



Volume 9, Issue 4
January 2010

Minnesota Soybean Processors
Phone: (507) 842-6677

PO Box 100
Fax: (507) 842-0086

Brewster, MN 56119-0100
www.MnSoy.com

MNSP PRESIDENT'S REPORT: *Fall 2009 was a harvest to remember.*

Not all the memories are good but the soybean supply got replenished by a better crop than anyone thought we would have.

Taryl Enderson's (financial report) does a good job describing our current financials. MnSP was not able to pay neither Class A dividends nor Class B interest for fiscal year 2009 because of no net taxable income. We were able to reduce our long term debt by 2.3 million and are current on all covenants with our lender.

Our annual meeting will be held Sat. March 20th at the Brewster American Legion. Following

the meeting we will be having on site tours of the MnSP warehouse/shop and drive thru of the plant. I look forward to seeing many of you there.

Jim Sallstrom,
President
Minnesota Soybean
Processors



9th Annual Meeting Set for March 20 at the Brewster, MN Legion Hall

The Ninth annual meeting of the Minnesota Soybean Processors has been scheduled for Saturday, March 20, 2010 at the Brewster Legion Hall. On the agenda is the election of directors, filling a three year open seat in each district. Following the meeting this year bussed tours of the MNSP Shop/Warehouse and Plant will be given.

The nomination petition for members wishing to run for an open Board of Director seat is available on our website at www.mnsoy.com under the Stock Info tab. Should you have any questions you are welcome to call Kim Collin at 507-842-6715.

New MNSP website under development

Work has begun to give the MNSP website a new look. Once up and running you will be able to access 10 minute DTN delayed cash quotes, as well as further down the road the ability to look up account information.

2009 MnSP Oil and Protein Test Plot Results are now listed on the home page in the gold tabbed area. Results from 2008 and 2007 are listed as well.

Scholarship Opportunities

Be sure to check out the MN Soybean Research and Promotion Council Scholarships on the website at www.mnsoybean.org. Scholarships opportunities are available for High School seniors, as well as College Junior or Senior.

MNSP will again be sponsoring two scholarships this year for any Sophomore, Junior, or Senior in High School to apply. Details will be posted on our website in March.

High moisture impacts each supplier

All of us are thankful that the seemingly never ending harvest of 2009 is over; although, some of you may still have some 2009 corn in the snow-covered fields. MnSP has been especially challenged by the high moisture levels



of the soybeans harvested this year. This forced us to make the very difficult decision to limit the moisture of beans that we accepted for

delivery. We did not make this decision lightly, nor was it arbitrary, because we knew it would adversely impact many of our loyal suppliers.

To save investment capital and to assure economical operating costs, our plant was designed without pre-drying capacity. Our process uses a lot of steam within the preparation process to condition and dry the soybeans prior to dehulling and flaking for extraction. Except in the most unusual years, the soybean moisture on received beans allows this system to produce fully conditioned soybeans for preparation at 10 to 11% moisture. At this moisture level, we can remove enough of the hulls to make our fiber and meal moisture guarantees and make flakes that minimize the oil left in them after extraction.

In limiting the soybeans we accepted to 15% moisture, we have been able to adequately control our flake fats and meal fiber and moisture, but just barely. Our fully conditioned soybeans this year are running between 13% and 13.5% moisture, theoretically too high to process properly. By modifying some of our prep techniques, our staff has done a great job of meeting standards. We are meeting our meal guarantees, but our flake fats have been somewhat high. This causes us to be selling some 30c/lb oil in our 15c/lb meal, but if we had to process beans at higher moisture levels, this would be much worse.

We are keenly aware that this crop's high moisture had a significant impact on each of you that deliver beans here or elsewhere. We consider it very important that you understand that our delivery requirements are well thought out and taken for very good and real reasons. We value each and every soybean supplier that we have, but we don't have the luxury of blending our beans and passing the real moisture problem on to the next guy nor do we have the capability of drying our beans before processing.

Please accept our best wishes for a happy and prosperous 2010!

Richard Galloway, *General Manager*

Minnesota Soybean Processors FINANCIALS

MINNESOTA SOYBEAN PROCESSORS BALANCE SHEET (Unaudited) NOVEMBER 30, 2009

ASSETS	
Current Assets	
Cash & Cash Equivalents	\$ 2,101
Accounts Receivable	36,450,539
Inventories	26,724,762
Other Current Assets	4,867,913
Total Current Assets	\$ 68,045,315
Other Assets	
Net Property Plant & Equip	\$ 58,356,580
Investments	1,780,982
Net Financing Fees	43,238
Total Other Assets	\$ 60,180,800
TOTAL ASSETS	\$ 128,226,115

LIABILITIES

Current Liabilities	
Checks in Excess of Bank Balance	\$ 2,727,635
Accounts Payable	15,757,632
Note Payable - Seasonal	32,072,749
Current Maturities of LT Debt	4,483,258
Accrued Expenses	1,295,923
Total Current Liabilities	\$ 56,337,197
LT Debt less Current Maturities	\$ 19,967,786

