

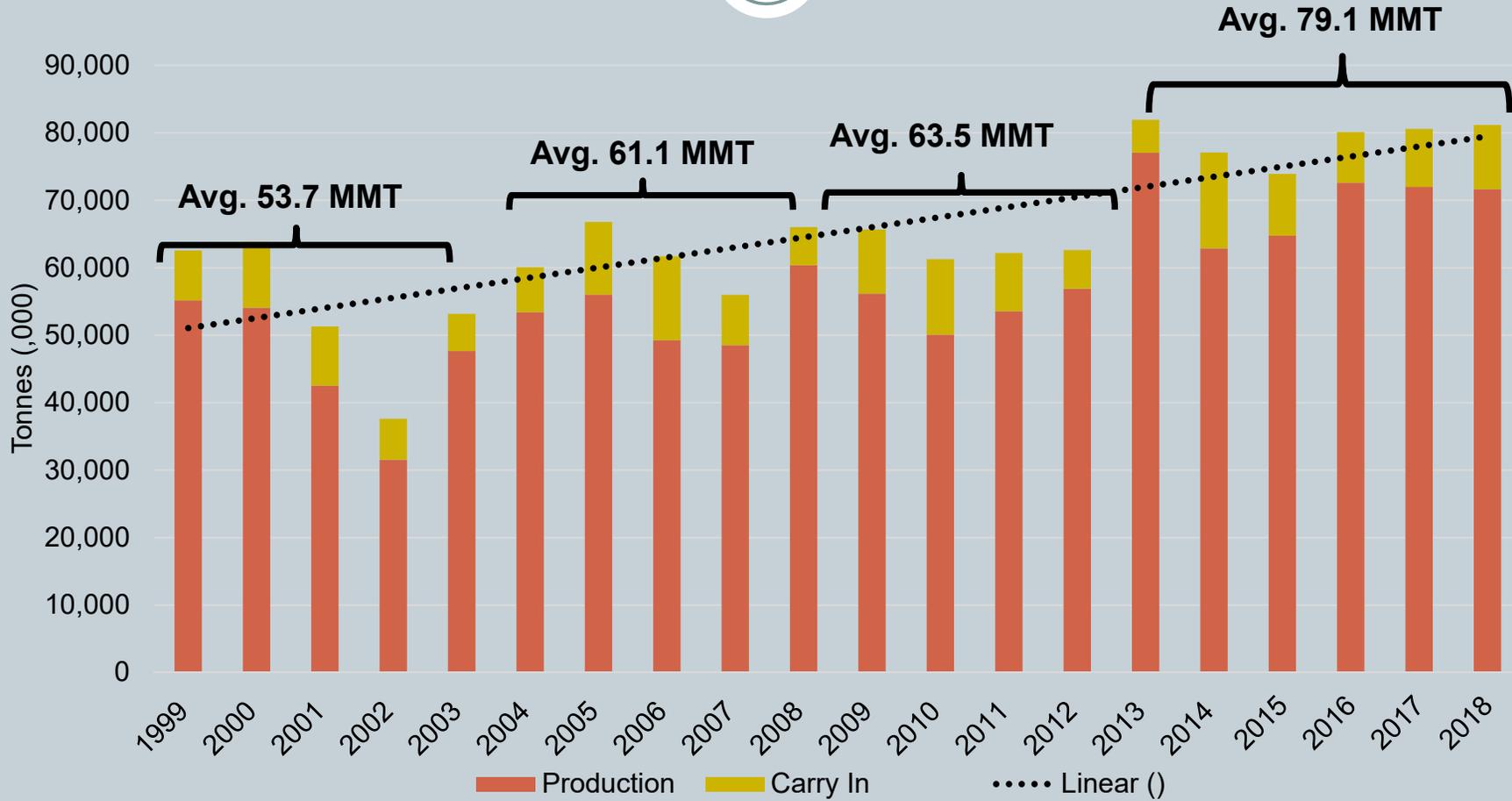
Update on the Movement of Grain from Western Canada

CropConnect 2019
February 13, 2019



Total Grain Supply

(Western Canada Production and Carry-In Stock)

