Saskatchewan Wheat Pool
Year-end Conference Call
October 12, 2005, 3:30 p.m. (Regina Time)

Colleen Vancha:

Good afternoon ladies and gentlemen. Thank you for joining us for the Pool's Year-end conference call. Mayo Schmidt will discuss today's press release and we will then open the call to questions. The full set of financial statements, notes and MD&A will be filed with SEDAR this week and a copy should be posted on our website shortly thereafter.

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

Mayo Schmidt: Thank you.

I will begin by touching on the fourth quarter and then review the year-end results.

- Sales and other operating revenues for the quarter were up slightly over last year's quarter to $547 million. This reflected:
    - Slightly higher grain shipments
    - A 15% increase in Agri-product sales and
    - A 9% improvement in Agri-food Processing.

- Consolidated EBITDA was $47 million, up from the $41 million recorded in the final quarter of 2004. EBITDA improved in all three segments on a comparable basis.

- Interest for the quarter was $9.9 million compared to $9.2 million last year.

- Cash interest expenses were down over 46% for the quarter to $3.4 million compared to $6.4 million in the final quarter of 2004. This improvement reflects:
    - substantially lower debt levels in the final quarter of 2005 and
    - approximately $4 million of financing costs that would have amortized over three years but were written off because we repaid the $100 million in term debt.

- Earnings from continuing operations for the final three months were $26 million up from $20 million earned in the same period a year ago. If we exclude one-time items in both periods, earnings from continuing operations for the quarter were up $10.6 million from last year's final quarter.

- This year's fourth quarter included a $3.9 million net recovery from discontinued operations, which included the Pool's previously held investments in hog production, aquaculture, and feed milling.

- The recovery resulted from filings under the Canadian Agricultural Income Stabilization (CAIS) Program, a joint federal/provincial business risk management program. A portion of the losses incurred by this segment in prior years qualified under this program and were therefore recoverable.

- Last year, discontinued operations for the quarter reflected a net recovery of $8.4 million primarily related to corporate taxes resulting from the wind-up of that segment.

- Net earnings for the quarter were $29.5 million primarily reflecting a strong spring selling season and more normal weather conditions in the critical May to July growing period. Last year, net earnings were $28.8 million.

- Fourth quarter cash flow from continuing operations grew 11% to $41.2 million from $37.0 million in last year's fourth quarter.

- We shipped 2 million tonnes during the quarter, which is slightly ahead of last year.

- Our port terminals handled 11% more volume quarter over quarter at 1.2 million tonnes. This was a strong performance particularly given the 10% decrease in CWB shipments through Vancouver. Higher crop production in Saskatchewan and higher market share were the primary factors for the increase.

- Pipeline margins per tonne were $18.40 up from the $18.38 per tonne generated in the fourth quarter of 2004. Pipeline margins are gross margins less other revenue and one-time items.

- This quarter's segment EBITDA from Grain Handling and Marketing was $17.2 million. Last year in the final quarter, the Pool generated $16.3 million.

- If you back out one-time items our Grain business performance improved by 12%.

- Sales from the Pool's retail agri-products operations combined with its share of revenue from, Western Co-operative Fertilizers Limited were up 15% to $320.3 million. All product lines experienced higher sales quarter over quarter.

- EBITDA from Agri-products for the quarter was $34.4 million compared to $29.7 million in the fourth quarter last year, a 16% increase. The improvement reflects higher sales volumes in all of the Pool's product lines, particularly fertilizer, higher miscellaneous revenues and a reduction in bad debt expenses. These positive business results more than offset the overall reduction in retail margins caused by heightened competition and lower supplier rebates.

- For the Agri-food Processing segment, quarterly sales increased by 9% to $28.8 million compared to $26.4 million in the last quarter of fiscal 2004. Prairie Malt's sales were on par with the previous year.

- Can-Oat sales grew 13% on strong demand from customers who are responding to consumer buying patterns that are focused on whole grain oat products.

- For our processing businesses, EBITDA for the quarter was $3.6 million up from $2.5 million last year with an 18% increase from Can-Oat being the primary driver.

