



Saskatchewan Wheat Pool

For Immediate Release
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Regina, Saskatchewan
Listed: TSX
Symbol: SWP.NV.B

Late Prairie Harvest Impacts Pool's First Quarter

As expected, the Pool's financial results for the first quarter of fiscal 2005 were affected by poor weather conditions that delayed the completion of harvest into the second quarter. The variance between the current and prior years' three-month reporting periods is more pronounced because last year's harvest was virtually complete by the end of August, allowing for fall fieldwork to be completed. In addition, the quality of the crop was significantly better last year, leading to margin enhancement opportunities in the grain business earlier in the year.

Sales and other operating revenues for the first quarter of fiscal 2005 were \$229 million, which compares to \$283 million in the first quarter of the previous year. The decline reflects:

- Significantly lower non-Board commodity prices,
- Softer demand for fertilizer due to the cold, wet weather that delayed post-harvest fieldwork including fertilizer applications, and
- A higher proportion of Canadian Wheat Board shipments during the quarter relative to last year (the Pool reflects only the tariff portion of CWB grains in its sales numbers whereas non-Board grains and oilseeds are included in sales based on their gross values).

Earnings before interest, taxes, depreciation and amortization, or EBITDA, were down \$11.1 million to a loss of \$2.1 million compared to earnings of \$9.0 million a year earlier. The primary variance relates to the Grain Handling and Marketing segment. The Pool experienced unusually low grain margins during the quarter because of the late harvest, which resulted in having to pay high purchase premiums and shipping costs to secure the required quality commodities to meet its sales commitments.

Mayo Schmidt, Chief Executive Officer said, "The unusual weather in the first quarter presented a number of challenges for the industry. Our results this quarter came as no surprise given the timing issues and the tight supply of quality commodities that were available in the first three months. Now that harvest is complete, we should see stronger volumes and better margins."

Interest expense was \$9.4 million compared to \$10.2 million in the first quarter last year. Approximately \$2.9 million of this year's total represented non-cash accretion. Last year, the Pool recorded approximately \$2.5 million of non-cash accretion as interest expense.

Amortization for the three months ended October 31, 2004 was \$6.4 million up slightly from the \$6.0 million in the first quarter last year.

Earnings before interest and taxes, or EBIT, for the first three months of fiscal 2005 was a loss of \$8.5 million versus earnings in fiscal 2004's first quarter of \$3.0 million.

During the first quarter of fiscal 2005, the Pool received a settlement on an outstanding tax matter of \$1.4 million, \$0.7 million of which is reflected as interest income and \$0.7 million reduced tax expenses. There were no one-time items in the first quarter last year.

The net loss from continuing operations for the first quarter was \$15.6 million and compares to a loss last year of \$7.1 million. The net loss including results from discontinued operations last year was \$9.8 million. The loss per share for the first quarter of fiscal 2005 was \$0.09 per share compared to \$0.08 per share in fiscal 2004.

SEGMENT RESULTS

Grain Handling and Marketing

The Pool's Grain Handling and Marketing segment shipped 1.5 million tonnes of grain and oilseeds in the first quarter of fiscal 2005, compared to 1.4 million tonnes in the first quarter of last year. Approximately 69% of the Pool's shipments were made on behalf of the Canadian Wheat Board. Last year, during the first quarter approximately 61% of the Pool's shipments were CWB grains. The year-over-year increase in Board grains primarily resulted from the Board fulfilling its commitments with the remainder of the previous year's crop because a large portion of this year's crop remained in the field due to cold, wet weather.

Producer deliveries into the Pool's primary elevators were similar year-over-year at 1.6 million tonnes. The timing of volumes was consistent with harvest progress throughout Western Canada. Higher deliveries relative to the previous year's quarter came into Alberta locations first, where harvest completion was the highest. Deliveries into Saskatchewan and Manitoba facilities were down somewhat because of the harvest delays in those provinces.

Total port terminal volumes at the Pool's wholly owned export facilities were 0.9 million tonnes in the first three months of this fiscal year, down from 1.1 million tonnes a year earlier. In August and September, the Pool shut down its Vancouver terminal to complete the modernization of its unload system, part of its planned capital expenditure program at this facility. The upgrade is expected to improve throughput capacity and speed by 15% to 20% annually. Volumes at the Vancouver terminal for the quarter were down approximately 29% to accommodate this work and approximately half of the receipts were CWB grains. At the Pool's Thunder Bay facility, receipts were up approximately 6% to 478,000 tonnes, the bulk of which (78%) was CWB grains. As previously noted, because of the lack of available new crop, the CWB focused on moving the remainder of the previous year's crop in order to meet its sales commitments.

