Grain Monitoring Program Report for: *January 2015*

Release Date: March 27, 2015

GMP Dashboard

	JAN 2015	JAN YTD	Var. from Last YTD
Western Canadian GHTS Performance (Days)			
Total Time in System:	51.6	42.0	-11.0%
Average Days In Store – Country:	36.8	25.2	-15.4%
Loaded Transit Time:	6.8	5.5	3.8%
Average Days In Store – Terminal:	8.0	11.3	11.9%
Total Traffic ('000 tonnes)			
Primary Elevator Shipments:	2,501.6	20,958.2	10.2%
Railway Shipments (all WC traffic):	3,582.4	25,429.2	n/a
Western Port Terminal Shipments:	2,243.2	18,266.4	27.5%
Country Performance			
Country Elevator Turnover Ratio*:	1.4	3.2	0%
Railway Performance			
Car Supply Performance (Weekly Average)			
Cars Ordered	n/a	n/a	n/a
Cars Committed	n/a	n/a	n/a
Cars Placed	n/a	n/a	n/a
Avg. Weekly Loads on Wheels	14,000	14,328	n/a
Total Western Port Car Cycle (days):	14.6	12.4	-10.8%
Port Performance			
Western Port Unloads (Number of Cars)			
Vancouver	14,993	106,026	15.5%
Prince Rupert	5,529	33,743	22.1%
Churchill	0	5,326	-13.5%
Thunder Bay	2,897	53,655	52.4%
Total	23,419	198,750	23.6%
Vessel Time in Port (days):	16.5	9.5	-5.0%

** Q2 data.*
n/a denotes measures for which data has not been supplied or comparative data is unavailable.

Highlights for January

Production and Supply (page 3)

- Total Western Canadian production for 2014 was 61.2 MMT.
- Grain supply is 8.6% lower than the record set the previous year and the second largest seen under the GMP.

Traffic and Movement (page 3)

- Shipments from primary elevators of 21.0 MMT in the first half of the 2014-15 crop year constitute a GMP record.
- All rail shipments (including primary/process elevators & producer cars) to all destinations from Western Canada totalled 25.4 MMT for the six month period.
- Shipments from Western Canadian ports totalled 18.3 MMT.

System Efficiency and Performance (page 5)

- Average weekly stocks in the country were down 7.1% from the same period last year, with the average days in store down 15.4%
- Port terminal stocks were up 51.8% over the same period last year with average days in store up 11.9%.
- Railcar cycle times are averaging 12.4 days to western ports and 23.1 days to eastern Canada.
- The average vessel time in port year to date is 9.5 days, 5% lower than the same period last year.
- YTD port terminal out of car time is 18.1% in Vancouver 5.8 % in Prince Rupert and 20.4% at Thunder Bay.

Commercial Relations (page 7)

- Average primary elevation charges have increased 3.1% so far this year.
- CN Rail single car rates increased 5% in both the Vancouver and Prince Rupert corridors this year to date.
- CP Rail increased single car rates 17.9% and 18.8% in the Vancouver and Thunder Bay corridors respectively.
- Average terminal elevation rates are up 1.1% this year to date.

Commercial Developments (page 8)

- This month's report covers the period from August to January.

Infrastructure (page 9)

- There are 370 licensed primary and process elevators in Western Canada with 7.3 MMT of storage capacity, a decrease of only one facility thus far this crop year.
- There are 17 licensed terminal elevators with 2.4 MMT of storage capacity. Two of these elevators were added at Thunder Bay during the second quarter.
- There is a total of 17,600 route miles of railway in Western Canada, consistent with the previous year.

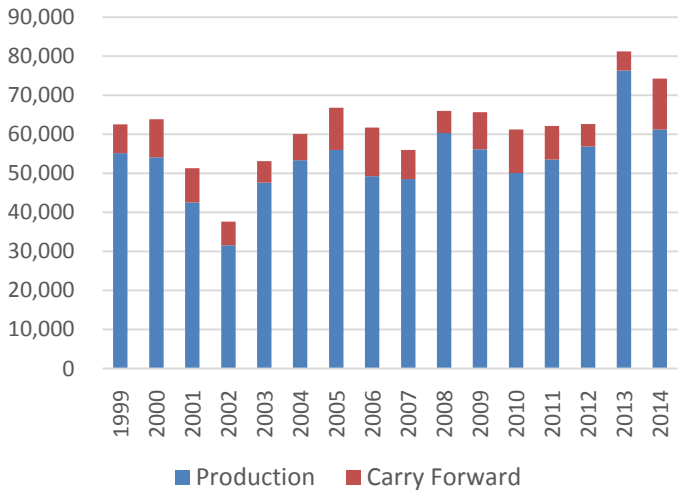
Producer Cars (page 9)

- The number of producer car loading sites has declined by 4.3% thus far this crop year. All reductions were made by the two Class 1 rail carriers.
- Total producer cars scheduled, at 5,345 cars, is 22.1% lower than the number scheduled in the first half of the 2013-14 crop year.

