
NW Cooperative Development Center

Scale & Local Impacts

Business of Biofuels – Achieving Sustainability; Sept. 13th, 2007

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Presentation Overview

***Balancing economies of scale for both agriculture and biofuels production
against
the desire to build and retain value for local communities***

1. Introduction; the Center
2. Co-ops 101 & Benefits of Cooperation
3. Why Ownership Matters
4. Brief Case Studies
5. Industry at a Crossroads
6. Recommendations



NW Co-op Development Center

The Center:

a 501(c)3 nonprofit which provides development services for new and existing co-ops

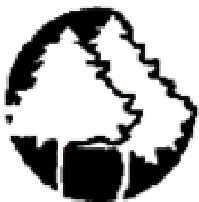
Our mission:

*to foster community economic development,
through the cooperative business model*

We are:

a team of co-op developers with skills specific to start-up and organizational business development

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Co-op 101

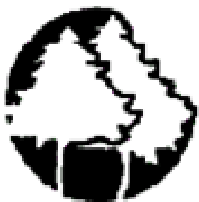
A co-op is any corporation, that's member:

- ❑ Owned
- ❑ Benefited
- ❑ Controlled

NCBA.coop... National Cooperative Business Association

*Top 100 co-ops' 2006 revenues = **\$141 Billion!***

- ❑ **Ag & Grocery**
- ❑ **Energy/Communications**
- ❑ **Finance**
- ❑ **Hardware/Lumber**



Ownership

Member-Owners can be:

- ❑ Consumers
- ❑ Producers/Farmers
- ❑ Workers
- ❑ Other Businesses



Why Cooperate?



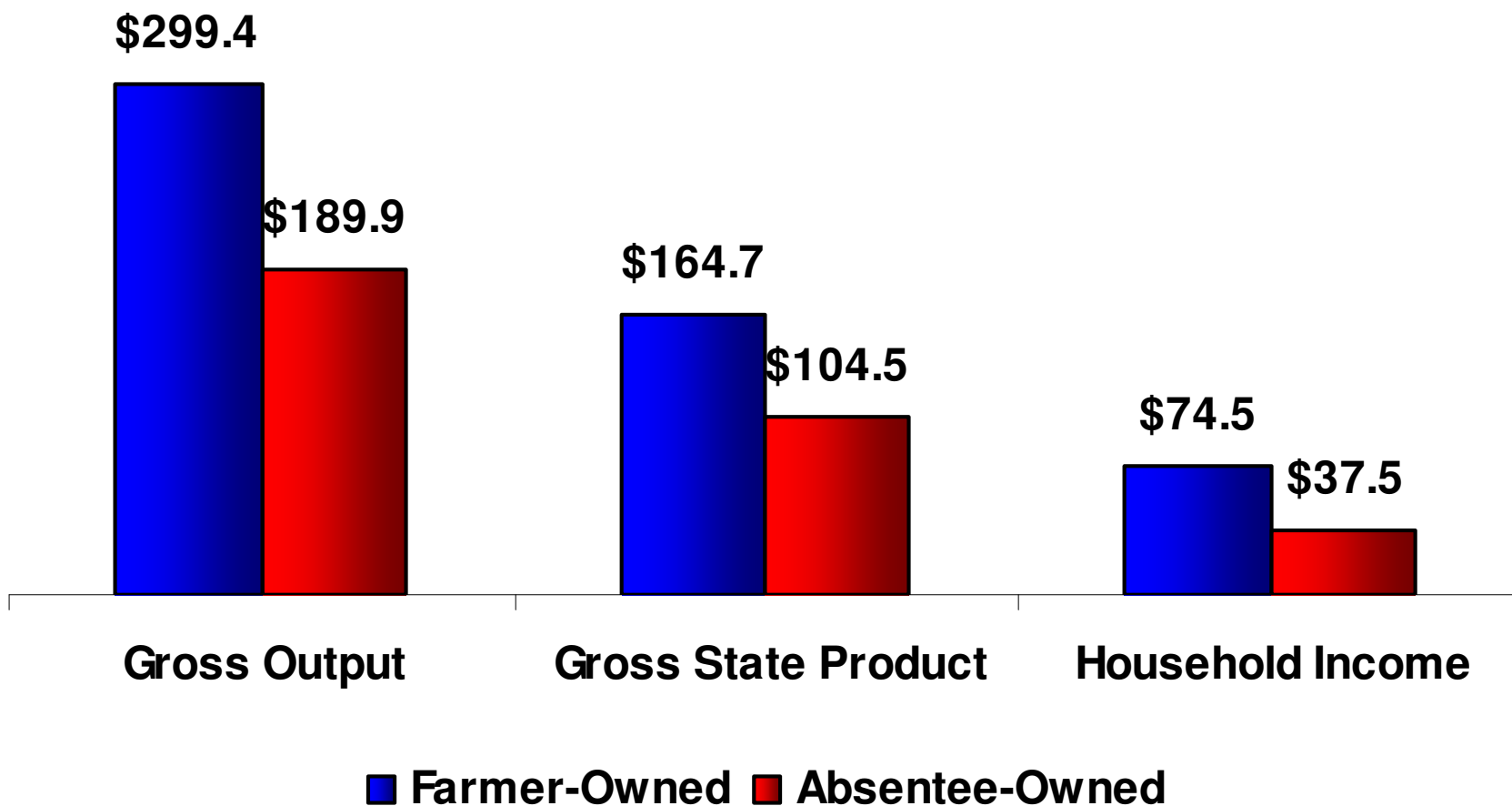
Co-ops are a proven strategy to access economic resources which may not be individually achievable

