

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 3:30 p.m. on January 25, 1999, in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
 Gordon Self, Revisor of Statutes
 Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

 Patty Clark, Director of Agriculture Products Development Division, Department of Commerce and Housing

Others attending: SEE ATTACHED LIST

Chairperson Flower asked committee members to review the minutes of January 20. If there were corrections or additions, members were asked to contact the committee secretary before 10:00 a.m., January 26, or they will stand approved as presented.

Patty Clark, Director of Agriculture Products Development Division, Kansas Department of Commerce and Housing, presented the annual report on the activities of the division to the House Committee on Agriculture as required by statute. Ms. Clark introduced and commended the division staff. The mission statement of the division is to promote the development of value-added agricultural products and advance agricultural based economic and rural development. She said that in FY 1998 the Kansas Department of Commerce and Housing channeled 79.6 percent of their total revenue to local communities and businesses throughout the state. She highlighted the repayment of the bridge loan of \$171,000 by U.S. Premium Beef and the 21st Century Straw Procurement Cooperative as two major success stories. Samples of various value-added products were passed among the committee members.

Ms. Clark discussed the division's first statewide, state sponsored Value-Added Conference in Wichita in July and the "Farm to Fork" collaborative booth at the Kansas State Fair. She indicated that they need to review the *Kansas Connections* catalog as the return on investment was poor. However, she reported good results with the two new Travel Information Center gift shops in Olathe and Belle Plaine. She felt the first Kansas Showcase trade show held in conjunction with Kansas Farm Bureau's 1998 Annual Convention in Wichita was a good marketing opportunity in the Wichita area.

Ms. Clark provided the committee with information on various Agriculture Products Value-Added Center Projects, ag-related KEIEP/KEOIF Projects, ag-related Community Development Block Grant Loans, Private Activity Bond Allocations, agriculture-related training projects, and the Kansas Trade Show Assistance Program. She also provided clippings on agriculture-related issues from various agriculture journals and periodicals. (Attachment 1)

The meeting adjourned at 4:17 p.m. The next meeting is scheduled for January 27, 1999.

**Agriculture Products Development Division
Kansas Department of Commerce and Housing
Program Managers**

**Chris Williams
Program Manager - Agricultural Value Added Center**

Chris Williams received his BS and MS in Agricultural Economics from Kansas State University and has 15 years of experience in production agriculture having grown up on a central Kansas farm. Prior to coming to KDOC&H, Chris spent three years in the Ag Economics Department at KSU working on business management and financial analysis issues for Kansas agribusinesses. He has had over four years experience in business development, working with existing companies as well as start-up businesses.

**Lee Masenthin
Program Manager - Food and Feeds Program**

Lee graduated from Kansas State University with BS in Feed Science and Management . As a student he worked in the extrusion lab of the Department of Grain Science and served an internship with Pet-Ag, a company producing specialty feeds and pet products. Lee's previous work experience includes Quality Assurance program administration for both ConAgra and Tyson in the area of dry corn milling, tortilla and snack food manufacturing.

**Connie Fischer
Program Manager - Industrial Ag Program**

Connie Fischer received a BS in Agronomy from Kansas State University. As a student Connie was employed by US Geological Survey working in conjunction with the KSU River Valley Experiment Field in Topeka focusing on water quality issues extensively in the Delaware River Basin.

Prior to her current position, Connie has worked for the Dodge City Cooperative Exchange, ASCS, NCRS and most recently as manager of a certified seed and feed company.

*House Agriculture Committee
January 25, 1999
Attachment 1*

Jerry Dudley
Program Manager - International Marketing

Jerry graduated from Kansas State University with a BS in Animal Science and worked as a Peace Corp volunteer in Paraguay. He then took a position with the Kansas Department of Agriculture Marketing Division as an export marketing specialist. When the Marketing Division was moved to the Department of Commerce & Housing Jerry assumed the position he now holds of International Marketing Program Manager.

Angie Clark
Program Manager - Trademark Program

Angie graduated from Kansas State University with a dual bachelor's degree in Agricultural Economics and Animal Science and Industry. Prior to her current position Angie conducted the Quality Assurance program for Flint Hills Foods in the Alma and Wamego plants including their production of the new Classic Main Courses. Angie also brings a eight years of retail experience to the *From the Land of Kansas* program including merchandising, pricing, product selection, etc.

Meleesa Younggren
Garden City (western Kansas) Field Office

Meleesa Younggren received her BS in Animal Science and Industry from Kansas State University. Meleesa comes from a diversified livestock and grain production background.. Prior to her employment as a field representative with KDOC&H Meleesa worked for a management recruitment company as a project coordinator with agricultural emphasis.

Office Support Staff

Krissy Kearney
Tanya Sossaman

*To promote the development of
value-added agricultural products
and
advance agricultural based
economic and rural development.*

KDOC&H Structure & Budget

The Kansas Department of Commerce & Housing exists to provide leadership to ensure economic opportunity for Kansans. Agency personnel numbers 132, comprising seven divisions: Administration, Agriculture Products Development, Business Development, Community Development, Housing, Trade Development, and Travel & Tourism Development.

Commerce and Housing is funded by the State General Fund, the Economic Development Initiatives Fund (derived from Kansas Lottery proceeds), federal funds, and fee funds. In Fiscal Year 1998, we channeled 79.6 percent of that money to local communities and businesses throughout the state. Slightly less than eight percent of our budget (\$5,577,212) was allocated for salaries and wages for employees, and 11.5 percent (\$8,175,807) was devoted to operating expenses (agency services).

Expenditures by Division

Administration	\$1,525,637
Agriculture Products Development	\$1,306,856
Business Development	\$15,285,463
Community Development	\$24,054,652
Housing	\$23,343,151
Trade Development	\$1,413,491
Travel & Tourism Development	<u>\$4,034,022</u>
TOTAL	\$70,963,272

Expenditures by Object

Salaries and Wages	\$5,577,212	(7.9%)
Operating Expenses	\$8,175,807	(11.5%)
Federal and State Aid to Local Units	\$46,348,438	(65.4%)
Other Assistance	\$10,813,069	(15.2%)
Capital Improvements	<u>\$48,746</u>	(0.0%)
TOTAL	\$70,963,272	

Revenue Sources

State General Fund	\$2,028,575	(2.9%)
Economic Development Initiatives Fund	\$20,191,442	(28.5%)
Federal Funds	\$44,822,211	(64.1%)
Fee Funds	<u>\$3,921,044</u>	(5.5%)
TOTAL	\$70,963,272	

Executive Summary

Building a strong state economy requires a strong partnership encompassing state government, communities, and the private sector. At the Kansas Department of Commerce & Housing (KDOC&H), we recognize the significance of such a relationship. In recent years, we have directed our focus on the synergy that exists among economic, community, and housing development issues. Working with communities, we are demonstrating that successful economic planning must address development of appropriate physical and social infrastructure; safe, affordable housing; and a well-trained labor force. These components set the vision for the community and guide its investment and development decisions. As our communities grow and prosper, so does the state.

With so many of our Kansas communities having already developed sound economic plans, we have been better suited to work with them in building upon existing strengths and addressing areas of weakness. From the standpoint of community development, KDOC&H programs and staff have been instrumental in providing technical assistance through the Community Assistance Services section (PRIDE, Main Street, and Community Capacity Building) and the U.S. Small Cities Community Development Block Grant (CDBG) Program.

Business recruitment is also a key ingredient to economic strength and growth, and it took on even greater significance in FY98. Because it is good business sense to recruit and retain investment in times of economic prosperity—such as we have enjoyed in recent years—the KDOC&H developed a recruitment campaign in FY98 to target specific industries. “Kansas, Built on Character,” an aggressive advertising campaign targeted to attract six key industries into the state, reflects the strengths of our Kansas communities. These industries are: aviation; plastics products; value-added agriculture; call centers; administrative service centers; and wholesale, packaging and distribution centers.

We have also increased the state’s visibility in many parts of the world through successful export promotion. An increasing number of Kansas companies are becoming more aware of how the state’s resources can be put to use for them. Tapping into programs like the Kansas Trade Show Assistance Program, more companies have had the opportunity to be successful in this rapidly expanding global economy.

During FY98, the linkage between housing and economic development was taken to a new level. In some areas of the state, housing needs were a direct result of expansions in business and industry which brought with them increased job opportunities. In other areas, economic opportunities were enhanced only after affordable housing options were made available.

With agriculture a significant part of the Kansas economy, communities are doing more to realize the economic potential in developing stronger partnerships with their farmers and producers. In utilizing the KDOC&H Agriculture Products Development Division, communities have a resource to turn to for agricultural marketing programs and services. Through international marketing, value-added agriculture, and a host of other programs within the Division, Kansas-made products and Kansas-grown commodities will have a greater presence in the state, national, and world economies.

Economic planning also includes promoting tourism opportunities both at the state and local levels. From film production to attraction development, communities are finding new ways to tap into tourism revenues—and the KDOC&H has been there to ensure they realize maximum success.

A state’s economic success begins at the community level. Strong leadership and a commitment to future growth are the primary ingredients. We are very fortunate in Kansas to have communities who not only understand this, but accept the challenge with great fervor. This dedication, combined with the successful programs and services at the Kansas Department of Commerce & Housing, has made Kansas an economic leader.

KDOC&H "By the Numbers"

- Twenty-five companies were successfully relocated or expanded in Kansas through the efforts of our Business Recruitment staff. The capital investment of more than \$168 million and payroll of approximately \$110 million by these firms will strengthen the economic base in the communities where these companies have located.
- The Community Development Block Grant Program (CDBG) closed 73 grants in FY98, which created or retained 1,225 jobs, rehabilitated 230 homes, demolished 74 unsafe structures, and laid 68.9 miles of water lines and 8.49 miles of sewer lines in communities throughout Kansas. These projects provided benefit to 85,892 Kansans, of which 74,515 (nearly 87 percent) met Low- to Moderate-Income (LMI) guidelines. Grant funds of \$21,522,091 in these closed projects actually leveraged \$37,040,081 in other public and private resources, generating a 1.72 to 1 return on investment.
- Seventeen Attraction Development Grants were awarded totaling \$440,000. Designed to enhance Kansas attractions, these projects leveraged nearly \$12 million in private investment.
- Wheat straw-based and grain sorghum-based plastic product technology companies received commercialization loans in the amount of \$150,000, matched by \$648,000 in private investment with potential for new jobs in pilot plant and dedicated facilities in the first year of operation.
- In FY98, the Housing Division leveraged housing resources to create over \$131 million of new economic activity. This represents a leveraging factor over 5.75 times actual expenditures for FY98.
- In FY98, Trade Development staff provided direct export assistance to 363 Kansas companies and worked with 29 other organizations or individuals such as consulates or service organizations.
- The Housing Division provided housing-related services to more than 42,000 low-income persons in 59 counties through the Emergency Shelter Grant and Community Services Block Grant programs.
- The employment of approximately 5,200 Kansans can be directly attributed to the work of our Business Recruitment staff.
- More than 15,000 Kansas workers were trained through KDOC&H Workforce Training programs.
- Fiscal Year 1998 brought a nearly four percent increase in travelers to our four interstate Travel Information Centers (TICs). Kansas information was distributed to over 433,000 visitors at Kansas City, Olathe, Goodland, and South Haven TICs.
- Kansas companies utilizing the Kansas Trade Show Assistance Program—a KDOC&H export assistance program—have reported sales of \$33.8 million, returning to the economy \$265 for every KTSAP dollar invested.
- Membership in the *From the Land of Kansas* marketing program increased to 520 Kansas companies during FY98.
- As part of Kansas Main Street—the KDOC&H downtown revitalization program—18 Kansas communities created 56 new businesses and expanded 80 existing businesses in their commercial districts. These initiatives created more than 400 jobs, and generated private investment of \$23.8 million and public investment of \$3.44 million. In addition, the Incentives Without Walls awards in FY98 project a 5.7 to 1 return on investment for the \$205,000 awarded, including one special project funded at the end of the fiscal year. These projects are expected to create two new businesses, expand eight businesses, and retain four businesses, which will create 30.5 jobs and retain 30 more.
- Two tourism advertising campaigns were conducted in FY98, generating a total of 159,728 inquiries—up 13 percent from FY97 inquiries.
- More than 200 households in 40 counties benefited from the First Time Homebuyer Program.
- The KDOC&H Agricultural Value Added Center provided \$105,000 in loans through the Food and Feeds Program to facilitate commercialization projects by Kansas food companies and cooperatives. These loans were leveraged by more than \$7 million from public and private sources.
- Fiscal Year 1998 was a great year for film-making in Kansas resulting in over 9.5 million out-of-state film production dollars and over 12 million in-state production dollars being spent directly in the state.

- The “new” PRIDE community leadership development program brought with it the enrollment of 73 communities.
- More than 1,062 single-family homes were rehabilitated or weatherized in 80 counties.
- In FY98 Trade Development staff were proud to bring to successful conclusion their efforts to recruit Skyjack, a Canadian manufacturer of scissor lifts and booms. The community of Wathena, Kansas, will benefit from a \$6.25 million capital investment and 100 jobs when the plant reaches full capacity.
- The \$24 million in CDBG projects awarded in FY98 are *projected* to leverage \$40,729,696 in other public and private capital, generating a 1.7 to 1 return on these investments in Kansas communities.
- Travelers responding to the Travel & Tourism Division’s leisure advertising campaign spent \$18 million in the state. Kansas was the primary destination for 44 percent of these visitors.
- Thirty-four private, non-profit organizations were awarded tax credit allocations in FY98 under the Community Service Tax Credit Program (CSP). Through June 30, 1998, these projects had claimed \$1,893,488, or 38 percent, of their \$5 million allocation, generating \$2,911,638 in private contributions for these entities. Since the inception of the CSP, the private sector has contributed \$18,554,521 to approved projects (community service, crime prevention, or health care service organizations), and claimed \$10,655,431 in tax credits for a 1.74 to 1 return on investment.

Faces of Economic Development

Business Recruitment: A Study in Patience and Cooperation

Recruiting new industry into Kansas is one of the major functions of the KDOC&H. Many weeks of many conversations and many negotiations are typically required for each successful venture.

A recent example of this is the recent location to Lenexa, Kansas, of Alliance Data Systems. A leading transaction processing, database marketing, and point-of-sale network service provider, Alliance is investing more than \$14 million to construct a 65,000 square-foot facility in Lenexa's Pine Ridge Business Park. By the middle of 1999, the company expects to fill more than 600 positions.

Bringing such a project to Kansas requires cooperation between the state and community. The two entities must work together to fulfill the prospective company's needs, from site location to incentives, all the while ensuring exceptional customer service.

"The city of Lenexa and the state of Kansas are great places to do businesses," J. Michael Parks, Alliance Data Systems Chairman and CEO, said.

"The spirit of cooperation among businesses, education and government leaders made Lenexa an ideal location for our company to expand."



Hard work does pay off: Business recruitment efforts between the state and Kansas communities mean economic growth, such as this announcement in May 1998 that John Deere will relocate its North American Marketing Division to Lenexa.

KDOC&H: Delivering Impact from 272 Miles Away

KDOC&H programs and services deliver significant economic impact each day throughout the state. Many customers often write or call the agency as a reminder of this important fact. While sharing each and every piece of correspondence is not possible here, the following letter from a customer in Dodge City speaks for the masses...

Dear Lt. Governor Sherrer,

We would like to thank you for taking time from your busy schedule to visit our historic Dodge City Santa Fe Depot Complex.

The Kansas Department of Commerce and Housing's support has played a large role in making the Depot's renovations a reality. We would also like to thank Mary Faye LaFaver, Marilyn Graham, Mary Lou McPhail, Terry Marlin and Larry Meschke for their help.

We truly feel that without the help of your department, projects like the Depot could never be accomplished. Multi-million dollar projects are just too big for smaller cities like Dodge City to fund by themselves. It takes a partnership between local communities and the Commerce Department for larger projects to succeed.

Once again, accept our thanks for your help.