Production and Supply

Although 2014 crop production was 19.8% lower than 2013's record, overall grain supply to be moved by the Western Canadian GHTS fell by only 8.6% due to the large carry forward stock. Overall supply is the second largest on record at over 74 MMT.

Production & Carry Over (000's tonnes)	2014	2013	Var. from Last Year
Western Canada Total Production	61,235.9	76,340.2	-19.8%
Western Canada On Farm & Primary Elevator Carry Forward Stock	13,036.0	4,889.9	166.6%
Total Grain Supply	74,271.9	81,230.1	-8.6%



GMP Data Tables 1A-1 & 1A-2

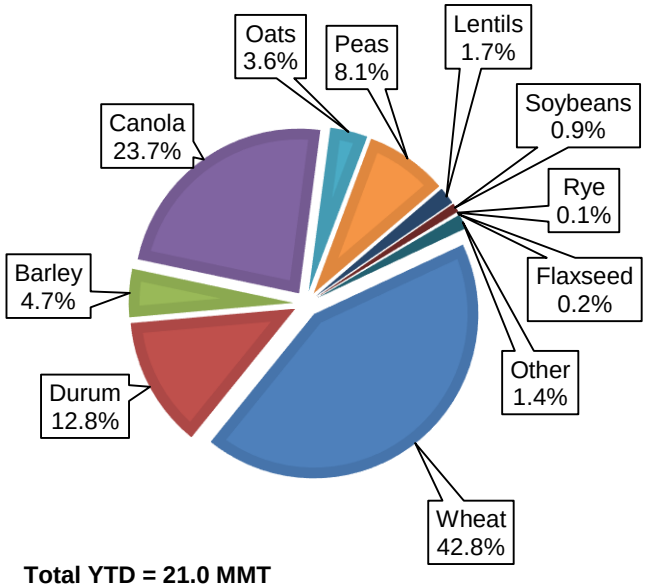
Traffic and Movement

The GHTS total movement has grown to record-setting levels in the first six months of the 2014-15 crop year. The 13 MMT carried forward from the 2013 crop provided an ample supply of grain prior to new 2014 crop availability. Sales opportunities have remained strong translating into large shipping programs.

	JAN 2015	JAN YTD	Var. from Last YTD
Primary Elevator Shipments (000's tonnes)			
Manitoba	339.5	3,120.0	-7.2%
Saskatchewan	1,200.9	10,442.9	11.4%
Alberta	930.8	7,164.5	17.0%
British Columbia	30.4	230.8	35.0%
Total	2,501.6	20,958.2	10.2%
Shipments to Western Ports	2,410.1	19,831.5	n/a
Shipments to Eastern Canada	434.6	1,426.1	n/a
Shipments to US & Mexico	703.6	3,867.3	n/a
Shipments Western Domestic	34.1	304.3	n/a
Total	3,582.4	25,429.2	n/a
Terminal Elevator Shipments (000's tonnes)			
Vancouver	1,464.9	9,665.3	20.4%
Prince Rupert	604.2	3,118.3	31.2%
Churchill	-	527.4	-17.1%
Thunder Bay	174.1	4,955.4	50.5%
Total	2,243.2	18,266.4	27.5%

The year to date total country elevator shipments are up only 10.2% while shipments out of the four western ports are up 27.5% suggesting that railways are focusing their resources on the movements to western ports where they can achieve the quickest cycles in order to meet the volume thresholds.

Primary Elevator Shipments by Commodity



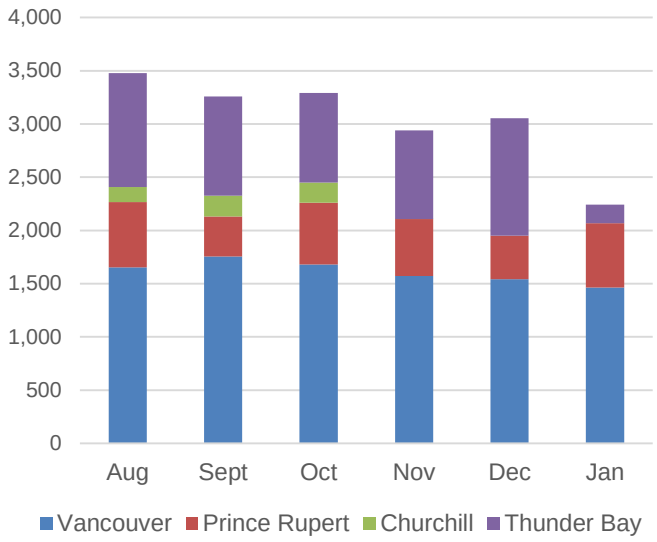
Total YTD = 21.0 MMT

GMP Data Table 2A-1

Wheat including durum continue to be the dominant commodities moved, although the proportion has fallen below 60%, from over 80% just 10 years ago.

Canola movements continue to increase in both the port and US corridors. The proportion of canola shipped has increased to 24% from 17% 10 years ago.

