



# THE BEAN COUNTER

121 Zeh Ave., PO Box 100  
Brewster, MN 56119-0100

March 2017

It's hard to believe that another year has gone by with another annual meeting in March, and I have completed a year as your president. We have had all kinds of records set bean yields, corn yields (personal, county, state, and national), and MnSP's new plant records (beans crushed, meal and oil manufactured, biodiesel produced, rail cars loaded, and trains shipped.) A BIG THANK YOU goes out to ALL employees and customers involved. A JOB WELL DONE!

This has been a benchmark year for MnSP. The total dividends paid exceed the original investment raised to build MnSP. In fact, it is \$4,000,000 over the original investment. These dividends have brought a strong value to your shares as well as a strong, active market for the shares.

The board has assembled a very strong management and marketing team and you members are receiving the benefits of their efforts and successes. We have come a very long way from the first meeting at a member's home in April, 1999. Now with these successes we are taking the next step to expand the company to grow your dividends and share values. We will be bringing you more details March 18, 2017 at the annual meeting held in Worthington, MN at the Event Center.

Come join us for lunch and pick up your dividend check. Hope to see you there.

***Bruce Hill, Board President***

Hello again from Brewster. As we end another quarter and year, we can look back at a very eventful 2016. The fourth quarter financial performance was less than expected but operationally the plant performed very well. There were a few key management changes in the staff, the most important of which was hiring our new Plant Manager; Kent Meyers. Kent comes to us by way of AGP, CHS and Bueller. He is an excellent leader and knows our industry well. Kent started in December of 2016. He will be at this year's Annual Meeting and you will have the opportunity to meet him in person.

Many of you saw our announcement on February 7th, of our intention to build a new processing facility in Spiritwood, ND. This plant will be the first dedicated soybean crush facility of its kind in ND and will produce meal, food grade oil and biodiesel. This announcement was the culmination of a year of market research and financial analysis. We are very near completion with plant engineering and design and are progressing rapidly with permitting. We plan to discuss this project in detail during the Annual Meeting this year. Speaking of the Annual Meeting, there are some changes there too. First, we will be at the Worthington Event Center Grand Ballroom at 1447 Prairie Dr., Worthington, MN. The meeting will be on Saturday March 18th, starting at 11:30 AM. The meeting notices were mailed out the week of February 6th. If you didn't receive a notice, please let us know. Besides discussing the new plant and meeting Kent Meyers we will have an election for one District 5 director (Denis Slepikas is terming out), a complete review of the company's 2016 performance and of course, lunch. Please make every effort to attend.

Finally, we are very close to completing the C Share conversions, but we still need about half of our investors to return their Accreditation documents. Because of SEC rules this is required for us to have more than one type of share class and as an investor in MnSP you are required to complete this form when asked. To learn more and complete your Status of Accredited Investor Form please contact Kris Roades (507) 842-6715. The process is simple and can be completed quickly (we will have forms available at the Annual Meeting). Please remember, to complete this form you do not need to disclose any specific financial information and this information will be kept strictly confidential.

I hope to see all of you at the Annual Meeting, but if not, I wish you a safe and hassle free planting season and Spring.

***Scott Austin, General Manager***

Greetings to everyone at MNSP! As your new Plant Manager I must say how pleased I am to be a part of the company. My first two months have been spent learning about the operation and getting acquainted with the staff in all areas of the Brewster facility.

I do have a twenty-year background in the Soy Industry and have previously worked for AGP as a Process Coordinator in the Eagle Grove, Ia. Refinery, and at CHS Fairmont as the Production Manager and Plant Manager of the facility.

Currently, our staff has begun a new, facility wide, cross training initiative with the goal of all staff positions having additional employees qualified to perform all operational functions by the end of 2017. This initiative was undertaken in order to not only bolster Brewster operations but also to be prepared to assist and support the upcoming NDSP facility when the need arises.

