



**Saskatchewan Wheat Pool
Second Quarter Conference Call
February 27, 2007**

Operator: Good day. My name is Jackie and I will be your conference operator today. At this time, I would like to welcome everyone to the Saskatchewan Wheat Pool Second Quarter Release Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer period. If you would like to pose a question during this time, please press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

It is now my pleasure to turn the floor over to your host, Colleen Vancha, Vice President of Investor Relations and Communications. Ma'am, you may begin your conference.

Colleen Vancha: Thank you very much, operator. Good afternoon, ladies and gentlemen. Welcome to the Pool's second quarter conference call for fiscal 2007. Before we get started, I would like you to note that our press release, MD&A, financial statements, and notes are combined into one document. The information is available on our website and please read the report in its entirety as we will be simply summarizing the information on today's call.

Investors are cautioned that today's discussion and responses to questions may contain forward-looking statements. Such statements are based on certain assumptions that 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. We will then move to the question-and-answer session. Our executive management team has joined us today as well to participate in that discussion; Mayo

Mayo Schmidt: Thank you, Colleen. Good afternoon, everyone. It's my pleasure to take a few moments to talk about the Pool's second quarter financial results. We had a great quarter. We have built momentum in the first

half of the year and have set the stage for what I believe will be another year of solid financial performance. This is a tremendous time to be involved in Canadian agriculture. Our industry is benefiting from strengthening commodity prices, increasing demand from grains and oil seeds, good soil moisture levels for spring planting, and market opportunities both here and around the world for agriculture based products. So let me first begin by summarizing our results.

Our sales for the quarter were \$448 million, up \$81 million over last year's second quarter. Stronger shipments and higher sales through our agri-products retail stores and oat milling led the improvement. In fact, our three business segments generated a 94% improvement in EBITDA over the same quarter last year. Segment EBITDA was \$34 million compared to \$17 million a year earlier. On a consolidated basis, EBITDA nearly doubled last year's quarter at \$21 million compared to \$11 million for the same period last year. This quarter's result includes the favorable net settlement of \$3.8 million for a legal matter, an additional \$5 million provision with respect to the GSU pension plan solvency deficiency, and corporate costs of approximately \$7 million.

Our interest expense for the quarter was just \$3 million, half of the \$6 million we expensed in last year's second quarter. Our debt reduction strategy has certainly paid off. Net earnings for the second quarter grew to \$8 million, up from \$3 million last year. Just as important, our net earnings from continuing operations increased by \$10 million to \$8 million up from a loss of \$2 million in the second quarter last year. Earnings per share for the second quarter were \$0.09 per share.

Now I'd like to take you through the year-to-date consolidated results and then speak about our segment operations. Sales for the first six months increased to \$790 million, a 23% increase over last year's \$642 million. Strong sales from grain and agri-food segments offset a decrease in fertilizer prices that were the primary factor in lower agri-products sales. For the six-month period, operating EBITDA was \$42 million, nearly double the \$23 million generated in the first half of last year. Corporate expenses were \$13 million versus \$12 million last year. This increase is primarily because of the cost related to our proposed acquisition of Agricore. Consolidated EBITDA for the first six months of fiscal 2007 rose to \$24 million, more than double the \$11 million from the same period last year. Interest expense was \$6 million compared to \$12 million in the same period last year. The Pool's net earnings in the first six months were \$3 million, a sharp improvement from a loss of \$5 million. It was a \$13 million improvement when compared to last year's loss prior to the recovery from discontinued operations.

For the six months in fiscal 2007 earnings per share grew to \$0.03 per share, up from a loss of \$0.06 per share in the same period of last year. On a trailing twelve-month basis, excluding one-time items, net earnings from continuing operations rose sharply to \$30 million from \$11 million

in the previous twelve months. EBITDA grew to \$89 million for the period ended January 31, 2007, a 33% increase from \$67 million in the previous year's period, and cash flows from continuing operations were \$76 million, 70% higher than the previous twelve months cash flow of \$45 million.

I'd like to now turn your attention to our segment results. During the second quarter, the Grain Handling and Marketing segment capitalized on marketing opportunities, strengthening margins, and driving shipments higher. Demand for Canadian grain is strong given the excellent quality and low production worldwide.