Sincerely,

*Don Steele, Executive Director,
Boot Hill Repertory Company*

*Kent Stehlik, Fundraising Consultant,
Destination: Depot!*

Attraction Development Grants Strengthen Kansas Tourism

In FY98, 17 KDOC&H Attraction Development Grants were awarded throughout the state. Designed to develop or enhance Kansas attractions, the popular grant program has had many success stories. Consider the following from the September/October 1997 *Simply Wonderful* tourism newsletter:

"Many Americans know of George Washington Carver, a botanical scientist in the early 1900s whose pioneering plant research at the Tuskegee Institute led to the development of more than 300 products made from peanuts. But most people—including many Kansans—do not know that Carver, an African-American, spent his

youth in Kansas, graduating from high school in Minneapolis in 1884.

With the help of a \$14,000 Attraction Development Grant from the Tourism Division, the Ottawa County Historical Museum in Minneapolis plans to ensure Carver's strong ties to the city are well-known by all. The grant enabled the museum to develop an extensive permanent exhibit dedicated to Carver's early life in Minneapolis...

'The grant from the Tourism Division at the Kansas Department of Commerce & Housing enabled the Ottawa County Historical Museum to develop this exhibit into one of excellence,' Jettie Condray, Museum Curator, said. 'The exhibit will tie into other Kansas efforts to establish an African-American cultural history tribute that spans the state.'



Attraction Development Grants were awarded to 17 Kansas attractions in FY98, one of which benefited the Ottawa County Historical Museum in Minneapolis.

Lucas, Kansas: A Comprehensive Approach to Economic Development

Economic development comes in many forms. From infrastructure to attractions, communities benefit best when they plan their economic futures in comprehensive fashion. Lucas, Kansas, is one example of this.

Among its many accomplishments, Lucas was a 1997 Comprehensive Development Grant recipient. The grant encompasses the resources of the Business Development, Community Development, and Housing divisions. The following excerpt was taken from *The Alumni News*, April, 1998:

"Highlighting the year in Lucas was the announcement from the Kansas Department of Commerce and Housing that Lucas was the recipient of an Economic

Development Grant. Funds from this grant were to help construct a Medical Center; build an access road from K-232 to Main Street; install energy efficient lights at the ball field; assist in remodeling the third building at the Grassroots Arts Center; demolish vacant dilapidated houses and construct two new rental properties. Plans are progressing with all of the projects."

These initiatives were also coupled with the community's efforts to complete a Scenic Byway project to increase tourism into the area. In addition, with a 1995 Community Development Block Grant, Lucas installed a water treatment facility to resolve a nitrate problem in the city water supply, and the community has been an award-winning member of PRIDE since 1987. This year, Lucas also received a tourism excellence award, an outreach excellence award for the Scenic Byways project, and placed fourth in the state PRIDE judging. Topping it all off, a KDOC&H Tourism Attraction Development Grant awarded in FY98 will create "The Great Outdoor Post Rock Limestone Wall Exhibit" at the Grassroots Arts Center on Main Street in Lucas.

Hitting Close to Home: The First Time Homebuyer Program

Homeownership is indeed the American Dream. The First Time Homebuyer Program is one of several successful KDOC&H programs that provides thousands of Kansans safe, affordable homes each year. Testimony to this comes from Darlene Hicks, a loan officer at Capitol Federal Savings:

"On or about the end of March (1998), Shari Brown of Plaza Real Estate called. She wanted to know if we



More than 200 Kansas households in 40 counties realized the American Dream in FY98 through the First Time Homebuyer Program. The program is very successful in helping Kansans purchase quality, affordable homes, such as the one pictured here.

(Capitol Federal) could possibly be able to help a customer of hers get into a home. Debra (Doyal) had very little in assets but had proven to be a very hard worker. She is a single mother with an 11-year-old daughter who has Cerebral Palsy. Debra was told by her daughter's school that she needed to get into a house because the mobile home that she was currently in was not accessible to the equipment her daughter needed to progress any further in her treatment.

The first thing that Shari and I thought of was the Kansas First Time Homebuyer Program. Both Capitol Federal and the Kansas First Time Homebuyer Program approved her for the loan. The Cerebral Palsy Foundation has agreed to help fund some of the improvements to the home to help make it more accessible to her daughter's needs. We are scheduled to close on August 19. Debra has told me this is a dream come true for both her and her daughter."

Investing in Agriculture: U.S. Premium Beef, Ltd.

Since U.S. Premium Beef (USPB) was awarded a bridge loan of \$171,000 by the KDOC&H Agriculture Products Development Division in June 1997, they have completed their initial stock offering to cattle producers and became a partner with Farmland Industries in the ownership of Farmland National Beef Packing Company, the nation's fourth largest beef processor and a leader in branded, value-added products.

In December 1997 the bridge loan was paid in full and USPB began processing their members' cattle. Since then, USPB has paid approximately \$1,750,000 in premiums to cattle producers with the top 25 percent of the cattle earning \$25 per head premiums and the top 75 percent averaging \$16 per head premium over cash.

As an added bonus, USPB members can market their beef as branded products through Certified Angus Beef, Farmland Black Angus Beef, Farmland Certified Beef and the newly acquired Kansas City Steak Company.

Sterling, Kansas: Another Downtown Revitalization Success Story

Sterling was designated as a new Main Street City in FY98. The community has embraced the downtown revitalization program and used the resources to their fullest advantage, generating more than \$1 million of private reinvestment during the first year. Sterling has several significant historic structures in its downtown and their local Historic Preservation Society has been

working effectively with the Main Street Board to preserve them. Individual efforts within the community had been making progress, prompted primarily by a highway reconstruction project that runs down Main Street. Bringing the resources of the Kansas Main Street Program and the KDOC&H to bear in the community has moved them ahead significantly faster, provided a needed focus for the downtown revitalization efforts, and encouraged local public and private investment to build local leadership capacity and a stronger economy.

Since joining Kansas Main Street, Sterling has created three new businesses and expanded one. Using Kansas Main Street architectural contract services, the community had three visits which resulted in five facade renovation projects. Of those projects, three were supported with Incentives Without Walls funds (in the form of low interest loans) creating a revolving loan pool for downtown projects.

Sterling was also the first recipient of a CDBG Downtown Revitalization Grant, using the funds to upgrade of their streets and sidewalks in the downtown area. The CDBG complements Kansas Main Street, although all communities are eligible for funding.



One of the state's newest Main Street Cities, Sterling is undergoing a thorough revitalization of their downtown commercial district.

International Investment in the Sunflower State: Skyjack

Skyjack is a Canadian manufacturer of scissor lifts and booms based in Guelph, Ontario. The company first worked with the KDOC&H in 1994. Although a Kansas community was chosen as one of two finalists, the project ended up going to Iowa where the company

already had another facility. Positive experience with Kansas, though, led them to call again in 1996 when they were ready to look for a new location due to continued growth.

Kansas again competed with Iowa—and the KDOC&H Trade Development and Business Development divisions were more than ready. Major concerns were two tax issues: unitary tax and property tax on machinery and equipment. In both cases, Kansas was at a disadvantage. However, the KDOC&H offered an incentive package that included the Kansas Economic Opportunity Initiatives Fund, Investments in Major Projects and Comprehensive Training, and High Performance Incentive Program to off-set some of the tax disadvantages. In addition, assurances from state leadership regarding continued efforts to improve the Kansas business climate were critical to the decision-making process. These business reforms would later become law under the Kansas Tax Reduction and Reform Act of 1998. Other positive issues were community support and local incentives (including free land) and strong response to advertisements placed during site location process.

“The assistance and incentives we received from the Kansas Department of Commerce & Housing and the Doniphan County Economic Development Commission were the factors that tipped us over the edge in selecting Kansas as a site,” Kevin Carver, General Manager of Skyjack Kansas Manufacturing, said. “If Commerce & Housing and Doniphan County hadn’t been there, we wouldn’t be here.”

The company began construction on a 60,000 square-foot facility in Wathena, Kansas in October 1997. They are now in the process of setting up operations at the new facility and expect to hold a grand opening ceremony in September 1998. The project involves more than \$6 million in capital investment with the creation of 100 jobs at capacity.

Taking Value-Added Agriculture into the 21st Century: 21st Century Straw Procurement Cooperative

There’s more than one way to commercialize a commodity. Finding additional uses for raw commodities, or value-added agriculture, is rapidly becoming a key element of the economic development picture in Kansas. Take wheat, for instance...

With two strawboard manufacturing plants already

located in Kansas, and two additional companies considering new plant locations in south central and northwest Kansas, the KDOC&H Agriculture Products Development Division began work to develop a producer-based straw procurement cooperative: the 21st Century Agri-fiber Procurement Cooperative.

Wheat straw, though a by-product of grain production, is not waste material as it has value to the producer as ground cover in erodible fields and dry matter returned to the soil. And in the case of strawboard production, the manufacturer must procure the straw from a small radius surrounding the plant in an efficient manner.

This new cooperative will provide a consistent supply of wheat straw to Kansas strawboard manufacturers no matter their plant locations, as well as the emerging new technologies in wheat straw-plastic production. The cooperative also ensures producers receive a fair price for their straw, secures a timely harvesting with minimal soil impact, and provides a potential investment vehicle for producers in the value-added process.



With strawboard manufacturing becoming a popular industry in the state, ensuring a consistent supply of quality wheat straw has become critical. Shown here, the Canadian firm of Isobord conducted test harvests on Kansas wheat in Sumner County in June 1998.

**Agriculture Products Development Division
Kansas Department of Commerce & Housing**

Special Projects

Value-Added Conference:

In July the Division hosted the first statewide, state sponsored Value-Added Conference in Wichita. The conference spanned two days and was attended by over 200 people interested in agricultural based economic and rural development.

General session speakers included Lt. Governor Gary Sherrer, Mary Boote from Iowa Governor Terry Branstad's office and Kurt Watson of ValAdCo Co-op in Renville, Mn. Break-out sessions included technology commercialization opportunities, business structure and financing alternatives, agri-tourism and community capacity building. The speaker list included individuals from other KDOC&H divisions, USDA and private industry.

A tradeshow was organized in conjunction with the conference and featured representatives from rural electric cooperatives, Small Business Development Centers, Kansas State University, Kansas Securities Commission, USDA Rural Development and others.

In addition, food products from our *From the Land of Kansas* and Ag Value Added Center clients were procured for all meals and breaks including meats, cheeses, snack items, breakfast items and beverages.

*** Attached is a copy of the evaluation survey results from the conference attendees.**

Kansas State Fair:

"Farm to Fork" was the theme of our collaborative booth at the 1998 Kansas State Fair. Division staff worked with Kansas Beef Council, Kansas Pork Producers, Kansas Dairy Association, Kansas Wheat Commission, Kansas Corn & Grain Sorghum Growers, Kansas Farm Bureau, Kansas State University and KEPCO to coordinate a comprehensive educational display on Kansas agriculture and its economic benefit to the state of Kansas. During the Governor's Awards Ceremony held mid-week of the Fair, the Division received the 1998 Grand Champion Inside Exhibitor Award for its unique and inclusive approach.

In addition to the booth, Division staff assisted with the first Peoples' Choice Wine Tasting Contest held in the Pride of Kansas Building. The event was sponsored by the Kansas Grape Growers and Winemakers Association and eight Kansas wineries participated. Live television and radio interviews from the Fair and taped television coverage of the event provided tremendous media exposure and public interest.

To highlight the potential of industrial applications for Kansas commodities, the Division built a playhouse of wheat straw fiberboard, shingled the roof with wheat straw/plastic shingles and painted it with soybean based paint. The playhouse drew media attention and provided an educational backdrop for the public.

Overall Conference Evaluation Results

Appropriate format.

No recommendations. 96% rated this category Excellent or Good.

Topic and content covered.

No recommendations. 95% rated this category Excellent or Good.

Thoroughness of topics covered.

No recommendations. 94% rated this category Excellent or Good.

Usefulness of materials.

84% rated this category Excellent or Good. 9% did rate this category only fair. The Comments and Suggestions may give a reason behind this 9%.

Degree to which the information was understandable.

No recommendations. 96% rated this category Excellent or Good.

How were the facilities?

22% rated the facilities Excellent, 59% rated the facilities Good, 15 % rated the facilities Fair, and 4% rated the facilities Poor. Since 19% rated the facilities Fair or Poor, it is recommended that the APDD look at possible alternatives for future conferences. There are numerous comments about the facilities in the Comments/Suggestions area (Question 7). I recommend that the APDD look at these comments and suggestions.

Length of time for the conference.

No recommendations. 94% rated this category Excellent or Good.

Overall Rating of the conference.

89% rated this conference Excellent or Good. This would be the equivalent of a B+, and I believe this is satisfactory, with room for improvement in the future. The conference organizers should feel proud of this grade.

Additional Informational Questions:

Will you be able to use the information presented at this conference?

No recommendations. 98% answered "Yes" to this question.

How would you rate the quality of the products you have sampled?

No recommendations. 100% rated this category Excellent or Good.

How would you rate the “From the Land of Kansas” display?

No recommendations. 98% rated this category Excellent or Good.

Would you like to continue to use and sample Kansas products at future conferences?

No recommendations. 98% answered “Yes” to this question.

Participant Comments and Suggestions:

It is recommended that APDD staff review the comments and suggestions. This may give the Division insight into improving future conferences, as well as give them ideas on future topics as suggested by attendees.

Name and Phone #s:

It is recommended that APDD staff review the evaluation forms for individuals who are requesting further information and wish to be contacted. These names and numbers are listed at the bottom of the evaluation form.

From Farm to Fork Kansas is Sold on Agriculture!

Nine billion dollars would buy a lot of groceries. That's the amount of revenue pumped into the Kansas economy in 1996 by the marketing of crops, livestock and livestock products. Farmers and ranchers also purchased over 5 billion dollars in supplies, products and labor from Kansas merchants. Considering these cash flows are from the production and sale of raw products, imagine the impact on the state's economy if more of these raw products were actually processed in Kansas rather than sold out of state.

This is the concept of value-added agriculture. By becoming involved in post-harvest activity, greater wealth – including job creation – is kept in Kansas rather than exported to other states or countries.

Agricultural producers are involved in food production long after their products leave the farm gate. Farmer and rancher-funded food safety research assures consumers safe, wholesome food from the farm to the table. That's why, *From Farm to Fork, Kansas is Sold on Agriculture!*

Economic data source:
U.S. Department of Commerce
Bureau of Economic Analysis
Regional Economic Information System
May, 1998



Kansas Commodity Partners

Kansas Department of Commerce & Housing Agriculture Products Development Division

700 SW Harrison, Suite 1300
Topeka, KS 66603-3712
(785) 296-3736 Fax: (785) 296-3776
www.kansascommerce.com
E-mail: agprod@ink.org

(Continued...)

Kansas Farm Bureau

2627 KFB Plaza
Manhattan, KS 66503
(785) 587-6000 Fax: (785) 587-6914
www.kfb.org
E-mail: waparker@kfbs.com

Kansas Electric Cooperatives, Inc.

P.O. Box 4267
Topeka, KS 66604-0267
(785) 478-4554 Fax: (785) 478-4852
www.kec.org

Kansas Corn Growers Association

Kansas Grain Sorghum Producers Association

P.O. Box 446
Garnett, KS 66032
(785) 448-6922
www.ksgrains.com/corn
www.ksgrains.com/sorghum
E-mail: jwhite@kanza.net

Kansas Grain Sorghum Commission

Kansas Corn Commission

Kansas Department of Agriculture
901 S. Kansas Ave.
Topeka, KS 66612
(785) 296-3738

Kansas Dairy Association

Kansas Dairy Commission

4210 Wam-Teau
Wamego, KS 66547
(785) 456-8357 Fax: (785) 456-9705
E-mail: agrescom@mail.midusa.net

Kansas Beef Council

6031 SW 37th St.
Topeka, KS 66614-5129
(785) 273-5225 Fax: (785) 273-3399
www.beef.org
E-mail: kbc@kansasbeef.org

K-State Research & Extension Precision Agriculture

Department of Agronomy
2004 Throckmorton Plant Sciences Center
Manhattan, KS 66506
(785) 532-6101 Fax: (785) 532-6094
www.oznet.ksu.edu/precisionag/

Kansas Pork Producers Council

2601 Farm Bureau Road
Manhattan, KS 66502
(785) 776-0442 Fax: (785) 776-9897
E-mail: KPPC@flinthills.com

Kansas Wheat Commission

2630 Claflin Rd.
Manhattan, KS 66502
(785) 539-0255 Fax: (785) 539-8946
www.kswheat.com
E-mail: jpritchett@kswheat.com

From the Land of Kansas Program Highlights

Kansas Connections Catalog:

Fifty-two Kansas companies participated in the 1998-99 catalog with product lines varying from live plants, books and specialty foods to china, handmade soaps and children's toys. This is the first year the catalog offered a complete fulfillment service for the at-home shopper. Catalog customers call a 1-877 (toll-free) number to place an order with as many different companies as they wish. The order is then shipped from a centralized warehouse to reduce customer's overall shipping and handling charges. Catalog distribution was handled through direct mail, but also as an insert to the Kansas Living magazine, which is the membership publication circulated to over 140,000 Kansas Farm Bureau members. This new distribution system more than doubled previous catalog circulation without dramatically increasing costs.

