

## MnSP President's Report

# Committees Begin Executive Hiring Process

Another two months has gone by very quickly and I'm sure you are wondering what has been accomplished. MnSP has traded shares at a very respectable level. The board was very pleased about this.



After being out of compliance with the bank covenants a year ago, I am happy to report that we have met all covenants to date required by bankers. This has made a much more positive outlook for our company.

You received a financial statement for the first quarter and the board plans to continue sending you quarterly financial reports. Things certainly look very positive. A word of caution however: the energy sector and energy prices have dropped considerably in the past months. Rack prices for biodiesel and ethanol have cooled as well. We do, however, have the Minnesota mandate to help create demand.

We have commitments to our shareholders to pay back the unit retains. The shareholders have also expressed that they would like to have a dividend. Our bylaws state that 100% of the unit retains must be paid back before we can pay any dividends on class A shares.

The board has completed its strategic plan and is in the process of executing those recommendations. The recommendations were to hire a new management and marketing company, hire a CFO/GM, offer all SDSP employees working at Brewster their jobs as MnSP employees, and look at setting up and operating our own IT (Information Technology) system.

To facilitate these recommendations a committee has been formed to work with our consultant, Richard Galloway, to work out the details with two companies to do our management and marketing. A second committee was formed to find a CFO/GM (Chief Financial Officer/General Manager) who would work with the new management company. This CFO/GM would be an MnSP employee and would report directly to the MnSP Board of Directors. This person would also be in charge of the new IT/accounting department. A third committee was formed to work on finding an IT program for accounting and information necessary to operate the company as well as improve the inadequacies you members have brought to our attention.

The board has also been working on the annual meeting, which is set for March 10 at the Heron Lake Community Center in Heron Lake, Minn.

Bruce Hill,  
President, Minnesota Soybean Processors

## Producers Respond to Marketplace Demands

# Soybean Oil Traits: Today and Tomorrow

By Keith Warden  
United Soybean Board

Every day, farmers are bombarded with new information on soybean traits and demands in the marketplace, not to mention new opportunities. In response to new traits entering the marketplace and the benefits these traits offer, processors look into contracting for these beans. Soybeans with specific oil traits address demands from specific customers, and by answering these demands farmers and processors expand their current markets and create new ones. Checkoff-funded research efforts are under way to address demands today and tomorrow through enhanced soybean oil traits.

According to the latest Consumer Attitudes on Soy-

foods Survey, many consider soybean oil to be one of the top two healthiest oils for food consumption, second only to olive oil. And, it's true – soybean oil is healthier than many oils, but there's still room for improvement. As attitudes shifted toward healthier foods, demand for healthier oils increased. In parallel with this attitude shift, checkoff-funded research sought to improve soybean oil traits to keep soybeans competitive against other oils.

Recently, the news has been surrounding low-linolenic acid soybeans because of reaction from food manufacturers seeking healthier oil, an obvious reaction to this growing consumer health awareness. Alternatives to

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# Soybean Oil Offers Health Benefits

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partially hydrogenated oils, which contain trans-fatty acids (trans fat), were on the list of "must haves." In addition, the U.S. Food and Drug Administration (FDA) identified trans fats as detrimental to human health and as a result now requires listing of trans-fat levels on food labels. As consumer attitudes about healthier food continue to expand, food manufacturers will look to oil suppliers for answers. In turn, processors will look to farmers to grow soybean varieties to meet these demands.

Low-linolenic soybeans are just part of the big picture. Other traits related to soybean oil for food applications will offer additional market opportunities to farmers and processors. The soybean checkoff has been involved in research efforts to bring these traits to market, and the benefits impact the entire soybean industry. Low-linolenic-soybean success serves as a model for other, future traits.

## Current Oil Trait

**Low-linolenic:** Soybean varieties offering 3% or less low linolenic acid fit into this category. These beans require little or no hydrogenation. As consumers become more and more health conscious, alternatives to oils with trans fat became more desirable to food manufacturers. To address these demands, the checkoff helped to form QUALISOY. This one-of-a-kind soybean industry partnership between researchers, seed companies, processors and farmers helped to develop and commercialize low-lin soybeans. Today, there are several varieties of low-lin soybeans, including the VISTIVE variety that was contracted by MnSP for the 2006 crop year.

In 2006, approximately 750,000 acres of low-linolenic soybeans were planted, which yielded about 350,000 pounds of low-linolenic oil. These beans offer processors the benefit of satisfying food manufacturer demand, which can be passed on to the farmer as a premium price for these beans. Some farmers have received as much as \$.40 extra per bushel for low-lin soybeans. As demand for more low-lin beans climbs, so do the benefits to the entire soybean industry right down to the farmer.