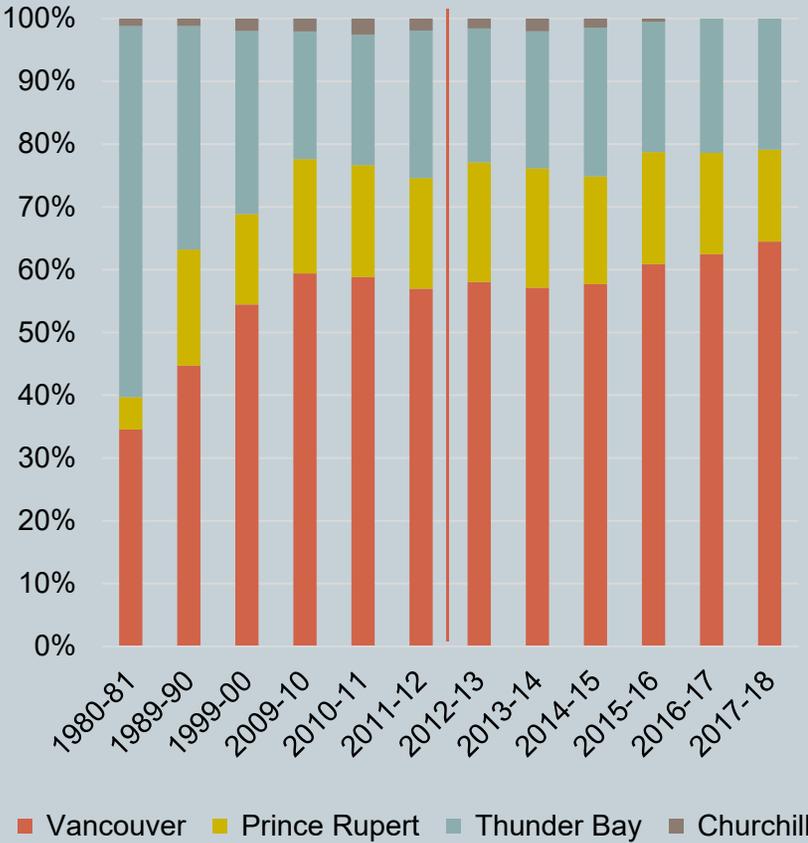


Western Port Volumes

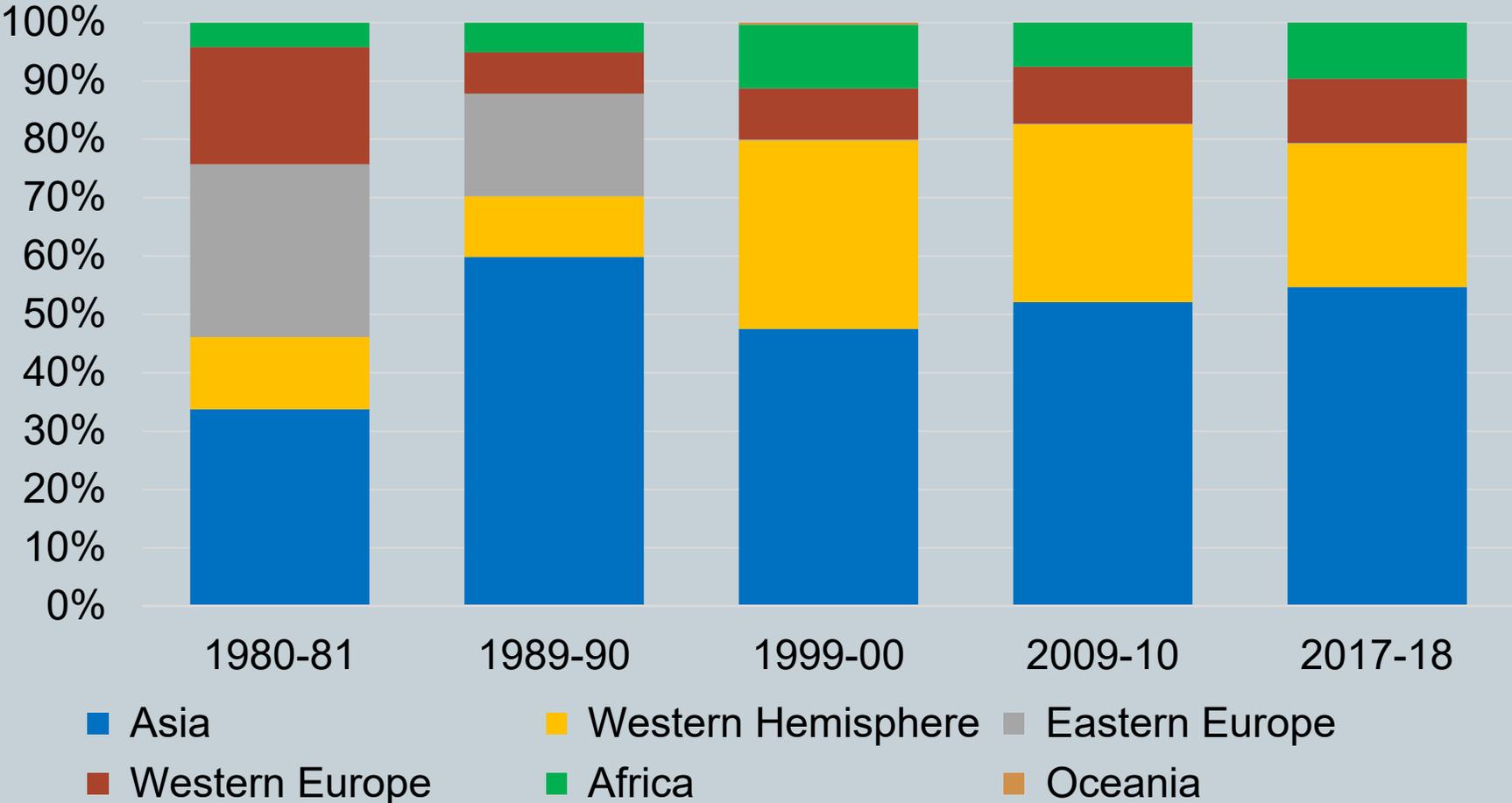
Tonnage by Port



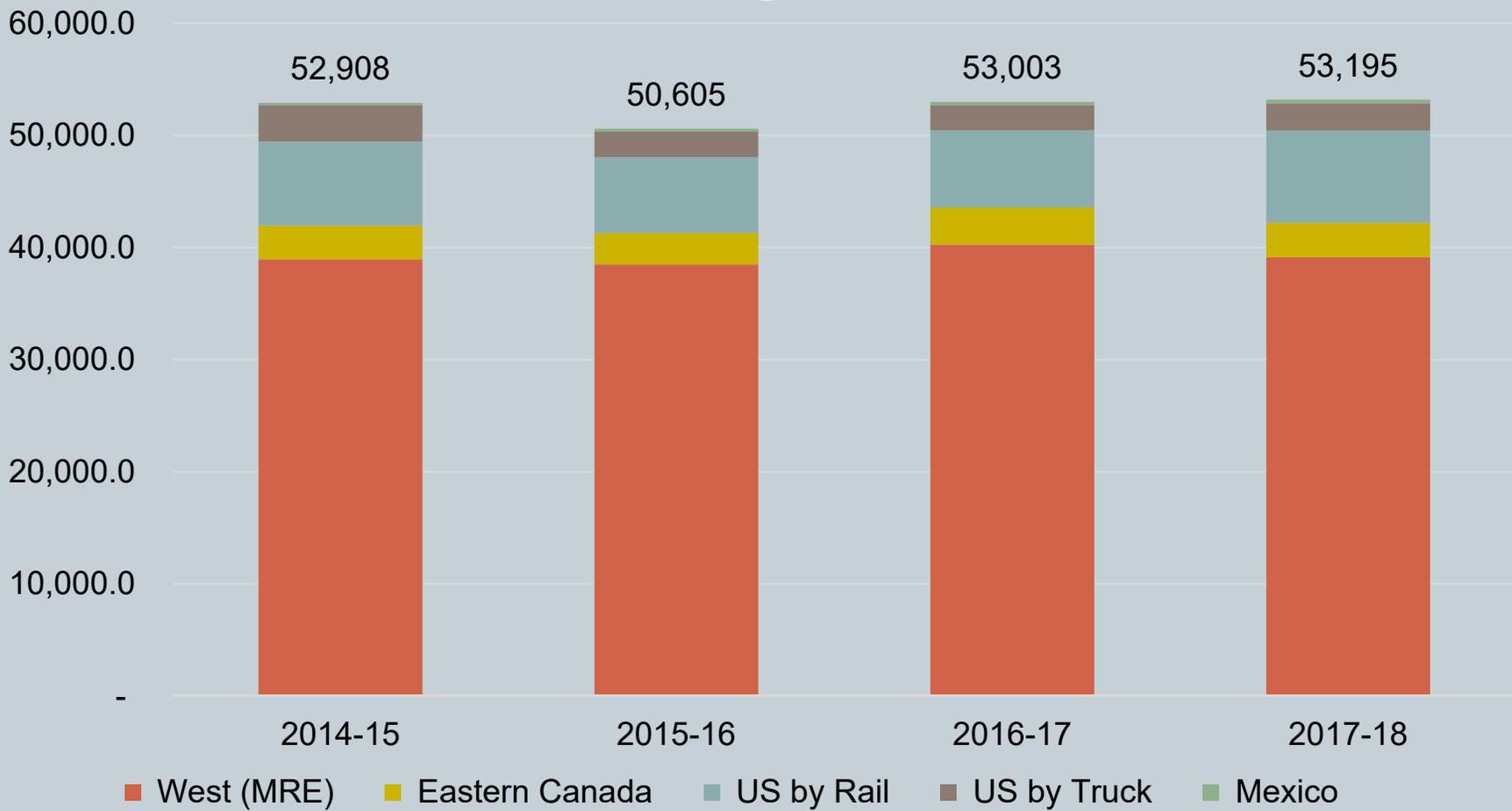
Western Ports



