



# THE BEAN COUNTER

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Minnesota Soybean Processors

May 2016  
[www.mnsoy.com](http://www.mnsoy.com)

## 1st Quarter 2016 MnSP Newsletter

I would personally like to thank Michael Zins for his time and service to MnSP over the past nine years, and the three very successful years he served as president.

We had a good annual meeting and would like to thank those of you that came and showed interest in your company. The board of directors is very happy with management and the commercial department and the job they did for profitability this past year. We returned 75% of taxable profits for 2015 in cash to the members.

The board of directors is looking forward to a successful 2016. We have many things going for MnSP

A very high quality workforce and talented and experienced management and commercial team

Additional oil storage was built in 2015 which gives the commercial department more opportunity to price soybean oil.

Altranex, a new company, MnSP has invested in which will produce base oil – from soybean oil

MnSP is analyzing options to increase the crush.

As our membership ages, we have developed another class of shares called “C” Shares for those individuals not actively farming. We will be holding membership meetings at various locations. The dates and times of these meetings will be announced later. I hope to see many of you at these meetings.

We welcome Steffen VanWesten back to the board. He was a founder of MnSP and was instrumental in the initial equity drives.

Reorganization of the board takes place the first meeting after the annual meeting. The election of officers is as follows: Bruce Hill President, John Hay Vice President, John Luepke Secretary, and Robert Kirchner Treasurer. Tim Graber is our representative on the National Biodiesel Board.

***Bruce Hill, Board President***

Hello again from Brewster, I hope everyone is getting ready for Spring and the planting season. Our 1st quarter was somewhat of a mixed bag, we had excellent production results but as soybeans lost value much of the quarter so did our products. We also suffered through a delivery of soybeans that contained ruminant bone meal. This product got into our receiving system and caused some operational issues and some extensive clean-up. We were able to isolate the beans to one bin and after several months of work we will be able to properly dispose of these beans and prevent them from causing any further issues.

Even with all these challenges the plant has been able to operate profitably all year and the market seems to be rebounding as commodities across the board are moving higher. We ended the quarter with over \$2.2MM in net profit.

On January 19, 2016 we announced MnSP's investment in Altranex; a Canadian based, technology company that has patented a process for converting crude soybean (and other vegetable oils) into pure hydrocarbon base oils. These oils can be used to produce many types of lubricating and motor oils. Our investment of \$3MM will represent a 20% ownership of the company and specific rights for board representation, licensing of plants using soybean oil and marketing rights for the two main co-products (renewable diesel and glycerin). Over the next three years we will work to build a pilot plant and commercialize the base oil, with full scale production beginning in 2020.

MnSP continue to expand its market presence as we have starting marketing commodities for some of our current business customers beyond what we produce here at the plant. We have opened a small office in Omaha, NE to take advantage of the large Ag related market there. We are in negotiations with our partners in Mexico to source and supply, corn, DDG's and other commodities as well as our soybean meal and oil.

Additionally, we are working with a group of investors in northern Minnesota and North Dakota to determine the feasibility of a soybean crush facility in that area. We have had very productive talks with the state of North Dakota and the marketing opportunities for a plant there are very promising. We'll have more to share on that next quarter.

Finally, we are working on setting up information meetings for converting some of our A-share members to C-shares, all of you should have received a letter explaining this in your distribution check in March. We will be mailing out the time and place for these meetings in the next couple of weeks.

I do want to apologize for missing this year's Annual Meeting; I don't have many opportunities to see investors and it was difficult to miss that one. As always if there are any questions please don't hesitate to call 507-842-6696. I hope you all have a safe and trouble free planting season and Spring.

***Scott Austin, General Manager***

We have just finished the first quarter of 2016 and are showing profits of \$2.2 million for the year. Financially we performed better than anticipated this quarter. Both the crush side and biodiesel side of our business have been profitable in the first 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. 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***

**Monthly Production**

9,001,836 bushel crushed

71,091,233 lbs. RB produced 11% shipped, 89% used for Biodiesel

8,680,082 gallons Biodiesel produced 60% shipped by rail, 40% by truck Set a new monthly production record in March of 3,262,866 gallons

13 Unit trains were loaded for the first quarter of 2016, 79 total have been shipped since the track expansion.

We had excellent crushing yields, especially oil at 11.91 lbs. per bushel.

**Project Update:**

We can now load soapstock onto rail cars, enabling us to reach new markets.

Our new crude oil storage tanks were put into service, as was the new glycerin tank, giving us improved agility with logistics and added revenue with the ability to register more oil with the CBOT. Final details on the tank project include some ground work, concrete pads and painting and should finish up in June.

We had the unfortunate experience on 1/6 of receiving a load of beans contaminated with ruminant bone meal and have been working with the Minnesota Department of Ag and FDA to resolve and execute the removal/cleanup plan. Our efforts have spanned the entire first quarter and will likely not conclude until early June.

