Grain Monitoring Program Report for: January 2018 / Q2 2017-18 CY

Release Date: March 9, 2018

GMP Dashboard

Table M-1	DEC 2017	JAN 2018	2017-18 YTD	Var. from Last YTD
Western Canadian GHTS Performance (Days)				
Total Time in System	44.8	52.1	46.6	21.4%
Average Days In Store – Country	29.2	34.6	28.7	21.6%
Loaded Transit Time	6.5	6.1	6.0	15.7%
Average Days In Store – Terminal	9.1	11.4	11.9	24.0%
Total Traffic ('000 tonnes)				
Primary Elevator Shipments	3,596.8	3,772.7	23,687.1	1.6%
Railway Shipments (all Western Canada traffic)	4,285.2	3,910.0	25,538.3	-2.6%
Western Port Terminal Shipments	3,232.4	2,292.4	18,030.7	-5.5%
Railway Performance				
Avg. Loads on Wheels (Cars)	12,201	12,048	11,331	3.1%
Total Western Port Car Cycle (days)	15.6	15.9	15.2	10.6%
Port Performance				
Western Port Unloads (Number of Cars)	29,067	30,428	201,038	-1.0%
Vessel Time in Port (days)	10.6	15.8	9.5	-2.1%

- ***Order fulfilment measures have been removed from this table as comparative data is unavailable now.***
- ***YTD refers to the crop year to date (extending from August 1 through to the end of this reporting period)***

Periodic revisions and corrections to the data received by the Monitor may result in the restatement of previously calculated measurement values. Where such differences arise, the values presented here should be considered to supersede those found in previous reports.

Overview

The movement of grain began to slow with the arrival of winter. Western Canadian rail shipments reached 3.9 MMT in January, down 8.8% from December. Year-to-date shipments also declined when compared to last year, falling by 2.6% to 25.5 MMT. Port shipments for January totaled 2.3 MMT, a 29.0% decrease from December volumes with the Seaway shipping curtailed for the winter. Year-to-date shipments from ports declined by 5.5%. Accompanying the slowdown in shipments, is a 15.8-day average in the amount of time vessels spent in port in January, up sharply from December's 10.6-day average, due partly to the absence of the dampening effect of vessels at Thunder Bay, but also impacted by slow grain arrival at west coast terminals and escalating rail service issues.

Highlights for January 2018 and Second Quarter 2017-18 CY

Traffic and Movement (page 2)

- Primary-elevator shipments were 23.7 MMT in the first half of the 2017-18 crop year, 1.6% greater than last year.
- Total Western Canadian rail shipments (from all primary/process elevators and producer-car sites) were down 8.8% from December. Total shipments in the first half also fell by 2.6%, to 25.5 MMT.
- Crop year-to-date shipments from Western Canadian ports totaled 18.0 MMT, down 5.5% from the first half of the last crop year.

System Efficiency and Performance (page 4)

- Year-to-date average weekly primary-elevator stocks increased by 19.4% from last year. The average days-in-store was up 21.6%.
- Average weekly port-terminal stocks increased 15.1% from the same period last year, while average days-in-store climbed 24.0%.
- Railcar cycle times continued to climb, with the preliminary average for Western Canadian movements in January rising slightly to 15.9 days from 15.6 days in December. The year-to-date average through January stood 10.6% higher than the same period last year, rising to 15.2 days from 13.7 days.
- The year-to-date average for vessel time in port is 9.5 days, a 2.1% decrease from that observed in the previous crop year.
- Port-terminal out-of-car time fell to 10.7% at Vancouver in January from 13.2% in December, while growing to 22.9% at Prince Rupert from 20.5%. At Thunder Bay the out-of-car time fell to 1.5% from 6.0% the previous month.

Commercial Relations (page 6)

- Average primary-elevation charges rose 0.4% over the course of the first half of the crop year.
- Neither CN nor CP adjusted their single-car freight rates in the second quarter, extending the rates previously elevated in the first quarter. These increases ranged from 7.0% to 15.5% depending on the carrier and corridor.
- Average terminal-elevation charges rose 0.1% during the first half of the crop year.

