

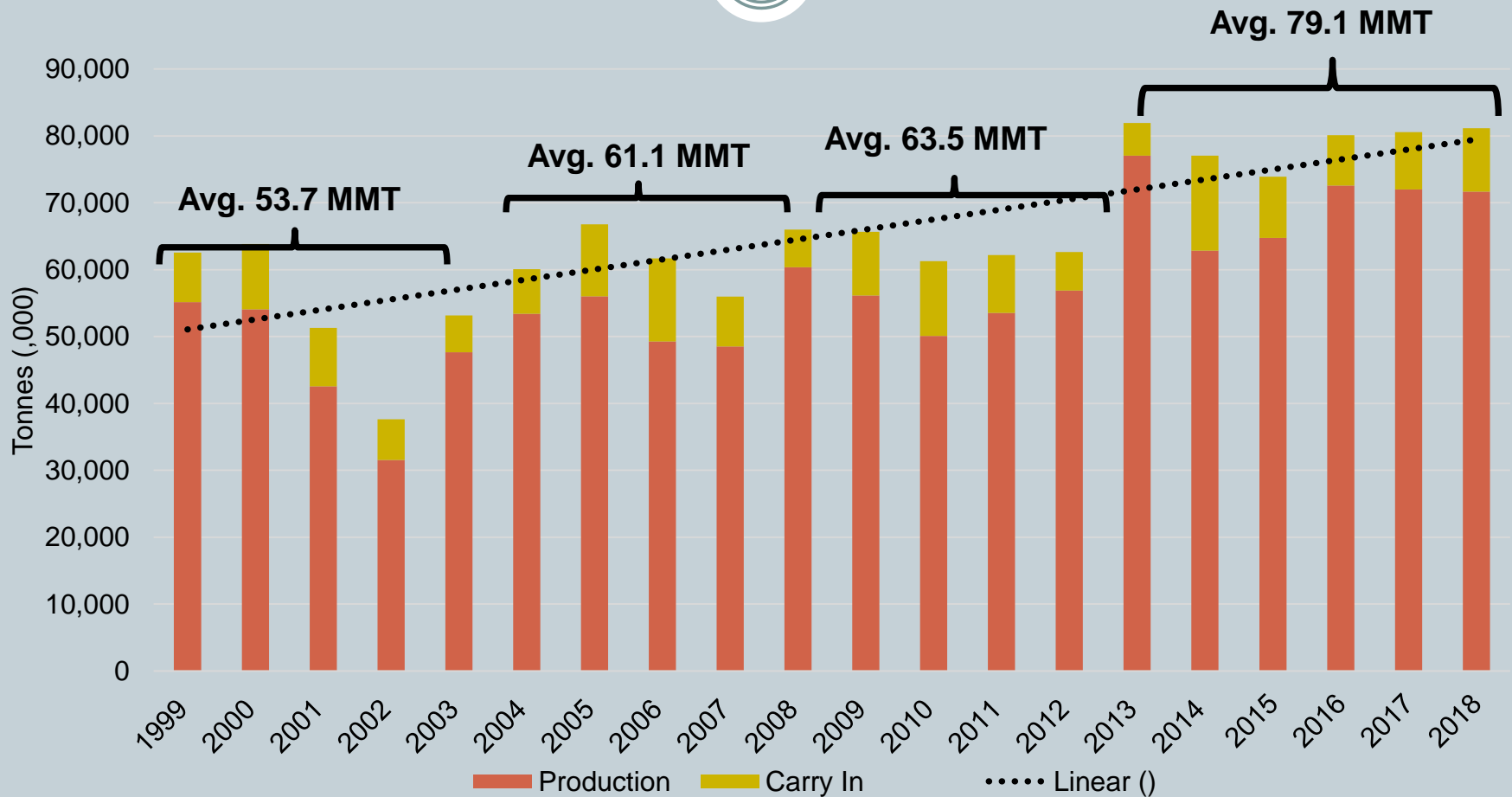
Update on the Movement of Grain from Western Canada

POGA AGM 2019
January 28, 2019



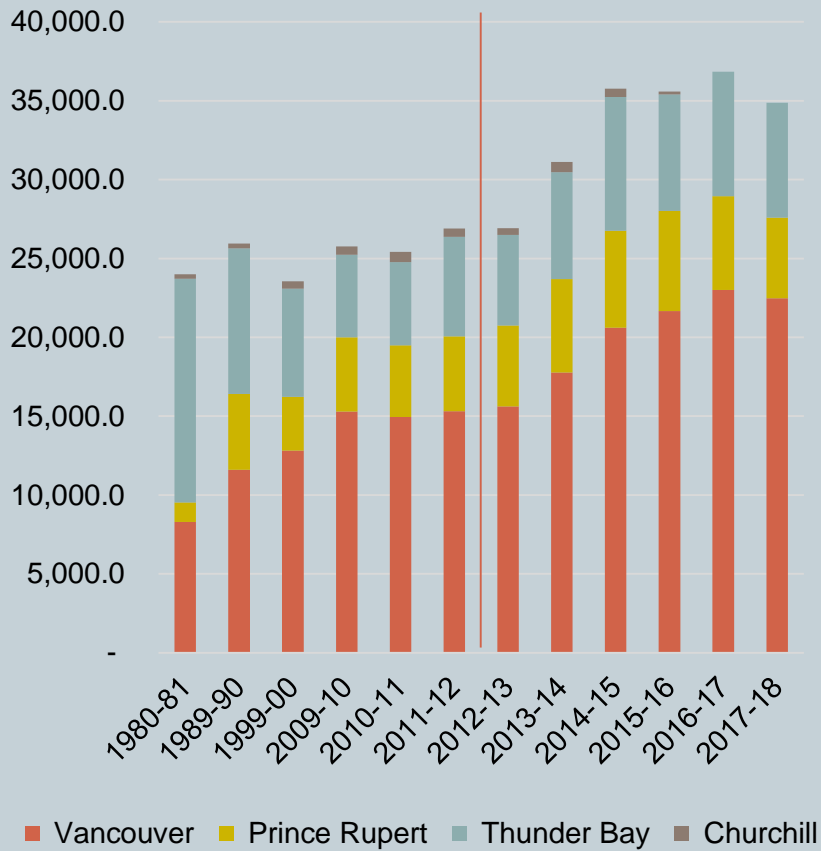
Total Grain Supply

(Western Canada Production and Carry-In Stock)