Catalog sales will continue to be tracked through September, 1999. Sales from October, 1998 through December were slightly over \$30,000.

Travel Information Center Gift Shops:

A new gift shop management system for the state Travel Information Centers in Olathe and Belle Plaine was initiated in May. Kansas Originals Market assumed the duties of product selection, inventory management, sales tracking, etc. with assistance from both the Ag Division and the Travel and Tourism Division. This new arrangement has resulted in total gross sales of over \$141,000 and the incorporation of over 70 different *From the Land of Kansas* companies.

Kansas Showcase:

The division worked closely with Kansas Farm Bureau to coordinate the Kansas Showcase tradeshow held in conjunction with the KFB's 1998 Annual Convention in Wichita in November. This was a new marketing opportunity for *From the Land of Kansas* members to showcase and sell their products to the Wichita and surrounding area markets just as the heavy holiday shopping period began. In addition to the three days of the tradeshow, companies were also featured in print, radio and television interviews.

Agriculture Products Development Division
1997-1998

Tradeshow Assistance

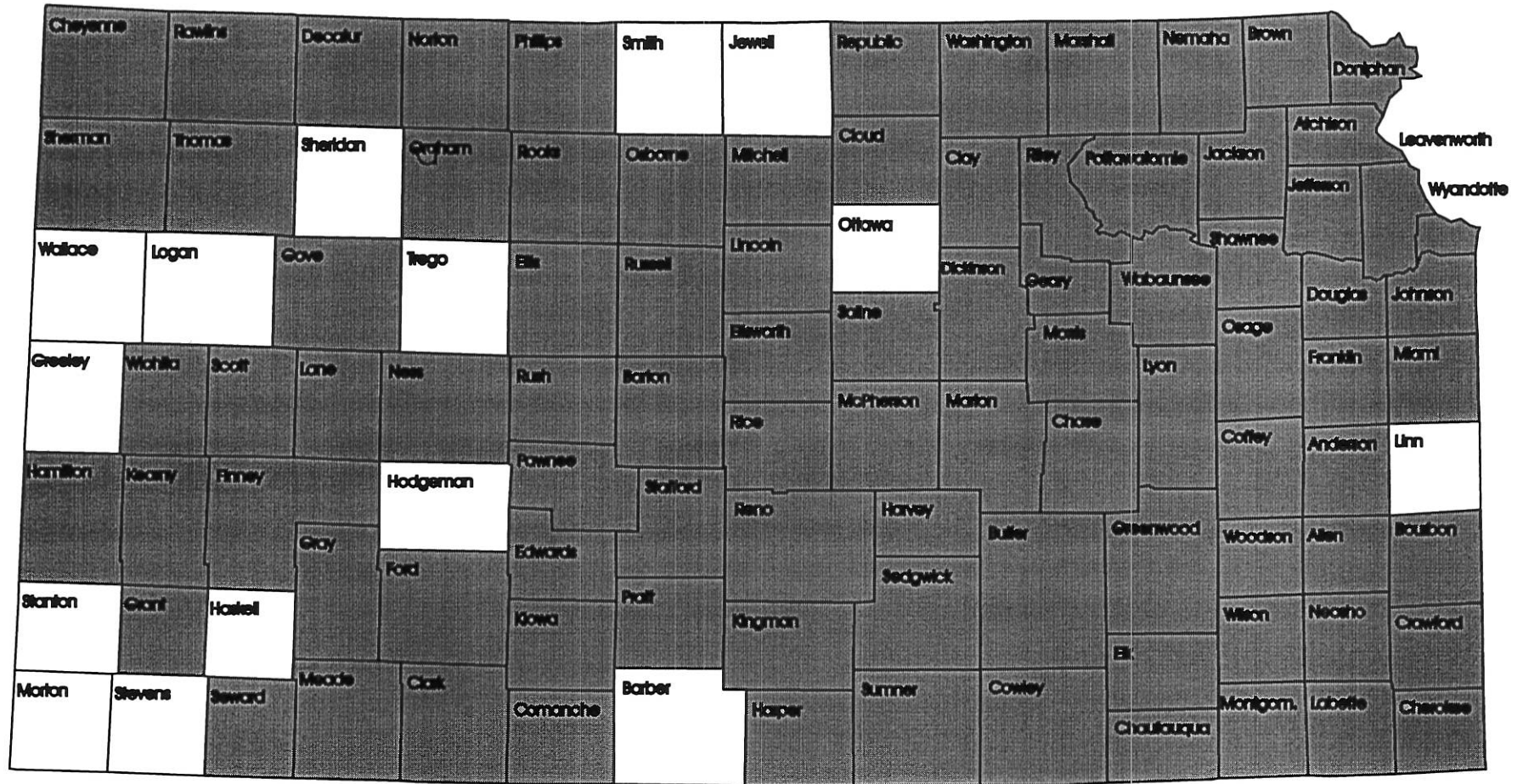
Company	Amount
G&S Inc.	\$250.00
Fancy T's and More	\$250.00
Kim's Krafts	\$30.00
Kim's Krafts	\$100.00
Kim's Krafts	\$100.00
Blythe's Wholesale Perennials	\$74.40
Blythe's Wholesale Perennials	\$96.20
Blythe's Wholesale Perennials	\$79.40
Unique Equine	\$250.00
The Friendly Company, Inc.	\$250.00
Grannie's Homemade Mustard	\$250.00
Cinda's Sauces	\$250.00
Midwest Artisans/Wheatcraft, Etc.	\$250.00
Voran-Goertzen Peppernuts	\$250.00
Flowers of Yesteryear	\$250.00
Kansas Emu Products, Inc.	\$250.00
Knackies	\$250.00
Utemoto, Inc.	\$250.00
Cornerstone Mill	\$250.00
Culver Enterprises	\$250.00
Mary Moore McKown, Kansas Folk Artist	\$250.00
Betty's Delites	\$250.00
Double D Enterprises	\$250.00
Mama Bear's Hot Chocolate	\$250.00
The Fiddlers Three	\$250.00
Heartland Pork	\$235.00
Smoky Hill Vineyard & Winery	\$250.00
The Gift Box	\$250.00
One Sight Creations	\$250.00
The Fantastic World of Gourmet Chocolate, Inc.	\$250.00
Vosburg Kaleidoscopes	\$250.00
Fix-it-Mom	\$125.00
Clancy's Gifts from Kansas	\$250.00
Maudie's Sweet Salsa	\$250.00
Big Rick's LLC	\$250.00
Action Coffee Service, Inc.	\$250.00
AMJI Games	\$250.00
Kountry Kernel	\$250.00
Wiedmann Farm Fresh Meats	\$250.00
Kansas Kreation	\$250.00

Agriculture Products Development Division
1997-1998

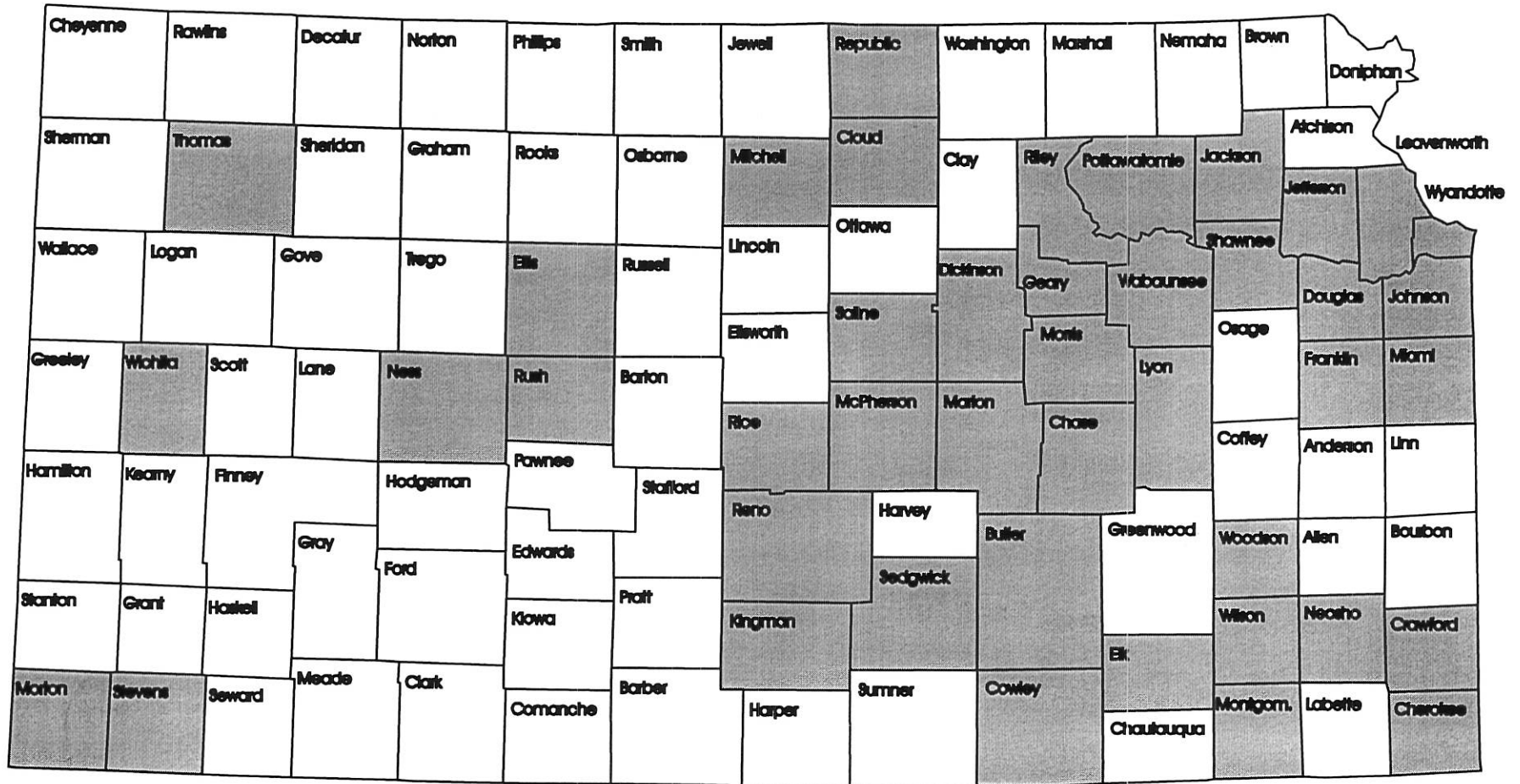
Tradeshow Assistance

Company	Amount
Basket Expressions	\$250.00
Kayla's Attic Greetings	\$250.00
Fat Daddy & Old Woman BBQ	\$250.00
Jim's Iron Art & Stuff	\$250.00
Schneck Enterprises	\$250.00
Snuggle Buggle Baby Blankets	\$250.00
Thrill's, Inc.	\$250.00
American Charcoal Works	\$250.00
Selrahc Enterprises	\$250.00
Red Rock Industries	\$250.00
Kansas Krafts By "J"	\$250.00
Heartland Treasures	\$250.00
G & L Advantages	\$250.00
Kansas Originals Market	\$250.00
Fancy T's and More	\$50.00
Rainbow Honey Farm	\$50.00
Glass Images	\$250.00
Fancy T's and More	\$250.00
Fiber Factory	\$50.00
Twin Valley Popcorn	\$250.00
The Kansas Wheat House	\$250.00
The Friendly Company, Inc.	\$250.00
Home on the Range & Co.	\$250.00
Itsabird Co.	\$250.00
Betty's Delites	\$250.00
Unique Equine	\$250.00
Butterfield Books, Inc.	\$250.00
Kansas Emu Products	\$250.00
State Street Cafe Salsa	\$250.00

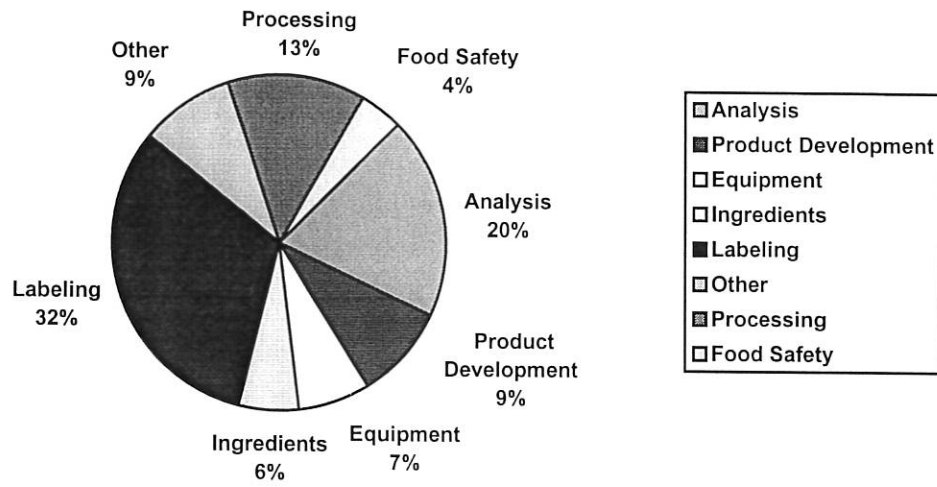
From the Land of Kansas Members by County



Pilot Plant Assistance by County



Technical Services Provided to Small Kansas Companies Through KSU Pilot Plant Facilities



