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Review of the Proposed Glencore Acquisition of Viterra and Related Transactions

Prepared for:
**Saskatchewan Ministry of
Agriculture**

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Acronyms

CAGR	Compound Annual Growth Rate
CAR	Census Agricultural Region
CCPC	Canadian-controlled Private Corporation
CWB	Canadian Wheat Board
EBIDTA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EIA	Energy Information Administration
EU	European Union
ERS	Economic Research Service
FAO	Food and Agriculture Organization of the United Nations
FCR	Farm Cash Receipt
GAO	United States Government Accountability Office
IFA	International Fertilizer Industry Association
IPO	Initial Public Offering
MMT	Million Metric Tonnes
NPK	Nitrogen, Phosphorous and Potassium
R&D	Research and Development
USDA	United States Department of Agriculture
USGS	United States Geological Survey

I. EXECUTIVE SUMMARY

A. Background and Purpose of the Study

- Viterra Inc. (“Viterra”), headquartered in Regina, Saskatchewan, is the largest grain company in Canada. It also has an extensive retail presence selling crop inputs through its Agri-Products division, which has 258 outlets in Western Canada, and Viterra processes canola, malt, oats and other grains. Its operations extend into the United States and Australia. In March 2012, Glencore International plc (“Glencore”), a leading integrated producer and marketer of commodities, including agricultural commodities, announced that it had entered into an agreement to acquire all of the outstanding shares of Viterra.
- In connection with the acquisition, Glencore reached an agreement to sell certain Viterra assets to Richardson International Limited (“Richardson”), including 19 grain elevators and the crop input centers co-located with those elevators, a 25% ownership interest in the Cascadia Export Terminal at Vancouver and a Viterra export terminal at Thunder Bay, and the Can-Oat Milling and 21st Century Grain Processing businesses. Glencore similarly entered into an agreement to sell Agrium Inc. approximately 90% of Viterra’s Canadian retail crop input facilities, all of its Australian retail facilities, and its minority position in the Canadian Fertilizer Limited nitrogen production facility in Medicine Hat, Alberta.
- The Saskatchewan Ministry of Agriculture (the “Ministry”) commissioned Informa Economics, Inc. (“Informa”) to provide a report assessing the implications for Saskatchewan of the proposed acquisition of Viterra.

B. Key Findings

1. Implications for Competition within the Western Canadian Grain-Handling System

- According to the Canadian Grain Commission, Viterra is the largest grain-handling firm in Canada as measured by storage capacity. While throughput volumes are not publicly reported for all grain companies, in Viterra’s 2011 Annual Report the company stated that it has about 45% of the grain-handling market share in Western Canada.
- On the other hand, Glencore has no agricultural assets in Canada at the present time. Therefore, the initial acquisition of Viterra by Glencore (i.e., prior to any subsequent divestitures) will have a minimal effect on

competition within the Western Canadian grain-handling system, since there will be no increase in the concentration of assets but rather a change of ownership of an existing set of assets and operations. This assessment was confirmed by the Canadian Competition Bureau; Glencore received a “No-Action Letter” from the Canadian Commissioner of Competition regarding Glencore’s application to the Competition Bureau for the initial share purchase of Viterra.

- Richardson International Limited (“Richardson”) has agreed to acquire certain current Viterra assets, including 19 primary elevators and the retail crop input facilities co-located with those facilities, as well as interests in certain Viterra export elevators. In Saskatchewan, after the transactions, Glencore and Richardson would come close to parity in grain storage capacity. Glencore’s share of elevator capacity in Saskatchewan would decline to 25%, compared to 32% for Viterra prior to the acquisition. Richardson’s share would increase to 23% from 16%. The four-firm concentration ratio for the grain-handling industry in Saskatchewan based on storage capacity would remain unchanged at 64%.
- Richardson needs additional export terminal capacity/throughput given the amount of grain it originates on the Canadian Prairies. The inclusion of a share of the Cascadia Export Terminal and a Thunder Bay terminal in the acquisition from Glencore will give Richardson greater ability to export, which will further improve competition among Canadian grain companies.
- Prior to the transactions, based on estimated throughput Viterra had market shares ranging from 28% to 45% among the Census Agricultural Regions (CARs) in Saskatchewan, with a simple province-wide average of 38%. Richardson had CAR market shares ranging from 3% to 27%, with an average 16% market share across the province. The divestiture of former Viterra elevators to Richardson would result in Richardson’s average CAR market share increasing to 25%, while Glencore’s average CAR market share falls to 29%. The four-firm concentration ratio based on CAR market share would be unchanged at 77%.
- The distances among competing grain elevators in Saskatchewan would not change significantly as a result of the transactions. This is an indicator that competition will not be adversely affected by the Glencore acquisition or the positioning of the elevators Richardson is subsequently acquiring.
- It can be concluded that the initial Glencore acquisition will have a minimal effect on competition within the grain-handling system, and the subsequent divestiture of several elevators to Richardson provides a more even playing field in Canada and specifically in Saskatchewan.

2. Implications for Competition in the Farm Input Sector

- The primary considerations of the Competition Bureau in conducting an analysis of a proposed merger are the impacts of the transaction on price and output. It is a firm's *ability* to raise prices, not the likelihood that prices will be raised, that is of concern.
- Within the retail crop inputs business in Saskatchewan, major product categories include crop nutrients (i.e., fertilizer), crop protectants (e.g., herbicides and insecticides), and seed.
- In the first stage of the transaction in which Glencore acquires Viterra, it acquires all of Viterra's retail input facilities and will have an equal market share and regional distribution as Viterra currently has. This is expected to have a minimal impact on competition in the retail input sector.
- The number of retail input facilities that Agrium will have in Saskatchewan following the divestiture by Glencore is not dramatically higher than the number of facilities that Viterra has before it is acquired by Glencore. Thus, regarding the horizontal merger impacts for the province, the combined market share of the top firms in the retail inputs industry (measured in terms of facilities owned) will not change significantly due to the transactions.
- However, what will change in a material way is the degree of vertical integration in the crop nutrients sector if Agrium adds the largest retail input sales network to its existing production facilities and the minority interest it is acquiring in Canadian Fertilizer Limited. Agrium is already one of the largest crop nutrients producers in Canada, with significant production capacity for ammonia (2 million nutrient MT) and urea (842,000 nutrient MT), both of which are nitrogen fertilizers. Agrium provides wholesale crop nutrients to a range of retailers, including some of the facilities it will be acquiring as well as some competing retailers.
- While Viterra's share of retail input facility ownership was 37% in Saskatchewan prior to the acquisition by Glencore, Agrium's expected share of retail facility ownership after the transactions will be an estimated 42%. At the wholesale level, Agrium would own 53% and 49% of Canadian ammonia and urea production capacity, respectively. The Competition Bureau has a criterion suggesting the need for more detailed investigation for a single company with a market share of over 35%.

- After the divestiture of crop input retailers by Glencore to Agrium and Richardson, there will be limited impacts on the distance among competing retail input facilities in most areas of Saskatchewan. Sixty-three percent of crop input retailers will be within 5 kilometers of the nearest competing retailer following the transactions, and 86% will be within 30 kilometers of their nearest competitor.
- The key potential for competitive impacts within the crop input sector lies in the vertical integration of over 50% of the nitrogen production capacity in Canada with ownership of the largest network of crop input retailers (42% in Saskatchewan) and the potential that may create to harm competition. Agrium currently runs its wholesale and retail operations separately, which mitigates the potential for anticompetitive actions, and there is no evidence that Agrium intends to undertake such actions. However, if Agrium's retail and wholesale business units were coordinated in the future, the firm might have the ability to sustain price increases in some locations. Thus, there is some concern about competition in the farm input sector – particularly regarding nitrogen fertilizers – due to the acquisition of most of Viterra's retail input facilities by Agrium.
- There is some degree of market discipline on the ability of a company to impose and sustain an increase in prices. The recent strength in retail margins indicates that in the near term, competitors that do not raise their own prices in response to a wholesale price increase might be able to gain market share while still maintaining positive profit margins. Farmers in locations where the nearest competing retailer is sufficiently close and is large enough to handle the amount of increased volume would have the highest probability of being able to avoid a price increase by one retailer. Additionally, farmers who can switch to competing retailers for fertilizer might also switch their purchases of other crop inputs such as crop protectants and seeds; for Agrium, these other inputs have higher gross profit margins than crop nutrients. Finally, if nitrogen fertilizer prices are raised, the magnitude of the increase would be limited in the short term by the price at which imports could be brought into the province and in the long term by the ability of competing manufacturers to expand capacity.
- According to the Competition Bureau, the potential for improved operational efficiencies is a consideration that can mitigate concerns about possible negative impacts of mergers. The ownership of a larger number of retailers in Canada could give Agrium additional efficiencies, particularly in distribution. Additionally, Agrium has more than 1,250 retail outlets on three continents, and it has indicated its intent to bring the best practices from those operations to bear on its expanded Canadian retail network.

3. Implications for All Aspects of Grain Industry Employment in Saskatchewan

- A large majority of Viterra’s employees in Saskatchewan work “in the field” in the company’s elevators, retail input facilities, and processing plants. These employees are expected to retain their jobs after the acquisition by Glencore and the subsequent divestitures to Richardson and Agrium. Glencore, Richardson and Agrium have indicated that they are not acquiring any facilities with the intent of shutting them down.
- Any loss of jobs in Saskatchewan is likely to be limited to Viterra’s Regina head office. Some functions might not be needed because they are fulfilled by personnel already working for the acquiring companies, and there might also be a rationalization of head office staff. A portion of the current head office staff will be allocated to Richardson and Agrium since they are involved with parts of the business that are being divested by Glencore.
- On the other hand, Glencore intends to make the Regina head office the platform for its North American agricultural operations and expansion into the U.S. Whereas in recent years many of Viterra’s most senior positions had migrated to Calgary, Glencore will relocate the most senior Canadian decision-making positions to the Regina office. Glencore’s preliminary assessment is that it will likely transfer approximately 20-30 positions from Viterra’s Calgary office to Regina within the first year following the acquisition. These positions tend to be relatively highly compensated. In addition, Glencore expects that approximately 2-4 positions are likely to be transferred from its European offices to Regina.
- In addition to using the Regina head office as the platform for North American expansion, Glencore also intends to expand Viterra’s existing handling infrastructure (both country elevators and port facilities) to meet the anticipated growing global demand for agricultural products. As a result, the company has indicated that it expects a number of positions to be restored in the Regina office in the medium term (4-6 years).

4. Implications for Saskatchewan Farmers

- By far, the most important way in which the Glencore acquisition of Viterra and the subsequent divestitures of assets to Richardson and Agrium will impact Saskatchewan farmers is to provide them with additional access to global markets just as the Canadian Wheat Board’s (“CWB”) “single-desk” monopoly comes to an end. In the past, the CWB exclusively has been responsible for export sales of durum, other wheat and barley (i.e., Board crops). Canada exports a substantial share of the wheat and canola (a non-Board crop) that it produces, and a moderate share of its barley output is also exported. Glencore has an extensive global agricultural network; it markets wheat

into the Middle East, North Africa and Southern Europe, is a leading barley supplier to Saudi Arabia, is a large supplier of canola to Pakistan and has extensive operations in the EU.

- Saskatchewan farmers also will benefit from the likelihood of enhanced competition for grains and canola resulting from Glencore's divestiture of 19 country elevators and export elevator interests to Richardson. The divestiture of the Thunder Bay terminal and the interest in the Cascadia terminal will provide further access to international markets for Richardson, which will improve marketing opportunities for the grain it originates in Saskatchewan.
- Both Glencore and Richardson expect to be able to realize efficiencies in the assets they purchase that were previously held by Viterra. To some extent, this is likely to occur as the dissolution of the CWB allows the companies to transact directly with farmers and control the usage of transportation and grain-handling assets. Furthermore, according to Glencore, the company has in-depth experience with grain handling, transportation and marketing operations of the kind that it is acquiring. It has experience in maintaining and expanding an extensive asset base (storage, handling and crushing assets) and will combine its best practices with the substantial expertise developed by Viterra to enhance the productivity and efficiency of the Canadian and global operations. To the extent that efficiencies are gained, a portion of the improved profits might accrue to farmers in the form of higher prices.
- The majority of farmers will not have to drive significantly farther to find a competing elevator or retail inputs facility than they did prior to the Glencore acquisition of Viterra. This indicates that it will not be significantly more burdensome after the transactions for farmers to find a supplier for inputs or a buyer for grains and oilseeds.
- Glencore has the capacity and working capital to offer a broad range of contract types and pricing mechanisms: priced, unpriced (premium contracts versus futures), for prompt, medium-term or longer-term future delivery, current and new crop. Glencore can embed options into the contracts, and can also run "pools," if desired by farmers.
- All of the companies acquiring Viterra's assets indicate that they intend to maintain its tradition of being a good corporate citizen in Saskatchewan. Glencore has announced that it intends to maintain all of Viterra's current community-based and philanthropic commitments. Of note for farmers, Glencore will expand on such activities through initiatives such as a program to encourage greater skill development, education and opportunities for Western Canadian youth in the agricultural sector and other initiatives. Richardson has stated that it intends to be a good corporate citizen; the company believes that it is the most philanthropically generous in the industry, partly

through the activities of the Richardson's Foundation. Agrium has several flagship programs, including Seed Survivor, Caring for Our Watersheds, the United Way and the Millennium Promise (contribution of nutrients to African small land holders).

- Farmers will have greater access to Crop Production Services' (Agrium) value-added services and proprietary products. Agrium has indicated that one of its goals is to bring its branded Loveland products to Canada, which will provide farmers with more choice than is currently available.
- One potentially significant negative effect on farmers from the transactions would occur if Agrium attempted to use the market power associated with its vertically integrated status to raise prices of crop nutrients, particularly nitrogen fertilizers.
- On balance, Saskatchewan farmers are likely to benefit from future industry developments. This is due to a combination of factors: access to Glencore's superior global network, enhanced competition due to the divestiture to Richardson and the effects of the ending of the CWB monopoly.

5. Implications for Revenues of the Government of Saskatchewan

- Changes in corporate income taxes as a result of which company receives grain in the province are not expected to be substantial based on changes in volume of grain handled, as gains by one firm must be offset by reduced grain receipts by other firms, all else being equal. Since the exact terms of the acquisitions in the second stage of transactions were still being finalized at the time of writing, grain throughputs and revenues for facilities that will be transferred were not yet available.
- In the short term, the taxes on individuals are expected to be most directly impacted by the transaction as a result of any staffing changes that occur to Viterra's current workforce in the Regina head office. The aggregate impact on personal income taxes paid to the province is modest, and it assumes the employees who are let go are unable to find other positions despite Saskatchewan's low-unemployment economy.
- There will also be a one-time gain to individuals who currently hold shares of Viterra, as Glencore will purchase all shares for \$16.25 each. As the former Saskatchewan Wheat Pool, a percentage of the individual investors in Viterra reside in Saskatchewan and would pay capital gains tax on the resulting gain from the sale of Viterra shares. Further, executives of Viterra owning shares of the company as a part of their executive compensation

packages will also benefit from the sale. Capital gains to individuals in Saskatchewan are taxed based on 50% of the capital gain taxed under the normal personal income tax structure.

6. Implications for Saskatchewan's Strategic Position in the International Grain Industry

- The implications of the Glencore acquisition of Viterra on Saskatchewan's position in the international grain industry are generally positive. The acquisition by Glencore will tie Saskatchewan agriculture into a leading international agricultural commodity marketing network, which will be much needed in a post-CWB environment. Glencore is particularly strong as a marketer of wheat into the Middle East, North Africa, and Southern Europe, and it has a strong presence in grains in the EU. Glencore also has offices in Turkey, Egypt, Dubai and Morocco, where it has the ability to discharge and store wheat at destination.
- The acquisition of Viterra would expand Glencore's grain origination capability into North America. Given that half of Viterra's grain elevators are located in Saskatchewan, the province would become a significant origin for durum, other wheat, barley and canola to be marketed within Glencore's global network.
- Additionally, while Viterra is nominally a Regina-based grain company, its executives are generally based in Calgary. Glencore will repatriate Viterra's executive offices to Saskatchewan and make the Regina head office the platform for its North American agricultural operations and for expansion into the U.S. This will bolster Regina's position as an important center in the North American grain industry.
- The transaction would also strengthen Richardson, in itself a strong international marketer of grains. The addition of export capacity as well as additional grain origination facilities should put Richardson in an even stronger position to compete in the global marketplace.
- Glencore plans to increase capital expenditures by \$100 million over and above Viterra's projections for the next five years. Glencore intends to expand Viterra's existing handling infrastructure (both country elevators and port facilities) to meet the anticipated growing global demand for agricultural products. Glencore's financial strength allows it to make ongoing commitments to build the handling and distribution infrastructure required to meet this demand. Glencore expects its capital expenditures also to result in significant efficiency enhancements in Viterra's handling and transportation infrastructure, along with improving the ability of Western Canadian farmers to respond to the expected growth in global demand. Particularly relevant to Saskatchewan, Glencore expects that there will

be growing export opportunities for wheat producers as growers in many other parts of the world shift to higher-protein oilseeds.

- Thus, from an operational standpoint, the acquisition of Viterra by Glencore and the subsequent divestiture of certain assets to Richardson would further cement Saskatchewan's position in the international grain industry.

7. Implications for Saskatchewan's Reputation for a Positive Investment Climate

- Glencore's proposed acquisition of Viterra and its intent to increase investments by \$100 million above Viterra's baseline over the next five years are indications that Saskatchewan is perceived as a positive place to invest.
- Given that there are no major negative impacts of the Glencore acquisition of Viterra or the subsequent divestiture of certain assets to Richardson as measured by the criteria discussed above, the Government's acceptance of or even support for these transactions would enhance Saskatchewan's reputation as a place that is "open for business." Companies, whether domestically owned or foreign, prefer certain characteristics in the government of a country or province where they are considering making an investment: the rule of law, decisions that are not arbitrary, relatively free markets and transparency. Additionally, the shareholders of a company (e.g., Viterra) want to be able to maximize the value of their shares. Acceptance or support of the Glencore acquisition and subsequent divestiture to Richardson would reinforce Saskatchewan's reputation as a place where corporations and shareholders are treated in such a manner.
- Still, an issue for the Government is that while the divestiture of most of Viterra's crop input-related assets to Agrium is not expected to result in anticompetitive actions, a vertically integrated Agrium could potentially have the ability to exert pressure on nitrogen prices in the future if it chose to do so. The Government will need to determine whether it considers the probability of such activity to be sufficiently high and the consequences to be sufficiently serious that it recommends altering the terms of the divestiture to Agrium. In doing so, it will also have to consider whether taking this step could adversely affect Saskatchewan's reputation for a positive investment climate.

C. Summary of Findings

Criterion	Findings
Competition in the Grain-Handling System	Initial acquisition of Viterra by Glencore will have minimal impact on competition. Subsequent divestiture of elevators to Richardson will enhance competition.
Competition in the Farm Input Sector	Concern over the ability of Agrium to exert pressure on nitrogen prices due to vertical integration after acquisition of Viterra retail input facilities. However, there is no evidence this will occur, and company structure makes less likely.
Grain Industry Employment	A majority of Viterra's 1,600 Saskatchewan employees are located in their field operations. Based on statements by the companies, it is anticipated that all of Viterra's field employees will retain their jobs after the Glencore acquisition and subsequent divestitures to Richardson and Agrium. Any loss of jobs is likely to be limited to the Regina head office, though Glencore is repatriating relatively high-paying jobs from Calgary.
Saskatchewan Farmers	Glencore acquisition provides access to global markets in a post-CWB environment. Divestiture of elevators to Richardson provides more competition. Glencore maintaining Viterra's community-based and philanthropic commitments and expanding programs for farmers. One potential negative is Agrium market power in nitrogen after acquisition of Viterra retail input facilities. On balance, Saskatchewan farmers are likely to benefit from future industry developments, due to a combination of factors: access to Glencore's superior global network, enhanced competition due to the divestiture to Richardson and the effects of the ending of the CWB monopoly.
Revenues of the Government of Saskatchewan	Personal and consumption tax revenue effects will be relatively minor, with a small personal income tax revenue loss in the near term, which is offset to some degree by higher provincial revenues associated with increased capital expenditures.

Criterion	Findings
Capital Expenditures	Glencore’s intentions to increase capital expenditures by \$100 million over and above Viterra’s planned levels indicate the perception of Saskatchewan as a positive place to invest and will generate additional jobs over time and further economic spinoffs for the province.
Saskatchewan’s Position in the Grain Industry	Enhanced by integration into Glencore’s global network. Additionally, while Viterra is nominally a Regina-based grain company, its executives are generally based in Calgary. Glencore will repatriate Viterra’s executive offices to Saskatchewan and make the Regina head office the platform for its North American agricultural operations and for expansion into the U.S. This will bolster Regina’s position as an important center in the North American grain industry.
Reputation for a Positive Investment Climate	Glencore’s acquisition of Viterra and intent to increase investments by \$100 million in Canada are evidence of perception as a positive place to invest. Reputation would be enhanced by acceptance of or support for Glencore acquisition of Viterra. The position that the provincial government will take on the Agrium acquisition of Viterra retail input facilities is a consideration.

II. INTRODUCTION AND PROPOSED TRANSACTIONS

A. Introduction

Viterra Inc. (“Viterra”) is the largest grain company in Canada, with a 45% share of Western Canadian grain handling. It also has an extensive retail presence selling crop inputs through its Agri-Products division, which has 258 outlets in Western Canada, and Viterra processes canola, malt, oats and other grains. Its operations extend into the United States and Australia. In March 2012, Glencore International plc (“Glencore”), a leading integrated producer and marketer of commodities, including agricultural commodities, announced that it had entered into an agreement to acquire all of the outstanding shares of Viterra.

In connection with the acquisition, Glencore reached an agreement to sell certain Viterra assets to Richardson International Limited (“Richardson”), including 19 grain elevators and the crop input centers co-located with those elevators, a 25% ownership interest in the Cascadia Export Terminal at Vancouver and a Viterra export terminal at Thunder Bay, and the Can-Oat Milling and 21st Century Grain Processing businesses. Glencore similarly entered into an agreement to sell Agrium Inc. approximately 90% of Viterra’s Canadian retail facilities, all of its Australian retail facilities and its minority position in the Canadian Fertilizer Limited nitrogen production facility in Medicine Hat, Alberta. The Richardson and Agrium transactions are contingent upon the successful completion of Glencore’s acquisition of Viterra.

Given that Viterra is headquartered in Regina, has 50 of its 99 Canadian grain elevators in Saskatchewan and has the largest number of retail input facilities of any company in the province, the Glencore acquisition and subsequent transactions at a minimum involve the leading agricultural company (and a large-scale employer) in Saskatchewan and potentially could have implications for Saskatchewan’s farmers and the position of Saskatchewan within the global agriculture sector. Accordingly, the Saskatchewan Ministry of Agriculture (the “Ministry”) commissioned Informa Economics, Inc. (“Informa”) to complete a report to understand the implications for Saskatchewan of the proposed acquisition of Viterra. More specifically, the Ministry asked Informa to identify the risks to and opportunities and benefits arising out of the transaction, including those for:

- All aspects of grain industry employment in Saskatchewan;
- Competition within the Western Canadian grain-handling system;
- Competition in the farm input sector;
- Saskatchewan farmers;
- Revenues of the Government of Saskatchewan;

- Saskatchewan's strategic position in the international grain industry; and
- Saskatchewan's reputation for a positive investment climate.

B. Background

The acquisition and divestiture transactions that have been agreed to by Glencore, Viterra, Richardson and Agrium fit into the larger picture of grain and oilseed production and associated farm inputs sales, as well as the provincial, national and global markets for these commodities. Changes as a result of the acquisitions can be viewed in reference to several broader market changes. Important factors affecting these markets include the global supply and demand situation for grains and oilseeds, macroeconomic factors such as the economic recovery as well as population and economic growth in developing economies, and other recent changes such as the scheduled end of the "single-desk" monopoly of the Canadian Wheat Board ("CWB") in Western Canada.

In the past, the CWB was mandated by the Canadian government as the single-desk seller of durum, other wheat and barley (i.e., Board crops) destined for export or for human consumption within Canada. The CWB historically played several key roles in grain handling in Canada, and this resulted in roles for private grain companies that were different for Board crops versus non-Board crops. Key roles of the mandatory CWB in grain handling included:

- Marketer of grain for producers;
- Coordinator of grain deliveries with grain handling facilities; and
- Manager of rail and port shipments of grain.

As the CWB will no longer be the sole marketer of Board crops in Western Canada, there is expected to be room in the grain handling and transportation system for others to fulfill some of these roles, whether railroads, grain handlers, farmers, the restructured ("voluntary") CWB, or others. Any changes in the returns received by these operations could have potential impacts throughout the supply chain, including on input producers and retailers, grain handlers, and those involved in exports as well as grain and oilseed processing.

With the changes in grain marketing in Canada combined with the larger trends in the agricultural and world economy, grain handlers with a significant presence in Canada and access to export markets appear poised to benefit. This attracted interest from global grain companies with no or minimal involvement in Canadian grain handling who sought to become involved in the sector. It became publicly evident in March 2012 that there were companies interested in Viterra for these reasons, which ultimately resulted in the expected acquisition and divestitures described in this report.

C. Proposed Transactions

The transactions that are pending by Glencore, Viterra, Richardson, and Agrium can be considered in two stages. Broadly speaking, in the first stage Glencore will complete a cash purchase of all shares of Viterra. At the conclusion of this phase Glencore, will own all of Viterra's current assets. In the second stage, Glencore will divest some of the assets acquired from Viterra to Richardson and Agrium. When all transactions are concluded, Glencore will retain a significant market share in the grain-handling business in Canada, while Richardson will gain grain elevators, retail input facilities, export facilities, and processing ownership and Agrium will gain a share of a fertilizer manufacturing plant and substantial retail crop input business ownership. Regulatory approvals are being sought in two stages, matching the two stages of the transaction (i.e., Glencore acquiring Viterra, and then Richardson and Agrium acquiring certain assets from Glencore). Further information on each stage of the transaction is provided below.

1. Stage 1: Glencore Cash Purchase of Viterra Shares

Glencore has signed an arrangement agreement with Viterra which details the cash share purchase. An interim order of the Ontario Superior Court of Justice provides for the holding of a meeting of Viterra shareholders to vote on approval of the arrangement agreement.

(a) Highlights of the Transaction

- **Share purchase price of \$16.25 per share.** Glencore has signed an arrangement agreement with Viterra to purchase all of the issued and outstanding shares of Viterra for \$16.25 a share. This represents a 48% premium over the closing price for Viterra of \$10.98 per share on March 8, 2012, just prior to the announcement of interest in purchasing Viterra.
- **Valuation of Viterra of ~\$6.1 billion.** The transaction values Viterra's equity at approximately \$6.1 billion, subject to the level of working capital and other factors at the time the transaction is executed. Glencore will also be assuming approximately \$1 billion in Viterra net debt.¹

¹ Moody's Investors Services. "Announcement: Moody's places Glencore's ratings on review with direction uncertain." March 2012. http://www.moodys.com/research/Moodys-places-Glencores-ratings-on-review-with-direction-uncertain--PR_240996

- **Regulatory approval required.** Since Viterra is a global company, there are a range of regulatory hurdles to be faced in the countries where it does business. Regulatory approvals needed for the share purchase transaction include:
 - **Competition Bureau Clearance** under the *Competition Act* (Canada).
 - **Investment Canada Act approval** to ensure that the acquisition is “likely to be of net benefit to Canada and the implementation of the acquisition is not prohibited under Part IV.1 of the *Investment Canada Act*.”
 - **Other approvals required.** Other clearances and approvals that are required include clearance under the HSR Act (United States), FIRB Approval under the *Foreign Acquisitions and Takeovers Act of 1975* (Australia), Australia Competition and Consumer Commission approval, *Overseas Investment Act* Consent (New Zealand), European Union (EU) Merger Regulation approval through the EU Commission, People’s Republic of China anti-monopoly approval, Japan anti-trust approval, South Korea anti-trust approval, South African merger approval, Ukraine anti-trust approval and TCB approval (Turkey).
- **Shareholder approval.** Viterra will hold a special shareholder’s meeting in Calgary, Alberta on May 29, 2012, to vote on whether to approve the cash share purchase of all Viterra shares by Glencore. To move forward, the deal must be approved by two-thirds of shareholders or their proxies. If approved, the deal is expected to be completed by July 31, 2012, subject to regulatory clearance.
 - Holders of 16.5% of Viterra’s shares, including the largest holder of Viterra shares, the Alberta Investment Management Corporation, and Viterra’s Directors and Senior Officers have entered into agreements with Glencore supporting the transaction, subject to the terms thereof.
 - Viterra’s Board of Directors gave unanimous approval to the arrangement with Glencore.
- **Termination conditions and fees.** If the agreement is terminated by Viterra, a termination fee of \$185 million must be paid by Viterra to Glencore. If the agreement is terminated by Glencore or regulatory approval is not received for the transaction, Glencore must pay Viterra a reverse termination fee of \$50 million.
- **Transaction financing.** Glencore will finance its purchase through existing cash resources and available credit facilities. These assets are considerable, given that Glencore had its initial public offering (IPO) in May 2011. Its

IPO was the largest ever on the premium listing segment of the London Stock Exchange and via its IPO, Glencore raised a net US\$7.291 billion.²

2. Stage 2: Glencore Divestiture of Facilities

- Glencore has executed separate agreements with Richardson and Agrium. Through these arrangements, Glencore will divest a considerable portion of the assets it will have purchased from Viterra. Completion of these transactions is still subject to regulatory approval.
- Richardson is expected to pay roughly \$800 million for the assets it acquires, and Agrium will pay roughly \$1.8 billion,³ resulting in Glencore's estimated net outflow for the back-to-back transactions of \$3.5 billion.
- Key divestitures to be made by Glencore include grain elevators and port terminal capacity that will go to Richardson, and agri-products and fertilizer production facilities that will go to Agrium.

Looking more specifically at the results of the divestitures:

- **Glencore**
 - **Grain Elevators.** Glencore will retain 73 licensed primary grain elevators (Viterra's 92 prior to the acquisition⁴ less the 19 elevator locations to be acquired by Richardson).
 - **Export Terminals.** Glencore will retain 75% ownership of Cascadia terminal at Vancouver and full ownership of Pacific Elevators, both of which are located at Port Metro Vancouver, British Columbia. Glencore will also retain its ownership in Prince Rupert Grain, a joint venture with Richardson and Cargill at the Port of Prince Rupert, British Columbia, and two terminals at Thunder Bay, Ontario, as well as control over a leased terminal at the Port of Montreal, Quebec.

² Glencore International plc and subsidiaries. *Annual Report 2011*.

³ C\$1.775 billion base purchase price subject to various adjustments as listed in the *Support and Purchase Agreement between Glencore International PLC and... Agrium, Inc.* dated March 19, 2012 (available through SEDAR at <http://www.sedar.com>).

⁴ Viterra 2011 Annual Report. <http://www.viterra.com>

- **Retail Crop Input Facilities.** In the near term, the small number of facilities that are not divested to Richardson or Agrium will remain under Glencore's control. Glencore has not announced future plans for those facilities that are not immediately sold to Agrium or Richardson, although it has said that it does not have plans to close any facilities.
- **Processing.** Glencore will acquire the canola crushing plant previously held by Viterra in Ste. Agathe, Manitoba.

■ **Richardson**

- **Grain Elevators.** Richardson will acquire 19 of Viterra's grain handling facilities, including 10 grain handling facilities in Saskatchewan.
- **Retail Crop Input Facilities.** Richardson will acquire the retail Agri-Products outlets co-located with several of the grain elevators it purchases.
- **Export Terminals.** Richardson will acquire a 25% ownership share in Cascadia Terminal, the largest grain terminal at Port Metro Vancouver. Richardson will also acquire a Viterra terminal at Thunder Bay, Ontario.
- **Processing.** Richardson will acquire the Can-Oat milling business (3 facilities, including one in Saskatchewan). It will also acquire 21st Century Grain Processing, which has assets in Nebraska and Texas.

■ **Agrium**

- **Retail Crop Input Facilities.** Agrium will acquire over 200 retail input facilities, accounting for around 90% of the retail input facilities previously held by Viterra.
- **Fertilizer Production.** Agrium will acquire a 34% interest in Canadian Fertilizer Limited, a nitrogen facility in Medicine Hat, Alberta, with an annual production capacity of approximately 1.2 million tonnes of ammonia and 735,000 tonnes of urea.

■ **Financial Implications**

- Through these divestitures, Glencore will recoup approximately \$2.6 billion (\$1.8 billion from Agrium and \$0.8 billion from Richardson) of the approximate \$6.1 billion it is paying for all Viterra shares. These amounts are all subject to specific purchase conditions.
- At the time of the release of the arrangement agreements, full details were pending regarding which facilities would be sold; this would also have an impact on the amount paid by the purchasers.

3. Status of Approvals

- Glencore has received a “no action” letter from the Canadian Competition Bureau dated May 3, 2012, regarding the first stage of the transaction, in which Glencore will acquire Viterra. This means that the Competition Bureau will not oppose the first stage of the transaction for Glencore to acquire Viterra. As of May 7, there has been no announcement regarding the second stage of the transaction.
- Glencore also noted that the waiting period for the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 expired on May 3. During the waiting period, the U.S. Federal Trade Commission and the Department of Justice review the proposed transaction; once the waiting period has expired with no action, the transaction can proceed.

III. GLOBAL BACKGROUND ON MAJOR CROPS GROWN IN SASKATCHEWAN

This chapter provides overviews of the global and national markets for the major crops grown in Saskatchewan, namely wheat, barley and canola.

A. Wheat

1. Global Wheat Situation

- World wheat production grew over the past decade from 584 MMT in crop year 2001/02 to an estimated 696 MMT in 2011/12 (Exhibit 1). Yield improvement was the major reason for the production growth, with average yields increasing at a CAGR of 1.4% during the same period. This is compared to 0.3% increase of harvested area.
- Consumption grew slightly slower than production, from 587 MMT in 2001/02 to an estimated 689 MMT in 2011/12, equivalent to a CAGR of 1.6%.
- Global wheat trade increased noticeably from 108 MMT in 2001/02 to an estimated 145 MMT in 2011/12 with a CAGR of 3.0%.
- In 2010/11, the EU, China, India, the U.S. and Russia were the top five producers, accounting for 443 MMT or 67% of world total production. Canada produced 23 MMT of wheat in 2010/11, representing 4% of world production (Exhibit 2).
- The top five producers are also the top five consumers. In 2010/11, these five countries/regions consumed 384 MMT of wheat, accounting for 59% of world total consumption. Canada consumed 7.7 MMT of wheat in 2010/11 or 1% of world total consumption.
- The world's largest wheat exporters are the U.S., the EU, Australia, Canada and Argentina. Canada exported 16.6 MMT of wheat in 2010/11 which represented 13% of world total exports. The combined wheat exports of the five countries/regions in 2010/11 were 103 MMT or 78% of world total wheat exports. China and India consume most of the wheat they produce and export a very limited amount of wheat. Russia is also an important wheat exporter.

But its export capability varies widely from year to year because of weather conditions. In 2009/10, Russia exported 18.6 MMT of wheat, accounting for 14% of world total wheat export. In 2010/11, however, Russia experienced severe drought which resulted in sizable loss of crop production. The Russian government had to impose a grain export ban to maintain domestic supply. As a result, Russia in 2010/11 exported only 4.0 MMT of wheat or 3% of world total wheat exports.

Exhibit 1: World Wheat Fundamentals

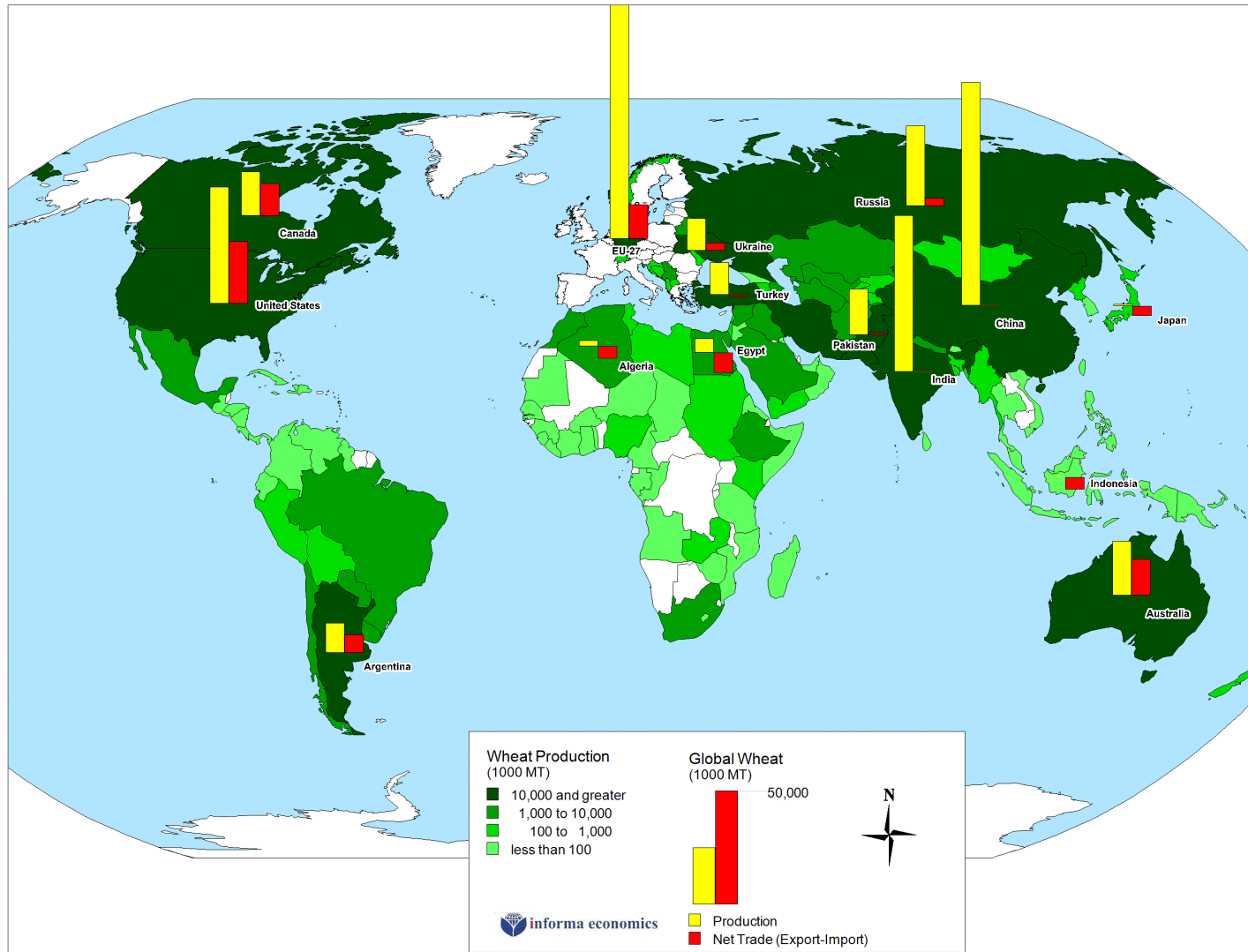
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Harvested Area	Million Hectares	215	215	210	217	220	213	218	225	228	223	223	223	0.3%
Yield	MT/Hectare	2.7	2.6	2.6	2.9	2.8	2.8	2.8	3.0	3.0	2.9	3.1	3.1	1.4%
Carryin	MMT	208	205	170	136	155	152	133	127	167	202	199	205	
Production	MMT	584	570	555	627	619	596	612	683	686	651	696	681	1.8%
Total Supply	MMT	792	775	725	763	774	748	745	810	853	854	895	887	1.2%
Food, Seed and Industrial	MMT	478	489	482	497	502	508	512	516	530	538	552	559	1.5%
Feed and Residual	MMT	109	116	107	110	120	108	105	127	120	117	137	132	2.3%
Total Usage	MMT	587	605	590	607	622	616	618	643	650	655	689	691	1.6%
Trade	MMT	108	107	104	114	114	116	116	143	134	133	145	138	3.0%
Carryout	MMT	205	170	136	155	152	133	127	167	202	199	205	196	
Stocks-to-Use Ratio	%	35	28	23	26	24	22	21	26	31	30	30	28	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

- On the wheat import side, buyers of wheat are quite diversified, and the market is relatively decentralized. Egypt, Brazil, Indonesia, Algeria and Japan were the top five importers in 2010/11, accounting for only 28% of world total wheat imports.

