

# Prairie

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# FARM

County fair funding in jeopardy **Page 5**

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## Left holding the bag

**TAPPED OUT:** Since joining Meadowbrook Farms Cooperative in 2004, Melvin Coulter has taken an average of \$20 per head less than other cash markets were willing to pay. The pork co-op idled the packing plant Jan. 29. Coulter is looking for short-term cash to hold him over until things turn around.

By **JOSH FLINT**

**S**EVEN years ago, 200 hog farmers from Illinois, Indiana, Iowa and Wisconsin made an investment in their future. The producers began a first-of-its-kind producer-owned packing plant, funneling \$13 million into a state-of-the-art facility at Rantoul and calling their venture Meadowbrook Farms Cooperative.

When packing operations began in 2004, farmers thought they had found a middle ground between independent and contract pork production.

It didn't go as planned. On Jan. 29, 2009, Meadowbrook shuttered its Rantoul plant. In mid-March, Richard Klene, Meadowbrook's acting CEO, was working on the possibility of filing Chapter 7 bankruptcy. Klene had little hope the business venture would be salvaged.

"In this economy, I don't know how many people are going to knock down the door to buy a hog packing facility," Klene mentioned. Approximately \$5.5

### Key Points

- Meadowbrook idled packing operations Jan. 29.
- Co-op members were routinely paid \$20 per head less.
- The company and members are looking for short-term cash.

million is owed to producers. Klene was doubtful producers would be fully reimbursed for their hogs. Meadowbrook's Packers and Stockyards bond is worth only \$740,000.

According to Melvin Coulter, one of the co-op's charter members from Paxton, plant operations finally came to a halt when Triad Foods defaulted on an antibiotic-free pork contract worth \$4 million to \$5 million. However, it appears Meadowbrook had problems from the beginning. When the plant opened five years ago, members were receiving cash prices \$20 below the going rate. Still, Coulter, like many others, continued to honor his contract.

"[The management] said if the plant was filled to capacity,

they could make a go of it," Coulter says. "They tapped us out."

### Holding on to hope

Coulter wasn't alone, as other farmer-owners also believed the financial situation would turn around, relying on the initial premise of the farmer-owned packing facility. "They said even if hog prices were down, we'd make our money back on the cut-meat end," Coulter says.

Loda farmer Jim Niewold, another founding member, thinks a portion of the basis change could be a result of other slaughter facilities offering higher cash prices to ensure their plants run at full capacity.

When Meadowbrook opened

in 2004, workers were slaughtering 2,200 hogs per day. Within a year after opening, Meadowbrook was processing more than the plant's rated capacity of 2,800 hogs per day. According to Niewold, it would be tough to take that many hogs out of the eastern Midwest hog market without someone being impacted.

When the court system offered members a way out in the fall of 2008, Coulter says about half the members took it. "They had just lost hope, were broke, or had been drained of equity to the point they had to take the withdrawal to stay in business," he explains.

Even though the facility is empty, Coulter says if it re-

opened tomorrow, he'd seriously consider staying in.

In the meantime, Coulter is in the same situation as the co-op: He's looking for short-term cash to tide him over. He's reached his limit with local banks. "We've got equity to put against a loan, but they don't want to write equity loans right now," Coulter adds.

He hopes to find a bank that's willing to loan money against his land. He's heard some lenders say taking a second mortgage on land is as bad as selling it. "If you sell it, it's gone," Coulter says. "If you put a second mortgage on it, you just have to pay for it again."

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