Alliance GRAIN TRADERS
P.O. Box 30029
Regina, SK CANADA S4N 7K9
www.alliancegrain.com
Phone: (306) 525-4490
Fax: (306) 525-4463

Alliance Grain Traders
Q3 2011 Conference Call Transcript

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Speakers:

Murad Al-Katib
President and CEO

Gaetan Bourassa
Chief Operating Officer

Lori Ireland
Chief Financial Officer

Omer Al-Katib
Director Corporate Affairs and Investor Relations

OPERATOR:

At this time I would like to turn the conference over to Omer Al-Katib Director, Corporate Affairs and Investor Relations. Please go ahead Mr. Al-Katib.

OMER AL-KATIB:

Thank you. Good morning and thank you for joining us and welcome to our Third Quarter Conference Call.

On the line with us today we have Murad Al-Katib, President and CEO of Alliance Grain Traders, Lori Ireland, our Chief Financial Officer and Gaetan Bourassa, our Chief Operating Officer.

Before we get started, I would like to remind everyone that today's call may include forward-looking statements. Such forward-looking statements are given as of the date of this call and involve certain risks and uncertainties. A number of factors and assumptions were applied in the formulation of such statements, and actual results could differ materially. This call may also include references to certain non-IFRS financial measures.

For additional information with respect to forward-looking statements, factors and assumptions, as well as reconciliation to IFRS measures, we direct you to our news release, our website as well as our recent filings on SEDAR.

I'll now turn things over to Murad for some comments and then we'll go to questions.

MURAD AL-KATIB:

Thank you Omer and welcome to our third quarter 2011 conference call.

Over the past number of quarters, we have been reporting difficult conditions, timing issues, dramatic weather events, that have resulted in difficult conditions and lower than expected sales volumes for ABT. It’s been a difficult period, however, we saw corrections beginning in the first half of the 2011 fiscal year with the restarting of buying by international customers to begin the process of replenishing local market stocks we believe have been low or depleted for some time.

Harvest in North America has now been completed. We would categorize the results, generally speaking, as good – a return to normalized production levels and quality the global markets have come to expect from North America, specifically Canada. A significant quantity of lentils and pulses at harvest, the second highest lentil figure in Canadian history, is now in the bins and growers all over Western Canada and the Northern Plains states are marketing their pulses.

With the supply-side fundamentals in North America and other regions improving, with ample stocks available from production, there remains a sense that global demand is materializing, perhaps slower than expected, in part due to global economic uncertainty. A percentage of global consumers are opting to take a cautious approach to stocking inventory, which tends to back up in deferred demand. An expected return to normalized buying in many regional markets, which is viewed by management at the start of the replenishment of long-standing depleted local market stocks, is expected to materialize in 2012. The re-setting of buying patterns in quarter three, as the world lentil markets annually recalibrate price expectations and strategies for buying as a result of the Canadian crop data, harvest reports from India and Turkey, coupled with the end of Ramadan and a positive view of supply from North America, is expected by AGT Management to result in a resumption of sales and margin opportunities in 2012 for AGT.

Banking and the financial liquidity of customers, continues to be a source of uncertainty in the world, while agriculture supply and demand fundamentals are relatively immune to short term macro-economic events, the uncertainty has contributed to a volatility as non-commercial traders have substantially lowered their positions in commodity markets. Management is hopeful that delays in product purchase decisions will be temporary as markets need to replenish these stock levels due to the staple nature of the products that AGT sells.

I am happy to report, though, that even in this difficult environment, in this quarter, we reported sales of $190.6 million, adjusted EBITDA of $15.03 million and adjusted net earnings of $10.5 million. Our complete third quarter 2011 financial results are available on SEDAR or from our website at www.alliancegrain.com.

We continue to view our strategy as the correct path for our company and the growth we have forecasted in our business. We held steadfast to this belief in the periods where global conditions were affecting our ability to execute our strategies and therefore affecting our earnings. We continue to hold these beliefs now as we see conditions turning more positive than they have in the past quarters.

