

NW Cooperative Development Center

**Owning It Ourselves:
How Farmers & Communities
Can Own Renewable Energy Projects Together**

Harvesting Clean Energy 7; January 29th, 2007



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[Presentation Overview]

1. Co-ops 101 & Benefits of Cooperation
2. Predominate Bioenergy Co-op Models
3. Opportunities For Co-ops
4. About NWCDC and Project Highlights



[1. Co-op 101]

- Co-ops are internationally recognized:
 - *“autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”*
- A co-op is any corporation that is member:
 - Owned
 - Benefited
 - Controlled

[Ownership



Member-Owners can be:

- Consumers
- Producers/Farmers
- Workers
- Other Businesses



Land O'Lakes, Inc.

[Why Cooperate?



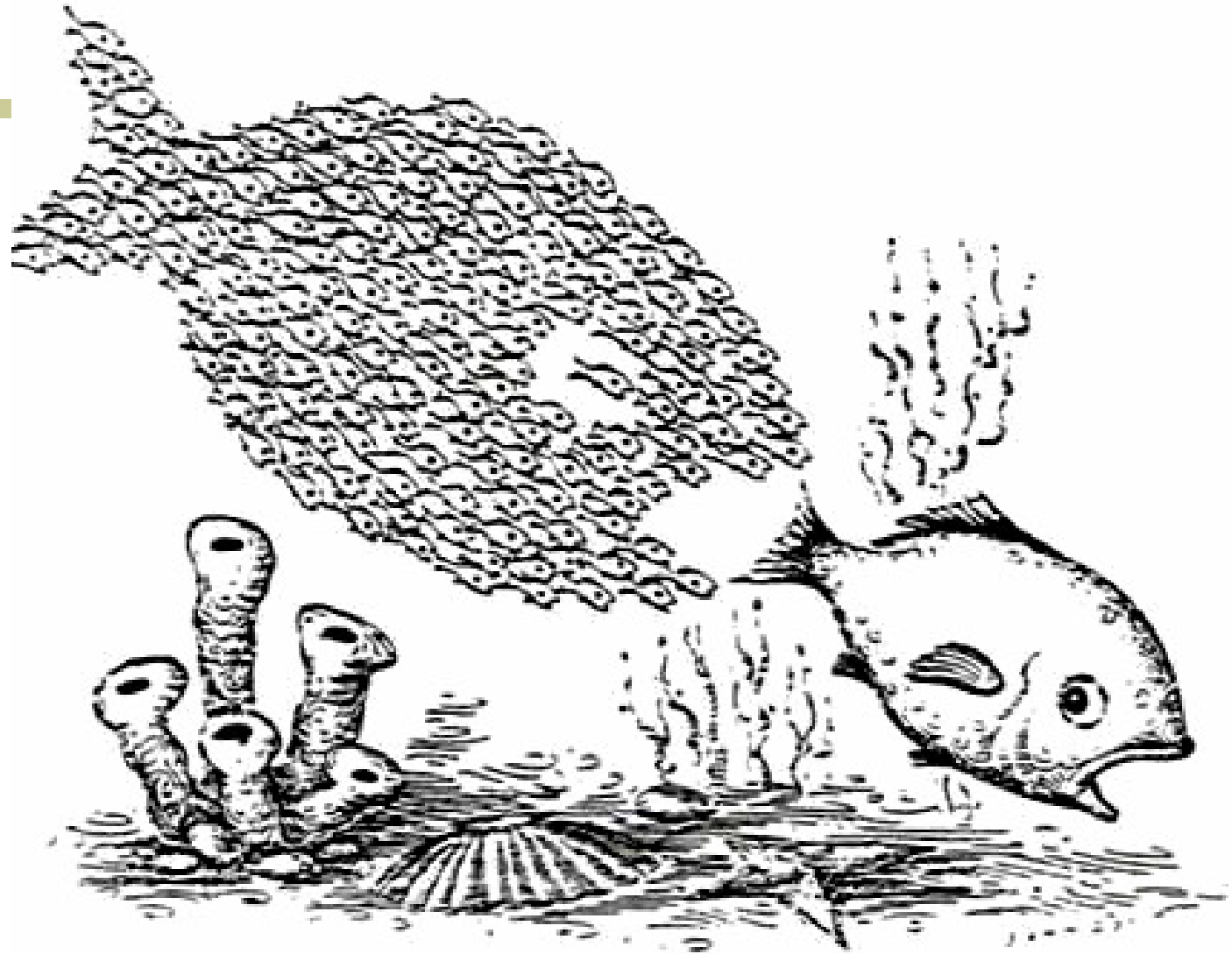
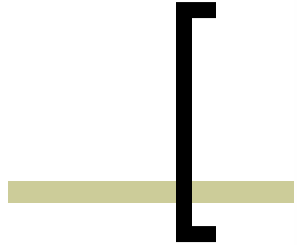
Co-ops are a successful strategy to access economic resources which may not be individually achievable

