemption waivers from the RFS.

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 2019 fiscal year, we incurred costs and expenses of approximately $40,000 complying with environmental laws, including the cost of obtaining permits. 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. Management believes converting the plant to use natural gas as the fuel source instead of coal has reduced our environmental compliance costs.

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. In September 2019, the Brazilians increased the tariff free import quota from 600 million liters to 750 million liters. 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 subsequently 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, despite recent positive discussions. 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.

Employees

As of December 20, 2019, we had 48 full-time employees. We anticipate that we will have approximately 48 full-time employees during 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

The EPA has issued small refinery 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 waivers, it reallocated the waived requirements to other refiners. The EPA under the Trump Administration was granting significantly more waivers that in the past and was not reallocating the waived amounts to other refiners. These actions have resulted in demand destruction in 2018 and 2019 which led to reduced demand for ethanol. This reduction in ethanol demand has negatively impacted profitability in the ethanol industry. We believe that these small refinery exemptions will continue to be granted by the EPA and that it will continue to negatively impact profitability in the ethanol industry which could reduce or eliminate the value of our units.

A decrease in the spread between the price we receive for our products and our raw material costs will negatively impact our profitability. Practically all of our revenue is derived from the sale of our ethanol, distillers grains and corn oil. Our primary raw material costs are corn costs and energy costs. Our profitability depends on a positive spread between the market price of the ethanol, distillers grains and corn oil we produce and the raw material costs related to these products. While ethanol, distillers grains and corn oil prices typically change in relation to corn prices, this correlation may not always exist. In the event the prices for our products decrease at a time when our raw material costs are increasing, we may not be able to profitably operate the plant. In the event the spread between the price we receive for our products and the raw material costs associated with producing those products is negative for an extended period of time, we may not be able to maintain liquidity and we may fail which could negatively impact the value of our units.

Declines in the price of ethanol or distillers grain would significantly reduce our revenues. The sales prices of ethanol and distillers grains can be volatile as a result of a number of factors such as overall supply and demand, the price of gasoline and corn, levels of government support, tariffs and import quotas, and the availability and price of competing products. We are dependent on a favorable spread between the price we receive for our ethanol and distillers grains and the price we pay for corn and natural gas. Any lowering of ethanol and distillers grains prices, especially if it is associated with increases in corn and natural gas prices, may affect our ability to operate profitably. We anticipate the price of ethanol and distillers grains to continue to be volatile in our 2020 fiscal year as a result of the net effect of changes in the price of gasoline and corn and increased ethanol supply offset by changes in ethanol demand. Declines in the prices we receive for our ethanol and distillers grains will lead to decreased revenues and may result in our inability to operate the ethanol plant profitably for an extended period of time which could decrease the value of our units.

Decreasing gasoline prices could negatively impact our ability to operate profitably. Discretionary blending is an important secondary market which is often determined by the price of ethanol versus the price of gasoline. In periods when discretionary blending is financially unattractive, demand for ethanol may be reduced. Historically, the price of ethanol has been less than the price of gasoline which increased demand for ethanol from fuel blenders. However, recently, low oil prices have driven down the price of gasoline which has reduced the spread between the price of gasoline and the price of ethanol which could discourage discretionary blending, and result in a downwards market adjustment in the price of ethanol. If oil and gasoline prices remain lower 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.

Increases in the price of corn or natural gas would reduce our profitability. Our primary source of revenue is from the sale of ethanol, distillers grains and corn oil. Our results of operations and financial condition are significantly affected by the cost and supply of corn and natural gas. Changes in the price and supply of corn and natural gas are subject to and determined by market forces over which we have no control including weather and general economic factors.

Ethanol production requires substantial amounts of corn. Generally, higher corn prices will produce lower profit margins and, therefore, negatively affect our financial performance. If a period of high corn prices were to be sustained for some time, such pricing may reduce our ability to operate profitably because of the higher cost of operating our plant. We may not be able to offset any increase in the price of corn by increasing the price of our products. If we cannot offset increases in the price of corn, our financial performance may be negatively affected.

The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond our control such as higher prices as a result of colder than average weather conditions or natural disasters, overall economic conditions and foreign and domestic governmental regulations and relations. Significant disruptions in the supply of natural gas could impair our ability to manufacture ethanol and more significantly, distillers grains for our customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our results of operations and financial condition.

Our business is not diversified which could negatively impact our ability to operate profitably. Our success depends largely on our ability to profitably operate our ethanol plant. We do not have any other lines of business or other sources 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 or corn oil, we have no other line of business to fall back on. Our business would also be significantly harmed if the ethanol plant could not operate at full capacity for any extended period of time.

Our inability to maintain or 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. This could negatively impact 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, including the prices we pay for our raw materials and the prices we receive for our finished products. We seek to minimize our exposure to fluctuations in the prices of corn, ethanol and distillers grains through the use of hedging instruments. However, our hedging activities may not successfully reduce the risk caused by price fluctuations which may leave us vulnerable to volatility in corn, ethanol and distillers grains prices. Alternatively, 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 the prices for these commodities fluctuate. Further, using cash for margin calls to support our hedge positions can have an impact on the cash we have available for our operations which could negatively impact our liquidity. The effects of our hedging activities may negatively impact our ability to profitably operate which could reduce the value of our units.

We may violate the terms of our credit agreements and financial covenants which could result in our lender demanding immediate repayment of our loans. Our primary lender waived compliance with all financial covenants at September 30, 2019. On October 1, 2019, we terminated our loan with U.S. Bank. We are in the process of securing a new line of credit. Management anticipates in the future we will be in compliance with our loan covenants in our anticipated new line of credit. However, if we violate the terms of our credit agreement, our primary lender could deem us in default of our loans and require us to immediately repay any outstanding balance of our loans.

Changes and advances in ethanol production technology could require us to incur costs to update the ethanol 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 ethanol plant less desirable or obsolete. These advances could allow our competitors to produce ethanol at a lower cost than us. 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 the ethanol 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 which could decrease the value of our units.

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 officers and key employees may prevent us from operating the ethanol plant profitably and could decrease 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, 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 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 the Ethanol Industry

The ethanol industry is an industry that is changing rapidly which can result in unexpected developments that could negatively impact our operations and the value of our units. The ethanol industry has grown significantly in the last decade. This rapid growth has resulted in significant shifts in supply and demand of ethanol over a very short period of time. As a result, past performance by the ethanol plant or the ethanol industry generally might not be indicative of future performance. We may experience a rapid shift in the economic conditions in the ethanol industry which may make it difficult to operate the ethanol plant profitably. If changes occur in the ethanol industry that make it difficult for us to operate the ethanol plant profitably, it could result in a reduction in the value of our units.

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. A disconnect between ethanol supply and demand can result in lower ethanol prices which can result in unfavorable operating conditions. The United States has recently benefited from additional exports of ethanol which may not continue to occur during our 2020 fiscal year. We may experience periods of ethanol supply and demand imbalance during our 2020 fiscal year, particularly if the EPA issues additional small refinery waivers from the RFS. If we experience excess ethanol supply, either due to increased ethanol production, lower ethanol demand or lower overall gasoline demand, it could negatively impact the price of ethanol which could hurt our ability to profitably operate the ethanol plant.

Distillers grains demand and prices may be negatively impacted by the Chinese anti-dumping duty. China was previously 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. On January 10, 2017, China announced a final ruling related to its anti-dumping and countervailing duty investigation imposing anti-dumping duties from a range of 42.2% to 53.7% and anti-subsidy duties from 11.2% to 12.0%. The imposition of these duties has resulted in a significant decline in demand from this top importer and negatively impacted prices for distillers grains produced in the United States. Due to recent trade disputes between the United States and China we expect these tariffs to continue into our 2020 fiscal year. This reduction in demand has negatively impacted our ability to profitably operate the ethanol plant.

Demand for ethanol may not continue to grow unless ethanol can be blended into gasoline in higher percentage blends for standard vehicles. 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 and surpassed 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 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.

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 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 and could negatively impact the market price of ethanol in the United States and could negatively impact our ability to profitably operate the ethanol plant.

Chinese ethanol tariffs could have a negative impact on ethanol prices. As a result of recent trade disputes between the United States and China, China has imposed a 70% tariff on ethanol produced in the United States. This tariff has effectively closed the Chinese market for United States ethanol exports. China represents a significant potential source of demand for ethanol. Without access to the Chinese market, we may continue to experience excess ethanol supply which could negatively impact ethanol prices in the United States. These lower ethanol prices could negatively impact our ability to profitably operate the ethanol plant.

We operate in an intensely competitive industry and compete with larger, better financed entities 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 outside of the United States. The largest ethanol producers include Archer Daniels Midland, Flint Hills Resources, Green Plains Renewable Energy, POET, and Valero Renewable Fuels, each of which is capable of producing significantly more ethanol than we produce. Further, many believe that there will be further consolidation occurring in the ethanol industry in the future which could lead to a few companies which control a significant portion of the United States ethanol production market. We may not be able to compete with these larger entities. 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.

Technology advances in the commercialization of cellulosic ethanol may decrease demand for corn-based ethanol which may negatively affect our profitability. The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste, and energy crops. This trend is driven by the fact that cellulose-based biomass is generally cheaper than corn, and producing ethanol from cellulose-based biomass would create opportunities to produce ethanol in areas of the country which are unable to grow corn. The Energy Independence and Security Act of 2007 and the 2008 Farm Bill offer strong incentives to develop commercial scale cellulosic ethanol. The RFS requires that 16 billion gallons per year of advanced bio-fuels must be consumed in the United States by 2022. Additionally, state and federal grants have been awarded to several companies which are seeking to develop commercial-scale cellulosic ethanol plants. This has encouraged innovation and has led to several companies which are either in the process or have completed construction of commercial scale cellulosic ethanol plants. If an efficient method of producing ethanol from cellulose-based biomass is developed, we may not be able to compete effectively. If we are unable to produce ethanol as cost-effectively as cellulose-based producers, our ability to generate revenue and our financial condition will be negatively impacted.

Risks Related to Regulation and Governmental Action

Government incentives for ethanol production may be eliminated in the future, which could hinder our ability to operate at a profit. The ethanol industry is assisted by various federal ethanol production and tax incentives, including 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 United States Environmental Protection Agency ("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 passes 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. In addition, the EPA has recently expanded its use of waivers to small refineries. The effect of these waivers is that the refinery is no longer required to earn or purchase blending credits, known as RINs, negatively affecting ethanol demand and resulting in lower ethanol prices. On October 15, 2019, the EPA released a supplemental notice seeking additional comment on a proposed rule on adjustments to the way that annual renewable fuel percentages are calculated. The supplemental notice was issued in response to an announcement by President Trump of a proposed plan to require refiners not exempt from the rules to blend additional gallons of ethanol to make up for the gallons exempted by the EPA's expanded use of waivers to small refineries. The proposed plan was expected to calculate the volume that refiners were required to blend by using a three-year average of exempted gallons. However, the EPA proposed to use a three-year average to account for the reduction in demand resulting from the waivers using the number of gallons of relief recommended by the United States Department of Energy. 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, the market price and demand for ethanol could decrease which will negatively impact our financial performance.

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.

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 which could result in a reduction of our revenues and negatively impact our ability to profitably operate the ethanol plant.

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 related to current trade actions announced by the Trump administration and responsive actions announced by trading partners, including by China. In April of 2018, the Chinese government increased the tariff on U.S. ethanol imports into China from 30% to 45% and ultimately to 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 U.S. ethanol export demand, which could have a negative effect on U.S. domestic ethanol prices.

ITEM 2. PROPERTIES

Our ethanol plant is located just east of the city limits of Richardton, North Dakota, and just north and east of the entrance/exit ramps to Interstate I-94. The plant complex is situated inside a footprint of approximately 25 acres of land which is part of an approximately 135 acre parcel. We acquired ownership of the land in 2004 and 2005. Included in the immediate campus area of the plant are perimeter roads, buildings, tanks and equipment. An administrative building and parking area are located approximately 400 feet from the plant complex. During 2008, we purchased an additional 10 acre parcel of land that is adjacent to our current property. Our rail unloading facility and storage site was built on this property. During our 2012 fiscal year, we purchased an additional approximately 110 acres of land that is adjacent to our current property. During our 2017 fiscal year, we purchased approximately 338 acres of land which we will use as part of our rail yard allowing us to ship larger trains.

The site also contains improvements such as rail tracks and a rail spur, landscaping, drainage systems and paved access roads. The ethanol plant was placed in service in January 2007 and is in excellent condition and is capable of functioning in excess of its 50 million gallon name-plate production capacity.

