



**SASKATCHEWAN WHEAT POOL  
CONFERENCE CALL FOR JUNE 17, 2004 @ 11:00 A.M. EST  
CHAIRPERSON: COLLEEN VANCHA**

Colleen Vancha:

Good morning ladies and gentlemen. Thank you for joining us to review the Pool's third quarter results for the period ending April 30. Our quarterly report has been published to our website and I encourage you to review that document as well.

Joining us today is Mayo Schmidt, our CEO, Wayne Cheeseman, our CFO, Fran Malecha, Senior Vice President of the Grain Group and Doug Weinbender, Vice President of Agri-products. Before I turn the call over to Mayo, Wayne Cheeseman has a couple of financial statement items to note:

Wayne:

Thank you Colleen:

- You'll note that the Pool is no longer reporting segmented information for the "Other segment". The Pool previously reported results from its pork, feed and aquaculture operations in this segment. The Pool recently divested of its interest in pork and feed. We are also in the midst of selling the aquaculture operations.
- As a result, these operations are now accounted for under the category of "discontinued operations" on the income statement. This will allow the market to better focus on the Pool's results from continuing operations.
- Going forward, the Pool will report three core segments: Grain Handling and Marketing, Agri-Products and Agri-food Processing.
- You will also note a new category on the balance sheet entitled "assets held for sale". The assets of pork, feed and aquaculture are reflected on that line.
- And finally, please note that the results for both the three-month periods for this year and last are now comparable - both quarters are on a post-restructuring basis.
- For the year-to-date information however, there remains some differences. For 2004, the nine-month numbers are post restructuring. But for 2003, we show the

first 6 months of that year on a pre-restructuring basis and the third quarter on a post-restructuring basis. Because of accounting rules, we are unable to add the two periods together to provide comparative data.

Mayo - I'll turn the call over to you.

Mayo Schmidt:

Thank you Wayne

The third quarter was a strong quarter for the Pool. As we stated in the press release, we achieved a number of improvements in the three months ending April 30:

- Our grain shipments were 1.45 million tonnes, up 81 per cent over the same quarter last fiscal year. On a year-to-date basis, shipments were up 24%.
- Producer deliveries into our elevator system more than doubled to 1.4 million tonnes bringing the year to date total to 4.5 million tonnes for 2004
- Our Agri-Product sales were up 30% for the quarter to \$57 million. This was driven by seed sales that were more than double last year's; and an 83-per-cent increase in crop protection sales.
- And both cash flow and EBITDA continued to recover significantly.

On an EBITDA basis, the Pool generated approximately \$12 million in the quarter and more than \$46 million for the first nine months. Last year, the Pool lost \$5 million in the first nine months of the year. The Pool's grain and agri-products segments were responsible for this improvement.

Interest for the quarter was \$10.5 million, which compares to \$14 million last year. The higher interest last year was partly due to higher debt levels. Last year, we continued to pay interest on our old debt up to the March 14 restructuring date.

Interest for the nine months this year was approximately \$30 million; \$22 million of that amount was cash interest.

Earnings Before Interest and Taxes or EBIT for the quarter was \$5.5 million, up \$17 million from the loss last year of \$12 million. Our nine-month EBIT was \$28 million.

The Pool's net loss from continuing operations for the quarter was \$4.8 million or \$0.02 per share before accretion. That's a \$23 million improvement from the third quarter last year. Our loss last year for the quarter was \$28 million or \$0.42 cents per share.

For the nine months, the net loss from continuing operations was \$2.4 million or \$0.01 per share prior to accretion. Including accretion the year-to-date EPS loss was \$0.09 per share from continuing operations.

The Pool recorded \$1.8 million of cash flow from operations for the quarter bringing its year-to-date total to \$21.5 million. Last year, the Pool was in a cash flow deficiency situation - \$22M for the first 6 months and an additional deficiency of \$19 million for the third quarter last year.

Turning to the Grain segment, volumes were up significantly both through our primary system and port terminals. Margins remained strong for the quarter, averaging in the range of \$20 to \$23 per tonne. We are confident that we will be able to maintain these margins through to year-end. Last year, margins were significantly lower, averaging approximately \$15.50 per tonne. The difference relates to the amount of grain in our system this year that is of export quality. Last year, a higher proportion was feed grain that was shipped to domestic customers.

