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
Second Quarter 2014 Financial Results
Conference Call Transcript

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Speakers:

Murad Al-Katib
President and CEO

Lori Ireland
Chief Financial Officer

Gaetan Bourassa
Chief Operating 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.

OMER AL-KATIB:
Thank you. Thank you all for joining us on our Second Quarter 2014 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 with the call, 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 a reconciliation to IFRS measures, we direct you to our news release, our website, as well as our recent filings on SEDAR.

With that, I'll turn things over to Murad for some comments and then we'll go to questions. Murad?

MURAD AL-KATIB:

Good morning or afternoon. Thank you for joining us on our call today. It's been a positive quarter for AGT and all of the operations of our company. After prolonged periods where macroeconomic conditions adversely affected our operations, impacting our earnings, we're pleased with the developments in our business over the recent periods, particularly over the past few quarters where we've seen normalizing trends in our legacy business segments and the ramp-up of our new food ingredient and packaged foods segment.

AGT, through our expansions and acquisitions, has built a strong footprint of the right assets and facilities, that along with our strategies surrounding diversification and balance with respect to our operating geographies, product mixes and global sales reach, is beginning to show the positive results for shareholder value that we always believed existed in our business.

A number of key developments have led to the strong performance recorded in Quarter 2 by AGT. I'd like to ask Lori Ireland, our CFO, to provide some highlights for the quarter to frame it out. Lori.

LORI IRELAND:

Thanks, Murad. Hi there. Quarter 2 of 2014 saw an improvement in earnings per metric ton, with adjusted gross margin per metric ton improving from $79.89 for the three months ending March 31, 2014, to $89.23 for the three months ended June 30, 2014. EBITDA per metric ton improved from $44.17 for the three months ended March 31, 2014, to $55.61 for the three months ended June 30th, 2014.

Total inventory and accounts receivable days outstanding improved to 114 days for the six months ended June 30th, 2014, compared to 125 days for the six months ended June 30th, 2013.

Non-cash foreign exchange includes a snapshot of outstanding foreign denominated accounts receivables, accounts payable, as well as outstanding foreign exchange contracts and includes the contract relating to the high yield bonds. Note this is a non-cash item and will fluctuate depending on the strength or weakness of foreign currencies when compared to the Canadian dollar. On the Statement of Comprehensive Income, there are two foreign currency numbers. The gain of $12.7 million for the six months ended June 30th, 2014, relates to the mark-to-market adjustment on accounts receivable, accounts payable and intercompany balances. The other comprehensive income of $3.4 million relates to foreign exchange differences on our foreign investments. AGT has a treasury process in place to ensure that the need to purchase foreign currencies to settle debts will be minimized if it will result in realized losses on foreign exchange.

AGT tracks adjusted earnings per share as it is reported exclusive of the non-cash foreign exchange effects of our global business, whether that means a gain or a loss, because Management feels that inclusion of both gains and losses that result from snapshot non-cash IFRS effects do not accurately reflect the cash flow generating ability of our business.

Adjusted earnings per share improved to $0.44 and $0.43 fully diluted for the three months ended June 30th, 2014, compared to $0.25 and $0.24 fully diluted for the three months ended June 30th, 2013, and $0.16 basic and fully diluted for the three months ended March 31, 2014.

General and administrative, and marketing, sales and distribution expenses have increased over the prior year; however, current year results include expenses related to growing operations in India, China, and Switzerland, as well as costs related to the new AGT CLIC acquisition and continued growth in the food ingredients and packaged food segment. On a per metric ton basis, however, general and administrative and marketing, sales and distribution expenses decreased from $40.29 per metric ton for the three months ended March 31st, 2014, to $38.36 for the three months ended June 30th, 2014, showing continued improvement in efficiencies as AGT grows. Management anticipates the combination of general and administrative and marketing, sales and distribution expenses to be in the range of $15.5 to $16 million per quarter going forward.

Net debt decreased from $369.4 million at March 31st, 2014, down to $335.7 million at June 30th, 2014. In addition to lower accounts receivable and inventory levels, the Company is utilizing various supplier payment programs and trade finance instruments which are allowing for longer accounts payable cycles and the ability to pay down our operating credits.

Metrics continue to be calculated for each facility, and performance targets are being tied to inventory and accounts receivable turns at each plant and country operations level.

