

Monitoring the Canadian Grain Handling and Transportation System

First Quarter 2003-2004 Crop Year

1 Summary Report



Final Draft – April 26, 2004



Government
of Canada Gouvernement
du Canada

Quorum
Corporation

Foreword

In keeping with the federal government's Grain Monitoring Program (GMP), the ensuing report focuses on the performance of the Canadian Grain Handling and Transportation System (GHTS) for the three-month period ended 31 October 2003. In addition to providing a current accounting of the indicators maintained under the GMP, it also outlines the trends and issues manifest in the movement of Western Canadian grain during the first quarter of the 2003-04 crop year.

The quarterly reports of the Monitor are issued in two volumes: the Summary Report (volume 1); and the Data Tables (volume 2). The former provides a general overview of the most noteworthy findings, trends or industry activity, and contains a series of abridged data tables that summarize the various indicators used in assessing GHTS performance. In the companion volume, Data Tables, can be found the more detailed indicator statistics that are the cornerstone of the GMP. Those interested in this latter volume are directed to the Monitor's website (www.quorumcorp.net), from which a copy may be directly downloaded.

This report constitutes the ninth in a series of quarterly and annual submissions prescribed under the GMP. Although the indicators that follow largely compare the GHTS's current-year performance with that of the preceding 2002-03 crop year, they are also intended to form part of a time series that extends forward from the 1999-2000 crop year. As such, comparisons to earlier crop years are also made whenever a broader contextual framework is deemed appropriate.

QUORUM CORPORATION

Edmonton, Alberta
February 2004

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Findings

Following two difficult growing seasons characterized by widespread drought, the 2003-04 crop year brought the first upturn in commercial activity for many of the stakeholders in Canada's Grain Handling and Transportation System (GHTS). This was evident in virtually every sector of the system, and is broadly reflected in improved quarterly values for the various measures used under the Grain Monitoring Program (GMP).

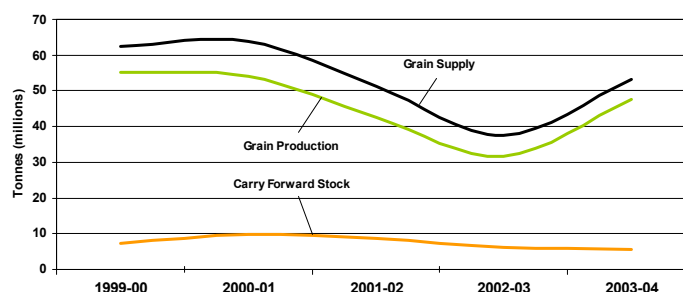
1.0 Industry Overview

1.1 Grain Production and Supply

Overall grain production for the 2003-04 crop year climbed to 47.7 million tonnes – a gain of 51.1% over that of the 2002-03 crop year. Standing at just under 90% of the 54.6-million-tonne average of the 1999-2000 and 2000-01 crop years, this rebound saw Western Canadian grain production return to a near-normal level for the first time in three years.

In conjunction with 5.5 million tonnes in carry-forward stocks, the overall volume of grain made available for movement during the 2003-04 crop year totalled 53.1 million tonnes – 15.5 million tonnes (or 41.3%) more than in the 2002-03 crop year. The magnitude of this gain was widely mirrored in GMP statistics that showed significantly elevated levels of country elevator throughput, railway traffic volume, and terminal elevator handlings in the first quarter of the 2003-04 crop year.

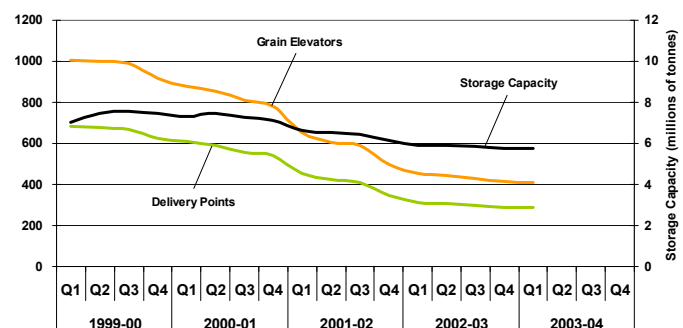
Figure 1: Western Canadian Grain Supply



1.2 Country Elevator Infrastructure

As outlined by the Monitor in its annual report for the 2002-03 crop year, the rationalization of the country elevator network continues, although the pace of that restructuring has abated significantly. During the first three months of the 2003-04 crop year, the total number of country elevators fell to 410 – a net reduction of just six facilities (or 1.4%) from the 416 in place at the end of the previous crop year. This constitutes but 40.8% of the 1,004 in place at the beginning of the GMP.

Figure 2: Grain Delivery Points, Licensed Elevators, and Licensed Elevator Storage Capacity



The decline in these facilities has also been paralleled by a reduction in the number of grain delivery points. For the first quarter of the 2003-04 crop year, the number of grain delivery points fell by three (or 1.0%) to 286.

As with the elevator infrastructure, these remaining delivery points represented just over two-fifths – 41.8% – of the 684

benchmarked at the beginning of the 1999-2000 crop year. For the 2002-03 crop year, just 89 of these locations accounted for 80% of total grain receipts at country elevators.¹

At the same time, the associated storage capacity of the country elevator network decreased by 0.2% in the first quarter. Such a modest reduction effectively left the 5.7 million tonnes of storage capacity recorded as at 31 July 2003 unchanged. And while this more gradual reduction has resulted in almost 1.3 million tonnes of storage capacity being removed from the GHTS since the beginning of the GMP, the remaining network still encompasses 81.6% of the storage capacity that existed four years earlier.

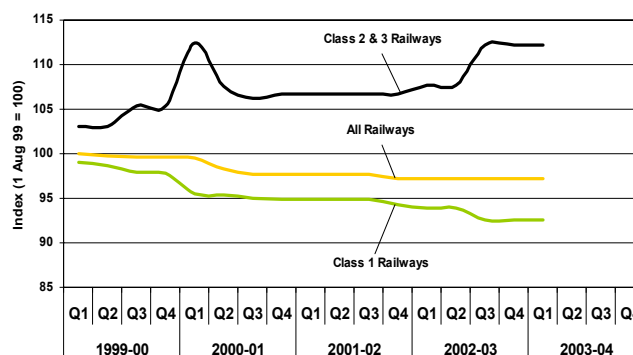
The differential between these rates of decline reflects the GHTS's continuing evolution into a network of comparatively fewer facilities, having higher storage capacities, and the ability to load railcars in greater numbers. On this latter point, it is worth noting that whereas only 11.9% of the system's elevators were able to load 50 or more railcars at a time four years earlier, that proportion has almost quadrupled – to 42.9% as of the end of the first quarter.

1.3 Railway Infrastructure Traffic

Total railway infrastructure in Western Canada has remained unchanged at 18,923.9 route-miles since the end of the 2001-02 crop year. Moreover, the network is only 2.8% smaller than it was at the outset of the GMP, and is still dominated by Canada's two largest railways – Canadian National (CN) and Canadian Pacific (CP).

Despite such a modest overall change, the transfer of a number of their branch line operations to new shortline railways over the past several years has changed the face of the industry. This devolution has helped to place a total of 5,207.8 route-miles – or 27.5% of Western Canada's railway infrastructure – into the hands of a diverse mix of 16 regional and shortline carriers.

Figure 3: Relative Change in Railway Infrastructure



And while the most recent transfers saw two new shortlines created in the 2002-03 crop year, no new ones were added during the first quarter of the 2003-04 crop year. There are, however, 129.1 route-miles of infrastructure scheduled for abandonment in the 2003-04 crop year. This includes 64.0 route-miles of track belonging to the Southern Manitoba Railway (about 40% of its network), as well as another 65.1 route-miles of CP infrastructure.²

In addition, the Government of British Columbia also advanced its plans for the privatization of BC Rail. As the 2002-03 crop year was ending, it disclosed that the proposals brought forward by four firms – CN, CP, OmniTRAX in partnership with Burlington Northern Santa Fe, and RailAmerica – were under consideration. As the first quarter closed, the province announced that it had accepted CN's offer to become the new operator of BC Rail in a commercial deal valued at \$1.0 billion.³

¹ The most recent statistics available for grain deliveries by station are those from the 2002-03 crop year.

² The section to be abandoned by the Southern Manitoba Railway extends westward from Mariapolis to Elgin, Manitoba, and encompasses sections of CN's former Miami and Hartney subdivisions, which were sold to the company in 1999. The sections to be abandoned by CP encompass 39.6 route-miles of infrastructure in Saskatchewan (including portions of its Arcola, Burstall, and Rocanville subdivisions) and another 25.5 route-miles in Alberta (made up of segments of its Cardston and Sterling subdivisions).

³ It must be noted that the transaction specifies that CN will pay \$1.0 billion to acquire the outstanding shares of BC Rail Ltd., along with the right to operate a freight railway over the BC Rail network under a 60-year lease, with an option to renew for another 30 years thereafter. Actual ownership of the railway's physical infrastructure – including rights-of-way, roadbed, and track – is to remain with the province of British Columbia.

Although this transaction is subject to approval from the Competition Bureau, it is widely expected to have a legal impact on the movement of grain from BC Rail origins. In specific terms, it is widely maintained that in extending operational control of BC Rail to CN, the provincially regulated carrier would now come under federal jurisdiction. In the context of the GHTS, this means that that future commercial activities would be subject to the provisions of the Canada Transportation Act. As a result, the revenue cap will also cover grain moving from former BC Rail delivery points, and its shippers given the same treatment under law as those now served by CN and CP.

The increase in production led to the first quarter's total railway grain volumes increasing by 56.8% over that of the same period a year earlier. Shortline railways, the most adversely impacted by the last two years of drought, experienced a more pronounced rebound than the Class 1 carriers – 82.4% versus 54.4% respectively.

Traffic to Western Canadian ports experience an increase in volume. Vancouver, reflecting the impact of the previous years labour dispute, rebounded some 184% to 2.9 million tonnes while the Port of Prince Rupert, the beneficiary of increased traffic during that dispute, fell 63.7% to 300,000 tonnes. Thunder Bay and Churchill also increased 33.9% (to 2.2 million tonnes) and 111.8% (400,000 tonnes) respectively.

1.4 Terminal Elevator Infrastructure

The number of licensed terminal elevators located within Western Canada was reduced by one (or 5.9%) in the first quarter of the 2003-04 crop year with the closure of the 91,000-tonne Agricore United "M" facility at Thunder Bay. As at 31 October 2004, the network comprised a total of 16 facilities and had an associated storage capacity of 2.6 million tonnes – a 3.3% decline from the 2.7 million tonnes in place throughout the 2002-03 crop year.

