

COUNTRY LIFE

Heartland Agdeavor provides value-added opportunities

BY MATT REESE

For generations, farmers have been investing horizontally, by buying new equipment and new land to expand their operations. Time has shown that this strategy works, but on increasingly narrow margins.

It is for this reason that there has been a lot of talk about value-added agriculture in recent years — farmers investing vertically in things like food processing, brand marketing or energy production.

"We believe farmers ought to be owners of those value-added processes as the product moves closer to the end user — that's where the real money is at. If farmers aren't owners of something like an ethanol plant, they don't make a dime. That's just another corn market. There's nothing wrong with that but it's not the fight that we're fighting," said Larry Thompson, executive director of Heartland Agdeavor. "We know the return on investment is three to five times better for those who do the processing than for those in production agriculture. It makes sense to find and help develop opportunities for farmers to be owners of those more profitable entities."

This, however, is easier said than done. From ethanol plants to new brands for niche markets, clever (and not so clever) people are always coming up with all kinds of new ideas for farmers to invest their hard-earned dollars in value-added agriculture. Some ideas are very good, some are OK and some business concoctions are destined for failure, but all of them require at least some risk and capital to get started. Sorting through all of these opportunities can be daunting at best for even the most business-savvy farmers. It is no wonder that farmers are often reluctant to invest in any opportunity further down the food chain to capture more of the consumer dollar. This is where the non-profit organization Heartland Agdeavor comes in.

"There are many of us with many decades of experience in production agriculture, learning from our fathers and grandfathers. But most of us do not have the depth of experience necessary to evaluate and make good decisions about these kinds of value-added investment opportunities," said Mark Schwiebert, a Henry County farmer who serves as vice president for Heartland Agdeavor. "Heartland Agdeavor helps work through the evaluation process and serves as an education tool that can expose members to these types of opportunities and let them see how the whole process works, which also enhances investment skills. Heartland brings the pieces of the puzzle together and does all the leg work, so a member does not have to do it on their own."



Heartland Agdeavor has linked farmers in Ohio with booming agriculture in Brazil. Brazil's vast farm fields, like this one, offer a lot of potential investment opportunities due to exploding land values. Some Heartland Agdeavor members are involved in Good View LLC, one of the organization's more successful projects that has already invested in 25,000 acres in Brazil.

The organization does this by reviewing the feasibility of anywhere from 50 to 100 business investment opportunities for value-added agriculture annually. After a rigorous evaluation process, a handful of opportunities (less than 10% of those reviewed) are presented to the group.

"We're a capitalistic organization and we're looking for the best of the best opportunities — probably two-thirds don't even get through the pre-screening," Thompson said. "Of the remaining projects we probably process a third to a fourth through the committee. Very few of them get through and that's the way it should be."

Heartland Agdeavor also sets up the legal structure necessary for making the investment opportunities a little more farm-budget friendly. An ethanol plant, for example, requires huge amounts of capital and a limited number of shares are often available so that even a single share would be unaffordable for farmers. Heartland Agdeavor puts the necessary structure — such as a LLC or a cooperative — into place to break up a single share into smaller parts that farmers can afford and to offer some investment protection.

"The minimum investment in some of these things is over \$1 million. Do you know many farmers who can write those types of checks? We can be one of those million-plus dollar contributors by pooling money from smaller investors. Heartland uses a model like that all the time. If the entry check is too big, we can try to bring in many investors," Thompson said. "This gets these oppor-

tunities down to an income level that may leave some of the really small operations behind, but it hits most of the hard-core agricultural producers. Heartland facilitates the whole thing. We set up the company, we'll put it together, we'll do all the legal work, but we don't own the company, we're a non-profit. The members invest and we turn it over to them. The investors own it and they are under no obligation to invest in it."

Currently, the organization has more than 100 members that paid an \$800 sign-up fee and a \$200 annual membership fee to reap the benefits of the organization.

"We've got over \$5 million in investments in value-added agriculture around the country from our members," Thompson said. "We don't put any weight on where they may be. We'd love it if they were all next door, but many opportunities are outside of Ohio. Value-added is not nearly as prominent in our state as it is west of here. While we're trying to develop Ohio, we're not averse to looking elsewhere."

Group members have invested in value-added egg branding out west, ethanol in Nebraska and a land-purchase program to capitalize on exploding real estate values in Brazil. With the benefits Heartland Agdeavor offers, Ohio investors have easier access to these types of nationwide opportunities.

"Good View LLC has investors all across the United States, but is centered in Ohio and owns 25,000 acres in Brazil. The goal is to acquire critical mass acres in Brazil for future purposes whether it is

agricultural production, renting it out or whatever," Thompson said. "It's the first project I've seen that is really working with farmers across the United States. Most projects tend to be parochial, but when you get into those large dollars, they can't be. You've got to draw big circles on big maps to find enough farmers to get the equity to make it work."

So far, the investments made by Heartland Agdeavor members have been successful.

"We're going to have some losers eventually, but knock on wood, we really haven't yet. The worst we've had have broken even," Thompson said. "We hope, in the long run, we have a lot more winners than losers and today that is the case. We hope Heartland investors take the portfolio approach and take nibbles from here and there to spread out risk."

Among the biggest success stories for the organization are Good View LLC and the ethanol projects.

"We've got investors with money in three ethanol plants operating outside of Ohio. I'm not at liberty to say specifically, but the returns are absolutely unbelievable," Thompson said. "Not every ethanol plant does that, investors in some of them lose their shirts. We found two or three that we're really proud of. That's our role — to be the researcher and the developer to put the good tasting cookies on our members' plates. Then, if they want to take a bite out of one it is their choice, not ours."

For more information, visit www.heartlandagdeavor.com or call Thompson at 614-818-4466.