



Minnesota Soybean Processors

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Minnesota Soybean Processors

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THE BEAN COUNTER



Minnesota Soybean Processors



A 'Win-Win' for Everyone

Nobles Cooperative Electric and USDA Award Economic Development Loan to MnSP

Nobles Cooperative Electric, Worthington, and the U.S. Department of Agriculture (USDA) awarded a \$450,000 no-interest loan to the Minnesota Soybean Processors

(MnSP) soybean plant in Brewster, Minnesota.

Representative Gil Gutknecht; Steve Wenzel, USDA Rural Development's Minnesota State Director; Nobles Cooperative Board of Directors and Richard Burud, Nobles' general manager, awarded the USDA economic development loan to MnSP May 25.

"It was a win-win situation for everyone," stated Richard Burud, Nobles' general manager. "MnSP benefits from the economic development loan and the area gained with another outlet for their soybeans and also a source of meal for their hogs."

The ten-year, no-interest loan goes towards financing the purchase of equipment for the facility in Brewster. Construction of the MnSP crushing facility began in 2002. Situated on 60 acres, the plant opened December 8, 2003 and crushes approximately 100,000 bushels of soybeans daily.

Nobles Cooperative Electric believes in commitment to community. They provide electric service to 4,900 members in Murray and Nobles Counties.



Representative Gil Gutknecht congratulates Minnesota Soybean Processors representatives: Vice President Ron Obermoller, Operations Manager Steve Still and Treasurer Paul Henning.

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

The Challenges of a Short Crop

As MnSP commenced operations last December, a common question asked was, Will there be soybeans to run through the year? The answer to that question is unfolding throughout the United States. According to the last USDA report on our industry:

1. US stocks of soybeans were 75% of last year's stocks. Minnesota stocks were 64.6%, South Dakota 66% and Iowa 75%.
2. If the USDA 2003/2004 soybean crush number is correct, the US Soybean Industry would have to reduce its daily consumption of soybeans by over 600,000 bushels April through September.

The National Oilseed Processors Association (NOPA) reports soybean crush statistics monthly. NOPA members represent over 90% of the total US crush capacity. NOPA's April Crush report showed a reduction of 590,000 bushels per day versus April 2003. The high prices for soybeans and soybean products are rationing the short US crop. As an industry, the US soybean processors utilized 67% of its capacity in April; year to date, NOPA members have utilized 82% of installed capacity. The lowest regions were Illinois and the South Central US, at 45% and 46%, respectively. Our region reported 70% utilization in April, dropping from 89% unitization in March. Our observation of NOPA's March report: our region had the highest capacity utilization with the lowest stocks as compared to a year earlier. MnSP has participated in a reduction in crush due to the economic drivers in our industry.

The economic environment for the soybean processing complex is difficult: a short soybean crop, plenty of processing capacity, and reluctant buyers of high priced soybean products that will seek out alternatives. The last short US crop was the '96/'97 crop year when SDSP started its operations. SDSP, in May '97, was looking very similar to MnSP today. It feels surreal to be starting another business under similar conditions. We see that MnSP will experience improving margins and will potentially generate a slight profit in the last part of the year (April-August); we will not record a profit in our first year. Significant differences in the environment exist in '04 vs. '97. First, the west had more soybeans than the east in '97; this year we are below US average stocks. Second, the threat of importing soybeans from South

America in '97 created pressure on farmers to liquidate soybeans at the end of the crop year. In '04 with Asian rust in South American soybeans, importing soybeans may not be an option to the US crusher. Third, the soybean meal buyer (basis bids) has not kept pace with the farmers' demand (basis offer) to relinquish soybean ownership as in '97. A statement of caution: the volatility of today's markets makes projections of profitability very difficult.

Summarizing where MNSP is today: we will not run at full capacity for the balance of the crop year due to market conditions. We believe that we will originate soybeans through the end of the fiscal year at the reduced rate and will not have any extended downtime other than standard maintenance. Starting the year with 2½ months of development expense and crush margins December-April, MnSP will record a substantial loss in its first year. I am relieved that the recent rains have given a short-term reprieve to drought conditions. But, it is impossible to tell at this stage the size and quality of the 2004 crop. If there is a scent of a small crop, soybeans will be very difficult to originate at the end of the crop year.

Given today's circumstances and the uncertainties yet to unfold, the Board and management of MnSP face a major challenge. Our first responsibility is to manage the business through this downturn of the industry due to high soybean prices. Therefore we have delayed a fast track approach for the biodiesel refinery. We are assessing different strategies. At this stage the best alternative to go forward would be to raise additional equity. We will explore offering a preferred share that pays an 8% dividend or raising additional equity through a partner for the project. The other alternative is to delay until we are confident market conditions from the short crop have passed. The Minnesota mandate is not threatened if MnSP delays moving the project forward. The Minnesota mandate starts 30 days after the Commissioner of Agriculture certifies the existence of at least 8 million gallons of capacity in the state but not earlier than July 2005. This will be as disappointing to our members as it is to the Board and management. But it is the right thing to do.