EBITDA from the grain segment was \$11 million up over \$15 million from the previous year's quarter. On a year-to-date basis, EBITDA was \$43.4 million compared to \$1.8 million last year. This year we had approximately \$7 million in one-time items included in this total. Last year, there was approximately \$8.5 million of grain insurance proceeds.

Our Agri-Products segment saw strong sales and margins, particularly in our retail operations. Sales for the quarter were \$57 million and on a year to date basis were \$182 million, up from \$167 million last year.

EBITDA was \$1.3 million for the quarter, up \$3.4 million from the \$2.1 million loss in the previous year. EBITDA for the nine-months was \$2.4 million compared to a loss in the same period last year of \$8.1 million. Keep in mind that earnings in this business are slow in the third quarter. The majority of our sales and earnings are generated in the fourth quarter.

In Agri-food Processing, sales were approximately \$27 million, down from \$31 million last year. For the nine-months, sales were \$84 million compared to \$96 million last year. The largest part of the variance reflects the sales price of oats, which is substantially lower than last year. From a volume perspective Can-Oat's sales were off only 5% due to a general softness in the market. Prairie Malt sales have recovered because of better quality malt barley from last year's harvest.

EBITDA from this segment was approximately \$3 million for the quarter compared to \$6 million a year ago. On a year-to-date basis however, EBITDA was similar for both periods at approximately \$12 million.

As we look at the balance sheet, there are a couple of items to note:

Inventories were up about \$60 million from April 2003. This reflects an additional 132,000 tonnes of non-Board grain in our system along with additional crop protection products that were purchased in preparation for the spring selling season.

Our receivables were approximately \$51 million lower at the end of April compared to a year ago. This reflects lower values for wheat and barley. Prices have declined about 30% year-over-year and we had slightly lower levels of grain held on behalf of the Canadian Wheat Board.

Drawings on our operating facilities were about \$83 million if you exclude about \$40 million related to letters of credit and similar instruments. The \$6 million in long-term

debt due within one year relates to two of our affiliates. The Pool has no principal repayments due this year.

We will, however, be reducing our debt levels in the fourth quarter with proceeds from the sale of our investment in the pork industry. We will use net proceeds of approximately \$10 million to repay a portion of our senior bank debt. An additional \$8 million of subsidiary debt and short-term borrowings will be retired in the fourth quarter.

As we look to the end of this fiscal year, significant moisture in May has restored moisture levels throughout the Prairies. We have had some flooding in certain areas but the majority of our market areas are in good shape. We estimate there could be 3% to 5% of western Canadian production that is not seeded because of the heavy moisture, particularly in Manitoba. The Pool will be less affected because the majority of its operations are in Saskatchewan and Alberta. In addition, with all the moisture, disease and weed growth will be prevalent. Farmers will need good supplies of crop protection products to maximize their crops. This should bode well for our Agri-Products business in the final 6-week sales period. Assuming we receive normal growing conditions in the coming weeks, the crop should progress well and the benefit of the recent rains should more than offset the small loss of production acreage due to flooding.

As we indicated in the press release, better growing conditions, coupled with the financial impact of the divestiture of the Mexican operation should contribute to better results for the year. The Pool will record a one-time recovery of approximately \$5 million and approximately \$2 million as operating income in the fourth quarter of fiscal 2004.

Last quarter, we indicated we were tracking to breakeven for the year, prior to the \$11 million provision taken for the hog business. We now believe, assuming strong 4<sup>th</sup> quarter agri-products sales that we are in striking distance of generating a profit at the bottom line, after the provision.

In terms of next year, it is too soon to provide any guidance to the market until we get through the growing season and can confirm production levels and quality. Growing conditions today are good. We will need seasonal weather through to the end of August

to produce an average crop. Should that occur, we look forward to an even stronger year, next year.

Colleen, I'll turn the call over to you for the question and answer session:

**Colleen Vancha:**

Thank you, Mayo. Operator, we'll take calls from the market first and then we can turn the questions over to the media as well.

**Operator:**

Thank you. To place yourself into the question queue, please press \*1 on your touch-tone phone, and if you're using a speakerphone, please pick up your handset and then press \*1. To withdraw your request, press \*2. Please go ahead if you have any questions.

Your first question comes from Peter Fraser. Please go ahead.