In many ways, these results are the beginning of what we have expected for our company all along, since the transformational acquisition of Arbel in 2009 when we begin on the plans for expansion and growth we find ourselves on today. It has taken a bit longer, two years, to begin to see some of the positive movement and results we always expected, but we believe we are on the right path with the right strategy and will continue, as we have, to grow, expand and diversify our business.

I would like to share with you some of the positive indicators we have identified that we believe will assist us with the necessary conditions for our continued positive growth.

First are the estimated stable production numbers and growing export statistics we see from many origins. As a processor and merchandiser of agricultural products, availability of raw material is one of the most important components to being able to successfully drive and maintain utilization of our assets which ultimately results in earnings contributions. In past quarters, where quality or quantity of product have been compromised for whatever reason, we have shown an ability to deliver processing through our assets while preserving margins. While this contributes to earnings, these types of activities are not the optimal use of our assets. Conditions as we currently see them in North America, and looking forward to Australia, are the environment where our company and the assets we have will truly shine. The export numbers reported throughout Q3 by a number of outlets in a number of origins appear to support our belief. International buyers are replenishing local market stocks. They are accepting positively the quality and prices that are being offered in the marketplace for new stocks of pulses and staple foods.

We have stated many times that the quality issues in the past periods caused uncertainty with regard to price and product. That was a major factor in the slow buying trends of international buyers. We believe market stocks have been depleted for some time, with hand to mouth buying to keep levels there. These export numbers can be seen as a positive trend in the correction of this. Of course, again, the global economic uncertainty continues to be a source of concern for AGT and other companies in all sectors. These factors affect all industries and all companies in all sectors. This is not an AGT-specific problem; in fact, companies like AGT may provide shareholders with a level of insulation with what may be tumultuous economic times coming in the next quarters.

Turkey and India, both major production and consumption markets for the pulses and staple foods produced and supplied by AGT, are important components to the expected normalization of our business. Both countries produce a lot, they consume a lot, and both are seen in their local geographic regions as important supply points for food and agriculture products. Besides being major markets for AGT, we see them as important locales for a business standpoint from a processing, warehousing and distribution.

Our presence and commitment in Turkey is clear. The Arbel facilities in Mersin and Edirne provide us with unique and strategically located assets from which to produce, process, package and export our pulses and staple foods products. We have expanded and streamlined these facilities with an eye towards increased capacity utilization of these facilities but also for the expansion of business lines like the successful Arbella pasta business sold now to over 65 countries around the globe and growing domestic and regional rice business with the addition of our new mill.

And our business in Turkey is an example of how our strategies are interconnected. Turkey is not producing enough pulses for its domestic and regional markets. Generally, this would be seen as bad news. For AGT, though, through its North American and Australian operations we have access to ample supplies of lentils, peas, chickpeas and beans. And by utilizing these facilities, including our free-zone warehouses, we import, re-process, re-export, and we have potential to capture sales opportunities and margins available in that region.

These types of activities and infrastructure initiatives, like we have in Turkey, are viewed by AGT as a model for how we will enter and position ourselves in markets where there is significant production and consumption, like India. These markets are physical goods market where domestic levels can rise rapidly. We've seen this happen in Turkey. We've seen this happen in India. And having a mechanism to manage these fluctuations by importing when required gives us immeasurable benefit in the global marketplace to maximize the value of our products at any time.

We've been an acquisition focused company. We have felt in the past, and continue to, that we must be ready for peak periods, particularly after harvest. At these periods supply and demand are high. A processor must be able to run maximum capacity to be able to capture the opportunities that exist.

The important point here is we've been very successful at integrating these acquisitions into our global system. It should be noted that while people view us as an acquisition focused company, we are very conservative when it comes to deploying capital. We will not spend money just to acquire assets. We have metrics we follow. All acquisitions must, first of all, meet these metrics. And once these metrics are met, an acquisition must fit in as a part of a strategy, and interconnect with the other operations of AGT. Then it becomes a matter of streamlining, capturing margin that are already there and creating new opportunities for the assets to grow. We have done this many times with acquisitions, large and small, and will continue to follow these same practices as opportunities appear.

We have identified other opportunities further up the value chain for our products. We feel this will have a very big opportunity for us as we continue to move down the chain.

