



**SASKATCHEWAN WHEAT POOL
CONFERENCE CALL FOR OCTOBER 22, 2003 @ 2 P.M. EST
CHAIR PERSON: COLLEEN VANCHA**

Operator:

Good afternoon and welcome to the “Fourth Quarter Results Conference Call” for October 22, 2003. Your host for today will be Ms. Colleen Vancha, Vice-President of Investor Relations and Communications.

Colleen Vancha:

Thank you. Thank you for joining us today and for your interest in the Pool. To begin, I’d like to introduce the Pool participants on the call today, Mr. Mayo Schmidt, our Chief Executive Officer; Fran Malecha, Senior Vice-President of the Grain Group; Doug Weinbender, Vice-President of the Agri-Products Group; Lyn Kristoff, our Vice-President of Finance; and the newest member of the team, Mr. Wayne Cheeseman, our Chief Financial Officer.

Our year-end MD&A and financial statements and notes will be available on the website and on SEDAR early next week. Our Annual Report will be mailed on November 20, and our AGM for Class B shareholders will be held on December 11 at the Hotel Saskatchewan in Regina.

Mayo, I’ll turn the call over to you.

Mayo Schmidt:

Thank you, Colleen. I trust you’ve all had an opportunity to review the press release. We’re certainly extremely pleased with the operating performance of the Pool in the fourth quarter. Let me take a few moments to highlight some of the key results.

The Agri-products Group posted strong results - 47 percent EBITDA improvement over last year. This is after we exclude the service charge revenue generated in 2002 from our in-house agri-products financing program that has since been outsourced. Agri-products EBITDA for the first three months was \$32 million, up \$25 million in the fourth quarter last year. For the full year, EBITDA was \$23.5 million, which compares to \$15.9 million after eliminating the service charge revenue in 2002, or \$21.8 million if you include those revenues. We saw a strong demand during the growing season for all major product lines. We also implemented new pricing strategies and customer solutions to achieve the year-over-year improvement.

On the grain side of the business, we shipped approximately 1.2 million tonnes from the primary system in the quarter bringing our full year shipments to \$4.8 million. This is well below average for the Pool and was entirely driven by the lack of grain supplies and the poor quality resulting from the drought. Our port terminals handled 2.4 million tonnes, down from the four million tonnes handled in 2002. Again, the drought was the major factor affecting port terminal receipts, particularly through Vancouver, which saw a 62 percent decline. Exports in 2003 declined to 12.6 million tonnes, just 50 percent of the five-year average. Canadian Wheat Board exports were only nine million tonnes. That compares to average exports by the Board of 20 million tonnes annually. Overall, the grain segment lost \$1 million in EBITDA for the quarter. For the 12-month period, we generated earnings of \$1 million, which compares to \$28 million in the previous year.

In our Agri-food business, sales were \$33 million for the quarter and \$130 million for the year. This compares to \$128 million a year earlier after we exclude results from companies sold last year. The increase was driven by a six percent sales improvement in Can-Oat. EBITDA for the quarter was \$3.3 million and \$15 million for the year. This compares to \$23 million in the previous year after excluding divested companies. Can-Oat's performance remained relatively strong while Prairie Malt experienced margin declines due to depleted supplies of quality malt barley in Western Canada, which forced them to source raw commodities from other regions to meet customer demands.

Heartland Pork marketed 360,000 hogs, which compares to 370,000 last year. The segment produced a quarterly EBITDA loss of \$3 million, bringing the loss for the year to \$7 million, which compares to earnings of \$4 million last year. The primary reason for the variance was extremely volatile hog prices and high feed cost.

Despite the challenges posed by the drought, the Pool generated \$15 million in net earnings or \$0.07 per share. While previous years' results are not directly comparable because of fresh start accounting, the Pool generated fourth quarter earnings prior to provisions of \$5.1 million last year. After provisions, the loss was \$41 million for the final quarter of 2002. The Pool generated \$23 million in cash flow from operations during its fourth quarter and \$1.9 million for the six months ending July 31, 2003.

Capital expenditures were approximately \$6 million for the year. Normal capital expenditures for maintenance purposes are typically \$20 million and we expect to be in that range for fiscal 2004.

Total debt at July 31 was \$406 million, down \$20 million from January 31, 2003. In addition to lower bank borrowing, the Pool repaid \$9 million of bank term debt in accordance with our credit arrangements with those lenders.

For 2004, initial estimates suggest production will rise to 45 million tonnes in Western Canada, which is 85 percent of the five-year average.

Based on these numbers, the Pool believes that approximately 26 million tonnes will be available to licensed grain handlers, and that exports will rebound to approximately 89 percent of the five-year average because of better quality and strong export demand.

