



SASKATCHEWAN WHEAT POOL

1ST QUARTER REPORT - OCTOBER 31, 2000

TO OUR SHAREHOLDERS SUMMARY OF RESULTS

Sales and operating revenues were \$792 million for the first quarter of fiscal 2001, an improvement of 16% compared to \$682 million for the first quarter of fiscal 2000. The cost of sales and operating expenses as a percentage of sales improved in the first quarter, reflecting margin improvements in all core business segments. The continued emphasis on cost control has also resulted in a \$2 million reduction in selling and administrative expenses.

Earnings before interest, securitization, depreciation, amortization, and taxes (EBITDA) for the first quarter of fiscal 2001 were \$29.6 million, a significant improvement over \$7.5 million for the first quarter last year. This improvement reflects stronger results from all core business segments, led by the Grain Handling and Marketing segment. Depreciation and amortization costs increased to \$18.8 million from \$16.7 million for the first quarter last year, reflecting the first full year of depreciation for the Project Horizon and pork production facilities. Details pertaining to the individual segments follows in the respective segment discussions.

Earnings before interest, securitization, and taxes (EBIT) were \$10.9 million, a \$20 million improvement over the loss of \$9.1 million for the first quarter last year. Interest and securitization costs increased to \$20.0 million, compared to \$14.2 million last year. This increase is attributable to an increase in both borrowing levels and borrowing costs, and the impact of completion of the Pool's large capital projects.

For its first quarter of fiscal 2001, the Pool reported a consolidated net loss of \$6.7 million or \$0.18 per share. This compares to a net loss of \$14.5 million or \$0.39 per share for its first quarter of fiscal 2000.

Grain Handling and Marketing

Sales for this segment for the first three months of fiscal 2001 were \$503 million, 14% above sales for

the first quarter of fiscal 2000 of \$440 million. This improvement reflects higher grain handling volumes for both the primary elevator and port terminal elevator operations. The volume related increases were partially offset by generally lower commodity prices.

Primary handling volumes for the first quarter of fiscal 2001 were up 3.6% compared to last year. There were slight improvements in both Saskatchewan and Manitoba while Alberta was relatively flat, due to the impact of the drought in that province. With this year's harvest completed earlier than last year, deliveries into and shipments from the primary elevator system have been higher year over year. Approximately 54% of grain volumes handled by the Pool were for the account of the Canadian Wheat Board (the "CWB"), down from 58% for the same period last year, with the Pool receiving 27.5% of CWB shipments compared to 26.7% last year.

Port terminal handling volumes showed an overall increase of 13.0%, led by a substantial increase at the Pool's port terminal in Vancouver, partially offset by a decrease at the Pool's port terminal in Thunder Bay and a decrease in the Pool's share of grain volumes at affiliates. The increase in Vancouver was primarily a result of an increase in CWB grain through this facility, as well as increases in sales of certain other commodities. Conversely, the decrease in Thunder Bay was primarily a result of a decrease in CWB grain shipments through the eastern corridor. Year over year increases in the Pool's share of handling volumes at Pacific Elevators and Manzanillo, Mexico were more than offset by the decreased volumes handled through Prince Rupert. Prince Rupert opened on October 15, 2000, and the CWB commenced shipments of grain through this port on November 1, 2000.

Three Month Handling Volumes to October 31
 (thousands of tonnes):

	Increase (Decrease)	2000/2001	1999/2000
Primary Elevator System	3.6%	2,276	2,197
Terminal Operations			
Vancouver	59.8%	695	435
Thunder Bay	(14.6%)	463	542
Share of Affiliates	(6.5%)	257	275
	13.0%	1,415	1,252

For the first quarter of fiscal 2001, EBITDA for the Grain Handling and Marketing segment were \$12.2 million compared to \$2.0 million in the previous year. This improvement was primarily due to higher volumes, combined with a decrease in overall operating expenses, which reflects savings realized to date from the elevator consolidation program. The majority of the impact of cost savings from the elevator consolidation program will be realized in future periods, as program implementation is completed.

Positive impacts from the completion of Project Horizon, due to the Pool's multi-car loading capabilities, have exceeded expectations during the first quarter. The Pool received multi-car rail freight incentives on 78% of its total shipments during this three-month period, compared to 58% for the same period last year. In addition, 55% of total shipments have been shipped as 50 or 100 car trains, compared to 30% last year. The Pool expects nearly 100% of its shipments to be multi-car shipments by mid 2001.

