

**Monitoring the Canadian
Grain Handling and
Transportation System**

1

**Summary
Report**

**First Quarter
2005-2006 Crop Year**



Government of Canada **Gouvernement du Canada**



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 2005. 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 2005-06 crop year.

As with previous quarterly and annual reports, the report is structured around a number of performance indicators established under the GMP, and grouped under five broad series, namely:

- Series 1 – Industry Overview
- Series 2 – Commercial Relations
- Series 3 – System Efficiency
- Series 4 – Service Reliability
- Series 5 – Producer Impact

Although the indicators that follow largely compare the GHTS's current-year performance with that of the preceding 2004-05 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.

The accompanying report, as well as the data tables which support it, can both be downloaded from the Monitor's website (www.quorumcorp.net).

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Findings

Although grain production for the 2005-06 crop year was consistent with what many in the industry would call a “normal” crop, the comparative quality of the harvest was lower than normal for a second consecutive year. While much of Saskatchewan and Alberta benefited from initially favourable growing conditions, excessive moisture levels in Manitoba actually prevented many farmers from even planting a crop. The onset of heavy rains late in the season, however, undermined the quality of what had been a promising crop. In addition, producers also felt the compound effects of lower commodity prices in the face of rising input costs.

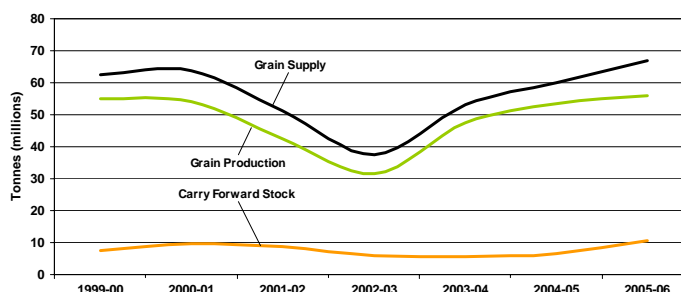
1.0 Industry Overview

1.1 Grain Production and Supply

Overall grain production for the 2005-06 crop year climbed to 56.0 million tonnes, an increase of 4.9% over the 2004-05 crop year’s 53.4 million tonnes. This constitutes the largest production volume in western Canada since the GMP was initiated. However, current crop production only exceeded the program’s previous record of 55.1 million tonnes by 1.6%.¹ Despite the overall increase, the gain in production was not evenly distributed between provinces. Although production in Saskatchewan and Alberta increased by 17.1% and 5.9% respectively, Manitoba’s output fell by 35.2%. This was due in large part to the rains that had inundated much of the province’s southeastern corner, and which ultimately prevented most farmers in that region from even planting a crop.

Even with such adversities, the overall grain supply increased by 11.2%, to 66.8 million tonnes from 60.0 million tonnes a year earlier. Aided in large part by the 10.8 million tonnes worth of stocks carried forward from the preceding crop year, this surpassed the 63.8-million-tonne record that had been set in the 2000-01 crop year. However, grain quality remained greatly reduced for a second consecutive year as a result of heavy rains late in the growing season.

Figure 1: Western Canadian Grain Supply



Even so, these problems did not constrict the amount of grain moved by the GHTS. As opposed to the first quarter of the 2004-05 crop year, where late harvest resulted in existing elevator stocks being quickly drawn down, the flow of grain into the system was largely unimpeded. As a result, there was neither the significant reduction in average elevator storage times nor the increase in the speed with which grain moved through the GHTS during this period. In fact, many of the GMP’s measures highlight the deceleration that occurred as supplies later improved.

As was the case a year earlier, reduced supplies of high-quality grain meant that the grain industry had to contend with the realities of marketing a wider range of grades. In some instances, this implied re-entering markets that Canada had largely ceded to other producing nations.² For the most part, the industry’s efforts to adapt have proven successful, although the results were clearly mixed. To an extent, the challenges involved

¹ The previous record was established in the 1999-2000 crop year, the GMP’s base year, when total western Canadian grain production reached 55.1 million tonnes.

² By way of example, lower-quality grades amounted to as little as 5% of western Canadian wheat exports in comparatively good years. Still, grain quality does fluctuate year to year, and in the 2004-05 crop year this proportion climbed to 46.3%, while data for the first quarter of the 2005-06 crop year suggests that the proportion reached an even greater 50.5%.

in marketing a poorer-quality crop were typified by an 11.1%-decline in first quarter wheat shipments, although production actually declined by only 0.8%. Similarly, durum handlings increased by just 0.8% even though output climbed by 19.2%. Still there were some noteworthy successes, with one being the first quarter's movement of 0.8 million tonnes of feed barley. In addition to denoting a comparative gain of 365.1% for the period, it constituted a full two-thirds of the previous crop year's entire barley movement. The impetus for this came from the fact that the barley crops of most competing nations proved to be significantly smaller than usual, and that the CWB was able to successfully exploit what was expected to be a short-term sales opportunity.³

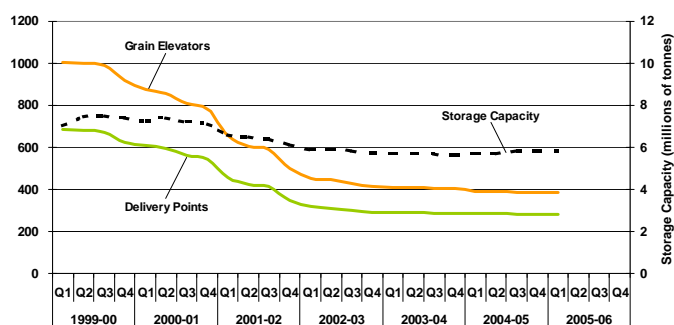
1.2 Country Elevator Infrastructure

As outlined in the Monitor's previous reports, although the country elevator network continues to be rationalized, the pace of the restructuring has abated significantly. In fact, with no net change having been recorded in the first quarter of the 2005-06 crop year, the number of licensed elevators in place at the end of the period remained at 385. However, this still represented a net decline of 61.7% from the 1,004 elevators that were in place at the beginning of the GMP.

The decline in elevator facilities has been accompanied by a largely parallel reduction in the number of grain delivery points at which they were located. During the first quarter, the number of grain delivery points actually increased by one, or 0.4%, to 283. As with the elevator infrastructure itself, the delivery points that remained constituted just 41.3% of the 685 that were in place at the beginning of the GMP. Although these installations are distributed generally throughout western Canada, grain deliveries have been concentrated at about one-third of the system's delivery points. In the 2004-05 crop year, just 94 of these locations accounted for 80% of the total grain delivered into the system.⁴

When contrasted with the decline in the number of elevators and delivery points, the reduction in associated storage capacity has not been nearly as dramatic. This arises because the replacement of smaller elevators, with their limited storage capacities, by high-throughput facilities with far greater storage capacities has been the primary objective of most rationalization programs. As such, even though licensed storage capacity declined by over 1.2 million tonnes in the first six years of the GMP, from 7.0 million tonnes to 5.8 million tonnes, this constituted a reduction of just 16.8%. Moreover, storage capacity has actually begun to rise as a result of recent facility expansions.

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



In the 2004-05 crop year, this gain amounted to 157,000 tonnes, or 2.8%. In the first three months of the 2005-06 crop year a further 32,800 tonnes was added. This had the effect of raising the system's overall storage capacity by 0.6%, which totalled just under 5.9 million tonnes by the end of the period.

These broad trends provide a clear indication of the evolution that has been taking place within the industry since the beginning of the GMP. The elevator network now comprises significantly fewer facilities, many with larger storage capacities and the ability to load railcars in trainload lots. It is worth noting that while only 11.9% of the system's elevators were able to load 50 or more railcars at a time when the GMP began, by the end of the first quarter that proportion had increased almost fourfold to 45.7%.

³ With an increase in Australian barley production anticipated, competition in the feed barley market was expected to intensify in the second half of the 2005-06 crop year.

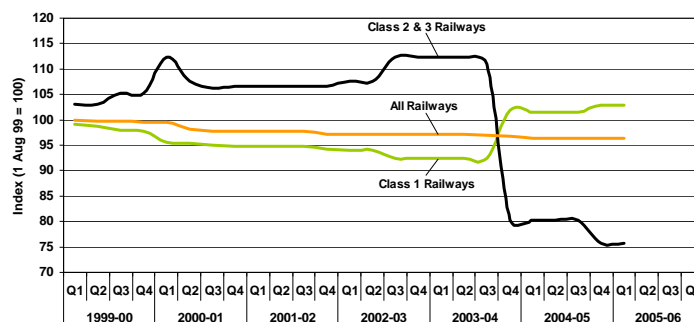
⁴ The most recent statistics available for grain deliveries by station are those from the 2004-05 crop year.

1.3 Railway Infrastructure

As previously reported, total railway infrastructure in western Canada has only changed modestly since the beginning of the GMP. By the end of the 2004-05 crop year the network had been reduced by 3.6%, to a total of 18,763.7 route-miles of track. This, however, did not mean that the network had not changed in other ways. Throughout this period, CN and CP transferred a number of their branch line operations to a variety of new shortline railways. This practice, which began in the mid 1990s, was one of the cornerstones in an industry restructuring that ceded control over almost one-third of the railway network in western Canada to a collection of smaller regional and shortline carriers.

However, more recent events suggest that this practice is clearly in decline. In the closing days of the 2003-04 crop year, CN acquired the operations of BC Rail, a regional carrier with operations extending over a 1,419.8-route-mile network in British Columbia. More importantly, the waning financial health of shortlines at large prompted several of them into either selling or rationalizing their own operations.⁵ In one recent instance, branch lines that had been leased by CN to the Prairie Alliance for the Future (PAFF) reverted back to its control when the operation failed in the second half of the 2004-05 crop year. All of this resulted in a realignment of Class 1

Figure 3: Relative Change in Railway Infrastructure



and non-Class 1 railway operations in western Canada. By the end of the 2004-05 crop year, CN and CP directly managed a total of 15,251.2 route-miles of track, which constituted a net gain of 2.9% over the 14,827.9 route-miles they oversaw at the beginning of the GMP. In comparison, the network operated by western Canada's Class 2 and 3 carriers declined by 24.3%, from 4,640.3 route-miles to 3,512.5 route-miles.

Although no transfers or abandonments were reported during the first quarter of the 2005-06 crop year, CN signalled a significant shift in its policy towards the potential future abandonment of prairie branch lines late in the period. In lifting a self-imposed moratorium on branch line abandonment, CN added a total of 328.1 route-miles of Saskatchewan infrastructure as discontinuance candidates to its Three Year Network Plan in October 2005.⁶ These additions included sections of the carrier's Amiens, Bolney, Lewvan, Northgate, Preeceville, Robinhood and Turtleford subdivisions.⁷

When considered alongside CP's July 2005 announcement to add 412.2 route-miles of infrastructure as discontinuance candidates to its Three Year Network Plan, these actions would suggest that the major railways are beginning to examine their remaining rationalization opportunities more rigorously. In this light, it is worth noting that the 740.3 route-miles recently added to the carriers' Network Plans exceeds the 704.5 route-miles they have actually abandoned since the beginning of the GMP. While this does not preclude the possibility of further spin offs, the failure of PAFF along with the weakening financial positions of other shortlines, coupled with the general decline in the amount of grain originated by many of them, suggests that this option may not be as desirable as it once was to potential investors.

⁵ Poor financial performance was central to the decisions taken by the owners of both the Great Western Railway and Alberta RailNet to sell them outright.

⁶ Federally-regulated carriers are required to identify these abandonment candidates in a Three-Year Network Plan, a legally prescribed listing of all railway lines that the carrier intends to operate, convey or abandon over the course of the ensuing three years. Listing a line as a conveyance or abandonment candidate has typically preceded any effort to establish a shortline operation on them. However, three shortline operations were established in the aftermath of CN's decision to place a moratorium on further abandonments. These included the Arborfield Shortline in 2001, the Wheatland Railway Inc. in 2002, and the Prairie Alliance for the Future Inc. in 2003.

⁷ With the exception of the Lewvan, Northgate and Preeceville subdivisions, these lines were added largely as a result of the Prairie Alliance for the Future's financial failure in the second half of the 2004-05 crop year.