2.0 Commercial Relations

2.1 Tendering

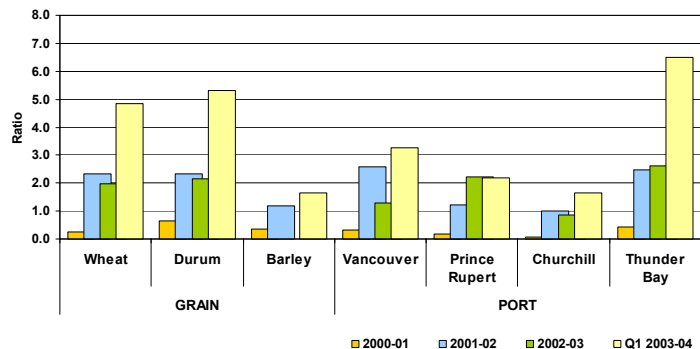
Following consultations with its 26 agents in the latter part of the 2002-03 crop year, the Canadian Wheat Board (CWB) brought forward a series of changes to its existing tendering program for the 2003-04 crop year. Specifically, the CWB committed itself to moving a fixed 40% of its overall grain movements to the four ports in Western Canada under a program that combined tendering and advance car awards. Under this program, the CWB had the option of tendering up to a *maximum* of 20% of this overall volume – a significant departure from its minimum commitment of 50% in the 2002-03 crop year.⁴

During the first three months of the 2003-04 crop year, the CWB issued 65 tender calls for the movement of just over 0.9 million tonnes of grain. These were met by 604 bids offering to move an aggregated 3.5 million tonnes – almost four times the volume sought by the CWB. The scope of this response stands in sharp contrast to that witnessed in any of the three preceding crop years. In general terms, the bidding observed during the first quarter proved significantly more intense than at any other period under the GMP. This applied equally to all grains, although the bidding activity with respect to the right to move wheat and durum was substantially higher than it was for barley. Of particular interest was the fact that tenders calling for grain movements to Thunder Bay had a higher response rate than did Vancouver. Also worth noting was the fact that tenders calling for the movement of grain to Churchill also secured a higher response than in previous crop years.

To some extent, this aggressiveness was also reflected in a decline in the proportion of the tender-call volume that went unfilled in the first quarter – 15.4%. This value represented a virtual halving of the proportion observed for both the 2001-02 and 2002-03 crop years.

Free of the labour dispute that had affected its operations during the first half of the 2002-03 crop year, the port of Vancouver once again emerged as the principal destination in the movement of tendered grain. A full 46.2% of the CWB's tenders called for delivery in Vancouver. This was followed by Thunder Bay with a 27.1% allocation; Prince Rupert with 21.3%; and Churchill with 5.3%.

Figure 4: Tendered Volume – Ratio of Tonnage Bid to Tonnage Called



It is worth noting that the 21.3% allocated by the CWB to the port of Prince Rupert was significantly above the 14.5% it had been accorded in the 2001-02 crop year.⁵ A similar gain was also observed with respect to the volume accorded the port of Churchill. Its 5.3% share was noticeably greater than the 3.6% that had constituted its previous best. Although it is too early to gauge whether these gains reflect a fundamental shift in traditional CWB shipping patterns, the short-term change is indisputable.

The first three months of the 2003-04 crop year saw the CWB award a total of 109 contracts for the movement of an aggregated 0.7 million tonnes of grain.⁶ As was the case for tonnage called, the largest proportion of the actual tendered grain movement – 46.6% – was delivered to Vancouver. This was followed by Thunder Bay with a 35.7% share, Prince Rupert with 12.6%, and Churchill with 5.1%. It is also interesting to note that the

⁴ These modifications to the CWB's tendering program are outlined more fully in section 2.21.

⁵ The 2001-02 crop year represents the last fully comparable period given the labour dispute that affected traffic movements in the ensuing 2002-03 crop year.

⁶ The volumes cited as moving under the CWB's tendering program also extend to malting barley – which is administered independent of other CWB grains. There were, however, no movements of malting barley under tender in the first quarter.

share gains these latter three ports have made, have all come at the expense of Vancouver – which garnered 59.0% of the tendered grain movement in the 2001-02 crop year.

As observed in previous reports of the Monitor, the vast majority of the grain moving under the CWB's tendering program does so in blocks of 25 or more railcars at a time. As at 31 October 2003, the proportion so moving stood at 93.9% – only marginally higher than the 91.2% noted for the 2002-03 crop year as a whole. Similarly, the proportion originating at high-throughput elevators remained largely unchanged – 82.2% on a year-to-date basis, versus 83.0% for the 2002-03 crop year.

Of greater interest was the fact that there has been a clear resurgence in the proportion of tendered grain that moved in blocks of 50 or more cars – 72.9% in the first quarter as compared to 69.5% and 62.1% for the 2001-02 and 2002-03 crop years respectively. Moreover, much of that gain came as a result of a migration away from the use of the 25-49-car block, which was fuelled by a restructuring of the railway incentives that supported them.

In aggregate, the grain volume moved under tender by the CWB in the first three months of the 2003-04 crop year represented 20.6% of its overall movement to Western Canadian ports, and only marginally exceeded the 20% maximum it had committed itself to.

2.2 Other Commercial Developments

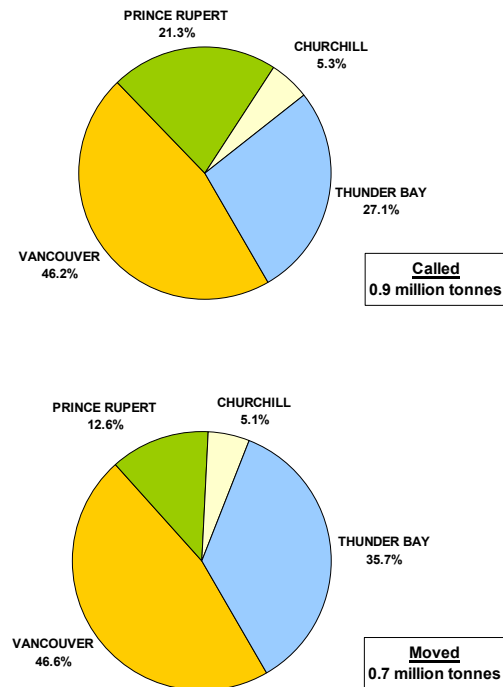
2.2.1 *The Canadian Wheat Board's Tendering Program*

The CWB's tendering program was implemented in accordance with a Memorandum of Understanding between it and the federal Minister responsible for the CWB, and took effect on 1 August 2000. This document, which defined the federal government's policy with respect to the adoption of a tendering program by the CWB, also addressed the volumes that would be tendered in the first three years of the program. This period – which pertained to the 2000-01 through 2002-03 crop years – effectively committed the CWB to tender a minimum of 25% of the overall volume destined to Western Canadian ports in the first and second crop years, and a minimum of 50% in the third crop year.

With that stated commitment ending with the 2002-03 crop year, it was incumbent upon the CWB to construct a new industry agreement that would define the volume of grain to be tendered thereafter. It was against this background that, in the spring of 2003, the CWB and its 26 agents began to discuss the level of tendering that would be appropriate for the 2003-04 crop year. These consultations led to an agreement that was supported by the majority of the participants.⁷

Beginning with the 2003-04 crop year, this agreement prescribed that a fixed 40% of the CWB's grain movements to the four ports in Western Canada was to be accomplished through a program that combined

Figure 5: Tendered Grain – Cumulative Volumes to 31 October 2003



⁷ Of the 26 grain companies involved in these consultations, 24 supported the final agreement. The two that did not were the largest handlers of grain in Western Canada – Agricore United and Saskatchewan Wheat Pool.

tendering as well as advance car awards. In specific terms, the CWB's tendering commitment was to extend to a *maximum* of 20% of its overall volume – a significant change from the 2002-03 crop year's minimum commitment of 50%. Assuming this, a further 20% of the CWB's grain movements was to be moved under an advance car awards program. Moreover, in the event that the CWB decided to ship a lesser proportion of grain under its tender program, a corresponding amount was then to be assigned to the movements made under the advance car awards program – thereby holding the CWB to its 40% overall commitment.

It is also worth mentioning, that the movement made under the advanced car awards program involves a car allocation that is corridor specific. That is to say that the grain companies may deploy the awarded railcars at any facility, and in any quantity deemed appropriate, within the specified port catchment area. This process, to a large extent, is designed to provide the grain companies with the same kind of flexibility accorded them in distributing railcars under the tendering program itself. Moreover, the entire mechanism is intended to provide them with an improved ability to plan for the most efficient use of their facilities.

For the 60% of CWB shipments not governed by these aspects of the agreement, railcars will be subject to a weekly general allocation based on an equal weighting of actual elevator deliveries over a preceding 18-week period, and farmers' future delivery intentions.⁸ Actual elevator deliveries, however, will be adjusted to exclude any tendered grain that may have moved during the period. This same general approach will also apply in the apportionment of railcars under the advanced car awards program.

The CWB has also indicated that it intends to distribute the tendered grain movement in a manner that reflects its overall sales program. That is to say that the amount of wheat and durum to be tendered by the CWB will be proportional to the total movement of each commodity. In the case of barley, however, the CWB has reserved the discretionary right to tender a proportionally greater or lesser amount than that defined by the total tonnage available for shipment.

In the case of that portion of the movement to be accommodated through advance car awards, the CWB will provide the grain companies with a beforehand indication of the grains and grades required, as well as any restrictions that may be applicable. This is intended to help the grain companies in their planning activities, and to give them greater flexibility in ordering and deploying railcars – be it through advanced car awards or the general allocation process.

Although these measures came into effect in the first quarter of the 2003-04 crop year, their implementation was gradual. During this transitional period, few operational difficulties appeared to have been experienced. This is not to say, however, that the philosophical differences that had led up to the structuring of the current program had been bridged. They have not. Of particular interest is the fact that some had argued that a rollback in the proportion of grain to be tendered would naturally lead to lesser monetary savings for the CWB. Yet the emerging evidence indicates otherwise.

For the first quarter of the 2003-04 crop year, the CWB reported that its Transportation Savings amounted to \$7.9 million – a full \$3.0 million (or 61.2%) more than the \$4.9 million recorded for the same period a year earlier.⁹ Furthermore, this gain was realized following a comparative 35.9% reduction in the volume of grain moved under the tendering program in the first quarter – 0.7 million tonnes versus 1.1 million tonnes the year before.

Such a result runs counter to the diminished savings that had been expected. Moreover, it strongly suggests that the competition between grain companies in their efforts to win tender contracts has intensified. This is evident in a comparison of the maximum accepted discounts that they put forward in their tender bids. Specifically, the first quarter produced maximum accepted discounts that were almost one-third more than

⁸ Farmer's future delivery intentions are based on contract sign-ups with grain companies.

⁹ The CWB defines its Transportation Savings as the savings in transportation costs it realizes from the discounts advanced by the successful bidders under the tender program, all freight and terminal rebates, and any financial penalties it may assess for non-performance.

those reached during the entire 2002-03 crop year.¹⁰ What remains unclear is whether the changes made to the CWB's tendering program have actually precipitated a new dynamic.

2.22 Ocean Freight Rates

Towards the end of 2002, the rates associated with the ocean movement of freight began to rise. To be sure, these increases only came after a very protracted period of depressed prices. Yet, by the end of the 2002-03 crop year, ocean freight rates had virtually doubled from those in place a year earlier.

Moreover, these rates began to rise once again towards the end of the first quarter of the 2003-04 crop year. In the three months ended 31 October 2003, ocean freight rates had doubled yet again – rising to four-and-a-half times what they had been at the end of the 2001-02 crop year.

