



# THE BEAN COUNTER

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

November 2017

We have completed another harvest and 2017 is coming to end, our company is performing well and the board and I continue to look for ways to make your investment in MnSP better. During the last quarter the board and management team spent 8 weeks on the road raising equity for NDSP. We had some success but had to take a break during harvest. Starting in November we were back out meeting with potential investors and will do so through the first part of December. Our goal is to be to close the equity drive by March 31, 2018. Recently you received a letter requesting you to verify you accredited investor status, we need this to complete the C –Share conversion, please make sure that you fill out the form and return as soon as possible to the plant. If you have questions please contact Kris Roades-Savile at 507-842-6715.

Last year we had the most attended annual meeting in recent memory and would like to see even more of you in 2018, there will be more information this year on NDSP, Advonex and operations at MnSP. Mark your calendars now the 17th MnSP Annual Meeting will be held in Worthington, MN at the Worthington Event Center on March 17, 2018 at 11:30 AM.

Always remember that your Board of Directors' focus is on our shareholders. Until next time I want to wish all of you a Merry Christmas and a Happy New Year!

***Bruce Hill, Board President***

Hello again from Brewster, the third quarter was very good, by far the best this year, and sets MnSP up for a strong finish to 2017. So far in 2017 the markets have been sluggish, with meal and bean prices making for a difficult margin environment. The bright spot this year has been oil and biodiesel which have performed quite well. Overall, we have been very active in making changes to improve operations some of those change have come in the form of capital improvements and some in changes to procedures and processes. The most important factor has been the change in Operations and Maintenance leadership, while some of these changes were difficult MnSP has to continually evolve and move forward to remain successful.

As we look forward into the 4th quarter of 2017 and into 2018 we are moving toward finalizing all of the engineering, utility and site contracts for NDSP as well as completing our equity drive. We have been negotiating with several prospective partners who have the potential to make this project extremely successful. We hope to have more information and details in the next 60 days. Rest assured that we continue to find ever more opportunities and value in a North Dakota soybean plant.

Many of you will remember our investment in 2016 in Advonex International, while we haven't had much news the first half of 2017, the last three months have been very eventful! Advonex moved to the pilot plant site in Brockville, Ontario, Canada in September and we have begun the engineering and design of the pilot plant just this November. This is the final step to getting their products produced for full scale testing and ready for commercialization. In addition Advonex continues to develop their process and have begun testing several new bio based products made from your soybeans. Our goal is to have the main base oil product ready for full scale production in 2021.

The financials this last quarter are far more pleasing than in in Q2, so hopefully that will make your holiday season a little brighter. From all reports it looks like this year's harvest was a little better than expected for soybeans and corn was really good. I hope this was true for all of you as well. As we close out a tough but good year my wish is that all of you have time to recover from harvest and spend the holiday season with family and friends. Have a joyous holiday season and a Happy New Year and we'll talk to you again in

February!

***Scott Austin, General Manager***

Production during the third quarter was excellent in both quality and quantity. We did not have any safety or regulatory issues.

The facility emerged from the annual shutdown in good shape and ready for summer operation. The project upgrades installed in May allowed for greater through put through the crush plant as well as little or no effect on the operation during the hot and humid stretches in July and August. As a result of more bushels coming into the front of the operation our loading facilities were tasked with an ever greater number of daily vessels to load. More of our total product output was loaded onto trucks overall causing an overall decrease in rail shipments for this quarter of 2017 when compared to 2016. All of the employees in all of the production areas have done a great job keeping the plant operating smoothly this quarter. They are a huge part of producing the increased product volumes for 2017 as well as maintaining the quality standards our customers demand.

Production figures for the third quarter (See Page 2):

	2016	2017
Bushels Crushed	9.7 Million Bushels	9.9 Million Bushels
Crush Capacity	95.5%	97.6%
Lbs. of Oil Refined	84.5 Million pounds	100.5 Million pounds
Biodiesel	9.8 Million Gallons	10.1 Million Gallons
Unit Trains Loaded	12	17
Total Railcars Loaded	2,015	1,838

***Kent Meyers, Plant Manager***

#### Soybeans:

The Third Quarter was once again, as it always is this time of year, all about transitioning from the Old Crop to New Crop. A lot of attention is placed on planted acres and crop condition as well as trying to adjust and determine the soybean and corn carryout. At this time the USDA had the carryout of soybeans at over 400 million bushels and despite soybean planting being behind schedule in many areas of the U.S., it was too early to speculate on yield loss or increased prevent planting acreage. The large increase in planted acreage hung over soybean prices for the rest of the summer and focused the attention to soybean crop conditions and the weather's impact on yields. All of this uncertainty with a large carryout and increased planting acres kept CBOT prices at less than attractive levels. Couple this with at least a dime carry in the market provided little incentive for the producer to sell. MnSP had to adjust basis levels much higher than what would have been expected with a large supply to get beans to move. This tightening of the basis was a strain on the margin and profitability in Q3.