In a normal grain production year, the Pool ships eight to nine million tonnes and can generate EBITDA of approximately \$115 million and \$70 million in cash flow. The Pool expects its shipments to range from six to seven million tonnes for the year. As a result, management believes that fiscal 2004 earnings and cash flow will recover significantly.

With the restructuring behind us, we are a new company with a fresh start. Business is back to normal, we look forward to illustrating the results of our actions over the past 3 seasons and the benefits that can be derived from our grain handling and agri-products network.

We believe we will see opportunities to grow market share in fiscal 2004 and are targeting a range of 22 to 24 percent. We believe we will generate year-over-year improvements in each quarter of fiscal 2004 with normal growing conditions.

You should keep in mind that our business is highly seasonal and the bulk of our earnings are generated in the fourth quarter. That means that it is not unusual to have losses in the first three quarters and make up for them entirely in the fourth quarter.

Assuming average spring conditions, a better Canadian Wheat Board export program, and some recovery in the pork business, the Pool has the potential to break-even in fiscal 2004. This would be a remarkable recovery after years of severe drought and poor financial performance.

And before we take your questions, I would like to ask Lyn Kristoff to address the accounting changes that were made this year. Lyn?

Lyn Kristoff:

Thanks, Mayo.

As we told you in the third quarter, the Pool accounted for its restructuring using the principals of comprehensive revaluation or fresh start accounting. This requires the revaluation of all assets and liabilities at estimated fair values and the elimination of the Pool's deficit.

I encourage you to review the third quarter disclosure and the notes to the financial statements for the year-end when they are posted to SEDAR for a complete description of the revaluation.

The income impact of this revaluation is primarily reflected in non-cash interest costs associated with the accretion of the senior subordinated notes and lower annual depreciation charges of approximately \$25 million - half of historical levels.

During year-end, the Pool has adopted a new CICA standard regarding revenue recognition. This applies to grain handled by the industry as agents of the Canadian Wheat Board. The change is that the Canadian Wheat Board gross billings will no longer be reflected in the Pool's sales and operating revenue category. For Canadian Wheat Board grains, the income statement will reflect the tariffs that we received for Canadian Wheat Board wheat and barley. For non-Board grains, the entire value of those grains and oilseeds will be recorded in the sales and operating revenue category as in the past.

This change will also mean that amounts due for wheat and barley from the Board will be shown as accounts receivable as opposed to inventory on the balance sheet, which was the previous practice. It is important to note that this change in accounting policy has no impact on the earnings or retained earnings of the Company.

To assist you in your modeling, the Pool will restate prior quarter sales results in future interim quarterly reports so that you can compare sales results by quarter. Thank you.

Colleen Vancha:

Operator, we will now move to the question and answer session. If we can take our first question from the market, and then we'll move on to questions from the media.

Operator:

Our first question comes from Martin Braun. Please go ahead.

Martin Braun:

Hello. Could you just outline your debt at quarter-end and how you expect it to progress over the next year?

Lyn Kristoff:

It's Lyn. I'll provide you the debt at the quarter-end.

At the end of July we have \$406 million in total debt. That is made up of \$125 million in our senior subordinated note, \$91 million in our secured loan with our bank lenders, and \$93 million in short-term financing. And the rest is all made up of miscellaneous categories in terms of operating, operating line checks and some of the loans in our subsidiary companies.

And on the go-forward, we do not have any payments with our lenders in the next year, so we expect those lines to stay fairly static. Our operating lines do move around with our working capital needs and they would move around in the range of top-end, probably \$50 million in the year, bottom to top.

Martin Braun:

\$50 million, at the top-end, but you said you had \$93 million currently drawn, at July 31?

Lyn Kristoff:

Right. And I would go up from there.

Lyn Kristoff:

Up \$50 million from there as a possible range during the year.

Martin Braun:

I see. And you also had cash at the quarter-end?

Lyn Kristoff:

The short-term investments, is that what you're getting at?

Martin Braun:

Yeah.

Lyn Kristoff:

Some of our affiliates have short-term investments, and we proportionately consolidate some of those results so it's not cash directly available to the Pool in our hands.

Martin Braun:

All right. What about the convertible notes?

Operator:

It seems as though we've lost Mr. Braun's line.

Our next question comes from Mr. Peter Fraser. Please go ahead.

Peter Fraser:

Hi. I wondered if you could describe the outlook for the agri-products business for fiscal 2004? And I guess what I wondered, is it reasonable to look for EBITDA levels approaching the 2001 levels or around \$40 million or so?

Doug Weinbender:

Yes, it's reasonable to look at the 2002 levels and we would be exceeding where we finished up in 2002. So I would expect that it's going to be somewhat higher.