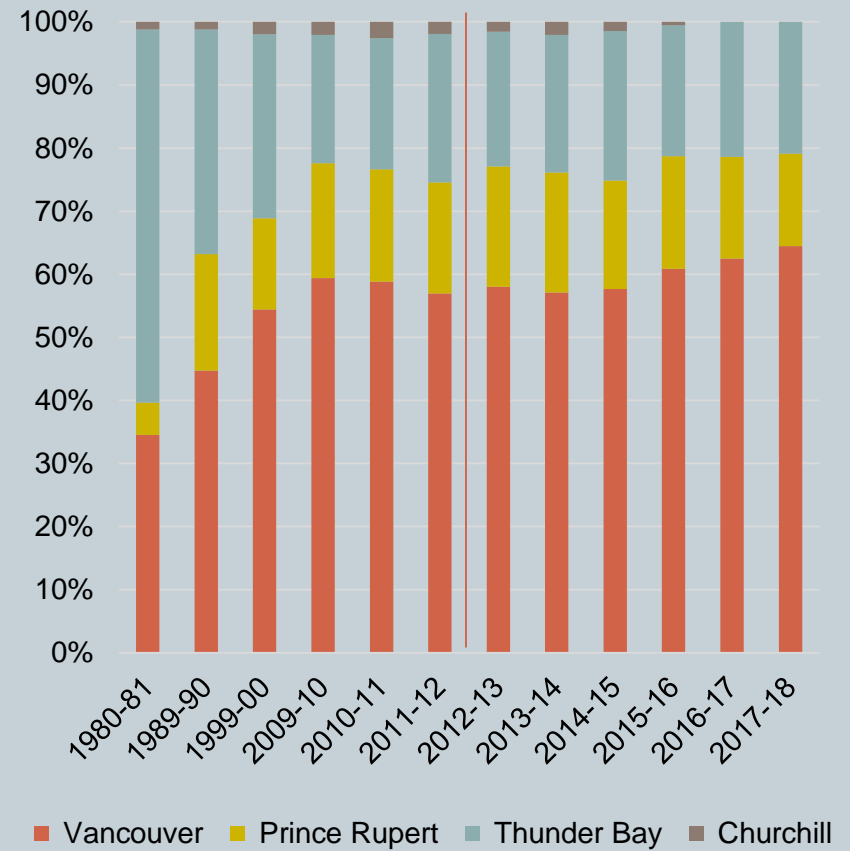


Western Port Volumes

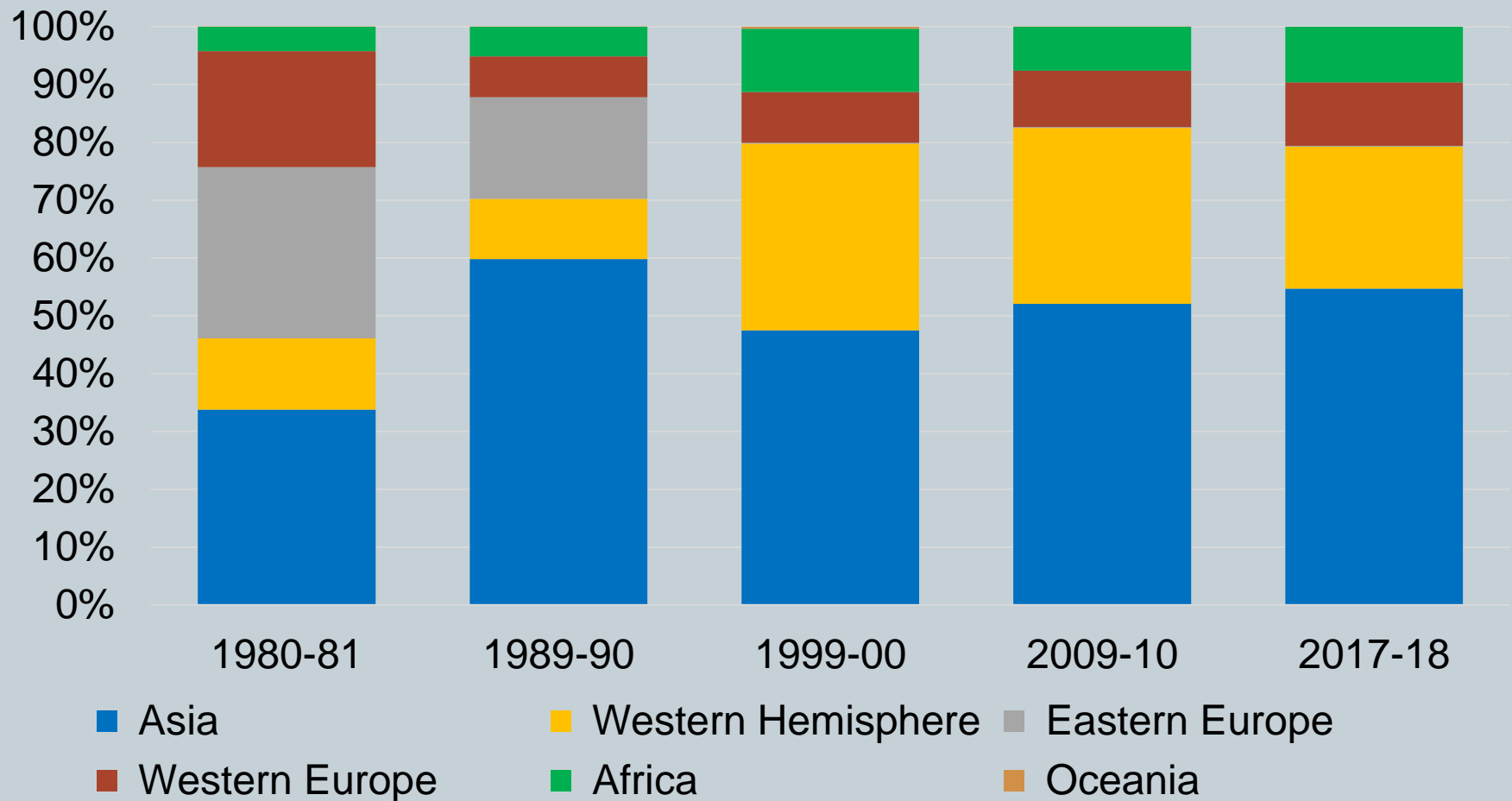
Tonnage by Port



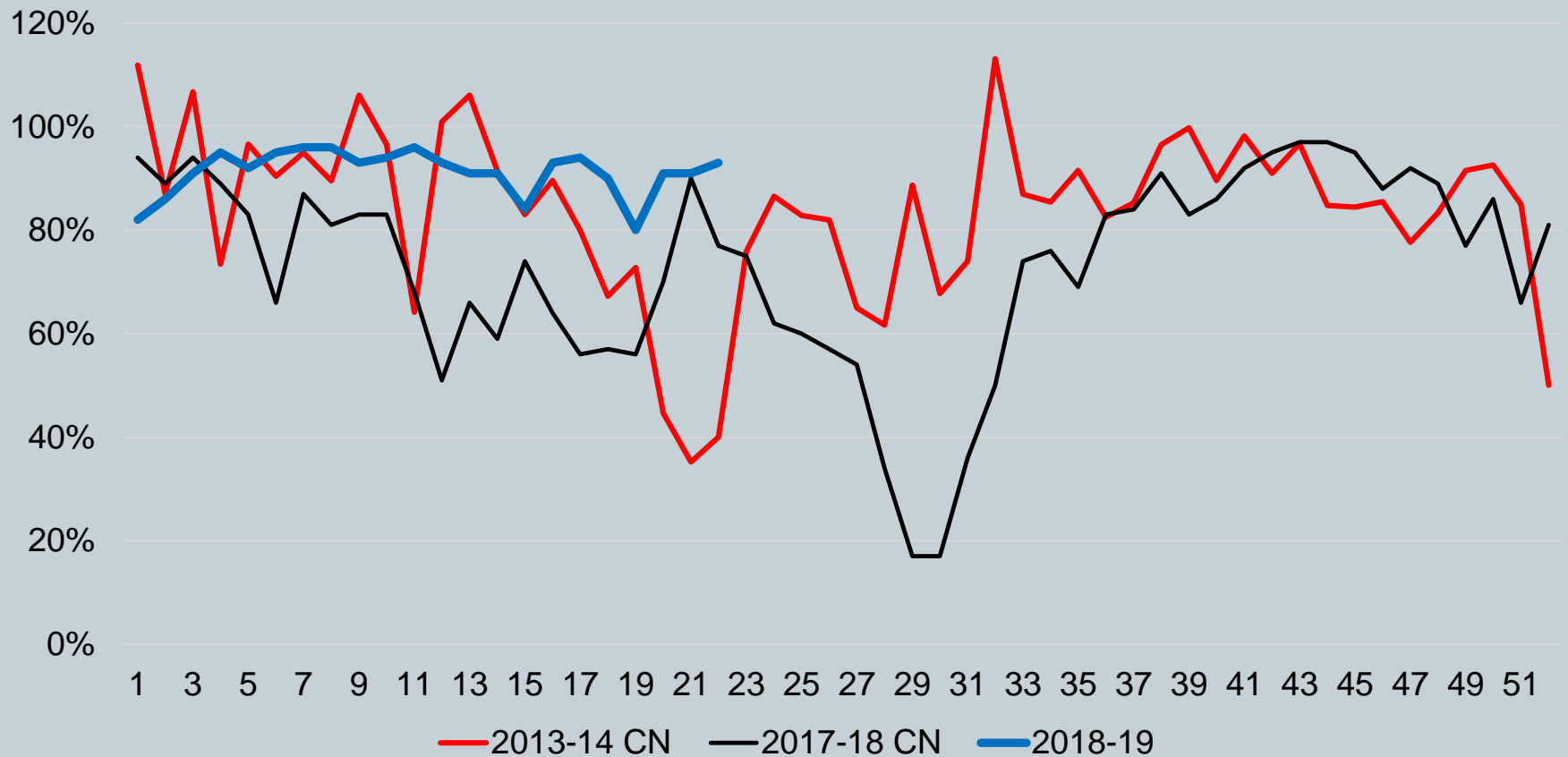
Western Ports



