



## I.D.E.A. Industry Update - October 1, 2003

### Alberta Independent Dealers Networking Night

We would like to host a networking event in Red Deer, Alberta, in early October for independent dealers. The evening could include dinner, a hockey game, as well as time for networking and information sharing. Please let us if you're interested in attending, by completing the form below and faxing it back to 306-244-4497.

Name and Company: \_\_\_\_\_

Dates Available: \_\_\_\_\_

Preferred Activities: \_\_\_\_\_

### Agricore United Declares Dividends . . . by Kevin Hursh

With the release of its quarterly financial report, Agricore United declared an annual dividend of \$1.00 per share on the Series A Convertible Preferred Shares and a dividend for the quarter of three cents per share on the Limited Voting Common Shares. The latter will be paid on November 15 to shareholders of record at the close of business on October 15.

The financial statement revealed net earnings of \$44.9 million (96 cents per share) in the quarter ended July 31. This compares with earnings of \$39.2 million for the comparable quarter last year.

The quarter helped compensate for losses in previous months. Earnings were \$3.1 million for the nine months ended July 31, 2003. This compares to earnings of \$16.2 million for the three quarters of the prior year.

A significant increase in crop input sales helped to counteract less grain to move following the drought of 2002. For the nine months ended July 31, the sale of crop input products including seed increased by more than \$100 million to a total of \$738 million. Gross profit increased by 24 per cent to \$185 million.

Agricore United's grain shipments declined by 34 per cent over the nine month period. Industry grain shipments declined by 29 per cent for that time period. With closer to an average prairie crop in 2003, the company is looking forward to an increased grain handle in the months ahead.

The company claims to have reduced its debt and improved its liquidity over the past year. There have also been cost reductions due to "merger synergies" from when Agricore merged with United Grain Growers.

As of July 31, 2003, the company employed 870 fewer staff (a reduction of 24 per cent) compared to the 12-month period ended October 31, 2001, which was just before the merger. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)

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## **Hay Supplies Tight in Saskatchewan . . . Rae Groeneveld**

A hot and dry July and August combined with the closure of the U.S. border to live Canadian cattle is putting a strain on this year's hay supplies. The Saskatchewan Forage Council, which monitors hay production, demand and prices, is predicting tight supplies again.

"We had a fairly reasonable first cut hay crop, but then our second cut hay has just been non-existent in many areas," explains Phillip Curry, editor of the Saskatchewan Hay Report.

First cut alfalfa production in Saskatchewan averaged just over one ton per acre this year, low in a normal year, but above the 0.82 tons per acre produced in 2002. With the below average production, Curry is predicting some very tight supplies for this fall and winter.

"There's no surplus from the last couple of years, so I think people have made just enough hay to meet their local needs. I don't think there's enough hay to feed a lot of livestock through the winter."

Curry thinks that straw and other roughage will be used this winter to meet the feed requirements of livestock. But even with the tight supply situation, prices have not risen like they did last year. "We were getting \$80 to 90 dollars for a 1,200 pound bale last year and that's down to about \$36 dollars a bale this year."

Production of a much better hay crop in Alberta this year and the impact of the single BSE case in Canada are the two main reasons keeping prices low, according to Curry.

"Normally, in a hay year like this, we probably would have strengthening prices, but I just don't think people can afford to pay very much for hay."

The Saskatchewan Forage Council publishes three reports a year on the hay crop, demand and prices. The June and August reports are online at [www.saskforage.ca](http://www.saskforage.ca). The third and final report with the overall picture of this year's hay crop in Saskatchewan is expected to be released by mid October and can also be found at the forage council Web site. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)

## **News Briefs . . . by Kevin Hursh**

World Trade Organization talks stumbled at the mid-term meeting held in Cancun, Mexico collapsing without making any headway. Many farm organizations across Canada were in Cancun. Most are expressing frustration that progress has stalled on creating a more "level playing field" for agricultural production and trade. Federal Agriculture Minister Lyle Vanclief and Manitoba Minister of Agriculture and Food, Rosann Wowchuk, are scheduled to sign an Agriculture Policy Framework Implementation Agreement on Friday, September 19 in Winnipeg. Saskatchewan, Ontario and Quebec haven't signed on to APF implementation.

Saskatchewan and Manitoba have announced new programs to help their livestock industries in the wake of BSE. Manitoba announced \$10 million and Saskatchewan announced \$20 million to extend BSE recovery programs. The federal/provincial program to support the price of slaughter animals ended in August. Alberta and Ontario have had their own programs to pay for any animals that were on feed when the borders closed on May 20. (The Alberta program has ended.) In addition, Manitoba has announced a Drought Assistance Program to help with feed transportation costs and Saskatchewan has announced a number of loan and cash advance programs. "There's no question the border will open to our live cattle. It's all a matter of when," says Neil Jahnke, President of the Canadian Cattlemen's Association. The CCA was buoyed by the show of support it received during recent meetings with the U.S. beef industry in Washington, D.C.