The magnitude of this increase can be seen in changes to the Baltic Dry Index – a composite price index based on a compilation of daily rate quotes for 24 shipping routes, with representation for all sizes of vessels.¹¹

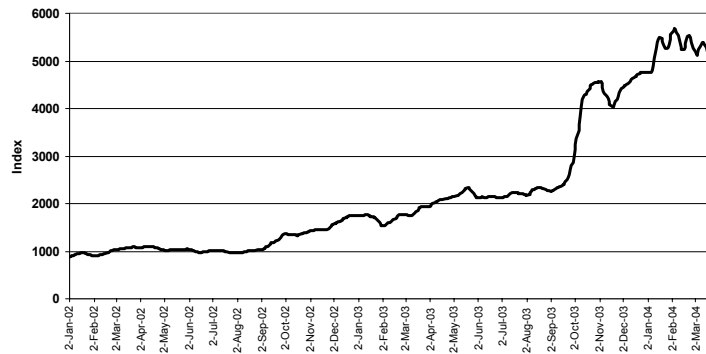
The sharp rise in rates has been largely attributed to the heightened demand for vessels to accommodate China's growing trade in raw materials as well as finished products. This has had a significant impact on the export programs for CWB and non-CWB grains. Not only has it added significantly to the cost of Canadian grain, the shortage of vessels has also brought unavoidable disruptions and delays to its movement. Nowhere is the concern more manifest than in the decision-making of Canada's export customers. In some cases, they have consciously deferred purchasing Canadian grain in the hope that ocean freight rates would moderate. In others, they have turned to competing nations such as Australia in an effort to contain the rising cost of marine transportation.

2.23 Port of Churchill Experiences a Sharp Increase in Grain Volumes

As was mentioned by the Monitor in its annual report for the 2002-03 crop year, the volume of grain moving through the port of Churchill had been steadily declining for several years, and reached a recent low of 351,900 tonnes in the 2002-03 crop year. Given such low grain volumes, the Port of Churchill Advisory Board warned in early 2003 that another such shipping season might well prove ruinous.

Considering Churchill to be of vital interest to the province's economy, the Manitoba government presented the port with an interim package of financial support. Aimed at helping ensure a sustainable economic future for both the port and the Hudson Bay Railway, this support package also received additional funding from the federal government.

Figure 6: The Baltic Dry Index of Ocean Freight Rates



Source: The Baltic Exchange Limited

¹⁰ The maximum accepted discounts advanced as tender bids for both wheat and durum during the first quarter of the 2003-04 crop year reached \$22.09 per tonne and \$22.02 per tonne respectively. The maximums reached in the 2002-03 crop year were \$16.99 per tonne for wheat, and \$17.27 per tonne for durum.

¹¹ The Baltic Dry Index is produced by The Baltic Exchange Limited, a London-based organization that provides independently gathered real-time freight market information such as daily fixtures, indices for the cost of shipping wet and dry cargoes, route rates, as well as a market for the trading of freight futures. Use of the copyrighted information presented here is done with the express permission of The Baltic Exchange Limited.

Towards the end of the 2002-03 crop year, the port's owner entered into an agreement with the international grain company, Louis Dreyfus, under which it would assume responsibility for the marketing and management of the port. By the end of the 2003 shipping season, that partnership appeared to have yielded positive results. Grain throughput at the port in the first quarter of the 2003-04 crop year increased to 517,600 tonnes – a gain of 85.4% from the 279,200 tonnes handled in the same period a year earlier.



(photo used with the permission of the Hudson Bay Port Company)

Figure 7: A ship docked at grain-handling facilities belonging to the Hudson Bay Port Company at Churchill, Manitoba.

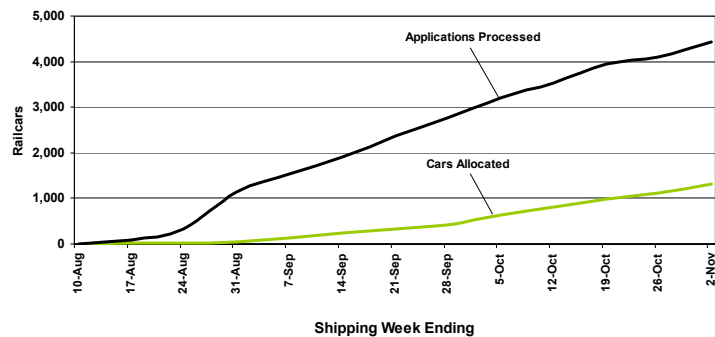
Despite the first quarter's gain, and the overall improvement registered for the 2003 shipping season as a whole, the volume of grain shipped through Churchill still fell below the 1.0-million-tonne level deemed necessary for the port's long-term success.

2.24 Producer-Car Loading

During the course of the first three months of the 2003-04 crop year, another licence-exempt producer-car loading facility joined the list of 30 already in place at the end of the 2002-03 crop year – a gain of just 3.3%. The vast majority of these facilities – 83.9% – are situated in Saskatchewan. Another three are located in Manitoba and two in Alberta. Just over half of these facilities – 17 in all – are serviced by shortline railways.

With the return of a larger crop has been an increased demand for railcars. Although the need for railcars is common to all grain shippers, the demand for producer cars was particularly strong. The 1,322 producer-cars loaded in the first quarter of the 2003-04 crop year was four times the 318 shipped in the same period a year earlier.

Figure 8: Cumulative Producer-Car Loadings



Yet this number represented just 29.9% of the 4,423 applications for railcars that the Canadian Grain Commission received in this period. As a result, car supply emerged as a specific problem for those who wanted to load producer-cars, although softer complaints were echoed in other quarters of the industry.

The expansion of licence-exempt facilities along with the increase in producer-car shipments suggests that this option is gaining favour with some farmers. Nevertheless, it must be remembered that such grain shipments accounted for only a small proportion of the total volume moved by the GHTS. In point of fact, producer-car shipments represented about 2.1% of the overall grain volume moved in covered hoppers during the first quarter. However, had producers been able to secure the 4,423 for which they had placed orders during that period, this proportion might well have reached 7.1%.

3.0 System Efficiency and Service Reliability

3.1 Country Elevators

Total country elevator throughput (measured as shipments from primary elevators) showed a marked increase in the first three months of the 2003-04 crop year. Aggregate volume increased by 22.6% to 7.1 million tonnes from the 5.8 million tonnes recorded for the same period a year earlier. This increase in volume was also reflected in a comparatively higher capacity turnover ratio for the primary elevator system as a whole – which rose by 28.2% to 1.4 turns.

With a weekly average of 2.9 million tonnes, grain held in storage by the primary elevator network during the first quarter climbed by 32.0% from the 2.2-million-tonne average of the same period a year earlier. And while the average stock level increased, the average amount of time spent by grain in inventory continued to decline after having reached 59.9 days six months earlier. The first quarter average of 39.3 days was more in keeping with that observed in both the 2000-01 and 2001-02 crop years.

In addition to these indicators, there was also an appreciable reduction in the overall average weekly stock-to-shipment ratio – which fell to 5.5 in the first quarter – after it had reached 8.8 in the third quarter of the 2002-03 crop year. Much of this improvement stemmed from the overall increase in grain shipments from country elevators.

3.2 Trucking

Trucking rates once again remained unchanged through the first quarter of this crop year. The trucking industry remains highly competitive despite the returns to higher volumes.

3.3 Railway Operations

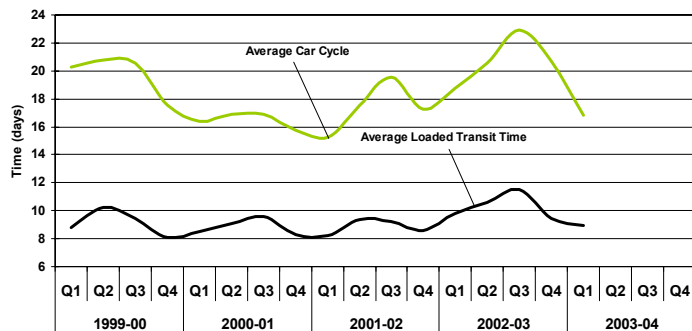
3.31 Car Cycles

The upsurge in traffic saw the first quarter's total railway grain volumes increase by 56.8% over that of the same period a year earlier. Shortline railways, the most adversely impacted by the last two years of drought, experienced a more pronounced rebound than the Class 1 carriers – 82.4% versus 54.4% respectively.

Figure 9: Railway Car Cycle

This gain in volume had a direct impact on the railways' average car cycle in the first quarter, which fell to 16.8 days – a full two days (or 10.6%) less than that recorded for the same period a year earlier. Moreover, the result marked the first time in almost two years that the average car cycle once again approached the lowest values observed under the GMP.

Further, this overall improvement was derived from reductions in both the loaded and empty transit portions of the cycle. In specific terms, the first quarter's average loaded transit time of 9.0 days fell by 8.4% from the 9.8-day average observed the year before. With a somewhat sharper 12.8% reduction, the average empty transit time fell to 7.9 days from 9.0 days a year earlier.



3.32 Railway Freight Rates

Although the revenue cap has accorded both CN and CP greater freedom in setting freight rates since it was introduced in the 2000-01 crop year, their pricing decisions have generally been similar. At the beginning of the 2003-04 crop year, however, both carriers moved to implement decidedly different rate structures. With minor

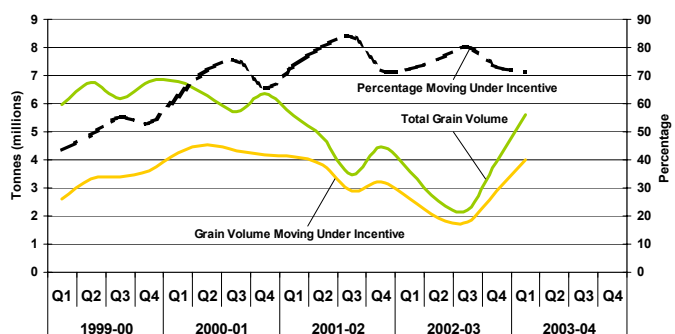
exception, CN maintained the rate structure that had prevailed throughout the preceding crop year.¹² In the face of this, CP largely chose to rollback its rates by approximately 1.0%.

In addition, both carriers made significant changes to their respective incentive programs – the first since the beginning of the 2000-01 crop year.¹³ Firstly, CN eliminated its incentives for grain moving in blocks of 25-49 railcars, while CP cut its corresponding incentive from \$1.00 per tonne to \$0.50 per tonne. Neither carrier chose to alter their existing \$4.00-per-tonne discount for movements in blocks of 50-99 railcars. But whereas CN also elected to maintain the discount it offered for movements in blocks of 100 or more cars at \$6.00 per tonne, CP increased its discount to \$7.00 per tonne.

