

Ethanol co-op seeks Eastern Ontario investors

Safeguards in place for twice-shy investors: Farm Tech

By Tom VanDusen

OSHAWA - Agreeing it's a tough sell, FarmTech president Dan O'Connor is trying to sway corn producers in the east end of the province into getting involved in a \$185-million co-op plant at Oshawa as an antidote to the collapse of Seaway Valley Farmers Energy Co-Operative.

O'Connor told The AgriNews the Ajax-based co-op has already landed about a dozen investors in Eastern Ontario and intends to make a major pitch after cropping sometime in June, probably in Kemptville. He's hoping prospective participants will see beyond the Seaway Valley experience.

"There's definitely a built-in bias around here against farmers' co-op ethanol projects," said Jack MacLaren, a Kinburn cash cropper and beef farmer who's also president of the Ontario Landowners Association.

Despite that bias, MacLaren, who lost \$30,000 in the failed Seaway Valley project, was impressed by a presentation made by FarmTech during the Ottawa Valley Farm Show in March.

"They had definitely done their homework," MacLaren said of the FarmTech presenters. "They were smooth and convincing and it sounded like a well planned project."

But he's still not about to buy in: "I've had enough of farmer ethanol co-ops."

The Seaway Valley project finally self-destructed after trying for more than 12 years to establish a plant in a Cornwall industrial park; construction of the \$170-million plant was never initiated.

Commercial operator GreenField Ethanol has since stepped into the Eastern Ontario void and is well into construction of a \$185-million plant at Johnstown close to the Port of Prescott. It's anticipating completion by the end of this year.

FarmTech wants to spread the investment and corn buying reach of the project set for about 30 acres in Oshawa's Industrial Portlands. With certain environmental and zoning approvals yet to be finalized and major debt financing now being rounded up, O'Connor is hoping for a construction start this fall.

He said he has more tangibles to show potential investors than Seaway Valley managed to muster, including firm site plans, sufficient commercial and government financing sources, and a policy to place all - not just a portion - of private funds in escrow... meaning they're legally sheltered until several conditions have been met.

Stating that the Eastern Ontario co-op was ahead of its time, O'Connor is sympathetic to its failure, noting no government support was available when it set out in the days before ethanol manufacturing had really taken hold.

Richard Lavigne, a past president of Seaway Valley, agreed that FarmTech is proceeding in the right direction with size of plant - 210-million litres a year - the full escrow policy, and solid site plans.

Incorporated in August, 2007, FarmTech has the same basic objective as did Seaway Valley: To provide its members and other corn producers with a major new local outlet. As a sideline, some 176,000 tonnes of distillers grains will be available as livestock feed.

"Our investors, most of whom will also be producers, will get first rights to sell corn to the plant and to buy the distillers grains," said the president, whose family has farmed in Durham Region for five generations.

More than 800 investors are now projected to own and operate the plant, representing more than 1,700 growers from Highway 400 east to Belleville.

The plant is expected to process more than 500,000 tonnes of corn annually.