

A Modern Day Success Story...



From Farmers to Consumers Everybody Wins The Environment & U.S. Energy Security & Economy & Federal Purchasers



Photo credit: SDSP

In 1994, farmers like Paul Casper (left) approved a plan to invest \$32.5 million in a soybean processing plant in Volga, South Dakota. Under the direction of Chief Executive Officer Rodney Christianson (right), South Dakota Soybean Processors opened the first new soybean crushing facility built in the United States since 1978. Today, the plant crushes 80 thousand bushels of soybeans per day and produces soybean oil that is a primary ingredient in numerous biobased products.

You've heard the oft'-used phrase "Win, Win Situation"? Well, this is a case of a "Win, Win, Win, Win Situation!" In fact, it's hard to find anybody who doesn't benefit from what a group of South Dakota soybean farmers started 10 years ago. Even those involved in government purchases are "winning" through their purchases of products made with natural, renewable soybeans grown by U.S. farmers that can replace petroleum in a wide array of products. Here's the story:

South Dakota farmers needed to help guarantee a market for their soybeans and create a local source for soybean meal that is a primary ingredient in their livestock feed. Paul Casper of Lake Preston, and a few other farmers got the idea of forming a soybean processing cooperative, a time-honored agricultural strategy for buying and selling commodities. To put it in modern day business-speak, this would be a "value-added" operation to allow the farmers to take a larger marketing role beyond selling their crops in the raw form. They made a series of presentations mostly in their home state but also in near by Minnesota, North Dakota and Iowa about their idea. Being good salesmen with a good concept, 2,100 farmers invested in South Dakota Soybean Processors (SDSP), and they founded the new cooperative in 1993.

In 1994, they SDSP Board of Directors approved a plan to invest \$32.5 million in a processing plant in Volga, South Dakota. In two years, the plant became the first new soybean crushing facility built in the U.S. since 1978, AND it was up, running and profitable. The plant crushes 80 thousand bushels of soybeans per day, and SDSP owners/managers have never looked back. In fact for the 2,100 original investors, SDSP has become much more than a place to sell their beans and to buy meal for their

livestock—it has become a real source of income. Each year, SDSP has yielded a handsome profit with return on investment going as high as 21% thus paying welcome dividends to their farmer owners/investors.

So that's how the soybean producers "win", but how does this apply to everyone else? SDSP management recognized early on that soy oil—being in abundant supply, natural and renewable—was a logical choice for manufacturers interested in biobased products. To fully enhance its biobased market, late in 1999 SDSP announced a partnership agreement with Urethane Soy Systems Company, Inc. (USSC), which manufactures SoyOyl®, a polyol product aimed directly at makers of biobased products. Polyols, whether they are made from crude petroleum or vegetable oil, are used to make plastics. In making the announcement at the time, SDSP Chief Executive Officer Rodney Christianson stated, "SoyOyl® is our first step into adding value to the products we produce at the Volga processing facility. We're excited to be the supplier of this competitively priced, environmentally friendly product."

In 2001, SDSP began refining their own polyol product. Finally, two years later the relationship became even closer when the South Dakota group bought into USSC. SoyOyl® is available to government buyers in the form of biobased carpet backing (See Fact File on page 2) made with BioBalance™ from Dow Chemical Company. Purchasers of rigid foam insulation can also



Photo credit: SDSP

find products made in part from SoyOyl® and two companies (See Fact File) are offering polyurethane foam insulation made with the product. Showing great promise in the testing phase are pick-up truck liners and flexible foam products used in interiors of automobiles made from the SDSP/USSC soy oil. Meanwhile, John Deere and CASE/International Harvester use a soy-oil based urethane resin system for body panels on their combines.

For Paul Casper and the 2,100 other farmers who were the original investors in South Dakota Soybean Processors, it is much more than a place to sell their soybeans and to buy meal for their livestock—it has become a real source of income.

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In addition, Ford, in its 100th anniversary year, has shown a great commitment to researching the use of soy based products in its cars. Ford unveiled its "U" concept car at the 2003 Detroit International Auto Show with a number of soy-based applications, including the foam seats.

