

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 the fast-growing animal nutrition market. They are in the process of establishing their headquarters in Grand Forks, N.D. and have offices in the Chicago metro area. Fufeng USA is a subsidiary of Fufeng Group Limited which is based in Qingdao, Shandong Province, China.

■ 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 purchased a 370-acre greenfield site in the north end of Grand Forks for their facility near other similar agribusinesses. This area had 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 in North America with the majority of those sales occurring in the United States. They are a global company and may export some of their products outside North America.

■ 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. However, there is approximately \$99 million in total infrastructure investments needed to serve Fufeng USA, newly annexed areas, and existing City properties. Approximately \$46 million of that \$99 million in infrastructure was planned prior to this project. Of the remaining infrastructure costs, nearly \$15 million will be paid for directly by Fufeng USA with an additional \$20 million in State and Federal funding. The breakdown of total infrastructure costs can be seen to the right.

Infrastructure Cost Breakdown

\$46.1 Million	Previously Planned Improvements
\$6.4 Million	Federal ARPA Infrastructure Funds
\$14.7 Million	Fufeng USA Paid
\$0.7 Million	Annexation Area Assessments
\$12.4 Million	ND Department of Water Resources Grants
\$1.8 Million	Proposed ND DEQ Loan Forgiveness
\$17.2 Million	Other City Funding
\$99.3 Million	Total

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?

The City of Grand Forks has no direct involvement in Fufeng USA, with a relationship similar to other businesses in the community. The City of Grand Forks has entered into a Development Agreement with Fufeng USA which outlines permitting and regulatory requirements, parameters of the project, additional information needed, and risk and responsibility.

NATIONAL SECURITY

■ What about national security?

Fufeng Group Limited and Fufeng USA are not on the White House national security prohibition list of Chinese companies.

The National Counterintelligence and Security Center (NCSC) does not consider agribusiness or wet corn milling an economic and national security concern. The sectors of concern are artificial intelligence, biotechnology (such as biomaterials, biopharmaceuticals, and new vaccines and drugs), autonomous systems, quantum computing, and semiconductors.

Fufeng Group Limited is publicly traded on the Hong Kong Stock Exchange. The Hong Kong Exchange is owned and controlled by the shareholders of which there are over 2,500 companies listed. The Hong Kong Stock Exchange and U.S. Securities and Exchange Commission both administer globally recognized regulatory standards on which they collaborate. Fufeng Group Limited has many U.S. and European institutional investors including TreeTop Management, Vanguard, Fidelity, Mellon, and Blackrock, all heavily regulated.

Fufeng USA has been operating in the United States since 2020. Also, First Biotech, Inc., a Fufeng Group Limited subsidiary, was established in the U.S. in 2015. Both have filed federal taxes in the U.S. and have established international banking accounts with large financial institutions that have significant federal oversight. The company will be subject to all the same U.S. laws, regulations, and oversight as any U.S. company.

Active Due Diligence

The City of Grand Forks has conducted due diligence regarding national security and Fufeng USA:

- The North Dakota Trade Office completed 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.
- The City of Grand Forks briefed Grand Forks Air Force Base leadership who have referred the matter to the Office of Special Investigation.
- City officials met with representatives of the FBI area office to discuss any possible threat related to the Fufeng USA's proposed investment.

None of these steps have identified national security concerns.

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 business 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, was 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 provide a much-needed direct-to-end user option that has been lacking in recent years in the Northern Valley.

■ 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. The 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 is collaborating with Fufeng USA and their third party consultants, Black & Veatch, to design a wastewater system where any odor-generating sources are closed. Fufeng USA's wastewater will be conveyed directly to the City's wastewater treatment facility, more than three miles west of the project site. To support this effort, Black & Veatch is developing the scope and requirements 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.

■ 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 approximately 70 railcars per week. Fufeng USA estimates unloading 1,000 trucks per week or 200 per day. They do not anticipate weekend truck traffic. In comparison, the North Dakota State Mill and Elevator also 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 uses approximately 7.6 MGD (million gallons per day) with a future use of approximately 14.2 MGD. Fufeng USA proposes to use approximately 6.6 MGD. Grand Forks has been permitted for up to 39.4 MGD. The average water flow of the Red River and the Red Lake River combined at Grand Forks is 104.9 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 will bring supplemental Missouri River water to our region as an emergency water during potential periods of drought.

City policy prioritizes residential water use over industrial use in case of a period of limited water supply. It is also important to note that the City will be serving Fufeng USA's industrial water needs through a raw water intake facility. Since the water will not be processed through the water treatment plant, it will not impact the City's capacity to deliver water to residents.

■ 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 the expansion of natural gas pipelines from western to eastern North Dakota. Through this legislation, the State hopes to partner with natural gas pipeline companies to serve central and eastern North Dakota municipalities and industries.