

**The Thrill of Victory and the  
Agony of Defeat:  
A Comparison of Two Value-Added  
Cooperative Equity Drives**

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**The Ever-Popular NGC**

- The onset of NGC ventures in the Upper Midwest in the 1990's created a stir in OK
  - State tax credits and favorable political mindsets encouraged producers
- Flour milling was of considerable interest
  - But not a highly feasible option (Tembo et al.)
- Other wheat-based value-added ventures were given consideration by producers
  - Tap into growing markets for flour-based products, bypass flour milling

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**Purpose of This Comparison**

- Unique insight of two NGC efforts with many similarities
- Comparing the different approaches to establishing a value-added NGC
- Identification of specific factors that influenced the outcomes of the equity drives
  - Planning
  - Personnel
  - Politics
  - Persistence

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### Value Added Products

- \$19 million pre-proofed frozen dough facility in Alva, OK (northwest)
- Planning began in 1998, business established in 2000
- Self-rising pizza crusts, RTB croissants, baguettes, cinnamon rolls, etc.
- Over 900 members raised more than \$9.5 million in two equity drives

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### Great Plains Dough Products

- Proposed par-baked artisan bread facility in Chickasha, OK (southwest)
- Idea was to follow the lead of VAP
- Planning began in mid-2000
- Failed equity drive occurred in late 2001

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### Basis for Comparison

- Same industry segment, different products
- Similar geographic region (OK Wheat Belt)
- Same consultants, advisors, attorneys
- Similar level of state support/commitment
  - OSU FAPC, ODAFF, tax credits
- Same engineers and equipment providers contacted during planning phase
- Same targeted producer segment

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## VAP Overview

- Producers, local business operators, and city/county economic development
  - Originally looking at milling (until Feb. 1998)
- N.C. Doty & Associates brought in to discuss industry options (Mar. 1998)
  - Next 2 months: info exchange, evaluation
- Strategic planning sessions (May 1998)
  - SWOT analysis for NW Oklahoma
  - RFP development and required outcomes
  - Formation of Value Added Partners, LLC
- Pre-proofed frozen dough, Alva (Late 1998)
- Commission engineer to draft a plant design (Naegele, Inc.) and begin meeting with equipment providers (Fritsch USA) (Mar 1999)

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## VAP Overview (cont'd)

- Option on vacant Wal-Mart and strip mall
- Retain Mike Dunker as project coordinator and future plant manager
- Letters of intent via Fritsch and N.C. Doty
- SEC paperwork, offering documents, etc.
- First equity drive (Sep-Nov 1999)
  - \$7.5 million, approx. 750 producers
- Pilot scale operations in Feb 2000, full scale in Fall 2000 after second equity drive

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## GPDP Overview

- Envisioned springboard idea following VAP by Grady County producers and business operators (Summer 2000)
- Grady Co. Ag Enhancement LLC formed in Nov. 2000 to pursue ideas
- N.C. Doty & Associates hired to perform consulting work (Dec. 2000)
  - Support from OSU FAPC, ODAFF
- Doty brings Fritsch USA and Naegele Inc. to discuss possibilities with GCAE (Jan 2001)
- Determination of par-baked artisan breads (Summer 2001)

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## GPDP Overview (cont'd)

- Agreement to form Great Plains Dough Products as a NGC
- Project coordinator hired (Sept. 2001)
  - Dunker considered, another hired “for less”
- Examined building and equipment possibilities (Fall/Winter 2001)
- Equity drive in Fall/Winter 2001
  - 12 investors, \$60,000 raised
- Equity drive extended, no new investors

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## VAP & GPDP Similarities

- Local grain handlers and ag industry leaders at the table
- Both received funding/support from ODAFF for feasibility studies and mailings to producers
- Both consulted with N.C. Doty & Associates, Naegele Inc., and Fritsch USA
- Both received OSU support
  - Feasibility/market study assistance
  - Offers for pilot plant processing at FAPC, including product development help
- Both had fall equity drives, coordinating with county extension agents to reach producers

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## VAP & GPDP Differences

### VAP:

- Bank presidents from Alva's three banks involved
- Site chosen, negotiations completed before equity drive
- Plant layout determined before equity drive
- Project manager with experience in plant start-up and NGCs
  - Brought buyers to the table, staffed the facility
- Equity drive meetings were coordinated with pre-scheduled county grower meetings and ag-related events
- Commitments from city officials, county industrial authority
- Steering committee members put in the hours and the miles
  - No drop-outs, lots of one-on-one meetings, fitting others' schedules
- \$2 wheat

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## VAP & GPDP Differences

### GPDP:

- Bad timing
  - 9/11
  - VAP laid off workers after suspension of military contracts
- No Chickasha bankers involved – or city/county officials
- No site chosen before the equity drive started
- No determination made on equipment and plant design
- Project manager with no experience in agriculture, food processing, or cooperatives
- Steering committee members leaned too heavily on project manager
  - Leaders became no-shows, lack of time commitment
- Equity drive meetings were coordinated for ease of the project manager, steering committee – not the producers, county agents
- Targeted producers/co-ops experiencing a cooperative failure
  - Flour mill in Saginaw, TX closed down during the equity drive
- \$4 wheat

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## Conclusions

- “Local champions” are vital
  - Producers, co-ops, and city/county leaders
- Incomplete plans doom a venture
  - All ducks in a row before the equity drive
- Project managers can make/break an equity drive
- “Forcing” an equity drive can only hurt the project
- Clients = capital

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## Questions?

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