Canadian Grain Markets

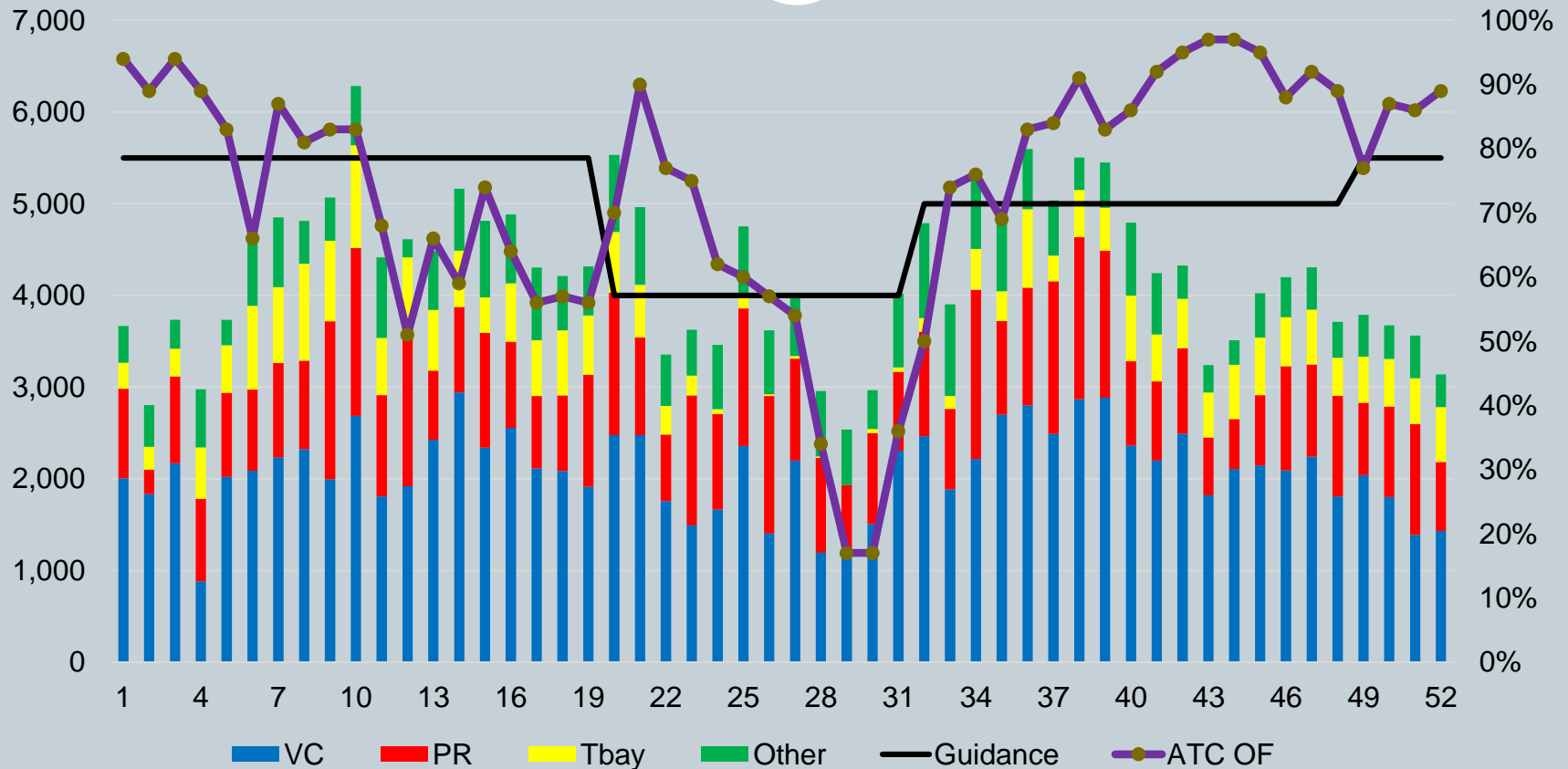


Order Fulfilment – CN



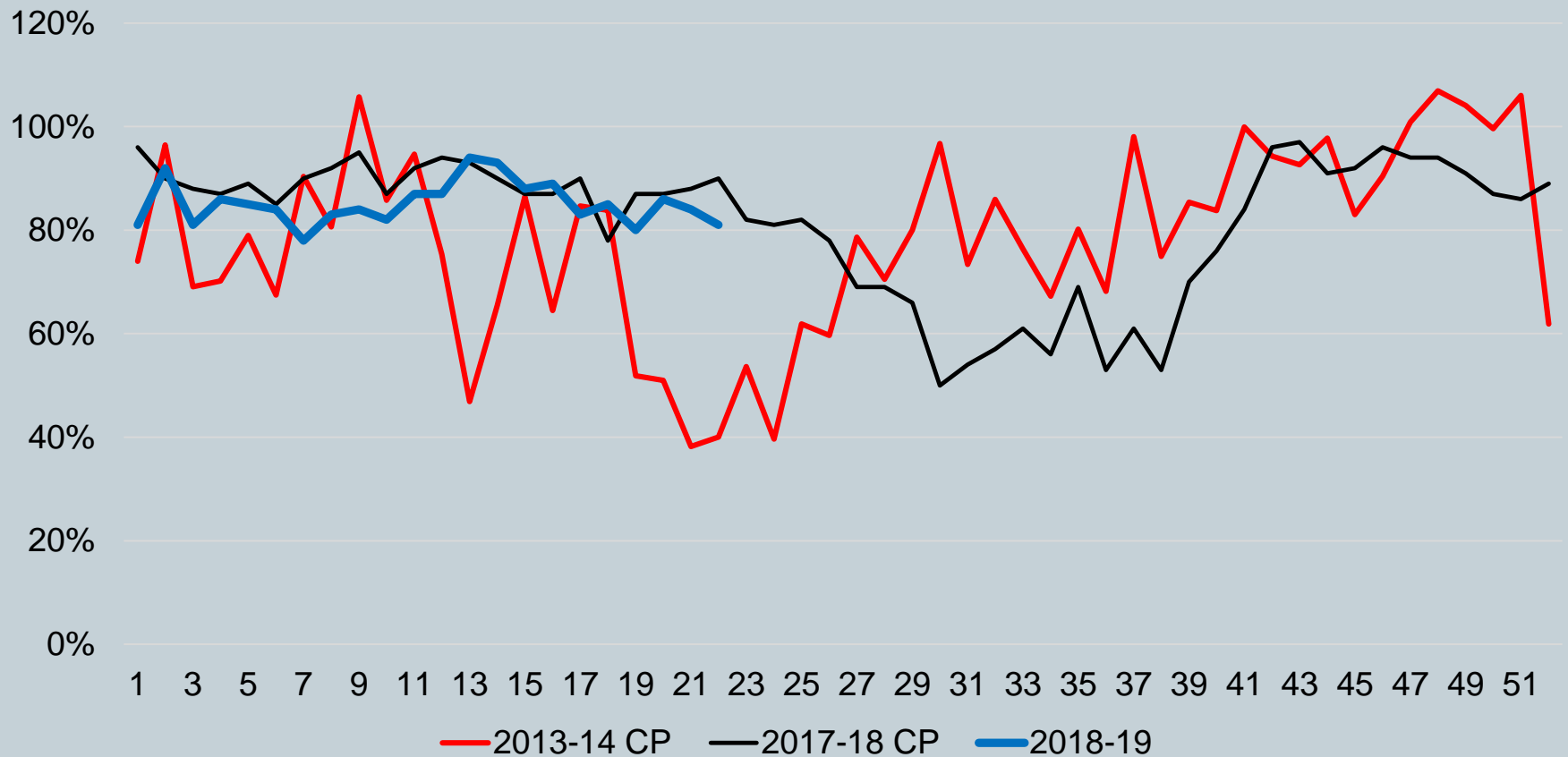
2013-14 – Railway Reported; 2015-18 – ATC Reported

