

Kansas Cooperative Developer

A Publication of the Kansas Cooperative Development Center (KCDC)

Volume 1 Issue 5

The monthly Kansas Cooperative Developer focuses on the businesses awarded grants through the IAG program and the business and technical assistance provided by the KCDC to these recipients.

Kansas Ag Innovation Center

Business development in Kansas received a large boost for group-orientated clients assisted by KCDC as well as sole proprietorships when the Kansas Ag Innovation Center (KAIC) started in January 2004 with a one million dollar grant awarded from USDA's Rural Business Development. The Innovation Center's mission is to nurture the culture of success by surrounding promising agricultural value-added initiatives with resources that amplify and sustain their competitive advantage.

The Innovation Center is a collaborative effort among a number of organizations, including Kansas Department of Commerce, Kansas State University Research and Extension, 21st Century Producers, Advanced Manufacturing Institute, and Kansas Polymer Research Center. The Center is governed by an independent board of directors drawn from agricultural commodity and producer organizations.

The Innovation Center provides agricultural value-added business ventures with business development services, technical and engineering services, and operations support services. In addition, the Innovation Center provides outreach and educational programs to interested agricultural producers.

The Kansas Ag Innovation Center's clients fall into two program levels: total performance solution and partial performance solution. The former involves a very detailed level of engagement while the latter involves a limited level of engagement. At the time of writing, TPS clients included the following:

- Good Shepard Turkey Ranch, Lindsborg, hopes to supply high value heritage processed turkeys to a specialized consumer segment.
- Old Country Bakery, Lenexa, is searching for ways to enhance its growth in a lucrative marketplace.
- Smoky Hills Vineyards and Winery, Salina, is a rapidly growing winery with significant opportunities to enhance its agritourism value proposition.
- Sorghum Technologies Inc., a group-action initiative involving food-grade sorghum growers and food scientists
- Bio-Based Technologies, focusing on new uses for agricultural products involving the commercialization of bio-based research.
- Northwest Cotton Growers Cooperative, Hugoton, has grown rapidly and has been profitable growing cotton in a new region.
- Bird City Bird Seed, Bird City, is a fast growing start-up adding significant value by manufacturing bird seed into fine gifts.

Each of these companies has to follow specific protocols, such as business planning and governance, market analysis and financial management as well as making time to meet and respond to the Innovation Center's questions and issues to remain in the program. Additional information about the Kansas Ag Innovation Center may be found on its website:

<http://www.ag-innovation.org>.

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Kansas Cooperative Developer



North Central Kansas Processors crushed their first soybeans in 1999. Soy oil produced by NCKP is used in products and marketed by KanSoy.



“Express” Soy Crop Oil works as a surfactant, sticker and spreader. It is made from pure expelled soybean oil and can be used in place of petroleum-based crop oil concentrates.

KanSoy, Washington

KanSoy, a research, development and marketing partner of North Central Kansas Producers (NCKP) LLC, was formed in 1998 by a group of farmers and other small investors to add value to locally produced soybeans by producing meal and oil.

The first soybeans were crushed in summer 1999 through a dry extrusion process with no solvents and external heat used. This process produces a high-value soybean meal that area livestock growers are happy to purchase. However, NCKP realized the soy oil produced needed another market besides the commodity oil market.

KanSoy was started as a subsidiary of NCKP to develop oil products and to expand oil marketing and sales efforts to more local markets. In August 2003, KanSoy was awarded a \$10,000 Initial Assistance Grant to develop value-added products using soybean oil. KanSoy planned to use the IAG for the following budgeted items:

- Attorney fees to review and finalize contracts with distributors, consultants and research labs.
- Marketing study and consultant fees to form a marketing strategy and target key potential customers for sales. The market study would help determine potential volumes, margins and competition. KanSoy also planned to purchase and deliver product samples

to introduce their oil products to customers and get feedback about performance, packaging and ease of use.

- Technical development was expected for lab and field testing to meet state or federal regulations. Legal fees for patent reviews or patent applications was also budgeted.

These budgeted items were to be funded through the IAG, a loan from the Kansas Department of Commerce and by KanSoy.

Jeff Otott, KanSoy Manager, met with Vincent Amanor-Boadu and David Coltrain on August 25, 2003 to discuss how the KCDC could provide technical assistance with the project.

Two products KanSoy markets are Avalanche and Express. Avalanche is an asphalt release agent made from pure soybean oil and additives. It is an innovative and environmentally friendly product for road builders and contractors. Avalanche is used on trucks and other packing equipment that makes contact with asphalt.

Express is made from 100% pure expelled soybean oil. Farmers and fertilizer dealers can use Express to replace petroleum-based crop oil concentrates. It contains 15% nonionic surfactant as

recommended by herbicide and pesticide manufacturers.

