Saskatchewan Wheat Pool
First Quarter Conference Call
December 13, 2005, 12:00 noon p.m. (Regina Time)

Colleen Vancha:

Good afternoon ladies and gentlemen and welcome to the Pool's first quarter conference call for fiscal 2006. Before we get started, I would like to bring one item to your attention. In an effort to streamline our reporting process, we have combined the press release, statements and notes, and MD&A into one document. All of the first quarter information is now disseminated through the news release process and only one document will be posted to the web.

Joining us today on the call is: Mayo Schmidt, President and CEO, Wayne Cheeseman, CFO, Fran Malecha, Senior Vice President, Grain Group and Doug Weinbender, Vice President of Agri-products.

Mayo, I'll turn the call over to you.

Mayo Schmidt: Thank you.

Good afternoon everyone. The Pool performed well in the first quarter this year. Overall, conditions were much more favourable during the harvest period than they were last year. Some farmers did experience wet weather that hurt the quality of their cereal grains. But overall, quality has improved year-over-year, yields were exceptional and we have a very large crop to manage in fiscal 2006.

To begin,
Sales and other operating revenues for the quarter were $274 million, an increase of approximately 20% over last year's first three months. Each of our wholly owned businesses posted higher sales results this year.

We broke even at the EBITDA level for the quarter, which is a $2.8 million quarter-over quarter improvement after last year's one-time items. I will discuss the various components contributing to the better results in my segment commentary.

Our earnings from continuing operations before interest and taxes, or EBIT, was a loss of $6.7 million. Last year the loss was $8.5 million. After backing out positive one-time items last year, first quarter EBIT improved by $2.5 million.

Interest expense declined by $3.4 million in total. Interest expense this quarter was $6 million with $1 million representing the non-cash portion. Interest expense in the first three months of last year was $9.4 million. That number included $2.9 million of non-cash expense.

As many of you know, late last fiscal year, the Pool repaid $100 million in term debt following the recapitalization process. Our lower cash interest costs are a direct result of that initiative, which significantly improved our balance sheet.

You'll note this quarter that our corporate tax recovery is $2.8 million higher than that in the first quarter last year. Last year, because of the uncertainty surrounding fiscal 2005 profitability due to crop quality, we recorded a smaller recovery. This year, we have estimated a recovery that we believe reflects today's market signals and industry conditions.

The net loss for the quarter was $7.7 million compared to a quarterly loss of $15.6 million last year. This is a $9.2 million improvement after excluding last year's one-time non-recurring items. The loss per share for the quarter was $0.09 per share. The loss per share in the first quarter of fiscal 2005 was $1.72. The weighted average number of shares outstanding was 81.8 million and 12.0 million respectively.

Let's take a moment to review the results from grain handling and marketing.

- Our shipments were up 16% over the first quarter last year to 1.8 million tonnes. This increase was driven by significantly higher non-Board or open market shipments, which were 62% higher than in last year's first quarter.

- The quality of non-Board commodities is significantly better than last year and we took advantage of increased customer demand and softer Wheat Board movement in the first quarter to move our non-Board commodities into the marketplace.

- Producers deliveries into our system were also up relative to last year – by 19%. The larger crops in Saskatchewan and Alberta and better harvest weather supported this increase. Market share, as a result, was 23.5% versus 22.5% in the first three months last year.

- Port terminal volumes through our wholly owned facilities were up 32% to 1.2 million tonnes from 900,000 tonnes last year, with the Vancouver terminal enjoying the bulk of the additional non-Board movement.

From a margin perspective, we have made the decision to report gross margin per tonne versus pipeline per tonne on a go forward basis based on feedback from shareholders and to improve comparability against our peers. The difference between pipeline margin and gross margin is generally other revenue, and one-time items. Other revenue typically contributes 2 to 3% to the margin depending on the quarter. We will continue to disclose one-time items separately so that the market can assess the normalized operating performance for the segment.

Our gross margin during the first quarter was $18.63 per tonne versus $15.84 per tonne last year. Last year, severe frost and harvest delays caused us to incur additional costs in order to meet some sales commitments. This year, even though harvest was delayed in certain areas, there was ample supplies available to ship to end-use customers.

EBITDA for the quarter was $5.2 million, which compares to $800,000 in the first quarter last year if you exclude one-time items.