**Peter Fraser:**

Hi, I had a couple of questions. I guess the first one is can you narrow in the range of volumes to the shipments? Currently you'd said it's 6 to 7 million tonnes. We only have six weeks left in the fiscal year and I just wondered what will drive the numbers towards the top end or the bottom end of the range or could you just narrow things in a little bit?

**Fran Malecha:**

Sure. This is Fran Malecha. We think that we'll be probably be closer to the bottom end of that 6 to 7 million tonne range when it's all said and done. The largest portion of our shipments in the last quarter are Wheat Board grains, and the Wheat Board continues to track about a 16 million tonne export program, so we've been seeing those shipments coming in as we forecast and we anticipate ending up with that range at the end of the year.

**Peter Fraser:**

Great. Second question was with respect to the Agri-products business, I didn't quite understand the guidance. Are you saying that the Agri-products business in the fourth quarter will be up year-over-year or is it just when you say up on a year-over-year basis, is it for the full year?

**Doug Weinbender:**

Yes, it'll be on the full year that we'll be up year-over-year.

**Peter Fraser:**

Okay.

**Doug Weinbender:**

And the spring season as well, it's too early to tell because there's still some weather related events. We're looking for good growing conditions and getting in some good conditions for spring, and that's basically the last part of the business that we're waiting for and it's looking very well for this year.

**Peter Fraser:**

Okay. But there is a possibility it could be up in the fourth quarter year-over-year as well, is there?

**Doug Weinbender:**

Yes there is.

**Peter Fraser:**

Okay, good. The last question is Potash raised their guidance talking about fertilizer margins and I just wondered whether you guys had any comments on how the fertilizer business is doing this year on a year-over-year basis.

**Doug Weinbender:**

Year-over-year, the margins have been off slightly from where it was last year. The selling price is down slightly from last year as well. Competitive pressures into the spring season have depressed the prices.

**Peter Fraser:**

Right.

**Doug Weinbender:**

So there's going to continue to be some downward pressure there; however, our margins have been holding.

**Peter Fraser:**

Okay. Thank you very much.

**Operator:**

For any further questions, please press \*1 on your touch-tone phone. You don't have any more questions from the investment community.

**Colleen Vancha:**

Okay. We can turn to the media then please.

**Operator:**

Your next question comes from Rick Dolegowski. Please go ahead.

**Rick Dolegowski:**

Hi, good morning guys. I've got a couple questions here I just wanted to ask you. The first one is how many bushels of canola seed does it take to seed an acre?

**Doug Weinbender:**

This is Doug Weinbender with Agri-products. It takes approximately 6 pounds. 5.5 to 6 pounds of canola seed for an acre.

**Rick Dolegowski:**

Okay. So how many pounds in a bushel? Because I think you sell it by the bushel, don't you?

**Doug Weinbender:**

Yep. It's about 48 pounds.

**Rick Dolegowski:**

Okay, that's good. Okay, thank you. Just for future reference when we see planting intentions for the future. A couple other questions here, number one, your corporate expense for the quarter was 2.9 million versus 3.9 million in the same quarter last year and \$4 million in the second quarter of this year. Can you elaborate a bit on that number? Is it permanently going to be at 2.9 million or are we going to see it go back up closer to 3 to 4?

**Wayne Cheesman:**

It's Wayne Cheesman.

**Rick Dolegowski:**

Hi, Wayne.

**Wayne Cheesman:**

It'll be closer to the \$3 to the \$4 million range.

**Rick Dolegowski:**

Okay, so back up to more normal numbers.

**Wayne Cheesman:**

That's correct.

**Rick Dolegowski:**

Okay, so it's just a bit of an anomaly. Okay, that's great on that one. And I think I've got maybe two more here and then I'll let you carry on. On your first quarter conference call, Mayo this is really for you, you were asked about EBITDA potential. And my interpretation of your response to that question was as follows: in an 8.5 million tonne year, and assuming normalcy in the other business lines, you sort of led us to expect that the Pool could generate EBITDA in the range of \$115 to \$125 million. Is that a fair assessment of what you mentioned at that point in time.