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

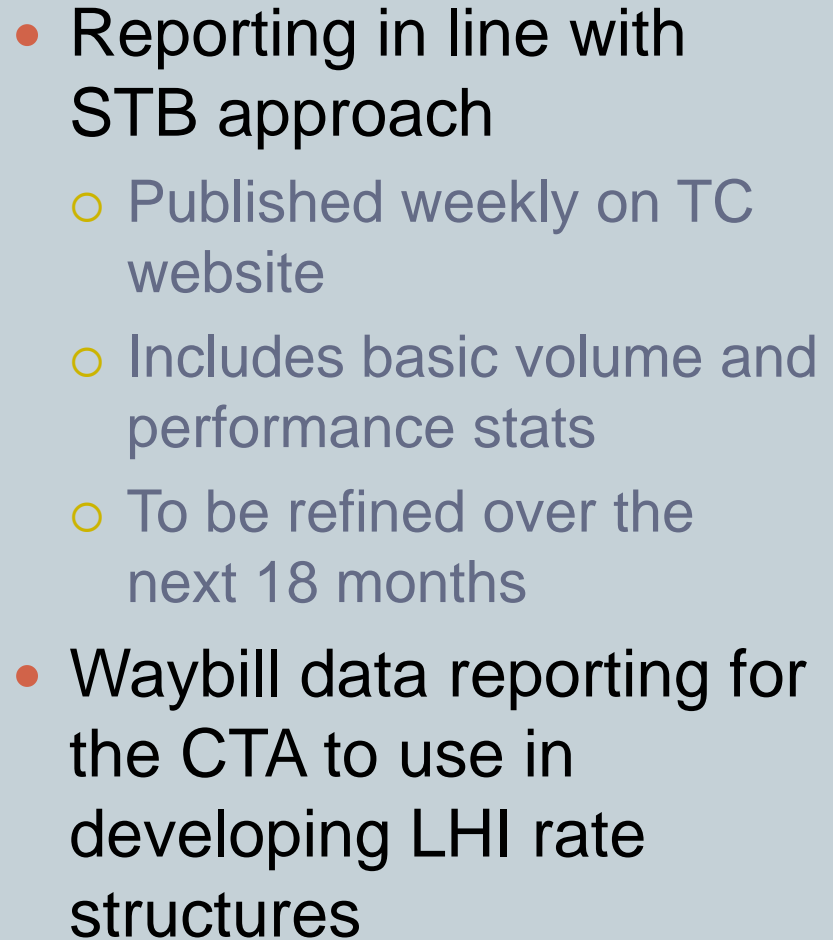
Railway Investment

- 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



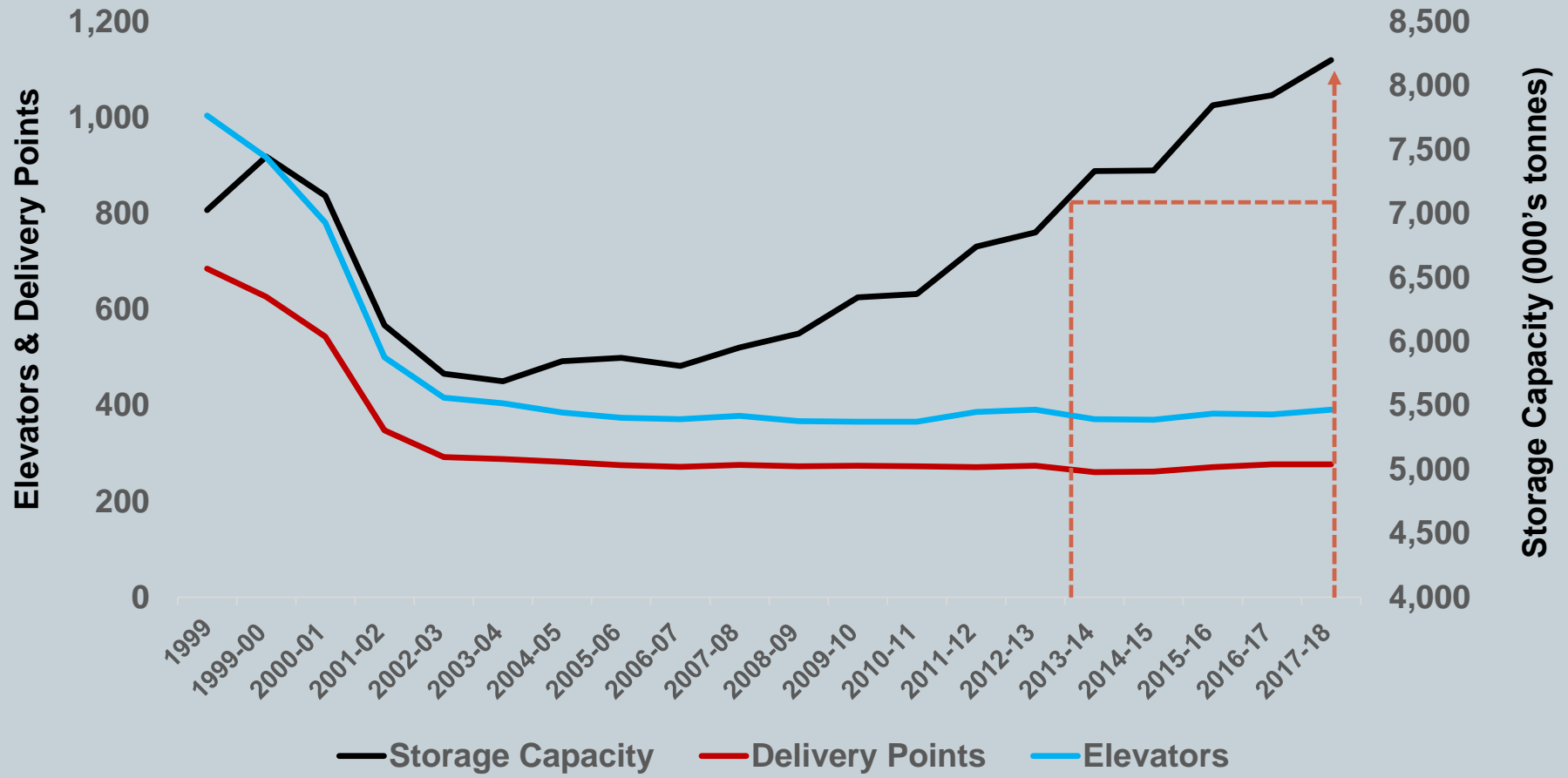
What does this mean for Producers?