In the September 15 crop report, Alberta Agriculture estimated harvest progress at about 60 per cent. Progress is estimated at 90 per cent in the southern region, nearly 75 per cent in the central region, 55 per cent in the northeast region, 38 per cent in the northwest region and only 20 per cent in the Peace River region. Provincially, yields of spring cereals are expected to be near the ten-year average. Canola yields are expected to be above the ten-year average due to better than average yields in the northeast.

Saskatchewan Agriculture's weekly crop report, September 14, puts harvest at 89 per cent, well above last year's 29 per cent and also above the ten-year average of 61 per cent. Combining is least advanced in the northwest at 71 per cent.

The Winnipeg Commodity Exchange has announced that the canola meal futures contract has been removed from the quotation boards. The canola meal futures was introduced in June of 2001, but there has been limited trading activity.

Saskatchewan has made key changes to its Agricultural Implements Act and Regulations. The changes are designed to provide more protection to farmers and harmonize the rules with Manitoba and Alberta. Provisions of the act now apply to leases as well as sales. Warranties are in force from the date of first use instead of the date of delivery. As well, the 72 hour time frame for providing emergency repairs will count Saturdays. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)

### **Pesticide Disposal Program Expands . . . by Owen Roberts**

Manitoba farmers received major support to remove an estimated 100,000 kilograms of obsolete pesticides from their farms over the next two years.

At the CropLife Canada annual meeting in Winnipeg, officials unveiled Manitoba's Operation CleanFarm, a \$600,000 federal-provincial-industry program designed to rid farms of outdated, unregistered, or unwanted agri-chemicals. The program is coordinated by CropLife through its "stewardship first" initiative.

With Operation CleanFarm, farmers take their obsolete products to designated regional collection sites throughout the province, usually no more than 25 kilometres from their farm. From there, products are picked up and transported to high-temperature incineration facilities in Ontario and Alberta.

There is no cost to farmers.

This two-year initiative follows similar CropLife Canada-led pesticide-disposal programs that began in 1998 in the Maritimes. Ontario's program was conducted in 2000-2001 with 50 collection sites. Farmers brought forward 150,000 kilograms of products.

Cam Davreux, vice-president of CropLife Canada, says more than 508,000 kilograms have been collected in the program's five-year life.

"There's a lot of enthusiasm in the industry for this kind of program," he says. "It's good for rural health and safety."

Davreux is now devising obsolete pesticide-disposal programs for Alberta and parts of Quebec. By the end of this year, the entire country will either have a program completed or in progress. But the work's not through. A follow-up survey in Saskatchewan, where the program was carried out from 2000-2002, showed 15 per cent of the farmers still had some unwanted pesticides on their farms.

"Hardly a week goes by where someone doesn't call and say they have something on their farm they'd like to get rid of," says Davreux. So, although the bulk of the unwanted agri-chemicals have been collected, he anticipates some form of the CleanFarm program continuing in 2005, albeit with less frequency and fewer sites. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)

### **Interim Payments Coming for Durum and Designated Barley . . . by Kevin**

The Canadian Wheat Board announced interim payments for most grades of durum and designated barley sold in the 2002-03 crop year. On durum, payments vary from \$18 to \$45 per tonne, with the exception of No. 5 durum where there will be no interim payment. Interim payments on designated barley range from \$15 to \$30 per tonne. A complete list of payments by grade is available on the CWB Web site at [www.cwb.ca](http://www.cwb.ca) or by calling 1-800-275-4292. Interim payment cheques will be mailed to farmers on

October 3. Direct deposit cheques were credited to the accounts of most farmers by their financial institution on September 30. Interim payments are an earlier payment of proceeds that would normally be included in the final payment. Based on the July Pool Return Outlook from the CWB for the old crop year, there will be relatively small amounts left to distribute to farmers as a final payment on durum and designated barley. No final payments are expected on wheat, where sale proceeds are widely expected to be lower than what farmers received as initial payments. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)

**Manitoba Signs APF Interim Funding Agreement . . .** by Kevin Hursh

While attending a one day meeting of Agriculture Ministers in Ottawa on Monday September 22), Manitoba's Agriculture Minister Rosann Wowchuk signed an agreement that advances funding under the Canadian Agricultural Income Stabilization Program (CAISP), the new safety net under the Agriculture Policy Framework (APF).

Wowchuk says this means Manitoba producers will not have to wait until remaining provinces sign the APF in order for federal funding to flow. Manitoba signed the APF implementation agreement on September 19.

Either Saskatchewan or Ontario must sign the APF implementation for it to become law.

The arrangement provides Manitoba producers with up to 50 per cent of their anticipated safety net payment under CAISP. Wowchuk says she has been told that federal funding will begin to flow by the end of October.

Wowchuk continues to call for more federal funding to help the province's cattle industry. (Reprinted from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)