#### Meal:

Meal demand continued to be solid in the third quarter. Although our business was somewhat driven in Q3 by Oil values the demand for protein remained strong. MnSP crushed at a record pace and shipped out 12 Unit Trains and over 210,000 tons of meal in the quarter. The basis levels, however were at historically low levels not keeping balance with the tightening of the bean basis. This was somewhat anticipated as Oil carried more of the value.

#### Soybean Oil:

Crude soybean Oil and RB oil was one of the positive legs of the soy complex. Q3. Stocks of crude soy continued to be tight as processors took annual downtimes and or slowed crush rates due to a tight margin environment. As a result processors looked to third party providers to meet their edible feedstock or Biodiesel feedstock requirements. This kept the Crude Oil basis at or above CBOT delivery values providing for significant demand and margin support for our business. This allowed MnSP to take advantage of our storage tanks and leverage our third party Crude and RB sales.

#### Biodiesel:

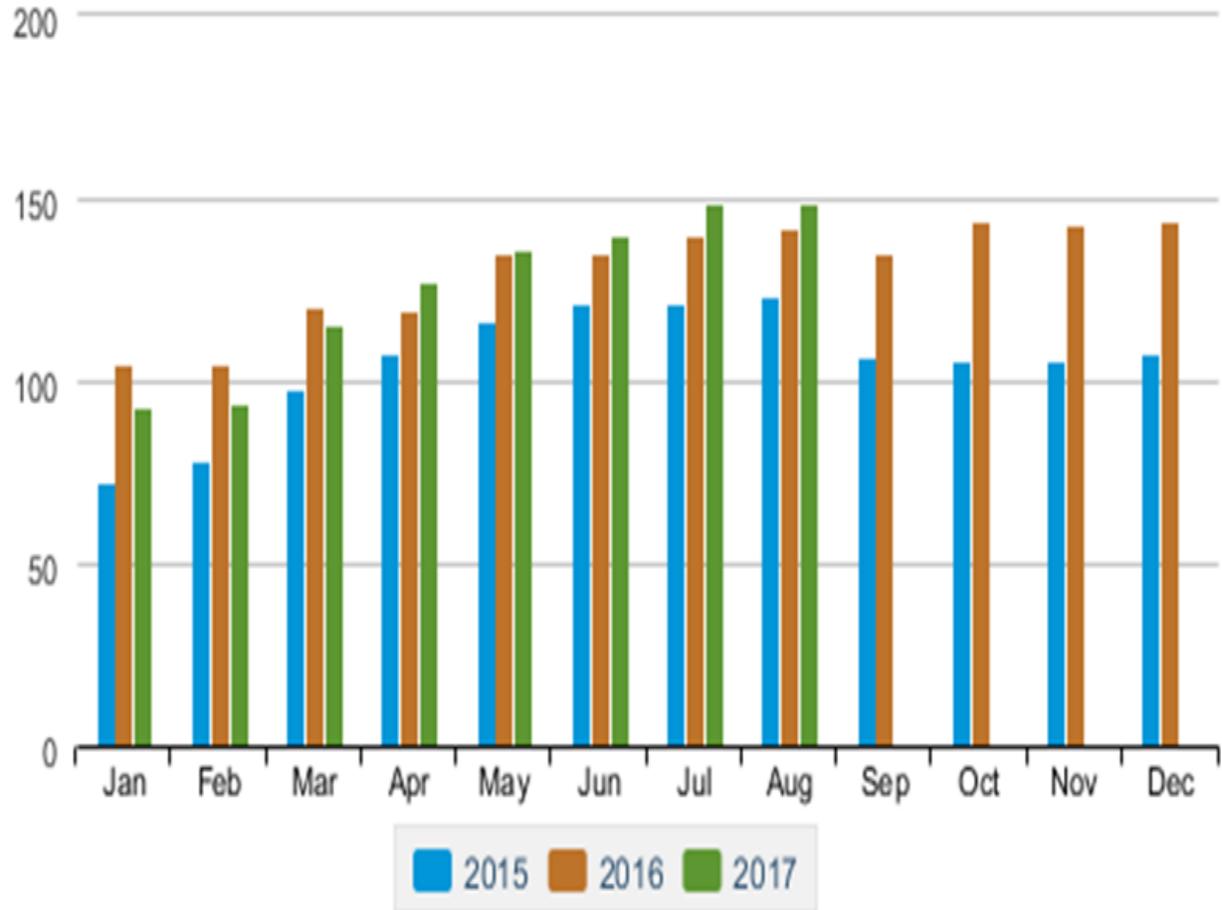
The quarter was dominated by discussions surrounding the Biodiesel Import case against Argentina and Indonesia unfairly subsidizing exports into the US. It also featured the RFS proposals and potential volume requirement increases for renewable fuels. Overall Biodiesel was supported by improved confidence in Biodiesel increasing demand and supporting our combined businesses.