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



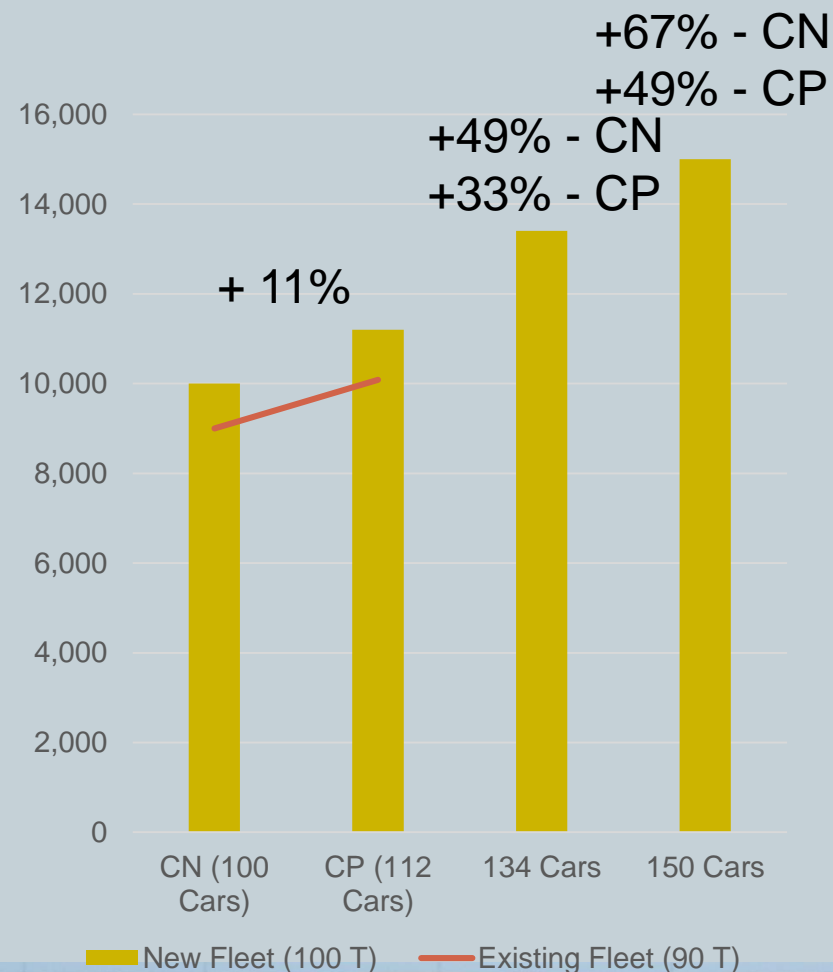
Country Elevator Network

(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



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



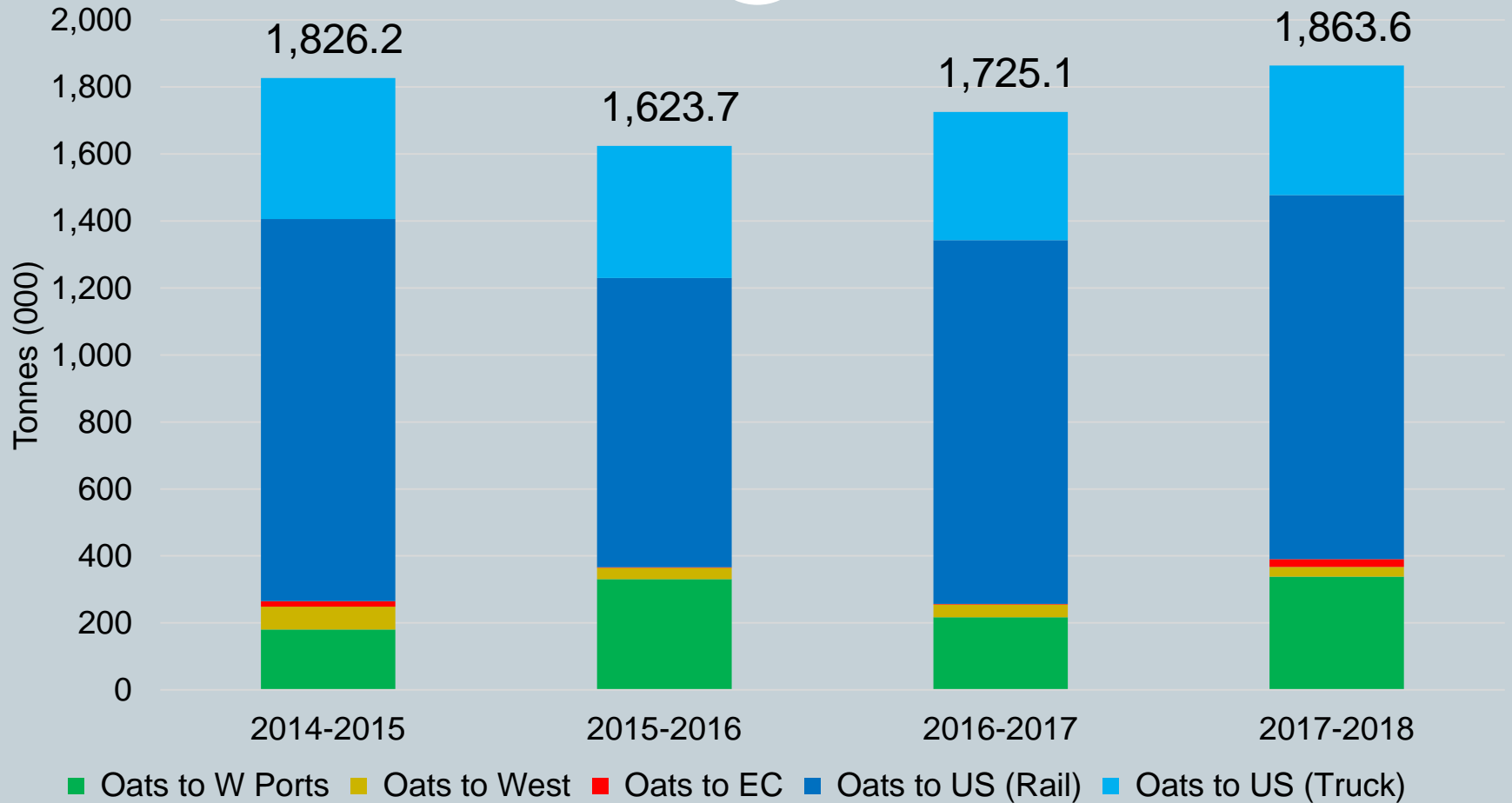
Key Observations from the GMP



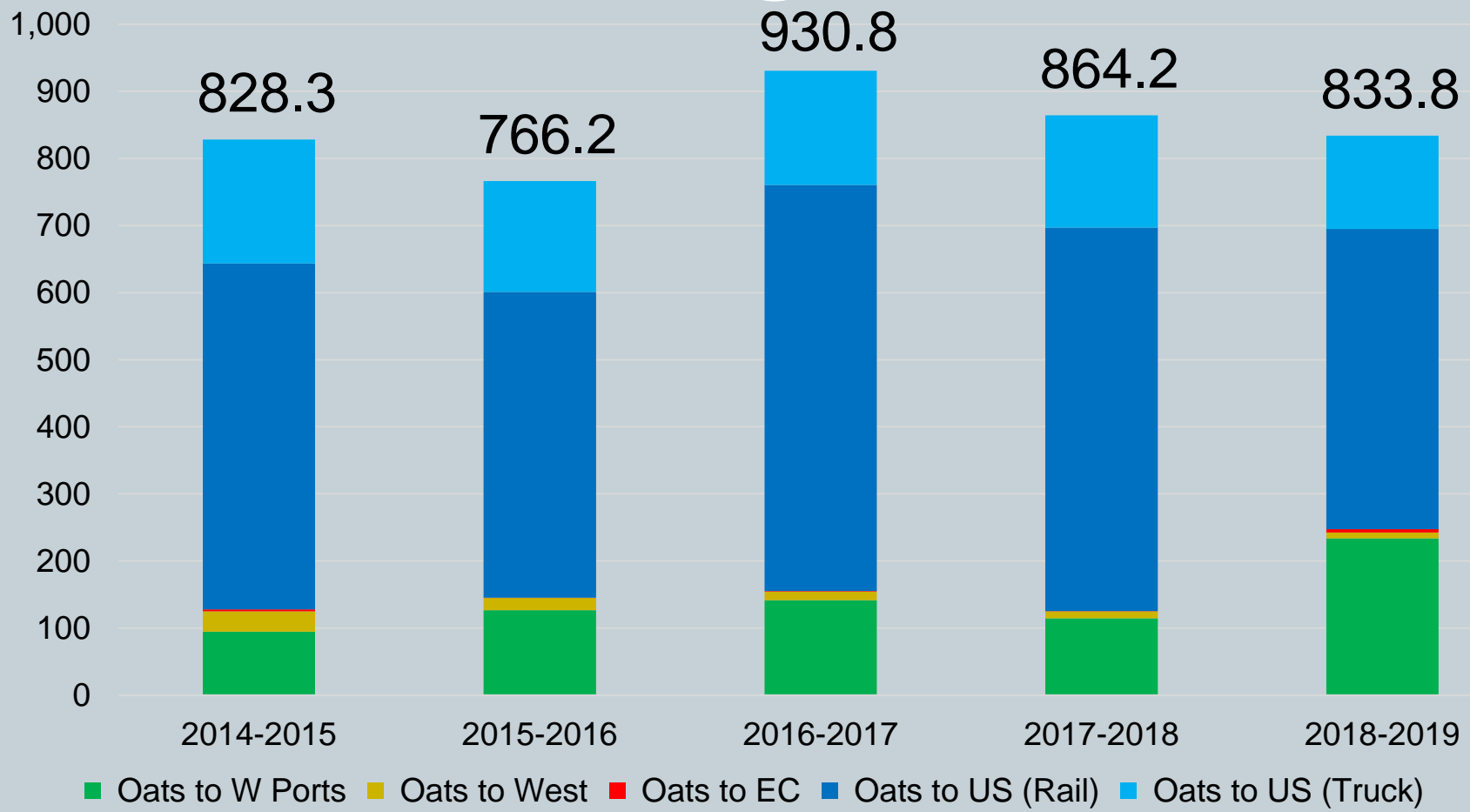
- 2018-19 Second highest grain supply ever at 81.2 MMT