Co-op Benefits

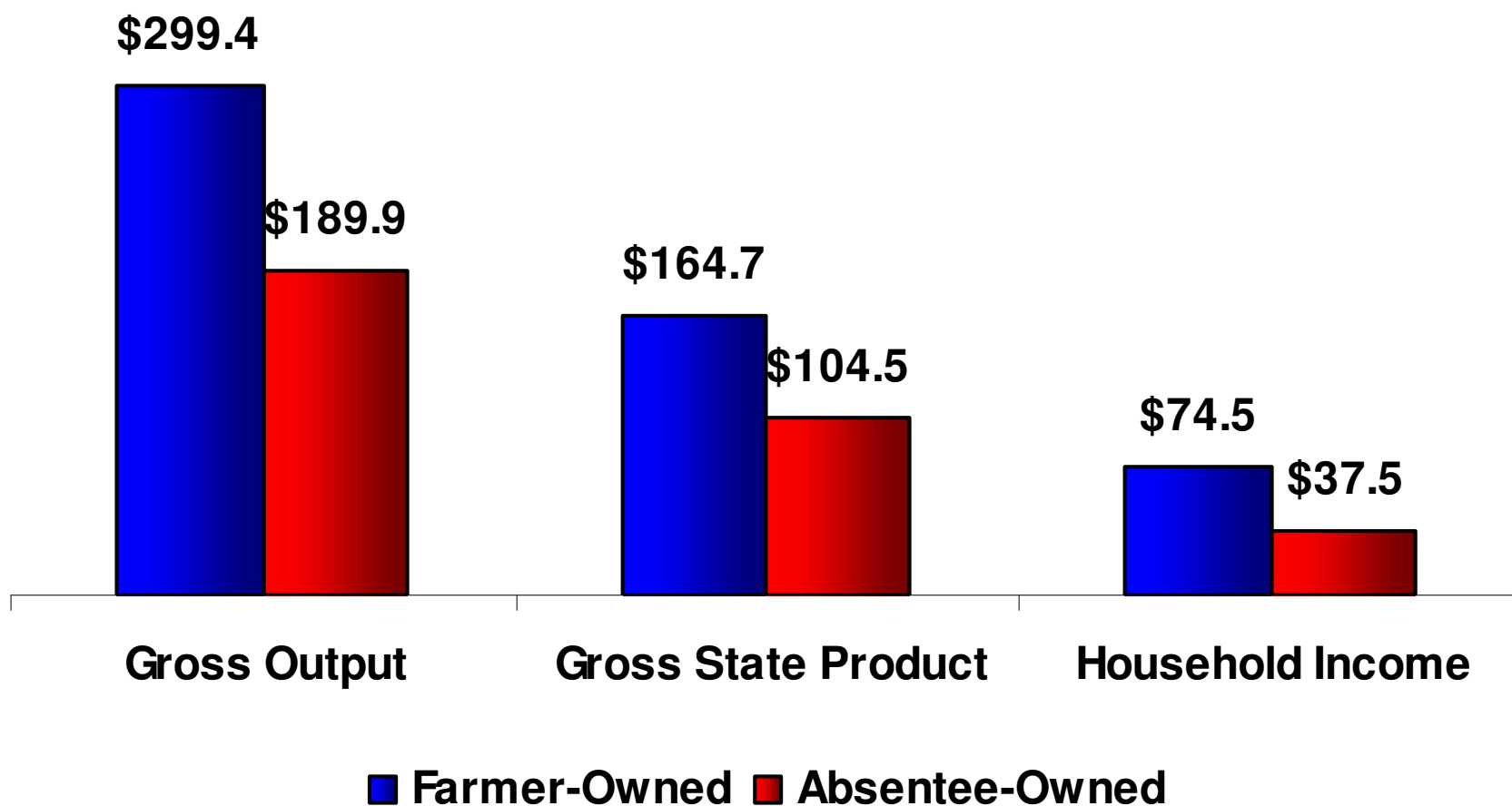
- Keep profits and ownership local = accountability
- Focus on both social *and* economic bottom lines
- Public “goodwill” can be leveraged in marketplace