A major focus for the remainder of the year will be on continuing to increase the proportion of total shipments of 50 or 100 car trains. Uncertainty regarding the CWB forward booking program could reduce the Pool's program flexibility, and its ability to create combined trains of Board and non-Board grains.

Canadian grain and oilseed production from the 2000 crop has decreased by approximately 7% year over year. This decline will not impact total exports from western Canada, which are expected to remain relatively flat due to a sufficient level of carry over stocks.

Agri-products

Sales for this segment for the first three months of fiscal 2001 were \$89 million, a 56% improvement over sales of \$57 million for the first quarter of fiscal 2000. The primary factor in the current year was an increase in fertilizer sales, which was driven by favorable weather conditions in the fall of 2000 and producers' concerns over anticipated price increases in the spring of 2001. In combination with these factors, fertilizer sales for the same period last year were abnormally low. Sales for crop protection products and agricultural equipment also showed improvements year over year.

For the first quarter of fiscal 2001, EBITDA for the Agri-products segment were \$3.0 million, compared to a loss of \$0.5 million for the first quarter of the previous year. This improvement is mainly attributable to the improved fertilizer sales volumes.

The outlook for this segment for fiscal 2001 remains positive, due to the Pool's strategically located facilities, strong links to its grain handling business, and sales programs customized to meet the producers' needs. Although increases in natural gas prices are expected, it is anticipated that these increases will be recovered through higher fertilizer prices.

Annual results for this segment are largely dependent on agricultural conditions in the spring, which is the busiest season for the agri-products business. There is potential for a shift in crop mix to lower canola production and higher wheat production, based on commodity price expectations. This shift may have an adverse impact on sales of seed and crop protection products in the spring, due to the higher use of crop inputs for canola production relative to wheat production.

Agri-food Processing

Sales for this segment for the first three months of fiscal 2001 were \$153 million, up slightly from sales of \$151 million for the first quarter last year.

CanAmera's sales were up year over year, due to improved soybean crushing volumes and margins, combined with reduced industry capacity related to plant closures in the United States. CSP Foods experienced a reduction in sales for the first quarter as it focused on higher margin product lines. Sales for

both Prairie Malt and Can-Oat improved year over year. CSP Foods and CanAmera together accounted for approximately 84% of total segment sales, down slightly from the same quarter last year.

For the first quarter of fiscal 2001, EBITDA for the Agri-food Processing segment were \$12.1 million, up 34% compared to \$9.0 million for the first quarter last year. Higher earnings were achieved by all businesses in the segment, with the exception of Premium Brands. CanAmera continued to be the largest contributor, due to strong sales and improved crushing margins in all sectors. CSP Foods' improvements are due to cost reductions through the consolidation of its warehousing and manufacturing functions, and a focused approach in the market place. Can-Oat's improvements are due to increased sales volumes, increased margins, and improved operational efficiencies. There were also modest improvements from Prairie Malt. Disappointing results from Premium Brands are related to the shortage in supply of hogs, and under-utilization of its pork processing plant in Red Deer, Alberta.

The outlook for this segment for fiscal 2001 remains positive overall. CanAmera's competitive position is expected to provide good results, due to strong projections for crushing volumes and its ability to refine 100% of oil crushed into value added products. Canola margins may come under pressure, due to high levels of world oil stocks. Expectations for seed supplies are good, but there is a potential for pressure on supplies due to increases in seed sales to Asia. CSP Foods will continue to focus on growth in higher margin product lines, strengthening supply agreements, and building brand loyalty. Can-Oat is expected to see improved results due to continued operational improvements, and its strengthened competitive position as a result of industry consolidation. Prairie Malt is expected to improve year over year, dependent on volume of the malt barley export market.

Premium Brands is addressing the issues faced by its fresh pork operations through proprietary hog initiatives, which include a direct investment in hog producer Peace Pork Inc., and a strategic relationship with the Quadra Group. These initiatives are expected to reduce overall exposure to commodity risk by integrating its fresh pork operations with hog production.

