



Minnesota Soybean Processors

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Minnesota Soybean Processors

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THE BEAN COUNTER



Minnesota Soybean Processors



MnSP Receives AURI Award

The Agricultural Utilization Research Institute (AURI) Ag Innovator Award was presented to Minnesota Soybean Processors on June 17. The award is presented annually by AURI to a company that has achieved successful entry into the marketplace and significantly impacts the use of Minnesota-grown farm commodities.

The AURI award recognizes the contributions of MnSP has made to value-added agriculture in Minnesota by

gaining successful entry into the marketplace, utilizing significant amounts of a commodity, and meeting a market need.

AURI is a nonprofit corporation created to foster long-term economic benefit through increased business and employment opportunities in rural Minnesota.



Ed Ellison, vice chair of the AURI board of directors, is presenting Bob Kirchner the Ag Innovator Award for the Minnesota Soybean Processors. (Photo courtesy of AURI)

Speed Limit Posted

Minnesota Soybean Processors (MnSP) takes pride in ensuring the safety of its associates, customers and vendors. Because there are numerous vehicles entering and exiting the facility daily at a rapid rate, and there are areas of the plant where it is difficult to see pedestrians crossing, MnSP has posted speed limit signs of 15 mph. Other safety signs have also been posted.

Members are asked to observe the speed limit and to discuss it with employees or family members who will be entering the facility. The importance of slowing down to eliminate a possible accident must be understood. Safety is of the utmost importance to MnSP.

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
LeRoy Kellenberger Beaver Creek, MN 507-673-2283	Bruce Hill Worthington, MN 507-842-5402	Don Louwagie Marshall, MN 507-532-6081	Keith Waltner Parker, SD 605-648-3224	Todd Stroschein Clear Lake, SD 605-876-3721	Gary Dieterich Rudd, IA 641-395-2383	Darol Schmitz Brewster, MN 507-842-5413
Steffen Van Westen Reading, MN 507-478-4552	Bill Fest Heron Lake, MN 507-793-2585	Jim Sallstrom Winthrop, MN 507-647-2546	Larry VanMeeteren Sheldon, IA 712-324-4088	Edward Verhelst Huron, SD 605-352-5564	Eric Thorn Chatfield, MN 507-867-1427	Adam Schumacher Heron Lake, MN 507-793-2588

From the Desk of the CEO

Despite Handicaps, Recent Months in Profit Column

First and foremost, I would like to thank all the members who attended one of the seven district meetings MnSP held during the first week of July. It was an opportunity to be updated on the status of this year's operation, ask questions of your Board and management, and to provide input to the direction of the cooperative relative to the biodiesel project. I personally enjoyed the opportunity to meet and talk with the members.

For the members whose schedules did not allow you to attend, let me recap the business overview.

1. MnSP has a world class operation that will efficiently process 110,000 bushels of soybeans daily. A similar plant recently built spent 30% more than MnSP.
2. Driven by the short crop and development expenses (three-plus months prior to start-up), MnSP will record a loss in its first year of operations. The last three months have all generated a profit.
3. MnSP has a solid equity position.
4. MnSP has been successful in originating soybeans, including during July.
5. The Bio-Renewable Fuel Program clarified that each program's funds have to be spent in its current fiscal year. This eliminated MnSP's opportunity to collect

any significant funds for biodiesel in the 2005 program year.

6. In the Minnesota biodiesel mandate, July 2005 is not a drop-dead date. It is the earliest date that the 2% biodiesel could take effect.
7. MnSP has the equipment purchased and can expedite the project once funding (profits or equity) is in place.

Following the membership feedback, MnSP's Board of Directors has directed management to prepare a prospectus for an equity drive for Class B Preferred shares. The Board expects to offer the Class B Preferred shares on or about Sept. 1, 2004. Details will be shared when a final prospectus is finalized and approved.

Again, thank you for your input and for the time that you spent with us. You have a dedicated board and team of associates who are working diligently to manage the hand we were dealt for 2004. Together we will succeed!

Rodney Christianson,
CEO, Minnesota Soybean Processors

Important Changes on Deferred Payment Contracts

In order to comply with IRS requirements the following changes will be made to deferred payment contracts.

