

David Newman, National Bank Financial

Good afternoon, folks.

Mayo Schmidt, President & Chief Executive Officer

Hi, David.

David Newman, National Bank Financial

Just a couple of quick questions on the guidance. Obviously the crop has a prospect of looking pretty good here in terms of volume and also in terms of the quality, but it is a little bit late in the season. What sort of risks are we looking at here? How many days of good weather? And it does look like we've got the prospects of fairly decent weather right now; how much do we need to get this crop in the bin?

Fran Malecha, Chief Operating Officer

David, it's Fran Malecha. You know, I think if we have three good weeks of weather and you don't get rains in between that kind of slow you down, because the later in the season the longer it takes to recover from a rain, three good weeks, I think, would go a long way to getting the crop in the bin.

David Newman, National Bank Financial

And given historic precedent, what do you envision right now? What's your Company perspective on where would it might end up being?

Fran Malecha, Chief Operating Officer

In terms of..

David Newman, National Bank Financial

Yeah, I mean given the typical seasonal weather patterns, and of course we're not seeing that more regionally, but, you know, as you look out, do you think the crop could be subject to some frostbite or what do you think?

Fran Malecha, Chief Operating Officer

I think we're probably far enough along on the crop development where frost would have a minimal impact on quantity, maybe a slightly higher impact on quality, but I think minimal. The biggest issue as I see it would be rain, and if we get that open three weeks of weather then I expect that we'll have about an average quality crop.

David Newman, National Bank Financial

Okay. And then in terms of handle for next year, you sort of forecast, what, around 14 million tonnes thereabout is what you think you could probably handle?

Fran Malecha, Chief Operating Officer

I mean we don't forecast our shipments, but what I would say is we are going to have a bigger crop. We have strong markets. We'd expect the grain to move and farmers to take advantage of these markets and sell the grain and we're still expecting a strong margin opportunity.

David Newman, National Bank Financial

Okay. And just switching gears, on the gross margin per tonne, obviously it came in a little higher than expectation. Your guidance has been moved up a little bit. If you strip out and you looked into next year, what would be the normal or base case sort of margin assumption we should use? I think it's been around the mid-20s before. Is there something that you've seen operationally now that would lead you to believe that maybe it's towards the \$27 to \$28 range now if you strip out some of the pricing volatility?

Fran Malecha, Chief Operating Officer

I think you have to back off of our current number for next year, but it should be higher than kind of that traditional or historic level. I think you're in the range. Kind of in that \$26 to \$27 range is probably as accurate as one can get right now knowing that we still have risks with the crop.

David Newman, National Bank Financial

Okay. And just on the labour front, obviously there's been some rumours or I guess some comments made that perhaps the labour strike could expand to the ports. Do

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you see that happening at all? Do you have contingency plans for the ports as well?

Fran Malecha, Chief Operating Officer

We have contingencies and plans in place across in our entire business and we don't anticipate that we'll have an impact at the port facilities that would materially impact our operations.

David Newman, National Bank Financial

Okay. And last one if I may: You've got two major elections coming up. Canadian Wheat Board, obviously you've got their elections coming up, and you've got the federal elections coming up. Any colour on when farmers might be freed from their involuntary servitude to the Canadian Wheat Board?

Mayo Schmidt, President & Chief Executive Officer

That's an interesting way to put that, David. I would say we are, like you, carefully watching to see what those results—and you make two good points.

One is that there's an election going on at the Board of Directors of the Canadian Wheat Board and, as I understand it, right now the majority by one is one the side of pro-monopoly and there are four positions that are up for re-election, I believe is the number. So that is yet to unfold. And then of course the conservative government has made their position clear and when the election is done and if there's a majority I suspect that they will look back to what their position was and consider their next step.

So we look at it like this, clearly that we think there are advantages in our system to having more influence over the movement of the rail equipment, because obviously we're operating the origin and the destination, and having other parties participate in that pipeline does not create efficiencies.

We think we can continue to maximize those as we've done and we've proven we've been able to. We think that there's more opportunity for Western Canadian producers and for the industry to have a deeper involvement and experience in the transportation sector. What those outcomes could be, you know, you'll have to predict and we'll have to wait and see.

David Newman, National Bank Financial

Very good. Thanks, folks.

Operator

Thank you. The next question is from Robert Winslow from Wellington West Capital. Please go ahead.

