

MnSp Holds Eighth Annual Meeting

Our Eighth Annual Meeting was held March 21st at the Heron Lake Community Center.



I want to thank our two retiring board members; Adam Schumacher and Bob Crowley for their hard work and seven years of service on the Board. Two new board members; John Luepke and Russell Derickson, were elected along with five

incumbents being re-elected – Robert Kirchner, Bruce Hill, Peter Van Regenmorter, Steven Hansen, and David Bunde.

The reports to the membership included over 90 slides depicting the 2008 year and also a 2009 6 month update. Reports were given by: Taryl Enderson, Controller; Richard Galloway; General Manager; Joel Gratz, Auditor for Christianson and Associates; Rob Hofstra, Merchandizing Manager and Tom Rodis, Bunge Corp; Wayne Faulkner, Plant Manager. These presentations were followed by an open question and answer session. The presentations focused on how MnSP is adapting to today's markets and improving operating efficiencies. Reducing costs has been a major focus, while less demand for soybean meal and soybean oil has caused

us to reduce our daily crush to 80,000 bu. per day.

The Biodiesel Plant is currently our bright spot. It made a profit of \$809 thousand for the first 6 months of fiscal 2009. The Crush Plant however, has lost 1.716 million, resulting in a combined 6 month \$907,000 net loss.

In May the Minnesota Biodiesel mandate goes up from 2% to 5% for all diesel sold in Minnesota. Iowa is considering a similar 5% Biodiesel mandate, and I would like to encourage all Iowa members to contact their legislators in support of higher Biodiesel mandate.

Hopefully, the U.S. economy will improve so that soy meal and soy oil demand will increase enough to allow MnSP to Crush at capacity and improve our margins.

Jim Sallstrom
MnSP Board President



MnSP proactive in cutting costs and conserving capital

Our financial results for the first half of this fiscal year have been greatly impacted by the weak general economy. Poor global demand for poultry meat and pork has undermined



industry margins and has resulted in an industry crush rate of 80% of capacity. The cash margin (difference between the value of a bushel worth of meal and oil and the cost of a bushel of beans) has dropped to very near the variable cost of production, so we are covering our direct input costs but contributing very little to fixed overhead. As a result, we are showing a net loss for the first six months of this fiscal year. Fortunately, biodiesel has been a profit contributor that is mitigating margin pressure from crushing and refining.

Before the year began, we became proactive in cutting costs and conserving capital. As normal employee attrition occurred, we took a hard look at what positions should be re-

filled and which should be done without, at least temporarily. Since most other biodiesel plants are shut down, we had no demand for once refined soybean oil except for our biodiesel plant. So, we eliminated a refining shift through normal attrition and only refine what the biodiesel plant needs. We are crushing at a reduced rate, so there is less pressure on soybean checks and product invoicing thus we are making do with fewer clerical positions. Also, we reduced scheduled product load out to five days rather than the former seven days, requiring fewer load out personnel. We elected to not fill some lab tech positions until the plant rate requires them.

Besides the personnel considerations, our employees have contributed a number of cost saving ideas under an initiative managed by Wayne Faulkner, our plant manager. These savings have resulted in annual ongoing cost reductions and/or profit enhancements of over \$650,000 through such measures as changing our biodiesel catalyst, adding a flowing agent to our meal and correcting the steam distribu-

tion system. We continue to search for additional cost saving techniques, and to conserve cash. We have eliminated all capital projects for the remainder of the fiscal year.

We can't do anything about industry margins, but our proactive cost saving measures have contributed to a positive cash flow in spite of net financial losses to date. We continue to pay down our term debt according to schedule, and we continue to increase our working capital. Our business is well capitalized to weather a moderate downturn in business conditions. Since 2005, we have increased our working capital from \$3.5 million to the current \$13.6 million, reduced our total debt from \$56 million to \$50 million and increased shareholder equity plus distributions from \$36 million to \$58 million.

We look beyond the current general economic difficulties toward a bigger and brighter future for Minnesota Soybean Processors and our area farmers.

Richard Galloway,
General Manager

Dates for annual shutdown determined

Shutdown dates are May 1 through May 14. Regular operations will resume on 5/15.



Dates are yet to be determined on hours of meal loading and will depend on inventory after we shut down. Receiving and Meal load-out will be down all day May 11 (tentatively) for communication cable repairs.

Annual shutdowns are necessary to service and inspect equipment that cannot be serviced while the plant is operational. Our boilers are an example of this, as they run around the clock unless there is a power or

natural gas failure. Other repairs are needed where highly flammable solvents are used to manufacture our products. Purging these flammable chemicals out of the system so equipment repairs can be safely performed requires a minimum of 2 days.

Other repairs required during an annual shutdown include preventative maintenance that requires disassembly of large pieces of equipment, vessels and conveyors so proper inspection and repairs can be performed. This process requires several days and the services of contractors whose special expertise is required in some instances.

