

# Fufeng | USA

# Grand Forks

## FUFENG USA WET CORN MILLING FACILITY

### ■ Who is Fufeng USA

Fufeng USA is a global leading bio-fermentation company manufacturing products that serve fast-growing animal nutrition. They are headquartered in Chicago, Ill. and are a subsidiary of Fufeng Group Limited based in Jinan, China. Fufeng USA has selected Grand Forks to establish their first United States wet corn mill processing plant.

### ■ What will Fufeng USA produce at the wet corn milling facility?

Fufeng USA will extract high-valued amino acids, Lysine and Threonine, which are essential ingredients in animal nutrition feed formulations.

### ■ Where will the facility be located?

Fufeng USA will acquire a 370-acre greenfield site in the north end of Grand Forks for a facility near other similar agribusinesses. This area has been identified as a growth area to be zoned industrial by long-term municipal land use plans.

### ■ Where will Fufeng USA sell their products?

Mostly the United States and North America. They are a global company and may export some of their products outside the United States.

### ■ Why is this facility important to the region?

The opportunity is twofold. First, the facility will provide an additional avenue to local and regional farmers to sell their corn crop. Elevators may also benefit if the facility desires coordination, drying, quality assurance, or other services. Second, the end-products are used regionally as well as exported around the country and the world creating economic impact locally.

## INFRASTRUCTURE INVESTMENT

### ■ Is the City providing subsidies to the Fufeng USA Wet Corn Mill project?

The City is not providing any direct funding to Fufeng USA. There will be approximately \$96 million in infrastructure investment, but that is not only intended for this project. About half of that investment was already planned and will be paid for through utility rates. Over \$9 million of the infrastructure funding will come directly from Fufeng USA with the remaining amount coming from the State through cost-share and grants, as well as local assessments.

\$49.8 million	Previously planned improvements
\$6.4 million	Federal ARPA Infrastructure Funds
\$10.3 million	ND Department of Water Resources Funds
\$9.2 million	Fufeng USA
\$3.0 million	Admin fees paid through permit fees, etc.
\$17.9 million	Local assessments

The wet corn mill facility will also utilize the PILOT (payment in lieu of taxes) program. PILOT is a property tax exemption program established in the North Dakota Century Code (chapter 40-57.1). This economic development incentive allows the City to defer near-term taxes to be able to secure important projects in exchange for collecting significantly higher taxes in the future. There is no upfront risk or cash paid by the City so all the risk is taken on by the developer. In Grand Forks, the PILOT program (plus other similar local and state programs) has been used 49 times to secure \$346 million of investment in our community. This project alone will exceed that amount. For comparison, our neighbors to the south, the City of Fargo, have approved 73 PILOTs since 1990.

### ■ How is the City involved in Fufeng USA?

#### Investment

There will be an investment of \$96 million in infrastructure to accommodate the new wet corn milling facility and future growth of our community. This includes improving roads, water, wastewater, and stormwater infrastructure for expanded industry in our region. With a goal of growth in our community, these infrastructure investments are a critical part of the long-term growth plan of the city and this will accelerate that plan. This project is allowing for the City to capture approximately \$22 million from other sources outside of the community that would not occur if the wet corn mill project were not happening. These investments will not only support the project, but future growth in our community.

#### Development Agreement

The City of Grand Forks approved signing a development agreement with Fufeng USA. The development agreement outlines permitting and regulatory requirements, parameters of the project, additional information needed, and risk and responsibility.

## NATIONAL SECURITY

### ■ What about national security?

The North Dakota Trade Office has done a search for illegal import/export activity for Fufeng USA and its principles. No red flags or areas of concern were found. NDTO resources include access to 30 federal databases.

Fufeng USA has been operating in the United States since 2020. Also, First Biotech, Inc., a Fufeng USA subsidiary, has been doing business in the US for over 10 years. Both have filed federal taxes in the US and have established international banking accounts with large financial institutions that have significant federal oversight. The company will be subject to all the same US laws, regulations, and oversight and any US company.

Fufeng USA Group is publicly traded on the Hong Kong Stock Exchange. The US Securities and Exchange Commission has a supervisory oversight relationship with the Exchange. Fufeng USA Group has many US and European institutional investors including TreeTop Management, Vanguard, Fidelity, Mellon, and Blackrock, all heavily regulated.

## ECONOMIC IMPACT

### ■ Will this create jobs in our region?

Yes. The construction phase is estimated to employ 1,000 construction contractors for 2.5 years. Once fully operational, the facility is expected to employ 233 full-time employees and an average annual salary of over \$59,000.

### ■ Where will the workforce come from?

The jobs created from this facility will include management and businesses professionals, trade professionals, and other skilled workers from the United States. One of the deciding factors in choosing Grand Forks is that the community works to recruit workers and new residents as well as has access to several secondary and higher education graduates.