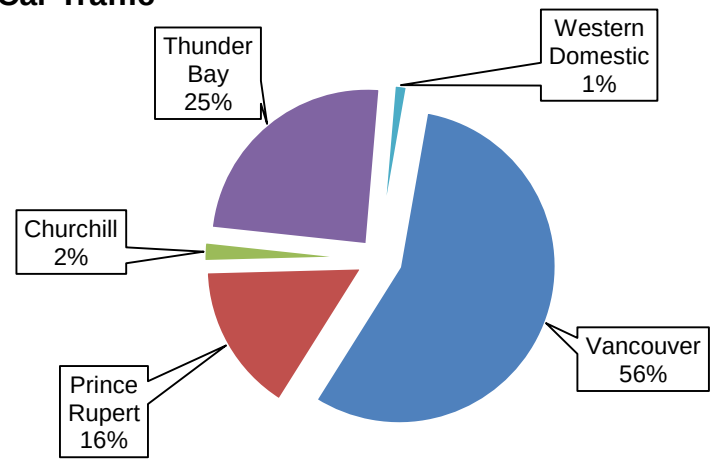
Terminal Elevator Shipments (000's tonnes)



GMP Data Table 2C-1

Monthly shipments from terminal elevators have declined from the pace achieved in August. The close of Seaway navigation precipitated a further decline in January.

Western Canadian Destined Hopper Car Traffic

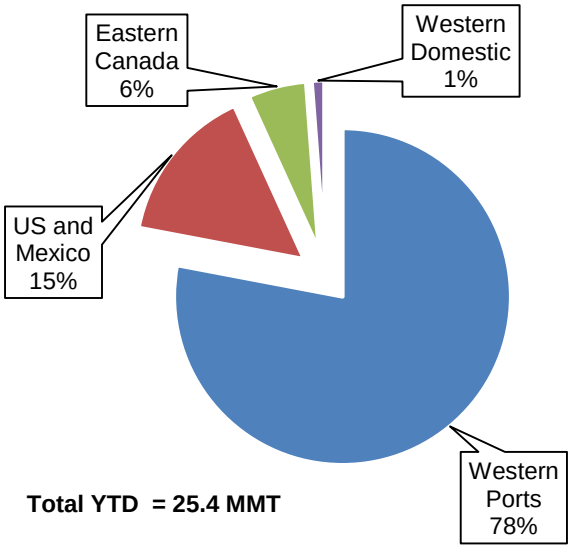


Total YTD = 19.6 MMT

GMP Data Tables 2B-3 to 2B-7

The vast majority of western Canadian grains have continued to move to Western port terminals, with Vancouver continuing in its role as the dominant port of export.

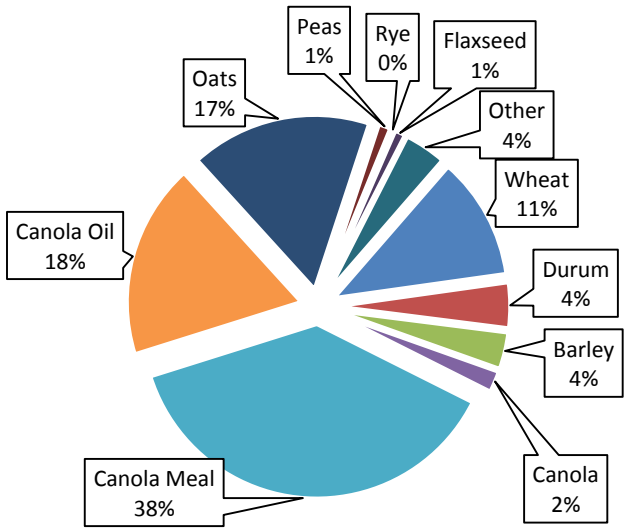
Western Canadian Grain Destinations



Total YTD = 25.4 MMT

GMP Data Tables 2B-1, 2B-8 & 2B-15

US Destined Grain by Commodity

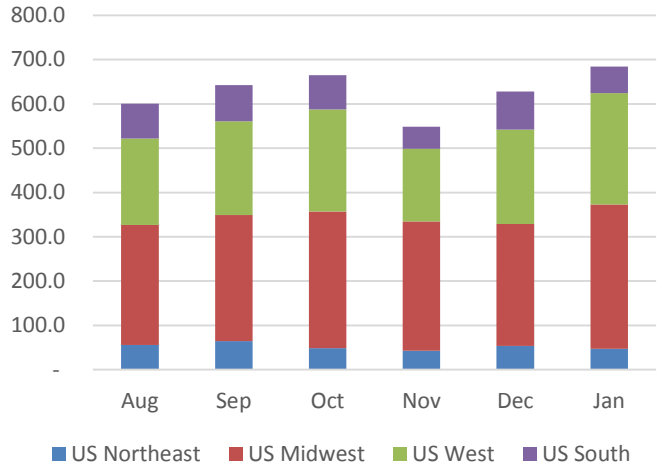


Total YTD = 3.8 MMT

GMP Data Table 2B-18

Canola and canola products (seed, oil and meal) dominate the movement to US destinations, constituting 58% of the overall movement.