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Furthermore, the management staff is immersed in the planning process preparing for the Annual Maintenance Outage for this year. Thoughtful planning by Department Managers and a high level of coordination will be needed by the entire staff to quantify, plan and execute both operating repairs and process improvements in order to ensure reliable and efficient operation of the facility for the next twelve months.

So far, we are off to a great start in 2017 with no injuries to report and a growing total of days without a lost time injury.

Numbers for the 4rd Quarter

Bushels Crushed	10.3 Million
Crush Capacity	98.7%
Pounds of Oil Refined	105.7 Million pounds
Biodiesel	9.7 million gallons

***Kent Meyers, Plant Manager***

#### Beans

Ten million, three hundred sixty-six thousand, three hundred and thirty three. That is the new record for bushels crushed in the fourth quarter, set this year at MNSP. This made it our second straight year breaking the ten million bushel mark, and October lead the way. We crushed 3,596,069 bu. in a 31 one day window, a record for any one individual month, which helped set a blistering pace for the quarter as a whole. Harvest 2016 was another bin-buster, great yields setting the table for almost 5,300 trucks we got in from our producers and customers in the month alone. It was a great way to end a pretty good marketing year. While beans clocked in at just \$8.70 on January 4th, we witnessed a spectacular rally into the summer months that saw futures top the charts in June at over twelve dollars. While we closed out the year at more pedestrian levels (\$10.03), overall the year 2016 left the soybean market in a much better place than it found it. Despite three massive crops in back-to-back-to-back years, growing demand has placed soybean producers, processors, and end users in a solid position.

#### Meal

The 2016/2017 USDA February Crop Supply and Demand report released positive demand news for our business. A growing demand for meat and egg products in the US and international markets supports MNSP long term fundamental growth projections. With positive growth projections for meat and egg production in the US, the domestic consumption for soybean meal has increased to 46,000,000 million tons in 16/17. The annual growth rate for meat and egg producers of 1 to 3 % a year will continue to support MNSP crushing operations. The international export demand for protein meal supports the global growth rate and demand for meat and egg products. The increasing international middle class population will require more meat and egg protein products. MNSP has been able to gain a market presence in the shipment of soybean meal and oil into export markets. The US will export 11,600,000 million tons of soybean meal in 16/17. With the continued support of your board to maintain and enhance the plants capabilities, MNSP will be able to access domestic and international feed markets.

#### Bio Fuel

The 16/17 growth projections for Soybean Oil based Bio Diesel has increase to 6.2 billion lbs. of soybean oil. MNSP had a very strong demand pull for fuel in the 4th Q of 2016. This has created and inventory supply carry over with customers into the 1st Q of 2017. The final Renewable Fuel Standards volume obligations set by the EPA has a 6 % increase for all Bio Fuels in 2017. MNSP's Bio Diesel products B 100 or B 99 are included in these EPA volume obligations for 2017. The total increase for 2017 for all Advanced Bio Fuels (MNSP Diesel) increased by 670,000,000 million gallons in 2017. The EPA can adjust these numbers in March. With our state and regional mandate and tax subsidies for Bio Diesel, we are optimistic about repeating similar operating rates for 2017 in comparison with 2016 rates. Your board's support of plant maintenance projects has enabled MNSP to produce quality fuel products.

#### Rail Logistics

4th quarter rail logistics went better than expected. With the large harvest it was expected that the rail road would be operating at full capacity which might slow movement of the trains but for the most part everything flowed well. We were able to ship 14 unit trains (1484 hoppers total) in the 4th quarter to various locations while also shipping 376 manifest hoppers and 368 tank cars as well. Closing out the 4th quarter brought its usual challenges with winter weather. However, the delays were minor and had minor impact on our rail traffic. Overall we were able to maximize our unit train capabilities and look to continue our success into the 1st quarter of 2017.

Looking back on the year we are proud of our accomplishments. We shipped 50 unit trains totaling 5,326 hoppers, 1,331 manifest hoppers, and 1,343 tank cars.