Now for the year-end results.

- Our consolidated sales and other operating revenues were $1.39 billion, down $22 million from the $1.41 billion generated in the previous year.

- Even though sales and shipments were up year-over-year, a 19% decline in non-Board commodity prices caused the variance.

- The Pool generated $71 million in EBITDA for 2005, which compares to $87 million in fiscal 2004. The decline was in grain handling and was the direct result of crop quality issues, in addition to the late harvest and the limited supplies of commodities available in the first quarter of fiscal 2005.

- Despite the challenges in the Grain Handling and Marketing segment, the Pool's Agri-Products and Agri-food Processing segments had strong results, generating EBITDA of

$39 million and $16.5 million respectively. For the Agri-products segment, this represented a 23% increase over fiscal 2004 results and for Agri-food Processing, a 15% increase. Grain Handling and Marketing EBITDA, excluding one-time items, was down approximately $17 million on a full year basis as a result of the quality factors previously mentioned.

In the Grain Handling and Marketing Segment…

- The Pool shipped 6.9 million tonnes in fiscal 2005, up 7% over 2004. A larger crop in Saskatchewan coupled with strong producer deliveries more than offset an 11% decrease in Canadian Wheat Board exports year-over-year.

- Port terminal volumes improved by approximately 8% year-over-year. Increased market share across the Prairies supported better port terminal volumes.

- The Pool's fiscal 2005 western Canadian market share grew to 23% for the year, a 10% or two point increase year-over-year. The Pool realized market share gains in all three Prairie provinces, with the largest gain being recorded in Saskatchewan.

- Pipeline margins, which exclude one-time items and other revenue averaged $17.72 per tonne for the year, in line with management's expectations, but below the $21.00 achieved in fiscal 2004.

- The decline is related to two key factors.

- Feed grains represented approximately 27% of the Pool shipments in 2005, which is unusually high and compares to approximately 10% in fiscal 2004.

- In addition, because of significant harvest delays in the fall of 2004, the Pool was required to pay premiums to source quality commodities off-farm and incur additional shipping costs due to the temporary lack of supply during that period.

- Grain EBITDA for the year was $37 million or $33 million net of one-time items.

- In 2004 EBITDA from Grain was $60 million or $50 million after one-time items.

Agri-product Segment

- The Pool's Agri-products Segment had a strong year.

- EBITDA from this segment was $39 million up from $32 million in 2004.

- Despite retail margin pressures, strong demand and good growing conditions, coupled with disciplined marketing strategies drove the earnings improvement in 2005.

Agri-food Segment

- EBITDA from the Agri-food Processing segment for the year was $16.5 million compared to $14 million in 2004.
- Despite competitive pressures and the impact of the strong Canadian dollar on Can-Oat margins, strong demand for whole grain oat products led to EBITDA improvement of 11% year-over year.

- Prairie Malt also experienced strong earnings for the year. Sales volumes were up 21% over last year as a result of a plant shutdown in 2004 to allow for repairs and maintenance.

- Corporate costs for fiscal 2005 were $22.3 million, which compares to $18.6 million in the prior year. The primary reason for the increase related to $2.4 million in Saskatchewan capital taxes that the Pool is now required to pay as a result of becoming a Canadian Business Corporation effective March 31, 2005, along with a $1.6 million one-time capital refund recorded in 2004.

- Cash flow from continuing operations was $47 million for the year compared to $59 million for, 2004.

Capital expenditures were $13 million with about 70% focused on Pool assets. For fiscal 2006, cap ex is estimated in the $25 to $30 million range with the majority being spent on maintenance.

Earnings from continuing operations for the year 7.0 million compared to $17.9 million in 2004. The Pool recovered approximately $5 million from discontinued operations in 2005. In 2004, the Pool recorded a $12.9 million loss from discontinued operations associated with its investments in hog production, aquaculture and feed mill operations.

On a net income basis, Saskatchewan Wheat Pool earned $12.1 million in fiscal 2005 up from $5.0 million a year earlier.