The outlook for agri-products is good. We're on track this fall for a fairly good year and as long as there's good growing conditions next spring, there's no reason to believe that we wouldn't be in that range again.

Peter Fraser:

So, basically, unchanged year-over-year, is that what you're saying? Because, you said you were up quite a bit from...you know—

Lyn Kristoff:

I'd like to make a comment on the Agri-products business.

You'll note in our press release that we make a comment that we had service charge revenue in our previous year's results of \$5.9 million. And if you go back to 2002, that number would have been approximately \$9 million.

The Company has changed the way that we deal with our Agri-products customers. We no longer provide the financing for those customers. They use a business called Farm Credit Corporation to a large extent. Saskatchewan Wheat Pool used to have service charge revenue in our EBITDA to the tune of about \$9 million if you go back a couple of years ago.

Peter Fraser:

In the 2001 level?

Lyn Kristoff:

I think that would be 2002 number; the 2003 number is \$5.9 million —sorry...

Colleen Vancha:

You're right; it's the 2001 number. The 2002 number had the \$5.9 in it. So if you're looking back to 2001, you've got to back out about \$9 million in service charge revenues.

Peter Fraser:

And then—\$5.9 in 2002 and 0 in 2003?

Lyn Kristoff:

Correct.

Peter Fraser:

Okay. I guess my question was: In 2001, which was sort of a normal year, adjusting for that, you did about \$40 million of EBITDA from the Agri-products business? Is that a reasonable level to assume for this year?

Lyn Kristoff:

We are not going to peg our agri-products number for you today. Obviously, it is dependant on the weather. 2001 was a more normal year and so you can look back to that with the guidance, but until we get to the spring season, it's not appropriate to be trying to peg a number at that level.

Peter Fraser:

But your relative market share and so forth, you feel that that hasn't changed and you're still in pretty good relations with your customers?

Lyn Kristoff:

We have great relationships with the farmers, yes, and our Agri-products business is strong.

Peter Fraser:

Okay. Thank you very much.

Operator:

Thank you. Our next question comes from David Smith. Please go ahead.

Greg Boland:

Hi. It's Greg Boland calling. Congratulations on your results, they were quite impressive. I'm one of your largest shareholders, if not the largest shareholder, and I would like to be a bigger shareholder over time but I'm precluded from buying any shares because of the Sask Wheat Pool Act that has a partial ownership restriction on the shares. Do you have any plans on addressing that so you can broaden your institutional shareholder base and maybe get more broader following from the street and the investment dealers that cover your stock?

Mayo Schmidt:

Thanks for the question, Greg. As you're indicating, there is a 10 percent ownership cap today. The Board of Directors certainly has had discussions about that. I believe today there's no decision but there has been consideration of that point and I'm sure they'll continue discussing it.

Greg Boland:

Okay, great. Thank you very much.

Mayo Schmidt:

Yes, thank you.

Operator:

Thank you. Your next question—we have a follow-up question from Martin Braun. Please go ahead.

Martin Braun:

Sorry, I was cut off before. I wanted to get the rest of the answer that I was asking before I lost you. I had been asking how much of the convertible notes are left outstanding at this point?

Colleen Vancha:

We have around 200 million outstanding. 53.5 million of the convertible notes have been converted as of September 30, which gives us about 179 million shares outstanding.

Martin Braun:

At the end of September 30?

Colleen Vancha:

That's right. We disclosed that information to the Toronto Stock Exchange at the end of each month. There has not been a lot of conversion in October.

Martin Braun:

All right. Could you talk a little more about Can-Oat's results?

Mayo Schmidt:

What specifically did you have in mind?

Martin Braun:

Could you provide EBITDA or any initiatives going forward?

Mayo Schmidt:

We wouldn't give a breakdown of EBITDA for Can-Oat. I would say that the oatmeal business is a very balanced business. It doesn't suffer with the same overcapacity that unfortunately agri-products and the grain businesses in Canada do today. It's been a business that's been performing for this organization quite well over the last couple of years due to some initiatives by the management. We've engaged in secured longer-term contracts that I believe will begin to insulate this Company from some of the competitive natures of any of those value-added processing businesses, so I would suggest we have good supply arrangements and agreements that have some time or some tenure with them. They are with major multi-national food companies, and today, that business is maximizing its capacity to the full extent that it possibly can.

Martin Braun:

Thank you.

Mayo Schmidt:

You're welcome.

Operator:

Thank you. Your next question comes from Mr. Robert Goch. Please go ahead.

Robert Goch:

Yeah, on the eight to nine million tonnes shipment and \$115 million EBITDA and \$70 million cash flow, is that Company-wide numbers?

Lyn Kristoff:

Yes it is.

Robert Goch:

that segment?

Lyn Kristoff:

Company wide.