As an example of this, Australia is becoming a key production origin for AGT in the period between harvest in North America and Turkey. It has key freight advantages to the massive Indian subcontinent market, good product offerings for North Africa and it grows products that are in demand in those markets, providing opportunities for our business globally. Multiple, well-equipped and geographically spread facilities in key growing areas have always been a part of our strategy. That's what we are doing in Australia, and that's what we continue to focus on with our recently announced acquisition in Minot, North Dakota, and with our announcement of expansion into the durum wheat milling and processing in Canada.

With domestic opportunities for the production of pasta in Canada and sale of pasta into the Canadian and U.S. markets, the Americas and Western Europe, the elements of this project have the potential to be extremely positive for AGT's pasta export business to have another export origin point. This coupled with the new markets for packaged pulses, food ingredients and pulses fractions like pulse flours, proteins, starches and fibres, as well as food service industrial uses for these products will create significant opportunities for us going forward.

There will certainly be challenges in our business. However, we monitor them, we minimize the risk and we maximize our opportunity.

In conclusion, I would like to say that we expect our business to remain strong over the coming periods. As we've indicated in the past, our position in markets is strong, our facilities are well-positioned and we will capitalize on new opportunities we see them emerging.

I would now like to turn things back over to Omer and begin the Q & A portion. Omer?

OMER AL-KATIB:
Thanks Murad. Operator, I think we'll take the first question.

OPERATOR:
Our first question today comes from Robert Winslow of National Bank Financial. Please go ahead.

ROBERT WINSLOW:
Good morning.

MURAD AL-KATIB:
Good morning, Robert.

ROBERT WINSLOW:
Murad, could you maybe elaborate for us on gross margins in the quarter. What it looked like on a per ton basis and perhaps how it compares to year ago?

MURAD AL-KATIB:

Well, Robert, we've, for the first time, given you, as promised, some metrics of the total tons invoiced, from quarter one, quarter two and quarter three. And so if we look at our gross profits per metric ton, gross profit divided by the total number of tons invoiced, we see a trend, quarter one was about $85. Quarter two, around $74. Quarter three, over $90.

So we've seen an improvement in our gross margin per metric ton. We expect to see that trend continuing, with the stabilization of the quality of the product. And when we're trying to force product in the market, as a result of uncertainty on the quality, we certainly have more of a buyers' market than a sellers' market. So from that perspective, margins can come under a bit of pressure.

So, I think it's a positive trend of margins. It's a bit of a product mix thing too. I mean, over time, with the introduction of more products out of Australia and more end-use distribution type activities, we're trying to diversify our offerings, which give us more of a chance to meet those gross margin targets.

ROBERT WINSLOW:

And that's an all-in number, right? That includes pasta and everything?

MURAD AL-KATIB:

Yes, that would be. But remember, Robert, when you're modeling -- or you guys have been modeling in the past, as analysts, you've been targeting not just the gross profit, but some of those costs are actually up above in the cost of sales side. So we would have a number of our sales-related costs, plant expenses, maintenance CapEx expenses, are all up above the line. And so, over time, you'll start to track the trend and I think you'll see very stable forward possibilities.

ROBERT WINSLOW:

I know I'm only getting one question, but I just want to follow-up on this. What -- those margins, what do they look like back in the last boom cycle, like two years ago? How high did you get per ton?

MURAD AL-KATIB:

Robert, we don't give a margin per ton guidance figure. But certainly margins have been under pressure, there's no doubt. And we see more positive times ahead in 2012. 2010, as a result of the crop disruption, in terms of sub-quality, in 2011, leading up to the resolution of the 2010 issue, margins have been under a tremendous amount of pressure.

So, we see our ability to deliver results in this type of environment, if you compare us to our peers in the ag sector, a number of companies have been talking about how process margins have been under a tremendous amount of pressure. I think we've shown the diversification of our assets and our offering to maintain a pretty good result in very difficult times.

ROBERT WINSLOW:

But did you get over $100 a ton about two years ago?

MURAD AL-KATIB:

We don't give that guidance, Robert. I can't give you any more than what we've already said.

ROBERT WINSLOW:

Okay. Thanks.

MURAD AL-KATIB:

All right.