EBITDA for the three months ended June 30th, 2014, was $24.4 million compared to $13.9 million for the three months ended June 30th, 2013, and compared to $17.1 million for the three months ended March 31st, 2014. EBITDA as a percentage of revenue also improved to 6.79% for the three months ended June 30th, 2014 compared to 5.63% for the three months ended June 30th, 2013, and compared to 5.49% for the three months ended March 31st, 2014. EBITDA improved to $74.1 million for the trailing 12 months ended June 30th, 2014, and this compares to $63.5 million for the trailing 12 months ended March 31st, 2014 and compares to $51.5 million for the trailing 12 months ended June 30th, 2013. This improvement is demonstrating the success of AGT's global diversification strategy and the positive effects on AGT's earnings.

Finally, of total operating credits available of approximately $179 million, approximately $119 million is drawn, leaving approximately $60 million available to draw at June 30th, 2014. AGT and its subsidiaries are in compliance with all covenants at June 30th, 2014.

Thank you.

MURAD AL-KATIB:
Thanks, Lori. While our food ingredients platform is a focal point of our future strategy, our legacy pulses business continues to be a significant and strong performer for our company, providing a solid foundation on which AGT can grow and expand. We're encouraged by the continued and gradual recovery of global pulses and staple foods markets. The export statistics supporting our view of normalizing trends, particularly showing purchases and import volumes from markets that are not traditionally in the market in this time of the year, is important for the overall business of AGT. We have a significant asset base focused on this segment globally.

We expect we will continue to provide opportunities and contributions with respect to revenues and earnings.

Freight and logistics constraints reported earlier in the year that affected AGT and really all exporters and shippers in Western Canada's ability to send products to market have been substantially resolved. This has, in part, contributed to some of the margin improvements in Quarter Two that have allowed AGT to deliver a large program in this period, showing overall strength in our sales program, logistics and our ability to capitalize on opportunities in the markets when they present themselves. This comes directly from AGT's ability to drive a significant commodity, supply and distribution business globally with the right mix of well-placed assets globally and the experience on how to run the assets with the right mix of products, delivering through the freight and logistics strength to market where products are in demand. This approach has been a cornerstone of AGT's strategy in our legacy business and our company overall.

North American harvest is shaping up well, with significant production volumes expected again this year. With export volumes high, driven in part by what we would deem as impaired production in traditional markets, supply at these levels is potentially needed to continue the program we see as a part of normalized market conditions in the upcoming period. However, as I've stated, our food ingredients platform is a focal point of our future strategy.

In the past quarter, we announced sales and marketing agreement with Ingredion, focused on sale and marketing of pulse ingredients globally through Ingredion's significant infrastructure. The agreement is intended to more rapidly develop market and sales opportunities for AGT's high-quality pulse ingredient products through Ingredion's sales, marketing and application research strength. It has a concentration on sales and foods for human consumption sectors such as baking, cereals, meat and meat analogues, pasta, snack and extruded foods, dips, soups, beverages and convenience meals, as well as nutritional supplements, additives and industrial food uses. These are sectors we feel have significant potential for our pulse flours, proteins, starches and fibres produced in our in Minot, North Dakota facility. The agreement is in addition to the established marketing agreement on protein for pet food and branded feed ingredients in North America with Cargill.

The approach we have taken by adding marketing partners is intended to develop the sales program, but also intended to allow us to ramp up utilization at our Minot facility. Based on the success of these sales programs, we'll continue to evaluate and plan for capacity additions in Minot and also conversion in Canada, the U.S. and/or Turkey to ingredient production, creating margin opportunities and utilizing our available capacity to the fullest. We feel there is significant opportunity for an integrated supply chain management approach to rapidly come to market and capture market share that generates real sales and earnings impact for the benefit of AGT shareholders, also creating high barriers to entry for other companies entering this market.

Our retail packaged foods business with retail opportunities in Canada, the U.S., E.U. and Turkey and the Middle East-North Africa region is continuing to grow. Traditional markets are starting to become interested in retail packaged goods, replacing the format of bulk shipments of the same pulse products and staple foods they've always been consuming. This is another opportunity we expect to grow in the coming periods.

At our recent Annual General Meeting, a resolution to change our company name to AGT Food and Ingredients Incorporated was passed. We have begun the name change process and we expect to be completed in 2014. This name change is viewed as significant to our company, as it reiterates the focus we have on food and food ingredients as part of our business, and better communicating the focus to our shareholders, our customers, our staff and markets overall.

