



## **I.D.E.A. Industry Update - March 28, 2002**

### **Application Forms Available for Spring Credit Cash Advance Program**

The federal government says application forms for the Spring Credit Cash Advance Program are now available from local producer groups and the Canadian Wheat Board.

It was announced in December of last year that interest free loans of up to \$50,000 would again be available for individual producers. The government expects the SCAP will provide as much as \$700 million in interest free loans for 2002. Producers can repay their loans by the end of December or transfer the balance into an advance under the Advance Payments Program once their crop is in storage this fall. Applicants to the Spring Credit Advance Program must also participate in a crop insurance program or another program providing similar security.

The Canadian Wheat Board administers the program for wheat and barley. Loans will be issued at \$80 a tonne for wheat, \$95 a tonne for durum and \$55 a tonne for barley. Applications are available in country elevators and farmers have until July 31 to apply.

Last year, on all commodities, more than 33,000 farmers took advantage of the program and accessed \$674 million in interest free loans.

### **Agricore United Loses \$11.8 Million in First Quarter of Operation**

Agricore United has released the results of its first quarter of operations as a combined company. There was a net loss for the quarter of \$11.8 million and a net loss of \$17.9 million for the six months ending January 31, 2002. The company says earnings have been adversely affected by last summer's drought. However, Agricore United says it is clearly on track to achieve the expected savings from the merger. The plan is to achieve \$49 million in business synergies in the first full fiscal year of operation.

While Western Canadian grain shipments dropped by more than 13.2% for the first two quarters of fiscal 2002, Agricore United's decline was reported to be 12.3%, which is slightly better than the industry average.

Livestock Services posted another quarter of record breaking sales for the company. There was increased advertising revenue and reduced operating costs for Farm Business Communications.

On the down side, there were lower results from Agricore United's interest in CanAmera Foods. That oilseed crushing company has been negatively impacted by the drought, which has caused the price of canola seed to increase relative to other oilseed crops, thus putting pressure on crush margins.

### **Saskatchewan Wheat Pool and Agricore United to Sell CanAmera Foods**

According to a news release from Saskatchewan Wheat Pool, Central Soya of Canada Ltd. will soon become the sole owner of CanAmera Foods, an oilseed crushing, refining and packaging operation. The Pool, which owns 33.3 % and Agricore United which owns about 17 percent have signed a letter of agreement with Central Soya to take over the company.

The agreement is subject to regulatory approvals in Canada and the United States and is expected to close by July 31 of this year. For Saskatchewan Wheat Pool, the disposition is expected to generate proceeds of about \$59 million.

CanAmera is said to be Canada's largest oilseed crushing and refining company. The head office is located in Oakville, Ontario. The company has processing plants in Ontario, Quebec and the three prairie provinces.

### **Good and Bad News for Farmers in Sask Budget**

While there was both good news and bad news for farmers in the Saskatchewan budget released Wednesday, for most producers the extra costs for Crop Insurance and education tax on farmland will outweigh the positives. For the past two years, there has been a \$25 million rebate for education tax paid on farmland. That has been discontinued in this budget. The end of the rebate combined with the likelihood of rising education taxes means a typical farmer will be spending thousands of dollars more this year as compared to last.

This year's program under Saskatchewan Crop Insurance had previously been announced. While the province says it has added \$14 million to the program this year, spot loss hail coverage and the variable price option have been dropped and producers will be facing substantially higher premiums for multi-peril crop insurance. However, there was a forage rainfall program added as well as a new pilot program for crops based on rainfall.

The fuel tax exemption on ethanol had also been previously announced. This initiative has been well received by farmers and community leaders.

Within Thursday's budget announcement was news that a scaled back Conservation Cover Program will be available to producers in 2002. The program will again pay producers for seeding up to 50 acres of grain land into grass.

Rather than a straight payment of \$15 an acre, producers will receive an initial payment of \$7.50 an acre and up to \$7.50 as a final payment, once the level of participation in the program is known. The budget for the program has been reduced to \$3.9 million.

The budget also includes \$4.35 million for something called the Family Farm Opportunities Initiative. The program is to help with farm diversification, farm business management training, preparing for off-farm employment and developing other business opportunities.

The program is to be targeted at farm families with incomes below \$30,000 (all sources) and a net worth of less than \$400,000. The maximum support per family will be \$7,500. Details are promised shortly.