OPERATOR:

The next question comes from Max Vichniakov of Octagon Capital. Please go ahead.

MAX VICHNIAKOV:

Good morning, guys. Congrats on a good quarter. Actually, one follow-up question with what Robert was saying.

Can you actually, maybe, quantify the positive jump on the top line of this $190 million. Was that -- came from primarily from the volume? Or from the price increases?

MURAD AL-KATIB: Yes, I mean, sales are really as a result of mostly the price increase. As you can see, that tonnage was a part of that, obviously. The total invoiced tons are higher. It's a bit of a mix of all of them.

I think that if you look, we gave you tonnage invoiced in quarter two was 227,000. Tonnage in the third quarter was 282,000. So it's a mix of both. Commodity prices have been relatively stable, so we haven't seen that be the big effect. It's a bit more volume.

MAX VICHNIAKOV:
Yes. Got it. And my question is basically, can you give us maybe a little bit more color on the crop quality you see in Australia? There's been widespread reports about rains and how it might actually downgrade the quality?

MURAD AL-KATIB:
I have to be honest, we're not seeing reports of rains. South Australia harvest is underway. We're receiving, into our warehousing program, we call it a Grain Bank. So that's our warehousing program in South Australia that we're offering to the pulse sector. The very well received receivables into our new New South Wales operation, we're in full receivable and shipment mode there.

And we're seeing quality coming on well. In fact, even in Victoria, which is usually a bit later, they're starting to take some product off. I think we may have received our first receivables yesterday, we're expecting them yesterday or today.

So, Max, we haven't seen that. We've seen good volume, good yield, good quality and I mean, it's certainly going to be less than last year in some of the other crops, but I think when you look at the mix of pulses overall, in our facilities, we're going to be in a good position.

MAX VICHNIAKOV:

Yes. Got it. Perfect. Thank you.

OPERATOR:

The next question comes from Anoop Prihar of GMP Securities. Please go ahead.

ANOOP PRIHAR:

Good morning. I just want to start back on a couple of questions on the cash flow statement, I guess, for Lori. Under the operating activities, interest paid, you've got this use of cash up of $7.3 million and income taxes paid $6.1 million. What does that relate to?

LORI IRELAND:

This is actually a new requirement under IFRS. In the past, you would have noticed those two line items at the bottom of the cash flow statement, just as a note. But under IFRS, we're required to put them up into operating activities. And they come out of other non-cash working capital items.

ANOOP PRIHAR:

So how does that relate to -- what does that relate to on the income statement, then?

LORI IRELAND: Well, it's the actual cash outflow of interest paid. So the income -- on the income statement, you'll see, for example, interest expense, which will also include accruals for interest. But this is actual interest paid and actual income taxes paid.

MURAD AL-KATIB: Actual cash amounts, Anoop.

ANOOP PRIHAR:

Okay. And then down under the investing, you've got an increase in long-term receivables. Why is that not a working capital item?

LORI IRELAND:

Again, it's an IFRS requirement. Long-term receivables are required to be down in investing activities.

ANOOP PRIHAR:

Okay. I just wanted to understand that. And then, Murad, just coming back to your balance sheet for a second. I mean, net debt increased by about $50 million on a sequential basis. I know you say in your MD&A that you're complying with all your covenants, but I've got to think you're getting tight on a couple of these measures?

MURAD AL-KATIB:

You know what, Anoop? We've got no issues on any of our covenants. Because of the strength of our balance sheet and the strength of our equity and the fact that we have an ability to margin our current assets, I mean, we're not long-term stockholders. We have a very large book of business now and a very wide product base. So inventory is viewed, because we're a market leader and it's non-perishable inventory that can be easily moved into multiple markets, we get high margin on our inventory, high margin on our receivables, as a result of our global coverage of all of our receivables with Canadian export-import bank, EDC, and so as a result of that, with the borrowing-based facility, we're not feeling any tightness. In fact, we've been quite vocal to say that we'll be looking at the consolidation of our global credits, increasing the size of our available credits, to be able to fund the growth of our capital projects announced and to fund the continued growth of our activities in the world.

So, as there's no issue in terms of getting close to covenants, Anoop.