US Destined Grain by Destination Territory (000's tonnes)

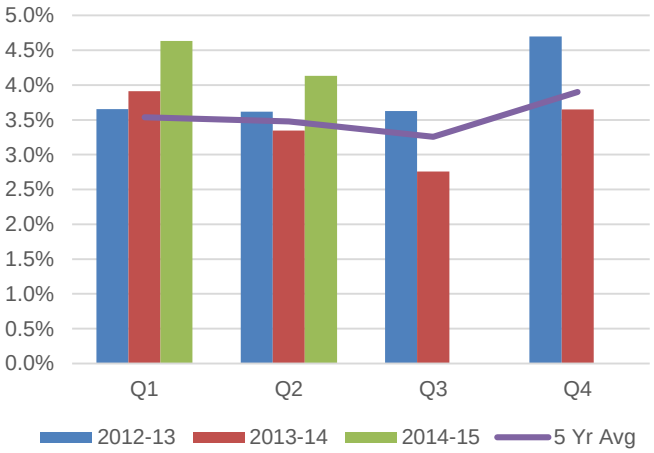


GMP Data Table 2B-18

The majority of Western Canadian grain exported to the US is moved to the US Midwest and West regions. 66% of the grain was sourced from the province of Saskatchewan.

Rail traffic from Western Canada to Mexico totaled 99,100 tonnes in the first half of the crop year.

Shortline volumes as a proportion of total rail volumes



GMP Data Table 2B-7

During the second to fourth quarters of the 2013-14 crop year, the proportion of tonnage handled by shortline railways fell considerably below that achieved the previous year as well as the level seen in the 5-year average. The first half of the 2014-15 crop year has seen a considerable increase in the proportional movement by shortline railways, which rose to 4.4% from an average of 3.6% in the first six months of the previous year, indicating a move by the two Class 1 railways to allocate a greater proportion of capacity to those origins.

System Efficiency and Performance

	JAN 2015	YTD AVG	Var. from Last YTD
Primary Elevator			
Average Weekly Stocks (000's tonnes)	3,308.20	2,906.40	-7.1%
Average Days in Store	36.8	25.2	-15.4%
Average Weekly Cars Ordered	n/a	n/a	n/a
Average Weekly Car Orders Cancelled	n/a	n/a	n/a
Average Weekly Cars Planned for Spotting	n/a	n/a	n/a
Average Weekly Cars Actually Spotted	n/a	n/a	n/a
Railway Operations (days)			
Cycle Time to Western Ports	14.6	12.4	-10.8%
Cycle Time to Eastern Ports	23.8	23.1	n/a
Cycle Time to US & Mexico	n/a	n/a	n/a
Loaded Transit to Western Ports	6.8	5.5	3.8%
Loaded Transit to Eastern Ports	12.6	12.2	n/a
Loaded Transit to US & Mexico	n/a	n/a	n/a
Traffic in 50-car+ blocks (Q2)	82.10%	81.80%	4.9%
Western Canada Terminal Elevator			
Average Weekly Stocks (000's tonnes)	1367	1266.4	51.8%
Average Days in Store	8.0	11.3	11.9%
Port Unloads (hopper cars)	23,419	198,750	23.6%
Western Canada Port Operations			
Average Vessel Time in Port (days)	16.5	9.5	-5.0%

Note: *At the time of this publication, car order data (order fulfillment) was not complete from both railways and is therefore not included in this month's report.*

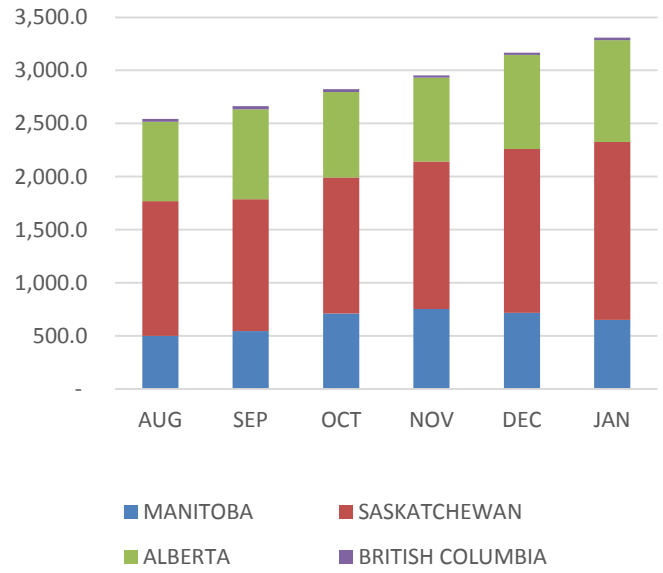
Primary Elevator Stocks have been climbing steadily over the first six months of the crop year. Averaging 3.3 MMT during January, they utilized an estimated 79% of the working capacity of the network. By province, stocks ranged from 74% of working capacity in Manitoba to 87% in Alberta.

Year to date average days in store in the primary elevator system fell by 15.4% from last year, when elevator congestion was widespread.

Railway car cycles to western Canadian ports had consistently held in the 11-12 day range from April to November 2014 coincident with the enactment of grain volume thresholds under the Order in Council. However, they have increased in the past two months, reaching an average of 14.6 days in January 2015.

