

# Northern Beef Packers Received \$4.3M in State Aid

DIRK LAMMERS, Associated Press

SIOUX FALLS, S.D. (AP) — U.S. Senate candidates talking about the idled [Northern Beef Packers](#) [1] plant in northeast South Dakota have tossed out figures for taxpayer losses ranging from nothing to \$80 million, but a breakdown from state agencies shows the actual number is closer to \$4.3 million.

Northern Beef opened on a limited basis in 2012 after years of delays, but filed for bankruptcy protection in July. Investment banking firm White Oak Global Advisors submitted the winning \$44.4 million credit-and-cash bid for the plant in December and closed on the sale earlier this month.

Much of Northern Beef's investment money was raised through the federal EB-5 program, which encourages foreign investment in exchange for qualifications to secure permanent residency.

During a Republican primary candidate forum Saturday hosted by the South Dakota Newspaper Association, Gov. Mike Rounds said: "We have not lost any taxpayer money."

Yankton attorney and soldier Jason Ravensborg, however, said during Saturday's debate: "We lost approximately \$80 million. I don't think that's good, responsible government to lose that much money."

Figures from the South Dakota governor's office show that about \$3.5 million in state Future Fund Grants supported the Northern Beef Packers project. The Aberdeen plant also received nearly \$845,000 in state construction-tax refunds, according to the South Dakota Department of Revenue.

Ravensborg said Wednesday the figure he was referring to was the difference between the \$115 million to \$120 million total money raised to build the plant and the \$44.4 million recovered during the bankruptcy sale.

"I would dispute Governor Rounds' contention that the program has been a success," Ravensborg said. "I don't know too many businesses that end up in bankruptcy that consider themselves successful."

Rounds said Wednesday that the state's investment in the plant is offset by taxes generated from its construction and the property taxes paid to local jurisdictions.

The Governor's Office of Economic Development estimates that Northern Beef would account for at least \$3 million in sales and use taxes and contractors excise taxes paid to the state, based on filings made during the bankruptcy proceedings.

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Rounds added that he expects that the plant will eventually be processing cattle.

"In essence, the taxpayers of South Dakota did not lose any taxpayer money on the bankruptcy of the Northern Beef plant," Rounds said. "And we still have the plant. It has been built, and it will be operational."

Five Republicans, one Democrat and one independent are running for the Senate seat being vacated by retiring Sen. Tim Johnson.

According to the South Dakota governor's office, the state Future Fund Grants included grants of:

- \$67,600 to the Mentor Group in November 2010 for the appraisal of the plant required for the financing package;
- \$150,000 to the Aberdeen Development Corporation in December 2010 to conduct an economic impact study and perform marketing services;
- \$1 million to Northern Beef Packers in December 2010 to assist with construction costs;
- \$200,000 to Brown County in December 2010 for costs associated with road construction;
- \$300,000 to the South Dakota Department of Agriculture in January 2011 for the South Dakota Certified Beef Program.

The plant also drew \$582,000 from a January 2011 grant of \$843,000 to train full-time employees.

Two additional Future Fund Grants were given to the South Dakota Development Corp. to help Northern Beef, but one of them was fully repaid.

One was a \$1.2 million grant in June 2010 to provide a conditional loan to Northern Beef Packers for construction costs and employment recruiting. The other was a \$2 million grant in December 2011 to assist the development corporation in providing a \$3 million bridge loan to Northern Beef Packers for operating costs. That loan was paid in full in September 2012, the governor's office said.

The failure of the plant to ramp up to full production shut off other potential public funding sources.

A \$5 million loan commitment from the state Board of Economic Development was canceled because it was contingent upon the completion of construction and certain financial and operational milestones. A \$20 million loan commitment from the Economic Development Finance Authority, in which 60 percent would have been guaranteed by the U.S. Department of Agriculture Rural Development's Business & Industry Guaranteed Loan Program, also was canceled, according to the governor's

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