Effective Sept. 1, 2004-

- 1) Producers wishing to defer payment on soybeans must return a *signed copy* of the deferred payment contract in order to earn the deferred payment premium.
- 2) Upon creation of the deferred payment contract, producers must choose which calendar year they wish to defer the payment to.
- 3) Payment *cannot* be taken prior to the established calendar year.
- 4) Payment *cannot* be extended beyond the last working day of the established calendar year.

- 5) Producers must notify MnSP when they wish to receive payment during the established calendar year.
- 6) The premium will continue to accrue until payment is made during the established calendar year.
- 7) The premium will be set at 3 cents per bushel per month, prorated from date of delivery.
- 8) Payment must be deferred a minimum of 30 days to be eligible for a premium.

MnSP will honor the terms and conditions on deferred payment contracts written prior to Sept. 1, 2004. Contact Travis at 1-888-842-6677 with questions.

To Sell Soybeans: 1-888-842-6677
To Buy Meal: 1-888-289-6325

President's Report

Members Display Optimism at District Meetings

As I write this article, it seems that most of our membership area has either adequate or surplus moisture. I am hopeful that this will produce a good crop for our members. A more normal size crop will certainly help MnSP.

For this article I will give you a summary of our recently completed district meetings and a brief review of where we go from here. As you recall, the competition for soybeans from a short soybean crop caused a dramatic rise in soybean prices this past fall and winter. While this was good for our farming operations, it was not good for MnSP because the meal prices for this time period were not strong enough to support the prices that soybeans were being bought for. The resultant negative margins this winter and the uncertainty of an adequate supply of soybeans to operate our plant for the remainder of the year caused your Board of Directors to put the biodiesel refinery on hold. While now it looks like we will be able to source enough soybeans for the balance of the year we had to take a conservative approach and not take unnecessary risks.

At our meetings, Rodney reviewed our sources and uses of funds, plant construction costs, startup costs, and reviewed crush margins. I can report that the members own a very efficient crush plant that can easily process in excess of 110,000 bushels per day, built at a bargain price. Despite enduring negative margins this winter, MnSP is still strongly capitalized at over \$35.8 million in membership equity. June marked the third consecutive month of profitability for your company. Based upon the improved financials and the efficient operations of

our plant, I see no reason to change the long term goals of MnSP.

The last letter to our members included a schedule of the district meetings and included four options for our members to consider. At these meeting we polled our members for their input to give guidance to our management and Board of Directors. The results were consistent at all of the meetings. No member at any of the meetings wanted us to kill the biodiesel project. Less than 3% of the members advised us to seek a partner to move the project along. Less than 20% of our members wanted us to wait until MnSP has recovered enough financially to move forward without adding more capital. The best estimate of this time period is 6 to 18 months. The overwhelming majority of our members advised the board and management to offer an equity offering to bring in additional capital for a timely resumption of the project. I want to personally thank all the members for taking the time to attend these meetings and appreciate your involvement.

Bob Kirchner,

President, Minnesota Soybean Processors

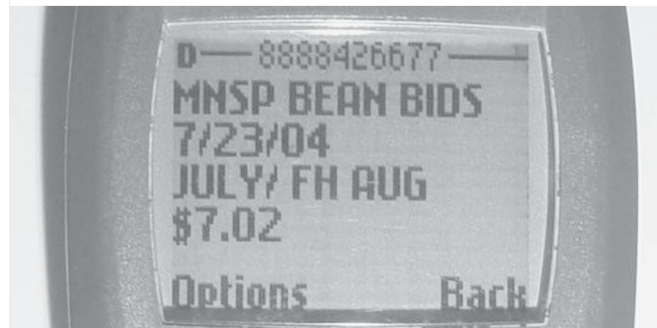
Operations Update

MnSP Plant and Team Ready for '04 Harvest

Beans have been coming in at a strong and steady pace recently, averaging 250 trucks per day, and averaging 218,000 bushels per day, up from last month's daily average of 127,000 bushels. The bean storage tanks are climbing in inventory due to quality merchandising. The plant is gearing up for a good harvest season, making sure equipment is in good working order and plant personnel are in place, so things keep moving in a smooth and orderly fashion.