Work continues on the interior of the new Mobile Equipment Bldg.

***Wayne Faulkner, Plant Manager***

2016 Q1 started us off with challenges. We ushered in 2016 with a bumper soybean crop resulting in depressed CBOT prices. Link that with a strong US dollar fueling weak export demand leaving the US producer looking for answers. While the producer searched for support holding onto his grain the processors had to do the work with basis to entice selling. Concurrently, a flat domestic meal demand and lack of any real export pull on products suppressed processing margins. However, along with challenges always come opportunity. The one bright spot was Biodiesel and Soybean oil. A defined Bio Diesel Blenders Credit of a \$ 1 published at the beginning of 2016 drove Bio Diesel into the US fuel supply chain. Additionally, our ability to build inventory and sell crude Soy Oil to Chicago at a favorable basis permitted us to maintain a modest margin. Looking forward we are optimistic as we see a large carryout on soybeans and a narrowing window of opportunity for the producer to market. This will pressure bean movement as we get into Q3 and Q4 allowing for some appealing basis levels and attractive soybean processing profit margins.

***Rob Hofstra, Commercial Manager***

**MINNESOTA SOYBEAN PROCESSORS  
BALANCE SHEET (Unaudited)  
March 31, 2016**

**ASSETS**

Current Assets	
Cash & Cash Equivalents	\$ 50
Cash Cobank Investment	5,177,744
Accounts Receivable	9,378,989
Inventories	28,665,912
Other Current Assets	2,124,556
Total Current As-	<u>\$ 45,347,251</u>
Other Assets	
Net Property Plant & Equip	\$ 50,363,152
Investments	5,031,873
Net Financing Fees	-
Total Other Assets	<u>\$ 55,395,025</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 100,742,276</b></u>

**LIABILITIES**

Current Liabilities	
Checks in Excess of Bank Balance	\$ 11,244,109
Accounts Payable	4,140,969
Deferred Revenue	8,657,793
Note Payable - Seasonal	-
Current Maturities of LT	-
Accrued Expenses	1,492,679
Total Current Lia-	<u>\$ 25,535,550</u>

**STOCKHOLDERS EQUITY**

Class A Preferred Units, nonvoting \$.01 par value, 50,000,000 authorized	
21,284,870 issued &	\$ 212,849
Class B Preferred Units, nonvoting, \$.01 par value, 10,000,000 authorized	
0 issued & outstanding	-
Common Units, voting, \$.01 par val- 5,000 shares authorized	
2,371 issued & outstanding	24
Additional paid-in Capital	40,834,890
Retained Earnings	34,158,963
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u><b>\$ 75,206,726</b></u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<u><b>\$ 100,742,276</b></u>

**MINNESOTA SOYBEAN PROCESSORS  
STATEMENT OF OPERATIONS (Unaudited)  
FOR THE THREE MONTHS ENDED  
March 31, 2016**

Net Revenues	\$ 94,260,961
Cost of Revenues	90,392,006
Selling, General & Administrative	1,805,485
<b>OPERATING INCOME</b>	<u><b>\$ 2,063,470</b></u>
<b>OTHER INCOME (EXPENSE)</b>	
Interest Expense	\$ -
Other Income/(Expense)	202,558
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u><b>\$ 202,558</b></u>
<b>NET INCOME</b>	<u><b>\$ 2,266,028</b></u>
Earnings Per Share	\$ 0.11

**MINNESOTA SOYBEAN PROCESSORS  
STATEMENT OF CASH FLOW (Unaudited)  
FOR THE THREE MONTHS ENDED  
March 31, 2016**

<b>NET INCOME</b>	\$ 2,266,028
Items not requiring Working Capital	
Depreciation & Amortization	998,603
Cash Distributions Pd to Members	(12,984,021)
Net Decrease in Assets/Liabilities	(17,573,472)
<b>NET CASH PROVIDED BY OPERA- TIONS</b>	<u><b>\$ (27,292,862)</b></u>
<b>CASH USED BY INVESTING</b>	<u><b>\$ (3,479,236)</b></u>
Cash Provided (Used) by Financing	
Short Term Financing	\$ -
Long Term Financing	-
Changes in Stockholders' Equity	-
<b>CASH USED BY FINANCING</b>	<u><b>\$ -</b></u>
<b>NET INCREASE(DECREASE) IN CASH</b>	<u><b>\$ (30,772,098)</b></u>
<b>CASH AT BEGINNING OF PERIOD</b>	<u><b>\$ 35,949,892</b></u>
<b>CASH AT END OF PERIOD</b>	<u><b>\$ 5,177,794</b></u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid for Interest	\$ -



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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 641-220-7305	Russell Derickson Lamberton, MN 507-752-7992