Livestock Production and Marketing

Sales for this segment for the first three months of fiscal 2001 were \$56 million, 33% above sales of \$42 million for the first quarter of fiscal 2000. Heartland Pork led the segment with over 80,000 finished hogs marketed, more than triple the volume compared to the same period last year due to the new pork production facilities being fully operational. Heartland Livestock also showed improvement with cattle handling volumes of 264,000, up 10% year over year. Increased sales for Heartland Feeds (formerly CanGro Processors) is related to completion of the Heartland Pork production facilities, growth in the aquaculture operations in Columbia River, Washington, and improved capacity utilization at the mill in North Battleford, Saskatchewan. In addition, drought conditions in southern Alberta put cattle into feedlots sooner than expected.

For the first quarter of fiscal 2001, EBITDA for the Livestock Production and Marketing segment were \$5.2 million compared to \$2.2 million for the first quarter last year. This improvement largely reflects the increases from Heartland Pork. EBITDA at both Heartland Livestock and Heartland Feeds also improved due to increased sales.

Prospects for Heartland Livestock are positive, with cattle handling volumes for the full year expected to increase compared to fiscal 2000. With respect to its hog operation, the Pool expects the volume of finished hogs marketed to increase to its annual production capacity of over 360,000 finished hogs. The increase in capacity is due to improved production efficiencies. The market price for hogs is anticipated to be above the five-year average. The outlook for Heartland Feeds is also positive, and raw material supplies are expected to remain plentiful. A comprehensive risk management program has been implemented to reduce vulnerability to commodity and hog market price fluctuations.

Publishing and Other

Sales for this segment for the first three months of fiscal 2001 were \$3 million, which is relatively unchanged from the prior year. EBITDA of \$0.5 million were slightly ahead of last year. Prospects for this segment remain positive.

Liquidity and Capital Resources

Cash flow from operations was \$10.7 million for the first three months of fiscal 2001, a substantial improvement from \$1.8 million for the first three months of fiscal 2000. This improvement is due to improved volumes and cost reductions in the Pool's grain handling system and throughout all of the Pool's operations. For fiscal 2001, cash flow is expected to improve year over year.

Capital expenditures for the first quarter of fiscal 2001 were \$9 million, of which approximately half is attributed to the capital expenditure programs of affiliates. This compares to consolidated capital expenditures of \$52 million for the first quarter of fiscal 2000.

Working capital at October 31, 2000 was \$82 million, an increase from \$76 million at October 31, 1999 and from \$78 million at July 31, 2000. The current ratio was 1.12 on October 31, 2000, a slight improvement compared to 1.11 at October 31, 1999. The current ratio is down from 1.17 at July 31, 2000.

The large cash balances at October 31, 2000 and October 31, 1999 compared to July 31, 2000 represent cash in transit, due to the October 31st payment deadline for the Pool's deferred input program for agri-products sales. Accounts receivable are presented net of amounts sold of \$13 million under trade accounts receivable securitization programs at October 31, 2000, and \$35 million sold at October 31, 1999, compared to \$223 million sold at July 31, 2000. Accounts receivable sold under this program peak at July 31st and reach a seasonal low at the October 31st payment deadline for the Pool's deferred input program. After the impact of securitization is removed, accounts receivable are typically lower at October 31st than July 31st, which reflects the collection of producer payments under the deferred input program. The Pool's existing trade receivable securitization program expired on November 3, 2000. The Pool is currently reviewing its options to renew or replace this program.

Inventory at October 31, 2000 was largely unchanged from October 31, 1999. Inventories are seasonally higher at October 31st versus July 31st due to the completion of harvest.

Bank operating loans were \$272 million at October 31, 2000, up significantly from \$185 million at

October 31, 1999. The year over year increase is largely due to the reduction in the program limit for the Pool's trade receivable securitization program that has resulted in a decrease in accounts payable, primarily from lower amounts collected but not yet remitted to the securitization agent under this program. Member demand loans have also decreased. Bank operating loans have increased from \$134 million at July 31, 2000 due to seasonal differences in current asset levels and a reduction in member demand loans, offset by an increase in accounts payable.

Total long-term debt at October 31, 2000 was \$553 million, including the current portion of \$16 million, up from \$536 million at October 31, 1999. Total long-term debt includes draws on long-term committed bank facilities of \$170 million, Medium Term Notes of \$300 million, members' term loans of \$10 million, and the Pool's proportionate interest in long-term debt of subsidiaries and joint ventures of \$73 million. Total long-term debt is up slightly from \$550 million at July 31, 2000.