The second quarter performance exemplified the optimism we are seeing this year. Grain EBITDA for the quarter was \$28 million, more than double the \$12 million generated in the second quarter last year. Included in the results is the \$3.8 million I mentioned earlier.

For the six months this year, EBITDA grew to \$38 million, up \$21 million from \$17 in the same period last year. Our gross margin during the quarter grew by 27% or \$4.73 to \$22.41 per tonne versus \$17.68 per tonne for the same period last year. For the six months, our gross margin was \$20.63 per tonne, a 14% increase. We do not include contributions from Prince Rupert Grain, nor did we include the \$3.8 million settlement.

In the Agri-products segment, second quarter sales were \$80 million compared to \$89 million in the last year's period, down mainly due to lower fertilizer prices, but partially offset by higher crop protection products and canola seed sales. Sales from the Pool's retail operations were up 5% overall, while our share of WCFL sales were down 18% because of the lower selling price of the fertilizer relative to last year at this time. Last year, Hurricane Katrina caused an unusual increase in fall fertilizer prices. This year fertilizer prices were at normal levels. Year-to-date sales for the segment were \$129 million versus \$143 million.

From an earnings perspective, agri-products EBITDA for the quarter was \$1 million compared to nil in last year's second quarter. WCFL's contribution for the quarter was \$5 million while our retail operations EBITDA was a loss of \$4 million. On a year-to-date basis, the segment EBITDA was a loss of \$4 million compared to a loss of \$5 million in the same period last year. For the Agri-food Processing segment, sales for the quarter were \$36 million, up from \$31 million, representing an increase of 17%. Can-Oat sales were up 24%. Prairie Malt sales were down 4% due to lower sales prices.

In the first six-month period of this year, sales were \$72 million compared to \$60 million in the prior year. Can-Oat sales increased 22% due to higher oat prices and strong customer demand. Prairie Malt sales increased 13% over the prior year's period, a result of higher sales volume in our

first quarter of 2007. From an earnings perspective, EBITDA for the quarter was comparable at approximately \$5 million. Can-Oat's contribution to EBITDA was 8% higher because of higher sales volume, while Prairie Malt EBITDA was down due to higher production costs. EBITDA for the six months period was \$8 million for the Agri-food Processing segment, down from \$10 million in the previous year.

The Pool is well positioned for fiscal 2007. Fertilizer prices are expected to increase due to tight supplies driven by demand for fertilizer in the U.S. because of a large corn crop. Seed is in high demand and we could see some shortages as available supplies are secured due to an expected 10 to 15% increase in canola acres this year. With this year's good, quality crop, 90% is grading number one to number two. We expect total industry exports of 28 million metric tonnes versus 26 million metric tonnes last year, an 8% increase. This will bode well for shipments for the remainder of the year.

And over - rising commodity prices have and will encourage strong producer deliveries. Overall we've had a record pre-payment for agri-products this year of \$55 million. From a balance sheet perspective, we are very strong. Our total long-term debt declined \$47 million compared to January of 2006, a direct result of strategies we employed in fiscal 2006. Our debt-to equity ratio was 28:72, compared to 34:66 January 31, 2006. Our financial position translates into lower interest costs, reduced debt and higher cash levels. The Pool has the added flexibility and opportunity to execute on our future growth initiatives. We have announced our participation in securing supplies for the largest wheat ethanol plant in North America. We have recently purchased two agri-product sites to improve our service delivery model in key regions. We have also expanded our oat plant milling business, the largest in North America.

We also remain focused on completing the Agricore transaction. Our bid for Agricore is still alive. A Pool-Agricore combination offers shareholders the value of a seasoned management team and a proven governance model that respects and allows full participation by all shareholders. It allows both Pool and Agricore shareholders the right to share equally and define synergies, and to have an active and liquid market for trading once the transaction is complete.

As evidenced in our results today, we offer an operational model that clearly capitalizes on the efficiencies inherent in our infrastructure, allowing us to maximize profits and take advantage of the growing momentum in our sector. Finally, we support the growth of an all-inclusive organization, the Farm Leadership Council, that welcomes farmers from British Columbia to Manitoba to come together as leaders to truly shape the future of agriculture.