Although year to date average time vessels are spending in port waiting and loading grain is 5% less than that experienced in the first half of the 2013-14, recent months have seen increases, rising to 16.5 days in January. The level at west coast ports is approaching that experienced last year and warrants close scrutiny as winter operations continue.

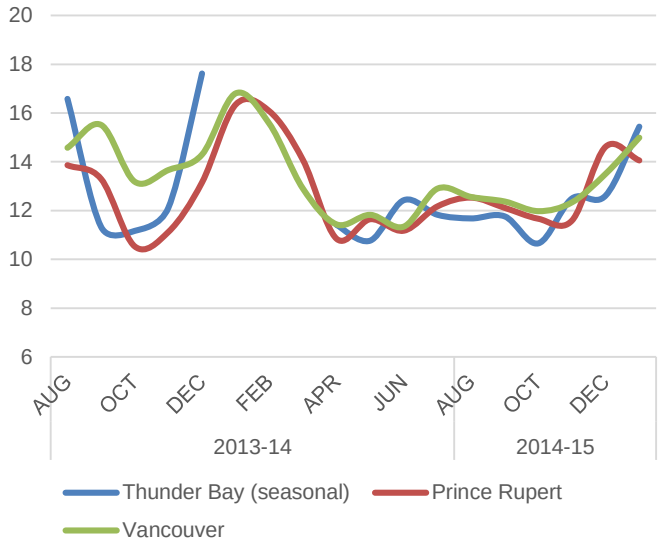
Average Weekly Primary Elevator Stocks (000's tonnes)



GMP Data Table 5A-2

Average weekly primary elevator stock levels have grown steadily over the first half of the current crop year. This is in contrast to the previous crop year when, from the beginning of week 7 (late September) to week 36 (early April), stocks in the country network were near working capacity limits (95% or more). Stocks this year have been sufficiently lower, but have increased as the winter operating season progressed. As of the end of January, the country system was at approximately 85% of its working capacity.

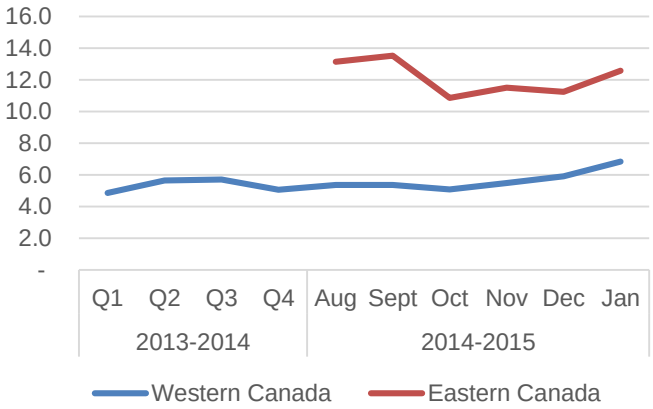
Railway Cycle Times to Western Ports (days)



GMP Data Table 5B-1

Despite seasonal fluctuations, the average car cycle in Western Canada has progressively declined since the beginning of the GMP. The first six months of the 2014-15 crop year saw this average fall to 12.4 days from the 13.9-day average posted in the same period of the previous crop year. Much of this was driven by improvements in the Vancouver and Thunder Bay corridors: which respectively fell to 12.6 days from 14.6 days; and to 11.9 days from 13.7 days. The average for Prince Rupert remained unchanged at 12.7 days. Even so, each corridor's average car cycle rose noticeably through to January 2015, with the average in the Vancouver corridor reaching 15.0 days; the Prince Rupert corridor, 14.1 days; and the Thunder Bay corridor, 15.4 days.

Average Loaded Transit Times (days)

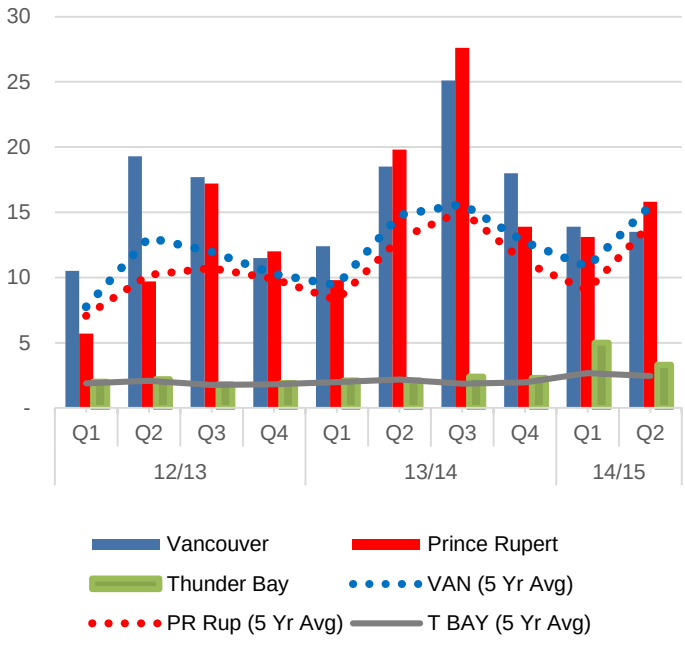


GMP Data Tables 5B-4, 5B-8

Loaded transit time for traffic destined to Western Canadian ports averaged 5.5 days for the first six months of the crop year, up from the 5.3-day average posted during the same period a year earlier. However, as with the car cycles, the monthly average rose sharply in January, reaching 6.8 days.