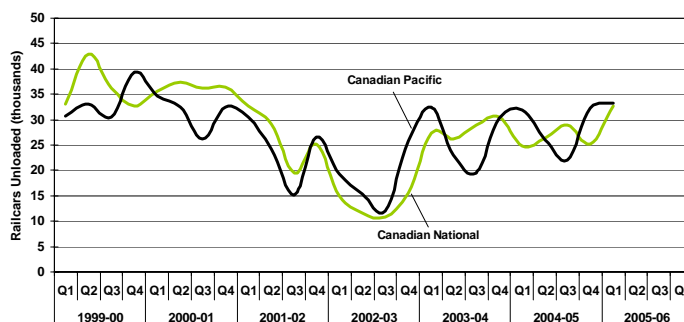
Grain traffic represents the core business for most shortline railroads in western Canada. While the advent of license-exempt, producer-car loading facilities has helped compensate for the closure of some local grain elevators, the continuing overall erosion in volumes for many short lines does not augur well for their futures. Moreover, the theoretical framework that suggested that the establishment of the current short line operation could prevent or forestall the closure of the smaller wood-crib elevator, along with many of the grain-dependent branch lines that serve them, appears to have now been largely discredited. Despite their best efforts, most of the shortline railways have been unable to reshape the economics that gave rise to the elevator rationalization strategies of the grain companies in the first place. By the end of the first quarter of the 2005-06 crop year, the number of licensed elevators served by shortline railways had fallen by 59.8%. And although this differed little from the corresponding 62.3% reduction in the elevators served by Class 1 railways, the associated storage capacity of those served by shortlines declined by more than twice as much: 38.6% versus 14.3%. As a result, few of these smaller carriers have actually been able to avoid the need to scale down operations or abandon parts of their own networks.

1.4 Terminal Elevator Infrastructure

No changes to the licensed terminal elevator network in western Canada were recorded during the first three months of the 2005-06 crop year. At the close of the period, the network comprised a total of 16 facilities with an associated storage capacity of 2.6 million tonnes.

Figure 4: Terminal Elevator Unloads – Railway Carrier

A total of 66,069 carloads of grain were unloaded at these facilities during the first quarter. This represented an increase of 16.5% from the 56,705 handled during the same period a year earlier. Having originated 50.4% of the cars that were unloaded during this period, CP only marginally nudged out CN as the largest handler of export grain in western Canada. This share is down significantly from the 56.1% CP secured in the same period a year earlier.



Although the record is somewhat mixed, CP has often outpaced CN's quarterly handlings since the 2002-03 crop year. In large part, this can be explained by a distribution in crop production that has tended to benefit CP rather than CN in recent years. The reduction in CP handlings thus far into the 2004-05 crop year appears largely to reflect a reversal of these same forces and a better distribution of the crop between the areas served by the two carriers.

2.0 Commercial Relations

2.1 Tendering Program

Given the changes brought forth in the 2003-04 crop year, the CWB targeted to move a fixed 40% of its overall grain movements to the four ports in western Canada using a combination of tendering and advance car awards. Under the terms of this arrangement, the CWB is expected to tender up to a maximum of 20% of this volume in the 2005-06 crop year.

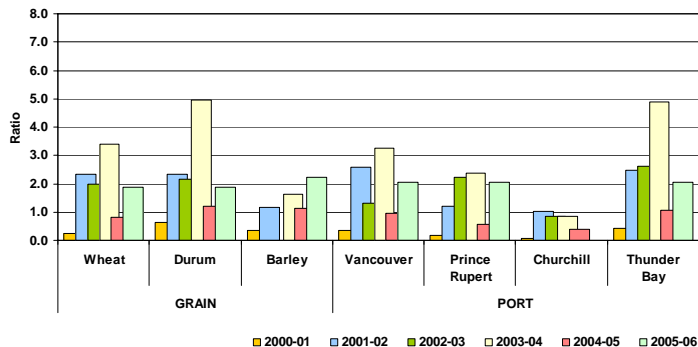
In the first quarter the CWB issued 89 tenders calling for the movement of 1.9 million tonnes of grain. Whereas in previous crop years the most substantive portion of these calls had dealt with wheat, the largest single portion, 47.1%, was tied to the movement of barley. Wheat constituted the second largest block at 39.2%, with durum accounting for the remaining 13.7%. The port of Vancouver remained the principal export gateway, with slightly more than half of the tonnage called, 54.9%, having specified delivery there. This marked a significant decline from the port's 70.9% allocation in the 2004-05 crop year. In addition to the allocation given to Vancouver, Prince Rupert was designated to receive 30.2% of the tendered volume while Thunder Bay was to get 15.0%. No tenders calling for delivery to Churchill were issued.

In addition to the realities of a second consecutive year of reduced grain quality, broader market forces also had a hand in shaping the CWB's tendering program in the first quarter. In particular, reduced barley production in western European and former Soviet Union countries lessened the export competition on feed barley. With the ensuing run up in world prices, the CWB was able to exploit a temporary shortfall in world supplies to export over 750,000 tonnes of feed barley.⁸ Given that much of the demand was tied to Asian markets, the CWB used the tendering program to facilitate its movement through the west coast ports of Vancouver and Prince Rupert. Many of the year-over-year variations observed in the first quarter were largely attributable to the incremental volume provided by this sale.

The calls issued by the CWB were met by 470 tender bids offering to move an aggregated 4.0 million tonnes of grain, slightly more than twice the volume sought. The scope of the bidding stands in sharp contrast to that exhibited in the 2004-05 crop year, the least intense bidding period under the GMP.⁹ Using the ratio of tonnage-bid to tonnage-called to measure grain company reaction, a broad increase in the response rates of the bidders was observed. Wheat showed the steepest relative gain in the response rates tied to individual grains, its ratio having climbed by 132.0%, to 1.9 as compared to 0.8 for the previous crop year as a whole. And although the response rates for the remaining CWB grains also rose, these gains proved to be somewhat less: 96.5% and 58.0% for barley and durum respectively. It is worth noting that for the first time in the history of the GMP, the response rate on tendered barley calls, which reached a record 2.2 for in the first quarter, surpassed that of either wheat or durum.

Equally pronounced improvements in the response rates for the port specified in the tender calls were also evident. In particular, the ratio associated with grain intended for delivery at Prince Rupert climbed by 260.5%, from a ratio of 0.6 for the previous crop year as a whole to 2.0 in the first quarter. Although ratios of 2.0 were noted for Vancouver and Thunder

Figure 5: Tendered Volume – Ratio of Tonnage Bid to Tonnage Called



⁸ With an increase in Australian barley production widely anticipated for later in the crop year, the shortfall in supply was not expected to extend itself much beyond the first half of the 2005-06 crop year.

⁹ The bidding patterns observed in the 2000-01 crop year were noticeably lower than in the 2004-05 crop year. However, meaningful comparisons cannot be drawn owing to the limited activity recorded during the initial year of the CWB's tendering program. Comparisons made here largely relate to the bidding activity exhibited since the 2001-02 crop year.

Bay as well, the gain in the response rates proved somewhat less, 114.6% and 92.7% respectively.¹⁰

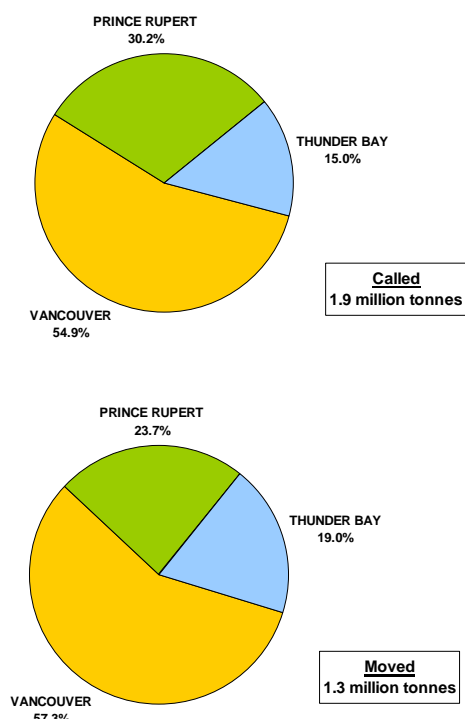
In large part, these better response rates reflected the improved ability of the grain companies to secure the wheat and durum volumes set out in the tender calls. As compared to the 2004-05 crop year, where 58.7% of all the tenders called went unfilled, this proportion fell to only 28.7% in the first quarter. Although this was consistent with the historical average, it was also inflated by factors particular to the tendering of feed barley, which accounted for over half of the total unfilled volume, 56.2%. As opposed to the CWB's normal practice of issuing a tender call only when it has a specific sales contract to fill, the tender calls issued for feed barley were largely speculative, with the CWB anticipating that it could ultimately sell the grain gathered beforehand. However, this was not always the case. In the first quarter, bids were sought and received for 171,600 tonnes of feed barley that ultimately was not needed. When this volume is removed from the equation, the proportion of tenders that went unfilled falls to 19.8%, one of the lowest quarterly values recorded under the GMP.

Improvements in the supply of various grains were also mirrored in the bids put forward by the grain companies themselves.¹¹ As opposed to the 2004-05 crop year, where the CWB was often required to pay a premium on tendered shipments, the practice of discounting once again reasserted itself. No premiums were paid by the CWB on movements of wheat and durum in the first quarter. Moreover, the value of the maximum discounts advanced during this period reached \$18.58 per tonne and \$18.05 per tonne respectively.¹² Even so, many of the bids relating to the tendered movement of barley still required the CWB to pay a premium of as much as \$5.99 per tonne.¹³

During the first three months of the 2005-06 crop year, the CWB awarded a total of 170 contracts for the movement of an aggregated 1.3 million tonnes of grain.¹⁴ This represented an increase of 88.7% from the volume handled in the first quarter of the previous crop year. Mirroring the destinations specified in the tender calls, the largest proportion of the grain shipped, 57.3%, was sent to the port of Vancouver. Prince Rupert and Thunder Bay followed in turn with shares of 23.7% and 19.0% respectively.

As observed previously by the Monitor, the vast majority of the grain moved under the CWB's tendering program did so in blocks of 25 or more railcars. For the first quarter of the 2005-06 crop year, 87.1% of the

Figure 6: Tendered Grain – Cumulative Volumes to 31 October 2005



¹⁰ With no tender calls having been issued for Churchill, the ratio of tonnage-bid to tonnage-called fell to zero from 0.4 for the previous crop year.

¹¹ The tender bids advanced by the grain companies are typically expressed as a discount to the CWB's Initial Payment.

¹² Before premiums became commonplace, the discounts accepted in the first quarter of the 2004-05 crop year reached a maximum of \$21.86 per tonne for wheat, and \$13.59 per tonne for durum.

¹³ There were no tendered barley movements in the first quarter of the 2004-05 crop year. Premiums paid in the first quarter of the 2005-06 crop year reflect unusual market conditions.

¹⁴ The volumes cited as moving under the CWB's tendering program also extend to malting barley – which is administered independent of other CWB grains.

tendered grain volume moved in such blocks. This proportion proved to be only marginally below the 88.2% recorded for the entire 2004-05 crop year. Movements in blocks of 50 or more cars also fell during the period, to 57.5% from 63.3%. This decline was in large part driven by a shift away from movements in blocks of 50-99 cars, which had fallen by 6.9 percentage points to 44.6%. Much of this dilution was in turn traceable to a modest increase in the number of facilities used to source grain for individual tender contracts.

Even so, high-throughput elevators remained the leading originators of tendered grain shipments. During the first quarter, 84.0% of the tendered tonnage was shipped from these larger facilities. This proportion is unchanged from that recorded for the 2004-05 crop year as a whole, and only differs marginally in comparison to those posted since the 2001-02 crop year.¹⁵

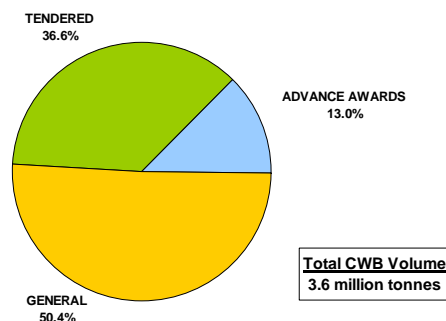
In terms of originating carriers, CN proved to be the largest handler of tendered grain in the first quarter. With 53.0% of the volume, however, the carrier only marginally outpaced CP's 47.0% share. CN's first quarter share was also considerably better than the 42.9% it had secured for the 2004-05 crop year as a whole. To a large extent this improvement appears to have been the product of a harvest that was more evenly distributed between the CN and CP service areas.¹⁶

In aggregate, 36.6% of the CWB's total grain shipments moved under tender to western Canadian ports in the first quarter of the 2005-06 crop year. Moreover, this constituted the single largest quarterly value observed since the general target of 20% was first adopted at the beginning of the 2003-04 crop year. Although the volume of tendered grain handled during this period was twice what it had been in the same period a year earlier, the CWB's reported Transportation Savings increased by only one-third, to \$5.6 million from \$4.2 million.¹⁷ Much of this improvement can be attributed to the virtual elimination of the premiums that had been sought by grain companies in their tender bids a year earlier.