**Mayo Schmidt:**

That's a fair assessment. Let me give you a further comment. Keeping in mind, as you pointed out, Rick, that guidance was provided some time ago and it should be adjusted to reflect the sale now of pork, feed, and aqua operations, that could in a normal year generate approximately \$15 million in EBITDA. We're currently in the midst of developing our strategic and financial plans going forward and we'll be reviewing those potentials in a normalized year reflecting the recent divestitures, this year's crop size and quality, industry issues and opportunity in the futures, and that'll be based of course on a regulatory environment. Keeping in mind that this year we've received substantial moisture, in some areas too much moisture, but in any effect, we need some heat and then we need to make sure of course, to try and avoid an early frost, but assuming a normalized year, we should see some pretty good production this year.

**Rick Dolegowski:**

Fair enough. No, I appreciate that. You actually answered the second part of my question, which referred to that \$15 million of normalized from the pork business. Now I've just got one last question here, again, just relating to the industry more than you fellows particularly. In the latest Canadian grain handling report they talk about visible

grain stocks being 4.4 million tonnes down from 6.1 million tonnes at the same time last year. Does this level of grain stock have any bearing on what farmers may chose to hold back in next year's shipping season?

**Fran Malecha:**

This is Fran Malecha. I don't think that will have a lot of bearing. I think we've had a good export movement this year of all grains and the final part of the year has been a little heavier on Board grains. We moved more of the Canola to export markets earlier in the year and I think the farmers will tend to hold grain, kind of waiting to see what their production will be, and now with recent rains, the markets moved some and producers will continue to market to the end of the year. I think they really start to prepare their space on the farms for the new crop that's coming, so you know, and I think we're seeing that today.

**Rick Dolegowski:**

Okay, great. Thank you very much.

**Mayo Schmidt:**

Thanks, Rick.

**Operator:**

Your next question comes from Kevin Hursh. Please go ahead.

**Kevin Hursh:**

Hi guys. Just wondering where your divestitures are at. Heartland pork has been sold, you've divested of the terminal in Mexico, and I'm seeing now that the aquaculture business is in the process of being sold. Are there other assets that are considered non-core that may be considered for sale at this point?

**Mayo Schmidt:**

Kevin, thanks for the question. It's Mayo. You're correct. This really is just a clean up of some of the businesses that we've been in process on for a period of many, many months. We don't have any further major divestitures as we look forward at this time.

**Kevin Hursh:**

Thanks.

**Mayo Schmidt:**

You bet.

**Operator:**

Your next question comes from Adrian Ewins. Please go ahead.

**Adrian Ewins:**

Actually my question had also been about the divestitures, so I guess that's been dealt with, but just while I'm on here, just by way of explanation, I'm not quite sure why your margins are so much higher, how that relates to the quality of grain you have. Could you just explain that in a little bit more detail to me how you're handling tariffs and margins and earnings and so on, relate to the quality of grain that you have to handle?

**Mayo Schmidt:**

Adrian, you're speaking specifically about the movement from last year of 15.50 a tonne to the range of 20-23 a tonne this year?

**Adrian Ewins:**

Yeah.

**Mayo Schmidt:**

Keep in mind that when we have a crop out there, and let's use malt barley for an example, we might have a \$20 to \$23 a tonne pipeline margin, but if we get frost, if we get too much moisture, if the conditions aren't normalized, that can turn into feed and feed can usually trade at a \$6 to \$6-\$7, \$6-\$8 per metric tonne, bringing down the overall margin per tonne across the board.

Now secondly, keep in mind historically, in the Alberta market, where we've had three years of back to back droughts, they've imported a lot of corn. Well the corn came in at substantially reduced, very low margins, but it was added to, or incremental to the tonnes that we were handling, so it was a smart play on the part of the company bringing in corn to supplement a market that was deficit grain, but that corn came in at very low margins, but none the less, it created a margin for us. So you're seeing more of a focus on the business, a rigorous planning around the margins, and quite frankly, we're not burning margins to simply gain market share. We think that there is a balance in the market and we think that the company has an opportunity for managed growth in an incremental basis, but this marketplace is reasonably well balanced. In a normalized year, there's certainly a substantial amount of grain to go around, but we do feel that the margin area we're in now is sustainable for the industry should it chose to continue to operate in the fashion it has.

**Adrian Ewins:**

Just a quick follow-up on that then. One of the small inland terminal companies put out its six-month statement yesterday out of Saskatchewan, and they again talked in there about continued, in their view, cutthroat competition was the term they used, and talked about margins that are unsustainable, but you're suggesting that that's not what's happening now? Are you saying that with the current tendering and other systems that are out there, that there isn't that intense margin-based sort of competition going on right now?

