

AgriSuccess Express - November 10, 2006

## **Huge agribusiness merger proposed**

by Kevin Hursh

Canada's second largest grain handling company is making a takeover bid for the top company. Saskatchewan Wheat Pool has announced a formal offer for Agricore United's shares and debentures.

"By combining operations, we will create the scale and scope of operations to enhance Western Canada's position in a global environment," says Mayo Schmidt, Pool President and CEO. According to Schmidt, combining the companies would bring annual synergies of \$60 million.

Under the offer, each Agricore common share would be traded for 1.35 Saskatchewan Wheat Pool common shares. As well, each outstanding \$1,000 principal of convertible unsecured subordinated debentures of Agricore would be exchanged for 180 common Wheat Pool shares, and the Pool would acquire each outstanding preferred share for \$24 cash.

Schmidt says he's hopeful the deal can be in place for the beginning of the new crop year in August 2008. However, the deal could be subject to conditions imposed by the Competition Bureau. The Pool is not proposing a name for the new company.

While the Pool is characterizing the offer as a merger, other analysts are describing it as a hostile takeover. Schmidt says the Pool will try to proceed even if the Agricore United board of directors opposes the merger.

An Agricore United news release says its board will be meeting to consider the unsolicited proposal and will respond in due course. In the meantime, the company says it won't comment on the offer and won't speculate on any future course of action. Agricore is urging its security holders to not tender their securities pending a recommendation from the board.

Agricore Cooperative was formed in 1998 from the merger of Alberta Wheat Pool and Manitoba Pool Elevators. In 2001, United Grain Growers combined its business operations with Agricore under the name Agricore United.

Saskatchewan Wheat Pool went through a major restructuring in 2005 and is now a publicly traded agribusiness. While most of its operations are in Saskatchewan, it also carries on business in Manitoba and Alberta under the name AgPro.