

Saskatchewan Wheat Pool Inc.
Fourth Quarter / Year-end Conference Call
October 12, 2006, 12:30 a.m. (Regina Time)

Colleen Vancha:

Good day ladies and gentlemen. It is my pleasure to welcome you to the Pool's fourth quarter and annual conference call. I trust you have had an opportunity to review our news release, that is posted to our website. The Annual MD&A and notes will be posted to the site in the next couple of days once they have been filed with SEDAR. Our Annual Report will be distributed in mid-November.

Before we begin our discussion, I would like to note that:

Investors are cautioned that today's discussion and responses to questions may contain forward-looking statements. Such statements are based on certain assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied. Additional information about these assumptions and factors can be found in our disclosures under the sections titled forward-looking information. The information presented today is current as of today's date and will not be updated

I would like to invite Mayo Schmidt, President and CEO to provide his comments and then we will move to the question and answer session, Wayne Cheeseman, Fran Malecha, Doug Weinbender and Karl Gerrand are also available to take your questions at that time.

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

Mayo Schmidt: Thank you.

Today, I am pleased to present to you our fourth quarter and annual results. We had a strong finish to the year, particularly in our grain handling and marketing segment. Both our operating earnings and cash flow have improved compared to last year's fourth quarter and 12-month period.

You will note in our news release that we recorded a number of one-time items and accounting adjustments in the quarter and annual results. In order to illustrate our operating performance,

my comments will focus on results before these adjustments. We have included a number of tables in the release **and ask that you consider that information together with the information I will highlight for you today.** To summarize:

- The Grain Handling and Marketing segment includes a \$5.3 million positive item for an actuarial adjustment to the Hourly Employees' Retirement Plan
- Last year, there was \$4.5 million in positive one-time items related to tax recoveries and interest income recorded in the Grain Handling and Marketing segment. \$2.9 million of this amount is in the fourth quarter.
- You will recall that the federal and provincial budgets introduced lower corporate tax rates during the year. The effect of that rate change resulted in a \$6 million adjustment to increase corporate taxes for the quarter. For the full year, the impact was \$11.8 million.
- Also for both this year's quarter and full year, our results reflect a \$15 million provision related to the GSU pension issue. It reflects our best estimate of the minimum costs that may be required to settle the pension deficit dispute.
- It is important to note that we have not changed our position on paying the solvency deficiency payments. Neither the collective agreement or Plan text requires us to do so and it was certainly not the spirit or intent of the original agreement.
- However, to put this issue to rest, the Pool submitted a final offer to the union to wind-up the Plan as of September 30. In return we would fund 50% of a calculated deficiency up to a maximum of \$20 million. The GSU must agree that responsibility for the remaining deficiency would rest with Plan members and not the company. The offer is subject to various approvals.
- The last item to be brought to your attention was the \$2.4 million gain from the sale of the Lloydminster joint venture, which was recorded in the third quarter.
- The final point I would like to highlight were the additional financing expenses associated with the refinancing of our Senior Subordinated Notes. They totaled \$11 million this year and included an early redemption premium of \$3 million and an \$8 million non-cash charge to adjust the carrying value of the notes to their face value.

Now allow me to provide brief highlights on the fourth quarter results:

Sales and other operating revenues were up 10% over last year's fourth quarter to \$602 million. Grain shipments were up 7%, Agri-product sales were up 6% and our Agri-food Processing sales were up 12%.

Our consolidated EBITDA before the one-time items I just reviewed was \$49 million versus \$44 million in last year's fourth quarter. All three of the Pool's wholly owned operations, Grain Handling and Marketing, our Agri-products retail operations, and Can-Oat Milling, generated fourth quarter EBITDA improvements.

Interest for the quarter was down \$7 million to \$3 million due to substantially lower debt levels that reduced cash interest expense by 35%. Last year's fourth quarter interest included \$4 million of financing costs that were written off because we repaid \$100 million in long-term debt in June 2005. There was an addition \$2 million related to accretion on our \$150 million of long-term debt that we repaid in May 2006.

Corporate taxes were up \$11 million quarter-over-quarter. The increase includes the \$6 million expense in tax rate changes that I previously noted.

Net earnings (before one-time items) were \$26 million compared to \$23 million for the respective quarters. Net earnings after one-time items were \$13.5 million versus \$29.5 million.