### ■ How will this impact regional farmers?

The development of the Fufeng USA plant will create a local market for corn and improve pricing. Regional farmers will have the option to sell to elevators or Fufeng USA. The North Dakota Corn Growers Association, a farmer led membership organization focused on policy that impacts North Dakota corn producers, were pleased with the announcement that Fufeng USA will establish a wet corn mill in Grand Forks. They issued a press release on November 9 indicating the project will have tremendous value to regional farmers.

### ■ What is the economic impact on our community?

In addition to the creation of jobs at the facility, Fufeng USA's project will generate additional economic activity. It is estimated the project will support more than 500 indirect and induced jobs in our region at an average salary of more than \$63,000. Also, by attracting a major value-added agribusiness such as this, the City assumes a larger and more diverse tax base. In simple terms, the cost of operating the City is spread across more entities paying a higher rate of taxes, reducing the burden on residents. Fufeng USA will immediately pay new taxes in our region. It is estimated Grand Forks Public Schools, the City, the County, and Park District will collectively realize over \$26 million over the next 20 years as opposed to \$111,000 if the land were to remain at its current use. First year's tax revenue is estimated at \$927,000, which will increase over time.

## ENVIRONMENTAL

### ■ Will there be an odor from the facility? What about wastewater?

Odor reported from other communities with like facilities describe it as a light toasted corn flake smell. Because the corn milling industry has been around for about 200 years, the technology used is proven and provides consistent operations making odor low and very predictable.

Additionally, the City of Grand Forks will not allow any significant odor-producing processes to the open-air on the site to include wastewater processes. The City is collaborating with Fufeng USA to design a closed-treatment system through which wastewater would be conveyed directly to the City's wastewater treatment facility, more than three miles west of the project site. To support this effort, a third-party consultant, Black & Veatch, is developing the scope and requirements for the owners to demonstrate odor mitigation efforts for plant processes.

### ■ Will there be air pollution from the processes?

The wet corn milling process primarily releases steam into the air. There are no significant air pollution concerns, and the facility will meet all North Dakota Department of Environmental Quality regulations. A side benefit of the facility will be its use of natural gas from the western side of the State. By piping the natural gas to power the facility, it will reduce the need for "flaring" and help the State move toward its carbon-neutral (net zero) goal.

## ■ What about light pollution?

The regulation on lighting will be no different for the Fufeng USA plant than any other manufacturing facility. The corn wet mill will be an enclosed facility. There will be lights on the steam stacks, which are for aviation safety and are requirements of the FAA.

## ■ Does a new facility in that area mean additional traffic? What about railcars?

There will be additional traffic in the area. However, it will not add any additional road closures. It's estimated that there will be 50 inbound railcars and 180 outbound railcars per week. Fufeng USA predicts unloading about 877 trucks per week, an average of 125 per day. In comparison, the North Dakota State Mill and Elevator receives approximately 200 trucks per day.

The current location was chosen because of the access to key transportation and utilities while minimizing traffic through the heart of the city. A City of Grand Forks traffic study is being conducted in partnership with the North Dakota Department of Transportation that will ultimately develop requirements and parameters necessary to reduce or mitigate truck and rail impacts. The traffic study will include opportunity for public input.

## RESOURCE AVAILABILITY

### ■ Do we have enough water to support this project?

Yes. Grand Forks historically uses approximately 7.6 MGD (million gallons per day) with a future use of approximately 14.2 MGD. The Fufeng USA facility is proposing to use approximately 6.6 MGD. This may seem like a high amount of water, but Grand Forks has been permitted for up to 39.4 MGD.

Additionally, the City has acquired permits to use Lake Ashtabula as a redundant supply and is a key partner in the Red River Water Supply Project which seeks to bring supplemental Missouri River water to central and eastern North Dakota as an emergency and sustainable water supply to mitigate potential effects of drought. The City policy prioritizes residential water use over industrial use in case of a period of limited water supply.

### ■ Is there enough natural gas to support this project?

Yes. A new pipeline will be installed to support this project. In addition to supporting the project, it will add more capacity to the region creating other opportunities for growth.

The City, region, and State are looking at short-term and long-term solutions that will balance opportunity and environmental sustainability. Short-term, a natural gas line will be extended from the Viking transmission line out of Minnesota to serve the City of Grand Forks. The Viking line has the possibility of providing double the capacity of Fufeng USA requirements with additional investment.

Long-term, the State has passed legislation to support natural gas pipelines from western North Dakota to serve central and eastern North Dakota municipalities and industries. The Industrial Commission recently approved the requirements for an RFP to build the pipeline.