Exhibit 2: 2010/11 World Wheat Production and Net Trade



Source: Informa Economics, Inc.

2. Canadian Wheat Situation

- In 2010/11, Canada was the 8th largest wheat producer, 15th largest wheat consumer and 4th largest wheat exporter in the world.
- Canadian wheat production grew from 20.6 MMT in 2001/02 to an estimated 25.3 MMT in 2011/12 (Exhibit 3). Yield improvement was the major reason for the production growth, which increased at a CAGR of 4.3% during the same period. This is compared to 2.3% decline in planted area and 2.1% decline in harvested area.
- Domestic use grew slower than production, from 7.7 MMT in 2001/02 to estimated 9.2 MMT in 2011/12, with a CAGR of 1.7%. Exports increased from 16.3 MMT to an estimated 17.6 MMT in this period, with a CAGR of 0.7%. As a result, total use increased from 24.0 MMT to an estimated 26.8 MMT, for a CAGR of 1.1%.

Exhibit 3: Canada Wheat Fundamentals

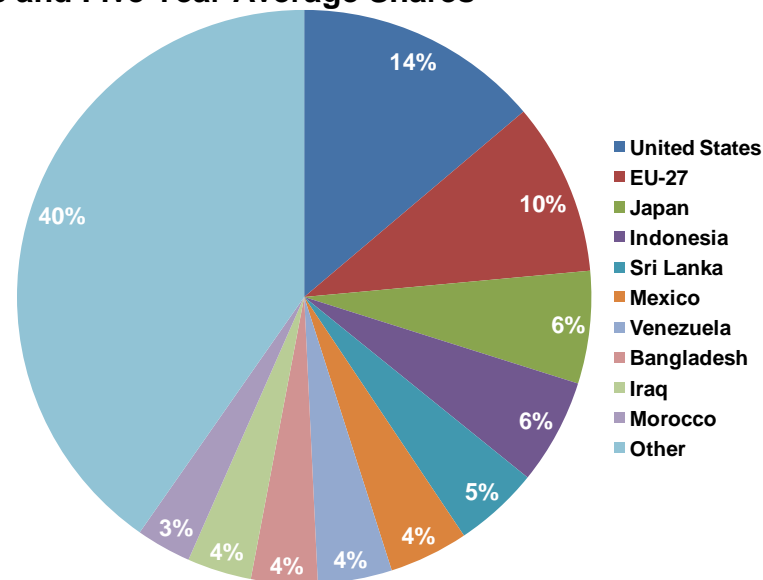
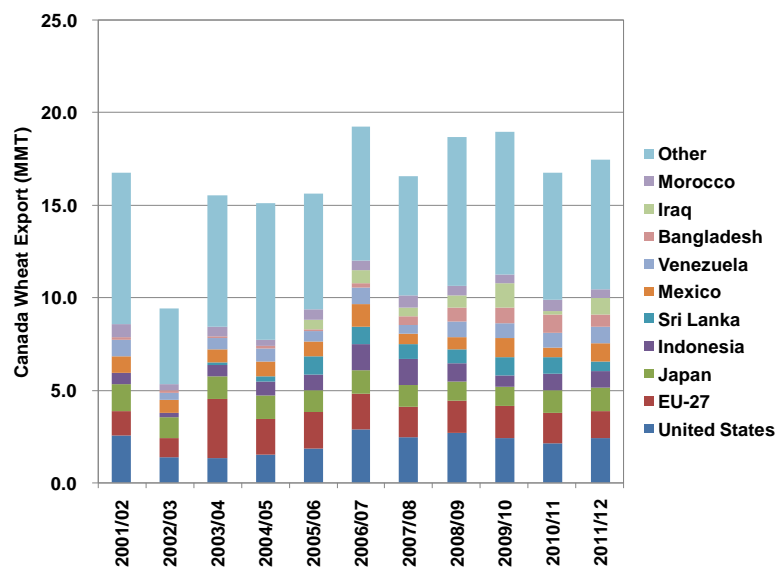
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Planted Area	Million Hectares	10.9	10.4	10.4	9.8	9.6	9.8	8.7	10.1	9.9	8.5	8.7	9.5	-2.3%
Harvested Area	Million Hectares	10.6	8.7	10.2	9.4	9.4	9.7	8.6	10.0	9.6	8.3	8.5	9.4	-2.1%
Yield	MT/Hectare	1.9	1.8	2.3	2.6	2.7	2.6	2.3	2.9	2.8	2.8	3.0	2.8	4.3%
Carryin (Aug 1)	MMT	9.7	6.5	5.7	6.0	7.9	9.7	6.9	4.4	6.5	7.8	7.2	6.1	
Production	MMT	20.6	16.0	23.0	24.8	25.7	25.3	20.1	28.6	26.8	23.2	25.3	26.5	2.0%
Imports	MMT	0.3	0.4	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	3.6%
Grain Imports	MMT	0.10	0.18	0.02	0.01	0.03	0.03	0.02	0.03	0.12	0.07	0.06	0.04	-4.8%
Flour Imports	MMT	0.03	0.03	0.06	0.06	0.07	0.11	0.15	0.14	0.11	0.11	0.13	0.13	17.2%
Product Imports	MMT	0.17	0.17	0.16	0.17	0.19	0.20	0.21	0.21	0.21	0.23	0.23	0.23	3.1%
Total Supply	MMT	30.6	22.9	29.0	31.0	34.0	35.3	27.3	33.4	33.8	31.4	32.9	33.0	0.7%
Food, Seed and Industrial	MMT	4.1	4.1	4.0	4.0	4.1	4.2	4.3	4.4	4.4	4.5	4.8	4.8	1.6%
Feed & Residual	MMT	3.7	3.6	3.2	4.2	4.1	4.8	2.5	3.6	2.6	3.2	4.5	3.6	1.9%
Domestic Use	MMT	7.7	7.7	7.2	8.2	8.2	9.0	6.8	8.0	7.0	7.7	9.2	8.4	1.7%
Exports	MMT	16.3	9.4	15.8	14.9	16.0	19.4	16.1	18.9	19.0	16.6	17.6	18.2	0.7%
Grain Exports	MMT	15.95	9.06	15.49	14.52	15.65	19.05	15.82	18.64	18.76	16.28	17.26	17.89	0.8%
Flour Exports	MMT	0.27	0.29	0.29	0.29	0.30	0.31	0.25	0.19	0.23	0.22	0.22	0.25	-2.2%
Product Exports	MMT	0.07	0.08	0.06	0.07	0.08	0.07	0.05	0.05	0.05	0.07	0.07	0.06	-0.1%
Total Use	MMT	24.0	17.2	23.0	23.1	24.3	28.4	22.9	26.9	26.0	24.2	26.8	26.6	1.1%
Carryout (Jul 31)	MMT	6.5	5.7	6.0	7.9	9.7	6.9	4.4	6.5	7.8	7.2	6.1	6.4	
Stocks-to-Use Ratio	%	27.2	33.4	26.0	34.3	40.0	24.1	19.2	24.4	30.1	29.6	22.8	24.0	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

- Over the past five years, the U.S., the EU, Japan, Indonesia and Sri Lanka were Canada's top five wheat export partners, accounting for 41% of Canada's total exports (Exhibit 4).

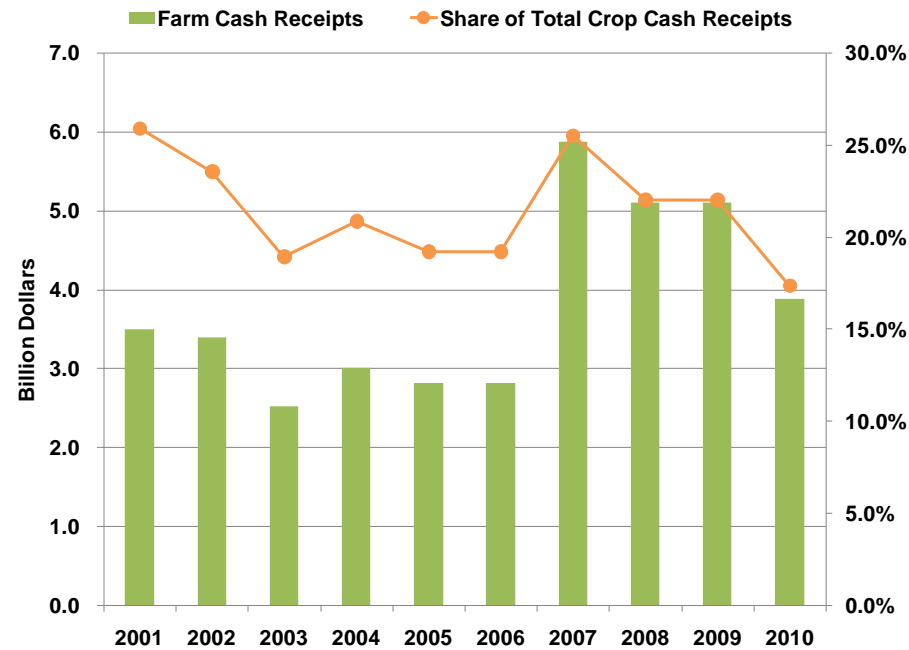
Exhibit 4: Canada Wheat Trade Partners and Five Year Average Shares



Source: Informa Economics, Inc.

- Over the past decade, the total farm cash receipts (FCRs) from wheat production increased from \$3.5 billion in 2001 to \$3.9 billion in 2010, with a peak of \$5.9 billion in 2007 (Exhibit 5).
- The cash receipts from wheat as a share of total crops dropped from 26% in 2001 to 17% in 2010.

Exhibit 5: Canada Wheat Farm Cash Receipts and Share of Total Crop Cash Receipts



Source: Statistics Canada

B. Barley

1. Global Barley Situation

- Compared with wheat, barley is a much smaller crop in terms of production and consumption. World barley production declined from 143 MMT in 2001/02 to an estimated 134 MMT in 2011/12 (Exhibit 6). While yield kept improving, loss of planted area was the major reason for the decline.
- Consumption was relatively flat over the past decade. In 2011/12, world total barley consumption is estimated to be 136 MMT, 1 MMT lower than 2001/02.

- Global barley trade was range-bound from 15 MMT to 19 MMT annually over the last decade. In 2011/12, global barley trade is projected to be 19 MMT.

Exhibit 6: World Barley Fundamentals

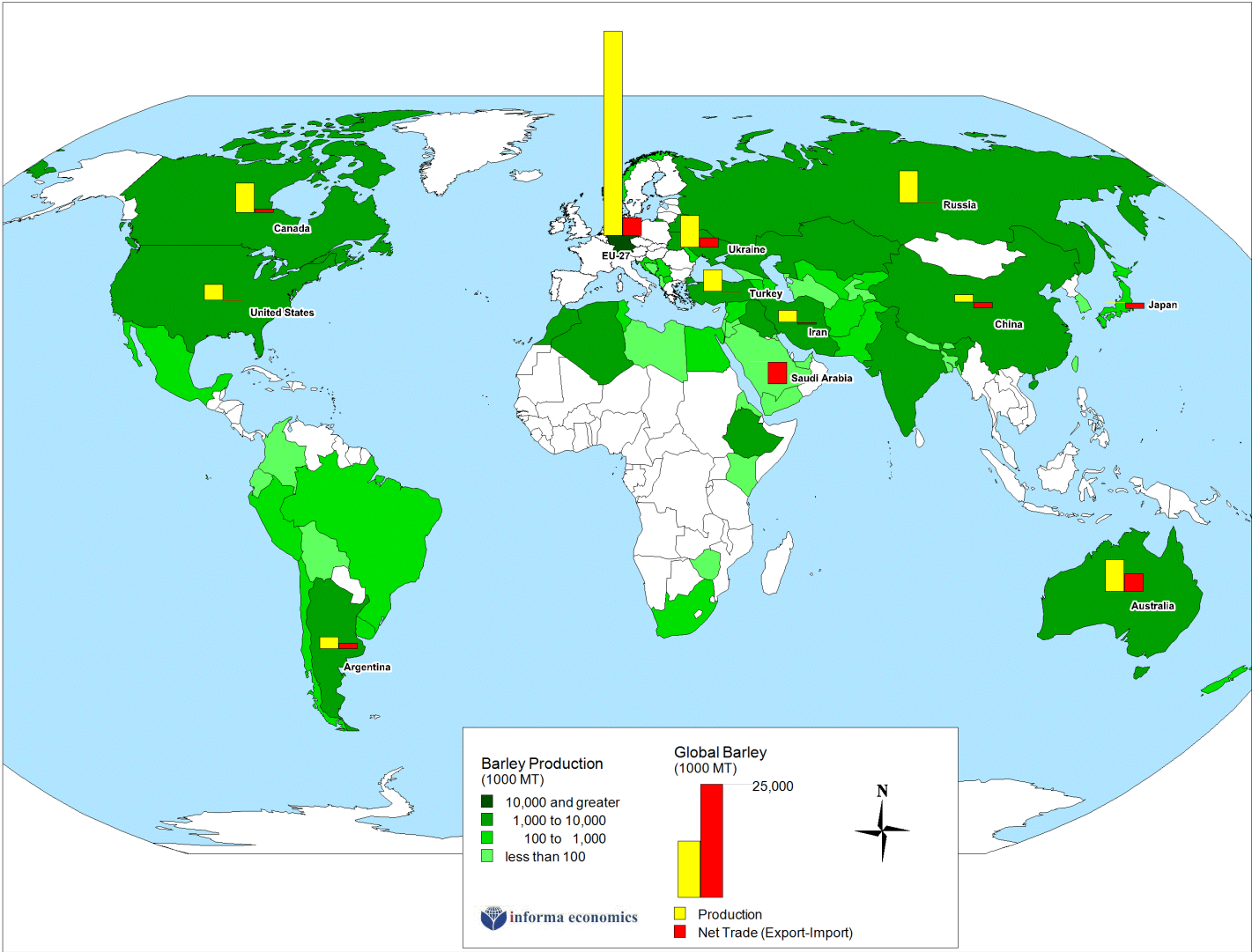
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Harvested Area	Million Hectares	56	56	59	58	56	57	58	56	56	51	50	52	-1.2%
Yield	MT/Hectare	2.5	2.4	2.4	2.6	2.4	2.4	2.3	2.8	2.7	2.4	2.7	2.6	0.5%
Carryin	MMT	23	29	28	23	33	28	21	20	31	37	24	22	
Production	MMT	143	134	142	152	136	137	133	155	151	122	134	138	-0.7%
Total Supply	MMT	166	164	170	176	169	165	155	176	182	160	158	160	-0.5%
Food, Seed and Industrial	MMT	41	42	43	43	43	45	43	43	44	43	44	44	0.7%
Feed and Residual	MMT	96	94	104	99	98	99	91	101	101	93	92	93	-0.4%
Total Usage	MMT	137	136	146	143	141	144	134	144	145	136	136	137	-0.1%
Trade	MMT	17	16	15	17	18	15	19	18	17	16	19	19	1.2%
Carryout	MMT	29	28	23	33	28	21	20	31	37	24	22	23	
Stocks-to-Use Ratio	%	21	20	16	23	20	15	15	22	26	17	16	16	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

- The EU is the largest barley producer in the world. In 2010/11, the EU produced 53 MMT of barley, or 43% of world total production. Ukraine, Russia, Australia and Canada are the four next-largest producers, accounting for 33 MMT or 27% of world total production. Canada individually produced 7.6 MMT of barley, representing 6% of world production (Exhibit 7).
- The EU, Russia, Canada, Saudi Arabia and Turkey were the top five consumers in 2010/11. These five countries consumed 86 MMT of barley, accounting for 64% of world total consumption. Canada consumed 7.6 MMT of barley in 2010/11, or 6% of world total consumption.
- The world's largest barley exporters are the EU, Australia, Ukraine, Argentina and Canada. These five countries exported 15 MMT of barley in 2010/11, accounting for 95% of world total barley exports. Canada exported 1.2 MMT of barley, or 8% of world total exports.
- On the barley import side, Saudi Arabia, China, Japan, Jordan and Tunisia were the largest barley buyers in 2010/11. These five countries imported 9.6 MMT, accounting for 67% of world total barley imports.

Exhibit 7: 2010/11 World Barley Production and Net Trade



Source: Informa Economics, Inc.

2. Canadian Barley Situation

- In 2010/11, Canada was the 5th largest barley producer, 3rd largest barley consumer and 5th largest barley exporter in the world.
- Canada barley production showed a downward trend over the past decade, declining from 10.8 MMT in 2001/02 to estimated 7.8 MMT in 2011/12 (Exhibit 8). While yield kept improving, loss of planted area was the major reason for the decline.
- Domestic use also declined from 10.4 MMT in 2001/02 to an estimated 6.9 MMT in 2011/12, with a CAGR of -4.0%. Exports peaked in 2007/08 and declined quickly since then. In 2011/12, Canada's barley exports are estimated to be 1.3 MMT. As a result, total use dropped from 11.6 MMT to estimated 8.1 MMT for a CAGR of -3.5%.

Exhibit 8: Canada Barley Fundamentals

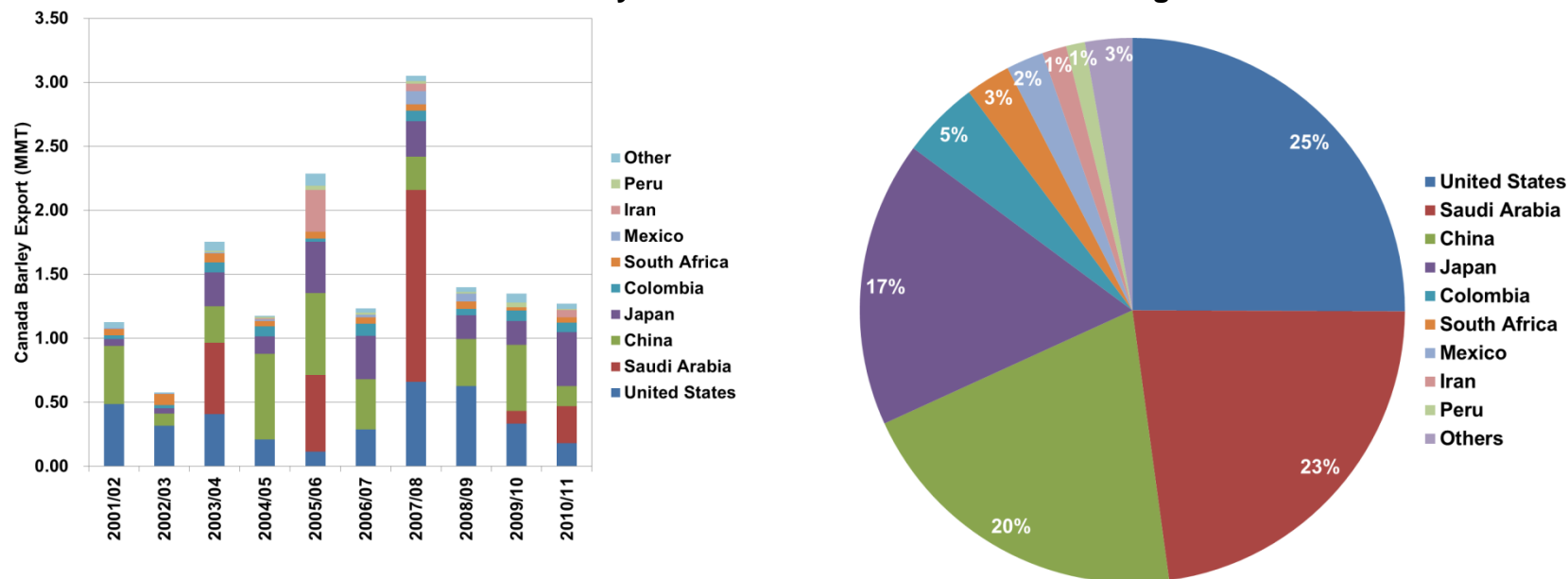
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Planted Area	Million Hectares	4.7	5.1	5.0	4.4	4.1	3.7	4.4	3.8	3.5	2.8	2.6	3.2	-5.7%
Harvested Area	Million Hectares	4.1	3.3	4.4	3.8	3.6	3.2	4.0	3.5	2.9	2.4	2.4	2.9	-5.5%
Yield	MT/Hectare	2.6	2.2	2.8	3.3	3.2	3.0	2.7	3.4	3.3	3.2	3.3	3.3	2.3%
Carryin (Aug 1)	MMT	2.5	1.9	1.5	2.1	3.4	3.3	1.5	1.6	2.8	2.6	1.4	1.1	
Production	MMT	10.8	7.5	12.2	12.6	11.7	9.6	11.0	11.8	9.5	7.6	7.8	9.7	-3.3%
Imports	MMT	0.1	0.3	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-9.8%
Total Supply	MMT	13.5	9.6	13.7	14.7	15.2	12.9	12.5	13.4	12.4	10.2	9.2	10.8	-3.7%
Feed & Residual	MMT	9.0	6.3	8.4	8.8	8.4	8.8	6.5	7.7	7.3	6.4	5.7	6.6	-4.5%
Food, Seed and Industrial	MMT	1.4	1.4	1.4	1.3	1.2	1.4	1.5	1.3	1.2	1.1	1.2	1.2	-1.5%
Domestic Use	MMT	10.4	7.7	9.7	10.1	9.6	10.2	7.9	9.1	8.5	7.6	6.9	7.8	-4.0%
Exports	MMT	1.2	0.4	1.9	1.2	2.2	1.2	3.0	1.5	1.3	1.2	1.3	1.3	0.7%
Total Use	MMT	11.6	8.1	11.6	11.3	11.9	11.4	11.0	10.5	9.8	8.8	8.1	9.1	-3.5%
Carryout (Jul 31)	MMT	1.9	1.5	2.1	3.4	3.3	1.5	1.6	2.8	2.6	1.4	1.1	1.8	
Stocks-to-Use Ratio	%	16.4	18.1	18.2	30.4	27.7	13.1	14.3	26.9	26.3	16.4	13.5	19.3	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

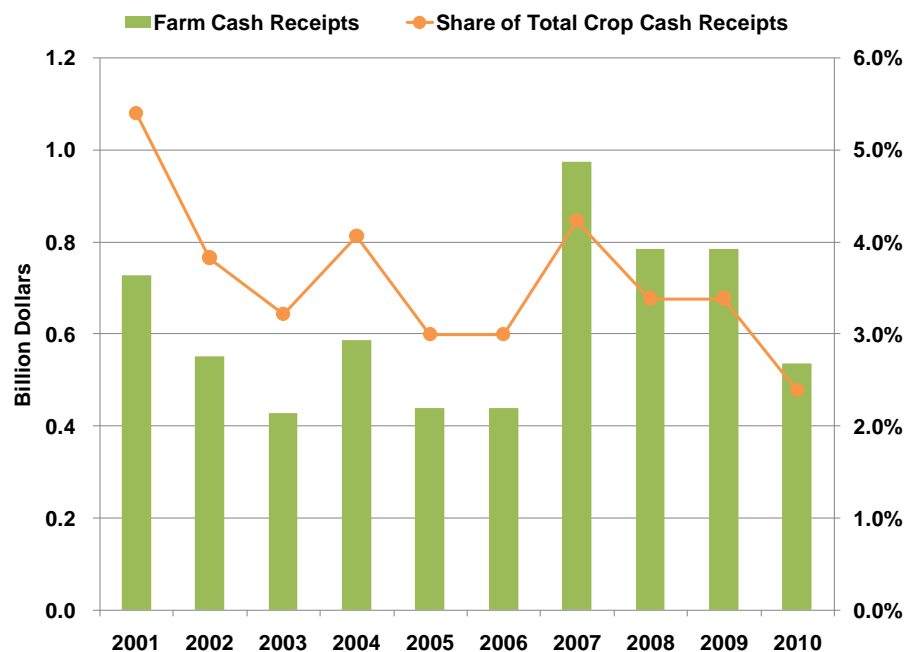
- Over the past five years, the U.S., Saudi Arabia, China, Japan, and Colombia were Canada's top five barley export partners, accounting for 90% of Canada's total exports (Exhibit 9).

Exhibit 9: Canada Barley Trade Partners and Five Year Average Shares



Source: Informa Economics, Inc.

- Over the past decade, the total FCRs from barley production dropped from \$0.7 billion in 2001 to \$0.5 billion in 2010, with a peak of \$1.0 billion in 2007 (Exhibit 5).
- Cash receipts from barley as a share of total crops dropped from 5.4% in 2001 to 2.4% in 2010.

Exhibit 10: Canada Barley Farm Cash Receipts and Share of Total Crop Cash Receipts

Source: Statistics Canada

C. Canola

1. Global Canola Situation

- World rapeseed/canola production grew rapidly over the past decade from 36 MMT in 2001/02 to an estimated 60 MMT in 2011/12 (Exhibit 11). The growth resulted from both yield improvement and area expansion, which increased 1.6% and 3.6% respectively.
- Consumption increased roughly at the same pace during this period, with a CAGR of 5.4%. In 2011/12, world total canola consumption is estimated to be 61 MMT. The strong demand for canola comes from both the biodiesel industry and the food use sector. Rapeseed/canola oil produced from canola crushing is a major feedstock for

biodiesel (especially in the EU). Food use has increased as global consumers consider canola oil healthier than other vegetable oils.

- Driven by strong demand, global canola trade increased noticeably from 5 MMT in 2001/02 to an estimated 13 MMT in 2011/12, with a CAGR of 9.9%.

Exhibit 11: World Canola Fundamentals

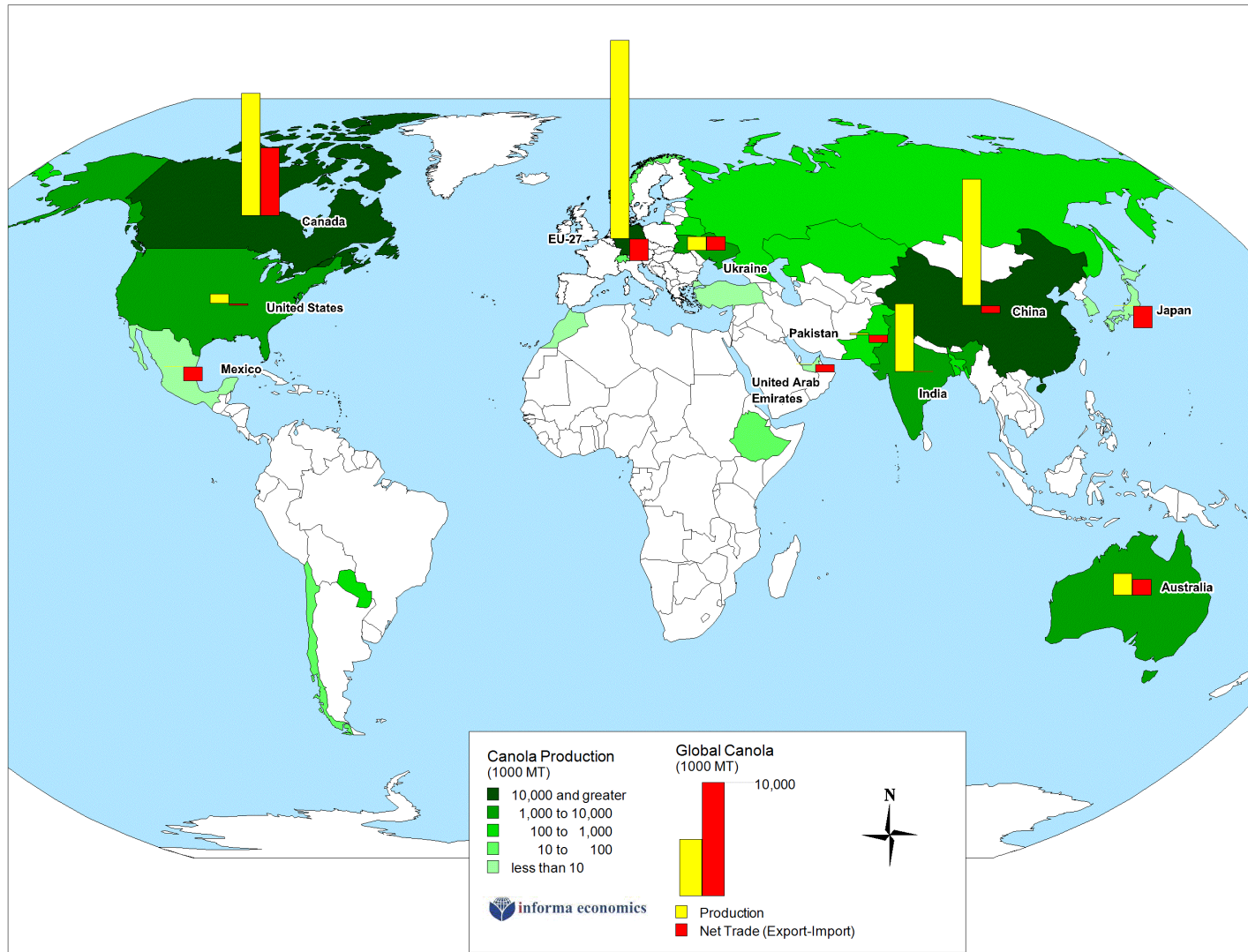
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Harvested Area	Million Hectares	23	22	25	27	27	26	28	31	31	34	33	34	3.6%
Yield	MT/Hectare	1.5	1.5	1.5	1.7	1.8	1.7	1.7	1.9	1.9	1.8	1.8	1.9	1.6%
Carryin	MMT	3	3	2	2	5	6	5	4	7	8	6	6	
Production	MMT	36	33	39	46	49	45	49	58	61	60	60	65	5.3%
Total Supply	MMT	39	36	42	48	54	51	54	62	68	69	67	71	5.6%
Crush	MMT	33	32	36	41	45	44	47	52	57	59	59	62	5.9%
Total Use	MMT	36	34	39	43	48	46	50	55	60	62	61	64	5.4%
Trade	MMT	5	4	6	5	7	7	8	12	11	11	13	12	9.9%
Carryout	MMT	3	2	2	5	6	5	4	7	8	6	6	6	
Stocks-to-Use Ratio	%	8	6	6	12	12	11	8	13	14	10	10	10	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

- The EU is the largest rapeseed/canola producer in the world. In 2010/11, the EU produced 21 MMT of rapeseed/canola, accounting for 34% of world total production. China, Canada, India and Australia are the remaining four producers among the top five, accounting for 35 MMT or 58% of world total production. Canada individually produced 13 MMT, representing 21% of world production (Exhibit 12).
- The EU, China, India, Canada and Japan were the top five consumers in 2010/11. These five countries consumed 54 MMT, accounting for 88% of world total consumption. Canada consumed 6.3 MMT in 2010/11, or 10% of world total consumption.
- Canada is the world's largest canola exporter, followed by Australia, Ukraine, the U.S. and the EU. Canada exported 7 MMT of canola in 2010/11, accounting for 66% of world total canola exports. The total exports of the five countries were 11 MMT in 2010/11, or 99% of world total canola exports.

Exhibit 12: 2010/11 World Rapeseed/Canola Production and Net Trade



Source: Informa Economics, Inc.

- On the import side, the EU, Japan, Mexico, China and the United Arab Emirates were the largest canola buyers in 2010/11. These five countries imported 8.2 MMT, accounting for 81% of world total canola imports.

2. Canadian Canola Situation

- In 2010/11, Canada was the 3rd largest canola producer, 4th largest canola consumer and the largest exporter in the world.
- Canadian canola production grew rapidly over the past decade from 5 MMT in 2001/02 to estimated 14 MMT in 2011/12 (Exhibit 13). The growth resulted from both yield improvement and area expansion, which increased 3.6% and 7.1%, respectively.
- Domestic crush has grown dramatically, from 2.3 MMT in 2001/02 to estimated 7.2 MMT in 2011/12, with a CAGR of 12.1%. Exports also grew quickly with a CAGR of 13.5%. As a result, total use increased from 5.1 MMT to an estimated 14.7 MMT, equivalent to a CAGR of 11.1%.

Exhibit 13: Canada Canola Fundamentals

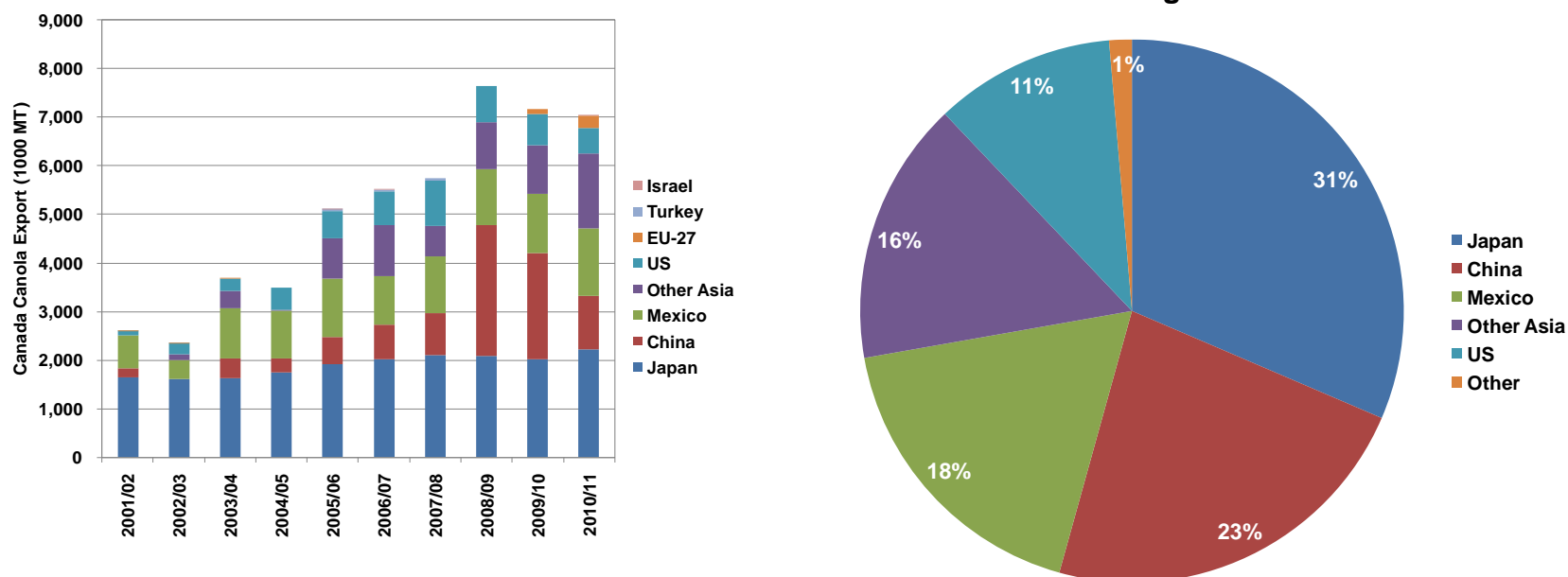
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2001-2011 CAGR
Planted Area	1000 Hectares	3,827	3,877	4,736	5,218	5,370	5,283	6,367	6,540	6,681	7,126	7,633	8,544	7.1%
Harvested Area	1000 Hectares	3,785	3,628	4,689	4,867	5,175	5,240	6,277	6,494	6,513	6,848	7,471	8,338	7.0%
Yield	MT/Hectare	1.33	1.25	1.44	1.58	1.83	1.72	1.53	1.95	1.98	1.87	1.90	1.93	3.6%
Carryin (Aug 1)	1000 MT	1,088	1,200	894	609	1,587	2,007	1,783	1,462	1,659	2,263	1,718	1,321	
Production	1000 MT	5,017	4,521	6,771	7,674	9,483	9,000	9,601	12,643	12,889	12,773	14,165	16,100	10.9%
Imports	1000 MT	226	240	243	108	140	203	179	121	128	224	100	150	-7.9%
Total Supply	1000 MT	6,332	5,960	7,908	8,390	11,209	11,210	11,563	14,225	14,676	15,260	15,983	17,571	9.7%
Crush	1000 MT	2,293	2,225	3,389	3,031	3,423	3,579	4,144	4,279	4,788	6,310	7,200	7,500	12.1%
Exports	1000 MT	2,542	2,429	3,755	3,412	5,408	5,477	5,661	7,908	7,189	7,104	9,000	8,200	13.5%
Seed	1000 MT	28	34	38	39	38	46	47	48	51	55	62	63	8.3%
Residual	1000 MT	268	378	118	322	334	325	249	331	384	72	-1,600	400	
Total Use	1000 MT	5,132	5,066	7,299	6,803	9,202	9,428	10,101	12,566	12,413	13,542	14,662	16,163	11.1%
Carryout (Jul 31)	1000 MT	1,200	894	609	1,587	2,007	1,783	1,462	1,659	2,263	1,718	1,321	1,408	
Stocks-to-Use Ratio	%	23.4	17.7	8.3	23.3	21.8	18.9	14.5	13.2	18.2	12.7	9.0	8.7	

Note: Shaded years indicate Informa projections.

Source: USDA (History), Informa Economics, Inc. (Forecast)

- Asia, especially Japan and China, is the major destination of Canadian canola exports. Over the past five years, Asia absorbed about 70% of Canadian canola exports. Other important trade partners include Mexico and the U.S., which together accounted for 29% of Canadian canola exports (Exhibit 14).

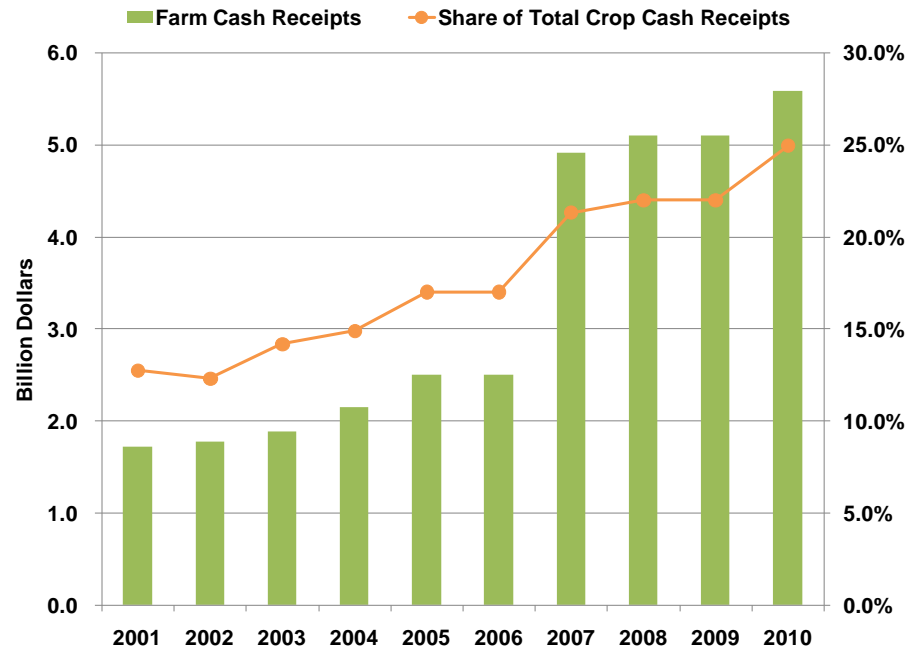
Exhibit 14: Canada Canola Trade Partners and Five Year Average Shares



Source: Informa Economics, Inc.

- The total FCRs from canola production increased from \$1.7 billion in 2001 to \$5.6 billion in 2010 (Exhibit 15).
- Cash receipts from canola as a share of total crops also increased from 12.8% in 2001 to 25.0% in 2010.