We're optimistic that the normalizing trends and the growth and expansion plans we have initiated will contribute to AGT's ongoing success. Overall, we categorize consumer and customer demand for our commodities, our ingredients and our retail food products as strong.

Our management initiatives continue to provide the balance sheet management and cost containment effect that we intended, and we look forward to taking our strong strategy to implementation to capitalize on market opportunities we see ahead and to AGT's future as our new business segments grow and expand.

I thank you for your continued interest in AGT, and I would like to turn the call back over to Omer for our Q&A. Thank you.

OMER AL-KATIB:
Thank you, Murad. Operator, if we can have the first question?

OPERATOR:
Our first question today comes from Steve Hansen of Raymond James. Please go ahead.

DAN CHEW:
Good morning, guys. It’s actually Dan Chew filling in for Steve this morning. Just a quick question here on your second half volume margins. We’re seeing quite a few tailwinds here as

you guys sort of mentioned: large crop carryover, a positive outlook for another great harvest and decongestion of the railroad, aided by some of their recent regulatory action. I was just wondering if you might be able to give us your thoughts on where you think second half utilization rates and sales volumes might land versus the first half, given the strong backdrop. Thanks and congratulations on the great quarter.

MURAD AL-KATIB:
Yes, well basically, I think that as you talk about tailwinds, I think that ultimately what we view is—we actually just view it as the absence of a headwind, so really much more of a normalized condition where we're seeing demand. What we saw in first half, in particular in March, April, May, June, was non-traditional demand in a non-traditional period where—India harvests in March-April, usually they're not in the market in these periods. Certainly it's telling us that their harvest was not positive. Turkey is usually not in the market in these periods. We shipped good volumes of product into North Africa and Turkey and the Middle East during these periods. We expect the second half utilization to continue at similar levels to the first half. We see clear visibility on our sales program.

We see logistical constraints to be minimal leading up to the winter season. Once we get to November-December, we're back into the weather game again, where extremely cold temperatures can certainly hamper some of the railway and even the plant efficiencies. It's not only about the railways slowing down, but when it's -47°, we're a little slower on the way we're able to react, as well.

But we see good strong second half demand, good utilization, good logistics, and it looks like good availability of product. We're sitting today 28°C, a glorious Saskatchewan harvest, pre-harvest day, so we can almost hear the lentils growing and finishing today.

DAN CHEW:
That's great. Thanks a lot, Murad.

OPERATOR:
The next question comes from Marc Robinson from Cormark Securities.

MARC ROBINSON:
Thanks. So, we saw this logistics premium in Q3 having a positive impact on margins. I'm just wondering whether that might sort of—whether that could drift into Q3 or the back half of the year, or whether it was isolated in the quarter?

MURAD AL-KATIB:
Just to clarify, Marc, I think you're talking about the logistics premium that was in Q2; will it move forward in Q3 and 4?

MARC ROBINSON:
Yes, that's right.

MURAD AL-KATIB:
Okay. You said Q3. Just wanted to make sure I got your question right.

MARC ROBINSON:
Yes, Q2.

MURAD AL-KATIB:
Yes. I think the answer is there're a couple of things that I think we find. When we have a severe logistical constraint in the entire supply chain, we attempted to use it as a wake-up call for the distribution in the world to say "look, you need to order in advance." With all of the crops and the products that are competing for scarce transportation resources in a resource-rich country like Canada that is far from the ports in terms of the oil and gas, the minerals and the agricultural commodities, people need to start forward-booking and planning their logistics chain much more carefully. What that's going to do for our business is we believe it's going to lead to more clear visibility in terms of our book into subsequent quarters. We're trying to work in our system to convince our buyers to buy forward more regularly, so that we're able to deliver a much more reliable, logistical system for them. I think that the prompt shipment logistical premiums that we saw in the second quarter, we have a big infrastructure, so with a kind of pent-up demand, we were able to ramp up margins, but we still see strong margins continuing in Quarter Three and Quarter Four. We think that these are normalized margins and so from that perspective we're optimistic in our ability to continue.

