

Issue 18

Summer 2008

Publication Agreement
#41104556

Haney Farms Quarterly



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To The Point—Don't Be Chicken Little

By Shaun Haney

Have you ever heard the story of Chicken Little?

The story starts when an apple falls on Chicken Little's head and he runs to tell the king that the sky is falling. After Chicken Little tells the King he proceeds to rile up the entire kingdom to ensure that everyone knows the sky is falling. Chicken Little was mistaken and failed to realize that he over reacted and didn't get all the proper facts.

Who would of thought that a chicken would fit into maybe the biggest beef story in the first half of the year?

At first glance I have to admit that my own mind raced through the multitude of issues and negative affects from the purchase of Lakeside by Nilsson's. Everyone should recognize the fact that the Canadian feeding industry now has one less bidder for fat

cattle. This fact alone is not enough to cry like chicken little.

Across all industries we are seeing massive amounts of consolidation. Whether it is banks, telecoms, automotive manufacturers or seed companies; consolidation is a major factor and result of the quest for synergistic efficiency and a hyper competitive global market place. Meat packing is no different and should not be treated as such.

The National Farmers Union (NFU) released a press release on July 22, 2008 stating that, "The proposed sale would not only make XL Canada's biggest packer, it would also make XL a major cattle supplier, and leave XL as the largest owner of auction facilities, If the sale is allowed to proceed, XL will be buyer, seller, and auctioneer. The Canadian government cannot be an accomplice to creating this type of competition-distorting



corporate entity."

The ag industry has seen this story of consolidation before. Do you remember the names of Aventis, Zeneca Agro, Novartis AG, Lima Grain, Agricores United or Advanta?

Even more of a reality is that this sort of corporate practice has become a requirement in order to achieve scope, efficiency and proposed synergy.

According to Robert Meiger, Director of Corporate Affairs at Cargill Canada, "consolidation should not be a surprise to Cana-

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We Need Your Feedback on the Newsletter

After writing eighteen issues of the Haney Farms Quarterly we need some of your feedback on the publication. This publication has grown in quality and readership with each issue and it is our goal for this to continue into the future. We ask that you go to www.haneyfarms.com and complete the online survey. If you receive the paper version of the

publication, please complete the survey enclosed in your envelope and mail it back to us as soon as you can.

This is your chance to tell us how you feel about the publication as it stands today and where you would like to see it head in the future. We publish the newsletter to provide you with informa-

tion which will enable your success because you are informed on the issues.

As a thank you for completing the survey your name will be entered to win one of five \$100 WestJet travel vouchers.

Thank you for the support and we look forward to the future of the Haney Farms Quarterly.



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dians based on the market conditions in Canada.”

Kevin Grier of the George Morris Center argues that the concern over lack of bidders could potentially get worse than better. “We cannot lose Tyson in Pasco Washington as a bidder.

In my mind, no one should be surprised that Tyson sold the Brooks plant, especially when you consider three things.

- Canadian packers are uncompetitive in comparison to their US counterparts.
- Cost of labor in Alberta
- High Canadian Dollar
- Declining amount of cattle available to slaughter in Canada due to the high number of cows slaughtered.

If you don't believe the above points then take the time to ponder Tyson CEO Richard Bond's comments in early May on an analyst call where he stated, “Canada is a major detractor to our overall beef segment.”

I think the writing has been on the wall for quite some time. As one person told me, “the Canadian beef industry was built on significant advantages which were low production costs, a low Canadian dollar and a favorable tax system which promoted expansion.”

In my mind, the Canadian beef industry has matured and we are going to have to deal either an acquisition or consolidation. This shift will take place with ranches, feedyards and packers. As I stated before, this should be a surprise to no one.

Good or Bad?

The question that I set out to ask was is this good or bad for the industry. As I talked to industry stakeholders across Canada a couple threads were apparent in regards to the Tyson-Nilsson transaction.

Firstly, there is a potential positive impact of having a large Canadian owned packer again. There is no arguing about the fact that Nilsson is Canadian but the question will be whether this has any impact on the feeder or the rancher. In my mind Cargill has always operated in Canada very segregated from its American parent.

Herb Lock of Farmsense Marketing in Edmonton questions the relevance of the Canadian ownership issue, “who cares if they are Canadian, they still have to operate in a very competitive market place?”

When I asked Kevin Grier of the George Morris Center about a Canadian owned packer being more likely to focus on other markets other than the US, he questioned me with, “what is wrong with the US market and where are all these other markets that everyone keeps on talking about?” In a nutshell it seemed that Grier believes strongly that Canadian ownership is a hope instead of a real advantage to the Canadian producer.

