

SD Beef Plant to Open after Years of Delays

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ABERDEEN, S.D. (AP) — A long-delayed South Dakota beef-processing plant given new life when Korean investors took over in 2009 is nearly set to begin operations more than six years after it was first proposed.

Land for the \$109 million Northern Beef Packers in Aberdeen was secured in 2006, but financial issues, lawsuits, local opposition, delinquent property taxes, flooding, an economic downturn and millions of dollars in liens have repeatedly pushed back the plant's opening date.

Now, with the sale of \$8.5 million in local tax-increment financing bonds, workers should be processing cattle from South Dakota and surrounding states as early as this spring, said Laure Swanson, Northern Beef Packers spokeswoman.

The 420,000-square foot facility on Aberdeen's south side will initially process about 200 cattle a day, eventually ramping up to 1,500 head per day from the Dakotas, Nebraska, Iowa, Minnesota. The plant currently has about 200 employees but the crew will jump to 650 at full operation.

Northern Beef Packers plans to use nearly all of each animal, producing both USDA certified meat cuts and the offal in high demand in foreign markets. An on-site rendering plant will open later.

Once a locally owned project, Northern Beef Packers is now 41 percent owned by businessman Oshik Song with 69 other Korean investors who each gave at least \$500,000 under the federal EB-5 program that encourages foreign investment in exchange for qualifications to secure permanent residency, Swanson said.

"There have been challenges with the plant, but things now look positive," said Joop Bollen, the executive director of the South Dakota Regional Center, part of the governor's Office of Economic Development.

Cattle at the plant will be knocked and shackled using Temple Grandin humane methods before machinery pulls the hides from the carcasses. The entire process from stockyard to "hot box" — where the carcasses, separated from the heads and offal, are chilled — will take about 35 minutes per head, Swanson said.

Northern Beef Packers began with homegrown roots. In 2006, Aberdeen livestock businessman Dennis Hellwig became its largest investor in response to then Gov. Mike Rounds' South Dakota Certified Beef initiative. Rounds hoped to get the state's ranchers premium prices by allowing consumers to track animals from birth, through a feedlot and to a meatpacking plant.

"We needed a processing center up in this part of the country because of all the

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cattle up here and all the feed up here," Hellwig said.

Initial financing plans called for Brown County to sell \$8.5 million in bonds to help pay for construction costs. But just as construction of the plant was about to begin, opponents forced a public referendum. Voters gave their thumbs up to the plan, but then heavy spring rains brought severe flooding, prompting more delays.

Northern Beef Packers meanwhile used EB-5 to attract investors and spur the start of construction, and concrete was poured for the roads and basement. Hellwig said the plant began building with "whatever funds it had."

But by 2008, the company began falling behind on its property taxes and mechanic's liens that eventually reached \$15 million started piling up. When the economic downturn dried up financing options, "that kind of hurt us," Hellwig said.

Hellwig said he stepped down as general partner when the Korean investors asked to buy out his shares so they could seek out more overseas investors.

"I thought well, 'If that's what it takes to get it financed and get it built, that'd be fine,'" he said.

The new owners recruited another round of EB-5 investors, but this investment fund provided loan money instead of equity shares in the company, Bollen said.

The latest delay stemmed from an October federal lawsuit filed by four Chinese investors who said the offering memo provided by the South Dakota Regional Center was incomplete, inaccurate and failed to disclose risks and financing difficulties. A counterclaim against Henry Zou and his consulting firm said he had adequate information and that he was trying to sabotage the project over commissions.

The suit and counterclaim were dismissed last week.

Northern Beef Packers also took out a short-term \$30 million private loan in lieu of the TIF bonds and financing from other state and federal sources.

After the plant starts processing cattle, the company will be able to tap into a state economic development finance authority of between \$5 million and \$10 million and a guaranteed loan of as much as \$20 million from the U.S. Department of Agriculture Rural Development.

Swanson said about \$3 million of the \$8.5 million in bonds were sold as of Monday, and the rest are committed. Once the money is in hand, the plant can complete construction, work toward its opening and pay off any remaining construction liens, she said.

Hellwig said he's glad that the idea of keeping the processing South Dakota cattle within the state is about to reach reality.

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"I know it's a project that's quite complicated and huge, but it's also a project that needs to get done for this part of the state," he said.

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