Robert Goch:

Okay. Could you, say, give us any indication on what that would mean for your grain handling? I mean you did give a tonnage number. Could you sort of firm that up somewhat?

Lyn Kristoff:

The average price per tonne that you can use that we have publicly discussed is \$20 a tonne.

Robert Goch:

Could you translate that into an EBITDA number on the \$8 to \$9 million on just on the handling side of the business?

Lyn Kristoff:

No, we wouldn't.

Robert Goch:

Okay, so is that \$115 million sort of normalized, you know, agri-product normalized grain handling.

Lyn Kristoff:

Yes.

Robert Goch:

Okay, thank you.

Operator:

Thank you. Once again, if we have any questions from the investment community, could you please press *1 on your touch-tone phone.

Operator:

We have a follow-up question from Martin Braun. Please go ahead.

Martin Braun:

Yeah, just going back to those earlier numbers—you went through them very quickly. You mentioned, I think it was, \$150 or \$120 million of EBIT or something, I just wanted to ask you what exactly that was. And then you mentioned in the very next sentence, I think it sounded like cash flow or something of about \$70 million. Could you just clarify that?

Mayo Schmidt:

Sure. What exactly was said is \$115 million in EBITDA and \$70 million in cash flow, and that would be \$70 to \$80 million approximately, and that's our view, or management's view, based on normalized conditions for this company. Which of course we've indicated, normalized conditions don't exist this year, our crop is 85 percent of normal, but as we look forward to give you some of management's view on the ability of this Company to generate earnings, that's where we would project being.

Martin Braun:

All right. And when you said cash flow, is that operating cash flow or free cash flow?

Lyn Kristoff:

That's cash flow from operations before CapEx.

Martin Braun:

All right. And one last question: Could you outline some of the major initiatives that management has or is looking to over the next 12 months?

Mayo Schmidt:

Well some of the major initiatives, and there really have been three that we publicly stated. This Company's been through a lot in the last three and a half years, not only a significant reorganization but a significant consensual restructuring and as we go forward, there has been a view that this Company has certainly stated we're going to be strongly focused on customers and employees as well as the view that we are going to put an effort forward to be a consolidator of the industry in any way we can and we've seen some movement in that area with the railroads beginning to provide greater savings for loading hundred and fifty car units, which we believe is going to force more consolidation of the smaller, inefficient operators, which will allow some of that business to migrate.

We're also going to continue to assess our geographic representation in the product lines that we offer. Look for some new competitive opportunities that we feel may exist in the future. Some of these strategic initiatives will result in supply agreements, partnerships, and joint venture with other companies.

Martin Braun:

You mentioned that you're not as well represented in Manitoba as you are in Saskatchewan, do you have any plans to fix that?

Mayo Schmidt:

We wouldn't have anything that we could talk about today related to our footprint, or look-forward footprint in Manitoba. We currently operate four assets in that province. We're substantially represented and have the highest market share in Saskatchewan. We also operate five high throughput inland terminals in Alberta.

Martin Braun:

Do you consider the lack of proportionate representation in Manitoba is something that management should be looking at?

Mayo Schmidt:

Not necessarily, no, because 50 or 52 percent, depending on the year, of the grain that's produced in Western Canada is produced here in this province and if my numbers are correct here relating to Manitoba, at least historically, I've looked at that number and it's down around 15 to 16 percent of the Western Canadian production. Manitoba, the last couple years, has benefited with less of a weather event, but they still don't necessarily produce the volumes that would necessitate moving into that province and secondly, that province is, in our view, substantially over capacity today and a lot of volume from that province moves in trucks off farm right down into the U.S. with different commodities. It's not necessarily a good zone to strike our Vancouver export terminal to generate even higher revenue streams from our pipeline margins. So we don't see our representation necessarily needing to be larger in Manitoba to provide better earnings for the Company going forward.

Martin Braun:

Thank you.

Mayo Schmidt:

You're welcome.

Operator:

Thank you. Your next question comes from Stephen Chant. Please go ahead.

Stephen Chant:

Hi, congratulations on the improvement in your results. I just wanted to ask you, you mentioned 8 to 9 million shipment as being sort of a normalized and are you suggesting that this coming year will be 6 to 7 million tonnes?

Mayo Schmidt:

Hi, Stephen, and that's correct. We see this year as being about 6 to 7 million tonnes available to ship.

Stephen Chant:

And that's the 85 percent of normalized.

Mayo Schmidt:

Yes.

Stephen Chant:

Yeah, I just want to make sure everything sort of works out. And the other thing, you had mentioned—just after that you mentioned 22 to 24 percent increase, and I wasn't sure what that was for.