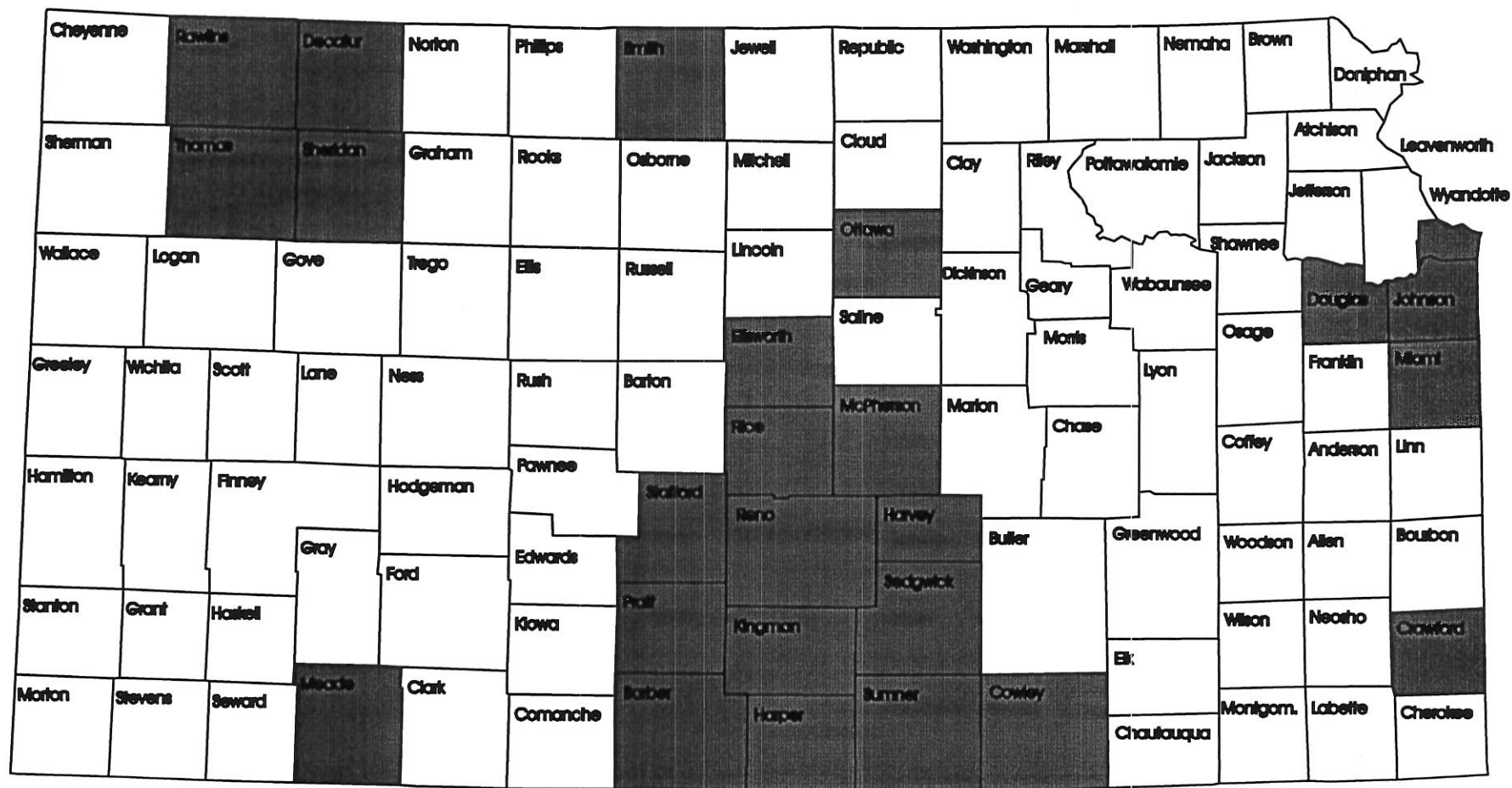
Agriculture Products Value Added Center Projects

COMPANY NAME	LOAN AMOUNT	Fiscal Year	COMMENTS
3 B's Foods	\$24,500	97'	Loan to fund equipment for dry edible bean processing. Two jobs created and sales of \$13,933 in FY98
Dinah's Noodles	\$10,000	97' (Grant)	Product development grant to create salad dressing line and eliminate seasonal swings in sales.
S&M NuTec	\$30,000	97'	Funded equipment for wheat based pet chews. Three part-time jobs created and \$6,992 in sales in FY98'. In repayment status.
US Premium Beef	\$171,000	97'	Bridge loan to form cooperative. Created six jobs, over \$3,500,000 in premiums paid to producer members and loan has been completely repaid.
21st. Century Bean Co-op	\$25,000	97'	Loan for product development. Retained seven full-time and one part-time job when co-op purchased Bean Acres in Sharon Springs. Began receiving beans this past fall.
American White Wheat Producers Association	\$1,640	97'	Product development to create white wheat products in conjunction with Sara Lee
KSU Food and Nutrition Pilot Plant	\$61,000	97' (Grant)	Technical Assistance to food processors (see pie chart) resulting in \$144,580 Kansas client savings.
KSU Meats Lab Pilot Plant	\$14,000	97' (Grant)	Technical assistance to meat processors and for new product development resulting in \$55,875 in Kansas client savings.
Agro Plastics, Inc.	\$30,000	98'	Bridge loan to facilitate legal and accounting work needed for public offering. Straw/plastics extrusion project
Biofoam Co.	\$50,000	98'	Loan for remodeling of a facility in Smith Center to accommodate relocation of the South Dakota plant - packing peanuts from milo
Wheat Straw Products, Inc.	\$10,000	98'	Loan to fund equipment purchase to manufacture straw fiber plastics (fence posts, privacy fencing, picnic tables)
Poly-Proximates, Inc.	\$35,000	98'	Loan to purchase equipment & supplies to manufacture straw/plastic shake shingles.
Golden Forest Ag Fibers	\$40,000	98'	Loan to develop state-wide straw procurement co-op
SeeKan RC&D	\$25,000	98'	Loan for Soybean Processing Feasibility Study. Study is completed January 1999

Agriculture Products Value Added Center Projects

M&M Baking	\$35,000	98'	Loan to purchase extruder for baked goods (pretzels, cookies, cinnamon rolls etc.) Three jobs created.
Aquaculture Engineering, Inc.	\$10,000	98'	Partially funded a Small Corporate Offering Registration (SCOR) to generate equity for an intensive aquaculture operation.
Fast Food Gourmet	\$20,000	98'	Product development for a new line of gourmet single-serve pizzas.
Ladder Creek Dairy	\$25,000	98'	Bridge loan for cooperative development of producer based dairy in western Kansas.
KSU Extension	\$5,000	98' (Grant)	Partnership to publish bulletin marketing the economic feed value of wheat middlings
Kansas Canola Producers	\$3,621	98' (Grant)	Winter Canola market development project in partnership with KSU and private industry. Kansas Canola growers had \$15,083 in sales in FY98
KSU Extension	\$16,000	98' (Grant)	Publication of the Reference Guide for Kansas food processors
KSU Extension	\$30,000	98' (Grant)	Joint funding with Dept. of Ag of a HACCP consultant to assist Kansas meat processors. As of August 1998 savings to Kansas processors of \$23,500
KSU Food & Nutrition Pilot Plant	\$65,000	98' (Grant)	Technical assistance for food processors (see pie chart). Client savings available at end of FY99
KSU Meat Lab Pilot Plant	\$15,500	98' (Grant)	Technical assistance for meat processors and product development. Client savings available at end of FY99
KSU	\$24,000	98' (Grant)	Steam pasteurization study for small meat processors
KSU	\$6,000	98' (Grant)	Training video for small food processors on ingredient and product traceback
KSU	\$11,000	98' (Grant)	Marketing of Identity Preserved Wheat

Industrial Agriculture Projects by County



Aggregated KEIEP/KEOIF Projects

FY	Organization Name	Type	Amount	Location	County
1996					
	Naturall Fibre Board Salina LC Wheat straw board manufacturing	KEOIF	\$150,000.00	Minneapolis	Ottawa
	Smith Center Inc c/o Smith County Bank Biofoam Corporation - Process milo to packing pellets - Project has been delayed	KEOIF	\$80,000.00	Smith Center	Smith
	Swift-Ekrich, Inc. Meat processor	KEOIF	\$200,000.00	Junction City	Geary
1997					
	Minneapolis, City of Infrastructure improvements for wheat straw board manufacturer and entire industrial park	KEIEP	\$30,000.00	Minneapolis	Ottawa
	NCM Foods, LLC Pizza dough manufacturer	KEOIF	\$500,000.00	McPherson	McPherson

Community Development Block Grant Loans (Ag Related)

COMPANY NAME	LOAN AMOUNT	Fiscal Year	COMMENTS
Sunflower Services	\$105,000	96'	Agricultural inputs and crop consulting business
Hodgeman Dairy	\$375,000	96'	Dairy operation
Heartland Project	\$500,000	96'	Milo based packing peanuts
Coolidge Dairy	\$375,000	96'	Dairy operation
Tessengerlo-Kerley	\$500,000	97'	Agricultural chemicals
Dolly Madison	\$200,000	97'	Bakery expansion
Elmicki Feeds	\$200,000	97'	Livestock feed production
Qinstar	\$200,000	97'	Agricultural implement manufacturing
MLC Farms	\$275,000	97'	Pork production facility
Menu Foods	\$1,500,000	97'	Pet food manufacturer
Hamilton County Dairy	\$500,000	98'	Dairy production
Pork Packers International	\$200,000	98'	Packing and processing facility
Dairy OZ, LLC	\$500,000	98'	Dairy production

Private Activity Bond Allocation

COMPANY NAME	AMOUNT	Fiscal Year	COMMENTS
Kice Industries	\$1,500,000	96'	Flour mill facility expansion
Red River Commodities	\$50,000	96'	Refinancing of old debt
Bartlett Cooperative	\$200,000	96'	Expansion of feed mild storage for feed manufacturer
Sunflower Manufacturing Co.	\$4,000,000	96'	Ag equipment/implements - facilities expansion
Monfort, Inc.	\$5,000,000	97'	Waste facility for processing upgrade
Golden Belt Feeder	\$1,325,000	97'	Construction and equipment for feedlot expansion
Kansas Feeds, Inc.	\$1,090,000	97'	Construction and equipment
Farmland Industries	\$18,000,000	97'	Facility and equipment - ag fertilizer from waste coke
Rainbow Meat Processors	\$2,466,500	97'	HACCP Implementation
Wilkins Manufacturing	\$1,000,000	98'	Ag trailers
Hutchinson/Mayrath	\$5,000,000	98'	Grain handling equipment
Excel Corporation	\$3,700,000	98'	Waste treatment
MK Minerals	\$4,500,000	98'	Livestock supplements
Barkman Honey	\$1,625,000	98'	Honey production & processing
Alma Cheese	\$600,000	98'	Cheese processing

Kansas Department of Commerce & Housing – Agriculture-Related Training Projects

Company	Community	Product	Type	Program **	Type of Project	Fiscal Year	Amount
Kansas State University *						1998	1,456.54
Concept Foods	Alma	Meat Processing	Grant	KIR	Retraining Assistance		85.68
Kensington Lockers	Kensington	Meat Processing					85.68
South Fork Meat Processing	Ness City	Meat Processing					171.35
Leonard Meat Co. Inc.	Topeka	Meat Processing					85.68
Duncan Lockers	Lakin	Meat Processing					85.68
Kiowa Locker System	Kiowa	Meat Processing					171.35
Krehbiels Specialty Meats	McPherson	Meat Processing					85.68
Canton Lockers	Canton	Meat Processing					85.68
Bern Meat Plant	Bern	Meat Processing					85.68
Home on the Range	Scott City	Meat Processing					85.68
Fanestil Packing Co.	Emporia	Meat Processing					85.68
Schuetz Locker Co.	Atchison	Meat Processing					85.68
Indian Hills Meat & Poultry	Wichita	Meat Processing					85.68
Stroot Lockers, Inc.	Goddard	Meat Processing					85.68
Ellinwood Packing, Inc.	Ellinwood	Meat Processing					85.68
Kansas State University *			Grant	KIR	Retraining Assistance	1998	1,540.51
Attica Locker	Attica	Meat Processing					162.16
Burkhart Meats	Kinsley	Meat Processing					81.08
Butcher Block	Larned	Meat Processing					81.08
Ehresman Packing Co.	Garden City	Meat Processing					81.08
Elkhart Locker	Elkhart	Meat Processing					81.08
Jones Packing Co.	Dodge City	Meat Processing					162.16
Kiowa Locker	Kiowa	Meat Processing					162.16
Kitch Packing Co.	Scott City	Meat Processing					81.08
McInteer Food Locker	Minneola	Meat Processing					81.08
Meat Cleaver	Leoti	Meat Processing					81.08
Pat's Beef Jerky	Liebenthal	Meat Processing					81.08
Schroeder Custom Butcher	Arma	Meat Processing					81.08
Smith Frozen Food	Dighton	Meat Processing					162.16
Swissburger Brand Meat Co.	Wichita	Meat Processing					81.08
Valley Vista Locker	Topeka	Meat Processing					81.08
MAMTC *			Grant	KIR	Retraining Assistance	1998	30,824.00
Osborne Industries	Osborne	Livestock & Plastic Products					6,000.00
High Plains Corporation	Wichita	Ethanol & Grain Distiller					14,500.00
Sunflower Manufacturing	Beloit	Farm Tillage & Seeding Equip.					9,500.00
RHS, Inc.	Hiawatha	Agricultural Sprayers	Grant	KIR	Retraining Assistance	1998	9,483.00
Hay & Forage Industries	Hesston	Agricultural Equipment	Grant	KIR	Retraining Assistance	1998	63,045.00
Hay & Forage Industries	Hesston	Agricultural Equipment	Grant	KIT	Training Assistance	1998	60,000.00
CMF of Kansas	Chase	Egg Production & Processing	Grant	KIT	Training Assistance	1998	40,000.00
Pork Packers International	Downs	Hog Carcass Production	Grant	KIT	Training Assistance	1998	7,000.00
Colby Community College	Colby	(Irrigation training equipment)	Grant	TEG	Training Equipment	1998	15,146.00
Armour-Swift Eckrich	Junction City	Meat Processing	Grant	IMPACT	Training Assistance	1997	800,000.00
Quinstar	Quinter	Agricultural/Turf Equipment	Grant	KIR	Retraining Assistance	1997	3,860.00
Kansas State University *			Grant	KIR	Retraining Assistance	1997	3,300.00
Duis Meat Processing	Concordia	Meat Processing					150.00
Bob's Locker	Washington	Meat Processing					300.00
Beattie Locker, Inc.	Beattie	Meat Processing					150.00
Mark's Meats	Halstead	Meat Processing					150.00
Bowser Meat Processing	Meriden	Meat Processing					150.00
Great Bend Packing Co., Inc.	Great Bend	Meat Processing					600.00
Butcher Shop	Yates Center	Meat Processing					300.00
Winchester Meat Processing	Winchester	Meat Processing					300.00
Jackson's Frozen Food Ctr.	Hutchinson	Meat Processing					150.00
Belleville Locker	Belleville	Meat Processing					150.00
Whitewater Locker	Whitewater	Meat Processing					150.00
Manhattan Wholesale Meat	Manhattan	Meat Processing					450.00
Klema's Quality Meats	Beloit	Meat Processing					150.00
Sugar Creek Packing Co.	Frontenac	Meat Processing					150.00
Quality Pork International	Lenexa	Pork Processing	Grant	KIT	Training Assistance	1997	65,000.00
Armour Swift-Eckrich	Kansas City	Meat Processing	Grant	KIT	Training Assistance	1997	31,125.00
Quinstar	Quinter	Agricultural/Turf Equipment	Grant	KIT	Training Assistance	1997	7,027.00
Full Vision	Newton	Combine & Tractor Cabs	Grant	KIR	Retraining Assistance	1996	19,933.50
Pork Packers International	Downs	Hog Carcasses	Grant	KIR	Retraining Assistance	1996	30,000.00
Heartland Wheat Growers	Russell	Wheat Gluten/Wheat Starch	Grant	KIT	Training Assistance	1996	60,000.00
Full Vision	Newton	Combine & Tractor Cabs/Parts	Grant	KIT	Training Assistance	1996	6,341.50
Total							\$ 1,255,082.05

* Projects were administered by an educational agency. Companies listed below each project administrator were recipients of the training services provided.

** KIR (Kansas Industrial Retraining Program)
 KIT (Kansas Industrial Training Program)
 IMPACT (Investments in Major Projects And Comprehensive Training)
 TEG (Training Equipment Grant Program)

Kansas Trade Show Assistance Program

The following is a list of 'ag-related' companies utilizing the KTSAP grant program to help offset some of their costs of exhibiting at an international-related trade show, FY96 - FY98.

COMPANY	CITY	COUNTY	FY96	FY97	FY98
Agtech, Inc.	Manhattan	Riley			\$895.00
American Institute of Baking	Manhattan	Riley			\$2,912.70
Crust Buster/Speed King	Dodge City	Ford		\$3,472.87	\$5,736.66
Doskocil	Hutshison	Reno		\$3,500.00	
ExtruTech, Inc.	Sabetha	Brown		\$2,754.61	
Flame Engineering	La Crosse	Rush			\$1,211.01
Golden View Emu Company	Oswego	Labette			\$689.06
Gourmet Chocolate	Halstead	Harvey			\$945.02
Green Line, Inc.	Harper	Harper			\$3,500.00
JEM International	Shawnee	Johnson			\$2,457.98
Liberty, Inc.	Waterville	Marshall	\$600.00	\$1,883.50	
Midwest Grain Products, Inc.	Atchison	Atchison	\$2,024.42	\$3,500.00	
Pantry Shelf	Topeka	Shawnee			\$1,150.00
Pelleting Concepts International, Inc.	Wichita	Sedgwick		\$3,000.00	
Prairie Thyme Ltd	Kansas City	Wyandotte	\$1,493.14		
RHS, Inc.	Hiawatha	Brown	\$610.00		
Sunflower Food & Spice Co. Ltd.	Overland Park	Johnson	\$551.33	\$1,062.50	
Thompson's Pet Pasta, Inc.	Kansas City	Wyandotte	\$1,500.00	\$1,500.00	
VIC Systems International	Shawnee Mission	Johnson		\$1,500.00	

Acquisitions, mergers highlight exciting year in milling industry

The milling industry continued to grow at a rapid pace in 1998, as acquisitions and capacity expansions once again were the norm for an industry that has seen extraordinary progress over the past several years.

