

MnSP President's Report

Board Moves to Reflect Members' Wishes

I hope everyone had a safe and timely harvest. The weather certainly cooperated with us this fall. Since the results of the membership vote and despite the busy season your board has continued to work diligently to move forward. Evaluating the membership position these were the following issues voiced:



- Local ownership
- Local control (governance)
- New management
- No foreign investors
- Member vote on any type of outright sale

The membership made it clear with their vote as to what they did *not* want. Now the board must carry out these changes.

Your board has formed a Strategic Planning Committee. Each board member was asked to fill out a questionnaire ranging from immediate goals to long-range goals, strengths and weaknesses of the company, opportunities and potential threats for the company.

As we stated in a previous letter the MnSP Board of Directors has given notice to SDSP to terminate the MnSP/SDSP Service Management Agreement effective Sept. 1, 2007. Many of you thought the member vote

oust SDSP immediately—this is not the case. We must follow the conditions of the agreement and work for a smooth transition and not disrupt the flow of business to our patrons and members.

Right after the membership vote management came with a bill for a half a million dollars-plus in additional GS&A (General Sales and Accounting) charges for 2004, 2005 and 2006; this came as a complete surprise to the board and we questioned its validity. At the meeting we told you that MnSP had made about \$6 million. This half a million dollars would come directly off the 2005 profits. Of the remaining approximate \$5.5 million 2005 profits, \$3.3 million is biodiesel credits and \$400,000 membership pool fees. We negotiated with representatives of the SDSP Board of Managers and have reached a tentative agreement with the SDSP Board not to allow the 2004 and 2005 charges and pay the 2006 adjustment if we would not pursue the cost of the membership vote, which ran in just under \$250,000. In the agreement the SDSP supervisory employees at MnSP would become MnSP employees and we would be allowed to hire some key management and marketing personnel and establish our own IT system.

In all honesty the process is taking much longer than any of us anticipated. We will continue to work diligently.

Bruce Hill,
President, Minnesota Soybean Processors

Biodiesel Update, Fall 2006

MnSP and Industry Striving for Quality

The past two years has certainly been an interesting, exciting and sometimes frustrating time for the U.S. biodiesel industry. On Sept. 29, 2005, Minnesota's 2% biodiesel mandate was officially implemented, making Minnesota the first state in the nation to require that all diesel fuel sold in the state contain a 2% blend of biodiesel. Celebrations were held across the state as Gov. Tim Pawlenty held press conferences praising the alternative fuel.

The good news continued as the U.S. Congress passed the first comprehensive Energy Bill in over 30 years which provided an extension of significant tax incentives for blenders of biodiesel through 2008.

Then, high prices for diesel fuel, the start-up of significant biodiesel production and outages of conventional

diesel fuel due to the impacts of the hurricanes in the gulf coast region all came together in October to form what some has called "The Perfect Storm."

An early cold snap caught some diesel users off guard and there were some problems with fuel gelling. Biodiesel was the new kid on the block and was an easy target for blame, but it was never found to be a biodiesel issue.

Then in late October, filter clogging began to be reported. Some users were noticing a white gelatinous material or a Vaseline-type substance in filters or at the bottom of distribution tanks. It turned out some type-of-spec biodiesel had entered the fuel supply which triggered a swift

(Continued on Page 4)

2006 MnSP Oil, Protein Test Plot Results

14 Companies Plant 26 Varieties in Test Plot

This year MnSP planted its second annual soybean test plot, showcasing yield, oil and protein of varieties planted in the area. Fourteen seed companies participated, with a total of 26 varieties with maturities ranging from 1.6 to 2.4.

The plot was planted on May 22 and harvested on Oct. 5. This was a Round-Up Ready™ plot and was treated for aphids.

The plot yield leader tipped the scales at 66.7 bushels/acre, and had a total oil and protein premium of \$0.05/bushel. The test plot had a yield range from 66.7 to 43.5 bu./acre, with the plot average at 61.5 bushels/acre, which was 2.1 bushels better than last year's average.



Protein content has dipped a little from the previous crop year. New crop beans are averaging 35.7% protein versus 35.4% last year. Oil content has also seen a drop in the New Crop beans received so far this year.