- 2017-18 now the third highest at 80.5 MMT
 - Despite that, 17-18 volumes were down from previous year:
 - ✦ Elevator throughput down 3.2%
 - ✦ Rail movements down 4.2%
 - ✦ Shipments down 6.2%
 - Rail Performance fell:
 - ✦ Car cycles and loaded 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



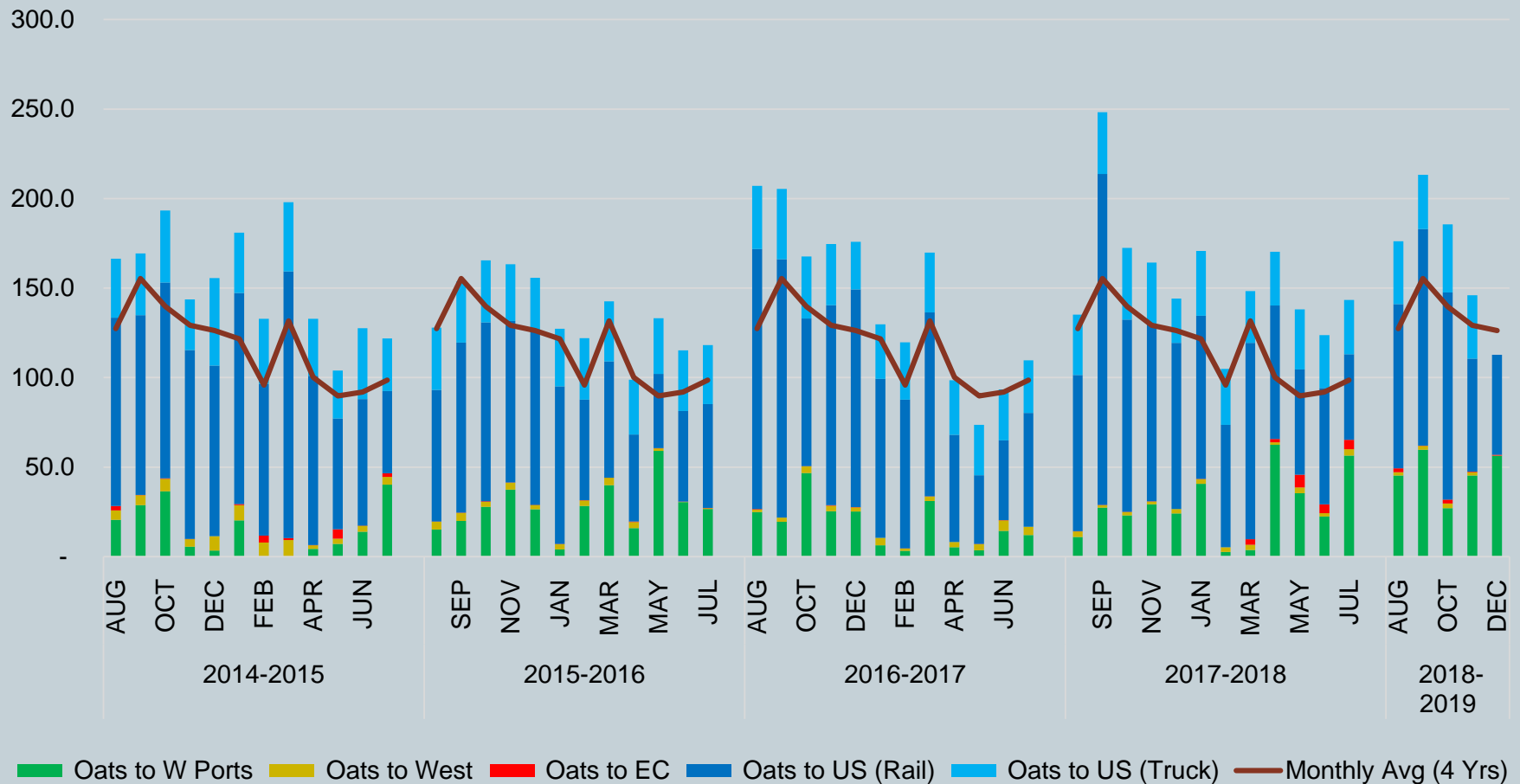
Oat Shipments (Year over Year)