2.2 Advance Car Awards Program

With the beginning of the 2005-06 crop year, the CWB's advance car awards program entered its third year of operation. A total of slightly less than 0.5 million tonnes of grain moved under this program in the first quarter. This constituted 13.0% of the total grain volume shipped by the CWB to western Canadian ports during the period. When considered alongside the 1.3 million tonnes moved under the CWB's tendering program, this accounted for almost half, 49.6%, of the CWB's total grain shipments. This marked the first instance where the combined proportion easily exceeded the CWB's 40% target.

Figure 7: Western Canadian CWB Grain Volumes



The composition of the grain shipped under the CWB's advance car awards program differed significantly from that moved under its tendering program in the first quarter. This was due to the fact that almost all of the barley moved by the CWB during the period was shipped under its tendering program. As such, the traditionally dominant wheat and durum movements of the advance car awards program were not displaced by an

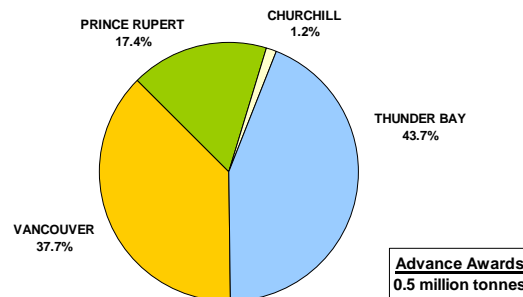
¹⁵ Although the 2000-01 crop year saw 90.3% of the tendered grain volume moved from high-throughput facilities, the limited activity recorded during the initial year of the CWB's tendering program makes any comparison unfair. Since that time, the proportion drawn from high-throughput facilities has ranged from a low of 83.0% in the 2002-03 crop year to a high of 86.2% in the 2003-04 crop year.

¹⁶ With much of the 2004-05 crop year's harvest having first come off the field in southern Alberta and Saskatchewan, CP earned a disproportionately greater share of the early tendered movement than did CN.

¹⁷ 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.

unusually large barley shipment. As a result, wheat remained the principal grain moved under the advance car awards program, accounting for 0.3 million tonnes and 69.1% of the overall volume. A further 0.1 million tonnes of durum accounted for another 30.5%, while just 1,800 tonnes of barley made up the remaining 0.4%.

Figure 8: Advance Car Awards – Destination Port



The disproportionately large amount of barley moved to Vancouver under the tendering program meant that grain shipments to Vancouver under the advanced awards program accounted for a comparatively smaller proportion of the overall volume. The 43.7% share accorded to Thunder Bay, which encompassed a movement of almost 0.2 million tonnes, was largely attributable to this deviation from the normal flow of traffic. Vancouver followed in turn with a 37.7% share of the total volume; Prince Rupert with 17.4%; and Churchill with 1.2%.

As with tendered grain shipments, the vast majority of the grain that moved under the advance car awards program originated at high-throughput elevators, 75.3%. This, however, was somewhat below the 84.0% share cited earlier for tendered grain shipments. Unlike tendered grain shipments, CP commanded a significantly larger share of the grain that moved under the advance car awards program than it did under the tendering program, 62.6% versus 47.0% respectively. This also appears to have stemmed from the fact that very little barley was shipped under the advance car awards program. Given barley's more northerly growing region, this effectively favoured CN with about two-thirds of the barley volume, and an increased share of the overall tendered movement.

When compared to tendered shipments, a significantly lesser volume of the grain that moved under the advance car awards program qualified for the incentive discounts offered by the railways. This is because the cars allocated to shippers under the advance car awards program are often integrated with those obtained through the tendering program as a means of optimizing individual block or train movements. As such, this practice effectively dilutes the values that are obtained for the aggregate volume moved under the two programs. By way of example, 79.7% of this total volume moved in blocks of 25 or more railcars as compared to 87.1% for tendered grain alone. Similarly, the average overall size of these blocks amounted to 49.1 cars versus an average of 53.9 cars for tendered grain.

2.3 Other Commercial Developments

2.3.1 Competition Bureau Moves to Prevent Proposed Industry Transactions

The Competition Bureau acted on two unresolved transactions for the future operation of terminal elevators in the port of Vancouver. The first of these related to a proposed joint operation of the adjacent terminals of Saskatchewan Wheat Pool (SWP) and James Richardson International Limited (JRI) on the north shore of Burrard Inlet.¹⁸ The proposal had been aimed at improving the operational efficiency of both facilities by permitting each to specialize in specific commodities, as opposed to all grains. In addition to the physical integration of storage capacity, vessel loading activities and supporting railway infrastructure, it was also anticipated that the new arrangement would make it easier to deal with the industry's emerging needs respecting identity preservation, product tracing, food safety and special handling.¹⁹ To this end, Pacific Gateway Terminal Ltd. (PGTL), in which SWP and JRI held an equal ownership, was established as an arm's-length entity to oversee the management of these two terminal elevators.

¹⁸ The SWP terminal elevator has a licensed storage capacity of 237,240 tonnes as compared to that of 108,000 tonnes for the JRI facility. The combined capacity of the two facilities would total 345,240 tonnes and account for just over one-third of Vancouver's total licensed storage capacity.

¹⁹ SWP and JRI physically connected their existing railway infrastructures in order to facilitate the exchange of railcars between, and integrate the operations of, what were designed as two stand-alone facilities.

Although this transaction required the formal approval from the Competition Bureau, PGTL began operating with the interim consent of the Bureau in July 2005. This was to allow certain aspects of the integration to proceed while the Bureau considered the matter. However, with the close of the first quarter the Bureau filed an application with the Competition Tribunal challenging the joint venture under Section 92 of the Competition Act. In its application, the Bureau alleged that the joint venture would increase concentration in the control of port grain terminals at Vancouver, which combined with other market conditions, would likely result in a substantial lessening of competition and in a reduction of the competitive options open to farmers and other companies shipping grain to the port.

Although SWP and JRI indicated that they intended to contest the challenge before the Competition Tribunal, they agreed to abide by an interim order aimed at ensuring that both companies marketed their grain handling services at the port independently. The Tribunal is not expected to rule in the case before the end of the 2005-06 crop year.

The second matter related to an order issued by the Bureau in 2001 as a prerequisite to its approval of the merger between Agricore Cooperative Ltd. and United Grain Growers Limited (UGG) that required the emerging Agricore United (AU) to sell the Vancouver terminal elevator that had been owned and operated by UGG. Although the company had actively searched for a potential buyer, it had ultimately been unable to conclude a sale over the course of the succeeding four years. In May 2005, however, AU announced that it had reached a tentative agreement for the sale of the facility to Terminal One Vancouver Ltd., a consortium representing five farmer-owned inland grain terminals operating in Saskatchewan.



(Photograph courtesy of the Vancouver Port Authority)

Figure 9: An aerial view of the former UGG terminal elevator belonging to Agricore United in Vancouver, British Columbia.

Even so, the consortium appeared incapable of amassing the 1.6 million tonnes in grain volume deemed necessary to make the venture viable, and attempted to entice other shippers into joining them, or into signing grain-handling agreements with them. This, however, proved difficult as many of these shippers already had pre-existing contracts with other terminal operators. As such, both parties were unable to conclude a final transfer before the 2004-05 crop year came to an end.

In light of this, AU reported to the Competition Bureau on 29 July 2005 that a sale of the UGG facility to Terminal One was not expected to close by the deadline that had been imposed by the Bureau, requesting that the timeframe be extended in order to allow both parties sufficient time to conclude the transaction.²⁰ However, the Bureau denied the request, which effectively put an end to the sales deal that AU and Terminal One had been working towards. Faced with the forced disposal of the facility, AU filed an application with the Competition Tribunal seeking, among other things, an order rescinding the original consent agreement made between the Commissioner of the Competition Bureau and AU for the sale of its former UGG facility. The matter had yet to be ruled upon when the first quarter came to a close.

2.32 Ocean Freight Rates

As discussed in previous editions of the Monitor's reports, ocean freight rates have fluctuated dramatically in the past three crop years. Half way through the 2003-04 crop year, they had climbed to a level that was five-and-a-half times what they had been just 18 months earlier. Ultimately, this marked a plateau from which they

²⁰ The Commissioner had reportedly granted extensions for the sale of the UGG facility on several previous occasions. Under the most recent of these, if a sale could not be concluded by 1 August 2005, the facility was to be turned over to a trustee for divestiture.

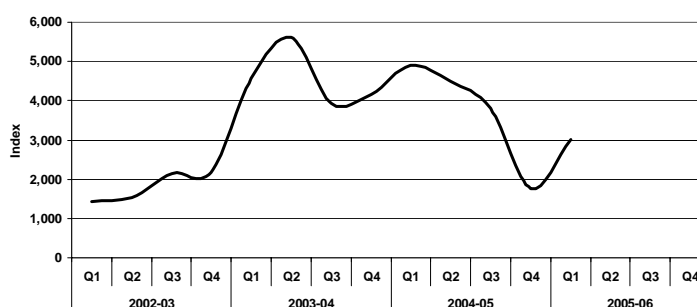
began to tumble in the second half. This pattern was largely repeated in the 2004-05 crop year, with ocean freight rates spiking in midyear before then again beginning to slide. By the end of July 2005, the Baltic Dry Index had fallen to a level not seen since the close of the 2002-03 crop year.²¹

Much of this price movement reflected the prevailing, and perceived future, demand for vessels to service China's growing trade in raw materials and finished goods.²² This had a significant impact on the export programs for CWB as well as non-CWB grains. In some cases, grain importers consciously deferred buying Canadian grain in the hope that ocean freight rates would moderate. In others, they simply turned to less-distant grain-exporting nations in an effort to contain these costs.

Even in North America, the rise in these costs changed traditional routing decisions. Canadian grain exports to Mexico, which had long used ocean-going vessels in movements from west coast ports, were being displaced by direct-rail shipments. In addition, the growing spread between other benchmark ocean freight rates resulted in the temporary movement of more grain through ports in the US Pacific Northwest and Canada's east coast.

China's continued economic expansion can be viewed as the main driver in all this, with its demand for bulk shipping capacity expected to remain high over the course of the next few years. In fact, many analysts believe that until a sufficient number of new vessels have been built to address the underlying imbalance between the supply and demand for carrying capacity, ocean freight rates are likely to descend somewhat gradually, rising and falling in the same cyclical manner as witnessed in each of the last two crop years. The first quarter's rise in ocean freight rates is entirely consistent with this view, with the Baltic Dry Index climbing by a factor of about two-thirds during the period. More importantly, however, the level to which it rose proved to be substantially below those reached in either of the preceding two crop years. This strongly suggests that ocean freight rates are progressively moderating.

Figure 10: Baltic Dry Index of Ocean Freight Rates



2.33 Pulse Growers Eye Trade Action

The surging pace of US pulse exports to Canadian processors during the post harvest period led to calls for the Canadian Government to pursue an antidumping countervailing duty. Canadian producers were alarmed that both processing and transportation capacity were being usurped by subsidized American production, thereby restricting their own ability to deliver products.

In 2002, the US government passed a new Farm Bill, which for the first time extended the "loan rate", widely perceived to be a production subsidy, to peas and lentils. The loan rate establishes a floor price for the commodity. If producers sell their production at anything below the loan rate, the U.S. government makes up the difference. The subsidy applies to products marketed in Canada, just as it would if they were marketed domestically.

Since 2001, there has been a dramatic increase in U.S. production of peas and lentils, with increases approaching 400% and 100% respectively. With no corresponding increase in processing capacity or domestic

²¹ 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 cargos, route rates, as well as a market for the trading of freight futures. The Baltic Dry Index is a price index of ocean freight rates based on a composite of daily rate quotes for 24 shipping routes. The information presented in the accompanying chart is drawn from publicly available secondary sources.

²² A tempering of the outlook for Chinese economic growth was widely considered to have been responsible for the reduction in ocean freight rates during the second half of the 2003-04 crop year.

demand in the U.S., their producers looked north to the well establish industry in Canada. By trucking their production to Canadian processors, they were also able to access the favourable statutory freight regime in western Canada, and mitigate the impact of what they perceived to be poor service and exorbitant rate increases by the BNSF railway, which holds a virtual monopoly on service in the northern tier of the US grain producing states.