Robert Winslow, Wellington West Capital

Good afternoon. The \$34.47 gross margin per tonne in the handling division for the quarter, can you break out how much of that was related to trading gains for us please?

Unknown Speaker

We don't have that breakout for this quarter.

Robert Winslow, Wellington West Capital

Could you hazard a guess?

Unknown Speaker

I would say probably fairly consistent with what's been happening all year.

Robert Winslow, Wellington West Capital

Okay, so about \$5 or \$6? I think that's what it was last quarter.

Unknown Speaker

I think you might be a little high there.

Robert Winslow, Wellington West Capital

Okay. Well that's good. So less than \$5-ish. Okay. And so I guess then the normalized rate for this quarter, which had more board grains would be about \$30 and so that would still be a little bit higher than the \$26 to \$27 you just suggested on the previous question. So I guess there are some other factors in there. Maybe you could just kind of walk us through that again. I know this gets

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asked every quarter but just help me. I'm trying to model the longer-term margin potential here.

Fran Malecha, Chief Operating Officer

I think if you look at the year that we've just had with gains and our operations blending and how we handle the grain, our inventory management, all those types of things, are they going to be repeatable at the same level? I think that's where we have some question and, like I said earlier, we don't know what the quality of the crop is. We do think though that there's going to be a slight impact to, for example, malt barley quality, and that's a very good product for us to handle and our margins on it. So I think those are some of the reasons why you're going to see probably a kickback. And I think also we won't see the same volatility in the commodity prices that we've seen over this past year.

Robert Winslow, Wellington West Capital

Right. Yeah, it's tough to call the volatility for sure.

Fran Malecha, Chief Operating Officer

The markets are volatile still right now but we think at some point in time, once the production for the year is in the bin, across the north and southern hemispheres that maybe some of that volatility comes out.

Robert Winslow, Wellington West Capital

Right. And again on the quality, is it fair to say that if quality is not so good that gives you opportunities on the blending side to drive higher margin? Is that right?

Fran Malecha, Chief Operating Officer

Sure. There will be some opportunity there.

Robert Winslow, Wellington West Capital

Okay. And then the last thing for me is just on M&A. Obviously you've got some dry powder, \$440 odd million from that equity raise, and we haven't seen an announcement yet. I know you're working hard on it. Can you tell us, um, has your hat been in the ring on any deals that you just haven't been able to work out, you've lost out to other bidders, or is it just that you haven't actually been able to find any that you're close to? And

the reason I'm asking is when you raised the money back in May/June, I'm wondering how much of it was opportunistic and how much of it was, "Hey, we need the money now because we've got something we want to acquire imminently."

Mayo Schmidt, President & Chief Executive Officer

Sure. We've been very active at the table on a few opportunities. I think there are a couple things that are going on right now and of course we see the commodity correction that's taking place and it probably all begins in a sense with oil when you think about the geopolitical events, the Middle East, the hurricanes in the Gulf, you know, we really have a disconnect here between the commodities such as oil and fertilizer. I think the fact is that with oil prices coming down and natural gas coming down, it's driving greater margins on the fertilizer side, and grain margins of course, as you see, have been very strong. There is no weakness in the pricing, yet what we do see to some degree early on is kind of peak multiples on peak earnings, and so we've been very conscientious about that in terms of being a patient and disciplined buyer. We're going to, I think, find transactions—more than one, plural—over time that adds shareholder value with the discipline that we've used.

We have looked at projects and we've seen projects trade that we have simply made a determination that we would not pay the kind of values that were paid. And I think if you look at the companies today, and there are quite a number of ag companies particularly on the fertilizer side, and you see the reductions that they've experienced between 20 percent and in the mid-30 percent of their market caps, has been rather significant. So I think we look at this as long term and stable growth.

You know, in 07 we raised over approximately \$1 billion at \$8 and the shareholders have been substantially rewarded, and we've raised in 08 some capital, as you've indicated, at \$14, and we think over the long term with the discipline and the opportunities which we see in the market place, which we think are significant, the shareholders are going to be rewarded as well, because, as we all know, this is a strong long-term investment, not a one-month turnaround.

So we have confidence in the position we're in and we'll continue to look at some opportunities. There are opportunities that we're reflecting on even at this time.