Beyond the domestic acquisitions and expansions, 1998 marked the second consecutive year in which several U.S. flour milling companies announced significant investments abroad, with notable activity in Canada, Haiti, Mexico and southern Africa.

Throughout 1998, changes in the industry spanned from the formation of the North American Millers' Association to the 3,600-cwt plus expansion undertaken by Logan, Ohio-based Keynes Brothers. In addition, several companies broke ground on new facilities, while others, such as ConAgra, introduced updated and technologically advanced plants.

The following timeline illustrates the mergers, expansions and projects of 1998, including those currently under way or expected to be started by 1999.

■ Cargill, Inc., Minneapolis, agreed to lease Italgrani U.S.A.'s Aver Mass. flour mill. The plant has daily milling capacity of 15,500 cwts.



■ Harvest States Cooperatives set the cost of its Orlando, Fla., wheat flour mill at \$35 million. The facility will have daily milling capacity of 14,000 cwts.

Italgrani

■ Italgrani announced that plans were under way to double daily flour milling capacity to 30,100 cwts from 15,600 cwts at U.S. Durum Milling Co., St. Louis. The expansion would make U.S. Durum Milling the second-largest mill in the United States behind Nabisco Brands, Inc.'s Toledo, Ohio, mill.

FEBRUARY 1998

■ ConAgra, Inc. announced it had combined its Omaha and Minneapolis grain trading operations into a single facility in downtown Omaha.

■ The London-based Kerry Group announced its intentions to acquire the food ingredients and Spillers flour milling operations of Dalgety P.L.C. for £335 million (\$549 million).



■ Farmland Industries, Inc., Kansas City, opened a grain marketing office in Florence, Ky. The facility is expected to boost Farmland's service to eastern flour milling companies.

MARCH 1998

Twenty-first Century Grain Processing

■ Twenty-first Century Grain Processing, a newly formed cooperative based in Manhattan, Kas., continued renovation of its flour mill in Rincon, N.M. The cooperative raised \$2.5 million to purchase the mill and has been seeking an additional \$2.5 million to finance expansion at the facility.

■ Southeastern Mills, Inc., Rome, Ga., increased daily flour milling capacity to 9,000 cwts with a 5,000-cwt addition. An additional building was erected at the site to accommodate the capacity increase.

■ The merger of the Millers' National Federation, American Corn Millers Federation and Protein Grain Products International into the North American Millers' Association (NAMA) was approved.



Harvest States Cooperatives and Cenex, Inc. approved a merger to form a \$10-billion cooperative. The merger took effect June 1.



■ **Dakota Valley Mills L.L.C.** and **The Pillsbury Co.** came to terms on a long-term pact under which **Dakota Valley Mills** will supply Pillsbury with flour from its 8,000-cwt facility currently under construction in Fairmount, N.D.

Saskatchewan Wheat Pool

Saskatchewan Wheat Pool, Regina, Sask., submitted a takeover bid for **Humboldt Flour Mills, Inc.**, Humboldt, Sask., valued at C\$18.8 million (\$13.2 million). **Manitoba Pool Elevators** and **Alberta Wheat Pool**, who had made a joint bid of C\$11.8 million (\$8.3 million) for Humboldt, announced that they did not intend to match or exceed S.W.P.'s offer.

MILLING REVIEW TABLES

Wheat flour mill capacity changes

Company	Site	Expansion (reduction) in cwts
ADM Milling Co.	Camp Hill, Pa.	8,000
Bay State Milling Co.	Tolleson, Ariz.	(1,000)
Capitol Milling	Colton, Calif.	10,000
Cardell Foods	Los Angeles, Calif.	(500)
ConAgra Grain Processing	Ayer, Mass.	15,000
	Omaha	100
	North Kansas City, Mo.	700
Fisher Mills	Blackfoot, Idaho	12,500
	Seattle, Wash.	500
Harvest States Milling Co.	Mt. Pocono, Pa.	15,000
	Huron, Ohio	5,000
Hopkinsville Milling Co.	Hopkinsville, Ky.	(1,320)
Italgrani U.S.A. Inc.	Ayer, Mass.	(7,000)
	St. Louis	(4,400)
Keynes Brothers	Logan, Ohio	3,600
Kerr Pacific	Pendleton, Ore.	(400)
Kerry Inc.	Hillsdale, Mich.	(400)
Miller Milling Co.	Fresno, Calif.	6,000
Siemer Milling	Hopkinsville, Ky.	3,000
Snavey's Mill, Inc.	Mill Hall, Pa.	2,000
Southeastern Mills	Rome, Ga.	5,000
Star of the West Milling Co.	Ligonier, Ind.	1,400
North Dakota Mill & Elevator	Grand Forks, N.D.	1,000

Durum milling capacity changes

Company	Site	Expansion (Reduction) in cwts
ADM Milling Co.	Montreal	(300)
Bay State Milling Co.	Tolleson, Ariz.	(2,400)
Harvest States Milling Co.	Huron, Ohio	(5,000)
	Mt. Pocono, Pa.	2,000
Italgrani U.S.A. Inc.	Ayer, Mass.	(7,500)
	St. Louis	(4,400)
Miller Milling Co.	Winchester, Va.	8,000
	Fresno, Calif.	1,000
North Dakota Mill & Elevator	Grand Forks, N.D.	300

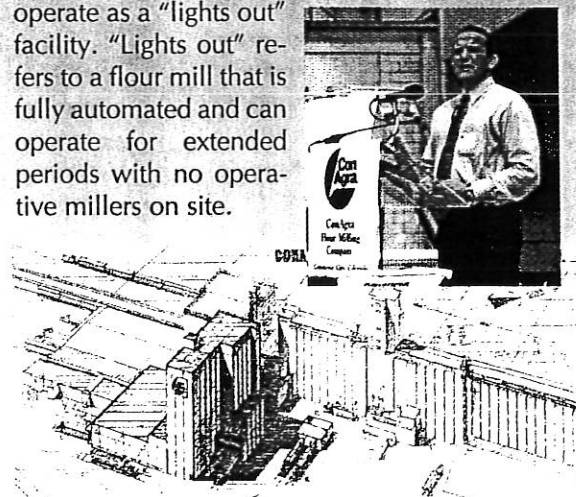
Source: "1998 Grain & Milling Annual"

MAY 1998

■ **Ground was broken on Country Home Milling**, a **Saginaw, Texas**, flour mill owned jointly by **Farmland Industries**; **Bay State Milling Co.**, Quincy, Mass.; and **Southwest Grain Marketers L.L.C.**, Apache, Okla. The facility will have the capacity to mill 6,000 cwts of flour per day, and additional plans call for daily milling capacity to reach 12,000 cwts "within three to four years," Farmland said.



ConAgra Flour Milling Co. conducted a ribbon-cutting ceremony at its new **Commerce City, Colo.**, site. Daily flour milling capacity will increase to 18,000 cwts, up from 14,000 cwts, with the addition of a 150-foot tower and a two-story structure to house new blending and packaging operations. The mill will be the first fully automated mill of its kind in the United States and will operate as a "lights out" facility. "Lights out" refers to a flour mill that is fully automated and can operate for extended periods with no operative millers on site.



■ **Harvest States Cooperatives**, St. Paul, Minn., announced it was converting one of the three milling units at its Huron, Ohio, mill to manufacture bakery flour instead of durum semolina. As part of the conversion, the facility will increase daily bakery flour capacity to 5,000 cwts, while decreasing daily durum semolina capacity to 4,500 cwts from 9,500 cwts.

Seaboard Corp., Merriam, Kas., invested \$3 million as part of a minority interest in a joint venture with two other partners in a flour mill in Haiti.

■ The board of directors of **Dakota Growers Pasta Co.** authorized construction of third milling unit — one with 8,500-cv per day durum milling capacity — at Carrington, N.D., facility. The mill is expected to be complete by February 1999.

SEABOARD
CORPORATION

JULY 1998

Molinera de Mexico S.A., a joint venture in wheat flour milling between **Archer Daniels Midland Co.** and **Gruma S.A. of Mexico**, acquired a 40% interest in a Monterrey, Mexico, flour mill owned by **Grupo Gamesa S.A.**, the cookie and snack subsidiary of **PepsiCo, Inc.** With the addition, **Molinera** raised its annual wheat flour milling capacity to 568,000 tonnes.

■ **Seaboard Corp.** acquired a 50% interest in a flour mill in Lesotho, South Africa, for approximately \$5 million.

AUGUST 1998

ADM Milling Co., Overland Park, Kas., announced purchase the Venezuela Foods unit of **Multifoods Corp.**. The purchase marked ADM's first venture into the South American flour milling market and included five corn mills, three rice mills, four flour mills, one spice plant, one oat mill, two bakery mix plants and three feed plants. Later year, plans for the acquisition fell through.



■ Plans for a **ConAgra Flour Milling Co.** mill in Southern California were put on hold after the Fullerton City Council rejected the proposed project by a 4-1 vote. While a search for an alternative site continues, **ConAgra** remains committed to the Fullerton site.

North American Millers' Association aims to lead milling industry into 21st century

AT THE FOREFRONT of the changes in the milling industry during 1998 was the April merger of the Millers' National Federation, the American Corn Millers Federation and Protein Grain Products International into the North American Millers' Association (NAMA).

NAMA was formed to better serve the needs of a consolidated milling industry, according to **Craig L. Hamlin**, president of **ADM Milling Co.**, Shawnee

Mission, Kas., and chairman of NAMA. Mr. Hamlin said the success of NAMA will lie in the degree of activity undertaken by the association's members. In addition, he expressed hope that NAMA would emerge as "the single and most important voice of this industry."

Indeed, one of the reasons behind the formation of NAMA was to create an association that could act as a central

Continued on Page 34



Craig Hamlin, NAMA chairman, was among the committee members who offered advice on establishing priority issues for the association.

The Saskatchewan Wheat Pool said it was converting the 240-cwt-per-day Humboldt milling facility, earlier acquired from **Humboldt Flour Mills**, into an organic flour processing plant. The facility will have the ability to produce a variety of organic products, including unbleached white flour, bakers and whole wheat flour, wheat bran, cream of wheat and sprouting wheat, the company said.

Cereal Food Processors

■ **Cereal Food Processors, Inc.**, Mission Woods, Kas., acquired the Oak Street flour mill in Montreal from **ADM Agri-Industries Ltd.**, the Canadian flour milling subsidiary of **Archer Daniels Midland Co.** A new business, **Cereal Food Canada**, was established with the acquisition. The mill has daily flour milling capacity of 3,600 cwts.

Following its acquisition of the flour milling assets of **Spillers Milling, Tomkins P.L.C.** was ordered by the U.K. Secretary of State for Trade and Industry to divest four of the six flour milling facilities because not to do so would reduce "competition in the supply of free flour and bread."

OCTOBER 1998

Cargill

Cargill announced plans to expand capacity at its flour mill in San Bernardino, Calif., to 18,500 cwts from 8,500 cwts. The expansion is expected to be completed by the fall of 1999.

■ **Seaboard Corp.** entered into an agreement to sell its **Holsum Bakers** and flour milling operations in Puerto Rico to a management group headed by Ramon Calderon, president of **Holsum Bakers**, for \$80 million plus the assumption of approximately \$12 million in liabilities. The flour milling operation, **Harinas de Puerto Rico**, has daily flour milling capacity of 3,600 cwts and markets flour under the Golden Up, Golden Bread, Agueybana, Pastelillo and Holsum brand names.



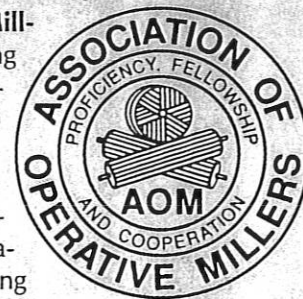
Minneapolis-based **Miller Milling Co.** announced its intentions to expand milling capacity at its Winchester, Va., mill. In June, **Miller Milling** brought durum capacity at the facility to 14,000 cwts per day, and in October plans were announced to bring flour and semolina capacity to 20,000 cwts per day with the addition of a 6,000-cwt hard wheat milling unit. The unit is expected to be completed by the summer of 1999.



NOVEMBER 1998

■ **Keynes Brothers**, Logan, Ohio, completed construction on a \$1.4-million, 3,600-cwt expansion. Daily wheat flour milling capacity at the facility increased to more than 8,000 cwts with the expansion, which took place at the north end of the facility.

■ **Kansas State University**, Manhattan, Kas., received \$20,000 from the **Association of Operative Millers** as part of its just announced fund-raising campaign for the construction of a new on-campus flour mill. The fully automated mill will comprise research and production milling equipment and will be capable of processing 750 bus of wheat per day.



Grain industry profile

The following changes in corporate status or facility designation were noted:

- **ADM Milling Co.** increased total corporate storage capacity by 335,000 bus.
- **Alberta Terminals** increased total capacity by 885,000 bus.
- **Alberta Wheat Pool** deleted 100 country elevators and decreased total capacity by 9,113,000 bus.
- **Agmax, Inc.** deleted a subterminal in Frankfort, IN, and two country elevators. Total corporate capacity was reported unchanged.
- **Ag Partners, LLC** is a new multiple formed from a joint venture arrangement between **Cargill, Inc.** and former multiple **ALCECO**. Ag Partners, which has total corporate storage capacity of 17,055,000 bus, operates the former ALCECO subterminals at Albert City and Hartley, IA; added four more Iowa subterminals at Alta, Fonda, Emmetsburg and Royal; and added two processing plants.
- **AGP Grain Ltd.** deleted a terminal at Circleville, OH. Total corporate capacity was reported unchanged.
- **Agri-Farm Industries, LLC** formerly was the multiple Dimmitt Agri Industries, Inc. The company has a subterminal each at Tulia and Dimmitt, Texas, with a total corporate storage capacity of 15,734,000 bus.
- **The Andersons** leased a terminal at Maumee and a port elevator at Toledo, both in Ohio, from **Cargill, Inc.** as part of a grain handling and marketing agreement between the two companies. The Andersons reclassified its Poneta, IN, facility to a subterminal from a terminal. The Andersons' total corporate storage capacity increased by 12,000,000 bus.
- **Archer Daniels Midland Co.** added four river facilities, one each in Helena, AR; Quincy, IL; Ledbetter, KY; and St. Paul, MN. The company added two Minnesota terminals, one each at Boyd and Clarkfield, as part of the **Prairie Grain Partners** joint venture. The company deleted a subterminal in Reynolds, IN. Archer Daniels Midland's corporate storage capacity increased by 66,908,166 bus. Archer Daniels Midland also entered a joint venture with **Peavey Co.** to form the **Kalama Export Company, LLC**, which operates Peavey's port elevator in Kalama, WA.
- **Bartlett & Co.** added a terminal in Wichita, KS, and a country elevator. Total corporate storage capacity was reported up by 9,440,000 bus.
- **Bunge Corp.** added one river facility in Book, LA, and deleted a river facility in Freeport, FL. Total corporate storage capacity increased by 11,726,000 bus.
- **CGB Enterprises** added two river facilities in Oklahoma, one each at Wagoner and Muskogee. Total storage capacity was up 201,000 bus.
- **Canada Ports Corp.** is no longer a multiple. The company sold its Churchill, MB, port facility and operates a single 5,500,000-bus port elevator in Prescott, ON.
- **Cargill, Inc.** deleted a port elevator at Chicago and a river facility at Blountstown, FL. Cargill also deleted a port elevator Toledo, OH, and a terminal at Maumee, OH, both of which were leased to **The Andersons** under a grain handling and marketing agreement between the two companies. Cargill's total corporate storage capacity was left unchanged.
- **Cargill, Inc. (Flour Milling Division)** added a terminal at Ayer, MA. Total storage capacity was increased by 2,500,000 bus.
- **Central Soya Co.** reclassified a terminal at Delphos, OH, to a subterminal from a terminal and added six processing plants. The company increased total storage capacity by 5,913,000 bus.
- **Cereal Food Processors, Inc.** increased total storage capacity by 88,000 bus.
- **Continental Grain Co.** added 11 country elevators and increased total storage capacity by 3,000,000 bus.
- **Corpus Christi Grain Co.** is no longer a multiple. The company ceased operations at its terminal facility, leaving in operation only a subterminal with capacity of 3,831,000 bus.
- **Dodge City Cooperative Exchange** added six Kansas subterminals at Cimarron, Ingalls, Ingalls West, Kalvesta, Montezuma and Pierceville, increasing total storage capacity by 5,679,744 bus.
- **Farmers Co-op Co.** added a subterminal each at Ida Grove and Odebolt, IA, and deleted a subterminal at Yale, IA, and eight country elevators. Total corporate storage capacity increased by 4,000,000 bus.
- **Farmers Grain Terminal, Inc.** added a river facility at Waterproof, LA, and deleted one country elevator. Total corporate capacity increased by 499,000 bus.
- **Farmland Grain Division** increased total storage capacity by 67,398,528 bus. It re-opened two terminals in Enid, OK; and a terminal each in Ft. Worth, TX; and Hutchinson and Wichita, KS. In addition, Farmland leased its Galveston, TX, and one of its Hutchinson, KS, elevators to **Concourse Grain**, a joint venture with **Peavey Co.**

Concourse Grain also has leased Peavey's port elevators at Paulina, LA, and Superior, WI, under the joint venture arrangement. Peavey and Farmland each have retained ownership of their respective facilities, but Concourse has assumed full operating and management control.

