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Grant will help Russell reopen wheat gluten plant

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RUSSELL — A \$750,000 grant issued to the city of Russell will reopen the doors to the currently dormant wheat gluten plant this spring.

The funds are part of a Community Development Block Grant, administered by the Kansas Department of Commerce and Housing. Russell was one of three Kansas cities to receive a portion of \$2 million in CDBG funding announced Thursday.

The city will receive the funds on behalf of U.S. Energy Partners LLC, and the money will be used to assist the company with equipment, retooling, working capital and inventory as it prepares to reopen the plant in March 2002.

Russell City Manager Gary Hobbie said the funds are an added boost for the company, which earlier this month churned out its first batch of ethanol, an alternative fuel, at the new plant built this year inside the Russell Industrial Park. It is located next door to the wheat gluten facility.

Last February when U.S. Energy Partners committed to building its \$27.5 million ethanol plant in Russell, the company planned to work alongside the Heartland Wheat Growers gluten plant.

But a competitive production market overseas, as well as a constant increase in the cost of production and a continual downward spiral in the gluten market value forced that facility to close in July. Since its closure, Farmland Industries, the former owner of the production site, has sold the plant to U.S. Energy Partners, and now the company expects to reopen the gluten facility in March.

The \$750,000 working capital and improvement loan will be used to help in the start-up costs at the plant.

Hobbie said although the funds are awarded to the city, it doesn't give the city any stake in the ownership of the plant. Instead, the money is given to the city, then the city loans it to the facility at a low interest rate. Hobbie said the city serves as a guarantee that U.S. Energy Partners will repay the loan.

It will be matched with \$4.57 million of private and public funding from the company. No city money is used.

Economic development grants are given to cities or counties for private businesses that create or retain permanent jobs. The money is provided on the condition that the company will deliver the 22 jobs that it promised as part of its application.

But Hobbie said the city expects even more jobs to develop from plant operations, between 25 and 30 spots in all, he said.

Although he doesn't expect the reopening of the plant to cover all 50 of the jobs lost when the plant closed this summer, Hobbie said it will be a boost for the community.

"It's been good news for us," he said. "We're really excited about having the wheat processing plant tied together with the ethanol plant and having it operating again."

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