

Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)
Grant Project Final Report

Contract Number: 18055

Grant Project Title: Badger AgVest, an investment alliance for agriculture.

Amount of Funding Awarded: \$40,000

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What was the original intent of this grant?

The original intent of this grant was to establish a producer-run organization that would seek out value-added and rural development projects requiring seed money and early investment funding. This would provide agricultural producers with an opportunity to 'grow their own' businesses, jump start rural development projects and invest in vertical integration for their commodities. The original or phase I request allowed the group to create the business entity, determining whether it should be launched as a cooperative or a company, write the articles of incorporation and an operating agreement and cultivate a board to champion this project. Once the methods of operation were established, the group hired an executive director to manage operations, begin building membership, outreach and educational components.

The need for seed capital and early-stage business funding for rural development and value-added business ventures in Wisconsin has been clearly identified by the business ventures, government entities and agricultural associations. Several neighboring states have successfully created organizations like Badger AgVest and enjoy state and federal grant monies flowing into their agricultural sectors through these conduits. There are additional federal funds not being driven into Wisconsin that could become accessible if a producer-run organization like Badger AgVest organizing the effort.

Wisconsin has a rich history of agricultural innovation and biotech development that offers strong potential for value-added investment. Many of these entrepreneurs require seed capital to fully launch the value-added projects they have conceived. Building grassroots support with agricultural producers creates funding multipliers (grants and matching funds) that are only available via producer participation. These linkages also create a base of community support at each project site.

Wisconsin has a highly educated, diverse array of agricultural producers, many of whom are early innovators and influencers within their industries. This is BAV's target market. They are seeking ways to vertically integrate and support their industries, innovative investment vehicles to leverage their current re-investment in their own businesses and methods to diversify their investment portfolios and increase retirement investments, while supporting their industry. They also want to optimize their time in this process. BAV acts as a gatekeeper, selecting viable projects and preparing additional information or contracting due diligence on each potential investment.

Badger AgVest was established to tie these two functions together; gathering project opportunities that will add value to the commodities Wisconsin farmers are producing and then forming a conduit for individuals to join together and bundle their resources to support businesses that will enhance their commodity values and communities. BAV is uniquely positioned to perform these functions while linking commodity groups, public and private organizations and government entities.

What steps did you take to reach your goal?

Badger AgVest elected to incorporate as a Limited Liability Company. They selected a board, filled nine seats with diverse commodity and geographical representation. They worked with legal counsel to write Articles of Incorporation, an Operating Agreement and an Amended and Restated Operating Agreement to fully develop BVA as an entity. BAV faced several challenges throughout this process mainly because they were breaking new ground creating a unique organization like this.

The next major hurdle to overcome was getting farmer/producers to understand why BAV's was formed and presenting a convincing argument for their participation. BAV board and executive director attended agribusiness meetings and offered seminars for WI producers to learn about the success similar organizations are enjoying in other states (MN, SD, IA and NE) and to learn about the unique position BAV holds in being able to unite multiple interests to provide support for these agribusinesses.

BAV's greatest success in clearing that hurdle was their second venture fair and first annual meeting. BAV originated with twelve members. There were approximately 30 attendees at their first venture fair held in December 2003. One year later, BAV had tripled membership and tripled attendance at their second venture fair. The 2nd venture fair attracted a high level of presenters and an excellent mix of industry people, service people and producers. Although this venture fair was successful it raised several challenges; BAV needs to secure additional sponsorship funding to link credible industry organizations to projects that will directly benefit their commodity producers and to maintain a high caliber of presenters in areas of interest to those members.

After hearing about other state's successes and areas of interest, BAV began working with specific producer groups to further investigate a couple of business opportunities. The WI Pork Producers and the WI Soybean Marketing Board both partnered with BAV to evaluate projects that add value to their commodities and create rural development. Ultimately, neither project was a go but both experiences yielded important lessons for BAV on the evaluation process, on utilizing our network of industry experts and commodity groups and establishing a consistent set of questions to be answered for each deal. Although getting a 'no go' answer is disappointing to the interested parties it is also very instructive and enhanced BAV credibility by asking the right questions. Now we need a 'go' project.

We also learned that BAV should develop a committee structure that allows for fast action on projects that are ready for offering. We had a couple projects that required immediate action following venture fair II. BAV had to get legal documentation and private placement offering documents prepared quickly. This allowed BAV to establish activity benchmarks and action templates that will be replicated with each project in the future. Unfortunately, our first deal was bought out just prior to our offering to membership. We learned that it was a sound opportunity and although we were not in a position to fully buy-out this organization we continue to negotiate BAV involvement and again it enhanced BAV credibility to be involved at that level in such a visible and viable opportunity.