The more than plentiful supply of pulses and the willingness of US producers to deliver at any price, knowing that their government would provide the top up to the loan rate, was cited as the reason that the already depressed pulse market was sinking even further throughout the fall. The Saskatchewan Pulse Growers association launched an investigation into the allegations raised by its members.²³ A consulting firm was retained to quantify the product coming into Canada, the price it was selling for, cost of production in the US and the level of subsidy paid. Simultaneously, the association encouraged processors to buy Canadian products.

Ultimately, the Pulse Growers decided against requesting that the government pursue trade action against American imports. Their rationale was that such action would not discourage the US overproduction and competition for export markets. Other factors were seen as contributing to the depressed prices – such as successive years of record production in Canada, large carryover stock and the significant rise in the value of the Canadian dollar. The investigation did determine that the pace of US exports to Canada is accelerating and that the commodities are being sold in Canada at prices well below the cost of production. The increasing level of exports is seen as a symptom of the larger problem – that being market distorting government subsidies, which are currently under negotiation as part of the World Trade Organization talks.

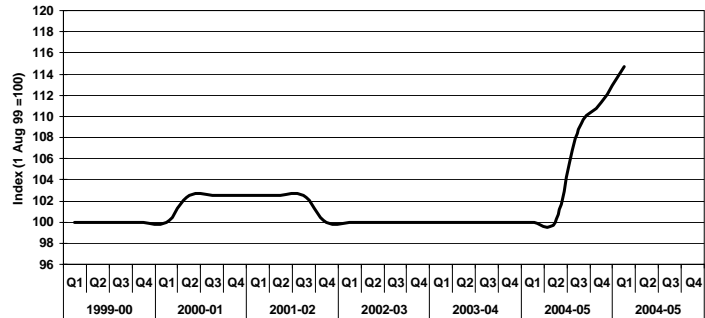
²³ This internal investigation came shortly after the Canadian Border Services Agency announced a formal investigation into alleged dumping of subsidized American corn at the behest of the Ontario Corn Producers Association. Ontario, Quebec and Manitoba corn producers alleged that the depressed prices which they were facing were largely the result of the large volume of American corn crossing the border into the feed market and to meet the growing demands of ethanol production.

3.0 System Efficiency and Service Reliability

3.1 Trucking

Commercial trucking rates rose by 3.1% in the first three months of the 2005-06 crop year. To a large extent, this increase in rates reflects the pressure brought on by a variety of rising costs, most notably that of fuel. In addition, an increase in grain shipments contributed to a heightening of the demand for carrying capacity, which also provided suppliers with a greater degree of latitude in passing on these costs to their customers. These same pressures had already brought about an 11.3% increase in rates for the 2004-05 crop year, the first substantive escalation in the GMP's six-year history. As a result, the composite price index for short-haul trucking has risen rapidly in the past twelve months, reaching a new height of 114.7 by the end of the first quarter.

Figure 11: Composite Index – Short-Haul Trucking



3.2 Country Elevators

Total country elevator throughput, measured by shipments from primary elevator facilities, increased by 3.4% in the first three months of the 2005-06 crop year, to 7.6 million tonnes from 7.4 million tonnes in the same period a year earlier. The increase in volume was not, however, reflected in a correspondingly higher capacity turnover ratio for the primary elevator system as a whole, which remained unchanged at 1.5 turns for the first quarter. This was due in large part to the offsetting effects of a 165,300-tonne expansion in associated storage capacity over the course of the preceding twelve months. Nevertheless, given an accumulated 1.2-million-tonne net reduction in storage capacity since the beginning of the GMP, recent gains in the capacity turnover ratio indicate that the primary elevator network is handling comparatively more grain than at almost any other point in the history of the GMP.²⁴

The amount of grain maintained in inventory increased sharply in the first quarter, climbing to a weekly average of 2.8 million tonnes as compared to 1.8 million tonnes a year earlier. Despite a 53.8% increase, the first quarter's average remains somewhat below the longer-term GMP average of 2.9 million tonnes. The gain is largely a distortion brought on by comparison with the previous crop year's unusually low first quarter average.²⁵ With limited delivery problems, grain stocks were not drawn down to the degree that they were a year earlier. The resultant build up in stocks spurred a corresponding increase in the amount of time that grain spent in inventory during the first quarter, which climbed 47.6% to an average of 33.5 days as compared to 22.7 days twelve months before.

The increase in grain inventories was also reflected in a sharp climb in the overall average weekly stock-to-shipment ratio. The first quarter's average of 4.9 represented a 75.0% gain over the 2.8 scored in the same period a year earlier. In a general sense, the increase in this value merely affirms the fact that grain was in better supply, and that shippers faced few challenges in sourcing product during this period.

²⁴ Comparatively, the annualized equivalent of the volume of grain that was shipped from the primary elevator system in the first quarter would have yielded a capacity turnover ratio of 6.0. This ratio far exceeds those recorded during the first four years of the GMP, and easily surpasses the 5.6 realized as a previous best.

²⁵ The 2004-05 crop year's record-setting low inventory value for the first quarter reflected the heightened demand for high-quality grain in a commercial environment where supplies were limited. The late harvest initially prompted a drawdown in carry-forward stocks in order to satisfy export sales commitments. When the new crop began to come off the field, whatever quantities of high-quality grain were available quickly found their way into, and through, the country elevator system. These dual forces worked to rapidly reduce inventories, and significantly lessen the amount of time grain actually spent in storage.

3.3 Railway Operations

The volume of grain moved in covered hopper cars during the first quarter increased by 17.5%, climbing to 6.3 million tonnes from 5.3 million tonnes a year earlier. With originations of 5.8 million tonnes, the Class 1 carriers posted a gain in volume of almost 0.8 million tonnes, or 15.6%, for the period. Although this represented a share of 92.9%, it also denoted a minor decline from the 94.4% share these carriers had held twelve months before. This loss was due to a more substantive 48.7% increase in shortline-originated volumes, which rose to 0.4 million tonnes from 0.3 million tonnes. Albeit both groups benefited from the general upturn in volume, the gain posted by these smaller carriers was driven by a 58.6% increase in producer-car loadings.²⁶ Moreover, it denoted an important upswing following a sharp decline in volume for the 2004-05 crop year as a whole.

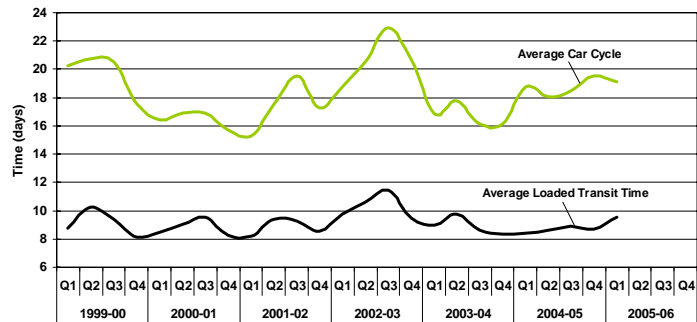
3.31 Car Cycles

The railways' average car cycle for the first quarter rose by 1.7% from that of the same period a year earlier, to 19.1 days from 18.8 days. With the exception of the Prince Rupert corridor, where the car cycle fell by 8.4%, to an average of 16.8 days from 18.4 days a year earlier, increases were noted in all primary operating corridors. The Thunder Bay corridor posted the smallest of these, an increase of just 1.7%, which pushed the average up to 18.6 days from 18.3 days. Much of the impetus for the overall gain in the car cycle came from a 5.7% increase in the Vancouver corridor's average, which rose to 20.3 days from 19.2 days twelve months before.

Notwithstanding these observations, a 13.5% rise in the loaded transit time proved to be the principle force in the car cycle's overall elongation. More specifically, the first quarter's loaded transit time climbed to an average of 9.5 days from 8.4 days a year earlier. Both CN and CP posted increases in their loaded transit times, although CN's increase proved to be almost three times as great as CP's. In comparison, the empty transit time component actually fell by 7.8%, to an average of 9.6 days from 10.4 days. Even so, there were significant crosscurrents at work in this result. Foremost among these was a 24.1% reduction in the average empty transit time posted by CN while the CP average rose by 24.5%.

These were equally evident in the Thunder Bay and Prince Rupert corridors, where the overall CN car cycle averages moved generally downwards while those of CP rose. This was not the case in the all-important Vancouver corridor, however, where the average car cycle for both carriers actually increased. Despite these broader shifts, the overall averages posted by CP in each of the primary operating corridors remained below those of CN.

Figure 12: Railway Car Cycles



Almost every autumn the demand for railway transportation strains the capacity of the GHTS. Moreover, the larger the size of the crop, the more intense those strains become, particularly as the demand for carrying capacity increases. In the face of one of the largest crops in several years, these overarching influences undoubtedly put added pressure on the railway resources. This was reflected in elongated loaded transit times for both carriers, particularly in the Vancouver corridor. In addition, since CN handled a significantly greater proportion of the volume moved in the first quarter than it did a year earlier, the reduction in its empty transit time underscores an improvement in the productivity of the CN fleet during this period. Still, the widening of the performance gap between these two carriers over the course of the past twelve months continues to suggest that different operating approaches are also a factor.

²⁶ Producer-car loading has increased significantly in recent years. Although this has largely been facilitated by the advent of license-exempt producer loading facilities, the conversion of previously closed elevators into producer-car loading sites has also helped. With the erosion of its conventional grain business, shortline railways have grown highly dependent on the volumes shipped in producer cars.

3.32 Railway Freight Rates

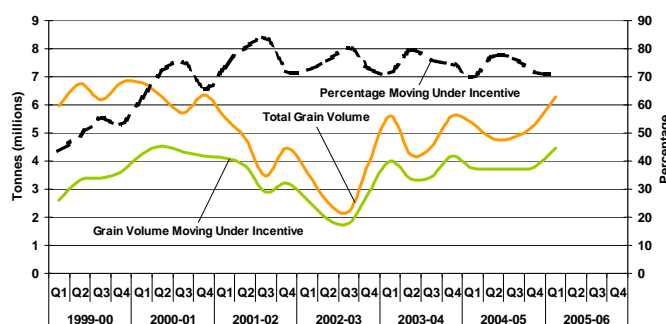
As outlined in the Monitor's previous reports, CN and CP broke with the practice of advancing largely parallel rate adjustments at the beginning of the 2003-04 crop year. At the same time, they also made the first substantive changes to the incentive discounts that they had been offering for movements in multiple-car blocks since the beginning of the 2000-01 crop year. Over the next two crop years, a new process appeared to have emerged. Although this primarily involved the setting of new single-car rates at the beginning of the crop year followed by at least one other rate adjustment in the second half, changes to the incentive programs were also noted. There is no doubt that this new process was aimed at maximizing the revenues carriers were entitled to receive under the revenue cap. Moreover, if the narrowness of the margins by which CN and CP have missed these targets serves as any indication, both carriers have become quite skilful at managing their revenues under the current regulatory framework.

For the 2005-06 crop year, both railways brought forward noticeably greater rate increases than the 4.4% escalation that had been suggested by the Volume-Related Composite Price Index.²⁷ This was due in part to comparisons with rates that had been hurriedly reduced in the third and fourth quarters of the 2004-05 crop year in order to safeguard the carriers' compliance with the revenue cap.²⁸ In the case of CN, the carrier increased its single-car rates to the west coast ports of Vancouver and Prince Rupert by 7.0%, while increasing those applicable on movements to Thunder Bay and Churchill by a slightly greater 7.5%. In comparison, CP increased its single-car rates in both the Vancouver and Thunder Bay corridors by 7.0%. Through to the end of the first quarter, the overall increase in freight rates for movements in the Thunder Bay and Vancouver corridors has been in the order of 5.5% and 6.1% respectively, although CP's rates have not increased quite as much as those of CN over the entire span of the GMP.²⁹ To some extent, this appears to have helped CP gain a greater share of the overall grain movement in western Canada.

Conversely, there were no substantive changes made to the incentive programs offered by both railways. CN's discounts for movements in blocks of 50-99 cars and 100 or more cars remained at \$4.00 per tonne and \$6.00 per tonne respectively. Similarly, CP chose to maintain the \$4.00-per-tonne discount it offered for movements in blocks of 50-111 cars, as well as the \$7.50-per-tonne maximum it offered for shipments in blocks of 112 cars.³⁰ In addition, both programs continued to emphasize the benefits of their advance booking options, all of which were supported by a diverse series of financial rewards and penalties.

In general terms, there appears to have been only a marginal increase in the relative volume of grain that moved under the railways' incentive programs in the first quarter, 71.0% as compared to 70.1% a year earlier. Incentive movements in blocks of 25-49 railcars, which earn the

Figure 13: Railway Volume Moving Under Incentive



²⁷ The revenue cap is adjusted annually for inflation by the Canadian Transportation Agency. For the 2005-06 crop year, the Agency determined that Volume-Related Composite Price Index used to accomplish this was to be increased by 4.4%. See Canadian Transportation Agency Decision Number 251-R-2005 dated 28 April 2005.

