

'We'll get something but it might be 10 cents on the dollar'

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receiving a notice from bankruptcy court.

He was owed \$137,000 on the date of the bankruptcy filing but has been paid all except \$30,000.

Cruickshank said he'll make it, as will most of the farmers who are also owed money. But the loss still hurts.

"We'll survive, but it's just like (anybody): if you take a \$30,000 hit, it sure as hell ain't going to make you feel very good," he said.

He's not sure how much of the remaining \$30,000 that he's owed he will actually see. "We'll get something but it might be 10 cents on the dollar."

Farmers owed

Some Farmers Grain creditors are owed a lot more than Cruickshank. Court filings show many are owed several hundred thousand dollars and a few more than \$1 million.

"A lot of my friends and neighbors have been hung out pretty bad," said Ontario, Ore., farmer Bruce Corn, who sold corn to Farmers Grain but is not owed money by the company. "There are some people out there who are owed a lot of money."

Malheur County Onion Growers Association President Paul Skeen, who hauled a small amount of wheat to the company this year but is not owed money, said two of his neighbors are owed \$850,000 between them.

"It's terrible," he said of the company's collapse. "It's devastating."

Jensen Farms in Vale, Ore., was owed \$176,000 at the time of the original bankruptcy filing but was fortunate in that it delivered 1,000 tons of corn to Farmers Grain the day before the company declared bankruptcy and ended up getting paid the full amount it was owed.

"We were lucky, you could say that," said co-owner Sheri Jensen.

Looming problem

However, the Jensen farm, like many others in the region, face a looming problem related to the bankruptcy that could end up costing them a significant amount of money.

Farmers Grain had contracted for tens of thousands of corn



Sean Ellis/Capital Press

Grain storage bins at the Farmers Grain facility in Nyssa, Ore., are shown in this Sept. 28 photo. The company recently declared bankruptcy and dozens of farms and ag-related businesses in southwestern Idaho and Eastern Oregon are owned a combined millions of dollars by the company. The company's assets will be auctioned off Oct. 27.

acres with local farmers, but those contracts are now void.

With harvest coming within the next few months, much of that corn has no place to go and no one to market it.

"There are a ton of farmers in the area scrambling trying to find out what to do with their corn," Jensen said. "It's not a pretty picture."

The Jensens have on-site storage for their corn, but other farmers don't, and Farmers Grain had the largest storage capacity in the region by far.

"The sheer volume of the corn means it will be hard for everyone to find a place to go with it," Corn said. "Finding the storage and a place to market the corn is going to be a real problem this fall."

Because the corn contracts are no longer valid, those farmers stand to lose a lot of money because prices have dropped more than \$30 a ton since the contracts were signed, Cruickshank said.

He said a friend had 400 acres of corn contracted with Farmers Grain and if that corn is sold at today's prices, he will lose about \$280 an acre and more than \$100,000 total.

Cruickshank had 130 acres of corn under contract with the company and would lose a similar amount per acre.

"That's the tip of the iceberg with what (happened) with everybody," he said.

Growers in the area said

Farmers Grain was an excellent company to work with and many of them knew and liked Galen Jantz, 47, who managed the company and had a 40 percent interest in it, according to court documents.

Default declared

Court documents show the company sought Chapter 11 protection after Rabo AgriFinance declared a default on a revolving line of credit to Farmers Grain and called the entire \$8 million balance due.

The company asked the court for relief from "Rabo's continued pursuit of the Jantz loans and property owned by (the) Jantz family."

"This action by Rabo was one of the precipitating events leading to Farmers Grain filing its bankruptcy petition," Farmers Grain stated in a court document. "Continued pursuit of the Jantz loans and collateral will severely impact the Chapter 11 proceedings and frustrate debtor's ability to successfully reorganize."

A June 15 letter from Farmers Grain authored by Jantz and sent to growers expressed hope the company could regain its financial stability and continue doing business.

But the court converted the Chapter 11 bankruptcy to a Chapter 7 liquidation filing on Aug. 15 after Rabo AgriFinance, in an Aug. 3 court filing, argued that Farmers Grain was

losing too much money to recover.

An auction of the business' assets has been scheduled for Oct. 27 beginning at 10 a.m. at the Farmers Grain facility in Nyssa.

In the Aug. 3 filing, Rabo attorneys said Farmers Grain assets "that secure repayment of (the company's) loan appear to have diminished by almost \$1.5 million in the two weeks after the bankruptcy filing."

The company's monthly operating report for the period ending May 31 showed further financial decline, Rabo added. In the six weeks that Farmers Grain had been protected by Chapter 11, Rabo said, its assets decreased by \$3 million while its liabilities only decreased by \$514,000.