#### Summary:

The third Quarter 2017 was overall challenging and certainly not as positive as we would have liked, it was still comparatively a solid performance. Supported by Soybean Oil, Biodiesel and good board crush we managed a reasonably successful quarter and are optimistic about the 4<sup>th</sup> quarter and completing a successful 2017. As we look to 2018 The ending stocks for 17/18 will be the primary business driver for MnSP. Corn carry out is projected to be 2,340 billion bu. for 17/18 up from 2,295 billion bu. in 16/17. The soybean ending stocks for 17/18 is projected to be 430 million bu. up from 301 million bu. in 16/17. Commercial and farm storage will be in high demand. Domestic soybean meal demand has increased to 34.2 million tons compared to 33.3 million tons in 16/17. US export meal has increased to 12.2 million tons compared to 11.65 million tons in 16/17. The 17/18 demand year for soybean oil converted to Bio Diesel grows to 7 Billion lbs. from 6.2 billion lbs. in 16/17. This will create an ending stocks issue that will support higher Soybean Oil prices. The ending stocks for soybean Oil decreases to 1.537 billion lbs. from 1.632 billion lbs. in 16/17. Due to legal issues surrounding tariffs and trade disputes, imported Bio Diesel will be limited in 17/18. This will support higher operating rates for US produced Bio Diesel. (See Chart on Page 3)

## U. S. monthly biodiesel production 2015 - 2017

million gallons



U.S. Energy Information Administration, Form EIA-22M Biodiesel Monthly Survey.

*Rob Hofstra, Commercial Merchandiser*

Living in the Midwest you already know that renewable fuel issues are red hot since July's EPA proposed 2018 and 2019 renewable fuels blending volumes. EPA proposed a 2019 biodiesel blending volume of 2.1 billion gallons ignoring the fact that in 2016 the biodiesel industry refined 2.6 billion gallons and that EPA already had finalized a paltry 2018 biodiesel volume of 2.1 billion gallons.

EPA then piled on with an October 4 publication called "Notice of Data Availability" (No Dah) which asked for comments about reducing the already established 2018 biodiesel blending volume and a further reduction of 2019 biodiesel blending volumes.

It was plainly visible where the NODA was coming from. Several footnotes in the NODA referenced meetings with the American Petroleum Institute and some independent refiners. The new EPA administrator, Scott Pruitt, formerly a state attorney general from oil country, had previously sued EPA on behalf of oil producers.

Because it was blatantly apparent that politics was behind the NODA, politics would be needed to kill the NODA. About 30 U.S. Senators signed a letter to the EPA administrator demanding EPA reconsider their NODA. And enough grassroots pressure was placed on the White House reminding the President of his campaign promise to support renewable fuels that the EPA administrator got word (orders?) to temper his support of NODA; we will know the results shortly as EPA continues to state they will have final 2018 and 2019 biodiesel blending volumes published by the end of November.