Marketable Co-op Benefits; “Goodwill”

- Local = accountable
- Trusted
- Social *and* economic bottom lines



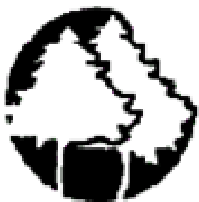
Local Spending and Economic Impact in Millions per one 50MMgpy ethanol plant



Source: Urbanchuk, John. *Economic Impacts on the Farm Community of Cooperative Ownership of Ethanol Production*. September, 2006

Why the Differential?

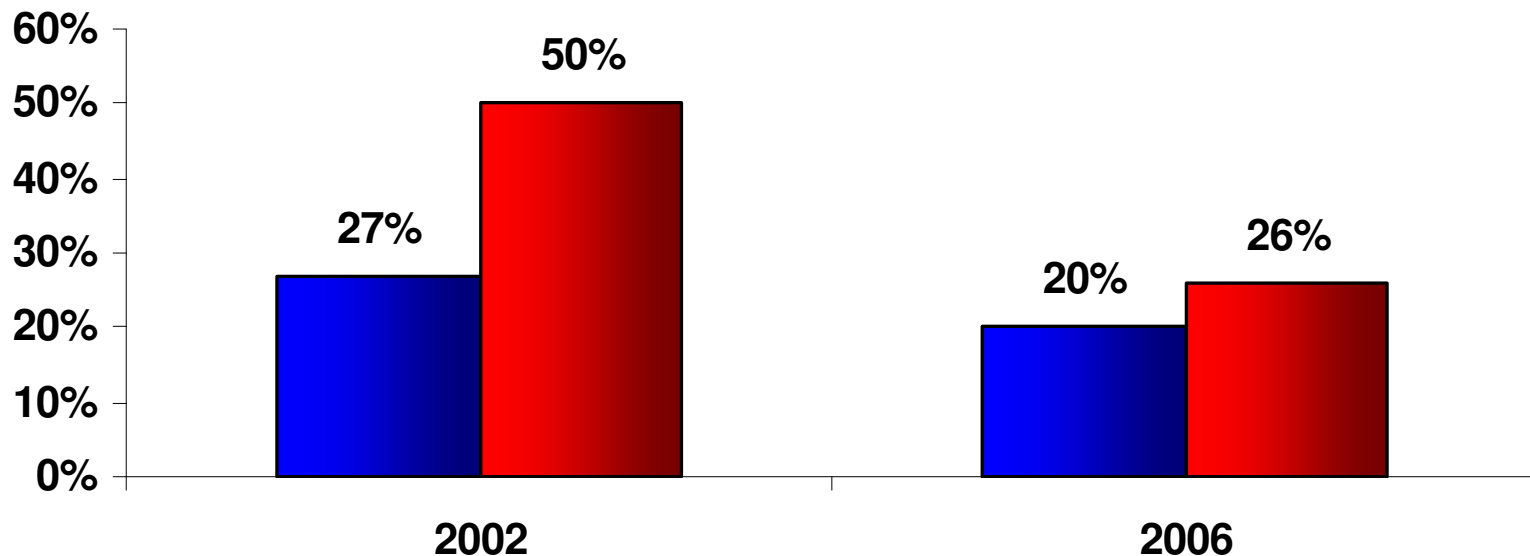
- 56% greater impact
- Local sourcing of:
 - General services & accounting = \$1.5MM more
 - Debt interest = \$2.4MM more
 - Some supply inputs
- Farmer dividends; i.e. profit distribution
 - Farmers will sell corn to plant regardless of price because of dividend



