

State Bio-diesel Mandate to reach 20% by 2015

Governor Tim Pawlenty signed the Omnibus and Veterans bill on May 12, 2008. "Once again, Minnesota leads the way and has put together a model for other states to follow." "The final legislation incorporates many of the ideas that Minnesota's biodiesel

requiring that all biodiesel fuel exceeds federal ASTM specifications and boosts the state's economic benefits by requiring that 50 percent of the biodiesel be produced in Minnesota. "This bill, we feel, is going to be a benefit to consumers, farmers, truckers—a whole



Lance Peterson, MSGA President (left), Governor Tim Pawlenty (Center), James Sallstrom, MnSP Board of Directors President (right)

host of people." stated Jim Sallstrom MnSP Board of Directors President. "The truckers are enthusiastically supporting this bill." Sallstrom said. An increased level of biofuel in diesel is expected to lower the average price paid for diesel fuel in the state. The scheduled increases are not automatic. An approval process must be followed before moving to the higher blends to assess the economic, supply and environmental impacts. "(The higher blends) are only in place if it's economically feasible to do," Sallstrom states, "If biodiesel is higher than diesel, the board can temporarily not have a biodiesel requirement." This bill also encourages the use of non-traditional feedstocks by requiring that 5% of the feedstock come from biological resources other than an agricultural resource. These resources can

producers requested as part of the Governor's Biodiesel Task force." stated Chuck Neece, chairman of the Minnesota Biodiesel Council. According to the legislation, the current 2 percent biodiesel mandate will increase to 5 percent on May 1, 2009; to 10 percent on May 1, 2012; and to 20 percent on May 1, 2015. The 10% and 20% increases are mandated for seven months of the year, April through October. The bill provides that when new technologies in biodiesel processing come to the forefront in the future that allows year-around operability, that those will be incorporated as well. The legislation also includes quality assurance by

be algae cultivated for biofuels production, waste oils, tallow and other animal-fat-type products, as well as other future feedstocks that are already being researched here in the state, such as cuphea (an oilseed plant that can grow on marginal soils) and industrial hazelnuts. In an effort to ensure biodiesel is produce in a sustainable manner, NBB has established a Sustainability Task Force who's mission is: To guide and support the US Biodiesel industry's ongoing efforts to assess and improve business practices related to environmentally, economically, and socially responsible biodiesel production.

Efficiencies and product quality are extremely good

In May, we completed the most major maintenance shutdown that this plant has experienced. Generally, solvent extraction plants should have all of the hexane purged from the extraction equipment each year, so that all equipment can be adequately examined and repairs and maintenance can be completed without risk of hexane ignition. All facilities were gone over thoroughly and numerous repairs made. Most items were known prior to the shutdown, so those repairs were well planned for in advance. Others arose from the close inspection only possible with equipment shutdown and hexane purged, so additional repairs were accomplished without advance planning. Some issues remain, most of which will be addressed during a two-day shutdown in September.

Major shutdowns are very challenging undertakings. Much advance planning is required so that contractors are scheduled and supplies and equipment needed is on site. We appreciate Bunge providing two well experienced operations managers who assisted us with both planning and execution. Our safety director did a great job of safety briefings with the contractors as well as our own people. We completed the shutdown with zero lost time

injuries and just one very minor injury to a contractor that resulted in no lost time or residual health impact. Your MnSP employees performed beyond expectations and are to be congratulated on their tireless efforts during this intense period.

The extraction plant and refinery restarted a few days ahead of schedule, and the biodiesel plant a couple of days late. The basement floor of the biodiesel plant was badly damaged due to numerous chemical spills over the years on a floor that was not properly designed for chemical spills. Much of the floor was replaced and the entire basement coated with a special chemical-resistant overlay. We have made an effort to significantly reduce leaks in piping, much of which is unavoidable, and to contain leaks that are observed. All facilities are running extremely well since the shutdown completion.

One major capital project that is ongoing and very noticeable is the new warehouse and shop. Currently, we house spare parts in the basement of the prep building, which is a very dusty environment. This creates spare part maintenance and inventory control problems that are untenable for the investment in this equipment. We do not have

adequate security of smaller parts with the current set up. Our shop is too small to undertake a lot of shop projects that



the maintenance staff is called upon to accomplish. The new building, which is adjacent to the office to the northeast, will house a secured, environmentally controlled space for all spare parts and supplies and a larger better-equipped shop area. We have numerous needs that for which the old shop will be used.

I am proud to say with conviction that our plant is running better than it ever has. Efficiencies and product quality are extremely good. The work environment at MnSP is safer than it has ever been. Your operational staff has become an experienced, efficient team working on your behalf. We all look forward to the completion of a profitable 2008.

Richard Galloway, Interim General Manager

Minnesota Soybean Processors SP President's Report

At the April Board meeting I was elected Board President; Paul Henning Vice President; Don Louwagie Secretary and Bob Kirchner Treasurer. Your board of directors have been a hard working bunch and will continue to do so.

Our Crush, Refinery and Biodiesel plants are all operating very well. With the challenge of high soybean prices MnSP is positioned well with our Bunge Marketing Agreement. The Crush Plant has been quite profitable all year but the Biodiesel Plant faces tight margins due to very high soybean oil prices.

In May, the Minnesota Legislature passed a far reaching expanded Biodiesel Bill. This new law could greatly increase Biodiesel usage in Minnesota and be a good prof-

it opportunity for MnSP.