The Pool has unsecured, demand operating lines of credit of \$250 million, and long-term committed bank facilities of \$340 million, for a total of \$590 million. At October 31, 2000, total loans against these facilities were \$440 million, \$270 million classified as short-term borrowings and \$170 million classified as long-term debt. As at October 31, 2000, the Pool was not in compliance with certain covenants required by its banking arrangements. The Pool has received waivers of these covenant defaults as at October 31, 2000.

The Pool is currently in negotiations with all of its bankers concerning the restructuring of its existing bank facilities, including the terms, conditions, and covenant requirements. Management expects that these negotiations will be satisfactorily resolved over the next 12-week period, and that the classification of debt under the new facilities will not have an adverse impact on working capital. The costs associated with drawings on these new facilities are expected to increase in comparison to the cost of the previous banking agreements.

The Pool's total debt to equity ratio at October 31, 2000 was 61:39, compared to 56:44 at October 31, 1999. This change reflects increased short-term borrowing requirements and financing related to completion of capital expenditure programs,

combined with a decrease in shareholder's equity. This ratio has moved from 58:42 at July 31, 2000, mainly due to increases in short term borrowing requirements. The Pool expects this ratio to improve during fiscal 2001 as it focuses on debt reduction.

Subsequent Events

On November 16, 2000, the Pool announced a further consolidation of its grain handling and agri-products distribution locations to coincide with the previously announced consolidation of its grain elevator network, by closing an additional 55 specialty and conventional elevators. This will result in the elimination of 250 positions and restructuring costs of \$13 million, which will be recorded against second quarter earnings. The annual pre-tax savings as a result of this initiative are expected to be \$6 million in fiscal 2001 and \$11 million annually thereafter.

This consolidation program, in combination with the corporate restructuring and elevator consolidation initiatives previously announced, is expected to result in cost savings of approximately \$21 million in fiscal 2001, and \$31 million annually thereafter. Upon completion of all consolidation plans, the Pool will operate a network of 55 high throughput grain handling facilities and 24 specialty plants, which includes eight organic and seed processing plants, across western Canada.

On December 6, 2000, the Pool closed the sale of its interest in EuroPort, Poland, the ocean port terminal at Gdansk, in which the company held a 53% interest. The Pool received US \$0.5 million upon closing, and will receive US \$2.5 million in July 2001, US \$1.0 million upon completion of the terminal construction, and the remaining US \$3.0 million by July 2006, payable out of the operating cash flow of the terminal. All litigation related to the Gdansk project has been discontinued as a result of finalizing the deal.

On December 11, 2000, the Pool announced that it will redeem its shares in XCAN Grain Pool Ltd. The sale is expected to close January 31, 2001, subject to finalization of a definitive marketing agreement, and receiving the necessary Board approvals. The Pool expects to receive approximately \$11 million from the transaction, which represents its estimated equity in XCAN, and intends to use the proceeds to reduce long-term debt. The Pool intends to expand its international marketing opportunities by developing

new strategic alliances with other well-established destination marketing organizations.

Forward Looking Information

Certain statements in this quarterly report are forward looking and reflect the Pool's expectations regarding future results of operations, financial condition, and achievements. Such forward looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, and achievements of the Pool to be materially different from any future results, performance, and achievements expressed or implied by those forward looking statements. These factors are discussed in greater detail in the Pool's most recent Annual Information Form and the Management's Discussion and Analysis set forth in the Pool's most recent Annual Report.



Marvin Wiens
President and
Chairman of the Board



Mayo Schmidt
Chief Executive Officer

December 19, 2000

Saskatchewan Wheat Pool
2625 Victoria Avenue
Regina, Saskatchewan
S4T 7T9
<http://www.swp.com>