As we indicated to you the last time we spoke, we expected to have discussions with the competition bureau on or after February 16th. Those discussions have in fact taken place and are continuing. We will comment further on that process at the appropriate time. Given the recent bid by competitors for Agricore United, we are considering our next course of action and will be updating the market as soon as we can. In the meantime, we are proceeding in the ordinary course. We are pleased with the ongoing support we are receiving from both Pool and Agricore shareholders and look forward to the delivering improvement value to all stakeholders over the long term.

That concludes my remarks. The executive team and myself would be pleased to take any questions you may have, and Colleen, I will turn the call back to you.

Colleen Vancha: Thanks very much, Mayo. Operator, we will move to the question-and-answer period.

Operator: Thank you. At this time, I would like to remind everyone, if you would like to pose a question, press star then the number one on your telephone keypad.

Your first question is from David Newman of National Bank Financial.

David Newman: Good afternoon, folks.

Mayo Schmidt: Hi, David.

David Newman: Very good quarter.

Mayo Schmidt: Thank you.

David Newman: Can you give us some attribution analysis on the gross margin per tonne, especially absent any pick-up you saw in the port volumes in the quarter? In other words, how much might have been attributable to let's say ancillary revenue such as blending, any pick-up there? And secondarily, you mentioned controlling the operating expenses. How much came from that and could you see it being somewhat sustainable?

Fran Malecha: David, it's Fran. In terms of the margins in the quarter, if you look at ancillary revenue on blending and drying, it may be a little bit more prevalent in last year's numbers. They are less prevalent this year and the real impacting items are more malt barley than we would have had and better margins in malt barley than some of the feed barley movement we would have had in the same quarter last year. Additionally, more Wheat Board wheat and

durum movement this year compared to last year, where the Board moved a little bit more feed barley into the export channel than they have this year. There's virtually been no feed barley moving for export. It's all on the Board's side, wheat durum and malt barley and those are the main drivers. I would say that in terms of blending, we tend to see blending revenues come into our P&L later in the year, expect that to continue to happen this year, although because the grading is much more uniform in terms of the quality, probably not quite as big of an impact as you saw last year.

David Newman: Okay, very good. And obviously if you do see a pickup in the port volumes, obviously they were all suffering from weather related issues in the quarter and obviously in this quarter you have the UTU to deal with as well. If you do see a pickup in rail movements and port movements, has that in fact continued to sustain these margins per tonne?

Fran Malecha: We believe so. I think you know that with the CN strike, that has been a delay in country elevator orders, so we're somewhat behind what I would call our normal volumes for early in the quarter here. But now that that strike is apparently behind us, we expect that to catch up throughout the balance of the year. I think the Wheat Board has pointed to about a 19 million tonne export program. We think that's still achievable, and the margins should go along with that.

David Newman: So do you anticipate that the volumes that have been forecast by Canadian Wheat Board, given the rail issues, do you think there will be any carry-over into next year at all? Or do you think the -- I think the commitments of the Canadian Wheat Board and its potential for marketing is still there to get this all done by, let's say, July 31st?

Fran Malecha: I think the potential is there. It may be limited by execution, rail car supply, but that remains to be seen. And if there is some carry over into let's say August, that may happen. A lot will depend on the size and the quality of our crop and the market structure as we move forward. But as we see it today, we think that there's a fairly good chance that 19 million tonne program is achievable within our fiscal year.

David Newman: Okay, very good. And last question if I may, just some color on -- the \$3.8 million legal matter and as a separate issue, can you see possibly truing up the provisions related to the GSU up to the \$29 million?

Wayne Cheeseman: It's Wayne Cheeseman. We feel that at this point in time the estimate that we've got of \$20 million is a good one based on what we know today and we will see as we go through the core process. We believe that the court process will take place over the next few months, probably being completed in the first quarter of 2008. Based on that timeline we've increased our provision from \$15 to \$20 million. I'd also note that it's disclosed in our

release, that the deficit we estimate at the end of '06 is down to \$29 million, and that's a preliminary estimate, and that's compared to \$38.8 million at the end of December 2005.