Cash flow from continuing operations was also strong and grew 8% to \$45 million over last year's quarter.

I will now review some key operating highlights for you.

Grain shipments for the quarter were 2 million tonnes up from 1.9 million tonnes last year. Non-Board shipments were 17% higher while Wheat Board shipments were at the same level.

Our port terminal operations continued to perform well into the fourth quarter. Total port terminal volumes for Vancouver and Thunder Bay were 1.4 million tonnes compared to 1.2 million tonnes in last year's fourth quarter.

The efficiencies achieved through our joint venture operating agreement in Vancouver contributed to an additional one million tonnes in capacity.

Gross margins for grain were \$21.90 per tonne, up from \$20.39 last year. Last year's gross margin included \$1.53 per tonne of positive one-time items. The 16% or \$3.04 per tonne improvement stems largely from higher wheat and durum margins.

EBITDA, before one-time items, from the Grain Handling and Marketing Segment for the quarter was \$18 million compared to \$14.3 million recorded last year.

Agri-products

In our Agri-Products segment, sales were \$341 million in the final three months up from \$320 million in the fourth quarter last year. Sales were up despite wet conditions, which reduced seeded acreage by approximately 1.7 million acres in northeastern Saskatchewan.

Fertilizer sales through our retail operations increased 15% over last year's fourth quarter on strong volumes and prices. However, sales through Western Co-operative Fertilizer Ltd. were down 7% because of decreased sales volumes.

For the quarter, EBITDA was \$32 million compared to \$34 million in the fourth quarter last year. Our retail operations were up \$3 million to \$21 million, however, WCFL's contribution was down almost \$6 million to \$10.5 million. Margins in that business were pressured due to a lack of fertilizer price appreciation.

Expenses for agri-products were down 9% compared to last year's fourth quarter because of stronger collections on the outstanding agri-product credit accounts.

Agri-food Processing

In our agri-food processing segment, fourth quarter sales were \$32 million, up from the \$29 million in the fourth quarter of 2005. Can-Oat Milling sales increased 19% while Prairie Malt sales was down 5%.

EBITDA was \$4.1 million, up from \$3.6 million last year with Can-Oat's contribution growing 46% on improved margins. Can-Oat sold finished product sales were up as were production yields. Prairie Malt's contribution was down because of higher processing costs, higher energy costs and the strengthening Canadian dollar.

Turning your attention to the year-end results.

Consolidated sales and other operating revenue for the year were \$1.6 billion, up from \$1.4 billion last year. Grain Handling and Marketing marked the most substantial improvement with a 22% increase. The larger crop in Saskatchewan and a strong non-Board export program were the biggest factors.

The Pool's three operating segments generated \$106 million compared to \$93 million before corporate costs. The Grain Handling and Marketing segment finished the year with a 63% increase in its contribution.

The Agri-products contribution was \$27 million down from \$39 million last year, Agri-food's contribution improved by 12%.

Consolidated EBITDA prior to the one-time items, was \$75 million in fiscal 2006 versus \$66 million in fiscal 2005.

Interest expense was \$21 million, down substantially from last year's \$37 million. Lower cash interest, a result of lower long-term debt levels, and lower non-cash interest were the primary factors.

Corporate taxes rose \$14 million this year primarily as a result of the \$12 million expense we were required to record because of federal and provincial government tax policy changes.

We also recorded \$7 million in recoveries from discontinued operations from our previous investment in hog production this year. Last year our financial statements included \$5 million in recoveries from discontinued operations, of this, \$4 million was related to the previous investment in hog productions.

Our earnings for the year if we exclude all of the one-time items were \$17 million in 2006, which compares to \$2 million last year. After one-time items, net earnings for the year were \$0.5 million versus \$12 million.

Cash flows from continuing operations increased to \$54 million from \$47 million as a result.

Capital expenditures for fiscal 2006 were \$30 million including Can-Oat.

From a balance sheet perspective, I would like to highlight just a few key areas.

- Our balance sheet is extremely strong.
- We reduced outstanding long-term debt from \$149 million last year to \$102 million this year.
- We lowered our annual interest rate on long-term debt by 4%, and
- Our debt to equity ratio improved to 24:76 in fiscal 2006 compared to 33:67 last year.

