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MnSP Profitable thru June

MnSP is showing a fiscal-year-to-date profit of more than \$3.1 million for the first 10 months of the 2006 fiscal year. The past two months have been particularly strong as more profitable basis levels have returned to the marketplace. Even though these results are unaudited, the end of the fiscal year and corresponding annual audit are just around the corner. MNSP's fiscal year ends Aug. 31 of every year.

Unaudited Income Statement (in Thousands) For the Ten-Month Period Ended June 30, 2006

NET REVENUES	\$ 202,446
COST OF REVENUES	
Cost of Product Sold	177,684
Production Expenses	20,901
Total Cost of Revenues	198,585
GROSS PROFIT	3,861
ADMINISTRATIVE EXPENSES	1,700
OPERATING PROFIT	2,161
OTHER INCOME (EXPENSE)	
Interest Expense	(3,952)
Other Non-operating Income	4,855
Total Other Income (Expense)	903
NET INCOME	\$ 3,064

Unaudited Cash Generated from Operations (in Thousands) For the Ten-Month Period Ended June 30, 2006

NET INCOME	\$ 3,064
DEPRECIATION	4,718
CASH GENERATED	\$ 7,783

Production Statistics (in Thousands) For the Ten-Month Period Ended June 30, 2006

Soybeans Crushed (bu.)	28,181
Biodiesel Produced (gal.)	16,984

Operations Update

Crush Averages 100K bu. Daily; Meal and Oil Keep Moving

June 2006 was a very good month for the operations side. Crush for the month averaged 100,000 bushels per day. With a good basis for the month of June, the soybean process had a positive month. Marketing continues to keep the beans ahead of the crush plant as well as the meal and oil moving on the other end. During the month of July, the plant took a three-day shutdown to accomplish some preventive maintenance issues which will help ensure the facility to run at a constant pace.

The refinery for the month of June averaged about 1.2 million pounds per day which essentially was refining all of the crush plant oil produced. The refinery production has increased to full capacity and maintains a consistent quality. With more facilities producing biodiesel, marketing has been able to take a majority of the refined oil to this market.

The biodiesel facility is running well at full capacity and producing quality product on a day-to-day basis. The biodiesel plant has been running at a 90,000 gallons per day capacity which takes half of the oil produced by the crush plant. There are still a few ongoing projects that are being worked on such as piping changes, etc. Biodiesel sales have been excellent; as the plant produces biodiesel, the marketing team has the product sold.

Overall, the facility had a great month in June. The team of associates at MnSP has done a great job of producing quantity as well as quality products in all areas of the facility and will continue to put forward the effort

Buy Your Biodiesel in Brewster!

MnSP has biodiesel available in smaller quantities for you to pick up at the plant in Brewster. Bring in a tank or container to take home and custom blend your own biodiesel mixture. We offer clear B99.9 for taxable road use (with taxes included in the price), and dyed B99.9 for off-road applications. For more information or for biodiesel pricing call the plant at 888-842-6677.

New Energy Bill Extends Biodiesel Tax Exemption

Two biodiesel champions introduced a bill in Washington, D.C., in June that would help further embed biodiesel in America's long-term energy strategy. Congressmen Kenny Hulshof (R-Mo.) and Earl Pomeroy (D-N.D.) introduced the Renewable Fuels and Energy Independence Promotion Act, which would make the federal excise tax credit for biodiesel permanent. If adopted, the move would likely lead to dramatic and sustained growth of biodiesel use.

"Making the biodiesel tax incentive permanent would be a powerful signal for U.S. energy policy," said Joe Jobe, CEO of NBB. "It would encourage Americans to use less petroleum. Biodiesel is a renewable energy source that works with current and future diesel engines using the nation's existing liquid fuel infrastructure, so it has great potential to immediately help address our energy concerns."

