

Ohio News Watch

Investing beyond a farm's borders



MARK WESTFALL,
BARRY BOERGER and
GARY PHILLIPS

By TIM WHITE

THE farmers sitting around the kitchen table near Woodstock do not look like worldly investors; in blue jeans and flannel shirts, they look like most Ohio farmers waiting for April showers to break, so they can plant corn. But as the discussion develops, it's clear that these farmers are looking beyond their barnyards to find a profit.

"Investing in land in Brazil makes sense," says Gary Phillips. "We've seen how we fit in. It's the new frontier. There is a good opportunity there."

Tapping a prospectus for Goodview Farm in northern Brazil, Mark Westfall adds, "These guys are forward-thinking; they are looking beyond land to sales of equipment, fertilizer and processing. It's wide open and they have great connections."

"Sure there is risk," adds Barry Boerger. "But we have the benefit of research and analysis that most people would pay a financial advisor thousands of dollars to do."

Vertically integrated

The men are members of Heartland Agdeavor. It is one of a handful of producer alliances that have formed in the Midwest in the past decade to enable farmers to boost their bottom line by investing in businesses that add value to the raw materials they grow.

Key Points

- Heartland Agdeavor invests in value-added businesses.
- Research pays off in searching out investment opportunities.
- Heartland's first offering hit a home run.



LARRY THOMPSON

The nonprofit organization grew out of several years of discussions among Ohio ag leaders from organizations including Ohio State University, the Ohio Department of Agriculture, The Ohio Farm Bureau Federation, USDA's Rural Development Agency and businesses like Farm Credit Services, Cargill and Mennel Milling.

Finally in September of 2001, the organization was founded. After several months of finalizing the business structure, it opened for membership.

"The purpose is to vertically integrate producers," according to Larry Thompson, CEO and executive director of Heartland Agdeavor. "The goal is get the farmer closer to the

consumer by taking ownership in production."

Unlike many of the producer alliances in the western Corn Belt that rally around a single project, like Dakota Pasta or Golden Oval Egg, Heartland takes a portfolio approach to investing.

"We find or develop various projects and put them on your plate. We do research and make a recommendation. Then it's up to the individual member to decide if they want to invest," Thompson says.

Research is the organization's strength, according to Westfall and the farmers gathered at his table. "It was new concept and it took about a year for it to sink in," Westfall says. "Even if you've done investing before, you don't know how much you need that research. It's a real benefit."

"Larry is a huge asset to the organization because he has looked at so many business

proposals," Phillips adds.

So far about 100 producers have joined the organization. They pay \$800 up front and then the annual fee is \$200. That's money well-spent, according to Phillips. "You could not hire a financial adviser to bring forward projects like these for that kind of money."

Capitalism at work

In about two years of operation Thompson has reviewed more than 100 proposals for ag-related businesses. After "opportunity analysis screening," he sends viable projects to a committee of analysts for review. The committee grades the business plan and sends the score to Heartland's 16-person board of directors.

The board then makes a decision to offer the investment to the rest of the members. A private page on the group's Web site enables members to see how a committee has eval-

Group sees solid returns

HEARTLAND Agdeavor is open to new accredited investors. Future initiatives may include soy biodiesel production plants or soy food operations. Identity-preserved beans would be a part of the project, and opportunities for byproduct consumption by both humans and animals are in the works.

Heartland Agdeavor CEO Larry Thompson also sees a great future for a wheat strawboard processing plant. The business requires soft red winter wheat straw and turns it into special acoustical panels that can be used in movie theaters or in office cubicles.

A Texas company is making the panels and is looking at the feasibility of a plant in Ohio. "Once they clear the legal hurdles, this could be a very valuable product," Thompson says.

Returns to farming average about 3% to 5%, not including the appreciation of land values, says Thompson. The returns to processors and others in the post-production side of food average 12% to 15%. Furthermore, the farmer has about three times as much invested in assets as the post-producer does.

■ For more information on Heartland Agdeavor, call Thompson at (614) 818-4466, or go to www.heartlandagdeavor.com.

uated and graded a specific project. So far eight opportunities have made the grade.

The first, an investment in a Nebraska ethanol plant (KAAPA Ethanol Ohio LLC), recently showed a first-year return of 62%. "We expected a return of 40%. But in this case we absolutely hit a home run," Thompson says. By grouping the members dollars in a bundle, Agdeavor was able to meet the large minimum investment the plant required. The organization is currently offering another ethanol investment in a plant in Kansas.

Investing in the out-of-state ethanol projects has drawn negative comments from groups trying to promote plants in Ohio, however. Ron Overmeyer, retired Extension specialist and member of Heartland, makes no apologies.

"We have to look for the investments that will make the best return for the members no matter where they are located. It would be good if they were in Ohio, but in the end it's a very capitalistic decision."

Thompson is just as succinct: "We're in this for a return on investment. We're not in it for economic development. That's someone else's business."

Ethanol: a vogue investment

INVESTING in ethanol production is so popular that even the *Wall Street Journal* has covered it in a front-page feature. The article is bound to draw investors from the general business community, Heartland Agdeavor CEO Larry Thompson says. Heartland Agdeavor is offering investments in East Kansas Agri Energy Ethanol and Coshocton Grain LLC.

Meanwhile Harrison Ethanol is the first Ohio ethanol plant to get both a permit to install and a permit to operate. Investment in this plant is being offered through Coshocton Grain. The equity drive is about 25% filled and expected to end in early summer. For more information, call (800) 421-1595 or e-mail Crown@Coschtongrain.com.