**Mayo Schmidt:**

Actually I would suggest that there is very intense competition and I think you're looking at a difference in business profiles. First of all, we operate the largest hundred-car unit terminals, in terms of numbers and capacity in western Canada, and when you look at the opportunity to put together unit trains, of which we're at about 96-97 percent unit trains. For someone that has a small investment or a smaller investment in an inland terminal competing with a series of facilities that can originate from a broader landscape as we can, it makes it pretty tough competitively, but the fact is that tendering costs today are up in the \$15 to \$16 a metric tonne compared to around \$5 to \$6 last year and probably on average they'd be more like 10 to 12. So it is very competitive out there, but we believe that the footprint we have and the formula we have and how we operate our business, the relationships we have to move grain from origin to destination are a superior process and we've been working on that for the last two or three years and we

think that this is the silver lining to the clouds that have been around us related to the drought.

**Adrian Ewins:**

Okay, thank you.

**Operator:**

Your next question comes from Peter Fraser. Please go ahead.

**Peter Fraser:**

Hi, it's Peter Fraser again. This question's really for Wayne I think. With respect to the exit from the pork business, the hog production business, you've said that the net proceeds are estimated to be 10 million and that'll be used to pay down a portion of your senior bank debt. You also say an additional \$8 million of subsidiary bank indebtedness will be retired during the fourth quarter. What are the source of funds for that \$8 million retirement?

**Wayne Cheesman:**

The source of funds are the proceeds on the sale that will go directly to the lender.

**Peter Fraser:**

So in other words, the total proceeds are \$18 million.

**Wayne Cheesman:**

Approximately.

**Peter Fraser:**

Okay. Thanks.

**Operator:**

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

**Roberta Rampton:**

Yes, first of all, just one quick clarification, Mr. Schmidt, when you said, in response to Adrian's question that 96 to 97 percent of something moving in unit trains, is that of the Pool's total volume? What were you referring to? 96 to 97 percent of what moving in unit trains?

**Mayo Schmidt:**

Roberta, what that was 96 to 97 percent of the Pool's total rail shipments move in unit trains.

**Roberta Rampton:**

In 100-car unit trains?

**Mayo Schmidt:**

About 25 to 100-car unit trains.

**Roberta Rampton:**

Okay, thank you. Thank you for clarifying that.

**Mayo Schmidt:**

Sure. Happy to.

**Roberta Rampton:**

Secondly, you mentioned that the company is going to be looking at the regulatory environment ahead and as you know, with the current election going on, one of the main parties sort of seeking to lead this country is considering some major changes for the Canadian Wheat Board, and I guess I'm wondering as a company how you would perceive changes to the Wheat Board, how that would affect your bottom line if changes to its monopoly status came into play?

**Mayo Schmidt:**

Well first of all, we provide a service to the Canadian Wheat Board for a fee.

**Roberta Rampton:**

Right.

**Mayo Schmidt:**

Secondly, this company and the platform that we've created can operate well in either environment. Obviously, it will be decided between government and the farmers in western Canada but we view it as a neutral event to our prospects going forward. The one event that is somewhat difficult for us right now is the tendering environment where in the 50 percent tendering there were significant efficiencies and a very strong flow of margin that was returned back to the producers in the tendering environment and unfortunately that doesn't exist today. We're back from 50 percent, down to 20 percent. Our view is that 50 to 100 percent tendering, both producers and companies would prosper more readily because the fact is that the flow of all those dollars comes from the efficiencies gained by the railroads. So the railroads are supporting the tendering through the flow of those funds. So that's the only thing, and that's minor, but we'll operate well in either environment.

**Roberta Rampton:**

Just on tendering for one moment, are there any signs in the regulatory environment head that there could be a shift in that tendering level?

**Mayo Schmidt:**

You know, I think that's a little bit below the radar screen but I believe by the end of the year when there is a post-audit done, a post-mortem on the tendering for the year, I think that we're going to see that there were significant dollars that were unavailable to the industry from farmers to grain companies to transportation, trucking companies that was foregone simply because we reduced to 20 percent tendering. Our level substantially reduced as well in terms of tendering because it's just not a useful tool at around 20 percent compared to 50 to 100.

