

Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)

Grant Project Final Report

Contract Number: 17084

Grant Project Title: Western Wisconsin Renewable Energy Co-op

Project Beginning Date: July 1, 2002 Project End Date: July 31, 2003

Amount of Funding Awarded: \$35,000

Name of Principal Contact Person: LaVerne Ausman, Executive Director

Telephone: 715-632-2631 Fax Number: 715-632-2178

E-Mail or WEB Address: www.wwrecethanol.com

Submitted by: LaVerne Ausman Date: July 31, 2003

Department Contact: DATCP – Agricultural Development - ADD Grants
PO Box 8911
Madison, WI 53708-8911
Tel: (608)224-5136
Fax: (608)224-5111

ADD GRANT PROJECT FINAL REPORT

- 1) What did you want to accomplish with the grant?
 - a) The goal of this project was to raise enough equity capital to build a farmer controlled cooperative ethanol plant.

- 2) What steps did you take to reach your goal?
 - a) We contracted with Value Add Ventures LLC, Volga, South Dakota to assist us. The principles are Bill Riechers and Paul Casper. They have been involved in raising capital for cooperatives and LLC's.
 - b) First we conducted a Seed Stock Drive in December 2002. The stock was sold in blocks of 2500 shares at \$1.00 per share with a limit of two blocks to any one member. This offering was available only to members of record as of November 14, 2002. This investment was totally at risk. We held four meetings in strategic locations in our business area.
 - c) We conducted our Equity Drive February 6, 2003 to June 14, 2003.

- 3) What worked?
 - a) The Seed Stock Drive exceeded expectations raising \$580,000.00 at risk capital. This was very important because it raised operating capital, which was needed for the regular equity drive.
 - b) You would have to say that the equity drive worked because we raised \$12,819,000.00. When you add the seed stock to this you have \$13,399,750.00 equity raised from producers. Membership fees account for another \$249,500.00 raised from producers.
 - c) Three or four WWREC directors participated in all equity meetings and were presenters. This added to the credibility of the presentations. The meetings would not have been successful without that input. Sixty-four meetings were held in fifty-two different locations. It was a major commitment on the part of the directors.
 - d) Personal contacts are also essential. The meetings alone would not have raised the necessary capital; you need follow up. Board members provided the follow up.

- 4) What did not work?
 - a) General phone calls of farmers were not very productive. You need to have a select list that has been screened by people who are familiar with the people you are calling.
 - b) We had two banker meetings where all the bankers were invited. These were held before the equity meetings. We did not have good attendance and not many really became involved with lending to their farm customers. The Farm Credit System was the exception. I don't have any good ideas on how to improve that.

- 5) What would you do differently?
 - a) I would develop a better list of prospects. From that list you could use directed contacts to address their interests. This takes a lot of work and we seemed to be operating under time constraints some of the time.
 - b) There needs to be a planned follow up so no one is missed.

- 6) What were you able to accomplish?
 - a) We reached our prime goal of raising enough equity capital from farmer/producers.
 - b) To have a producer controlled ethanol plant.
 - c) Farmers now look at value added ventures in a new light. They realize that there are opportunities, but they require a commitment.

- 7) What challenges did you face?
 - a) Raising money from farmers at a time when the farm economy was not thriving was a challenge and investing in a cooperative venture is very new.
 - b) While not directly related to raising money, the fact that we did not have the siting resolved was an issue. For some it may have been an excuse, for others a real concern. Some investment is related to where the plant will be located. Siting seems to be involved in many business developments. You need to resolve it as soon as possible. The fact that we had tried and ran into problems only added to the concern.

- 8) What do you plan to do in the future because of this project?
 - a) In the immediate future we plan to complete the project and construct a 40 MGY ethanol plant.

- b) Next will be to develop a local market for distillers grain and build a working relationship with the livestock community.
 - c) There may be opportunities to develop side industries as time goes on but we need to be successful at our basic business first.
- 9) How should the agricultural industry or the State of Wisconsin use the results from your grant project?
- a) If capital formation is the task at hand there is much to be learned. This is especially true if it is an effort to raise capital for a cooperative.
 - b) If you are going to raise a significant amount of capital you need to obtain professional help. Few people in the rural community are involved in this in their day-to-day activities.
 - c) Professional help is not easy to come by, especially someone who has knowledge about your particular project and constituents. Do an exhaustive search.
 - d) Develop a complete business plan and a professional presentation. You need to give potential investors the best information you can provide.
 - e) The most important thing is to recognize that it is a major undertaking and will require a major effort. People don't part with their money easily nor should they.

This has been a great learning experience for all involved. I think it is hard to visualize what may be developing in the future. It only emphasizes that agriculture is much more than raising crops and there are opportunities that need to be explored.