Exhibit 15: Canada Canola Farm Cash Receipts and Share of Total Crop Cash Receipts

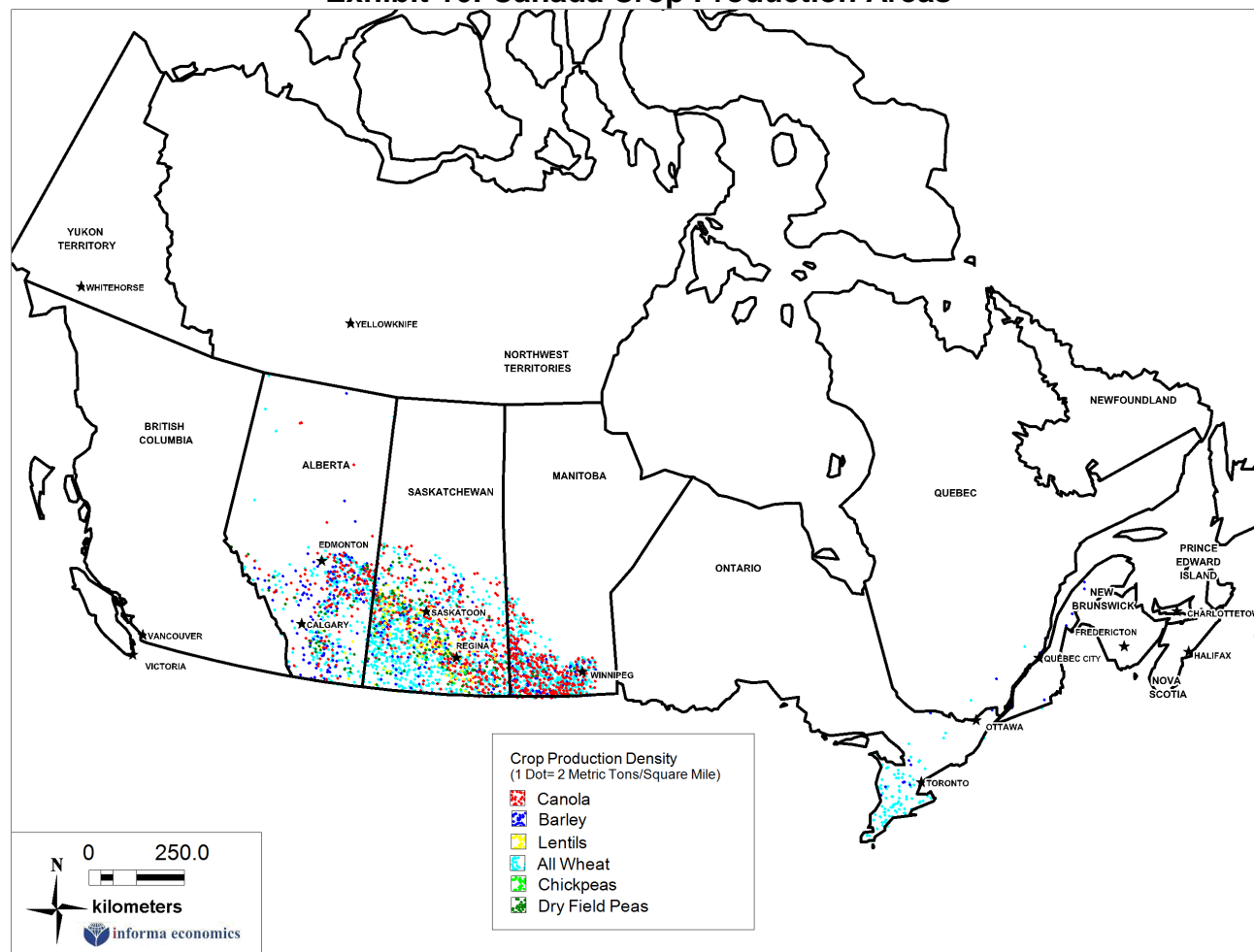


Source: Statistics Canada

IV. THE CROP SECTOR IN SASKATCHEWAN

Wheat, barley and canola are the major crops grown in Saskatchewan. While Saskatchewan is a large producer, these crops are also grown in other provinces, particularly in the Prairies (Exhibit 16).

Exhibit 16: Canada Crop Production Areas

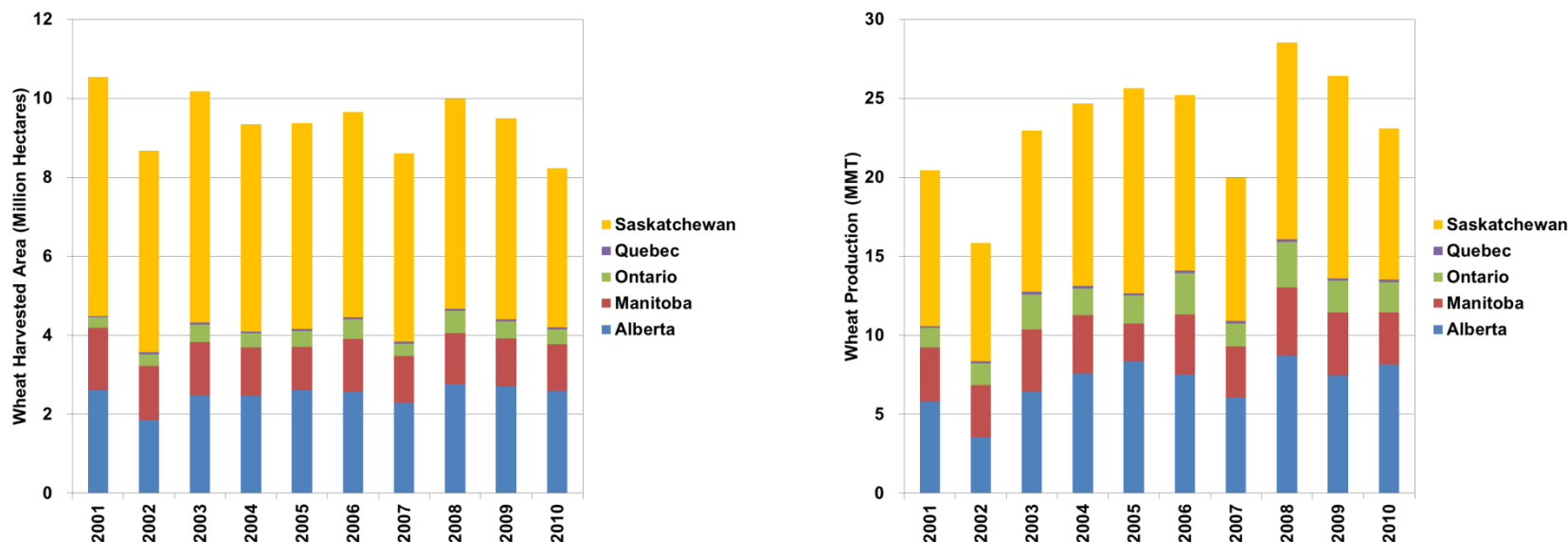


Source: Informa Economics, Inc.

A. Saskatchewan Wheat Situation

- In Canada, wheat is grown mainly in Saskatchewan, Alberta, Manitoba and Ontario.
- Saskatchewan is the largest wheat-producing province in Canada. In 2010, Saskatchewan harvested over 4 million hectares of wheat, which was about 49% of total wheat harvested area in Canada (Exhibit 17). The wheat production of Saskatchewan in 2010 was about 10 MMT, or 41% of total wheat production in Canada.
- Among major wheat-producing provinces, Saskatchewan has the lowest wheat yield, at around 84% of the national average yield over the past decade (Exhibit 18).

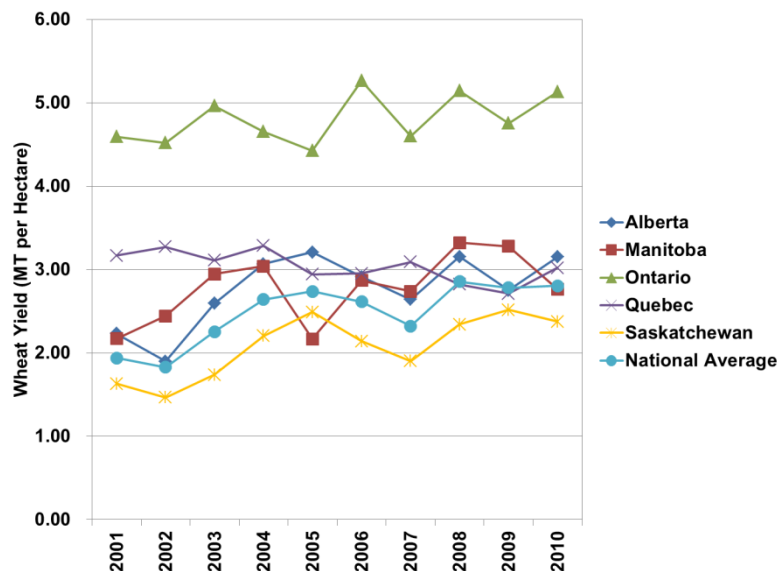
Exhibit 17: Provincial Wheat Harvested Area and Production



Source: Statistics Canada

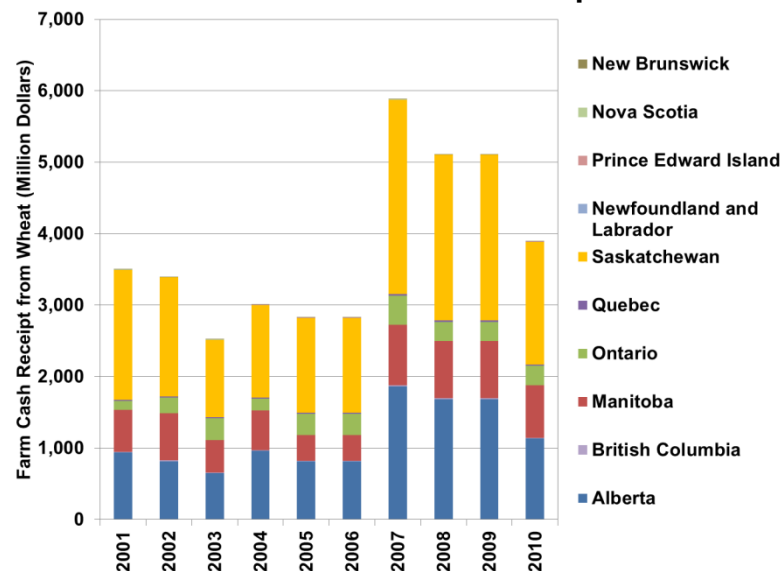
- Among all wheat producing provinces, Saskatchewan receives the largest farm cash receipts from wheat. In 2010, Saskatchewan's wheat sector received \$1.7 billion, which was 44% of total Canadian farm cash receipts from wheat (Exhibit 19).

Exhibit 18: Provincial Wheat Yield



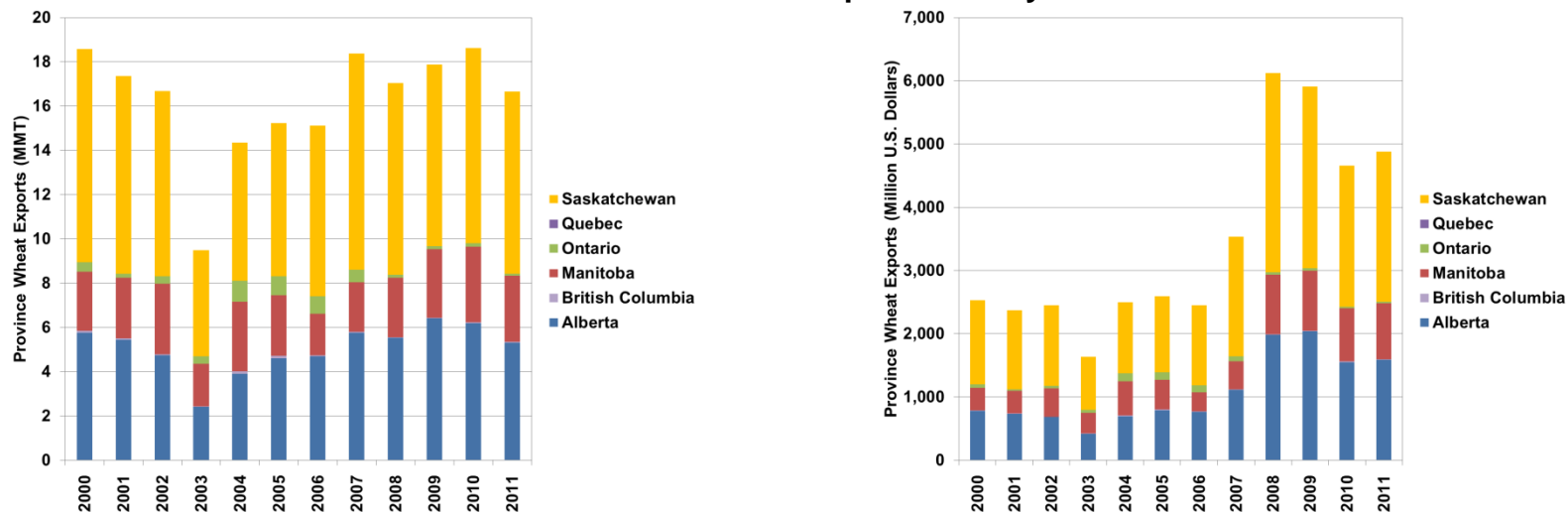
Source: Statistics Canada.

Exhibit 19: Provincial Farm Cash Receipts from Wheat



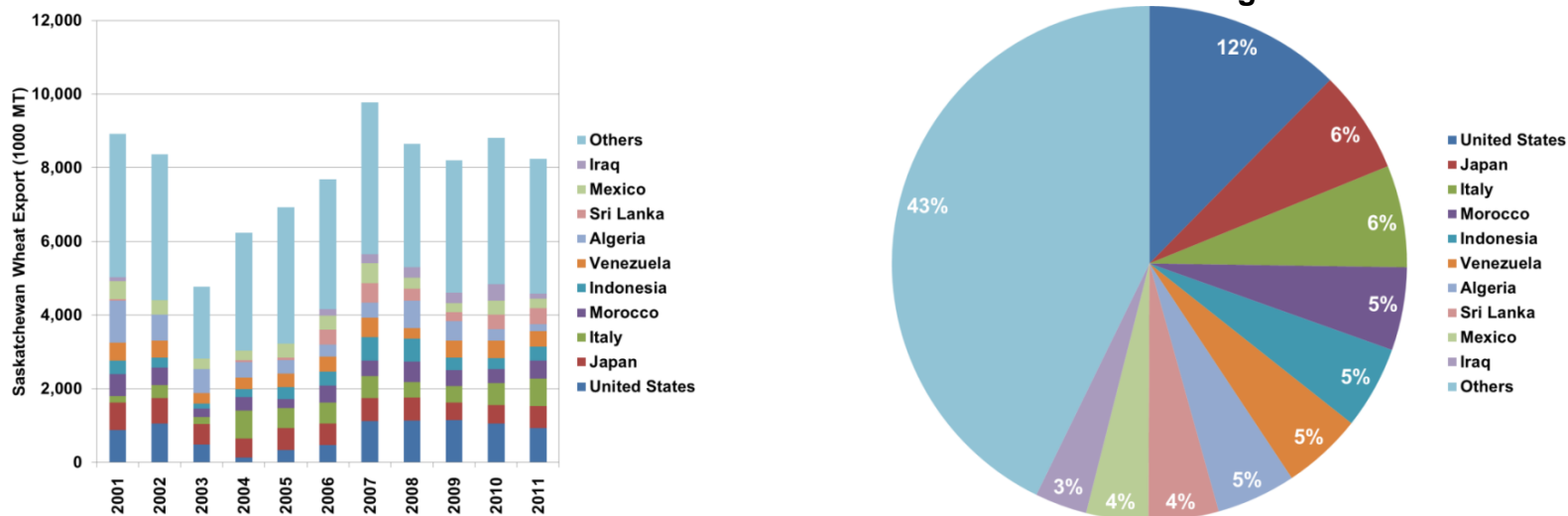
- Of all the wheat-producing regions, Saskatchewan is the largest wheat exporter, followed by Alberta and Manitoba (Exhibit 20). In 2010, Saskatchewan’s wheat exports represented 49% of total Canadian wheat exports.
- Over the past five years, the U.S., Japan, Italy, Morocco and Indonesia were the top five destinations for wheat exports from Saskatchewan (Exhibit 21). These five countries accounted for 36% of total Saskatchewan wheat exports.

Exhibit 20: Provincial Wheat Export Quantity and Value



Source: Global Trade Atlas

Exhibit 21: Saskatchewan Wheat Trade Partners and Five Year Average Share

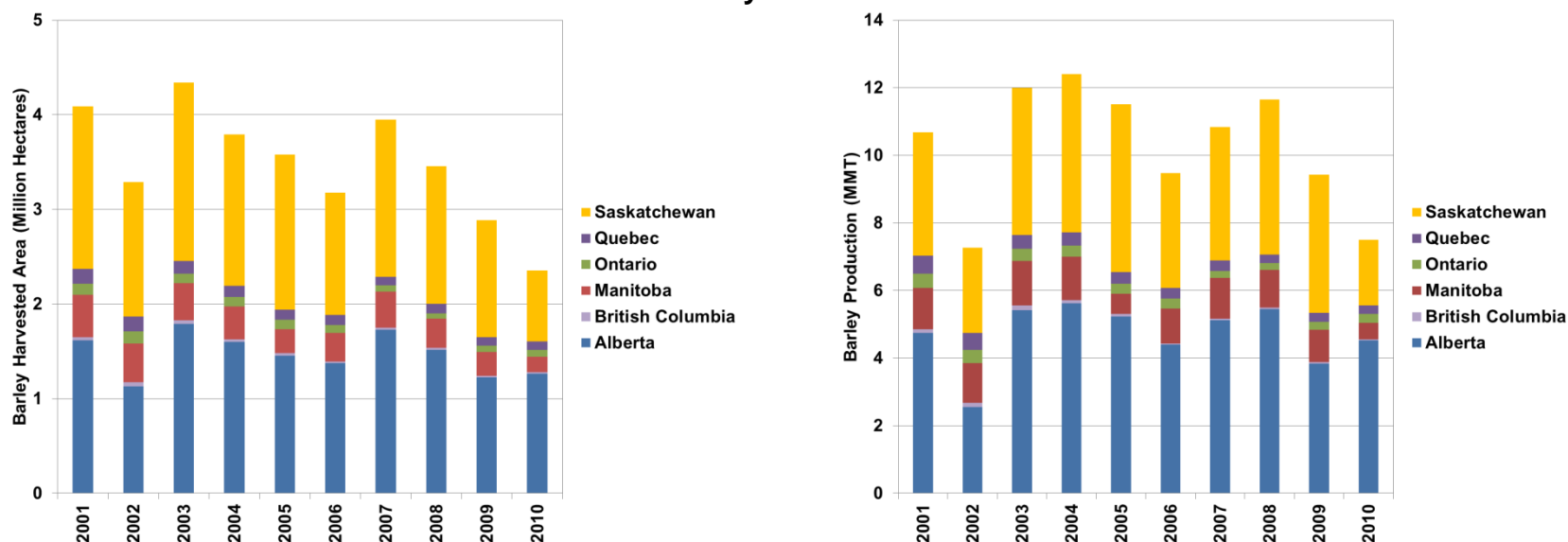


Source: Global Trade Atlas

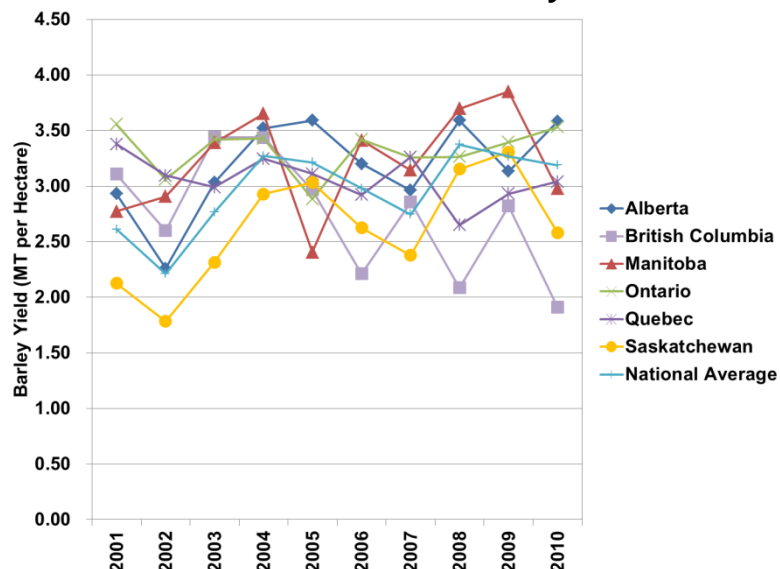
B. Saskatchewan Barley Situation

- In Canada, barley is grown mainly in Alberta, Saskatchewan and Manitoba.
- Saskatchewan is the second-largest barley-producing province in Canada, surpassed only by Alberta. In 2010, Saskatchewan harvested over 0.8 million hectares of barley, which was about 32% of total barley harvested area in Canada (Exhibit 22). The barley production of Saskatchewan in 2010 was about 2 MMT, or 26% of total barley production in Canada.
- Saskatchewan's barley yield is lower than the other two major barley-producing provinces and was around 88% of the national average yield over the past decade (Exhibit 23).
- Among all barley producing provinces, Saskatchewan receives the largest farm cash receipts from barley. In 2010, Saskatchewan barley sector received \$287 million, which was 54% of total Canadian farm cash receipts from barley (Exhibit 24).

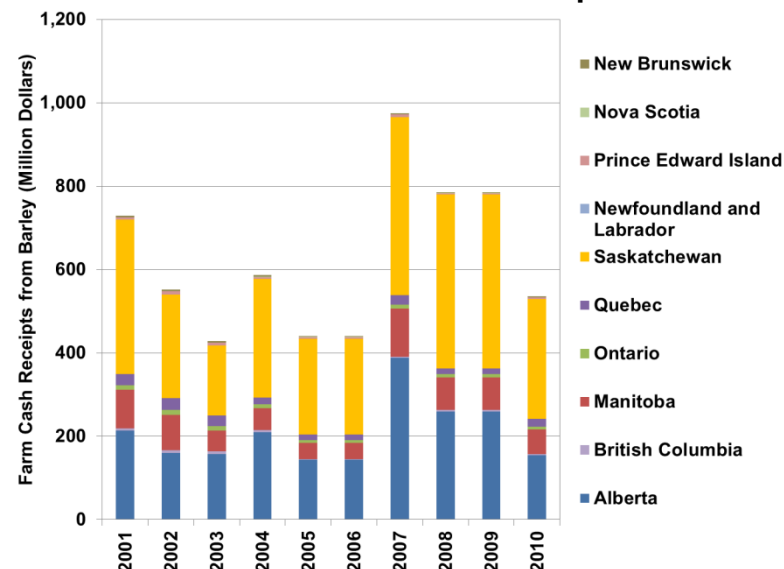
Exhibit 22: Provincial Barley Harvested Area and Production



Source: Statistics Canada

Exhibit 23: Provincial Barley Yield


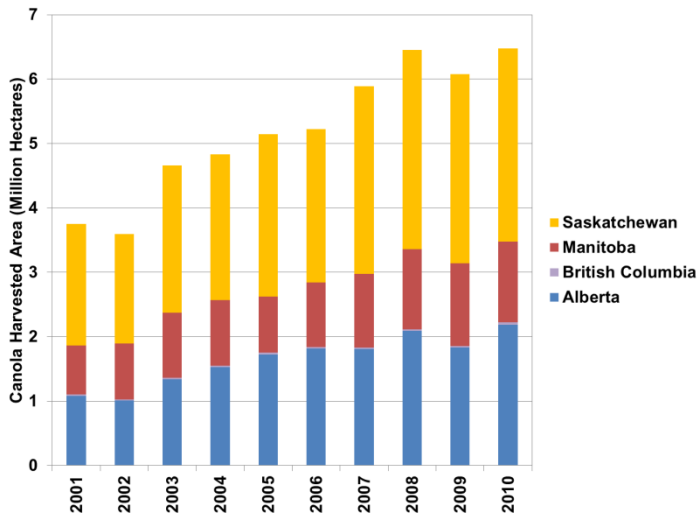
Source: Statistics Canada

Exhibit 24: Provincial Farm Cash Receipts from Barley


C. Saskatchewan Canola Situation

- In Canada, canola is grown mainly in Saskatchewan, Alberta and Manitoba.
- Saskatchewan is the largest canola-producing province in Canada. In 2010, Saskatchewan harvested 3 million hectares of canola, which was about 46% of total canola harvested area in Canada (Exhibit 17). The canola production of Saskatchewan in 2010 was about 5 MMT, or 43% of total canola production in Canada.
- Saskatchewan's canola yield is generally lower than the other two major canola-producing provinces and was around 90% of the national average yield over the past decade (Exhibit 26).
- Among all canola-producing provinces, Saskatchewan receives the largest farm cash receipts from canola. In 2010, Saskatchewan's canola sector received \$2.7 billion, which was 49% of total Canadian farm cash receipts from canola (Exhibit 27).

Exhibit 25: Provincial Canola Harvested Area and Production



Source: Statistics Canada

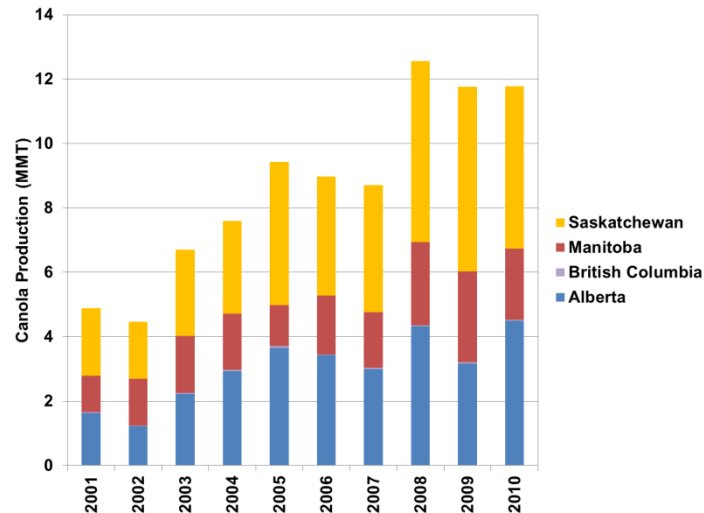
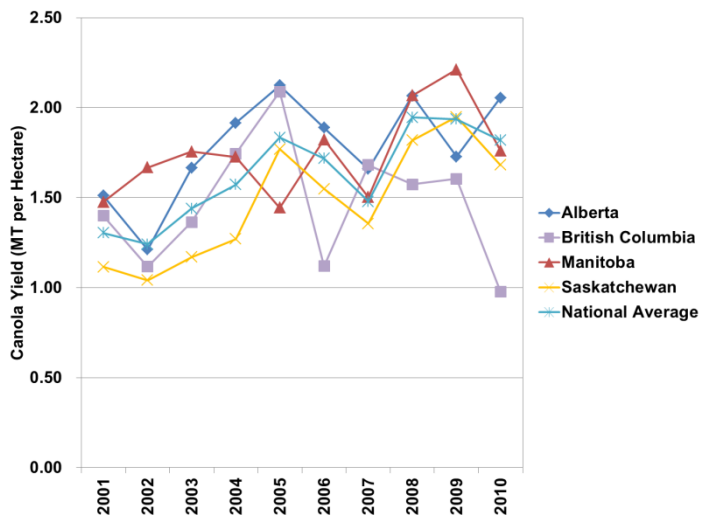
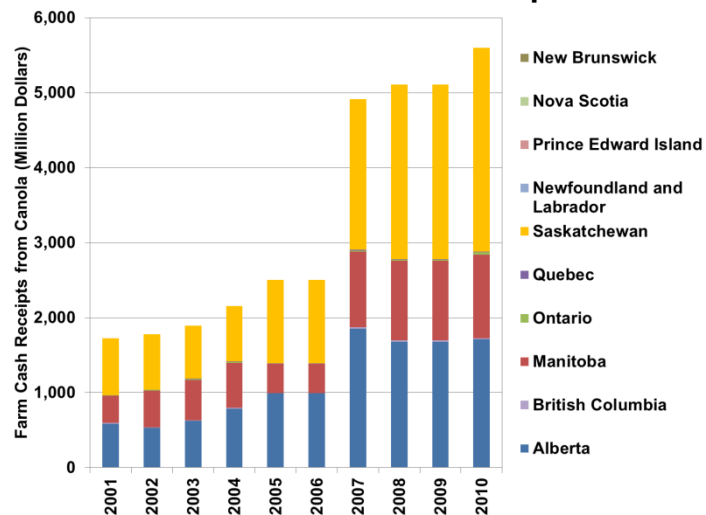


Exhibit 26: Provincial Canola Yield



Source: Statistics Canada

Exhibit 27: Provincial Farm Cash Receipts from Canola



V. THE GLOBAL FERTILIZER INDUSTRY

This chapter provides a brief introduction of the global fertilizer industry and discusses the markets for the three key nutrients: nitrogen, potassium and phosphorous.

A. Nitrogen

- World nitrogen production, as measured by ammonia production, grew steadily over the past decade, growing from 130 MMT in 2000 to 157 MMT in 2010, equivalent to a CAGR of 1.9% (Exhibit 28).
- World ammonia trade also grew from 15.5 MMT in 2000 to 19.5 MMT in 2010 for a CAGR of 2.3%.

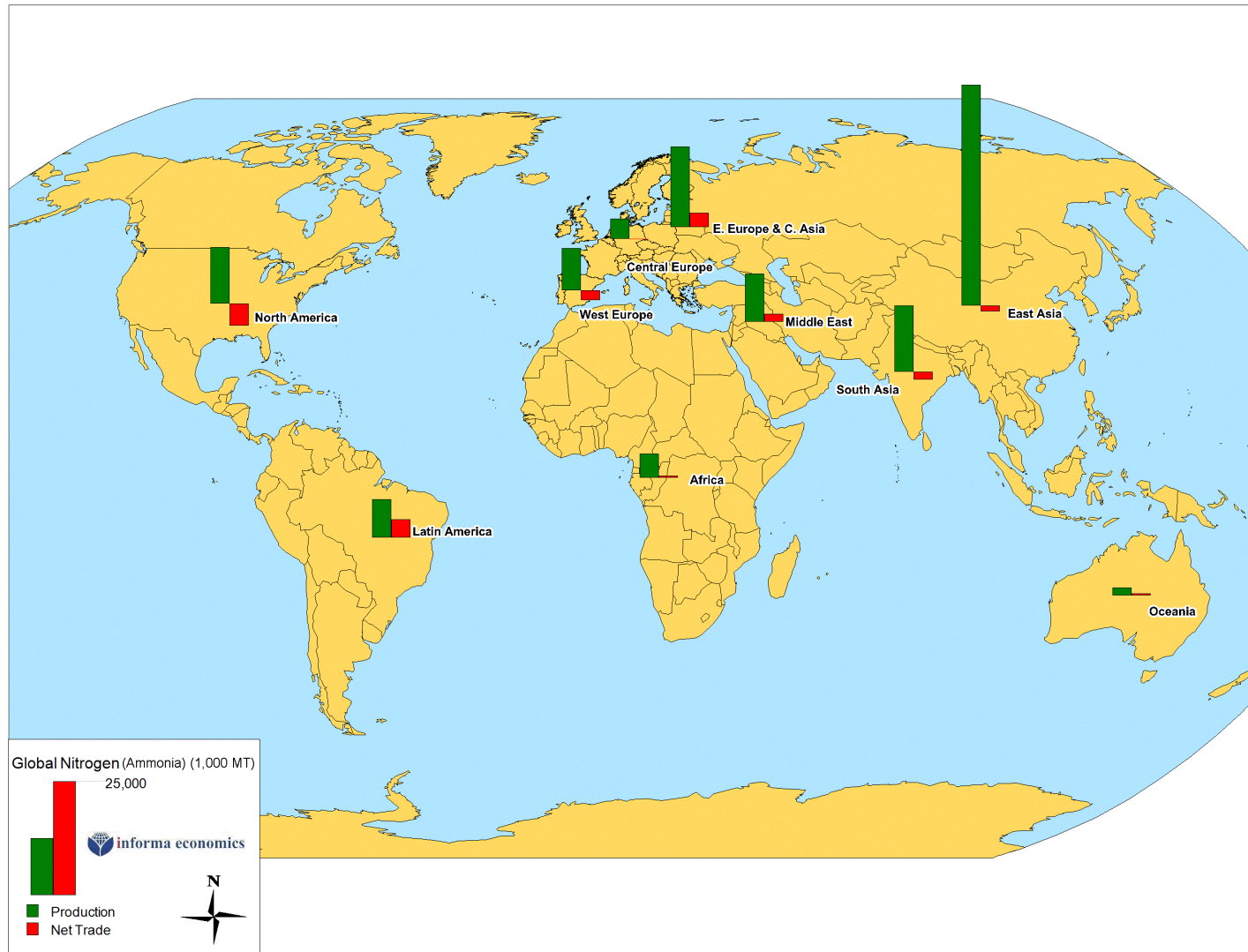
Exhibit 28: World Nitrogen (Ammonia) Supply, Demand and Trade

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010 CAGR
Production	1000 MT	130,077	126,253	129,934	131,248	140,284	145,171	147,605	154,953	152,885	152,432	157,307	1.9%
Consumption	1000 MT	130,077	126,253	129,934	131,248	140,284	145,171	147,605	154,953	152,885	152,431	157,307	1.9%
Import	1000 MT	15,465	15,365	15,699	16,969	17,781	19,013	19,379	19,174	18,835	17,523	19,504	2.3%
Export	1000 MT	15,465	15,365	15,699	16,969	17,781	19,013	19,379	19,173	18,836	17,524	19,504	2.3%

Source: International Fertilizer Industry Association (IFA).

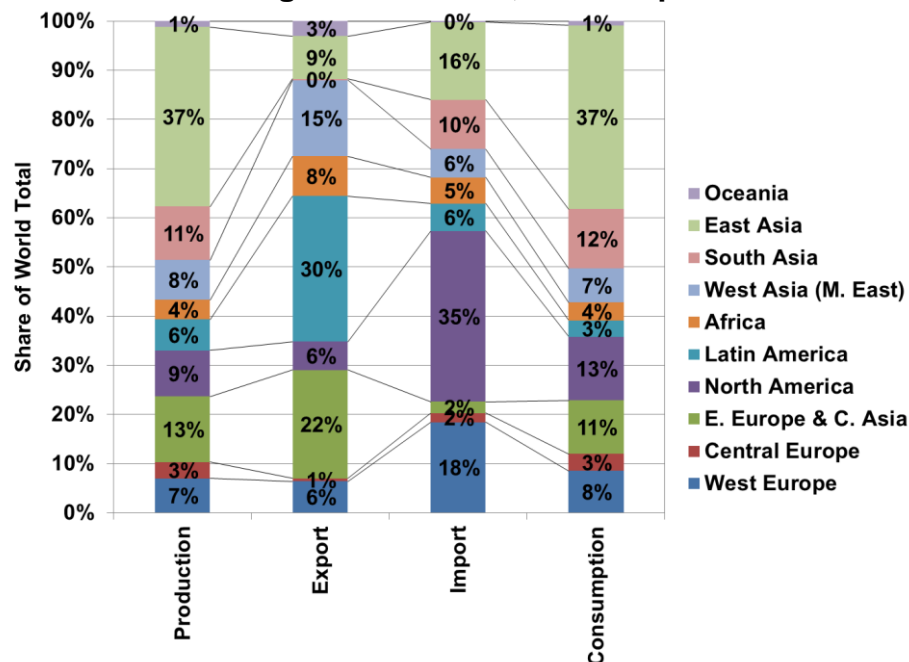
- Regionally, East Asia is the largest producer, followed by the Eastern Europe & Central Asia region (Exhibit 29, Exhibit 30).
- Latin America is the largest exporter, followed by the Eastern Europe & Central Asia region.
- North America, Western Europe and East Asia are major importers of nitrogen products.
- East Asia is the single largest consumer of nitrogen product, followed by North America and South Asia.

Exhibit 29: 2010 World Nitrogen (Ammonia) Production and Net Trade



Source: IFA

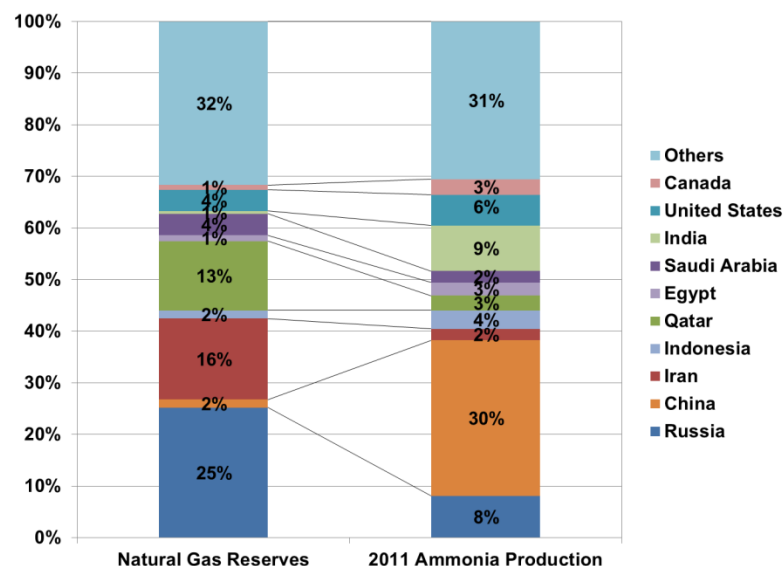
Exhibit 30: 2010 World Nitrogen Production, Consumption and Trade by Region



Source: IFA.

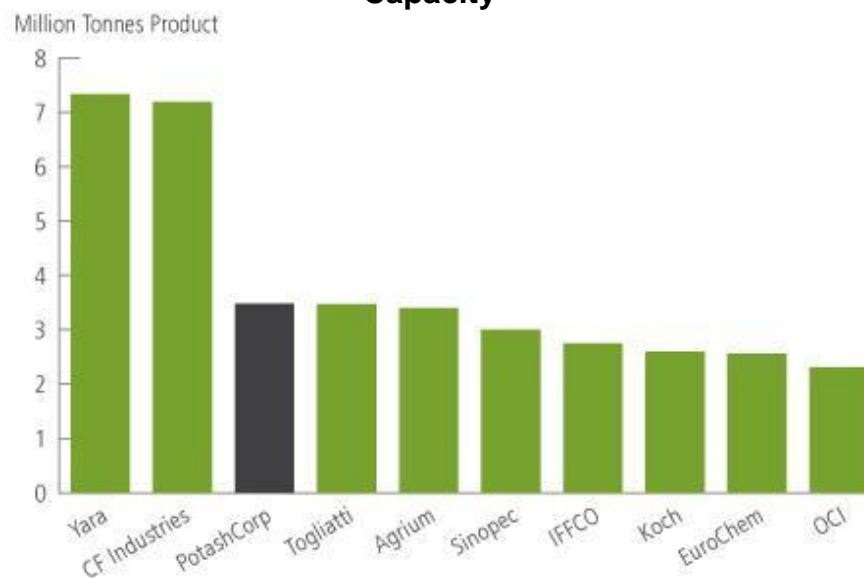
- In 2011, China was the largest ammonia-producing country, followed by India, Russia and the U.S. (Exhibit 31). Canada represented 3% of world total ammonia output in 2011.
- World reserves of natural gas, the major raw material for ammonia production, are about 6,674 trillion cubic feet. The countries with large reserves include Russia, Iran, Qatar, Saudi Arabia and the U.S.
- The global nitrogen industry is highly fragmented and regionalized because of the extensive availability of natural gas globally and high transportation costs. The 10 largest nitrogen producers account for approximately 19% of global ammonia capacity (Exhibit 32). Potash Corporation of Saskatchewan (PotashCorp) is the third largest producer by ammonia capacity, slightly larger than Agrium.

Exhibit 31: 2011 World Natural Gas Reserves and Ammonia Production



Note: Calendar year 2009 data is used for U.S. natural gas reserves.
 Source: United States Geological Survey (USGS); EIA.

Exhibit 32: Top 10 World Ammonia Producers by Capacity



Source: Potash Corporation of Saskatchewan.

B. Potassium

- World potassium production (measured in terms of potassium chloride, KCL, the most common form of potash) grew steadily over the past decade, rising from 43 MMT in 2000 to 53 MMT in 2010, equivalent to a CAGR of 2.1% (Exhibit 33).
- World potash trade also grew from 34 MMT in 2000 to 43 MMT in 2010 for a CAGR of 2.5%.
- Regionally, the Eastern Europe & Central Asia region is the world’s largest producer of potash, followed by North America (Exhibit 34, Exhibit 35).