I would like to make a few remarks on the additional disclosure that was included in the press release about one of the pension plans. The Pool contributes to a pension plan that provides defined benefits to members. It is a negotiated plan, which means that the Pool and the union negotiate the company's contribution and those contributions are set out in the collective agreement and pension plan text. So it has the components of a defined contribution plan but it is a jointly sponsored plan.

The Pool and the union held 21 meetings over the past 16 months in an attempt to address some of its solvency issues. The most recent projection suggests an $8 million surplus on a going concern basis but a $50 million deficit if wound-up. It is important to note that this projection was based on a point in time and a formal valuation for funding purposes will be conducted as at December 31. 2005. We believe that the formal valuation will confirm a deficit.

The Pool has met all its financial obligations in accordance with the pension plan text and collective agreement. Because our contributions are negotiated, it is our position that we are only responsible for those contributions that are agreed to between the company and the union.

Pension regulations will require any solvency deficit at December 31, 2005 to be addressed over a five-year period through quarterly installments. Assuming a $50 million deficit, additional contributions would be approximately $2.8 million per quarter until termination. One or more of the following actions may mitigate this

- amending the plan structure,
- reducing benefits,
- increasing employer contributions,
- or increasing employee contributions.
- The company has received advice from external counsel that if the solvency deficiency is not addressed, the likely outcome will be the termination of the Plan.

- There is a risk that the company may ultimately be responsible for an increase in contributions required by the formal valuation at December 31, 2005. The Pool's position is that it is not responsible for any payments beyond those negotiated with the GSU.
- Given the uncertainty around this issue, we have not reflected any provisions in the year-end financial statements.

In terms of fiscal 2006, many of the southern and central districts in all 3 provinces are now completed harvesting. Northern regions need another 2 weeks. As a result, based on what we know today, we believe that margins and volumes will be better than last year. We will still require a firm indication from the CWB that they believe they can achieve their 17 to18 million tonne export program. This would be up from the 14.8 million they exported in fiscal 2005. We believe their ability to achieve their program will be dependent on the quality of the remaining wheat crop.

That concludes my update and I would be pleased to take any questions you may have. Colleen I will turn the call over to you.

Colleen Vancha: Thanks very much, Mayo. Ladies and gentlemen, we also have Wayne Cheeseman, our CFO, Fran Malecha, from our Grain Group, and Doug Weinbender from our Agri-products business. Operator, we can begin with the Q&A.

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

Our first question comes from Steve Wright of the Bank of Montreal. Please go ahead.

Steve Wright: Thanks. Just wondering if any investment firms have been to visit you guys and whether or not there will be any analyst coverage coming up in the next few months considering that you guys have been added to the TSE now.

Colleen Vancha: Yes, we have been in contact with a number of firms and we do believe that coverage will be coming shortly. We have confirmation from the National Bank, the Bank of Montreal, Genuity, and I believe a little bit further down the road, RBC Dominion Securities.

Steve Wright: Great, thanks.

Colleen Vancha: You're welcome.

Operator: Thank you. Our next question comes from David Newman of National Bank Financial. Please go ahead.

Andy Ping: Hi, it's actually Andy Ping filling in for David Newman; just a few questions. Given the current crop mix and what you know of crop quality at this point, what range of pipeline margins do you see as being achievable next year?

Mayo Schmidt: I think there's still a fair amount of the crop left to harvest, especially in northern parts of Saskatchewan and Alberta. We think there will be improvement in margins compared to last year but it's still too early to tell what that ultimate quality in crop mix is going to be – to be more definitive at this time.

Andy Ping: OK. That's great. In light of quality issues and the Canadian dollar strength, you had just alluded to the Canadian Wheat Board estimates of export growth. Do you think that's upwardly or downwardly biased? Or, is that your mean estimate at this point for next year as well?

Mayo Schmidt: he 17 to 18 million tonnes is their number. I think with low prices for all commodities right now, including wheat and barley, with the strong currency, and with the quality issues that might be out there in both wheat and barley, I think those will all be determining factors that will drive whether the Wheat Board is ultimately successful at that kind of level.