During our 2019 fiscal year, all of our tangible and intangible property, real and personal, served as the collateral for our senior credit facility with U.S. Bank. Our senior credit facility is discussed in more detail under "**ITEM 7. Management's Discussion and Analysis - Capital Resources.**"

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we may be named as a defendant in legal proceedings related to various issues, including without limitation, workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any 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

There is no established trading market for our membership units. We have engaged FNC Ag Stock, LLC to create a Qualified Matching Service ("QMS") in order to facilitate trading of our units. The QMS consists of an electronic bulletin board that provides information to prospective sellers and buyers of our units. Please see the table below for information on the prices of units transferred in transactions completed via the QMS. We do not become involved in any purchase or sale negotiations arising from the QMS and we take no position as to whether the average price or the price of any particular sale is an accurate measure of the value of our units. As a limited liability company, we are required to restrict the transfers of our membership units in order to preserve our partnership tax status. Our membership units may not be traded on any established securities market or readily traded on a secondary market (or the substantial equivalent thereof). All transfers are subject to a determination that the transfer will not cause the Company to be deemed a publicly traded partnership.

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 EDGAR filing system. However, if at any time we cease to be a publicly reporting company, we may continue to make information about us publicly available on our website.

As of December 20, 2019, there were 930 holders of record of our Class A membership units.

In May of 2018 a total of 1,318,180 Units were purchased other than through a publicly announced plan or program, pursuant to a Membership Unit Repurchase Agreement, a private transaction between the Company and a Member.

The following table contains historical information by quarter for the past two years regarding the actual unit transactions that were completed by our unit-holders during the periods specified. The information was compiled by reviewing the completed unit transfers that occurred on the QMS bulletin board or through private transfers during the quarters indicated.

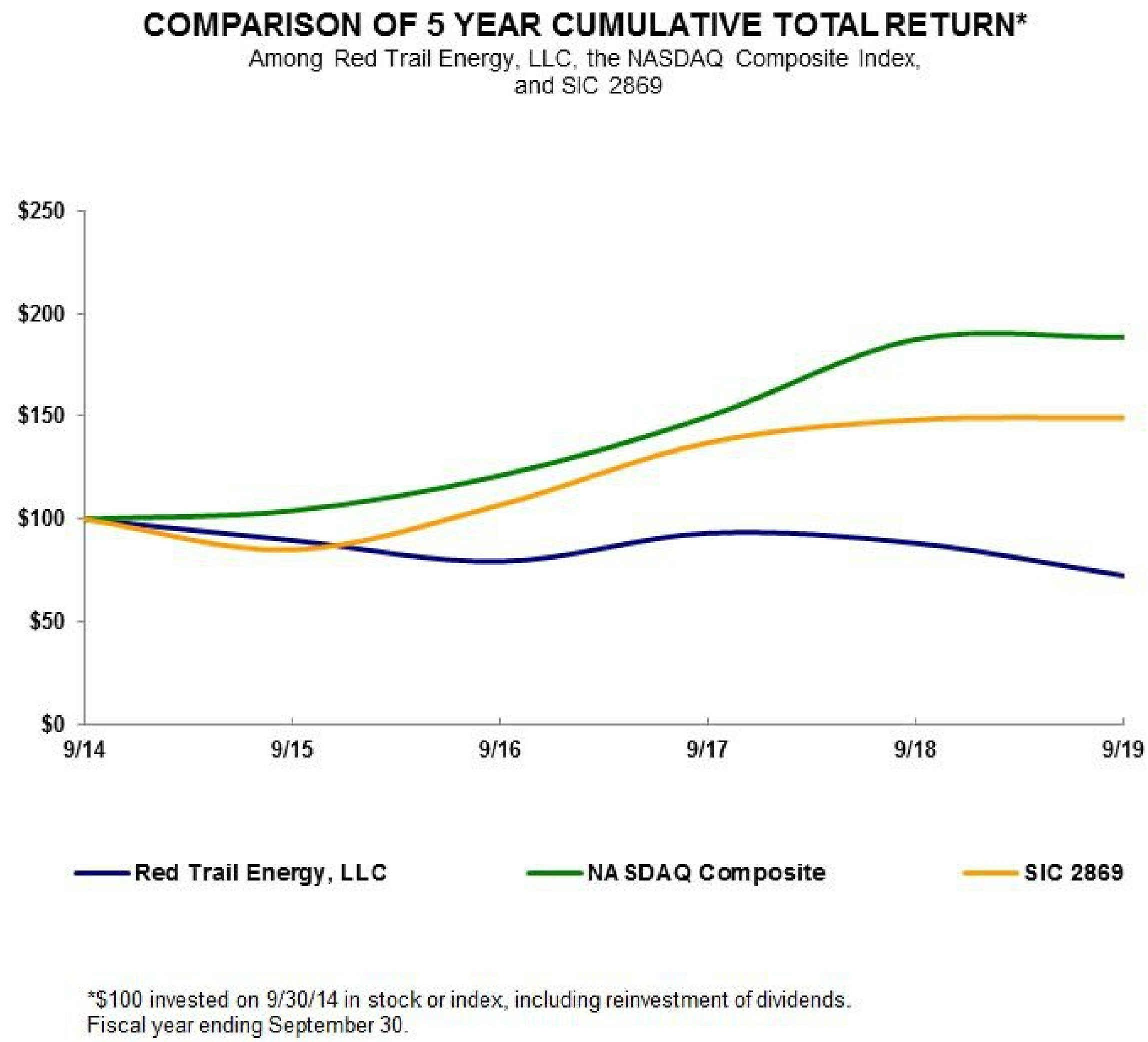
Quarter	Low Price	High Price	Average Price	# of Units Traded
2018 1st	$ 1.35	$ 1.35	$ 1.35	114,500
2018 2nd	$ 1.35	$ 1.35	$ 1.35	5,000
2018 3rd	$ 1.35	$ 1.35	$ 1.35	37,500
2018 4th	$ 1.25	$ 1.25	$ 1.25	5,000
2019 1st	$ 1.25	$ 1.28	$ 1.27	45,000
2019 2nd	$ 1.00	$ 1.00	$ 1.00	80,000
2019 3rd	$ 1.00	$ 1.00	$ 1.00	59,500
2019 4th	$ 1.03	$ 1.05	$ 1.04	80,000

Distributions

Our board of governors has complete discretion over the timing and amount of distributions to our members. Our expectations with respect to our ability to make future distributions are discussed in greater detail in "**Item 7 - Management Discussion and Analysis of Financial Condition and Results of Operations.**"

PERFORMANCE GRAPH

The graph below matches the cumulative 5-Year total return of holders of Red Trail Energy, LLC's common membership units with the cumulative total returns of the NASDAQ Composite index and a customized peer group of twenty six companies that includes: Aemetis Inc., Amyris Inc., Benchmark Energy Corp, Bioamber Inc., Bluefire Renewables Inc., Cardinal Ethanol LLC, Celanese Corp, Cleantech Biofuels Inc., Codexis Inc., Esp Resources Inc., Evolution Fuels Inc., Green Plains Inc., Green Plains Partners LP, Greenbelt Resources Corp, Innophos Holdings Inc., Kreido Biofuels Inc., Methes Energies International Ltd, New America Energy Corp, Newmarket Corp, Pacific Ethanol Inc., Rayonier Advanced Materials Inc., Red Trail Energy LLC, Renewable Energy Group Inc., Rex American Resources Corp, Sino United Worldwide Consolidated Ltd and Westlake Chemical Partners LP. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on September 30, 2014 and tracks it through September 30, 2019.



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 presents selected financial and operating data as of the dates and for the periods indicated. The selected balance sheet financial data as of September 30, 2017, 2016 and 2015 and the selected income statement data and other financial data for the periods ended September 30, 2016 and 2015 have been derived from our audited financial statements that are not included in this Form 10-K. The selected balance sheet financial data as of September 30, 2019 and 2018 and the selected statement of operations data and other financial data for the fiscal years ended September 30, 2019, 2018 and 2017 have been derived from the audited Financial Statements included elsewhere in this Form 10-K. You should read the following table in conjunction with "**Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations**" and the financial statements and the accompanying notes included elsewhere in this Form 10-K. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following financial data.

Statement of Operations Data:	Years Ended September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Revenues	$ 103,697,726	$ 103,577,061	$ 109,609,359	$ 105,159,602	$ 100,795,412
Cost of Goods Sold	104,690,474	106,713,199	102,061,933	97,414,865	91,984,165
Gross Profit (Loss)	(992,748)	(3,136,138)	7,547,426	7,744,737	8,811,247
General and Administrative	3,135,825	2,557,189	2,382,272	2,399,733	2,471,783
Operating Income (Loss)	(4,128,573)	(5,693,327)	5,165,154	5,345,004	6,339,464
Other Income (Expense)	385,884	554,156	3,199,696	558,757	2,227,797
Net Income (Loss)	$ (3,742,689)	$ (5,139,171)	$ 8,364,850	$ 5,903,761	$ 8,567,261
Weighted Average Units Outstanding - Basic	40,148,160	41,025,743	41,454,828	40,148,160	40,148,160
Weighted Average Units Outstanding - Diluted	40,148,160	41,025,743	41,454,828	40,148,160	40,148,160
Net Income (Loss) Per Unit - Basic and Diluted	$ (0.09)	$ (0.13)	$ 0.20	$ 0.15	$ 0.21

Balance Sheet Data:	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Current Assets	$ 21,504,778	$ 24,984,683	$ 29,645,105	$ 24,681,404	$ 23,051,396
Net Property and Equipment	39,312,192	43,357,257	47,141,736	47,224,703	50,940,083
Total Assets	65,581,121	72,465,492	80,702,120	75,591,411	77,567,266
Current Liabilities	5,006,857	8,146,757	7,020,438	7,932,689	9,940,702
Long-Term Liabilities	—	—	2,921	5,538	1,862,246
Members' Equity	60,574,264	64,318,735	73,678,761	67,653,184	65,764,317
Book Value Per Unit	$ 1.51	$ 1.57	$ 1.78	$ 1.69	$ 1.64
Dividends Declared Per Unit	$ —	$ 0.07	$ 0.12	$ 0.10	$ 0.35

* See **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations** for further discussion of our financial results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations for the Years Ended September 30, 2019 and 2018

The following table shows the results of our operations and the percentages of revenues, cost of goods sold, general and administrative expenses and other items to total revenues in our statements of operations for the years ended September 30, 2019 and 2018:

	Year Ended September 30, 2019		Year Ended September 30, 2018	
Statement of Operations Data	**Amount**	**%**	**Amount**	**%**
Revenues	$ 103,697,726	100.00	$ 103,577,061	100.00
Cost of Goods Sold	104,690,474	100.96	106,713,199	103.03
Gross Profit (Loss)	(992,748)	(0.96)	(3,136,138)	(3.03)
General and Administrative Expenses	3,135,825	3.02	2,557,189	2.47
Operating Income (Loss)	(4,128,573)	(3.98)	(5,693,327)	(5.50)
Other Income (Expense)	385,884	0.37	554,156	0.54
Net Income (Loss)	$ (3,742,689)	(3.61)	$ (5,139,171)	(4.96)

The following table shows additional data regarding production and price levels for our primary inputs and products for the years ended September 30, 2019 and 2018:

	Year Ended September 30, 2019	Year Ended September 30, 2018
Production:		
Ethanol sold (gallons)	63,401,876	61,901,487
Dried distillers grains sold (tons)	98,758	110,497
Modified distillers grains sold (tons)	127,310	107,533
Corn oil sold (pounds)	10,697,030	12,591,310
Revenues:		
Ethanol average price per gallon (net of hedging)	$ 1.27	$ 1.27
Dried distillers grains average price per ton	135.15	132.62
Modified distillers grains average price per ton	52.73	61.29
Corn oil average price per pound	0.23	0.25
Primary Inputs:		
Corn ground (bushels)	22,641,392	22,088,221
Natural gas (MMBtu)	1,630,853	1,635,138
Costs of Primary Inputs:		
Corn average price per bushel (net of hedging)	$ 3.56	$ 3.35
Natural gas average price per MMBtu (net of hedging)	2.42	2.36
Other Costs (per gallon of ethanol sold):		
Chemical and additive costs	$ 0.080	$ 0.108
Denaturant cost	0.034	0.040
Electricity cost	0.038	0.043
Direct labor cost	0.062	0.066

Revenue

For our 2019 fiscal year, ethanol sales comprised approximately 78% of our revenues, distillers grains sales comprised approximately 19% of our revenues and corn oil sales comprised approximately 3% of our revenues. For our 2018 fiscal year, ethanol sales comprised approximately 76% of our revenues, distillers grains sales comprised approximately 21% of our revenues and corn oil sales comprised approximately 3% of our revenues.