The Pool's share of volumes through Prince Rupert Grain was approximately 109,000 tonnes up from only 21,000 tonnes last year. Again, this resulted from the CWB's increased movement of wheat and barley relative to the previous year's quarter, which saw a delay in their sales program to the latter part of that year's first quarter.

Three Months Ended October 31

Volumes

(in thousands of metric tonnes)

	F2005	F2004	Increase (Decrease)
Primary elevator receipts	1,612	1,633	(1)%
Primary elevator shipments	1,515	1,421	7%
Terminal operations			
Vancouver	436	611	(29)%
Thunder Bay	478	453	6%
Share of affiliates	109	21	419%
Total terminal operations	1,023	1,085	(6)%

The Pool's pipeline margin per tonne was down substantially for the quarter. The early frost and delayed harvest made it difficult to secure sufficient quantities of grains and oilseeds to meet sales commitments. As a result, the Pool incurred higher purchase and shipping costs to position enough quality wheat, canola and malt barley to load vessels. In addition, the Pool earned lower storage and interest revenues because of lower in-store stocks of CWB grains and had fewer blending opportunities because of poorer quality this year.

EBITDA from this segment for the quarter was \$1.5 million, which compares to \$12.7 million in the first quarter last year. Included in this year's total was a one-time recovery of approximately \$0.7 million related to interest income received on a tax reassessment. EBIT for the quarter was a loss of \$1.1 million compared to earnings of \$10.3 million in last year's first quarter.

Agri-products

The Pool's Agri-products segment generated sales of \$52 million compared to \$59 million in the first quarter of last year. The primary reason for the decline related to the impact of weather on the timing of post-harvest fieldwork. By the end of August last year, the harvest was virtually complete and the dry fall allowed farmers to apply fertilizer, which drove significant anhydrous ammonia sales in the first quarter. This year, farmers continued to harvest throughout the quarter and most post-harvest fieldwork was delayed into the second quarter.

EBITDA for the quarter was a loss of \$3.4 million, which compares to a \$3.0 million loss recorded in last year's first quarter. The change was primarily due to timing delays that resulted in lower fertilizer sales volumes and margins in the first quarter. Earnings in this segment are heavily weighted to the fourth quarter given the significance of the spring selling season on earnings and the fixed cost nature of the Pool's expansive Western Canada retail operation. Segment EBIT for the quarter was a loss of \$6.0 million compared to a loss of \$5.4 million in the first quarter of fiscal 2004.

Agri-food Processing

The Agri-food Processing segment generated sales for the quarter of \$31 million similar to the previous year's first quarter. At Can-Oat, sales volumes were on par with last year, because of stronger demand for finished products. Overall, sales values declined reflecting the industry-wide commodity price reductions that have occurred year-over-year. At Prairie Malt, sales were up approximately 19%. This change reflects normalized sales levels this year as opposed to the first quarter of fiscal 2004, when Prairie Malt was still recovering from the impact of the poor 2003 crop.

Segment EBITDA for the quarter was \$3.8 million up from \$3.5 million in the prior year. At Can-Oat, the favourable change in product mix resulted in margins that were similar to the first quarter last year. However, the impact of the Canadian-U.S. exchange rate has created some timing differences that will defer a portion of their earnings into future quarters. Prairie Malt's earnings recovery was directly related to the crop-related issues it experienced in the first quarter of last year. Segment EBIT for the first quarter was \$2.5 million and in the first quarter of 2004 was \$2.2 million.

Outlook

Based on the December 8, 2004 Statistics Canada data, western Canadian production is estimated at 53 million tonnes, up from the 46.6 million tonnes in fiscal 2004 and slightly ahead of the five-year average of 52.5 million tonnes. The outlook for the Grain Handling and Marketing segment will be dependent upon export opportunities for the remainder of the year as the industry addresses the challenges of a poor quality crop. The CWB's last official estimate pegs its export program at 16 million tonnes, the same level as fiscal 2004. Feed wheat exports will depend on growers' willingness to market their wheat, which has been slow to date because of lower prices. Non-Board exports are currently estimated at 6.5 million tonnes, bringing the 2005 estimated export program to 22.5 million tonnes, down slightly from 22.9 million tonnes in 2004.

"For the company as a whole, management expects more of its sales and earnings to be generated in the last half of fiscal 2005," said Schmidt. "We expect our grain shipments and market share for the year to exceed 2004 levels. However, margins are currently expected to decline by 10% to 15% on average reflecting the poorer quality crop. For the Pool's Agri-products business, current moisture conditions are encouraging for the spring selling season, particularly in the fertilizer business. Management is confident that the expertise that we possess will allow us to manage the challenges of this year's crop and take advantage of the opportunities that lie ahead for the Pool."