Andy Ping: OK. You've also had a very strong input season this year. Given the current moisture conditions and some inability to spray earlier in the season, how much agri-product growth are you seeing, do you estimate for next year?

Doug Weinbender: We think that we will have a similar season as last year, so we don't expect that it's going to be that much stronger. There are a number of factors around that, such as farmer's cash flow and of course, we still have to see what the weather factors will bring us through the spring.

Andy Ping: Right. So, are you suggesting it might be a flat year, or single digit growth?

Doug Weinbender: I couldn't tell you right at this point here. We'll have to wait and see how the weather progresses for the year.

Andy Ping: And lastly, you've provided western Canadian market share in your press release, but I was wondering if you might be able to quantify how your Saskatchewan market share has changed from last year?

Colleen Vancha: Yes, the Saskatchewan market share has gone from 33% to 35% over the year.

Andy Ping: OK, that's perfect. Thank you.

Colleen Vancha: You're welcome.

Operator: Thank you. Our next question comes from Dan Burneski of Finora. Please go ahead.

Dan Burneski: Thanks. I was wondering if you could comment on the new joint venture with JRI on your terminal structure in Vancouver and how that's working out, as well as for your cost savings and other efficiencies.

Mayo Schmidt: Well, we found it to certainly have an efficiency impact out on the west coast. Of course, it depends on the railroad's contribution in getting equipment there on time, but we've certainly seen an effect in terms of efficiencies. We think we're going to continue to see more efficiencies as we go forward into the future. We are operating under a competition bureau order at this time and waiting for their ultimate ruling to make other decisions around that business.

Dan Burneski: Thanks, and for another question, are you still operating 41 elevators on the Prairies, 49 elevators and facilities on the Prairies? Has that changed at all?

Mayo Schmidt: Well, this year we're operating 43 facilities and six specialty plants. Keep in mind we use a couple of facilities for special crops and so the number could go up or down based on what the utilization is at this time.

Dan Burneski: OK. And just a typical high through-put elevator that you have, I know it was built a number of years back, what would the typical cost of one of those have been to build?

Mayo Schmidt: Well, I guess if you're talking about a few years ago, there's quite a range. I think in terms of across the Prairies for all companies, the range of capital spent, of course that depends on concrete, steel, or whether they have agri-products with them, but the range would probably be for a small facility anywhere from $8 million up to $15 million.

Dan Burneski: And what would you see maybe a replacement cost for something like that today, if one was to be built?

Mayo Schmidt: You know, I really couldn't predict that for you because of the cost of steel in the Far East and other issues but certainly substantially more. I think the more salient point is there really isn't any need to build additional facilities across the Prairies. We already have a certain amount of extra capacity today that's more than required to handle the crop that's out there. Consolidation within our industry is needed so that we can produce higher levels of profitability for all the participants.

Dan Burneski: Yes, that's certainly needed; just on another question, the terminal in Vancouver. Now, I know there's -- I know with what Mr. Martin's said and the rest of the people and Revenue Canada that income trusts are off the table for the time being. Has there ever been any consideration of JRI and Saskatchewan Wheat Pool maybe putting their terminals into some sort of an income trust to enhance shareholder values?

Mayo Schmidt: No. That's not something that's been discussed. I'm not sure that those decisions in the federal government are completed yet, at least as far as my information. I think that as we look at our tax loss carry forwards, there's really no stimulus for us to become involved at this point in an income trust. We have rather substantive tax loss carry forwards that we would intend to utilize.

Dan Burneski: Do you see any negative effects or positive effects of the falling apart of the sale of the Agricore United terminal in Vancouver?

Mayo Schmidt: I don't see any effects to our particular business. As far as we are concerned, the facility's excess capacity out on the west coast is not necessarily needed. The facilities that are out there today are open to all participants in the grain handling business across Western Canada. They have no problem at all accessing any of the terminals, open to everybody. I guess whether they operate or not, it would be beneficial to the health of the industry if it were not operated, but whether it's Agricore United operating it or a producer group operating it, it's somewhat neutral to our plans going forward.

