



I.D.E.A. Industry Update - February 1, 2002

I.D.E.A. Annual General Meeting and Conference

The I.D.E.A. Annual General Meeting and Conference, scheduled to take place February 11-12, 2002 in Winnipeg, Manitoba, is quickly approaching. There is still time to register. For details, look online at www.independentdealers.com/conference.htm or call the I.D.E.A. office at 306-933-4904.

Dr. Downey Honored

Dr. David Downey, featured speaker at the 2001 I.D.E.A. Annual General Meeting and Conference, "Competing Amongst the Giants," has been recognized by the Mid America Crop Protection Association as Educator of the Year for this efforts as Professor and Executive Director, Center for Food and Agricultural Business, Purdue University.

More on the SWP-FCC Crop Input Financing Deal

Further to the January 14, 2002 I.D.E.A. Industry Update, the following article, "SWP, FCC deal rile competitors," by Barry Wilson appeared in the January 24, 2002 edition of The Western Producer (pg 67):

When Beiseker, Alta., farm input dealer Bruce Schmaltz [a member of I.D.E.A.] heard that Farm Credit Canada is teaming up with Saskatchewan Wheat Pool to supply financing for sale of inputs through pool stores, he wanted a piece of the action.

FCC was contacted.

The answer was 'no'. The deal is available only to customers of Sask Pool.

"That is totally unfair," Schmaltz said Jan. 18 from the offices of his company, Dynagra. "To me, it almost smacks of someone playing on the back side, not willing to help a dying co-op up front so do it through the back door."

[In mid-January], the deal between the Regina-based grain company and the Regina-based crown corporation caused controversy in both political and industry circles.

Canadian Alliance agriculture critic Howard Hilstrom said it was unfair government favouritism toward the pool.

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Blair Rutter, policy director for Agricore United, complained that a government agency is favouring one company over others.

“This puts our input business at a significant disadvantage,” he said from AUG Winnipeg offices. “To help one company only is unacceptable.”

FCC official Greg Stewart, vice-president for western operations and agribusiness, denied the charge of favouritism.

“I don’t believe we are favouring one company over others,” he said. “It is a commercial deal aimed at helping 73,000 farmers. Other companies have similar arrangements with other financial institutions.”

The controversy started after the Jan. 14 announcement of a “crop input financing program” involving SWP and FCC. Farmers buying their inputs from the pool will be able to finance the purchases through an FCC line of credit for “a full crop cycle.”

Pool chief executive officer Mayo Schmidt said it would allow the company to offer farmers a better deal.

“Through FCC, we are able to offer this service at a more competitive rate than previously available.”

At Agricore United, Rutter said that is exactly the problem.

AU has a similar deal with ScotiaBank but said the rates will not be as favourable as FCC can offer.

Rutter said he has heard the FCC-SWP interest rate will be 5.5 percent. Last year, the rate offered through the AU program was 10 percent.

“We were going to lower it this year but to nowhere near 5.5 percent,” he said. “We are very concerned that a Crown corporation is tilting the playing field in favour of one company.”

Hilstrom complained that it means a government corporation is helping a private company “lure customers away from other companies.”

“When FCC legislation was changed last summer, we raised questions about whether it would or could be used to help one company over another and we raised Saskatchewan Pool,” said the Manitoba MP. “I see this as the government picking winners and losers in industry and that is wrong.”

Steward of the FCC said it is simply a deal to help the Crown corporation expand its help to farmers.

He said FCC raised funds on money markets like the chartered banks do.

“We do not have an advantage,” he said. “This is simply a business deal.”

In addition, Carol Skelton, Member of Parliament for Saskatoon-Rosetown-Bigger, presented the following report, which was also published in the January 28, 2002 edition of The Rosetown Eagle:

January 14th, the Farm Credit Corporation (FCC) and the Saskatchewan Wheat Pool (SWP) each issued press releases announcing they were becoming partners in a crop input financing program available for prairie farmers. In a nutshell, a farmer would have access to FCC credit for one crop year if they buy their input supplies from the Pool. The loan program offers flexible repayment schedules and options, interest charges that don’t apply until a purchase is made against their loan and the applications will be handled through any SWP or AgPro outlet across

Western Canada.

The fact that FCC is looking at new options for giving cash strapped grain and oilseed producers access to credit can be commended. But their decision to partner with only one grain company is completely unfair. FCC is an agency of the federal government, a national corporation whose mandate is to work with all producers and agribusiness operators. So why have they chosen to pick winners and losers in the industry?

By partnering with one company, the federal government is putting any other company in the business of agriculture input sales at a disadvantage. Why should this loan program be available only through the Wheat Pool and not UGG or Cargill? Why should you have to buy your chemical or fertilizer from the Pool outlet in another community down the road and not your local ESSO dealer or the private, producer run agribusiness? Why should this program force you to buy from one company even though you might be able to get a better deal elsewhere?

Many of our smaller communities have lost our Wheat Pool elevators but do have smaller fertilizer and chemical suppliers in town. Is it fair to them that the federal government is waving easy credit in front of farmers noses as long as they buy their product somewhere else? If these small businesses closed because their local producers have to shop elsewhere it will have a further detrimental affect on these communities. I believe this arrangement on behalf of this federal government agency is unfair, wrong and will in the end only serve to damage the industry and hurt producers.

The federal Liberal government amended the legislation governing the FCC last summer. My colleagues and I in the Canadian Alliance opposed the bill, in part because we believed that the Corporation's new mandate would be used to interfere in the agricultural marketplace. Unfortunately, it appears we were right.