Canadian feedyards on the other hand are hoping that this shift to a Canadian owned facility will mean a more international market development for Canadian beef which will lead to more money in the back pockets of producers.

As I researched this piece I talked to ten feedyards and I continued to find that every feedyard owner brought up the positives of the Canadian ownership. Many feel that at least this may mean higher prices for producers in the long term. The question is how? We have other Canadian companies in agricultural and they do not necessarily pave the way to prosperity for the producer. Does Viterra pay you more for your canola than Cargill? No, because they do not collect a premium from the end user due to the fact that they are Canadian.

Secondly, this is the lesser of two evils in the sense that Tyson could have closed Brooks and sat on the real-estate. This would of essentially taken 4700 spots per day out of the pipeline. Although the Canadian plants are currently not operating at full capacity this would be a disastrous situation for the industry based on the rampant speculation of when they would re-open the plant. This would create massive distractions for the industry and international customers.

The NFU has been quite clear in their message that if this transaction is permitted by the government a further unraveling of the industry will begin. In our telephone conversation, Dan Qualman firmly stated that “the industry has huge structural problems and the Nilsson sale will only make it worse.”

The NFU is much more comfortable if a group of farmers had bought the Lakeside facility. I just think that this horse has been ridden to death and we need to move on to more long term sustainable solutions. Based on the economic realities since 2003, who is going to fund this type of endeavor besides the government?

I do agree with the NFU in the fact that the industry has structural problems but the Nilsson purchase does not throw the industry over the edge. Also realize the fact that we have two packers in Canada is not the true reason that our industry is in trouble.

What is Nilsson's Plan?

I do not know Brian or Lee Nilsson personally but I will say that there is tremendous respect in the industry for their hands on management style that has led to a very successful business.

An industry insider commented to me that, “the XL plant in Calgary may be one of the most efficiently

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Canola Harvest Management

By Matthew Stanford, Canola Council of Canada

With harvest approaching, producers will need to make some tough decisions in order to maximize profitability. With record high commodity and input prices, there has never been as much at stake as there is with this year's crop. The cool, dry start this spring caused a lot of crop establishment issues, which translated into weed control and crop competitiveness concerns. These stand establishment problems may continue to cause some issues as swathing time approaches.

The relatively cool, wet summer has prolonged the flowering period and has made for a favorable canola growing conditions. Unfortunately, with the moisture has come hail; in some instances, quite severe hail. This adverse weather is going to impact how producers manage affected fields. Unfortunately, there is no obvious management strategy.

Swathing

The Canola Council of Canada's current swathing recommendation, to maximize yield and profitability, is to swath up to 60% seed color change (SCC) on the main stem, a change from the former recommendation of 30-40% SCC. In fields where the stand is maturing uniformly, swathing at or near 60% SCC will yield the best results. Swathing at night, or at least avoiding the heat of the day, is recommended to slow the initial dry down of the crop. By slowing the dry down, the likelihood of green seed issues at harvest will be reduced. Swathing in the evening, at night, or in the early morning will also reduce the amount of pod shatter that takes place during swathing. Ideally, a producer would swath canola when there is a dew or light rain shower, which

will keep shattering losses to a minimum.

To order a free Canola Council Time of Swathing Guide or to view it online, please visit http://www.canola-council.org/canola_resources/product12.aspx or pick one up at Haney Farms.

To be considered color changed, green seeds must have at least small patches of color or spotting. Seeds slowly turn from green to light yellow or reddish-brown to black, depending on weather and variety. Seed color change within pods on the main stem will advance about 10% every two to three days under normal environmental conditions. The main stem matures from the bottom up.

After assessing the main stem, look at seeds from pods on the side branches to ensure they are firm with no translucency, especially in areas of fields with low plant populations, where the plants have numerous branches. If watery, translucent seeds are present in the side branches or the top of the main stem at swathing, those seeds will shrivel and be blown out of the back of the combine.

In fields that have uneven stands, and fields that had a split emergence in the spring, staging will be critical. Some plants may be at 10-20% SCC while others are at 50-60% SCC. In these fields, assessing an **average** seed color change will be the best approach. Sampling areas throughout the field will be necessary to assess this properly. The trick is to capture maximum yield by delaying swathing while still avoiding shattering losses, and allowing as much seed color change as possible on less mature plants.

Hail affected fields may need some special management when it comes to time of swathing.