Unknown Speaker:

That would be our market share. So if you look at our market share today being approximately 21 percent, some of the initiatives that we'll be working on. For instance focusing on export grains should drive our market share somewhat higher into that 22 to 24 percent range in the coming year.

Stephen Chant:

Okay. Thank you very much.

Operator:

Thank you. We have a follow-up question from Peter Fraser. Please go ahead.

Peter Fraser:

Hi. I was just looking at what looks like your operating costs and the fabulous improvement you've had in your grain handling operating costs from 2002 until 2003 and it looks like they're down more than \$20 million, if you sort of assume that your margin per tonne remain roughly constant. Are you basically through the cost cutting in that area or do you still have opportunities to cut costs in 2004 and beyond?

Mayo Schmidt:

Well, you know, what I see going forward is there's some opportunity, but I would say that's minimal opportunity going forward in terms of cost initiative. We've really done the heavy lifting in an area that was required and of course as I talk about EBITDA and cash flow and

forward-looking opportunities for the Company. A lot is going to be based on simply just getting a normal environment for grain production in volumes. Certainly one of our initiatives is to look for opportunities to further insulate the Company from being so weather-dependent that we find ourselves today and in our history. We think there's some opportunities coming up, Can-Oat milling for example continues to have good operating results in spite of the downturn in the commodity production and even quality, so we see some opportunities there. But you won't see substantial cost reductions coming forward in the Company. In fact, you might even see costs stable here, maybe a slight increase if we do get into some good production years, because it's not unusual to have a series of years with above-average production either, we just can't predict that.

Peter Fraser:

Okay. Thank you.

Operator:

Thank you. Next we have a follow-up question from Mr. Robert Goch. Please go ahead.

Robert Goch:

I'm sorry, if you can just clarify the \$70 to \$80 million of cash flow. Is that essentially EBITDA less interest or is there working capital in there?

Mayo Schmidt:

EBITDA less interest.

Robert Goch:

Okay, so that's essentially—it's EBITDA less interest.

Mayo Schmidt:

That's correct.

Robert Goch:

Okay. Thank you very much.

Operator:

Thank you. You have no further questions from the investment community.

Colleen Vancha:

We would look forward to some questions from the media.

Operator:

Thank you. Our first question comes from Adrian Ewins. Please go ahead.

Adrian Ewins:

Hi. I'm a little confused when I look at all your comparisons and maybe this doesn't exist, but is it possible to say, to give a 12-month ending July 31, 2003 net earning? Do you have that number in there somewhere?

Mayo Schmidt:

Adrian, there's a challenge with that and unfortunately we're not able to. With the restructuring and through the conversion that we've constructed, under the Canadian accounting practices and

policies, we're not able to compare results prior to January 31 because in fact, through fresh start accounting, this has become a new company. We have a \$15 million net earning in this particular quarter, but when you—and again, last year is not comparable, but the net loss a year ago in a quarter, in the fourth quarter was \$41 million, so you see a substantial recovery in that fashion.

If you look at just the last six months including the profit that we've had of \$15 million net, what you'll find is that for the six months result it's about a \$15.9 million loss and, again, including the fourth quarter. Now if you want to look at last year as a whole, there was about a \$92 million loss in the last fiscal year.

So that's the information we can provide considering that we are now a new reporting entity effective January 31.

Adrian Ewins:

Okay. Well I won't press that because I probably would just get more confused, so I'll accept that as it is.

Mayo Schmidt:

Yes and again, just for clarity, the \$92 million loss was in fiscal '02 for this organization.

Adrian Ewins:

Yes. Okay.

Adrian Ewins:

A couple of marketing questions, first for one, did you suggest that the incentives for 50 and 100 car loadings—are they greater this year? Have they been increased? We're you implying that in your comment about that?

Fran Malecha:

The incentive rates for 50-car units haven't changed but they have increased for both 100-car rates and for shuttle trains, which are higher velocity movements of 100-car units.

Adrian Ewins:

And could you comment then on what that might mean for the system as a whole, but more specifically, the Pool's ability to—you're suggesting that's an opportunity for more market share for the Pool in particular?

Fran Malecha:

What it should mean for the system as a whole would be more efficient movement or better asset utilization of the rail cars that are available to move grain. And we're about 41 percent, I think, of the 100-car train loaders in western Canada, so it's, you know, it's something that we look to take advantage of.

Adrian Ewins:

Can I ask who was speaking there, I'm sorry?

Fran Malecha:

Fran Malecha.

Adrian Ewins:

Okay. And one other related question on marketing and then I'll let it go. The tariffs on the U.S. and the closure of the boarder to spring wheat, does that have any particular impact on Sask Pool or revenues or does this mean that the grain that would go there will go through other facilities and have no net effect on your revenues, or how does that play out?