The measurement for Eastern Canadian car cycles and transit times also show a rise during this same time period, with the first-half's averages amounting to 23.1 days and 12.2 days respectively. Longer distances and smaller volumes are the chief drivers in these larger values.

Average Days in Port per Vessel

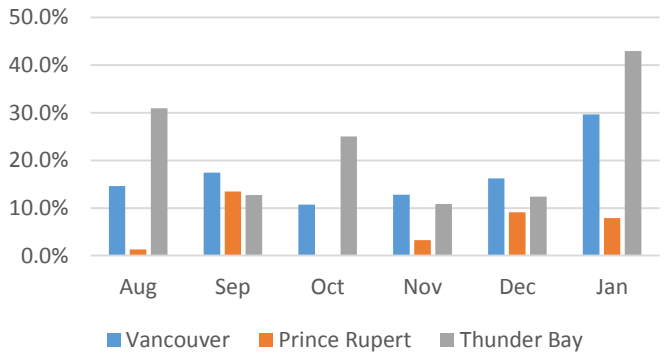


GMP Data Table 5D-1

Prior to the 2010-11 crop year, the average time vessels spent in port at Vancouver and Prince Rupert was between five and ten days. Despite seasonal fluctuations, a steady increase in this time has been recorded over the past four years. The high point last winter exceeded 25 days. There are a number of possible contributing factors. It is important to note that this pattern began two years prior to the elimination of the Canadian Wheat Board's single desk, which suggests that this is likely not attributable to that specific marketplace change.

As ocean freight rates have fallen to record low levels and the supply of vessel carrying capacity has increased in the past three years, it is likely that some of the increased time can be attributed to less discipline in managing the vessel assets. There have also been several claims by terminal operators that the right grain has not been in position for the vessels waiting in port.

Port Terminal Out of Car Time (% of total operating hours)



GMP Data Table 5C-5

A new measure introduced this year tracks the time port terminals did not have cars to unload but had crews in place. The measure is tracked weekly and collects data from the terminal elevators on the total number of hours the facilities are staffed (including overtime hours) and the number of hours that terminals have no rail cars available to unload while the facilities are open. The measure is expressed in terms of the percentage of hours terminals are without cars to the total number of hours working.

Year to date in Vancouver, the out of car time was 18.1%, at Prince Rupert 5.8% and at Thunder Bay it was 20.4%. The month of January, however, saw the ratios at Vancouver terminals climb to 29.6%, a function of a slowdown in the number of cars made available at port. Thunder Bay's percentage rose to 43% which is attributed to the end of the shipping season.

Commercial Relations

A vast number of individual tariff rates exist for country and terminal elevation services and for rail freight. The GMP consolidates these rates into averages for presentation purposes. Increases or decreases are presented based on an index with the base year (August 1, 1999) equal to 100.

Rates: $CDN per tonne	JAN 2015	Index (1999=100)	% Change YTD
Avg. Primary Elevation	$16.22	135.3	3.1%
Rail to Vancouver			
CN	$49.95	135.6	5.0%
CP	$52.11	140.0	17.9%
Rail to Pr. Rupert			
CN	$49.96	119.8	5.0%
Rail to Thunder Bay			
CN	$46.80	145.6	0.0%
CP	$42.41	142.6	18.8%
Average Terminal Elevation	$13.83	151.6	1.1%

Note: *Rail rates are as at Jan. 31, 2015 and reflect the average weighted single car rate. They do not include multi-car incentives ($4/tonne for 50 + car blocks and $8/tonne for 100 + car blocks).*

Grain companies must file maximum tariff rates with the CGC for all primary and terminal elevation services (they may actually charge less).

Posted maximum primary elevation tariffs have increased at a rate of approximately 2.5% per year since the base year.

Railway freight rates moved higher in the first half of the 2014-15 crop year corresponding to a 4.2% increase in the Volume-Related Composite Price Index used in the calculation of the Maximum Revenue Entitlement.

Posted maximum terminal elevation tariffs have increased at a rate of approximately 4.0% per year since the base year.

Commercial Developments

August

Extension of minimum volumes for railways: The Government of Canada extended the regulatory measures for railways to meet volume thresholds in the movement of grain. Each railway was required to move a minimum of 536,000 tonnes weekly until November 29.

CP challenge to extended Interswitching limits: On August 29th Canadian Pacific Railways launched legal action against the Canadian Transportation Agency challenging the legality and appealing the process that led to the extension of interswitching limits to 160 kilometres in Manitoba, Saskatchewan and Alberta. The change was made through the Fair Rail for Grain Farmers Act which also allowed for the setting of mandatory minimum volume thresholds.