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





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?]

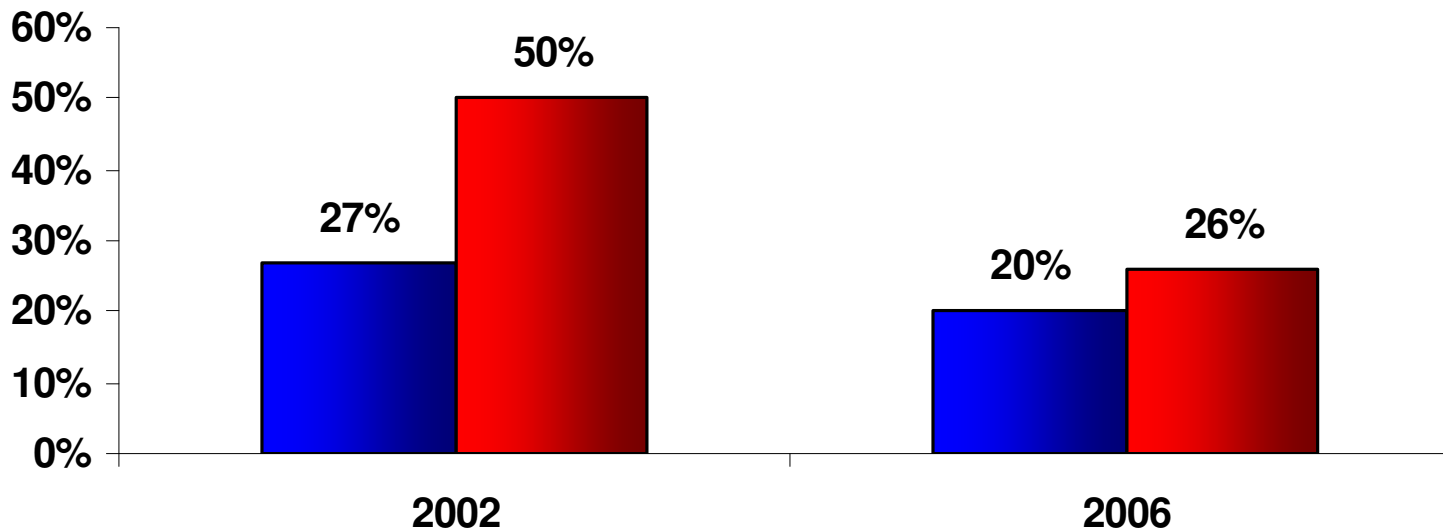
- Local sourcing of:
 - General services & accounting = \$1.5MM more
 - Debt interest = \$2.4MM more
 - Some supply inputs
- Farmer Dividends; i.e. profit distribution
 - Farmers will sell corn to plant regardless



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?]

