I.D.E.A.
INDEPENDENT DEALERS
ENTREPRENEURIAL ASSOCIATION INC.

I.D.E.A. Industry Update - March 11, 2004

******United Industries agrees to pay $192 million for fertilizer firm Nu-Gro***

Canada's largest supplier of garden fertilizers and lawn control pesticides is being acquired by a U.S. company. The Nu-Gro Corp. has announced it has struck a definitive agreement to sell itself to United Industries Corp. of St. Louis, Mo. for $192 million. The deal is slated to close in May. Under the transaction, United Industries, which operates as Spectrum Brands, will pay $11 a share for the Brantford, Ont. company. Nu-Gro said it also plans to pay a special dividend of 12 cents a share before the deal closes. The combined companies will have sales of about $1 billion with nearly 1,800 employees in the United States and Canada . . .

In a related move, United Industries reached agreement with Oakwest Corp. Ltd. and some other related shareholders controlling 27 per cent of Nu-Gro to tender their stock to the bid.

Nu-Gro said the sale has been unanimously approved by the Brantford company's board, which has received an opinion from Clarus Securities Inc. that the offer is fair financially to shareholders.

Nu-Gro (TSX:NU) sells packaged consumer and commercial lawn and garden products under such brand names as CIL, Wilson, Vigoro, So-Green, Greenleaf and Green Earth. Through its subsidiaries in Canada and the U.S., the company also produces and distributes controlled release nitrogen to the fertilizer industry worldwide. United Industries, which sells its products as Spectrum Brands, is the biggest manufacturer and marketer of consumer lawn and garden care and insect control markets in the United States. The company's household brands include Hot Shot, Cutter and Repel. ***(Source: The Canadian Press)***

******Alberta Pesticide Applicator Training and Recertification***

Are you interested in obtaining your Pesticide Applicator Certificate, and Authorized Assistant Certificate of obtaining Continuing Education Units (C.E.U.s) for Pesticide Recertification? Agri-Trend Agrology Ltd. is providing these courses to assist you. Courses take place from March 30 to April 1. For more information, contact Dr. Hamman at 403-330-4757. To register, call Jillian at 403-346-3010.

******I.D.E.A. Regional Meeting Presentations***

Copies of presentations delivered at the recent I.D.E.A. Regional Meetings in Red Deer and Calgary, dealing with credit collection strategies and privacy legislation, respectively, area both available in the "Just Members" section of the I.D.E.A website, at www.independentdealers.com.

******I.D.E.A. and AgKnowlogy***

I.D.E.A. has teamed up with AgKnowlogy Inc. to present an exciting new opportunity for I.D.E.A. members. Look online at www.independentdealers.com or watch your mail for details.

*****Brazil, A New Agricultural Superpower***

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In the past few years, Brazil has eclipsed the U.S. to become the world's dominant agriculture superpower.

Brazil is the world's largest soybean producer, the largest coffee producer and the largest sugar producer. With 160 million animals it has the world's largest cattle herd and has just knocked Australia out of the top spot to become the largest beef exporter. Why? The short answer is cheap land and lots of it. Fifty thousand acre farms are common on Brazil's central plateau and Brazilians' technology and production methods are as advanced as Canadians'. Many bought their land extremely cheaply. In the late 1980's, when the first farms on the cerrado, or savannah, in western Bahia were established, land could be purchased for 13 to 20 cents Canadian an acre. Fifty thousand acres cost only $6,500. Even today, virgin cerrado can be purchased for as little as $20/acre.

There is still a lot more land available for development. A 2003 study by the U.S. Department of Agriculture estimates that, discounting the Amazon rainforest, Brazil has 170 million hectares or more of undeveloped land suitable for commercial farming. If Canadian farmers took every farm acre in Canada out of production, Brazilian farmers could replace them three to one.

Labour is another big advantage. Unskilled farm labourers are plentiful and paid the equivalent of U.S.$3.00 a day, plus meals and sleeping quarters. Even the farm managers, often university educated agrologists, are only paid U.S.$1,500 plus, food, housing and performance bonuses. Labour is so cost effective that all seed and fertilizer comes in bags and is loaded by hand. It's not uncommon for even mid-sized farms to have 30 employees year round and up to 70 for planting and harvesting.