CONSOLIDATED BALANCE SHEETS

	(in thousands) As at October 31		(in thousands) As at July 31
	2000 (unaudited)	1999 (unaudited)	2000 (unaudited)
ASSETS			
Current Assets			
Cash	\$ 65,839	\$ 93,460	\$ -
Short-term investments	4,087	3,937	-
Accounts receivable	379,887	338,093	239,384
Inventories	295,353	303,382	274,159
Prepaid expenses	13,737	15,986	16,770
	758,903	754,858	530,313
Investments	74,586	89,696	76,342
Capital Assets	843,079	894,429	851,398
Other Long-Term Assets	136,871	139,425	129,358
	\$ 1,813,439	\$ 1,878,408	\$ 1,587,411
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank indebtedness	\$ -	\$ -	\$ 9,198
Short-term borrowings	271,971	184,873	134,000
Members' demand loans	37,988	68,052	48,834
Accounts payable	351,011	411,403	244,536
Long-term debt due within one year	15,903	14,527	16,178
	676,873	678,855	452,746
Long-Term Debt	537,020	521,279	534,269
Other Long-Term Liabilities	54,632	49,605	52,044
Non-Controlling Interest	5,475	4,872	4,740
	1,274,000	1,254,611	1,043,799
Shareholders' Equity			
Share capital	457,706	457,727	457,712
Retained earnings	81,733	166,070	85,900
	539,439	623,797	543,612
	\$ 1,813,439	\$ 1,878,408	\$ 1,587,411

On behalf of the Board of Directors


Marvin D. Wiens
Director

Gary L. Wellbrock
Director

**CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS**

	(in thousands)	
	Three months ended	
	October 31	
	2000/01	1999/00
	(unaudited)	(unaudited)
Sales and Other Operating Revenues	\$ 791,801	\$ 682,233
Cost of Sales and Expenses		
Cost of sales and operating expenses	737,022	648,477
Selling and administrative expenses	24,681	26,776
Depreciation and amortization	18,775	16,676
	780,478	691,929
Earnings (Loss) Before the Undernoted	11,323	(9,696)
Equity earnings (loss) of significantly influenced companies	(549)	355
Non-controlling interest	82	202
Earnings (Loss) Before Interest and Taxes	10,856	(9,139)
Interest expense	15,709	9,402
Securitization expense	4,259	4,775
Earnings (Loss) Before Corporate Taxes	(9,112)	(23,316)
Recovery of corporate taxes	2,372	8,860
Net Earnings (Loss)	(6,740)	(14,456)
Retained Earnings, Beginning of Period	85,900	180,526
Income tax restatement	2,573	-
Dividends	-	-
Retained Earnings, End of Period	\$ 81,733	\$ 166,070
Earnings (Loss) Per Share	\$ (0.18)	\$ (0.39)

SALES AND OPERATING REVENUES BY SEGMENT

	(in thousands)	
	Three months ended October 31	
	2000/01	1999/00
	(unaudited)	(unaudited)
Grain Handling & Marketing	\$ 502,810	\$ 440,082
Agri-products	89,481	57,163
Agri-food Processing	152,841	151,468
Livestock Production & Marketing	55,743	42,282
Publishing & Other	3,167	3,190
Intersegment Sales	(12,241)	(11,952)
	\$ 791,801	\$ 682,233

SEGMENT EARNINGS FROM OPERATIONS

	(in thousands)			(in thousands)		
	Three months ended October 31 2000/01			Three months ended October 31 1999/00		
	(unaudited)			(unaudited)		
	EBITDA	D&A	EBIT	EBITDA	D&A	EBIT
Grain Handling & Marketing	\$ 12,176	\$ 8,489	\$ 3,687	\$ 1,972	\$ 7,124	\$ (5,152)
Agri-products	2,996	2,805	191	(506)	2,986	(3,492)
Agri-food Processing	12,058	4,173	7,885	9,012	3,959	5,053
Livestock Production & Marketing	5,200	2,821	2,379	2,183	2,019	164
Publishing & Other	486	99	387	482	120	362
SEGMENT RESULTS	32,916	18,387	14,529	13,143	16,208	(3,065)
Reconciling Differences:						
Corporate Expenses	(3,990)	388	(4,378)	(5,366)	468	(5,834)
Tax Provision on Equity Earnings	705	-	705	(240)	-	(240)
PER FINANCIAL STATEMENTS	\$ 29,631	\$ 18,775	\$ 10,856	\$ 7,537	\$ 16,676	\$ (9,139)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands)	
	Three months ended October 31	
	2000/01	1999/00
	(unaudited)	(unaudited)
Cash From (Used In) Operating Activities:		
Net loss	\$ (6,740)	\$ (14,456)
Add/(deduct) items not involving cash		
Depreciation and amortization	18,775	16,676
Future taxes (recovery)	(2,024)	120
Equity loss (earnings) of significantly influenced companies	549	(355)
Other items	223	-
Non-controlling interest	(82)	(202)
Cash flow from operations	10,701	1,783
Changes in non-cash working capital items		
Accounts receivable	(139,669)	(84,897)
Inventories	(21,194)	(38,530)
Accounts payable	103,792	140,263
Prepaid expenses	3,036	(2,611)
Cash (used in) from operating activities	(43,334)	16,008
Cash From (Used In) Financing Activities:		
Proceeds of long-term debt	6,331	56,610
Repayment of long-term debt	(1,720)	(3,519)
Proceeds of short-term borrowings	137,971	98,131
Repayment of members' demand loans	(10,846)	(3,693)
Dividends	-	(14,970)
Increase in other long-term liabilities	22	1,104
Decrease in share capital	(6)	(5)
Cash from financing activities	131,752	133,658
Cash From (Used In) Investing Activities:		
Increase in capital assets	(8,816)	(52,272)
Decrease in investments	841	125
Increase in other long-term assets	(1,319)	(3,015)
Cash used in investing activities	(9,294)	(55,162)
Increase in Cash and Cash Equivalents*	79,124	94,504
Cash and Cash Equivalents, Beginning of Period*	(9,198)	2,893
Cash and Cash Equivalents, End of Period*	\$ 69,926	\$ 97,397
Cash Flow Per Share	\$ 0.29	\$ 0.05