Operationally,

- Our Grain shipments were up 16% year-over-year to 7.9 million tonnes. In fact, our non-Board shipments were up 39% over last year, compared to the industry as a whole that was up 21%. On the CWB side, our shipments improved by 2% year-over-year, compared to the industry at 7%. The largest factor was our decision to focus on margins and limit our involvement in the tendering process.
- Exports through our Vancouver port terminal climbed 38%. We are realizing on the efficiencies at this port through our joint venture with James Richardson International Limited. Volumes through our wholly owned facilities were up one million tonnes this year to 5.1 million tonnes.

Gross margins for grain handling for the year were up 8% this year to \$20.26 per tonne from \$18.71 per tonne last year. The gross margins include positive one-time items of \$0.25 per tonne and \$0.65 per tonne in the respective years. The increase in margins relates to higher margins from canola, blending gains, and higher efficiency achieved especially at the Port of Vancouver.

Grain EBITDA before one-time items was \$53 million this year compared to \$33 million last year.

Sales in the Agri-products segment were rose 5% to \$540 million this year from \$514 million last year. The Pool's fertilizer sales were up 13% offsetting a slight decrease from WCFL's sales.

Agri-products' EBITDA was \$27 million in fiscal 2006 compared to \$39 million last year. The Pool's retail operations contributed \$9 million, down from \$14 million last year while WCFL's contribution dropped to \$18 million from \$25 million last year. Lower margins were mainly a result of lack of fertilizer price appreciation and competitive retail pricing.

Sales from Agri-food processing were \$122 million compared to \$119 million last year. Can-Oat Milling continues to see growth in the demand for its finished products from cereal and breakfast bar manufacturers. Prairie Malt's sales decreased due to the strength of the Canadian dollar and excess capacity in North American and European malt industries.

Agri-food EBITDA was \$18 million for this year versus \$16 million last year.

Looking forward, we have a number of reasons to be optimistic.

The Pool is well positioned heading into fiscal 2007.

The outlook for Grain Handling and Marketing is positive. Harvest was virtually complete by the end of September, which is approximately one month ahead of schedule. Hot weather in July and August matured the crop quickly and allowed farmers to harvest early. However, the weather did affect crop yields. On October 5, 2006, Statistics Canada released its estimate of the 2006-07 crops, projecting western Canadian production of the six major grains and oilseeds at 48 mmt, which is up from the 10-year average but down about 10% from last year. It is expected that additional volumes will be available in 2007 due to high carryover of on-farm stocks. The September 12, 2006 Statistics Canada estimate of on-farm carryover from 2006 is at 9.5 mmt, 23% higher than a year earlier and nearly double the 4.8 mmt typically carried over from year-to-year.

The other key business driver that influences margins in the grain sector is quality. The 10-year average for milling quality spring wheat, graded in the top three categories, is 86%. This year's hotter than average growing season produced high quality crops. In fact, the Pool's preliminary estimates suggest that approximately 90% of the wheat crop will grade in the top two categories. This compares favourably to last year's crop, in which top quality grades represented just 43% of the total. As a result, the Pool expects more blending opportunities in fiscal 2007 because there is a high carry-over of lower graded stock from the previous year.

Good quality and strengthening commodity prices bode well for Canadian agricultural exports. Many of you are aware of the prospects for the Australian crop. Commodity prices have strengthened substantially because of tightening world supplies and poor yields and crop quality available from competing countries. Accordingly, the Pool expects robust exports in fiscal 2007. While industry sources estimate western Canadian exports for fiscal 2007 at 25.8 mmt, on par with fiscal 2006, we believe these estimates are conservative, particularly for wheat and barley given the exceptional quality and positive demand fundamentals in the global marketplace.

For the Agri-products segment, the early harvest is positive for farmers who require time to undertake their fall fieldwork in advance of winter snowfall. Farmers apply crop protection products to their land to control fall weed growth and put down fertilizer to replenish nutrients. Rain following harvest was adequate for this work to be done. It is important to remember however, that the spring (particularly the Pool's fourth quarter) remains the most important sales and earnings season for this core business and its success will depend on seeding decisions, soil moisture content and growing conditions next year particularly in May and June. We expect that competitive pricing in agri-products sales will continue to be a factor in margin growth in this business during fiscal 2007. Natural gas prices and their influence on fertilizer pricing is also a key margin driver for the agri-products business. Natural gas prices have come down this fall. However, a cold winter typically drives up costs and prices. Natural gas supply and demand fundamentals will influence contributions from the Pool's joint venture, Western Co-operative Fertilizers Limited.