Another issue of importance to MnSP has been the depression of biodiesel prices resulting from unfairly subsidized biodiesel imports from Argentina and Indonesia. A group of about 15 biodiesel refiners, including MnSP, initiated a trade action with the U.S. Department of Commerce asking for remedy from unfair trade. As of this writing, Commerce has authorized a tariff of approximately 70% of the price of product coming from these two countries. Further positive action is expected around the end of this year

***Ron Marr, Director of Marketing Affairs***

We have just finished the third quarter of 2017 and are showing profits of \$5.4 million for the year. Financially we performed well in the 3<sup>rd</sup> quarter making \$4.4 million of net income. Margins on the crush continue to be very tight. Margins on the biodiesel side of the business were better and account for the majority of the net income generated to this point. 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. In September we paid out \$130 thousand for the quality premium and \$117 thousand for the member delivery premium. We paid a cash distribution of \$.34 per share to the members in March 2017 which was \$7.23 million. In total we have paid back in cash \$42.4 million or \$2.01 per share 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>September 30, 2017</b>			<b>FOR THE SIX MONTHS ENDED</b>		
			<b>September 30, 2017</b>		
<b>ASSETS</b>					
Current Assets			Net Revenues		
Cash & Cash Equivalents	\$	50	Cost of Revenues		\$ 329,461,737
Cash Cobank Investment Acct		-	Selling, General & Administrative		321,276,694
Accounts Receivable		18,406,929	OPERATING INCOME		3,914,050
Inventories		30,394,886	OTHER INCOME (EXPENSE)		\$ 4,270,993
Other Current Assets		2,726,369	Interest Expense		\$ (105,117)
Total Current Assets	\$	51,528,234	Other Income/(Expense)		1,201,480
Other Assets			TOTAL OTHER INCOME (EXPENSE)		
Net Property Plant & Equip	\$	47,090,564			
Investments		10,708,764	NET INCOME		\$ 5,367,356
Net Financing Fees		-	Earnings Per Share		\$ 0.25
Total Other Assets	\$	57,799,328			
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>109,327,562</b>	<b>MINNESOTA SOYBEAN PROCESSORS</b>		
			<b>STATEMENT OF CASH FLOW (Unaudited)</b>		
<b>LIABILITIES</b>			<b>FOR THE SIX MONTHS ENDED</b>		
Current Liabilities			<b>September 30, 2017</b>		
Checks in Excess of Bank Balance	\$	3,018,297	NET INCOME		
Accounts Payable		11,232,665	\$ 5,367,356		
Deferred Revenue		6,786,867	Items not requiring Working Capital		
Note Payable - Seasonal		1,071,712	Depreciation & Amortization		3,108,710
Current Maturities of LT Debt		-	Cash Distributions Pd to Members		(7,236,856)
Accrued Expenses		1,499,705	Net Decrease in Assets/Liabilities		(21,832,015)
Total Current Liabilities	\$	23,609,246	NET CASH PROVIDED BY OPERATIONS		\$ (20,592,805)
			CASH USED BY INVESTING		
			\$ (7,501,090)		
<b>STOCKHOLDERS EQUITY</b>					
Class A Preferred Units, nonvoting			Cash Provided (Used) by Financing		
\$.01 par value, 50,000,000 authorized			Short Term Financing		
21,275,370 issued & outstanding			\$		1,557,469
					-
Class B Preferred Units, nonvoting,			Changes in Stockholders' Equity		
\$.01 par value, 10,000,000 authorized			CASH USED BY FINANCING		
0 issued & outstanding					\$ 1,528,419
Common Units, voting, \$.01 par value			NET INCREASE(DECREASE) IN CASH		
5,000 shares authorized			\$ (26,565,476)		
2,361 issued & outstanding			CASH AT BEGINNING OF PERIOD		
					\$ 26,565,526
Additional paid-in Capital			CASH AT END OF PERIOD		
Retained Earnings					\$ 50
<b>TOTAL STOCKHOLDERS' EQUITY</b>					
<b>\$ 85,718,316</b>					
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>\$ 109,327,562</b>			Cash Paid for Interest		
			<b>\$ 105,117</b>		

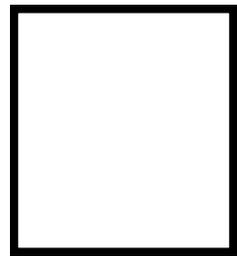
The Estate Buyback price is set at \$2.90 per Class A unit for 3rd Quarter 2017. Estates must apply for this program within nine months of a shareholder's date of death to be eligible. Please call 507-842-6715 for more details.



Minnesota Soybean Processors

PO Box 100  
Brewster, MN 56119-0100

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	Edward Verhelst Huron, SD 605-352-5564	Gary Dieterich Rudd, IA 641-832-7355	Russell Derickson Lamberton, MN 507-752-7992