In this year's first quarter, there is an additional $3.2 million of grain volume insurance costs that were not incurred last year. We have expensed the entire cost of the insurance program in the first three months, which equates to approximately $1.78 per tonne. Because of the large crop this year, we do not expect to receive any proceeds from the program in fiscal 2006 and therefore the entire cost of the program was expensed in the first quarter.

Moving to the Agri-products segment… we had a strong first quarter sales period as a result of farmers' post-harvest fieldwork in the fall.

Sales were $55 million versus $52 million in the first quarter of fiscal 2005. All major product lines sold through the Pool's retail network recorded improvements.

Favourable weather conditions in October 2005 relative to 2004 allowed farmers in many areas to complete harvest on time, leaving ample time for fall fieldwork.
Good moisture levels encouraged farmers to restore nitrogen levels in the soil through the application of anhydrous ammonia fertilizer.

Sales of crop protection products were 23% higher than the previous year's quarter. A lack of any significant frost this fall, coupled with good moisture conditions resulted in the increased application of dessicants and glyphosates, which are used to advance the crop's maturity in preparation for harvest and for post harvest weed control.

Offsetting these improvements somewhat were sales through WCFL, which were down quarter over quarter. Last year they had an unusually strong quarter. You may recall that prior to the August 21, 2004 frost, prospects for a bumper crop were good and many customers filled orders early in anticipation of strong fall fertilizer demand. This year, WCFL sales are much more typical of a fall program.

You can refer to our MD&A for a breakdown of sales by major product line.

From an earnings perspective, Agri-Products EBITDA for the quarter was a loss of $4.8 million, which compares to a loss of $3.4 million recorded in last year's first quarter.

The majority of our earnings are generated in the last quarter of the year and losses are typical in this business segment until we reach that spring selling season.

The primary reason for the larger loss this quarter was due to a higher bad debt allowance that we recorded this year.

This fall we recognized that farmers were facing tighter cash flow and extended the repayment terms on our financing program to lessen their burden. The amounts of outstanding accounts at the end of the first quarter were certainly higher this year than last. However, given the larger crop, and the repayment history of our producers, we are confident this situation is temporary and will correct itself over the coming months.

Also contributing to the variance, but to a much lesser extent, were lower supplier rebates from crop protection products, and competitive factors that pressured margins somewhat.

For the Agri-food Processing segment, sales for the quarter were down by about 5% to $29.4 million reflecting lower Prairie Malt sales.

- Can-Oat's sales were up 8% to $23.2 million from $21.5 million last year.
- Prairie Malt sales were down to $6.2 million from $9.5 million in the first quarter of last year.

Can-Oat results reflect stronger sales of finished products, including both flakes and bran. We are seeing strong demand and growth in the consumption of food products containing oats.

At Prairie Malt, sales volumes were down due to the timing of customer shipments.

From an earnings perspective Agri-Food Processing EBITDA for the quarter was $5.2 million, up from $3.8 million in the prior year.

Can-Oat nearly doubled its quarter-over-quarter contribution on stronger margins primarily associated with improved marked-to-market gains on open sales contracts.

Prairie Malt's contribution for the quarter was down because of lower sales and lower margins that are being impacted by excess industry capacity and the strength of the Canadian dollar.

From a balance sheet perspective, you will note that the Pool's total debt declined $116 million quarter over quarter - a direct result of the balance sheet strategies we employed in 2005.

Our debt to equity ratio remained sound at 32:68 compared to 63:37 at October 31, 2004. Looking at long-term debt to equity, the ratio was 29:71 compared to 60:40 at the end of last year's first quarter.

Our current ratio was 1.90 compared to 1.40 at the end of the quarter last year.

We are extremely pleased with our financial position today. The improvements that we were able to implement as a result of the recapitalization and rights offering have strengthened our foundation and have provided us with added flexibility to better absorb weather impacts and look to the future with a sense of optimism.

We recognize that there is still room for improvement. Interest coverage is an important metric for any company in the agri-business industry. We have one additional piece of long-term debt, the senior subordinated notes - that is paying a higher interest rate than we would prefer. We are currently investigating what opportunities may exists to refinance that note and expect to be in a position to address this in the coming months.

We have set three main priorities for fiscal 2006 that I outlined in the press release for you.

