



Novel crop contracts ease input risk

ALTERNATIVE FARMING

U.S. wheat growers who sign up with this Michigan contractor just seed and harvest their crops. The contractor makes all input purchase and application decisions — and picks up the tab

By Andrew Douglas

A Michigan-based company guarantees wheat growers their 5-year average wheat yield and top grade quality — and pays for in-season crop protection. All the grower does is plant, harvest and deliver the crop.

For the past 6 years, Northern Star Integrated Services of Lansing, Michigan has offered this novel contracting option for soft winter wheat in Michigan and hard red spring wheat in Montana and North Dakota. This year the company has 10,000 acres contracted across the 3 states.

The contracts guarantee each producer his 5-year average wheat yield, with payment based on the top grade. Any production over the 5-year average yield is split between Northern Star and grower, but the company takes the lion's share because that's its profit. This part of the arrange-

ment is negotiated with each grower. The company takes out and pays for crop insurance to protect itself against a crop failure.

Northern Star is confident it can manage wheat better during the growing season than its contracting producers can. Private agronomists are hired to manage every acre for maximum yield. They make all management calls between planting and harvest. These include how much nitrogen to use and when to apply it, and all herbicide, insecticide and fungicide decisions. Northern Star pays local dealers to do the custom work and covers product costs. Storage costs, if necessary, are negotiated with each contract.

"Wheat has a good fit in the rotation but for most of our producers it's not their primary crop," says John Whittaker, president of Northern Star. "We take on management of wheat so growers can focus their expertise on sugar beets or corn."

This will be Bob Reese's third year growing 200 acres of hard red winter wheat on contract for Northern Star. It's a contract he won't give up easily. "John Whittaker has taught me more about growing wheat in the past 3 years than I learned from anyone else in the previous 40," says Reese of Lansing, Michigan.

He says Whittaker believes in choosing wheat solely on its yield capability — not disease resistance — then protecting the crop with fungicide sprays. He's seen cus-

tom applicators hired by Northern Star go over his crop 4 or 5 times with in-crop applications of micro-nutrients, insecticides and fungicides.

Most farmers in the area have given up on wheat due to fusarium and disappointing yields. Reese says his net income from wheat is 25% higher since he started working with Northern Star. His yields have gone from 60 bu./ac. to the low 90s.

Reese used to grow soft white wheat along with corn, soybeans, and sweet corn on his 1,300-acre farm. Just before joining Northern Star he switched to hard red wheat. The wheat he grows for Northern Star is a Pioneer Hi-Bred variety sold at a premium to a Michigan baker.

Northern Star dictates what variety is seeded and suggests a seeding date. Any suggestions made are to maximize yield. The company doesn't contract any wheat until a mill signs up to buy it. Mills pay a premium to Northern Star for identity preservation.

Growers still have complete market risk, but all regular Chicago Board of Trade marketing options are open to them through Northern Star. "We offer the benefits of a futures contract without the obligation to deliver," says Whittaker. Because the contract with Northern Star guarantees 100% of 5-year average yields, growers never have to worry that they won't be able to fulfill a futures contract.