



**Saskatchewan Wheat Pool Inc.
First Quarter Results Conference Call
December 7, 2006**

Operator: My name is Lawrence and I will be your conference operator today. At this time I would like to welcome everyone to the first quarter results 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 ask 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. Welcome everyone, thank you for joining us on our first quarter conference call for fiscal 2007. Before we get started I would like you to note that our press release, MD&A and financial statement are combined into one document. The information is available on our website.

Investors are cautioned that today's discussions 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 section 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. We are joined as well by Wayne Cheeseman, Fran Malecha and Doug Weinbender who will participate in the discussion as well. Mayo:

Mayo Schmidt: Thank you Colleen. Good afternoon everyone. The Pool's financial results this quarter mark the second straight year of first quarter improvement and set the stage for another year of solid financial performance. The Pool and the industry are building momentum and I believe this is a

tremendous time to be involved in Canadian agriculture. The optimism in our industry today is fueled by strengthening commodity prices, increasing demand for grains and oil seeds, good soil moisture levels for spring planting, market growth opportunities here and around the world through such development as we are seeing in the bio-fuels and ethanol manufacturing. The time is right for industry players to step up and take the next steps to seize those opportunities and secure the future of western Canadian agriculture.

Now to review the first quarter results, sales and other operating revenue for the quarter were \$341 million, an increase of 25% or \$67 million over last year's first three months. Stronger volumes and sales in the grain handling business and agri-food processing segments drove the results.

Prior to corporate expenses our three business segments generated EBITDA of \$8.4 million, a 51% improvement over the first three months of last year. Corporate costs remain in line with previous year's quarter at \$5.6 million. Strong volumes and margin performance from our grain business contributed to the improvement in EBITDA quarter-over-quarter.

The payoff from the Pool's balance sheet initiatives over the past several years are clearly evident. Our lower debt levels and better interest rates translated into quarterly interest expenses of just \$2.8 million this quarter, less than half of the \$6.8 million we expensed in last year's first quarter.

This quarter we also recovered corporate taxes but at a rate that was less than half last year's level, reflecting our stronger financial performance. The recovery was \$2.3 million compared to a recovery of \$5 million in last year's first quarter.

We cut our net loss by 33% to \$5.1 million compared to a net loss of \$7.7 million in the same period last year. On a trailing 12 month basis we generated net earnings of \$19.3 million, 77% ahead of the \$10.9 million we earned in the preceding twelve month period.

Let's take a moment to review the performance from our grain handling and marketing operations. The quarter began with an early harvest that was brought on by hot dry weather in July and early August. By mid September over 90% of the crop was harvested. The crop was excellent for most commodities. In Saskatchewan 98% of our spring wheat is milling quality, with 89% in the top two grades. The high quality crop will provide blending opportunities with lower grades that were carried over in farm bins from last year's harvest.

Additionally, the crop is in high demand in the export market due to crop destruction in the US and Australia. The first quarter's performance certainly signals optimism for this year. Our shipments increased

by 19% compared to industry at 12.5% to 2.1 million tonnes this quarter, up from 1.8 million tonnes in the first quarter of last year. Both our CWB and non-Board export programs were stronger in the quarter. CWB were up 23% and non-Board grains were up 12%. Producer deliveries into our system climbed 11% over last year.

Our market share this quarter was 23% versus 23.5% in the first three months last year. Our share was up in both Alberta and Saskatchewan and on par in Manitoba. Total port terminal volumes, which include Prince Rupert grains, climbed 8% to 1.4 million tonnes, up from the 1.3 million tonnes last year. This increase comes despite a five week shutdown for scheduled maintenance at our Vancouver port facility.

Our gross margin during the first quarter was \$18.75 per tonne versus \$18.63 per tonne last year. We do not include contributions from Prince Rupert grain in that calculation.

EBITDA for the quarter was \$10 million, double the \$5 million generated in the first quarter of last year.

Let's now turn our attention to the agri-products segment. This part of the business is highly seasonal and over 60% of our annual sales are in the fourth quarter. In this segment, the first quarter performance is not indicative of the full year potential. First quarter sales are dependent on the timing of harvest, the moisture content of the soil and, of course, weather can impact if farmers are able to complete their field work before winter arrives.

Our first quarter sales were \$49 million compared to \$55 million in last year's period, down mainly due to lower fertilizer sales, partially offset by higher crop protection product sales. The early harvest and favourable weather conditions allowed for strong post harvest applications of crop protection products and sales grew by 10%. Fertilizer sales were down because of the lower prices and volume. Last year hurricane Katrina caused an unusual increase in fertilizer prices; this year fertilizer prices were at normal levels. Sales volumes were down this quarter because farmers did not feel the need to pre-purchase fertilizer in advance of increasing prices.