Robert Winslow, Wellington West Capital

Just a follow up to that, I'm wondering if you can tell us on the privates that you might be looking at, the non-public companies, I'm wondering if the valuations they're looking for are fairly sticky. I mean public companies get re-valued every day, we see it in the stock market, but I'm wondering if sticky valuations on the private side might hinder you from—you might take a little bit longer than we expect to get something across the goal line.

Mayo Schmidt, President & Chief Executive Officer

Well we're looking at opportunities right now and I think it's simply a case of, you know, the businesses that we're looking at are typically platform businesses that operate in the same business structure that we do, where we believe we're the best in the world at what we do and we can export that talent to new opportunities and take their level of performance up and through the combination produce some results for the shareholders. I don't think that there's particular mix between private and public that I would begin to define for you at this time.

I think whatever the structures are, there are opportunities right now. I don't think I would kind of confine it to a certain timeframe. I mean right now obviously it's a little difficult because the marketplace is in a lot of turmoil and there's a big commodity correction taking place. We realize that and the targets that we're looking at realize that and I think you just continue to have a watchful eye, and we're active in discussions and we'll be looking forward to making an announcement when we have the opportunity.

Robert Winslow, Wellington West Capital

Great. Thank you very much.

Mayo Schmidt, President & Chief Executive Officer

You're welcome. Thanks.

Operator

Thank you. The next question is from Orin Baranowsky from BMO Capital Markets. Please go ahead.

Orin Baranowsky, BMO Capital Markets

Thanks a lot. Good afternoon. Congrats on the quarter, guys.

Mayo Schmidt, President & Chief Executive Officer

Thanks, Orin.

Orin Baranowsky, BMO Capital Markets

Just want to continue on on the acquisition line of questions. I wonder if you can give us some thought into your thought process on your priorities in terms of either by business lines or by geographies where you're most pressing, I don't want to say need, but where you're looking the hardest to expand your business would be.

Mayo Schmidt, President & Chief Executive Officer

Sure, Orin, I'd be happy to address that.

Really what we're looking at is, and look at our business like a platform business where we have a pipeline system that we operate and take margin at every position along that pipeline, and as we look at opportunities that are both upstream and downstream we think that if we can acquire other platform businesses. It'll be businesses that share the same destination customers, that have geographic diversification, that through the combination create scale on the balance sheet, creates obviously a lower cost of capital. But we're also looking at particular channel businesses, as I would call them, and that might be as you think about our Can-Oat. We're the largest industrial oat miller in the world. We are the premier miller of oats in terms of our processing companies that buy the oats from us, the cereal companies, highly thought of, and those are the kinds of businesses we want to be in.

We like to think about businesses that are scalable beyond the first step. So we're not just thinking about a particular target as an acquisition, we're thinking beyond that to say what are the second and third opportunities that exist beyond the first step? So I think platform, I think channel, I think geographic diversification. Canada is rather limited for us right now.

I think the U.S. offers strong significant opportunities. Europe and Australia are also optimistic areas; they've got related cultures and language. Rule of law is good in those countries. We're also making some trading inroads into other countries. If you look at China and India, we're major suppliers, and I think as a third step ultimately we'll develop some relationship to processing there as well. But that won't be the first step.

Orin Baranowsky, BMO Capital Markets

So maybe not necessarily addition to oat milling but maybe additional grain processing capabilities.

Mayo Schmidt, President & Chief Executive Officer

Yeah. Grain, oilseeds, and you think about... There's wheat milling, there's durum milling, there's corn milling, there's oat milling, there are a number of different areas and then speciality crops that we're involved in. We're in the malting business. We're in the fertilizer business. We just need to pick our time. We've looked at businesses in those areas and I think we all know in the market one has traded recently at a significant number at a time prior to the correction in the market, and so we're being very deliberate and very diligent about how we proceed.

Orin Baranowsky, BMO Capital Markets

But if I were to take from what your earlier prepared comments when you talked about political risk, we wouldn't likely see you going into the Russian or the Ukrainian market given the current circumstances?

Mayo Schmidt, President & Chief Executive Officer

No. You want to think about it as if we're active in China, in India, Ukraine is going to be a big supplier, but we're also conscientious about how do we protect our assets and our shareholders' investment and so those would not be the first steps that we'd take. It wouldn't mean that we wouldn't buy and sell product in there through open letters of credit through qualified banks or lenders, but in terms of putting assets on the ground or putting a billion dollars on the ground in China or India, we're not in a position where we think that's in the best interest of our shareholders at this time.