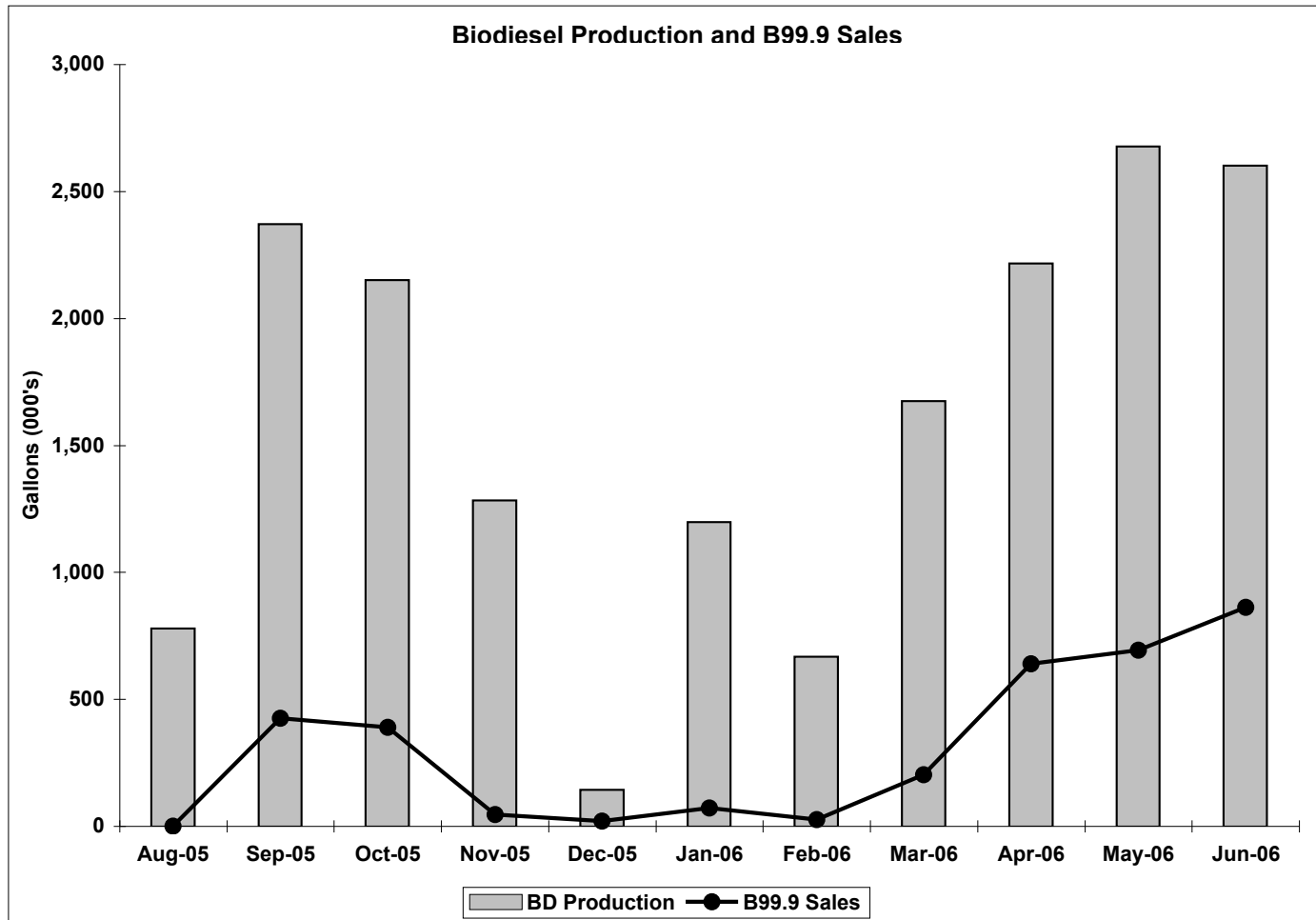
The tax credit, which took effect in 2005, currently will expire in 2008. The incentive is a volumetric-based tax credit aimed at helping lower the cost of biodiesel to consumers who pay road taxes, such as truckers, and in tax exempt markets, such as school districts. Since taking

effect, the incentive has been the primary stimulant for a dramatic increase in new plants and jobs in biodiesel, bringing economic opportunities to rural and urban areas. Today, there are 65 operational biodiesel plants, while 50 more are under construction.

"Renewable fuels are a critical component to our nation becoming more energy independent," Rep. Pomeroy said. "By making the tax credits for biodiesel and ethanol permanent, we are providing the stability these emerging industries need to grow. North Dakota has seen first hand the positive impact these tax credits can have in building these industries and this bill ensures those same benefits will continue to be available."

The bill removes sunset provisions for ethanol and biodiesel incentives that accompanied the Volumetric Ethanol Excise Tax Credit (VEETC), which took effect Jan. 1, 2005. It also makes permanent a small agri-biodiesel producer credit.

Biodiesel has become the fastest growing alternative fuel in the country, with 75 million gallons sold in 2005. That's up from 500,000 gallons in 1999. The industry is on track to sell 150 million in 2006.



From the Desk of the CEO

Biodiesel Plant Exceeding Design Capacity

On July 29, 2005, MnSP entered a new era as we commenced operations of the Biodiesel Refinery. As we approach the first year anniversary, it is appropriate that we reflect upon the year. What challenges did we face? What were the successes? What have we learned? How do we use this information to improve MnSP going forward?

Before I reflect, let us review the status of MnSP today. The biodiesel plant is exceeding design capacity and producing excellent quality product. Soybean basis levels have returned to historical levels in 2006 and recently even natural gas prices have eased, resulting in profitable processing margins. To the bottom line, MnSP has recorded a profit of \$2.6 million over the last two months (\$0.9 million and \$1.7 million in May and June respectively). Year-to-date (September 05-June 06) MnSP's profit stands at \$3.1 million and we expect profits to approach \$5 million by fiscal year end, Aug. 31st.