Dan Burneski: OK. I think you guys have done an excellent job fixing things up and it looks like you're on the right track. Thanks very much.

Mayo Schmidt: Thanks for your questions.

Operator: Thank you. Our next question comes from John Dynes of JC Clark. Please go ahead.

John Dynes: Hi, guys. Just on the market share gains in 2005, do you think those gains could grow in 2006?

Mayo Schmidt: Well, you know, I think that market share is certainly affected by car allocation as well as the ability of our staff to affect producers' decisions in terms of how they market. We certainly have a view that we're going to continue to grow market share in terms of a managed, steady basis. I think that's going to be somewhat obviously affected by our other efforts to see consolidation in the industry and see a healthier industry. I think for all companies, whether people pick up market share or lose market share, it will be minimal going into the future until we see some key changes in the industry that need to happen.

John Dynes: OK. Just on what are you guys seeing for Cap Ex for next year and also the corporate expense line?

Mayo Schmidt: Well, we've had a numbers of discussions with investors over the last six to eight months and we talked about $25 to $30 million, and of course that is always affected by the environment, the crops and things. But about$25 to $30 million.

John Dynes: OK. Just on the pension fund, just looking -- last year it looks like there's a surplus of about $56 million. So if just working through it, you guys seeing that 75 basis point change with a delta of about $100 million?

Wayne Cheeseman: It's Wayne Cheeseman. The $56 million you referred to from last year, that is in our defined benefit plans. So the surplus is going to define benefit plans.

In the press release we issued with respect to the GSU pension plan - that is a different plan that we account for on a DC basis. You can't mix the two up. The 75 basis points we referred to is in the context in the second and third quarter change. Our disclosure at that time based on some estimates was that the deficit was $28 million when we refer to Q2 and Q3. A preliminary actuarial estimate that was shared with us just recently had the estimate of a solvency deficiency at $50 million. The prime driver to that is a 75 basis point reduction in the long-term bond rates. And every 25 basis points impacts us to the tune of $9 million on that particular plan.

John Dynes: OK. You guys mentioned that 2005 had 27% feed grains versus 10% in 2004 and you can see the differences in the margin per tonne. Is there any way to quantify how much impact a 1% change in feed gain is versus food grain quality?

Mayo Schmidt: It's a little difficult to be specific at this time, because obviously the crop is not in and it's going to have some variance from province to province and even across the province. You know what, the things that we look at are if it's feed grain, if it's fed domestically and goes off farm, we may not even see that product. But fundamentally, the feed grain can be exported, at which point we'll handle the grain through our facilities in the country and also our export terminal, but we may not clean the grain or get other margins associated with that. So that in itself creates a range. I think the thing that gives farmers today some comfort in terms of the crop out there is that they're seeing more number twos and threes because of the weather than they would have thought in terms of their feed grain, which allows them to still have a milling quality as compared to a feed grain. This gives them a substantially higher return on that particular crop. Now, I should say also there's very good quality canola out in the countryside today that producers will be relying upon for increased income as well.

John Dynes: Is it fair to say your margin for tonne on canola is higher than the rest of the type of grains?

Mayo Schmidt: No, I don't think it is. I think that as you look at the commodities that are handled, wheat particularly, the blending, the cleaning, and many other facets that we get involved in, in terms of the pipeline margin and the marketing, provide as high or higher an income stream than canola does today. And that's most of the time, 60-65% of our business that provides that higher margin.

John Dynes: OK. Just finally, just on system availability. Is there anywhere it's plugged for you guys?

Fran Malecha: We're nearing the end of harvest and we may have a few facilities that can get plugged waiting for cars to show up to move grain before the end of the harvest comes in. It's pretty normal I would say given the time of year that we're in. The system is operating at a higher level of capacity than it was this time a year ago. We don't see any major issues.

John Dynes: All right, well congratulations on the year guys.

Mayo Schmidt: Thank you, John.

Operator: Thank you. Our next question comes from Jim Smalley of CKRM. Please, go ahead.