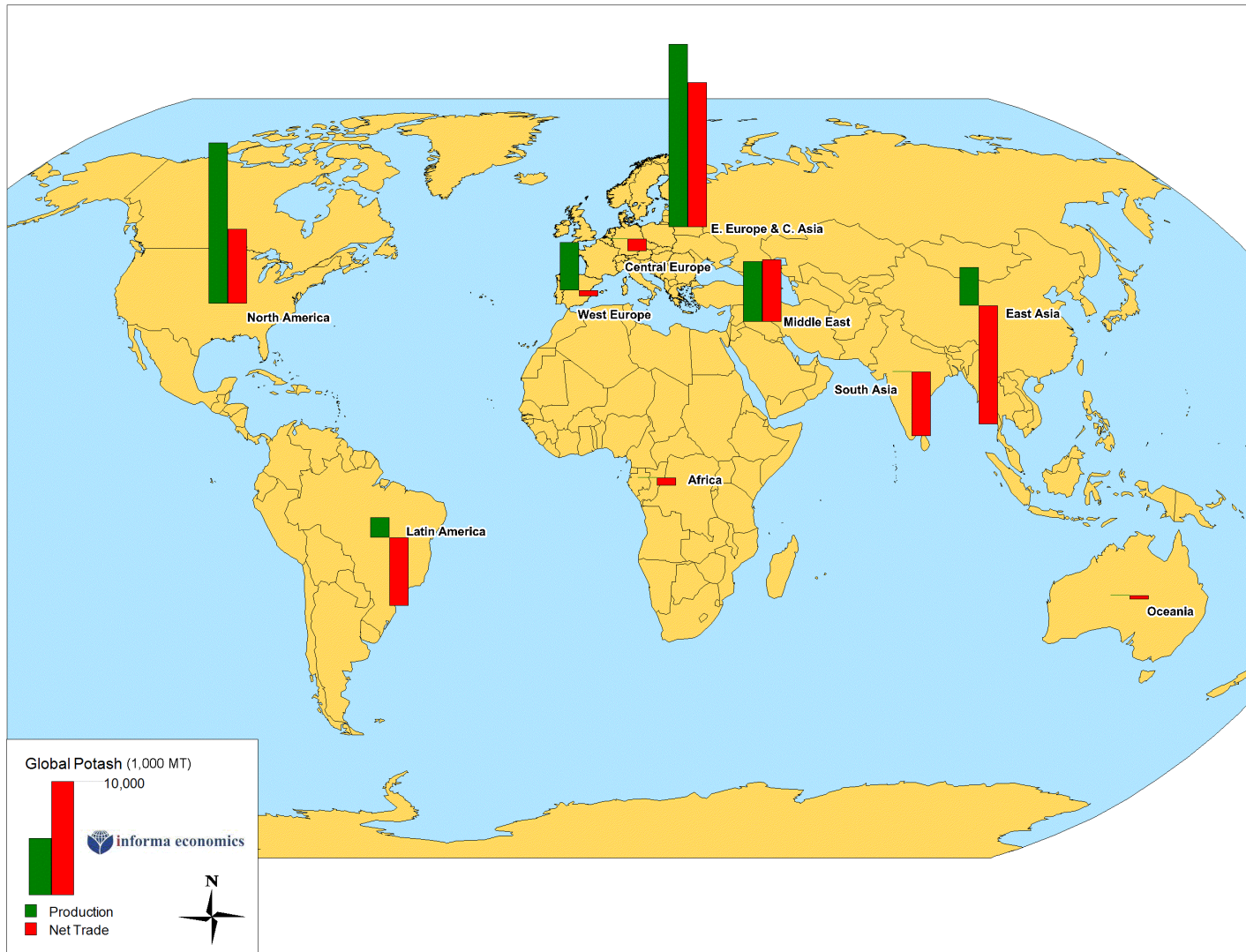
Exhibit 33: World Potash Supply, Demand and Trade

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010 CAGR
Production	1000 MT	42,709	42,731	43,840	46,342	51,646	54,344	48,794	55,477	53,857	31,744	52,611	2.1%
Consumption	1000 MT	42,709	42,734	43,838	46,341	51,653	54,344	48,795	55,475	53,862	31,750	52,612	2.1%
Import	1000 MT	33,786	33,481	34,970	38,480	42,280	41,921	38,450	45,017	41,279	19,977	43,040	2.5%
Export	1000 MT	33,786	33,478	34,972	38,481	42,273	41,921	38,449	45,019	41,274	19,971	43,039	2.5%

Source: IFA.

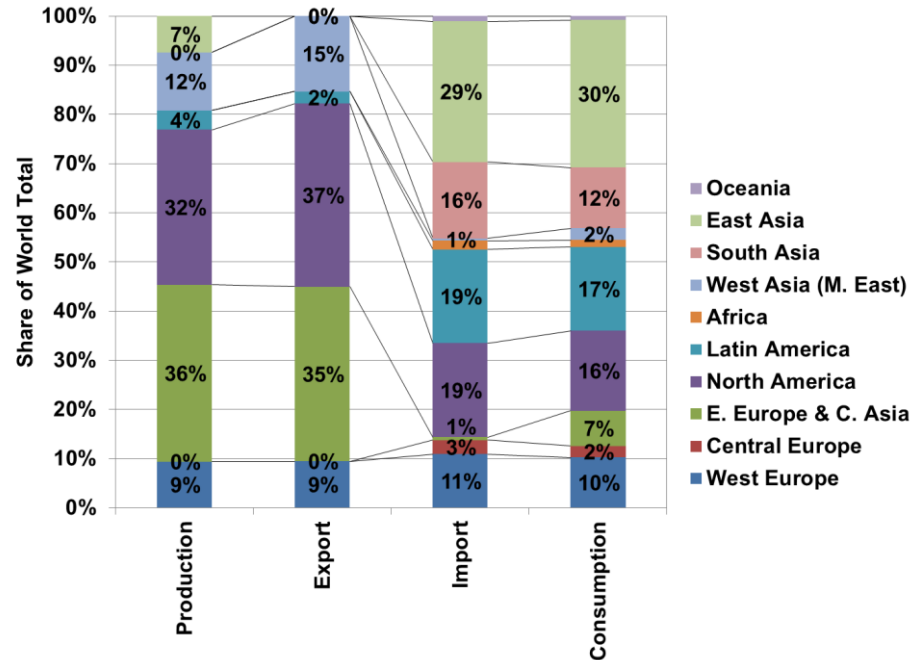
- The two largest-producing regions are also the two largest exporters, accounting for 72% of total exports in 2010. Other exporters include West Asia and Western Europe, which represent 15% and 9% of total world exports, respectively.
- East Asia, Latin America and South Asia are major importers of potash.
- East Asia is single largest consumer of potash product, followed by Latin America, North America and South Asia.

Exhibit 34: 2010 World Potash Production and Net Trade



Source: Informa Economics, Inc.

Exhibit 35: 2010 World Potash Production, Consumption and Trade by Region

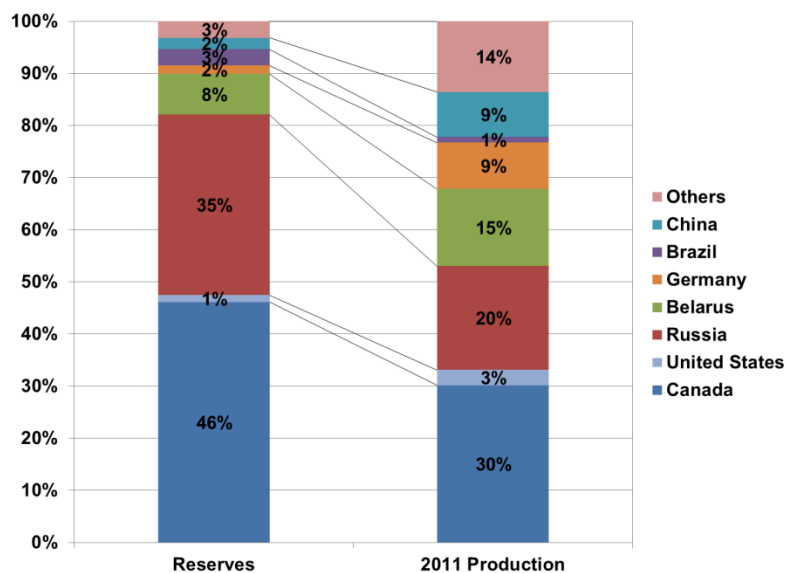


Note: The shares of Oceania and Africa are negligible (1% or below) and are not shown.

Source: IFA.

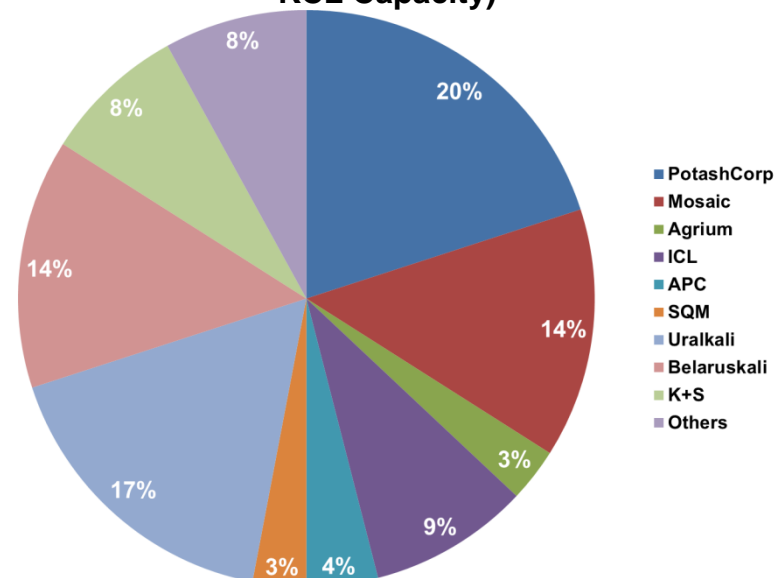
- The world reserves of potash are about 9.5 billion MT. Canada possesses roughly 46% of the total (Exhibit 36). Canada is also the largest potash-producing country in the world, representing 30% of world total output in 2011.
- Given its large potash reserves, Canada is home to several of the largest potash producers in the world, which include Potash Corporation of Saskatchewan, The Mosaic Company and Agrium Inc. (Exhibit 37). The K+S Group, the Europe’s largest potash supplier, is also building a new potash production facility near Moose Jaw, Saskatchewan.

Exhibit 36: 2011 World Potash Reserves and Production



Source: USGS.

Exhibit 37: 2010 World Major Potash Producers (by KCL Capacity)



Source: PotashCorp.

C. Phosphate

- World phosphate production (measured in terms of phosphate rock) grew steadily over the past decade, rising from 146 MMT in 2000 to 182 MMT in 2010, equivalent to a CAGR of 2.2% (Exhibit 38).
- World trade of phosphate rock has remained around 30 MMT a year over in the past ten years, except for 2009, when the world trade declined to 20 MMT.
- Regionally, East Asia is the largest producer, followed by Africa and North America (Exhibit 39, Exhibit 40).
- The Africa and Middle East regions are the two largest exporters, accounting for 82% of total exports in 2010.
- South Asia, Western Europe, and East Asia are largest importers of phosphate rock.

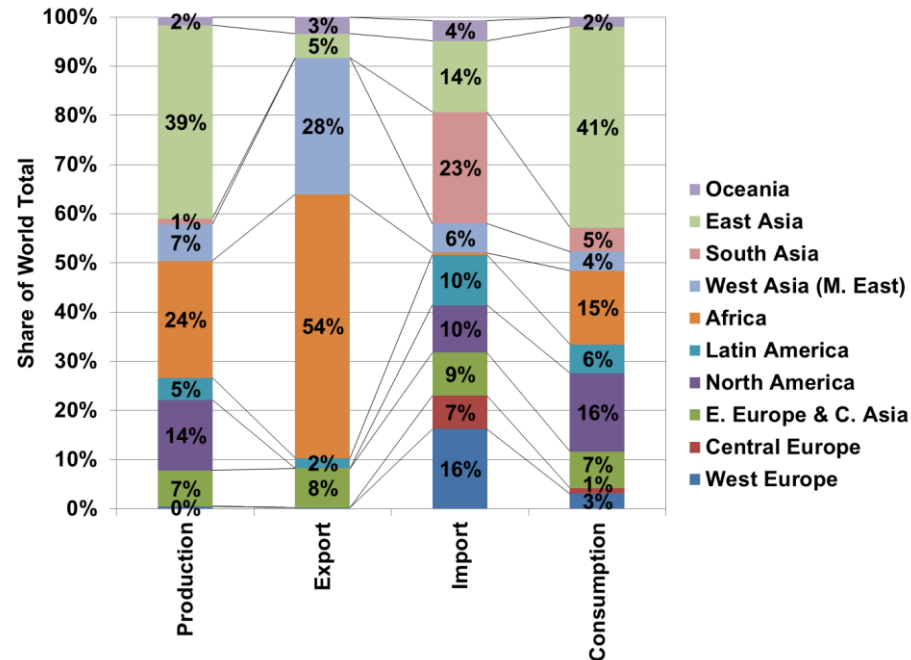
Exhibit 38: World Phosphate Rock Supply, Demand and Trade

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010 CAGR
Production	1000 MT	146,388	144,068	154,529	157,056	165,325	172,126	168,354	176,220	175,010	162,733	182,111	2.2%
Consumption	1000 MT	146,388	144,068	154,530	157,057	165,325	172,126	168,354	176,220	175,010	162,732	182,111	2.2%
Import	1000 MT	30,181	30,825	30,170	29,190	30,896	30,831	29,669	31,311	30,599	19,590	29,985	-0.1%
Export	1000 MT	30,181	30,825	30,169	29,189	30,896	30,831	29,669	31,311	30,600	19,591	29,984	-0.1%

Source: IFA.

- East Asia is single largest consumer of phosphate rock followed by North America and Africa.

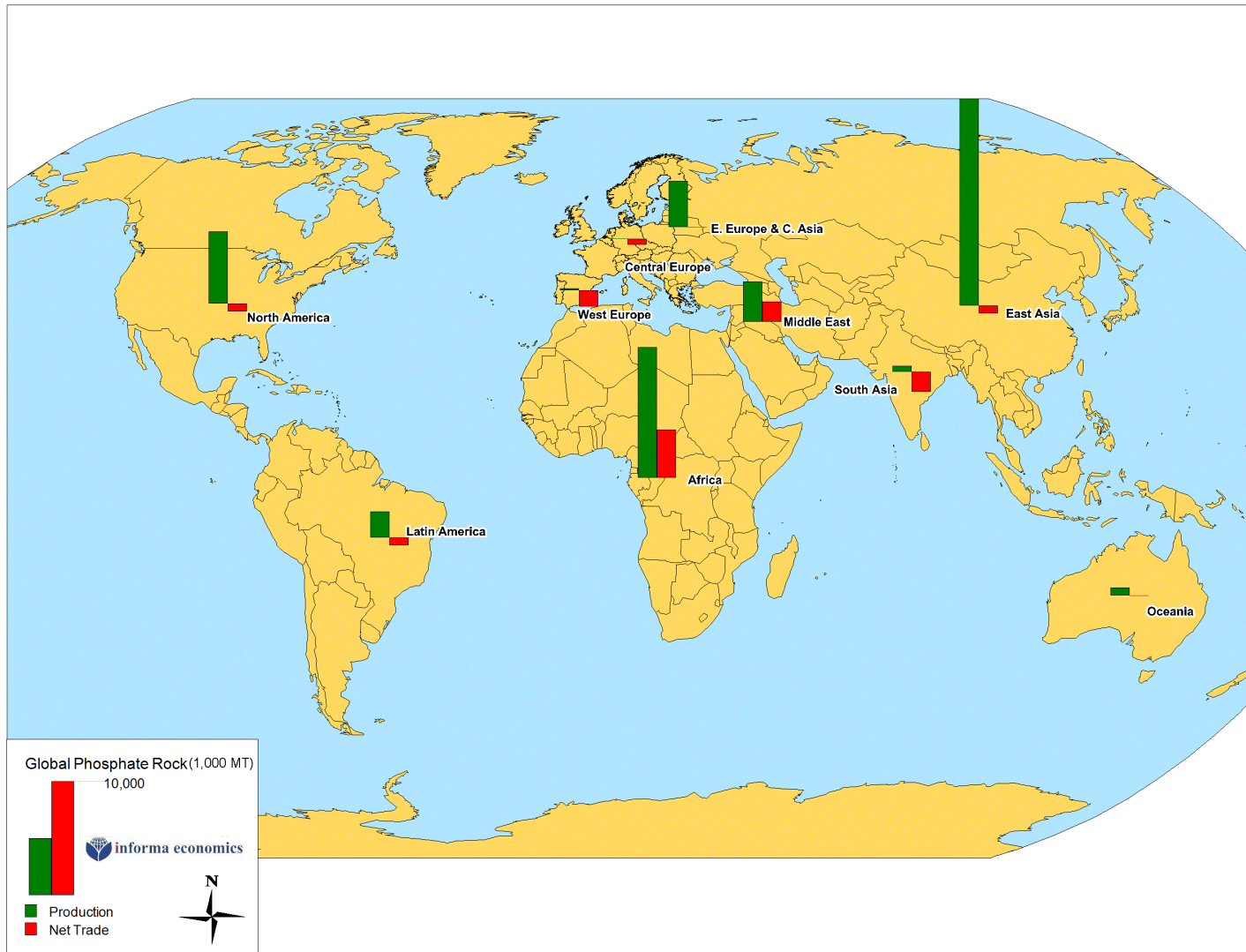
Exhibit 39: 2010 World Phosphate Rock Production, Consumption and Trade by Region



Note: Shares below 1% are not shown.

Source: IFA

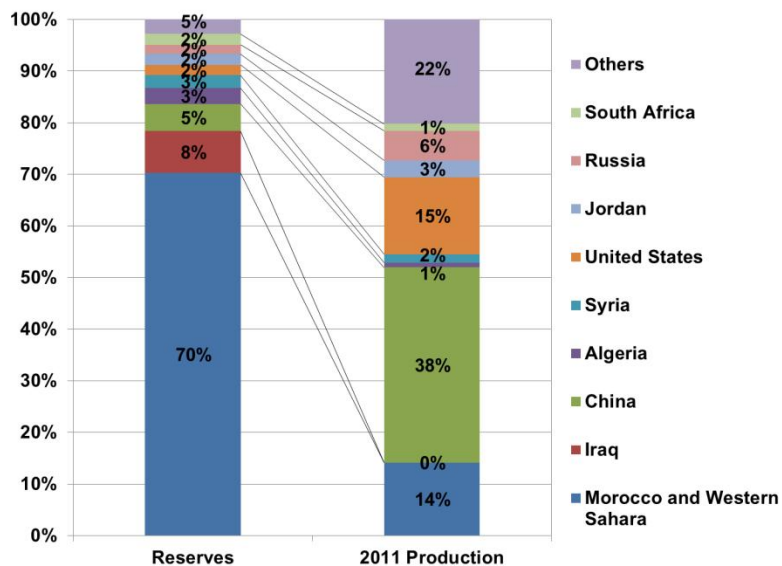
Exhibit 40: 2010 World Phosphate Rock Production and Net Trade



Source: Informa Economics, Inc.

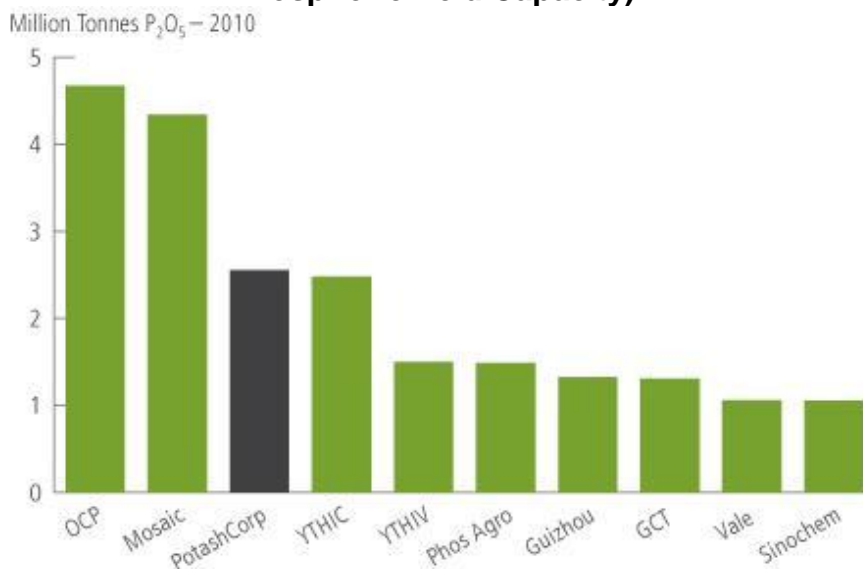
- The world reserves of phosphate rock are about 71 billion MTs, and the majority of the reserves are in Morocco and the Western Sahara (Exhibit 41). China is the largest phosphate rock-producing country in the world, representing 38% of world total output in 2011. Canada's current reserves are around 2 MMT, and Canada produced 1 MMT in 2011, or 1% of world total output.
- Phosphoric acid is produced from the reaction of phosphate rock and sulfuric acid and is the feedstock for a wide variety of phosphate products. The top 10 global phosphoric acid producers account for approximately 45% of total capacity. They are primarily integrated producers located near the large phosphate rock basins in North Africa, North America, China and Russia.
- Potash Corporation of Saskatchewan is the third-largest producer of phosphoric acid, with around 2.4 MMT of capacity.

Exhibit 41: 2011 World Phosphate Rock Reserves and Production



Source: USGS.

Exhibit 42: 2010 World Major Phosphate Producers (by Phosphoric Acid Capacity)



Source: PotashCorp.

VI. THE FERTILIZER INDUSTRY IN SASKATCHEWAN

This chapter focuses mainly on the fertilizer manufacturing. Retail sales of fertilizer and other inputs will be addressed in detail in subsequent chapters. Given the importance of potash industry to Saskatchewan, there is a significant focus on the potash industry.

- Saskatchewan is the largest producing province of potash and an important producing province of ammonia and urea (Exhibit 43, Exhibit 44). Canada currently only has one phosphates plant, which is owned by Agrium Inc. and is located in Redwater, Alberta.

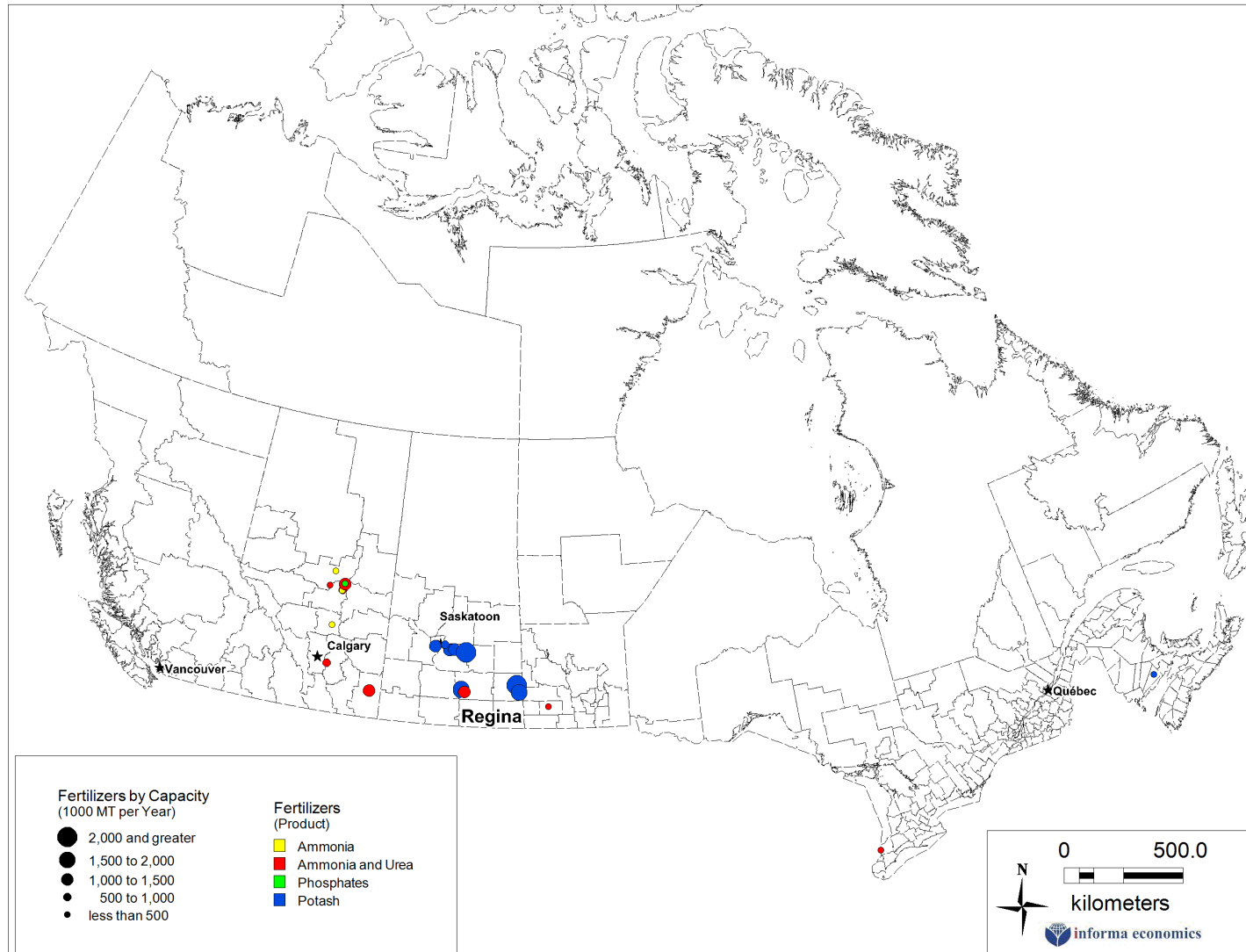
Exhibit 43: Canada and Saskatchewan Fertilizer Industry

Province	Plant Annual Capacity (1000 Metric Nutrient Tonnes)				Share of Canada Total Capacity			
	Ammonia	Urea	Phosphates	Potash	Ammonia	Urea	Phosphates	Potash
Alberta	3,062	1,180	345		70%	61%	100%	0%
Manitoba	353	129			8%	7%	0%	0%
New Brunswick				480	0%	0%	0%	4%
Ontario	369	117			8%	6%	0%	0%
Saskatchewan	590	511		13,081	13%	26%	0%	96%
Canada	4,374	1,937	345	13,561	100%	100%	100%	100%

Province	Number of Plants				Share of Canada Total Plants			
	Ammonia	Urea	Phosphates	Potash	Ammonia	Urea	Phosphates	Potash
Alberta	6	4	1		67%	57%	100%	0%
Manitoba	1	1			11%	14%	0%	0%
New Brunswick				1	0%	0%	0%	10%
Ontario	1	1			11%	14%	0%	0%
Saskatchewan	1	1		9	11%	14%	0%	90%
Canada	9	7	1	10	100%	100%	100%	100%

Source: Informa Economics, Inc.

Exhibit 44: Canada Fertilizer Manufacturers



Source: Informa Economics, Inc.

- Saskatchewan currently has 9 potash plants which together account for 96% of national potash production capacity. Saskatchewan also has 1 ammonia and urea plant at Belle Plaine, which represents 13% of national ammonia production capacity and 26% of national urea production capacity. A detailed list of fertilizer plants in Saskatchewan is shown below in Exhibit 45.

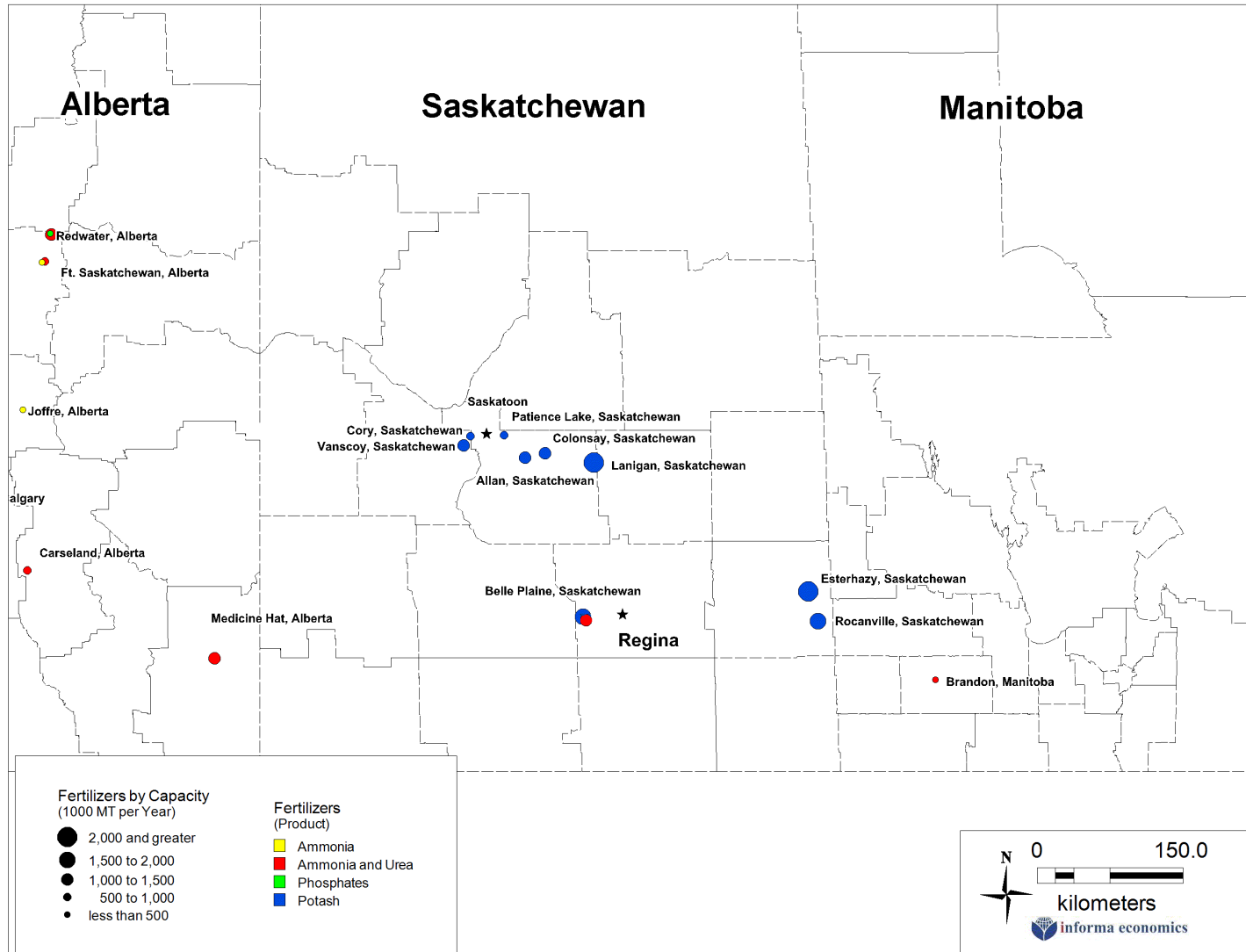
Exhibit 45: Saskatchewan Fertilizer Manufacturers

Company	Site	Product	Annual Capacity (1000 Metric Nutrient Tonnes)
Yara Belle Plaine Inc.	Belle Plaine	Ammonia	590
Yara Belle Plaine Inc.	Belle Plaine	Urea	511
Agrium Inc.	Vanscoy	Potash	1,230
Mosaic Company	Belle Plaine	Potash	1,680
Mosaic Company	Colonsay	Potash	1,080
Mosaic Company	Esterhazy	Potash	2,400
Potash Corporation of Saskatchewan	Allan	Potash	1,131
Potash Corporation of Saskatchewan	Cory	Potash	817
Potash Corporation of Saskatchewan	Lanigan	Potash	2,297
Potash Corporation of Saskatchewan	Patience Lake	Potash	620
Potash Corporation of Saskatchewan	Rocanville	Potash	1,826

Source: Agrium's Fertilizer Industry Fact Book 2011-2012

- Roughly consistent with plant capacities, over the past ten years, Saskatchewan on average accounted for 95% of total Canadian potash output. From 2001 to 2011, Saskatchewan potash production increased by 2.58 MMT, from 7.80 MMT to 10.38 MMT, with a CAGR of 3%. In 2009, there was a production cut by potash manufacturers as a result of the financial crisis and drop in demand. In the following two years, production recovered from the low of 2009, as global demand rebounded.
- The economic value that the potash industry contributed to the Province of Saskatchewan also increased over the past decade (Exhibit 47). It is estimated that from 2001 to 2011, the total product value of potash increased from \$1.53 billion to \$7.52 billion, equivalent to a CAGR of 17%. The economic value growth comes from both production expansion and an increase in the unit price of potash.

Exhibit 46: Saskatchewan Fertilizer Manufacturers



Source: Informa Economics, Inc.

Exhibit 47: Saskatchewan Potash Production and Value

Year	Production (MMT of K ₂ O equivalent)		Saskatchewan Production Share	Product Value (Billion Dollars)	
	Saskatchewan	Canada		Saskatchewan	Canada
2001	7.80	8.24	95%	1.53	1.62
2002	8.15	8.36	98%	1.59	1.63
2003	8.64	9.23	94%	1.51	1.61
2004	9.64	10.33	93%	2.02	2.16
2005	10.13	10.14	100%	2.44	2.44
2006	8.06	8.52	95%	2.12	2.24
2007	10.34	11.09	93%	2.63	2.81
2008	9.34	10.38	90%	6.90	7.66
2009	4.22	4.30	98%	3.37	3.43
2010	9.11	9.70	94%	4.75	5.06
2011	10.38	11.01	94%	7.52	7.97

Note: Saskatchewan product values are estimates based on Saskatchewan production shares and Canada total product values.

Source: Saskatchewan production data is from the Saskatchewan Bureau of Statistics; Canada production and value data is from Natural Resources Canada.

VII. PROFILES OF COMPANIES INVOLVED IN THE TRANSACTIONS

A. Glencore

Overview. Glencore, founded in 1974, is headquartered in Baar, Switzerland, and is one of the largest producers and marketers of commodities worldwide. Approximately 54,800 people in 33 countries are employed in Glencore's industrial operations. In its marketing operations, it employs approximately 2,800 people spread across 50 offices in more than 40 countries. Glencore's consolidated revenues for 2011 were US\$186.2 billion, with income before attrition of US\$4.3 billion; it had total assets valued at US\$86.2 billion as of December 31, 2011.

- Glencore became publicly traded in May 2011, with a primary listing on the London Stock Exchange and a secondary listing on the Hong Kong Stock Exchange. Glencore also has significant interests in other publicly traded companies, including Xstrata, Century Aluminum, Katanga Mining, UCR, Chemoil, and Recyclax.⁵ It is currently involved in obtaining approval from shareholders and regulators in an effort to merge with mining firm Xstrata that would create a business valued at approximately US\$90 billion.⁶
- Glencore's business is divided into three distinct business segments:
 - **Metals and Minerals**, including zinc, copper, and lead; alumina and aluminum; and ferroalloys, nickel, cobalt, and iron ore. This division had revenue of \$US52.0 billion in 2011 and an adjusted earnings before interest and taxes (EBIT) of US\$2.6 billion.
 - **Energy Products**, including oil, gas, coal, and coke. This division had revenue of US\$117.1 billion in 2011 and an adjusted EBIT of US\$1.1 billion.
 - **Agricultural Products.** In its agricultural products division, Glencore and its subsidiaries have historically been involved in operations in grains, oils and oilseeds, cotton, and sugar. These products are sourced primarily in the EU, Russia, Ukraine, Kazakhstan, Argentina, Australia, Brazil, Thailand, and India. Exports often go to North Africa, the Middle East, Asia, Indonesia, and West Africa.
 - Glencore's agricultural business division had revenues of US\$17.1 billion for 2011 but a marketing adjusted earnings before interest and taxes (EBIT) reflecting a loss of US\$47 million that was significantly impacted by negative performance in Glencore's cotton activities for the year.

⁵ Ibid.

⁶ Cimilluca, D., J.W. Miller, and R. Hoyle. "Investors Squawk at Xstrata's Big Deal." *The Wall Street Journal*. February 8, 2012.

B. Viterra

Overview. Viterra, founded in 1924 and with a rich history in Saskatchewan, is a global agribusiness company headquartered in Regina but with extensive operations throughout Canada, Australia, New Zealand, and the U.S. Viterra's latest major changes of form have come from the merger of the Saskatchewan Wheat Pool and Agricore United and Viterra's subsequent purchase of Australian ABB Grain. Viterra is organized into three operating business units: grain handling and marketing, Agri-Products, and processing. Viterra describes its business model as "designed to optimize the Company's position in the agri-food value chain by connecting producers and their commodities with destination customers around the world."⁷

- **Market Share in Canada.** Viterra estimates that it has a 45% market share for grain handling in Western Canada (based on receipts), and is the largest grain handler in Canada. It estimates that it has a 35% market share of agri-product retail input markets in Western Canada.
- **North American Asset Ownership Summary.** Viterra's North American asset ownership includes:⁸
 - 92 licensed primary grain elevators in Canada
 - 8 specialty crop facilities in Western Canada
 - 3 specialty crop facilities in the U.S.
 - 7 port terminals in Canada, which equates to operation of over 50% of port terminal export capacity in Canada, including:
 - Long-term lease for Port of Montreal facility
 - 52.4% ownership share in Prince Rupert facility
 - 258 retail crop input facilities in Western Canada (which Viterra estimates represents a 35% market share)
 - Viterra estimates suggest that independent retailers comprise ~30% of the market
 - 34% ownership in Canadian Fertilizers Limited, which provides Viterra with 1/3 of its North American fertilizer sales volume requirements
 - 5 oat and specialty grain milling facilities in Canada and the U.S., which equate to 39% of North American oat milling capacity; 21st Century Grain and Processing Co.
 - 2 pasta production facilities in the U.S.
 - 340,000-tonne annual capacity canola-processing facility in Ste. Agathe, Manitoba

⁷ Viterra 2011 Annual Report. <http://www.viterra.com>

⁸ Ibid.; Glencore International plc. Shareholder presentation: "Acquisition of Viterra." March 2012.

- 42% ownership in Prairie Malt (annual capacity of 220,000 tonnes) in Biggar, Saskatchewan
- **Other Asset Ownership Summary.** Viterra's pre-acquisition asset ownership also includes significant assets beyond those located in North America:
 - Viterra has the leading storage capacity position in South Australia. It also owns 109 grain elevators, 8 port terminals, 6 fertilizer storage and distribution centers, a wool accumulation and sales business that also operates in New Zealand, and 6 malt processing facilities.
 - Viterra also has a 49% ownership in a canola-processing facility in China.
 - The company has offices spread throughout the world.
- **Fertilizer Sales.** Within its fertilizer sales, approximately 66% of Viterra's Western Canadian sales volumes are nitrogen based, 21% are phosphate based, and 13% are sulfur, potash, and other nutrients.
- **Crop Receipts.** Viterra had grain receipts (6 major crops) of 15.4 million tonnes in FY2011, with 45% Board crops and 55% non-Board crops and compared to industry-wide Western Canadian grain receipts of 33.5 million tonnes.
- **Margins.** Prior to the acquisition, Viterra expected its grain-handling margins to increase by \$2 to \$2.50 per tonne with the removal of the single-desk CWB, including a 1.0- 2.5% market share increase.
- **Earnings.** Viterra had strong earnings results in 2011 and set a record for adjusted EBIDTA for the fiscal year, as detailed further in Exhibit 48.

Exhibit 48: Viterra FY2011 Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA)

Viterra Business Division	Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA)
Grain Handling and Marketing	\$493 million (with \$215 million in North America)
Agri-Products	\$244 million
Processing	\$124 million
Total	\$702 million

Note: FY is November 1, 2010 to Oct. 31, 2011.

Source: Viterra 2011 Annual Report; FY is November 1, 2010 to Oct. 31, 2011.

- Additionally, Viterra's 2011 net earnings were up 83% from the previous fiscal year:
 - FY 2010 net earnings: \$145 million
 - FY 2011 net earnings: \$265 million

C. Richardson

Overview. Richardson, headquartered in Winnipeg, Manitoba, is billed as Canada's largest privately owned agribusiness. Of the four primary companies involved in the transactions, it is the only one that is privately held.