- **Foxley Grain Co.** added a subterminal at Essex, IA, four country elevators and a processing plant, increasing total storage capacity by 2,094,251 bus.
- **Garden City Co-op, Inc.** added two country elevators and increased total storage capacity by 756,000 bus.
- **General Mills** added a terminal in Minneapolis, MN. Total corporate storage capacity was reported unchanged.
- **Harvest States Cooperatives** merged with Cenex, an agricultural supply and fuel cooperative, to become **Cenex Harvest States Cooperatives**. The company added 38 country elevators and six processing plants, increasing total storage capacity by 63,119,000 bus.
- **Hereford Grain Corp.** added five country elevators and increased total storage capacity by 3,800,000 bus.
- **Hopkinsville Elevator Co., Inc.** is a new multiple with total corporate storage capacity of 7,000,000 bus. The company operates a river facility at Clarksville, TN; a subterminal at Hopkinsville, KY; and four country elevators.
- **W.B. Johnston Grain Co.** added a subterminal at Woodward, OK. Total corporate storage capacity was reported unchanged.
- **Koch Agri Services** added two terminals at Bliss, ID, and Thummel, NE, and deleted 21 country elevators. Total storage capacity decreased by 16,643,000 bus.
- **Kokomo Grain Co., Inc.** increased total storage capacity by 1,000,000 bus.
- **Lauhoff Grain Co.** added a subterminal in Homer, IL, and increased total storage capacity by 8,000,000 bus.
- **Lewiston Grain Growers** deleted a country elevator and decreased total storage capacity by 2,096,545 bus.
- **New Cooperative, Inc.** deleted a subterminal at Fort Dodge, IA, and added a subterminal at Vincent, IA. Total corporate capacity increased by 263,000 bus.
- **Northwest Grain Growers, Inc.** is the newly named former multiple **Walla Walla Grain Growers, Inc.** The company added nine country elevators and deleted a subterminal at Spofford, OR. Total storage capacity increased by 6,086,000 bus.
- **Odessa Union Warehouse Co-op** decreased total storage capacity by 50,000 bus.
- **Peavey Co.** deleted a river facility at Waterproof, LA, and a terminal at Glenfield, ND. Peavey's total storage capacity was reported unchanged. Peavey continues to report its port facility at Kalama, WA, which is part of the **Kalama Export Company, LLC** joint venture with **Archer Daniels Midland**. In addition, Peavey's port facilities at Paulina, LA, and Superior, WI, are components of the **Concourse Grain** joint venture with **Farmland Grain Division**. Under that arrangement, Peavey has leased the two facilities to the joint venture, while Farmland has leased to Concourse its Galveston, TX, and Hutchinson, KS elevators.
- **Perdue Farms** added two terminals at Salisbury, MD, and Cofield, NC; and added four subterminals at Roberts MD, and Greenville, Pantego, and Plymouth, NC. Total corporate storage capacity was reported unchanged.
- **Producers Rice Mill, Inc.** increased total storage capacity by 1,098,000 bus.
- **Riceland Foods, Inc.** deleted four country elevators and reclassified the remaining 30 country elevators as subterminals. The company decreased total storage capacity by 2,676,000 bus.
- **Shawnee Milling Co.** increased total storage capacity by 696,000 bus.
- **A.E. Staley Manufacturing Co.** deleted 15,000,000 bus of grain storage capacity and is no longer a multiple.
- **Terra Industries** added two river facilities at Winona, MN, and Prairie du Chien, WI; three terminals at Byron, Dodge Center and Kasson, MN; and 10 country elevators. Total corporate capacity increased by 13,900,000 bus.
- **United Grain Growers Ltd.** deleted 12 country elevators and decreased total storage capacity by 6,536,128 bus.
- **West Central Cooperative** added two country elevators and a processing plant and increased total storage capacity by 480,000 bus.
- **Whitman County Growers, Inc.** decreased total storage capacity by 494,000 bus.
- **Wright Lorenz Grain Co.** deleted a terminal in Amarillo, TX, and decreased total storage capacity by 5,076,553 bus.

Sweetener advances point way for wheat

An article in the *Financial Times* explaining the important role of science and technology in the evolution of sweeteners concludes with a startling observation that goes a long way toward explaining the potential of biotechnology research for changing the face of grain-based foods. The article, which mainly seeks to address the reasons for a resurgence of artificial sweeteners in food making as well as the development of high-intensity products, focuses on an interview with Nick Rosa, co-president of the nutrition and consumer products business of the Monsanto Co. It is the following quote from Mr. Rosa, that particularly relates to grain-based foods:

"Why can't we modify basic foods to be sweeter? And the answer is, we can, in basic products like soybeans, canola, wheat and corn. It is not going to cost more to grow wheat that is perfect for a baking application, with no sweetener required. I think that is probably five to 10 years out."

Putting aside for the moment the many fascinating comments that Mr. Rosa had to make about sweeteners, the concept of "wheat that is perfect for a baking application" presents for grain-based foods in strikingly succinct fashion what is at work in companies like Monsanto that have just turned themselves into being a research-based biotechnology enterprise. As a company that itself has been engaged in a wave of acquisitions in the biotechnology sector, Monsanto, Mr. Rosa explains, is committed to reach the "next platform" in what research can accomplish in food manufacturing. That platform, likely to replace the company's long-standing emphasis on molecular chemistry, is genetic modification of existing crops like wheat.

The vision he presents for what may be done with wheat deserves scrutiny, not just for helping to unravel the mysteries of genetically-modified organisms, but also for revealing how Monsanto and other technologically-oriented companies have been able to use science to advance their position in sweeteners. The wheat prospect he suggests is a wheat meeting the baking requirements of a

specific end product. The idea of wheat grown to suit bakers of many different types of bread, buns and rolls is enough to boggle the mind, even of those millers accustomed to shifting wheat blends or mixing flours to fit specific end-product requirements. The task of grain segregation appears to be quite overwhelming. Yet, it is also obvious that biotechnology companies, having invested hundreds of millions to produce such a unique product, have thought through the marketing requirements for the wheat they are about to introduce. Recent joint ventures appear to address this very issue.

That Mr. Rosa speaks of such an amazing possibility with wheat, even a decade into the future, reflects a confidence based largely on what companies like Monsanto have done with sweeteners. Noting that "the technology of the sweetener business favors innovation," the *Financial Times* reviews the history of artificial sweeteners as well as the constant flow of new products. A decision to focus on wheat that itself is designed for making a single product currently requiring the addition of sweeteners is prompted in part by the belief that new sweeteners, including those 8,000 times sweeter than sugar, have gone about as far as technology will go in sweeteners alone. This is especially the case when many health-related issues are introduced.

Because molecular chemistry has done so much to change the face of sweeteners, no one should believe the science is at all simple. Finding optimal flavor/sweetener profiles is a highly complex task for each food. Mr. Rosa says, "What it really amounts to is the interaction at the molecular level of the taste receptor in the tongue and the molecule." Applying that judgment to the complexity of wheat, which so far has defied gains made in sweeteners as the result of molecular chemistry and also may turn out to be the final frontier of genetic modification, helps to frame dramatically the revolution that may be ahead once this technology holds sway over what wheat is produced.

Co-op, Florida sugar company combine to buy New York refinery

WEST PALM BEACH, FLA. — A group of Florida sugar producers has banded together to acquire Refined Sugars, Inc., a refinery in Yonkers, N.Y.

The transaction with Onex Corp., a holding company for Lantic Enterprises Ltd., the parent of Refined Sugars, is expected to be completed within 30 days. Financial terms or

other details were not disclosed.

The acquiring coalition includes the Belle Glade, Fla.-based Sugar Cane Growers Cooperative and Atlantic Sugar Association, which together have more than 60 farming families as members, and Florida Crystals Corp. of West Palm Beach, Fla. The Growers

Continued on Page 11

Co-op, Florida sugar company combine to buy New York refinery

Continued from Page 1

Cooperative and Florida Crystal each will hold a 50% share.

The Yonkers refinery employs 300 persons and has the capacity to process raw sugar into 500,000 tons of refined product annually. Sugar Cane Growers Cooperative and Florida Crystals produce about a million tons of raw sugar per year, the companies said.

The sugar industry is experiencing a number of consolidations as the domestic market becomes more competitive, the companies said.

"Today we make another long-term commitment to increase our efficiency by vertically integrating into the sugar refining business, which will take us from the farm to the dinner table," said George H. Wedgworth, president of Sugar Cane Growers Cooperative. "This acquisition is a win for consumers and the employees of all three companies."

The 38-year-old cooperative is made up of 54 small and medium sized farms in Florida's Palm Beach county, with approximately 65,000 acres in produc-

tion. The cooperative handles the harvesting, transporting and processing of sugar cane and marketing of raw sugar; last year, it produced about 300,000 tons of raw product.

Florida Crystals, also founded in 1960, farms about 190,000 acres in Florida and produces more than 700,000 tons of sugar annually. Its operation was one of the first in the nation capable of processing from cane to refined sugar under the Florida Crystals label.

"The families involved in the acquisition have known each other for 40 years," said Alfonso Fanjul, chairman of the board of Florida Crystals. "This is a very comfortable way for us to integrate our operations." □

Challenges facing agriculture becoming more complex

By DAN GLICKMAN

...With the 1999 World Trade Organization (WTO) talks at hand, the U.S. will have its work cut out for us as we seek to strengthen and expand global trade. Nowhere will the challenges be more complex than in agriculture. Some countries feel that trade in food is different from trade in cars or computers or other commodities, and that food requires more protection. I agree that food is a basic fuel of life. For me, that makes it more important, not less, that food and fiber move more easily around the world through international commerce. It's good for American agriculture, which is right now getting a reminder of just how linked our economic fate is to the world's. More free and fair agricultural trade is good for the world, helping lift countries' economies while ensuring a stable, reliable global food supply....

As we gear up to persuade the public of the importance of more free and fair agricultural trade, I think we also need to give NAFTA (the North American Free Trade Agreement) some long overdue credit. Our exports to Canada and Mexico have posted their third straight record up close to \$2 billion this past year. So even though we lost \$4 billion in exports to Asia, U.S. farm exports only declined by half that amount because of strong, robust trading in our own hemisphere. So NAFTA may get a share of criticism from various sectors, particularly along the Canadian border, but by and large it's making a \$2 billion difference for agriculture that is critical to prices and to farm income....

Today we are learning important lessons that we cannot afford to ignore. One is that what happens in the global economy has an impact here at home. Another is that what happens to agriculture is affected by what happens to other sectors of the world economy, like currency valuations, banking policy and consumer demand for all sorts of

products. That is why support for the International Monetary Fund and other efforts to shore up the global economy are so vital to agriculture. Strong exports require strong customers. My visits to Malaysia, Korea and Japan really brought home for me the fact that agriculture purchases from the U.S. do not exist in a vacuum.

We should not delude ourselves, however, in assuming that America's farmers and ranchers believe en masse that more open markets are necessarily good for them. Many continue to believe that the benefits of expanded trade are outweighed by recent balance of trade deficits, as well as particular problems existing between the U.S. and the European Union and the U.S. and Canada.

Many times I hear academics and some in the agribusiness community bemoan the fact that if farmers really understood the statistics, they wouldn't be so ambivalent about free trade. The fact is that many farmers perceive that free trade is often not reciprocal or fair. While that perception is often inaccurate and incomplete, the feelings are still there. The recent commodity price declines have not helped reverse this lack of confidence.

Our job — those of us in the private and public sectors — is to better explain the positives of open markets while at the same time continuing our fight against unfair practices wherever they exist. We all must do our jobs better and commiserate much better if we are to be successful at the WTO and particularly in getting Congress to give the President the fast-track authority that he so desperately needs.

Safety net/emergency payments

We also have to understand what most every person who has a 401k plan understands: It is simply not realistic to expect that the global economy will march ever upward without a single hitch. So as tempting as it may be to

some folks, we cannot shove off all the responsibility of a safety net onto trade. It's convenient, sure; but it won't work in the real world where markets go up and markets come down, sometimes with devastating results....

Government should not stand by and watch farmers go out of business through no fault of their own. That's why this Administration took such a strong stand to ensure farmers got the level of emergency assistance they needed to plan for a spring crop instead of a spring auction.

In the near future, U.S. Department of Agriculture will announce how the final \$2.4 billion in crop loss payments will be made. For now, I will simply say that we will try to be fair to all farmers in all parts of the country. Our decisions will encourage the use of crop insurance, at the same time we work to make that program stronger so it can do some of the heavy-lifting of any future farm safety net....

Consolidation

So the challenge before us today is to ensure our farm families can share in the economic opportunity that is clearly on the horizon for American agriculture. Unfortunately, that is easier said than done due in part to the trend toward fewer and larger operations, which is working its way through every sector of agriculture today, as it is throughout our economy.

Just in the past few days, we've all read about the union of America On-Line and Netscape, as well as talks between Exxon and Mobil Oil. In agriculture, we read about Monsanto-DeKalb and more recently Cargill-Continental. It is important that agriculture become more productive, more efficient and more globally competitive. But it's also important that these changes do not come at the expense of family farmers and ranchers who also deserve a fair shake in the marketplace.

My opinion is that we need not a knee-

jerk reaction against consolidation, but some thoughtful reflection — about agriculture's future, about the value of competition and about the fate of individual economic opportunity — as we go farther and farther down this path that no one seems quite sure where it leads.

Throughout my time in public service, I have been wary of decreased competition. As many of you know, I opposed the Union Pacific-Southern Pacific rail merger. I feel fairly vindicated after all the gridlock and grain on the ground following the merger, although service seems to have improved in recent months. I also was very involved when I first became secretary with concentration in the meatpacking industry. I still worry about individual ranchers' ability to get a fair price in a less competitive marketplace.

From banking to transportation to seed companies, I am concerned about the structural changes taking place in the farm economy, and worry about how it may affect the ability of family farm agriculture to cope in a changing world. That is why this week I will ask the Department of Justice and the Federal Trade Commission to do a thorough review of the proposed Cargill-Continental consolidation. I do not yet know if this arrangement should be blocked or approved, but I believe enough legitimate questions have been raised to warrant keeping the rubber stamp in the drawer.

The American free-enterprise system depends on adequate competition to ensure there are choices available in the marketplace. My belief is that the appropriate anti-trust regulators will and should actively examine these mergers in that context....