Our total revenue for our 2019 fiscal year was comparable to our 2018 fiscal year, however, our cost of goods sold was less during our 2019 fiscal year compared to our 2018 fiscal year which resulted in a smaller net loss during the 2019 period. The ethanol industry continues to struggle with ethanol demand destruction from EPA policies which limit domestic demand for ethanol along with foreign trade policies which impact global distillers grains demand.

Ethanol

The average price we received per gallon of ethanol sold was the same during both our 2019 fiscal year and our 2018 fiscal year. The ethanol industry struggled during both our 2018 fiscal year and 2019 fiscal year with lower ethanol prices due to decreased domestic demand. This decreased domestic demand was due to small refinery waivers from the ethanol use requirements under the RFS granted by the EPA which reduced the volume of ethanol which was required to be used in the United States. Management anticipates that ethanol prices will remain lower during our 2020 fiscal year as it appears the EPA will continue to issue small refinery waivers along with relatively stable export demand. In addition, the ethanol industry has continued to expand capacity which may further impact the supply and demand imbalance we are experiencing. Some ethanol production facilities have been ceasing operations due to these unfavorable operating conditions.

Brazil recently increased its quota of ethanol that can be imported from the United States before a tariff is imposed which has resulted in some additional export demand. However, China maintains its high ethanol tariffs which has essentially eliminated China as an export market for United States ethanol. Due to the continuing trade disputes between China and the United States, management does not anticipate that China will be a viable source of export demand in the near term. The United States ethanol industry is continuing to work to open new export markets for ethanol, including the Mexican market, which may positively impact domestic ethanol prices. However, export markets are not as reliable as the domestic ethanol market which can lead to ethanol price volatility.

We sold approximately 2% more gallons of ethanol during our 2019 fiscal year compared our 2018 fiscal year due to fewer unplanned shutdowns during our 2019 fiscal year. Management anticipates that our ethanol production will be comparable during our 2020 fiscal year providing market factors allow us to operate the ethanol plant profitably. However, if operating margins in the ethanol industry are further reduced, we may reduce production in order to improve our operating efficiency and maximize the amount of ethanol we can produce per bushel of corn used.

We held no ethanol or soybean oil derivative instruments during our 2019 fiscal year. We experienced a gain of approximately $1,800 in our soybean oil derivative instruments during our 2018 fiscal year which increased our revenue.

Distillers Grains

The average price we received for our dried distillers grains during our 2019 fiscal year was approximately 2% greater than the average price we received during our 2018 fiscal year primarily due to increased corn prices during our 2019 fiscal year. The average price we received from our modified distillers grains during our 2019 fiscal year was approximately 14% less compared to our 2018 fiscal year due to weaker local demand for distillers grains. Our modified distillers grains are primarily sold in our local market. Management anticipates higher distillers grains prices during our 2020 fiscal year due to the late corn harvest in the fall of 2019 along with lower expected corn supplies from the 2019 crop. However, the market for distillers grains still is impacted by the loss of the Chinese market which will continue to keep distillers grains prices lower than in previous years.

We produced approximately 11% fewer tons of dried distillers grains and approximately 18% more tons of modified distillers grains during our 2019 fiscal year compared to our 2018 fiscal year due to market factors favoring more modified distillers grains. We also produced less corn oil which resulted in a net increase in the total distillers grains we produced during the 2019 fiscal year. When we produce less corn oil, it results in additional tons of distillers grains that we produce. We decide whether to produce dried distillers grains versus modified/wet distillers grains based on market conditions and the relative cost of producing each form of distillers grains. Management anticipates that distillers grains production will remain at its current mix during our 2020 fiscal year unless distillers grains exports increase significantly which could favor producing more dried distillers grains.

Corn Oil

The average price we received for our corn oil was approximately 8% less during our 2019 fiscal year compared to our 2018 fiscal year primarily due to additional corn oil supplies in the market along with less corn oil demand from the biodiesel industry. Corn oil demand from the biodiesel industry has been volatile, and may continue to be volatile in the future. However, on December 17, 2019, Congress renewed the biodiesel blenders' credit retroactively for 2019 and for a total of five years. This certainty for the biodiesel blenders' credit is expected to positively impact demand for corn oil which may increase prices.

Our corn oil sales decreased by approximately 15% during our 2019 fiscal year compared to our 2018 fiscal year due to decreased corn oil production per bushel of corn we ground. This decrease in the amount of corn oil we produced per bushel of corn we ground was due to a change in chemicals used during the production process which resulted in less corn oil being extracted. Management anticipates that corn oil production will continue to be lower during our 2020 fiscal year.

Cost of Goods Sold

Our cost of goods sold is primarily made up of corn and energy expenses. Our total cost of goods sold was approximately 2% less for our 2019 fiscal year compared to our 2018 fiscal year due primarily to lower chemical and ingredient costs associated with our production during our 2019 fiscal year along with lower electricity, denaturant and labor expense.

Corn Costs

Our cost of goods sold related to corn was approximately 9% greater during our 2019 fiscal year compared to our 2018 fiscal year due to increased corn bushels used, partially offset by derivative gains which decreased our corn cost per bushel used after hedging gains and losses during our 2019 fiscal year. Our average cost per bushel of corn used, without including our derivative instrument gains and losses, was approximately 6% greater during our 2019 fiscal year compared to our 2018 fiscal year. Management attributes this increase in corn costs to late planting and unfavorable weather conditions which impacted the corn market during our 2019 fiscal year. Management anticipates that corn prices will remain at their current levels during our 2020 fiscal year due to a smaller corn crop which is anticipated to be harvested in 2019. Management believes that there will be sufficient corn in our local market to continue to operate the ethanol plant at capacity during our 2020 fiscal year but we may experience higher prices in order to purchase the corn we need. Our corn use increased by approximately 3% during our 2019 fiscal year compared to our 2018 fiscal year due to increased overall production at the ethanol plant. Management anticipates that we will use a comparable amount of corn in the future provided operating margins remain favorable.

From time to time we enter into forward purchase contracts for our commodity purchases and sales. At September 30, 2019, we had forward corn purchase contracts for various delivery periods through March 2020 for a total commitment of approximately $8.19 million for a total of approximately 2.2 million bushels of corn. We had a gain of approximately $4.4 million related to our corn derivative instruments which decreased our cost of goods sold during our 2019 fiscal year. We had a loss of approximately $2 million related to our corn derivative instruments during our 2018 fiscal year 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 is impacted, which affects our financial performance.

Natural Gas Costs

Our total natural gas costs to operate the ethanol plant were higher for our 2019 fiscal year compared to our 2018 fiscal year due primarily to increased natural gas costs per MMBtu during the 2019 period. Our average cost per MMBtu of natural gas was approximately 3% greater during our 2019 fiscal year compared to our 2018 fiscal year. Management believes this increase in natural gas costs during our 2019 fiscal year was due to a basis change off the CIG Rockies Natural Gas Basis Futures which increased the price per MMBtu we had to pay. We used approximately the same amount of natural gas during both our 2019 fiscal year and our 2018 fiscal year. Management expects that natural gas prices will remain steady during our 2020 fiscal year unless we experience supply disruptions during 2020.

General and Administrative Expenses

Our general and administrative expense was higher during our 2019 fiscal year and our 2018 fiscal year due to increased consulting fees and meeting expense. We have entered into a research agreement with the University of North Dakota Energy and Environmental Research Center to explore the feasibility of injecting CO2 from the fermentation process into a saline formation to lower the carbon intensity value of our ethanol.

Other Income/Expense

We had more interest income during our 2019 fiscal year compared to our 2018 fiscal year due to having more cash on hand during the 2019 period. Our other income was lower during our 2019 fiscal year compared to our 2018 fiscal year due to a loss on sale of corn that could not be used in the production process.

Results of Operations for the Years Ended September 30, 2018 and 2017

The following table shows the results of our operations and the percentages of revenues, cost of goods sold, general and administrative expenses and other items to total revenues in our statements of operations for the years ended September 30, 2018 and 2017:

	Year Ended September 30, 2018		Year Ended September 30, 2017	
Statement of Operations Data	**Amount**	**%**	**Amount**	**%**
Revenues	$ 103,577,061	100.00	$ 109,609,359	100.00
Cost of Goods Sold	106,713,199	103.03	102,061,933	93.11
Gross Profit (Loss)	(3,136,138)	(3.03)	7,547,426	6.89
General and Administrative Expenses	2,557,189	2.47	2,382,272	2.17
Operating Income (Loss)	(5,693,327)	(5.50)	5,165,154	4.71
Other Income (Expense)	554,156	0.54	3,199,696	2.92
Net Income (Loss)	$ (5,139,171)	(4.96)	$ 8,364,850	7.63

The following table shows additional data regarding production and price levels for our primary inputs and products for the years ended September 30, 2018 and 2017:

	Year Ended September 30, 2018	Year Ended September 30, 2017
Production:		
Ethanol sold (gallons)	61,901,487	62,500,281
Dried distillers grains sold (tons)	110,497	107,992
Modified distillers grains sold (tons)	107,533	98,631
Corn oil sold (pounds)	12,591,310	16,735,020
Revenues:		
Ethanol average price per gallon (net of hedging)	$ 1.27	$ 1.43
Dried distillers grains average price per ton	132.62	100.44
Modified distillers grains average price per ton	61.29	47.28
Corn oil average price per pound	0.25	0.26
Primary Inputs:		
Corn ground (bushels)	22,088,221	21,994,786
Natural gas (MMBtu)	1,635,138	1,578,185
Costs of Primary Inputs:		
Corn average price per bushel (net of hedging)	$ 3.35	$ 3.46
Natural gas average price per MMBtu (net of hedging)	2.36	2.83
Other Costs (per gallon of ethanol sold):		
Chemical and additive costs	$ 0.108	$ 0.083
Denaturant cost	0.040	0.032
Electricity cost	0.043	0.043
Direct labor cost	0.066	0.062

Revenue

For our 2018 fiscal year, ethanol sales comprised approximately 76% of our revenues, distillers grains sales comprised approximately 21% of our revenues and corn oil sales comprised approximately 3% of our revenues. For our 2017 fiscal year, ethanol sales comprised approximately 82% of our revenues, distillers grains sales comprised approximately 14% of our revenues and corn oil sales comprised approximately 4% of our revenues.

Our total revenue for our 2018 fiscal year was lower compared to our 2017 fiscal year due to decreased ethanol prices and production during the 2018 period. Our operating margins were less favorable during our 2018 fiscal year compared to our 2017 fiscal year due to a greater increase in our cost of goods sold.

Ethanol

The average price we received per gallon of ethanol sold was approximately 11% less for our 2018 fiscal year compared to our 2017 fiscal year. Management attributes this decrease in the average price we received for our ethanol during our 2018 fiscal year with increased supplies of ethanol in the market along with the lower corn prices which typically has an impact on market ethanol prices. We sold approximately 1% fewer gallons of ethanol during our 2018 fiscal year compared our 2017 fiscal year due to lower production from unplanned shutdowns from power outages caused by adverse weather in the area.

We experienced a gain of approximately $1,800 in our soybean oil derivative instruments which increased our revenue during our 2018 fiscal year. We experienced a gain of approximately $306,000 in our ethanol derivative instruments and a gain of approximately $72,000 in our soybean oil derivative instruments during our 2017 fiscal year which both increased our revenue.

Distillers Grains

The average price we received for our dried distillers grains during our 2018 fiscal year was approximately 32% higher than the average price we received during our 2017 fiscal year primarily due to improved export sales of distillers grains and higher prices, especially in the middle of our 2018 fiscal year. The average price we received from our modified distillers grains during our 2018 fiscal year was approximately 30% higher compared to our 2017 fiscal year due to strong local demand for distillers grains and higher market prices for distillers grains.

We produced approximately 2% more tons of dried distillers grains and approximately 9% more tons of modified distillers grains during our 2018 fiscal year compared to our 2017 fiscal year primarily because of reduced corn oil production. When we produce less corn oil, it results in additional tons of distillers grains that we produce. We decide whether to produce dried distillers grains versus modified/wet distillers grains based on market conditions and the relative cost of producing each form of distillers grains.

Corn Oil

The average price we received for our corn oil was approximately 4% less during our 2018 fiscal year compared to our 2017 fiscal year primarily due to additional corn oil supplies in the market. Corn oil demand was benefited by additional biodiesel production capacity which was added during our 2018 fiscal year. Our corn oil sales decreased by approximately 25% during our 2018 fiscal year compared to our 2017 fiscal year due to decreased total production at the ethanol plant during our 2018 fiscal year along with a decrease in the amount of corn oil we produced per bushel of corn we ground. This decrease in the amount of corn oil we produced per bushel of corn we ground was due to a change in chemicals used during the production process which results in less corn oil being extracted.

