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Building the Biofuels Industry

Wanzek Construction Inc. started in 1971 as a small firm headquartered in Leo and Janet Wanzek's home in Fargo, N.D. Today, the company has more than a thousand projects under its belt, employs 800 people and owns a fleet of 30 cranes.

by Craig A. Johnson

On a brisk North Dakota morning in early November, the crew at the Tharaldson Ethanol LLC construction site started the day planning for one of the more risky operations: lifting and setting two 14,000-pound hammermills. Planning for the move took more than an hour as each team learned its part in the process. The 70,000-pound crane gently lifted the first hammermill and placed it on the slab without incident, exactly what every contractor wants. In this case, the general contractor is Fargo-based Wanzek Construction Inc.

Jim Heyer, vice president of engineering and construction for Tharaldson Ethanol, says Wanzek Construction was the first contractor the company considered when they began to seek a general contractor to build a 110 MMgy plant near Casselton, N.D. "Wanzek is a professional company dedicated to safety. That's what we wanted," Heyer says referring to Wanzek's decision to keep a team member on-site at all times, which shows the company's desire to create a safe and dynamic environment. Among general contractors, Wanzek has a sterling reputation not only because it employs a professional staff, but also because of its commitment to safety and precision on the job site. Getting the job done doesn't mean getting the job done fast if someone might be injured. This is part of what Jason Kaufman, director of project development for Wanzek Construction, refers to as Wanzek's "safety culture." There is value in having an experienced staff, Kaufman says. "We put the time into people," he says. "We've put a lot of effort into creating a corporate culture that takes care of those people."

Wanzek was also careful to create a service that other construction companies could utilize. "They've always been forward thinking," says Kevin Bucholz vice president of Moore Engineering Inc. in West Fargo, N.D., which has partnered with Wanzek to build dams, sewer and water, and heavy earthwork projects. "In this region you have a lot of smaller general contractors ... [Wanzek's crane service] is a specialized service, but it was their vision to find markets where they could utilize their capabilities," Bucholz says.

In 1971, Leo Wanzek and his wife, Janet, founded Wanzek Construction and based the company out of their Fargo home. Their first contract came from the U.S. Army Corps of Engineers, who hired them to complete a visitor's center on Lake Ashtabula, near Valley City, N.D. Since then, Wanzek has established a reputation as a family-owned company that provides world-class services to the biofuels and wind energy industries, and the heavy/civil construction sector. Early projects the company undertook were civil engineering jobs involving mainly road work, excavations and bridges. Thirty years later, with more than a thousand projects behind them, Wanzek has developed into one of the leading providers of construction support in the industry with more than 800 employees and a fleet of 30 cranes. The company has been involved with 15 biofuels projects, including nine Poet LLC plants, three VeraSun Energy Corp. plants and Archer Daniels Midland Co.'s Marshall, Minn., facility.

Wanzek's diversity in the heavy-industrial markets allows it to meet a client's expectations and field a team to get the job done. One of the company's strengths is its large crane capacity. Even if Wanzek doesn't win a contract, oftentimes the company is called in as a subcontractor because of its crane fleet.

Wanzek's involvement with the ethanol industry dates back to some early projects and its business relationships continue to the present. Ethanol and biodiesel have been an important aspect of those business relationships, as well as Wanzek's ability to meet the needs of its clients. "As our company has grown over the years, our core competencies in heavy industrial work have expanded," says Jon Wanzek, Leo Wanzek's son and president of Wanzek Construction.

The Ethanol Industry

In the past year, the ethanol industry has experienced a slowdown in construction, brought on by the high cost of feedstocks and building materials, according to Kaufman. Despite the slower pace, he's confident about the company's future in the biofuels industry. "There's no question there's been a slowdown, but we're optimistic that in six to 12 months, you'll see a turnaround," he says.

According to Art Wiselogel, a project development manager for BBI International, ethanol plant construction starts coming out of 2006 were benefited by low-cost corn and good returns for ethanol. In 2007, the landscape changed. Following demand, the price of corn went up. Construction materials, which were already high, went higher. Then the price of ethanol dropped, leaving construction starts in a precarious position. "Last spring (2007) is when we started seeing the closing of equity drives," Wiselogel says.

Kaufman thinks that improving the ethanol distribution system is the most important step toward continued industry growth. He and many others believe the low ethanol prices are not the result of an ethanol glut, but rather a dearth of handling facilities. As production increased, the infrastructure necessary to assist the ethanol industry didn't keep up. "A lot of folks could see this coming; the market was obviously overheated," he says. Wiselogel echoes his sentiment, pointing to the current infrastructure. "The infrastructure for getting ethanol into the gasoline market needs to be upgraded and improved ... specifically, refineries and ethanol storage in these refineries needs to be increased. Those are the primary limiting factors." Wiselogel predicts there to be a two-year lag for the entire storage and infrastructure complex to come on line.

Thinning margins and more competition for fewer contracts in the ethanol industry may signal belt-tightening for some contractors, who are also dealing with high fuel, equipment and labor costs. Addressing the rise in the cost of labor, Kaufman points to the role of experience as a determiner of future success. "Finding qualified personnel is the most important step. [Wanzek] has to get the right equipment into the right hands at the right time."

Despite the increased competition for construction projects, Jon Wanzek sees a future in the ethanol industry and a place for Wanzek Construction in it. "We're optimistic that there will opportunities for smart, strategic growth," he says. "There's going to be a continued demand for ethanol and biodiesel." We'll continue to manage our growth in a changing industry."

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