STOCKHOLDERS' EQUITY

Class A Preferred Stock, nonvoting, \$.01 par value, 50,000,000 authorized 20,192,520 issued & outstanding		\$ 212,337
Class B Preferred Stock, nonvoting, \$.01 par value, 10,000,000 authorized 1,829,000 issued & outstanding		18,240
Common Stock, voting, \$.01 par value 5,000 shares authorized 2,393 issued & outstanding		24
Additional paid-in Capital		44,466,362
Patronage Dividends Allocated		12,258,040
Retained Earnings		(5,033,871)
TOTAL STOCKHOLDERS' EQUITY		\$ 51,921,132
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		\$ 128,226,115

MINNESOTA SOYBEAN PROCESSORS STATEMENT OF OPERATIONS (Unaudited) FOR THE THREE MONTHS ENDED NOVEMBER 30, 2009

Net Revenues	\$ 111,578,425
Cost of Revenues	109,352,445
Selling, General & Administrative	710,153
OPERATING INCOME	\$ 1,515,827
OTHER INCOME (EXPENSE)	
Interest Expense	\$ (449,967)
Other Income	10,335
TOTAL OTHER INCOME (EXPENSE)	\$ (439,632)
NET INCOME	\$ 1,076,195

MINNESOTA SOYBEAN PROCESSORS STATEMENT OF CASH FLOW (Unaudited) FOR THE THREE MONTHS ENDED NOVEMBER 30, 2009

NET INCOME	\$ 1,076,195
Items not requiring Working Capital	
Depreciation & Amortization	1,592,909
Gain/Loss on Fixed Assets	32
Net Decrease in Assets/Liabilities	(6,270,705)
NET CASH PROVIDED BY OPERATIONS	\$ (3,601,569)
CASH USED BY INVESTING	
Cash Provided (Used) by Financing	
Short-Term Financing	\$ 4,759,592
Long-Term Financing	(1,118,562)
Changes in Stockholders' Equity	
CASH USED BY FINANCING	\$ 3,641,030
NET INCREASE IN CASH	\$ (106)
CASH AT BEGINNING OF PERIOD	\$ 2,207
CASH AT END OF PERIOD	\$ 2,101

Supplemental Disclosure of Cash Flow Information:

Cash Paid for Interest	\$ 428,984
------------------------	------------

Comments for the First Quarter financials are included in the Controller's report.

This three 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 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.

BIODIESEL IN 2010

2010 will go down as a benchmark transition year for alternative fuels. As this is currently being written, the biodiesel industry is still waiting for issuance of final RFS 2 rules from the EPA. The RFS 2 rules will establish certain national volume usage for different types of both biodiesel and ethanol. The industry is hearing strong rumors from USEPA that because of the numerous public comments received regarding soybean oil used for biodiesel, current plants producing biodiesel from soybean oil will most likely be allowed to meet the Greenhouse Gas Emissions requirement. That is good news for Minnesota Soybean Processors.

We also hope that 2010 moves Congress to extend the expired \$1 federal biodiesel blending credit as soon as they come back

from Christmas recess. The good news is that both U.S. Senator Bacus (D) and Grassley (R) on Senate Finance have written Congressional leaders as to the importance of restoring the biodiesel credit as soon as possible. Perhaps the best way to sum up the federal blending credit situation is when it will happen, not if it will happen.

Finally, as most people involved in agriculture realize, today's diesel fuels are not anything like the diesel fuel of even 5 years ago. With the tremendous desulfurization of diesel fuels over the past couple years, today's #1 and #2 diesel fuels deliver sometimes wild and unusual performance. As a result, this year a very, very few (and we stress very, very few) refiner's #1 Ultra Low Sulfur Diesel fuels have reacted

very strangely with biodiesel during cold weather usage. This is occurring even in #1/#2 blends and worsens as the amount of #1 in the blend increases. As a result, the Minnesota Biodiesel Council in conjunction with the Minnesota Petroleum Marketers have obtained a temporary waiver from the 5% biodiesel requirement only for the #1 diesel portion of a diesel fuel blend until further testing can be conducted to determine the cause of the weird performance.

Closing on a bright note, your plant was able to obtain contracts for the first quarter of 2010 that keeps MnSP producing biodiesel, something very unusual in today's biodiesel industry.

Ron Marr, *MNSP Biodiesel Consultant*

Financial Report for August 31, 2009

The audit for MnSP fiscal year end August 31, 2009 has been completed. While we ended the year with a net loss of \$3.845 million we did make some improvements from third quarter results. The biodiesel division turned in a positive performance during the year ending with a net income of just over \$2 million. The crushing and refinery divisions ended the year with a net loss of just under \$5.886 million. Of that net loss, \$4.148 million was part of the required GAAP (Generally Accepted Accounting Principles) adjustment. These consist of unrealized open positions on the Chicago Board of Trade, and open purchase and sales contracts brought to market which we have entered into for future operational months.