ANOOP PRIHAR:

Okay, then, in the MD&A, you say you've got $222 million of operating lines. I just want to be clear, is that your total capacity? Or is that just what's available?

LORI IRELAND:

That's, right now, that's our total capacity.

ANOOP PRIHAR:

And how much of that is available?

LORI IRELAND:

It would be the difference between that and the $165 million on the balance sheet.

MURAD AL-KATIB:

Yes, so we've got about $60 million unutilized right now. Now, Anoop, you'll see that that has actually come down from what we've reported, let's say, a few quarters ago. And that's all a part of the global financing strategy that we're working on right now, in terms of the elimination of non-favorable Turkish credit lines.

For us, there's no reason our credit lines on the sides that have high interest rates, with conditions that we're not going to utilize.

So, we've cut all of those lines and we've basically focused on banks that we feel we could have a broader relationship with. So, very diverse group of lenders and a very -- if you look at now, with the processing plants and operations on five continents, we have a number of relationships with very large international banks.

ANOOP PRIHAR:

Okay, great. Thank you.

OPERATOR:

The next question comes from Jim Smalley of CKRM Radio Regina. Please go ahead.

JIM SMALLEY:

Congratulations, Murad, on your improved third quarter results. Mine is a very basic two-pronged question. Of course, it's for my farm audience, so if you'd provide a good background that way.

The first question -- the first part of the question is what are the factors behind the improved profit in the third quarter and the outlook in 2012 for Prairie farmers?

MURAD AL-KATIB:

Jim, I think that if you look at the improvement in our earnings, I think you're seeing the benefits of our diversification strategy. I mean, certainly we've had positive contributions from our U.S., Australian and Turkish operations and the Western Canadian side has been a pretty significant challenge over the last number of quarters, as a result of tough quality from last year, the cleanup of that, and those types of issues.

So I think that overall, you're just seeing a good profit mix, a good reach into the world markets, and an ability for us to put it all together and make money doing it. So, positive opportunity for farmers.

In terms of the 2012 outlook, we have a lot of crop in the bins right now. There's a bit of a headwind as a result of global economic issues, liquidity of importers around the world. But I always say, if you take it as an index, discretionary goods will face a head wind that's very hard to overcome.

Staple food products, like pulses and pasta and rice, these are items that are consumed daily. But we believe that the liquidity issues will be short-term and we believe that there will be a resumption of regular demand because people consume these things daily. They're not discretionary items. So, I see there being a really positive outlook for Western Canadian farmers going forward, Jim.

JIM SMALLEY:

Fantastic. Thank you, Murad.

OPERATOR:

The next question comes from Christine Healy of Scotia Capital. Please go ahead.

CHRISTINE HEALY:

Thanks. Hi, guys.

LORI IRELAND:

Hi.

MURAD AL-KATIB:
Hi, Christine.

CHRISTINE HEALY: Murad, I'm hoping you can give us some more color on how Q4 has been going to date? Have you seen an increase in demand/plant utilization following the new crop in North America? And maybe give us a sense for if [mean] has continued to be a dominant buyer; or if you've seen increase in terms of the Indian subcontinent? Thanks.

MURAD AL-KATIB:
Well, I think that ultimately we're about halfway through quarter four. I think we can say that demand has continued at levels that we saw late in the quarter three that we've just reported. And those -- the main buying regions have been Middle East, North Africa. And I mean, we continue to sell in other regions as well.

Indian subcontinent has not really come into the fold in a big way right now. I think that if we want to take a look at that, there's certainly a bit of colour that we might be able to give you and maybe I'll ask Gaetan to just give you a couple of quick comments on the Indian sub and how we see that potentially playing out.

GAETAN BOURASSA:
Sure.

I mean, the Indian sub is very important. I guess a lot of people focus on India. And today, what we're seeing is some recent government tendering, which is a good sign and the recent three or four government tenders have been on desi chickpeas, which we're very active in out of Australia with our new assets. So we're optimistic about what that will do, that capacity.

On lentils, we're getting reports of potential drops of 40% on planting. The reporting that pulse acres up, but lentils specifically, with the world situation, there could be -- they're under serious pressure.

So, yes, we're very optimistic with that. So.