Cost of Goods Sold

Our cost of goods sold is primarily made up of corn and energy expenses. Our total cost of goods sold was approximately 5% greater for our 2018 fiscal year compared to our 2017 fiscal year due primarily to higher chemical and ingredient costs associated with our production during our 2018 fiscal year.

Corn Costs

Our cost of goods sold related to corn was approximately 3% less during our 2018 fiscal year compared to our 2017 fiscal year due to decreased corn cost per bushel during our 2018 fiscal year, partially offset by increased corn consumption. Our average cost per bushel of corn used, without including our derivative instrument gains and losses, was approximately 11% less during our 2018 fiscal year compared to our 2017 fiscal year. Management attributes this decrease in corn costs to a favorable spread between corn supply and demand. We used a comparable volume of corn during our 2018 fiscal year and our 2017 fiscal year due to decreased production at the plant offset by a slightly lower rate of conversion of bushels of corn to gallons of ethanol produced.

From time to time we enter into forward purchase contracts for our commodity purchases and sales. At September 30, 2018, we had forward corn purchase contracts for various delivery periods through December 2018 for a total commitment of approximately $7.85 million for a total of approximately 2.3 million bushels of corn. We had a loss of approximately $2 million related to our corn derivative instruments which increased our cost of goods sold during our 2018 fiscal year. We had a gain of approximately $2.1 million related to our corn derivative instruments during our 2017 fiscal year which decreased 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 is impacted, which affects our financial performance.

Natural Gas Costs

Our total natural gas costs to operate the ethanol plant were lower for our 2018 fiscal year compared to our 2017 fiscal year due primarily to decreased natural gas costs per MMBtu during the 2018 period. Our average cost per MMBtu of natural gas was approximately 17% less during our 2018 fiscal year compared to our 2017 fiscal year. Management believes this decrease in natural gas costs during our 2018 fiscal year was due to our location near natural gas supplies. In addition, we consumed approximately 3.6% more natural gas during our 2018 fiscal year compared to our 2017 fiscal year due to colder weather during the 2018 period.

General and Administrative Expenses

Our general and administrative expense was greater during our 2018 fiscal year and our 2017 fiscal year due to higher credit card processing fees and additional meeting expenses during our 2018 fiscal year.

Other Income/Expense

We had less interest income during our 2018 fiscal year compared to our 2017 fiscal year due to having less cash on hand during the 2018 period. Our interest expense was lower during our 2018 fiscal year compared to our 2017 fiscal year due to having less borrowing during the 2018 period. Our other income was significantly lower during our 2018 fiscal year compared to our 2017 fiscal year due to a smaller distribution from our ethanol marketer and because we had insurance proceeds we received during the 2017 fiscal year which was included in other income.

Changes in Financial Condition for the Year Ended September 30, 2019 and 2018

Current Assets. We had more cash and equivalents on our balance sheet at September 30, 2019 compared to September 30, 2018 due to a transfer of funds from our restricted cash that was being held with our commodities broker at September 30, 2019. We had less restricted cash at September 30, 2019 compared to September 30, 2018 as a result of having less cash deposited in our margin account with our commodities broker related to our risk management positions. We had more accounts receivable at September 30, 2019 compared to September 30, 2018 due primarily to the timing of payments from our product marketers at the end of our 2019 fiscal year compared to the end of our 2018 fiscal year. We had less inventory on hand at September 30, 2019 compared to September 30, 2018 due to having no bagged corn at the plant.

Property, Plant and Equipment. The gross value of our property, plant and equipment was higher at September 30, 2019 compared to September 30, 2018 due primarily to the upgrades made to the centrifuges and heat exchangers during our 2019 fiscal year. However, the net value of our property, plant and equipment was lower at September 30, 2019 compared to September 30, 2018 due to depreciation.

Other Assets. Our other assets were higher at September 30, 2019 than at September 30, 2018 due to increased patronage equity related to our electric provider which is a cooperative.

Current Liabilities. Our accounts payable was lower at September 30, 2019 compared to September 30, 2018 due to decreased payables related to amounts owed to our corn producers. Our accrued expenses were lower at September 30, 2019 compared to September 30, 2018 due to having less accrued corn payables at September 30, 2019 compared to September 30, 2018. We had a smaller liability related to our corn derivative instruments which were in a loss position as of September 30, 2019 compared to September 30, 2018, primarily due to corn options we had outstanding at September 30, 2019.

Long-term Liabilities. We had no long-term liabilities at September 30, 2019 and September 30, 2018.

Critical Accounting Policies

Management uses estimates and assumptions in preparing our 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 financial statements, we believe that the following are the most critical.

Inventory

Corn is the primary raw material and, along with other raw materials and supplies, is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis. Work in process and finished goods, which consists of ethanol, distillers grains and corn oil produced, is stated at the lower of average cost or net realizable value. Spare parts inventory is valued at lower of cost or net realizable value on a FIFO basis.

Allowance for Doubtful Accounts

Management's estimate of the Allowance for Doubtful Accounts is based on management's estimate of the collectability of identified receivables, as well as the aging of customer accounts. A 10% change in management's estimate regarding the Allowance for Doubtful Accounts as of September 30, 2019 could impact net income by approximately $31,000 for our 2019 fiscal year.

Revenue Recognition

The Company sells ethanol and related products pursuant to marketing agreements. The Company recognizes revenue from sales of ethanol and co-products at the point in time when the performance obligations in the contract are met, which is when the customer obtains control of such products and typically occurs upon shipment depending on the terms of the underlying contracts. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. In some instances, the Company enters into contracts with customers that contain multiple performance obligations to deliver volumes of co-products over a contractual period of less than 12 months. The Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligation. Revenues are shown net of any fees incurred under the terms of the Company's agreements for the marketing and sale of ethanol and related products.

Long Lived Assets

Property, plant, and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight line method. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. The present values of capital lease obligations are classified as long-term debt and the related assets are included in property, plant and equipment. Amortization of equipment under capital leases is included in depreciation expense. Management does not believe it is reasonably likely that the valuation of its property, plant and equipment will change in any material manner in future estimates.

Liquidity and Capital Resources

Based on financial forecasts performed by our management, we anticipate that we will have sufficient cash from our expected credit facilities and cash from our operations to continue to operate the ethanol plant for the next 12 months. Should we experience unfavorable operating conditions in the future, we may have to secure additional debt or equity sources for working capital or other purposes. We do not have any planned capital projects for which we anticipate requiring additional borrowing.

The following table shows cash flows for the years ended September 30, 2019 and 2018:

	2019	2018
Net cash provided by operating activities	$ 378,740	$ 6,914,549
Net cash (used in) investing activities	(725,559)	(947,746)
Net cash (used in) financing activities	(4,451)	(4,223,472)
Net increase (decrease) in cash	$ (351,270)	$ 1,743,331
Cash and equivalents, end of period	$ 10,522,069	$ 10,873,339

Cash Flow from Operations

Our operations provided less cash during our 2019 fiscal year compared to our 2018 fiscal year. Changes in the fair value of derivative instruments, inventory, accounts payable and accrued expenses negatively impacted the cash generated by our operating activities during our 2019 fiscal year.

Cash Flow from Investing Activities

We used less cash for capital expenditures during our 2019 fiscal year compared to our 2018 fiscal year. During our 2019 fiscal year, we had capital expenditures related to improvements to the centrifuges and heat exchangers. During our 2018 fiscal year, we had capital expenditures related to the addition of a hammer mill and upgrades to the centrifuges.

Cash Flow from Financing Activities

We used less cash for financing activities during our our 2019 fiscal year compared to our 2018 fiscal year due to fewer distributions made during our 2019 fiscal year compared to our 2018 fiscal year. We also used cash during our 2018 fiscal year to repurchase units from our members. We had no comparable unit repurchases during our 2019 fiscal year.

Our liquidity, results of operations and financial performance will be impacted by many variables, including the market price for commodities such as, but not limited to, corn, ethanol and other energy commodities, as well as the market price for any co-products generated by the facility and the cost of labor and other operating costs. Assuming future relative price levels for corn, ethanol and distillers grains remain consistent, we expect operations to generate adequate cash flows to maintain operations.

The following table shows cash flows for the years ended September 30, 2018 and 2017:

	2018	2017
Net cash provided by operating activities	$ 6,914,549	3,084,875
Net cash (used in) investing activities	(947,746)	(1,228,494)
Net cash (used in) financing activities	(4,223,472)	(5,661,870)
Net increase (decrease) in cash	$ 1,743,331	(3,805,489)
Cash and equivalents, end of period	$ 10,873,339	$ 9,130,008

Cash Flow from Operations

Our operations provided more cash during our 2018 fiscal year compared to our 2017 fiscal year. Changes in our inventory accounts receivable positively impacted the cash generated by our operating activities during the 2018 fiscal year.

Cash Flow from Investing Activities

We used less cash for capital expenditures during our 2018 fiscal year compared to our 2017 fiscal year. During our 2018 fiscal year we had capital projects related to the addition of a hammer mill and upgrades to the centrifuges. During our 2017 fiscal year we had capital expenditures related to a project to expand the cooling capacity of our beer mash exchangers.

Cash Flow from Financing Activities

We used less cash for financing activities during our our 2018 fiscal year compared to our 2017 fiscal year due to fewer distributions made during the 2018 fiscal year compared to the 2017 fiscal year. We used approximately $3 million during our 2018 fiscal year for distributions to our members compared to approximately $5 million during our 2017 fiscal year.

Capital Expenditures

The Company had approximately $456,000 in construction in progress as of September 30, 2019. During the fiscal year ended September 30, 2019, the Company placed in service approximately $332,000 in capital projects.

Capital Resources

On March 20, 2017, we entered into a revolving loan with U.S. Bank National Association ("U.S. Bank") described below. On October 1, 2019, we terminated this revolving loan. We are in the process of securing a new revolving loan with a different financial institution.

Revolving Loan

On March 17, 2017, we entered into a new $10 million revolving loan (the "Revolving Loan") with U.S. Bank. The Revolving Loan replaced a similar revolving loan we had with First National Bank of Omaha. Interest accrues on any outstanding balance on the Revolving Loan at a rate of 1.77% in excess of the one-month London Interbank Offered Rate ("LIBOR"). In May 2019 we renewed our Revolving Loan with U.S. Bank. The renewal extended the maturity date to May 31, 2020. On October 1, 2019, we terminated our loan with U.S. Bank. Our ability to draw funds on the Revolving Loan was subject to a borrowing base calculation as set forth in the Credit Agreement. At September 30, 2019, we had $6.3 million available on the Revolving Loan, taking into account the borrowing base calculation. We had $0 drawn on the Revolving Loan as of September 30, 2019. Interest accrued on the Revolving Loan as of September 30, 2019 at a rate of 3.83%.

Restrictive Covenants

The Revolving Loan was subject to certain financial covenants as set forth in the Credit Agreement. The most significant financial covenants required us to maintain a fixed charge coverage ratio of no less than 1.25:1.00 and a current ratio of no less than 1.50:1.00. Our fixed charge coverage ratio measured our ability to pay our fixed expenses. Our current ratio measured our liquidity and ability to pay short-term and long-term obligations.

As of September 30, 2019, US Bank waived compliance with our loan covenants.

Contractual Obligations and Commercial Commitments

We have the following contractual obligations as of September 30, 2019:

Contractual Obligations:	Total	Less than 1 Yr	1-3 Years	3-5 Years
Corn purchases *	$ 2,156,424	$ 2,156,424	$ —	$ —
Water purchases	2,756,000	424,000	1,272,000	1,060,000
Operating lease obligations	1,180,390	407,213	773,177	—
Capital leases	252	252	—	—
Total	$ 6,093,066	$ 2,987,889	$ 2,045,177	$ 1,060,000

* - Amounts determined assuming prices, including freight costs, at which corn had been contracted for cash corn contracts and current market prices as of September 30, 2019 for basis contracts that had not yet been fixed.

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 as discussed below. We have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars and we have no exposure to interest rate risk as we have no amounts outstanding on variable interest debt. 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 ethanol. 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 pursuant to the requirements of Generally Accepted Accounting Principles ("GAAP").

Commodity Price Risk

We expect to be exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn in the ethanol production process and the sale of ethanol.

We enter into fixed price contracts for corn purchases on a regular basis. It is our intent that, as we enter into these contracts, we will use various hedging instruments (puts, calls and futures) to maintain a near even market position. For example, if we have 1 million bushels of corn under fixed price contracts we would generally expect to enter into a short hedge position to offset our price risk relative to those bushels we have under fixed price contracts. Because our ethanol marketing company (RPMG) is selling substantially all of the gallons it markets on a spot basis we also include the corn bushel equivalent of the ethanol we have produced that is inventory but not yet priced as bushels that need to be hedged.