**Roberta Rampton:**

And just going back to the Wheat Board issue for one second, just to clarify it, does the company itself have a position on the Wheat Board's monopoly or, did I hear you say that it's a matter for government and farmers to decide?

**Mayo Schmidt:**

We believe it's a matter for government and producers. We actually don't have any influence over whether they exist or there's a change so it's not something that we're prepared to get in the middle of.

**Roberta Rampton:**

Okay. And lastly, statistics Canada has recently reported some pretty devastating numbers in terms of farm income and I'm wondering how the situation for your farmer customers affects sort of your bottom line, you're outlook going forward?

**Mayo Schmidt:**

Well I don't—I think that what we're seeing today, and you see it in terms of sales and Agri-products and obviously in the grain flow that it's substantially stronger. I think that, you know, farmers are going to plant as much as they can fencepost to fencepost and we have a view that they're going to certainly increase their utilization of fertilizer and chemicals to promote trying to get to and through a good year. I mean we've seen some minor effect related to accounts receivables, delay in payment related to BSE for people that had livestock, that needed more time to pay their bills and we've been flexible in those areas and we've worked through those with our producers but we haven't seen any significant impairment to our business. We think it's fortunate that we have the moisture we have because we think it's going to improve things across the board for any business that's associated with agricultural.

**Roberta Rampton:**

Does it surprise you that, I mean, there could be this sort of record terrible situation in terms of farm income and yet, I mean people still pay their bills, I mean it's not really having a substantial impact on a company's bottom line such as yours.

**Mayo Schmidt:**

Well I think it is having a substantial impact. If you look at the last three years, it's created a significant impact to this company and I guess we, like farmers, have proven we're resilient and we've met all of our obligations to-date and continue to meet all of our obligations and we're getting stronger and the fact is that the last three years of drought are unprecedented in the last 100 years and we don't know if we're going to look forward to one good year or ten in a row, but I guess mother nature will decide that, but we, like most producers that have worked through these years of drought, have created a platform that has some resilience against a crop reduction.

**Roberta Rampton:**

Thanks very much.

**Operator:**

Your next question comes from Roselee Woloski. Please go ahead.

**Roselee Woloski:**

Yes, what percentage of western grain does Saskatchewan Wheat Pool now handle and how does that compare with previous years?

**Mayo Schmidt:**

It's about 21 percent, Roselee, and that's consistent. It was probably predicted a little bit higher in the tendering environment when we were 50 percent, but keep in mind, our margins have gone from 15.50 to the range of 20 to 23, so although our market share is probably slightly reduced, our margins have substantially increased, and as we said right now, even after the impairment related to the divestitures, we're within striking distance of a black bottom line, which is a substantial improvement over our views three and six months ago.

**Roselee Woloski:**

Obviously you'd like to increase that, but what do you think it will take to increase it? Is it just a better crop all around or, anything else?

**Mayo Schmidt:**

Well I think that's exactly it. Keep in mind that the last three years of drought, the substantial portion of the drought has been centered over Saskatchewan, so where last year Manitoba enjoyed average or normal crops, where the main part of ours, the main thrust of our facilities took the brunt of the drought, so we're very quickly returning back to normal and I think that'll have a major impact on our prospects going forward because the year we're in, even in Saskatchewan we had approximately a 20 percent reduction in production in the year we're working in prior to of course the new growing season here.

**Roselee Woloski:**

Do you have any idea at this point, if you were able to get back up to that 23 percent or even surpass it, how much that would affect income and your bottom line?

**Mayo Schmidt:**

I'm sorry; I really can't forecast that for you.

**Roselee Woloski:**

Okay, thank you.

**Mayo Schmidt:**

Thanks, Roselee.

**Operator:**

Your next question comes from Adrian Ewins. Please go ahead.

**Adrian Ewins:**

I just noticed that the Pool share price has taken a bit of a bump in the last month to six weeks and so on, not a huge increase but it's up around the \$0.40 mark after being down below \$0.33 sort of range. Do you attribute that to the weather and the improved outlook on that front or do you have any comment to make about that share price? Do you see a continued growth there? How significant is that?