- Richardson International Limited is a subsidiary of James Richardson & Sons, Limited ("JRSL"). JRSL was established in 1857 and manages operations in agriculture and food processing through Richardson International Limited, oil and gas exploration through Tundra Oil & Gas Limited, financial services through Richardson Financial Group, and property management through Richardson Centre Limited.
- Richardson is currently Canada's second-largest grain handler (based on capacity). It is also Saskatchewan's second-largest grain handler.
- **Assets.** Richardson's assets prior to the transactions include:
 - **Port facilities**⁹: Sorel Tracy, Quebec; Hamilton, Ontario; Thunder Bay, Ontario; North Vancouver, British Columbia, and joint ownership (24% share)¹⁰ at Prince Rupert, British Columbia.

⁹ Richardson International. <http://www.richardson.ca/about/operations>

- **Primary grain elevators:** 54 primary elevators in Canada, including 31 in Saskatchewan¹¹
- **Retail crop input facilities:** Approximately 70 retail input facilities in Canada¹²
- **Processing:** Three oilseed processors: Yorkton, Saskatchewan; Lethbridge, Alberta; and Mississauga, Ontario

■ **Employees.** Richardson employees over 1,600 people across Canada.

■ **Financial information.** Financial information on Richardson's revenues, expenses, and earnings is generally not publicly available.

D. Agrium

Overview. Agrium is the world's largest global agricultural inputs retailer with approximately 1,250 facilities worldwide (including 900+ in North America), a leading producer of nutrients with over 9 MMT of capacity, and a major global fertilizer distributor with over 3 MMT in annual nitrogen, phosphorous, and potassium (NPK) volumes.

■ Agrium is the only fertilizer producer in Canada that produces all three major crop nutrients (N, P, and K). It is the second-largest holder of nitrogen production capacity in North America. Over 85 percent of Agrium's ammonia and urea production capacity are located in Alberta.

■ Agrium is organized in 3 operating business units:¹³

- **Retail Business Unit**, which supplies crop input products and services to grower customers across North America, South America, and Australia, had retail sales of US\$10.3 billion in 2011. Agrium's retail input facilities are heavily concentrated outside of Canada (particularly in the U.S. and Australia), with just 65 facilities in Canada and over 1,250 retail facilities worldwide.
 - Sales of just two categories of products, crop protection products and crop nutrients, accounted for 68% (US\$1.556 billion) of Agrium's retail gross profit in 2011.
 - Agrium had a gross profit margin of 22.2% for 2011.

¹⁰ Cash, M. "Richardson Top Grain Handler." *Winnipeg Free Press*. March 21, 2012 <http://www.winnipegfreepress.com/business/richardson-top-grain-handler-143609666.html>

¹¹ Canadian Grain Commission, as of March 1, 2012

¹² Richardson. <http://www.richardson.com/about/operations>

¹³ Agrium 2011 Annual Report. <http://www.agrium.com>

- **Wholesale Business Unit**, which produces, markets, and distributes all major fertilizer products with a focus on nitrogen, potash, and phosphate.
 - In 2011 in Canada, Agrium’s wholesale business unit produced 2.82 MMT of nitrogen, 1.7 MMT of potash, and 646,000 MT of phosphate.
 - Sales in Canada were 1.6 MMT of nitrogen, 131,000 MT of potash, and 584,000 MT of phosphate.
 - Of crop nutrient inputs, Agrium describes nitrogen as “the most important nutrient in global crop production, trade, and consumption.” Agrium is also described as one of the top three publicly-traded nitrogen producers in the world.
 - **Advanced Technologies Business Unit**, which develops and sells “Enhanced Efficiency Fertilizer” products to a range of markets, including agriculture, turf, horticulture, and consumer lawn and garden.
- Agrium generated 25% of its wholesale gross profits in 2011 from Canadian agricultural sales and 45% from U.S. agricultural sales.
 - Approximately 75% of Agrium’s total nitrogen sales are to agricultural customers, with the remaining 25% going to industrial users. For Agrium’s wholesale business, nitrogen represented 49% (US\$974 million) of total sales, while phosphate accounted for 18% (US\$349 million) and potash accounted for 26% (US\$513 million).
 - Agrium’s retail facilities are operated as Crop Production Services (Canada). CPS also has significant retail facilities in the U.S and in Alberta, Canada besides its existing approximately 30 facilities in Saskatchewan.

VIII. ANALYSIS OF THE IMPACTS OF THE TRANSACTIONS

A. Competition within the Western Canadian Grain-Handling System

1. Grain Storage Capacities Before and After the Transactions

- According to the Canadian Grain Commission, Viterra is the largest grain-handling firm in Canada as measured by storage capacity. It has 2.9 million tonnes of capacity, accounting for 25% of the total capacity of elevators licensed by the Commission. While throughput volumes are not publicly reported for all grain companies, in Viterra's 2011 Annual Report, the company stated, "Viterra has about 45% of the grain handling market share in Western Canada based on receipts (producers' deliveries into the system) ..." ¹⁴ Viterra has 99 grain elevators in Canada, of which 50 are in Saskatchewan. Viterra is also the leading grain company in Saskatchewan, with 1.1 million tonnes of storage capacity, representing 32% of the total capacity in the province.
- On the other hand, Glencore has no agricultural activities or assets in Canada at the present time. Accordingly, as a result of the initial acquisition of Viterra by Glencore (i.e., prior to any subsequent divestitures), Viterra's grain-handling assets will pass to Glencore, and Glencore will become the largest grain-handling company in Canada in general and Saskatchewan in particular. However, Glencore will have the same share of Canadian and Saskatchewan capacity after the initial acquisition that Viterra had prior to the transaction. Therefore, the initial transaction itself will have a minimal effect on competition within the Western Canadian grain-handling system, since there will be no increase in the concentration of assets but rather a change of ownership of an existing set of assets and operations. This assessment was confirmed by the Canadian Competition Bureau' Glencore received a "No-Action Letter" from the Canadian Commissioner of Competition regarding Glencore's application to the Competition Bureau for the initial acquisition of Viterra.
- Richardson International Limited ("Richardson") has agreed to acquire certain current Viterra assets, including grain handling, crop input and processing facilities, from Glencore following its acquisition of Viterra. Relevant to this analysis, Richardson will purchase 19 primary elevators and the retail crop input facilities co-located with those facilities, as well as interests in certain Viterra export elevators (Exhibit 49 through Exhibit 51). The primary elevators are located at:

¹⁴ http://cdn-l.viterra.com/static/archives/10-11QRpts/Viterra_AR_2011.pdf

- Lacombe East, Alberta
- Lavoy, Alberta
- High Level, Alberta
- Provost, Alberta
- Vulcan, Alberta
- Alameda, Saskatchewan
- Assiniboia, Saskatchewan
- Carrot River, Saskatchewan
- Davidson, Saskatchewan
- Kindersley, Saskatchewan
- Langenburg, Saskatchewan
- Maple Creek, Saskatchewan
- Melville, Saskatchewan
- Regina East / White City, Saskatchewan
- Unity, Saskatchewan
- Red River South, Manitoba
- South Lakes, Manitoba
- Dawson Creek, British Columbia
- Fort St. John, British Columbia

- Richardson also will be acquiring a 25% ownership interest in the Cascadia Terminal at Vancouver, British Columbia, and a terminal facility at the port of Thunder Bay, Ontario. This is important since Richardson needs additional export terminal capacity/throughput given the amount of grain it originates on the Prairies. The inclusion of these export facilities in the acquisition will give Richardson greater ability to export, which will improve competition among Canadian grain companies.
- After the Richardson transaction is completed, Glencore's share of Canadian elevator capacity (among elevators licensed by the Canadian Grain Commission) would decline to 22%, compared to Viterra's share of 25% prior to the transactions (Exhibit 52). Richardson's share would increase to 17% from 13%. The four-firm concentration ratio would remain unchanged at 60% since the transaction is between two of the four largest grain companies in Canada.
- In Saskatchewan, Glencore and Richardson come even closer to parity. Glencore's share of elevator capacity in Saskatchewan would decline to 25%, compared to 32% for Viterra prior to the acquisition (Exhibit 53). On the other hand, Richardson's share would increase to 23% from 16%. As with Canada as a whole, the four-firm concentration ratio for the grain-handling industry would remain unchanged after the transactions; in Saskatchewan the ratio is 64%, which is slightly higher than for Canada as a whole.

Exhibit 49: Glencore and Richardson Grain Elevators in Western Canada after the Glencore Acquisition of Viterra and Divestiture of Elevators to Richardson, Excluding Port Facilities

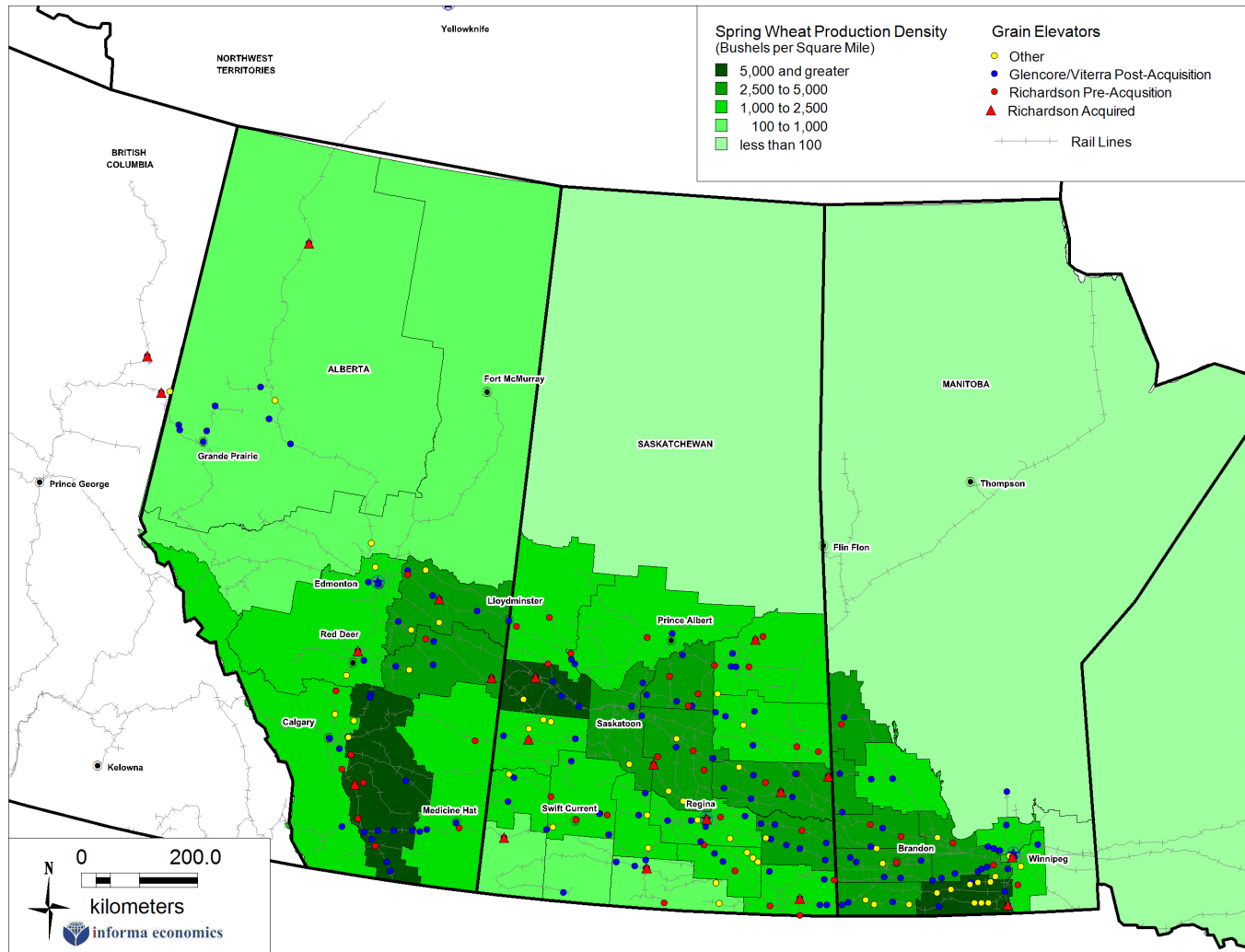
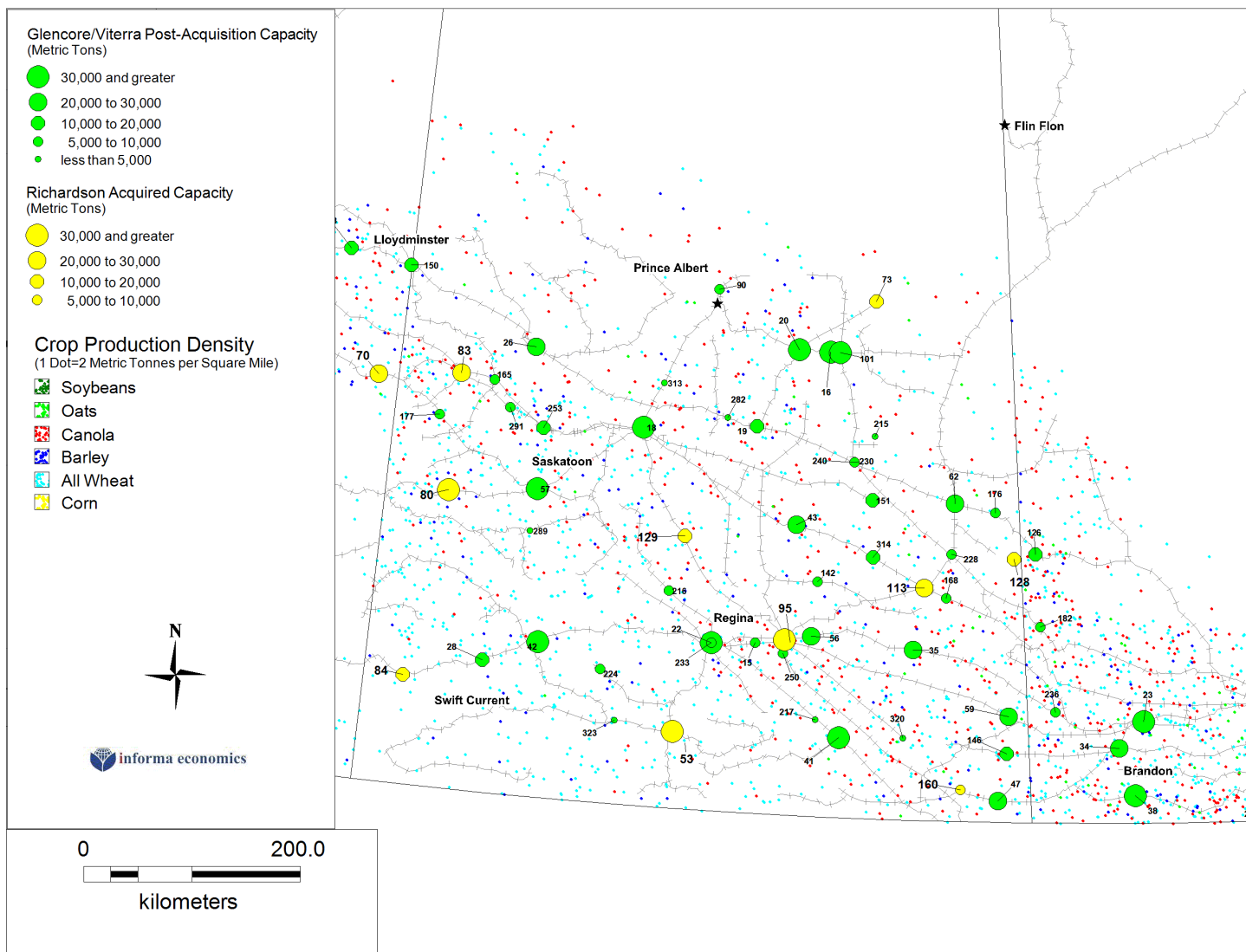
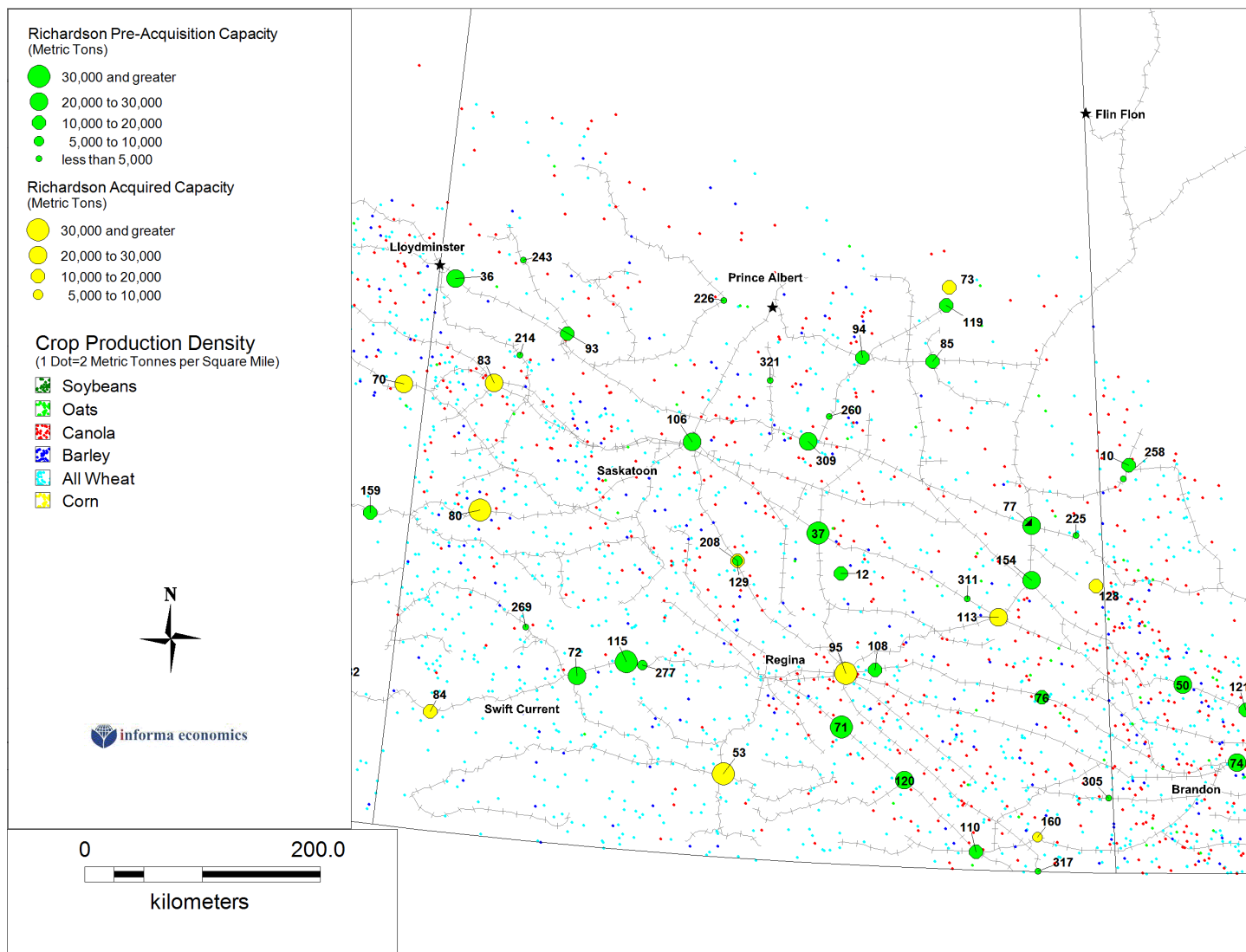


Exhibit 50: Glencore Grain Elevators in Saskatchewan and Elevators Divested to Richardson



Note: Key to elevator numbers is included in the appendix to this report

Exhibit 51: Previous Richardson Grain Elevators in Saskatchewan and Elevators Acquired from Glencore



Note: Key to elevator numbers is included in the appendix to this report

Exhibit 52: Major Grain Companies' Shares of Canadian Grain Elevator Capacity, Before and After the Glencore Acquisition of Viterra and Divestiture of Elevators to Richardson

	Pre-Transactions		Post-Transactions		Change	
	Tonnes	Pct.	Tonnes	Pct.	Tonnes	Pct.
Cargill Limited	1,703,300	15%	1,703,300	15%	0	0%
Louis Dreyfus Canada Ltd.	640,500	6%	640,500	6%	0	0%
Richardson	1,513,610	13%	1,946,110	17%	432,500	4%
Glencore/Viterra Inc.	2,857,290	25%	2,424,790	22%	-432,500	-4%
Other	4,536,970	40%	4,536,970	40%	0	0%
Total	<u>11,251,670</u>	<u>100%</u>	<u>11,251,670</u>	<u>100%</u>	<u>0</u>	<u>0%</u>
4-Firm Concentration Ratio		60%		60%		0%

Source: Canadian Grain Commission, Richardson International Ltd

Note: Canadian Grain Commission data encompasses Western Canadian elevators (including export terminals) and Eastern Canadian port terminals.

Exhibit 53: Major Grain Companies' Shares of Saskatchewan Grain Elevator Capacity, Before and After the Glencore Acquisition of Viterra and Divestiture of Elevators to Richardson

	Pre-Transactions		Post-Transactions		Change	
	Tonnes	Pct.	Tonnes	Pct.	Tonnes	Pct.
Cargill Limited	296,050	9%	296,050	9%	0	0%
Parrish & Heimbecker	256,350	7%	256,350	7%	0	0%
Richardson	545,210	16%	782,870	23%	237,660	7%
Glencore/Viterra Inc.	1,109,010	32%	871,350	25%	-237,660	-7%
Other	1,256,500	36%	1,256,500	36%	0	0%
Total	<u>3,463,120</u>	<u>100%</u>	<u>3,463,120</u>	<u>100%</u>	<u>0</u>	<u>0%</u>
4-Firm Concentration Ratio		64%		64%		0%

Source: Canadian Grain Commission, Richardson International Ltd

Note: Canadian Grain Commission data encompasses Western Canadian elevators (including export terminals) and Eastern Canadian port terminals.

2. Distances to Competing Elevators

- A relatively straightforward indicator of the degree of change in the competitive environment among grain elevators in Saskatchewan is the distance from each grain elevator to the closest elevator run by a competing firm. Prior to the Glencore acquisition of Viterra, 72 primary elevators in Saskatchewan, equivalent to 44% of all primary elevators in the province, were within 5 kilometers of a competing elevator (Exhibit 54). Seventy-three percent of elevators were within 30 kilometers of a competing elevator.

Exhibit 54: Saskatchewan Grain Elevators Categorized by Distance to the Nearest Competing Elevator, Before and After the Glencore Acquisition of Viterra and Divestiture of Elevators to Richardson

Kilometer Category	Pre-Transactions	Post-Transactions	Change
0-5	72	70	(2)
5-10	4	4	-
10-20	28	28	-
20-30	15	16	1
>30	43	44	1

Note: Includes only primary elevators

Source: Informa Economics, Inc.

- After the divestiture of elevators by Glencore to Richardson, 70 primary elevators in the province, equivalent to 43% of the total, would be within 5 kilometers of a competing elevator. Seventy-three percent of elevators would be within 30 kilometers of a competing elevator. This is an indicator that, as a whole, Saskatchewan farmers would not have to travel farther to access a competing elevator for their grain.
- Four elevators would experience significant changes in their distances to competing elevators as a result of the divestiture to Richardson. Carrot River previously was the home to two competing elevators (Viterra and Richardson), but after the divestiture both elevators would be owned by Richardson, and for both the closest competing elevator would be 62 kilometers away. The closest competing elevator to the Richardson elevator in Northgate has been 33 kilometers away, but after the divestiture the closest one would be 55 kilometers away. On the other hand, whereas the closest competing elevator to the Viterra facility in Langenburg was 59 kilometers away, after the divestiture it would be only 24 kilometers away.

3. Company Market Shares by Census Agricultural Regions Before and After the Transactions

- A better indicator of the degree to which grain companies can exert a measure of control over local markets in their “spheres of influence” can be determined by estimating market shares within a 100-kilometer radius around each elevator, assumed to be a reasonable catchment area for grain. Accordingly, Informa estimated market shares within a 100-kilometer radius around each elevator, using the following steps:
 - Obtain estimates of the production of all wheat, barley and canola for each Census Agricultural Region (CAR) in Saskatchewan, Alberta and Manitoba.
 - Estimate the throughput of each primary elevator by multiplying its storage capacity (reported by the Canadian Grain Commission) by the number of turns estimated by Informa for the appropriate railcar-loading capacity category: 5.4 turns/year for elevators with carloading capacities of <50 cars, 6.7 turns/year for elevators with capacities of 50-100 cars, 7.9 turns/year for elevators with capacities of >100 cars and 4.8 turns/year for elevators with unknown carloading capacities. The average numbers of turns were estimated by Informa using data on grain flows through certain rail stations in Canada, combined with information on grain elevators located at those stations and the elevators’ storage capacities. Averages for carloading capacity categories were used in this analysis in order to smooth the results from the individual elevator calculations.
 - Using the geographic information system (GIS) software package MapInfo, cut a 100-kilometer “buffer” around each elevator. Determine the percentage of the area in each CAR that is within the buffer around each elevator.
 - For each elevator, multiply the percentage of the area in each CAR within each elevator’s buffer by the production of all wheat, barley and canola in each CAR as a whole, in order to arrive at an estimate of the total production of major crops within each elevator’s catchment area.
 - Divide each elevator’s estimated annual turnover by the major crop production within its catchment area, in order to determine the elevator’s crop requirement as a percentage of production.
 - For each elevator and for each CAR, multiply the elevator’s crop requirement as a percentage of production by the actual production in the portion of each CAR within its 100-kilometer catchment area, in order to arrive at a “first cut” at volume of grain originated by each elevator from each CAR.
 - Estimate each elevator’s market share within each CAR by dividing the elevator’s grain origination volume in a CAR by the sum of all elevators’ origination volumes in the CAR.
 - Determine the market shares of each grain company in each CAR by summing the market share of each individual elevator owned by that company having a catchment area extending into that CAR.

- This analysis was done for both the situation existing before the Glencore purchase of Viterra and the situation existing after the Glencore divestiture of certain Viterra elevators to Richardson, in order to determine the impact of the transactions on grain companies' market shares in sub-provincial areas of Saskatchewan.
- Results: Prior to the transactions, Viterra had market shares ranging from 28% to 45% among the CARs in Saskatchewan, with a simple (i.e., non-weighted) province-wide average of 38% (Exhibit 55). Richardson had CAR market shares ranging from 3% to 27% – thus its highest market share in a CAR in Saskatchewan was just less than Viterra's lowest market share – with an average 16% market share across the province. The four-firm concentration ratio ranged from 63% to 89% by CAR, with an average of 77%.

Exhibit 55: Grain Company Market Shares by Census Agricultural Region in Saskatchewan, Before and After the Glencore Acquisition of Viterra and Divestiture of Elevators to Richardson

Census Agricultural Region	Glencore/Viterra			Richardson			4-Firm Concentration Ratio		
	Pre-Acquisition	Post-Acquisition	Change	Pre-Acquisition	Post-Acquisition	Change	Pre-Acquisition	Post-Acquisition	Change
Census Agricultural Region 1A	45%	40%	-4%	15%	19%	4%	75%	75%	0%
Census Agricultural Region 1B	36%	31%	-5%	12%	17%	5%	72%	72%	0%
Census Agricultural Region 2A	34%	27%	-7%	23%	31%	7%	68%	68%	0%
Census Agricultural Region 2B	42%	32%	-10%	17%	27%	10%	77%	77%	0%
Census Agricultural Region 3AN	44%	32%	-12%	15%	27%	12%	86%	86%	0%
Census Agricultural Region 3AS	37%	18%	-20%	18%	37%	20%	83%	83%	0%
Census Agricultural Region 3BN	34%	30%	-4%	27%	30%	4%	84%	84%	0%
Census Agricultural Region 3BS	36%	25%	-11%	20%	31%	11%	87%	87%	0%
Census Agricultural Region 4A	45%	25%	-20%	12%	32%	20%	78%	78%	0%
Census Agricultural Region 4B	36%	21%	-16%	12%	28%	16%	69%	69%	0%
Census Agricultural Region 5A	38%	28%	-10%	19%	28%	10%	80%	80%	0%
Census Agricultural Region 5B	36%	32%	-4%	24%	27%	4%	79%	79%	0%
Census Agricultural Region 6A	39%	33%	-6%	21%	27%	6%	87%	87%	0%
Census Agricultural Region 6B	45%	43%	-2%	12%	15%	2%	89%	89%	0%
Census Agricultural Region 7A	38%	18%	-20%	3%	23%	20%	63%	62%	-1%
Census Agricultural Region 7B	37%	21%	-16%	5%	21%	16%	67%	67%	0%
Census Agricultural Region 8A	37%	32%	-5%	16%	20%	5%	77%	77%	0%
Census Agricultural Region 8B	39%	39%	0%	18%	18%	0%	77%	77%	0%
Census Agricultural Region 9A	42%	40%	-2%	14%	16%	2%	79%	79%	0%
Census Agricultural Region 9B	28%	18%	-10%	17%	28%	10%	72%	72%	0%

Source: Informa Economics, Inc.

- The divestiture of former Viterra elevators to Richardson would result in market share gains to Richardson ranging from 0% to 20% by CAR, with a province-wide simple average of a 9% market share gain. Glencore would experience a corresponding loss by CAR.
- Prior to the transactions, the four-firm concentration ratio ranges from 63% to 89% by CAR, with an average of 77%. The ratio is essentially unchanged after the divestiture of former Viterra elevators to Richardson (the only change is that the CAR with the lowest four-firm concentration ratio has a combined market share of 62%).
- Notably, for almost all CARs within Saskatchewan, the four-firm concentration ratio for ownership of elevators with railcar-loading capacities of over 100 cars is 100%. This is the case both before and after the transactions.
- The market shares of Glencore/Viterra and Richardson both before and after the transactions, the four-firm concentration ratios and the changes in market shares due to the divestiture are shown graphically in the maps from Exhibit 56 to Exhibit 64.
- By comparison, for Western Canada as a whole, Glencore estimates that as a result of the proposed asset sale to Richardson, the Glencore/Viterra market share will drop from approximately 45% to 35%.¹⁵

¹⁵ Johnstone, B. "Glencore Focused on Feds, Farmers." *Regina Leader-Post*. May 7, 2012.
<http://www.leaderpost.com/news/Glencore+focused+feds+farmers/6576553/story.html>

Exhibit 56: Viterra Market Shares by Census Agricultural Region, Prior to Acquisition

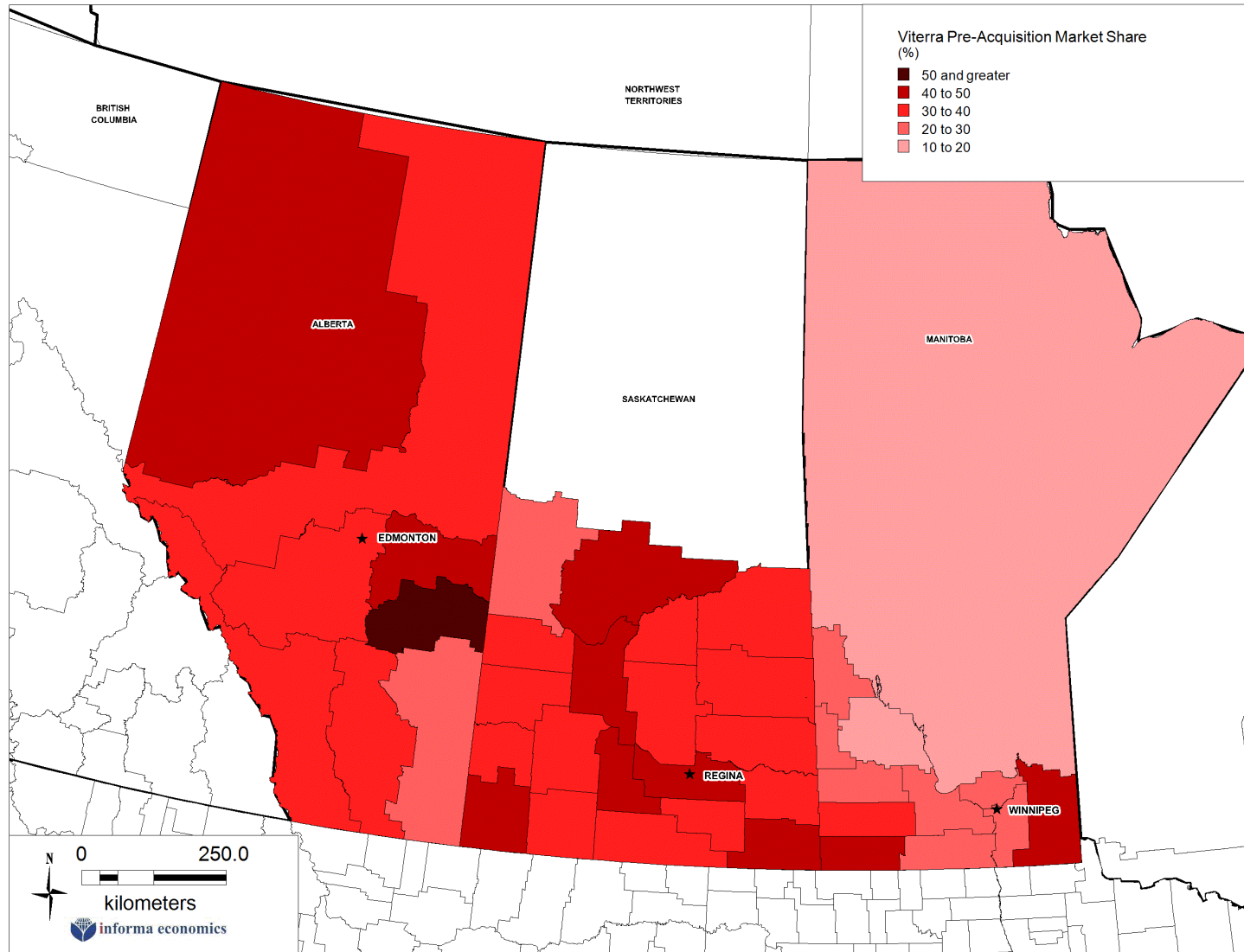


Exhibit 57: Glencore Market Shares by Census Agricultural Region, After Divestiture

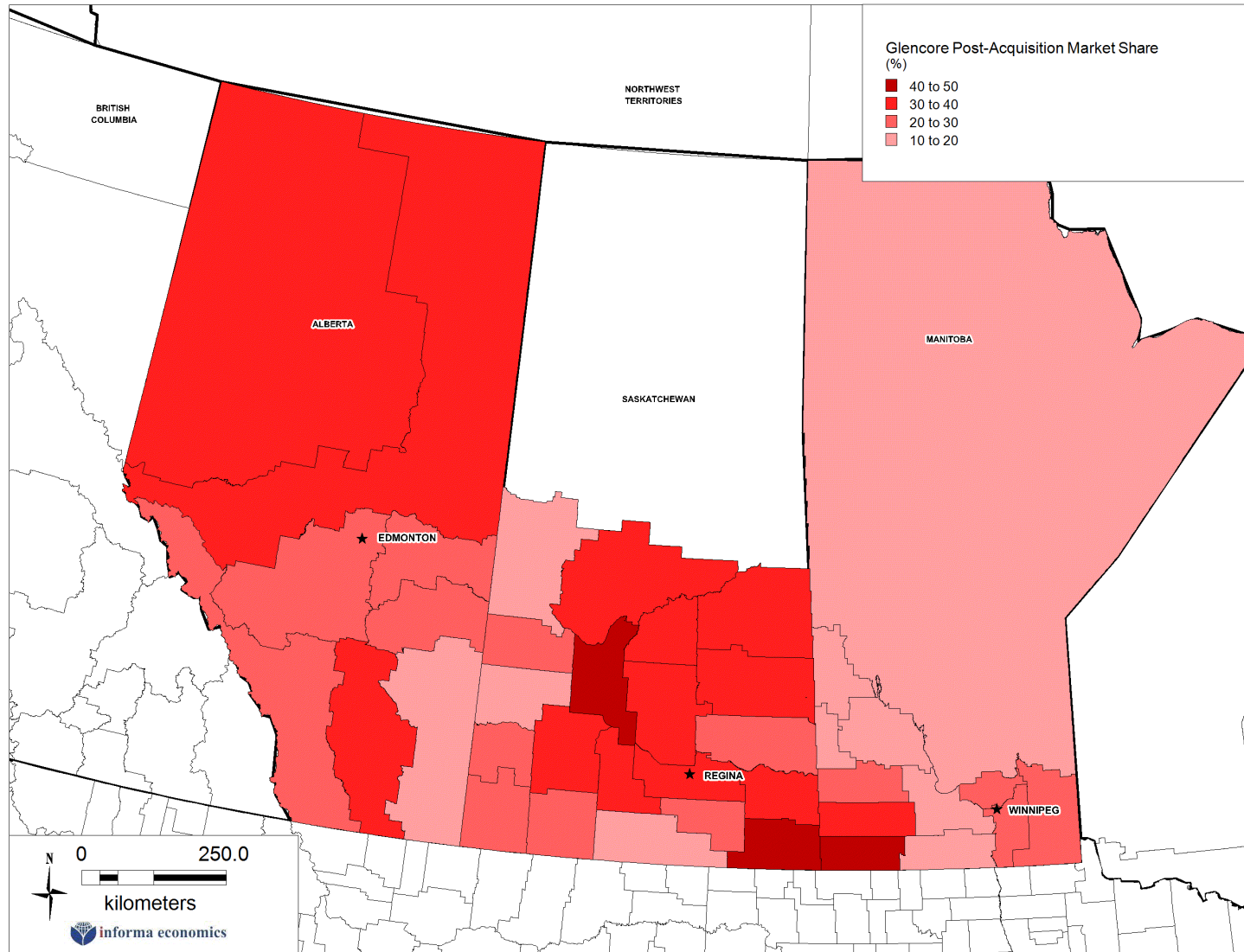


Exhibit 58: Change in Glencore/Viterra Market Shares by Census Agricultural Region, Due to Divestiture

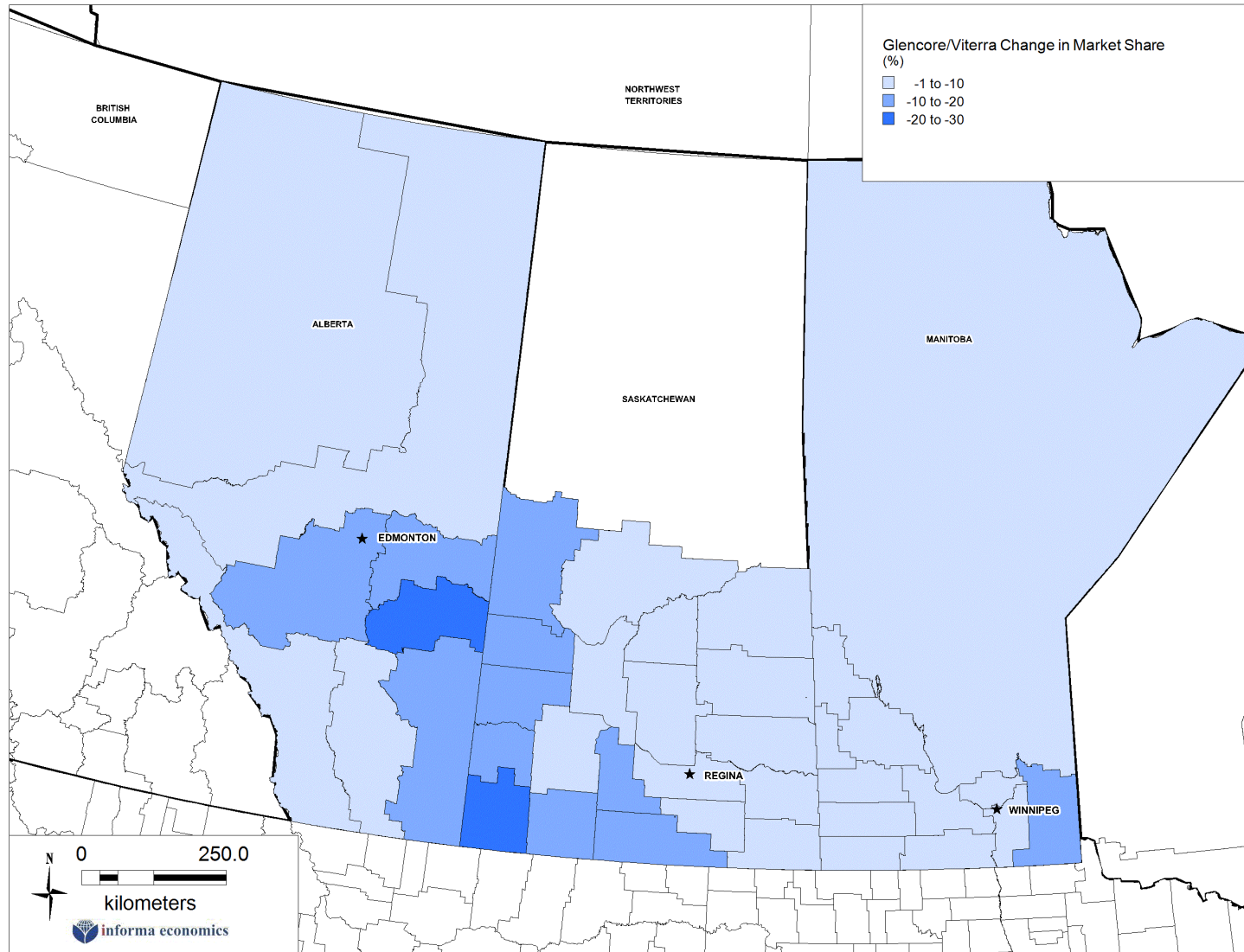


Exhibit 59: Richardson Market Shares by Census Agricultural Region, Prior to Transactions

