

Murad Al-Katib, shown here at a Lethbridge conference in 2006, said the deal to merge his Saskcan Pulse Trading with Agtech Income Fund hinges on completing the purchase of a pulse plant in North Dakota. (File photo)

Pulse firms merge

Saskcan Pulse Trading Inc.'s takeover by Agtech Income Fund gives the Saskatchewan pulse processor access to the public equity market

By Sean Pratt
Saskatoon newsroom

Saskatchewan Wheat Pool's takeover of Agricore United isn't the only merger happening in Canada's grain industry.

Two days before the prairie grain giants consummated their \$1.8 billion deal, two pulse crop companies announced a merger that will create North America's largest value-added exporter of lentils and peas.

Agtech Income Fund is acquiring Saskcan Pulse Trading Inc. in a deal worth an estimated \$22 million.

The deal is deceiving in that Saskcan is clearly the bigger company with the track record of acquiring other firms. But by being the takeover target in this case, Saskcan has found a quick and inexpensive way to accomplish one of its goals.

"It gave Saskcan the ability to reach the public equity market," said company president Murad Al-Katib.

Agtech is a publicly traded company that operates a green lentil and canaryseed processing operation in Regina, capable of cleaning, sorting and bagging 75,000 tonnes of pulses per year.

Saskcan owns three plants: a lentil processor in Rosetown, Sask., a lentil and pea processor in Aberdeen, Sask., and the largest red lentil splitting operation in the Americas in Regina. Combined, they represent 265,000 tonnes of annual processing capacity.

The new entity, which has yet to be named, will be 50 percent owned by individual investors, 33 percent by Saskcan's shareholders and 17 percent by Agtech's investors.

The deal hinges on Saskcan completing its purchase of a fourth plant, Missouri River Ag Processing in Williston, North Dakota.

Al-Katib said Saskcan has a letter of agreement in place to buy the American processing operation. The deal is scheduled to close on May 31. The plant will be retrofitted with splitting equipment for processing peas and lentils and will have an estimated 100,000 tonne annual processing capacity.

Saskcan will use its newfound access to public equity markets to raise the \$14 million required to buy Missouri River Ag Processing and to repay some of Saskcan's existing debts, including retiring its venture capital obligations.

Richard Goldstein, executive vice-president of investment banking with Standard Securities Capital Corp., the firm that will be handling the public offering, doesn't anticipate any problem raising the money.

"I really don't at all. I hope and believe we will oversell this offering."

He said investors will see the merger as a deal that makes sense for both firms. With 21 years of experience and strong earnings performance, Agtech was a viable business partner for Saskcan irrespective of its ability to raise capital on the Toronto Stock Exchange.

"That is almost like a big, fat coating of icing on the cake," said Goldstein.

For Agtech the merger gives the low-profile

company the opportunity to take advantage of Saskcan's preferable freight rates, its extensive network of farmers and its export expertise through its relationship with Arbel Pulse and Grain Industry SA, a Turkish institution in the pulse industry.

"We should find substantial sales opportunities opening up for Agtech in the top end of the marketplace," said Stephen Bodnoff, chair of Agtech's board of trustees.

Bodnoff dismissed the notion that farmers might suffer from the merger of two Regina-based lentil processing firms, noting the industry is plagued by excess competition.

"It's just a dirty-dog fight amongst the processors trying to do things cheaper and cheaper and the farmer is always the one who takes it on the chin," he said.

Instead of holding the market captive, the world's largest green lentil exporting nation is consumed by internal bickering.

"We believe by consolidating the industry we can actually force the prices up a bit," Bodnoff said.

Before the merger can happen it must get approval from the Toronto Stock Exchange, Agtech's unit holders and Saskcan's shareholders, as well as meeting other closing conditions including the completion of the North Dakota purchase. All that has to take place before the memorandum of understanding expires on June 30.

"It will be a very busy couple of months," said Al-Katib.

Goldstein said employees of both companies should be assured that consolidation doesn't mean downsizing.

"We are talking about zero job loss, zero closures. If anything, this is opening up the door for more business, more hires."

"We believe by consolidating the industry we can actually force the prices up a bit."

— Stephen Bodnoff, Agtech Income Fund

FINANCE NOTE

New Mahindra dealer

The Tractor Company, an equipment dealership in Osler, Sask., has added Mahindra tractors to its line.

Mahindra is an Indian manufacturer of smaller two- and four-wheel drive tractors that are in the 20 to 75 horsepower range.