* Cash and cash equivalents are comprised of cash, short-term investments and bank indebtedness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Significant Accounting Policies**

The Company's accounting policies are in accordance with accounting principles generally accepted in Canada. The consolidated financial statements include the accounts of Saskatchewan Wheat Pool and its affiliated companies. The consolidated interim financial statements are unaudited and are based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the most recent annual financial statements.

2. Earnings per Share

Earnings per share are calculated using 37,425,219 Class "B" non-voting shares (October 31, 1999 – 37,425,219) which is the weighted average number issued and outstanding during the period. Fully diluted earnings per share, which includes 2,812,976 options for Class "B" non-voting shares (October 31, 1999 - 1,408,293), are not materially different.

3. Re-Financing Status

As at October 31, 2000 the Company was not in compliance with certain covenants required by its banking arrangements. The Company has received waivers of these covenant defaults at October 31, 2000. The Company and its lenders are currently renegotiating the existing bank facilities, including the terms, conditions and covenant requirements. As a consequence, the classification of bank debt between current and long-term debt is not certain. Management expects that this matter will be satisfactorily resolved and that the classification of debt under the new facilities will not negatively impact working capital. The company expects that the costs associated with these new facilities will increase in comparison to the costs associated with the prior banking arrangements.

4. Accounts Receivable

Under the terms of an agreement with a financial institution, the Company can sell certain trade accounts receivable. As well, a joint venture, which is owned one-third by the Company, has a similar securitization program. At October 31, 2000, the trade accounts receivable are reported net of sold amounts of \$13 million (October 31, 1999 - \$35 million). As of November 3, 2000, the Company's portion of the securitization program has expired. The Company expects to renew or replace the securitization program once the bank financing is complete.

5. Inventories

Under the terms of an agreement with a financial institution, the company can sell up to \$200 million, on a revolving basis, the right to receive proceeds related to grain held for sale to The Canadian Wheat Board in accordance with a grain handling contract. At October 31, 2000, the grain purchased for sale to The Canadian Wheat Board is reported net of \$90 million in proceeds (October 31, 1999 – \$108 million).

6. Subsequent Events

On November 16, 2000, the Company announced a major initiative to improve the utilization of its resources and enhance the Company's financial performance. In addition to streamlining its operating and service divisions, the Company will expand its previously announced grain system consolidation program. As a result, pre-tax charges of approximately \$13 million (\$7.4 million after-tax) will be recorded against second quarter earnings.

On December 11, 2000, the Company announced the sale of its interest in XCAN Grain to XCAN Grain Pool Ltd. for \$11 million. The transaction is subject to finalization of a definitive marketing agreement and necessary Board approvals.

7. Change in Accounting Policies

Effective August 1, 2000 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for future income taxes and employees' future benefits. The change in the accounting policy for future income taxes has been adopted retroactively and retained earnings have been increased by \$2.6 million while future income taxes have been decreased by the same amount. Prior periods have not been restated. The change in accounting for pension benefits has been adopted prospectively. The application of the pension benefit standard does not materially affect net earnings for the period.