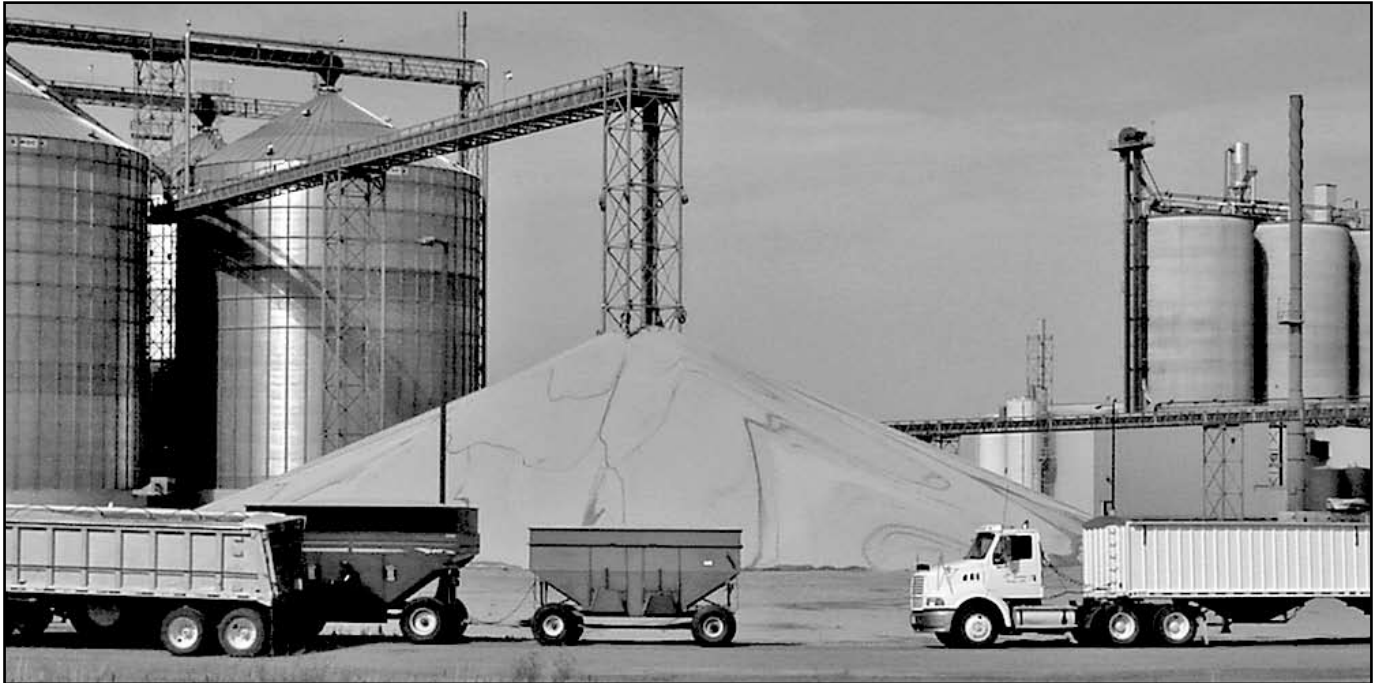
The Brewster facility has averaged 18.8% oil content on all the new crop beans compared to 19.2% content last year. The quality of this year's crop has been a little lower than last year's outstanding crop but overall is not too bad. The plot averaged \$0.03/bushel premium for protein but only two varieties qualified for an oil premium.

The plot data table is listed in order of the plot layout, from East to West. As you analyze the results, remember that the minimum of **18.5% oil AND 34.4% protein** had to be met to qualify for any premium.

The data is listed for you to analyze. MnSP makes no recommendations or suggestions on variety selection. Remember to select for yield first, and then choose similar yielding beans for oil and protein potential.

Please call the Brewster facility at 888-842-6677 for more information or visit the website at www.mnsoy.com.