David Newman: Okay, so it sounds fairly conservative. And just on the legal matter in the quarter, the \$3.8 million, what was that related to?

Wayne Cheeseman: We can't disclose any details of that settlement.

Colleen Vancha: It was with respect to a portion of our grain business, David. That's all we can provide to you. We've, with another party, agreed to keep that matter confidential.

David Newman: Okay, and just -- and last question, I know you probably can't comment on it. But your timelines with respect to the Bureau and a potential consent agreement, do you think it might conflict with your March 7th close of the offer?

Mayo Schmidt: David, there is really no way to predict that at this time and I wouldn't want to make a prediction. We're certainly engaged in discussions, but the bureau, as we all know, will take the time necessary that they need to make the assessment and then we'll have a discussion with them about that assessment. So that's an unknown at this time.

David Newman: Very good. Thanks, folks, and great quarter.

Mayo Schmidt: Thanks, David. We appreciate your comments.

Operator: Thank you. Your next question is from Adrian Ewins of Western Producer.

Adrian Ewins: Hi. I wonder if you could put this very positive quarter in the context of the bid for AU. I mean does this -- do you see this as sending any sort of message to AU shareholders about the strength of your bid given the results you're seeing here and what you're expecting looking forward? I mean, can you make use of these results in that context?

Mayo Schmidt: Adrian, I think the results stand on their own. Certainly over the period of the last several years and certainly many quarters, we've been showing strength, the strength of our asset base and our operating model, and that continues. I think that anyone that's involved in discussion around our interest in Agricore United certainly will make their own conclusions. But I think this just speaks strongly that the operating model we put together and executed on here over a significant period of time has been very fruitful, and what we see as really a tremendous agriculture movement over the next ten years. And I stated in my remarks earlier those reasons why, and this

organization is really in great shape to participate fully. We've got an optimal capital structure, one of the strongest balance sheets in the industry today, great operating results. We've got a great team of people here that have just executed with precision on everything they've set out to do. And quite frankly, the modern governance structure we have today with the expertise from across many industries has offered great value and support to the management team, and that's the reason we're able to move as quickly as we have in the success of our results.

Adrian Ewins: Okay, a couple of other quick follow-ups. Is the cost of the bid to date accounted for in this report? And if so, could you identify it for me?

Wayne Cheeseman: Yes, Adrian. It's Wayne Cheeseman. We have incurred to date \$5.9 million and in accordance with accounting practices, we've set that up on the balance sheet as a long term asset, and that is disclosed in Note Four to our financial statements.

Adrian Ewins: I see. And that's what's been spent as of the end of the second quarter and presumably do you have a -- can you identify what you've budgeted to spend altogether when this is over?

Wayne Cheeseman: If you look back to our circular, which was issued in January, there are various costs, transaction costs, transition costs that are reflected there in the pro formas and the notes. So that will give you an estimate of what we believe the costs are. You have to appreciate that we are working with limited information and as new information becomes available, we update those numbers.

Adrian Ewins: And finally, in terms of the strike that has basically been involved -- the disrupted grain movement and so on. What impact financially will that have on the company by the time everything is totaled up at the end of the year? Are there any direct losses that can be attributed to that?

Fran Malecha: Adrian, as I mentioned earlier, we have had a backlog on our country orders and a slowdown in performance at Vancouver, but with the strike over and the CN workers back to work, we anticipate that any volumes that may have been pushed to a later date will be made up and shouldn't have an impact on our yearly results.

Adrian Ewins: Thank you.

Operator: Thank you. Your next question is from Orin Baranowsky of BMO Capital Markets.

Orin Baranowsky: Thanks a lot. Just one quick question on the acquisition costs. You haven't expensed any of that. It's all just a provision on the balance sheet. Correct?

Wayne Cheeseman: That's correct.

Orin Baranowsky: Okay. My question, I don't know whether you will answer or be able to answer but I'll ask anyways, I guess what happens in the event that you are not successful in acquiring Agricore, would you look to be a buyer of potential assets that would come up for sale? Because I'm sure you can appreciate what would potentially be for sale there. Would you look to find another partner in the space, another grain handler? And do you think that this could potentially make you an acquisition candidate, and if so, have you put any measures or provisions in place that would prevent a hostile take-over of Saskatchewan Wheat Pool?