Both carriers also made changes in the discounts that applied on their shuttle train services. CN changed its discount from \$6.50 per tonne to \$8,500 per train (effectively making it about \$7.00 per tonne). CP, however, restructured its incentives and effectively introduced a scale of discounts based on the number of shuttle trains to which a shipper had committed itself over time. Compared with that offered by CN, the scope of CP's discounts greatly enhanced the potential savings that could be realized by shippers.¹⁴

These pricing actions served to make CP the more cost-competitive Class 1 carrier in Western Canada. And as a result, it would also appear that CN lost some competitive ground to CP. Prior to the 2002-03 crop year, CP's proportion of the total unloads at the four ports in Western Canada averaged 47.3%. In the 2002-03 crop year, CP's share jumped to 57.8% chiefly because the drought had a harsher impact on the grain grown in CN's service area. The moderate decline in this share – which fell to 54.3% in the first quarter – given a significantly greater grain volume, strongly suggests that CP has enhanced its market position. Whether this ultimately endures will be a discussion reserved for future reports.

Figure 10: Railway Volume Moving Under Incentive



With the elimination of the CN discount for shipments in blocks of 25-49 railcars, the relative proportion of grain moving under the railways' incentive programs declined by a marginal 3.2 percentage points – to 71.6% in the first quarter, from 74.8% for the 2002-03 crop year as a whole. Further, the enhancements made to the discounts offered by both railways appeared to have

fostered a migration towards movements in blocks of 100 or more cars – which increased from an estimated 19.2% for the 2002-03 crop year as a whole, to 23.3% in the first quarter.

Strengthened by an improved grain supply, the volume that moved under railway incentives climbed to 4.0 million tonnes in the first quarter – a gain of 54.4% over the 2.6 million tonnes moved during the same period a year earlier. Moreover, the value of the discounts earned by shippers is estimated to have reached \$17.9 million – an increase of 68.4% over the \$10.6 million earned in the first quarter of the 2002-03 crop year. The first quarter's average-earned discount amounted to a record \$4.47 per tonne – 12.6% above the \$3.97-per-tonne average for the 2002-03 crop year as a whole.

¹² The rate increases posted by CN generally applied to origins in northern Saskatchewan and the Peace River area.

¹³ While structural differences between the incentive programs offered by CN and CP exist, both were structured around grain movements in blocks of 25-49 railcars; 50-99 railcars; and 100 or more railcars. Since the beginning of the 2000-01 crop year, such qualifying movements could earn per-tonne discounts of \$1.00, \$4.00, and \$6.00 respectively. CP also offered a fourth grouping, structured around movements in blocks of 112 or more railcars. In addition, both carriers also brought forward shuttle train programs that provided for marginally higher discounts when a shipper committed to the movement of a specified number of unit trains (100 or more railcars) within a defined period of time.

¹⁴ The discounts offered by CP could exceed \$9.00 per tonne.

3.4 Terminal Elevator and Port Performance

3.41 Terminal Elevators

As with other volume-related indicators, port throughput (measured as shipments from terminal elevators and bulk loading facilities) showed a marked increase in the first quarter of the 2003-04 crop year. Aggregate volume increased by 47.3% to 4.9 million tonnes from the 3.3 million tonnes recorded in the same period a year earlier.

On the west coast, Vancouver saw its three-month volume climb to 2.3 million tonnes – more than triple that of the same period a year earlier – as a result of the settlement of the labour dispute that had closed most of the port's terminal elevators for four months in the 2002-03 crop year. Conversely, the volume directed through Prince Rupert fell by 73.7% to 0.2 million tonnes for exactly the same reason.

The Port of Churchill saw its volume for the first quarter climb by 85.4% to 0.5 million tonnes – the best performance recorded at the port for this period since the 2000-01 crop year. At Thunder Bay, grain throughput increased by 20.1% to 1.9 million tonnes. To a large extent, Thunder Bay's more moderate gain in volume simply reflects the fact that it posted a comparatively stronger throughput level in the 2002-03 crop year owing to the prevailing market demand for domestic milling wheat and export durum. During the course of the GMP, the volumes moving through the Thunder Bay gateway have generally proven to be the most consistent.

Terminal elevator inventories during the first quarter increased by 23.1% from that of the same period a year earlier – to an average of 1.2 million tonnes – but remained largely comparable to those observed under the GMP in its first two years. It must be remembered, however, that a 91,000-tonne reduction in licensed storage capacity actually underscores the fact that there has been an a real rise in the use of available terminal space (measured in terms of average terminal inventories per unit of storage capacity), which climbed to a ratio of 0.45 in the first quarter from an overall average of 0.37 for the preceding crop year as a whole.

At the same time, the average amount of time grain spent in inventory during the first quarter increased by 11.5% – to 21.4 days versus 19.2 days for the same period a year earlier.¹⁵ This, however, masks the improvement inherent in the second consecutive decline in the quarterly average since having reached a record 27.7 days in the third quarter of the 2002-03 crop year. Again, much of this general improvement appears to be derived from a general upsurge in commercial activity.

3.42 Port Performance

Some 197 vessels called at Western Canadian ports during the first three months of the 2003-04 crop year. This marks a significantly higher rate of arrival than observed during the same period of the preceding crop year when 145 vessels arrived. This too reflects the sharp increase in grain volumes previously discussed. The amount of time spent by these vessels in port has continued to show improvement, with the comparative average having fallen by 4.4% to 4.3 days.

3.5 The Supply Chain

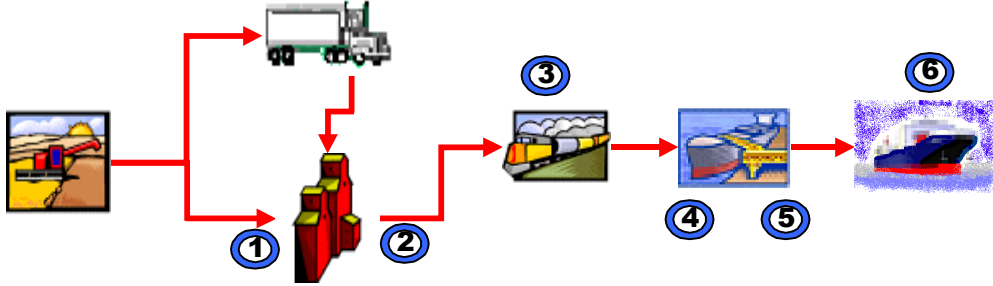
As outlined in earlier editions of the Monitor's quarterly and annual reports, the supply chain model provides a framework for examining the workings of the GHTS as a whole. The Monitor's Annual Report for the 2002-03 crop year concluded that the amount of time taken by grain as it moved through the supply chain had increased to an average of 79.7 days – a significant deterioration from the 67.4-day average of the year before. However, the first quarter's average of 69.7 days suggests a marked improvement in this record for the 2003-04 crop year.

The average pace at which grain moved through the GHTS during this three-month period was comparable to that observed in the first year of the GMP. It must be noted, however, that this 10.0-day (or 12.5%) reduction from the 2002-03 average stems largely from a substantial decline in the amount of time spent by grain in

¹⁵ Direct comparisons of the overall average number of days-in-store at terminal elevators are also influenced by the effects of the labour disruption at Vancouver during the first and second quarters of the 2002-03 crop year. Caution is advised in drawing conclusions from any direct year-over-year comparison with these values.

storage in the primary elevator system – which fell from an average of 47.9 days for the 2002-03 crop year as a whole, to an average of 39.3 days for the three month period ended 31 October 2003.

Table 1: The GHTS Supply Chain



SUPPLY CHAIN ELEMENT	TABLE	1999-00	2000-01	2001-02	2002-03	YTD 2003-04	SUPPLY CHAIN EFFECT	
<u>SPEED RELATED</u>								
2	Country Elevator – Average Days-in-Store	3B-4	41.7	38.3	38.0	47.9	39.3	▼
3	Average Railway Loaded Transit Time (days)	3C-4	9.2	8.8	8.8	10.1	9.0	▼
5	Terminal Elevator – Average Days-in-Store	3D-4	18.6	17.5	20.6	21.7	21.4	▼
Average Total Days in GHTS			69.4	64.6	67.4	79.7	69.7	▼
<u>SERVICE / ASSET RELATED</u>								
1	Average Country Elevator Capacity Turnover Ratio	3B-2	4.8	5.0	4.5	3.7	1.4	▲
4	Average Terminal Elevator Capacity Turnover Ratio	3D-2	9.1	8.9	6.6	5.0	n/a	–
3	Average Railway Car Cycle (days)	3C-4	19.9	16.4	17.1	20.4	16.8	▼
6	Average Vessel Time in Port (days)	3D-7	4.3	5.9	4.9	4.3	4.3	–

This was aided by a 1.1-day (or 10.9%) reduction in the railways' average loaded transit time – which fell to an average of 9.0 days from the preceding crop year's 10.1-day average. Further, the amount of time grain spent in inventory at terminal elevators also fell by 0.3 days (or 1.4%) to 21.4 days versus an average of 21.7 days for the preceding crop year as a whole.

This improvement in the effectiveness of the supply chain has undoubtedly been spurred by an increase in the grain volumes handled by the country elevator, railway, and terminal elevator systems. With this increase, underutilized GHTS's handling capacity was pressed back into service. Even so, with this year's grain supply standing at 84.9% of the level first observed in the 1999-2000 crop year, the pressures brought to bear on the GHTS cannot be deemed indicative of those that would be occasioned by a full return to traditional operating levels. As such, the performance of the GHTS in the 2003-04 crop year must necessarily be viewed as a partial test of the system's capabilities. In this light, a few observations about the supply chain's general performance during the first three months of the crop year are warranted.

Firstly, much of the improvement in performance appears directly attributable to a sharp increase in grain sales. With a higher level of sales activity, country elevator inventories turned over faster, and grain was held in inventory for 18.0% less time. This in turn caused the railways to raise their service levels in order to accommodate the greater demand, and proved to be the driving force in reducing the railways' loaded transit time by 10.9%. While this also helped reduce the amount of time grain was held in inventory at terminal elevators, the improvement was only a marginal 1.4% less than that of the preceding crop year as a whole.

Still, none of these component averages truly rivals the records set in the 2000-01 crop year. Indeed, with the exception of the average number of days-in-store for terminal elevators, the first quarter's averages are within 5% of these records.¹⁶ This underscores the fact that the overall efficiency of the GHTS remains largely unchanged. That is to say grain still moves through the system in much the same timeframe, and in much the same way, as it did four years previously.

What has changed are the physical dimensions of the elevator network, the manner in which grain is drawn into them, and the means by which railcars are allocated to them. To be sure, the reduction in elevators, along with its ensuing change to railway service, has unquestionably reduced total costs for both the grain companies and the railways. To an extent, these gains provide a clear indication that financial efficiencies are being realized. Moreover, these savings are also being shared – at least in part – with producers through a variety of competitive mechanisms.

At the same time, some have argued that a portion of what was being shared, is now being offset through the escalation of the posted rates for many of the GHTS's component services. The nominal input costs of country elevator handling, rail transportation, and terminal elevator handling, have all risen over the course of the GMP. Thus far into the 2003-04 crop year, the record is more mixed – while the rates for country and terminal elevator handling increased by about 3%, single car railway freight rates either remained at, or fell back from, 2002-03 crop year levels.

¹⁶ The first quarter's value of 21.4 for the average number of days-in-store at terminal elevators is 22.3% higher than the 17.5-day record established in the 2000-01 crop year.

