AgroSpectrum ASIA
Envisaging Future | Updating Present

Origin Agritech to expand NEC corn production and processing facility in Xinjiang, China

20 April 2023 | News

Origin expects that this deal will add $8 million to revenue in 2023 increasing to $55 million in 2024.

Origin expects that this deal will add $8 million to revenue in 2023 increasing to $55 million in 2024

Origin Agritech Ltd. , announced that its majority owned joint venture has signed a deal with Shihezi city in Xinjiang, under which the JV will be granted 200,000 mu (roughly 33,000 acre) of farm land for growing NEC corn.

Origin's minority partner in the JV is a regional farming and feedstock company. The JV partner is responsible for financing, both with its own funds and with bank financing, the contract growing of NEC corn and for the construction of a grain processing facility that will dry and silo the corn. The JV partner has signed offtake agreements for the purchase of the NEC corn grown by the JV. Origin Agritech will sell the NEC corn seed to the joint venture and will provide planting support services.

The JV has planted 30,000 mu for this season and plans to expand planting to the whole 200,000 mu for the 2024 season. An engineering firm that builds grain processing facilities has been retained and is designing the facility and preparing the project plan for construction.

Shehezi government officials cited the superior nutritional yield of Origin's NEC corn, allowing hogs to thrive without the expensive soybean meal supplementation needed with every other corn variety, as a major reason for wanting to work with Origin.

Origin expects that this deal will add $8 million to revenue in 2023 increasing to $55 million in 2024 as the growing area is expanded to the full 200,000 mu. Since Origin is not responsible for any of the capital costs of the project, neither financing the contract growing, nor funding the construction of the grain processing facility, the Company will not need to raise capital to fund this growth.

"We are thrilled to help ensure food security for Xinjiang by expanding production of our revolutionary NEC corn in the region," said Origin Agritech's Chairman Gangchen Han. "In 2022 extreme covid lockdowns in the regions where we were looking to expand NEC production forced us to postpone our expansion. As is evident by this new deal, that growth was delayed but did not disappear. Every feedstock company that we have sent samples of NEC corn to has independently verified the superior nutritional content and is very interested in buying it from us. Now it is just about logistics and execution of expansion of production with deals like this one."