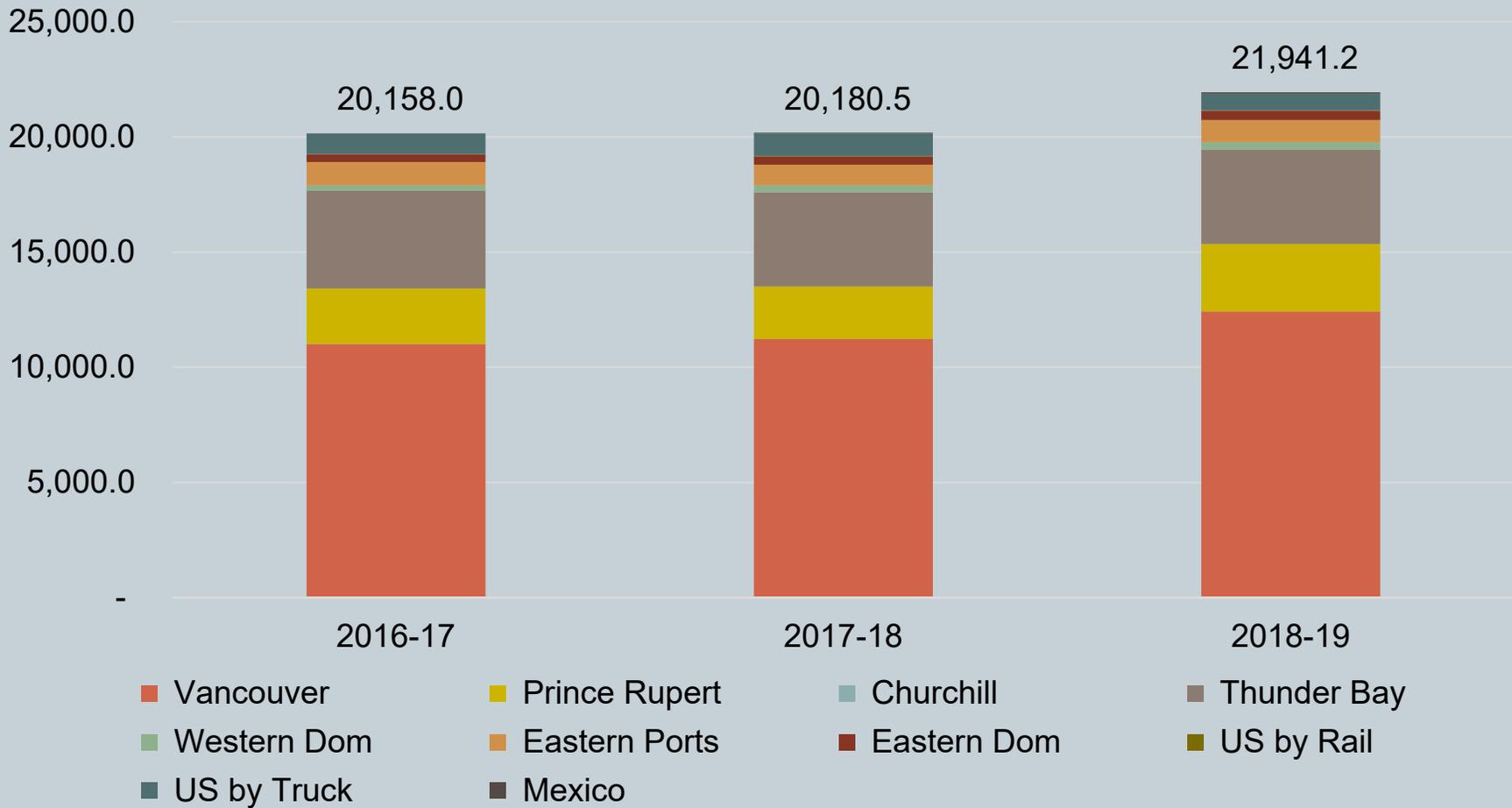
Canadian Grain Markets



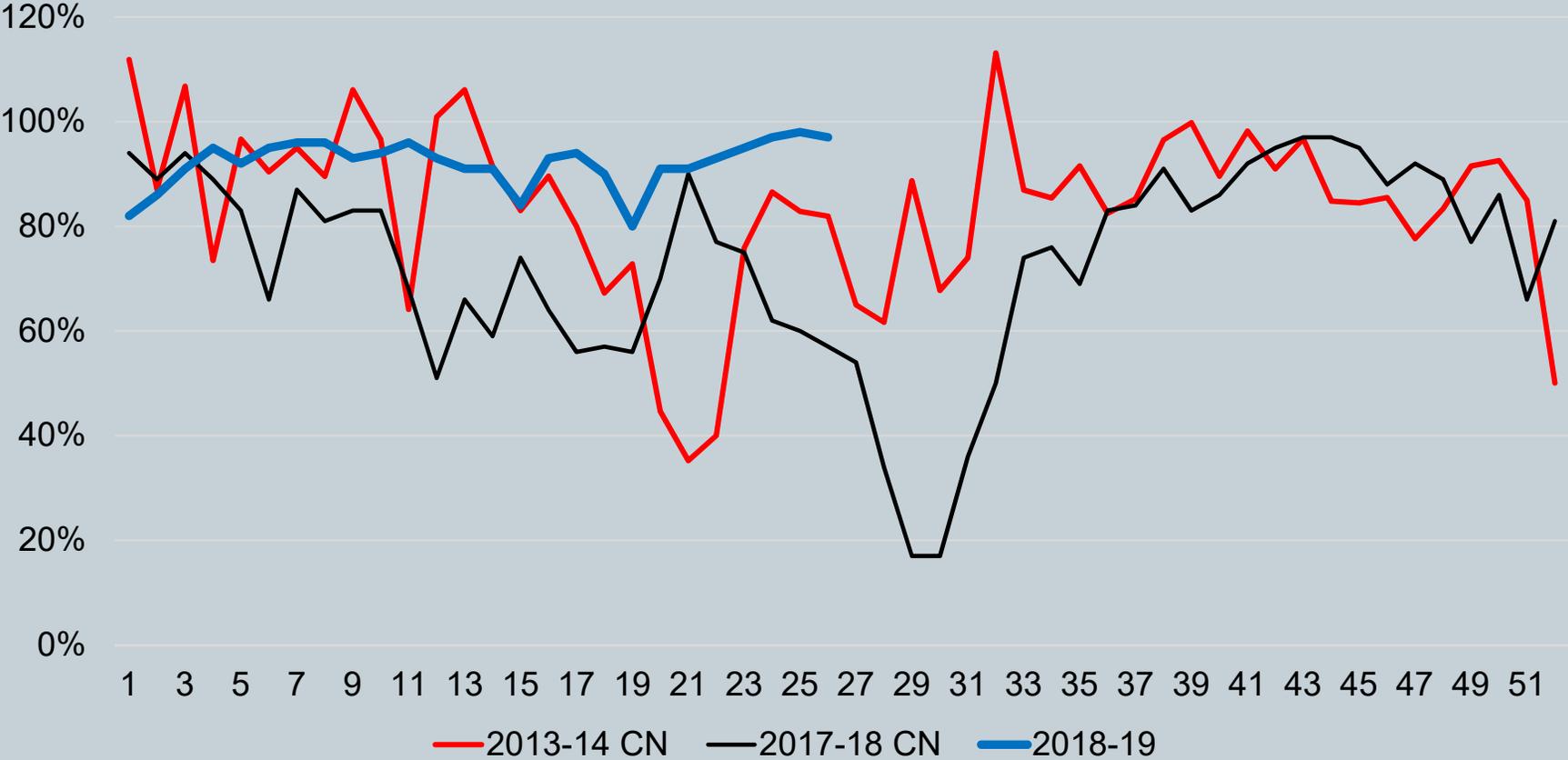
Movements to Destination



Movement to Destination (YTD December)



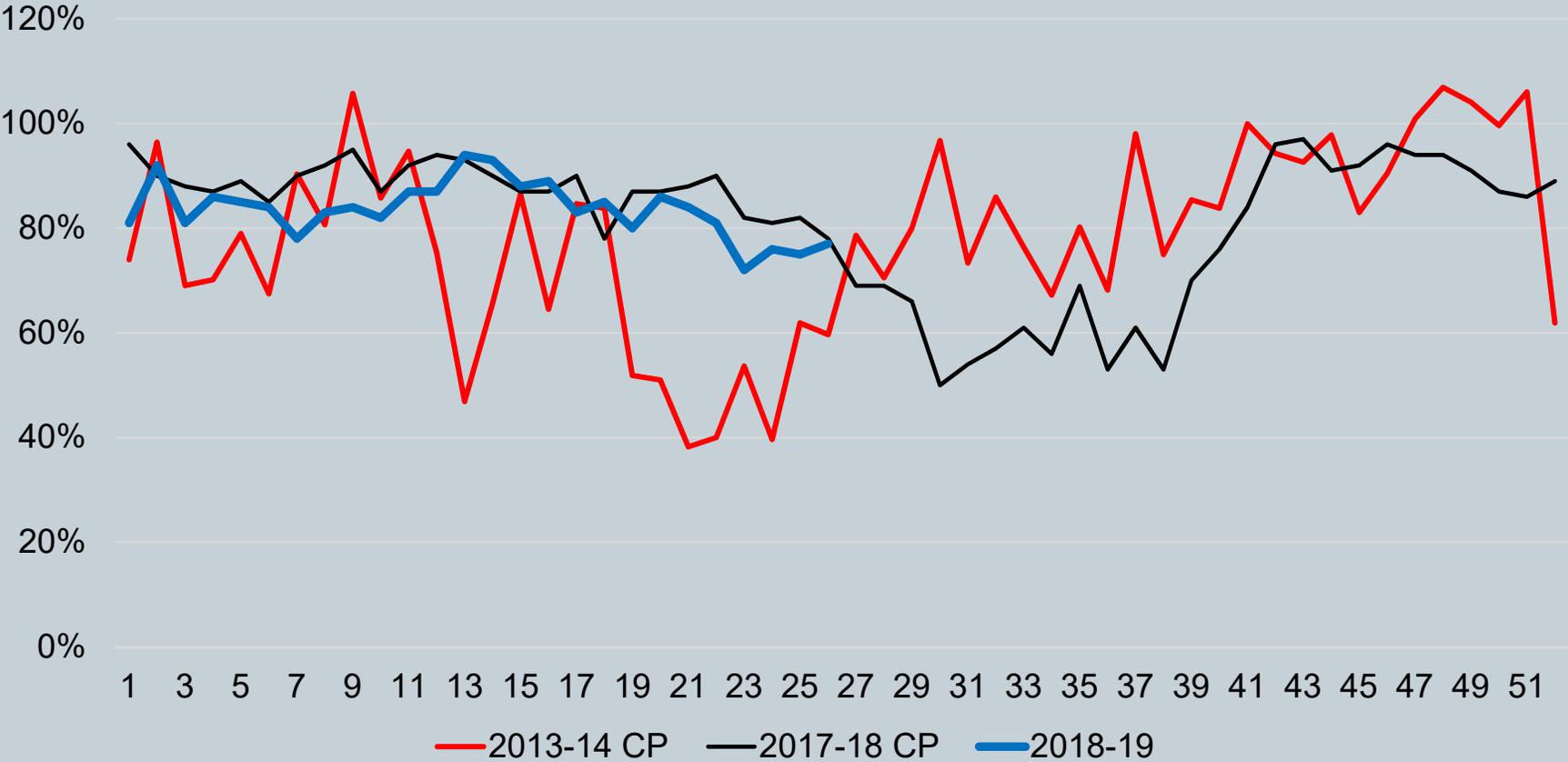
Order Fulfilment – CN



2013-14 – Railway Reported; 2015-18 – ATC Reported



Order Fulfillment - CP



2013-14 – Railway Reported; 2015-18 – ATC Reported



What was Bill C-49?