Fran Malecha:

They have an effect on our revenues—you've hit it right on the head. We're still trying to move that grain more to offshore exports and then go through our pipeline to the appropriate facilities.

Adrian Ewins:

Okay. Thanks.

Operator:

Thank you. Your next question comes from Roberta Rampton. Please go ahead.

Roberta Rampton:

Hi. Just a related question, you talked, Mr. Schmidt, about the system being able to export about 89 percent of the five-year average as a whole and I guess I'm wondering, as you look at the export market, what are the main export market factors that you think are going to feed into your Company's ability to move grain this year, your results this year? What are you going to be watching?

Fran Malecha:

I can answer that question. I think what we've seen this year is an increase in production back to more normal levels, we're about 85 percent of normal. Much better quality in Canada, primarily in cereal grains, the malt barley and wheat, than we had last year. And I think there was a fair amount of growing issues in Europe with, mainly the hot, dry weather. They had smaller crops so they won't be as aggressive in export markets. So we see a good export picture for Canadian grains and we'll be looking at our oilseeds programs, our malt barley exports, and the Canadian Wheat Board exports program on wheat and barley as being a real strong potential.

Roberta Rampton:

And on the oilseeds, what potential do you see in China this year?

Fran Malecha:

We do and currently are seeing exports of canola to China. They are in the market buying Canadian canola.

Roberta Rampton:

Can you comment on that? Can you just sort of expand on that at all?

Fran Malecha:

I would think that we should see exports into China probably 250,000 to 500,000 tonnes.

Roberta Rampton:

That's from the system as a whole.

Fran Malecha:

From Canada as a whole, right.

Roberta Rampton:

How much has been done so far?

Fran Malecha:

I don't have that exact number but I think probably roughly 40 percent of that number.

Roberta Rampton:

40 percent has been done, or booked so far?

Francis Malecha:

Has been booked.

Roberta Rampton:

And how much of that has your company done?

Fran Malecha:

I won't disclose exactly what we've done but we are part of that market, so we have participated in those sales.

Roberta Rampton:

And how much is that Chinese participation really helping the oilseed market this year?

Fran Malecha:

I think if you look at our canola market, primarily on the export side, Japan is a very consistent buyer and then after that it's China, Mexico, and Pakistan. And we've seen export sales to all those major markets so it helps, it's driving prices to the current level.

Roberta Rampton:

Thank you so much.

Operator:

Thank you. Your next question comes from Jeff Keele. Please go ahead.

Jack Dawes:

Hi, it's Jack Dawes CKDM; Jeff just signed on for me. Mr. Schmidt, I think in your comments you suggested that you're looking forward to, I think your words were a better Canadian Wheat Board export program anticipated. I'm just wondering if you could elaborate on better in what way, just what you're talking about there.

Mayo Schmidt:

Sure. Why don't I ask Fran, Fran is Senior Vice-President of the Grain Division and I think he can probably deal with that.

Fran Malecha:

I can answer that. I think we are estimating Canadian Wheat Board exports to be approximately 16 million tonnes in the current year. That's the indications that we have. Past year they were slightly below 9 million tonnes, so quite a big increase from last year and probably pretty similar to 2002 exports, which I believe were about 16.5 million tonnes. Should see a stronger export market.

Jack Dawes:

I'm sorry, just wondering if you're anticipating any further changes in the tendering process.

Fran Malecha:

We aren't anticipating any further changes. Currently the tendering is 20 percent of the Wheat Board's export program. We expect that to continue for the balance of the crop year.

Jack Dawes:

If I'm allowed one more question, you mentioned when you were questioned about any further cost cuts the Pool might have, you said there were none, but do you see some smaller inefficient operations, I think, going by the wayside where you might pick up business. Do you see that in the specialty crops area or where do you see that maybe opportunity for further consolidation taking place?

Fran Malecha:

I think you'll see a consolidation over time more in the export grain handling facilities. I think in the special crops industry there's been new capacity that has come on stream in that part of the industry and I don't see any major, you know, changes in the coming year.

Jack Dawes:

Thank you.

Operator:

Thank you. You have a follow-up question from Adrian Ewins. Please go ahead.

Adrian Ewins:

Yes, just to touch on the incentive rates again, can you give me a specific, is there a specific per-tonne rate that was in place last year that it's been changed to this year? Can you quantify that for me on the 100-car trains?

Fran Malecha:

Sure. If we look at, take the CP Railroad for example, their 100-car incentive last year was \$6 per tonne and the current year is \$7 per tonne.

Adrian Ewins:

Okay.

Fran Malecha:

And then in addition to that on their shuttle train programs, grain companies can earn an additional \$1—\$0.50 to \$1.50 per tonne.

Adrian Ewins:

From \$0.50 to \$1.50?