Our Oat processing operations also anticipate a good year. The Pool believes that the health conscious consumer market is growing and, as a result, demand for whole grain products is expected to continue. Can-Oat Milling is positioning itself to address this need through an expansion of its Portage la Prairie plant, scheduled to come on-line in February 2007. Can-Oat

is adding 30,000 tonnes of primary capacity to deal with increasing demands from its customer base. In 2006, Can-Oat expanded its product offerings and market opportunities by purchasing ConAgra's milling facility in Barrhead, Alberta. In addition to its primary and finishing oat capacity, the Barrhead facility processes organics and barley, opening up new market opportunities for Can-Oat, which enjoys a solid reputation for quality and superior customer relations.

An early harvest of Saskatchewan's barley crop is very positive for malting barley selections required by the Pool and its customers. Saskatchewan Agriculture and Food estimates that 43% of the barley will grade as malt, compared to the ten-year crop report average of 30%. Protein levels are moderate to low, disease levels are minimal and germination is very strong. Last year, germination was weak and resulted in minimal supplies and low carry-out stocks of quality barley. This year, domestic maltsters like Prairie Malt should have sufficient supplies to meet their processing demands. World barley prices are strengthening due to strong global demand and limited supply from Europe and Australia.

I believe that our industry is poised for significant change. Fundamentals are good. Strong prices and good demand are positive for the agricultural sector as a whole. Typically in years of higher prices we see strong CWB exports and good demand for non-Board commodities. In addition, higher commodities prices are good for farmers who have suffered from poor cash flow over the past number of year.

Western Canadian agriculture is poised for renewal. We recognize there is need for consolidation and efficiency improvements to ensure a strong and vibrant Canadian agricultural economy. With our strong balance sheet and industry leadership we will seek out opportunities that support this renewal. We are positioned for growth. We look forward to delivering results that reflect the needs of our customers and the expectations of Pool stakeholders, here and abroad.

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, please begin the Q and A.

Operator: At this time if you would like to ask a question, please press star one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Our first question comes from David Newman of National Bank Financial.

David Newman: Hi, it's actually Andy Pang filling in for David Newman, who is at a conference. Firstly, great results. Maybe I could just ask you for an update on the soil moisture conditions across the prairies? Especially how it relates to fertilizer application and seeded acres next year.

Doug Weinbender: Andy, this is Doug Weinbender. Right now we've got good soil moisture conditions across Western Canada. We've had some later rains here in the fall, so we're just waiting for a little bit of reprieve from some weekend moisture and fall work is going to continue. There's been some heavy rain over the fall, so it looks very positive for the Agri-products this fall.

Andy Pang: That's great, and maybe just a quick update on the GSU pension.

Wayne Cheeseman: Hi Andy, it's Wayne Cheeseman. Just in terms of an update, the trustees have filed a December 31st, 2005 actuarial report and that showed an \$8 million going concern surplus and a \$38.8 million close deficit. The company has also made a final offer to the GSU to wind up the plan and return the company with 50% of the calculated solvency deficiency up to a maximum of \$20 million. The matter in which the dispute ultimately is resolved is unclear, and the options still include a negotiated settlement with the GSU, with satisfactory regulatory authority sign off, litigation would wind up the plan order to be wound up. Based on those outcomes, in our best estimate, we've assumed the minimum amount of contribution required by the company will be \$15 million, and we've booked that in the fourth quarter.

Andy Pang: Thanks, and finally, maybe just some CAPEX guidance for fiscal 2007?

Wayne Cheeseman: Again, it's Wayne. This year we spent \$30 million, next year we will be up about 33% of that to \$40 million, with a, big area there would be west coast, strategy in the grain Agri-products area, as well as Can-Oat expansion.

Andy Pang: Thanks, Wayne.

Operator: Our next question comes from Cherilyn Radbourne of Scotia Capital.

Cherilyn Radbourne: Afternoon guys. My primary question just relates to the state of your balance sheet. I guess the \$64 million question is what you intend to do with your financial flexibility. So, I wonder if you could just comment on how much cash you feel you need to retain in the case of a future drought, and comment on your relative appetite for divide share buy backs, and or acquisitions.