Although we believe our hedge positions will accomplish an economic hedge against our future purchases, they are not designated as hedges for accounting purposes, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We use fair value accounting for 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 sales. The immediate recognition of hedging gains and losses under fair value accounting can cause net income to be volatile from quarter to quarter and year to year due to the timing of the change in value of derivative instruments relative to the cost of the commodity being hedged. 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 September 30, 2019, we had approximately 2.3 million bushels of corn under fixed price contracts. As of September 30, 2019 some of these contracts were priced above current market prices so an accrual for a loss on firm purchase commitments of $68,000 was recorded.

It is the current position of our ethanol marketing company, RPMG, that under current market conditions selling ethanol in the spot market will yield the best price for our ethanol. RPMG will, from time to time, contract a portion of the gallons they market with fixed price contracts.

We estimate that our expected corn usage will be between 21 million and 23 million bushels per calendar year for the production of approximately 59 million to 64 million gallons of ethanol. As corn prices move in reaction to market trends and information, our income statements will be affected depending on the impact such market movements have on the value of our derivative instruments.

A sensitivity analysis has been prepared to estimate our exposure to corn, natural gas and ethanol price risk. Market risk related to our corn, natural gas and ethanol prices 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, and our average ethanol sales price as of September 30, 2019, net of the forward and future contracts used to hedge our market risk for corn, natural gas and ethanol. The volumes are based on our expected use and sale of these commodities for a one year period from September 30, 2019. 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	63,900,000	Gallons	10%	$ (8,946,000)
Corn	22,820,000	Bushels	10%	$ (7,332,000)
Natural gas	1,664,000	MMBtu	10%	$ (164,000)

For comparison purposes, below is our analysis for our fiscal year ended September 30, 2018.

	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	63,900,000	Gallons	10%	$ (7,668,000)
Corn	22,820,000	Bushels	10%	$ (865,000)
Natural gas	1,664,000	MMBtu	10%	$ (383,000)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EideBailly

CPAs & BUSINESS ADVISORS

Report of Independent Registered Public Accounting Firm

To the Board of Governors
Red Trail Energy, LLC
Richardton, North Dakota

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Red Trail Energy, LLC (the Company) as of September 30, 2019 and 2018, and the related statements of operations, changes in members' equity, and cash flows, for the years ended September 30, 2019 and 2018, and 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years ended September 30, 2019 and 2018, and 2017, in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for restricted cash within the statement of cash flows due to the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the September 30, 2018 and 2017 statements of cash flows have been adjusted to retrospectively adopt this standard.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 Red Trail Energy, LLC 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 risk 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.

Eide Bailly LLP

We have served as Red Trail Energy, LLC's auditor since 2012.

Minneapolis, Minnesota
December 20, 2019

RED TRAIL ENERGY, LLC
Balance Sheets

ASSETS	**September 30, 2019**	**September 30, 2018**
Current Assets		
Cash and equivalents	$ 8,565,038	$ 4,573,858
Restricted cash	1,957,031	6,299,481
Accounts receivable, net, primarily related party	3,910,384	3,029,314
Inventory	6,962,825	10,971,056
Prepaid expenses	109,500	110,974
Total current assets	21,504,778	24,984,683
Property, Plant and Equipment		
Land	1,333,681	1,342,381
Land improvements	4,465,311	4,465,311
Buildings	8,111,074	8,091,522
Plant and equipment and railroad	88,038,476	87,740,511
Construction in progress	455,825	42,742
	102,404,367	101,682,467
Less accumulated depreciation	63,092,175	58,325,210
Net property, plant and equipment	39,312,192	43,357,257
Other Assets		
Investment in RPMG	605,000	605,000
Patronage equity	4,119,151	3,478,552
Deposits	40,000	40,000
Total other assets	4,764,151	4,123,552
Total Assets	$ 65,581,121	$ 72,465,492

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Balance Sheets

LIABILITIES AND MEMBERS' EQUITY	**September 30, 2019**	**September 30, 2018**
Current Liabilities		
Accounts payable	$ 4,331,521	$ 4,689,119
Accrued expenses	598,209	1,005,067
Commodities derivative instruments, at fair value	8,875	2,245,650
Accrued loss on firm purchase commitments (see note 5)	68,000	204,000
Current maturities of notes payable	252	2,921
Total current liabilities	5,006,857	8,146,757
Commitments and Contingencies (Notes 6, 8, 10 and 14)		
Members’ Equity (40,148,160 Class A Membership Units issued and outstanding on September 30, 2019 and 2018, respectively)	60,574,264	64,318,735
Total Liabilities and Members’ Equity	$ 65,581,121	$ 72,465,492

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Statements of Operations

	Year Ended September 30, 2019	Year Ended September 30, 2018	Year Ended September 30, 2017
Revenues, primarily related party	$ 103,697,726	$ 103,577,061	$ 109,609,359
Cost of Goods Sold			
Cost of goods sold	104,479,424	106,193,402	101,887,309
Lower of cost or net realizable value adjustment	119,050	307,797	169,624
Loss on firm purchase commitments	92,000	212,000	5,000
Total Cost of Goods Sold	104,690,474	106,713,199	102,061,933
Gross Profit (Loss)	(992,748)	(3,136,138)	7,547,426
General and Administrative Expenses	3,135,825	2,557,189	2,382,272
Operating Income (Loss)	(4,128,573)	(5,693,327)	5,165,154
Other Income (Expense)			
Interest income	116,922	71,427	119,713
Other income	268,974	482,777	3,093,011
Interest expense	(12)	(48)	(13,028)
Total other income (expense), net	385,884	554,156	3,199,696
Net Income (Loss)	$ (3,742,689)	$ (5,139,171)	$ 8,364,850
Weighted Average Units Outstanding			
Basic	40,148,160	41,025,743	41,454,828
Diluted	40,148,160	41,025,743	41,454,828
Net Income (Loss) Per Unit			
Basic	$ (0.09)	$ (0.13)	$ 0.20
Diluted	$ (0.09)	$ (0.13)	$ 0.20

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Statements of Changes in Members' Equity
Years Ended September 30, 2019, 2018 and 2017

	Class A Member Units				Treasury Units		
	Units (a)	Amount	Additional Paid in Capital	Accumulated Deficit/ Retained Earnings	Units	Amount	Total Member Equity
Balances - September 30, 2016	40,148,160	$ 37,724,595	$ 75,541	$ 30,012,588	140,000	$(159,540)	$ 67,653,184
Units Issued	2,000,000	3,320,000	—	—	—	—	3,320,000
Units repurchased and retired	(681,820)	(681,820)	—	—	—	—	(681,820)
Distribution	—	—	—	(4,977,453)	—	—	(4,977,453)
Net Income	—	—	—	8,364,850	—	—	8,364,850
Balances - September 30, 2017	41,466,340	40,362,775	75,541	33,399,985	140,000	(159,540)	73,678,761
Units Issued	—	—	—	—	—	—	—
Units repurchased and retired	(1,318,180)	(1,318,180)	—	—	—	—	(1,318,180)
Distribution	—	—	—	(2,902,675)	—	—	(2,902,675)
Net Income	—	—	—	(5,139,171)	—	—	(5,139,171)
Balances - September 30, 2018	40,148,160	39,044,595	75,541	25,358,139	140,000	(159,540)	64,318,735
Units Issued	—	—	—	—	—	—	—
Units repurchased and retired	—	—	—	—	—	—	—
Distribution	—	—	—	(1,782)	—	—	(1,782)
Net Income	—	—	—	(3,742,689)	—	—	(3,742,689)
Balances - September 30, 2019	40,148,160	$ 39,044,595	$ 75,541	$ 21,613,668	140,000	$(159,540)	$ 60,574,264

(a) - Amounts shown represent member units outstanding.

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
Statements of Cash Flows

	Year Ended September 30, 2019	Year Ended September 30, 2018	Year Ended September 30, 2017
Cash Flows from Operating Activities			
Net income (loss)	$ (3,742,689)	$ (5,139,171)	$ 8,364,850
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,766,966	4,732,225	4,629,531
Loss on disposal of fixed assets	3,659	—	1,930
Change in fair value of derivative instruments	(2,236,775)	1,312,338	717,613
Accrued purchase commitment losses	(136,000)	199,000	(69,000)
Lower of cost or net realizable value adjustment	119,050	307,797	169,624
Loss on firm purchase commitments	92,000	212,000	5,000
Noncash patronage equity	(640,599)	(208,273)	(229,975)
Change in operating assets and liabilities:			
Accounts receivable, net, primarily related party	(881,070)	1,029,913	(419,911)
Other receivables	—	8,764	56,108
Inventory	3,797,180	4,922,889	(8,604,460)
Prepaid expenses	1,474	(77,610)	24,448
Accounts payable and accrued expenses	(764,456)	(385,323)	(1,560,883)
Net cash provided by operating activities	378,740	6,914,549	3,084,875
Cash Flows from Investing Activities			
Proceeds from disposal of fixed assets	18,295	—	7,000
Capital expenditures	(743,854)	(947,746)	(1,235,494)
Net cash (used in) investing activities	(725,559)	(947,746)	(1,228,494)
Cash Flows from Financing Activities			
Dividends paid	(1,782)	(2,902,675)	(4,977,453)
Unit repurchases	—	(1,318,180)	(681,820)
Debt and capital lease repayments	(2,669)	(2,617)	(2,597)
Net cash (used in) financing activities	(4,451)	(4,223,472)	(5,661,870)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(351,270)	1,743,331	(3,805,489)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	10,873,339	9,130,008	12,935,497
Cash, Cash Equivalents and Restricted Cash - End of Period	$ 10,522,069	$ 10,873,339	$ 9,130,008
Reconciliation of Cash, Cash Equivalents and Restricted Cash			
Cash and cash equivalents	$ 8,565,038	$ 4,573,858	$ 3,223,342
Restricted Cash	$ 1,957,031	$ 6,299,481	$ 5,906,666
Total Cash, Cash Equivalents and Restricted Cash	$ 10,522,069	$ 10,873,339	$ 9,130,008
Supplemental Disclosure of Cash Flow Information			
Interest paid	12	3,721	9,355
Noncash Investing and Financing Activities			
Units issued in exchange for property	$ —	$ —	$ 3,320,000
Capital expenditures in accounts payable	$ —	$ —	$ 99,953

Notes to Financial Statements are an integral part of this Statement.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Red Trail Energy, LLC, a North Dakota limited liability company (the "Company"), owns and operates a 50 million gallon annual name-plate production ethanol plant near Richardton, North Dakota (the "Plant"). The Plant commenced production on January 1, 2007. Fuel grade ethanol, distillers grains and corn oil are the Company's primary products. All products are marketed and sold primarily within the continental United States.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, inventory and allowance for doubtful accounts. Actual results could differ from those estimates.

Cash and Equivalents

The Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and equivalents approximates fair value. Balances in excess of federally insured limits are not covered by FDIC insurance. Restricted cash is cash deposited in our margin account with our commodities broker related to our risk management positions.

Investment in RPMG

RPMG is a subsidiary of Renewable Products Marketing Group, LLC ("RPMG, LLC"). We own approximately 5.9% of RPMG, LLC which allows us to realize favorable marketing fees for our products and allows us to share in the profits generated by RPMG, LLC. Our ownership interest in RPMG, LLC also entitles us to a seat on its board of directors which is filled by Gerald Bachmeier, our Chief Executive Officer. The Company accounts for the investment in RPMG under the cost method.

Accounts Receivable and Concentration of Credit Risk

The Company generates accounts receivable from sales of ethanol, distillers grains and corn oil. The Company has entered into agreements with RPMG, Inc. ("RPMG") for the marketing and distribution of the Company's ethanol, corn oil and dried distiller's grains. Under the terms of the marketing agreement, RPMG bears the risk of loss of nonpayment by their customers. The Company markets its modified distiller's grains internally.

For sales of modified distiller's grains, credit is extended based on evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due 30 days from the invoice date. Accounts outstanding longer than the contractual payment terms are considered past due. Internal follow up procedures are followed accordingly. Interest is charged on past due accounts.

All receivables are stated at amounts due from customers net of any allowance for doubtful accounts. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's perceived current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company has an allowance for doubtful accounts of $307,169 and $319,266 at September 30, 2019 and 2018, respectively.

Inventory

Corn is the primary raw material and, along with other raw materials and supplies, is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis. Work in process and finished goods, which consists of ethanol, distillers grains and corn oil produced, is stated at the lower of average cost or net realizable value. Spare parts inventory is valued at lower of cost or net realizable value on a FIFO basis.

Patronage Equity

The Company receives, from certain vendors organized as cooperatives, patronage dividends, which are based on several criteria, including the vendor's overall profitability and the Company's purchases from the vendor. Patronage equity typically represents the Company's share of the vendor's undistributed current earnings which will be paid in either cash or equity interests to the Company at a future date. Investments in cooperatives are stated at cost, plus unredeemed patronage refunds received in the form of capital stock and are included in Other Assets on the Company's balance sheet.