Pods which have been bruised by hail will be more prone to shatter at an earlier stage than they otherwise would. In these cases, swathing closer to the beginning of the swathing window may be necessary to conserve yield by swathing and prevent shattering losses.

Stands with disease issues, such as alternaria and sclerotinia, should be treated in a similar fashion as fields with hail damage. Diseased plants and pods tend to be more prone to shattering. Again, swathing when the crop is closer to the beginning of the swathing window is the best option.

Straight Cutting

Interest in straight cutting has increased in the past few years, as fuel prices increase, labour becomes harder to find, and producers look to improve efficiency. When trying any new management strategy, be it fertility, pest control or straight cutting, moving forward slowly and documenting your progress is always your best option. Jumping in with both feet is a recipe for disaster.

With straight cutting, there are several considerations. Machinery will be a major factor. All different header and combine configurations will work. Producers will have to experiment, to figure out how to set the header to match the combine's capacity, keeping in mind the cropping conditions of each particular field. Asking neighbors who have tried straight cutting is a very good place to start, but at the end of the day each operation has to experience the learning curve for themselves.

Fields that are thick, well knit together (hard to walk through), and slightly lodged will be the best candidates for straight cutting. This will reduce the amount of plant movement from wind, and



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Matt Stanford discusses swath timing at CROPFEST 2008



Customers learn about new genetics at CROPFEST 2008 at Canterra Corner in July.

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run plants in all of North America.”

There is rampant speculation within the industry that Nilsson’s will close the Calgary facility and sell the high valued real estate to re-invest in the Brooks plant or retire the debt.

Kevin Grier has commented in the media and to me that, “the days for the XL Calgary plant are numbered.”

I did contact Nilsson Bros, and they did not want to provide comments until after the deal was closed.

I would not rule out Nilsson’s continuing to run the Calgary plant based on the fact; who thought they would make the bold move to buy Lakeside in the first place. Many are betting the plant in Calgary will close based on the simple math that the Canadian packer is running at 65-70% capacity and the cow herd is being reduced significantly through a strong cow kill.

I do agree with Kevin Grier in regards to his comments to me that we need to be more concerned

about Tyson closing Pasco than we are about XL closing Calgary due to a resulting true reduction in fat cattle bidders.

Where Does This Leave Us?

I firmly believe that this deal is positive for the industry. As I look at all stakeholders I see that there are positives as a result of the deal if approved by government.

Tyson finds a buyer for an asset that they wanted to shed desperately (\$115 million). This will allow Tyson to still operate in Canada through the Pasco facility and not compete against itself with two plants sourcing fat cattle out of the same area.

Nilsson’s win because it brings them to the a position of critical mass. Although the NFU is very negative in regards to Nilsson’s owning significant parts of each level of the value chain, I believe that this is a major opportunity for them to compete. If this competitive advantage is used properly it will allow for the entire value chain to participate in more sound traceability programs and niche products. If the synergies are used correctly, operating costs will be

lowered and could result in slightly higher attainable prices for the feedyard and cow calf producers.

Cargill wins because they are now facing stiffer competition domestically. This will make Cargill sharper and create more competition in the marketplace for fat cattle.

The feedyard and cow calf producer will benefit from the synergies created and the increased scope of Nilsson’s business in relation to competitors.

I think that Robert Meiger of Cargill said it best when he said to me, “we need to quit focusing and fighting over the distribution of the pie, and focus on making the pie bigger so that there will be more for everyone.

With it being very apparent to me that Cargill and Nilsson’s are committed to Canada hopefully we can move forward and begin to make the pie bigger for the entire value chain instead of listening to chicken little tell us the sky is falling.

Please send feedback to shaney@haneyfarms.com

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keep the maximum amount of pods on the plant. The strong winds typical of southern Alberta could cause a lot of yield loss in standing canola, so assessing the suitability of each field individually will be crucial.

Fields that are thin, have disease pressure, or that have experienced hail should not be straight cut. Thin stands, when exposed to

a wind or rain storm, will move around a lot, bang together, and pods will tend to shatter or break off of the plant. In diseased stands, the pod integrity has been compromised; therefore, they are inherently more likely to shatter. In these situations, swathing is likely your better option.

Pod Sealants

Pod sealants have been around for a number of years. The results

of using these products are mixed. There are some new products available, which may be of interest to producers looking at straight cutting and minimize the risk of pod shatter and pod drop. When trying any new product, always leave a check strip to evaluate the effectiveness of the treatment. If you cover the entire field, how do you know if you got any benefit for your hard earned dollar?

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