Rodney Christianson,
CEO, Minnesota Soybean Processors

Guest Columnist Repeats

Minnesota a Leader in Farmer Investment

Editor's Note: President Bob Kirchner has turned over his space in this issue to a "guest columnist" who's covering a timely topic:

Thank you for the opportunity to share some thoughts with you in your newsletter. I am Bob Metz. Karen, my wife, and I are fifth generation farmers in northeast South Dakota, producing hard red spring wheat, corn and soybeans. Our son, Justin, has come back to the farm to be the sixth generation to be involved in production ag on our farm. I have served as the chairman of the National Biodiesel Board for the past 2½ years. I have also served on the American Soybean Association the past five years and on its executive committee the past two years.

I was pleased to attend your groundbreaking this spring for your new biodiesel plant. There was truly excitement and pride in the air as your leadership and the governor of Minnesota spoke of a vision of the clean burning, renewable, home grown fuel coming from the fields of the Upper Midwest.

Minnesota has always been a leader in the nation with farmer investment, state legislation, and agriculture leaders ready and willing to roll up their sleeves to fight for a better agriculture economy. Your state has led the na-

tion with farmer-owned ethanol plants and now the first farmer-owned biodiesel plant in the nation.

Biodiesel has been a fuel in the U.S. for only about the last 10 years. Production has reached about 25 million gallons this year. By contrast, Europe has been using biodiesel for over 20 years and consumes approximately 500 million gallons per year. With the proper legislation and tax incentives, the U.S. has the opportunity to lessen its dependence on foreign oil and greatly expand the use of biodiesel.

As an investor in SDSP and several ethanol plants, I know that you have an excellent management team to operate your plant at peak efficiency. I am sure that MnSP will be a great success in both soybean processing and biodiesel production. The farmer leaders and investors in Minnesota have made an investment not only in their future, but the future of the next generation of producers in the Upper Midwest.

Thank You,
Bob Metz
Browns Valley, Minn.

Finding MnSP's Daily Soybean Bids

Here are several sources in the MnSP membership area where up-to-date soybean market prices can be accessed:

- On the internet at www.mnsoy.com in the Soybean Prices page.
- DTN's Bids/Auctions page under Minnesota Cash Grain (A-D) with the symbol BREWSMNSP.
- KWOA 730 AM (Worthington, Minn.) with opening and closing prices.
- KJOE 106.1 FM (Slayton, Minn.)
- KDOM 94.3 FM (Windom, Minn.) opening and closing prices at approx. 6:40 a.m. and 2:20 p.m.
- WNAX 570 AM (Yankton, S.D.) with the 3:30 afternoon market close.
- KKOJ 1190 AM (Jackson, Minn.) at 7:40 a.m. and 5:00 p.m.
- *The Daily Globe* (Worthington, Minn.)
- Please feel free to call us at 1-888-842-6677.
- Or you can have our daily bids e-mailed to you daily by calling or clicking the link on our Soybean Prices web page.

Meal and Hull quotes are also available on our web page at www.mnsoy.com or by calling toll free 1-888-737-7888.

Biorenewable Energy Update— Production Year Payment Change

A restriction added to the Bioenergy Program shortens MnSP's possible participation in FY 2005, decreasing the amount of funds which could be received from the Commodity Credit Corporation.

The Office of Management and Budget (OMB) added a restriction to the Bioenergy Program's apportionment that all funds apportioned for a fiscal year (FY) had to be spent during the applicable FY. Program payments are not usually issued until approximately 45 to 60 days after the end of the applicable quarters. With this new restriction, the Program's payment earned FY versus the Program's funding FY is now different. Program FY funding is now the fourth quarter of the of the prior FY plus the first three quarters of the applicable FY.

Example: FY 2004 funding will cover fourth quarter FY 2003 plus the first three quarters of FY 2004 Program payments. The FY 2004's fourth quarter payments will be taken out of FY 2005 funding.

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

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 April 19, 2004 sold between \$2.55 and \$3.00 with an average of \$2.68.

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 **Friday, June 18, 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>
008	20,000 @ \$2.55		010		5,000 @ \$ 2.70
009		5,000 @ \$2.70	011	6,000 @ \$2.55	

OFFER TO PURCHASE

1. I, _____, offer to purchase _____ Class A Preferred Shares of Minnesota Soybean Processors (MnSP) at \$ _____ per Preferred Share for a total price of \$ _____.
2. This bid is for contract number(s) _____. (If you wish to bid on any of the above contracts please indicate by writing "any".)
3. 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.
4. 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.
5. 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.