We will implement strategies that promote additional efficiencies within our own operations. Some projects will be smaller in scope. For instance, we are currently looking at replacing our entire print environment and portions of our telecommunications to take advantage of new technologies. We expect to see cost savings of approximately $1 million over the next three years. Another example is Can-Oat's hull burning project, which we estimate will reduce their overall natural gas usage by 60%.

On a larger scale, our joint venture in Vancouver with JRI, is a great example of working with other industry players to build long-term efficiencies into the grain handling system. Today we are experiencing faster railcar unloads, better capacity utilization and higher productivity. It is these kind of initiatives that we will continue to implement to drive our costs down. We will work with existing suppliers and other industry players to define continuous improvements that support our core operating strengths.

Our second priority focuses on growing our earnings base and increasing our influence in the marketplace by expanding our products and services. Can-Oat's products are in high demand and Can-Oat will need additional capacity in the future to meet the growing consumption of oat-based products. We have assessed their opportunities for expansion and believe there is a solid case to support their growth initiatives as they capitalize on their unique position in a growing marketplace.

We will work with our international customers and share our core expertise to drive new demand for the products grown on the Prairies.

Here at home, we believe that we can expand our product and services offerings to our farm customers. It is our mission to become "a solutions company" that "unlocks potential" and we will work with the farmers in western Canada to improve the value of their farm operations and solidify the Pool as their partner of choice.

Finally, we will work with industry partners to design solutions that address overall system efficiencies and excess capacity in an effort to develop a sustainable long-term economic model that generates increased value for all stakeholders.   Consolidation will be key to the future success of this industry. Everyone involved in agri-business today must assess the market potential and embrace the necessary changes to ensure a viable and healthy marketplace. We will work with existing businesses and with all levels of government to develop long-term strategies that unlock the economic potential of Prairie agriculture.

Operationally for fiscal 2006, the much larger than average crops in Saskatchewan and Alberta and excellent moisture conditions throughout the Prairies present some opportunities given our position in those important markets. We believe margins in our grain business will improve over last year, although the improvement will be somewhat limited because of the lack of blending opportunities, particularly with this year's wheat crop. Exports are expected to increase which is also positive. But given the larger carry over from last year and the large crops coming off this harvest, we don't believe that that all commodities will trade this fiscal year. In fact, carryover could increase again from the record levels of 2005.

Our agri-products business is off to a healthy start. From the retail point of view, good growing conditions in the May and June period will be key to overall results. Today's moisture conditions are excellent, an important factor for spring seeding. For WCFL's, we do expect margin pressures caused by high natural gas prices to affect their overall annual contribution.

That concludes my remarks. I would be pleased to take any questions you may have. Colleen I will turn the call over to you.

Colleen Vancha: Thank you very much, Mayo.

Operator we will move to the question and answer portion of the call.

Operator: Thank you. At this time, I would like to remind everyone, if you would like to ask a question, please press star, then the number one, on your telephone keypad. Again, that is star, followed by one, to ask a question at this time. We'll pause for just a moment to compile our Q&A roster.

Our first question is coming from David Newman of National Bank Financial. Please go ahead.

David Newman: Good afternoon.

Mayo Schmidt: Hi David.

David Newman: How are you doing?

Mayo Schmidt: We're doing well, thank you.

David Newman: Very good, much cleaner recording by the way.

Mayo Schmidt: Well thank you. We worked hard on that.

David Newman: It's much, much cleaner. In, just in terms of your EBITDA per tonne in the quarter, if I back in the volume insurance of about 3.2 million, you're around $4.40, if I'm not mistaken. If you had to take a look out and in terms of the Board's shipments and that component that you had in the quarter, which you're obviously a little lower, what do you think, given the milling quality and blending opportunities you might have, which are reduced, what do you think the EBITDA per tonne might be for the, for the ensuing three quarters?

Mayo Schmidt: David, I'm not prepared to have a discussion on those forward-looking numbers. I think we'll have to arrive at that basis. And we've done extra disclosure, of course, on the cost of the insurance for the grain, and as you recognize, there was a year that we did capitalize on the insurance and this year it's simply going to be a cost to the organization. But we do see, going forward in the future, developing a longer term vehicle to take some of the risk away from what can be a bit of volatility in a commodity market due to weather.

So I think you can see some consistent programming there. EBITDA really is dependent upon movement, exports and margin, so there's just a lot of things that play that I won't forecast for you.