Jim Smalley: Thank you. It's CKRM Radio. Good afternoon gentlemen. The main question I would ask, Mayo, if you would give me the factors behind the $12 million profit and your outlook for the current year.

Mayo Schmidt: I'll run through those for you. First of all I think it's important to note that agri-product sales were up substantially, $514 million compared to $460 million last year, which is a 16% increase. That's been part of the good news. Our net income for the fourth quarter is $29.5 million. For the year it's $12.1 million. As well, we've a very strong cash flow at 46.7 million for the year-end and strong EBITDA of $70.5 million.

The agri-food processing segment for the year was $16.5 million compared to $14.3 million in 2004. Also I must add that our market share went from 21 to 23%. I think Jim, it's important to note that the work that the company's done to create a much stronger balance sheet has had a major effect on the company. Interest costs are down, we've gone from what I think was around 63, 62% debt to about 33%, which makes us substantially stronger. I mean, debt's now down 38%. So, great result there, and I think that sets us up well for the future and really positions the company for success as we move through crop conditions. I mean, we're going to have years of some good crops and some not-so-good, but the strong financial foundation is going to allow us to be resilient in those years.

Jim Smalley: Can I hear the outlook? Do you see an improvement in margins, Mayo, in the coming year?

Mayo Schmidt: I can't tell you there's going to be an improvement at this time till we get the crop in, but I'm certain that producers have an expectation that they're going to have, as I think I mentioned earlier, higher quality crops out there to be able to market. Of course, for the market and the industry that can be offset by higher or lower, or affected by higher and lower commodity values around the world. So I think it's right now a little bit of a wait-and-see, but margins and volume certainly should be better than 2005. How much, we don't know at this time.

Jim Smalley: So the key factors then were the 7% increase in grain shipments and a 12% hike in agri-product sales? Do I read that right?

Mayo Schmidt: Yes, that's correct.

Jim Smalley: Tell me a little bit, one final question. Have you had a problem with car supply problems? Has that been plugging the Pool?

Mayo Schmidt: Well, I think car supply is always a challenge during this time of year, and I'll tell you our grain group led by Fran Malecha has done a tremendous job in working with both railroads, trying to manage the logistics between the country and the port terminal. It's very complicated and at times very challenging, but we've spent some capital out in Vancouver. We've substantially improved the unload capabilities of the facility. We've entered into a joint venture out there to better utilize two facilities, and we think that's going to be healthier for the future for our organization.

Jim Smalley: Thank you, Mayo. If there's any other expectations of questions, that's it. I've got everything I needed. Thank you.

Mayo Schmidt: Thanks, Jim.

Operator: Thank you. Our next question comes from Warwick Bay of Blackmont. Please go ahead.

Warwick Bay: Thank you. This question is directed to you, Mayo, and to Wayne. In light of the background of the TD report that was put out on February 7th, a fairness report, I want to try and get a handle on what your - still comfortable with the 101 million that they estimated for EBITDA. Just as by way of background, I'm familiar, having been involved with the company for the last five years, with all the re-org and the selling and the rationalization. Can you give us some comfort as to what your expectations are for the EBITDA? Is it in line with the 101 million that was outlined in that report?

Mayo Schmidt: Well, I think it's important to note that was TD's report and not ours, first of all. So that was an independent report, which is important to footnote. As we've met with investors over the last six to eight months, what we've talked about in a normal year, and of course this year and last year I wouldn't characterize as normal, but in a normal year, we've talked about 100 million EBITDA, which breaks down into approximately about a $50 million free cash flow. Those are the kind of numbers we've talked about. Now, the real market that we're dealing with out there has not only the production this year that's been affected by the weather, to the degree which we don't know yet, and also there's some residual carry-over of feed grains from last year, which were substantially higher than normal. So we're not going to be able to put a pin in it right now. There's just simply too many moving parts to set anybody's expectations in that area. But what we have done is attempted to at least set a benchmark in a normal year, normal conditions. $100 million is what you look for from this organization.