Derivative Instruments

The Company enters into derivative transactions to hedge its exposure to commodity and interest rate price fluctuations. The Company is required to record these derivatives in the balance sheet at fair value.

In order for a derivative to qualify as a hedge, specific criteria must be met and appropriate documentation maintained. Gains and losses from derivatives that do not qualify as hedges, or are undesignated, must be recognized immediately in earnings. If the derivative does qualify as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will be either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Changes in the fair value of undesignated derivatives related to corn are recorded in costs of goods sold within the statements of operations. Changes in the fair value of undesignated derivatives related to ethanol are recorded in revenue within the statements of operations.

Additionally the Company is required to evaluate its contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted 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. Certain corn, ethanol and distiller's grain contracts that meet the requirement of normal purchases or sales are documented as normal and exempted from the accounting and reporting requirements, and therefore, are not marked to market in our financial statements.

Firm Purchase Commitments

The Company typically enters into fixed price contracts to purchase corn to ensure an adequate supply of corn to operate its plant. The Company will generally seek to use exchange traded futures, options or swaps as an offsetting economic hedge position. The Company closely monitors the number of bushels hedged using this strategy to avoid an unacceptable level of margin exposure. Contract prices are analyzed by management at each period end and, if necessary, valued at the lower of cost or net realizable value in the balance sheets.

Revenue Recognition

The Company generally sells ethanol and related products pursuant to marketing agreements. The Company recognizes revenue from sales of ethanol and co-products at the point in time when the performance obligations in the contract are met, which is when the customer obtains control of such products and typically occurs upon shipment depending on the terms of the underlying contracts. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. In some instances, the Company enters into contracts with customers that contain multiple performance obligations to deliver volumes of co-products over a contractual period of less than 12 months. The Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligation. Revenues are shown net of any fees incurred under the terms of the Company's agreements for the marketing and sale of ethanol and related products. Revenues are also shown net of any discounts given for sales of modified distillers grains.

Long-lived Assets

Property, plant, and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight line method. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. The present values of capital lease obligations are classified as a liability and the related assets are included in property, plant and equipment. Amortization of equipment under capital leases is included in depreciation expense.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Minimum Years	Maximum Years
Land improvements	15	30
Buildings	10	40
Plant and equipment	7	20
Railroad	10	30

Depreciation expense included in cost of goods sold is $4,691,891 for the year ended September 30, 2019, $4,667,388 for the year ended September 30, 2018 and $4,566,505 for the year ended September 30, 2017. Depreciation expense included in general and administrative expenses is $75,075 for the year ended September 30, 2019, $64,837 for the year ended September 30, 2018, and $63,026 for the year ended September 30, 2017.

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals.

Fair Value Measurements

The Company has adopted guidance for accounting for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company has adopted guidance for fair value measurement related to nonfinancial items that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Except for those assets and liabilities which are required by authoritative accounting guidance to be recorded at fair value in our balance sheets, the Company has elected not to record any other assets or liabilities at fair value. No events occurred during the fiscal years ended September 30, 2019 and 2018 that required adjustment to the recognized balances of assets or liabilities, which are recorded at fair value on a nonrecurring basis.

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019, 2018 and 2017

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values because of their short-term nature. The fair values of notes payable approximates the carrying value based on estimated discounted future cash flows using the current rates at which similar loans would be made.

Grants

The Company recognizes grant proceeds as other income for reimbursement of expenses incurred upon complying with the conditions of the grant. For reimbursements of capital expenditures, the grants are recognized as a reduction of the basis of the asset upon complying with the conditions of the grant. In addition, the Company considers production incentive payments received to be economic grants and includes such amounts in other income when received, as this represents the point at which they are fixed and determinable.

Shipping and Handling

The cost of shipping products to customers is included in cost of goods sold. Amounts billed to a customer in a sale transaction related to shipping and handling is classified as revenue.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes and generally does not incur income taxes. Instead, its earnings and losses are included in the income tax returns of the members. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Differences between financial statement basis of assets and tax basis of assets is primarily related to depreciation, derivatives, inventory, compensation and capitalization and amortization of organization and start-up costs for tax purposes, whereas these costs are expensed for financial statement purposes.

The Company has evaluated whether it has any significant tax uncertainties that would require recognition or disclosure. Primarily due to its partnership tax status, the Company does not have any significant tax uncertainties that would require recognition or disclosure. The Company's policy is to recognize interest expense and penalties related to uncertain tax positions as incurred.

Net Income (Loss) Per Unit

Net income (loss) per unit is calculated on a basic and fully diluted basis using the weighted average units outstanding during the period.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification 606 ("ASC 606"), “Revenue from Contracts with Customers” which supersedes the guidance in “Revenue Recognition (Topic 605)” and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASC 606 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and is to be applied retrospectively, with early application not permitted. Effective October 1, 2018, the Company adopted ASC 606 for all of its contracts using the modified retrospective approach. See note 3.

Statement of Cash Flows; Restricted Cash

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period

RED TRAIL ENERGY, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019, 2018 and 2017

total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods.

Effective October 1, 2018 the Company retrospectively adopted ASU No. 2016-18. As a result, net cash used in operating activities for the twelve months ended September 30, 2018 and 2017 were adjusted to exclude the change in restricted cash and deceased the previously reported balances by approximately $393,000 and $3,245,000 respectively. Also the previously reported cash and cash equivalent balances were adjusted to include restricted cash and have increased by approximately $6,299,000 and $5,907,000 for the twelve months ended September 30, 2018 and 2017, respectively.

Lease Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (topic 842)" which requires a lessee to recognize a right to use asset and a lease liability on its balance sheet for all leases with terms of twelve months or greater. This guidance is effective for fiscal years beginning after December 15, 2018, included interim periods within those years with early adoption permitted. We have evaluated the new standard and expect it will have a material impact on the financial statements as we will have to begin capitalizing leases on the balance sheet when the new standard is implemented. See note 7 for current operating lease commitments.

Environmental Liabilities

The Company's operations are subject to environmental laws and regulations adopted by various governmental entities in the jurisdiction in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its location. 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, if any, are recorded when the liability is probable and the costs can reasonably be estimated. The Company is not aware of any environmental liabilities identified as of September 30, 2019.

2. CONCENTRATIONS

Coal and Natural Gas

In previous years coal was an important input to our manufacturing process. During the second quarter of our 2015 fiscal year we converted the energy source for our ethanol plant to natural gas. As a result, we do not anticipate using coal to fire the ethanol plant in the future and changes in the price or availability of coal will not impact our operations. However, we maintain the equipment necessary to operate the ethanol plant using coal as the fuel source which management believes could benefit us in the future, especially if natural gas prices increase or natural gas is not available at the ethanol plant. The Company signed a sales agreement with Rainbow Gas Company to supply natural gas to the plant through October 2020. The Company's intentions are to run the plant on natural gas and renew the supply agreement with its current natural gas supplier.

Sales

We are substantially dependent upon RPMG for the purchase, marketing and distribution of our ethanol, DDGS and corn oil. RPMG purchases 100% of the ethanol, DDGS and corn oil produced at our plant, all of which is marketed and distributed to its customers. Therefore, we are highly dependent on RPMG for the successful marketing of our ethanol, DDGS and corn oil. In the event that our relationship with RPMG is interrupted or terminated for any reason, we believe that we could locate another entity to market the ethanol, DDGS and corn oil. However, any interruption or termination of this relationship could temporarily disrupt the sale and production of ethanol, DDGS and corn oil and adversely affect our business and operations and potentially result in a higher cost to the Company. Amounts due from RPMG represent approximately 85% of the Company's outstanding trade receivables balance at both September 30, 2019 and 2018. Approximately 93%, 93%, and 97% of revenues are comprised of sales to RPMG for the years ended September 30, 2019, September 30, 2018 and September 30, 2017, respectively.

3. REVENUE

Adoption of ASC 606

Effective October 1, 2018, the Company adopted ASC 606 using the modified retrospective approach for all of its contracts. Following the adoption of ASC 606, the Company continues to recognize revenue at a point-in-time when control of goods transfers to the customer. This is consistent with the Company's previous revenue recognition accounting policy under which the Company recognized revenue when title and risk of loss pass to the customer and collectability was reasonably assured. ASC 606 did not impact the Company's presentation of revenue on a gross or net basis. The Company recognizes revenue primarily from sales of ethanol and its related co-products. In addition, there was no impact of adoption on the statement of operations or balance sheet for the twelve months ended September 30, 2019. The Company expects the impact of adopting the new revenue standard to be immaterial to net income on an ongoing basis.

Revenue Recognition

The Company recognizes revenue from sales of ethanol and co-products at the point in time when the performance obligations in the contract are met, which is when the customer obtains control of such products and typically occurs upon shipment depending on the terms of the underlying contracts. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. In some instances, the Company enters into contracts with customers that contain multiple performance obligations to deliver volumes of co-products over a contractual period of less than 12 months. The Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligation.

Revenue by Source

The following table disaggregates revenue by major source for the three and twelve months ended September 30, 2019 and 2018.

Revenues	For the twelve months ended September 30, 2019 (audited)	For the twelve months ended September 30, 2018 (audited)	For the twelve months ended September 30, 2017 (audited)
Ethanol and E85	$ 80,552,074	$ 78,644,383	$ 89,276,865
Distillers Grains	20,060,802	21,245,053	15,514,789
Syrup	381,301	317,797	214,741
Corn Oil	2,507,184	3,174,360	4,375,039
Other	196,365	195,468	227,925
Total revenue from contracts with customers	$ 103,697,726	$ 103,577,061	$ 109,609,359

Shipping and Handling Costs

We account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated products. Accordingly, we record customer payments associated with shipping and handling costs as a component of revenue, and classify such costs as a component of cost of goods sold.

4. DERIVATIVE INSTRUMENTS

Commodity Contracts

As part of its hedging strategy, the Company may enter into ethanol, soybean oil, and corn commodity-based derivatives in order to protect cash flows from fluctuations caused by volatility in commodity prices in order to protect gross profit margins from potentially adverse effects of market and price volatility on ethanol sales, corn oil sales, and corn purchase commitments where the prices are set at a future date. These derivatives are not designated as effective hedges for accounting purposes. For derivative instruments that are not accounted for as hedges, or for the ineffective portions of qualifying hedges, the change in fair value is recorded through earnings in the period of change. Ethanol derivative and soybean oil derivative fair market value gains or losses are included in the results of operations and are classified as revenue and corn derivative changes in fair market value are included in cost of goods sold.

As of:	**September 30, 2019**				**September 30, 2018**			
Contract Type	**# of Contracts**	**Notional Amount (Qty)**		**Fair Value**	**# of Contracts**	**Notional Amount (Qty)**		**Fair Value**
Corn futures	—	—	bushels	$ —	800	4,000,000	bushels	$ (319,400)
Corn options	30	150,000	bushels	$ (8,875)	2,800	14,000,000	bushels	$ (1,926,250)
Total fair value				$ (8,875)				$ (2,245,650)

The following tables provide details regarding the Company's derivative financial instruments at September 30, 2019 and September 30, 2018:

Derivatives not designated as hedging instruments:

Balance Sheet - as of September 30, 2019	**Asset**	**Liability**
Commodity derivative instruments, at fair value	$ —	$ 8,875
Total derivatives not designated as hedging instruments for accounting purposes	$ —	$ 8,875

Balance Sheet - as of September 30, 2018	**Asset**	**Liability**
Commodity derivative instruments, at fair value	$ —	$ 2,245,650
Total derivatives not designated as hedging instruments for accounting purposes	$ —	$ 2,245,650

Statement of Operations Income/ (expense)	**Location of gain (loss) in fair value recognized in income**	**Amount of gain (loss) recognized in income during the year ended September 30, 2019**	**Amount of gain (loss) recognized in income during the year ended September 30, 2018**	**Amount of gain (loss) recognized in income during the year ended September 30, 2017**
Corn derivative instruments	Cost of Goods Sold	$ 4,415,168	$ (2,027,322)	$ 2,111,244
Ethanol derivative instruments	Revenue	—	—	306,180
Soybean oil derivative instruments	Revenue	—	1,800	70,518
Natural gas derivative instruments	Cost of Goods Sold	520	—	10,780
Total		$ 4,415,688	$ (2,025,522)	$ 2,498,722

5. INVENTORY

Inventory is valued at lower of cost or net realizable value. Inventory values as of September 30, 2019 and September 30, 2018 were as follows:

As of	**September 30, 2019**	**September 30, 2018**
Raw materials, including corn, chemicals and supplies	$ 2,679,126	$ 6,684,322
Work in process	956,509	738,991
Finished goods, including ethanol and distillers grains	1,459,561	1,405,806
Spare parts	1,867,629	2,141,937
Total inventory	$ 6,962,825	$ 10,971,056

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Lower of cost or net realizable value adjustments for the years ended September 30, 2019, and 2018 and 2017 were as follows:

	For the year ended September 30, 2019	For the year ended September 30, 2018	For the year ended September 30, 2017
Loss on firm purchase commitments	$ 92,000	$ 212,000	$ 5,000
Loss on lower of cost or net realizable value adjustment for inventory on hand	119,050	307,797	169,624
Total loss on lower of cost or market adjustments	$ 211,050	$ 519,797	$ 174,624

The Company has entered into forward corn purchase contracts under which it is required to take delivery at the contract price. At the time the contracts were created, the price of the contract approximated market price. Subsequent changes in market conditions could cause the contract prices to become higher or lower than market prices. As of September 30, 2019 and 2018, the average price of corn purchased under certain fixed price contracts, that had not yet been delivered, was greater than approximated market price. Based on this information, the Company has an estimated loss on firm purchase commitments of $92,000 and $212,000 for the fiscal years ended September 30, 2019 and 2018, respectively. The loss is recorded in “Loss on firm purchase commitments” on the statements of operations. The amount of the loss was determined by applying a methodology similar to that used in the impairment valuation with respect to inventory. Given the uncertainty of future ethanol prices, this loss may or may not be recovered, and further losses on the outstanding purchase commitments could be recorded in future periods.