Oat Shipments YTD



Oat Shipments – Month to Month



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

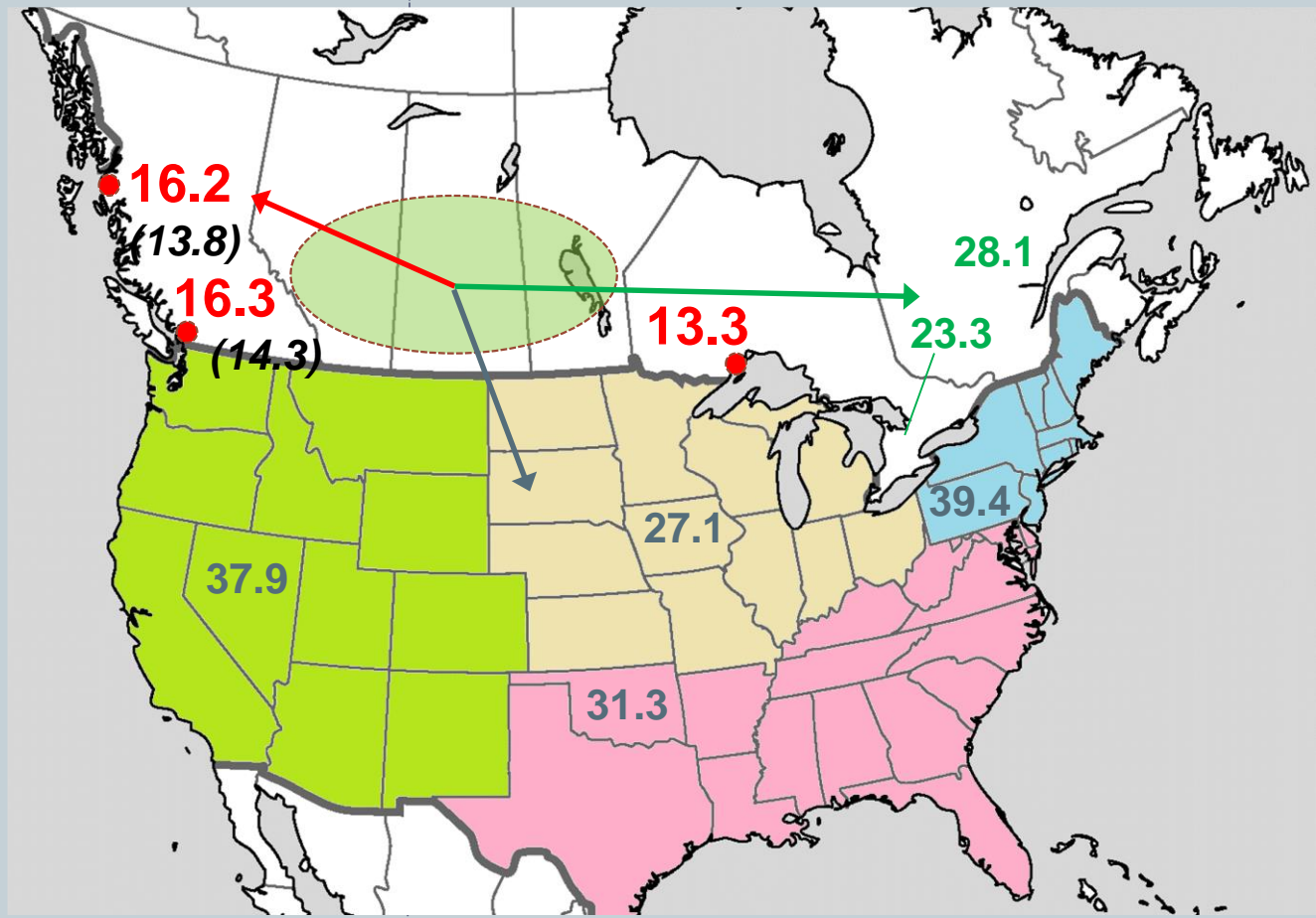
24.2 days

(LY = 20.9)

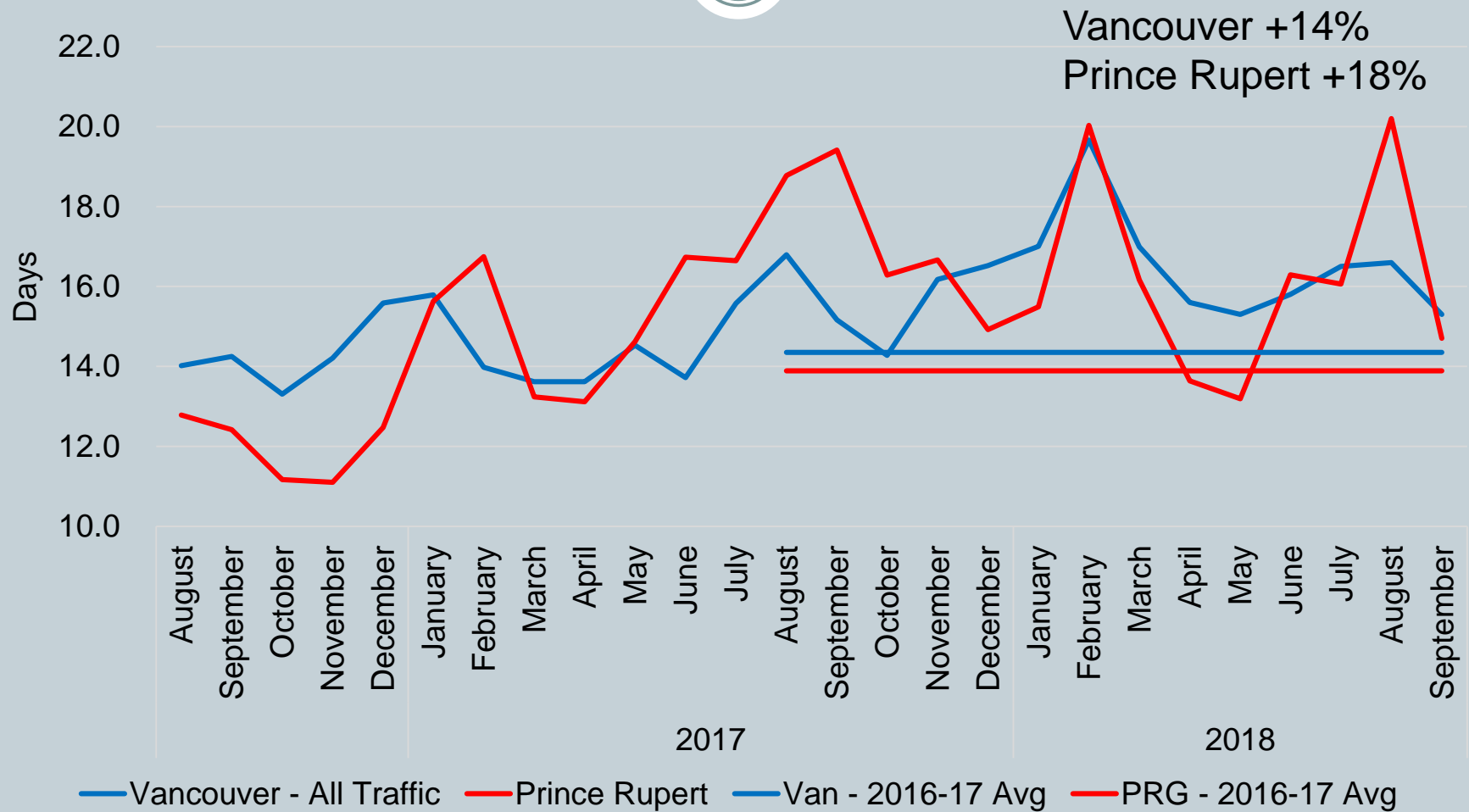
United States

27.9 days

(LY = 24.8)



