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NC ethanol plant files for bankruptcy, cites high corn prices

By Holly Jessen | April 08, 2011

Clean Burn Fuels LLC, a 60 MMgy ethanol plant in Raeford, N.C., has filed for Chapter 11 bankruptcy and temporarily shut down. The company hopes to restart and emerge from bankruptcy before the year is over.

"This decision reflects our belief that this is the best way to protect the interests of all constituents while positioning ourselves to be ready to emerge from this process at peak operating efficiency," said Kirk Bradley, board chairman. "The ethanol industry is facing extreme market conditions that are not expected to let up before the end of summer. Our employees, investors, lenders, vendors and community partners all came together to build North Carolina's first ethanol facility, and we want to ensure that it survives the current climate and emerges as a world-class facility."



The plant, which has been producing since August 2010, has been hard hit by high corn prices, the company said in a statement. Corn prices doubled soon after construction completed and ethanol prices haven't kept pace. "This imbalance persisted and worsened, creating operating losses that led to the cessation of operations in early March," the company said. On April 8 corn futures prices hit \$7.65, inching over \$7.63, the previous high reached in 2008 during commodity price spikes.

Unable to reach an agreement with its secured lenders and key vendors to return the plant to profitability, the company elected to file for Chapter 11 in U.S. Bankruptcy Court in the Middle District of North Carolina. A status hearing has been scheduled for June 14 at the courthouse in Durham, N.C. The company will seek the bankruptcy court's approval on a plan to emerge from bankruptcy by late summer or early fall. "By that time the new corn crop will be available, thus providing more clarity regarding the relative levels and stability of corn and ethanol prices," the company said, adding that it will also give it time to identify the amount of funding needed to restart and exit from Chapter 11 bankruptcy.

In early February, an ethanol plant located about eight hours southeast of Clean Burn Fuels filed for bankruptcy. Southwest Georgia Ethanol LLC, a 100 MMgy ethanol plant in Camilla, Ga., also pointed to high corn prices as well as delivery delays. That company has continued to operate as a debtor in possession.

Clean Burn Fuels asked the court to authorize it to pay wages and other compensation to its employees. As of April 3 the company employed about 15 employees which are paid bi-weekly. Clean Burn Fuels owed these employees more than \$49,000 for the pay period March 20 through April 2. Due to the bankruptcy filing wages will be paid through a payroll and human services company referred to as ADP. "In order to timely pay the employees, the debtor would need to transfer funds to ADP as soon as possible," the company said in court documents.

The company also petitioned the court to continue paying premiums for medical and dental insurance plans, life insurance, disability, 401(k) and all local, state and federal withholding and payroll related taxes. "Additionally, during the restructuring process, vendors and business partners should expect to be paid for post-filing goods sold and services rendered to the Company in the ordinary course of business," the company said.

Northern Blue LLP has been retained as legal counsel and Anderson Bauman Tortellot Vos & Company as financial and restructuring advisor for the company.

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