David Newman: OK. Just in general, I'm just trying to, if you had to look at the quarter conceptually, just on a higher level, do you think, you know, given that more of the wheat crop will be available and that the milling quality is good and, you know, the crop markets are there, etc., do you think directionally we can look at a higher or lower number than what we've seen in this quarter or something similar? I'm not trying to peg you down, but just trying to get a sense of it, that's all.

Fran Malecha: I don't know if I can comment about it directionally, David but I think we'll see consistent movement of the Wheat Board grains from now to the end of the year. I would say that on the Board side we had a slower start because of the delayed harvest and quality issues, and the first two, two and a half months of a year more non-Boards were moving relative to the Board and I think the balance in the year you'll see a strong Board program all the way through July.

David Newman: OK, very good. That's good. And on your agri-product side, you mentioned that there's some competition or greater competition. Any colour you can add there, Mayo, or, you know, is it?

Mayo Schmidt: We'll let Doug speak about his business.

David Newman: Sure.

Doug Weinbender: David, if you're looking at this in general, there's a little more competition out there this year. There's a lot of people that are chasing some cash sellers, but producers. They, you know, there tends seem to be a little more activity around trying to get that Fall business, as people prepare for the Spring and they want to kind of get a jump on it. So that's basically what we're seeing as far as the overall margin pressure.

David Newman: OK. And Can-Oat, are you going to be able to source enough product to fulfill your obligations for this year, or do you think there's enough oats out there to be able to do it?

Mayo Schmidt: You know there is. I think that Can-Oat is in a particularly interesting position with Saskatchewan Wheat Pool's capacity and footprint to supply the oats is in really a great position, and you'll see an increasing demand and we're seeing, not only, for a couple of reasons; one is, oat demand is up because of the healthy products aspect. Secondly is that we're seen as a key top supplier of quality products to the large cereal manufacturers that we do business with, so I think that it's in a great position.

David Newman: OK, very good. On your carryout, I mean, I would agree. I think there's probably going to be somewhat of a larger carryout than people are anticipating. But if we see the crop prices actually come back and the Canadian dollar ease to any degree, do you think that it's a function of that, and that you could actually see the carryout reduce it's, some of those things begin to work in your favour?

Fran Malecha: David, I think the production numbers that came out this past week was, the increase of about three million tonnes in a Stats Can report from the October report.

David Newman: Yeah.

Fran Malecha: And given the current situation at the balance of the year I think it's hard to, it's hard for me to get to a case where we lower the carry outs. I think you're going to see carry outs available. It doesn't mean that we won't find some increased demand and which is going to outweigh that.

David Newman: OK, very good. And last question from me guys, the status update on the union negotiations. I mean, have you entered into the, are you fairly confident that they might be completed on time and with, you know, no bitter relationships developing? And just, if you could, just a pension update?

Mayo Schmidt: I can give you a bit of highlight on the union contract, David. We're in the preliminary stages of a negotiation process and we intend to allow the process to work so that we can reach a common and positive plan for the employees. So, I mean we're in a process and don't have anything to highlight relative to any concerns in that area.

Wayne Cheeseman: David, it's Wayne. Just with respect to the GSU pension issue, over the last couple of months we've had a series of meetings between the management and the union. We've been unsuccessful to date to our reach a settlement there, and as we've indicated at the last quarterly call, the legal advice we have from our advisors is that there's no solution reached it's likely that obviously we'll wind up the plan.

David Newman: OK. And would there be incremental charges to you guys on a quarterly basis or?

Wayne Cheeseman: At this point in time it's very difficult to say. Our position is that we've met all of our obligations under the collective agreement and our pension plan, so we do not believe that we are responsible. However there is some risk that any deficiency payments that are required between the date of the formal actuarial valuation report, which is December 31st, '05 and the windup date, the Pool maybe responsible for.

David Newman: OK. And when do we find out what the national resolution, that might happen?

Wayne Cheeseman: We're expecting the formal valuation to be released no later than end of March.

David Newman: OK.

Wayne Cheeseman: And I think there's a requirement for the actual report to be submitted too, I'll say by the end of June.

David Newman: OK, very good. Thanks guys.

Mayo Schmidt: Thanks David.

Operator: Thank you. Our next question is coming from Marcy Nicholson of Reuters. Please go ahead.

Marcy Nicholson: Hi, good afternoon. What percentage do you expect your handling margin to increase?