Source: Urbanchuk, John. *Economic Impacts on the Farm Community of Cooperative Ownership of Ethanol Production*. September, 2006

Ownership Trends

Farmer-Owned Biorefineries Are Becoming Less Important



- % of Total US Production Capacity by Majority Farmer-Owned Plants
- % of Existing Majority Farmer-Owned Plants



Source: Morris, David. *Ownership Matters: Three Steps to Ensure a Biofuels Industry That Truly Benefits Rural America*. February 2006

Where's Ownership Going?



Ownership Matters

Tillamook vs. Monsanto

Conflict over 2004 ban of hormone (rBGH) and labeling

- Ag co-ops counterbalance the power (economic and political) of large agribusiness **while** achieving individual farmers' interests

Farmer-owned, dairy marketing co-op

The logo for Tillamook, featuring the word "Tillamook" in a bold, blue, serif font with a small registered trademark symbol, set against a light blue rectangular background.

- 150 farmers; '05 sales = \$260 million
- Needs = protection of brand & consumer perception

Investor-owned, multi-national agribusiness

- '05 sales = \$6.3 billion
- Needs = Investor ROI interests

The Monsanto logo, consisting of the word "MONSANTO" in green, uppercase, sans-serif font above the word "imagine" in a smaller, lowercase, green, sans-serif font. To the right is a stylized green leaf icon inside a brown rectangular frame.The Posilac logo, featuring a blue square with a white curved shape on the left side, followed by the word "POSILAC" in large, bold, red, uppercase letters. Below it, in smaller red uppercase letters, is "BOVINE SOMATOTROPIN by MONSANTO".



...we've been waiting all our lives for a way to increase the value of our ag commodities. I'd hate to turn loose this opportunity to leave something for the kids...

- Marvin Oerke, 66, MME Board



They are out of their minds...

- Peter C. Fusaro, Energy Hedge Fund Center



"As Investors Covet Ethanol Plant, Farmers Resist." NY Times. Nov. 2 2006

Industry at a Crossroads

- Until recently, ag/biofuels = value in local communities
- With VC and equity/hedge funds, now decoupled
- Absentee-owned, investor projects
 - **Pros** = fast, efficient, legitimized, well-capitalized, connected
 - **Cons** = same trajectory for rural economy; farmers as passive input providers; profitably crises, over-production, out migration
- Co-op, farmer-owned projects
 - **Pros** = deeper rural development, consider multiple factors, accountability, more permanent, won't "cut and run"
 - **Cons** = more risk-exposed, group dynamics, less flexible



Strategies to Develop a Co-operative Bioenergy Industry

- ❑ Ownership-based incentives; federal & state
- ❑ Capitalization; accessible and sizable:
 - Investment equity
 - Grants
 - Debt availability & loan guarantees
- ❑ Education and advocacy about the benefits of local ownership



Thanks!

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*Fostering community economic development through the
cooperative business model*