4.0 Producer Impact

4.1 Producer Netback

One of the key objectives of the GMP rests in determining the producer impacts that stem from changes in the GHTS. The principal measure in this regard is the *producer netback* – an estimation of the financial return to producers after deduction of the “export basis.”

In its annual report for the 2002-03 crop year, the Monitor described how an improvement in the market prices of wheat, durum, canola, and yellow peas, along with changes in their respective export basis, had produced steadily greater per-tonne returns for grain producers over the course of the preceding four crop years.

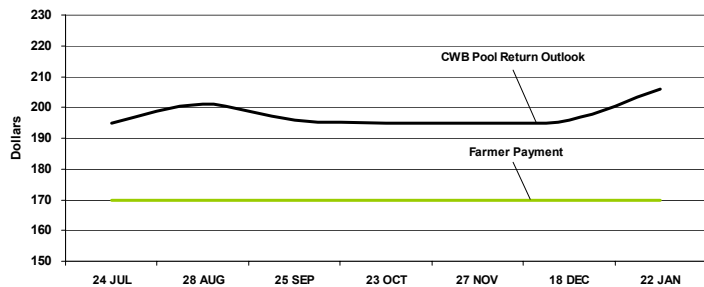
Moreover, the data revealed that the single largest force behind the improvement in the producer’s netback was a positive change in the price of these grains. And while producers realized significantly higher per-tonne returns than in previous years, sharply diminished volumes also served to contain their overall financial gains.

The GMP provides for the calculation of these indicators at the end of the crop year. This arises chiefly because certain elements integral to the calculation are not available until after the close of the crop year itself. Despite this, the gathering of general price, and input-cost, data provides some insight into the broader financial impact that is likely to be experienced by the producer.

4.11 Initial Price Movements

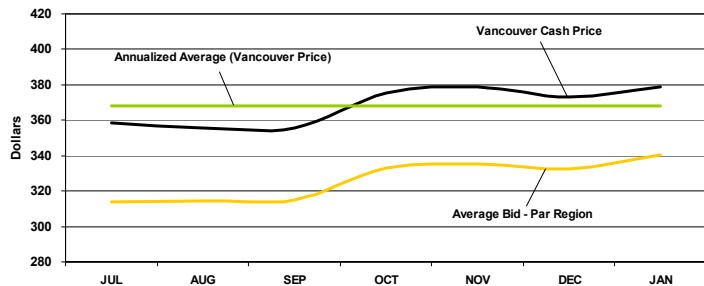
Throughout much of the first quarter of the 2003-04 crop year, the CWB’s Pool Return Outlook (PRO) for 1 CWRS wheat (13.5% protein) floated between a narrow band defined by a low of \$195.00 per tonne, and a high of \$201.00 per tonne. By the end of October, the PRO had surrendered all of the modest gains it had made since July, and settled back to a level of \$195.00 per tonne. Although this marked a 22.1% decline from the final realized price for the 2002-03 crop year (\$250.20 per tonne), it still surpassed the farmer’s initial payment of \$169.95 per tonne by 14.7%.

Figure 11: Recent Price Changes – 1 CWRS Wheat (dollars per tonne)



Much of the general erosion that has been witnessed in the past 12 months has stemmed from the combined forces of higher global wheat production, continuing export competition from other nations, and weaker global demand. To some extent, a moderation in the value of the Canadian dollar lent some degree of price support, but it was not enough to counter these broader forces.

Figure 12: Recent Price Changes – 1 Canada Canola (dollars per tonne)



Similarly, the Vancouver cash price for 1 Canada Canola fell from a monthly average of \$414.36 per tonne for the 2002-03 crop year as a whole, to about \$375.00 by the end of the first quarter – a net decline of 12.5%. As in the case of wheat, much of this price movement stemmed from changes in global market conditions, and

reflected the fact that the volume of grain available for sale around the world – and not just that from Western Canada – had increased.

Despite some relatively thin gains, wheat and canola prices have remained largely unchanged from those in place at the end of July 2003. Nevertheless, the scope of the broader declines already outlined strongly suggest that a reduction in the per-tonne financial returns accruing to Western Canadian grain producers is likely in the 2003-04 crop year.

In addition, the modest increases noted previously with respect to some input costs – country and terminal elevator handling charges being the most prevalent – suggest that the export basis is also likely to show a modest increase. This would further erode the financial returns of farmers.

4.2 Producer-Car Loading

As related in the Monitor's 2002-03 Annual Report, the aggregate number of producer-car loading sites had fallen from 706 to 518 over the course of the initial four years of the GMP. This net decline stemmed largely from a reduction of 263 sites local to both CN and CP. To be sure, shortline carriers assumed operation of some 75 of these – pushing their count from 63 to 138. And while the number tied to these latter carriers remained unchanged during the first three months of the 2003-04 crop year, another 26 sites were closed by the major railways – thereby reducing the overall total by 5.0% to 492.

Nevertheless, the resurgence in grain volumes also brought about a renewed demand for producer-car loading. In point of fact, producer-car shipments during the first quarter of the 2003-04 crop year increased by 315.7% over that of the same period a year earlier. Despite this, producer-car loadings accounted for about 2.1% of the overall grain volume moved in covered hoppers during the first quarter. Moreover, this proportion is marginally less than the 2.4% it was estimated to have constituted in the 2002-03 crop year.

As outlined previously, the fundamental issue surrounding the expansion of producer-car loading relates to the producers' ability to secure an adequate supply of railcars. Assuming that producers had been able to secure the 4,423 for which they had placed orders during the first quarter, its proportion of the overall movement might well have reached 7.1%.

Synopsis – Industry Overview

The purpose of the Industry Overview series of indicators is to track changes in grain production, the structure of the industry itself and the infrastructure comprising the GHTS. Changes in these areas can have a significant influence on the efficiency, effectiveness and competitiveness of the GHTS as a whole. Moreover, they may also be catalysts that shift traditional traffic patterns, the demand for particular services, and the utilization of assets.

Highlights – First Quarter 2003-04 Crop Year

Grain Production and Supply

- Grain production increased by 51.1% to 47.7 million tonnes.
 - First reprice from widespread drought in the past three growing seasons.
 - Current production level slightly less than 90% of the average for the 1999-2000 and 2000-01 crop years.
- Carry forward stock decreased by 9.6% to 5.5 million tonnes.
- Overall grain supply increased by 41.3% to 53.1 million tonnes.

Railway Traffic

- Railway movements during the first quarter increased by 56.8% from the same period a year earlier to 5.8 million tonnes.
 - Reflects greater volume of grain available for movement.
- Traffic to Western Canadian ports experienced an increase.
 - Reflecting the settlement of the labour dispute that had disrupted movements in the 2002-03 crop year, traffic levels rebalanced on the West Coast.
 - Prince Rupert volume fell by 63.7% to 0.3 million tonnes.
 - Volume to Vancouver increased by 184.1% to 2.9 million tonnes.
 - Volume to Thunder Bay increased 33.9% to 2.2 million tonnes.
 - Churchill volume increased by 111.8% to 0.4 million tonnes.

Country Elevator Infrastructure

- Rationalization efforts of the major grain companies moderated significantly.
 - Grain delivery points reduced by 1.0% to 286.
 - Number of country elevators fell by 1.4% to 410.
- Elevator storage capacity reduced by 0.2% to 5.7 million tonnes.
- Elevators capable of loading in blocks of 25 or more cars fell by two to 267.
 - Accounted for 65.1% of total GHTS elevators.
 - Share of GHTS primary storage capacity rose to 87.2%

Railway Infrastructure

- Western Canadian rail network remained unchanged at 18,924 route-miles.
- Abandonment of 129.1 route-miles of infrastructure pending.
 - Southern Manitoba Railway – 64.0 route-miles.
 - Canadian Pacific Railway – 65.1 route miles.

Terminal Elevator Infrastructure

- Licensed GHTS terminal elevators reduced to 16 from 17.
- Terminal elevator unloads for the first three months increased by 74.3% to 59,902 railcars.