This is not one of those scenarios, Marc, where we see Quarter Two, we blew our brains out and shipped everything and now there's no demand left for the rest of the year. Strong demand is remaining. Our order book is quite committed and we are in a position where we're optimistic for the harvest starting in earnest within the next five to 10 days. Probably seven to 10 days, we should be receiving good volumes of new crop in Canada.

MARC ROBINSON:
Okay. If I could just quickly shift to the food ingredients side in Minot, so running at 67% utilization at quarter end and I imagine that's now higher, I guess using Line One as experience,

I guess we would have thought Line Three would have been announced sometime soon or by now. Can you give a little bit of colour on that process, how that's developing, and maybe why we haven't seen that yet?

MURAD AL-KATIB:
Well I think that there's two things. I mean we're certainly pleased with the ramp up of the utilization. An interesting part of the equation in this was we built the plant in what we called kind of a plug-and-play model where we built all of the infrastructure and we left room for the second and third lines. So when we put the second line in and we plugged it in, we were ready to start producing within, say, 45 to 60 days. So we've proven that our design works. The second line is developing out as planned in terms of quality, quantity, all of the things that we measure in terms of a successful integration.

Utilization is ramping up. Sales programs on our flours and our starch flours are continuing to keep pace. We're seeing strong forward demand for protein, and we're very happy with Ingredion and Cargill as our global partners in this commercialization.

The work right now, and in my conference call comments I was quite clear about our intentions to continue looking at expansions of Minot and also we are working on feasibilities on conversion of other facilities, I expect more clarity to come in the coming weeks and coming couple of months.

What really is our focus right now is defining with our partners: what's the capacity that we're going to augment first? Because the third line in Minot has the potential to augment our flours portfolio, and not the fractions portfolio, for instance. So we are seeing a ramp-up of demand for semolinas and flours, complementing our protein, our starch and fibres. So we may end up deciding that that's the first—the third augmentation, instead of just the traditional fractionation. We're expecting that decision to come fairly quickly. I'm quite optimistic with the ingredient announcement that, as you say, I think there's expectations that the announcement would have come by now. No reason to be concerned. Things are tracking very well and we're very happy with the partnerships that we've signed.

Marc Robinson:
Okay. Thanks very much and congrats.

MURAD AL-KATIB:
Thank you.

OPERATOR:
The next question comes from Keith Carpenter of Canaccord Genuity. Please go ahead.

KEITH CARPENTER:
Thank you. Good morning out west. If I could phrase the question this way—and we've talked about this already—but can you comment on your Q2 processing segment earnings where you did $19 million in EBITDA versus $11 million in Q1? Are there—can you quantify if there were factors to an extent that you think had they not been there you could have done mildly lower, and given X EBITDA in the quarter, if you can quantify it to that extent? Is that possible?

MURAD AL-KATIB:
Well, you know what, Keith? I think that the one thing I can't do when it's really this positive is when we have the negative factors—let's say the rail constraints in Quarter Four and Quarter One—I think we said a $1.5 million to $2 million negative effect. If I look at this logistical premium that we kind of talked about earlier, it's probably a couple of million dollar effect, where we were able to capture some prompt delivery premiums because we have a very strong logistical system that we run under. We are a very large container shipper globally. We were able to capture—you know part of the strategy is origins to be in place. You know, when Canada was constrained, Australia was shipping in shorter transit periods and capturing some premiums in the period of the second quarter. So, while I see it, those factors, they're all the interaction of the strength of our platform. So I don't consider them necessarily aberrations, or one-time effects on the quarter. I think that we had certainly had a good conglomeration of effects that lead to us delivering out these earnings. But we're optimistic that we can continue to show positive trends from 2013 when we compare the 2014 periods. So, if I look at Quarter Three of '13, and Quarter Four of '13, we are expecting the demand and margin circumstances to dictate our ability to continue to improve last year over this year.

KEITH CARPENTER:
Can you guys—switching to the food ingredients, again, just an extension of your previous comments. As you guys look to—as internally as you look at growth and where you're moving next—and I'm assuming that has entailed a discussion with both Cargill and Ingredion—is there a scenario where it's possible—it may not happen in the next quarter or two, but is there a scenario where we could sit here a year from now and you would look back and say, you know what—or look forward and say we've had this discussion with Ingredion and things are probably going to ramp faster or maybe even materially faster than we would have thought back in the summer of 2014?