Fran Malecha:

Additional.

Adrian Ewins:

Okay. And is there a CN rate similar to the CP one you quoted?

Francis Malecha:

The CN remains at \$6 for the 100-car rate.

Adrian Ewins:

Okay.

Francis Malecha:

And an additional \$1 for the shuttle train.

Adrian Ewins:

I see. How does that balance—the benefits of that, how does that balance off against the losses that I assume you—or the negative impact I assume you would see from the reduction in tendering? Did that help to overcome that at all or is there still an overall negative view from the changes in tendering?

Fran Malecha:

It helps to balance that. You know we see an uptick in the amount that we're going to earn per tonne on the incentives and we will balance what we paid to the producers and trucking premiums in tendering discounts with what we earn in those incentives so they will help to mitigate that somewhat. I think the tendering will make it more difficult for grain companies to load a higher percentage of those types of incentive trains.

Adrian Ewins:

One final question, was there any claim this year on, I believe you took out an insurance program—the Company did—against losses due to small, reduced crops or something to that effect. Was there any claim or benefit this year on that?

Mayo Schmidt:

No, that was last year when we had crop insurance, I think is what you're speaking of the drought insurance.

Adrian Ewins:

Right.

Mayo Schmidt:

That was a three-year program and we collected on that policy last year.

Adrian Ewins:

Okay. So no collection in the year you're reporting on now.

Mayo Schmidt:

Well, in this year's numbers there is \$11 million from that policy.

Lyn Kristoff:

In the 2003 numbers.

Mayo Schmidt:

Yep, in '03 numbers.

Adrian Ewins:

Okay. And that shows up in just your overall total revenue for the period?

Lyn Kristoff:

It's in the grain segment.

Adrian Ewins:

Okay. \$11 million. Thank you.

Operator:

Thank you. Your next question comes from David Smith. Please go ahead.

Greg Boland:

Hi, it's Greg Boland again. There's been a little bit of speculation about the possibility for consolidation between the rail companies and some of the grain handlers in various provinces. Do you guys have any colour on that or any opinion on the likelihood or unlikelihood of that event happening in either your market or your nearby markets?

Mayo Schmidt:

Greg, we wouldn't have a comment on that. I guess, certainly from a CN/CP perspective, I think it's probably reasonable to assume that there's going to be additional interest in short line railroads coming into the marketplace. We do understand that there continues to be pressure on the joint operating rights that people are seeking from the CN and the CP, but that's the extent of our comment on what the railroads may or may not do in that area.

Greg Boland:

Great. Thank you.

Operator:

Thank you. We have a follow-up question from Roberta Rampton. Please go ahead.

Roberta Rampton:

Mr. Schmidt, after so many consecutive quarters where you've had losses to report, how does it feel to finally be reporting some earnings, some profits?

Mayo Schmidt:

Well, there's a lot of excitement, not only around the building but certainly the 1700 employees across Western Canada are thrilled with the results and I think it's certainly a wonderful recognition of their contribution. I think as we look forward, everybody's very proud of the results and I think they certainly developed a culture where they will continue to deliver these type of results and what's just as exciting is the positive impact it's had on our producers and the people that have supported us through what's been a challenging three years, and a challenging three years for them in their own operations. Collectively we've all pulled through it together and we're looking forward to some more positive results.

Roberta Rampton:

Just briefly if I may, the challenge faced by producers in terms of trade bans on cattle, is that having any impact on your Company at all?

Mayo Schmidt:

Probably minimal impact and it probably relates more to the area of credit and that credit as it relates to feed sales or, and particularly in the Alberta marketplace, but our Company has not seen any significant receivable issues, we've managed that quite well. I think more that anything it's going to be an effect on producers related to their available cash when it comes time for pre-payment and purchasing the products and supplies going forward.

Roberta Rampton:

Thanks.

Operator:

Thank you. Your next question comes from Mathieu Rompre. Please go ahead.

Mathieu Rompre:

Hi. I'm sorry, maybe I missed some part because of technical problems but I'd like to hear you on the market share. Is that a concern for you to see that you've lost a bit in terms of market share for the prairies?

Mayo Schmidt:

Actually, maybe I can be specific about that. Our market share is up 1 point in Saskatchewan during the last year, which of course was affected by drought and also affected by a restructuring.

Secondly, our Western Canadian market share is around the 21 percentile of finishing last year. Our expectation is that we should see it balance out at about 22 to 24 percent.

I think the key to market share as we look back has been the fact that the areas where we're most heavily represented by our asset base were most substantially affected by the dry weather conditions. So as we return to normal crop conditions, you'll see even without us vying for more customers, you'll see the customers that we do normally have delivering to us will naturally increase our market share. We're certainly very excited that we have not seen any significant erosion to our market share; in fact, we've gained market share in the last couple years in spite of the challenging financial conditions, which are now behind us.