Orin Baranowsky, BMO Capital Markets

Okay. Thank you very much.

Operator

Thank you. The next question is from Cherilyn Radbourne from Scotia Capital. Please go ahead.

Cherilyn Radbourne, Scotia Capital

Thanks very much and good afternoon. First couple of questions on the grain handling segment.

I guess the thing that struck me a little bit about your results was just how good the volumes were in the grain handling segment in light of what we've seen in the rail car numbers, and you talk in the MD&A about improved market share in board grains, which is typically hard to achieve based on the allocations system, so I'm just wondering if that reflects an increased participation in the tendering system.

Fran Malecha, Chief Operating Officer

Cherilyn, it's Fran. It wouldn't have occurred because of an increase in tendering. The one thing I will draw your attention to on market share is it might go up and down quarter to quarter and there's a lot of timing issues that happen and so I wouldn't read too much into a tendering figure.

Cherilyn Radbourne, Scotia Capital

Okay. Just thinking about the size of the grain handling opportunity for next year, clearly we appear to be looking at a crop coming in that's going to be sort of 10 percent up year on year but we do have very low on-farm inventory, so if you combine those two things do you expect the pool of grain that's available to handle next year to be up on balance relative to this past year?

Fran Malecha, Chief Operating Officer

I think it will be up slightly, yes.

Cherilyn Radbourne, Scotia Capital

Okay. I wonder if you could make some comments as to how we should think about the margin potential in the Agri-Products segment for next year, just given that your margins in fertilizer manufacturing this year have been unusually good and clearly you would have enjoyed some substantial price appreciation on your fertilizer inventory this year. Is there anything that you can say as we try to model going forward?

Doug Wonnacott, Senior Vice-President, Agri-Products

This is Doug Wonnacott. It's very true that we certainly have enjoyed significant appreciation over the course of this year. As we look into next year we don't see the same type of appreciation being available to us; however, on the assumption that commodity prices continue at their high levels we certainly expect to see fertilizer usage continue at high rates and as such we would expect prices to remain high. We also enjoy widening manufacturing margins here as a result of some softening in natural gas and continued high prices on the finished products.

Cherilyn Radbourne, Scotia Capital

Okay, that's helpful. Just one last question: One of the things I've come across in some of the trade press is just some commentary by the large Japanese trading houses that they're looking to increase their direct grain purchases in part by actually investing in grain storage in target markets. Do you see that as a threat or an opportunity for Viterra?

Fran Malecha, Chief Operating Officer

We haven't seen that in Canada. You know, I think some of the trading companies have been purchasing land, I think there was one that purchased land in South America, and certainly they have positions in grain handling assets in the U.S. Will that continue? You know, it may, but generally it tends to be a partnership and they will usually take a minority interest most of the time. So I think it would be a potential opportunity for us if they were looking in Canada, but we just haven't seen that in the market place to this point.

Cherilyn Radbourne, Scotia Capital

Okay, thank you. That's all my questions.

Operator

Thank you. The next question is from Bill Mackenzie from TD Newcrest.

Bill Mackenzie, TD Newcrest

Thank you. Most of my questions have been answered, but maybe just two. First I guess on the theme of acquisitions and the balance sheet. If it takes a little bit longer to get an acquisition done given, you know, if you want to be a little bit patient in this commodity sell-off here, would you consider any other uses of capital, i.e. buying back stock? I mean you just issued a lot of stock but it was at significantly higher levels than where the stock's at right now. Would you kind of refocus your cash deployment plans given what's happened with the stock at all or are you going to just stick with the status quo?

Rex McLennan, Chief Financial Officer

Hi, it's Rex McLennan. Yeah, clearly our M&A strategy is continuing to, you know, we're continuing to prosecute that, and we're firmly of the belief that we will have good opportunities to earn more than our cost of capital by investing in new business opportunities, and so, consistent with that approach, we wouldn't have any reason to be looking at buying back stock or implementing a dividend program. It's not to say that at some stage of the Company's plans that that would not be considered, but given our current strategy it's not something that we're considering. And I recognize your question as a hypothetical one, but the reality is that we're in the midst of looking at business opportunities and we're firmly of the belief that we'll find them.

Bill Mackenzie, TD Newcrest

Okay, great, thank you. And then going back to the margin per tonne discussion, is it possible to get any additional disclosure on, maybe looking back over the last three quarters, what the variance in the margin per tonne would be in your business right now between board grains and non-board grains?