²⁸ The reductions leading to these lower rates varied but amounted to about 4% for CN, and 6% for CP. These actions are detailed more fully in the Monitor's Annual Report for the 2004-05 crop year.

²⁹ The Thunder Bay and Vancouver corridors are deemed the most competitive since both CN and CP offer direct rail services to these ports. Notwithstanding minor differences, the rate increases noted here are intended to reflect the general pricing actions of both carriers in these two corridors. With only one serving carrier at the ports of Churchill and Prince Rupert, inter-carrier comparisons of rate changes are not possible. An examination of CN's published rates to these ports shows a net increase of about 6.5% for Churchill, and a net reduction of about 5.4% for Prince Rupert, over the same period of time.

³⁰ To earn the maximum discount of \$7.50 per tonne, a shipper must load the 112 cars in a 10-hour window. Shippers unable to do so can instead earn the \$7.00-per-tonne discount that is available for cars loaded in a 24-hour window.

smallest per-tonne discounts available, showed signs of further weakening, and fell to 5.1% from 5.8%. However, movements in blocks of 50 or more cars posted a modest gain, accounting for an estimated 65.9% of the total movement in comparison to 64.3% twelve months before.

Notwithstanding these marginal shifts in relative volume, the actual quantity of grain moved under the railways' incentive programs during the first quarter increased in concert with overall GHTS handlings, climbing by 19.0%, to 4.5 million tonnes from 3.7 million tonnes. There was a similarly proportionate increase of 19.7% in the value of the discounts earned by shippers, which rose to a total of \$20.6 million from \$17.2 million a year earlier. Owing to the modest changes already noted in the relative volumes, the average-earned discount rose by just 0.6%, to \$4.62 per tonne from \$4.59 per tonne previously.

3.4 Terminal Elevator and Port Performance

3.41 Terminal Elevators

A total of 5.7 million tonnes of grain passed through the terminal elevators of Canada's western ports in the first quarter of the 2005-06 crop year. This marked a 17.3% increase over the 4.9 million tonnes handled in the same period a year earlier. With the exception of Thunder Bay, the volume handled by all ports showed marked increases.

Accounting for half of the overall throughput volume, Vancouver again proved itself to be the largest of the four. Its first quarter throughput increased by 24.1%, climbing to 2.9 million tonnes from 2.3 million tonnes a year earlier. Even so, Prince Rupert posted the largest overall gain for the period, the port's throughput having increased by 60.1% to 0.7 million tonnes in total. For the most part, these gains reflected an improvement in the general supply of grain and stronger sales programs, particularly for barley, canola and peas.

With its comparatively shorter shipping season, Churchill had been particularly hard-hit by the previous crop year's late harvest. To a large extent, the 10.3% increase in throughput reported by the port for the first quarter echoed some of the improvements already noted for the west coast ports. Still, better canola and pea sales only partially compensated for a second consecutive year of reduced wheat exports, with throughput having rebounded to slightly more than 0.4 million tonnes. The port of Thunder Bay on the other hand saw its first quarter volume fall by 2.0% to 1.7 million tonnes. And while it too experienced stronger non-CWB grain sales, declines in the sales of CWB grains largely nullified these.

As was the case with country elevator inventories, a comparative improvement in the availability of most grains led to a build up in terminal stocks. Terminal inventories during the first quarter increased by 43.6%, to an average of 1.3 million tonnes from 0.9 million tonnes a year earlier. This constituted the largest quarterly value reported since the first quarter of the 2001-02 crop year.³¹ In addition, although significant declines were noted for barley and canola, the average amount of time spent by grain in inventory also increased during the first quarter, climbing by 18.0% to an average of 20.3 days from 17.2 days a year earlier.

Although there were substantive increases in terminal elevator stocks, these did not always translate into higher stock-to-shipment ratios. For the most part, stock-to-shipment ratios moved noticeably higher only when inventories rose by a substantially greater percentage than that observed in throughput. Such was the case in Thunder Bay, where stock-to-shipment ratios generally increased by factors of 30% or more. In instances where the port's throughput expanded more than its terminal stocks, the reverse was true. This was particularly evident in the ratios produced for the ports of Vancouver and Prince Rupert, where much of the additional volume was directed.

By the same token, it was at these ports, rather than at Thunder Bay or Churchill, that stock shortages proved more frequent. Even so, the average ratios suggest that grain was in comparatively better supply during this period and that sufficient stocks were generally on hand to meet short-term demands.

³¹ Terminal stocks in the first quarter of the 2001-02 crop year averaged 1,337,300 tonnes as compared to the current quarter's 1,292,300-tonne average.

3.42 Port Performance

Some 193 vessels called at western Canadian ports during the first three months of the 2005-06 crop year. Although this was unchanged from the 193 vessels that called during the same period a year earlier, the amount of time spent by these vessels in port climbed by 11.9%, to an average of 4.7 days from 4.2 days. This value proved noticeably higher than the four to four-and-a-half day range that has generally observed over the course of the preceding six crop years.³²

On the whole, much of the overall gain was attributable to a substantial rise in vessel loading time, which increased by 36.4%, or 0.8 days, to an average of 3.0 days. Much of this was tied to increases in average loading times at the ports of Vancouver and Prince Rupert, which climbed by 41.4% and 100.0% respectively. In contrast, waiting times in the first quarter actually declined by 15.0%, to an average of 1.7 days from 2.0 days, with the west coast ports accounting for much of the improvement.

When examining the amount of time spent by vessels at individual ports, only those calling at Churchill were observed to have posted an overall improvement, with the average stay in the first quarter having fallen by 10.0% to 4.5 days. The duration of vessel layovers at Thunder Bay rose by a modest 5.0% for the period, rising to an average of 2.1 days from 2.0 days. For Vancouver, the increase amounted to 10.0%, with the average stay climbing to 6.6 days from 6.0 days a year earlier. However, the most significant increase was observed at Prince Rupert, where longer loading times were responsible for driving up the overall length of stay by 29.2%, to an average of 6.2 days from 4.8 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 useful framework by which to examine the speed with which grain moves through the GHTS. In this regard, the Monitor's annual report for the 2004-05 crop year concluded that the amount of time taken by grain as it moved through the supply chain had fallen to a record low under the GMP of 58.0 days.

However, this result was chiefly driven by an unusually steep decline in the amount of time spent by grain in storage in the primary elevator system, which fell to a record low of 22.7 days in the first quarter. The late harvest and temporary reduction in grain supplies that were responsible for this improvement were not repeated in the first quarter of the 2005-06 crop year. As a result, the first quarter's average rebounded to a more normative 33.5 days, comparatively adding four full days to the 29.5-day average posted for the 2004-05 crop year as a whole.

However, there were other year-over-year increases to be accounted for as well. A 10.5% increase in the railways' average loaded transit time, which rose to an average of 9.5 days from the preceding crop year's 8.6-day average, added another 0.9 days to the time taken by grain in moving through the supply chain. Similarly, a further 0.4 days was attributable to an increase in the amount of time grain spent in inventory at terminal elevators, which climbed by 2.0% to 20.3 days.

As a result, grain took an average of 63.3 days to move through the supply chain during the first quarter of the 2005-06 crop year. Although this proved to be 5.3 days more than the 2004-05 crop year's average, it remains among the better quarterly values recorded under the GMP.

A few general observations concerning the supply chain's performance during the first quarter of the 2005-06 crop year are warranted:

- Firstly, with a grain supply of 66.8 million tonnes, the 2005-06 crop year's potential grain movement actually constitutes the largest ever made available under the GMP. Moreover, the 5.7 million tonnes of grain that passed through western Canadian ports during the first three months of the 2005-06 crop year proved to be the second largest first-quarter volume handled under the GMP, a record 6.4 million tonnes having been handled in the 2000-01 crop year. As a result, the pressures brought to bear on the GHTS

³² During the course of the GMP, there were instances where the quarterly average exceeded the 4.5 days cited here as the typical maximum, with the most significant deviations having been observed in the 2000-01 and 2004-05 crop years. In the 2004-05 crop year, this average reached a height of 6.1 days in the third quarter.

in the first quarter can be deemed comparable to those experienced at the beginning of the GMP, and prior to those crop years where grain handlings were adversely affected by drought.

- Secondly, although the volume of grain moved through the GHTS in the first quarter was greater than it had been a year earlier, the movement was heavily influenced by other factors. In general terms, grain quality was significantly diminished for a second consecutive year. This influenced the mix of both grains and grades that moved through specific ports. By way of example, the west coast ports handled an unusually large volume of feed barley, much of which moved under the CWB's tendering program. This was one of a number of factors that contributed to a significant increase in their workload for the period.
- Finally, even though the demand for carrying capacity increased as a result of the larger crop, problems with car supply appeared to be a continuing concern for many GHTS stakeholders. Loaded transit times that are not largely different from what they were several years before underscores the fact grain continues to move through the supply chain in much the same manner as it did at the beginning of the GMP. In fact, with the exception of the amount of time spent by grain in inventory at country elevators, comparatively little material change has been noted in the speed with which grain moves through the GHTS.

Table 1: The GHTS Supply Chain

SUPPLY CHAIN ELEMENT	TABLE	1999-00	2001-02	2002-03	2003-04	2004-05	YTD 2005-06	SUPPLY CHAIN EFFECT	
<u>SPEED RELATED</u>									
2	Country Elevator – Average Days-in-Store	3B-4	41.7	38.0	47.9	34.4	29.5	33.5	▲
3	Average Railway Loaded Transit Time (days)	3C-4	9.2	8.8	10.1	8.9	8.6	9.5	▲
5	Terminal Elevator – Average Days-in-Store	3D-4	18.6	20.6	21.7	19.0	19.9	20.3	▲
Average Total Days in GHTS			69.4	67.4	79.7	62.3	58.0	63.3	▲
<u>SERVICE / ASSET RELATED</u>									
1	Average Country Elevator Capacity Turnover Ratio	3B-2	4.8	4.5	3.7	5.6	5.6	1.5	–
4	Average Terminal Elevator Capacity Turnover Ratio	3D-2	9.1	6.6	5.0	7.0	7.5	n/a	–
3	Average Railway Car Cycle (days)	3C-4	19.9	17.1	20.4	16.7	18.0	19.1	▲
6	Average Vessel Time in Port (days)	3D-7	4.3	4.9	4.3	4.0	4.9	4.7	▲

4.0 Producer Impact

4.1 Producer Netback

One of the GMP's key objectives is to determine the impact on producers arising from changes in the GHTS. The principal measure in this regard is the *producer netback*, an estimation of the per-tonne financial return to producers after the various logistics costs, collectively known as the export basis, are deducted from the actual price realized in a grain sale.³³

In its earlier reports, the Monitor described how increased commodity prices had largely been responsible for the improvement in the per-tonne returns accruing to producers of wheat, durum, canola, and yellow peas in the first four crop years of the GMP. During this same period, the export basis also fell marginally, thereby adding to the gains that improved grain prices had already generated. With a downward movement in prices in both the 2003-04 and 2004-05 crop years, the per-tonne gains that had been realized by producers through the last six crop years had been significantly eroded.

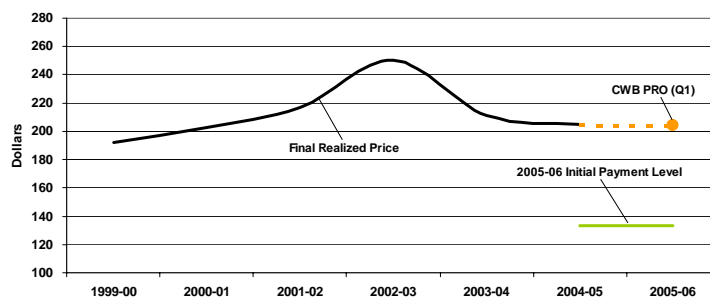
The GMP only includes these indicators in the Monitor's annual reports since certain elements integral to the calculation are not available until after the close of the crop year itself. Nevertheless, current price and input-cost data is collected for both wheat and canola as a means of providing some insight into their probable impact on the per-tonne financial return arising to producers. Some of the changes observed during the first quarter of the 2005-06 crop year are summarized below.