Mayo Schmidt: Sure, be happy to comment on those points. One, you've certainly seen some of the initiative with the expansion of Can-Oat in Portage la Prairie, the acquisition of ConAgra's outgoing facility in Alberta. We've certainly been focused on that--when you look at CAPEX, and keeping a strong base of assets across the system. There's a number of changes that are pending in the market place, one being the Canadian Wheat Boards monopoly. The question remains as to whether there in fact will be dual marketing. I wouldn't say that we've

publicly stated what we're prepared to put together in terms of cash to prepare for future events, but I certainly say we're looking, continuing to look, at what we would consider base line opportunities for growth and that would be certainly in areas like Can-Oat, Agri-products outlets. We still see substantial consolidation needing to happen both in the grain and Agri-products sectors, as well we are looking at the value added processing area, to pursue some growth opportunities there. There certainly has been no dividend policy to date, but it's certainly something that the board continues to reflect upon, and that decision we made based on what we view this year as our growth opportunities, what they may or may not be for this company.

Cherilyn Radbourne: And can you give us an update on what your hearing in terms of any move towards some clarity in the government's position about deregulation and what form that may take?

Mayo Schmidt: We have heard and certainly read, as most do, that in fact the minister of agriculture, Minister Strahl is moving in the direction of dual marketing, and his question now isn't, will there be dual marketing, it is more--how is it going to operate. There's recently been a working committee that's been established to develop an operating framework as to how a dual market would work, and a report is expected by the end of the month. I do know that they're meeting with industry participants to get their views and input on how structurally this would work, because I think the common effort across the industry is to figure out how to make this a viable, on going opportunity for western Canadian farmers, and how it would work in a dual market, giving the farmer choice. So that seems to be the direction as we interpret it. The government is moving in a strong way.

Cherilyn Radbourne: And do you believe that serious consideration is being given to the Canadian Wheat Board's proposal that they be capitalized and allowed to participate in the value added processing segment.

Mayo Schmidt: I have seen no consideration that's been given to that proposal to date, and from what I understand in terms of contacts in both the industry and government, is there is no one anticipates any consideration being given to that.

Cherilyn Radbourne: Okay and then just the last question is a bit more technical. I'm just wondering if you can give us some more explanation on the actuarial adjustment that you recorded in the grain handling division.

Wayne Cheeseman: What we've done is look at our actuarial assumptions and look at the value of the pension asset on our balance sheet, and based on that actuarial review, adjusted the pension asset on our balance sheet by \$5.3 million. It's a non-cash entry, we've increased our balance sheet asset from pension and recorded the income.

Cherilyn Radbourne: And what is the reason that your pension asset has increased. That's got to reflect a change in one of your assumptions.

Wayne Cheeseman: It's really to do with the active service employees, in terms of a life that we would look at, and again it is a one-time adjustment.

Cherilyn Radbourne: Okay, thank you. That's all from me.

Operator: Our next question comes from Peter Fraser.

Peter Fraser: Hi. First thing, thank you for providing the additional detail on that contribution between the retail business and WCFL. I think that's very helpful.

Colleen Vancha: Peter, it's Colleen here. We were thinking of you when we did that.

Peter Fraser: Thank you very much, Colleen. I did have a question. On the inventory, I noticed the inventory was up about \$25 million, year-over-year. Is that increase primarily in the grain side, or is it in the Agri-products side?

Doug Weinbender: Yeah, this is Doug Weinbender. There is an increase in the Agri-products side, and a lot of it has to do with some of the chemical that was held over because the shorter growing season. We ended up with some late season rains. As you know, we didn't get some of the acres seeded, and some of the product that we had we were going to spray over those acres, we still have in inventory.

Peter Fraser: Okay. And could you, Mayo, you mentioned the Can-Oat expansion, could you provide just a little more detail as whether it's on time and on budget, and so on.

Mayo Schmidt: Peter, I thank you for the question and I'd be pleased to introduce you to Karl Gerrand, President at Can-Oat, and Karl would you ...

Karl Gerrand: Sure, thank you Mayo, and thanks for the question. Yes, things are progressing very well in our expansion. We've made our way through the tendering process. We're putting up our building now. We're actually in a process of putting the roof on our building as of next week. Equipment is being put in, building envelope has been closed in, our raw materials storage bins are complete and we're beginning to fill with grain, so our targeted date of February 2007 is on track and we're very pleased with the process so far.

