

Beefing Up Exports

WHERE'S THE BEEF? DELAYS IN THE CONSTRUCTION of a beef processing facility in Brown County have residents wondering.

Branded with bad publicity and corralled with mounting debt, Northern Beef Packers, Inc. has struggled to put meat on the bones of its aggressive plans to build a new plant on former cattle grazing land south of Aberdeen, S.D.

"We have had a lot of problems, but we are coming along," assured Dennis Hellwig, the visionary behind Northern Beef Packers. "I am moving ahead. This plant will be built."

He has reason to be optimistic – Hellwig is the primary shareholder. Some foreign citizens have invested in Northern Beef Packers through a program which allows green cards for long-term agricultural capital outlays and more investors are expected, but Hellwig says there is no chance the plant will be sold to a large meat packer.

"Financing has been difficult," he agreed. "Early in the process we had access to all the money we needed but we failed to lock it up. Today's economy has not made it any easier, but I am confident we will get this done."

Northern Beef Packers still has avenues for as-

sistance. The state may contribute towards the plant in the form of bonds and/or other financing, but no money has yet been committed, according to the Department of Tourism and State Development.

"This is an important value-added project for the state and our cattle producers. Our intentions are to participate with financing assistance," said South Dakota Secretary of the Tourism and Economic Development Richard Benda in a statement.

In 2007, county voters approved a tax increment financing district to help finance the plant. With it, Northern Beef Packers will be able to sell \$8.6 million in bonds to help finance the plant. The bonds will be repaid with increased taxes on the property improvements.

As the dream took shape, Hellwig's vision grew. Original plans called for a \$40 million plant that would process about 700 head of cattle a day, however, final costs are now expected to reach more than \$50 million. Since dirt work began in 2006, Hellwig and Northern Beef Packers realized increasing the plant size to process 1,500 head a day made sense and wouldn't require a much higher investment. Still, the process hasn't been smooth.

From public votes on its appropriateness to per-

By Tom Green





mit challenges over land, water and air, Northern Beef Packers has faced a number of obstacles. Operations Manager Allen Dunlavy has built beef plants for 20 years. Asked if this was his most difficult, the words unfurled quickly.

“Yes! We’ve faced challenges at every door. It’s frustrating because this will be the cleanest, most state-of-the-art beef production facility I have ever been involved with. There are only three rendering facilities in the United States as advanced as we will have here.”

Dunlavy says knowing what Northern Beef Packers is creating here keeps them going.

“Think of the impact 500 employees earning \$11 to \$15 per hour will have on the community. We’ll also provide a way to finish and slaughter cattle locally. The delays have increased costs and postponed our opening a few times, but when we start processing beef this fall, it will all be worth it.”

The cattle industry is a family business. According to the Beef Council, the same families have controlled nearly all of South Dakota’s cattle operations for more than 25 years and account for more than 3.5 million head. However, receding commodity prices threaten the decline of cattle numbers and feedlot closings.

One silver lining to the nation’s rising unemployment? The company expects to have even more opportunity to hire local workers when the plant is operational.

Except for some office windows and doors, the shell of the 250,000 square foot facility and its insulated interior walls are finished along with all the concrete work. The focus has now shifted to the interior as crews complete electrical wiring, plumbing, installation of the cooling fans and screw compressor units and carcass storage areas. Remaining beef processing and packaging equipment will be put in place upon arrival. Except for the slaughter area, the entire building (nearly 10 acres) will be refrigerated.

Dunlavy says they will start with a single day shift crew.

Holding barns will be constructed to house a few hundred head of cattle to ensure a supply on hand when production begins every morning. Throughout the day, trucks will resupply the stock; animals will not be raised on-site.

Cattle will enter the back of the plant and in about 30 minutes be killed, gutted and skinned and hung as half-carasses in coolers. The hides will be transported, via underground conveyor belt, to a hide plant. IKOR, an Aberdeen blood processing and research company, is expected to buy the blood.

The meat will be cooled for 48 hours before cutting. The plant has four large cooling areas which each hold 960 carcasses. There is additional storage for nearly 3 million pounds of processed meat.

Northern Beef Packers initially plans to export the beef processed at the facility. As the opening looms, calls from prospective buyers are picking up.

Representatives from Korea have expressed strong desire for beef from the South Dakota Certified Beef Program and Northern Beef Packers will be able to fill that need right away, Hellwig said. Rising Korean demand was a large factor in deciding to build the plant. Hellwig expects more Asian countries will be interested once the plant opens.

With several beef-related health scares like E. coli adversely impacting beef sales, food safety is a major concern for any processing facility.

“Ensuring consumers have a safe supply of beef is critical to maintaining consumer confidence,” wrote Dr. James Mintert, Kansas State University agricultural economist, in a recent study. “Beef food safety recalls jumped from 18 in 2006 to 38 in 2007. That rise alone contributed to a 2.6 percent drop in retail beef demand.”

With millions of dollars in safety and contamination controls, Dunlavy is convinced Northern Beef Packers will be a trusted source that can beef up our beef exports.

This is an important value-added project for the state and our cattle producers.



Above: Except for some office windows and doors, the shell of the 250,000 square foot facility and its insulated interior walls are finished along with all the concrete work.

Left: An artist’s rendition of the final front profile of the plant.

Top: Operations Manager Allen Dunlavy has built beef plants for 20 years.