MnSP is having its 3rd profitable year in a row. The 2008 3rd quarter financials are attached to the newsletter and show a \$6 million net profit year to date. This past year the unit retains (30 cents/share) were repaid. With that being repaid MnSP members can expect larger year end dividends. Similar to last year the dividend will be paid after Jan. 1st and will count toward your 2009 income taxes.

The future looks bright for MnSP.

Board President,
Jim Sallstrom

Statements of Operations (000's) - Unaudited For the 9 months ended May 31, 2008 & 2007			Statements of Sales & Operating Statistics (000's) - Unaudited For the 9 months ended May 31, 2008 & 2007		
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Net Revenues	\$ 338,763	\$ 223,608	SALES STATISTICS		
Cost of Revenues	<u>\$ 306,214</u>	<u>\$ 190,494</u>	Soybean Meal (tons)	596	588
GROSS MARGIN	\$ 32,549	\$ 33,114	Crude Oil (lbs)	138,475	103,891
Operating Expenses	<u>\$ 23,401</u>	<u>\$ 20,143</u>	R & B Oil (lbs)	82,866	66,774
OPERATING INCOME	\$ 9,148	\$ 12,971	BioDiesel (gallons)	17,986	23,396
Other Income (Expenses)	<u>\$ (3,153)</u>	<u>\$ (1,385)</u>	OPERATING STATISTICS		
NET INCOME	<u>\$ 5,995</u>	<u>\$ 11,586</u>	Soybeans Crushed (bu)	26,973	26,810
			Soybean Meal Produced (tons)	593	585
			Crude Oil Produced (lbs)	323,715	297,646
			BioDiesel Produced (gallons)	16,853	23,228
Balance Sheet (000's)- Unaudited May 31, 2008 and 2007			Financial Overview		
ASSETS	<u>2008</u>	<u>2007</u>	MnSP ended the first three quarters of fiscal year 2008 with a net profit of \$6 M or \$.30 per Class A share. This compares to \$11.6 M or \$.58 per Class A share for fiscal 2007.		
Current Assets	\$ 74,246	\$ 44,263	Our Soy Crushing and Refining Operations contributed \$6.75 M of profits while the Biodiesel operations lost \$760 K. This compares to \$4.8 M and \$6.8 M respectively in the previous fiscal year.		
Property & Equip. - NBV	\$ 64,477	\$ 66,235	Deferred Soybean Payments		
Other Assets	<u>\$ 1,697</u>	<u>\$ 1,636</u>	For soybean payments to be deferred to January 2009 there must be a signed contract specifying when payment is to be made to comply with IRS regulations. Payments deferred to January 2009 will be mailed within the first 5 business days of the new year.		
TOTAL ASSETS	<u>\$ 140,420</u>	<u>\$ 112,134</u>			
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities	\$ 54,997	\$ 36,141			
Long-Term Debt	<u>\$ 26,656</u>	<u>\$ 18,440</u>			
Total Liabilities	\$ 81,653	\$ 54,581			
Stockholders' Equity	<u>\$ 58,767</u>	<u>\$ 57,553</u>			
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 140,420</u>	<u>\$ 112,134</u>			

Kim Collin joins MnSP staff as Executive Assistant



We would like to introduce Kim Collin as our new Executive Assistant. Kim is anxious to work with our 2300 + shareholders to insure that any questions or concerns you have can be answered. Kim is very familiar with farming and the area as she was born and raised just outside of Okabena, MN and currently resides in Lakefield, MN. She and her husband Jason have 5 children. The oldest daughter has just

graduated from Mankato State, while the remaining 4 children at home are very active in the Southwest Star Concept School District in many areas from Sports to FFA. Besides being busy with the family, Kim enjoys such activities as riding her horses and boating. Please feel free to call Kim with any questions you may have or just to say 'Hi' at 507-842-6715.

MEMBER DESIGNATIONS FOR DELIVERY OF BEANS

As of June 18th, Members that currently have a "Member Designation" form filed with MNSP **MUST** file a new form regardless of when this form was last filed. This form has been revised to give clarification of the required relationship between member and designated deliver. This form is available at www.mnsoy.com under the stocks tab. All forms need to be filed no later than **July 15, 2008**. Please call Kim Collin at 507-842-6715 should you have any questions.

Looking to buy shares??! What to know the current average selling price???

By going to the MNSP website at www.mnsoy.com you get find this information and more. The stock info tab list shares that are currently being offered for sale by current members. You are then able to contact the member directly to begin the buying process. Also listed on the same page is the high and low sales price along with the average selling price based on the most recently Board approved sales. Be sure to check these opportunities out as well as the other information available on the www.mnsoy.com website. For information regarding shares for sale, or how to list your shares please contact Kim Collin at 507-842-6715.

MnSP Board of Directors

DISTRICT 1	DISTRICT 2	DISTRICT 3	DISTRICT 4	DISTRICT 5	DISTRICT 6	DISTRICT 7
Robert Kirchner Brewster, MN 507-842-5592	Ron Obermoller Brewster, MN 507-842-5467	Bob Crowley Iona, MN 507-425-2021	Galen Van Beek Inwood, IA 712-753-2286	Steven Hansen Clear Lake, SD 605-874-2313	David Bunde Stewartville, MN 507-533-4928	Paul Henning Okabena, MN 507-853-4669
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