Kanematsu acquires the source of edible soybean supply in Ohio, USA

KANEMATSU CORPORATION
December 14, 2012

Kanematsu Corporation (Minato-ku, Tokyo, President: Masayuki Shimojima) announced today that the company is going to purchase the business property and assets of Harmony Agricultural Products In Ohio, LLC ("HAPI-O"), currently owned by Honda Trading America Corporation (California, USA, President: Atsuyuki Kondo). Kanematsu will establish a new company and start from next spring the business of Non-GMO Food Grade Soybean Processing and Sales, Grower's Acreage Contracting and Seed Research & Development.

The new company (KG AGRI PRODUCTS, INC.) will be established through joint capital investment with Kanematsu Corp. group companies, providing 100% of total capital. KG Agri Products, Inc. will assume all of HAPI-O's Non-GMO soybean business relationships both in Japan and the U.S., along with all commercial rights including the famous, long-running "TAMABIJIN" brand name fostered by Honda Trading Corporation.

Kanematsu has been actively involved and striving for many years in the merchandising of Non-GMO soybeans that are processed into Japanese Traditional Foods, such as Tofu, Miso, Natto and SoySauce etc.. As a top shareholder in the Japanese food grade soybean market, we are ready to take aim at expanding our market share from the current 10% to over 20% with this acquisition and new supply origination.

The result of this acquisition is that Kanematsu will now have a complete supply chain from Seed Research & Development, seed supply and grower's acreage contracts through to sales activities all over the world. This will significantly increase our diversity and strengthen our competitiveness in the market place.

【Information of New company】

Name	:	KG Agri Products, Inc.
Place	:	Marysville, Ohio, U.S.A.
Capital	:	US$2million
Main business	:	Edible soybeans' Seed R&D, Acreage contracts with growers, Soybean processing, Soybean sales
Processing capacity	:	45,000Metric Tons (per year)
Establishment date	:	December, 2012

Unaltered Ohio soybeans are a prized crop globally

Asian markets clamor for local farmers' nongenetically modified crops

By Jon Chavez | BLADE BUSINESS WRITER

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KIRBY, Ohio — It's not Tokyo, but a grain elevator in this tiny town in Wyandot County has become a de facto doorway of opportunity to the Far East for northwest Ohio farmers who choose grow soybeans that are not genetically altered.

The **DeLong Co. Inc.** elevator, which can hold about 1 million bushels of grain, stores and processes non-Genetically Modified Organisms, soybeans.

These beans are highly sought by Asian buyers, particularly the Japanese.

"In the past, Ohio, Indiana, and Michigan beans have been incredibly popular with the Japanese market. We have better protein content," said Larry Holloway, general manager of the DeLong operations in Kirby, about 6 miles west of Upper Sandusky.

And the Asian markets, which include Japan, South Korea, and Taiwan, have long been insistent that the foodgrade soybeans used to make tofu, miso, and soy sauce not be genetically modified.

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"The beans in China and Japan are all non-GMO. They don't allow GMO beans," Mr. Holloway said. "They fear that GMO will cause adverse health problems, so getting them to use GMO beans — it's just not going to happen."

But that's been a good thing for 25 years for DeLong and others who make a nice profit serving what is essentially a niche market.

About 98 percent of the soybeans grown in the United States are genetically modified. But that 2 percent of non-GMO soybeans is a market worth pursuing.

"It's actually bigger than you think. It's a pretty big market," Mr. Holloway said. "Japan alone for food uses about a million metric tons of soybeans, and they grow about a third of what they need."

For the two-thirds that it needs, Japan imports 70 percent from the United States and 30 percent from Canada.

Besides wanting non-GMO soybeans, Asian buyers prefer the taste and protein content of soybeans

that come from Indiana, Ohio, and Michigan — known as IOM beans — and they are willing to pay a premium price to get them.

"It kind of ranges with the market," said Gary Shick, a non-GMO soybean farmer who lives just outside Kenton in adjacent Hardin County. "But Kirby's premium this year is $2 to $3 dollars a bushel depending on [soybean] variety."

In other words, DeLong will pay a farmer $2 to $3 more per bushel for non-GMO soybeans than they would get if they grew GMO soybeans.

Mr. Shick said he sells a third of the 650 acres of non-GMO beans he grows to a Japanese firm, **Kapi-Ohio**, in Marysville, Ohio. He has been growing the specialty crop for the export market for nearly 25 years.

He is one of about 120 Ohio farmers the DeLong Co. contracts to grow non-GMO beans for its Asian customers. DeLong, of Clinton, Wis., works with farmers as far south as Marysville in Union County, north to Lake Erie, west to Delphos in Allen and Van Wert Counties, and east to Bucyrus in Crawford County.

DeLong is one of five grain elevators in Ohio that serve as non-GMO soybean collection points for the Asian market.

In the Toledo area, **The Andersons Inc.** of Maumee contracts with northwest Ohio and southeast Michigan farmers to grow non-GMO soybeans that the company sells directly to Japan and other Asian countries. The soybeans are collected in special bins, sent by rail to The Andersons' dock on the Maumee River, loaded on a ship, and sent directly abroad.

A trip to the Far East takes about 30 days.

"We have been supplying food-grade quality soybeans to the Japanese market since the 1960s," said Jeff Goetz, senior sales and merchandising manager for The Andersons.

In 1996, when genetically modified soybeans became prevalent, the company began sending those overseas. But, "In 1998 we were requested to separate out the non-GMO from the commodity stream," Mr. Goetz said.

"The Japanese asked us to keep them segregated, so we use Identity Preservation protocols to keep them separate from the GMO soybeans," he said.

From the start

Identity Preservation is the key to selling non-GMO soybeans — and getting the premium price for them — and it all starts at the farm level.