WE SEE OPPORTUNITY

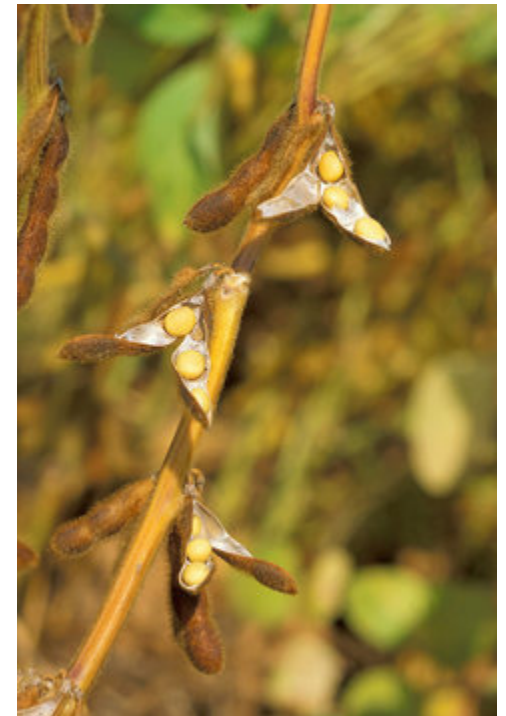
ADM will be the global leader in BioEnergy while expanding its premier position in the agricultural processing value chain.

Source: www.ADMworld.com



[2. Bioenergy co-op models]

- Consumer-owned
 - Farm Supply
 - Non-Ag consumers
- Producer-owned
 - Value-added production



[Farm Supply Co-op Model]

- Mature, farmer-owned retail operations
- Diverse production line
- Sometimes integrated producer & consumer co-op



[Consumer Model



- Concentrated on I-5 corridor, “urban”
- Loyal, grassroots base; often volunteer
- Community response to lack of supply
 - Socially entrepreneurial
 - Little to no competition
- “Small business”; 10 to 100 members
- Start as “buying club” engaged in:
 - Education & market development
 - Distribution & retail
 - Production (sometimes)
- **Potential buyers of feedstock & fuel!**



[Producer-owned Model]

- Value-added for grain grower co-ops
- Midwestern farmer co-op model
- No Feedstock = No Project
- Trends indicate increasing:
 - Scale and size
 - Joint ventures & partnerships
 - Venture capital



[3. Co-op Growth Opportunities]

- **Small-scale on-farm**

- Reduced gas price volatility
- Intimate connection to feedstock
- “Grow your own” fuel

- **Mid- to large-scale production**

- Hedging grain price volatility
- Add value to commodities

- **Community scale**

- REI and GHC both started in a “garage”
- Deeper engagement of key-stakeholders



Risks and Challenges

- Guaranteed feedstock supplies
 - Availability of feasibly-priced inputs
 - 75% of costs are inputs
- Commodity prices
 - Too low to motivate shift to oilseed crops
 - Meal and glycerin byproduct markets
- Scale
 - Bigger more risk
 - How small is too small?
- Competitively priced product
 - Gas price volatility
 - Cost effective production



[Strategies]

- To develop a co-op bioenergy industry:
 - Ownership-based incentives; federal & state
 - Capitalization; accessible and sizable:
 - Investment equity
 - Grants
 - Debt availability & loan guarantees
 - Education/advocacy about the local ownership benefits



[4. NW Co-op Development Center]

The Center is a 501(c)3 which provides development services for 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



[Project Lifecycle]



Co-op Development Stages

- **Identify a need a co-op could meet**
- Form Steering Committee
- Research Feasibility
- Review Findings (Go/No Go)
- Membership Drive
- Planning and Financing
- Begin Operations (Go/No Go)

How the Center Can Help

- Facilitate identifying mission and goals
- Train founding Board members
- Market and feasibility research
- Assist with organizing
- Professional 3rd party perspective
- General business consulting



Past Energy Projects

Olympia Biofuels Co-op

- Provided general business training and conducted feasibility study



San Juan Renewables

- Assisted with by-laws creation, business plan and facilitated strategic planning sessions

Last Mile Electric Co-op

- Organized stakeholders, board development, HR for initial manager and admin support

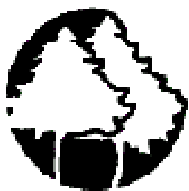
Our Wind Co-op

- Researched the feasibility of on-farm small turbines and sale of Green Tags



Harvesting NW Bioenergy Co-ops

- **Goal:** to maintain and promote co-op business model in the NW as the renewable energy industry propels from infancy towards maturity
- **Focus:**
 - **Biofuels:** ethanol & biodiesel
 - **Biopower:** CHP/CoGen & digestion



Climate
Solutions

Thank you!

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