Larry Armbruster, USSC Director of Market Development and Sales, states, "Two markets that are beginning to show great interest in soy-based polyols are the flexible foam and adhesives/coatings."

The furniture industry sees great potential in the production of soy-based polyurethane foams. This will open many doors for them with government contracts by having a renewable, biobased material in their seats

"A government purchasing person may have to ask a few questions of their suppliers to find out if their polyol base product is entirely made from petroleum or if it contains biobased polyol. As the use spreads, however, we think manufacturers will start making the

Photo credit: SDSBP



The grand opening of South Dakota Soybean Processors meant jobs for the rural community as well as created a marketing opportunity for farmers in the region to have their soybeans used in more biobased products.

point that their biobased product is environmentally friendly, made from a natural, renewable source and helps reduce dependence on foreign petroleum sources," Armbruster said.

So what's the latest with those 2,100 soybean farmers and the SDSPs? Well, first they are going from being a coop to a "Limited Liability Corporation" (LLC).

"The major reason for this is we believe our sales of oil products in the near future (2006) will exceed the amount our 2,100 members can supply

thus changing our tax status as a coop," explained Christianson

But SDSBP still has the cooperative spirit at heart. It has also invested and is helping a Minnesota group of soybean producers create a version of the SDSBP in their state. By December 2003, Minnesota Soybean Processing was crushing 100,000 bushels of soybeans a day.

The facility will have the capacity of producing 30 million gallons of biodiesel fuel a year in 2005.

So the winning continues to spread.

FACT FILE

For more information on the South Dakota Soybean Processors contact Rodney Christianson at 100 Caspian Ave, PO Box 500, Volga, SD 57071 Phone: 605-627-9240, FAX: 605-627-5869 or postmaster@sdsbp.com.

For more information on Urethane Soy Systems Company, Inc. and its products Contact Larry Armbruster, Director of Market Development and Sales. Phone: 412-512-9760 or larmbrus@sdsbp.com.

CARPET FACTS:

Universal Textile Technologies, the major commission carpet finisher for the commercial carpet industry that has incorporated BioBalance™ into its polyurethane backings, and the United Soybean Board worked with the General Services Administration (GSA) to obtain a special item number, SIN#31-601, for the soy-based carpet backing. Multiple government agencies have now installed carpet with the soy backing, which is available on the GSA Schedule through the following carpet companies:

- Mohawk – #GS-27F-8440A
- Designweave (through Commercial Carpets of America) – #GS-27F-0053A
- Patcraft – (through Commercial Carpets of America) – #GS-27F-0053A
- Masland (The Dixie Group) – #GS-27F-5049C

For more information about Universal Textile Technologies, contact Marketing Director Doug Giles, 204 West Ind. Boulevard, Dalton, Georgia 30720 Phone 706-280-4624

FOAM INSULATION FACTS:

Biobased Systems and BioPolymers, LLC offer the spray foam insulations that can be applied to walls, in attic spaces, and under floors in both commercial and residential buildings to reduce energy loss and more.

Contact Information:

BioBase 501: Grant Swede, Biobased Systems, (800) 803-5189, www.biobased.net
HealthySeal™: Ian Provan, BioPolymers, LLC, (800) 769-3626, www.healthyseal.com

America's farms are just beginning to tap their potential as a source for natural, renewable biobased products that offer benefits to worker health, the environment, America's economy and energy security. To learn more about the many biobased products made from soybeans like the Soyoyl® see the Biobased Products Catalog at www.unitedsoybean.org. Because of the potential for biobased products to create new markets for soybeans, U.S. soybean farmers have invested more than \$50 million to research, test and promote biobased products. Much of this work was done through the United Soybean Board, which is composed of 62 U.S. soybean farmers appointed by the U.S. Secretary of Agriculture to invest soybean checkoff funds.



Carpet with soy-based backing is just one of the many products available to government buyers that stems from the farmer-owned South Dakota Soybean Processors. The farmers have bought into Urethane Soy Systems Company, Inc. that offers SoyOyl®.



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