Market conditions will set the plant's process volume. Recently we had opportunity to increase production rates to 100,000 bushels per day for a period. We were pleased with the ease of increasing capacity and the plant's efficiency at design capacity. After seven months of operations, daily production is improving and plant efficiencies are increasing. The plant personnel are becoming skillful operators. They are working together as a team and making changes to the operation to ensure the production of quality products. They have all learned their jobs well, even though many of them joined MNSP with little or no processing experience.

All construction projects the magnitude of MnSP's have loose ends to wrap up. The final construction contractor for the plant demobilized at the end of June. Final touches are being made to the office building area with landscaping, installing a sprinkler system and planting grass. The office building should be complete by the end of July.



MnSP members can now access the latest market bids on soybeans using their cellular telephones.

Closing Bids Available on Cellulars

Now you can get Minnesota Soybean Processors' closing bean bids delivered directly to your Midwest Wireless or Cellular One cell phone as a text message, at no cost to you. The daily bids are e-mailed in the form of a text message to your phone by 3:00 p.m. each trading day. Verizon customers may also receive the closing bids as a text message with a charge of 2¢ per message. Call 888-842-6677, ext. 1306, to sign up to receive our bids on your cell phone.

MEMBERS ONLY

MINNESOTA SOYBEAN PROCESSORS
CLASS A PREFERRED SHARE SALES AND TRANSFER SYSTEM

NOTICE OF CLASS A PREFERRED SHARES FOR SALE

Class A Preferred Shares of Minnesota Soybean Processors (MnSP) may only be bought and sold under the rules established under the Common Stock and Class A Preferred Shares Transfer System (System Rules) approved by MnSP's Board of Directors. A copy of the System Rules may be obtained from MnSP.

The most recent stock sales on June 21, 2004 sold between \$2.55 and \$2.71 with an average of \$2.62.

Bids received by members on their equity units are listed below. According to MnSP's Class A Preferred Share Sales and Transfer System, all member-shareholders ("Members") have a right to better the bids. You need not offer to purchase all preferred shares identified with a single contract, but you must offer to purchase in increments of 250 preferred shares. Any member who wishes to bid on the preferred shares advertised for sale this month should complete the "Offer to Purchase" form below. All bids must be received at the Volga office no later than **Thursday, Aug. 12, 2004.**

Offer to Purchase should be mailed to the attention of:

Offer to Purchase
Minnesota Soybean Processors
100 Caspian Avenue
P.O. Box 500
Volga, SD 57071-0500
507-842-6682

CLASS A PREFERRED SHARES OFFERED FOR SALE THIS MONTH

<u>Contract#</u>	<u>Member Bid</u>	<u>Non-Member Bid</u>	<u>Contract#</u>	<u>Member Bid</u>	<u>Non-Member Bid</u>
012		2,550 @ \$2.55	014		2,500 @ \$ 2.75
013		2,500 @ \$2.80			

OFFER TO PURCHASE

- I, _____, offer to purchase _____ Class A Preferred Shares of Minnesota Soybean Processors (MnSP) at \$ _____ per Preferred Share for a total price of \$ _____.
- This bid is for contract number(s) _____. (If you wish to bid on any of the above contracts please indicate by writing "any".)
- I am enclosing ten percent (10%) of the purchase price to be deposited in an escrow account, pending acceptance of my bid. If my bid is the high bid and MnSP's Board of Directors accepts my bid, I agree within ten (10) days following the mailing of such notice by MnSP to pay the remaining balance of the purchase price owed and sign a uniform marketing agreement for my soybean bushel commitment.
- I understand that this Offer to Purchase is subject to approval by MnSP's Board of Directors, and I agree to be bound and governed by the System Rules, Articles of Incorporation, By-Laws, contract and policies of MnSP all as adopted and amended from time to time by MnSP's Board of Directors.
- With the completion of this transaction, the seller is relieved of his delivery obligation under MnSP's Marketing Agreement for the Class A Preferred Shares sold. The buyer immediately assumes the delivery obligation for the Class A Preferred Shares, including the current marketing year ending Aug. 31, 2004.

Signed

Printed Name

Address

Phone

Social Security No. or Employee I.D. No.