



By Joe Perlaky

Maumee Valley Growers Expand Program Statewide

Faced with escalating energy costs that were significantly eating into their profit margins, Northwest Ohio greenhouse growers have recently partnered with *Palmer Energy Company* to realize significant energy savings through group purchasing. Palmer Energy are Toledo-based energy consultants who have been able to negotiate lower natural gas rates for *Maumee Valley Growers'* (MVG) members. As a result, the local greenhouse industry realized nearly \$150,000 in natural gas costs in the first twelve months of the gas-buying program. Natural gas savings for individual greenhouses were generally in the 8-12% range. The program was seeded with grant funding from the U.S. Department of Agriculture (USDA) that was received by The University of Toledo with the assistance of Congresswoman Marcy Kaptur.

Context

Two years ago, greenhouse growers in Northwest Ohio decided to brand their collective efforts under the *Maumee Valley Growers* name. Much has been accomplished since then. Raising community awareness through an extensive "Buy Local" promotional campaign and working with supplier companies, customers, and other support institutions has increased profitability opportunities. Still, revenue generation is only half the story, and is sometimes difficult to measure. Did sales increase because there was an advertising blitz on TV or in the newspapers or because the weather was particularly cooperative?

Measuring cost savings on the other hand is much easier. However, determining which program will actually yield those desirable results is another matter.

Last year, annual high heating costs provided plenty of incentive for growers to seek an energy consultant that could provide insight and leadership in the purchase of their natural gas. This search resulted in the selection of the *Palmer Energy Company*. With their assistance, a program was subsequently established to educate and explain purchasing nuances unique to the natural gas industry, identify potential cost saving opportunities, and ultimately execute group purchases on behalf of the growers.

Recipe for Success

The natural gas buying program has been successful because it was implemented using particular guiding principles. First, the program was grower driven and managed by the growers. Second, it was voluntary and performance based. This was not a traditional co-op. Growers had the opportunity to participate or not. Third, the dynamics of this multi-generational wholesale/retail industry is very complex and relatively fluid. Trust between the participants is very important. It has turned out to be a powerful ally and remains a cornerstone of our organization. Engaging

in joint purchasing of natural gas required a leap of faith by all involved. It took significant leadership efforts by many growers to promote the program.

Grant administrators were not immune to this challenge either. Obtaining accurate usage data was vital to execute effective pooled gas purchases. As more growers signed-up for the program, the groups' purchasing power gradually increased. Within a year nearly 30 growers in Northwest Ohio were participating.

Hedging Strategies, Timing

The industry typically commits to purchasing their gas one year in advance. The *Maumee Valley Grower* program represents a significant departure from that strategy. Since 1980, *Palmer Energy Company* and its diverse base of customers' successes were based on hedge purchasing strategies. This requires that gas purchases be in smaller increments of both time and volume. Historically, this more flexible model delivered better overall savings for the commodity user. The program inherently requires a higher level of management coordination. However, it is this blend of seasonal strategies, statistical analysis, and active grower input that uniquely strengthens this model. All stakeholders are part of the process.

The Pie is only so Big

As it became apparent that the *MVG* natural gas purchasing program was going to be a success, there was the realization that there was a finite limit to the savings that could be realized if the program was restricted to Northwest Ohio. It became apparent that increasing group involvement would only be possible if the geographic outreach was increased. Having heard about the *MVG* program, several growers outside the Northwest Ohio region voiced a desire to participate.

This coincided well with the *MVG*'s sense of urgency in becoming a financially self-sustaining organization. Up until now *MVG* has been funded by USDA monies. Recognizing that the clock was ticking and grants don't last forever, the growers needed to proactively engage in a business model that could support the group long-term. Successfully expanding the natural gas purchasing program statewide could provide *MVG* with the monies to be financially independent. As envisioned, the program will provide *MVG* with a percentage of the profits realized by *Palmer Energy Company*.

Many discussions by the *Maumee Valley Grower Advisory Board* eventually resulted in a recommendation to expand the Northwest Ohio gas purchasing program statewide. The growers also felt *Palmer Energy Company* had the knowledge, experience and level of commitment to implement such an expansion.

Devil in the Details

It is expected that the statewide program may take 2-3 years and the involvement of 250+ growers to provide cash flow that will allow *MVG* to be financially independent.

Recently, the gas program was given a name- *Growers Energy Solutions*. Its sole purpose is to bring greenhouse growers together to minimize energy costs through combined purchasing strategies. Initially its focus will be natural gas, but the program could eventually be expanded to other energy resources.

The logo for Growers Energy Solutions is a grey oval with a gradient, containing the text "Growers Energy Solutions" in a bold, black, sans-serif font.

Growers Energy Solutions

Managed by growers for growers

www.maumeevalleygrowers.com

Additionally, the *Maumee Valley Growers* is in the process of re-establishing itself as a new independent non-profit organization called *Maumee Valley Growers Association (MVGA)*. A self-sustaining greenhouse cluster began as a dream back in 2004. Today, it is on the verge of becoming a reality. Furthermore, there is much to be learned through the creation and evolution of *MVG* that is applicable to other industrial clusters in northwest Ohio.

Collaboration is the cornerstone of any successful industrial cluster. The success of *MVG* is the result of the collaborative efforts of a number of individuals and entities. These include, but are certainly not limited to, Congresswoman Kaptur, the University of Toledo, Bowling Green State University, the USDA, Ohio State University Extension, Michigan State University Extension, Toledo Botanical Gardens, the City of Toledo, the Ohio Farm Bureau, Palmer Energy Company, Thread Incorporated, and TARTA. Most importantly, it is the willingness of our local greenhouse owners to think and act collaboratively that has been the key ingredient of *MVG's* success.