EBITDA Data

The EBITDA data provided herein is intended to provide further insight with respect to the company's financial results and to supplement its information on earnings (loss) as determined in accordance with GAAP. Similar data may not be provided by other issuers and, if provided, needs to be carefully examined to determine whether it is comparable to the company's EBITDA data.

**SASKATCHEWAN WHEAT POOL
CONSOLIDATED BALANCE SHEETS**

(in thousands) AS AT	OCTOBER 31 2004 (unaudited)	OCTOBER 31 2003 (unaudited)	JULY 31 2004 (audited)
ASSETS			
Current Assets			
Cash	\$ 5,091	\$ 874	\$ 17,169
Cash in trust	2,540	539	1,176
Short-term investments	16,381	31,927	25,999
Accounts receivable	163,604	169,972	164,234
Inventories	146,402	134,736	104,887
Prepaid expenses and deposits	15,586	12,516	9,810
Future income taxes	962	1,458	1,198
	<u>350,566</u>	<u>352,022</u>	<u>324,473</u>
Investments	4,972	5,052	5,051
Property, Plant and Equipment	264,916	286,790	266,842
Other Long-Term Assets	7,893	9,759	8,219
Future Income Taxes	97,547	80,324	95,565
	<u>\$ 725,894</u>	<u>\$ 733,947</u>	<u>\$ 700,150</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank indebtedness	\$ 19,029	\$ 6,622	\$ 29,805
Short-term borrowings	467	31,534	1,501
Members' demand loans	18,056	10,408	18,691
Members' Class A shares	1,782	1,790	1,783
Accounts payable and accrued liabilities	205,648	204,024	150,745
Long-term debt due within one year	6,950	7,082	7,893
	<u>251,932</u>	<u>261,460</u>	<u>210,418</u>
Long-Term Debt	253,227	266,959	251,930
Other Long-Term Liabilities	39,682	45,123	40,980
Future Income Taxes	5,805	7,407	5,944
	<u>550,646</u>	<u>580,949</u>	<u>509,272</u>
Shareholders' Equity			
Share capital	85,104	62,778	81,287
Contributed surplus	177	112	177
Convertible Subordinated Notes - equity component	129,831	132,331	128,635
Retained earnings (deficit)	(39,864)	(42,223)	(19,221)
	<u>175,248</u>	<u>152,998</u>	<u>190,878</u>
	<u>\$ 725,894</u>	<u>\$ 733,947</u>	<u>\$ 700,150</u>

SASKATCHEWAN WHEAT POOL
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)

(in thousands)		
FOR THE PERIODS ENDED (Unaudited)	Three Months OCTOBER 31 2004	Three Months OCTOBER 31 2003 (restated)
Sales and Other Operating Revenues	\$ 228,706	\$ 283,385
Cost of Sales and Expenses		
Cost of sales and operating expenses	218,713	262,346
Selling and administrative expenses	12,083	12,018
Amortization	6,439	6,032
	<u>237,235</u>	<u>280,396</u>
(Loss) Earnings Before Interest and Taxes	(8,529)	2,989
Interest expense	9,355	10,176
Loss Before Corporate Taxes	(17,884)	(7,187)
Recovery of corporate taxes	2,254	68
Net Loss From Continuing Operations	(15,630)	(7,119)
Net Loss From Discontinued Operations	-	(2,687)
Net Loss	(15,630)	(9,806)
Retained Earnings (Deficit), Beginning of Period	(19,221)	(27,388)
Accretion of equity component of Convertible Subordinated Notes	(5,013)	(5,029)
Retained Earnings (Deficit), End of Period	<u>\$ (39,864)</u>	<u>\$ (42,223)</u>
Basic and Diluted Earnings (Loss) Per Share		
From Continuing Operations	<u>\$ (0.09)</u>	<u>\$ (0.07)</u>
Net Loss	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>