Peter Fraser: Fabulous. Wayne, have you provided any guidance with respect to the tax rate for next year?

Wayne Cheeseman: I think we had 33% this is the rate that we're looking at, the average rate.

Peter Fraser: Okay, thanks. And I have a question, I guess it's probably for Fran, or Colleen. I guess when I look at the margin of \$21 a tonne, and I multiply it by 7.9 million tonnes; I get about \$160 million. And when I look at the EBITDA of \$53, ex all the extraordinary items, that implies that there's about \$107 million in costs in the grain handling system, and previously I thought that number was in the \$85 to \$90 million number, and I guess, I was just wondered, I know that there's some insurance in there and so on, but I just wondered am I making a mistake in my math here?

Fran Malecha: I think Peter, on the expense side we probably made closer to that \$100 million range, you see our expenses slightly higher this year primarily due to increased rain in the country. We had a wet crop, so increase our top line, the revenue side, but also increased our expenses, primarily coming from utilities.

Peter Fraser: Okay, so when you talk about your margin, then that is, it doesn't include the cost of the gas to dry the grain then, is what you're saying.

Fran Malecha: That's right.

Peter Fraser: Okay. And then looking forward to 2007, do you think your costs should be in this \$100 million range? Provided that nothing extraordinary changes? Is this a good number to model with?

Fran Malecha: Yeah, I think, at those kinds of volumes that's not a bad number to use. I say in the \$100 to \$105 million range.

Peter Fraser: Okay, and have you provided any guidance or discussion with respect to volumes next year? You know, other than just to say they should be a little better.

Colleen Vancha: No, we haven't. We have indicated that the current exports that we're looking at are about on par with those '06.

Peter Fraser: Right.

Colleen Vancha: Based on what the industry is predicting and what you know, we think that there's some other opportunities there. And right now we've got some good quality crop, we've got some blending opportunities so, I don't think we can peg a number for you Peter, but I think you know what the range is, and you can look at that.

Peter Fraser: Okay.

Wayne Cheeseman: Peter.

Peter Fraser: Sorry go ahead.

Wayne Cheeseman: Peter, it's Wayne, I stand to be corrected on the rate for next year. It's 34.75.

Peter Fraser: Thank you very much, Wayne.

Wayne Cheeseman: Yes.

Peter Fraser: Now, just with respect to, I mean we all look at wheat prices from time-to-time, and see that they're rocketing through the roof. Will this encourage the farmers, do you think, to move grain through your system, a little more quickly than you would have expected say three or four months ago?

Mayo Schmidt: I don't really anticipate the grain moving, you know, materially, faster this year, Peter, in terms of the calendar. I think what tends to happen in markets like this is when you're trading at ten year highs, there's a little bit of sticker shock for buyers, so they will buy, but they're going to try and delay that as much as possible, thinking that prices might stabilize or come down. I would look, in terms of our grain volumes for pretty consistent movement throughout the year. But I think strong movement primarily happening on the cereal grain side.

Peter Fraser: Okay, great. And the only other question I had is when you said a \$15 million minimum, what is the range that you would expect as far as this additional pension contribution.

Wayne Cheeseman: Well that's the challenging thing, Peter. We don't know what the ultimate outcome is going to be. It could be a negotiated settlement with the union, it could be litigation, or it could be that wind up the plan. Right now what we do know is that the actuarial report that

was filed December 31st 2005, showed a debt of 38.8 million. So it is possible that we would be held responsible for the whole deficit, but it's also possible that we would not be held for anything, and our position is that we would not be held responsible for anything, but when we look at the various scenarios, we look at what we think the minimum that our costs would be, and that would be \$15 million.

Peter Fraser: Okay, perfect. Maybe Wayne I could talk to you about this afterwards, because given that you have a going concern surplus, and a solvency deficiency, I just wondered where that \$15 million came from, but I'll move on and let somebody else ask some more questions.

Wayne Cheeseman: Okay and we can talk, Peter.

Peter Fraser: Thank you.

Operator: Our next question comes from Kyle Kopec of AG Edwards.

Kyle Kopec: Yes, good afternoon. Most of my questions have been answered but I'd like to get just a little more color. If I could get Mr. Schmidt, I really don't understand, coming here from Philadelphia, the entire Canadian Wheat Board Scenario. My understanding basically is that dual marketing would take away the monopoly status. Indeed, would that in turn cause increased cost because there would be individual grain producer contracts available versus one contract, take it or leave it?

