

Kansas Cooperative Developer

A Publication of the Kansas Cooperative Development Center (KCDC)

Volume 1 Issue 2

The monthly Kansas Cooperative Developer focuses on the businesses awarded grants through the IAG program and the business and technical assistance provided by the KCDC to these recipients.

KCDC's Research and Education about Renewable Energy

Interest in renewable energy, especially with respect to ethanol and biodiesel, has increased greatly in the past few years. Increased price of crude oil, relatively low farm commodity prices, changing regulations (elimination of methyl tertiary butyl ether (MTBE)) and national security issues related to dependence on foreign oil imports are the main driving forces behind this interest. These factors have also contributed to increased demand for ethanol, leading to more than three-fold increase in ethanol production since 1990 and the potential to double in the next five years. There are now six operating ethanol plants in Kansas, with production capacity of about 110 million gallons per year.



to enhanced relationships with various Kansas producer groups as they develop a renewable energy business.

The engine behind the presentations and papers is a spreadsheet-based tool that allows producers or producer groups to analyze and evaluate different production and financial scenarios particular to their situation. The scenarios include plant size, plant cost, ethanol and distiller prices, input costs (grain, natural gas, electricity, labor, chemicals and enzymes, administration) and interest rate changes.

An abbreviated portion of this spreadsheet tool is available for public use in our Prefeasibility Calculator (<http://www.teambas.com/ksu/src/ksutop.php>), to help producers make more informed decisions about investments in ethanol projects. Registration is required if users want to use the Evaluator tool which allows them to customize the data to their specific situation. Background information about economic factors affecting ethanol production is available without registration.

KCDC has also provided business development and initial assistance grant support to many Kansas producer groups with interest in renewable energy. This issue of the Developer profiles some of these groups. We believe that serious assessment of feasibility conditions upfront will always minimize foreseeable risks associated with any business venture. We will continue to support producer groups with these fact-based economic assessment of their investments in renewable energy projects.

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The Kansas Cooperative Development Center is acutely aware of producers' interest in these opportunities and has been conducting research and developing educational programs to help them make the best economic decisions. The Center has published two papers - *Economics Issues with Ethanol* and *Biodiesel: Is It Worth Considering?* - that focused on the fundamental economic questions that need to be addressed for producer groups to benefit from ethanol and biodiesel ventures. These documents are available for downloading at <http://www.agmanager.info/agribus/energy/default.asp>.

KCDC has conducted 25 educational presentations since 2001 to various groups interested in the basic economic factors about ethanol and biodiesel production. Some of these presentations have led

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Western Plains Energy, LLC



Western Plains Energy, located in Campus in the northwest corner of Kansas, began producing ethanol in early 2004 from its 30 million gallons per year facility. Over 560 members raised in excess of \$20 million in equity to help finance this project. This is the sixth ethanol processing plant in Kansas and the first that is majority owned by agricultural producers.

In February 2001, Western Plains received an Initial Assistance Grant from the KCDC to help finance a feasibility study for the ethanol project. The KCDC conducted a series of five educational presentations in May 2001 in northwest Kansas that showed what factors are important for profitable ethanol production.

“The encouragement of the KCDC in the beginning stages of development helped us proceed with our ethanol project,” stated Jeff Torludemke, Board President, Western Plains.

Central Kansas Renewable Fuels

The first renewable fuels project KCDC assisted was the Central Kansas Renewable Fuels (CKRF) project located in McPherson and Rice counties. The initial steering committee for this project requested KCDC research the ethanol industry since they were looking into this type of project. In October

CKRF, Continued

2000, KCDC presented background information about ethanol and information about business formation and business structure alternatives.

KCDC recognized the importance of ethanol information and developed an ethanol profitability spreadsheet that can be adjusted for most important economic factors in examining ethanol production. Simulated pro forma sheets are generated with this information.

CKRF received an IAG in February 2001, which they used to complete a feasibility study for their project. KCDC reviewed the feasibility study and worked with the consultant to enhance the usefulness of the study. KCDC continued to assist the steering committee during 2001 and 2002.

An equity drive was initiated by CKRF in 2002, but not enough equity was raised to continue with the project.

East Kansas Agri Energy

East Kansas Agri Energy (EKAE) successfully completed their equity drive in January 2004 by raising over \$16 million from more than 500 investors. EKAE plans to build a 25 million gallons per year facility in Garnett.

KCDC presented “Economics of Ethanol” to a crowd of potential investors in February 2001. EKAE received an IAG in May 2001 and used the grant to help conduct a feasibility study for the project.

“The encouragement of the KCDC in the beginning stages of development helped us proceed with our ethanol project,” stated Jeff Torludemke, Board President, Western Plains.

Ethanol Energy E²

Ethanol Energy, Jetmore, received an IAG in March 2002 to help with developing a business plan for their ethanol project. “The IAG assistance enabled us to move forward at a crucial time as we developed our business plan. We appreciate the award from the KCDC.” wrote Alison Guthrie in one of Ethanol Energy’s IAG quarterly reports.