From an earnings perspective, agri-products EBITDA for the quarter was a loss of \$5.1 million, which compares to a loss of \$4.8 million recorded in last year's first quarter. The primary reasons for variance were the lower fertilizer sales mentioned and lower supplier rebates. On the positive side we have experienced stronger collections from our producers on their agri-products credit accounts, which we believe reflects stronger producer cash flows this year.

For the agri-food processing segment, sales for the quarter were \$36 million, up from \$29 million, representing an increase of 23%. Can-Oat sales were up 20% reflecting a higher proportion of finished products in its mix. Prairie Malt sales were up 36% due to higher volumes, pricings and the timing of customer shipments.

From an earnings perspective, EBITDA for the quarter was \$3 million, down from the \$5 million in the prior year. Higher oat costs, lower processing yields and a drop in rates for foreign exchange contracts lowered Can-Oat's margins. Prairie Malt's contribution for the quarter was down because of excess industry capacity and the strength of the Canadian dollar.

Now moving to the balance sheet, our total long-term debt declined \$45 million quarter-over-quarter, a direct result of the balance sheet strategies we employed in fiscal 2006. Our debt-to-equity ratio was 22.78 compared to 32:68 at October 31, 2005, and our net debt-to-equity is 11:89.

We are extremely pleased with our financial position today. Lower interest costs, reduced debt and higher cash levels have given us added flexibility and the opportunity to look to the future with a sense of optimism. We are confident in our potential for solid performance in 2007. We believe margins in our grain business will improve over last year given the high quality of this year's crop and the robust export movement to date. The drought in US and Australia will provide additional opportunity for Canada and other grain and oil seed suppliers to increase grain exports this year. Ample moisture throughout most of the Prairies is positive for spring fertilizer demand and for the Pool's retail network, particularly during the heavy fourth quarter selling season. Can-Oat too is positioning itself to take advantage of an increased demand for its products with the expansion of Portage la Prairie plant, which is on schedule to be completed early in the calendar year.

Here at home we believe that we can expand our product and service offerings to our farm customers. We continue in our mission as a solutions company that unlocks potential and we will work with farmers in western Canada to improve the value of their farm operations and solidify the Pool as their partner of choice. It is an important partnership that we believe will be strengthened should we be successful in our proposal to merge with Agricore United. Over the past number of weeks we have met with numerous Pool and Agricore shareholders to discuss our proposal and its financial and strategic rationale. I am very encouraged by their response.

We believe this merger will deliver substantially improved long term value to all stakeholders. We believe we will improve returns for our shareholders and our collective farm customers who are such an important part of this business. Our proposal will create a strong Canadian agri business with a strong balance sheet, reduced risk profile and expanded

geographical presence. We are confident we can achieve the stated estimated net synergies of approximately \$60 million annually. As leaders we believe it is our responsibility to create an efficient infrastructure on the Prairies. Farmers will benefit from a stronger economic model at home and will be more competitive in world markets as demand grows for their commodities.

That concludes my remarks and I would be pleased to take any questions you have and Colleen, I'll turn the call over to you.

Colleen Vancha: Thank you very much. Operator we can move into the question and answer period.

Operator: Thank you. At this time I would like to remind everyone if you would like to ask a question press star, then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Your first question is coming from David Newman, National Bank Financial.

David Newman: Good afternoon.

Mayo Schmidt: Hi David.

David Newman: Just a couple of operational questions and maybe perhaps a couple of strategic ones. The receipts are up 11% but the shipments are up 19%. Do you think you will see – is that attributable to Manitoba and do you expect these two numbers to converge as the year progresses and the carry out is exhausted?

Fran Malecha: David this is Fran. That's exactly the case.

David Newman: Okay very good. So the second half, if you had to take a look at it, would we be facing a second half that might be a little lower or with the Canadian Wheat Board coming out and sort of suggesting that they could do 19 million tonnes, that we still have a fairly robust outlook for the entire year and it's more next fall we have to be more concerned about?

Fran Malecha: I think the outlook is robust. In fact there's a production report that came out today that showed an increase in wheat production of about a million tonnes and canola of 600,000 so I think the grain is there and the demand is there. Pricing is good for farmers. I think we're looking for a robust last half.