Fran Malecha, Chief Operating Officer

I think if you look at the, if I understand the question right, if you look at the margins on board grains, they've been very consistent throughout the year. On the non-board grains there's been more opportunity because of the volatility in the market and we've been able to take advantage of that. So I think the increase year over year will tend to be much more on the non-board grains. Although on the board side we do capture some of those blending gains and certainly pick up the efficiencies on the rail side to the degree that we can, so there's a little bit of an increase there.

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Bill Mackenzie, TD Newcrest

I certainly appreciate that the vast majority of the lift has happened on the non-board side and I'm just wondering on the board side is, you know, kind of \$1 or \$2 a tonne or is it higher than that in terms of how much the margins may have gone up on that side of the business from things that you mentioned? Are those reasonable numbers to think about?

Fran Malecha, Chief Operating Officer

It's probably—I think you're talking about like 10 percent or so; it's probably reasonable.

Bill Mackenzie, TD Newcrest

Great. Thanks very much.

Operator

Thank you. The next question is from Richard Tattersall from Heathbridge Capital. Please go ahead.

Richard Tattersall, Heathbridge Capital Management

Just expanding on Mr. Mackenzie's question on the buyback, do you have—have you filed the regulatory approval for that? I know it's not in the short-term plan but do you have the process in place? And sort of a linked question, either for buybacks or insider buying, are you guys blacked out given the corporate development and the strike action, etc., at the moment?

Rex McLennan, Chief Financial Officer

Hi, Richard; it's Rex McLennan. Yeah, we don't have any filing at present such as a normal course issuer bid. We don't have that in place nor are we contemplating it. In terms of blackout periods, we do have fairly extensive blackout periods for insider trading that recognize the flow of information and the lengthy periods of time that it takes to put together financial information for our quarter. So for a fairly substantial part of the year the insiders are blacked out from trading.

Richard Tattersall, Heathbridge Capital Management

Well normally it's two days after or something, but does the blackout not because of other things you're working on?

Colleen Vancha, Vice-President, Investor Relations & Corporate Affairs

I think it's fair to say, Richard, that if there are specific blackouts related to special projects, that would be information available to the executive management team on those projects. Generally in the organization the trading window opens a couple of days after the quarter and the general population can trade, but those who are working on professional projects are treated in special circumstances. We couldn't comment on whether there's a blackout in place right now for that reason or not.

Richard Tattersall, Heathbridge Capital Management

Thank you. And just, ah, I'm not sure I fully understood the answer to David Newman's question about if we have three weeks of dry weather does that sort of break the back in terms of the time race for the crop?

Fran Malecha, Chief Operating Officer

Yes.

Richard Tattersall, Heathbridge Capital Management

Okay, thank you.

Operator

Thank you. The next question is from Gerry Hanochocko from Genuity Capital Markets.

Gerry Hanochocko, Genuity Capital Markets

Good afternoon. Maybe a question for Rex here. Just with the Company looking at acquisitions and you've got some cash on the balance sheet here, what do the credit markets look like right now and how are the bank relationships looking? You know, if you're looking at making an acquisition, say, for something more than \$440 million, what do you think you're ability to finance that would be?

Rex McLennan, Chief Financial Officer

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That's a fair question. We're obviously in a very strong financial position now, upwards of \$500 million in cash or short-term securities, and we have some undrawn credit capacity as well in the term facilities that were negotiated in May. And as a general answer to your question about access to capital, because of the strength of the Company and its financial performance and very strong credit metrics we are at the very upper end of the non-investment grade rated credits and we are investment grade rated by DBRS in Canada and on positive outlook by S&P and so the financial community views Viterra as being in a very solid position to finance opportunities that make sense for the Company and we don't feel that we have any real constraints for opportunities that make sense for the Company and that are accretive. So all in all I'd say we're in good shape from a financial perspective.

Gerry Hanochocko, Genuity Capital Markets

No issues from your lenders on the agricultural space?

Rex McLennan, Chief Financial Officer

No.

Gerry Hanochocko, Genuity Capital Markets

Okay, thank you.

Operator

Thank you. The next question is from Roberta Rampton from Reuters. Please go ahead.

Roberta Rampton, Reuters

Hi. I have a question about timing of acquisitions. I know, Mr. Schmidt, you had talked earlier in the year about hoping to be able to announce something by November or by the end of calendar 2008; do you feel that that timing is still possible given the kind of correction you're seeing in the market?