The plans for the project included a 30-40 million gallons per year ethanol plant using locally-produced corn and sorghum as the feedstock. They envisioned an unique financing arrangement involving an outside investor along with local investors, but currently the project remains on hold.

“The IAG assistance enabled us to move forward at a crucial time as we developed our business plan. We appreciate the award from the KCDC..” wrote Alison Guthrie in one of Ethanol Energy’s IAG quarterly reports.

Santa Fe Trail Agri-Energy

Santa Fe Trail Agri-Energy, Ulysses, received an IAG in March 2002 to examine building a 15 million gallon per year ethanol plant powered by waste gas produced by a chemical company. Ultimately trust and contract negotiations broke down in this arrangement. The business plan developed with the help of the IAG funds showed that the project feasibility was compromised when negotiations broke down. The project is currently “on hold.”

Upcoming Events

- March 12, K-EAT “Kansas Ag Innovation Center and Opportunity Scoping,” Manhattan (Contact: David Coltrain, 785.532-1523)
- March 19, Find Direction for Your Marketing: A Step-by-Step Marketing Plan Workshop, Topeka (Contact Ruth Smerchek, 785.296-7006)
- April 2, KCDC Consortium, Topeka (Contact: David Coltrain, 785.532-1523)
- April 3, “How to Set Up a Kitchen on a Small Budget,” Kansas City (Contact: Karen Pendleton 785-843-1409)
- April 5, “Strategic Alliances: The Smart Way to Grow Profitable Businesses,” Manhattan (Contact: Seleise Barrett, 785.532-1522)
- April 6, “Unmatched Innovation—from Concept to Consumer” Manhattan (Contact: Gabe Schlickau, 785-628-4509)

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Contact:

David Coltrain, Coordinator
Department of Ag Econ
303 Waters Hall
Kansas State University
Manhattan, KS 66506
Phone: 785-532-1523
Fax: 785-532-6925
E-mail: coltrain@agecon.ksu.edu

The overall goal of the Kansas Cooperative Development Center is to improve the earnings and economic conditions of agricultural producers and other rural residents. The strategy is to encourage and to assist cooperative business development focused on value-added marketing and processing of agricultural products. The KCDC is managed by the Arthur Capper Cooperative Center (ACCC) in Kansas State University's Department of Agricultural Economics with the cooperation and assistance of two primary partners, the Kansas Department of Commerce Agriculture Products Development Division, and the cooperative development program of the Kansas USDA/Rural Development office. The KCDC is funded by a grant from USDA and matching fund support from KSU and KDOC.

Our Web address

[http://
www.agecon.ksu.edu/
accc/kcdc/Default.htm](http://www.agecon.ksu.edu/accc/kcdc/Default.htm)

Kansas Cooperative Development Consortium

The Kansas Cooperative Development Consortium meets regularly during the year and is a public-private partnership. This portion of the newsletter focuses on consortium members. If you are interested in joining the consortium, please contact David Coltrain.

Three consortium members represent the Agriculture Marketing Division of the Kansas Department of Commerce. This Division is committed to improving the economic condition of Kansas producers and boosting the prosperity of rural communities. The Division accomplishes this by acting as a catalyst for economic development through the Agriculture Value Added Center (AVAC), the From the Land of Kansas trademark program, the International Trade program, the Domestic Marketing program, and the Hays field office. The Division has also developed a strong synergy with other divisions of the Kansas Department of Commerce by providing agricultural clients with access to all the Kansas Department of Commerce programs. For information phone: 785-296-3084.

Vincent	Amanor-Boadu	Value-Added Business Program, KSU
David	Barton	ACCC, Professor, KSU
Dennis	Blick	CoBank
Michael	Boland	ACCC, Professor, KSU
Larry	Carnahan	USDA Rural Development
David	Coltrain	Kansas Cooperative Development Center
Janna	Dunbar	Kansas Dept Of Commerce
Jeff	Kistner	CoBank
Ray	Hammarlund	Kansas Dept Of Commerce
Dana	Hoffman	Kansas Wheat Growers
Mike	Irvin	Kansas Farm Bureau, Legal Foundation
Paul	Johnson	Kansas Rural Center
Kevin	Lickteig	Kansas Grain Sorghum Commission
Ronald	Madl	Value-Added Center, KSU
Jesse	McCurry	Kansas Dept Of Commerce
Janet	McPherson	Kansas Farm Bureau, Public Policy
Loren	Medley	Kansas Electric Power Coop. Inc.
Ed	Reznicek	Kansas Organic Producers
Gary	Satter	Glacial Hills RC&D
Gary	Smith	USDA Rural Development
Dave	Spears	Kansas Farm Bureau, Agriculture Solutions
Greg	Stephens	National Farmers Organization
Robert	White	Kansas Corn Growers Assn.
Chris	Williams	21st Century Alliance
Meleesa	Younggren	Burns & McDonnell