		2006 MNSP OIL AND PROTEIN TEST PLOT RESULTS										
E	VARIETY	YIELD/ACRE	MO	OIL	PROTEIN	OIL PREMIUM	PROTEIN PREMIUM	TOTAL PREMIUM/BU	TOTAL PREMIUM /ACRE			
	MYCOGEN(Check) 5N203	61.4	9.9	19.2	35.1	\$0.00	\$0.05	\$0.05	\$3.07			
T	NK S19-L7	58.9	9.7	18.4	35.9	\$0.00	\$0.00	\$0.00	\$0.00			
	STINE 2032-4	64.4	9.7	18.9	35.9	\$0.00	\$0.06	\$0.06	\$3.86			
	GOLDEN HARVEST H2181	60.4	9.9	18.4	35.6	\$0.00	\$0.00	\$0.00	\$0.00			
T	GARST S22-F5	58.4	9.8	17.9	36.3	\$0.00	\$0.00	\$0.00	\$0.00			
T	PIONEER 92M40	60.5	10.1	18.1	36.3	\$0.00	\$0.00	\$0.00	\$0.00			
	GOLD COUNTRY 2420	63.9	9.8	19	35.7	\$0.00	\$0.06	\$0.06	\$3.83			
	Dynagrow 37G24	59.0	10.2	17.8	36.5	\$0.00	\$0.00	\$0.00	\$0.00			
	Mycogen 5N203	66.7	9.9	19.3	35	\$0.00	\$0.05	\$0.05	\$3.34			
	NC+ 2A14	64.1	10	19.2	35.5	\$0.00	\$0.06	\$0.06	\$3.85			
	Kruger K195	64.3	9.9	19.1	35.4	\$0.00	\$0.05	\$0.05	\$3.22			
	MYCOGEN(Check) 5N203	63.2	10	19.3	35.2	\$0.00	\$0.05	\$0.05	\$3.16			
T	DEKALB 22-52	43.5	10.5	18.4	36.3	\$0.00	\$0.00	\$0.00	\$0.00			
T	Wensman 2195	60.0	10.1	19	35.5	\$0.00	\$0.06	\$0.06	\$3.60			
T	Croplan RC 2020	62.1	10.1	18.8	35.8	\$0.00	\$0.06	\$0.06	\$3.73			
	Dairyland DSR 1701	54.2	10	18.2	36.8	\$0.00	\$0.00	\$0.00	\$0.00			
T	NK S17-A1	62.5	9.9	18.4	36.4	\$0.00	\$0.00	\$0.00	\$0.00			
T	STINE 1932-4	66.4	10.2	18.7	35.8	\$0.00	\$0.06	\$0.06	\$3.98			
	GOLDEN HARVEST H1604	61.0	10.5	18.8	36	\$0.00	\$0.07	\$0.07	\$4.27			
T	Garst 2251	60.2	10.8	18.2	36.5	\$0.00	\$0.00	\$0.00	\$0.00			
T	PIONEER 92M30	60.0	10.1	18.1	36.3	\$0.00	\$0.00	\$0.00	\$0.00			
	GOLD COUNTRY 1718NRR	63.4	10.5	18.5	36.1	\$0.00	\$0.07	\$0.07	\$4.44			
	Dynagrow 33X19	62.4	10.4	19.2	35.2	\$0.00	\$0.05	\$0.05	\$3.12			
	Mycogen 5N152	60.9	10.4	18.8	36.4	\$0.00	\$0.07	\$0.07	\$4.26			
	Kruger K188	65.0	10.4	19.5	34.6	\$0.05	\$0.00	\$0.05	\$3.25			
T	Asgrow 2107	63.7	10.3	19.1	35.6	\$0.00	\$0.06	\$0.06	\$3.82			
T	Wensman 2172	62.1	10.4	19.6	34.4	\$0.06	\$0.00	\$0.06	\$3.73			
T	Croplan RC 1820	63.1	10.4	19.9	34.2	\$0.00	\$0.00	\$0.00	\$0.00			
	MYCOGEN(Check) 5N203	66.7	10.5	20	33.8	\$0.00	\$0.00	\$0.00	\$0.00			
W												
		61.5		18.8	35.7							
	T = DENOTES SEED TREATMENT											



Producers patiently wait to unload at the Brewster plant while a pile which eventually held 1,400,000 bushels inexorably grows in the background.

MnSP Bean Harvest Flows Smoothly

Bean harvest at MnSP went very well this year. The flow of trucks through bean receiving went smoothly without much waiting time. Harvest is a time when soybeans are received at a fast pace and MnSP's goal is

to satisfy our customers by keeping the traffic moving through the system. We appreciate the patience of all customers during this time.