MURAD AL-KATIB:
The answer is that it's pretty early in the game, but I think that the trends in the food ingredient business are aligning to a point where the trends are irrefutable. These are not fad trends that we're following. It's a global race to protein. It's non-GMO ingredients. It is lower allergen concentrations. So the replacement of soy, gluten or wheat, corn, these are large trends that are all converging in one instance, where, you know, I do view this as a generational opportunity in our company where we're going to have this opportunity once to build something that I think is going to become a very big part of mainstream food in the world. As a first mover, yes, there's potential that the ramp-up can go significantly faster. Our job right now is to have the right partnerships to be able to react to the scale-up as needed. Now Keith, you've known us for many years. Our style was always to go it alone. The food ingredient ramp-up potential is large enough that we want to be ready to capitalize on it if it comes quicker. That's why we took partners, because this could become a much bigger game where the time to market, which I do view as the main barrier to entry, can come quickly and we'll be ready to react with Ingredion and with Cargill.

KEITH CARPENTER:
Perfect. If I could just ask one quick question, can you provide us with your past operating rate in the quarter? Or would you know that off-hand?

MURAD AL-KATIB:
The past operating rate in which quarter? Like the utilization?

KEITH CARPENTER:
Q2, yes.

MURAD AL-KATIB:
I think if you calculate out to our pulses, we're probably running around 85%, actually. It was quite a high utilization rate.

KEITH CARPENTER:
Perfect. Thanks.

OPERATOR:
The next question comes from John Chu of AltaCorp Capital. Please go ahead.

JOHN CHU:
Hi. Good afternoon guys.

MURAD AL-KATIB:
Hi John.

JOHN CHU:
Just wanted to kind of focus on capacity utilization rates here. I know the focus for everyone has been on pulse ingredients and what that can do to your overall utilization rates at your existing plants, but I noticed that in the MD&A there was talk about cleaning your fully processed products for canning and packaging and whatnot for retail as another means to boost utilization rates. So, just wondering how big of an initiative could that be to help fix or improve the utilization rates. What could it cost, and what kind of margins could that add if you were to look at that route?

MURAD AL-KATIB:
Really good question, John. I think that ultimately what we're seeing is we're seeing some trends that I think we really can't ignore on that side as well. We're seeing traditional markets, so that means the traditional pulses markets that we deal in are starting to become much more retail-focused. So from that perspective what we're seeing is this trend that we discussed in our MD&A about this mass retail grocery sector growing. So the gravitation towards mass retail, and if we look at what we see in markets—let me give you an example. You know the retail market here in North America, we look at 500g packages, 1kg packages, but if you look at let's say the distribution of Loblaws, and you look at—you know, in Regina here we have a chain called Superstore, which is owned by Loblaw. I was there on the weekend, and we see much more prevalence of 5kg packing even within the retail market here where it's becoming a cash and carry market. Well you can now look back at Egypt and realize that the red split lentils in Egypt are going to 10kg packaging. We're seeing Sri Lanka market looking at that type of change as well. We're seeing the growth in retail packaging in India: one of the large conglomerates in India has launched a retail pulses home delivery service, if you can believe it, where people aren't even going to go to the market anymore; they're having their pulses delivered to their homes. So when we look at the mainstream nature of these products in places like North America and Western Europe coming into our trend, and we look at the traditional markets, size is getting smaller—that's their retail market, it's cash and carry. We see that as being an opportunity. Our assets are ready to produce products that are ready for consumption, and if you look at part of our G&A and cost structure, although we're talking about keeping the line on costs—Gaetan, you can help me out on this one. How many plants did we do our quality certifications in North America over the last year? Seven?

Gaetan Bourassa:
Seven, yes.

MURAD AL-KATIB:
We did seven plants in North America, that we got FSSC 22000 food safety certification. So that means we are ready now under the quality certifications required by every major retailer to go directly to retail pack and can. So the capital cost is small but the impact is: take away some of the utilization from commodity business and put it into higher-value uses. That's a strategy of this up-market nature of where we're taking the platform.

So, the utilization in this quarter was 85%. We had great margin. What we want is we want utilization to be 85% all the time and the product mix to be at higher value, quality-conscious markets, product mix that balances and geographies that are willing to pay for the quality. I've said, John, I think in one of the things I spoke with in your conference, I said tongue-in-cheek at one point, if I look at the India markets, I only care about the 300 million richest Indians, right? I don't really look at it as a 1.1 billion person market because the 800 million lower income; they may not be my target. I don’t have the product I could sell to everyone. I want the people who want large calibre chick peas that are cleaned properly, good quality products. Those are the segments that we're attacking.