A number of adjustments are required by IRS to convert book income to taxable income. These adjustments result in a taxable income for MnSP which must be offset by last year's taxable loss, which was carried forward to this year. After that adjustment we are left with a taxable income of approximately zero. Because the patronage dividends are calculated based on taxable income, we will not be allowed to pay a patronage dividend for the fiscal year ended August 31, 2009. While disappointing, this should benefit us

in the future since the majority of our taxable losses will be used. More complete details on the fiscal year numbers will be available in the audited report distributed to members at the annual meeting.

Still undetermined at the closing of the audit is the net effect of the May 23, 2009 fire in the biodiesel load out area. We are currently in the process of rebuilding that area, and calculating our Business Interruption claim with the insurance company. We have estimates on these numbers and have taken a portion of this income and the related deductibles into the 2008-09 year. This is a very complex and time-consuming process which we hope to have completed before the 2009-10 year end in August.

I'd like to spend a few moments providing further detail on the effects of the May 23rd fire in regards to our August 31st financials. Our insurance policy has 3 areas that go into effect in the event of a fire such as we experienced; Property Damage, Pollution Coverage, and Business Interruption. Property Damage is a concept where the insurance company pays to repair the damaged area to its pre-existing condition and replace any inventory lost, less our deductible of \$250,000. Our

Pollution Coverage will reimburse us for costs associated with the cleanup of any contaminated soil or product resulting from the loss. There is a deductible on this policy as well, but it is picked up under the Property Damage policy. The third, and most complex, area of coverage is Business Interruption. This coverage is meant to replace any income lost as a result of the fire. Since the plant was shut down for 8 1/2 days after the fire and there was reduced crush capacity for over 2 months, this coverage became very important to us. Both MnSP and our insurer have hired outside accounting firms experienced in these types of situations to calculate the loss. Currently our firm's estimation of this amount is \$2.9 million. We expect to enter a negotiation phase to arrive at a figure that both parties will accept. Because the insurance claims process is still being completed, we needed to record estimation in our year end net income. We made the decision to stay conservative on our estimation and accrued 65% of the business interruption and inventory loss estimates less applicable deductibles.

We did pass along the Small Agri-Biodiesel Producer Credit (SABPC) and Minnesota JOBZ exemption to our Class A mem-

bers which may be utilized on their individual tax returns. The SABPC credit will be included on a 1099 which will be issued in January 2010. The Minnesota JOBZ exemption is for our members that file a State of Minnesota Income Tax Return. Information for this was sent to members in a letter at the end of December. Please consult your tax preparer for both of these items.

The first quarter of 2009-10 which ended on November 30, 2009 was positive. So far we are reporting \$1.076 million in net income mostly from the crushing and refining divisions. While we hope to improve on that, it will be challenging with the current economic forecast. This December we also received a \$565,000 Rural Development grant designed to assist biodiesel producers which is not included in the first quarter results mentioned earlier.

Lastly, all of the deferred grain checks were mailed prior to January 5th, 2010. If you have not received a check for grain payments you deferred, please call the office at 507-842-6677 and speak with our grain settlement personnel.

Taryl Enderson
CPA Controller



Minnesota Soybean Processors

PO Box 100
Brewster, MN 56119-0100

Change Service Requested

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

Current MnSPs' telephone system auto attendant options

Below are the current Minnesota Soybean Processors' telephone system auto attendant options. These are the options you hear when you call MnSP's main business line both during regular business hours and after regular business hours. The options in these scripts are current as of Monday January 11, 2010, and are subject to change at any time.

■ During regular business hours this script is active:

- Thank you for calling Minnesota Soybean Processors
- If you know your parties extension, you may dial it at any time
- To sell soybeans or purchase meal press 1
- To purchase oil press 2
- For biodiesel press 3
- For delivery and loadout details press 4
- For today's closing bids press 5
- For grain settlement press 6
- For questions with invoicing press 7
- For questions with accounts receivable press 8
- For questions with accounts payable press 9
- To reach the operator press 0
- For a dial by name directory dial 411
- Thank you again for calling Minnesota Soybean Processors

■ After regular business hours this script is active:

- Thank you for calling Minnesota Soybean Processors
- You have reached us after our normal business hours which are from 8am to 5pm, Monday thru Friday
- Please be advised that leaving a message does not constitute a contract
- MNSP is not responsible for voice messages not received
- For a valid contract you must communicate directly with an MNSP merchandiser
- If you know your parties extension, you may dial it at any time
- To leave a message for soybean sales or meal sales press 1
- To leave a message for oil sales press 2
- To leave a message for biodiesel sales press 3
- For delivery and loadout details press 4
- For today's closing bids press 5
- For a dial by name directory dial 411
- To leave a general message, please stay on the line
- Thank you again for calling Minnesota Soybean Processors

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	John Luepke Courtland, MN 507-359-2703	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	Russell Derickson Lamberton, MN 507-842-6715