



I.D.E.A. Industry Update - September 7, 2002

Farmland Seeks to Restructure Fertilizer Assets

Farmland Industries Inc. announced it is seeking to restructure its fertilizer manufacturing assets through a sale or strategic alliance as part of its bankruptcy reorganization process. The assets are the primary component of Farmland's Crop Production division, which had sales of \$745 million in fiscal 2001.

"Selling or repositioning our fertilizer business will allow us to significantly reduce outstanding debt and reduce or eliminate the cyclical business risk inherent in the fertilizer industry," said Farmland president and CEO Bob Terry.

Terry continued, "We believe there is tremendous potential in Farmland Foods and the Farmland(R) brand. We have elected to place stronger focus on growing and improving this business."

Farmland owns seven nitrogen fertilizer manufacturing facilities, located in Fort Dodge, Iowa; Coffeyville, Kan.; Dodge City, Kan.; Lawrence, Kan., Pollock, La., Beatrice, Neb.; and Enid, Okla. Farmland also owns 19 fertilizer distribution terminals throughout the U.S. Farmland's Crop Production division employs 531 administrative and production workers.

In addition, Farmland is a partner in phosphate manufacturing joint ventures in Wyoming and Utah, and jointly owns a nitrogen manufacturing plant in Trinidad and Tobago with Mississippi Chemical Corp.

Farmland continues working with Cargill toward the sale of Farmland's interest in Farmland Hydro, a phosphate fertilizer operation in Bartow, Fla. The company will also continue to pursue the sale of non-core assets and investments, including its petroleum refinery in Coffeyville, Kan.

"We intend to restructure our fertilizer assets through a sale or strategic alliance, presuming we can identify an appropriate buyer or partner and negotiate a fair price," said Terry. "Meanwhile we will continue to operate the plants, and we expect no disruption of fertilizer supply to our members."

Terry said the decision was made by Farmland's 21-member Board of Directors and will be reviewed by the court-appointed committees overseeing Farmland's reorganization. (Source: Julianne Johnston)

Good Advice Comes Cheap for Business Owner - Murray Lyons, StarPhoenix Business Editor

There are many advantages to being an independent businessperson.

You truly are your own boss and no mid-level functionary from head office is waiting to pounce upon you for an explanation of why July's sales were one per cent down from last year.

But one of the drawbacks is that you can operate in a bit of an information vacuum, being unable to gauge how well you might be doing in relation to some of your peers in the same industry.

You could hire a consultant, of course. But who would that be and where do you find one who knows your business sector as well as you think you do?

What if you didn't have to pay a dime for good advice? In fact, what if people paid a fee to come see your business, evaluate it, and then write a critique?

It might seem too good to be true, but that's what happened for Arnie Shaw, owner of Centennial Plumbing and Heating and Electrical.

About a dozen owners from across North America of similar businesses paid their way to Saskatoon and paid a fee to participate in what is called a peer review.

It's all organized by a Minneapolis-based group called Contractors 2000. This group runs six to eight of these reviews across the continent each year for firms in HVAC (heating, ventilation and air conditioning), electrical and plumbing.

Shaw's visitors run their own service companies, although Contractors 2000 president Greg Niemi says few of the visitors would have as extensive a retail operation as Centennial.

It's not surprising Shaw would find a creative way to get good advice. He has been recognized locally with awards from the North Saskatoon Business Association for the creative way his company has faced competitive challenges.

Not long after Shaw had purchased the business, the retailer known as Orange Crush came to town.

Orange Crush or Agent Orange are among the fear-driven nicknames given Home Depot (referring to its bright orange building) by competitors and analysts, and Shaw readily admits 2000 was not a good year for his company after Home Depot arrived. In fact, his operations ending up running in the red.

One of the things local independents have to contend with when a Home Depot sets up is that the company goes out and finds contractors and installers in a whole variety of trades so that it can sell installation service along with its product line.

The way Shaw tackled the competition was by setting up Centennial Installation and Service Corp. to emphasize to customers that Centennial, too, could provide a seamless service from showroom to home. Buy the fancy tub enclosure for your major bathroom renovation and don't worry about finding an expert to install it properly.

If 2000 wasn't a good year, Shaw's emphasis on installation made sure that didn't become a trend.

"We did make money in 2001 and we are having a great year this year," Shaw said during a break from the two-day peer review.

Contractors from Colorado, Minneapolis, South Carolina, Indiana, California, New York and Michigan joined owners from Lethbridge and Winnipeg in Saskatoon.

On the first day, Shaw and his staff made presentations to his visitors on all aspects of the operation and were grilled in Q and A sessions. The visitors were free to wander around and ask questions. There were no secrets as Shaw's visitors saw financials as well.

"I equate it to looking in the sock drawer," Niemi said.

On the second day, there were more questions and the visitors got together to write a critique, which they presented by mid-afternoon.

Niemi estimates that most of the visitors paid \$1,500US for the privilege of coming here. But they also benefit from comparing Centennial to their own operation.

For Shaw, the two-day peer view was "exhausting" and at times humbling, but he said the critiques will provide fodder for internal discussions and planning.

One side benefit of the peer review was that Shaw did a little bit for our tourism industry. His visitors didn't just stay in a Saskatoon hotel. They also paid to join Shaw on a fishing excursion to Voyageur Lodge on the Churchill for four days.

Not that Shaw was getting off completely free.

"I'm going to cover the cost of meals and the refreshments on the fishing trip," he laughed.

Sounds like a good investment.