Fran Malecha: I don't think we give guidance on the margin per the earlier question. There's a lot of things that will impact that demand, and so we won't predict that today.

Marcy Nicholson: OK. And who's talking, sorry.

Fran Malecha: This is Fran Malecha.

Marcy Nicholson: OK, thank you. OK, given the glut that we have here in Canada with this high crop, what percentage do you plan to export and how do you plan to deal with the consequent railcar premium?

Mayo Schmidt: I think the exports will be higher than last year. I can't put that on a percentage basis, but I think you'll see exports up to about 25 million tonnes this year, and that would be an increase in the wheat, canola, as well as the barleys and I think last year we were about 20.5 million tonnes, so that's what, 4 or 4.5 million tonnes higher. Production is up, you know, quite a bit, so I don't think we'll reduce our sharing in stocks and the carry out will increase. I think we're staying in the marketplace today. Prices are at historical lows so some of that demand is coming to the market. I think there's enough railcars available in the system to move the grain to meet those export commitments. And, as far as the premiums that are in the marketplace, I think it's one way that a portion of the railcars are rationed so that the cars go to the right demand. I think the system's working as far as that aspect goes.

Marcy Nicholson: OK. My last question is regarding the improvement in fertilizer margins that are anticipated. I see that natural gas prices are high. Despite ideal conditions for high fertilizer sales, how do you expect this to impact you?

Doug Weinbender: We don't expect that fertilizer margins would increase. Specifically regarding WCFL where we have ownership from CFL that produces our nitrogen, fertilizer manufacturing plant – it's Doug Weinbender. We expect that there will be additional pressure on those margins going out to the end of the year based on just the expectations of natural gas prices, and of course, that will change as the natural gas prices change as well, because that's the largest component of their costs in producing nitrogen.

Marcy Nicholson: OK, thank you very much.

Operator: Thank you. Our next question is coming from Jim Smalley of CKRM Radio Regina. Please go ahead.

Mayo Schmidt: Hello Jim. Hello.

Operator: Sir, your line is live. Check to see if it is muted.

Colleen Vancha: Operator, let's move to the next question and we can come back to Jim.

Operator: Thank you. Our next question is coming from Bruce Johnstone of Regina Leader Post. Please go ahead.

Bruce Johnstone: Good afternoon everybody. Just a couple of questions, there was a reference to savings from printing, and I think they're from communications costs of $1 million over three years. Is that correct and what are those?

Mayo Schmidt: Well that's correct Bruce. What that illustrates is simply two points. The organization is working on some smaller projects, that quite a number of them that incrementally provide savings for the company over a period of time, but more importantly, and as importantly, we're working on some larger projects that generate a larger degree of revenue. It's not really meant to illustrate that we found an opportunity in that particular part of the business, but just that this organization that's substantially reduced its cost over the last four years, still sees more opportunity in terms of how we buy our goods and services as an organization.

Bruce Johnstone: OK. And you made reference, Mayo, to the consolidation in the industry. Can you elaborate on that a bit? Would you expect to see consolidation continue in 2006 and what might that, and what form might that take?

Mayo Schmidt: Well, you know, frankly we're seen a good deal of consolidation in just the last few years, both with, formerly known as Alberta Wheat Pool and Manitoba Pool and ConAgra has exited the marketplace. We've done a joint venture with James Richardson on the West Coast. We think that there's an industry wide consensus that consolidation is required and we're certainly attending to look to options to drive that process going forward. I think that we all recognize in our estimate there's probably 25% more capacity in terms of the handling space that's required in the marketplace today. There is a significant number of players also in agri-products businesses in Western Canada, so I think where that takes us as an organization is being open to new relationship alliances and partnerships, much as we have in our Vancouver port facility, because we see them as adding value. We also see that allowing consolidation for the industry and it provides efficiencies for both, all the way from the producer level through to the customers that we supply. We don't have anything to report more than we reported to date, which I think the last mention was the James Richardson joint venture on the West Coast.

Bruce Johnstone: Yeah, and finally, you mentioned, I think, you know, obviously concerns about the farm income situation, particularly, you know, in the Prairie grain belt where a lot of your business comes from. Any concerns of that affecting, you know, your agri-business sales and just the general, you know, agricultural economy in the West here, particularly in the grains, a side of things that's pretty dire?