- The Transportation Modernization Act
 - *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts*
 - *Covers both Rail and Air legislation*
- Impact on Grain industry
 - Rail Service Issues
 - Railway investment
 - Transparency (data)

Reciprocal Accountability



- Presently there is little or no accountability for railways to perform
- Service Agreements between Shippers and the Railways with penalties for non performance
 - Includes service standards
- Mediation processes in development

Railway Investment

- **Modify the MRE**
 - Split the VRCPI to two railways (rather than blended)
 - Allow greater advantage for depreciating/ including cost of new cars
- **Removes risk of complacency - Increases incentive to invest**
- **In place for 2018-19 Crop year**

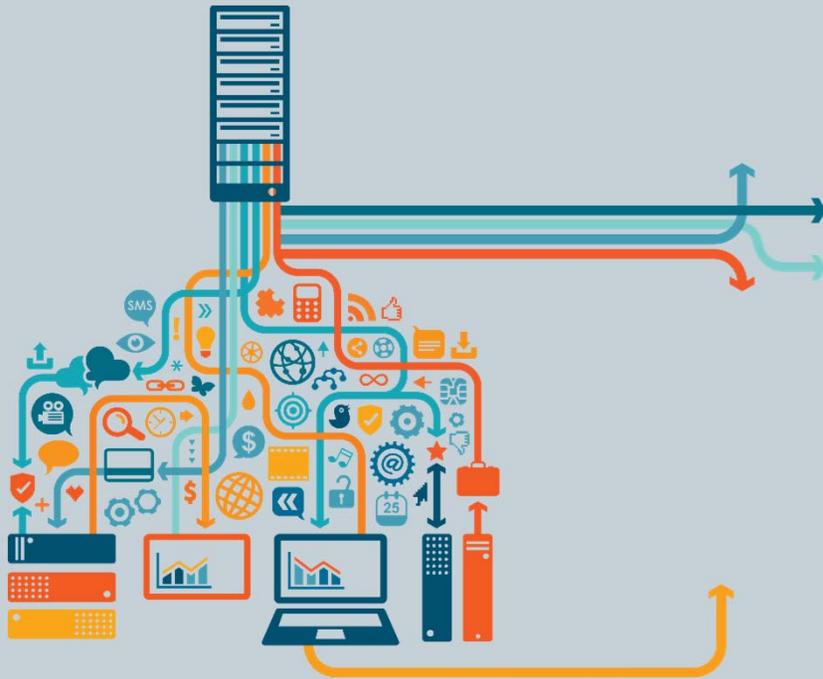


Long Haul Interswitching (LHI)

- Extended Interswitching was introduced as part of the “Fair Rail for Farmers” Act in 2014.
- As emergency legislation, required to be renewed after 2 years, and was extended to August of 2017.
- LHI was the replacement
- Allows, under tighter conditions, for a shipper to apply for rate from the CTA for the movement of traffic to a second carrier
- Dependent on the failure to reach an agreement with the serving carrier and subsequent approval from the CTA
- Approval processes still in development



Data Transparency



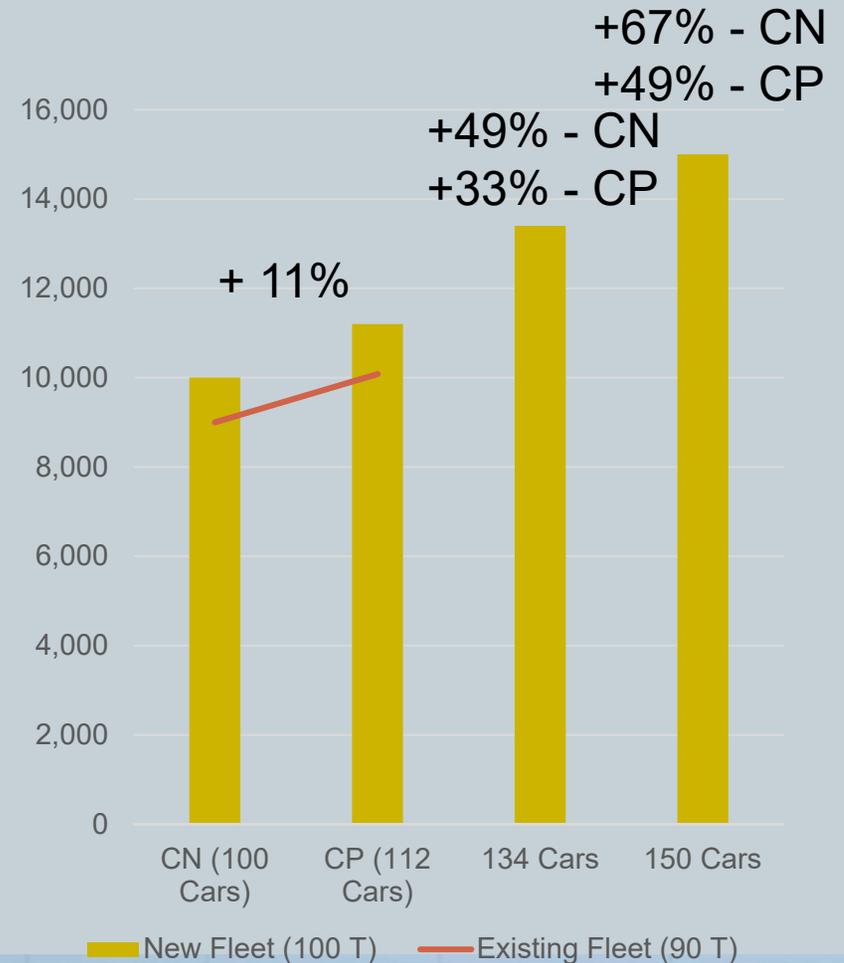
- Reporting in line with STB approach
 - Published weekly on TC website
 - Includes basic volume and performance stats
 - To be refined over the next 18 months
- Waybill data reporting for the CTA to use in developing LHI rate structures
- Railways to submit Winter Plans

What does this mean for Producers?