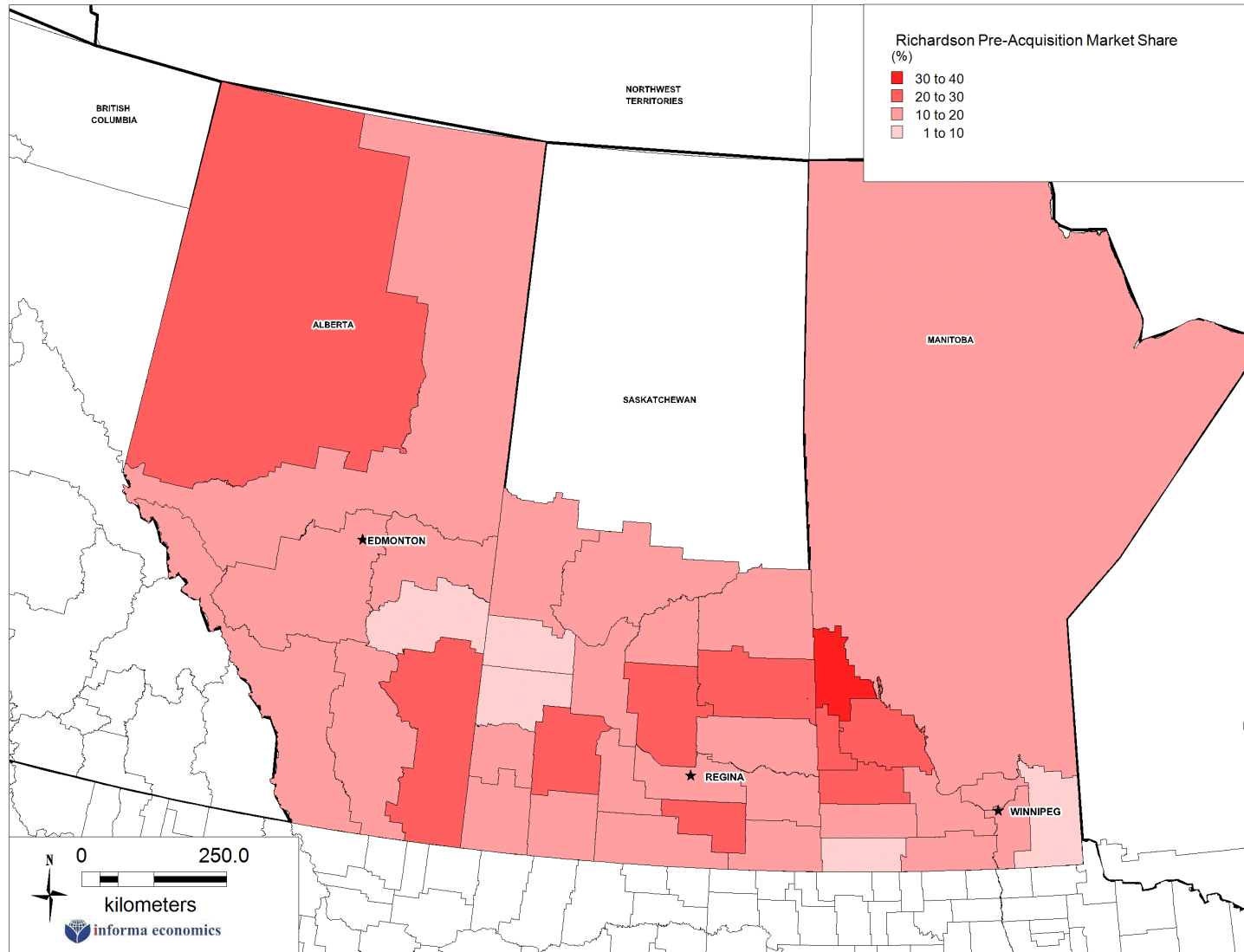


Exhibit 60: Richardson Market Shares by Census Agricultural Region, After Transactions

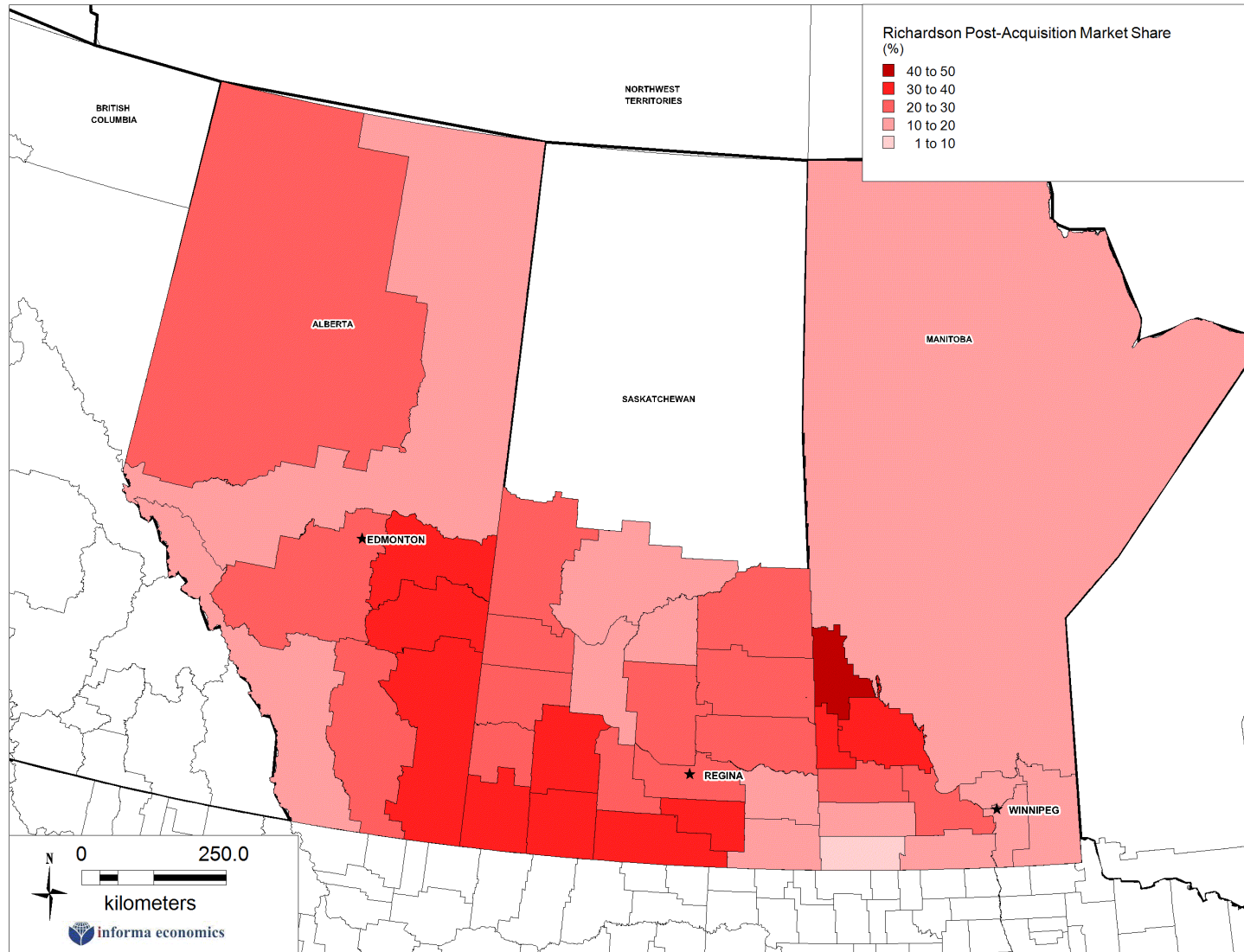


Exhibit 61: Change in Richardson Market Shares by Census Agricultural Region, Due to Transactions

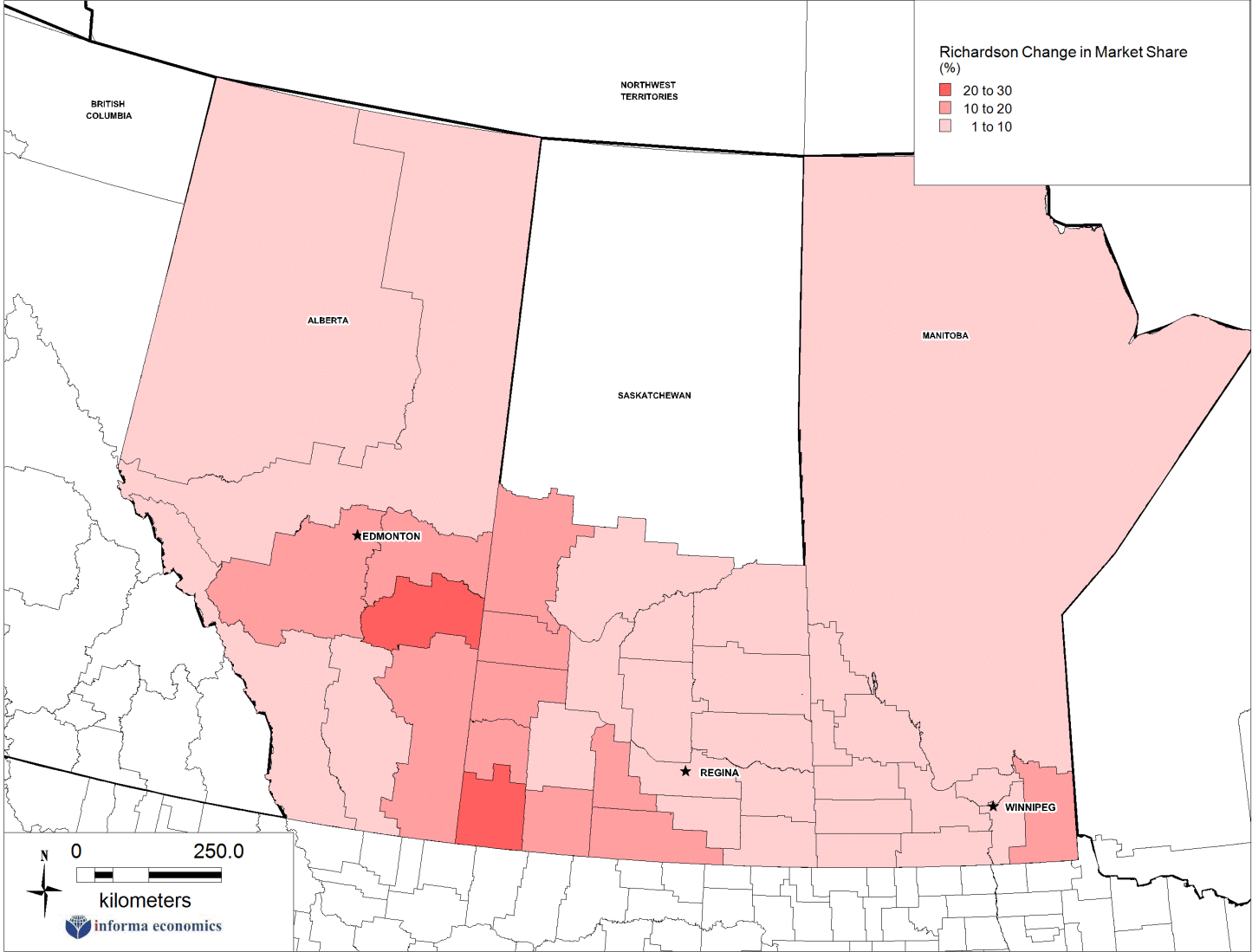


Exhibit 62: Four-Firm Concentration Ratio by Census Agricultural Region, Prior to Transactions

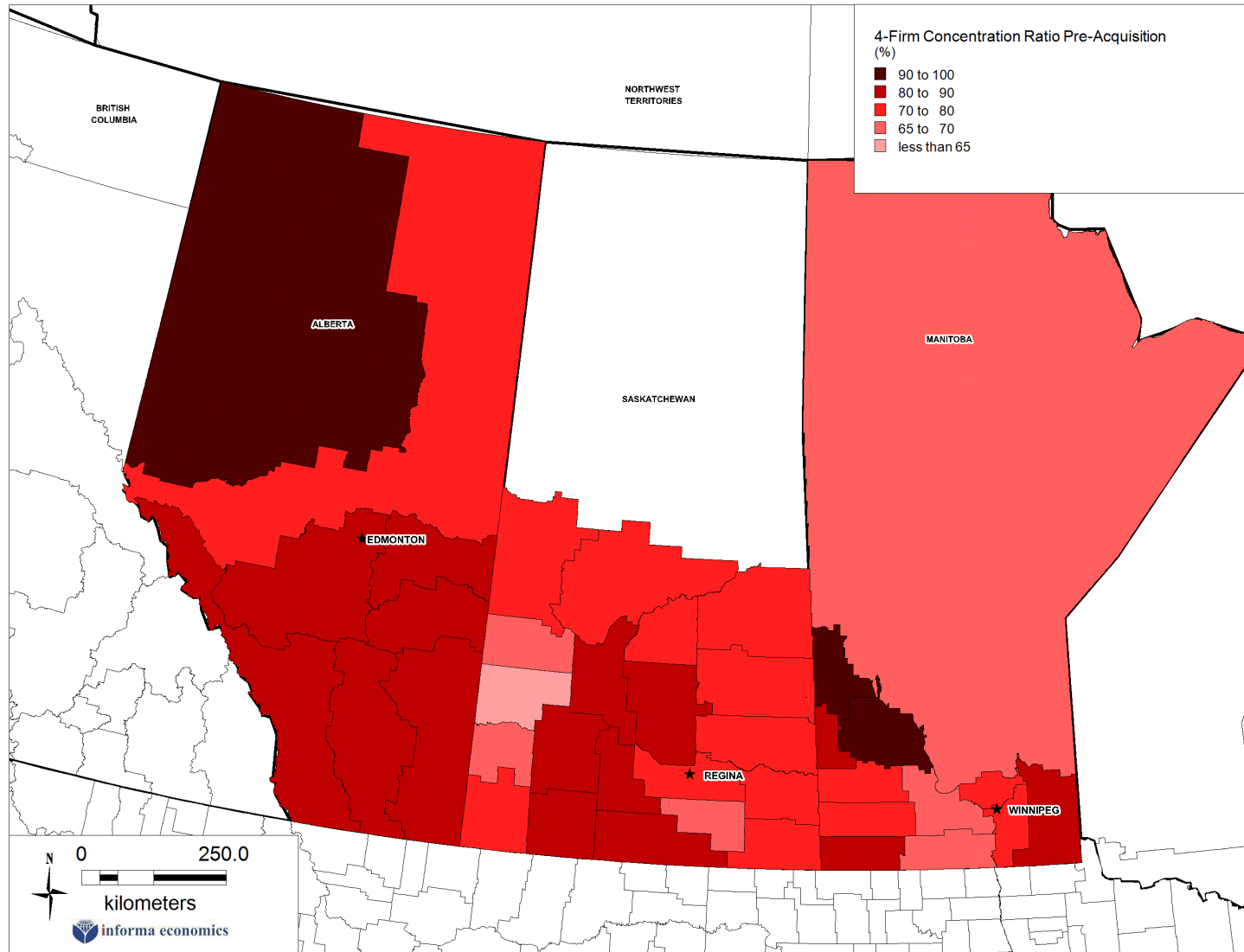


Exhibit 63: Four-Firm Concentration Ratio by Census Agricultural Region, After Transactions

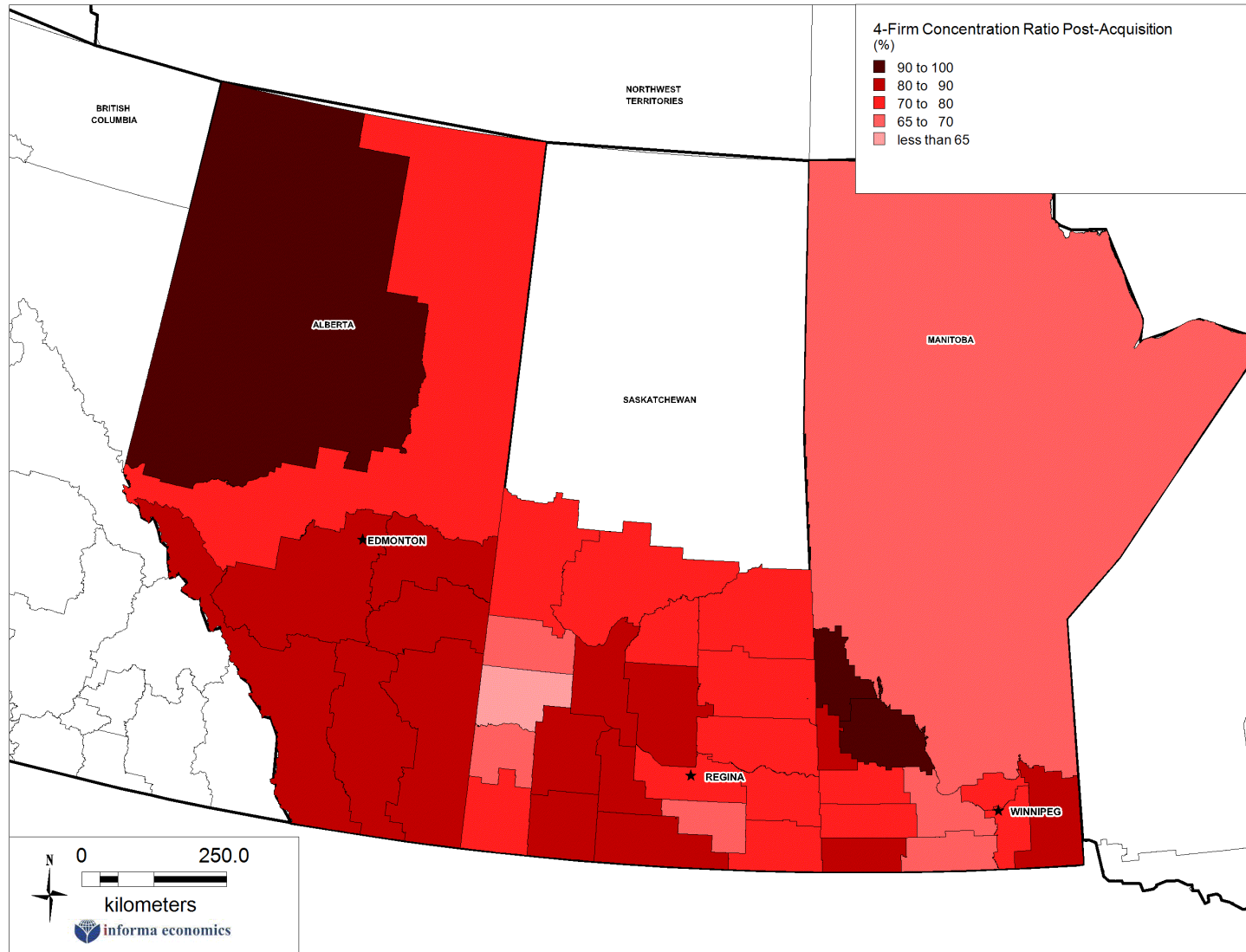
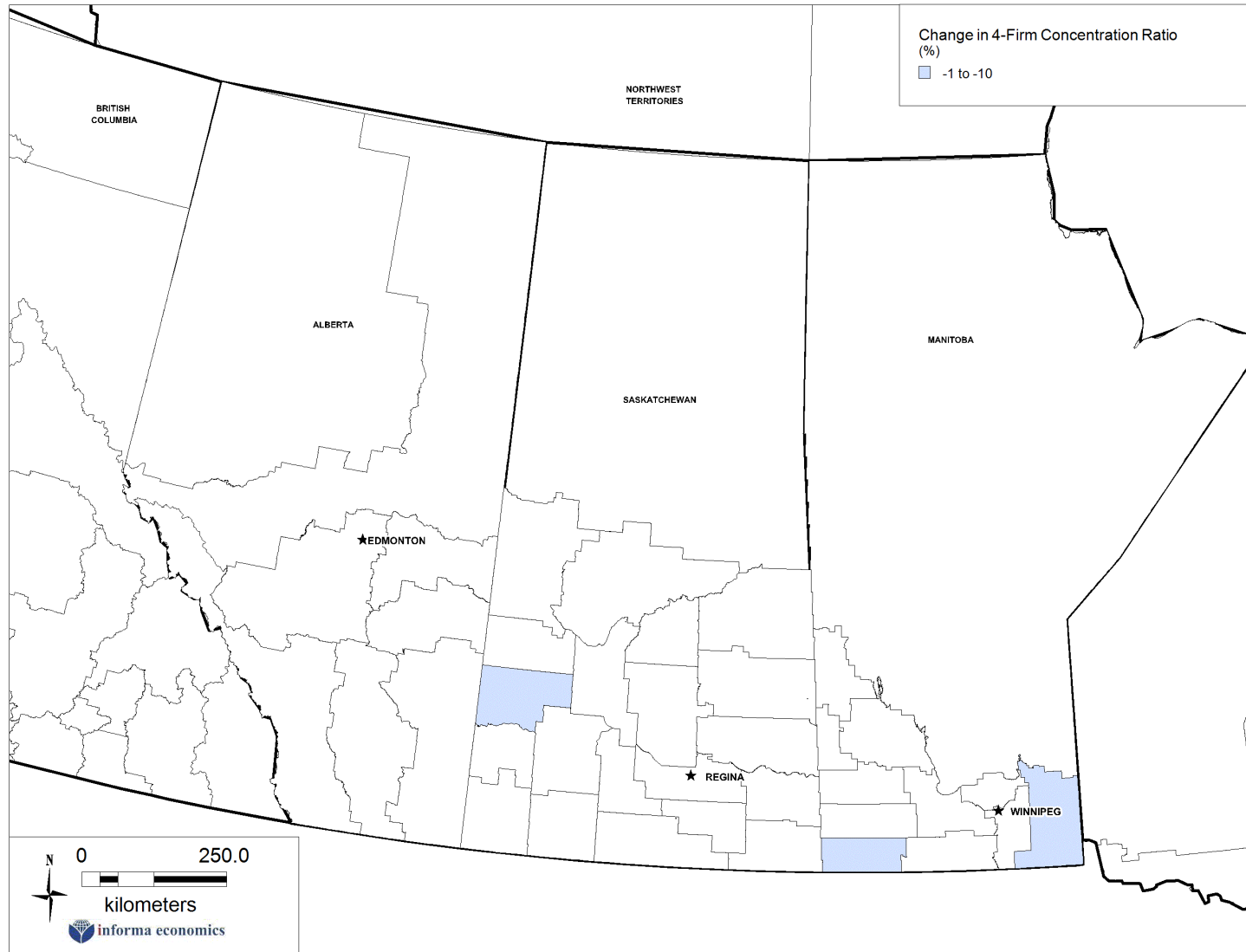


Exhibit 64: Change in Four-Firm Concentration Ratio by Census Agricultural Region, Due to Transactions



4. Additional Considerations

- The upcoming loss of the Canadian Wheat Board's ("CWB") "single desk" monopoly for key grains as a result of the Marketing Freedom for Grain Farmers Act might have an impact on operations that is separate from any effect from the grain company transactions described above. Glencore is a major international marketer of agricultural commodities, and as a result of the ending of the CWB monopoly, the company will be able to acquire Canadian durum, other wheat and barley as well as non-Board commodities to market through its network. This could have the effect of increasing throughput through the grain-handling assets that Glencore owns in Canada. As a result of the end of the CWB monopoly, large grain companies with links to global markets could well become more competitive relative to smaller grain companies lacking such access.
- Glencore has indicated that it intends to expand on the infrastructure base it is retaining from the acquisition of Viterra. Glencore plans to increase capital expenditures by \$100 million above Viterra's projections over the next five years, expanding Viterra's existing handling infrastructure (both country elevators and port facilities) and improving efficiencies in order to meet the anticipated growth in global demand for agricultural products.

5. Conclusion Regarding Competition within the Grain-Handling System

- As a result of the initial acquisition of Viterra by Glencore (i.e. prior to any subsequent divestitures), Viterra's grain-handling assets will pass to Glencore, and Glencore will become the largest grain-handling company in Canada in general and Saskatchewan in particular. However, Glencore will have the same share of Canadian and Saskatchewan capacity after the initial acquisition that Viterra had prior to the transaction. Accordingly, the initial transaction will have a minimal effect on competition within the grain-handling system.
- The subsequent divestiture of several former Viterra grain elevators to Richardson provides a more even playing field in Canada and specifically in Saskatchewan. There are a few locations in Saskatchewan where farmers will have to travel farther to access a competing grain elevator, but for the most part the result of the divestiture is to make the market shares of Glencore and Richardson more similar, which is likely to enhance overall competition within the grain-handling system.

B. Competition in the Farm Input Sector

The primary considerations of the Competition Bureau in conducting an analysis of a proposed merger are the impacts of the transaction on price and output. It is a firm's *ability* to raise prices, not the likelihood that prices will be raised, that is of concern. Mergers may lessen competition when they allow a firm to cause prices to rise, either on their own (unilaterally) or in coordination with other firms. This can occur for horizontal mergers that occur within a sector or for vertical mergers where firms combine ownership of assets along the supply chain.

The Competition Bureau defines a market as the smallest group of products and smallest geographic area where a hypothetical monopolist would impose a small but significant and non-transitory increase in price (SSNIP).¹⁶

The characteristics of the buyers and the products in the market are important factors in the analysis. For example, some products lack close substitutes, while on the other hand, some buyers are unable or unwilling to switch to an alternative supplier. The products and geography of the market also have an important impact on the analysis.

1. Retail Farm Input Facilities Before and After the Transactions

- Within the retail crop inputs business in Saskatchewan, major product categories include crop nutrients (i.e., fertilizer), crop protectants (e.g., herbicides and insecticides), and seed. Impacts on all of these products were considered, and key several points arose from such a consideration.
- Viterra, Agrium, and Richardson all have existing retail crop inputs facilities of various sizes within North America; Viterra and Agrium also have additional ownership of crop retail input facilities outside of North America. For both Agrium and Viterra, sales of crop nutrients exceeded any other category of retail sales:
 - For Viterra's worldwide retail inputs business, fertilizer accounted for the largest share of annual sales and other operating revenues at \$1.1 billion, with crop protection at \$388 million and seed at \$237 million.¹⁷ For Agrium's existing worldwide retail inputs business, in 2011 crop nutrients accounted for US\$4.5 billion in sales, with crop protection at US\$3.4 billion and seed at US\$1.1 billion.¹⁸

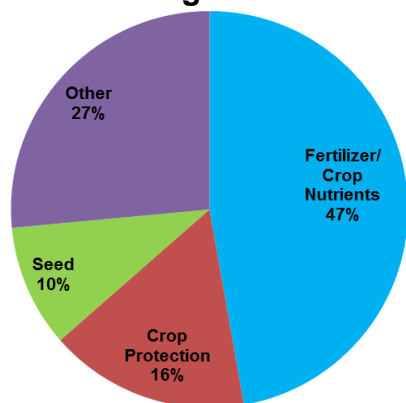
¹⁶ Competition Bureau. *Merger Enforcement Guidelines*. Section 4.4. October 2011.

¹⁷ Viterra 2011 Annual Report. <http://www.viterra.com>

¹⁸ Agrium 2011 Annual Report. <http://www.agrium.com>

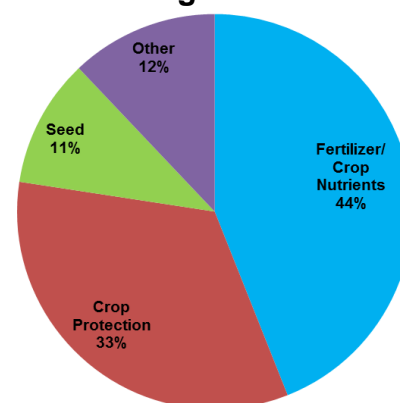
- Comparisons of the worldwide share of retail sales are provided in Exhibit 65 and Exhibit 66.

Exhibit 65: Viterra FY2011 Worldwide Retail Sales by Segment



Note: Viterra's Fiscal Year is November 1 to October 31.
Source: Viterra 2011 Annual Report

Exhibit 66: Agrium 2011 Worldwide Retail Sales by Segment



Source: Agrium 2011 Annual Report

- In the divestiture of certain Viterra assets to Agrium, it is notable that in addition to the transfer of retail facilities, wholesale crop nutrient facilities also be transferred. Agrium also will acquire a 34% ownership interest in Canadian Fertilizer Limited, a producer of nitrogen fertilizers that currently supplies Viterra with approximately 33% of its North American fertilizer sales volume requirements.¹⁹
- The number of retail input facilities that Agrium will have in Saskatchewan following the transactions is not dramatically higher than the number of facilities that Viterra had before its acquisition by Glencore. Thus, regarding the retail industry horizontal merger impacts for the province, the combined market share of the top firms in the retail inputs industry (measured in terms of facilities owned) will not change significantly due to the transactions.
- However, what will change in a material way is the degree of vertical integration in the crop nutrients sector if Agrium adds the largest retail input sales network to its existing production facilities and the minority interest it is acquiring in Canadian Fertilizer Limited. Agrium is already one of the largest crop nutrients producers in

¹⁹ Viterra 2011 Annual Report. <http://www.viterra.com>

Canada. Thus, Informa's analysis of the effects on competition from the sale of Viterra assets to Agrium focuses on the crop nutrients segment of the inputs industry, the segment where there are already significant asset holdings by Agrium. When looking at the capacity within the crop nutrient industry, Agrium has significant holdings of production capacity in Canada for ammonia (2 million nutrient MT) and urea (842,000 nutrient MT). Both ammonia and urea are crop inputs that provide nitrogen. However, crops require nitrogen (N), phosphorous (P), and potassium (K) to grow, and these are not typically substitutable. Agrium provides wholesale crop nutrients to a range of retailers, including some of the facilities it will be acquiring as well as some competing retailers.

- The share of retail facility ownership is a preliminary indication of the market share of the companies involved, as sales statistics for each of the 350 to 400 or more retail input facilities in the province are not available. For Saskatchewan, the ownership of retail input facilities is provided in Exhibit 67 for ownership both prior to and following the completed acquisition and associated transactions.
- While Viterra's share of retail input facility ownership was 37% for Saskatchewan prior to the acquisition by Glencore, Agrium's expected share of facility ownership if it acquires the expected facilities will give it ownership of 42% of the retail facilities in the province.

Exhibit 67: Saskatchewan Retail Input Facility Ownership

	Pre-Acquisition Share	Post-Acquisition Share
Viterra Facilities in Saskatchewan	37%	0%
Richardson Facilities in Saskatchewan 1/	11%	13%
Agrium Facilities in Saskatchewan 1/	9%	42%
Cargill Facilities in Saskatchewan	4%	4%
Total Number of Firms		
4-Firm Concentration Ratio	62%	
3-Firm Concentration Ratio	58%	59%

Note: 1/ Full information on the disposition of the facilities Glencore receives in its acquisition of Viterra had not been finalized at the time of writing.

Source: Saskatchewan Ministry of Agriculture; Industry Contacts; Informa Economics, Inc.

- The Competition Bureau has a criterion suggesting the need for more detailed investigation for a single company with a market share of over 35%; the post-acquisition share of retail facility ownership for Agrium will exceed this threshold. On the other hand, for the retail sector, the four-firm concentration ratio is believed to be below the Competition Bureau threshold of 65% based on the number of facilities owned; however, the Competition Bureau may have access to information on revenue or volume of sales that would provide additional insights. Taken together, this indicates that further scrutiny might be given to the potential for the unilateral exercise of market power by Agrium rather than the coordinated exercise of market power by multiple companies.
- Exhibit 68 provides a view of the ownership of retail crop input facilities in Saskatchewan prior to the acquisition of Viterra by Glencore. Exhibit 69 provides a view of the retail crop input facilities in Saskatchewan following the expected acquisition of Viterra by Glencore and Glencore's planned divestitures to Richardson and Agrium.

Exhibit 68: Pre-Acquisition Retail Crop Input Facilities in Saskatchewan

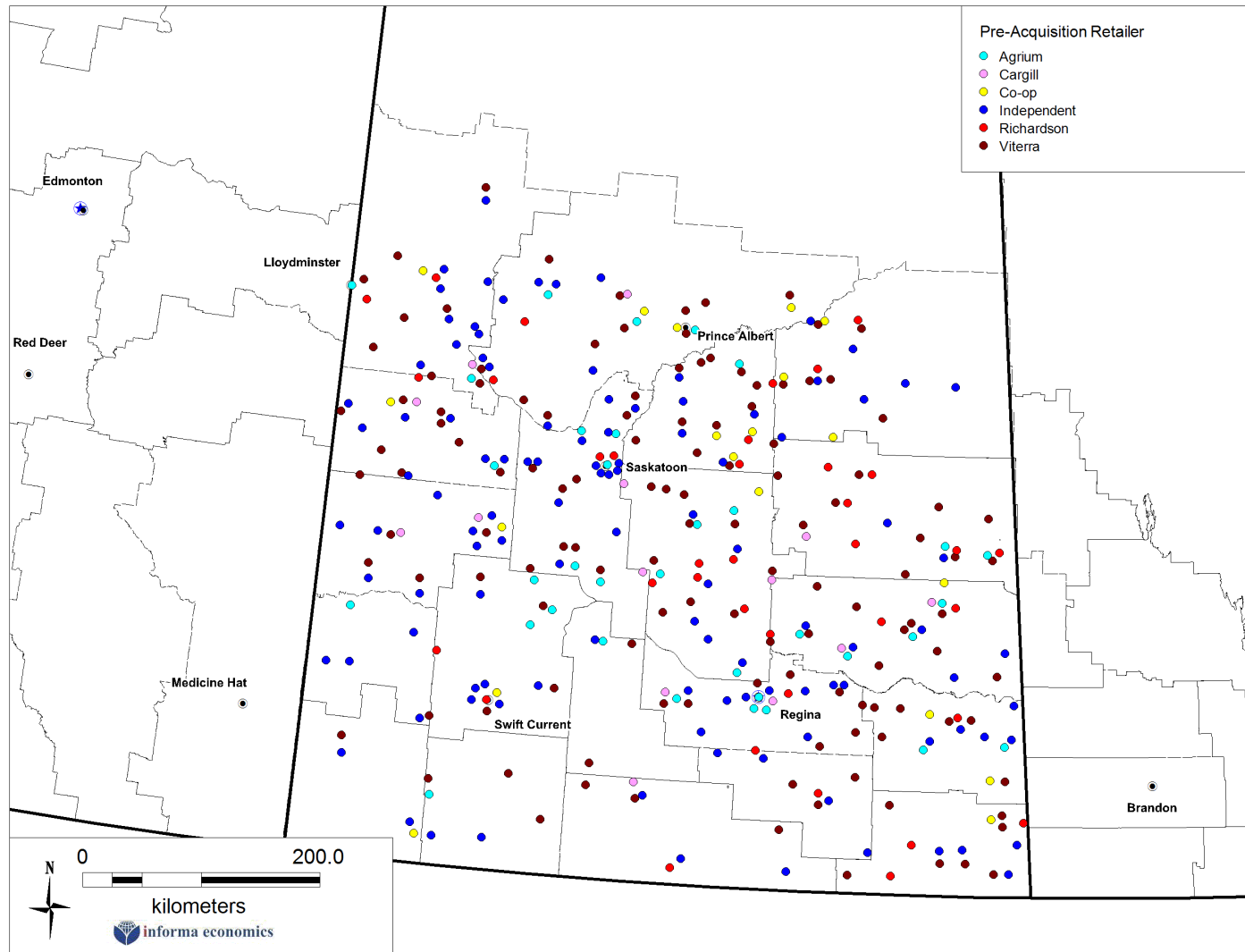
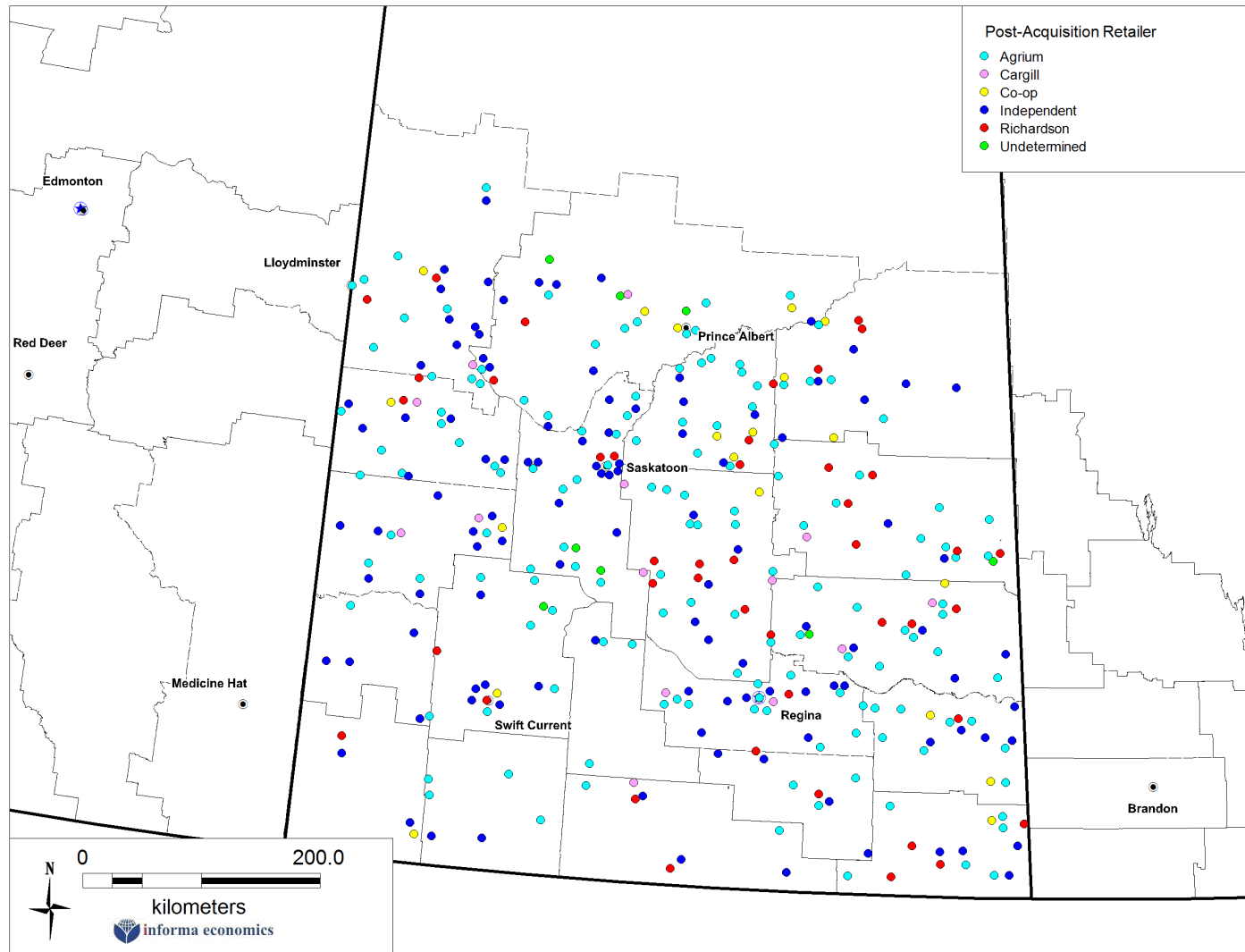
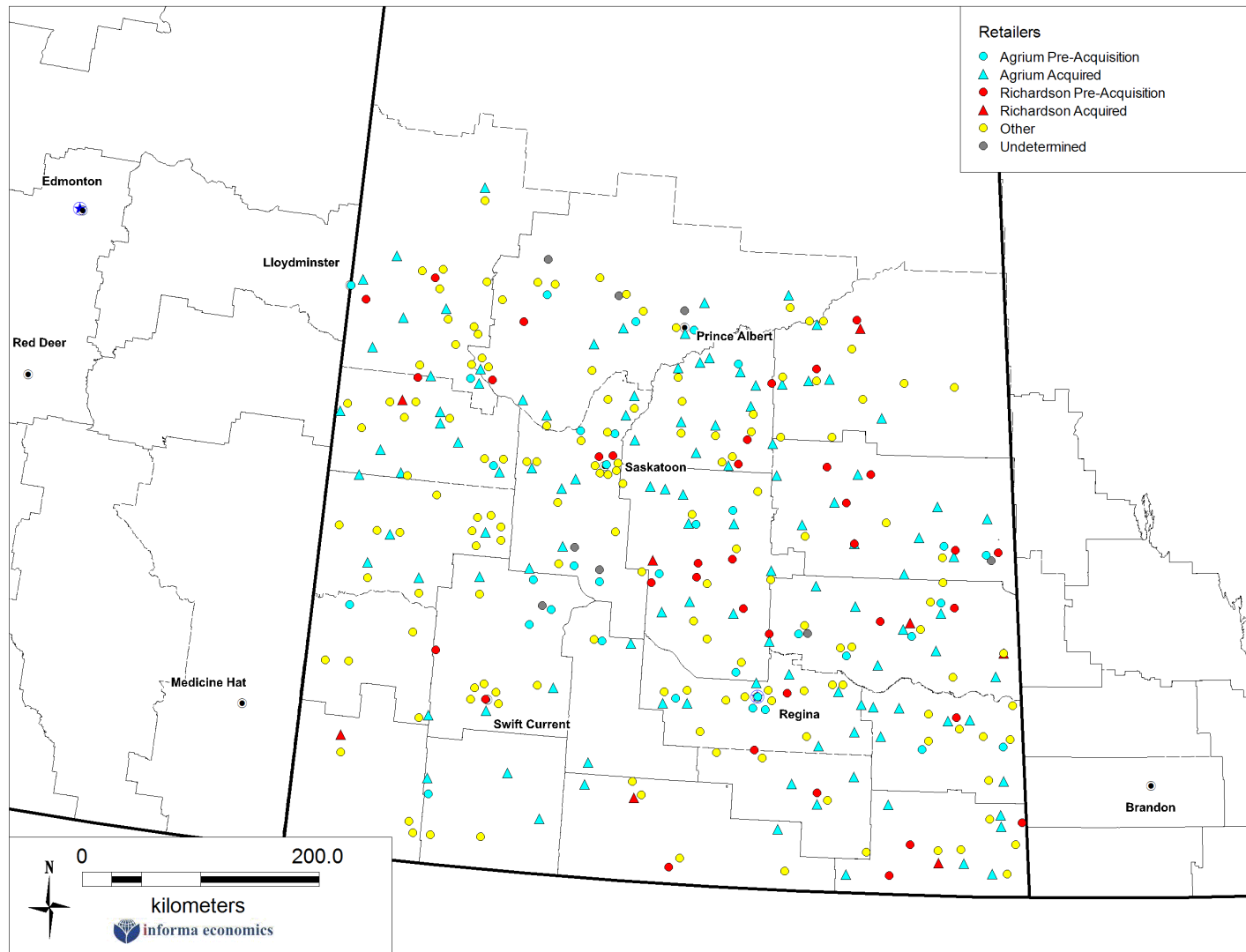


Exhibit 69: Post-Acquisition Retail Crop Input Facilities in Saskatchewan



Note: As of the time of writing, the disposition of select retail crop input supplier locations was still subject to revision.