Indicator Series 1 – Industry Overview

Table		Indicator Description		Notes		1999-00		2000-01		2001-02		2002-03		Q1	Q2	Q3	2003-04	% VAR
Production and Supply [Subseries 1A]																		
1A-1	Crop Production (000 tonnes)	(1)	55,141.7	54,072.6	42,541.4	31,539.9	-	47,655.3	-	47,655.3	-	47,655.3	-	47,655.3	-	-	-	51.1%
1A-2	Carry Forward Stock (000 tonnes)	(1)	7,418.2	9,775.6	8,750.6	6,070.8	-	5,488.9	-	5,488.9	-	5,488.9	-	5,488.9	-	-	-	-9.6%
	Grain Supply (000 tonnes)	(1)	62,559.9	63,848.2	51,292.0	37,610.7	-	53,144.2	-	53,144.2	-	53,144.2	-	53,144.2	-	-	-	41.3%
Rail Traffic [Subseries 1B]																		
1B-1	Railway Grain Volumes (000 tonnes) – Origin Province	(1)	26,441.0	25,885.5	18,765.1	12,736.4	-	57,996.6	-	57,996.6	-	57,996.6	-	57,996.6	-	-	-	56.8%
1B-2	Railway Grain Volumes (000 tonnes) – Primary Commodities	(1)																
1B-3	Railway Grain Volumes (000 tonnes) – Detailed Breakdown	(1)																
Country Elevator Infrastructure [Subseries 1C]																		
1C-1	Grain Delivery Points (number)	(2)	623	540	345	289	-	286	-	286	-	286	-	286	-	-	-	-1.0%
1C-2	Grain Elevator Storage Capacity (000 tonnes)	(2)	7,443.9	7,137.0	6,125.2	5,747.3	-	5,736.9	-	5,736.9	-	5,736.9	-	5,736.9	-	-	-	-0.2%
1C-3	Grain Elevators (number) – Province	(2)																
1C-2	Grain Elevators (number) – Railway Class	(2)																
1C-3	Grain Elevators (number) – Grain Company	(2)	917	781	500	416	-	410	-	410	-	410	-	410	-	-	-	-1.4%
1C-4	Grain Elevators Capable of Incentive Loading (number) – Province	(2)																
1C-5	Grain Elevators Capable of Incentive Loading (number) – Railway Class	(2)	317	319	292	269	-	267	-	267	-	267	-	267	-	-	-	-0.7%
1C-6	Grain Elevators Capable of Incentive Loading (number) – Railway Line Class	(2)																
1C-7	Grain Elevator Openings (number) – Province	(2)																
1C-8	Grain Elevator Openings (number) – Railway Class	(2)	43	23	20	31	-	3	-	3	-	3	-	3	-	-	-	-90.3%
1C-9	Grain Elevator Openings (number) – Railway Line Class	(2)																
1C-10	Grain Elevator Closures (number) – Province	(2)																
1C-11	Grain Elevator Closures (number) – Railway Class	(2)	130	159	310	115	-	9	-	9	-	9	-	9	-	-	-	-92.2%
1C-12	Grain Elevator Closures (number) – Railway Line Class	(2)																
1C-13	Grain Delivery Points (number) – Accounting for 80% of Deliveries	(2)(3)	217	145	107	89	-	na	-	na	-	na	-	na	-	n/a	n/a	n/a
Railway Infrastructure [Subseries 1D]																		
1D-1	Railway Infrastructure (route-miles) – Grain-Dependent Network	(2)	4,876.6	4,592.8	4,495.8	4,486.8	-	4,495.8	-	4,495.8	-	4,495.8	-	4,495.8	-	-	-	0.0%
1D-2	Railway Infrastructure (route-miles) – Non-Grain-Dependent Network	(2)	14,513.5	14,428.1	14,428.1	14,428.1	-	14,428.1	-	14,428.1	-	14,428.1	-	14,428.1	-	-	-	0.0%
1D-1	Railway Grain Volumes (000 tonnes) – Total Network	(2)	19,390.1	19,020.9	18,923.9	18,923.9	-	19,923.9	-	19,923.9	-	19,923.9	-	19,923.9	-	-	-	0.0%
1D-2	Railway Grain Volumes (000 tonnes) – Grain-Dependent Network	(1)	8,683.6	8,407.3	6,228.7	3,670.1	-	1,947.4	-	1,947.4	-	1,947.4	-	1,947.4	-	-	-	78.4%
1D-2	Railway Grain Volumes (000 tonnes) – Non-Grain-Dependent Network	(1)	16,976.0	16,749.6	12,048.0	8,601.2	-	3,659.3	-	3,659.3	-	3,659.3	-	3,659.3	-	-	-	46.6%
1D-2	Railway Grain Volumes (000 tonnes) – Total Network	(1)	25,659.6	25,156.8	18,276.0	12,271.3	-	5,606.7	-	5,606.7	-	5,606.7	-	5,606.7	-	-	-	56.3%
1D-3	Shortline Railway Infrastructure (route-miles)	(2)	3,043.0	3,106.0	3,106.0	3,363.7	-	3,363.7	-	3,363.7	-	3,363.7	-	3,363.7	-	-	-	0.0%
1D-3	Shortline Railway Grain Volumes (000 tonnes)	(1)	2,090.5	2,335.1	2,061.0	1,111.7	-	453.0	-	453.0	-	453.0	-	453.0	-	-	-	82.4%
1D-5	Railway Grain Volumes (000 tonnes) – Class 1 Carriers	(1)	23,569.1	22,821.7	16,215.7	11,159.6	-	5,153.7	-	5,153.7	-	5,153.7	-	5,153.7	-	-	-	54.4%
1D-5	Railway Grain Volumes (000 tonnes) – Class 2 and 3 Carriers	(1)	2,090.5	2,335.1	2,061.0	1,111.7	-	453.0	-	453.0	-	453.0	-	453.0	-	-	-	82.4%
1D-6	Grain Elevators (number) – Grain-Dependent Network	(2)	371	311	180	141	-	138	-	138	-	138	-	138	-	-	-	-2.1%
1D-6	Grain Elevators (number) – Non-Grain-Dependent Network	(2)	513	440	305	281	-	258	-	258	-	258	-	258	-	-	-	-1.1%
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Grain-Dependent Network	(2)	2,475.4	2,243.7	1,731.3	1,569.3	-	1,543.7	-	1,543.7	-	1,543.7	-	1,543.7	-	-	-	-1.6%
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Non-Grain-Dependent Network	(2)	4,847.6	4,776.6	4,334.0	4,123.5	-	4,140.0	-	4,140.0	-	4,140.0	-	4,140.0	-	-	-	0.4%
Terminal Elevator Infrastructure																		
1E-1	Terminal Elevators (number)	(2)	15	16	17	17	-	16	-	16	-	16	-	16	-	-	-	-5.9%
1E-1	Terminal Elevator Storage Capacity (000 tonnes)	(2)	2,678.6	2,703.6	2,733.6	2,733.6	-	2,642.6	-	2,642.6	-	2,642.6	-	2,642.6	-	-	-	-3.3%
1E-2	Terminal Elevator Unloads (number) – Covered Hopper Cars	(1)	278,285	271,606	202,943	125,339	-	59,902	-	59,902	-	59,902	-	59,902	-	-	-	74.3%

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Railway Grain Volumes). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
 (2) – Quarterly values for non-volume-related indicators (i.e., Grain Delivery Points) are “as at” the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.
 (3) – Statistics relating to grain deliveries by station, as produced by the Canadian Grain Commission, are generally produced a full six months after the close of the crop year. The most recent statistics available are those from the 2002-03 crop year.

Synopsis – Commercial Relations

One of the objectives of the government's regulatory reforms was to provide the GHTS with a more commercial orientation. To this end, a cornerstone element in the reforms was the introduction, and gradual expansion of tendering for Canadian Wheat Board (CWB) grain shipments to Western Canadian ports. For the 2003-04 crop year, the CWB has committed itself to moving 40% of its grain shipments under a new program that combines tendering as well as advance car awards.

The government also expects that industry stakeholders will forge new commercial processes that will ultimately lead to improved accountability. The purpose of this monitoring element is twofold: to track and assess the impact of the CWB's tendering practices as well as the accompanying changes in the commercial relations existing between the various stakeholders within the grain industry.

Highlights – First Quarter 2003-04 Crop Year

Tendering

- The Canadian Wheat Board's (CWB) tendering commitment is reduced to a maximum of 20% effective 1 August 2003.
- 65 tender calls were issued by the CWB during the first three months of the 2003-04 crop year.
 - Calls for the movement of 0.9 million tonnes to export positions in Western Canada.
 - Vancouver delivery – 46.2%; Thunder Bay – 27.1%; Prince Rupert – 21.3%; and Churchill – 5.3%.
 - 604 bids received; offered an aggregated 3.5 million tonnes.
 - Response rate during the first quarter was sharply higher than in previous crop years.
 - Denoted heightened competition between grain companies.
 - 109 contracts concluded for the movement of 0.7 million tonnes.
 - Vancouver deliveries – 46.6%; Thunder Bay – 35.7%; Prince Rupert – 12.6%; and Churchill – 5.1%.
 - No tendered contracts concluded for the movement of malting barley in the first three months.
 - Represented 20.6% of volume shipped by CWB to port positions in Western Canada.
 - Marginally exceeded maximum 20% commitment.
 - Tenders for 15.4% of the tonnage called either partially, or not at all, filled.
 - 121,400 tonnes – unacceptable bid price.
 - 11,000 tonnes – non-compliance with tender specifications.
 - 6,200 tonnes – insufficient quantity bid.
 - 2,200 tonnes – no bid.
 - Proportion of tendered grain volume moving in multiple car blocks increases slightly to 93.9%.
 - Proportion moving in blocks of 50 or more cars climbed to 72.9% from 62.1% in the 2002-03 crop year.
 - 82.2% of all tendered movements originated at high-throughput elevators.
 - Marginally lower than the 83.0% observed in the 2002-03 crop year.
 - CWB estimated that the overall transportation savings for the first quarter rose by 61.2% to \$7.9 million.
 - Underscored heightened competition in tender bids.

Other Commercial Developments

- CWB restructured its tendering program, and reduced its commitment from 50%.
 - Now focused on a fixed 40% of the CWB's overall Western Canadian grain movement.
 - Specific provisions for up to one-half to move under tendering, and the remainder under an advanced car awards program.
- Ocean freight rates effectively doubled in the first quarter.
 - Attributed to a high demand for vessels to service China's growing international trade.
 - Has had an adverse impact on both CWB and non-CWB grain sales.
- Sharp increase in grain volume moved through the port of Churchill.
 - Prompted by a financial aid package from the governments of Canada and Manitoba, and the assumption of responsibility for marketing of the port by Louis Dreyfus.
- Producer-car loading increased by a factor of four in the first quarter to 1,322 railcars.
 - Car supply appeared to be the chief limitation to greater growth.

Indicator Series 2 – Commercial Relations

Table	Indicator Description	Notes	2003-04				% VAR	
			1999-00	2000-01	2001-02	2002-03		
	Tendering [Subseries 2A]							
2A-1	Tenders Called (000 tonnes) – Grain	(1)	n/a	4,888.0	4,961.4	5,794.2	908.6	-56.5%
2A-2	Tenders Called (000 tonnes) – Grade	(1)	n/a	1,580.0	1,580.0	1,580.0	1,580.0	0.0%
2A-3	Tender Bids (000 tonnes) – Grain	(1)	n/a	1,629.2	11,400.8	11,778.1	3,470.3	75.1%
2A-4	Tender Bids (000 tonnes) – Grade	(1)						
2A-5	Total CWB Movements (000 tonnes)	(1/2)	n/a	15,892.7	12,787.3	8,000.6	3,427.4	45.9%
2A-5	Tendered Movements (%) – Proportion of Total CWB Movements	(1/2)	n/a	5.4%	27.9%	46.1%	20.6%	-55.3%
2A-6	Tendered Movements (000 tonnes) – Grain	(1/2)	n/a	858.6	3,566.0	3,685.2	707.3	-35.9%
2A-6	Tendered Movements (000 tonnes) – Grade	(1/2)						
2A-7	Unfilled Tender Volumes (000 tonnes)	(1)	n/a	4,312.4	1,487.3	1,742.5	140.4	84.4%
2A-8	Tendered Movements (000 tonnes) – Not Awarded to Lowest Bidder	(1)	n/a	0.0	96.1	126.8	21.6	178.4%
2A-9	Tendered Movements (000 tonnes) – FOB	(1/2)	n/a	280.8	71.3	0.0	0.0	0.0%
2A-9	Tendered Movements (000 tonnes) – In-Store	(1)	n/a	577.8	3,494.7	3,685.2	707.3	-35.9%
2A-10	Distribution of Tendered Movements – Port	(3)						
2A-11	Distribution of Tendered Movements – Railway	(3)						
2A-12	Distribution of Tendered Movements – Multiple-Car Blocks	(3)						
2A-13	Distribution of Tendered Movements – Penalties	(3)						
2A-14	Distribution of Tendered Movements – Province / Elevation Class	(3)						
2A-15	Distribution of Tendered Movements – Month	(3)						
2A-16	Distribution of Tender Delivery Points (number) – Contracted Cars	(3)						
2A-17	Average Tendered Multiple-Car Block Size (railcars) – Port		n/a	n/a	38.3	35.6	40.7	10.6%
2A-18	Railway Car Cycle (days) – Tendered Grain		n/a	14.0	14.0	19.3	17.3	-4.9%
2A-18	Railway Car Cycle (days) – Non-Tendered Grain		n/a	16.7	16.7	20.0	17.0	-12.4%
2A-19	Maximum Accepted Tender Bid (\$ per tonne) – Wheat		n/a	\$18.07	\$16.99	\$16.99	\$22.09	170.0%
2A-19	Maximum Accepted Tender Bid (\$ per tonne) – Durum		n/a	\$14.17	\$17.27	\$17.27	\$22.02	180.2%
2A-20	Market Share (%) – CWB Grains – Major Grain Companies		n/a	77.2%	72.9%	72.9%	71.3%	-2.9%
2A-20	Market Share (%) – CWB Grains – Non-Major Grain Companies		n/a	22.8%	27.1%	27.1%	28.7%	7.9%

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Tenders Called). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier. Significant variances may be observed as a result of a change in the Canadian Wheat Board's tendering commitment.