Car Cycles – West Coast



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

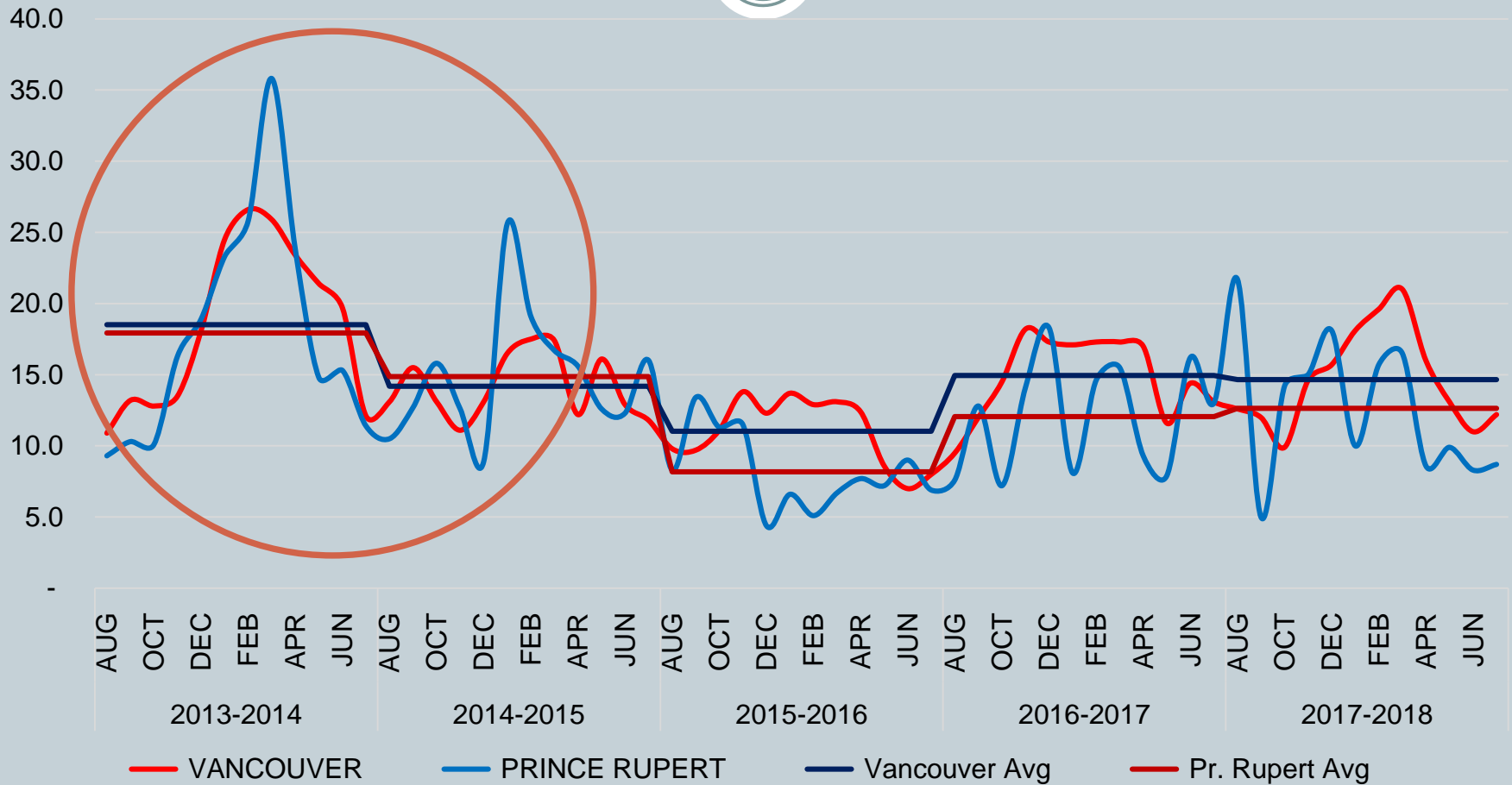
Fleet requirement for 5,500 cars/ week *(based on variable car cycle)*

Cycle Time	Required Fleet
18.00	14,709
16.00	13,074
14.00	11,440

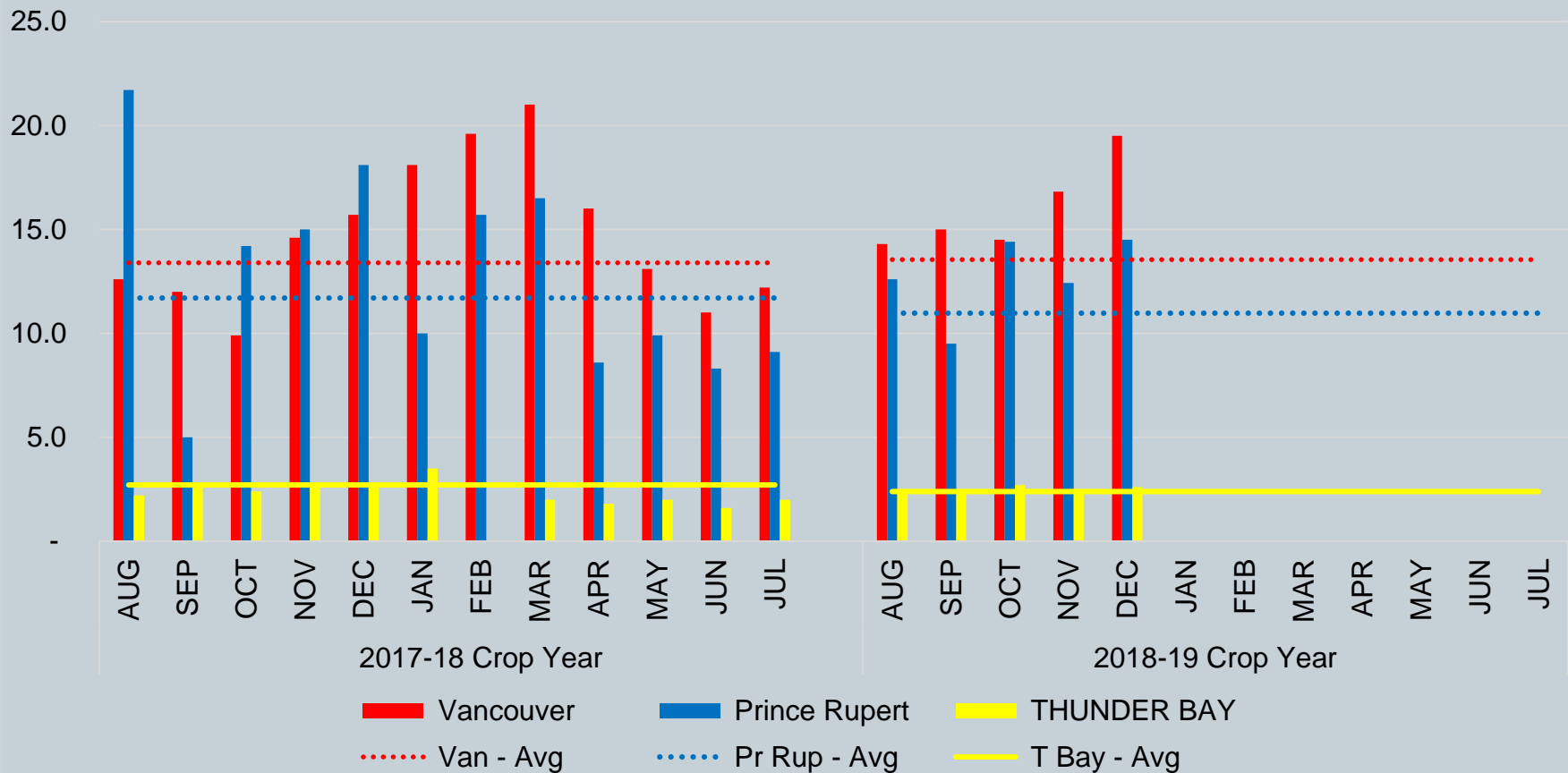
Present Fleet (Dec 2018)

CN	12,718
CP	14,064

Average Vessel Time in Port



Average Vessel Time in Port



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



Quorum
Corporation



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



Quorum
Corporation

2/4/2019