

Division of Marketing  
Agricultural Development and Diversification (ADD) Program  
1998 Grant Final Report

Grant Number 13007

**Grant Title**     Regional Feasibility Study for Producer-owned Identity-Preserved  
Soybean Processing Plant in Wisconsin

**Amount Awarded**     \$27,500.00

**Name**             Robert C. Karls

**Organization**     WI Soybean Marketing Board  
Madison

**E-Mail**

**WEB**

Department Contact: DATCP - Marketing - ADD Grants  
PO Box 8911     Madison, WI 53708-8911  
Tel: (608)224-5136  
<http://datcp.state.wi.us>

Wisconsin Department of Agriculture, Trade & Consumer Protection  
Agricultural Development and Diversification Program  
1998 Grant Round 10  
**Final Report Attachment**  
Grant Contract # 13007

The Wisconsin Feasibility Study began on May 31, 1998 to determine the feasibility of an Identity-Preserved Oilseed Mini-Mill™ as a value-added project for soybean producers in Wisconsin. Frazier, Barnes and Associates, LLC and Sparks Companies of Memphis were selected to investigate the Feedstock, Product and Facility factors that would impact the viability of an oilseed processing facility producing an output of approximately 200,000 tons of soybean meal, 50,000 tons of soybean oil and 17,000 tons of millfeed annually. The plant would require 9,000,000 bushels of soybeans per year, or 270,000 tons to run.

The driving force behind the project is the fact that virtually all soybeans currently produced in Wisconsin are transported out of the state for further processing, and then shipped back into the state at a higher value for consumption. The problem becomes more exacerbated as new varieties of soybeans are developed that have a higher value when processed. I.P. varieties may not even be grown in the state if facilities do not exist to process them.

The grant funds enabled us to lay the groundwork for the value-added project by determining market feasibility for I.P. production and I.P. processing capacity. With the funds we have been able to adequately assess the market, communicate the results to area producers, select the best area in Wisconsin to locate the plant, begin the process of forming a team and generally “jumpstart” the project. We have successfully identified specific users of the soybean meal, which comprises 75% of the plant production, rail markets for the soybean oil and several “plots” of ground to choose from.

To date, no materials have been publicly released, although we are developing a professional press release and fact sheet that will be mailed to family farms in the region. Throughout the project, updates were provided to the Wisconsin Corn and Soybean Board.

The study examines market feasibility primarily from a commodity standpoint, because the facility will have to compete on a commodity basis, but the processing plant is designed to take advantage of identity-preserved varieties that will add more value to the farmer and end-users such as humans (oil consumption) and livestock (soybean meal consumption).

The study area involved eleven Wisconsin counties comprising over 50% of the soybean production in Wisconsin. Those eleven counties were – Winnebago, Fon du Lac, Dodge, Columbia, Dane, Jefferson, Green, Rock, Walworth, Racine and Kenosha. We analyzed the entire area and concluded that only three locations in the eleven counties would satisfy the minimum requirements for a processing plant. Janesville and the surrounding

area, Beaver Dam and Madison. We met with railroad officials from the Union Pacific and the WSOR to gather information on rail opportunities and long-term outlook. From these activities it was assessed that it would be in the plants best interest to be located in a spot that allowed access to multiple rail carriers. This will be a very important consideration when the actual plot of ground is tested and selected.

The following activities were performed to establish a solid foundation for the justification of this plant:

- Ten year history of United States acreage, production and yields.
- Production, crush, exports, use and ending stocks overview.
- Twelve-state crush vs. production analysis.
- Existing crush plant competitive analysis – size, proximity, risk factor.
- 35, 50 and 75 mile radius analysis on production, demand and cash prices.
- Discussions with seed companies regarding I.P. variety opportunities.
- Performed Criteria Rating Analysis to quantify differences between locations.

The results of the feasibility study clearly indicate that a producer owned 800 Ton Per Day soybean processing facility is feasible for a rock county location – specifically in the Janesville area. Other conclusions drawn from the study:

- Several sites in Rock county are being considered.
- Producers could add \$.57 to \$1.21 per bushel to their soybean crop by growing and processing Identity-Preserved soybeans and commodity soybeans.
- Several Wisconsin counties fall in the group II maturity zone – Output trait varieties are concentrated in the group II and III maturity zones.
- Varieties that could be grown in this area include High Oleic, Low Saturate Fat, and Low Stachyose. Many different varieties will be available by the time the plant is constructed.
- The nearest processing plant is 137 aerial miles from Janesville.
- The plant will have access to more than 33 million bushels within a 50 mile radius. More than 20 million bushels per year are produced in the 11 county region.
- Local soybean meal demand far exceeds the output of the plant.
- The ideal structure for the processing plant would be a combination closed-coop and Limited Liability Corporation that would allow outside investors to participate.
- Janesville scored an 81% rating, much more than the 75% required for recommendation.
- For the project to continue, a steering committee comprised of producer and existing coop representatives must be formed.
- Frazier, Barnes & Associates will continue to work in the area to help form a support base for the project and to organize area farmers.

The grant project exceeded our expectations because it showed quantifiable evidence that a processing plant that uses 9,000,000 bushels of Wisconsin soybeans per year is unquestionably feasible. By enabling the producer to not only enter the processing arena,

but entering the identity-preserved growing arena as well, the grant project could play a key role in adding \$.57 to \$1.21 per bushel on 9,000,000 bushels per year. The long term impact is that by having a facility designed to process Identity-Preserved oilseeds, Wisconsin will be in position to negotiate for the best varieties that add the most value.

Additional steps that will move the project forward include a formal business plan, plot testing, preliminary engineering and entity formation. We anticipate that these steps will take place over next six months.