La. Ag Chief To Borrow $7M To Take Control Of Mill

MELINDA DESLATTE,Associated Press

BATON ROUGE, La. (AP) — Agriculture Commissioner Mike Strain will borrow up to $7 million to take control of a defunct sugar cane mill in southwest Louisiana that was built with state tax dollars and only operational for 90 days.

Strain received approval Thursday from the Bond Commission to borrow the money through a bond sale and repay it over 10 years.

The mill is teetering on default of its debt payments. Strain said if the state doesn't buy out the mill, a bank would take over the property and the agriculture department wouldn't be able to sell it or lease it to recoup some of its investment.

The borrowing plan "is our best course of action. Failing to do so will result in foreclosure and seizure of assets," Strain said.

The agriculture department has spent $78 million to build and maintain the Lacassine mill constructed under Strain's predecessor, Bob Odom. Strain said it was appraised for less than $7 million.

Strain said he's going to hire a marketing firm to help him try to sell or lease the mill as an industrial facility. If that doesn't work, he'll try to sell off its components and equipment. If he gets no takers there, his last option is to sell the facility for scrap metal.

"We're going to do this in an orderly fashion as opposed to a fire sale," Strain told the Bond Commission, which includes lawmakers, governor's office leaders and statewide elected officials.

He estimated the state's net loss on the sugar mill would top $71 million.

The mill in Jefferson Davis Parish, completed in 2006, has been a financial failure. Built for a group of cane farmers, the mill overshot its budget, never yielded the profit Odom projected and has been idle since 2008.

"This mill has run really less than 90 days total in its lifetime," Strain said.

The agriculture department sold the mill the year it was completed to Lake Charles Cane-Lacasinne Mill LLC in an all-financed deal with no cash changing hands. The state still is paying off the construction debt.

Lake Charles Cane is controlled by a Colombian company, Cementos Andinos SA, which also agreed to build an ethanol plant at the site. That plant has not been

built, and Lake Charles Cane was officially put in default by the LAFA earlier this year after missing its loan payment to Merrill Lynch, which has a mortgage on the mill as collateral for the loan.

The $7 million in borrowing will be done through the Louisiana Agricultural Finance Authority. The Bond Commission agreed without objection. The Legislature's joint budget committee already had signed off on the arrangement, and Gov. Bobby Jindal's administration supported the plan.

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