Exhibit 70: Comparison of Pre- and Post- Acquisition Retail Crop Input Facility Locations in Saskatchewan



Note: As of the time of writing, the disposition of select retail crop input supplier locations was not still subject to revision.

- Exhibit 70 highlights the ownership of facilities by Richardson and Agrium and the ownership changes that are a result of the transactions analyzed.

2. Wholesale Crop Inputs

- Farm input retailers rely on wholesalers to provide the crop nutrients that they sell to farmers. There is significant production of certain crop nutrients within Canada, making these available for sale by the wholesale producers to retailers. Of Richardson and Agrium, only Agrium has existing ownership of crop nutrient production capacity.
- Agrium indicated in its 2011 Annual Report that its wholesale and retail facilities are run as separate business units. This suggests that retailers have the option of purchasing crop nutrients from the lowest cost supplier and are not required to purchase exclusively from Agrium's wholesale division. However, the Competition Bureau often considers potential impacts of transactions that can be viewed as vertical mergers, and both Agrium's retail and wholesale business units are held by Agrium, Inc. and could potentially be run in a more coordinated fashion in the future.
- At the wholesale level, the acquisition of the 34% interest in Canadian Fertilizer Limited by Agrium from Glencore would give Agrium an additional 7% of Canada's ammonia production capacity and an additional 6% of Canada's urea production capacity. This would give Agrium a resulting ownership of 53% and 49% of Canadian ammonia and urea production capacity, respectively. The acquisition would not affect Agrium's ownership of phosphate or potash production capacity (Exhibit 71). Thus, within the crop nutrients side of the business, competition in the nitrogen fertilizer market is a particular focus since Agrium would own more than 40% of both the nitrogen production capacity in Canada and retail input facilities in Saskatchewan.
- For phosphate, Canada is a minor producer relative to total North American production, so phosphate production in the U.S. is also considered. For the wholesale nitrogen and potash markets, Saskatchewan is a strong net exporter, and the analysis of the Canadian wholesale market was generally not extended to production in the U.S.

Exhibit 71: Fertilizer Manufacturing Capacity and Share of Capacity in Canada

	Pre-Acquisition			Post-Acquisition 1/		
	Capacity (1,000 nutrient MT per year)	Agrium Market Share	4-Firm Concentration Ratio	Capacity (1,000 nutrient MT per year)	Agrium Market Share	4-Firm Concentration Ratio
Nitrogen (Ammonia)	2,001	46%	90%	2,318	53%	97%
Nitrogen (Urea)	842	43%	94%	957	49%	100%
Phosphate 2/	539	7%	91%	539	7%	98%
Potash	1,230	9%	100%	1,230	9%	100%

Note: Assigns capacity of Canadian Fertilizer Limited by share of ownership to CFI and Viterra/Agrium.

1/ Includes Agrium's acquired percentage ownership in Canadian Fertilizer Limited.

2/ Phosphate capacity and market share include Canadian and U.S. capacity, due to the limited capacity of phosphate production in Canada. All other market shares provided are for Canada only.

Source: Agrium 2011 Fact Book; Informa Economics, Inc.

- The Competition Bureau indicates that the Commissioner generally will not challenge a merger based on market share if the market share of the merged firm will be less than 10 percent. Based on market shares (Exhibit 71), it is unlikely that Agrium would be able to exert excessive market power for phosphate and potash.²⁰ Agrium has indicated that it expects to increase its potash production capacity by 50%, with brownfield expansion at its Vanscoy, Saskatchewan facility to be completed by the end of 2014.
- The post-merger market share accounted for by the four largest firms in the wholesale market (four-firm concentration ratio) is also given in Exhibit 71 and is indicative of a market that is currently concentrated even prior to the acquisition.

²⁰ Competition Bureau. *Merger Enforcement Guidelines*. Section 5.9. October 2011.

- In analyzing anti-competitive impacts, the Bureau considers the change in market shares over time.²¹ Although there was consolidation in the wholesale fertilizer industry during the 1990's, Agrium's wholesale market share has not changed dramatically since the late 1990's.
 - In 1992/93, Agrium had a share of 16% of Canadian ammonia production capacity and a 17% share of urea production capacity; by 1996/97, Agrium's market share had increased to 47% of ammonia production capacity and 49% of urea production capacity.²²
 - Using four-firm concentration ratios, the nitrogen production industry in Canada showed a significant increase in concentration from 1992/93 to 1996/97, increasing from a four-firm concentration ratio of 60% to 87% based on ammonia capacity and increasing from 63% to 92% based on urea capacity.²³

- Based on the Competition Bureau's criteria, the post-acquisition market share of Agrium is assumed to be above the threshold of 35% for the wholesale sector. In the wholesale sector, the post-merger market share accounted for by the four largest firms in the market based on capacity is well over the Bureau's 4-firm concentration threshold of 65%.

- The Competition Bureau indicates that "buyers' willingness or ability to turn to foreign sellers may be affected by buyers' tastes and preferences, and by border-related considerations."²⁴ For the crop nutrient purchases made by retailers, this may include imports of crop nutrients or purchases from domestic suppliers. Similarly, for wholesalers, sales may be made to domestic or foreign purchasers of crop nutrients.

- Canada is in a substantial net export position to the rest of the world for nitrogen, including both ammonia and urea. This is also the case for potash. For phosphate, Canada is a net importer. Additional detail on Canada's trade with the rest of the world for major crop nutrient inputs is provided in Exhibit 72.

²¹ Competition Bureau. *Merger Enforcement Guidelines*. Section 6.3. October 2011.

²² Korol, M. and É. Larivière. *Fertilizer Pricing in Canada*. Agriculture and Agri-Food Canada. June 1998.

²³ Ibid.

²⁴ Competition Bureau. *Merger Enforcement Guidelines*. Section 4.25. October 2011.

Exhibit 72: Canada's Trade with the World for Selected Crop Nutrients

Product	Nutrient	Direction	2009	2010	2011	3-year average
			(1,000 MT of product)			
Total Ammonia	N (Nitrogen)	Export	953	1,082	1,206	1,081
Total Ammonia	N (Nitrogen)	Import	12	17	22	17
Anhydrous ammonia	N (Nitrogen)	Export	822	1,012	1,161	999
Anhydrous ammonia	N (Nitrogen)	Import	12	16	22	16
Ammonia in aqueous solution	N (Nitrogen)	Export	131	70	45	82
Ammonia in aqueous solution	N (Nitrogen)	Import	0	1	0	1
Urea	N (Nitrogen)	Export	1,701	1,734	1,581	1,672
Urea	N (Nitrogen)	Import	302	569	637	503
Potassium Chloride	K (Potassium)	Export	6,745	15,396	16,948	13,030
Potassium Chloride	K (Potassium)	Import	11,334	5,779	9,975	9,029
Monoammonium Phosphate (MAP)	P (Phosphorous)	Export	36	80	78	65
Monoammonium Phosphate (MAP)	P (Phosphorous)	Import	588	682	926	732
Diammonium Phosphate (DAP)	P (Phosphorous)	Export	0	0	0	0
Diammonium Phosphate (DAP)	P (Phosphorous)	Import	30	84	87	67

Source: Statistics Canada; Informa Economics, Inc.

- The U.S. is Canada's nearest major trading partner for fertilizer. Detail on bilateral trade is provided in Exhibit 73.

Exhibit 73: Canada Fertilizer Trade with the U.S.

Product	Nutrient	Domestic Exports	Imports from	Net Trade
		to U.S.	U.S.	with U.S.
(1,000 MT)				
Total Ammonia	N (Nitrogen)	1,205	22	1,184
Anhydrous ammonia	N (Nitrogen)	1,161	21	1,140
Ammonia in aqueous solution	N (Nitrogen)	44	0	44
Urea	N (Nitrogen)	1,580	117	1,464
Potassium Chloride	K (Potassium)	9,088	8	9,080
Monoammonium Phosphate (MAP)	P (Phosphorous)	77	902	(824)
Diammonium Phosphate (DAP)	P (Phosphorous)	0	70	(70)

Source: Statistics Canada; Informa Economics, Inc.

- Based on the discussion of the implications for products, additional detail on the current status of imports of key nitrogen crop inputs and their source in the U.S. are included in Exhibit 74. However, it should be noted that exports from Saskatchewan of nitrogen, and for urea in particular, still far surpass current levels of imports to Saskatchewan from the U.S. For example:
 - Saskatchewan exports of anhydrous ammonia to U.S. in 2011: 27,155 MT.
 - Saskatchewan exports of urea to U.S. in 2011: 211,286 MT.

Exhibit 74: Saskatchewan Imports of Ammonia and Urea from the U.S., 2011

Product	Nutrient	Imports from the US	Top US Partner State	Top US Partner Amount	2nd Ranked US Partner State	2nd Ranked US Partner Amount	3rd Ranked US Partner State	3rd Ranked US Partner Amount
		MT		MT		MT		MT
Total Ammonia	N (Nitrogen)	396	Florida	221	North Dakota	177	N/A	N/A
Anhydrous ammonia	N (Nitrogen)	393	Florida	219	North Dakota	174	N/A	N/A
Ammonia in aqueous solution	N (Nitrogen)	3	North Dakota	3	N/A	N/A	N/A	N/A
Urea	N (Nitrogen)	11,256	Missouri	9,316	Iowa	852	Minnesota	416

Source: Statistics Canada; Informa.

- There are additional comparisons of the impact that imports have on domestic markets. Using the import penetration rate (imports divided by consumption) to measure exposure to foreign competition, potash and nitrogen each face the low levels of competition with import penetration rates below 20 percent. Canadian phosphate producers face a higher degree of competition from imports, with an import penetration rate of around 60 percent.²⁵
- It should be noted that it is possible that additional nitrogen production capacity will be added in North America in the future because of the recent low prices of natural gas (the primary raw material for nitrogen fertilizers), which has resulted mainly from the expansion of natural gas production from shale formations. However, the magnitude of any fertilizer production capacity expansion, whether Agrium will participate in that expansion, and the ultimate effect on Agrium's market share are undetermined.

²⁵ *Canadian Farm Fuel and Fertilizer: Prices and Expenses*. Agriculture and Agri-Food Canada. Market Outlook Report. Vol.4, No. 1. March 2012. http://www.agr.gc.ca/pol/mad-dam/index_e.php?s1=pubs&s2=rmar&s3=php&page=rmar_04_01_2012-03-00

3. Distances to Competing Farm Input Retailers

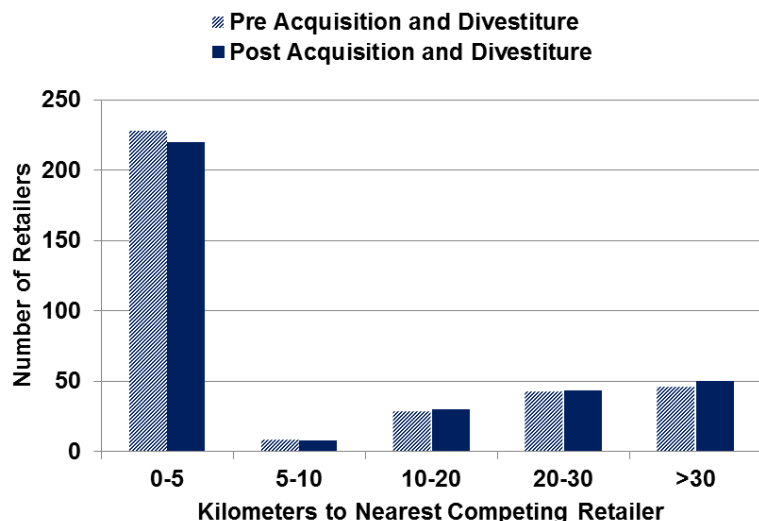
- The primary focus of the retail analysis is on Saskatchewan, and subregions within Saskatchewan based on Census Agricultural Regions (CARs). It should be noted that since Informa was retained by the Saskatchewan Ministry of Agriculture, similar analysis for other provinces was not undertaken as a component of the report. For retailers near the borders of Saskatchewan, nearby retail input facilities in Manitoba, Alberta, and in North Dakota and Montana in the U.S. may provide additional competition.
- With the bulk and weight of crop nutrient inputs, transportation costs are a consideration. This may limit the ability of farmers to switch from one crop inputs retailer to another, in cases where the nearest competing retailer is a long distance away. However, price increases may be limited where short distances separate competing retailers. Impacts on distance particularly related to the changes in ownership by Richardson and Agrium are provided in Exhibit 75.

Exhibit 75: Average Distance to Nearest Competing Retailer in Saskatchewan

	Average Kilometers to Nearest Competing Retailer		
	Before Acquisition and Divestiture	Post Acquisition and Divestiture	Change
All Saskatchewan Retail Locations	9.7	10.4	0.7
Post Acquisition Agrium Retailers	12.8	14.1	1.3
Post Acquisition Richardson Retailers	5.9	6.9	1.0
Retailers Involved in Transaction	14.4	15.4	1.0
Agrium Acquired	15.5	16.4	0.9
Richardson Acquired	1.6	4.6	3.0

Source: Informa Economics, Inc.

Exhibit 76: Distances to Nearest Competing Crop Input Retailer in Saskatchewan, Pre- and Post- Transaction



Source: Informa Economics, Inc.

- The distances to the nearest competing retailers are also relevant to discussions regarding other crop inputs such as chemicals and seed.
- Further detail on distances to competing retailers pre- and post-transaction is provided in Exhibit 76.
- After the divestiture of crop input retailers by Glencore to Agrium and Richardson, there will be limited impacts on the distance to the nearest competing retailer in most areas.
- Sixty-three percent of crop input retailers are expected to be within 5 km of the nearest competing retailer following the transactions. Eighty-six percent of retailers are expected to be within 30 km of their nearest competitor.

- At the retail level, the ability of farmers to bypass any potential price increases by retailers whose market share increases locally may be lessened in some markets where there is a considerable distance to the nearest competing retailer. In locations where the nearest competing retailer is sufficiently close and is large enough to handle the amount of increased volume, this is less of a concern. However, if there is a unilateral exercise of market power at the wholesale level, then prices at competing retailers could be pressured upward as well.

4. Company Shares of Retail Facility Ownership by Census Agricultural Regions Before and After the Transactions

- The impacts of changes in share of retail facility ownership are not equally distributed across the province. In nine CARs, the divestiture of retail facilities will result in Agrium having a larger share of facility ownership than that previously held by Glencore/Viterra. These differences are highlighted in Exhibit 77.

Exhibit 77: Share of Saskatchewan Retail Input Facilities by Census Agricultural Region

	Viterra	Richardson			Agrium			Comparison
	Pre- Acquisition	Pre- Acquisition	Post- Acquisition	Change	Pre- Acquisition	Post- Acquisition	Change	Increase in Share if Agrium's Post-Acquisition Share is Larger than Viterra's Pre-Acquisition Share
Census Agricultural Region 1A	47%	20%	27%	7%	0%	40%	40%	
Census Agricultural Region 1B	41%	6%	6%	0%	12%	53%	41%	12%
Census Agricultural Region 2A	38%	13%	13%	0%	0%	38%	38%	
Census Agricultural Region 2B	30%	9%	9%	0%	9%	39%	30%	9%
Census Agricultural Region 3AN	50%	0%	0%	0%	25%	75%	50%	25%
Census Agricultural Region 3AS	38%	13%	25%	13%	0%	25%	25%	
Census Agricultural Region 3BN	27%	13%	13%	0%	13%	33%	20%	7%
Census Agricultural Region 3BS	50%	0%	0%	0%	17%	67%	50%	17%
Census Agricultural Region 4A	25%	0%	25%	25%	0%	0%	0%	
Census Agricultural Region 4B	17%	0%	0%	0%	17%	33%	17%	17%
Census Agricultural Region 5A	40%	12%	20%	8%	16%	44%	28%	4%
Census Agricultural Region 5B	48%	28%	28%	0%	8%	52%	44%	4%
Census Agricultural Region 6A	33%	17%	20%	3%	13%	43%	30%	10%
Census Agricultural Region 6B	29%	6%	6%	0%	19%	42%	23%	13%
Census Agricultural Region 7A	29%	0%	0%	0%	0%	29%	29%	
Census Agricultural Region 7B	44%	0%	6%	6%	6%	44%	39%	
Census Agricultural Region 8A	36%	14%	18%	5%	0%	32%	32%	
Census Agricultural Region 8B	46%	13%	13%	0%	8%	54%	46%	8%
Census Agricultural Region 9A	38%	9%	9%	0%	13%	41%	28%	3%
Census Agricultural Region 9B	33%	14%	14%	0%	5%	38%	33%	5%

Note: Some of the Census Agricultural Regions have a small number of retail facilities, so a small change in facility ownership may appear as a large percentage change in ownership.

Source: Informa Economics, Inc.

- The increases in Agrium's share of facility ownership generally occurred in CARs where Richardson would have at least 10 percent of facility ownership following the transactions, with the exception of CAR's 1B, 2B, 3AN, 3BS, 4B, 6B, and 9A. However, in all but one of these CARs Viterra's share of retail facility ownership was already at least 25% prior to the transactions. Also, there is of course competition for retail input sales with nearby Census Agricultural Regions and not only within a region.

5. Potential for Post-Merger Price Increases and Other Anticompetitive Pricing Actions

- Through its ownership of a larger share of facilities than any of its competitors, it is possible that Agrium would be able to exert upward pressure on prices, particularly in regional markets where it has an even larger market share than the average for the province or Canada. However, in most regions of Saskatchewan there are competing retailers within a close distance who would foreseeably be able to provide effective discipline in response. The two largest competitors to Agrium based on the number of retail locations are Richardson and Cargill. There is a considerable share of independent retailers in the market that could provide some counterbalance to price increases.

- Crop nutrients are a commodity product. The roles of N, P, and K as primary nutrients required for plant growth and yields limit to some extent the ability of farmers to make substitutes of other inputs, although there can be substitution of other agricultural inputs for application of crop nutrients. A review of the response of demand for nitrogen to price confirms this, with some variation based on geography but a general conclusion that in North America the demand for nitrogen is own-price inelastic.^{26, 27} Further, from an agronomic standpoint nitrogen is typically applied on an annual basis while phosphorous and potassium may be “banked” in the soil from year to year (depending on an number of factors) and farmers may have the option of waiting until prices for those nutrients improve before applying more.

- According to the Competition Bureau, for relatively undifferentiated products price increases are often profitable:
 - The greater the share of the relevant market the merged firm accounts for;
 - The lower the margin on the output that the merged firm withholds from the market to raise price;
 - The less sensitive buyers are to price increases; and
 - The smaller the response of other sellers offering close substitutes.²⁸

²⁶ Korol, M. and É. Larivière. *Fertilizer Pricing in Canada*. Agriculture and Agri-Food Canada. June 1998

²⁷ Ribaudó, M., J. Delgado, L. Hansen, M. Livingston, R. Mosheim, and J. Williamson. *Nitrogen in Agricultural Systems: Implications for Conservation Policy*. United States Department of Agriculture Economic Research Service. September 2011; and references therein.

²⁸ Competition Bureau. *Merger Enforcement Guidelines*. Section 6.19. October 2011.

- Agrium will have the largest share of retail facility ownership in the province following the transactions. The margins however, on the retail input sales have been high in recent years, with Agrium's reported gross profit of 16.7% in 2011²⁹ and Viterra reporting strength in fertilizer margins and for manufactured nitrogen products in particular.³⁰ The recent strength in margins indicates that in the near term, it is less likely that retailers would be able to sustain a price increase without facing market discipline, since with high margins competitors may be able to gain market share by refusing to raise their own prices but while still maintaining positive profit margins.
- Although pricing information is not readily available for all fertilizer locations in Saskatchewan, there have been a number of previous studies that have considered either the characteristics of the fertilizer industry or the impacts of mergers and acquisitions related to broader commodity markets.
 - Hastings and Gilbert (2005) measure the degree of vertical integration by the share of retail outlets owned by wholesale producers (in their case, gasoline refiners). Their analysis compares average prices by location according to different combinations of market characteristics (number of integrated suppliers, small or large downstream market share, and number of independent retailers). They find that mergers in the gasoline industry that increase the degree of vertical integration may increase wholesale prices as a consequence of the incentive to raise rivals' costs.³¹
 - Concentration in agricultural industries and related literature was reviewed by the U.S. Government Accountability Office (GAO). The GAO concluded that although there was a clear trend towards concentration in the agricultural industries they investigated, they found insufficient evidence to conclude that concentration in processing industries had resulted in adverse impacts on retail prices. In many cases, there was no evidence of market power or large efficiency gains from concentration.³²

6. Additional Considerations

- In markets characterized by concentration and high barriers to entry, market power can be a concern.³³ For the retail inputs industry, the barriers to entry are not excessive. However, high capital costs and the uncertainty of fertilizer manufacturing input prices can pose barriers for new firms to enter the fertilizer manufacturing. The

²⁹ Agrium 2011 Annual Report. <http://www.agrium.com>

³⁰ Viterra 2011 Annual Report. <http://www.viterra.com>

³¹ Hastings, J. and R. Gilbert. 2005. "Market Power, Vertical Integration and the Wholesale Price of Gasoline." *Journal of Industrial Economics* 53(4) 469-492.

³² U.S. Government Accountability Office. *Concentration in Agriculture*. June 2009. <http://www.gao.gov/new.items/d09746r.pdf>

³³ Competition Bureau. *Merger Enforcement Guidelines*. Section 6.28. October 2011.

timeline of entry is not expected to be a major constraint for exercise of market discipline by firms entering the industry for the retail industry, but could be a more important consideration for entrants into the wholesale industry.

- The ways that buyers can respond to the price increases of sellers can affect whether a seller is able to implement a material increase in price. Farmers generally cannot individually self-supply fertilizer by becoming integrated into the upstream fertilizer market. However, over time, farmers can and do establish cooperatives for the purchase of retail farm inputs. Whether this is an action that will ultimately result in cost reductions depend on a number of factors, including the size of the cooperative and the volume of sales that it has, as well as the availability and pricing of wholesale supplies.
- Farmers with the option to switch to nearby competing retailers may also have the opportunity to refuse to purchase other crop inputs besides fertilizer such as crop protectants and seeds. For Agrium, these other inputs have higher gross profit margins than crop nutrients, and such actions by farmers could thus impose significant revenue and profit opportunity costs.³⁴ Farmers with land in multiple geographic locations may have the opportunity to refuse to purchase from other geographic markets, although this opportunity would be small for other farmers with smaller or more contiguous acreages. While these are potential mitigating factors, the share of nitrogen manufacturing owned by Agrium still means that there is a concern that unilateral market power would be used to raise prices not only at Agrium retail locations but also at competing retail locations that Agrium supplies; if any price increases occur, they would be limited in the short term by the price at which imports could be brought into the province and in the long term by the ability of competing manufacturers to expand capacity.
- Improvements in efficiency are considerations in offsetting any possible negative impacts of mergers. The ownership of a larger number of retailers in Canada could give Agrium additional efficiencies, particularly in distribution. Agrium already has a large number of retail locations throughout the U.S., Argentina, and Australia, which could provide it with methods to operate retail facilities more efficiently. While these are potential sources of improvement, there is not a readily apparent reason that Agrium would be significantly more efficient at running retail facilities than Viterra, or that such efficiencies would translate into lower prices to farmers.

³⁴ Agrium 2011 Annual Report. <http://www.agrium.com>

- Compared to the current ownership within the grain handling and crop retail inputs sector, high percentages of facilities of both are currently held by Viterra, resulting in a situation where one company is both the closest source of crop inputs and the closest purchaser of crop output. The divestiture as it has been outlined will result in the separation of many of the input purchases and grain deliveries among separate firms.

7. Findings Regarding Competition in the Crop Input Sector

- In the first stage of the transaction in which Glencore acquires Viterra, it acquires all of Viterra's retail input facilities and will have an equal market share and regional distribution as Viterra currently has. This is expected to have minimal impacts on competition in the retail input sector.
- In the second stage of the transaction in which retailers and wholesale capacity are divested by Glencore to Agrium and Richardson, there is more potential for impacts on competitiveness in the crop input sector than in the first stage. The distance to the nearest competitor will only be materially impacted by the divestiture of retail input facilities in a limited number of instances within Saskatchewan. The share of retail facility ownership that Agrium will have will be larger than that currently held by Viterra, but only by approximately 4%. The additional wholesale nitrogen production capacity gained by Agrium is also not likely to have material impacts in a highly concentrated industry. Further, Richardson's increase in retail facility ownership is expected to have limited impacts, with the average distance to a competitor for its retail facilities remaining below 5 kilometers.
- The key potential for competitive impacts within the crop input sector lie in the vertical integration of over 50% of the nitrogen production capacity in Canada with ownership of the largest network of crop input retailers (approximately 40% in Saskatchewan) and the potential that may create to harm competition. It is important to reiterate that Agrium's retail and wholesale business units are now operated independently, and if this continues, the threat of partial foreclosure against other parties and any other anticompetitive impacts caused by the transactions is likely limited by the competition provided by alternative suppliers of crop nutrients. If Agrium's retail and wholesale business units were coordinated in the future, the firm might have the ability to sustain price increases in some locations.
- The Competition Bureau will be reviewing the competitiveness within the retail input sector. Any additional access the Bureau has to pricing and market history for the retail crop input sector should provide greater certainty on localized impacts on price competitiveness as well as the ability of any of the merged firms to sustain a material price increase.

C. Impact on Grain Industry Employment

- Viterra currently has approximately 1,600 employees located in Saskatchewan.³⁵ A large majority of Viterra's employees in Saskatchewan work "in the field" in the company's elevators, retail input facilities and processing plants. These employees are expected to retain their jobs after the acquisition by Glencore and the subsequent divestitures to Richardson and Agrium. Glencore, Richardson and Agrium have indicated that they are not acquiring any facilities with the intent of shutting them down.
- Any loss of jobs in Saskatchewan is likely to be limited to Viterra's Regina head office. Some functions might not be needed because they are fulfilled by personnel already working for the acquiring companies, and there might also be rationalization of the head office staff. Viterra currently has about 485 employees in the Regina head office.³⁶ A portion of the current head office staff will be allocated to Richardson and Agrium since they are involved with parts of the business that are being divested by Glencore.
- Glencore has stated that 30-40% of the jobs in the head office are associated with the portions of the business that will go to Richardson and Agrium. They also emphasize that just because those jobs are not associated with the parts of the business that Glencore is retaining does not mean that they will be lost.³⁷ However, it is expected that there will be some overlap of head office employees with existing employee roles in Agrium, Glencore, and Richardson's operations.
- On the other hand, Glencore intends to make the Regina head office the platform for its North American operations and expansion into the U.S. Whereas in recent years many of Viterra's most senior positions had migrated to Calgary, Glencore will relocate the most senior decision-making positions to the Regina office. Glencore's preliminary assessment is that it will likely transfer approximately 20-30 positions from Viterra's Calgary office to Regina within the first year following the acquisition. These positions tend to be relatively highly compensated. In addition, Glencore expects that approximately 2-4 positions are likely to be transferred from its European offices to Regina.

³⁵ "Top 100 Saskatchewan Companies." *Saskatchewan Business Magazine*. September 2011.

³⁶ Johnstone, B. "Glencore Focused on Feds, Farmers." *Regina Leader-Post*. May 7, 2012.
<http://www.leaderpost.com/news/Glencore+focused+feds+farmers/6576553/story.html>

³⁷ Johnstone, B. "Glencore Focused on Feds, Farmers." *Regina Leader-Post*. May 7, 2012.
<http://www.leaderpost.com/news/Glencore+focused+feds+farmers/6576553/story.html>

- Given that a number of the positions in the Calgary office are executive positions, transfer of some of those positions back to the Regina head office should partially offset the impact on compensation from any loss of jobs that are currently in Regina. In addition to using the Regina head office as the platform for North American expansion, Glencore also intends to expand Viterra's existing handling infrastructure (both country elevators and port facilities) to meet the anticipated growth in global demand for agricultural products. As a result, the company has indicated that it expects a number of positions to be restored in the Regina office in the medium term (4-6 years).

D. Impact on Saskatchewan Farmers

- By far, the most important way in which the Glencore acquisition of Viterra and the subsequent divestitures of assets to Richardson and Agrium will impact Saskatchewan farmers is to provide them with additional access to global markets in a post-CWB environment. In the past, the CWB exclusively has been responsible for export sales of Board crops. Canada exports a substantial share of the wheat and canola (a non-Board crop) that it produces, and a moderate share of its barley output also is exported. As will be detailed further below, Glencore has an extensive global agricultural network; it markets wheat into the Middle East, North Africa and Southern Europe, is a leading barley supplier to Saudi Arabia, is a large supplier of canola to Pakistan and has extensive operations in the EU, which it expects to be a growing canola importer in future with an annual demand in excess of 3 MMT.
- Integration into Glencore's network also will facilitate the transmission of global supply/demand conditions that will provide Saskatchewan farmers signals on what crop mix to plant. As part of this, it will facilitate the transmission of price signals to Saskatchewan farmers. As one commenter to Informa said, farmers will get real market signal prices. They will have a number of options as the end of the CWB monopoly adds a number of players offering competitive bids to farmers for their production. Previously, the tariff levels received by grain handlers were similar across industry participants; now, the prices offered by grain handlers will reflect their own efficiencies as well as their activities in the marketplace.
- Saskatchewan farmers also will benefit from the likelihood of enhanced competition for grains and canola resulting from Glencore's divestiture of 19 country elevators to Richardson. As analyzed above, currently Viterra has an average 38% market share across CARs in Saskatchewan, while Richardson has an average

16% share. After the Glencore acquisition and subsequent divestiture, Glencore will have an average 29% share, and Richardson will have an average 25% share.

- Both Glencore and Richardson expect to be able to realize efficiencies in the assets they purchase from Viterra. To some extent, this is likely to occur as the dissolution of the CWB allows the companies to transact directly with farmers and control the usage of transportation and grain-handling assets. Furthermore, according to Glencore, the company has in-depth experience with grain handling, marketing and transportation operations of the kind that it is acquiring. It has experience in maintaining and expanding an extensive asset base (storage, handling and crushing assets) and will combine the best of its practices with the substantial expertise developed by Viterra to enhance the productivity and the efficiency of its Canadian and global operations. To the extent that efficiencies are gained, a portion of the improved profits might accrue to farmers in the form of higher prices.
- An Informa analysis of data from Quorum Corporation (the official monitor of the grain handling and transportation system in Canada) supports the conclusion that efficiencies might be gained from the elimination of the CWB monopoly. The analysis found that spreads between export prices and producer prices are higher for durum and other wheat, which are both Board grains, than for canola, which is a non-Board crop. In crop year 2009/10, the latest year for which data is available, the difference between the durum spread and the canola spread was \$30 per tonne, and the difference between the spread for other wheat and the spread for canola was \$16 per tonne. The implication is that when the CWB loses its monopoly over durum, other wheat and barley, the total system-wide costs of handling and transporting these crops will be reduced. Again, it is reasonable to expect that a portion of the reduced cost will be passed along to farmers by private grain companies such as Glencore and Richardson in the form of higher prices at origin. However, it should be noted that the anticipated change in system-wide costs post-CWB will not necessarily match the \$30 and \$16 per tonne differentials mentioned above, as these spreads vary from year to year and wheat and canola have different handling characteristics that cause their handling costs not to be completely comparable.³⁸
- The majority of farmers will not have to drive significantly farther to find a competing elevator or retail inputs facility than they did prior to the Glencore acquisition of Viterra. This indicates that it will not be significantly

³⁸ Note that Quorum Corp. includes the following disclaimer in its reports: “Special consideration is given to the distinct merchandising activities tied to CWB and non-CWB commodities, which compels the use of discrete methodologies in calculating the export basis and producer netback for both. ... The reader is encouraged to become familiar with [these methodologies] before attempting to draw any specific conclusions from the ensuing discussion.”

more burdensome after the transactions for farmers to find a supplier for inputs or a buyer for grains and oilseeds.

- Glencore has the capacity and working capital to offer a broad range of contract types and pricing mechanisms: priced, unpriced (premium contracts versus futures), for prompt, medium-term or longer-term future delivery, current and new crop. Glencore can embed options into the contracts, and can also run "pools," if desired by farmers. Richardson also has indicated that it intends to continue to have pricing and contract offerings that are competitive with other grain companies.
- In addition to these market and operational factors, Glencore has announced that it intends to maintain all of Viterra's current community-based and philanthropic commitments. Of note for farmers, Glencore will expand on such activities through initiatives such as a program to encourage greater skill development, education and opportunities for Western Canadian youth in the agricultural sector and other initiatives.
- One potentially significant negative effect on farmers from the transactions would occur if Agrium attempted to use the market power associated with its vertically integrated status to raise prices of crop nutrients, particularly nitrogen fertilizers. There is no indication that Agrium will try to do this, and it has indicated that its wholesale and retail business units will continue to be operated independently, but its post-transaction structure would likely provide it with the ability to affect the level of nitrogen fertilizer prices if it chose to do so.
- On balance, Saskatchewan farmers are likely to benefit from future industry developments. This is due to a combination of factors: access to Glencore's superior global network, enhanced competition due to the divestiture to Richardson and the effects of ending the CWB monopoly.

E. Impact on the Revenues of the Government of Saskatchewan

Given the nature of tax filings, the availability of information regarding taxes paid by the firms involved in the transactions to the Government of Saskatchewan are limited in their public availability. Furthermore, the large and international nature of three of the four corporations involved and the private ownership of the fourth firm yield little meaningful information for provincial tax implications in publicly available annual reports and other filings. Accordingly, this analysis provides general implications for the province of Saskatchewan rather than detailed calculations of taxes that are expected to be payable following the transactions.

1. Taxes on Corporations

(a) Corporate Income Tax (CIT)

- Through a tax collection agreement with the federal Government, provincial corporate income taxes are levied by Saskatchewan as a percentage of the share of a corporation's taxable income allocated to the Province. Effective July 1, 2008, the general corporate income tax rate was 12.0 percent, but it is sometimes as low as 10.0 percent for eligible manufacturing and processing income.³⁹
- Saskatchewan small businesses that are Canadian-controlled private corporations (CCPC) pay a reduced tax rate on eligible business income. This is commonly known as the small business rate. As of July 1, 2011, Saskatchewan small businesses are taxed at a rate of 2.0 percent on the first \$500,000 of eligible business income. However, this threshold applies across provinces and across all subsidiary corporations filing under a single tax return. In that case, Richardson is the only of the four firms involved in the transactions that qualifies as a CCPC but would spread its use of the lower tax rate across provinces. In Manitoba, where Richardson is headquartered, the tax rate for small business income below the \$500,000 threshold is 0.0 percent, so although the size of the benefit would be small, it would be advantageous for this tax to allocate additional income to Manitoba rather than Saskatchewan.
- Additionally, for businesses with operations across provinces, taxable income for each province is allocated half based on the salaries and wages attributed to permanent establishments in the province and half based on gross revenues associated with permanent establishments in the province according to Canada's Income Tax Regulations (C.R.C., c. 945). This would be the case for crop input retail sales.
- For grain elevator operators, rules for corporate income taxes are specifically outlined in C.R.C., c. 945, §408. Taxable income is allocated to the province half based on the Province's share of the total bushels of grain received by all elevators and half based on the Province's share of all salaries and wages paid by the corporation.
- Research and development tax credits are available for qualifying research and development expenditures in the Province.
 - For small CCPCs, the provincial tax credit for scientific research and experimental development (R&D) is 15%, and the federal credit rate is 35%, which gives a combined credit rate of 44.75%. For large public

³⁹ Saskatchewan Ministry of Finance. <http://www.finance.gov.sk/taxes/cit/>

- or foreign-controlled corporations, the Saskatchewan tax rate of 15% is unchanged, but the federal credit rate is 20%, giving a combined rate of 32%.⁴⁰ The Saskatchewan tax is currently refundable for any of these corporations.
- The 2012 Saskatchewan Budget (pending approval at the time of writing) would restrict the refundability of the R&D credit. For all qualifying R&D expenditures on or after April 1, 2012, the 15% tax credit would be refundable for CCPCs up to \$3 million in qualifying expenditures annually. CCPCs' qualifying expenditures of over \$3 million and all qualifying expenditures by public corporations will be eligible for a non-refundable 15% R&D tax credit. This credit can be carried back 3 years or forward 10 years.
 - Viterra currently has research facilities in Saskatchewan, and Glencore has indicated that in the future it expects to expand on Viterra's R&D spending. Richardson currently has a 500-acre research farm in Manitoba. For example, for any of these firms with eligible expenditures of \$3 million, utilization of the R&D credit would provide an annual tax credit of \$450,000, but for expenditures after April 1, 2012, only Richardson would qualify for a R&D refund.
- Changes in income tax as a result of which corporation receives grain in the province are not expected to be substantial based on changes in volume of grain handled, as gains by one firm must be offset by reduced grain receipts by other firms, all else being equal. Since the exact terms of the acquisitions in the second stage of transactions were still being finalized at the time of writing, grain throughputs and revenues for facilities that will be transferred were not yet available.
 - Glencore has indicated that it intends to finance its purchase of Viterra through existing cash resources and available credit facilities. After payment for the assets that will go to Richardson and Agrium, the net cost of the transaction is expected to be \$3.5 billion. It is not clear how any debt financing implications for Glencore's purchase of Viterra, or the subsequent acquisitions of assets by Richardson and Agrium, will impact corporate tax revenues for the province based on debt financing structure.
 - The impact of corporate income taxes paid by the corporations involved will be based largely on two factors: the way that debt servicing costs associated with the transactions are applied against future profits, and any improvements in profitability that may result from the new ownership of the grain handling and other businesses.