Mayo Schmidt, President & Chief Executive Officer

Well, one, as I mentioned, we are very active. I think that the potential does exist at this point in time. Of course we don't have anything that we're in position to talk

about. So I think the timing is going to obviously be determined and dependent upon the particular transaction. And we have, of course, with the number of businesses that we operate in and a very strong business planning group within the Company and use of strong financial advisors that we've used for the last eight years, we feel very confident that we're going to have a good look at a number of good projects and we hope to get something across the finish line in that period of time.

Roberta Rampton, Reuters

Sorry, in that...? I missed the end.

Mayo Schmidt, President & Chief Executive Officer

In the period of time by the end of the calendar year.

Roberta Rampton, Reuters

Okay. And the projects you mentioned that you had looked at and ultimately rejected or stood back on, was that--I sort of missed—was that because of price specifically?

Mayo Schmidt, President & Chief Executive Officer

It was, yeah, as I was mentioning, peak multiples on peak earnings, and I think we've seen in the past six months a few buyers have been caught in situations where they've paid peak multiples on peak earnings. And we've seen the, you know, of course the significant change in the marketplace and the turmoil and I don't think it's treated them well, and in that period of time, the projects we looked at, we showed the discipline to pass on a couple opportunities that we thought were overpriced from our point of view and what we thought the opportunity looked like.

Roberta Rampton, Reuters

And you sort of hinted about one, I was unsure though if you were referring specifically to the fertilizer plant at Belle Plain?

Mayo Schmidt, President & Chief Executive Officer

It's just one of many that I think have been in the line-up. There's quite a number that have traded in the last six months.

Roberta Rampton, Reuters

And I also—I sort of got lost, pardon me, in the explanation about the platform, the pipeline and the channel and I wondered if you could just sort of explain that to me again.

Mayo Schmidt, President & Chief Executive Officer

Sure.

Just indicating that in our business where we operate from seed, chemical, fertilizer to the grain production or the pipeline as it will from the customer selling all the inputs to the destination customer delivering over 300 shiploads of grain around the world as a platform business and then more of the channel might be a distinct business within that which our internal business, the origination of the grains and the chemicals and the fertilizer that supply those grains then would go to our Can-Oat milling business, would go to our malting company, would go to our feed manufacturing company. So those are some of the channel businesses which operate within that pipeline but are a little more of a bolt-on or a little more independent so to speak but do rely upon the pipeline for their supply chain.

Roberta Rampton, Reuters

Okay. Lastly I wanted to ask, you talked about the market downturn and the market being in turmoil and I'm wondering if you can sort of describe how that's affected your own Company. Your stock. I know that just looking at a chart it's gone down over the past three months and down sharply yesterday, but is there any sort of commentary you can provide about that and how it relates to sort of the overall commodity market or if it does?

Mayo Schmidt, President & Chief Executive Officer

Well, and this really goes back to my earlier comments to expand on those, is that, as you can see, year-over-year and quarter-to-quarter this business is performing extremely well and it's based on very solid fundamentals of how we operate the business, how we execute on the efficiency of our system, and the pipeline management

that we have. Clearly there's a big commodity correction taking place, probably in a way led by oil. We just don't think that this action does not support the global fundamentals, particularly, as I mentioned, when you think about fertilizer, gas and oil prices are coming down, which means we have greater margins in our fertilizer business because we use natural gas at 80 percent of the cost factor in manufacturing urea. So it's just the two don't fit together. So when we think about it, we've not seen any weakness in the pricing of the fertilizer. We continue to see strong and robust in all of our core businesses without any weakening or softening so we continue to have a lot of confidence in the business. Demand is outstripping supply. We still have deficits. And, as I mentioned in my earlier remarks, the world is still out-consuming what we can produce and we've got the fertilizer cranked up both in volume and in prices. And of course there are still some crops that are out. Australia has yet to get over the hump. They needed some rain to have a really good crop so the jury's out on that one. And we've got to get our crop in.

Roberta Rampton, Reuters

Thank you.

Operator

Thank you. Once again, please press star one if you have a question.

The next question is from Winston Lee from Credit Suisse. Please go ahead.