Mayo Schmidt: First of all, there are no provisions in place that we've acted on. Second of all, we see a menu of opportunities for our organization in the marketplace. Certainly the acquisition of Agricore United is significant in the overall scheme of things. There's a number of other things that we have a view on related to opportunities for growth for our organization. We've executed on a few smaller ones recently and they'll certainly be, as time goes on, other things to talk about. But certainly our entire strategy is not based around one particular event. And I might say, regardless of the outcome that we are in fact moving on a number of other fronts. So we'll have to see how that plays out but I think it's an opportunity rich environment right now. We're focused on the Agricore United today because we see it as the best combination of all of the choices in the marketplace today with the best outcome, not only for this organization, but for the shareholders in our organization.

Orin Baranowsky: Okay. Thank you very much, Mayo.

Mayo Schmidt: Yes, thank you.

Operator: Thank you. Your next question is from Roberta Rampton of Reuters.

Roberta Rampton: I wonder if we could just return to the rail backlog for a second. Can you describe what kind of shortfall you've seen in terms of rail cars or what kind of backlog you've seen at the port.

Fran Malecha: Maybe I could describe it just in terms of during the strike and maybe following some of the weather that we've had, both the cold weather on the Prairies and issues in Vancouver. With some unusual weather as a backlog in orders of -- it's probably two to three weeks in terms of where we are today versus where we would be without those issues. And we've got about five

months of the year left to catch that up and I'm assuming the weather is going to improve on the Prairies and return to normal in Vancouver. And with the CN back to the normal operational levels, we believe that the system has the capacity to do that. Certainly we have the capacity to do that with our asset, efficient assets, and believe strongly that those normal numbers can be achieved.

Roberta Rampton: Okay. And in the interim, I mean during the weather problems that we had and then followed by the strike, did your company have to defer or cancel any sales, export sales, because of those issues?

Fran Malecha: We didn't have to cancel any sales. We deferred just a couple of sales to a later period.

Roberta Rampton: Okay, all right. And just again to make sure I understand, you think that the Wheat Board's target, 19 million tonne target, is achievable. Canola, I mean, in terms of canola shipments, do you see canola ending, stocks building at all as a result of the weather and the strike problems that happened?

Fran Malecha: We don't. I mean, canola demands have been very good. We've been able to load the canola vessels through the strike that we've had on the books. And we don't expect stocks to build as a result of any of the weather issues.

Roberta Rampton: Thanks a lot.

Operator: Thank you. Your next question is from Rupel Ruparella of Heathbridge Capital.

Rob Richards: Hi, it's Rob Richards actually, and it's Heathbridge Capital Management. Under what circumstance can OSFI compel you to make payment before you have the results of your judicial review, and how likely is that, and another question afterwards if I may. In view of Richardson's bid for Agricore, does that virtually assure that the Commissioner of Competition will ask you to dissolve your partnerships with Richardson and Pacific Gateway?

Wayne Cheeseman: It's Wayne Cheeseman, and I'll take the first part of that with respect to OSFI. As you are aware they have issued a directive for us to pay \$6.8 million at the end of November and then \$2.2 million a quarter. As we've disclosed in our release, we are in discussions with OSFI now to see various means to accommodate their directive, and so those discussions are ongoing. What we want to avoid is having to put the money into the pension plan and then finding there's no way to get it out. So those are discussions that are ongoing right now with OSFI with respect to how to deal with that directive.

Mayo Schmidt: Rob, Mayo, on your other question. It's premature now to speculate on what the Bureau's view would be regardless of the outcome with the AU transaction. I think that's something that in terms of information should be available to the marketplace in due course here once the Bureau has have time to reflect.

Rob Richards: Thank you.

Mayo Schmidt: Thank you, Rob.

Operator: Thank you. Once again, if you would like to pose a question, press star then the number one on your telephone keypad.

Your next question is from Ryan Kiedrowski of the Nipawin Journal.

Ryan Kiedrowski: Yes. I just had a question on the recent acquisition of Gates Fertilizer up here. I was just wondering what attracted you to Gates and what affect this might have on jobs, if there will be any cuts or things will stay the same.