Mayo Schmidt: Well farmers are certainly facing tighter cash flow and that's certainly as a result of historically low commodity prices and lower quality crops, and in some years quantity crops. The amounts, as we look at our outstanding accounts at the end of the first quarter, were higher this year than last and, of course, as an organization, we've set up the appropriate provision. But in our experience, even in the tough time, our producers have always paid their bills, so this Fall we recognized the situation and we've worked with producers to extend some of the repayment terms on our financing program to lessen some of their burden. Even though commodity prices are low and the crop is large in Saskatchewan, farmers have more product to move to market, which I think will help alleviate to some extent, not entirely by any means, the impact of low prices. And I think it's stated in the media, the Federal government has also stated that they're committed to additional financial support in late November, which is to arrive before Christmas for producers. So we believe, and hope this situation is a temporary one and will correct itself in the coming months.

Bruce Johnstone: Thank you.

Mayo Schmidt: Thanks Bruce.

Operator: Thank you. As a reminder, the floor is still open for questions. If you would like to ask a question, at this time, please press star, followed by one, on your touchtone telephone.

Our next question is coming from Rosalie Woloski of CBC Radio. Please go ahead.

Rosalie Woloski: I'm just following up on some comments you made about your main priorities, your true main priorities. And you're talking about exploring opportunities to increase your influence in the marketplace, and you're talking something about expanding volume and your products here.

Mayo Schmidt: If I understand your question right, Rosalie, you were breaking up a bit here, but we were talking about our product offerings in the marketplace. We've talked about our oat milling business where we're running seven days a week, 24 hours a day, trying to keep up with demand on that product and continued pressure on that business to supply more product. About two years ago we expanded, doubled their warehousing size and expanded some of their internal processes and then we put in some hull burning projects to make them more efficient. So it's a number of positions across the board that we see opportunities, some small and some large, that we're pursuing today.

Rosalie Woloski: And on the, just following up on some of those other things, when Bruce Johnstone was talking, you were talking about new alliances and partnerships. Are you talking here about alliances and partnerships in the actual grain handling and actual collection of grain or are you talking more in terms of transportation and port facilities here?

Mayo Schmidt: Well I would say it's not limited to those that you mentioned. I think that both from a port facility internal, in the interior of the country and, of course, we've announced the JRI relationship on the West Coast, which is, I think, been beneficial to producers and to the company's that own the facilities and to our customers. I also see agri-products are playing a significant role in that going forward. I would also say I wouldn't exclude the fact that, not only through in our oat milling business, but in some of our other businesses, we've secured supply agreements that last for a longer period of time than is traditional in a commodities based business.

Rosalie Woloski: And in terms of excess capacity, are you likely to see any alliances to try to reduce capacity out there?

Mayo Schmidt: I would say were open to relationships. I would say that what's probably going to drive consolidation in that industry is the pressure on companies to improve their earnings from what are very modest today - would be to load more 50s and 100s to be more efficient between the country and the port terminal, to work more closely with the Wheat Board to execute on destination sale programs that allow for the most efficient moves relating to the railroad efficiency programs. And I think that puts pressure on inefficient, older, antiquated facilities to close, and I think we've, just in the last week, seen more announcements on a couple of closures in the Prairies.

Rosalie Woloski: Thank you very much.

Operator: Thank you. Our next question is coming from Orin Baranowski of BMO Nesbitt Burns. Please go ahead.

Orin Baranowski: Thanks a lot, just a couple of questions. One is related to your bad debt expense. I wonder if you could give us the order of magnitude, what has increased this year versus last year and factor that into our estimates?

Wayne Cheeseman: Orin, it's Wayne Cheeseman. It's not significant. I mean, when you look at what our agri-products are I think they're down as the division year-over-year. It certainly wouldn't be anything greater than that. That's the single biggest contributor.

Orin Baranowski: OK. And then, just on, you improved your market share by 200 basis points. I wonder how much you can, if you can talk about how much was related to just higher grain volumes in Saskatchewan where you're primarily located, as well as to a lesser extent Alberta, and how much of it was due to the company initiatives?

Fran Malecha: I guess probably this Fall was all due to the increase in the Saskatchewan movement.

Orin Baranowski: OK, thanks a lot.

Operator: Thank you. Our next question is coming from Jim Smalley of CKRM Radio Regina. Please go ahead.