- Increased Rail Capacity ?
- Greater reliability in Rail Service ?
- More competition between Grain Companies?
- Greater confidence in Canada as a supplier of grain products ?

Impact of New Hopper Cars and Operating Plan

- New car fleet will provide higher loading capacity
 - Shorter cars 57 ft vs 60 ft (more cars/ train)
 - 3 hopper vs 4 (less maintenance)
 - Centre sill vs box sill (greater stability)
 - 5,300 cu ft vs 4,750 cu ft
 - 100 T per car vs 90 T
- New operating scenario sees CP moving to a 8,500 ft train (from 7,000); CN to 134 – 180 cars
- Loop track design in country for 134 to 150 cars
- G3 Terminal is designed for 150 cars



Grain Companies position in the Market

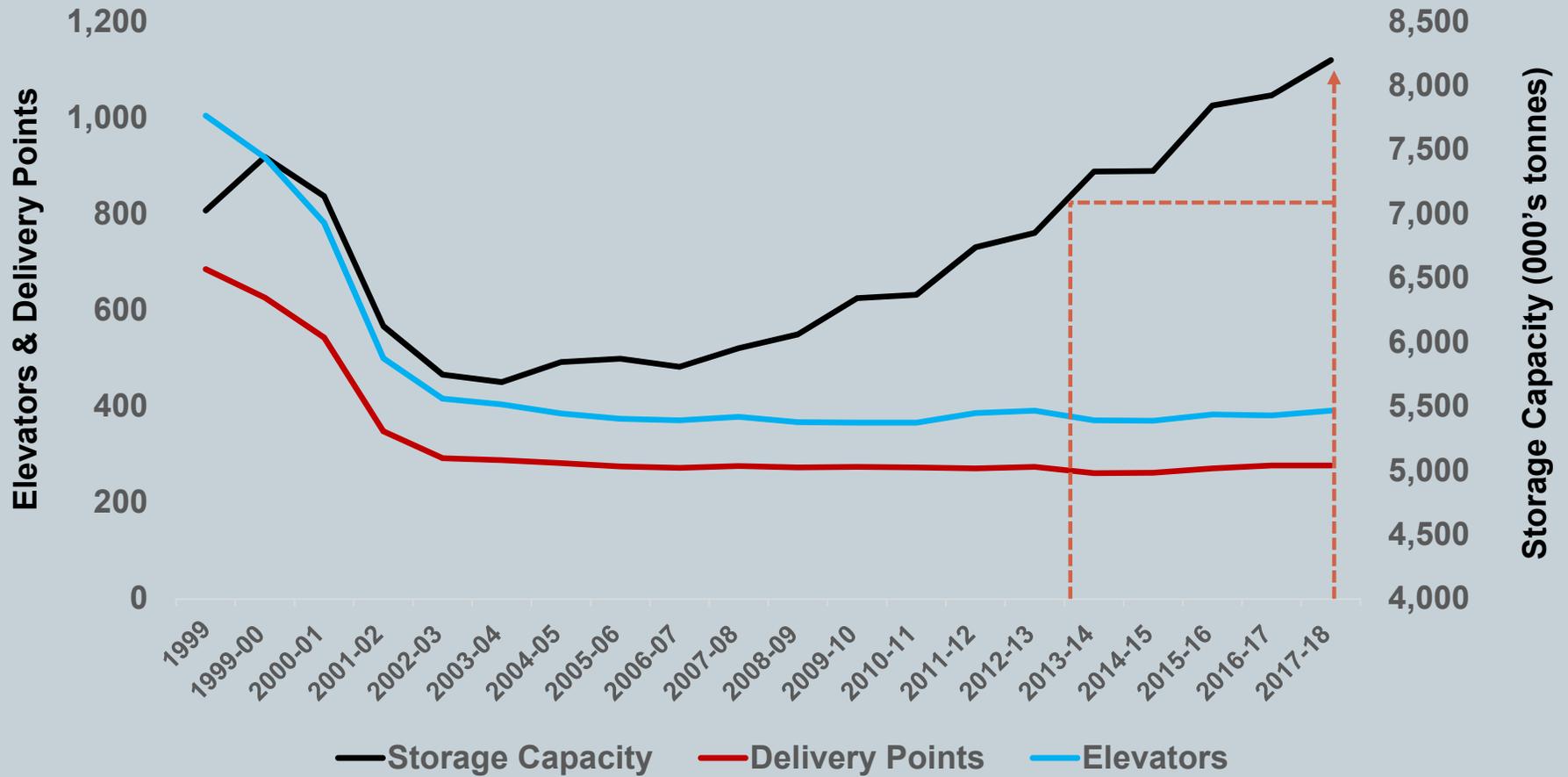


- Grain companies generally do not market grain based on global market demand but on what rail capacity they think they can obtain.
- By extension, the competition for producers grain is impacted by what cars their local elevator is allocated by the railway that serves them.
- *Will the advent of greater accountability on the railways increase rail capacity, and consequently greater competition between grain companies for producers grain?*



Country Elevator Network

(Primary and Process)



System Improvements/ Changes



- Prince Rupert Indexer replacement
- AGT Gallery and loader replacement
- G3 startup
 - Access to North Shore
 - Capacity through the tunnel
- Increase in country primary elevator capacity and facilities
- Churchill line and terminal purchase



Key Observations from the GMP



- 2018-19 Second highest grain supply ever at 81.2 MMT
 - 2017-18 now the third highest at 80.5 MMT
- Despite that, 17-18 volumes to Port were down from previous year:
 - Elevator throughput down 3.2%
 - Rail movements down 4.2%
 - Shipments down 6.2%
- Movements to the US were up
- Rail Performance fell:
 - Car cycles and loaded transit has increased – 14.7% & 18.7%
 - Most predominant component is origin dwell – increased 116.5%
 - Order fulfillment rates have fallen
- Vessel time in port increased 4.7%
- Stock in country have held at over 4 MMT, highest ever



Issues of Concern



Western Canadian Car Cycles

(2017-18 Crop Year)