Doug Weinbender: It's Doug Weinbender. We've been looking up in that area for a fair amount of time for an opportunity and Gates Fertilizer, when it came along this fall it fit very well into what we were looking for as far as filling a void. That provides us with full service outlet up at Nipawin. We haven't been in that market for a number of years. And as well, it allows us to grow our business over at Carrot River. And as you know, there's a highly productive area of land up there and certainly we think that we can maximize the opportunities, certainly looking at how we can bundle those opportunities, along with our grain business in the surrounding area.

Ryan Kiedrowski: Okay, and is there a purchase price released yet, or...?

Doug Weinbender: No, we're not releasing the purchase price.

Ryan Kiedrowski: Okay. Thank you, that's all for me.

Operator: Thank you. Your next question is from Roberta Rampton of Reuters.

Roberta Rampton: Hi, sorry. Just to make sure I understand, you touched on it earlier, but why are the margins so much higher for grain handling this quarter compared to the same quarter last year?

Fran Malecha: The big drivers in the difference year-over-year, Roberta, are malt barley. We traditionally move most of our malt barley in the second and third quarters, and that happened in the quarter that we're talking about this year. Last year due to the poor quality of the crop the opportunities weren't there in malt barley like they have been this year. Additionally, there's been more, if you look at the Wheat Board's program in the quarter last year, a fair amount of the movement was feed barley, and the feed barley movement for export has been virtually non-existent this year but the other side of that has been increased movement of wheat and durum. And that's a driver in our margins as well.

Roberta Rampton: Okay, all right. So was it that last year's margins were just sort of relatively poor because of the crop quality, or is that this year's margins are so much stronger?

Fran Malecha: I think it's a combination. The margins last year were lower due to crop quality. And if you look at the margins in the grain business that we reported last year, our margins consistently improved quarter by quarter into the last quarter of the year. And that really was driven by quality. This year, it's a combination of better quality, the malt barley we've talked about. I think overall the movement through our system has been consistently higher this year. We've had a very good crop that's in the bin and excellent pricing for producers to sell into the market and take advantage of the demand that's there. And when our system is operating at this kind of volume levels, we're able to capture all of the efficiencies that are built into our system, at least to better overall margins.

Roberta Rampton: Okay. Because the volumes I thought were not -- the volume increase was not that great from quarter-over-quarter in the primary system.

Fran Malecha: It's up slightly and is certainly up for the first half.

Roberta Rampton: Okay. All right, thanks.

Operator: Thank you. Your next question is from Adrian Ewins of Western Producer.

Adrian Ewins: Hi. Just on a broader policy front, I don't know if Mayo or Fran or both would like to comment. I was just wondering, while the strike got most of the attention, it's also true that there's been an ongoing problem with rail movement off and on for a number of years. Last year was much of it. It was quite a large issue last spring. Even this year before the strike there were problems that weren't necessarily related to weather. What do you see as any sort of policy changes or new rules for operations in terms of railways or regulation or deregulation that's needed to sort out and have a consistent, reliable rail transport system?

Fran Malecha: Adrian, it's Fran. We've been working with the grain industry through the WGEA, as well as other shipping groups like the coal, potash, those types of industries, to work to improve the legislation and raise the accountability for the railways in terms of level of service. We continue with that process and look for positive change to happen.

Adrien Edins: Feedback that you had from transport Canada or government, I mean do you think that they will be proceeding with Bill C11 for example and other things in the near future? How optimistic are you that this is going to get results?

Fran Malecha: It's too early to tell. We certainly are there with the rest of the shippers lobbying for our position and we think that there's a good chance that there will be improvements made.

Adrien Edins: Okay, thank you.

Operator: Thank you. I'm currently showing no further questions. I would like to hand the floor back to management for any closing remarks.

Colleen Vancha: Thank you very much, operator, and thanks to all of you for joining us today in what we believe is a really great quarter. We look forward to talking to you again. We've recorded the call and it can be replayed by dialing 1-877-519-4471. The pass code is on our website but for your convenience is 8503565. Again, thank you very much for participating.

Operator: Thank you. This concludes today's conference call. You may now disconnect.