(2) – Includes tendered milling barley volumes.

(3) – Indicators 2A-10 through 2A-15 examine tendered movements along a series of different dimensions. This examination is intended to provide greater insight into the movements themselves, and cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding table in volume 2 of the quarterly report (Data Tables).

Synopsis – System Efficiency

One of the chief aims in the government's decision to move the GHTS towards a more commercial orientation was to improve overall system efficiency. This stems from the belief that a more efficient system will ultimately enhance the competitiveness of Canadian grain in international markets to the benefit of all stakeholders.

The indicators presented here are intended to examine the relative change in the efficiency of the GHTS. A preceding chapter – Industry Overview – addressed changes observed in the basic components of the GHTS (country elevators, railways, and terminal elevators). In comparison, the following series of indicators largely concentrates on how these assets are utilized, and the overall time it takes grain to move through the system.

Highlights – First Quarter 2003-04 Crop Year

Trucking

- Composite Freight Rate Index for short-haul trucking remained unchanged at 100.0 for first quarter.

Country Elevators

- First quarter throughput increased by 22.6% to 7.1 million tonnes.
- The average elevator capacity turnover ratio increased by 28.2% to 1.4 turns.
- Average number of days-in-store increased by 7.7% to 39.3 days.
 - Masked reduction that has occurred since it reached 59.9 days six months earlier.
- Average weekly stock-to-shipment ratio climbs by 9.3% to 5.5 for the first three months.
- Posted tariff rates for elevator handling activities have increased by approximately 3% in the first quarter.

Rail Operations

- Average car cycle decreased by 10.5% to 16.8 days during the first quarter of the crop year.
 - Significant reduction reflected the effects of increased grain volumes.
 - Average empty transit time decreases 12.8% to 7.9 days.
 - Average loaded transit time decreases 8.4% to 9.0 days.
- Proportion of grain traffic moving under incentive programs declines marginally to 71.6%.
 - Reflected the impact of a restructuring of the railways' incentive programs.
 - CN eliminated all discounts for movements in blocks of 25-49 railcars.
 - CP significantly increased the discounts for movements in 100 or more railcars.
- Migration towards movements in blocks of 100 or more cars.
 - Proportion increased to 23.3% in the first quarter from 19.2% for the 2002-03 crop year as a whole.
- Railway incentive payments estimated at \$17.9 million for the first quarter – up 68.4%.
 - Largely the result of increased grain volumes.
- A significant change to the complementary structure of CN and CP's posted freight rates was made at the beginning of the 2003-04 crop year.
 - CN's rates were generally maintained at 2002-03 crop year levels.
 - CP's rates generally decreased by about 1.0% from most origins.
 - CP appeared to have increased its market share.

Terminal Elevators and Port Performance

- Terminal throughput increased by 47.3% to 4.9 million tonnes during the first quarter.
- 197 vessels loaded at Western Canadian ports during the first three months of the crop year.
 - Average time in port fell by 4.4% to 4.3 days.
- Posted tariff rates for elevator handling activities have increased by approximately 3% in the first quarter.

Indicator Series 3 – System Efficiency

Table		2003-04		2002-03		2001-02		2000-01		1999-00		Notes		Indicator Description		Q1	Q2	Q3	YTD (1)	% VAR
Trucking [Subseries 3A]																				
3A-1	Composite Freight Rate Index – Short-haul Trucking															100.0				0.0%
		(2)	102.5	100.0	100.0	102.5	100.0	100.0	102.5	100.0	100.0									
Country Elevators [Subseries 3B]																				
3B-1	Grain Volume Throughput (000 tonnes)	(1)	32,493.9	33,281.9	25,923.8	19,052.1	7,081.1									7,081.1				22.6%
3B-2	Average Elevator Capacity Turnover Ratio	(1)	4.8	5.0	4.5	3.7	1.4									1.4				28.2%
3B-3	Average Weekly Elevator Stock Level (000 tonnes)	(1)	3,696.3	3,494.7	2,899.8	2,502.0	2,931.5									2,931.5				32.0%
3B-4	Average Days-in-Store (days)	(1)	41.7	38.3	38.0	47.9	39.3									39.3				7.7%
3B-5	Average Weekly Stock-to-Shipment Ratio – Grain	(1)	6.2	5.4	5.4	7.1	5.5									5.5				9.3%
3B-6	Average Handling Charges – Country Delivery Points	(3)																		
Rail Operations [Subseries 3C]																				
3C-1	Hopper Car Grain Volumes (000 tonnes) – Province	(1)														5,606.7				56.3%
3C-2	Hopper Car Grain Volumes (000 tonnes) – Primary Commodities	(1)	25,659.6	25,186.8	18,276.6	12,271.3										5,606.7				
3C-3	Hopper Car Grain Volumes (000 tonnes) – Detailed Breakdown	(1)																		
3C-4	Railway Car Cycle (days) – Empty Transit Time	(1)	10.7	7.6	8.3	10.2	7.9									7.9				-12.8%
3C-5	Railway Car Cycle (days) – Loaded Transit Time	(1)	9.2	8.8	8.8	10.1	9.0									9.0				-8.4%
3C-6	Railway Car Cycle (days) – Total Transit Time	(1)	19.9	16.4	17.1	20.4	16.8									16.8				-10.5%
3C-7	Hopper Car Grain Volumes (000 tonnes) – Non-Incentive	(1)	12,735.5	7,906.2	4,219.3	3,093.3	1,594.1									1,594.1				61.3%
3C-8	Hopper Car Grain Volumes (000 tonnes) – Incentive	(1)	12,924.2	17,250.7	14,057.3	9,178.0	4,012.6									4,012.6				54.4%
3C-9	Hopper Car Grain Volumes (\$ millions) – Incentive Discount Value	(1)	\$31.1	\$60.1	\$57.2	\$36.4	\$17.9									\$17.9				68.4%
3C-10	Traffic Density (tonnes per route mile) – Grain-Dependent Network	(1)	44.3	48.0	34.0	20.4	43.2									43.2				78.4%
3C-11	Traffic Density (tonnes per route mile) – Non-Grain-Dependent Network	(1)	29.4	28.9	20.8	14.0	25.3									25.3				46.6%
3C-12	Traffic Density (tonnes per route mile) – Total Network	(1)	33.0	32.6	24.0	16.2	29.3									29.3				56.3%
3C-13	Composite Freight Rates (\$ per tonne) – Rail	(2)(3)																		n/a
3C-14	Multiple-Car Shipment Incentives (\$ per tonne) – Rail	(2)(3)																		n/a
3C-15	Effective Freight Rates (\$ per tonne) – CTA Revenue Cap	(2)(4)	n/a	\$25.83	\$25.28	\$24.52														n/a
Terminal Elevator and Port Performance [Subseries 3D]																				
3D-1	Annual Port Throughput (000 tonnes) – Grain	(1)	23,555.5	23,941.3	18,004.0	11,806.9	4,877.7									4,877.7				47.3%
3D-2	Average Terminal Elevator Capacity Turnover Ratio	(1)(5)	9.1	8.9	6.6	5.0	n/a									n/a				n/a
3D-3	Average Weekly Terminal Elevator Stock Level (000 tonnes)	(1)	1,216.2	1,192.7	1,113.6	1,016.5	1,194.9									1,194.9				23.1%
3D-4	Average Days-in-Store – Operating Season (days)	(1)	18.6	17.5	20.6	21.7	21.4									21.4				11.5%
3D-5	Average Weekly Stock-to-Shipment Ratio – Grain	(1)(3)																		
3D-6	Average Weekly Stock-to-Shipment Ratio – Grade	(1)(3)																		
3D-7	Average Vessel Time in Port (days)	(1)	4.3	5.9	4.9	4.3	4.3									4.3				-4.4%
3D-8	Distribution of Vessel Time in Port	(1)(3)																		
3D-9	Distribution of Berths per Vessel	(1)(3)																		
3D-10	Annual Demurrage Costs (\$millions)	(5)	\$7.6	\$16.1	\$2.9	\$0.8	n/a									n/a				n/a
3D-11	Annual Dispatch Earnings (\$millions)	(5)	\$14.5	\$13.3	\$7.0	\$4.4	n/a									n/a				n/a
3D-12	Average Handling Charges – Terminal Elevators	(2)(3)																		

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Grain Volume Throughput). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
 (2) – Quarterly values for non-volume-related indicators (i.e., Composite Freight Rate Index) are “as at” the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.
 (3) – Changes in the indicator cited cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding table in volume 2 of the quarterly report (Data Tables).
 (4) – Statistics relating to effective railway freight rates, as determined by the Canadian Transportation Agency, are generally produced about six months after the close of the crop year. The most recent statistics available are those from the 2002-03 crop year.
 (5) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.
 (6) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

Synopsis – Service Reliability

The true test of any logistics chain is its ability to provide for the timely delivery of product, as it is needed – whether it is raw materials, semi-processed goods, component parts, or finished products. This applies in equal measure to both industrial and consumer products, and is summarized by a widely used colloquialism within the logistics industry: “to deliver the right product, to the right customer, at the right time.” The indicators that follow are largely used to determine whether grain is indeed moving through the system in a timely manner, and whether the right grain is in stock at port when a vessel calls for loading.

Highlights – First Quarter 2003-04 Crop Year

Port Performance

- Average weekly stock-to-vessel-requirements ratios show that sufficient grain inventories were on hand in both Vancouver and Thunder Bay to meet short-term demand.
 - Vancouver
 - Wheat – 4.6 for the first three months of the 2003-04 crop year.
 - Canola – 3.1.
 - Thunder Bay
 - Wheat – 5.3 for the first three months of the 2003-04 crop year; down by 29.0%.
 - Canola – 2.7; down by 24.5%.
- Average stock-to-shipment ratios provide similar evidence of the ability of these ports to meet short-term demand through the first three months of the 2003-04 crop year.
 - Vancouver
 - CWB grains – 3.5 for the first three months of the 2003-04 crop year.
 - Non-CWB grains – 4.3.
 - Thunder Bay
 - CWB grains – 6.2 for the first three months of the 2003-04 crop year; down by 9.5%.
 - Non-CWB grains – 2.3; down 33.5%.