The adjacent bar chart at left shows the production history of MnSP's biodiesel refinery since our startup. The chart clearly demonstrates the devastating impact the two waivers of Minnesota's biodiesel mandate and ensuing biodiesel quality had on MnSP's fiscal year's performance. Comments include:

- First, thanks to John Prohaska and Carl Odde for their dedication and the long hours they contributed to MnSP. MnSP was able to commence operations of the biodiesel refinery nine months after breaking ground.
- Second, we were pleased to hit 2.4 million gallons, 95% of design capacity in just our second month of operations. MnSP submitted 3.1 million production gallons for payment in the 2005 U.S. BioEnergy Program. MnSP was the fourth largest recipient in the Biodiesel Program even though we had been in production for only 64 days.
- Third, the Minnesota Department of Commerce issued two waivers on the Minnesota biodiesel mandate for a total of 67 days. The waivers were triggered by quality issues not covered by the established grade

Free Price Later Program Still in Effect

For those who are looking to clean out your soybean bins prior to fall harvest and do not have the beans contracted, we have FREE PRICE LATER available to you. The soybeans delivered under FREE PRICE LATER must be priced by Dec. 31, 2006, and are not protected by Minnesota Statutory bond coverages. To check prices you can visit our website at www.mnsoy.com or call us at 888-842-6677.

standards (ASTM). These grade standards had two significant shortcomings regarding flash point and crystal formation. At the time the ASTM standards were set, the National Biodiesel Board had knowledge of the shortcomings of the flash point standards, but it is my belief there was limited knowledge within the industry of potential crystal formation.

- Fourth, the loss of demand and learning to meet the new Minnesota filterability test saw plummeting production, and we hit our low in December.
- Finally, Steve Still and Tyler Freeman were given the reins of the biodiesel refinery in December. Less than 90 days later we were back on track, exceeding quality and production standards. It was my pleasure to work with these two gentlemen during this period. MnSP owes them a debt of gratitude.

The line on the adjacent chart demonstrates the volume of B99.9 sold by MnSP. With B99.9, MnSP is the blender and receives the \$1 per gallon blender credit. We believe that B99.9 offers an opportunity for us and our customers to save costs through the supply chain, and that the savings will be shared, thus increasing MnSP's profit margin. In June, MnSP sold and blended just less than 900,000 gallons of B99.9 or 34% of the total biodiesel production

The first year has been disappointing and difficult for our associates, members, board and management. The silver lining, if any, is that the crystallization problem of biodiesel came into the full light of the industry. The biodiesel and petroleum industries worked together to solve the issue and deliver a quality product to the consumer.

As a result of the Minnesota experience, the biodiesel industry will be stronger in delivering a quality, trouble-free product to our future consumer.

Rodney Christianson,
CEO, Minnesota Soybean Processors

Unit Retain Payments Nearly Collected

Collection of the Unit Retain recently approved by those who attended the special membership meeting last April is winding down. Approximately 2,246 (95.0%) have already paid more than \$5.7 million into MnSP. Just over \$300,000 remains to be collected. The MnSP Board of Directors authorized the assessment of a 1% per month service charge for any unpaid amounts after May 31. If you have not paid, please join your fellow members and remit your share today. Failure to remit the amount due could result in adverse action by the Board including the cancellation of shares.



Minnesota Soybean Processors

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Biodiesel Is on Short List of New Words in Webster's

Defining a new level of success, the word "biodiesel" appears in the 2006 update of the Merriam-Webster's Collegiate Dictionary, Eleventh Edition. This marks the first time that it has appeared in the dictionary, and signifies that biodiesel is becoming a household word.

What's more, word has it that Merriam-Webster put biodiesel on the short list of examples of new words added to the dictionary. That means "biodiesel" joins the ranks of "ringtone," "soul patch" and "supersize" in drumming up interest in modern lexicography.

The new dictionary defines biodiesel as: "a fuel that is similar to diesel fuel and is derived from usually vegetable sources (as soybean oil)."

"Appearing as a word in the dictionary gives biodiesel the credibility that it deserves," said Joe Jobe, CEO of the National Biodiesel Board. "It shows we are making an impact on getting biodiesel into the mainstream, and that is very gratifying."

Biodiesel significantly cuts harmful environmental emissions, promotes greater energy independence and boosts our economy. It has become America's fastest growing alternative fuel according to the Department of Energy. Production tripled in 2005, reaching 75 million

gallons. The industry is on track to double production this year, to 150 million gallons.

Biodiesel Is Now Taxable

The Minnesota Department of Revenue has recently informed MnSP that all forms of biodiesel are now taxable, including B100 and B99.9. Previously, only a mixture of bio-diesel containing more than 1.0% petroleum-based diesel was taxable. Exemptions are allowed for sales to licensed distributors, sales outside the state of Minnesota, sales to a licensed terminal and sales of dyed fuel.

According to the Department of Revenue, taxes will be due even if the buyer intends to blend the bio-diesel with dyed diesel. Under such circumstances, the buyer will be able to claim a refund at a later date.

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

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