**Mayo Schmidt:**

Well I really can't forecast going forward but the company's view would be that certainly weather must have had a favourable impact on people's views of the company. The companies in our business today in western Canada are significantly impacted by weather related to the volumes that it can effect and I think that's probably what you've

seen. I mean weather in the last month, the moisture we've had, I don't know what the total is in Regina, but it must be seven or eight by inches now of rain, but it has certainly had a positive effect.

**Adrian Ewins:**

Okay, thanks.

**Operator:**

For any further questions, please press \*1 on your touch-tone phone.

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

**Roberta Rampton:**

Mr. Schmidt, you've spoken in the past about the ongoing need for there to be some consolidation in this industry and I mean I haven't heard you speak about it for the last couple of quarterly reports but I'm wondering if you have any sort of remaining thoughts on that or has the situation changed at all or is that sort of need still there?

**Mayo Schmidt:**

Well I think the need is still there. I think as far as the system goes in related to capacity, considering the fact that for our industry to be healthy and profitable that we need generally normalized conditions, that speaks to the fact that in weather-disruption years, it would be helpful if the capacity wasn't as significant as it is today. But as we look across the landscape, there's still a significant number of smaller antiquated facilities that have not yet closed that we believe as time goes on will need significant capital to continue to maintain. And as those close, I think the prospects for the inland terminals will continue to improve. And the inland terminals have proven their worth in the 150-car environment and the shuttle trains and moving grain from country to port and I think we'll continue to see that and the fact that we're saying within striking distance to break even with a 20 percent reduction in crop I think is a pretty significant improvement, and that comes from a utilization of our large inland terminals and the velocity of movement of grain as opposed to capacity as in the past.

**Roberta Rampton:**

So what then will drive that capacity, sort of the reduction in capacity with the consolidation in capacity that you feel still needs to happen?

**Mayo Schmidt:**

As far as the consolidation, um, I think there's really two areas. One is going to be the closure of antiquated older facilities, which is happening, and that's assuming that multiples of large in-land terminals won't be constructed, which I don't think will happen simply because there's really not room to construct them in the sense that even today the 100-car loaders can easily handle the production in western Canada. And then secondly, I think as consistent with the last couple of years. The industry, the entire industry is in conversations related to what type of relationships can be constructed to improve businesses and those outcomes will be dictated by people's view as to how they run their business going forward and also the regulatory environment.

**Roberta Rampton:**

And in the regulatory environment specifically the tendering process?

**Mayo Schmidt:**

I think the Canadian Wheat Board, smaller issues, the tendering process, and also Competition Bureau and it's views on how they will allow people to joint venture, create alliances, or merge.

**Roberta Rampton:**

Sorry, and just to clarify, when you said the Canadian Wheat Board were you referring to sort of the ongoing monopoly/not monopoly situation?

**Mayo Schmidt:**

Really back to the question that was asked earlier which is a question of if there's a change in government, what will the effect be on the Wheat Board.

**Roberta Rampton:**

Okay. And in terms of the Competition Bureau, which you just mentioned, is that something that the Competition Bureau is discussing with industry participants right now?

**Mayo Schmidt:**

Not with industry. I think there's probably discussions and as we saw the recent merger of two other companies, I guess it's been a couple years ago now, it's had an effect on the west coast of Vancouver where the pacific facility, export facility, one facility was a required sale and so there have been some minor effects to the industry to date.

**Roberta Rampton:**

Thanks.

**Mayo Schmidt:**

You're welcome.

**Operator:**

For any further questions, please press \*1 on your touchtone phone. Your next question comes from Rick Dolegowski. Please go ahead.

**Rick Dolegowski:**

Hi. One more question here, guys. On your capital spending, it's been pretty tame so far this year. Can you give us any indication of how it may look in the next fiscal year?

**Wayne Cheesman:**

Yes, Rick, it's Wayne Cheesman. Next fiscal year we're probably looking at in the range of 20 to 30 million overall and this year we're projecting to end the year with 18 million in expenditures.

**Rick Dolegowski:**

Thank you.

**Operator:**

There are no further questions in the queue.

**Colleen Vancha:**

Well thank you very much everyone for joining us today. We do have a playback number for the call, which is 416-695-5275, and please share that with your colleagues. The transcript will also be available on the website in a couple of days. The playback number is available until June 24, 2004. Thank you very much.

**Operator:**

This concludes today's conference call. Please disconnect your lines and thank you all for your participation.