While Farmers Grain claimed its total assets could generate about \$20 million, a Rabo appraisal placed that value closer to \$9 million, according to court records.

Rabo spokeswoman Sarah Kolell said the company does not anticipate being paid back in full from the liquidation of Farmers Grain's assets.

"While Rabo does anticipate receiving some value from the liquidation of its collateral, we also anticipate that there will be a substantial deficiency remaining once the Farmers Grain case is concluded," she told Capital Press in an email.

Complicating matters, Jantz

suffered what Rabo, in court filings, said it was told was a mental breakdown and had left town, abandoning his farming and personal operations, as well as Farmers Grain.

Conservator named

As a result, the court appointed Steve Neighbors as a conservator to handle Jantz's financial affairs. He is certified as a business turnaround specialist by the Turnaround Management Association.

Neighbors told Capital Press that according to Jantz's family, he began having coherence problems in the past year and there is a history of early onset dementia in the family.

"He would be talking and babbling at times," Neighbors said. "He was making a lot of irrational statements and decisions in his last year at Farmers Grain is what his family told me."

Neighbors said Jantz became depressed as a result of the mental strain he was under. "He felt he had to get away from everything to prevent himself from being suicidal," Neighbors said.

Jantz and his family of four are currently staying with a relative in another state, Neighbors said. "He had to get distance. He went away to get healthy."

The Capital Press attempted to contact Jantz by leaving messages at several phone numbers

connected with him, including at Farmers Grain's main telephone number at its headquarters in Nyssa. None of the calls were returned. Other numbers, including his home number in Vale, Ore., were disconnected.

Neighbors said Jantz feels he let his community down and voluntarily turned over \$8 million in personal assets to the court and asked Neighbors to make sure creditors are made as whole as possible and that no one creditor seizes everything.

"He asked me to make it as right as I can to all of his creditors," Neighbors said. "I'm trying to make everything as transparent as I can to all the creditors so they have their fair shot at whatever" is owed them.

Neighbors said he has authorized \$3,000 a month for eight months for Jantz to take care of his family during the bankruptcy proceeding.

"That's all Mr. Jantz wanted," he said. "He wanted everything else to go to his creditors."

Neighbors said he believes a couple of main factors led to Farmers Grain's financial collapse, including that some accounting and record-keeping that should have been done, wasn't.

"I think those complexities went beyond his ... training," he said.

"He didn't understand his costs fully and didn't understand the full implications of cash flow," Neighbors added.

Some important business decisions that should have been made in the past year weren't because of the mental strain Jantz was under, he said.

For many farmers affected by the company's bankruptcy, their hope now is that another business will step in and take its place.

Corn, the farmer, said Farmers Grain was a good business for area farmers while it was running "but when it went bad, it went bad in a hurry. My hope is someone will buy it and make it work."

Kolell, the Rabo spokeswoman, said what the liquidation of the Farmers Grain assets will look like is an open question.

"If someone wanted to step in and purchase all real and personal property assets and reopen the business, Rabo would be supportive of that," she said.

Canola growers, seed companies hope issue will be less divisive following report

CANOLA from Page 1

Oregon lawmakers passed a bill that year prohibiting most canola production but allowing 500 acres a year to be grown as part of the OSU study.

With OSU's report due Nov. 1, both canola growers and seed companies hope the issue will now be less divisive as ODA begins developing recommendations for the crop based on the study's conclusions.

"We know coexistence is possible, it's just a matter of convincing people," said Anna Scharf, whose family farms near Perrydale, Ore.

Scharf said her family has successfully been growing canola near fields dedicated to radish seed, a related crop.

Hopefully, OSU's study will show there's a capacity in the Willamette Valley to grow multiple types of brassica, she said.

"I don't want this turning into a fight again," Scharf said.

The Willamette Valley Specialty Seed Association, which filed a lawsuit against ODA's canola regulation in 2013 and supported the production moratorium, appears to be taking a more conciliatory approach to the crop.

"We expect the need to coexist in the future with some level of canola," said Greg Loberg, the group's public relations chairman and manager of the West Coast Beet Seed Co.

Specialty seed growers are anticipating the report will result in con-

cessions to canola growers, such as reduced limits on the crop's production, Loberg said.

The association will be talking with canola growers and ODA to retain some protections for specialty seeds, such as production area sanitation requirements to prevent canola volunteers from becoming widespread, he said.

In return, canola producers will likely want to participate in WVS-SA's system for maintaining isolation distances among brassica crops to avoid cross-pollination and other issues, Loberg said.

The goal is to arrive at a solution without reliving the previous conflict, he said.

"We don't want to continue to have legislation directing the pro-

duction of any crop," Loberg said. "It's really not the best solution, it's just the solution that happened."