Western Canada

15.7 days

(LY = 14.1)

Eastern Canada

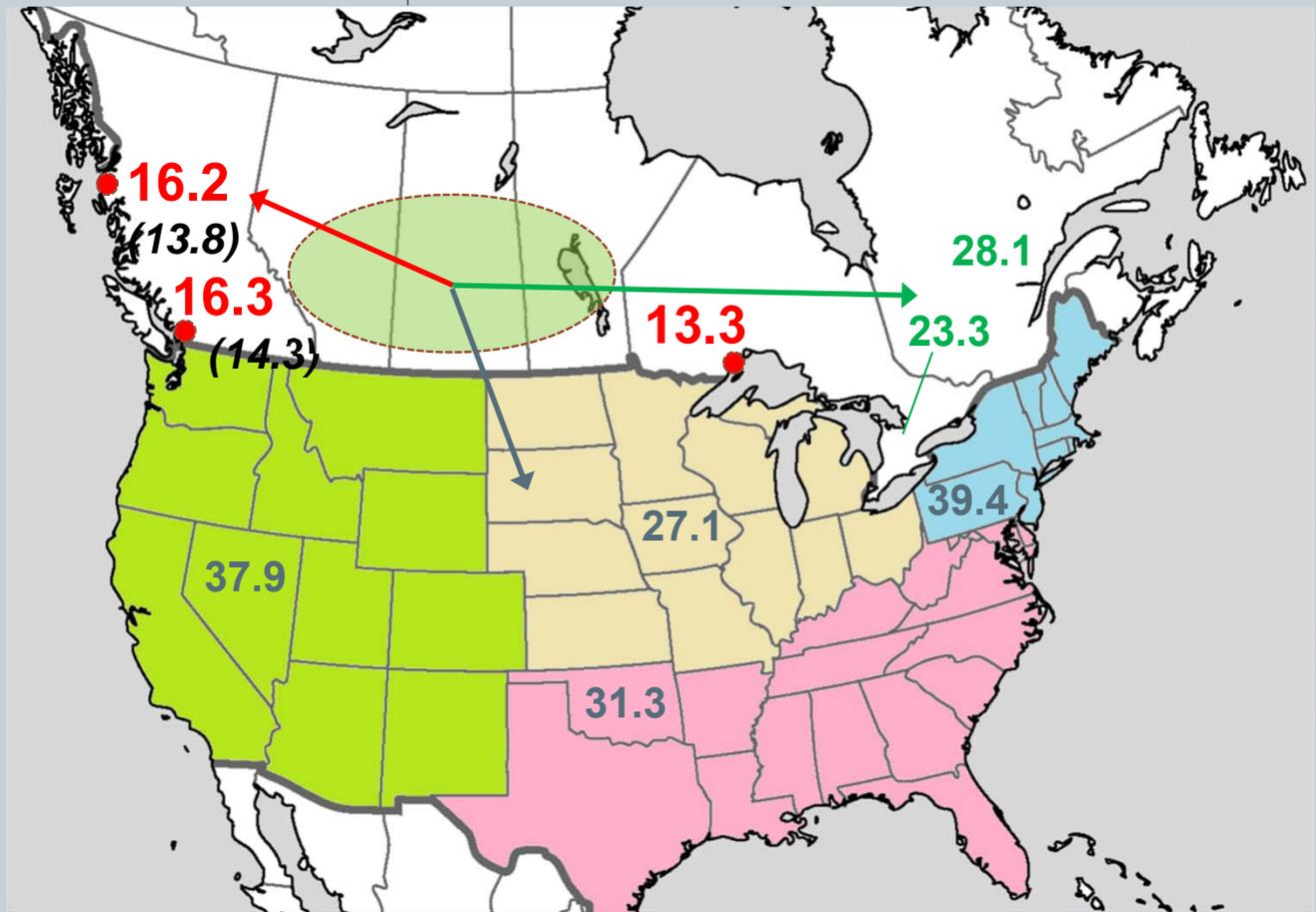
24.2 days

(LY = 20.9)

United States

27.9 days

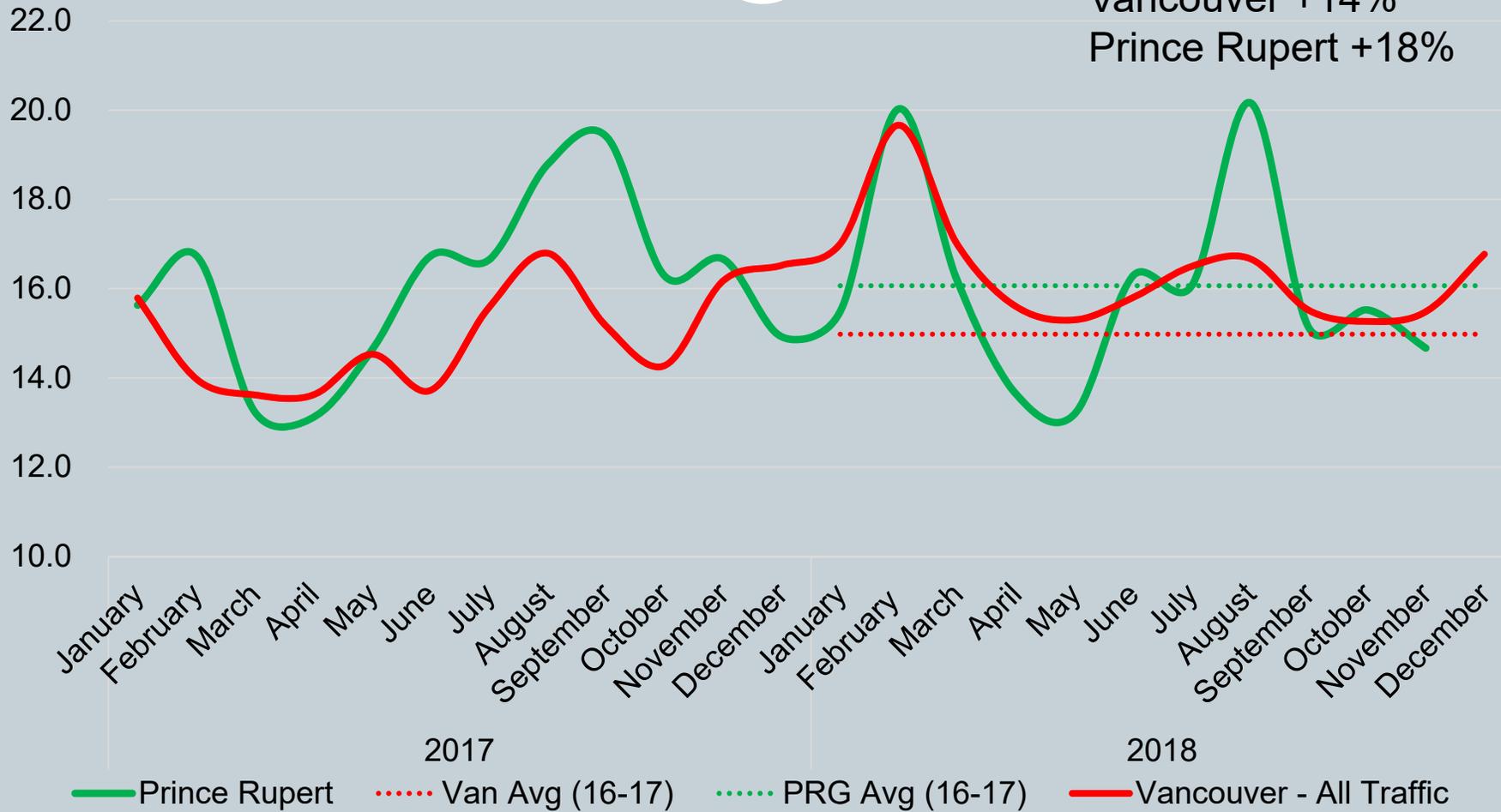
(LY = 24.8)