Badger AgVest is perpetually investigating new opportunities. We will work to maintain our position as a seed capital resource and will evaluate new businesses for their benefits to WI agriculture and adding value to our commodities. It is now clear that BAV's next steps are to increase the frequency of member communications and enhance the Website to build on its success while maintaining a steady stream of prospects.

What were you able to accomplish?

BAV membership has tripled. The group has successfully sponsored its second venture fair with nearly triple the attendance and several solid projects to pursue. More agricultural producers are gaining an understanding of what BAV is trying to accomplish and the projects presented were of interest to several sectors in Wisconsin agriculture. Of the eight companies presenting at BAV's second venture fair 50% qualified for ACT 255, WI venture capital tax credits, three have been further evaluated by BAV with three more under consideration and two are longer term investment opportunities. The project that would have been our first deal is off the market but will continue to be on our list should we have a chance to collaborate in the future.

BAV offered three major speaker events in March, June and December 2004 each garnering radio and print coverage and each resulting in successively larger attendance while building awareness of BAV. BAV surveyed attendees at the second venture fair with a 22% response rate. A majority of participants understood what BAV is trying to accomplish, were interested in learning more about BAV opportunities and were prepared to participate in some of the exciting businesses they learned about at the fair. The atmosphere was very positive and while BAV got good press and radio coverage for this event we are challenged to have an opportunity to act and gain additional commitment from our members, ideally with a project or deal, more quickly to keep BAV front of mind and not lose the momentum built at the second venture fair.

What conclusions can you make based on project work?

BAV is an idea whose time has come. There is a great deal of interest on both sides of this equation (producer members and entrepreneurs seeking support) for this type of investment vehicle. Producers want the ability to diversify their current portfolios with deals that will add value to the commodities they produce. Entrepreneurs see the value in building direct relationships with their suppliers. Wisconsin needs to reap the benefits that our neighboring states already enjoy by supporting the organizations BAV was modeled after. Now BAV must develop a consistent marketing plan to maintain a presence in the minds of the commodity producer groups, the members and the rural community. We must launch a communication plan that will keep BAV circulating amongst key stakeholders as a 'go to' with project opportunities, for educational seminars on value-added and to link the other resources we will partner with; the University, DATCP, Dept of Commerce, WHEDA.

What do you plan to do in the future as a result of this project?

Our goal is to cultivate a steady stream of projects and develop frequent communication with our membership as well as offer several educational seminars/ meetings throughout the year to increase member knowledge and comfort with investigating and pursuing appropriate ventures. BAV is near having its first deal to offer to its members and potential members. We need to enhance internal and external communications to maintain momentum. We need to build standard operating procedures for making the offering, sharing the information to the membership and forming the new LLC to raise funds for investment in each accepted project.

What information or additional resources are needed to commercially develop this enterprise?

BAV must continue its current activities while enhancing the frequency and reach of our message to build membership and involvement. The goal is to have each member find a project that they are interested in and willing to support. We also want to build an agricultural support network for development opportunities across all segments of agricultural production, throughout the state and forward reaching to nurture future trends for agricultural commodity use and production.

Finally, the goal is to share knowledge that has already been gleaned and reviewed to allow our members the opportunity to make informed management decisions without having to go through the entire due diligence process separately and individually. BAV needs to establish a more active web page with member access to information and communications when they want it, 24/7. BAV also plans to develop regional groups to sponsor educational meetings, build membership and discuss strategic direction as it impacts various geographical and diverse segments of WI agricultural production.

How should the agricultural industry use the results from your grant project?

BAV would like to establish local 'roundtables' or community teams to provide farmer members an opportunity to gather and discuss portfolio diversification strategies, educational seminars about transferring wealth and building their family businesses by creating linkages with other agencies throughout the state and forging new groups that vertically integrate producers, their agricultural commodities and the value-added products these projects will produce. BAV needs to stay involved with the various commodity areas to ensure that projects will be of interest and benefit to each of those groups. Most importantly, BAV needs to be on each commodity group's radar screen so they can guide and direct BAV to investigate and select projects of interest to them and their members. Each area of agribusiness needs to gain comfort with how BAV can serve their needs and add value to their commodity production by seeking out and supporting projects that address their commodity production. BAV can multiply the benefits and marshal resources in a concerted fashion that will increase the benefits to our state, our agricultural producers and their individual operations.