The Company recorded inventory valuation impairments of $119,050 and $307,797 for the fiscal years ended September 30, 2019 and 2018, respectively. The impairments, as applicable, were attributable primarily to decreases in market prices of corn and ethanol. The inventory valuation impairment was recorded in “Lower of cost or net realizable value adjustment” on the statements of operations.

6. BANK FINANCING

As of	September 30, 2019	September 30, 2018
Capital lease obligations (Note 8)	$ 252	$ 2,921
Total Long-Term Debt	252	2,921
Less amounts due within one year	252	2,921
Total Long-Term Debt Less Amounts Due Within One Year	$ —	$ —

See note 8 for the Company's additional future minimum lease commitments.

On June 30, 2019, we renewed our $10 million revolving loan (the "Revolving Loan") with U.S. Bank National Association ("U.S. Bank"). The principle was lowered to $7 million. The maturity date of the Revolving Loan is May 31, 2020. On October 1, 2019, we terminated our loan with U.S. Bank. Our ability to draw funds on the Revolving Loan was subject to a borrowing base calculation as set forth in the Credit Agreement. At September 30, 2019, we had $6.3 million available on the Revolving Loan, taking into account the borrowing base calculation. We had $0 drawn on the Revolving Loan as of September 30, 2019. The variable interest rate on September 30, 2019 was 3.83%.

The Company's loans were secured by a lien on substantially all of the assets of the Company. As of September 30, 2019, U.S. Bank waived compliance with its debt covenants.

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7. FAIR VALUE MEASUREMENTS

The following table provides information on those assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2019 and September 30, 2018, respectively.

	Carrying Amount as of September 30, 2019	Fair Value as of September 30, 2019	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Liabilities					
Commodities derivative instruments	$ 8,875	$ 8,875	$ 8,875	$ —	$ —

	Carrying Amount as of September 30, 2018	Fair Value as of September 30, 2018	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Liabilities					
Commodities derivative instruments	$ 2,245,650	$ 2,245,650	$ 2,245,650	$ —	$ —

The fair value of the corn, ethanol and soybean oil derivative instruments is based on quoted market prices in an active market.

8. LEASES

The Company leases equipment under operating and capital leases through July 2023. The Company is generally responsible for maintenance, taxes, and utilities for leased equipment. Equipment under operating lease includes a locomotive and rail cars. Rent expense for operating leases was approximately $656,000 for the year ended September 30, 2019, $625,000 for the year ended September 30, 2018 and $637,000 for the year ended September 30, 2017. Equipment under capital leases consists of office equipment and plant equipment.

Equipment under capital leases is as follows at:

As of	September 30, 2019	September 30, 2018
Equipment	$ 483,488	$ 483,488
Less accumulated amortization	(162,940)	(141,488)
Net equipment under capital lease	$ 320,548	$ 342,000

At September 30, 2019, the Company had the following minimum commitments, which at inception had non-cancelable terms of more than one year. Amounts shown below are for the years ending September 30:

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	Operating Leases	Capital Leases
2020	$ 407,213	$ 252
2021	348,407	—
2022	296,640	—
2023	128,130	—
Total minimum lease commitments	$ 1,180,390	252
Less amount representing interest		—
Present value of minimum lease commitments included in current maturities of long-term debt on the balance sheet		$ 252

9. MEMBERS' EQUITY

The Company has one class of membership units outstanding (Class A) with each unit representing a pro rata ownership interest in the Company's capital, profits, losses and distributions. As of September 30, 2019 and 2018, there were 40,148,160 units issued and outstanding, respectively. The Company held a total of 140,000 treasury units as of September 30, 2019 and 2018, respectively.

Total units authorized are 40,288,160 and 42,373,973 as of September 30, 2019 and 2018.

Unregistered Units Sales by the Company.

On October 10, 2016, the Company issued two million of the Company's membership units to Bismarck Land Company, LLC as part of the consideration for the acquisition of 338 acres of land adjacent to the ethanol plant that the Company will use to expand its rail yard. The membership units were issued pursuant to the exemption from registration set forth in Regulation D, Rule 506(b), as Bismarck Land Company, LLC is an accredited investor.

Unit Purchases By the Company.

In June 2018, 1,318,180 Units were purchased other than through a publicly announced plan or program, pursuant to a Membership Unit Repurchase Agreement, a private transaction between the Company and a Member.

10. COMMITMENTS AND CONTINGENCIES

Firm Purchase Commitments

Corn

To ensure an adequate supply of corn to operate the Plant, the Company enters into contracts to purchase corn from local farmers and elevators. At September 30, 2019, the Company had various fixed price contracts for the purchase of approximately 2.2 million bushels of corn. Using the stated contract price for the fixed price contracts, the Company had commitments of approximately $8.19 million related to the 2.2 million bushels under contract.

Water

To meet the plant's water requirements, we entered into a ten-year contract with Southwest Water Authority to purchase raw water. Our contract requires us to purchase a minimum of 160 million gallons of water per year. The minimum estimated liability for this contract is $424,000 per year.

Profit and Cost Sharing Agreement

The Company has entered into a Profit and Cost Sharing Agreement with Bismarck Land Company, LLC which became effective on November 1, 2016. The Profit and Cost Sharing Agreement provides that the Company will share 70% of the net revenue

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generated by the company from business activities which are brought to the Company by Bismarck Land Company, LLC and conducted on the real estate purchased from the Bismarck Land Company, LLC. The real estate was initially purchased in exchange for 2 million membership units at $1.66 per unit. This obligation will terminate ten years after the real estate closing date of October 11, 2016 or after Bismarck Land Company, LLC receives $10 million in proceeds from the agreement. In addition, the Company will pay Bismarck Land Company, LLC 70% of any net proceeds received by the Company from the sale of the subject real estate if a sale were to occur in the future, subject to the $10 million cap and the 10 year termination of this obligation. The Company has paid Bismarck Land Company, LLC $28,315 as of September 30, 2019.

Carbon Capture and Storage Project

The Company has entered into a research agreement with the University of North Dakota Energy and Environmental Research Center to explore the feasibility of injecting CO2 from the fermentation process into a saline formation to lower the carbon intensity value of our ethanol. The Company has committed to fund up to $950,000 for this research. The Company has paid $365,415 as of September 30, 2019.

11. DEFINED CONTRIBUTION RETIREMENT PLAN

The Company established a 401k retirement plan for its employees effective January 1, 2011. The Company matches employee contributions to the plan up to 4% of employee's gross income. The Company contributed approximately $136,000, $165,000, and $138,000 to the 401k plan for the years ended September 30, 2019 and 2018, and 2017, respectively.

12. RELATED-PARTY TRANSACTIONS

The Company has balances and transactions in the normal course of business with various related parties for the purchase of corn, sale of distillers grains and sale of ethanol. The related parties include unit holders, members of the board of governors of the Company, and our third party marketer, RPMG, Inc. ("RPMG") whom we have an ownership interest in. Significant related party activity affecting the financial statements is as follows:

	September 30, 2019	September 30, 2018
Balance Sheet		
Accounts receivable	$ 3,695,462	$ 2,680,445
Accounts Payable	298,638	312,701
Accrued Expenses	41,643	95,704

	For the year ended September 30, 2019	For the year ended September 30, 2018	For the year ended September 30, 2017
Statement of Operations			
Revenues	$ 96,889,681	$ 98,034,117	$ 106,405,797
Cost of goods sold	1,045,804	34,753	41,589
General and administrative	216,331	144,496	75,732
Other income /expense	267,111	140,539	247,307
Inventory Purchases	$ 15,770,447	$ 23,918,419	$ 45,202,152

13. SUBSEQUENT EVENTS

On October 1, 2019 the Company terminated it's loan with U.S. Bank. See Note 6.

14. UNCERTAINTIES IMPACTING THE ETHANOL INDUSTRY AND OUR FUTURE OPERATIONS

The Company has certain risks and uncertainties that it experiences 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 distillers 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. The Company's operating and financial performance is largely driven by prices at which the Company sells ethanol and distillers grains and by the cost at which it is able to purchase corn for operations. The price of ethanol is influenced by factors such as prices, supply and demand, weather, government policies and programs, and unleaded gasoline and the petroleum markets, although since 2005 the prices of ethanol and gasoline began a divergence with ethanol selling for less than gasoline at the wholesale level. 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, government policies and programs. The Company's risk management program is used to protect against the price volatility of these commodities.

The Company's financial performance is highly dependent on the Federal Renewable Fuels Standard ("RFS") which requires that a certain amount of renewable fuels must be used each year in the United States. Corn based ethanol, such as the ethanol the Company produces, can be used to meet a portion of the RFS requirement. In November 2013, the EPA issued a proposed rule which would reduce the RFS for 2014, including the RFS requirement related to corn based ethanol. The EPA proposed rule was subject to a comment period which expired in January 2014. On November 30, 2015, the EPA released its final ethanol use requirements for 2014, 2015 and 2016 which are lower than the statutory requirements in the RFS. In addition, on May 31, 2016, the EPA issued a proposed renewable volume obligation for 2017 of 14.8 billion gallons of conventional biofuels, still lower than the statutory requirement in the RFS. However, the final RFS for 2017 equaled the statutory requirement which was also the case for the 2018 RFS final rule.

The Company anticipates that the results of operations during fiscal 2020 will be affected by volatility in the commodity markets. The volatility is due to various factors, including uncertainty with respect to the availability and supply of corn, increased demand for grain from global and national markets, speculation in the commodity markets, demand for corn from the ethanol industry and drought conditions currently being experienced by much of the United States.

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15. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summary quarter results are as follows:

Year Ended September 30, 2019	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 25,909,136	$ 26,231,799	$ 26,302,894	$ 25,253,895
Gross profit (loss)	1,047,795	(1,021,966)	1,666,581	(2,685,158)
Operating income (loss)	372,910	(1,677,846)	775,279	(3,598,916)
Net income (loss)	402,844	(1,423,308)	817,986	(3,540,211)
Net income (loss) per unit-basic and diluted	0.01	(0.04)	0.02	(0.09)

Year Ended September 30, 2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 26,122,856	$ 26,366,732	$ 28,726,715	$ 22,360,758
Gross profit	(1,699,405)	2,167,320	570,900	(4,174,953)
Operating income (loss)	(2,415,316)	1,382,312	(40,106)	(4,620,217)
Net income (loss)	(1,984,666)	1,422,174	62,259	(4,638,938)
Net income (loss) per unit-basic and diluted	(0.05)	0.03	—	(0.11)

Year Ended September 30, 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 30,004,460	$ 27,074,946	$ 28,536,654	$ 23,993,299
Gross profit	2,876,530	189,431	2,403,856	2,077,609
Operating income (loss)	2,185,596	(558,381)	1,838,459	1,699,480
Net income (loss)	2,771,962	(463,068)	1,901,021	4,154,935
Net income per unit-basic and diluted	0.07	(0.01)	0.05	0.10

The above quarterly financial data is unaudited, but in the opinion of management, all material adjustments necessary for a fair presentation of the selected data for these periods presented have been included.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and, as such, is accumulated and communicated to the Company's management, including our Chief Executive Officer ("CEO"), Gerald Bachmeier, and Chief Financial Officer ("CFO"), Jodi Johnson, as appropriate, to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of September 30, 2019. Based on their evaluation, the CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 30, 2019.