David Newman: Okay very good. And Vancouver obviously had five weeks where you had planned outage, what would – now the gross margins per

tonne looked pretty good despite that. What would the gross margins per tonne have been but for the maintenance? In other words what would you have been running in the other weeks where you weren't doing the maintenance?

Fran Malecha: David, we did put some of the volume obviously through PGTL, through the other facility there, so it wasn't like a total loss for us but I would say roughly you're probably looking at somewhere between \$0.50 to \$1.00 a tonne.

David Newman: Okay, very good. And Mayo maybe just on the strategic side, what do you think you need to do to get this acquisition through? What hurdles do you think you might face specifically on the timeline? Maybe an update on the timeline and Competition Bureau and have you had any discussions with ADM as of yet?

Mayo Schmidt: Well first of all we're awaiting Agricore United's response. We assume that ADM became aware of the details of the proposal as directors on the Agricore United board. As we look forward, relating to the timing, we're being proactive in our dealings with the Bureau. We recognize that some remedial action will likely be required in order to secure their approval, so we're certainly hopeful to significantly shorten the time required to address the competition issues arising from the transaction. We believe the Bureau is certainly reviewing the file at this point in time and as you are aware we have contacted the Bureau obviously regarding the matter and the filing had been submitted earlier.

David Newman: Well let's say everything goes as planned. When do you think the date, a potential date to close this transaction would be?

Mayo Schmidt: Well I think we'll be in discussion, certainly interrupted here by the Christmas and New Year, but certainly right after the holiday season we expect to be back in to work substantially on the progress. It's difficult to predict right now and it really is up to the Bureau to respond, although we certainly view the Bureau as allowing the offer to proceed from our view without challenge on the terms acceptable to us, but we can't give any assurances on that. Obviously that will be up to them. We do believe that following the regulatory review and approval that there's about 60 days to close.

David Newman: Okay. And obviously the investors look at this and are seeing the economic benefits of such a transaction. What could they – what sort of feedback did you get on valuation and are you prepared to sort of sweeten it a bit at some point or are you just going to wait until you see the circular from AU and just kind of proceed on that basis?

Mayo Schmidt: Well first of all the response that we got was a very positive one. I think there was a recognition that this substantially de-leverages

AU's balance sheet, provides a premium to their shareholders, and of course they get a pro rata share in the 60 million in synergies. I think that the fact that it delivers a modern governance structure that aligns the board with the economic interests of its owners was very positive in their view, as well as they look forward to what's the strategy following such a combination would be more liquidity and better access to capital markets for future growth as they, I think, are also looking forward to the opportunity that if there is a combination of these two companies, what does it produce. So it was very positive in that sense.

I think that relating to your question about price, as we met with obviously investors that own a certain quantities of both companies equity, there was conversations related to we think your pricing is very fair and favourable, and others that said look we'd like to see more on the table and we said frankly we understand your point of view and we have our point of view and I suspect that we will carry on and give them an opportunity to continue to review the merits of the transaction, reflect on it and expect to hear something soon.

David Newman: Okay very good, and last question if I may. The environment obviously looks conducive to this sort of transaction. How much does the environment influence your decision? In other words, if the Canadian grain industry is given more choice, more marketing choice, obviously your company or a combined company would thrive in that environment, how much weighting was that given in the decision to proceed at this time?

Mayo Schmidt: You know from our point of view there was no weighting given to what may or may not transpire with the – between the government and the Canadian Wheat Board. We intend to move forward at this time when times are good as opposed to, in the past with many industries and particularly in this industry the combinations were – there were combinations because the industry in fact was difficult, whether it be drought or other issues, so we felt it important to move forward at times when the industry and both companies were experiencing good results.

David Newman: Excellent. Thanks guys and very best of luck.

Mayo Schmidt: Thank you.

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

Adrian Ewins: Hi. What's the net loss on a per share basis and compared to last year?

Mayo Schmidt: Adrian let me look that up here for you.

Adrian Ewins: Sure.

Wayne Cheeseman: Adrian it's Wayne Cheeseman. \$0.06 per share compared to \$0.09 last year.

Adrian Ewins: \$0.06 versus \$0.09.

Wayne Cheeseman: Correct.

Adrian Ewins: Okay, thanks. When you look down at the potential for a change in barley marketing in this marketing year, in your assessments do you see that as a potential positive for the Pool or a negative, or neither? How would you assess that?

