Update on the Movement of Grain from Western Canada

POGA AGM 2019
January 28, 2019
Total Grain Supply
(Western Canada Production and Carry-In Stock)

Avg. 53.7 MMT
Avg. 61.1 MMT
Avg. 63.5 MMT
Avg. 79.1 MMT

- Production
- Carry In
- Linear
Order Fulfilment – CN

2013-14 – Railway Reported; 2015-18 – ATC Reported
CN Supplied Cars – 2017-18 CY

Source: CN weekly supply reports; ATC Weekly Reports
Order Fulfillment - CP

2013-14 – Railway Reported; 2015-18 – ATC Reported
What was Bill C-49?

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

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

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

- Extended Interswitching was introduced as part of the “Fair Rail for Farmers” Act in 2014.
- As emergency legislation, required to be renewed after 2 years, and was extended to August of 2017.
- LHI was the replacement

- Allows, under tighter conditions, for a shipper to apply for rate from the CTA for the movement of traffic to a second carrier
- Dependent on the failure to reach an agreement with the serving carrier and subsequent approval from the CTA
- Approval processes still in development
Data Transparency

- Reporting in line with STB approach
  - Published weekly on TC website
  - Includes basic volume and performance stats
  - To be refined over the next 18 months

- Waybill data reporting for the CTA to use in developing LHI rate structures
What does this mean for Producers?

- Increased Rail Capacity?
- Greater reliability in Rail Service?
- More competition between Grain Companies?
- Greater confidence in Canada as a supplier of grain products?
Country Elevator Network
(Primary and Process)
Impact of New Hopper Cars and Operating Plan

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

Graph showing:
- +67% - CN
- +49% - CP
- +49% - CN
- +33% - CP
- + 11%
System Improvements/ Changes

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

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

<table>
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<th>Year Range</th>
<th>Oats to W Ports</th>
<th>Oats to West</th>
<th>Oats to EC</th>
<th>Oats to US (Rail)</th>
<th>Oats to US (Truck)</th>
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<td>100</td>
<td>833.8</td>
<td>250</td>
<td>150</td>
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Issues

- **Availability of Railway Capacity**
  - Grow the pie – don’t split it differently

- **Railway service: Consistency, Timeliness and Resilience**
  - The need for reliable and consistent service

- **Access to broader markets**
  - An economic means to reach untapped US markets

- **An approach to measuring Railway performance (Data)**
  - Only the Grain industry has it

- **The replacement of the Federal Gov’t hopper car fleet**
Western Canadian Car Cycles
(2017-18 Crop Year)

Western Canada
15.7 days
(LY = 14.1)
Eastern Canada
24.2 days
(LY = 20.9)
United States
27.9 days
(LY = 24.8)
Car Cycles – West Coast

Vancouver +14%
Prince Rupert +18%

Days

August September October November December January February March April May June July August September

2017

2018

Vancouver - All Traffic
Prince Rupert
Van - 2016-17 Avg
PRG - 2016-17 Avg
Railway Capacity

- Rail performance:
  - Increased car cycles/ dwell times/ reduces capacity
  - Reduced capacity impacts order fulfillment potential
  - Constricted rail volume impact vessel time in port
  - Railways are addressing issues:
    - Increased running trades hiring
    - Purchase of locomotives
    - Capital programs increasing track capacity
- Competition with other commodities by corridor

<table>
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<th>Cycle Time</th>
<th>Required Fleet</th>
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<td>18.00</td>
<td>14,709</td>
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<tr>
<td>16.00</td>
<td>13,074</td>
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<tr>
<td>14.00</td>
<td>11,440</td>
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Present Fleet (Dec 2018)
- CN 12,718
- CP 14,064

Fleet requirement for 5,500 cars/ week (based on variable car cycle)
Average Vessel Time in Port

- VANCOUVER
- PRINCE RUPERT
- Vancouver Avg
- Pr. Rupert Avg
Average Vessel Time in Port

2017-18 Crop Year
- Vancouver
- Prince Rupert
- Van - Avg

2018-19 Crop Year
- THUNDER BAY
- T Bay - Avg
Other Issues

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

- 2018-19 Crop has seen good volume movements across the board
  - Gradually moving the excess carry forward stocks from last year
- There continues to be some rail service issues:
  - Vancouver interchanges and CN service to North Shore and Transloaders (i.e. CTA Inquiry)
  - Car cycles remain higher than “normal”
  - Vessel time in port remains a concern
- Movements to the US may become a concern
Thank You

Reports Available
Website: www.grainmonitor.ca