"We are expecting a lot of interest in our new line of tractors from acreage owners as well as farmers," said Ron Heppner of the Tractor Company.

Ag Stocks

for the week May 7-11

The Toronto Stock Exchange composite closed higher than 14,000 for the first time ever last week, buoyed by good corporate earnings, strong metal and energy prices and lots of merger news. The benchmark index gained 1.7 percent on the week. In the U.S., the Dow rose 0.5 percent, the Nasdaq climbed 0.4 percent and the Standard and Poor's 500 was almost unchanged.

Cdn exchanges in \$ Cdn U.S. exchanges in \$ US

Grain Traders/Conglomerates

Name	Exch	Close	High	Low	P.W. Close
Agricore United	TSX	20.390	20.700	7.500	20.200
ADM	NY	35.870	45.060	30.200	36.060
Bunge Ltd.	NY	73.250	85.680	47.250	76.360
ConAgra Foods	NY	24.390	28.350	21.190	24.670
MGP Ingredients Inc.	NAS	19.430	36.080	17.200	20.120
North West Terminal	OTC	3.500	3.500	3.500	3.500
Sask Pool	TSX	9.300	9.530	6.330	8.650
W.I.T.	OTC	24.000	24.000	23.000	24.000

Prairie Portfolio

Name	Exch	Close	High	Low	P.W. Close
Big Sky	OTC	10.500	11.000	10.000	10.500
Ceapro Inc.	TSXV	0.380	0.550	0.250	0.350
Fylokem Products Inc.	TSXV	0.080	0.160	0.080	0.100
Millsstreet Industries	TSXV	0.085	0.120	0.045	0.120
Ridley Canada	TSX	8.060	9.600	7.000	8.150

Food Processors

Name	Exch	Close	High	Low	P.W. Close
Hormel Foods Corp.	NY	38.040	39.150	33.130	38.260
Maple Leaf	TSX	16.130	16.500	11.000	16.450
Premium Brands	TSX	11.950	12.400	9.050	11.750
Smithfield Foods	NY	31.120	31.830	24.400	30.790
Sun-Rype Products	TSX	13.250	13.750	10.950	13.450
Tyson Foods	NY	21.640	22.460	13.050	21.360

Farm Equipment Manufacturers

Name	Exch	Close	High	Low	P.W. Close
AGCO Corp.	NY	42.500	43.980	20.760	42.540
Buhler Industries	TSX	5.630	6.960	4.350	5.950
CaseIH Inc.	NY	74.880	78.970	57.960	73.100
Deere and Co.	NY	120.000	120.000	66.900	113.840
CNH Global	NY	44.810	45.790	18.760	44.730

Farm Input Suppliers

Name	Exch	Close	High	Low	P.W. Close
Agrilum	TSX	41.620	48.220	22.320	41.080
BASF	ADR	119.190	123.560	73.310	120.300
Bayer	NY	67.900	71.300	38.050	70.268
Dow Chemical	NY	45.790	47.600	33.000	44.920
Dupont	NY	50.420	53.670	38.820	51.240
BioSylent Inc.	TSXV	0.150	0.210	0.095	0.170
Monsanto Company	NY	58.550	60.460	37.905	59.470
Mosaic Company	NY	29.470	32.030	13.870	29.270
Potash Corp. of Sask	TSX	218.220	222.720	86.790	206.100
Sandoz-Aventis	ADR	45.750	50.050	41.370	46.410
Syngenta	ADR	37.400	41.400	24.040	36.850

Transportation

Name	Exch	Close	High	Low	P.W. Close
CN Rail	TSX	57.390	58.450	44.430	57.000
CPR	TSX	74.090	74.870	51.050	71.570

The Close is the closing price for May 11. Previous Week's close is the closing price for May 4. The high and low prices are for the previous 52 weeks.

Toronto Stock Exchange is TSX.

Canadian Venture Exchange is TSX Venture or TSXV.

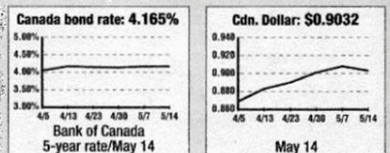
NAS: Nasdaq Stock Exchange.

NY: New York Stock Exchange.

ADR: New York/American Depository Receipt.

OTC: Over the counter.

List courtesy of Ian Morrison, financial consultant with CIBC Wood Gundy in Calgary, a division of CIBC World Markets Inc. Member, CIPF. For more information, call 1-800-332-1407.



Information courtesy of Farm Credit Canada