Jim Smalley: And I am here this time. My apologies but I was in the midst of trying to put the Sask Pool prices on the radio, so you can understand why. I guess I would like to ask, Mayo, if you would, and my apologies again for this question too, but if you would summarize why the Pool has had such a much better first quarter this year compared to the previous year. Summarize the main reasons behind it.

Mayo Schmidt: Jim, this organization has launched a number of initiatives. Certainly as we look at the joint venture on the West Coast that produces an improved benefit for us. As well, we've substantially reduced our debt. We paid down $100 million in debt as much as in the last year. Grain shipments for the quarter were up 16% over the previous year and producer deliveries to our organization are up 19%. So thus we see an increase in market share. Port terminal volumes were up 32%. Agri-products operations posted sales increase across all major product lines and Can-Oat milling sales were up 8%, which reflects, as I've indicated, very strong demand for oat-based food products.

Jim Smalley: Now if you would, and I appreciate that Mayo, if you would, looking forward, what's the general outlook for the Pool and its financial outlook?

Mayo Schmidt: Well we continue to be very positive about the results of the Pool and we see increasing opportunities in a couple of areas. Some are the smaller opportunities that we're harvesting on a weekly and monthly basis and the others are going to be longer term projects such as relationships, alliances, supply agreements, that we can work toward consolidation in an efficiency platform for the industry and we intend to play a key role in that.

Jim Smalley: Thank you.

Mayo Schmidt: Thanks Jim.

Operator: Thank you. As a final reminder, the floor is still open for questions. If you would like to ask a question, please push star, followed by one, on your touchtone telephone.

Our next question is a follow-up question coming from David Newman of National Bank Financial. Please go ahead.

David Newman: Just one more, if I may. If you look into your inland terminals and your geographic locations, do you think there's an opportunity for you to partner with some of the other grain handling companies, perhaps out of JV on the inland terminals, whereby you might have one facility that's in a geographical location that might be a little more efficient than, let's say, your competitors, and if you keep track of the receipts and the farm that could actually improve the efficiency on a JV basis across the Prairies?

Mayo Schmidt: David, I would say we're certainly open to that sort of thinking and strategies. I think the West Coast with our JV for the time being has likely played itself to an endstate. I don't see much more change on the West Coast until we get some outcomes and rulings from the competition tribunal. I think as we look at on the Prairies, we see significant opportunities for all companies. Not only did the companies, when we did our closures back three, four years ago, they participated in the benefit of that. We all, of course, including the companies that close, will participate in the benefit of their closing some of the older antiquated stations and I think we simply got there first and ahead of the competition. I think we're going to continue to look at opportunities, whether they be smaller, which is single facilities, or a larger block of facilities. We see the, you know, great opportunities in the industry.

David Newman: Yeah, I think I would agree. I mean, obviously the industry has been focused on market share for the longest period of time as being a financial metric where we should all be focusing on margin, which I think is a road that you've kind of gone down.

Mayo Schmidt: I would agree with that, absolutely.

David Newman: Excellent. Thank you.

Mayo Schmidt: Thank you.

Operator: Thank you. Our next question is coming from Stephen Ottridge of BMO. Please go ahead.

Stephen Ottridge: Yes, good morning gentlemen. As the ultimate aim of investing is to get a return on your money, when would you expect a dividend to perhaps be coming in?

Mayo Schmidt: As far as the dividend goes, we do not have a formal dividend policy in place at this time. We will consider dividends in the context of our future use of cash and market earnings and profitability, and certainly we recognize a significant support of shareholders through the restructuring and recapitalization and are focused on certainly delivering value to those shareholders. We also recognize the Federal government's recent announcement with respect to reducing the tax on corporate dividends as a positive move and I think you can be sure that this Board of Directors will take all of these factors into consideration should excess cash be available to the company going forward.

Stephen Ottridge: OK, thank you.

Mayo Schmidt: You're welcome. And thank you for your question.

Operator: Thank you. There appear to be no further questions at this time. I would like to now turn the floor back over to management for any further or closing remarks.

Colleen Vancha: Yes, thank you very much for joining us today. This conference call has been taped and that number is available to you on the notification we sent out earlier. On behalf of the Board of Directors, management and staff at Saskatchewan Wheat Pool, have a safe and happy holiday season. Thank you.

Operator: Thank you. This does conclude today's teleconference. Please disconnect your lines at this time and have a wonderful day.