■ *Secretary of Agriculture Dan Glickman made these comments Nov. 30 at the Third Annual Farm Journal Conference in Washington, D.C.*

The great white hope

U.S. wheat growers hope hard white wheat will help regain world markets

By Larry Reichenberger
Crops and Machinery Editor

The new class of hard white wheat may prove to be a white knight for farmers on the Great Plains. A dramatic rescue is clearly needed to solve the low prices and dwindling markets that plague traditional hard red winter wheat. With milling and baking qualities that are preferred in many parts of the world, hard white holds that hope.

"Hard white wheat is a tool we can use to regain our presence in the world wheat market," says Eldon Lawless, Belle Plain, Kansas, farmer and vice chairperson of the Kansas Wheat Commission. "We can become competitors again, rather than the suppliers of last resort."

Hard times for hard red

That hope springs from the growing frustration of marketing hard red winter wheat. Once the pride of U.S. farm exports, hard red winter has fallen on hard times. From 1980 until 1993, exports fell by 34%, says a study by North Dakota State University ag economist Bill Wilson.

"It's even more alarming if we look at the net percent shift, which provides a perspective on the rate of growth for each class of wheat in relation to the market as a whole. In those terms, hard red winter actually declined by 58% in that time," says Wilson. "Meanwhile, hard red spring wheat—grown in the Northern Plains—increased its export share by capturing an additional 49% of the sales growth."

Sales to individual export buyers show the same pattern. For example, in the mid-1970s, U.S. hard red winter wheat had 60% of the market in Central and South America. In the mid-1990s, that market share had fallen to 12%.

This dismal trend has wheat production experts in traditional hard red winter growing areas looking at hard white wheat—a class with nearly identical

production requirements—as a more marketable option. And in the Northern Plains and Canada, spring wheat breeders are also working to develop hard whites.

Rob Bruns, general manager of wheat research and development at AgriPro, recently surveyed wheat breeders across the U.S. and Canada about their commitment to hard white wheat. "In just about every state in the region, hard white wheat is being developed at some level," says Bruns. "However, there are mixed opinions as to just how much white wheat will replace the red wheat."

Kansas State's commitment to hard white wheat is unparalleled. Bruns found that 75% of breeding efforts and investments there were being directed toward white wheat. Colorado and Oregon State Universities trailed with a 50% commitment.

Private breeding programs (including AgriPro, Western Plant Breeders, Hybritech and Cargill), along with public programs in Nebraska, Montana, South Dakota and

Washington, were committing 20-40% of their efforts. Development in Canada fell into that same range, while California, North Dakota, Texas, Oklahoma and Minnesota reported less than 20% of their research effort was on white wheat.

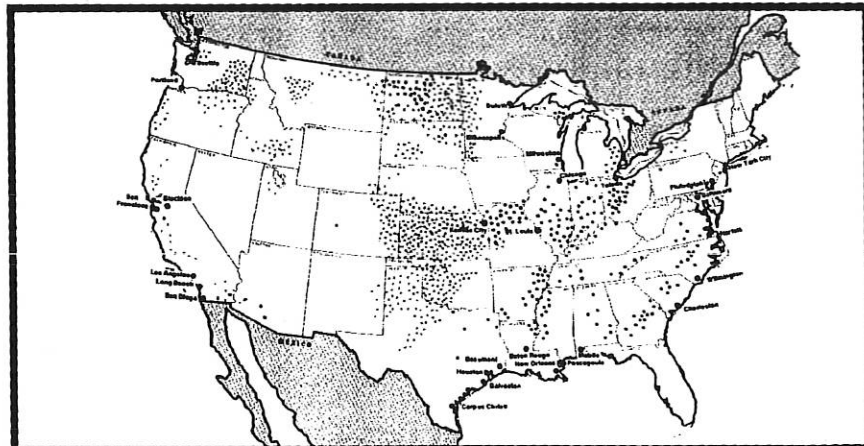
"We're still developing hard red varieties, but our major emphasis is on the hard whites," says Kansas State wheat breeder Rollie Sears. "After 15 years of asking if hard white wheats are as good as hard reds, we've decided that they are sometimes even better."

"The exception is with preharvest sprouting—the red seed coat does provide a benefit here. We're improving this in our new white varieties, but frankly, preharvest sprouting is a problem we seldom face in Kansas."

Two new varieties

This fall, Kansas State's ag experiment station is releasing two new varieties of hard white wheat. Though not the first hard whites to be grown in Kansas, these new varieties have performance and quality characteristics that are expected to take production to a whole new level.

"We expect these new varieties will boost annual production of hard white wheat in Kansas from the current level of about 5,000 acres to 1 million acres in the next five years," says Sears. "Ultimately, we think hard white will



Hard red winter is the leading class of wheat grown in the U.S. and accounts for 40% of all production. However, this dominance will likely be challenged in the Plains by new hard white wheat, which has superior milling and baking qualities.

- HARD RED WINTER**
High in protein, strong in gluten. Used for quality yeast breads and hard rolls.
- HARD RED SPRING**
Highest in protein for use in quality yeast breads and hard rolls.
- DURUM**
Used for macaroni and spaghetti.
- WHITE**
Used for flat breads, cakes, pastries, crackers and noodles.
- SOFT RED WINTER**
Used for flat breads, cakes, pastries and crackers.

The great white hope

experience. with AWWPA, believes there will be an opportunity for farmers to benefit if they can add real value and have some control over how hard white wheat is marketed.

"Domestic and export markets are ready for more identity-preserved white wheat, but there will be only a brief opportunity to establish a role that will add value and return some reward," says Symms. "As production expands, hard white wheat will quickly become a commodity. When that happens, I fear the demand for it won't be expressed as a premium, but rather as a discount for those still growing red wheat," he says.

Chite white premiums

Wakeeney, Kansas, wheat grower Larry Hixson also fears that as hard white wheat production increases, any premiums will disappear. "We've been producing some of the early white

wheat varieties for 10 years. The premiums we've received for identity-preserving that wheat have amounted to 10¢-15¢ per bushel. That's not as much as we had hoped, but any time you can add value to your crop you're at least moving in the right direction.

"When white wheat production expands, I'm afraid we'll lose those premiums," he says.

Grain industry spokespersons point out that hard white's milling and baking advantages simply aren't enough to warrant a sizable premium for growers. "There is added value in hard white wheat," says Cargill's Terry Garvert. "However, most of the value is used up by added transportation costs—at least until production expands enough to guarantee a consistent supply."

Mark Nelson, ag economist with Kansas Farm Bureau, says farmers need to understand that, even without a premium, hard white wheat can be profitable. "For every additional 100 million bushels of wheat used in the export market, U.S. wheat prices

increase about 10¢ per bushel. The current export market for hard white wheat is 600 to 800 million bushels. But the U.S. is getting almost none of it. If we could get a portion of that market, wheat prices would increase," he says.

New varieties to be released

While developing hard white wheat has been a challenge, releasing new varieties without disrupting the existing grain industry promises to be even tougher. To date, the trickle of new hard white varieties has been released only under contract to individual growers or through groups like AWWPA. However, the large influx of varieties nearing release have many wondering if it will require a new approach.

After agonizing over how to release their two new white varieties, officials at K-State decided on a general release without any marketing arrangements. Proposals from Cargill, Farmland Industries and Monsanto, as well as grower groups were considered.

"We decided that any type of exclusive release would give too much control to a few groups," says Ron Madl, director of KSU's wheat research center. "We sensed a lot of grower concern that large corporate entities would reap all the benefits of white wheat, so we decided on an unrestricted release."

Symms counters, however, that the decision to release the new hard white varieties to the general market will reduce the financial benefit to producers and will result in chaos to the red wheat market."

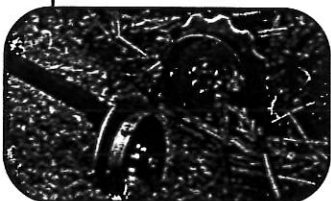
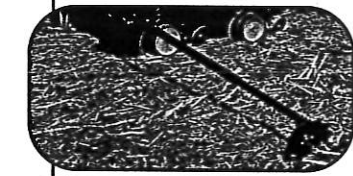
"If there is only 2.1% red wheat found in a shipment of white wheat, then the shipment is classified as mixed wheat and reduced to sample grade. That much red wheat could easily come from failing to clean out a combine bin, grain wagon, or truck," he says.

"The release of new hard white varieties won't be easy," admits Sears. "However, producing hard white wheat is probably the most efficient way for us to address the growing quality concerns we're hearing from domestic and international buyers. Really, we grow hard red winter wheat purely because of tradition. Now, we can make the change and improve the quality of our crop without adding to the production risk." **SF**

Yetter

Defining Solutions

mark-er n. 1. Tool for defining a path on a farm field. See Yetter.



Circle #16 on Reader Response Card

Here's a definition you can rely on...

the clearly defined mark left by Yetter markers. Avoid costly skips and overlaps. Round after round, you'll see the automatic sequencing Yetter Markers save time in your seeding, fertilizer application or cultivating operation. Available in bi-fold and tri-fold models for various widths, each with adjustable disc angles. If you want to hit the mark, call Yetter. *Where quality and price define value.*

Contact Us Today! **800-447-5777**

Yetter Manufacturing Co.

Colchester, IL 62326-0358

Fax: 309-776-3222 • www.yetterco.com

The great white hope

replace hard red as the accepted wheat class in Kansas, as well as other areas of the southern Plains.”

In North Dakota, however, wheat breeders are hesitant to put too many eggs in white wheat's basket. “We have a new hard white spring wheat variety ready for release,” says North Dakota State agronomist Leroy Spilde. “We're going to make hard whites available, but we're not going overboard—our principal thrust will remain with hard red spring varieties.”

Though unique to the U.S., hard white wheat is actually the preferred class among many international buyers. In Asia, 50% of wheat flour is now being made into noodles. With white wheat, millers can extract 1-2% more flour from a kernel without darkening that product. In the Middle East, whole wheat flat-bread products from white wheat are preferred because of the lighter bran. Currently Australia, which grows only white wheat, is serving most of these markets.

“Asia is the fastest-growing market in the world, and noodles are its fastest-growing segment,” says John Oades, director of the Portland, Oregon, office of U.S. Wheat Associates. “Currently, Asian noodles utilize 405 million bushels of wheat and Middle Eastern flatbreads account for another 400 million bushels. Without hard white wheat, the U.S. cannot compete with the Australians in this market.”

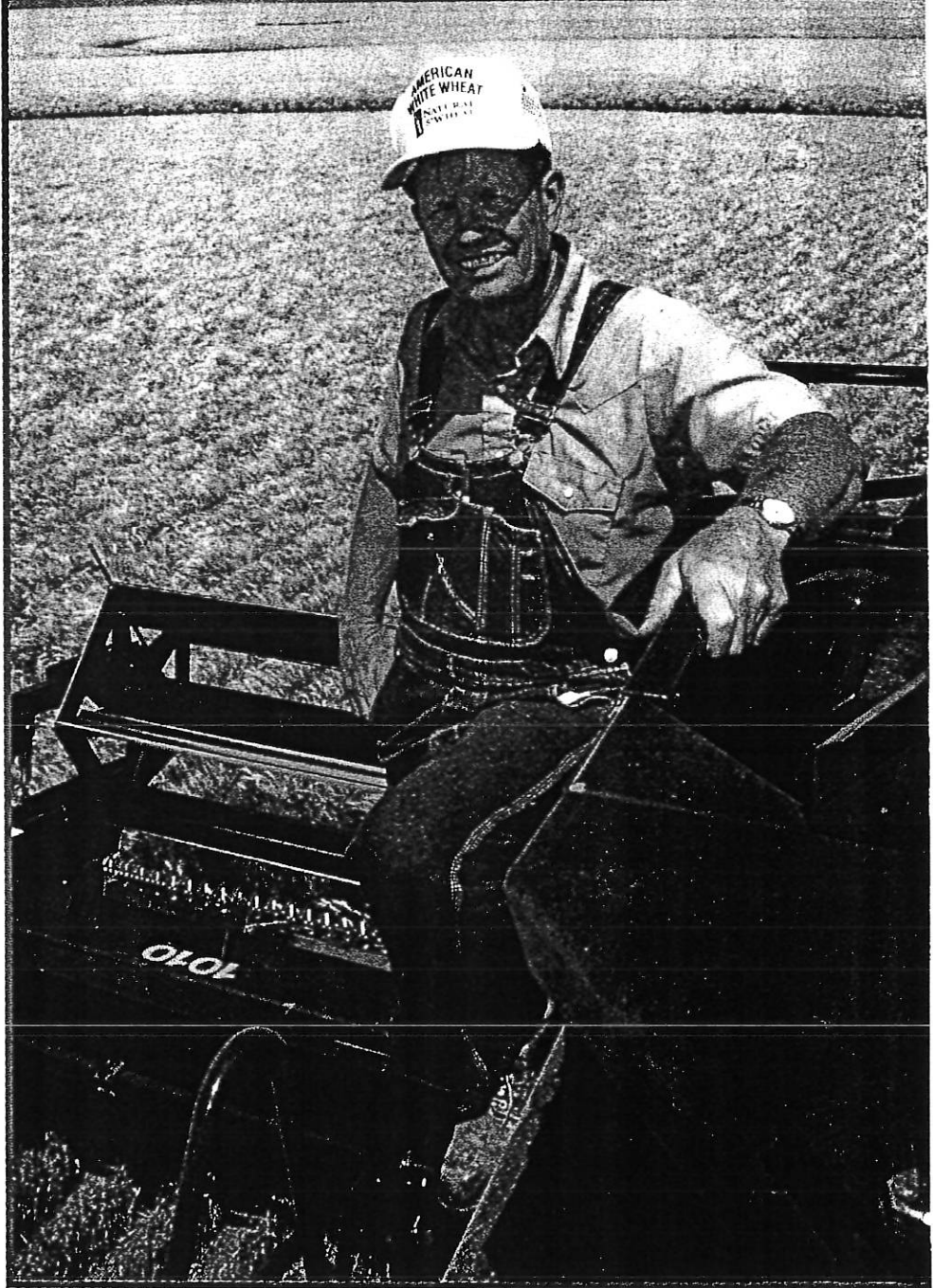
Retired Kansas State milling science professor Arlin Ward once summed up the international marketing situation this way: “Given equal end-use qualities, I don't know of a baker or miller in the world who wouldn't prefer hard white wheat over hard red.”

A value-added product

Even in the U.S., a growing number of millers and bakers are learning to appreciate the benefits of hard white wheat. “The ability to extract more flour while milling to the same color specifications makes white wheat worth an additional 5¢ to 7¢ per bushel,” says Kent Symns, general manager of American White Wheat Producers Association (AWWPA).

“Additionally,” says Symns, “most

Kansas farmer Larry Hixson has been producing hard white wheat with the American White Wheat Producers Association for a decade. Now, its production is poised to expand and may turn his identity-preserved product into a commodity.



agree whole wheat products made from white wheat taste better because the tannin-like compounds in the seed coat of red wheat impart a bitter flavor.”

White wheat's improved qualities

are leading to hopes that farmers may not only recover lost markets, but also receive a premium for delivering the new product on an identity-preserved basis. Symns, who's had 10 years

Dakota Growers Pasta earnings up 35% in fiscal '98; sales jump 69%

FARGO, N.D. — Income of Dakota Growers Pasta Co. for the fiscal year ended July 31 increased \$2.4 million to \$9,375,000, a 35% gain from \$6,926,000 the prior year. The company projected an earnings slump in the first half of fiscal 1999.

Sales in fiscal 1998 were \$119,621,000, up 69% from \$70,702,000 the year before. Increased volume accounted for the gain, including new private label customer business, which the company said it acquired with its purchase of Primo Piatto, Inc. (see *Milling & Baking News* of March 3, Page 14). Co-packing for other pasta manufacturers also accounted for a portion of the volume increase, the report said.

Food service and ingredient sales increased by 47% and 22%, respectively, also because of higher sales volumes. "Over half of the growth in

food service sales volumes is due to the annualization of volumes of new customers, with the balance due to individual customer growth trends," Dakota Growers said. "The expansion of the company's participation with a major ingredient customer was the primary reason for the increase in ingredient revenues."