Large scale farms, cheap labour and a great climate add up to very low cost food production. Phil Warnken, CEO of AgBrazil, a Columbia, Mo.-based company that facilitates international investment in Brazilian agriculture says that today, soybean production costs in Brazil are about half what they are in the U.S., and corn production costs are less than 50 per cent. That adds up to great margins; it is routine for Brazilian farms to make a 28 per cent return on production investment.

Even cattle production is profitable at a fraction of Canadian costs. Dianar Cassal, manager of the Ceolin farm near Posto Rosario, Bahia says that, once a farm has more than 1,000 head, then selling 3-year-old cattle between C$240 and C$320, is more profitable than crops. *(By Lorne McClinton; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*

******Best Farming Practices Revealed***

A first-of-its-kind study, investigating what makes a farm successful, was unveiled during series of three seminars held across the prairies in February.

The 'Best Practice of Leading Farmers' took a year and a half to compile. It was put together by Saskatchewan Agrivision Corporation Inc., an organization focusing on improving the profitability of agriculture. Through a survey procedure, 150 Western Canadian farms were identified as leading farm operations and were used as case studies in determining what makes a farm successful.

"Now the people who made up our sample were primarily in cereal, oilseed, pulse, forage and cattle production," explained Corrin Harper of Insightrix Research of Saskatoon, the company hired to conduct the research.

As a group, leading farms were younger, better educated and larger than the average Canadian farm. The average age was 41.3 years, while Stats Canada reports Canadian farmers' average age is 49.9 years.

Over 80 per cent of the leading farmers had education beyond high school, more than double the Canadian farm average. The size of the leading farms in Western Canada averaged 2,800 acres. The average size of the Canadian farm is 1,048 acres.

Darrell Toma operates a consulting company in Edmonton and helped to analyze the survey results identifying the trends and business practices that set these operations apart.

"Innovation is very much a part of the best practice group. About 49 per cent would be what we call first-tryers. They innovate, they see new technology and are willing to try it immediately. The next 44 per cent is what we call early adopters. They adopt it (technology) after they see someone else they deem credible using it."

Five newer technologies were identified as being commonly used among the leading farm group. Zero till farming, use of global positioning technology, use of genetics for improvement and productivity, using identity preservation and test plots or trials to try out new crops before they invest.

Throughout the study, sound business practices were applied in these best farming operations. For example, 74 per cent had a written business plan, 82 per cent do strategic planning analyzing strengths and weaknesses, and 96 per cent use some type of outside advisors to provide input into the decisions made on the farm. *(By Rae Groeneveld; Reprinted in part from the AgExpert Express newsletter by permission of AgExpert Management Software and Farm Credit Canada.)*

******New Crop Insurance Options***

Saskatchewan has just released details of its 2004 Crop Insurance Program. Overall, premiums are going up and coverage levels are going down, a factor of huge payouts in 2002 and dropping price forecasts for grain. This week, farmers will receive information about their individual premiums and coverage levels. Producers will need to make decisions about coverage levels by March 31. They also have a number of program enhancements to consider.

After dabbling with a weather based top-up program for regular crop insurance in recent years, this year includes a more substantive offering. A $10/acre or a $25/acre top-up is available on up to 1000 acres per contract holder. There is also a $75/acre stand alone program, where the acres can not be insured under the regular multi-peril program.

These weather based programs provide protection only against significant droughts or early fall frosts. The program is based on data from 129 weather stations around the province. Producers participating in these options must choose a weather station within 100 kilometres of their land. One of the disadvantages of this approach is that the weather station may not exactly match the conditions on the insured farm. Plus, the program only makes payments for drought and frost. All other perils are not covered.

However, the weather based program is easy to administer and it's relatively inexpensive. Producer premiums vary with each weather station, but the average cost to a farmer for the $10 an acre top-up is 50 cents an acre. The average cost for the $25 an acre top-up is $1.85 an acre.

Saskatchewan Crop Insurance also has a Forage Rainfall Insurance Program that uses weather station statistics to provide drought protection of native and tame grazing lands. This program has been around for a few years. This year, there are several enhancements to make it more flexible and relevant for individual operations. *(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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