Mathieu Rompre:

And if I may ask, how do you explain that there was no direct effect on the stock market this morning despite your announce?

Mayo Schmidt:

Actually, you should check. I think 7.5 million shares traded and we were up 4.5 cents, so I think that's about a 15 percent move.

Mathieu Rompre:

Well I checked that one hour ago and there was no—

Mayo Schmidt:

My news at the start of this conference call, which would have been about 40 minutes ago.

Colleen Vancha:

Typically we trade about 0.5 million shares a day in normal trading and, as Mayo said, we were around that 7 million share day today already, half way through the day, so the market has reacted.

Mathieu Rompre:

Thank you.

Operator:

Thank you. Your next question comes from Stephen Chant. Please go ahead.

Stephen Chant:

Yeah, I'd say that was a pretty big move up in your stock today. Just a question: on the convertible debt, I was just confused. Part of it is in shareholders equity, how much of it is in the long-term debt of \$265 million? I'm just grabbing a line from your balance sheet. And just the same question on the interest, which is \$9.69 million. How much is the converted and the long-term debt and in the interest?

Lyn Kristoff:

\$24 million is in the long-term debt.

Stephen Chant:

\$24 million?

Lyn Kristoff:

Yes.

Lyn Kristoff:

Yes.

Stephen Chant:

Okay. And then the interest—does it have any interest or is it all at the bottom of the income statement?

Lyn Kristoff:

It's on the bottom of the income statement.

Stephen Chant:

Okay. So there's only \$24 million of the convertible in the long-term debt.

Lyn Kristoff:

Right.

Stephen Chant:

Okay. Thank you very much.

Operator:

Thank you. Your next question comes from Thomas Burke. Please go ahead.

Thomas Burke:

Yes. Sorry, I got locked up in the wrong queue, but then again, I always wanted to be a newspaperman, so.

Mayo Schmidt:

Welcome, Tom.

Thomas Burke:

Congratulations on the great numbers. Wanted to focus a little bit on Can-Oat. Obviously this is a very stable business, it is one that, obviously, the Pool covets quite dearly, you know, obviously from the investment banking standpoint. People would salivate to try and turn this thing into an income trust and you could probably raise a lot of money and pay down a lot of debt with that type of an event, any thoughts in that regard?

Mayo Schmidt:

Well it's not something that we're considering at this point in time. We're going to look at all the options with that business. I think, as we've said in the past, that we see that business as further up the food chain or down the value chain and that's something that certainly attractive to our Company. We've increased the warehousing, we've increased the capacity in the manufacturing ability of that business, we've got very good management in that business, and it's, we believe, going to be a key business for us going forward. I could just leave it to say that it's not something we'd consider at this time considering what our strategies are going forward.

Thomas Burke:

Right. Okay. And just to tie up a few loose ends as well, Prairie Malt, what are going to be the sort of factors that'll drive that business back into a better growth mode and can we ask the same question for the Heartland division as well, for the hogs?

Mayo Schmidt:

Well I think, certainly, as you look at Prairie Malt, I think one of the fundamentals is simply going to be a good supply of quality malt, which we've got this year, so we have expectations that the business is going to improve its performance. I think also they've really provided us a much stronger view toward customer sales. They have, much like in our Can-Oat business where we've sourced some international multi-national food companies that are very stable and top of the class food companies, they also in the beer manufacturing have targeted and have successfully engaged with a number of companies in that fashion. So we have expectations that their performance is going to continue in that fashion.

In our hog business, the volatility of the prices has been something that's certainly been very disappointing for this organization, coupled with lower, or excuse me, higher feed costs. What we do see in that business is that we've begun a migration of that business from simply a pure provider of pork to more of a genetics focus and we believe that's going to provide a better earnings stream along with simply a return to what will be normal pricing, if not some seasonal highs, in that business going forward. It's seen a down cycle that's really been extended by unfortunate circumstances and not to mention, you know, the BSE and things that affected the cow market, but we look at beyond '04 as a recovery in that business that's going to be material and substantial.

Thomas Burke:

Great, okay. And congratulations again.

Mayo Schmidt:

Thank you. We appreciate your comments.

Colleen Vancha:

Operator, we are running short on time, if there are other questions, if we could take the last couple and then wrap it up.

Operator:

Actually, currently we have no further questions on line.

Colleen Vancha:

Great. Well I do want to thank everyone for joining us today on our fourth quarter conference call.

Again, our year-end full year's financial statement and MD&A will be available next week on SEDAR.

Thank you all very much.

Operator:

Thank you. This concludes today's conference call. Please disconnect your lines and have a wonderful day.