Mayo Schmidt: We don't see it as increasing costs. In fact, considering that we currently, today provide a menu of contract options for producers on half of the production that we handle, in all of the production, if you look at 100% of it, is handled through the system, i.e., the Wheat Board does not have any assets and we handle the production on their behalf and go through the process of reporting stocks and inventories and auditing the inventories with them.

So I think if you want to look at net, how the Wheat Board affects us, it is going to be through increased efficiencies relating to transportation, and logistics, where we have more control and influence over the cars that are brought into our facilities, our system, and the ability to flow in and out. I think one of the keys that I look at, is that when we look at our 50 to 100 car train loaders, and the fact that we're not at 100% loading 100 car units, with the larger bulk grains, and I'm not talking about lentils and canary seed right now, I'm talking about the canola, the wheat and the barley, there's no reason for us to be loading less than 100 car units, or fifty car units at those stations. And there's times that the way the system is set up there's impediments to getting the number of cars that will allow us to maximize the efficiencies related to origin, destination shipping. So, those are some areas that we continue to push on the industry to have more involvement in the transportation side. That's really key for us. Today the industry, in conjunction with the Wheat Board, all participate in marketing the grains, both board and non-Board around the world and we'll, I'm certain, continue to participate in that in whatever environment the government decides we need to operate in.

Kyle Kopec: Very good. So in the bottom line, it's driving efficiencies.

Mayo Schmidt: Absolutely, no question about it.

Kyle Kopec: Okay, I'm going ask a question for Karl, was mostly answered by another gentlemen, I'm very interested in the Can-Oat and of the process and there's increased capacity that's scheduled to go in '07. Are you forecasting any kind of tonnage, any kind of a number

and then if your not, or if you are, could you please state that, and also are there any anticipation for the Can-Oat division to be doing any value added other than just the actual finished product?

Karl Gerrand: Well, I can respond to the first question in that the capacity that we're adding is 30,000 tonnes of processing capacity and we're feeling very comfortable with the market opportunities for that capacity. And what was your second question again, I'm sorry?

Kyle Kopec: Any kind of value added, where you would be doing some kind of a branding pack or anything for an actual finished end product.

Karl Gerrand: We have a number of opportunities that we're very excited about. Some of which are involved with customers, working on joint ventures with customers. We have a number of opportunities to move down the value chain....

Kyle Kopec: And Karl, I want to ask you, that facility up there then, that has plenty of room to expand if need be?

Karl Gerrand: Certainly the land footprint, we have plenty of room. Our building is certainly getting a little congested, which is why we're adding this new mill. We've got three facilities and a number of opportunities at all three facilities depending on the economics. So, we've got a number of ways that we can move, and a number of industry dynamics that we're very excited about.

Kyle Kopec: Excellent. Thank you very much. My last question then, I guess might go to Mr. Cheeseman. Wayne, I'm just curious what type of plans you might have anticipated or have all ready acted upon. I guess the question is, what would a 10% increase in the Canadian dollar versus the US dollar, assuming that the, there's no change in volume through put, how would that impact the net profits. In other words, let's assume for a minute that valuation change didn't do anything for throughput, have you done any forward averaging? Have you done any kind of currency work on that? And I'm just going to hang up and listen, and good luck to you all and to the Roughriders too. Thank you.

Karl Gerrand: In terms of exposure, we get fully hedged on the grain side so from a grain and agri-products perspective we don't have the exposure. We do in Can-Oat, we've indicated previously that a \$0.01 change equates to \$250,000 worth of impact, so up or down, over 90% of our sales are into the US. So, it's really in the Can-Oat business that is primarily affected. As well, Prairie Malt is impacted by it.

Operator: Our next question comes from Darius McMillan of Western Producer.

Darius McMillan: Hello everyone. I was wondering Mayo, if you were talking about the possibilities of renewal and so on. Did I understand, with your wording that you are only looking at existing areas of business, or would you be also looking at other areas, and I'm sort of thinking of bio-fuels area.

Mayo Schmidt: Since you specifically mentioned bio-fuels, I'll start with that. As you can imaging, with this scale of operations we have in the western prairies and specifically in Saskatchewan, and the volume of interest there is in the bio-fuel energy, that there are certainly a number of approaches that are made to our organization, both in terms of supply, and potential to participate. We think there's momentum and opportunity for Western Canada, in

these areas; renewable energy sources. Obviously, some of it is based on government mandate. Certainly all of it is based on the economics, and we will be exploring those opportunities in a context of our growth objectives that we set forward with the Board of Directors. So, we're keenly interested in that segment.

