



I.D.E.A. Industry Update - February 27, 2004

***Credit Issues

A copy of the presentation, "Credit and Collection Strategies: Practical Aspects of Credit Collection," by David Hopkyns, Regional Vice President, Metropolitan Credit, delivered at the I.D.E.A. Regional Meeting in Red Deer, Alberta, is available in the Just Members section of the I.D.E.A website, at www.independentdealers.com.

***CAIS Program Deadlines Extended

Several deadlines for the CAIS (Canadian Agricultural Income Stabilization) program have been extended. The extensions only apply in provinces where CAIS is administered federally, namely British Columbia, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Newfoundland and Labrador. The deadline for selecting the level of income protection for 2003 and for 2004 has been extended from March 31 of this year to April 30. As well, the deadline for making a deposit for the 2003 fiscal year has been extended from March 31 to December 31. That's the same deadline for making a deposit for the 2004 fiscal year. The change means that producers will not have to come up with a deposit this spring in order to participate in the program. The deadline to file farming income information for CAIS remains the same. Farmers must report their 2003 farming income for income tax purposes by April 30, and in addition, submit the 2003 CAIS supplementary forms reporting income and expense information by June 15 (individuals) or June 30 (entities). Individual provinces are delivering CAIS in Alberta, Ontario, Prince Edward Island and Quebec and their rules differ somewhat. *(By Kevin Hursh; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*

***Share Consolidation for Agricore United

Agricore United says shareholders have overwhelmingly approved a one-day share consolidation of the company's limited voting common shares. Registered shareholders who own less than 100 voting common shares as of February 22 will receive a cash compensation based on a market price of \$9.63 a share, without brokerage fees. Shareholders with less than 100 shares were offered an odd lot purchase program to increase their holdings to the minimum. Agricore United has almost 58,000 registered shareholders holding fewer than 100 limited voting common shares. These 1.5 million shares, representing about 3.3 per cent of the total, are expensive for the company to administer. Agricore United's principal shareholder, ADM Agri-Industries will purchase the shares increasing its holdings from 20.1 per cent to about 23 per cent of the company's issued and outstanding limited voting common shares. The private placement of shares is expected to close on or before March 5. *(By Kevin Hursh; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*

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******Dropping Price Outlook for Wheat, Durum and Barley***

At its Grainworld conference in Winnipeg this week, the Canadian Wheat Board released its first Pool Return Outlook (PRO) for the 2004-05 crop year, which begins in August. The news wasn't what producers were hoping to hear.

The price outlook for wheat is \$3 to \$14 a tonne lower, depending upon the class and grade, as compared to the prices expected in the current crop year. After deducting average Saskatchewan freight and handling, the forecast price for No. 1 CWRS wheat with 12.5 per cent protein is \$3.89 a bushel, the lowest level in several years.

Deductions are somewhat lower and therefore projected prices are somewhat higher in both Alberta and Manitoba. The Manitoba price would be \$4.00 a bushel, while Alberta's would be \$4.13. This is based on a provincial average of current freight and handling charges.

The CWB notes that wheat production levels in Europe and the former Soviet Union are expected to recover, while competition from Southern Hemisphere exporters remains strong. On the positive side, the CWB notes that carry in stocks among major exporters remains tight and drought conditions have not been relieved in many areas of Western Canada, the U.S. and Australia, so ongoing volatility is expected.

On durum, the new crop PRO is dropping by \$15 to \$31 a tonne. The Saskatchewan price for No. 1 CWAD (durum) with 12.5 per cent protein is forecast at \$4.00 a bushel. That would be the lowest durum price since the early 90s. The potential for rising durum production in North America and Europe (the main exporters) as well as above average crops in North Africa (the main importing region) are the main reasons cited for the price decline.

It appears that farmers will be left with a significant amount of durum from 2003 that will not be sold in the current crop year. Only 70 per cent of most durum grades was accepted under the CWB's Series A contract. In the recently closed Series B, no additional durum was accepted.

On feed barley, the PRO for the upcoming crop year is down by \$30 a tonne, for a forecast Saskatchewan price of \$1.54 a bushel. In many previous years, the CWB's export price for feed barley has not been relevant because nearly all feed barley has been sold into the domestic market. However, in the current crop year, the CWB has had a significant export program with a price that was competitive with the domestic market for many producers.

On designated (malting) barley, the new crop PRO is down by about \$20 a tonne. After deducting average Saskatchewan freight and handling, the price to the farmer is expected to be about \$2.57 a bushel on the top grade of two-row, while the top grade of six-row is pegged at \$2.31 a bushel.

The CWB says global malting barley prices are expected to remain steady to slightly lower for 2004-05 in U.S. dollars. However, a stronger Canadian dollar is expected to mean a price decrease for prairie farmers. *(By Kevin Hursh; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*

******Grain Movement Affected by CN Strike***

The Canadian Wheat Board says grain movement is continuing along CN rail lines on the prairies, despite a strike by 5,000 shop, clerical and intermodal employees. Rail car supply, however, has been reduced by about 50 per cent.

The CWB is urging both parties to work towards an immediate resolution. If the strike continues to have an impact on grain movement, the CWB says it will call on the federal government to intervene. *(By Kevin Hursh; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*