Wayne Faulkner, *Plant Manager*

MINNESOTA SOYBEAN PROCESSORS
BALANCE SHEET (Unaudited)
FEBRUARY 28, 2009

ASSETS	
Current Assets	
Cash & Cash Equivalents	\$ 3,428
Accounts Receivable	19,460,460
Inventories	20,510,282
Other Current Assets	1,062,944
Total Current Assets	<u>\$ 41,037,114</u>
Other Assets	
Net Property Plant & Equip	\$ 62,932,058
Investments	1,638,250
Net Financing Fees	50,220
Total Other Assets	<u>\$ 64,620,528</u>
TOTAL ASSETS	<u><u>\$ 105,657,642</u></u>
LIABILITIES	
Current Liabilities	
Checks in Excess of Bank Balance	\$ 2,350,173
Accounts Payable	6,331,872
Note Payable - Seasonal	14,266,668
Current Maturities of LT Debt	3,383,258
Accrued Expenses	1,122,015
Total Current Liabilities	<u>\$ 27,453,986</u>
LT Debt less Current Maturities	<u>\$ 24,420,730</u>
STOCKHOLDERS' EQUITY	
Class A Preferred Stock, nonvoting, \$.01 par value, 50,000,000 authorized	
20,192,520 issued & outstanding	\$ 211,925
Class B Preferred Stock, nonvoting, \$.01 par value, 10,000,000 authorized	
1,829,000 issued & outstanding	18,290
Common Stock, voting, \$.01 par value	
5,000 shares authorized	
2,393 issued & outstanding	24
Additional paid-in Capital	44,466,473
Patronage Dividends Allocated	12,258,040
Retained Earnings	(3,171,826)
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 53,782,926</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 105,657,642</u></u>

MINNESOTA SOYBEAN PROCESSORS

This six month financial report contains forward-looking statements. We undertake no responsibilities to update any forward-looking statement. When used, the words "believe," "expect," "will," "can," "estimate," "anticipate," and similar words are intended to identify forward-looking statements. Readers should not place undue reliance on

STATEMENT OF OPERATIONS (Unaudited)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2009

Net Revenues	\$ 172,936,629
Cost of Revenues	171,560,099
Selling, General & Administrative	1,599,444
OPERATING LOSS	<u>\$ (222,914)</u>
OTHER INCOME (EXPENSE)	
Interest Expense	\$ (819,706)
Other Income	135,449
TOTAL OTHER INCOME (EXPENSE)	<u>\$ (684,257)</u>
NET LOSS	<u><u>\$ (907,171)</u></u>

MINNESOTA SOYBEAN PROCESSORS
STATEMENT OF CASH FLOW (Unaudited)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2009

NET INCOME	\$ (907,171)
Items not requiring Working Capital	
Depreciation & Amortization	3,149,162
Allowance for Doubtful Accounts	10,779
Net Decrease in Assets/Liabilities	7,324,158
NET CASH PROVIDED BY OPERATIONS	<u>\$ 9,576,928</u>
CASH USED BY INVESTING	
Cash Provided (Used) by Financing	
Short-Term Financing	\$ (8,099,436)
Long-Term Financing	(49,930)
Changes in Stockholders' Equity	6,529
CASH USED BY FINANCING	<u>\$ (8,142,837)</u>
NET INCREASE IN CASH	<u>\$ 1,244</u>
CASH AT BEGINNING OF PERIOD	<u>\$ 2,184</u>
CASH AT END OF PERIOD	<u><u>\$ 3,428</u></u>

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest	\$ 724,262
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MnSP's net loss for the six months ending February 28, 2009 was \$907 thousand compared to a calculated net profit of \$3.5 million for the same period ending February 29, 2008, a decrease of \$4.4 million. The decrease is due mainly to the deterioration of the gross margin as a result of dismal demand for soybean meal and soybean oil. The bright spot is that our biodiesel plant has contributed \$809 thousand to the bottom line compared to a \$1.3 million loss at this time last year.

forward-looking statements and recognize that the statements are not predictions of annual results which could and likely will differ from those in the forward-looking statements due to risks and uncertainties including those described in our annual, quarterly & current reports.



Minnesota Soybean Processors

PO Box 100

Brewster, MN 56119-0100

Change Service Requested

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Standard
U.S. POSTAGE
PAID
Brewster, MN
56119
PERMIT NO. 2

Free Price Later Program Instituted

The MnSP commercial department has instituted a free price later program; any beans which are placed on price later at this time will have no charges applied to the selling price. All price later beans must be priced by August 31, 2009. The free price later program will give producers a tool to help in marketing their old crop beans, as we approach spring planting and spraying season farmers will begin putting in long hours and may not have time or manpower to dedicate someone to hauling loads of beans to the plant, by using our free price later program a farmer can haul beans now before the fieldwork season starts and sell them at a later date as his marketing plan dictates.

MnSP has also begun a policy regarding splitting bean delivery tickets. Customers bringing beans in will be allowed to split tickets up to three ways with no charge, any additional splits will be charged a fee at a rate of \$50 per split per ticket. We are implementing this fee in order to cover the added expense

and time that is required when applying beans to multiple owners.

LOOKING TO BUY SHARES??!!

Want 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
Michael Zins Fulda, MN 507-425-2632	Bruce Hill Worthington, MN 507-842-5402	Don Louwagie Marshall, MN 507-532-6081	Keith Waltner Parker, SD 605-648-3224	Denis Slepikas Huron, SD 605-352-7684	Gary Dieterich Rudd, IA 641-395-2383	Darol Schmitz Brewster, MN 507-842-5413
Steffen Van Westen Reading, MN 507-478-4552	Steve Freking Heron Lake, MN 507-793-2660	Jim Sallstrom Winthrop, MN 507-647-2546	Peter Van Regenmorter Inwood, IA 712-753-2246	Edward Verhelst Huron, SD 605-352-5564	Eric Thorn Chatfield, MN 507-867-1427	Adam Schumacher Heron Lake, MN 507-793-2588