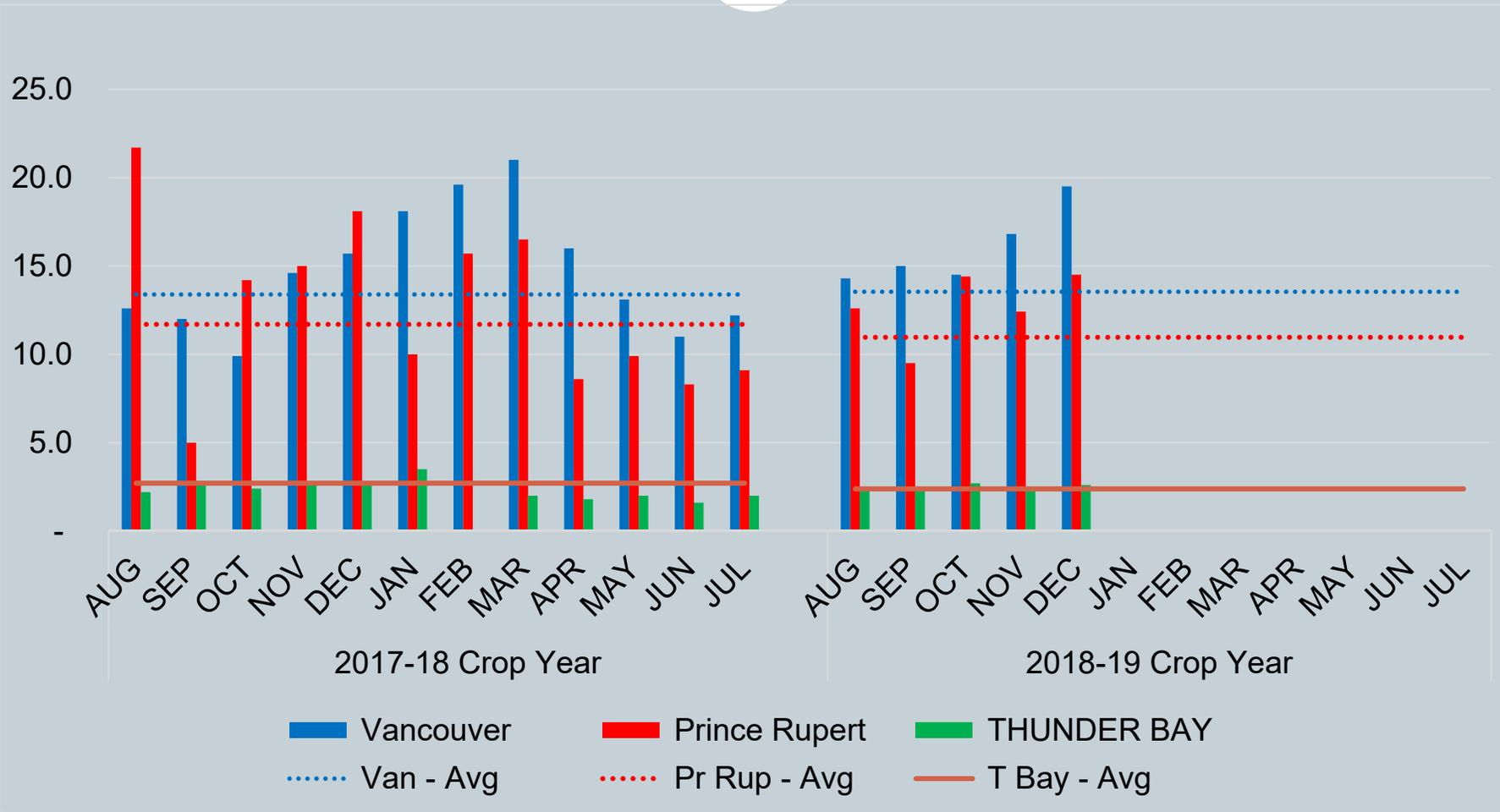
Car Cycles – West Coast



Vancouver +14%
Prince Rupert +18%



Average Vessel Time in Port



Other Issues



- Loading in the rain (Vancouver)
 - ILWU contract negotiations
- Out of car time and congestion on Vancouver North Shore
- Impact of pilotage review on Seaway movements
- CP elimination of 56 car rate
 - Part of CP's 8,500 foot train strategy
 - May give allowances to certain shippers
 - Approximately 12% originates from 56 car loaders
 - Impacts 34 facilities



Summary



- Too soon to tell if the C-49 amendments will make a difference.
 - Processes have yet to be defined
 - Will be followed with legal challenges setting precedents for future use
- Impact on producers is not clear
 - Dependent on how the competitive marketplace evolves
- The greater impact for producers will likely be the expansion of the country network by both existing grain companies and new entrants.





Thank You

Reports Available

Website: www.grainmonitor.ca



7/24/2019