MnSP loaded, shipped and delivered 8,000 rail cars in 2016. This was a strong accomplishment by the Operations, Marketing and Support staff. We look to continue that efficiency and build on our 2016 performance to create more success in 2017.

***Rob Hofstra, Commercial Manager***

**Ican v. Buffet**

And just why are these two names showing up in this newsletter? Because Ican and Buffet are acting as the “canary in the mine”. Carl Ican, the billionaire investor, owns about 85% of CVR Energy an oil refiner located in Coffeyville, OK. Warren Buffet is the owner of the Burlington Northern Railroad. Ican is also President Trump’s informal advisor on “regulatory issues”. The stage is now set regarding how the Trump administration may treat and view the Renewable Fuel Standard.

Late last year, EPA turned down a petition by oil refiner Valero that asked EPA to move the “Point of Obligation”(PoO) down the petroleum distribution chain closer to the retail nozzle. EPA currently requires oil refiners such as CVR be responsible that the required volumes of renewable fuels are blended. Valero has been joined in their effort by CVR Energy, American Fuel and Petrochemical Manufactures, CountryMark, HollyFrontier, Monroe Energy, Phillips 66, Magellan and about 50 other small refiners and interested parties.

Parties opposed Valero’s effort include Marathon Petroleum, Murphy USA, Tesoro, American Petroleum Institute (“Big Oil”), the Association of American Railroads (of which the Burlington Northern is a member), Petroleum Marketers Association of America, Society of Independent Gasoline Marketers, National Association of Convenience Stores and others. Many of these entities – including the Burlington Northern - would become newly regulated under Valero’s PoO proposal.

Both Ican and Buffet have been highly outspoken regarding their individual position regarding the PoO. Ican is on record vigorously stating that the RFS should be abandoned. Buffet has come out nearly as strongly in supporting the RFS as drafted and enforced.

With comments being accepted by EPA as to why Valero’s petition should be accepted, the upcoming drama will focus how much of President Trump’s ear Ican really has since this is a regulatory issue. The response, if any, from President Trump and his administration will help define the Trump administration view of the RFS.

So far NBB and the biodiesel industry have remained out of the fight but continue to monitor the issue.

***Ron Marr, Director of Regulatory Affairs***

We have just finished the fourth quarter of 2016 and are showing profits of \$14.6 million for the year. Financially we performed better than we anticipated for this quarter. Both the crush side and biodiesel side of our business have been profitable in the fourth quarter. Our ability to continue to export our meal and crude oil to Mexico has allowed us to continue to be profitable in a tough market. The \$1 blender’s credit being reintroduced for 2016 has helped biodiesel demand and profitability to remain strong thru the fourth quarter. We paid a cash distribution of \$.61 per share to the members in March. To date we have paid back in cash \$1.67 per share or just over \$35.1 million to you the members of MNSP. If you have questions or concerns feel free to contact me anytime.