Fran Malecha: Adrian it's Fran. You know I think as we've said in the past whether the Wheat Board has a monopoly or it's an open market or a dual market, that the Pool would do very well in either environment, and we've continued to maintain that. We've always said that the transportation logistics and control over that was, we thought, better suited under our control rather than the Wheat Board's but certainly on commodities like malt barley we think there's some opportunity. But we perform well in either environment.

Adrian Ewins: Okay. Could you assess the performance of the Wheat Board this year? There's some people have been expressing concerns that all the turmoil around the future of the Board could be affecting its ability to make sales and move grain. What's your assessment of how things have been going to date this crop year?

Fran Malecha: I really don't want to comment on that and I think the movement has been pretty robust in the first quarter and I would have no sense for prices and that type of thing, in terms of the Wheat Board sales.

Adrian Ewins: Okay, and one final question. Have any shares been tendered to date by AU shareholders?

Colleen Vancha: Yes they have.

Adrian Ewins: Can you give any sort of indication of numbers or volumes, whether you're pleased with how things are going on that?

Colleen Vancha: No it's early times right now. I think that would be premature to talk about.

Adrian Ewins: Okay, all right, thank you.

Operator: Thank you. Your next question is coming from Ryan Kiedrowski of Nipawin Journal.

Ryan Kiedrowski: Hi there, I just had a question regarding Agricore United. In your comments regarding talking with the shareholders you're saying the feedback has been good, but in fact Agricore is calling this a hostile takeover. What are your thoughts on that?

Mayo Schmidt: Well I think as we've stated in previous discussions, that in October we had a discussion and provided AU an open hand to work together and acknowledge the merits of the combination and work toward a positive result with us. We're still awaiting that response.

Colleen Vancha: Next question operator.

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

Orin Baranowsky: Thanks, good afternoon everybody.

Mayo Schmidt: Hello.

Orin Baranowsky: Just wanted to talk a bit about the Can-Oat margins. They were down a bit this year compared to last year. Do you think that is a trend or if this is just a one time impact in the quarter? It looked like your EBITDA margins were about of where they were last year.

Mayo Schmidt: Yes I would say that we still expect solid performance for Can-Oat for the year. They are adjusting their processing to maintain yields and manage the manufacturing costs related to the crop that's available to them.

Orin Baranowsky: Okay but I guess relative to last year do you think you can, you know, keep the absolute dollar amount of EBITDA on a similar level to last year or do you think that the results will come down?

Mayo Schmidt: We expect it to be similar.

Orin Baranowsky: Okay, and then how much of the growth from Can-Oat was related to your acquisition you did in the summer versus pricing and volume?

Colleen Vancha: We don't have that information for you Orin. You know we don't break it down by facility for the market but certainly the Barrhead did come on stream this year and we are generating sales out of that new facility.

Orin Baranowsky: Now if the transaction with Agricore doesn't proceed, what do you do next?

Mayo Schmidt: Well I think we stated that we think the industry is very optimistic. There's a number of projects we've recently, expanded Can-Oat's milling capacity. As well we acquired Con-Agra's oat milling business in Alberta. We see an opportunity both in the bio-fuels from a supply point of view and also participating in exploring a relationship related to the processing side of that particular industry, so there's a number of strategies that we're involved in right now. Those will all continue to be moved forward. The project relating to the merger of these two great companies is something that we are working on full time right now.

Orin Baranowsky: Okay so it sounds like most of your focus will be more on the downstream value added processing as opposed to acquiring additional handling facilities.

Mayo Schmidt: I would say that's correct. We are focusing the business on developing our strengths in the value added while we're supported by our origination and core businesses.

Orin Baranowsky: Okay, thanks a lot.

Operator: Your next question is coming from Angela Hall of Regina Leader Post.

Angela Hall: Hi there, I was just wondering if there was any update or comment you could give regarding the GSU Pool pension given that OSFI seems to be indicating that the previous direction remains in effect, even as the Pool seeks its review in court.

Wayne Cheeseman: It's Wayne Cheeseman. There's no update to that. It's the same as the previous update we provided. We will be seeking direction from the court.

Angela Hall: If I could I just wanted to ask as well you were speaking earlier about the Competition Bureau and that you expect that they will - there will be some remedial action required there. What do you mean by that?

Mayo Schmidt: Well we expect that there will be some adjustment required related to the combination of these companies and that's what we are in discussion with, although I think the key point is that we believe the Commissioner will allow the offer to proceed without challenge on terms that will be acceptable to us, so we have in our thinking already contemplated changes relative to the combination.