Warwick Bay: Just to follow-up with that, on the report, you - and they intimated that from January 1 to July we're going to do 55 million. We actually did 58, and that's on a backdrop of we lost estimated 17 million. So is that reasonable to assume that this current quarter that we're starting for 2006, that timing issue that we just, that you just commented on, are we going to pick that up? Is that likely? Are you seeing that to date?

Wayne Cheeseman: Warwick, it's hard for us to sort of put a pin in that at this stage in terms of those numbers, and that's not something that I'm comfortable commenting on.

Warwick Bay: Yes, OK; all right. Well, the other one is Cap Ex. Can you outline a little bit more on the 25 to 35 Cap Ex that we're looking at, where the area is going to be spent in, because they seem to be fairly light in the last year.

Wayne Cheeseman: The bulk of the Cap Ex will be spent in what I will call Sask Wheat Pool proper. So that's our corporate, grain and agri-products area. That will be around 20, 20 to $22 million. Then the remaining portion will be spent with respect to subs and joint ventures.

Warwick Bay: All right. On the EBITDA that we're looking at, or cash flow rather, of $50 million, can we expect -- how does management view the excess cash that we're going to be having drop to the bottom line over the next couple of years, supposedly in normalized conditions?

Mayo Schmidt: Well, I think that what I would say is certainly it will be, as you're stating Warwick, dependent on volumes and margins and other factors like the Canadian Wheat Board programs. We certainly can't provide a cash flow forecast for the year but we're confident that we'll be certainly in a free cash flow situation at year-end.

We talked about uses of capital, and that's been something investors have asked us, because as the company gets stronger, that becomes more of a profile point with everyone. And as we look at that, the Board of Directors is considering the use of that cash going forward and they see, as management does, a particular opportunity to get stronger and grow some of the businesses that we're in. But I think the considerations do run across the gamut. They're considering all options, including shareholders as well in that particular area.

Warwick Bay: Okey dokey. Thanks a lot, Mayo.

Mayo Schmidt: Yes, thanks, Warwick.

Warwick Bay: OK.

Operator: Thank you. Our next question comes from David Newman of National Bank Financial.

Andy Ping: Hi, it's Andy Ping again. I just want to ask two follow-up questions with regard to export volumes. The first would be, this is a result of the favourable ruling on wheat tariffs. How much of a benefit could this be to your 2006 volumes? And secondly, whether you're seeing any spill-over from Katrina.

Fran Malecha: As far as 2006 volumes, the ruling on exports into the US, Andy, we don't see a big impact there. I think you'll start to see the Wheat Board making some sales into the spring of the year, but I think it will be limited because of quality of the crop and maybe some timing. We would look at maybe getting back to more normal wheat exports to the US in the following fiscal year, and historically they've been about a million tonnes a year total Wheat Board program.

Andy Ping: Right.

Fran Malecha: As far as Katrina goes, we haven't seen spill-over in Canada to any great degree. I think most of the effects have been to move some exports in the US from the Gulf to mainly the Portland marketplace. And I think they continue to work through their issues, and some of the elevators, most of the elevators are backed up and operating and is probably just in time as the major harvests come off down there in corn and beans.

Andy Ping: I appreciate that. Thanks.

Operator: Your next question comes from Rosalie Woloski of CBC Radio. Please go ahead.

Rosalie Woloski: Yes. Given that your margins appear to have dropped nearly $4 a tonne from last year, and your export opportunities were quite limited - well, were limited last year. Is it safe to say that you make better margins on Canadian Wheat Board grains than you do on handling non-Board grains, and if so, why?

Mayo Schmidt: Well, first of all a couple of things. One is the Canadian Wheat Board grains are typically milling quality and food for grain or food for human consumption requires a great degree more of handling and processing. We do clean it, we do blending, and there's many other processes involved, as well as the fact that it's handled both at the interior of the country as well as the export, plus their shipping and things that go along with that as compared to some feed grains. So you're correct that the impairment from the frost created an effect on our margins from what we see as normal pipeline margins. We hope that to some degree that's rectified this year with a better crop, and I think the jury is still out on that. But I think those are the primary reasons why.