Management's 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 the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of September 30, 2019, we did not maintain effective monitoring and oversight of controls over the accounts payable process. Specifically, checks issued to corn producers on September 30, 2019 were dated and mailed on October 3, 2019. These errors resulted in adjustments to our financial statements as of and for the year ended September 30, 2019.

The errors arising from the underlying deficiency are not material to the financial statements reported in any interim or annual period and therefore, did not result in a revision to previously filed financial statements. However, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected in a timely manner. Accordingly, we have determined that this control deficiency constitutes a material weakness.

Because of this material weakness, management concluded that we did not maintain effective internal control over financial reporting as of September 30, 2019, based on criteria described in Internal Control – Integrated Framework (2013) issued by COSO.

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.

Remediation of the Material Weakness

The Company is evaluating the material weakness and developing a plan of remediation to strengthen our overall internal control. The remediation plan will include the following actions:

- A review and updating of month-end standard operating procedures.
- Operating procedures will include specific instructions for the payment of invoices that crossover into the following month.
- An additional step was also added for the CFO to review the posting date of all checks issued the first week after month-end prior to financial statement preparation.

The Company is committed to maintaining a strong internal control environment and believes that these remediation efforts will represent significant improvements in our controls. The Company has started to implement these steps. Additional controls may also be required over time. Until the remediation steps set forth above are fully implemented and tested, the material weakness described above will continue to exist.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management, including the Company’s CEO and CFO, does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.

- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override.

- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. GOVERNOR, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference in the definitive proxy statement from our 2020 Annual Meeting of Members to be filed with the Securities and Exchange Commission within 120 days of our 2019 fiscal year end. This proxy statement is referred to in this report as the "2020 Proxy Statement."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to the 2020 Proxy 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 2020 Proxy Statement.

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

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to the 2020 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibits Filed as Part of this Report and Exhibits Incorporated by Reference.

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

(1) **Financial Statements**

The financial statements appear beginning at page 30 of this report.

(2) **Financial Statement Schedules**

All supplemental schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

(3) **Exhibits**

Exhibit No.	Exhibit	Filed Herewith	Incorporated by Reference
3.1	Articles of Organization, as filed with the North Dakota Secretary of State on July 16, 2003.		Filed as Exhibit 3.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
3.2	Amended and Restated Operating Agreement of Red Trail Energy, LLC.		Filed as exhibit 3.1 to our Current Report on Form 8-K on August 6, 2008. (000-52033) and incorporated by reference herein.
4.1	Membership Unit Certificate Specimen.		Filed as Exhibit 4.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
4.2	Member Control Agreement of Red Trail Energy, LLC.		Filed as Exhibit 4.2 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.1	The Burlington Northern and Santa Fe Railway Company Lease of Land for Construction/ Rehabilitation of Track made as of May 12, 2003 by and between The Burlington Northern and Santa Fe Railway Company and Red Trail Energy, LLC.		Filed as Exhibit 10.1 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.2	Agreement for Electric Service made the dated August 18, 2005, by and between West Plains Electric Cooperative, Inc. and Red Trail Energy, LLC.		Filed as Exhibit 10.10 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.3	Lump Sum Design-Build Agreement between Red Trail Energy, LLC, and Fagen, Inc. dated August 29, 2005.		Filed as Exhibit 10.12 to the registrant's registration statement on Form 10-12G/A-3 (000-52033) and incorporated by reference herein.
10.4	License Agreement between Red Trail Energy, LLC and ICM, Inc. dated September 9, 2005.		Filed as Exhibit 10.12 at Exhibit D to the registrant's registration statement on Form 10-12G/A-3 (000-52033) and incorporated by reference herein.
10.5	Security Agreement and Deposit Account Control Agreement made December 16, 2005, by and among First National Bank of Omaha, Red Trail Energy, LLC, and Bank of North Dakota.		Filed as Exhibit 10.19 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.6	Security Agreement given as of December 16, 2005, by Red Trail Energy, LLC, to First National Bank of Omaha.		Filed as Exhibit 10.20 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.7	Control Agreement Regarding Security Interest in Investment Property, made as of December 16, 2005, by and between First National Bank of Omaha, Red Trail Energy, LLC, and First National Capital Markets, Inc.		Filed as Exhibit 10.21 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.8	Southwest Pipeline Project Raw Water Service Contract, executed by Red Trail Energy, LLC, on March 8, 2006, by the Secretary of the North Dakota State Water Commission on March 31, 2006, and by the Chairman of the Southwest Water Authority on April 2, 2006.		Filed as Exhibit 10.28 to the registrant's registration statement on Form 10-12G (000-52033) and incorporated by reference herein.
10.9	Contract dated April 26, 2006, by and between the North Dakota Industrial Commission and Red Trail Energy, LLC.		Filed as Exhibit 10.29 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.
10.10	Subordination Agreement, dated May 16, 2006, among the State of North Dakota, by and through its Industrial Commission, First National Bank and Red Trail Energy, LLC.		Filed as Exhibit 10.30 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.
10.11	Firm Gas Service Extension Agreement, dated June 7, 2006, by and between Montana-Dakota Utilities Co. and Red Trail Energy, LLC.		Filed as Exhibit 10.31 to the registrant's second amended registration statement on Form 10-12G/A (000-52033) and incorporated by reference herein.

10.12	Security Agreement and Deposit Account Control Agreement effective August 16, 2006 by and among First National Bank of Omaha and Red Trail Energy, LLC.	Filed as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.13	Option to Purchase 200,000 Class A Membership Units of Red Trail Energy, LLC by Red Trail Energy, LLC from North Dakota Development Fund and Stark County dated December 11, 2006.	Filed as Exhibit 10.36 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.14	Audit Committee Charter adopted April 9, 2007.	Filed as Exhibit 10.37 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.15	Senior Financial Officer Code of Conduct adopted March 28, 2007.	Filed as Exhibit 10.38 to our Annual Report on Form 10-K for the year ended December 31, 2006. (000-52033) and incorporated by reference herein.
10.16	Member Ethanol Fuel Marketing agreement by and between Red Trail Energy, LLC and RPMG, Inc dated January 1, 2008.	Filed as Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.17	Contribution Agreement by and between Red Trail Energy, LLC and Renewable Products Marketing Group, LLC dated January 1, 2008.	Filed as Exhibit 10.42 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.18	Distillers Grain Marketing Agreement by and between Red Trail Energy, LLC and CHS, Inc dated March 10, 2008.	Filed as Exhibit 10.44 to our Annual Report on Form 10-K for the year ended December 31, 2007 (000-52033) and incorporated by reference herein.
10.19	Assignment and Assumption Agreement dated April 1, 2008, by and between Commodity Specialist Company and Red Trail Energy, LLC.	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (000-52033) and incorporated by reference herein.
10.20	Employment Agreement dated August 8, 2008 by and between Red Trail Energy, LLC and Mark Klimpel.	Filed as exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on August 13, 2008 (000-52033) and incorporated by reference herein.
10.21	Amended and Restated Member Control Agreement of Red Trail Energy, LLC.	Filed as exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on June 1, 2009 (000-52033) and incorporated by reference herein.
10.22	Amended and Restated Management Agreement made and entered into as of September 10, 2009 by and between Red Trail Energy, LLC, and Greenway Consulting, LLC.	Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (000-52033) and incorporated by reference herein.
10.23	Employment Agreement between Red Trail Energy, LLC and Gerald Bachmeier dated July 8, 2010.	Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (000-52033) and incorporated by reference herein.
10.24	Mediated Settlement Agreement between Red Trail Energy, LLC, Fagen, Inc. and Fagen Engineering, LLC, and ICM, Inc. dated November 8, 2010. +	Filed as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on December 20, 2010 (000-52033) and incorporated by reference herein.
10.25	Letter Agreement between Greenway Consulting, LLC and Red Trail Energy, LLC dated January 13, 2011.	Filed as Exhibit 10.56 to our Current Report on Form 10-K for the fiscal year ended December 31, 2010 (000-52033) and incorporated by reference herein.
10.26	First Amended and Restated Revolving Promissory Note dated June 1, 2011 by and between Red Trail Energy, LLC and First National Bank of Omaha.	Filed as Exhibit 99.2 to our Current Report on Form 8-K dated June 1, 2011 (000-52033) and incorporated by reference herein.
10.27	Equity Grant Agreement between Kent Anderson and Red Trail Energy, LLC dated July 1, 2011.	Filed as Exhibit 10.1 to our Current Report on Form 10-Q for the quarter ended June 30, 2011 (000-52033) and incorporated by reference herein.
10.28	Corn Oil Separation System Agreement between Solution Recovery Services, LLC and Red Trail Energy, LLC dated October 6, 2011. +	Filed as Exhibit 10.60 to our Current Report on Form 10-K for the transition period ended September 30, 2011 (000-52033) and incorporated by reference herein.

10.29	First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated April 16, 2012.		Filed as Exhibit 10.1 to our Current Report on Form 10-Q for the quarter ended March 31, 2012 (000-52033) and incorporated by reference herein.
10.30	Amended and Restated Ethanol Marketing Agreement between RPMG, Inc. and Red Trail Energy, LLC dated August 27, 2012. +		Filed as Exhibit 10.62 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.31	Member Corn Oil Marketing Agreement between RPMG, Inc. and Red Trail Energy, LLC dated March 21, 2012. +		Filed as Exhibit 10.63 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.32	First Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated October 31, 2012.		Filed as Exhibit 10.64 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (000-52033) and incorporated by reference herein.
10.33	Distillers' Grain Marketing Agreement between RPMG, Inc and Red Trail Energy, LLC dated October 1, 2013.+		Filed as Exhibit 10.31 to our Annual report on Form 10-K for the fiscal year ended September 30, 2013 (000-52033) and incorporated by reference herein.
10.34	Rainbow Gas Asset Management Agreement, Dated September 3, 2014		Filed as Exhibit 10.32 to our Annual report on Form 10-K for the fiscal year ended September 30, 2014 (000-52033) and incorporated by reference herein.
10.35	Fourth Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated March 7, 2015		Filed as Exhibit 10.1 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.36	First Amended and Restated Term Note between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.2 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.37	Second Amendment of First Amended and Restated Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.3 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.38	Third Amended and Restated Revolving Credit Note between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.4 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.39	Fifth Amendment of First Amended and Restated Construction Loan Agreement between First National Bank of Omaha and Red Trail Energy, LLC dated March 20, 2015		Filed as Exhibit 10.5 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2015 (000-52033) and incorporated by reference herein.
10.40	CEO Employment Agreement		Filed as Exhibit 10.1 to our Quarterly report on Form 10-Q for the quarter ended March 31, 2017 and incorporated by reference herein.
31.1	Certificate Pursuant to 17 CFR 240.15(d)-14(a)	X	
31.2	Certificate Pursuant to 17 CFR 240.15(d)-14(a)	X	
32.1	Certificate Pursuant to 18 U.S.C. Section 1350	X	
32.2	Certificate Pursuant to 18 U.S.C. Section 1350	X	
101	The following financial information from Red Trail Energy, LLC's Annual Report on Form 10-K for the fiscal year ended September 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets as of September 30, 2019 and 2018, (ii) Statements of Operations for the fiscal years ended September 30, 2019, 2018 and 2017, (iii) Statement of Changes in Members' Equity; (iv) Statements of Cash Flows for the fiscal years ended September 30, 2019, 2018 and 2017, and (v) the Notes to Financial Statements.**		

(+) Confidential Treatment Requested.

(X) Filed herewith.
(**) Furnished herewith

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements 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.

RED TRAIL ENERGY, LLC

Date: December 20, 2019	/s/ Gerald Bachmeier Gerald Bachmeier President and Chief Executive Officer (Principal Executive Officer)
Date: December 20, 2019	/s/ Jodi Johnson Jodi Johnson 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:	December 20, 2019	/s/ Gerald Bachmeier
		Gerald Bachmeier, Chief Executive Officer and President (Principal Executive Officer)
Date:	December 20, 2019	/s/ Jodi Johnson
		Jodi Johnson, Chief Financial Officer and Treasurer (Principal Financial Officer)
Date:	December 20, 2019	/s/ Sid Mauch
		Sid Mauch, Chairman and Governor
Date:	December 20, 2019	/s/ Anthony Mock
		Anthony Mock, Governor
Date:	December 20, 2019	/s/ Ambrose Hoff
		Ambrose Hoff, Secretary and Governor
Date:	December 20, 2019	/s/ Ron Aberle
		Ron Aberle, Governor
Date:	December 20, 2019	/s/ Mike Appert
		Mike Appert, Governor
Date:	December 20, 2019	/s/ Frank Kirschenheiter
		Frank Kirschenheiter, Governor
Date:	December 20, 2019	/s/ William A. Price
		William A. Price, Governor