As part of the OSU study, roughly 500 acres of canola a year were compared with 500 acres of radish and 500 acres of turnip and forage rapeseed.

By the end of the three-year period, OSU was monitoring about 1,500 acres of each crop type for disease, insect and volunteer weeds, said Carol Mallory-Smith, the weed science professor leading the research.

The study examined residue breakdown of the different crops — which has implications for disease management — under various tillage methods, she said.

The report will include a map

identifying acreage available for brassica seed production, which will help guide where canola can be planted in relation to other crops, Mallory-Smith said.

Based on the report's findings, ODA is expected to deliver its recommendations for canola cultivation to the legislature by mid-November 2018.

Kathy Hadley, who grows canola and other crops near Rickreall, Ore., said she's hopeful the OSU study will lead to cooperation among canola and specialty seed producers, both of whom contributed data to Mallory-Smith.

"They've had as much opportunity as anybody to influence what she presents," Hadley said.

Under the settlement, amount of water is reduced for growers to make more available to frog

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In other words, when problems are suppressed in some areas they are aggravated in others due to the complexity of the irrigation system, which relies on water from the Crane Prairie, Wickiup and Crescent Lake reservoirs.

Under the settlement, the amount of water is reduced for growers in five irrigation districts to make more available to the frog, which is protected under the Endangered Species Act.

As reservoirs are drawn down, the water level falls below vegetation that spotted frogs rely upon for breeding and shelter from predators, said Moran.

"It's really about whether the level of flow allows the frogs to access their habitat," she said.

However, retaining water in one part of the system means that it's reduced somewhere else, she said. For ex-

At a glance

Oregon spotted frog

Binomial name: *Rana pretiosa*

Appearance: Medium-size frog ranging from 1.75 to 4 inches long. Body color varies with age. Adults appear brown to reddish brown with black spots with ragged edges.

Range: British Columbia, Washington, Oregon and California

Habitat: Found in or near perennial bodies of water that include zones of shallow water and vegetation.

Status: Threatened

Reasons for decline: Habitat loss, competition from non-native species, predation

Source: U.S. Fish and Wildlife Service



Courtesy of U.S. Fish and Wildlife Service

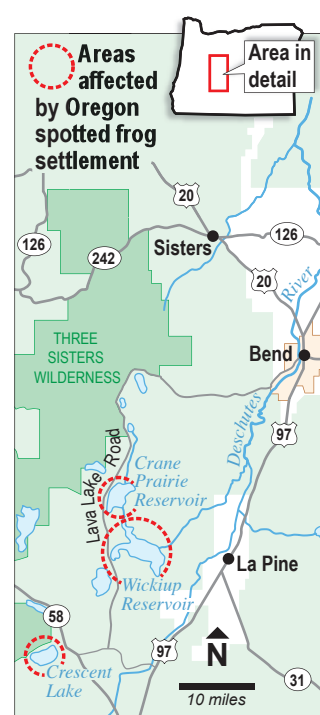
Alan Kenaga/Capital Press

ample, filling a reservoir requires reducing downstream river flows.

Nonetheless, the Fish and Wildlife Service concluded in its biological opinion that the water regime mandated by the settlement won't jeopardize the frog's continued existence or destroy its habitat.

"On the balance, there is slight improvement, most notably at the Crane Prairie reservoir," which is important because it contains a healthy population of frogs, Moran said.

Moran characterized the legal settlement as the "bridge" to a more comprehensive



Capital Press graphic

"It will be many different features but they all build around increasing winter flows over time," which provides frogs with the opportunity to reach overwinter habitat, she said.

Increased flows will be supplemented with habitat restoration work aimed at returning the system's rivers to a more natural state.

Over the 70 years of reservoir operations, heavy water flows released from reservoirs during summer have "scarred" river beds, making channels deeper, said Moran. As a result, water doesn't reach adjacent wetland vegetation, cutting off spotted frogs from habitat.

Meanwhile, what vegetation grows along river banks is flooded, she said. "It comes up so high, everything gets inundated."

Habitat restoration work aims to reconnect the river flows with nearby habitat. The HCP will also include control

of bull frogs, which preys on spotted frogs and compete for habitat, and treatment of reed canary grass, an invasive species.

Due to a healthy snowpack last winter, the settlement wasn't seriously damaging to irrigators in 2017, said Ken Rieck, general manager of the Tumalo Irrigation District, a defendant in the case.

On average, the district stands to lose about half the stored water that would usually be available for irrigation due to the agreement, he said. This year, it only lost about 20 percent, but in a "bad year," the loss could reach 80 percent.

"We really didn't get the full effect we could have," Rieck said.

Under the settlement, water that would normally be stored in Crescent Lake for the district's irrigation system is being redirected into winter stream flows for the spotted frog.