KanSoy was selected by the Kansas Ag Innovation Center as a Total Performance Solution client. The Innovation Center has been assessing with KanSoy new opportunities for its major products in order to understand the marketing innovation required to seize any available opportunities. If necessary, requisite technical analysis helping the configuration of products to maximize customer satisfaction will also be organized.

KanSoy is on track as an excellent IAG recipient who regularly reports accomplishments in its quarterly IAG reports. KanSoy demonstrates how KCDC and its IAG program has great potential to assist the Innovation Center when it works with group oriented projects.

Ethanol Corner

KCDC conducts research in ethanol processing profitability. We use a simulated pro forma spreadsheet calculator that measures important variables related to profitability. The figure to the right shows the expected monthly Return on Common Equity, which is the ethanol facility owners' initial investment. To compute ROCE, each month's price series is used for the following variables: ethanol, DDGS, unleaded gasoline, grain sorghum, natural gas and electricity. The data is for a 30 million gallon per year facility from 1994-2003. Remember this is a simulated ROCE and does not reflect specific plant returns.

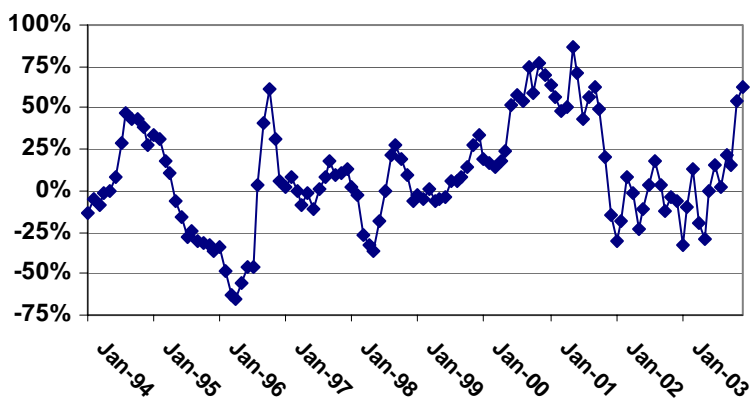
21st Century Producers Food Corn Project Update

The April issue of the Kansas Cooperative Developer incorrectly stated that the 21st Century Food Corn project had not established a processing facility. The group moved forward with the grain processing facility project and now own a corn cleaning facility in Dawn, Texas and another facility in Inland, Nebraska as well as a distribution center in Southern California. The group now markets over three million bushels of food-grade corn a year.

Upcoming Events

- May 14, PetroPlus E85 Fueling Facility Opening, Garnett (Contact: Robert White, 785-448-6922)
- June 3, KCDC Consortium, Topeka (Contact: David Coltrain, 785.532-1523)
- June 16 (Dodge City), June 17 (Manhattan) USDA Value Added Producer Grants Seminars (Contact: Larry Carnahan, 620-784-5900)
- June 17-18, National Value-Added Agriculture Conference, Peoria, Illinois (Contact: Greg Lawless, 608-265-2903)

Simulated 10-Year ROCE for Monthly Price Series



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The overall goal of the Kansas Cooperative Development Center is to improve the earnings and economic conditions of agricultural producers and other rural residents. The strategy is to encourage and to assist cooperative business development focused on value-added marketing and processing of agricultural products. The KCDC is managed by the Arthur Capper Cooperative Center (ACCC) in Kansas State University's Department of Agricultural Economics with the cooperation and assistance of two primary partners, the Kansas Department of Commerce Agriculture Products Development Division, and the cooperative development program of the Kansas USDA/Rural Development office. The KCDC is funded by a grant from USDA and matching fund support from KSU and KDOC.

Our Web address

**[http://
www.agecon.ksu.edu/
accc/kcdc/Default.htm](http://www.agecon.ksu.edu/accc/kcdc/Default.htm)**

Kansas Cooperative Development Consortium

The Kansas Cooperative Development Consortium meets regularly during the year and is a public-private partnership. This portion of the newsletter focuses on consortium members. If you are interested in joining the consortium, please contact David Coltrain.

Three consortium members represent Kansas Farm Bureau. Farm Bureau is an independent, non-governmental, voluntary organization governed by and representing farm and ranch families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement. Farm Bureau is a voice for agricultural producers at the local, county, state national and international level. Kansas Farm Bureau's mission is to serve Farm Bureau members in Kansas through programs, products and services that 1) Enhance the business and profession of farming, 2) Increase members' net income, 3) Provide superior value in the marketplace and 4) Improve the quality of life in Kansas. For additional information phone 785-587-6000.

Vincent	Amanor-Boadu	Value-Added Business Devt. Program, KSU
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Dennis	Blick	CoBank
Michael	Boland	ACCC, Professor, KSU
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Ray	Hammarlund	Kansas Dept Of Commerce
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Paul	Johnson	Kansas Rural Center
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Dave	Spears	Kansas Farm Bureau, Agriculture Solutions
Greg	Stephens	National Farmers Organization
Robert	White	Kansas Corn Growers Assn.
Chris	Williams	21st Century Alliance
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