Viterra to build new facility at St. Agathe, MB: On August 26, Viterra announced the construction of a new 30,000 MT primary elevator at St. Agathe. The facility will have the capability of loading 124 car unit trains.

September

STB Hearings on rail performance: On September 4 at Fargo, ND, US Surface Transportation Board held hearings on rail service with a particular focus on CP and BNSF operations in the northern states. The focus was primarily on grain and coal customers.

October

STB orders expanded information from railways: On October 8, the US Surface Transportation Board expanded the requirement that all US railways report weekly performance data. A preliminary order issued in June applied only to BNSF and CP.

Production stopped on locomotives: Electro-Motive Diesel Inc. announced that it would suspend production of locomotives for up to two years while it re-tools its plant to meet the Tier 4 emission standards issued by the US Environmental Protection Agency. There are only two principle suppliers of high horse power locomotives to the North America rail freight industry, the other being General Electric. This comes at a time when North American railways are under considerable pressure to increase their capacity to meet growing demands.

Yorkton canola crushing plant fire: On October 24, the canola crushing plant owned by Louis Dreyfus's in Yorkton Sk. suffered an explosion and fire that caused structural damage to the operation. The plant reopened in mid-December following repairs. It has an annual canola crush capacity of 850,000 tonnes.

Railway third quarter results: Both CN and CP posted record profits in their third quarters (CN net income increased 21% and CP's 23%). Both railways pointed to increased movement of grain as a prominent reason for the improved profit positions.

CWB to build elevator at St. Adolphe, MB: On October 3, CWB announced the construction of a new elevator at St. Adolphe, MB. The facility will have 34,000 MT of capacity and the capability of loading 134 car trains. The facility will be the fourth new-build elevator for CWB, following announcements for facilities at Bloom, MB, Colonsay, SK and Pasqua, SK.

November

New CWB lake vessel: On November 10, CWB took possession in international waters of the first of the two ships designed and built for movement on the St. Lawrence Seaway. The Equinox-class laker CWB Marquis was built in China and will be joined by a sister vessel in early 2015.

Railway Car Order Processes: Both CN and CP instituted new rail car order processes at the end of grain shipping week 12. The highlights of these changes are:

CN

- Orders are limited to 2 weeks and a maximum of 2 times the car spot capacity of the facility
- Terminal authorization is required
- Allocation guidelines will continue to use historical share to apportion cars

CP

- Dedicated Train Program/ shuttle concept has been implemented for major companies (it is capped at 4 times the car spot of the facility) Companies must contract for the service
- Remaining shipments will be allocated through the normal manifest car allocation processes which will continue to use historical share as a guideline in apportioning cars

Grain facility on Canada-US border: A new logistics park located on the US border at Northgate SK began preliminary operations in November. The Northgate Commodity Logistics Hub is a project developed by Ceres Global Ag. Inc., a Canadian company and is intended to be both a grain and light crude transloading facility. The Northgate facility plans to ship grain, pulses and oilseeds via the BNSF. Northgate was once the southern end of CN's Northgate Subdivision which was abandoned over 10 years ago. While the loop track is now in place, the construction of a 2.5 million bushel concrete and steel elevator is progressing. When completed in late in 2015 it is expect to move up to 220 carloads of grain weekly.

Renewed railway minimum volume requirements: On November 29, the Federal Government announced that minimum thresholds for the movement of grain by railways were extended to March 28, 2015. The revised thresholds were reduced for each railway to: 345,000 per week from November 30 to Dec 20; 200,000 per week between December 21 and Jan 3, 2015; 325,000 per week from Jan 4 to February 21; 345,000 per week from February 22 to March 21; and 465,000 from March 22 to March 28.

December

Richardson to build new facility at Dauphin, MB: On December 11, Richardson International announced the construction of a new 25,000 metric tonne primary elevator at Dauphin to replace its current facility. The new elevator will be able to accommodate 104 car loading.

Railway penalized for not meeting threshold targets: A Transport Canada Enforcement Officer determined that penalties would be imposed against Canadian National Railway and Canadian Pacific for failing to meet the minimum volumes specified by Order in Council. CN failed to meet minimum volumes for two weeks and CP for one week.

Maximum revenue entitlement (MRE) decision for 2013-14: On December 16, the Canadian Transportation Agency released its decision regarding railway compliance with the MRE:

Railway Revenues *($ millions)*	CN	CP	Total
Actual Revenues	672.1	623.6	1,295.7
MRE	667.1	625.3	1,292.4
Difference	5.0	- 1.7	3.3
Penalty	0.2		5.2

As a result, CN will be required to pay back the $5.0 million in excess revenue along with a penalty of $0.2 million to the Western Grains Research Foundation.

January

Thunder Bay terminal expansion: Two newly licensed terminal elevators were added to the network at the end of the second quarter. These additional facilities are comprised of MobilEx Terminal Ltd., which set up bulk-transfer operations on a former CN-served site, and Thunder Bay Terminals Ltd., an existing bulk-handling facility seeking to enhance its operations.

