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Guaranteed prices, cash advances offered for grain

Bruce Johnstone, The Leader-Post
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Terra Grain Fuels (TGF) is offering producers a guaranteed price for their grain for up to two years, cash advances of up to \$75 per acre and the ability to deliver their grain year-round.

The Regina-based company, which is building a 150-million-litre, \$140-million ethanol plant at Belle Plaine, is also offering producers an alternative to the highly subsidized export market for grains.

About 50 producers attended meetings in Regina Tuesday to learn more about TGF's producer direct program, which provides fixed-price contracts for grain for one or two years. They also learned about TGF's cash advance program, which is being delivered by Conexus Credit Union.

Gordon Nolan, TGF's manager of supply and logistics, said producer response at the 30 or so meetings the company held around the southern part of the province has been "very positive."

"They like the idea of the contract being profitable per acre," Nolan said. "They're not speculating and taking a chance of having a loss because the price is locked in."

Because the ethanol plant will require 15 million bushels (400,000 tonnes) of wheat per year when it begins operation late this year, TGF has been signing up producers to supply grain to the plant.

But TGF doesn't need the high-protein Canada Western Red Spring wheat that Saskatchewan is famous for. "We're promoting the farmer to grow the highest-yielding variety on his farm," Nolan said.

Low-protein, high-starch varieties, like AC Andrew, can produce 35-per-cent higher yields than conventional varieties. So even though the farmer gets paid less per bushel, he earns more per acre.

And there are even higher-yielding varieties specifically bred for ethanol production that could generate even better returns for producers.

"They're on the shelf right now. They exist," he said. "But they've never been registered because they don't meet the quality standards required for food production, said Nolan, who spent 33 years in the seed and

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grain handling business before joining TGF.

While many of the higher-yielding varieties won't be registered this crop year, Nolan said farmers will be able to seed some super-high-yielding varieties in the 2008 crop year.

In fact, TGF is contracting 80 per cent of its wheat supply to allow for producers under contract to sell any surplus to the Belle Plaine plant.

"We have an agreement with Saskatchewan Wheat Pool for commercial purchases" in the event of a shortfall, Nolan added.

TGF is also contracting wheat supplies from up to 150 kilometres from the Belle Plaine plant to ensure that a "weather event," like a hailstorm, doesn't wipe out a large proportion of its feedstock. "We don't want all our eggs in one basket. We want geographic diversity."

Nolan said TGF also has "Act of God" clauses in the contracts so that producers can opt out of the contract in the event of hail damage, grasshopper infestation or other disasters.

Cash advances of up to \$75 per acre are interest-free loans that are paid back through deliveries and are mainly for producers who are short of cash for seeding, Nolan said.

"We're going to be very friendly to our growers. We expect to see in 20 years a lot of the same growers we signed up in the first year."

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