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Gopher ethanol plant closes

Tony Kennedy

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The taxpayer-subsidized neighborhood ethanol plant that St. Paul citizens have railed against for more than three years as a stinking nuisance will shut down today after falling into serious financial trouble.

David Kreitzer, Gopher State Ethanol's president and chief operating officer, said the production stoppage is only temporary. But he also said the privately owned company is deep in debt and faces the threat of bankruptcy.

Meanwhile, St. Paul Deputy Mayor Dennis Flaherty said Mayor Randy Kelly is watching the situation closely and has expressed interest in redeveloping the historic 14-acre brewery property in the heart of the W. 7th Street neighborhood. He said that the plant has been a significant source of noise and odor.

The plant has been the source of odor complaints since it opened in 2000, and taxpayers have spent a "great deal" of money to eliminate its annoyances, Flaherty said.

"We want to look for a permanent solution," Flaherty said. "If the opportunity [for redevelopment] would present itself, I'm sure the mayor would seize it."

Michael Unger, lawyer for a neighborhood group that has fought to reduce Gopher State's noise and odors, said it is premature to assume that the plant will permanently close and be sold for redevelopment. But many neighbors will enjoy at least a brief respite from emissions that Unger described as smelling "sour, acidic and slightly grainy."

"As long as they are not operating, there won't be any noise or odor," he said. "I'm sure there will be plenty of people in the neighborhood who will be glad to have some relief."

Gopher State, the recipient of millions of dollars in state subsidies to encourage the production of the alternative fuel, is owned by Bruce Hendry of Bloomington and other investors, including multimillionaire Glen Nelson of Minnetonka, the husband of Marilyn Carlson Nelson of Carlson Companies.

When the owners embarked on building the nation's only urban ethanol plant as an expansion to their Minnesota Brewing Co., they argued that the expansion was needed to stabilize the struggling brewery and spare 131 brewery jobs.

In June 2002, however, the brewery closed because of persistent problems with its bottling line.

Kreitzer said 31 of 42 Gopher State workers will be laid off as long as regular ethanol production is at a standstill. He estimated that the shutdown would happen by 3 a.m. today. Remaining workers will operate a "debottling" operation that collects sugars for ethanol production by emptying unmarketable beverage containers. Off and on, the unbottled sugars will be used to make batches of ethanol, he said.

Corn prices, debts

Kreitzer said that an acute increase in corn prices this year prompted the temporary shutdown but that regular ethanol production will resume if it becomes profitable to return to corn as a raw material. While ethanol producers have benefitted from a recent increase in the price of ethanol, the rising corn costs have outweighed that gain at Gopher State, he said.

"We're very certain we are going to reopen again" when the economics improve, he said.

But he also said Gopher State owes nearly \$5 million to Xcel Energy. He declined to reveal the company's total debts, but Ramsey County property tax records indicate an unpaid tax balance for Gopher State of slightly more than \$1 million. Last month the company averted shutoff of its city water supply by paying an overdue sewer and water bill of \$465,000.

"We are not going to file bankruptcy," Kreitzer said. "Now, if three creditors choose to push us into bankruptcy, that's a different story, and we would hope they would not do that."

"The unfortunate thing about bankruptcy is that everyone would be wiped out," he added.

City talks

Deputy Mayor Flaherty said Gopher State's recent actions are "indicative of a company having financial problems." But he also said, "I don't think we can walk away thinking that the company's demise is close."

He said Kelly's interest in redeveloping the ethanol property into housing or other uses isn't new. He said there have been "ongoing discussions for some time" on the issue.

Ralph Groschen of the Minnesota Department of Agriculture said Thursday that rural ethanol plants owned by farmers' cooperatives often are capable of obtaining corn at a lower price than Gopher State can. He said there are 14 ethanol plants in Minnesota capable of producing a total of 400 million gallons a year of the alternative fuel.

Gopher State and most other plants are eligible to receive a subsidy of 13 cents a gallon for up to 15 million gallons a year, or \$1.95 million per plant, Groschen said. The subsidy was lowered from 20 cents a gallon in July 2003.

He said Gopher State's financial situation isn't necessarily typical of the industry.

"I'm sure things are different for this plant," Groschen said. "For whatever reason, they are finding it difficult to make it work right now."

The Minnesota Corn Growers' Association said Thursday that the market price for corn has increased about 25 percent since April 2003, from \$2.29 a bushel to Thursday's market price of \$2.89 a bushel.

Tony Kennedy is at tonyk@startribune.com.

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