Darius McMillan: You also mentioned, on the exports, you mentioned a number, and then you said you thought that was conservative. What do you see as a, what kind of a target do you think we might see as exports for this year in grain, and oilseeds?

Mayo Schmidt: I think the number we're using is roughly 26 million tonnes. There's definitely potential for upside to that, and hard to peg a number at this time, but we could see an extra million or 2 million tonnes if things go well in terms of buyers coming for the kind of quality supply that we have in Canada.

Darius McMillan: You also mentioned on the efficiencies that might be gained with the end of the monopoly with the Canadian Wheat Board. I wonder how many 100 car unit trains actually make it from your country elevators to port elevators. They get all the way without being broken up.

Mayo Schmidt: Well, a couple of things just to be clear, that I don't believe that it's necessary to remove the monopoly for us to be efficient. I'm not correlating the two of those, just to be clear on that point. What point I was intending to make was that we believe that as owners and operators of the facilities, that having the direct influence over the number of cars that are brought to us, and when their spotted and loaded and then taking those to our export terminal and unloaded at our plant, having more of a direct control and participation in that efficiency would be constructive and more efficient for the entire industry. Because its whether or not the Wheat Board is in a position that it's in today or moves to dual marketing, doesn't necessarily mean that transportation goes one way or another, whereas they can be dependant or interdependent as a result. But I think the key theme this year, what we try and do is load the maximum number of cars we can, obviously, because of the freight discount we get for loading 50, and a more substantial reduction, up to \$7 a tonne savings for loading 100.

So why I was making the point is that at our 100 car stations, when we get to 100%, 100 car units, I will be satisfied we've maximized our efficiency. Right now 35% of our entire system is in 100 car loaders. There's really somewhat of a more limited rationale right now to expand stations, whether they be 50 to 100's. If you can't get the cars in 100 car blocks to able to load, so we can have a 100 car loading station, i.e., and get 68 cars, and we get the 50 car rate. And that's been a frustration on our part for some time, and why we'd like more participation. We're 35% of the industries 100 car loaders today, so we rationalize our system, we're fundamentally, we're almost entirely 50 and 100 car loads in our system, so what we believe at arrived at final state. We also believe the industry needs to continue to move towards that end state, which is primarily 100 car loaders for the best outcome, the best efficiency and the greatest savings because keep in mind, a substantial portion of that savings from loading 100's goes back to the producers to incentive's volumes off the farm that come in to our station. So, there's a sharing in that efficiency between ourselves and our farmer customers.

Darius McMillan: And a final question, if you could, you also mentioned a continuing need for consolidation. You've touched on this in previous quarterly comments, but I wonder if you could run through some of the numbers in the industry that lead you to believe that there needs to be more consolidation?

Mayo Schmidt: Well, if we look at the export versus the capacity and the ability to turn grain, in other words the speed at which the grain flows through the facility, the simple math is that there's excess of 25% of capacity in the country side today, that isn't being utilized. So, that's the simple math of it. We also recognize there's a significant number of 25 car loaders out there that receive no efficiency gains for loading 25's, they have to load 50's or 100's to hit the first level of discount on freight, so that's another area that we focus on and that's why we've adjusted our system, at one time down from 500 facilities down to approximately 50 grain elevators that are able to handle the same volume or more than the 500 could handle. Facilities are faster and larger, more sophisticated today, and that's the area we focused on.

The total storage capacity in western Canada is 5.2 million tonnes. Now if you base that on what I call a nominal throughput of 8.5 times storage capacity that equates to 44, just over 44 million tonnes of handling capacity, when the CGC forecasts volumes at 33 million tonnes. So, that result is 6.3 turns, or 75% of capacity, so we're not fully utilizing the system that's out there, and that system is excess cost and needs to be adjusted.

Darius McMillan: Thanks very much, gentlemen.

Mayo Schmidt: Thank you.

Colleen Vancha: Thank you very much, Operator and to everyone on the call. We have recorded the call and it can be replayed by dialing 1-877-519-4471. The pass code is 7964738. Again, thank you and we'll speak to you again.