**SASKATCHEWAN WHEAT POOL
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Three Months OCTOBER 31 2004		Three Months OCTOBER 31 2003 (restated)	
FOR THE PERIODS ENDED (Unaudited)				
Cash From (Used in) Operating Activities				
Net loss from continuing operations	\$	(15,630)	\$	(7,119)
Add (deduct) items not involving cash				
Amortization		6,439		6,032
Future income taxes (recovery) expense		(1,885)		20
Pension		534		781
Interest accretion		2,872		2,482
Other items		(462)		346
Cash flow (used in) from continuing operations		(8,132)		2,542
Changes in non-cash working capital items				
Accounts receivable		630		50,733
Inventories		(41,515)		(19,405)
Accounts payable		53,737		40,269
Prepaid expenses and deposits		(5,776)		(2,911)
Changes in non-cash working capital - continuing operations		7,076		68,686
Cash (used in) from operating activities - continuing operations		(1,056)		71,228
Cash from operating activities - discontinued operations		-		556
Cash (used in) from operating activities		(1,056)		71,784
Cash From (Used in) Financing Activities				
Repayment of long-term debt		(2,518)		(1,834)
Repayment of short-term borrowings		(1,034)		(61,177)
Repayment of other long-term liabilities, net		(954)		(927)
(Repayment) proceeds of members' demand loans		(635)		1,243
Repayment of members' Class A shares		(1)		(1)
Cash used in discontinued operations		-		(380)
Cash used in financing activities		(5,142)		(63,076)
Cash From (Used in) Investing Activities				
Property, plant and equipment expenditures		(3,904)		(1,514)
Proceeds on sale of property, plant and equipment		764		536
Increase in cash in trust		(1,364)		(52)
Decrease in investments		18		-
Increase in other long-term assets		(236)		(192)
Cash used in discontinued operations		-		(612)
Cash used in investing activities		(4,722)		(1,834)
(Decrease) Increase in Cash and Cash Equivalents		(10,920)		6,874
Cash and Cash Equivalents, Beginning of Period		13,363		19,305
Cash and Cash Equivalents, End of Period	\$	2,443	\$	26,179

Cash and cash equivalents consist of cash, short-term investments and bank indebtedness.

Supplemental disclosure of cash paid during the period from continuing operations:

Interest paid	\$	6,204	\$	7,560
Income taxes paid, net	\$	938	\$	626

**SASKATCHEWAN WHEAT POOL
 SEGMENTED FINANCIAL INFORMATION
 FOR THE PERIOD ENDED OCTOBER 31, 2004
 (Unaudited and in thousands)**

	Three Months Ended OCTOBER 31 2004	Three Months Ended OCTOBER 31 2003
SALES		(restated)
Grain Handling and Marketing	\$ 148,780	\$ 199,672
Less: Sales to Discontinued Operations	-	(2,236)
Grain Handling and Marketing - Revised	148,780	197,436
Agri-products	52,014	59,069
Agri-food Processing	31,002	31,237
Intersegment sales	(3,090)	(4,357)
	\$ 228,706	\$ 283,385

**SASKATCHEWAN WHEAT POOL
SEGMENTED FINANCIAL INFORMATION
SEGEMENTED EARNINGS FROM OPERATIONS
(Unaudited and in thousands)**

(restated)

	Three months ended October 31, 2004			Three months ended October 31, 2003		
	EBITDA	Amortization	EBIT	EBITDA	Amortization	EBIT
Grain Handling and Marketing	\$ 1,516	\$ (2,582)	\$ (1,066)	\$ 12,685	\$ (2,340)	\$ 10,345
Agri-products	(3,419)	(2,571)	(5,990)	(3,017)	(2,404)	(5,421)
Agri-food Processing	3,813	(1,286)	2,527	3,526	(1,288)	2,238
Segment Results	1,910	(6,439)	(4,529)	13,194	(6,032)	7,162
Corporate expenses	(4,000)	-	(4,000)	(4,173)	-	(4,173)
Per Financial Statements	\$ (2,090)	\$ (6,439)	\$ (8,529)	\$ 9,021	\$ (6,032)	\$ 2,989

Forward Looking Information

Certain statements in this Management's Discussion and Analysis are forward-looking and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the Pool to be materially different from any future results, performance and achievements expressed or implied by those forward-looking statements. A number of factors could cause actual results to differ materially from expectations, including weather conditions, crop production and crop quality in Western Canada; world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage, crop selection and utilization levels of farm inputs such as fertilizers and crop protection products; the extent of the company's financial leverage and funding requirements; credit risk; foreign exchange risk; changes in the grain handling and agri-products competitive environments, including pricing pressures; Canadian grain export levels; changes in government policy and transportation deregulation; international trade matters; global political and economic conditions, including grain subsidy actions and tariffs of the United States and the European Union; competitive developments in connection with the Pool's grain handling, agri-products, agri-food processing businesses and other operations; and environmental risks and unanticipated expenditures relating to environmental and other matters.

Saskatchewan Wheat Pool is a publicly traded agri-business headquartered in Regina, Saskatchewan. Anchored by a Prairie-wide grain handling and agri-products marketing network, the Pool channels Prairie production to end-use markets in North America and around the world. These operations are complemented by agri-food processing and strategic alliances, which allow the Pool to leverage its pivotal position between Prairie farmers and destination customers. The Pool's Class B shares are listed on the Toronto Stock Exchange under the symbol SWP.NV.B.

<http://www.swp.com>

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