

Money Lenders Banking On Ethanol

HOUSTON--February 07, 2002--*The following is an advisory by Industrialinfo.com (Industrial Information Resources, Incorporated; Houston, Texas).*

As the ethanol industry continues its \$3.7 billion build-out over the next three to five years, banks and money lenders are looking to get a piece of the ethanol action.

Many of the cooperative owned ethanol ventures across the country have performed feasibility and site studies to determine if ethanol is a viable direction to head, but they often come up short collecting the capital to proceed with construction. Farmer investments, equity drives, and stock sales often provide the projects with only 25% of the capital needed to build a plant. Grants, municipalities, and Ag related companies usually provide another 15%, leaving about 60% of the remaining capital to be borrowed from banking institutions.

Mark Schmidt, Commercial Loan Officer with AgStar Financial Services (Rochester, MN), a leading major lender in the ethanol market, said, "Ethanol producers need to come up with a 40-50% down payment to get these facilities going. To build a greenfield 40 million gallon per year ethanol plant, you would have to come up with at least \$20-\$25 million dollars in equity and down payment."

Some of the emerging ethanol players like Seaway Valley Energy, Agri-Tech, and Metalore Resources are ready to proceed with construction and enter the market but cannot come up with enough working capital to start engineering design and construction. The ethanol market will not sit still while companies struggle to find cash.

Only about five major lenders in the U.S. are specifically perusing the ethanol market and with capital investments projected to reach over \$3.8 billion in the next three years, we should expect to see more bankers banking on ethanol.

Industrial Information Resources has developed an exclusive dynamic database for the synthetic fuels industry. The Ethanol Production Package (<http://www.industrialinfo.com/esemdethanolpp.htm>) provides a comprehensive outline of all current development activities in the emerging synthetic fuels market. This database covers 60 ethanol plants currently in operation and 69 plants under development. It also covers 9 biodiesel plants and 7 plants underdevelopment.

Industrialinfo.com provides daily news related to the industrial market place including alerts on industry and business trends and project activity. For more information on upcoming construction activities in the Synthetic Fuels industry as well as other industrial sectors send inquiries to synfuelsgroup@industrialinfo.com or visit us at www.industrialinfo.com or www.iirenergy.com.