

Canton facility goes bankrupt

By JOANIE STIERS

CENTRAL Illinois farmer Lance Tarochione could have put a down payment on a farm for what he put into a farmer-owned ethanol plant that failed before it produced a gallon of ethanol. But he still would invest in another value-added venture if the conditions were right.

"I haven't been so turned off by the experience that I wouldn't invest again," says Tarochione of London Mills. The

farmer and agronomist lost \$15,000 in shares and has to pay back a sizeable banknote because he extended a letter of credit to the project.

The farmer-owned Central Illinois Energy ethanol plant in Canton declared bankruptcy in December, six to eight weeks before the plant was complete, according to bankruptcy attorney Barry Barash. About 400 local investors — 260 of them farmers — invested in good faith to own 71% of the project. The prevailing mood among those in-

GRAIN SEIZURE: IDOA seized 1.5 million bushels of corn when the Central Illinois Energy ethanol plant declared bankruptcy in December.

vestors is disappointment, as well as some anger and embarrassment.

"Everyone was trying so hard to help the plant make it," in the words of Greg Jones, a farmer investor. "Call us foolish or not for making those investments, but all of us in our hearts were trying to make things work."



Every investor loses a minimum \$5,000 in purchased shares. The farmer investors who already delivered corn to the plant on price-later contracts will receive a minimum \$3.43 per bushel from the state.

The financial losses are largest for those who must pay the letters of credit. About 70 farmers extended a letter of credit, which mostly ranged from \$24,000 to around \$500,000, Jones says. The largest contributors were board members. This was an effort on the part of shareholders to increase capital, he notes.

Tarochione predicts some farmers who extended letters of credit will be unable to buy farmland or purchase equipment for a few years.

Warren Wolf, a grain and cattle producer at Lewistown, says his operation needs time to heal financially from the loss in purchased shares and letter of credit. Then, he would consider investing in future projects. He is among the investors who have learned to look more critically at everything from capital to leadership in the next investment opportunity.

Capital is a key

Lesson No. 1 is that the project needs to be well-capitalized, maintains Wolf.

"Make sure that it is capitalized to the extent that local lenders want to be involved so that outside lenders will also want to be involved," he says.

The Canton plant often has been compared to Big River Resources LLC, a successful farmer-owned ethanol plant 75 miles northwest in West Burlington, Iowa, which started its fund drive about the same time. The plant has been operational since 2004, investors have received in excess of 110% of their initial investment, and now it is expanding.

"I think as an investor, everybody should have been demanding more thorough accounting and more regular updates," says Elaine Stone, manager of the Fulton County Farm Bureau, which invested \$5,000.

Wolf would request a complete, annual financial statement of a project, if he were to invest again. Look at everything, including footnoted items, he says. The whole operation must be transparent.

Also, consider if market conditions make timing right for a project. Wolf believes the Canton plant would already be successful if capital and financing had been in place within the original time frame.

Lastly, look for experience. "You need experienced leadership that has been in a successful plant already," adds Wolf. Otherwise, investors pay for costly mistakes, he says.

Stiers writes from Williamsfield.

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