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BUSINESS

Winnipeg Free Press - PRINT EDITION

Ag-firm trio unites to form firm in city Pair of Prairie crop companies, U.S. canola crusher join, go public

By: **Martin Cash**
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Two large Prairie specialty crop companies and a Washington state canola-crushing operation are combining to become the newest Winnipeg-based public company.

An initial public offering of shares in the combined company, called Legumex Walker Inc., was announced Monday.

It will combine the Roy Legumex Group of Companies, based in St. Jean Baptiste, Walker Seeds Ltd. of Tisdale, Sask., and 85 per cent of Pacific Coast Canola (PCC) of Seattle, Wash.

Financial details of the offering were not disclosed, but in the preliminary prospectus section on the use of proceeds it outlines how at least \$57 million will be used.

Roy Legumex Inc., based in St. Jean Baptiste, has four processing plants in St. Jean Baptiste, Morden, Plum Coulee, and Richardson, Sask.

Walker Seeds also has four processing plants, all in Saskatchewan.

The PCC canola-crushing operation has not been built.

Analysts and industry experts in Manitoba see the deal as one that will combine two of the largest specialty crop processors and traders in Western Canada into a more efficient and powerful operation.

The addition of a West Coast canola crusher -- the only one west of the Rocky Mountains -- will give the new company that much greater diversification.

Brenda Tjaden Lepp, co-founder of FarmLink Marketing Solutions, a Winnipeg-based agriculture-industry consultant, said the deal is probably a smart move in light of growing investor demand to buy a piece of the ag industry.

"There's lots of interest in anything 'ag' going public," she said. "There are only three or four companies in Canada. If you are an investor and you want agriculture in your portfolio, it is not that easy without going straight into commodity futures, which they typically do not have the appetite for."

Jason Stefanson, executive director and head of Prairie investment banking with CIBC World Markets, said the combination of the two Prairie companies will make them both stronger.

"The reason they are getting together is that they are two great family businesses with long histories that are made that much stronger," he said. "You get diversification of supply that mitigates against weather risk and that much more clout in the market in terms of who you are selling to."

Legumex sources most of its supply in Manitoba and Walker does the same in Saskatchewan.

CIBC is part of the banking consortium that will be selling the offering.

Special crops generally include pulses -- lentils, peas, beans and chickpeas -- as well as sunflower seed, mustard seed and canary seed.

Canada is the second-largest producer of pulses and the largest producer of canary seed in the world. Special crops are the fifth-largest crop category produced in Canada after wheat, canola, corn and barley.

The Seattle-based CEO of Pacific Coast Canola, Joel Horn, is to become CEO of the new company, but the prospectus indicates the company's headquarters is to be in Winnipeg.

The addition of the Seattle canola operation to the deal is seen by some as giving the company that much greater access to international markets as well as a platform for faster and more profitable growth.

The 15 per cent of PCC that Legumex Walker Inc. will not own is to be held by Glencore International, a Swiss-based commodities giant with global sales of \$145 billion in 2010.

As well, PCC has already made an agreement with the largest farmer co-operative in North America, CHS Inc., to supply 100 per cent of the plant's canola seed and will be responsible to market 100 per cent of the canola meal produced as part of the oil production.

Although it might cost more to get the canola seed to the plant, its West Coast location will provide a 1,600-to-3,200 kilometre advantage relative to PCC's competitors when shipping to food processors on the West Coast or to ports serving the Pacific Rim export markets.

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Legumex Walker Inc.

by the numbers

\$102.4 million -- 2010 sales of Roy Legumex.

\$192.2 million -- 2010 sales of Walker Seeds.

175 -- total employees of the current operations (including Pacific Coast Canola).

US\$109.6 million -- estimated total project cost to build the Washington State canola crushing plant.

18,000 -- number of specialty crop growers Roy Legumex and Walker Seeds have developed over the years.

70 -- number of countries in which the companies market.

\$2.4 billion -- total value of pulses and specialty crops exported from Canada in 2009, up 115 per cent from 2006.

75 per cent -- portion of Canada's specialty crop production that is exported annually.

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