4.11 CWB Grains

The GMP uses the CWB's Pool Return Outlook (PRO) for 1 CWRS wheat (13.5% protein) as the principal barometer of changing CWB grain prices. Throughout much of the first quarter of the 2005-06 crop year, the CWB's PRO for 1 CWRS wheat hovered marginally below the 2004-05 crop year's final realized price of \$205.10 per tonne. By the end of October, the PRO had fallen by 0.5% to \$204.00 per tonne. However, this value well exceeded the \$133.60 per tonne that had been set as the farmer's initial payment for the 2005-06 crop year by 52.7%.

The expectation of increased global production along with continued competition between exporting nations accounted for much of this additional erosion in the price of 1 CWRS wheat. This was compounded by the mounting strength of the Canadian dollar, which rose 3.1% in comparison to the US dollar during the first quarter. As a result, the early indications were that the 2005-06 crop year was unlikely to provide producers with significantly better financial returns from improved international commodity prices.

Figure 14: Recent Price Changes – 1 CWRS Wheat (dollars per tonne)



³³ Among other elements, the export basis includes the cost of trucking, elevator handling and railway movement. It also includes where applicable, the CWB's pooling costs, and other incidental charges. Similarly, it also includes a deduction for any of the financial benefits accruing to producers as a result of the receipt of trucking or any similar premiums, as well as the CWB's transportation savings.

4.12 Non-CWB Grains

The Vancouver cash price for 1 Canada Canola fell by 10.3% in the first quarter of the 2005-06 crop year, to an average of \$279.00 per tonne from the \$311.19-per-tonne average of the previous crop year. As was the case with wheat, much of this price decline was attributable to the wider expectations of the global oilseed market. Although oilseed prices around the world continued to show weakness, canola prices have been particularly hard hit, having fallen further than that of soybeans. Domestically, this downward pressure on canola prices was exacerbated by the large carryover from the previous crop year as well as the expectations of a bountiful harvest.

The scope of the decline in price for 1 Canada canola strongly suggests that there will be an adverse impact on the per-tonne financial returns of western Canadian grain producers in the 2005-06 crop year. Owing to the relatively greater fall in canola prices during the first quarter, the producer netback for non-CWB grains will likely suffer comparatively more than will CWB grains.

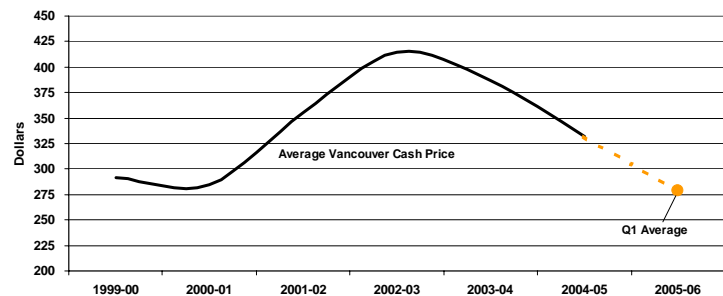
Additional pressures from rising input costs have placed further downward pressure on these returns. The most noteworthy of these were the charges assessed for country elevator storage, which increased by an average of 15.2% in the first quarter. Similarly, the average increase for cleaning at primary elevators amounted to 5.2%, while the charge for receiving and elevation rose by a comparatively smaller 1.7%. The average tariff escalation on the receiving and storage activities of terminal elevators rose by averages of 1.7% and 2.0% respectively. At the same time, trucking costs rose by an estimated 3.1% while railway freight rates climbed by a minimum of 7.0%.

4.2 Producer-Car Loading

As related in the Monitor's 2004-05 annual report, the aggregate number of producer-car loading sites had fallen from 706 to 466 over the course of the last six crop years. This net decline stemmed largely from a reduction of 310 sites local to both CN and CP. Shortline carriers assumed operation of a portion of these, which resulted in their count rising from 63 to 133 in the same period. There were no reported changes in the composition of these sites during the first quarter of the 2005-06 crop year.

Producer-car shipments during the first quarter of the 2005-06 crop year increased by 58.6% from that of the same period a year earlier, from 912 to 1,446. In relation to the volume of grain shipped in covered hoppers, producer-car loadings accounted for just 2.1% of the total. Although this proportion was significantly less than the record 4.2% it was estimated to have reached in the 2003-04 crop year, recent history would suggest that producer-car volumes are in part tied to grain quality, and that this reduction in quality has really undermined the volumes moved since the 2004-05 crop year.

Figure 15: Recent Price Changes – 1 Canada Canola (dollars per tonne)



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 2005-06 Crop Year

Grain Production and Supply

- Grain production increased by 4.9% to 56.0 million tonnes.
 - Largest production level since the GMP was implemented.
 - Late season growing conditions reduce crop quality for a second consecutive year.
- Carry forward stock increased by 62.0% to 10.8 million tonnes.
- Overall grain supply increased by 11.2% to 66.8 million tonnes.

Railway Traffic

- Railway tonnage during the first quarter increased 16.6% from the same period a year earlier to 6.4 million tonnes.
 - Benefits from 0.8-million-tonne barley movement
- Traffic to most western Canadian ports increased in the first quarter.
 - Volume to Vancouver climbed by 20.6% to 3.4 million tonnes.
 - Prince Rupert volume increased by 64.4% to 0.8 million tonnes.
 - Volume to Thunder Bay decreased by 1.5% to 1.9 million tonnes.
 - Churchill volume increased 21.3% to 0.4 million tonnes.

Country Elevator Infrastructure

- Minimal changes recorded during the first quarter.
 - Grain delivery points increases by one to 283.
 - Number of country elevators remains unchanged at 385.
- Elevator storage capacity increased by 0.6% to 5.9 million tonnes.
- Elevators capable of loading in blocks of 25 or more cars:
 - Number of elevators fell by 0.4% to 255.
 - Accounted for 66.2% of total GHTS elevators.
 - Share of GHTS primary storage capacity rose to 88.6%.

Railway Infrastructure

- Western Canadian rail network remained unchanged at 18,763.7 route-miles.
 - CN announces the addition of 328.1 route-miles to Three Year Network Plan.
 - Signals lifting of self-imposed moratorium on abandonment of prairie branch lines.

Terminal Elevator Infrastructure

- Licensed GHTS terminal elevators remain unchanged at 16.
 - Licensed storage capacity remains unchanged at 2.6 million tonnes.
- Terminal elevator unloads for the first three months increases by 16.5% to 66,069.

Indicator Series 1 – Industry Overview

											2005-06		
Table	Indicator Description	Notes	1999-00	2002-03	2003-04	2004-05	Q1	Q2	Q3	YTD (1)	% VAR		
Production and Supply [Subseries 1A]													
1A-1	Crop Production (000 tonnes)	(1)	55,141.7	31,539.9	47,655.3	53,401.3	56,002.7	-	-	56,002.7	4.9%	▲	
1A-2	Carry Forward Stock (000 tonnes)	(1)	7,418.2	6,070.8	5,488.9	6,647.5	10,768.0	-	-	10,768.0	62.0%	▲	
	Grain Supply (000 tonnes)	(1)	62,559.9	37,610.7	53,144.2	60,048.8	66,770.7	-	-	60,770.7	11.2%	▲	
Rail Traffic [Subseries 1B]													
1B-1	Railway Grain Volumes (000 tonnes) – Origin Province	(1)	26,441.0	12,736.4	20,658.9	20,832.5	6,393.7	-	-	6,393.7	16.6%	▲	
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)	626	292	288	282	283	-	-	-	0.4%	-	
1C-1	Grain Elevator Storage Capacity (000 tonnes)	(2)	7,443.9	5,747.3	5,688.6	5,845.6	5,880.0	-	-	-	0.8%	-	
1C-1	Grain Elevators (number) – Province	(2)	917	416	404	385	385	-	-	-	0.0%	-	
1C-2	Grain Elevators (number) – Railway Class	(2)											
1C-3	Grain Elevators (number) – Grain Company	(2)											
1C-4	Grain Elevators Capable of Incentive Loading (number) – Province	(2)											
1C-5	Grain Elevators Capable of Incentive Loading (number) – Railway Class	(2)											
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)											
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)											
1C-12	Grain Elevator Closures (number) – Railway Line Class	(2)											
1C-13	Grain Delivery Points (number) – Accounting for 80% of Deliveries	(2)(3)											217
Railway Infrastructure [Subseries 1D]													
1D-1	Railway Infrastructure (route-miles) – Grain-Dependent Network	(2)	4,876.6	4,495.8	4,406.1	4,390.3	4,390.3	-	-	-	0.0%	-	
1D-1	Railway Infrastructure (route-miles) – Non-Grain-Dependent Network	(2)	14,513.5	14,428.1	14,416.6	14,373.4	14,373.4	-	-	-	0.0%	-	
1D-1	Railway Infrastructure (route-miles) – Total Network	(2)	19,390.1	18,923.9	18,822.7	18,763.7	18,763.7	-	-	-	0.0%	-	
1D-2	Railway Grain Volumes (000 tonnes) – Grain-Dependent Network	(1)	8,683.6	3,670.1	6,359.3	5,936.3	1,977.5	-	-	1,977.5	35.2%	▲	
1D-2	Railway Grain Volumes (000 tonnes) – Non-Grain-Dependent Network	(1)	16,976.0	8,601.2	13,564.2	14,323.1	4,296.9	-	-	4,296.9	10.8%	▲	
1D-2	Railway Grain Volumes (000 tonnes) – Total Network	(1)	25,659.6	12,271.3	19,923.5	20,259.5	6,274.3	-	-	6,274.3	17.5%	▲	
1D-3	Shortline Railway Infrastructure (route-miles)	(2)	3,043.0	3,363.7	3,299.7	3,088.2	3,088.2	-	-	-	0.0%	-	
1D-3	Shortline Railway Grain Volumes (000 tonnes)	(1)	2,090.5	1,111.7	2,001.4	1,676.3	443.2	-	-	443.2	48.7%	▲	
1D-5	Railway Grain Volumes (000 tonnes) – Class 1 Carriers	(1)	23,569.1	11,159.6	17,922.1	18,583.2	5,831.1	-	-	5,831.1	15.6%	▲	
1D-5	Railway Grain Volumes (000 tonnes) – Class 2 and 3 Carriers	(1)	2,090.5	1,111.7	2,001.4	1,676.3	443.2	-	-	443.2	48.7%	▲	
1D-6	Grain Elevators (number) – Grain-Dependent Network	(2)	371	141	135	132	133	-	-	-	0.8%	-	
1D-6	Grain Elevators (number) – Non-Grain-Dependent Network	(2)	513	261	255	239	238	-	-	-	-0.4%	-	
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Grain-Dependent Network	(2)	2,475.4	1,569.3	1,543.1	1,659.2	1,671.7	-	-	-	0.8%	-	
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Non-Grain-Dependent Network	(2)	4,847.6	4,123.5	4,093.4	4,133.4	4,155.3	-	-	-	0.5%	-	
Terminal Elevator Infrastructure													
1E-1	Terminal Elevators (number)	(2)	15	17	16	16	16	-	-	-	0.0%	-	
1E-1	Terminal Elevator Storage Capacity (000 tonnes)	(2)	2,678.6	2,733.6	2,642.6	2,642.6	2,642.6	-	-	-	0.0%	-	
1E-2	Terminal Elevator Unloads (number) – Covered Hopper Cars	(1)	278,255	125,339	218,447	217,666	66,069	-	-	66,069	16.5%	▲	

- (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 2004-05 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 2005-06 crop year, the CWB has once again 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 2005-06 Crop Year

Tendering Program

- 89 tender calls were issued by the CWB during the first three months of the 2005-06 crop year.
 - The CWB called for the movement of 1.9 million tonnes to export positions in western Canada.
 - Vancouver delivery – 54.9%; Prince Rupert – 30.2%; Thunder Bay – 15.0%; and Churchill – 0.0%.
 - West coast ports benefit from substantial movement of feed barley.
- 470 bids received; offered an aggregated 4.0 million tonnes.
 - Response rate significantly greater than in the 2004-05 crop year.
 - Reflects generally better availability for export.
- 170 contracts concluded for the movement of 1.3 million tonnes.
 - Vancouver deliveries – 57.3%; Prince Rupert – 23.7%; Thunder Bay – 19.0%; and Churchill – 0.0%.
 - The tendered amount represented 36.6% of volume shipped by CWB to port positions in Western Canada.
 - Significantly exceeded maximum 20% target.
- Tenders for 28.7% of the tonnage called either partially, or not at all, filled.
 - Substantial reduction from the 58.7% recorded in the 2004-05 crop year.
 - 171,600 tonnes – volume not required (relates specifically to tendered barley).
 - 167,600 tonnes – insufficient quantity bid.
 - 115,300 tonnes – no bid.
 - 56,000 tonnes – unacceptable bid price.
 - 46,000 tonnes – non-compliance with bid specifications.
- Proportion of tendered grain volume moving in multiple car blocks falls marginally to 87.1%.
 - Proportion moving in blocks of 50 or more cars falls to 57.5% from 63.3% in the 2004-05 crop year.
- 84.0% of all tendered movements originated at high-throughput elevators.
 - Unchanged from that observed in the 2004-05 crop year.
- CWB estimated that the overall transportation savings for the first quarter increased by 33.3% to \$5.6 million.
 - Underscored effects of improved grain supplies.