## Future Oil Traits

Researchers are hard at work developing additional soybean oil traits for the food industry. These varieties address other concerns about the healthfulness of soybean oil for human consumption. These additional oil traits will yield yet more opportunities to address specialized markets. These traits also further illustrate soybeans' continuing shift from a commodity to a specialized product.

**Low-Saturate:** Soybean oil is already low in saturated fats, but researchers are working to lower the levels even further, especially those of palmitic fatty acid. Some scientists believe that this type of fatty acid is the most detrimental to human health. Reducing these saturated fat levels creates even healthier oil that offers food manufacturers exactly what they're looking for. Increased

demand could help maintain better prices for the farmer and processor.

**Increased Oleic:** Increased oleic soybeans will produce soybean oil offering better oxidative and flavor stability. The oil from these beans will perform better in heavy-duty, high-heart applications for the food manufacturing industry.

Another health benefit from these beans is that they will also contain reduced levels of low-linolenic acid. Overall, the oil from increased oleic soybeans will perform better and require little or no hydrogenation.

**Increased Omega-3:** Omega-3 fatty acid, which is commonly found in fish, is an important and essential fat in the human diet. This fatty acid offers cardiovascular health benefits.

Soybeans and soybean oil are already good sources of omega-3, but researchers are hard at work to increase the level of omega-3 in soybeans. The end result could be an affordable, land-based source of omega-3, and the oil would be a great option for food manufacturers to produce great-tasting foods with high levels of omega 3.

**High-Stearic:** Compared to other saturated fats, high-stearic-acid soybean oil is cholesterol-neutral, which is its benefit to health. Oil from high-stearic-acid soybeans will provide food manufacturers an attractive alternative for use in applications requiring a solid fat.

## Opportunities Now and Later

As consumers pass their demands down the supply chain right to the farmer, the entire soybean industry has to react in order to remain competitive against other edible oil choices. Currently, soybean oil is the most consumed edible oil worldwide. To maintain this edge today and into the future, new traits for soybeans offering superior health and performance benefits will be developed and made available to farmers.

Food manufacturers will look to processors for supplies of specialized oils such as low-linolenic, increased oleic and other oils to meet their specific needs. This one-to-one match of needs illustrates the shift in the soybean industry from merely a commodity to a specialized product. This decommodification of soybeans offers opportunities for farmers to receive additional income through premiums like those offered for low-linolenic soybeans, which in some cases can be as much as an additional \$.40 per bushel.

Processors will benefit by retaining current customers as well as obtaining new customers by offering specialized oils. And, as new demands come to the forefront, researchers will respond by developing even more new soybean oil traits. The result: The entire soybean industry maintains its competitiveness in the global marketplace while expanding new oil markets.

**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 sale on Dec. 18, 2006 sold at \$2.45 per share.

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, Feb. 16, 2007.**

Offer to Purchase should be mailed to the attention of:

**Offer to Purchase  
Minnesota Soybean Processors  
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>
046		3,600 @ \$2.95			

**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 any 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, 2007.

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Phone

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



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*Biodiesel Winter Update*

## Product Quality Still #1 Priority at MnSP

So far we have enjoyed a relatively mild winter here in the upper Midwest, although winter is far from over! The mild weather has been very welcome to the biodiesel industry in Minnesota after last year's many product quality and related cold flow issues. Shortages of #1 diesel at the terminals last winter also allowed tank bottoms to be pumped which we believe placed poor quality diesel fuel in the market.

Through our incorporation and participation in BQ9000 (MnSP's Biodiesel Quality Control Program) product quality is our #1 priority at the Brewster facility and has translated into very few problems with B2 sold throughout the region this winter. We are very confident as we move through the remainder of late winter and early spring that our product will perform without any problems at the Minnesota state mandate of 2%.

To ensure you are getting high quality biodiesel we recommend that you purchase it from a BQ9000 accredited producer or marketer. We have been running the biodiesel plant at full capacity all winter and have been shipping out large volumes at fair margins, unlike others in the industry that have slowed down production to meet their changes in demand and market structure.

It is not too early to start looking at purchasing biodiesel blended diesel fuel for the upcoming planting season. Many of the fuel suppliers in the tri-state region handle and blend our high quality biodiesel. Check with them and ask for MnSP's biodiesel or call MnSP for spring fuel price quotes.

### 6<sup>th</sup> Annual Meeting Set for March 10, in Heron Lake

The sixth annual meeting of the Minnesota Soybean Processors has been scheduled for Saturday, March 10, 2007 at the Heron Lake Community Center.

Registration will begin at 12:00 p.m., with the business meeting beginning at 1:00 p.m. On the agenda is the election of directors, filling a three year open seat in each district.

More details will be sent to all shareholders, including a nomination petition for members wishing to run for director.

### 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	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