

UPDATE 3-Canada minister upbeat on Saskpool-Agricore deal

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(Adds comment from Agricore CEO, updates share prices)

By Roberta Rampton

WINNIPEG, Manitoba, Nov 15 (Reuters) - A proposed takeover of Agricore United <AU.TO>, Canada's largest grain company, by No. 2 rival Saskatchewan Wheat Pool <SWP.TO> could create a Canadian grain powerhouse, Canada's Agriculture Minister Chuck Strahl said on Wednesday.

"It does offset somewhat the ability of big companies like Cargill and others to dominate the market, so this isn't a bad thing," Strahl said in an interview with Reuters.

"To have a heavy-duty Canadian player in the market is, I think, a good thing in the long run," he said.

Strahl noted that the takeover was "market-driven" and that the market will decide whether it goes ahead.

Saskpool surprised the industry last week with its move for Agricore, worth a total of close to C\$825 million (\$724 million) based on share prices at the time of the offer.

The combined company would be able to handle more than half the grain from Canada's main growing region.

Agricore is still waiting for more details of Saskpool's proposal, said Chief Executive Brian Hayward, adding the company's shareholders will determine whether the offer is acceptable.

"There is no offer that has been made to shareholders," Hayward said in an interview.

"What exists today is a press release that's been issued highlighting a hostile share exchange," he said.

Agricore has hired financial and legal advisors to help its board examine the offer and evaluate alternatives.

Hayward made no direct comment on Saskpool's plan, but he noted his company sells grain in 50 countries and is Canada's largest marketer of canola.

"There's a lot of talk about needing an international organization, and it bears emphasizing that Agricore United is an international organization," Hayward said.

Strahl said the takeover bid was a sign of optimism in Canada's agricultural sector after a long period of poor returns, but he acknowledged there may be concerns about the combined company's huge market share.

"You're always concerned; you want to make sure there's competition," Strahl said.

"What (the proposed deal) indicates to me is that some of the biggest farm corporations in the country are basically staking out ground, saying 'This is an industry you want to get involved in'," he said.

"I'm quite sure this isn't the last of what we're going to see of people wanting to get into the ag business or expand their holdings in the ag business," Strahl said.

Since Saskpool announced its takeover plans, Agricore shares have traded at levels not seen since 2002.

Agricore shares closed up 8 Canadian cents at C\$10.23 on the Toronto Stock Exchange on Wednesday, while Saskpool shares were up 4 Canadian cents at C\$7.09.

Analysts have said the takeover faces several hurdles, including a response from U.S. food processing giant Archer Daniels Midland <ADM.N>, which owns more than 20 percent of Agricore's limited voting shares and has a shotgun clause.

Canada's Competition Bureau, which has expressed antitrust concerns about previous mergers in the industry, will review the takeover.

(\$1=\$1.14 Canadian)

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