JOHN CHU:
Okay. Great. Then just any additional information on the feasibility study that you can share that you've seen thus far?

MURAD AL-KATIB:
Yes, the feasibility studies on the conversion of Regina or Williston, North Dakota or the additional lines at Turkey is going well. We're expecting to probably present to our Board in the November board meeting or the early New Year board meeting. So we’ve been focusing on costing. We want to confirm our time-to-market and that our brownfield construction costs will be materially lower than our greenfield costs have been. So that will allow us then to react to the ramp-up needed under the Ingredion and Cargill agreements. I think it's going well. Even the Minot operation just proves to us what we need to do in the ramp-up of our new facilities, because really what we're planning to do is take our splitting capacities and augment them into ingredients. So it's going well, John.

JOHN CHU:
Okay, great. Thank you.

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

ANOOP PRIHAR:
Good afternoon. Just with respect to the Minot facility, if you look ahead to when that facility is fully deployed with all three lines, what's your best guess right now as to how the sales would break down between Cargill, Ingredion and then whatever you guys are doing directly yourselves?

MURAD AL-KATIB:
That's a good question because we're early on in the Ingredion agreement, but certainly the growth segment coming now is going to be in the food sector. So when we look at today, if you look at a hypothetical third line being added, if we're looking at two-thirds utilization of Line Two, today we're sitting at about say 55% utilization of a larger three-line facility, and so it's just about just over half the utilization today. Today the mix would be probably, in my guess, we would be 70% pet food and feed, and 30% human food, and I would expect that mix to go to 50/50 as we ramp up. So really that tells you the additional capacity being added is focused in the food sector.

We're optimistic on some good opportunities, in particular as we mentioned in my comments, extruded snacks, meaning the production of snack foods and breakfast cereals, is an opportunity that is unfolding quickly where we have seen a number of new launches of products that are including pulse ingredients. The meat and meat analogues: it's all about binders and meat fillers, so natural meat fillers that give an ability to look at that opportunity unfolding. Then we also see the pasta opportunity, and that's not our pasta, necessarily; it's pasta companies continuing down the line of healthy pastas as providing very good entry points. All of those sectors, Anoop, that I just mentioned are actually potentially higher volume segments in the food side. So when you have inclusion, it's not low inclusion; it's higher rates of inclusion. That's what we need in terms of volume. We're quite optimistic that Ingredion is going to help us get there a lot faster.

ANOOP PRIHAR:
Just so I'm clear on your answer, so you think when you're up and running it will be split roughly 50/50 then between Cargill and Ingredion.

MURAD AL-KATIB:
No. I said between food and pet food applications, because, remember, Cargill only markets the protein. So, it's probably about 30% Cargill, right? Then about 50% Ingredion and about 20% AGT.

ANOOP PRIHAR:
Okay. Then just in terms of Ingredion, can you just tell us roughly today what are they doing to advance the partnership with AGT?

MURAD AL-KATIB:
Well, we've been engaged in a number of different planning meetings with them. Of course, we have a large pipeline of projects that are ongoing with almost all the major food companies in the world, and so what we were doing in the first month of this agreement, Anoop, is we're doing what we call the customer strategy downloads. So, we need to actually take Ingredion's focus with these clients, our current projects, mold them together into a penetration strategy. So North America happened in three different meetings in July. We launched a European strategy launch last week in Germany, and the China launch is scheduled for, I think, the 12th of September. Really what we expect is by end of September, early October, commercial products under the Ingredion partnership are going to be available to the market into their distribution. So it's progressing exactly as planned. We love the partnership. Their R&D and application development capability is incredibly advanced, so couple that with our knowledge of pulses and we have a winning team.

ANOOP PRIHAR:
Thank you.

OPERATOR:
There are no further questions at this time. I'll hand the call back over to Omer Al-Katib for closing comments.

OMER AL-KATIB:
Thank you very much. I would like to thank you all for joining us on our Second Quarter Call. For those of you that are still on the call, if you have follow-up questions, please feel free to contact us at our Regina head office and we'd be happy to follow up with you. Again, thanks for attending our conference call and I wish you all a very good day.

OPERATOR:
This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.