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

Roberta Rampton: Hi, I wanted to ask Fran Malecha just a little bit more detail about I guess export opportunities. In the release today you talk about how there's opportunity for the Wheat Board to exceed its initial export estimate and I guess I'm confused about whether you mean that's August estimates or recent estimates of 19 million tonnes and anyway just – I'm wondering if you can sort of update us on what sorts of exports you see possible when it comes to Board grains, especially given the Stats Can report that you referred to earlier today.

Mayo Schmidt: In the release today, we were going off of 17.5 million tonnes Ag Canada numbers and the cost there was 1 to 2 million tonnes of upside to that, which kind of puts you in that 19 million tonne range either side. So I think those are kind of the numbers that we're talking about. I mean the demand for Board grains and for non-Board's quite frankly are coming from traditional places. Certainly in the case of wheat, Japan would be a major market and Asia and all those traditional markets but I think with the issues in Australia you know we're just going to have more opportunity in those markets. I think Australia's production, last I saw, was slightly below 10 million tonnes which is less than half their normal production.

Roberta Rampton: Right, and any untraditional markets that Canada is able to get into this year because of some of the I guess drought problems in Australia or just other world bio-fuel demand, thinking about specifically canola, untraditional places that canola, you've seen canola going.

Mayo Schmidt: This continues to go into places like the Middle East where they're crushing it and selling it to Europe to meet their bio-diesel demand, so along with traditional places like Japan, China, Pakistan, it continues to move into the Middle East much like it did last year.

On the wheat side I would just add that I think for the first quarter the biggest demand has come from India.

Roberta Rampton: Right.

Mayo Schmidt: Which is really a new market for us this year and I guess it remains to be seen what type of demand will continue there through the last half of the year.

Roberta Rampton: Okay. Lastly I just wanted to ask, Mr. Schmidt, about the \$60 million in synergy. I mean can you give us sort of any illustration about where those savings would come from, what you would be doing to achieve those savings.

Mayo Schmidt: Sure. The expectation is the synergy of \$60 million would be shared a third, a third, a third between grain, agri-products and corporate equally and that would be on a combined EBIT of approximately \$215

million representing about 28% on a pro forma basis, which is very strong of course.

Roberta Rampton: Okay, thanks.

Colleen Vancha: Thank you.

Operator: Your final question is coming from Charlie Park of Findlay Park Partners.

Charlie Park: Good afternoon, could you just – I've been struggling to get these numbers, give me the breakout for capital invested between the grain handling side and the retail side please?

Colleen Vancha: Yes, just one moment Charlie.

Wayne Cheeseman: Charlie its Wayne. If we look at our full year we're estimating approximately in the \$40 million range. A significant amount of that will come out of the Pool and Can-Oat with the Vancouver project, as well as Can-Oat capacity expansion.

Charlie Park: No sorry, I'm thinking about the assets that you've got involved here rather than the capital investments. Not Cap Ex, the actual capital invested in these two businesses.

Wayne Cheeseman: Okay, if you look at sort of the grain handling and marketing we've got \$305 million roughly.

Charlie Park: Okay.

Wayne Cheeseman: So October 31 number will be \$338 for grain handling and marketing and agri-products we would have \$170.

Charlie Park: Okay great. Very useful, thanks.

Colleen Vancha: You're welcome.

Operator: We have a question from Richard Blackwell of Globe & Mail.

Richard Blackwell: Hi, you mentioned that you are already contemplating some changes to meet what you expect would be a requirement from the Competition Bureau. Can you tell us what those changes that you're contemplating are?

Mayo Schmidt: I believe what I said Richard was that we expect when the Bureau has had a chance to review and reflect on the combinations that there certainly will be some adjustment. We have not put forward any statement about what that adjustment might be as we are not intending to pre-empt the bureaus developing their own views so I think it's premature at this point in time. The final footprint of course is subject to their review and we certainly have the view we will continue to offer competitive grain handling and marketing services with the combination following their review and requirements.

Richard Blackwell: When you say you're contemplating changes, I mean you're prepared to make some changes depending on what the Competition Bureau asks?

Mayo Schmidt: That's correct.

Richard Blackwell: Okay, all right. Thanks very much.

Mayo Schmidt: Thank you.

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

Colleen Vancha: I'd like to thank everybody for being on the call today. We of course have the call taped and it will be available to you by replaying through the dial in number of 1 877 519 4471. Pass code is 81998716. Thank you very much for participating in the call and happy holidays to everyone.

Operator: Thank you. This concludes today's Saskatchewan Wheat Pool first quarter results conference call. You may now disconnect your lines at this time and have a wonderful day.