Oregon oilseed crusher files lawsuit over $4M in lost revenues

Canola growers depend on local facility to avoid distant shipping

By MATEUSZ PERKOWSKI
Capital Press

An Oregon oilseed crusher claims to have lost nearly $4 million in expected revenues after a major national agribusiness company allegedly backed out of a deal.

Willamette Biomass Processors of Rickreall, Ore., has filed a lawsuit accusing Perdue Agribusiness, headquartered in Salisbury, Md., of breaching a contract to supply organic soybeans for crushing.

According to the complaint, Willamette Biomass Processors had a "toll processing agreement" under which it was paid to crush Perdue's soybeans into oil and meal between 2015 and 2017.

Before the deal expired, Perdue officials said they wouldn't renew the tolling agreement but still wanted to do business with Willamette Biomass Processors at a reduced volume, the complaint said.

Based on that commitment, the oilseed crusher renewed its property lease for five years at a cost of nearly $650,000 and spent more than $260,000 on equipment upgrades.

The company had expected to earn nearly $800,000 annually in revenues over five years from crushing Perdue's soybeans, which represented "roughly half" of its sales volume.

Despite knowing about the "irrevocable steps" taken by Willamette Biomass Processors, Perdue "reversed course and repudiated the agreement," the complaint.

As a result, Willamette Biomass Processors has "suffered a dramatic downturn in its business fortunes," with losses of about $480,000 in 2018 and $250,000 so far this year, the complaint said.

The lawsuit alleges that Perdue's breach of contract makes the company liable for $5.6 million in damages sustained by Willamette Biomass Processors.

Mateusz Perkowski/Capital Press

Willamette Biomass Processors oilseed crushing facility in Rickreall, Ore. The plant is now owned by Jeremy Zuidema and is called High Caliber Processing.

Under an alternative "promissory estoppel" claim seeking $1.6 million, Willamette Biomass Processors argues that it's owed damages because Perdue broke a promise despite knowing about the lease and equipment investments.

An attorney representing Perdue Agribusiness in the case did not respond to requests for comment. In court documents, the company argues the dispute must be sent to arbitration.

The fate of Willamette Valley Processors is of concern to canola farmers who can deliver their crops to that facility instead of shipping the oilseeds to more distant out-of-state processors.

"They're the only local processor," said Anna Scharf, president of the Willamette Valley Oilseed Producers Association. "Any time you truck something, it adds cost."

Scharf said the lawsuit's disclosure that Willamette Biomass Processors had been losing money the past two years is "very concerning," since most farmers haven't yet been paid for the 2019 canola crop.

The company explained the delayed payment was related to its new ownership, she said.

Growers nonetheless delivered their canola to the facility because storing canola on-farm isn't possible due to the crop's flammability and because bins designed for cereal grains are too permeable for the tiny seeds, she said.

While Willamette Biomass Processors usually paid immediately for canola, the storage arrangement would allow them to hedge on the commodity market for canola, Scharf said.

Jeremy Zuidema, the company's new owner, said he expects farmers will be paid for the 2019 crop by mid-December, once the oil crusher's accounting system is reconciled with his own.

Zuidema also owns a trucking company, a truck repair company and a grain company that do business with farmers, he said.

Since taking over Willamette Biomass Processors in August, it's been "challenging" to find replacement business for the lost Perdue contract, Zuidema said.

However, the company may install oil refining equipment that would "help tremendously" in acquiring new customers, since crude oil would no longer have to be transported to Iowa or Southern California for further processing, he said.

The oilseed crushing company will remain operational, though that may mean moving its equipment to another of Zuidema's businesses to save on lease payments, he said.

Over time, the company may expand to crush more flax and meadowfoam, Zuidema said.

"We have connections with companies that want non-GMO products like those we're producing in the valley," he said, referring to crops that aren't genetically modified organisms. "I think there's going to be a lot of opportunity."

Oregon poplar acreage headed for auction

By MATEUSZ PERKOWSKI
Capital Press

More than 3,000 acres of farmland along the Columbia River in Oregon will be auctioned off as a timber investment firm discontinues growing poplar trees.

Greenwood Resources, an investment company that owns and manages forestland, is selling off the final 12 parcels of what was once part of a much larger 31,000-acre poplar operation in Oregon and Washington.

"This was the last asset in this investment," said John Rosenthal, president of Realty Marketing/Northwest, a real estate company that's handling the auction.