Rosalie Woloski: On another issue, you said earlier that there has to be -- you need key changes in the industry in order to -- for market share to change. What are some of those key changes that you'd like to see?

Mayo Schmidt: Well, I think fundamentally we need some consolidation in this industry. We have capacity that exceeds the need of the industry in terms of handling the crop. Our estimates are there's 25% more elevator capacity in the countryside than is required to handle the crop. It's a very competitive business that has excess capacity and a high fixed cost, and when you have that environment, then you get into years when you don't have normal production, which we've experienced for the last four or five, that creates challenges. Now, if you said that we're going to have normal conditions where two, three million, five million tons annualized higher production than we've experienced over a 10-year average, then we could start to say, well maybe we don't have that much excess capacity. But the fact is, there is excess capacity. We do see some organic growth in market share by attracting new customers, and that's what's happening in the Pool now. They see us as a -- certainly a changed company in terms of a very strong financial company, in terms of what we've done with the balance sheet, that we can certainly meet all of our obligations. And I think the people that have wanted to do business with us, but that's prevented them from doing business with us in the past, have brought their business back and we're seeing that on a monthly basis. Customers we haven't seen in a while, and the fact is new customers that are attracted to our marketing programs, both in grain and agri-products.

Rosalie Woloski: And do you have a goal, like a realistic goal in the near future as to what you'd like to see market share grow to?

Mayo Schmidt: Well, I can't give you a number because I don't want to forecast that right now. But we've seen, I think upon the arrival of the new management team here, we were down probably in the 20s or high 19% range, and we've steadily grown that up and we think that's a trend.

Rosalie Woloski: Thank you.

Operator: Thank you. Our next question comes from Darce McMillan of Western Producer. Please go ahead.

Darce McMillan: Hi, gentlemen. My question is about the canola crop and marketing of it. You have such a large crop and a very large carry-over from last year. People in the industry have been saying that the only way to get the price up is if we can find some new areas to market that, including largely the opportunity of selling some of it to the Chinese. What's the likelihood do you see of making canola sales to China?

Fran Malecha: This is Fran Malecha. I think in our estimates total exports were at about 4 million tons and that does leave a pretty hefty carry-over, probably something in the 2.4, 2.5 million tonne range from about 1.6 coming into the year. So I think included in that, there are about a million tons of exports to China and Pakistan already. So to get to that level we need to be competitive, more competitive with other oil opportunities, soybeans or what have you, in China. So I think we need to -- we're probably going to see more lower prices and we will try to find a price level so that demand will trade. And then I think any additional export business will require us to be at maybe these lower levels for a longer period of time to build more demand to get our exports above that 4 million tonne level.

Darce McMillan: And just one follow-up question. We've been seeing the last couple of years I think some of the input sales that were usually done in the spring of the year pushed back more into the fall of the year, and I'm wondering with farmers worried about the high cost of nitrogen and the potential for it to be even higher next year, if you're factoring in higher pre-sales of fertilizer and other inputs this fall.

Doug Weinbender: Yes, this is Doug Weinbender. If you take a look at last year and you look at this year, we had some of the same dynamics that have played itself out. And both years producers were looking at nitrogen prices spiking. Although this year they're looking at historically high nitrogen prices that are spiking. So we're seeing some activity around that, but we're also seeing the same fundamentals around the late harvest in northern Saskatchewan which also pushes back some of the application that we can have NH3 in the fall. So, we don't see a lot of change from year to year.

Darce McMillan: Thanks very much.

Operator: Thank you. Once again, if you do have a question, you may press star, one, on your telephone keypad at this time. Again, that is star, one, to ask a question. There appear to be no further questions at this time.

Colleen Vancha: I would like to thank everyone for joining us today. The conference call has been taped and the number is available to you at our conference call notification. It will be available in a couple of hours, so for those of you and your colleagues who would like to listen to the call, please dial in. The replay dial-in number is 1-877-519-4471, and the number that you need to get into the call is 6579481. Thank you very much.

Operator: This concludes today's Saskatchewan Wheat Pool's conference call. You may now disconnect.