Indicator Series 4 – Service Reliability

Table	Indicator Description	Notes	2003-04				YTD (1)	% VAR
			2000-01	2001-02	2002-03	Q1		
Port Performance [Subseries 4A]								
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – Wheat	(1)(2)	2.5	2.3	4.9	4.6	-	n/a
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – VCR – Wheat	(1)(2)	3.1	3.3	2.9	3.1	-	n/a
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Wheat	(1)	2.5	4.3	6.8	5.3	-	-29.0%
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Canola	(1)	5.6	2.0	4.3	2.7	-	-21.5%
4A-2	Avg. Weekly Stock-to-Vessel Requirements Ratio – Grade	(1)(3)	2.8	2.9	4.3	3.5	-	n/a
4A-3	Avg. Weekly Stock-to-Shipment Ratio – VCR – CWB Grains	(1)(2)	3.5	3.1	4.3	4.3	-	n/a
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – Non-CWB Grains	(1)(2)	2.6	4.1	4.3	4.3	-	n/a
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – CWB Grains	(1)	4.6	5.5	6.6	6.2	-	-9.5%
4A-3	Avg. Weekly Stock-to-Shipment Ratio – BY – Non-CWB Grains	(1)	3.3	2.9	5.0	2.3	-	-33.5%
4A-4	Terminal Handling Revenue (\$millions) – Vancouver	(1)(4)	\$192.7	\$139.7	\$49.7	n/a	n/a	n/a
4A-4	Terminal Handling Revenue (\$millions) – Thunder Bay	(1)(4)	\$82.1	\$64.2	\$68.6	n/a	n/a	n/a
4A-4	CWB Carrying Costs (\$millions) – Pacific Seaboard	(1)(4)	\$63.3	\$48.2	\$22.4	n/a	n/a	n/a
4A-4	CWB Carrying Costs (\$millions) – Thunder Bay	(1)(4)	\$31.3	\$34.4	\$30.1	n/a	n/a	n/a

- (1) – Year-To-Date values are reported for volume-related indicators only (i.e., Average Weekly Stock-to-Vessel Requirements Ratio). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
- (2) – The lock-out of the GWU in Vancouver effectively prevented grain from being moved through the port's licensed terminal elevators for much of the first half of the 2002-03 crop year. Owing to the limited availability of reliable data during this period, direct quarter-over-quarter comparisons are not possible.
- (3) – Changes in the indicator cited cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding table in volume 2 of the quarterly report (Data Tables).
- (4) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

Synopsis – Producer Impact

One of the key objectives of the GMP rests in determining the producer impacts that stem from changes in the GHTS. The principal measure in this regard is the producer netback – an estimation of the financial return to producers after deduction of the “export basis.” The methodology employed in calculating these measures was developed following an extensive study conducted as a Supplemental Work Item under the GMP, and approved for incorporation into the mainstem indicators of the GMP by Transport Canada and Agriculture and Agri-Food Canada.

Highlights – First Quarter 2003-04 Crop Year

Export Basis and Producer Netback – CWB Grains

- Changes in the CWB’s Pool Return Outlook (PRO) for 1 CWRS wheat:
 - Farmer’s initial payment set at \$169.95 per tonne.
 - Represents a 32.1% reduction from the final realized price for the 2002-03 crop year of \$250.20 per tonne.
 - Reduction largely fuelled by better crop production in 2003; and increased international competition.
 - PRO reaches \$195.00 per tonne by the end of the first quarter.
 - Represents a 14.7% gain over farmer’s initial payment.
- Recent changes in input costs:
 - Country elevator handling – up by about 3% for most activities and commodities.
 - Rail transportation – down by as much as 1.0% for most CP origins; CN rates largely unchanged.
 - Terminal elevator handling – up by 3% for most activities and commodities.
- Changes in the PRO for 1 CWRS wheat, and input costs to the export basis, suggests a reduction in the producer’s per-tonne netback for CWB grains in the 2003-04 crop year.

Export Basis and Producer Netback – Non-CWB Commodities

- Changes in Vancouver cash price for 1 Canada canola:
 - Price reaches \$375.00 per tonne by the end of the first quarter.
 - Represents a 12.5% reduction from the monthly average of \$414.36 per tonne for the 2002-03 crop year.
 - Reduction largely fuelled by better crop production in 2003; and changes in global market conditions.
- Recent changes in input costs:
 - Country elevator handling – up by about 3% for most activities and commodities.
 - Rail transportation – down by as much as 1.0% for most CP origins; CN rates largely unchanged.
 - Terminal elevator handling – up by 3% for most activities and commodities.
- Changes in the price of 1 Canada canola, and input costs to the export basis, suggests a reduction in the producer’s per-tonne netback for non-CWB commodities in the 2003-04 crop year.

Producer-Car Loading

- Number of producer-car-loading sites fell by 5.0% in the first quarter to 492.
- Producer-car shipments increased by 315.7% to 1,322 railcars in the first three months.
 - Further growth contained by the ability to secure an adequate supply of railcars.

Indicator Series 5 – Producer Impact

Table	Indicator Description	2003-04				% VAR
		Q1	Q2	Q3	YTD (1)	

Export Basis		1999-00	2000-01	2001-02	2002-03	Q1	Q2	Q3	YTD (1)	% VAR
Western Canada										
5A-10	CWRS Wheat (\$ per tonne)	\$65.82	\$69.01	\$71.74	\$79.81					
5A-10	CWA Durum (\$ per tonne)	\$64.79	\$66.23	\$81.10	\$78.24					
5A-10	1 Canada Canada (\$ per tonne)	\$52.51	\$49.11	\$42.01	\$48.97					
5A-10	Canadian Large Yellow Peas – No. 2 or Better (\$ per tonne)	\$54.76	\$72.72	\$70.97	\$83.19					
Producer-Car Loading										
5B-1	Producer-Car Loading Sites (number) – Class 1 Carriers	415	381	386	360	354				6.8%
5B-1	Producer-Car Loading Sites (number) – Class 2 and 3 Carriers	120	122	127	138	138				0.0%
5B-1	Producer-Car Loading Sites (number) – All Carriers	535	503	513	518	492				-5.0%
5B-2	Producer-Car Shipments (number) – Covered Hopper Cars	3,441	4,724	6,583	3,209	1,322			1,322	315.7%

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Producer-Car Shipments). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
 (2) – Quarterly values for non-volume-related indicators (i.e., Producer-Car-Loading Sites) are "as at" the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.

(3) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

Appendix 1: Program Background

On June 19, 2001, the Government of Canada announced that Quorum Corporation had been selected to serve as the Monitor of Canada's Grain Handling and Transportation System (GHTS). Under its mandate, Quorum Corporation provides the federal government with quarterly and annual reports aimed at measuring the system's performance, as well as assessing the effects arising from the government's two principal reforms, namely:

- The introduction, and gradual expansion of tendered grain movements by the Canadian Wheat Board; and
- The replacement of the maximum rate scale for rail shipments with a cap on the annual revenues that railways can earn from the movement of regulated grain.

In a larger sense, these reforms are expected to alter the commercial relations that have traditionally existed between the primary participants in the GHTS: producers; the Canadian Wheat Board; grain companies; railway companies; and port terminal operators. Using a series of indicators, the government's Grain Monitoring Program (GMP) aims to measure the performance of both the system as a whole, and its constituent parts, as this evolution unfolds. With this in mind, the GMP is designed to reveal whether the movement of grain from the farm gate to lake- and sea-going vessels (i.e., the supply chain) is being done more efficiently and reliably than before.

To this end, the GMP provides for a number of specific performance indicators grouped under five broad series, namely:

- Series 1 – Industry Overview
Measurements relating to annual grain production, traffic flows and changes in the GHTS infrastructure (country and terminal elevators as well as railway lines).
- Series 2 – Commercial Relations
Measurements focusing on the tendering activities of the Canadian Wheat Board as it moves towards a more commercial orientation as well as changes in operating policies and practices related to grain logistics
- Series 3 – System Efficiency
Measurements aimed at gauging the operational efficiency with which grain moves through the logistics chain.
- Series 4 – Service Reliability
Measurements focusing on whether the GHTS provides for the timely delivery of grain to port in response to prevailing market demands.
- Series 5 – Producer Impact
Measurements designed to capture the value to producers from changes in the GHTS, and is focused largely on the calculation of “producer netback.”

Appendix 2: Acknowledgements

The scope of this review is far-reaching and could not have been completed without the assistance of the various stakeholders that submitted views on the detailed monitoring design and provided the data in support of the Grain Monitoring Program (GMP). Quorum Corporation would like to thank the following organizations, and more particularly the individuals within them, for the cooperation they have extended in our efforts to implement the GMP. We have come to appreciate not only their cooperation as suppliers of data under the program, but to value their assistance in helping to improve the quality of the program as a whole. We look forward to their continued input and cooperation throughout the duration of the program.

Agricore United	Mid-Sask Terminal Ltd.
Agricultural Producers Association of Saskatchewan	Mission Terminal Inc.
Agriculture and Agri-Food Canada	National Farmers Union
Alberta Agriculture, Food and Rural Development	North East Terminal Ltd.
Alberta Transportation	North West Terminal Ltd.
Alberta RailNet	OmniTRAX Canada, Inc.
British Columbia Railways	Parrish & Heimbecker Ltd.
Canadian Canola Growers Association	N.M. Paterson & Sons Limited
Canadian Grain Commission	Port of Churchill
Canadian Maritime Chamber of Commerce	Port of Prince Rupert
Canadian National Railway	Port of Thunder Bay
Canadian Pacific Railway	Port of Vancouver
Canadian Ports Clearance Association	Prairie West Terminal
Canadian Ship Owners Association	Prince Rupert Grain Ltd.
Canadian Special Crops Association	Rail America
Canadian Transportation Agency	Red Coat Road and Rail
Canadian Wheat Board	Saskatchewan Agriculture and Food
Cando Contracting Ltd.	Saskatchewan Highways and Transportation
Cargill Limited	Saskatchewan Association of Rural Municipalities
CMI Terminal	Saskatchewan Wheat Pool
ConAgra Grain, Canada	South West Terminal
Gardiner Dam Terminal	Statistics Canada
Government of BC	Terminal 22 Inc
Grain Growers of Canada	Transport Canada
Great Sandhills Terminal	Vancouver Wharves Ltd. (BCR Marine)
Great Western Rail	Western Barley Growers Association
Inland Terminal Association of Canada	Western Canadian Wheat Growers Association
James Richardson International Ltd. (Pioneer Grain)	Western Grain By-Products Storage Ltd.
Keystone Agricultural Producers	Western Grain Elevator Association
Louis Dreyfus Canada Ltd.	Weyburn Inland Terminal Ltd.
Mainline Terminal Ltd.	Wild Rose Agricultural Producers
Manitoba Agriculture	Winnipeg Commodity Exchange
Manitoba Transportation and Government Services	

Members of the Quorum Corporation Advisory Board (as of 29 February 2004)

Mark A. Hemmes

*Chairman of the Advisory Board
President, Quorum Corporation
Edmonton, Alberta*

J. Marcel Beaulieu

*Director – Research and Analysis, Quorum Corporation
Sherwood Park, Alberta*

Richard B. Boyd

*Senior Vice President, Canadian National Railway Company (retired)
Edmonton, Alberta*

A. Bruce McFadden

*Director – Research and Analysis, Quorum Corporation
Edmonton, Alberta*

Shelley J. Thompson

*President, SJT Solutions
Souhey, Saskatchewan*

Members of the Quorum Corporation Grain Monitoring Team

Mark Hemmes

President

Marcel Beaulieu

Director – Research and Analysis

Bruce McFadden

Director – Research and Analysis

Vincent Roy

Senior Technical Officer

Hongliang (Bill) Zhuang

Senior Developer

Corporate Offices

Quorum Corporation
Suite 701, 9707–110 Street
Edmonton, Alberta
T5K 2L9

Telephone: 780 / 447-2111

Fax: 780 / 447-2630

Website: www.quorumcorp.net

Email: info@quorumcorp.net

Additional copies of this report are available for downloading directly from the company's website.