MURAD AL-KATIB:

I mean, Christine, the other problem with India, of course, is just the reliability of statistics. Like we're all sitting back, the government has a view related to food inflation, so they talk about positives of overall acreage. But there's a lot of factors. Yield, plantings.

We've seen this pressure all over the world. If you look at western Canadian plantings, last year they were down because of cereals and oil seeds. It's no different in India. Cereals and oil seeds have been very strong. We're expecting that to have an effect on acreage in 2012 and we're expecting that to be a positive fundamental.

As Gaetan said, too, Bangladesh, Pakistan, Sri Lanka are big parts of our business as well. So we have optimism that with the Australian crop situation being a little bit more clear, Australia looks great, but it's not going to change the world. And I think that’s what the Indian sub was waiting for, is to see whether Australia would change the world positively or negatively. I think it's just good, stable supply, good quality there. I think that'll help to resume the world demand.

CHRISTINE HEALY:

So these government tenders have just been over the last couple of weeks, then? So this is -- you're seeing some recent activity and that's giving you hope?

GAETAN BOURASSA:

Yes, yes, it certainly does.

CHRISTINE HEALY:

Okay.

GAETAN BOURASSA:

So just over the last ten days, there have been, I think, three -- three or four of the agencies, for sure three, that have --

CHRISTINE HEALY:

Okay. Great. Thanks, Gaetan and Murad. I appreciate it.

MURAD AL-KATIB:

That's a positive sign, anyway.

OPERATOR:

The next question comes from David Pupo of Macquarie. Please go ahead.

DAVID PUPO:

Good morning, guys.

MURAD AL-KATIB: Good morning, David.

DAVID PUPO: So does the total tons invoiced include the bulk shipments to Thunder Bay?

MURAD AL-KATIB: David, if it's shipped into our own system in the world, it would be eliminated, and it would only be an inventory transfer. If it was sold to a buyer, it's invoiced.

So the vessels that were shipped -- if you're asking specifically about our bulk conventional vessels that we did out of Thunder Bay, those were partially sold, partially transferred. So only a portion of that would have been recognized in quarter three.

DAVID PUPO:

Oh. Can you explain that a little bit? The -- I view that a little bit as a shift in strategy, but just in the second quarter, you had quoted that if we view you as a bulk shipper, we clearly do not understand your business. But then you show up in the quarter, shipping bulk.

MURAD AL-KATIB:

Yes, but you know what, there's one difference, David. We shipped cleaned, sized, gravity graded bulk conventional lentils into value-added processors. So we're not shipping non-commercially cleaned, high foreign matter, unsized, shriveled, wrinkled and damaged lentils to be processed halfway around the world. We don't think that's economically viable, long term, and we don't think the buyers of the world want that. So when we look at it, we merely use an efficient mode of transport to be able to actually ship in our own program.

And so I think that's a very significant point of this, we're not a bulk shipper. We can use bulk conventional capacity to ship our processed lentils if the market freight conditions are right. And they were right in August-September. In October and November, we continued on with our container programs.

DAVID PUPO:

Okay. Can you give us a -- without getting too specific, obviously you can't, on the total tons invoiced, give us a feeling what would have been shipped, what might have been shipped. Given the size of the top line, I might have expected a higher EBITDA margin percentage. Wondering if there's some low-margin product in that 282,000 or 283,000 tons.

MURAD AL-KATIB:

Certainly. There's -- listen, we were still, for quarter three, we really only received a couple of weeks of new crop. Right? That we were still working on. Peas into Asia. We were still working on low-grade lentils into the world. And I can tell you, the closer you get to new crop, the more pressure you'd have on selling the old crop stocks, right? We're trying to clear it out. So, there's certainly an effect of that in that.

Remember, the bulk vessels are only a portion of what we ship. We are the largest container shipper in Western Canada in all sectors and as a result of that, the bulk conventional's only a portion of the 282,000 tons shipped out of the world.

DAVID PUPO:

Okay. Great. Thanks.

OPERATOR:

The next question is a follow-up from Anoop Prihar of GMP Securities. Please go ahead.