CN winter incentive for country elevators: CN introduced an incentive for country elevators who charge the air lines of grain trains at their facilities. It required the elevators invest in the necessary air compression equipment and associated connections that would support that activity. In return, CN will pay $5,000 per loaded train that is charged with air when the train crew arrives to lift that train. This incentive is in effect through the winter operating period and is expected to help in effecting a faster turnaround for those trains.

Infrastructure

The GHTS infrastructure underwent significant rationalization in the 1990's and early 2000's. Since that time the pace of change has largely abated. The GMP monitors infrastructure changes on a quarterly basis.

	Q2 2014-15	Index (1999=100)	% Change YTD
Country Elevator			
Primary and Process Elevators (Count)	370	36.9	-0.3%
Storage Capacity (000's tonnes)	7,334.8	104.4	0.0%
Railway			
Route Miles - Major Carriers	15,011.5	101.2	0.0%
Route Miles - Shortline Carriers	2,588.7	55.8	0.0%
Route Miles - Total	17,600.2	90.4	0.0%
Average Weekly Hopper Car Fleet Size	22,208	n/a	-2.5%
Terminal Elevator			
Terminal Facilities (Count)	17	121.4	13.3%
Storage Capacity (000's tonnes)	2,423.9	94.8	0.9%

There were modest changes in the GHTS infrastructure in the first six months of the 2014-15 crop year.

- The total number of country elevators declined by one to 370, after seeing 16 facilities de-licenced last crop year.
- Two newly licensed terminal elevators were added to the network at the end of the second quarter, both located in Thunder Bay.
- The number of railway hopper cars in the fleet decreased 2.5% since the beginning of this crop year (August)

Producer Cars

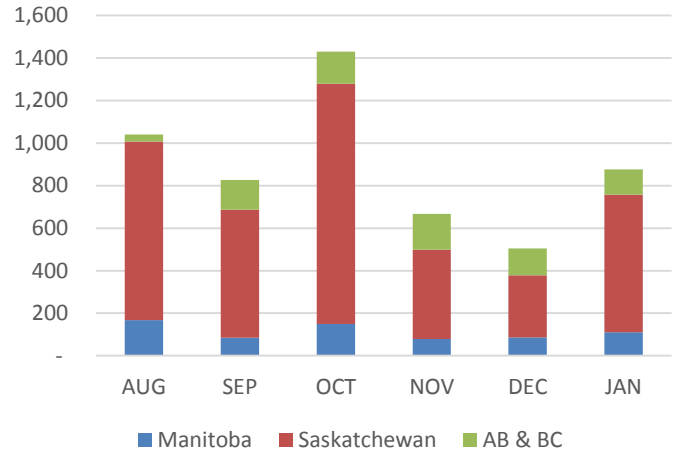
The primary producer impact measure in the GMP is the Producer Netback. The Netback and accompanying Export Basis are calculated on an annual basis and will be included in the Annual Report. The GMP also monitors elements of producer car infrastructure and movement.

Producer Car Loading Sites	Q2 2014-15	Index (1999=100)	% Change YTD
Class 1 Carriers	196	30.4	-7.1%
Shortline Carriers	135	207.7	0.0%
All Carriers	331	46.7	-4.3%

Class 1 carriers eliminated 15 producer loading sites in the first quarter of this crop year (CN 9, CP 6), further reducing the total number of available loading locations to 331.

Producer Cars Scheduled	JAN 2015	JAN YTD	Var. from Last YTD
Manitoba	111	678	28.7%
Saskatchewan	647	3,930	-17.5%
Alberta & B.C.	118	737	-53.1%
Total	876	5,345	-21.1%

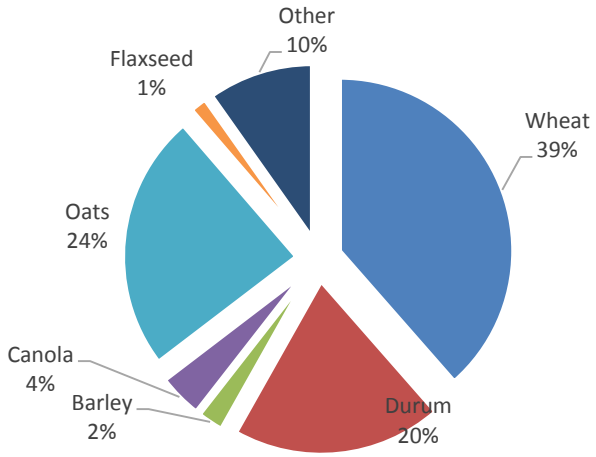
Producer Cars Scheduled by Province



GMP Data Table 6B-2

In the past, producer car shipments were primarily wheat, durum and oats. Since the elimination of the single desk, greater volumes of canola and special crops are moving via this mode.

Producer Cars Scheduled by Commodity



GMP Data Table 6B-2

This report provides a summary of the data developed under the Grain Monitoring Program. Detailed monthly Data Tables can be found in Excel format on Quorum's website at: www.grainmonitor.ca

Quorum welcomes questions and comments on the reports and data. Please contact us at the address below by either phone or email.

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

Phone: (780) 447–2111
Email: info@quorumcorp.net
Web: www.grainmonitor.ca

Quorum Corporation