⁴⁰ Note: The federal tax credit is reduced by the provincial tax receivable in calculating the combined tax rate; Source: Invest in Canada. "Do Your Research in Canada." <http://investincanada.gc.ca>

(b) Other Taxes and Tax Considerations for Corporations

- Some of the firms involved are also responsible for other taxes that are not directly impacted by the transactions, such as the Potash Production Tax and the Resource Surcharge of the Corporation Capital Tax. This applies specifically to potash production. Agrium is the only one of the four firms with potash production, and this tax would apply to its wholesale business unit.
- The foreign vs. domestic corporate structures of the four firms involved are not expected to substantially impact tax owed to Saskatchewan. Although Glencore is a foreign corporation, once it acquires Viterra it will have permanent establishments located in Saskatchewan and will owe corporate income taxes based on its activities in Saskatchewan.
- While there will likely be additional impacts on corporate income tax in the longer term as a result of the transactions, those impacts will be interwoven with the impacts of the removal of the CWB's "single-desk" monopoly. Projected future impacts will also depend on if efficiencies are gained by grain handlers as a result of increased control of grain handling and transportation, and if any efficiency gains are translated into additional profits.

2. Taxes on Individuals

- In the short term, the taxes on individuals are expected to be impacted only modestly, and the most direct impacts of the transaction would be due to staffing changes that occur to Viterra's current workforce in the Regina head office. It is expected that at least in the near term, employment at field facilities such as elevators and retailers will remain stable. Some degree of reductions in head office staff due to duplication of roles already handled elsewhere in the acquiring firms' business structure often occur as a result of mergers and acquisitions. The aggregate impact on personal income taxes paid to the province is modest, and it also assumes that the employees who are let go are unable to find other positions despite Saskatchewan's low-unemployment economy.
- Provincial personal income taxes are applied on taxable income in a three-tier structure. For 2012, taxable income below \$42,065 is taxed at 11 percent, the next \$78,120 in taxable income is taxed at 13 percent, and any additional taxable income beyond \$120,185 is taxed at 15 percent. Applicable tax credits are then deducted as appropriate to determine the amount of basic income taxes owed. For 2012, the basic personal tax credit

amount is \$14,942. This results in a reduction in personal income taxes owed of up to \$1,644 for an individual claiming the basic personal exemption.

- The one-time changes in employment and the direct tax impacts that may result are expected to occur in the short term as the acquisitions are finalized. Looking forward, Glencore has indicated that it expects to use Regina as a platform for its North American expansion. If this is successful, additional jobs could accrue to the province, which would be expected to have a net positive impact on the revenues of the government of Saskatchewan.
- There will also be a one-time gain to individuals who currently hold shares of Viterra, as Glencore will purchase all shares for \$16.25 each. As the former Saskatchewan Wheat Pool, it is logical that a percentage of the individual investors in Viterra reside in Saskatchewan and would pay capital gains tax on the resulting gain from the sale of Viterra shares. Further, executives of Viterra owning shares of the company as a part of their executive compensation package will also benefit from the sale. Capital gains to individuals in Saskatchewan are taxed based on 50% of the capital gain taxed under the normal personal income tax structure.

F. Implications for Saskatchewan's Position in the International Grain Industry

- The implications of the Glencore acquisition of Viterra on Saskatchewan's position in the international grain industry are generally positive. The acquisition by Glencore will tie Saskatchewan agriculture into a leading international agricultural commodity marketing network, which will be much needed in a post-CWB environment. Glencore is particularly strong as a marketer of wheat into the Middle East, North Africa and Southern Europe, and it has a strong presence in grains in the EU generally. Glencore is a leading domestic rapeseed trader in the EU and is supported by an extensive European office network. Glencore also has offices in Turkey, Egypt, Dubai and Morocco, where it has the ability to discharge and store wheat at destination. Glencore has been a leading wheat supplier to Algeria, Libya and Morocco for the past eight years and is a leading barley supplier to Saudi Arabia. Glencore is also a leading wheat supplier to Bogasari, the largest integrated flour miller in Indonesia, and a large supplier of canola to Pakistan. Glencore has captive wheat demand in Brazil since it co-owns the third-largest Brazilian wheat-milling company, with an annual production capacity of over 1.3 MMT. Finally, Glencore has indicated that it anticipates that the EU will be a growing canola importer in future, with an annual demand in excess of 3 MMT.

- The acquisition of Viterra would expand Glencore's grain origination capability into North America. Given that half of Viterra's grain elevators are located in Saskatchewan, the province would become a significant origin for durum, other wheat, barley and canola to be marketed within Glencore's global network.
- Additionally, while Viterra is nominally a Regina-based grain company, its executives are generally based in Calgary. Glencore will repatriate Viterra's executive offices to Saskatchewan and make the Regina head office the platform for its North American agricultural operations and for expansion into the U.S. This will bolster Regina's position as an important center in the North American grain industry.
- The transaction would also strengthen Richardson, itself a strong international marketer of grains. The addition of export capacity as well as additional grain origination facilities should put Richardson in an even stronger position to compete in the global marketplace.
- Glencore plans to increase capital expenditures by \$100 million over and above Viterra's projections for the next five years. Glencore intends to expand Viterra's existing handling infrastructure (both country elevators and port facilities) to meet anticipated growth in global demand for agricultural products. Glencore's financial strength allows it make ongoing commitments to build the handling and distribution infrastructure required to meet this demand. Glencore expects its capital expenditures also to result in significant efficiency enhancements in Viterra's handling and transportation infrastructure, along with improving the ability of Western Canadian farmers to respond to the expected growth in global demand. Particularly relevant to Saskatchewan, Glencore expects that there will be growing export opportunities for wheat producers as growers in many other parts of the world shift to higher-protein oilseeds.
- Thus, from an operational standpoint, the acquisition of Viterra by Glencore and the subsequent divestiture of certain assets to Richardson would further cement Saskatchewan's position in the international grain industry.

G. Implications for Saskatchewan's Reputation for a Positive Investment Climate

- Glencore's proposed acquisition of Viterra and its intent to increase investments by \$100 million above Viterra's baseline over the next five years are evidence that Saskatchewan is perceived as a positive place to invest.
- Given that there are no major negative impacts of the Glencore acquisition of Viterra or the subsequent divestiture of certain assets to Richardson as measured by the criteria discussed above, the Government's

acceptance or even support of these transactions would enhance Saskatchewan's reputation as a place that is "open for business." Companies, whether domestically owned or foreign, prefer certain characteristics in the government of a country or province where they are considering making an investment: the rule of law, decisions being made on the basis of clear standards rather than arbitrary factors, relatively free markets and transparency. Moreover, foreign corporations look for places where foreign direct investment is welcome.

- Additionally, the shareholders of a company (e.g., Viterra) want to maximize the value of their shares by having the company be structured and run optimally or by selling their shares when they choose – including to the highest bidder in an acquisition – with the government impeding mergers and acquisitions or the sale of shares only in exceptional circumstances and only for reasons that are perceived to be justified. Acceptance or support of the Glencore acquisition of Viterra and the subsequent divestiture of certain assets to Richardson would reinforce Saskatchewan's reputation as a place where corporations and shareholders are treated in such a manner.
- Still, an issue for the Government is that while the divestiture of most of Viterra's crop input-related assets to Agrium is not expected to result in anticompetitive actions, a vertically integrated Agrium would potentially have the ability to exert upward pressure on nitrogen prices in the future if it chose to do so. The Government will need to determine whether it considers the probability of such activity to be sufficiently high and the consequences to be sufficiently serious that it recommends altering the terms of the divestiture to Agrium, and it will also have to consider whether taking this step will adversely affect Saskatchewan's reputation for a positive investment climate.

IX. CONCLUSION

- The Glencore acquisition of Viterra is taking place during a moment of major industry change due to the ending of the “single-desk” monopoly of the Canadian Wheat Board. Glencore is a major international marketer of agricultural commodities that is in a growth mode, and it offers Saskatchewan’s agriculture sector the ability to be tied into global agricultural markets at a time when the CWB’s role is receding. The structuring of the grain-handling portion of the transaction, with Glencore’s acquisition of Viterra to be followed by the divestiture of 19 grain elevators to Richardson, also offers the opportunity to increase, rather than decrease, competitiveness. The transactions are expected to create a more level playing field among grain companies in Saskatchewan, which should benefit farmers marketing grain through the Canadian grain handling system. Glencore has indicated plans to expand its operations in Western Canada and expects improved profitability as a result of the transactions. Perhaps even more significantly, Glencore also is making the Regina head office the platform for its North American growth, including entry into the U.S., which provides the opportunity for growth and revitalization of the Regina office over the medium term if Glencore does expand in North America.
- Though the horizontal merger impacts appear to be limited for the crop input sector, with the divestiture of retail input facilities as a part of the transactions there is risk associated with the ability of a vertically integrated Agrium to exert upward pressure on nitrogen fertilizer prices in the province, though there is no evidence that Agrium has the intent to do so, and the way the company is structured makes such action less likely. Furthermore, the effect of the transactions on the province’s revenues is unclear, though available information and the offsetting nature of some of the changes indicate that the magnitude of the impacts on revenues may be limited. Near-term head office employment changes and associated personal tax revenue changes are negative, though they are comparatively limited in size. Finally, there is always risk in the loss of independence of a major company that is about to be acquired, as decision-making will shift to the acquirer. Still, it would appear that the opportunities outweigh the risks for Saskatchewan, since Viterra is a good strategic and geographic fit for Glencore and its acquisition will make Glencore a stronger global competitor, with Saskatchewan having an important position in the company as a major origination location and the site of a key regional office.

APPENDIX

Western Canadian Primary Grain Elevators

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
1	Killam	CP	Great Northern Grain Terminals Ltd. (2)	7,920	Alberta	<50
2	Killam	CP	Viterra Inc.	39,500	Alberta	100+
3	Cambrose	CP	Richardson Pioneer Limited	45,620	Alberta	Unknown
4	Taber	CP	Viterra Inc. (1)	25,000	Alberta	Unknown
5	Tempest	CP	Viterra Inc. (1)	6,720	Alberta	Unknown
6	Vegreville	CN	Cargill Limited (B)	10,780	Alberta	<50
7	Warner	CP	Viterra Inc. (1)	13,730	Alberta	Unknown
8	Cypress River	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	7,850	Manitoba	Unknown
9	Graysville	NO	Viterra Inc. (1)	9,500	Manitoba	Unknown
10	Swan Rv Valley	CN	Richardson Pioneer Limited	13,310	Manitoba	100+
11	Chamberlain	OT	Mobil Grain Ltd.	10	Saskatchewan	Unknown
12	Last Mountain S	CP	Richardson Pioneer Limited	17,140	Saskatchewan	Unknown
13	Mossbank	CP	RW Organic Ltd.	7,390	Saskatchewan	Unknown
14	N Battleford	CN	Cargill Limited (A)	33,010	Saskatchewan	100+
15	Pense	CP	Viterra Inc. (B)	5,120	Saskatchewan	Unknown
16	Valparaiso	CN	Viterra Inc.	30,350	Saskatchewan	100+
17	Weyburn	CP	Weyburn Inland Terminal Ltd.	105,500	Saskatchewan	Unknown
18	Saskatoon	CP	Viterra Inc. (B)	105,000	Saskatchewan	100+
19	Humboldt	CN	Viterra Inc. (C)	16,500	Saskatchewan	50-100
20	Melfort	CN	Viterra Inc. (C)	49,320	Saskatchewan	100+
21	Unity	CN	North West Terminal Ltd.	63,000	Saskatchewan	100+
22	Moose Jaw	CP	Viterra Inc. (B)	104,000	Saskatchewan	100+
23	Brandon	CN	Viterra Inc.	39,500	Manitoba	<50
24	Fahler	CN	Viterra Inc.	40,900	Alberta	50-100
25	Killarney	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (3)	39,550	Manitoba	100+
26	Brada	CN	Viterra Inc.	25,800	Saskatchewan	100+
27	Lavoy	CN	Viterra Inc. (A)	39,500	Alberta	100+
28	Gull Lake	CP	Viterra Inc. (C)	19,000	Saskatchewan	100+

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
29	Star	CP	Viterra Inc.	37,440	Alberta	100+
30	Lyalta	CN	Louis Dreyfus Canada Ltd.	31,340	Alberta	100+
31	Trochu	CN	Viterra Inc. (A)	39,500	Alberta	100+
32	Lacombe East	CP	Viterra Inc.	31,940	Alberta	100+
33	Agassiz	CP	Viterra Inc.	22,070	Manitoba	100+
34	Souris East	CP	Viterra Inc.	23,500	Manitoba	100+
35	Grenfell	CP	Viterra Inc.	26,910	Saskatchewan	100+
36	Marshall	CN	Richardson Pioneer Limited (2)	22,000	Saskatchewan	100+
37	Nokomis	CP	Richardson Pioneer Limited	31,510	Saskatchewan	100+
38	Boissevain	CP	Viterra Inc.	39,500	Manitoba	100+
39	Rycroft	CN	Richardson Pioneer Limited (1)	42,000	Alberta	100+
40	Lamont	CN	Richardson Pioneer Limited	27,500	Alberta	50-100
41	Weyburn	CP	Viterra Inc. (A)	42,600	Saskatchewan	100+
42	Swift Current	CP	Viterra Inc. (A)	39,500	Saskatchewan	100+
43	Raymore	CN	Viterra Inc.	25,800	Saskatchewan	<50
44	Stirling	CP	Richardson Pioneer Limited	28,900	Alberta	100+
45	Grassy Lake	CP	Viterra Inc.	22,500	Alberta	Unknown
46	Vermilion	CN	Cargill Limited (3)	28,350	Alberta	100+
47	Carnduff	CP	Viterra Inc. (A)	25,800	Saskatchewan	100+
48	Acheson	CN	Viterra Inc.	26,000	Alberta	100+
49	Carseland	CP	Viterra Inc. (1)	35,300	Alberta	100+
50	Shoal Lake	CP	Richardson Pioneer Limited (3)	23,750	Manitoba	100+
51	Westbourne	CP	Richardson Pioneer Limited	28,500	Manitoba	Unknown
52	Edmonton	CN/CP	Cargill Limited	52,000	Alberta	100+
53	Assiniboia	CP	Viterra Inc. (B)	45,780	Saskatchewan	100+
54	Elva	CP	Cargill Limited	14,500	Manitoba	Unknown
	Swift Current	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	35,660	Saskatchewan	
55						100+
56	Balgonie	CP	Viterra Inc. (A)	25,800	Saskatchewan	100+
57	Rosetown	CN	Viterra Inc. (C)	39,500	Saskatchewan	100+
58	Hamlin	CN	Parrish & Heimbecker, Limited	22,800	Saskatchewan	100+
59	Fairlight	CN	Viterra Inc. (B)	25,340	Saskatchewan	50-100

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
60	Vulcan	CP	Viterra Inc.	31,500	Alberta	100+
	Morris	CN	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	42,000	Manitoba	
61						100+
62	Canora	CN	Viterra Inc. (3)	22,830	Saskatchewan	100+
63	Tisdale	CP	Louis Dreyfus Canada Ltd.	41,000	Saskatchewan	100+
64	Carseland	CP	Richardson Pioneer Limited	30,540	Alberta	100+
65	Naicam	CP	CMI Terminal Joint Venture (1)	27,220	Saskatchewan	100+
66	Clavet	CN	Cargill Limited	42,000	Saskatchewan	100+
67	Lethbridge	CP	Lethbridge Inland Terminal Ltd.	41,190	Alberta	50-100
68	Crossfield	CP	Viterra Inc.	31,500	Alberta	100+
69	Wadena	CP	North East Terminal Ltd.	35,920	Saskatchewan	Unknown
70	Provost	CP	Viterra Inc. (2)	29,300	Alberta	100+
71	Corinne	CP	Richardson Pioneer Limited	48,790	Saskatchewan	100+
72	Swift Current	CP	Richardson Pioneer Limited (1)	29,920	Saskatchewan	100+
73	Carrot River	CN	Viterra Inc. (C)	14,500	Saskatchewan	<50
74	Brandon	CP	Richardson Pioneer Limited (4)	20,400	Manitoba	100+
75	Dauphin	CN	Richardson Pioneer Limited (A)	20,750	Manitoba	50-100
76	Whitewood	CP	Richardson Pioneer Limited	17,140	Saskatchewan	Unknown
77	Canora	CN	Richardson Pioneer Limited (1)	20,070	Saskatchewan	100+
78	Starbuck	CP	Richardson Pioneer Limited (C)	18,170	Manitoba	100+
79	Aberdeen	CN	Louis Dreyfus Canada Ltd.	31,350	Saskatchewan	Unknown
80	Kindersley	CN	Viterra Inc. (E)	41,700	Saskatchewan	100+
	Dunmore	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	26,000	Alberta	
81						100+
82	Dunmore	CP	Richardson Pioneer Limited (1)	25,470	Alberta	100+
83	Unity	CN	Viterra Inc. (G)	25,000	Saskatchewan	100+
84	Maple Creek	CP	Viterra Inc. (C)	19,000	Saskatchewan	50-100
85	Crooked River	CN	Richardson Pioneer Limited (1)	17,350	Saskatchewan	<50
86	Letellier	CN	Viterra Inc.	16,300	Manitoba	<50
87	Moose Jaw	CP/CN	Parrish & Heimbecker, Limited	42,480	Saskatchewan	100+
88	Viriden	CP	Louis Dreyfus Canada Ltd.	31,300	Manitoba	100+
89	Loreburn	CP	Gardiner Dam Terminal Joint Venture	17,000	Saskatchewan	100+

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
90	White Star	CN	Viterra Inc.	9,500	Saskatchewan	50-100
91	Indus	CP	Viterra Inc. (1)	34,000	Alberta	100+
92	Tisdale	CN	Parrish & Heimbecker, Limited	32,800	Saskatchewan	50-100
93	Hamlin	CN	Richardson Pioneer Limited	17,140	Saskatchewan	50-100
94	Melfort	CN	Richardson Pioneer Limited	17,140	Saskatchewan	50-100
95	Regina East	CN	Viterra Inc.	30,140	Saskatchewan	100+
96	Rycroft	CN	Cargill Limited (A)	25,770	Alberta	100+
97	Rathwell	CP	Louis Dreyfus Canada Ltd.	42,000	Manitoba	50-100
98	Rosetown	CN	Cargill Limited	28,500	Saskatchewan	100+
99	Amazon	CN	Parrish & Heimbecker, Limited	23,800	Saskatchewan	100+
100	Wilkie	CP	Louis Dreyfus Canada Ltd.	53,040	Saskatchewan	50-100
101	Tisdale	CN	Viterra Inc. (C)	31,600	Saskatchewan	100+
102	Winnipeg	CP	Viterra Inc.	22,100	Manitoba	Unknown
103	Wilson	CP	Parrish & Heimbecker, Limited	31,500	Alberta	100+
104	Equity	CN	Cargill Limited	29,810	Alberta	100+
105	Starbuck	CN	Richardson Pioneer Limited	24,380	Manitoba	Unknown
106	Saskatoon	CN	Richardson Pioneer Limited	27,570	Saskatchewan	100+
107	Rycroft	CN	Louis Dreyfus Canada Ltd. (1)	24,000	Alberta	100+
108	Balgonie	CP	Richardson Pioneer Limited	17,140	Saskatchewan	100+
109	Saskatoon	CP/CN	Parrish & Heimbecker, Limited (Q)	26,960	Saskatchewan	<50
110	Estevan	CP	Richardson Pioneer Limited (2)	14,050	Saskatchewan	50-100
111	Morinville	CN	Westmor Terminals Inc.	26,750	Alberta	100+
112	Killarney	CP	Tri Lake Agri Limited (B)	17,500	Manitoba	100+
113	Melville	CN	Viterra Inc. (2)	23,160	Saskatchewan	50-100
	Assiniboia	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	28,500	Saskatchewan	100+
114						100+
115	Herbert	CP	Richardson Pioneer Limited	35,000	Saskatchewan	100+
116	Lethbridge	CP	Cargill Limited	28,600	Alberta	<50
	Binscarth	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	21,060	Manitoba	50-100
117						50-100
118	Congress	CP	Cargill Limited (4)	30,400	Saskatchewan	100+
119	Carrot River	CN	Richardson Pioneer Limited (2)	10,000	Saskatchewan	<50

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
120	Weyburn	CP	Richardson Pioneer Limited (1)	21,700	Saskatchewan	100+
121	Minnedosa	CP	Richardson Pioneer Limited (A)	11,500	Manitoba	50-100
122	Elm Creek	CP	Cargill Limited	19,080	Manitoba	50-100
123	Moose Jaw	CN	Cargill Limited (A)	30,500	Saskatchewan	100+
124	Oakner	CN	Cargill Limited	14,000	Manitoba	50-100
125	Prairie West	CP	Prairie West Terminal Ltd.	31,740	Saskatchewan	100+
126	Roblin	CN	Viterra Inc.	12,300	Manitoba	50-100
127	Camrose	CN	Cargill Limited (3)	37,400	Alberta	100+
128	Langenburg	CP	Viterra Inc. (3)	14,410	Saskatchewan	50-100
129	Davidson	CN	Viterra Inc. (C)	16,500	Saskatchewan	50-100
130	Dutton	CN	Parrish & Heimbecker, Limited	16,500	Manitoba	50-100
131	Yorkton	CN	Parrish & Heimbecker, Limited (2)	35,000	Saskatchewan	100+
132	Nesbitt	CP	Cargill Limited	17,700	Manitoba	100+
133	Vermilion	CN	Viterra Inc. (1)	13,070	Alberta	100+
134	Moosomin	CP	Parrish & Heimbecker, Limited	25,540	Saskatchewan	100+
135	Dawson Creek	CN	Louis Dreyfus Canada Ltd. (1)	21,340	BC	<50
136	Westlock	CN	Westlock Terminals (NGC) Ltd. (1)	12,050	Alberta	50-100
137	Nampa	CN	Great Northern Grain Terminals Ltd.	59,900	Alberta	50-100
138	Blackie	CP	Cargill Limited (3)	23,200	Alberta	100+
139	Fannystelle	CP	Viterra Inc. (1)	9,550	Manitoba	50-100
140	andrew	CN	Providence Grain Group Inc.	15,260	Alberta	Unknown
141	Davidson	CN	Cargill Limited (4)	14,800	Saskatchewan	50-100
142	Cupar	CP	Viterra Inc. (5)	9,200	Saskatchewan	50-100
143	High Level	CN	Viterra Inc. (1)	6,500	Alberta	50-100
144	Kegworth	CN	Louis Dreyfus Canada Ltd.	31,340	Saskatchewan	100+
145	Killarney	CP	Tri Lake Agri Limited (A)	12,500	Manitoba	100+
146	Redvers	CP	Viterra Inc. (3)	14,570	Saskatchewan	50-100
147	Saskatoon	CN/CP	Parrish & Heimbecker, Limited (D)	17,720	Saskatchewan	<50
148	Kindersley	CN	Cargill Limited	22,500	Saskatchewan	100+
149	Vulcan	CP	Parrish & Heimbecker, Limited (2)	14,680	Alberta	50-100
150	Lloydminster	CP	Viterra Inc.	15,000	Saskatchewan	50-100
151	Foam Lake	CP	Viterra Inc. (B)	14,340	Saskatchewan	50-100

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
152	Leader	CP	Great Sandhills Terminal Marketing Centre Ltd. (A)	20,800	Saskatchewan	100+
153	Indian Head	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	17,560	Saskatchewan	100+
154	Yorkton	CP	Richardson Pioneer Limited	27,420	Saskatchewan	100+
155	Quill Lake	CN	Parrish & Heimbecker, Limited (2)	9,000	Saskatchewan	50-100
156	Cassils	CP	Viterra Inc.	12,330	Alberta	50-100
157	Dauphin	CN	Cargill Limited	10,000	Manitoba	50-100
158	Viking	CN	Cargill Limited (3)	13,640	Alberta	100+
159	Oyen	CN	Richardson Pioneer Limited (1)	16,390	Alberta	50-100
160	Alameda	CP	Viterra Inc. (2)	7,470	Saskatchewan	50-100
161	Tucker	CP	Viterra Inc.	9,500	Manitoba	Unknown
162	Winnipeg	CN	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	42,000	Manitoba	<50
163	Grande Prairie	CN	Viterra Inc. (3)	8,130	Alberta	<50
164	Gladstone	CN	Delmar Commodities Ltd.	6,190	Manitoba	<50
165	Wilkie	CP	Viterra Inc.	7,550	Saskatchewan	50-100
166	Strathclair	CP	Parrish & Heimbecker, Limited (1)	11,780	Manitoba	50-100
167	Morris	CN	Cargill Limited (B)	15,800	Manitoba	100+
168	Waldron	CN	Viterra Inc. (C)	9,500	Saskatchewan	<50
169	Milk River	CP	Parrish & Heimbecker, Limited	11,300	Alberta	100+
170	Grenfell	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	6,600	Saskatchewan	100+
171	Calgary	CP/CN	Cargill Limited	65,320	Alberta	50-100
172	Swan River	CN	Cargill Limited (A)	5,680	Manitoba	100+
173	Swan River	CN	Cargill Limited (B)	5,600	Manitoba	100+
174	Bow Island	CP	Viterra Inc. (1)	25,000	Alberta	Unknown
175	Vulcan	CP	Richardson Pioneer Limited (2)	10,080	Alberta	50-100
176	Kamsack	CN	Viterra Inc. (B)	9,500	Saskatchewan	50-100
177	Luseland	CP	Viterra Inc. (C)	9,920	Saskatchewan	50-100
178	Olds	CP	Richardson Pioneer Limited (1)	8,000	Alberta	100+
179	Somerset	CN	Delmar Commodities Ltd. (2)	9,320	Manitoba	Unknown

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
180	Coronach	CP	Richardson Pioneer Limited (1)	7,590	Saskatchewan	50-100
181	Kindersley	CN	Prairie West Terminal Ltd. (1)	12,420	Saskatchewan	100+
182	Binscarth	CP	Viterra Inc.	8,200	Manitoba	50-100
183	Lethbridge	CP	Parrish & Heimbecker, Limited	11,030	Alberta	50-100
184	Beausejour	CP	Viterra Inc. (3)	12,070	Manitoba	Unknown
185	Bawlf	CP	Canada Malting Co. Limited	6,890	Alberta	Unknown
186	Grimshaw	CN	Viterra Inc.	4,760	Alberta	<50
187	Fort St John	CN	Viterra Inc. (2)	8,600	BC	<50
188	Viking	CN	Providence Grain Group Inc. (1)	7,850	Alberta	50-100
189	Winnipeg	CP	Viterra Inc. (W)	25,000	Manitoba	Unknown
190	Stettler	CW	Viterra Inc.	8,280	Alberta	Unknown
191	Niobe	CP	Canada Malting Co. Limited (B)	4,480	Alberta	Unknown
192	Joffre	CN	Louis Dreyfus Canada Ltd.	40,840	Alberta	100+
	Boissevain	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	6,710	Manitoba	100+
193						100+
194	Norman	CN	Canada Malting Co. Limited	6,710	Manitoba	<50
195	Dawson Creek	CN	Viterra Inc. (1)	9,100	BC	<50
	Marengo	CN	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	11,680	Saskatchewan	50-100
196						50-100
197	Rosser	CP	Viterra Inc.	6,000	Manitoba	50-100
198	Fort Macleod	CP	Viterra Inc. (3)	4,740	Alberta	Unknown
199	Langbank	CN	Parrish & Heimbecker, Limited	5,800	Saskatchewan	<50
200	Yorkton	CP	Cargill Limited	14,050	Saskatchewan	100+
201	Lyalta	CN	Canada Malting Co. Limited	4,650	Alberta	100+
202	Winnipeg	CP/CN	Parrish & Heimbecker, Limited	22,400	Manitoba	100+
203	Sexsmith	CN	Viterra Inc.	29,790	Alberta	100+
	Crystal City	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	8,480	Manitoba	Unknown
204						Unknown
205	Olds	CP	Richardson Pioneer Limited (2)	5,190	Alberta	100+
206	Luseland	CP	Prairie West Terminal Ltd.	6,170	Saskatchewan	50-100
207	Niobe	CP	Canada Malting Co. Limited (A)	3,800	Alberta	Unknown
208	Davidson	CN	Richardson Pioneer Limited	5,770	Saskatchewan	50-100

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
209	Leross	CN	Canada Malting Co. Limited	7,420	Saskatchewan	<50
210	Hythe	CN	Viterra Inc. (4)	4,410	Alberta	<50
211	Beiseker	CN	Canada Malting Co. Limited	4,800	Alberta	<50
212	Raymore	CN	Cargill Limited	5,190	Saskatchewan	<50
213	Bow Island	CP	Parrish & Heimbecker, Limited	13,740	Alberta	50-100
214	Rockhaven	CP	Richardson Pioneer Limited	4,220	Saskatchewan	Unknown
215	Kelvington	CP	Viterra Inc. (E)	3,800	Saskatchewan	Unknown
216	Eyebrow	CP	Viterra Inc. (B)	9,500	Saskatchewan	50-100
217	Yellow Grass	CP	Viterra Inc. (1)	4,200	Saskatchewan	Unknown
218	Medicine Hat	CP	Parrish & Heimbecker, Limited	22,400	Alberta	100+
219	Dawson Creek	CN	Agro Source Ltd.	6,500	BC	<50
220	Dawson Creek	CN	Parrish & Heimbecker, Limited	6,300	BC	<50
221	Nobleford	CP	Richardson Pioneer Limited (1)	2,600	Alberta	Unknown
	Limerick	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	4,050	Saskatchewan	
222						Unknown
	Carnduff	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,330	Saskatchewan	
223						100+
224	Hodgeville	CP	Viterra Inc. (D)	9,500	Saskatchewan	Unknown
225	Kamsack	CN	Richardson Pioneer Limited (2)	4,400	Saskatchewan	50-100
226	Shellbrook	OT	Richardson Pioneer Limited (2)	4,870	Saskatchewan	Unknown
227	Alexander	CP	Mission Terminal Inc.	5,800	Manitoba	Unknown
228	Yorkton	CN	Viterra Inc. (C)	8,510	Saskatchewan	100+
	Holland	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,240	Manitoba	
229						Unknown
230	Wadena	CN	Viterra Inc. (D)	5,020	Saskatchewan	100+
231	Watrous	CN	Canada Malting Co. Limited	6,000	Saskatchewan	<50
232	Birch Hills	CN	Cargill Limited (B)	7,200	Saskatchewan	<50
233	Moose Jaw	CN	Viterra Inc. (C)	6,640	Saskatchewan	100+
234	Crossfield	CP	Providence Grain Group Inc.	4,190	Alberta	Unknown
	Herbert	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	5,280	Saskatchewan	
235						100+
236	Hargrave	CP	Viterra Inc. (2)	5,320	Manitoba	Unknown

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
237	Medora	CP	Vandaele Seeds Ltd.	10,000	Manitoba	Unknown
238	Winnipeg	CN	Canada Malting Co. Limited	12,000	Manitoba	Unknown
239	Albright	CN	Cargill Limited	6,080	Alberta	<50
240	Wadena	CP	Viterra Inc. (C)	4,000	Saskatchewan	50-100
241	Jordan	CN	Delmar Commodities Ltd.	4,170	Manitoba	Unknown
	Morris	CN	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (2)	4,080	Manitoba	100+
242						100+
243	Turtleford	CN	Richardson Pioneer Limited	3,020	Saskatchewan	Unknown
244	Westlock	CN	Westlock Terminals (NGC) Ltd. (2)	2,010	Alberta	50-100
245	Camrose	CN	Viterra Inc. (1)	5,800	Alberta	100+
246	Mariapolis	CN	Canada Malting Co. Limited	3,780	Manitoba	Unknown
247	Arborg	NO	S.S. Johnson Seeds Ltd.	6,200	Manitoba	Unknown
248	Glenavon	CN	Fill-More Seeds Inc.	5,100	Saskatchewan	<50
249	Rowatt	CN	Cargill Limited (B)	5,500	Saskatchewan	<50
250	Rowatt	CN	Viterra Inc.	5,140	Saskatchewan	<50
	Pierson	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	8,290	Manitoba	Unknown
251						Unknown
252	Blackie	CP	Richardson Pioneer Limited (2)	2,600	Alberta	100+
253	Biggar	CN	Viterra Inc. (3)	11,270	Saskatchewan	50-100
254	Sperling	CN	Delmar Commodities Ltd.	4,660	Manitoba	<50
	Carievale	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	4,180	Saskatchewan	Unknown
255						Unknown
	Fox Valley	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	5,930	Saskatchewan	Unknown
256						Unknown
	Teulon	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,390	Manitoba	Unknown
257						Unknown
258	Kenville	CN	Richardson Pioneer Limited	3,280	Manitoba	<50
259	Neville	CP	Mission Terminal Inc.	3,760	Saskatchewan	Unknown
260	Lake Lenore	CN	Richardson Pioneer Limited (3)	4,300	Saskatchewan	50-100
	Arborg	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,440	Manitoba	100+
261						100+

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
262	La Salle	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	4,150	Manitoba	Unknown
263	Lake Alma	NO	Weyburn Inland Terminal Ltd.	2,400	Saskatchewan	Unknown
264	Winnipeg	CN	Cargill Limited (C)	4,000	Manitoba	<50
265	Carman	CN	Viterra Inc. (1)	16,640	Manitoba	<50
266	Creelman	CP	Fill-More Seeds Inc.	4,170	Saskatchewan	<50
	Culross	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	2,850	Manitoba	Unknown
267	Wolseley	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	5,430	Saskatchewan	Unknown
268	Cabri	CP	Richardson Pioneer Limited (1)	3,700	Saskatchewan	Unknown
269	Lang	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	4,440	Saskatchewan	Unknown
270	Burdett	CP	Cargill Limited (B)	2,550	Alberta	Unknown
271	High Prairie	CN	Viterra Inc.	1,090	Alberta	<50
272	Fillmore	CP	Fill-More Seeds Inc. (B)	3,700	Saskatchewan	<50
273	Kipling	CN	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	2,750	Saskatchewan	<50
274	Osage	CP	Fill-More Seeds Inc.	1,930	Saskatchewan	<50
275	Prelate	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	3,320	Saskatchewan	Unknown
276	Morse	CP	Richardson Pioneer Limited (3)	9,080	Saskatchewan	Unknown
277	Mortlach	NO	R Young Seeds Inc.	8,000	Saskatchewan	Unknown
278	Parkbeg	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	1,450	Saskatchewan	Unknown
279	Carman	CN	Linear Grain Inc.	5,310	Manitoba	<50
280	Fillmore	CP	Fill-More Seeds Inc. (C)	1,420	Saskatchewan	<50
281	Bruno	CN	Viterra Inc. (A)	3,700	Saskatchewan	<50
282	Fillmore	CP	Fill-More Seeds Inc. (A)	1,100	Saskatchewan	<50
283	Radville	CP	Prairie Heritage Seeds Inc.	1,290	Saskatchewan	Unknown
284	Mortlach	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc. (1)	2,970	Saskatchewan	Unknown
285						Unknown

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
286	Marquette	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	1,970	Manitoba	Unknown
287	Carey	CP	Richardson Pioneer Limited (2)	2,620	Manitoba	Unknown
288	Wilcox	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	2,690	Saskatchewan	Unknown
289	Elrose	CN	Viterra Inc. (2)	4,250	Saskatchewan	Unknown
290	Deloraine	CP	Nestibo Agra Inc.	2,000	Manitoba	Unknown
291	Landis	CN	Viterra Inc. (2)	7,330	Saskatchewan	<50
292	Plenty	CP	Prairie West Terminal Ltd. (B)	7,340	Saskatchewan	Unknown
293	Alliance	CN	Viterra Inc. (2)	4,410	Alberta	Unknown
294	Gadsby	NO	Madreselva Foods Corporation	560	Alberta	Unknown
295	Strome	CP	Richardson Pioneer Limited (2)	3,800	Alberta	Unknown
296	Brunkild	OT	Besco Grain Ltd.	2,650	Manitoba	Unknown
297	Carberry	CP/CN	ADM Agri-Industries Company	15,000	Manitoba	50-100
	Meadows	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,430	Manitoba	Unknown
298						Unknown
299	Morden	CP	BP & Sons Grain and Storage Inc.	12,300	Manitoba	Unknown
300	Plum Coulee	CP	Global Grain Canada Ltd.	25,270	Manitoba	Unknown
301	Souris	NO	Prairie Sun Seeds Ltd.	1,200	Manitoba	Unknown
302	Winkler	NO	Keystone Grain Ltd.	4,960	Manitoba	Unknown
303	Winkler	CP	Walhalla Bean Co. (Canada) Ltd.	10,520	Manitoba	Unknown
304	Antelope	CP	South West Terminal Ltd.	52,000	Saskatchewan	Unknown
305	Antler	NO	Richardson Pioneer Limited	960	Saskatchewan	Unknown
306	Balcarres	CN	Cargill Limited	32,500	Saskatchewan	100+
307	Bethune	OT	Mobil Grain Ltd.	8,550	Saskatchewan	Unknown
308	Dixon	CN	Bunge Canada	2,600	Saskatchewan	100+
309	Dixon	CN	Richardson Pioneer Limited	28,900	Saskatchewan	100+
310	Doddsland	CP	Prairie West Terminal Ltd.	5,500	Saskatchewan	50-100
311	Goodeve	CN	Richardson Pioneer Limited (2)	3,480	Saskatchewan	<50
312	Grand Coulee	NO	Wigmore Farms Ltd.	6,000	Saskatchewan	Unknown
313	Hague	CN	Viterra Inc. (2)	3,510	Saskatchewan	<50
314	Ituna	CN	Viterra Inc. (A)	13,260	Saskatchewan	<50

Location Reference Number	Station	Railway	Company	Capacity (mt)	Province	Carloading Capacity
315	Ridgedale	CN	Bunge Canada	55,000	Saskatchewan	<50
316	Ridgedale	CN	Cargill Limited	13,100	Saskatchewan	<50
317	Northgate	OT	Richardson Pioneer Limited	2,100	Saskatchewan	Unknown
	Orkney	CP	PATERSON GRAIN, a division of Paterson GlobalFoods Inc.	3,500	Saskatchewan	Unknown
318						Unknown
319	Sedley	NO	Wigmore Farms Ltd.	4,000	Saskatchewan	Unknown
320	Stoughton	CP	Viterra Inc. (2)	3,600	Saskatchewan	Unknown
321	Wakaw	CN	Richardson Pioneer Limited (2)	4,720	Saskatchewan	<50
322	Watson	CP/CN	ADM Agri-Industries Company	15,000	Saskatchewan	100+
323	Woodrow	CP	Viterra Inc. (2)	2,940	Saskatchewan	Unknown