Other Commercial Developments

- Ocean freight rates climb by almost 70% in the first quarter.
 - Marks the beginning of a third cyclical upturn in as many years.
 - Rates gradually declining as new vessels are constructed.
- Competition Bureau blocks two proposed industry transactions.
 - Proposed joint operation of SWP and JRI terminal facilities in Vancouver.
 - Tentative sale of former UGG terminal elevator in Vancouver to Terminal One Vancouver Ltd.
- The pulse growers eye possible trade action over US exports to Canada, but do not proceed.

Indicator Series 2 – Commercial Relations

											2005-06	
Table	Indicator Description	Notes	1999-00	2002-03	2003-04	2004-05	Q1	Q2	Q3	YTD (1)	% VAR	
Tendering Program [Subseries 2A]												
2A-1	Tenders Called (000 tonnes) – Grain	(1)	n/a	5,794.2	2,971.3	6,218.5	1,940.2	-	-	1,940.2	110.1%	▲
2A-2	Tenders Called (000 tonnes) – Grade	(1)										
2A-3	Tender Bids (000 tonnes) – Grain	(1)	n/a	11,778.1	10,288.5	5,722.9	3,962.2	-	-	3,962.2	134.3%	▲
2A-4	Tender Bids (000 tonnes) – Grade	(1)										
2A-5	Total CWB Movements (000 tonnes)	(1)(2)	n/a	8,000.6	13,617.3	13,281.2	3,562.2	-	-	3,562.2	10.0%	▲
2A-5	Tendered Movements (%) – Proportion of Total CWB Movements	(1)(2)	n/a	46.1%	18.1%	18.0%	36.6%	-	-	36.6%	78.5%	▲
2A-5	Tendered Movements (000 tonnes) – Grain	(1)(2)	n/a	3,685.2	2,469.9	2,387.7	1,303.4	-	-	1,303.4	96.8%	▲
2A-6	Tendered Movements (000 tonnes) – Grade	(1)(2)										
2A-7	Unfilled Tender Volumes (000 tonnes)	(1)	n/a	1,742.5	467.4	3,651.2	556.4	-	-	556.4	119.7%	▲
2A-8	Tendered Movements (000 tonnes) – Not Awarded to Lowest Bidder	(1)	n/a	126.8	72.2	65.9	58.1	-	-	58.1	340.0%	▲
2A-9	Tendered Movements (000 tonnes) – FOB	(1)(2)	n/a	0.0	0.0	43.2	0.0	-	-	0.0	0.0%	–
2A-9	Tendered Movements (000 tonnes) – In-Store	(1)	n/a	3,685.2	2,469.9	2,344.5	1,303.4	-	-	1,303.4	96.1%	▲
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 / Elevator 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	54.3	58.7	55.5	53.9	-	-	53.9	-3.8%	▼
2A-18	Railway Car Cycle (days) – Tendered Grain		n/a	19.3	14.7	16.3	17.3	-	-	17.3	13.8%	▲
2A-18	Railway Car Cycle (days) – Non-Tendered Grain		n/a	20.0	16.1	17.5	19.7	-	-	19.7	10.1%	▲
2A-19	Maximum Accepted Tender Bid (\$ per tonne) – Wheat		n/a	-\$16.99	-\$23.04	-\$21.86	-\$18.58	-	-	-\$18.58	-15.0%	▲
2A-19	Maximum Accepted Tender Bid (\$ per tonne) – Durum		n/a	-\$17.27	-\$24.07	-\$19.03	-\$18.05	-	-	-\$18.05	32.8%	▲
2A-20	Market Share (%) – CWB Grains – Major Grain Companies		n/a	72.9%	73.1%	77.2%	77.3%	-	-	77.3%	1.3%	▲
2A-20	Market Share (%) – CWB Grains – Non-Major Grain Companies		n/a	27.1%	26.9%	22.8%	22.7%	-	-	22.7%	-4.2%	▼
Advance Car Awards Program [Subseries 2B]												
2B-1	Advance Award Movements (%) – Proportion of Total CWB Movements		n/a	n/a	13.9%	15.8%	13.0%	-	-	13.0%	-26.6%	▼
2B-1	Advance Award Movements (000 tonnes) – Grain		n/a	n/a	1,888.0	2,100.7	461.7	-	-	461.7	-19.6%	▼
2B-2	Distribution of Advance Award Movements – Port	(4)										
2B-3	Distribution of Advance Award Movements – Railway	(4)										
2B-4	Distribution of Advance Award Movements – Province / Elevator Class	(4)										
2B-5	Distribution of Advance Award Movements – Month	(4)										
2B-6	Railway Car Cycle (days) – Advance Award Grain		n/a	n/a	15.0	17.2	18.7	-	-	18.7	6.3%	▲
2B-7	Distribution of Advance Award Movements – Multiple-Car Blocks	(4)										
2B-8	Weighted Average Tendered and Advance Award Multiple-Car Block Size (railcars) – Port		n/a	n/a	49.9	47.3	49.1	-	-	49.1	1.2%	▲

- (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 malting barley volumes.
- (3) – Indicators 2A-10 through 2A-16 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 data table directly.
- (4) – Indicators 2B-2 through 2B-5, as well as 2B-7, examine advance car awards 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 data table directly.

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 2005-06 Crop Year

Trucking

- Composite Freight Rate Index for short-haul trucking rises by 3.1% in the first quarter.
 - Reflects increased pressure from rising input costs, particularly fuel.

Country Elevators

- First quarter throughput increased by 3.4% to 7.6 million tonnes.
- The average elevator capacity turnover ratio remained unchanged at 1.5 turns.
 - Reflects effects of 165,300-tonne increase in storage capacity.
- Average inventory level rises by 53.8% to 2.8 million tonnes.
- Average number of days-in-store increased by 47.6% to 33.5 days.
 - Directly reflects the effects of improved grain availability.
- Average weekly stock-to-shipment ratio climbs by 75.0% to 4.9 for the first quarter.
- Average posted tariff rates for elevator storage increased by up to 15.8% in the first quarter.

Rail Operations

- Average car cycle increased by 1.7% to 19.1 days during the first quarter of the crop year.
 - Significant differences in underlying empty and loaded transit time averages.
 - Average empty transit time decreases 7.8% to 9.6 days.
 - Average loaded transit time increases 13.5% to 9.5 days.
 - Partially reflects increased GHTS handlings.
- Proportion of grain traffic moving under incentive programs increases marginally to 71.0%.
 - Railways make no significant changes to their incentive programs.
 - Grain moving in blocks of 50 or more cars accounts for 65.9% of total traffic volume.
 - Railway incentive payments estimated to have increased by 19.7% to \$20.6 million in the first quarter.
 - Largely reflects a proportionate increase in overall grain volumes.
- Greater symmetry in CN and CP pricing actions at the beginning of the 2005-06 crop year.
 - CP raises rates in its two major corridors by 7.0%.
 - CN raises rates to the west coast by 7.0% and to Thunder Bay and Churchill by 7.5%.

Terminal Elevators and Port Performance

- Terminal throughput increased by 17.3% to 5.7 million tonnes during the first quarter.
- 193 vessels loaded at western Canadian ports during the first three months of the crop year.
 - Average time in port climbed by 11.9% to 4.7 days.
- Average posted tariff rates for elevator handling increases by 2.0% in the first quarter.

Indicator Series 3 – System Efficiency

		2005-06										
Table	Indicator Description	Notes	1999-00	2002-03	2003-04	2004-05	Q1	Q2	Q3	YTD (1)	% VAR	
Trucking [Subseries 3A]												
3A-1	Composite Freight Rate Index – Short-haul Trucking	(2)	100.0	100.0	100.0	111.3	114.7	-	-	-	3.1%	▲
Primary Country Elevators [Subseries 3B]												
3B-1	Grain Volume Throughput (000 tonnes)	(1)	32,493.9	19,052.1	28,526.9	28,593.5	7,649.1	-	-	7,649.1	3.4%	▲
3B-2	Average Elevator Capacity Turnover Ratio	(1)	4.8	3.7	5.6	5.6	1.5	-	-	1.5	0.0%	–
3B-3	Average Weekly Elevator Stock Level (000 tonnes)	(1)	3,699.3	2,502.0	2,691.9	2,314.3	2,813.6	-	-	2,813.6	53.8%	▲
3B-4	Average Days-in-Store (days)	(1)	41.7	47.9	34.4	29.5	33.5	-	-	33.5	47.6%	▲
3B-5	Average Weekly Stock-to-Shipment Ratio – Grain	(1)	6.2	7.1	5.0	4.1	4.9	-	-	4.9	75.0%	▲
3B-6	Average Handling Charges – Country Delivery Points	(3)										
Rail Operations [Subseries 3C]												
3C-1	Hopper Car Grain Volumes (000 tonnes) – Province	(1)										
3C-2	Hopper Car Grain Volumes (000 tonnes) – Primary Commodities	(1)	25,659.6	12,271.3	19,923.5	20,259.5	6,274.3	-	-	6,274.3	17.5%	▲
3C-3	Hopper Car Grain Volumes (000 tonnes) – Detailed Breakdown	(1)										
3C-4	Railway Car Cycle (days) – Empty Transit Time	(1)	10.7	10.2	7.8	10.1	9.6	-	-	9.6	-7.8%	▼
3C-4	Railway Car Cycle (days) – Loaded Transit Time	(1)	9.2	10.1	8.9	8.7	9.5	-	-	9.5	13.5%	▲
3C-4	Railway Car Cycle (days) – Total Transit Time	(1)	19.9	20.4	16.7	18.7	19.1	-	-	19.1	1.7%	▲
3C-5	Hopper Car Grain Volumes (000 tonnes) – Non-Incentive	(1)	12,715.8	2,954.3	4,957.3	5,294.1	1,818.7	-	-	1,818.7	13.8%	▲
3C-5	Hopper Car Grain Volumes (000 tonnes) – Incentive	(1)	12,943.8	9,317.1	14,966.3	14,965.3	4,455.7	-	-	4,455.7	19.0%	▲
3C-6	Hopper Car Grain Volumes (\$ millions) – Incentive Discount Value	(1)	\$31.1	\$37.1	\$67.9	\$67.7	\$20.6	-	-	\$20.6	19.7%	▲
3C-7	Traffic Density (tonnes per route mile) – Grain-Dependent Network	(1)	442.3	204.1	356.7	337.1	450.4	-	-	450.4	35.7%	▲
3C-7	Traffic Density (tonnes per route mile) – Non-Grain-Dependent Network	(1)	292.4	149.0	235.1	249.1	298.9	-	-	298.9	10.8%	▲
3C-7	Traffic Density (tonnes per route mile) – Total Network	(1)	330.3	162.1	263.8	269.8	334.4	-	-	334.4	17.6%	▲
3C-8	Composite Freight Rates (\$ per tonne) – Rail	(2)(3)										
3C-9	Multiple-Car Shipment Incentives (\$ per tonne) – Rail	(2)(3)										
3C-10	Effective Freight Rates (\$ per tonne) – CTA Revenue Cap	(2)(4)	n/a	\$24.52	\$25.72	\$25.87	n/a	n/a	n/a	n/a	n/a	–
Terminal Elevator and Port Performance [Subseries 3D]												
3D-1	Annual Port Throughput (000 tonnes) – Grain	(1)	23,555.5	11,806.9	18,962.0	18,943.5	5,715.9	-	-	5,715.9	17.3%	▲
3D-2	Average Terminal Elevator Capacity Turnover Ratio	(1)(5)	9.1	5.0	7.0	7.5	n/a	n/a	n/a	n/a	n/a	–
3D-3	Average Weekly Terminal Elevator Stock Level (000 tonnes)	(1)	1,216.2	1,016.5	1,069.2	1,127.5	1,292.3	-	-	1,292.3	43.6%	▲
3D-4	Average Days-in-Store – Operating Season (days)	(1)	18.6	21.7	19.0	19.9	20.3	-	-	20.3	18.0%	▲
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	4.3	4.0	4.9	4.7	-	-	4.7	11.9%	▲
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	\$0.8	\$4.7	\$16.0	n/a	n/a	n/a	n/a	n/a	–
3D-10	Annual Dispatch Earnings (\$millions)	(5)	\$14.5	\$4.4	\$20.0	\$17.5	n/a	n/a	n/a	n/a	n/a	–
3D-11	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 data table directly.
- (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 2004-05 crop year.
- (5) – 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 2005-06 Crop Year

Port Performance

- Average weekly stock-to-vessel-requirements ratios rose for most CWB grains, while falling for most Non-CWB grains.
 - Vancouver
 - Wheat – 3.0 for the first three months of the 2005-06 crop year, up by 22.6%.
 - Canola – 1.6, down by 17.9%.
 - Thunder Bay
 - Wheat – 8.6 for the first three months of the 2005-06 crop year, up by 94.4%.
 - Canola – 3.7, up by 310.0%.
 - Indicates that grain inventories were generally sufficient to meet short-term demand.
 - Most shortages related to barley and canola movements.
- Average stock-to-shipment ratios provide similar evidence of the ability of these ports to meet short-term demand.
 - Vancouver
 - CWB grains – 2.9 for the first three months of the 2005-06 crop year, down by 18.2%.
 - Non-CWB grains – 2.5, down by 38.5%.
 - Thunder Bay
 - CWB grains – 8.7 for the first three months of the 2005-06 crop year; up by 57.9%.
 - Non-CWB grains – 3.4; down by 1.8%.