ANOOP PRIHAR:

Just back onto that question, on the bulk. I was wondering if that just reflects the fact that we have such a large amount of crop coming from last year that was less quality than has typically been the case. Is that really what you were doing there?

MURAD AL-KATIB:

In terms of why we chose the bulk conventional method?

ANOOP PRIHAR:

Correct.

MURAD AL-KATIB:

No. I don't think that that's the deciding factor. The deciding factor is, is that bulk freight, at the time, with available terminal capacity in Thunder Bay, was more economical than shipping out of Montreal. And as a result of that, we took the opportunity with a number of clients that accepted bulk conventional.

I mean, you've got to recognize, Anoop, that an importer has to be of a very significant size to accept a bulk vessel quantity, or even a partial bulk vessel, of lentils. So from that perspective, you're talking about financing, you're talking about storage capacity, you're talking about processing capacity. And I think that one of the things that people forget is this is not peas, where you're talking about a million and a half tons of import, so 50,000 ton units make sense. People are traditionally buying 250, 500 or 1,000 tons. 1,000 tons would be a big order. For a large importer.

And so as a result, when you start talking about a vessel of 22,000 tons being split, even between three importers, that's 7,000 and change for each importer. That's a big quantity. So I think that the quality didn't make the decision. The importers wanted the product quickly and it was a combination of old crop and there was actually the first available new crop was shipped on that second vessel.

So we had one portion of it with number two or better new crop, which we wanted in the market quickly, to ensure the world could see the new crop was good quality.

ANOOP PRIHAR:

Good. It doesn't sound like you're doing any bulk --

MURAD AL-KATIB:

And I've got to be honest about it, they don't believe us anymore, in terms of the quality, because last year was so -- I'm talking in general, the Canadian industry. Because the quality was so variable that the world is a bit gun shy, but now we've proven it out. Lots of shipments have went, everything's been accepted and I think things will be better in 2012.

ANOOP PRIHAR:

It doesn't sound like you're doing any bulk in the fourth quarter. Is that a fair statement?

MURAD AL-KATIB:

In the fourth quarter, there's no planned bulk shipments. And we'll look at the resumption of those activities if the freight, if the buyers, and if the advantage exists. Otherwise, we believe segregation of quality, commercial cleaning and ability to ship into the importers' cash flow is the competitive advantage of Alliance. So that will continue by container.

ANOOP PRIHAR:

And then, just last question, in the MD&A, you talk about how you expect the Turkish production for lentils and chickpeas in 2012 to be lower than it was this year. Why are you saying that? What is it that's leading you to believe that?

MURAD AL-KATIB:

I've got to be honest, I think that we may have probably not been as clear as we need to be. We expect that acres could be down slightly. But production should be about stable. So I think acreage may take a little bit of a hit in Turkey, again, just because of cereal grain acreage, again. Cereals have been very positive all over the world, and so from that perspective, it's possible. But again, we reiterate, Anoop, that lower production in Turkey is not a bad thing for AGT.

ANOOP PRIHAR:

No, I understand that. I understand.

MURAD AL-KATIB:

We like to fill it out from Canada and Australia and -- but we want ample supply to supply local market demand for Turkish product. Because you know what? Red lentils aren't red lentils in Turkey. There is a market for Turkish red, there's a market for Canadian red, there's a market for Australian red. And they're all distinct and separate markets.

ANOOP PRIHAR:

Okay. So you don't really expect a drop in production. You're just talking about a drop in acreage.

MURAD AL-KATIB:

There's probably a small drop in acreage. And, again, it's still a long ways away. Turkey is basically one step better than India, in terms of reliable statistics. They're not really there. So we rely on people like the U.S. Ag Attaché and Ankara to release his or her report to give us a bit of insight from the ground. And, of course, we do our own market intelligence.

ANOOP PRIHAR:

Okay. Thanks.

OMER AL-KATIB:

And that brings us to the end of our questions. I would like to thank you all for joining us today. And I'd like to remind everyone that's still on the call that if you have any follow-up questions, you can feel free to contact us at our Regina head office and we'd be more than happy to follow-up with you.

Again, I would like to thank you all for attending our conference call and please have a good day.

OPERATOR:

Ladies and gentlemen, this concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.