The minimum bid for the all the Columbia County properties combined is nearly $8 million, but potential buyers may also bid on individual parcels ranging in price from about $100,000 to $2.6 million each. Sealed bids are due by Nov. 13.

GeoTerra Inc.

Poplar tree farm in Columbia County.

Roughly 2,000 acres still have poplar trees growing on them, more than 500 acres are fallow farmland and the remaining acreage is considered "non-commercial" land that can be dedicated to wildlife habitat and recreation.

Nearly 1,400 acres have water rights for irrigation and the parcels are located near the Port Westward Industrial Park, Rosenthal said.

"It's an interesting collection," he said. "It's an unusual asset."

Representatives of Greenwood Resources did not respond to request for comment, but timber industry experts say the company's withdrawal from poplar production was likely motivated by the tough economics of growing pulpwood for a U.S. paper industry facing stiff international competition.

The low profit margins of producing poplar probably weren't enough to justify growing the trees on irrigated land in a desirable climate, said Gordon Culbertson, director of international business for the Forest2Market timber industry consulting firm.

"I think the owners of the timber came to the conclusion it was more valuable as ag land," he said.

Poplar plantations arose in the aftermath of steep logging declines on federal land in the Northwest, when paper companies worried about acquiring sufficient wood chips to run their plants, Culbertson said.

However, the anticipated wood chip shortage never materialized, he said.

Using the trees as biomass for energy production also encountered economic problems, since such feedstocks must necessarily be inexpensive, said Richard Zabel, executive director of the Western Forestry and Conservation Association.

"The price they're paying for biomass is so low, it's not worth the time and expense to harvest your trees," he said.

Since transporting cheap wood chips over long distances is financially unfeasible, pulpwood producers are dependent on the fortunes and demand of nearby mills, Zabel said.

"You need someone close by who's going to buy it," he said. "That's always been the weak link. You just can't afford to haul it very far."

The economic problem becomes worse during downturns in the market, and the U.S. paper industry faces strong headwinds, said Todd Hansen, fuel procurement manager for the Biomass One energy company.

"For years, the pulp and paper business has been shrinking across the U.S., he said. "Other places produce it cheaper."

Efforts to grow poplars to a larger size so they could be milled for hardwood furniture were complicated by competition from alder trees, which are highly valued in the furniture industry, Zabel said.

Oregon farmers hope high vole numbers take cyclical nosedive

By MATEUSZ PERKOWSKI
Capital Press

With the population of voles apparently peaking in Oregon's Willamette Valley, farmers hope the destructive rodent's numbers will soon take a cyclical nosedive.

Though estimating the pest's specific population isn't feasible, damage to crops indicates their regional numbers are "astronomical" — likely in the millions, said Nicole Anderson, field crops Extension agent with Oregon State University.

"We've definitely been on that high level for the past several years," Anderson said.

Vole populations naturally fluctuate, with populations spiking for two to three years at intervals of about five to eight years apart, she said.

By that pattern, the rodent should be headed for a cyclical decline soon, she said. "It should be imminent. I hope so."

Typically, the vole population will "explode" but then encounter an outbreak of disease that rapidly brings down the rodent's numbers, said Denny Thorud, an agronomist with Valley Agronomics.

More recently, though, the pest's populations have appeared to resist steep plunges, he said. "We haven't had a real die-off of voles in probably the last 10 years."

Voles live underground and form groupings of connected tunnels from which they can consume plant roots, depriving crops of water nutrients until they eventually die, said Anderson of OSU.

The rodents can reduce yields by up to 30 to 40 percent in field crops, she said.

Courtesy University of Idaho

Farmers in Oregon's Willamette Valley hope that populations of voles recede after reaching high levels in recent years.

A vole becomes ready to breed roughly three weeks after birth and can then produce a litter of four to seven offspring after another three weeks, she said.

"They have an incredible reproductive potential," Anderson said.

While voles are often associated with crops, such as grass seed and clover seed, they're not averse to attacking newly planted hazelnut trees or blueberry bushes, said Thorud of Valley Agronomics.

When farmers plant hazelnut trees in fields of grass, voles begin feeding on the green young bark when surrounding grass strips go dormant, he said.

"We saw a lot of orchards get girdled," Thorud said. "There were a lot of trees that had to be replanted."

Plowing a field is a direct way for farmers to kill voles, but that's not a realistic solution for perennial crops, including grasses and clovers that produce crops for several years, Anderson said.

Mechanical cultivation also isn't a permanent solution, as the rodents will eventually recolonized fields, she said. "They will get more populated the further from tillage you get."

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