Dakota Growers said that byproduct sales volume rose 61% but that dollar sales rose only 14%. "The company utilized more of its semolina for internal pasta production, and average prices for millfeed and secondary flours declined by over 20%," the company said.

Cost of product sold was \$100,229,000 in fiscal 1998, up \$41,872,000 from the year before. The increase was due to increased production volumes. Average prices for durum ground by the company

was unchanged from the year before.

Looking ahead to the coming year, Dakota Growers projected earnings would be "substantially less" than in the comparable quarters of fiscal 1998. "The first and second quarters of fiscal 1998 benefited from the complete utilization of all of the company's manufacturing resources and low input costs relative to the market price of pasta, which was influenced by an industry shortage of capacity," the company said.

"The lower earnings comparison for the first and second quarters of fiscal year 1999 is also due to the recent competitiveness in the pasta market, temporary increases in its cost of goods sold resulting from the requirement to toll mill a portion of the members' durum to meet semolina needs, the company's durum purchase commitments and costs associated with a lower utilization of pasta manufacturing assets. Completion of the mill expansion project, which is expected to occur in March 1999, will eliminate the dependency on toll milling." □

Continental setting strategy to link up agriculture's 'levels'

■ By ROD SMITH
Feedstuffs Staff Editor

NEW YORK, N.Y. — All companies, all producers, must periodically “re-think” where they are and where they are going, and the course must sometimes be re-chartered, according to Paul Fribourg, chair and chief executive officer of Continental Grain Co.

It must sometimes be re-chartered dramatically and historically, and sometimes with an emphasis on elevating previously secondary businesses to core standing and leading those industries, he said.

Such were the circumstances surrounding Continental's decision last month to sell the company's grain merchandising activities — the business on which it was founded 185 years ago — to focus on beef, pork and poultry production, businesses in which the company will be expanding in the future, Fribourg told *Feedstuffs* in an interview at Continental's offices here.

“I'm sure there will be a lot of people who will be critical of me for leading this company out of the grain business, but it's a business that we would not have grown and prospered in,” he said.

Agriculture is experiencing “extensive” reorientation toward life sciences and the production of high-quality, high-value food, and companies are evaluating if and where they have strategic advantages in a newly structured agriculture, he said. In many cases, “companies are exiting old-line businesses” where they do not have the scale or structure to succeed and repositioning themselves in new areas where they do, he said.

“So we looked at this, too — at our comparative strengths” in the grain,

livestock and poultry sectors “and where we want to be in the future,” he said.

Fribourg said the company concluded its competitive strengths were not in the grain sector because it lacked “the next level up” in grain processing, especially given the advent of biotechnology and identity preservation. (He noted that the company exited grain processing almost 10 years ago because its position was too small, too costly and not competitive.)

However, he said the company is very focused on animal protein and “the next level up” through its animal nutrition, beef cattle feeding and pork and poultry production businesses and its next venture in aquaculture. He said the next step up in those businesses involves processing and consumer foods, and the company does have capabilities in those areas.

He said the company's strategy will be to focus on animal protein and go into “fully integrated operations,” explaining his use of the term “integrated” includes linkages with, as well as ownership of, other parts of the food system.

For meat production to succeed in the future, it must produce the branded, competitive foods that consumers demand, he said. “To do this, (meat production) must be integrated, and we believe it will be integrated ... linked so that you're involved in the next level up.

“But here we were, still involved in this grain business with nowhere to go, no next level up,” he said, “and, frankly, our competitive position was eroding,” and the grain business was disrupting

Continental/ p. 5

Continental: Firm's strategy to link agriculture levels/

From p. 1

other opportunities.

Accordingly, Fribourg put the grain business on the market, and Cargill, Inc., and Continental announced last month that the business would be acquired by Cargill in a transaction that the two companies expect to complete in the first quarter of next year (*Feedstuffs*, Nov. 16).

Athletes for a new generation

Continental, the fifth-largest privately held company in the U.S. (with grain sales included), holds the industry market shares that give it an integrator and leadership role.

To be renamed ContiGroup Companies, Inc., the company is today the largest beef cattle feeder in the U.S., feeding company-owned and customer cattle on seven yards on the Plains and Southwest. It feeds 1 million head per year, markets them to independent packers and produces 1 billion pounds of beef per year.

It is the third-largest pork producer, contracting company-produced feeder pigs to producers in the Southeast and, earlier this year, taking a 51% interest in Premium Standard Farms (PSF) (*Feedstuffs*, May 18), through which it now has additional genetics, growing, processing and brand marketing links.

It is the sixth-largest chicken producer, with eight fully integrated poultry complexes in the Southeast through which it has breeding, contract growing, processing and brand marketing links. The business, Wayne Farms, produces 1.2 billion pounds of fresh poultry per year and further processes and sells that under the Dutch Quality House label to foodservice customers throughout the U.S.

Wayne Farms also produces chicken supplies under contract for Campbell Soup Co.

It has been involved in salmon raising, but moved recently into processing, acquiring a 50% interest in Ducktrap River Fish Farm, a fish further processor that markets to the foodservice and retail trades (*Feedstuffs*, Jan. 26).

It is the seventh- or eighth-largest commercial feed manufacturer in the U.S., with 15 feed plants that produce 1.5 million tons of animal feed per year and distribute a full-line of feed and nutrition products under the Wayne label directly to producers and via a network of 1,000 dealers across the country.

The company is also involved in financial services and investments.

There will be "tremendous change" in all these industries, Fribourg said, but with this are "tremendous opportunities" for producers who are willing to change, embrace new genetics and production technology and produce to increasing more exacting specifications for customers in the U.S. and throughout the world.

He said this will take capital for expansion and technology to have the scale and segments in breeding, growing, processing, further processing and distribution to produce the kind of product in the kind of volume the global marketplace wants. All this "will be happening at once," he said, "and this will lead to integration."

Fribourg said ContiGroup will remain privately held, but suggested the company plans to acquire interests in publicly held companies and take its own businesses — e.g., PSF or Wayne Farms — public to raise capital. Public stock offerings are effective ways to raise money to expand, he explained, and companies "need to expand to be leading players."

"We're going to packers and retailers and we're asking how to achieve that, what combination of genetics, fed this way, produced this way, processed this way leads to that product? What happens if we feed identity-preserved grain to cattle and hogs, and what happens if we have identity-preserved cattle and hogs?"

"Will this be easy?" he asked. "Probably not."

However, he said the company believes it has the management to make its vision work — management that's broadly experienced, forward-looking, young, ambitious, open to change: People "who are great natural athletes."

Fribourg said the company's vision must work if livestock and poultry production is to expand and succeed. Regardless of an industry's diversity and fragmentation, as is the beef cattle industry, production "must go toward vertical integration because the consumer, at the end of the day, demands consistent, high-quality food at a price that (he or she considers a value)," and the way to get that is "to link back from the consumer to the producer."

Critically, in a linked system, consumers must pay for value and this will be the incentive for producers to link up and use the genetics and production technologies to produce the calf, the pig, the chicken that will produce the meat consumers demand, he said.

Messages and money have to be passed back, he said.

Fribourg reported that Continental does this in its pork and poultry businesses and is starting to do this in its beef business. "We're going to packers and retailers and we're asking how to achieve that (product quality and returns), what combination of genetics, fed this way, produced this way, processed this way leads to that product? What happens if we feed identity-preserved grain to cattle and hogs, and what happens if we have identity-preserved cattle and hogs?"

He said the answers are not simple. "The food system is amazingly complex. There's the grain component, the genetics, the grazing, feeding, producing, animal health and nutrition, processing, refrigeration, transportation. The U.S. can do all this. The U.S. has substantial advantages, but it took generations of work to get us here."

Now, he said, a new generation must embrace new strategies, and integration and linkages "will accelerate in the years ahead."

Breadsticks and raisins

For one reason, Fribourg said this acceleration will occur because beef and pork producers are growing increasingly "tired" with the investments they've been making and risks they've been taking for the returns they've been receiving. From cow/calf producers and feeders to pork producers and packers, this will be "the catalyst" for integrating into production systems, he said.

Furthermore, virtually every food segment is moving toward production systems, with chicken already integrated and much of pork production integrating and linking now, he said. If beef and the rest of pork production don't



Paul Fribourg

move that way, he warned, "we'll be left behind. Really, there is no choice."

Look at the chicken industry, he urged. Chicken production is now so successful, producing the products and value consumers demand, that the industry is persistently seizing market share from beef, and now so is the pork sector, he said. Chicken and pork producers "are putting so much pressure on us (beef industry) that we have to follow (their models) or we don't survive."

Fribourg pointed to the company's chicken production for Campbell in which chickens are produced to Campbell's specification for Campbell's products and to the company's pork production in the Southeast in which contract growers produce pigs to Continental's specifications, which are in place to meet packer standards. Chickens and pigs are grown in cost-plus packages, which decrease grower risks, he said.

Moreover, growers own their growout facilities, which decreases the corporate investment, he said. "We're not talking about a company owning every step," he said, "but the end result is a fully linked system."

Besides, Fribourg added, linking is not really hard. He recalled that a packer Continental sells to wanted cattle with black hides, in response to which Continental started feeding cattle with black hides specifically for that packer for the additional value put on those cattle.

Linking is working with an end customer to add value to a product, he explained, the way chicken producers added value to chicken through further processing. "There is no reason that we can't do that" with beef, as well as pork, although pork is starting to develop added value, branded products. "There is no reason why we can't integrate forward to the consumer."

Fribourg said Continental, after the completion of the sale of the grain merchandising business, as ContiGroup, will become a leader in putting together integrated, or linked, production systems. A company can do this more effectively than individual producers, he suggested, because it has financial and management resources that can be invested in new concepts, in risks, over the long term.

It was McDonald's Corp., he remembered, that "invented" and started to market the hamburger as an added-value sandwich. "Thirty years ago, going to a McDonald's was almost unheard of," he said.

It was bread makers, he added, who added raisins to white bread and created breadsticks to make wheat production and wheat products profitable where white bread wasn't. It was bread makers who linked requirements for

high-quality wheat back to farmers and, through contracts for that wheat, made the entire production chain more profitable, he said.

The U.S. is the largest producer of beef and pork in the world, Fribourg stated, and the industries need to use their comparative advantages and scale to tap new potential the way McDonald's and bread makers did, linking, through contracts and other arrangements, "grain to cattle to meat products."

The next 10 years "will be exciting times" for producers willing to do this, he said.

Integration is occurring in every industry in the U.S., Fribourg repeated, including agriculture, especially beef production. All non-agricultural industries and producers within them have gone through "radical change" to identify production structures that work, he said. Agriculture has not, "and we're paying the price" in unprofitability and volatility.

"We have to understand consumers and the world are changing very, very fast, and if we stand still, we will continue to lose customers and market share. For those who try, I'm sure it will be hard, and there will be mistakes. However, at the end of the day, those who tried will be those who succeed."

Opportunities and partners

Fribourg said the kind of activities Continental engaged in this year — e.g., acquisitions of interests in Ducktrap and PSF — will be increased using proceeds from the grain merchandising business sale and other financial and investment resources to link back to production and forward to consumers.

He said the acquisition of Hartley Feeders in Hartley, Texas, last year (*Feedstuffs*, Oct. 6, 1997) is an example of this linking, explaining that the acquisition was made through a 50-50 partnership with a cow/calf producer. "Now, we are both sitting on the same side of the table" and better understand each other's needs and what both need to do together to meet a mutual objective to add value to beef cattle and, eventually, to beef.

"We will be open to more and more of these kind of deals," he said.

ContiGroup will be open to other deals, too, Fribourg said, explaining that a company can grow internally or through acquisitions, mergers or partnerships. There will be opportunities for all of these, he said, declaring that agriculture is consolidating and will continue consolidating in the future.

For those who doubt his conclusion, he referred to the chicken industry, which many people believe is already highly consolidated. Certainly, Tyson Foods, Inc., is so large that no one will ever challenge it, he said, "but the spread (difference in size) between number one and number two is greater than the spread between number two and number 10." Accordingly, he said there are opportunities to participate in the consolidation of the chicken industry even in the top tier as well as among smaller companies.

Fribourg clearly put ContiGroup in the group that will participate in the consolidation of the beef, pork and poultry sectors. "Our capital resources, our management, will be focused on those businesses," he emphasized. "We are not on the verge of a major announcement at this time (because the sale hasn't cleared), but we will grow in all of our businesses."

"We want to be a leading company in all of our businesses. We will be a leading company in all of those businesses." ■

Dakota Growers' equity stock sale generates \$26.8 million

CARRINGTON, N.D. — The sale of 3,579,000 shares of Dakota Growers Pasta Co. to existing members of the farmer-owned cooperative generated \$26,839,000 in cash, it was announced at the annual meeting Jan. 9 in Devils Lake, N.D.

Jack Dalrymple, chairman, said that only 3% of the 3,679,000 shares offered were unsold at the Jan. 6 conclusion of the first two stages of the equity sale.

Timothy Dodd, president, said that with applications still arriving from members, there was a strong possibility that demand would exceed the number of shares available. The status of a planned third-stage offering to non-members was unclear, the cooperative said.

The funds generated by the equity sale will be used to pay for completion of a major expansion project at the cooperative's durum mill at Carrington, which began this past fall and is expected to be in operation in March.

Part of the expansion is the addition of a third milling unit, with daily durum milling capacity of 8,500 cwts, which will almost double the current daily capacity. When completed, the facility will be four times its original size and have a grind capacity of 12 million bus of durum annually.

"I think our members have shown their continued confidence in the company," Mr. Dodd said. "They also feel that the price of durum is not adequate to justify its production unless they have some way of adding value to each bushel."

Dakota Growers Pasta in the first quarter ended Oct. 31 posted income

of \$1,936,000 on net revenues of \$31,508,000, compared with \$4,032,000 and \$22,852,000, respectively, in the first quarter of fiscal 1998.

Cost of product sold in the first quarter totaled \$25,878,000, up from \$17,486,000 in the year-ago quarter.

"While down as anticipated from the \$4 million earned last year, these results exceeded forecasted expectations by over 8%," Dakota Growers Pasta said in a filing with the Securities and Exchange Commission.

"Pasta sales volumes continue to increase, up 47% over last year, and net revenues from pasta sales increased by 54% for the period. Most of the sales increase was in private label retail, where we estimate we now have an industry-leading market share of 37%."

In reviewing first-quarter operations, Dakota Growers Pasta said, "As we entered the new fiscal year, we had durum and flour purchase commitments that were high relative to the market price of pasta, the result of an extremely favorable conclusion to the durum-growing season and changes in the pasta industry resulting in excess capacity and competitiveness in the pasta market. These conditions were exactly opposite from those experienced in the first half of last fiscal year. We estimate that this impact in the first quarter of fiscal 1999 compared to last year was \$1.8 million, almost entirely offsetting the \$2.1 million benefit derived from the balance of our durum purchases."

The \$8.4-million increase in cost of sales, the cooperative said, was due to

increased sales "and the increase resulting from the fixed costs of quality assurance, sanitation, engineering, maintenance and depreciation associated with the lower utilization of (acquired) pasta assets."

The cooperative also noted that a portion of its members' durum was toll milled by a third party because existing milling operations were not sufficient to meet current semolina requirements for pasta manufacturing. "We estimate that the earnings impact of this toll milling was \$300,000 for the quarter," it said. "A reduction in the livestock feeding industry and increased competition from other sources of feed lowered

the price we were able to realize from the sale of by-products of our durum milling operations. This price decline had an estimated \$1.2-million impact on net revenues for the quarter."

With successful completion of the equity offering, Dakota Growers Pasta said, "We will have enough durum commitments to run all mills, including the third mill currently under construction, at capacity."

The cooperative said conditions affecting first-quarter results would continue, to a lesser degree, through the second quarter, resulting in earnings that will be slightly below the second quarter of fiscal 1998. "The high durum commitments will be completed during the second quarter and with the completion of our mill expansion in March 1999 and continued growth in sales, we are guardedly optimistic of the results for the latter half of fiscal year 1999."

Since beginning operation in 1993, Dakota Growers Pasta has become the third-largest dry pasta manufacturer in North America. □