Winston Lee, Credit Suisse

Hi. Thanks. I wondered as you think about downstream potential or the potential to acquire downstream businesses, you know, being upstream has been a nice place but downstream there's been more inflation pressures, and I wonder as you look forward what's kind of your view on the appetite for you? Is it increasing because of a potential shift that you see in margins for downstream businesses overall because of inflation or does it just kind of not matter in terms of your portfolio? I guess what I'm asking is, is there more of a case to get more downstream now that there might be some compression still from inflation and more attractive opportunities to buy?

Rex McLennan, Chief Financial Officer

I think that the businesses we're looking at are very well performing businesses, I think it's just simply a case that we think that they fit in our pipeline model, they fit in our optional origin program with destination customers, and we also think that we have the opportunity to export our systems, our technology, our expertise in the businesses that we operate in to increase yields, increase performance of the business, and ultimately to feed the world. So it is all a very vast integrated pipeline that's rather fragmented if you look at the U.S. and Australia particularly. And we've been the catalyst for consolidation in Canada and we intend to use those talents in other markets as we're able to.

Winston Lee, Credit Suisse

And as you think about the link between food and fuel and oil prices coming down, I think you've said it's better for your fertilizer business if natural gas is down, but I wonder does that, what does that do to your commodities like your grain handling business as you look forward? If, let's say, overall oil just stays where it is today and natural gas kind of stays at the same level, do you think that's a net positive for you?

Fran Malecha, Chief Operating Officer

Certainly it's a net positive from the record high prices we've had. We talked about the impact on fertilizer margins from natural gas and then if you look at just the amount of transportation that goes into our businesses and with fuel surcharges being added as the price has gone up, we would expect some of those to come off as oil prices decline.

Winston Lee, Credit Suisse

And I just had a question on your term facility. I think you've got a November deadline there before you can fully utilize it. Does that impact the way you view any opportunities or does it not matter?

Rex McLennan, Chief Financial Officer

It's Rex. No, it doesn't really matter. I mean we do have a mid-November timeline on the undrawn portion of that facility. Of course we have either the opportunity to draw the funds down or to seek waivers to extend the term and either option is open to us, but it doesn't affect our timing on any particular transaction that we might be looking at.

Winston Lee, Credit Suisse

Okay. And I guess just then on, Rex, do you guys have any aspirations right now for what might be long-term returns on capital for you?

Rex McLennan, Chief Financial Officer

Well we always have the aspiration of course to generate an after-tax return on our assets that exceeds our cost of capital and by a significant margin, so any opportunity we look at investing in has to have the expectation of generating returns in excess for the cost of capital and the extent to which that excess, ah, the amount of that excess clearly is going to be related to the nature of the opportunity and the risks inherent and the potential of it. So it's more than just a simple exercise of looking at the economics. We have to look more broadly at everything that the opportunity brings us.

Winston Lee, Credit Suisse

Okay, that's it for me. Thanks guys.

Operator

Thank you.
The next question is from Orin Baranowsky from BMO Capital Markets. Please go ahead.

Orin Baranowsky, BMO Capital Markets

Yeah, just a follow up to Gerry's question on your debt facilities I wonder if you could talk about if you have a target range for top end for what you're looking at in terms of where you could go on the acquisition side, how far you could take your debt facility from where you are currently?

Rex McLennan, Chief Financial Officer

You know, our target debt to capital relationship is in the 30 percent to 40 percent range and we're currently around 25 percent and obviously are carrying a sizable cash position, in excess of \$500 million.

So, as we've said, we do have a fairly significant opportunity to fund our business activities. I wouldn't put

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a specific number on it, but if you think about our target debt-to-capital ratio in that context, 30 percent to 40 percent, and we'd be looking at carrying EBITDA to interest expense relationships that would be within the investment grade category for credits in excess of four or five times. And if you look at our credit metrics across the spectrum at the coverage ratios as well as the capitalization ratios, we're clearly in a very strong position going forward and don't see our balance sheet as posing any particular constraint on what we're looking at.

Having said that, we are going to maintain the discipline to make sure that our balance sheet is strong and that we continue to target credit metrics that are in the investment-grade category and make sure that we're not in a position where we can't respond to opportunities when they exist.

Orin Baranowsky, BMO Capital Markets

Okay, thank you.

Operator

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Ms. Vancha.

Colleen Vancha

Thank you very much everyone for joining us today. We've recorded this call and it can be replayed. You dial 1-800-408-3053. The passcode is 3268714. Thanks very much for participating.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.