***Rob Carstensen, Accounting Manager***

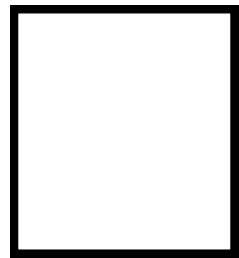
<b>MINNESOTA SOYBEAN PROCESSORS</b>			<b>MINNESOTA SOYBEAN PROCESSORS</b>		
<b>BALANCE SHEET (Unaudited)</b>			<b>STATEMENT OF OPERATIONS (Unaudited)</b>		
<b>December 31, 2016</b>			<b>FOR THE TWELVE MONTHS ENDED</b>		
			<b>December 30, 2016</b>		
<b>ASSETS</b>					
Current Assets			Net Revenues		
	Cash & Cash Equivalents	\$ 50		Cost of Revenues	\$ 444,510,442
	Cash Cobank Investment Acct	26,565,476		Selling, General & Administrative	424,324,543
	Accounts Receivable	25,292,822		OPERATING INCOME	6,520,577
	Inventories	19,485,832		OTHER INCOME (EXPENSE)	\$ 13,665,322
	Other Current Assets	5,023,373		Interest Expense	\$ (206,943)
	Total Current Assets	\$ 76,367,553		Other Income/(Expense)	1,220,287
Other Assets			TOTAL OTHER INCOME (EXPENSE)		
	Net Property Plant & Equip	\$ 48,740,819			\$ 1,013,344
	Investments	4,666,128		NET INCOME	\$ 14,678,666
	Net Financing Fees	-		Earnings Per Share	\$ 0.69
	Total Other Assets	\$ 53,406,947			
<b>TOTAL ASSETS</b>			<b>MINNESOTA SOYBEAN PROCESSORS</b>		
			<b>STATEMENT OF CASH FLOW (Unaudited)</b>		
<b>LIABILITIES</b>			<b>FOR THE TWELVE MONTHS ENDED</b>		
			<b>December 30, 2016</b>		
Current Liabilities			NET INCOME		
	Checks in Excess of Bank Balance	\$ 2,532,539		Items not requiring Working Capital	\$ 14,678,666
	Accounts Payable	23,715,938		Depreciation & Amortization	4,036,559
	Deferred Revenue	13,614,745		Cash Distributions Pd to Members	(12,983,771)
	Note Payable - Seasonal	-		Net Decrease in Assets/Liabilities	(13,145,910)
	Current Maturities of LT Debt	-		NET CASH PROVIDED BY OPERATIONS	\$ (7,414,456)
	Accrued Expenses	2,294,412			
	Total Current Liabilities	\$ 42,157,634		CASH USED BY INVESTING	\$ (2,715,710)
<b>STOCKHOLDERS EQUITY</b>					
Class A Preferred Units, nonvoting			Cash Provided (Used) by Financing		
	\$ .01 par value, 50,000,000 authorized			Short Term Financing	\$ 745,800
	21,284,870 issued & outstanding	\$ 212,849		Long Term Financing	-
Class B Preferred Units, nonvoting			Changes in Stockholders' Equity		
	\$ .01 par value, 10,000,000 authorized			CASH USED BY FINANCING	\$ 745,800
	0 issued & outstanding	-			
Common Units, voting, \$.01 par value			NET INCREASE(DECREASE) IN CASH		
	5,000 shares authorized				\$ (9,384,366)
	2,361 issued & outstanding	24		CASH AT BEGINNING OF PERIOD	\$ 35,949,892
	Additional paid-in Capital	40,832,390			
	Retained Earnings	46,571,603		CASH AT END OF PERIOD	\$ 26,565,526
<b>TOTAL STOCKHOLDERS' EQUITY</b>					
<b>TOTAL LIABILITIES &amp;</b>			<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>STOCKHOLDERS' EQUITY</b>			<b>Cash Paid for Interest</b>		
		\$ 129,774,500			\$ 206,943



Minnesota Soybean Processors

PO Box 100  
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Change Service Requested



### MnSP BOARD OF DIRECTORS

<b><u>DISTRICT 1</u></b>	<b><u>DISTRICT 2</u></b>	<b><u>DISTRICT 3</u></b>	<b><u>DISTRICT 4</u></b>	<b><u>DISTRICT 5</u></b>	<b><u>DISTRICT 6</u></b>	<b><u>DISTRICT 7</u></b>
Bruce Hill Worthington, MN 507-842-5402	John Hay Heron Lake, MN 507-793-2861	John Luepke Courtland, MN 507-359-2703	Tim Graber Hurley, SD 605-925-4689	Steven Hansen Clear Lake, SD 605-874-2313	Ed Smith West Concord, MN 507-527-2569	Bob Kirchner Brewster, MN 507-842-5592
Steffen Van Westen Reading, MN 507-478-4552	Darol Schmitz Brewster, MN 507-842-5413	Dale Hansen Morgan, MN 507-430-3367	Rick Moser Larchwood, IA 712-477-2881	Denis Slepikas Huron, SD 605-352-7684	Gary Dieterich Rudd, IA 641-832-7355	Russell Derickson Lamberton, MN 507-752-7992