MnSP Ends Fiscal Year 2006; Net Edges Past \$5 Million

After a rough start, MnSP ended fiscal year 2006 with net income of just over \$5.0 million. Management and the auditors are now working to finalize these results. The favorable performance resulted from total sales of \$249.6 million with soybean meal and hulls comprising \$132.8 million or 53%. Crude and refined oil and biodiesel sales were \$55.9 million (22%) and \$59.0 million (24%) respectively. Other product sales of \$1.9 million represented just under 1% of total sales. Cost of goods sold consumed \$217.0 million (87%) of total sales with the majority of that coming from or related to the purchase of soybeans.

Gross profit of \$32.6 million was used for production expenses which were \$25.2 million and administrative expenses which were \$2.8 million. The remaining operating profit of \$4.6 million added to miscellaneous income of \$0.4 million brings us approximately \$5.0 million in net income. Despite this success, the Board does not anticipate a distribution on the near future as bank covenants need to be satisfied and prior years' losses need to be erased first.

Soybean harvest lasted about two weeks at the facility. We received about 4,000,000 bushels of beans during that time of which 1.4 million bushels were put on the pile. An average of 455 trucks was dumped per day during a five-day period with 489 trucks being the most dumped in one day.

Crushing of new crop soybeans is always a challenge during the first weeks of harvest due to varying moistures and tempering of the soybeans. The crush plant has made adjustments within the system and continues to fine-tune the process for this year's soybeans.

MnSP associates have done a great job during harvest time, keeping the operations moving forward to accommodate our customers. Many man hours and receiving beans 24 hours a day are required to have a smooth harvest.

Thank you to all of our members, customers, and associates for a great harvest.

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

MnSP Biodiesel Gains BQ 9000 Accreditation

On Friday, Nov. 3, MnSP became an accredited producer of biodiesel through the BQ 9000 program of the National Biodiesel Accreditation Commission.

The BQ 9000 program involved the National Biodiesel Board initiating a voluntary BQ 9000 Accreditation program. This certification was established to ensure that quality systems are in place for storage, sampling, testing, shipping, and fuel management practices. This assures the customer that producers having BQ 9000 accreditation maintain the systems in place to produce a quality product on a continuous basis.

The accreditation process for MnSP began with an application review at the start of the biodiesel facility during August 2005. The months following the application, the structure was developed to meet the BQ 9000 requirements. A quality manual was developed that was approved in September of 2006, and an on-site inspection audit by an independent auditor was completed

in October 2006. The audit was then reviewed by the National Biodiesel Board and accreditation was issued in November 2006.

The time and efforts of the MnSP associate team created the successful completion of the BQ 9000 program. From the development of the program, a MnSP BQ 9000 Quality Statement was initiated as follows:

We at MnSP are committed to: Produce the best quality products that meet or exceed our customers' and biodiesel industry standards.

This is a statement that MnSP associates are proud to commit to on a daily basis. This commitment will contribute to a satisfied customer base and, with the BQ 9000 accreditation, will add value for the members of MnSP.

2006 Pool Fee Assessment Invoices Mailed to Members

As set forth in the Uniform Marketing and Delivery Agreement ("Agreement"), pool fee invoices were recently sent out to all owners of Class A Preferred Stock who did not fully meet their delivery requirement for fiscal year 2006. Under Section 2 of the Agreement, MnSP has the authority to assess pool fees to any member who did not fully meet their delivery requirement. The invoice represents a prorated portion of the estimated cost necessary to procure beans on behalf of those who did not deliver. The pool fee for 2006 was \$0.02 per bushel and the delivery requirement was 1.8 bushels per capital unit owned. An investor who owns 5,000 shares would have a delivery requirement of 9,000 bushels (5,000 shares × 1.8 bushels per share) and a pool fee of \$180 (9,000 bushels × \$0.02 per bushel). If you have not already paid your pool fees, please do so soon to avoid finance charges. In the past, the Board of Directors has authorized finance charges be assessed on the unpaid balance of pool fees and, in some cases, these charges continue to accrue.

In addition to the finance charges, **failure to pay pool fees in accordance with the Uniform Marketing and Delivery Agreement could result in the termination of your membership in MnSP.** Section 1.02 (b) of the Bylaws states (in part): *"Membership in this cooperative may be terminated by the Board of Directors in their discretion if the Board of Directors determines that a member has... failed to patronize this cooperative for a period of one year or more."* Non-payment of pool fees is considered a failure to patronize.