"If you grow both non-GMO and GMO soybeans, the equipment you use, you have to make sure it's completely clean. Even on a combine, you have to clean that out and also make sure the planter has all the seed cleaned out of it, all the nooks and crannies," said Jason Hartschuh, a Crawford County agriculture educator for the Ohio State University Extension Service.

"Plus, you have to have good record-keeping. If you have multiple fields and have been growing both, you have to know what's growing where," he added.

Mr. Shick doesn't grow any GMO beans, but he still has to work harder to keep beans from being contaminated because he grows different varieties of non-GMO beans.

"It takes a minimum two or three hours that I spend cleaning the combine between varieties," he said. Combines are the machines that harvest grain crops.

“For Identity Preservation I have to sweep the combine out, the inside and the headers, and I usually run a fresh load just to clean it out,” he said.

Corn is different

Non-GMO corn also can be grown, but Mr. Hartschuh said not many farmers will grow that crop because non-GMO corn can become contaminated by the pollen of a nearby GMO cornfield.

Cross-pollination doesn’t happen with soybeans, but Mr. Holloway said at DeLong soybeans have to be checked regularly for contamination by by GMO soybeans.

“It all starts with the growers. We make sure they do not contaminate them with GMO beans, and they get paid a premium, so we test it to make sure it doesn’t have a GMO trait in it,” Mr. Holloway said.

As soybeans come in, samples are randomly taken, crushed, and mixed with water. The mixture is applied to a special test strip that shows whether a batch has any genetically modified traits in it.

The operation in Kirby differs from The Andersons’ operation in that the former “cleans” its soybeans — removes the stems and other parts so that all that remains is the pure soybean. Different varieties are stored in the 70 bins at the operation, which holds about 1.2 million bushels of soybeans and corn, each of which is kept highly separated.

Complicated process

It might seem that with a premium being offered to grow non-GMO soybeans, more farmers would opt to do so.

But the fact is that it is a far more complicated process that requires more work.

“There is a premium, and you do make more possibly than growing the GMO beans per bushel. But you have higher input costs, there’s more management to control weeds and to manage records to know what’s planted where,” Mr. Hartschuh said.

Genetically modified crops were developed to be more tolerant to Roundup or Liberty herbicides used to control weeds. It enables farmers to use no-till planting techniques and still get high yields of soybeans, which are used for feed, oil, and a variety of other things, including to make plastics.

With non-GMO crops, farmers have to till their soil first, at which time they can use Roundup, but after the crop starts to come up, Roundup cannot be used.

At that point, farmers must use a cocktail of other less-damaging herbicides to kill weeds and those specialty sprays can end up costing more, Mr. Shick said.

“It used to be quite a bit more,” he said. But as Roundup-resistant weeds have become more prevalent, some farmers of GMO soybeans have begun using alternative herbicides, bringing the cost down, Mr. Shick added.

The U.S. Department of Agriculture estimates that America’s farmers will grow a record 3.82 billion bushels of soybeans this year. But only about 760,000 bushels will be non-GMO.

Still, “It’s a fairly large [niche] market and it’s becoming bigger here domestically,” Mr. Holloway said. “The soy milk market is all non-GMO, and chicken farms and dairies now are trying to differentiate themselves as non-GMO.

“With all the new non-GMO labeling on soy milk, we’re seeing a growth in that business,” he said. “People are more aware, and there’s a big push now for the consumer to be educated, and with that education comes choice.”

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in union county,

agribusiness

is our business!

With a history deeply-rooted in agriculture, Union County is ideally suited for agribusiness with a fertile soil base, plentiful growing season, and research and development infrastructure in place. There are currently over 241,000 acres being utilized in full agricultural production in Union County, managed by 990 farms (including 13 Century Farms).

While Union County is known regionally for its crop production and livestock, it has emerged as a key location for agribusiness and agricultural research and development. Select Sires, located near Plain City, is North America's largest artificial insemination organization with over 185 employees. The company was honored with the Governor's Excellence in Exporting Award in 2008 and was most recently named Union County's Large Business of the Year (2009).

Select Sires is not the only agribusiness to achieve success in Union County. KG Agricultural Products Inc. (KAPI), processes an estimated 32,000 acres of non-genetically modified food-grade soybeans and 1,300 acres of organic soybeans. The soybeans are grown in Union County and processed into gourmet quality tofu in Japan.

In addition, the Scotts Miracle-Gro Company, originally established in 1868 in Marysville, maintains its world headquarters and a number of research, production and distribution sites within the community. The company is the world's largest lawn and garden company, employing more than 8,000 associates.

In Union County, success is planted by the acre, and we invite you to join us and plant your roots deep in our community.

Important Agriculture Facts

- *Agriculture is the top industry in Ohio.*
- *There are approximately 900 farms averaging 237 acres per farm in Union County. 69% of Union County's land is dedicated to crop production.*
- *Of 88 counties in Ohio, Union County ranked:*
  - *31st in corn production*
  - *20th in soybean production*
  - *22nd in wheat production*
  - *55th in cattle*
  - *50th in milk cows*
  - *15th in hogs and pigs*
- *The Ohio Quarter Horse Association is headquartered in Richwood.*
- *The Ohio Cattleman's Association is headquartered in Jerome Township.*
- *Select Sires, world-renowned for bovine genetics, is headquartered in Jerome Township.*
- *The Ohio State University Large Animal Services is located in Marysville.*
- *The Scotts Miracle-Gro Co. was formed, and maintains critical facilities including its world headquarters, in Marysville.*
- *KG Agricultural Products Inc., located near Marysville, processes an estimated 32,000 acres of non-genetically modified food-grade soybeans and 1,300 acres of organic soybeans for Japanese customers.*

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