Indicator Series 4 – Service Reliability

		2005-06										
Table	Indicator Description	Notes	1999-00	2002-03	2003-04	2004-05	Q1	Q2	Q3	YTD (1)	% VAR	
Port Performance [Subseries 4A]												
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – VCR – Wheat	(1)	3.1	4.9	3.5	2.7	3.0	-	-	3.0	22.6	▲
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – VCR – Canola	(1)	2.5	2.9	3.6	2.8	1.6	-	-	1.6	-17.9	▼
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Wheat	(1)	5.6	6.8	4.8	6.0	8.6	-	-	8.6	94.4%	▲
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Canola	(1)	2.8	4.3	3.0	2.2	3.7	-	-	3.7	310.0%	▲
4A-2	Avg. Weekly Stock-to-Vessel Requirements Ratio – Grade	(1)(2)										
4A-3	Avg. Weekly Stock-to-Shipment Ratio – VCR – CWB Grains	(1)	3.5	4.3	3.3	3.2	2.9	-	-	2.9	-18.2%	▼
4A-3	Avg. Weekly Stock-to-Shipment Ratio – VCR – Non-CWB Grains	(1)	3.6	4.3	3.7	3.6	2.5	-	-	2.5	-38.5%	▼
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – CWB Grains	(1)	4.6	6.6	6.0	7.2	8.7	-	-	8.7	57.9%	▲
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – Non-CWB Grains	(1)	3.3	5.0	3.1	3.6	3.4	-	-	3.4	-1.8%	▼
4A-4	Terminal Handling Revenue (\$millions) – Vancouver	(1)(3)	\$192.7	\$49.7	\$134.9	\$150.9	n/a	n/a	n/a		n/a	-
4A-4	Terminal Handling Revenue (\$millions) – Thunder Bay	(1)(3)	\$82.1	\$58.6	\$61.7	\$68.4	n/a	n/a	n/a		n/a	-
4A-4	CWB Carrying Costs (\$millions) – Pacific Seaboard	(1)(3)	\$63.3	\$22.4	\$52.5	\$73.8	n/a	n/a	n/a		n/a	-
4A-4	CWB Carrying Costs (\$millions) – Thunder Bay	(1)(3)	\$31.3	\$30.1	\$40.9	\$36.1	n/a	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) – Changes in the indicator cited cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding data table directly.

(3) – 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 mainstream indicators of the GMP by Transport Canada and Agriculture and Agri-Food Canada.

Highlights – First Quarter 2005-06 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 \$133.60 per tonne.
 - Represents a 34.9% reduction from the final realized price for the 2004-05 crop year of \$205.10 per tonne.
 - Reduction largely fuelled by the expectation of increased global production in 2005.
 - PRO fell to \$204.00 per tonne by the end of the first quarter.
 - Represents a 52.7% premium to the farmer’s initial payment.
- Recent changes in input costs:
 - Country elevator handling – up by a minimum of 1.7% for elevation.
 - Storage charges increased by an average 15.8%.
 - Rail transportation – up by at least 7.0% from all origins.
 - Terminal elevator handling – up by as much as 2.0% for storage.
- 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 2005-06 crop year.

Export Basis and Producer Netback – Non-CWB Commodities

- Changes in Vancouver cash price for 1 Canada canola:
 - Price falls to an average of \$279.00 per tonne for the first quarter of the 2005-06 crop year.
 - Represents a 10.3% reduction from the 2004-05 crop year’s monthly average of \$311.19 per tonne.
 - Reduction largely fuelled by larger global oilseed production in 2005.
- Recent changes in input costs:
 - Country elevator handling – up by a minimum of 1.7% for elevation.
 - Storage charges increased by an average 15.8%.
 - Rail transportation – up by at least 7.0% from all origins.
 - Terminal elevator handling – up by as much as 2.0% for storage.
- 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 2005-06 crop year.

Producer-Car Loading

- Number of producer-car-loading sites unchanged at 466.
- Producer-car shipments increased by 58.6% to 1,446 railcars in the first quarter.
 - Grain quality continues to adversely impact shipments.

Indicator Series 5 – Producer Impact

Table	Indicator Description	Notes	1999-00	2002-03	2003-04	2004-05	2005-06			YTD (1)	% VAR	
							Q1	Q2	Q3			
Export Basis												
Western Canada												
5A-10	CWRS Wheat (\$ per tonne)	(1)(3)	\$54.58	\$56.65	\$55.51	\$57.77						
5A-10	CWA Durum (\$ per tonne)	(1)(3)	\$67.63	\$73.05	\$64.72	\$70.73						
5A-10	1 Canada Canola (\$ per tonne)	(1)(3)	\$52.51	\$48.97	\$42.51	\$40.97						
5A-10	Canadian Large Yellow Peas – No. 2 or Better (\$ per tonne)	(1)(3)	\$54.76	\$83.19	\$67.75	\$67.98						
Producer-Car Loading												
5B-1	Producer-Car-Loading Sites (number) – Class 1 Carriers	(2)	415	380	360	333	333	-	-		0.0%	-
5B-1	Producer-Car-Loading Sites (number) – Class 2 and 3 Carriers	(2)	120	138	132	133	133	-	-		0.0%	-
5B-1	Producer-Car-Loading Sites (number) – All Carriers	(2)	535	518	492	466	466	-	-		0.0%	-
5B-2	Producer-Car Shipments (number) – Covered Hopper Cars	(1)	3,441	3,209	9,399	8,061	1,446	-	-	1,446	58.6%	▲

(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.



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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: Producer Netback Calculator

A prime issue with many stakeholders is the impact that the shrinking GHTS network has had on the length of truck haul from farm gate to elevator. While all evidence suggests that truck hauls are increasing because of the reduced number of delivery points, the exact – or even approximate – amount of this increase is unknown. Following discussions with stakeholders and the government, a methodology that would allow the Monitor to gather the data necessary to enhance the quality and reliability of this component of the export basis has been developed.³⁴ The Producer Netback Calculator (PNC) was designed to provide a cost-effective and non-intrusive means of gathering this data.

At the same time, and in response to producers' requests, the Monitor will provide access to data on the costs associated with moving grain from farm-specific locations to export position (the export basis). These costs are the same ones reflected as deductions on cash tickets. The PNC has been designed to assist farmers in determining the delivery options that may provide the best returns for their wheat and durum. When these costs are subtracted from the most recent CWB Pool Return Outlook (PRO), the resulting calculation of producer netback provides the best possible estimate of the real returns to be had for their grain.

To gain access to the PNC, producers are provided with their own personal log-in identification and password. Once they have logged into the system, all communication will be secured through 128 bit encryption technology, identical to that used by major banks to allow customers access to their accounts over the internet. This ensures that all information is communicated and held with the strictest confidentiality, while allowing the Monitor to classify data according to the demographics of the specific producer. Producers can be assured that no data specific to any individual will be published, or shared, by Quorum Corporation.

Calculation of a producer's estimated export basis and netback is based on the entry of movement-specific information (i.e., delivery point, grain company, grain, grade, etc.). After entering this basic information, the producer can then run a calculation that will return a tabular accounting of the export basis and producer netback based on the PRO. The producer also has the option of "recalculating" these estimates by returning to a previous screen, and changing any of the parameters used in the calculation (i.e., destination station, grain company, etc.).

Figure A1: An image of the input screen for Quorum Corporation's Netback Calculator.

³⁴ The GMP currently incorporates trucking costs based on the commercial short-haul trucking rates for an average haul of 40 miles, as presented in Table 3A-1.

Every estimate will be recorded and accessible to the producer through a "history" listing. It is through this screen that producers are given the ability to create comparative reports that can present these estimates – or those they wish to see – in summary or detail. These reports can also be printed or presented as a computer spreadsheet. This is also the section of the system where the producer identifies estimates that subsequently resulted in actual grain movements.

The Grain Monitoring Program will gain valuable data on grain logistics by retaining a record of the individual transactions that pertain to actual deliveries. In specific terms, this data will assist in analyzing the average length of haul to elevators, modal utilization, and other farm gate to elevator delivery issues. This information will be incorporated into the calculation of producer netback in future reports of the Monitor.

Input	Results	Binned		Paid	
		Tonne	Bushel	Tonne	Bushel
Origin Point: SW 18X 12 X 20X W1	CWB Pool Return Outlook	\$192.00	\$5.23	\$196.00	\$5.33
Delivery Point: BRANDON	(Adj.) Freight To Vancouver			-\$43.87	
Grain Company: Pioneer Grain Company, Limited	(Adj.) Freight To Thunder Bay			-\$22.94	
Commodity: Wheat	Freight Adjustment Factor			-\$9.00	
Binned Grade: #2 CWRS 13.5	Applicable Freight	\$32.77			
Paid At Grade: #1 CWRS 13.5	Trucking			\$5.05	
Estimated Dockage (%): 1.0	Primary Elevation			\$12.12	
Trucking Mode: Commercial	Dockage Cleaning			\$4.04	
Truck Type: Tridem (tri-axle)	Sub-Total Other Costs	\$21.21			
Number of Trips: 2	Trucking Premiums			\$(3.50)	
Gross Tonnes To Elevator: 60	Other Premiums			\$(0.00)	
Distance To Elevator (Miles): 23	Sub-Total Producer Premiums			\$(3.50)	
Trucking Premiums: \$3.50	Total Export Basis	\$50.48		\$50.48	
Other Premiums: \$0.00	Producer Netback	\$141.52	\$3.85	\$145.52	\$3.96

Figure A2: An image of the output screen for Quorum Corporation's Netback Calculator.

Appendix 3: 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.
Canadian Canola Growers Association	Parrish & Heimbecker Ltd.
Canadian Grain Commission	N.M. Paterson & Sons Limited
Canadian Maritime Chamber of Commerce	Port of Churchill
Canadian National Railway	Port of Prince Rupert
Canadian Pacific Railway	Port of Thunder Bay
Canadian Ports Clearance Association	Port of Vancouver
Canadian Ship Owners Association	Prairie West Terminal
Canadian Special Crops Association	Prince Rupert Grain Ltd.
Canadian Transportation Agency	Rail America
Canadian Wheat Board	Red Coat Road and Rail
Cando Contracting Ltd.	Saskatchewan Agriculture and Food
Cargill Limited	Saskatchewan Highways and Transportation
CMI Terminal	Saskatchewan Association of Rural Municipalities
ConAgra Grain, Canada	Saskatchewan Wheat Pool
Gardiner Dam Terminal	South West Terminal
Government of BC	Statistics Canada
Grain Growers of Canada	Terminal 22 Inc
Great Sandhills Terminal	Transport Canada
Great Western Rail	Vancouver Wharves Ltd.
Inland Terminal Association of Canada	Western Barley Growers Association
James Richardson International Ltd. (Pioneer Grain)	Western Canadian Wheat Growers Association
Keystone Agricultural Producers	Western Grain By-Products Storage Ltd.
Louis Dreyfus Canada Ltd.	Western Grain Elevator Association
Mainline Terminal Ltd.	Weyburn Inland Terminal Ltd.
Manitoba Agriculture	Wild Rose Agricultural Producers
Manitoba Transportation and Government Services	Winnipeg Commodity Exchange