Case IH Engines Now Made to Use B20, B5 Biodiesel

Case IH is the latest equipment manufacturer to announce its support for B20, a blend of 20% biodiesel and 80% diesel. The company announced Nov. 16 that customers can use B20 in most Case IH engines and B5 (5% biodiesel) in all Case IH engines. In addition, Case IH uses biodiesel blends as the factory fill in most cases.

"One hundred percent factory fill of a biodiesel blend is a logical next step in the process of embracing biodiesel," said Randy Baker, president of Case IH North America. "Adding to demand for soybeans while producing the crop is the type of strategy our customers like to pursue," Baker said. "It's good environmental stewardship and good business."

Case IH agricultural equipment fully supports use of B5 blends on all engines it manufactures. B20 is approved for use in all Case IH engines other than common rail. In addition, field testing is being conducted to determine performance levels of blends up to 100% biodiesel as part of a program to ensure maximum productivity and engine durability.

MnSP Board Resumes Stock Trading

During the regular September board meeting, the MnSP Board of Directors approved the resumption of trading of Class A shares effective immediately. This newsletter contains the first matched transactions (trades) since trading was suspended last April. As stated in the trading rules, the bids on these matched transactions can be increased by other MnSP members until Friday, Dec. 15. The trade transactions would be effective on the date of board meeting which is Monday, Dec. 18. Please refer to the trading rules if you have questions.

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 Feb. 20, 2006 sold at \$2.54 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, Dec. 15, 2006.**

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>
042		6,000 @ \$2.50	044	7,000 @ \$1.75	
043		2,500 @ 2.95	045	6,000 @ 2.13	

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 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.
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, 2007.

Signed

Printed Name

Address

Phone

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



Minnesota Soybean Processors

P.O. Box 100
Brewster, MN 56119-0100

PRESORTED
First Class
US Postage
PAID
Permit #1209
Sioux Falls, SD



Biodiesel Industry Determined to Deliver Quality

(Continued from Page 1)

response by the industry, anxious to dispel rumors and get biodiesel back on track.

Minnesota's biodiesel plants, the Minnesota Biodiesel Council and the National Biodiesel Board (NBB) worked together with Minnesota government agencies, universities, petroleum industry representatives, and end users to try to identify the source of the problem so that solutions could be implemented.

While the exact cause of each filter clogging case may never be truly known, this period of time cemented the industry's determination to produce only in-spec, high quality fuel. Plants began the process of becoming BQ 9000 certified and biodiesel was soon on the road again.

The news has been good ever since. This summer when crude oil prices hit \$70 per barrel, diesel fuel prices went through the roof and biodiesel soared.

By the latest estimates from the National Biodiesel Board, U.S. biodiesel sales could soon hit over 250 million gallons, up from 75 million just a year ago. This skyrocketing demand has also spurred a dramatic increase in production nationwide—now estimated to reach over a BILLION-and-a-half gallons by early 2007.

With the rapidly expanding production, the issue of quality in the marketplace has escalated as well. Over the last couple of years the NBB has worked diligently

to implement programs and policies to ensure the U.S. biodiesel supply remain the highest quality.

In 2005 the NBB passed a Fuel Quality Policy that laid out how the industry would deal with issues of quality. NBB continues to work with the Internal Revenue Service and individual states to adopt and enforce the D6751 ASTM specification for biodiesel. NBB also is urging all biodiesel producers to become BQW 9000 certified and all marketers to become BQ 9000 Certified Marketers.

In February 2006, four companies had BQ-9000 accreditation. Today there are 17 accredited producers and certified marketers, representing more than 40% of the biodiesel production capacity on the market. MnSP has successfully completed the BQ-9000 program and on Nov. 3, 2006, received notice that we are now a BQ 9000 Accredited Producer. Another 10 companies are expected to be accredited by the end of the year.

As for the status of B2 in Minnesota, over the past number of months we have continued to meet with the Minnesota Department of Commerce, petroleum pipelines, petroleum refiners, fuel distributors and end users to insure that today's biodiesel continues to integrate seamlessly into Minnesota's diesel fuel pool. Consistent monitoring of biodiesel—from production facility to blender to end user—will ensure that only the highest quality biodiesel is entering the Minnesota marketplace. This is truly a testament to our commitment to producing only the highest quality biodiesel.

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