Infrastructure (page 7)

- The GHTS's country-elevator network posted a net increase of nine primary facilities in the first half, with the total rising to 400 from 391. This was due to the licensing of several new facilities. Continuing expansion efforts also resulted in the system's storage capacity increasing by another 130,000 tonnes, or 2.8%, to a GMP record of almost 8.3 MMT.
- A net 18.9 route-miles of track was added to the railway network in Western Canada following the opening of CP's new Belle Plaine Subdivision in Saskatchewan. This line does not provide service to any grain elevators.
- There were no changes to the GHTS's terminal-elevator network in the first half of the 2017-18 crop year.

Production and Supply

The estimate from Statistics Canada's November survey for 2017 crop production in Western Canada stands at 71.9 MMT.

This production estimate registers just 0.9% less than the 2016 production and ranks as the third largest crop grown in Western Canadian history. While Statistics Canada may incorporate further revisions into future releases, this constitutes the final estimate focused on the 2017 crop.

Coupled with carry-forward stock of 8.6 MMT, 14.4% more than in 2016, the overall grain supply is estimated to be 80.5 MMT, 0.5% more than that of the previous year and the second largest next to that seen in the 2013-14 crop year.

Production & Carry Over (000's tonnes) *Table M-2*	**2017**	**2016**	**Var. from Last Year**
Western Canada Total Production	71,911.9	72,580.9	-0.9%
Western Canada On Farm & Primary Elevator Carry Forward Stock	8,630.0	7,543.9	14.4%
Total Grain Supply	**80,541.9**	**80,124.8**	**0.5%**

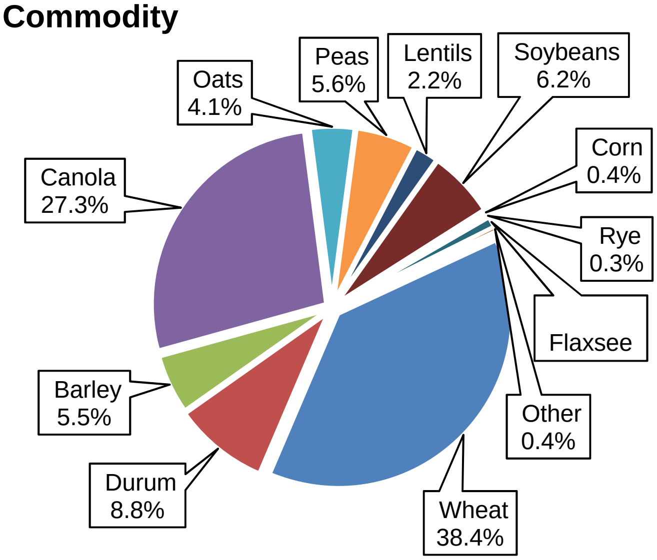
Traffic and Movement

With the holiday season behind and normal winter conditions, January producer deliveries grew moderately, averaging about 0.85 MMT per week for the month. Average weekly primary-elevator stock levels held steady at 3.8 MMT, continuing to provide adequate supply for the shipping programs.

Table M-3	**JAN 2018**	**2017-18 YTD**	**Var. from Last YTD**
Primary Elevator Shipments (000's tonnes)			
Manitoba	464.7	4,895.1	16.5%
Saskatchewan	1,899.3	11,485.5	-1.9%
Alberta	1,371.7	7,143.7	-1.1%
British Columbia	37.0	162.8	-6.9%
Total	3,772.7	23,687.1	1.6%
Western Canada Railway Traffic (000's tonnes)			
Shipments to Western Ports	2,698.3	19,356.0	-5.9%
Shipments to Eastern Canada	348.4	1,558.1	-12.4%
Shipments to US & Mexico	784.3	4,247.8	18.4%
Shipments Western Domestic	79.0	376.4	31.6%
Total	**3,910.0**	**25,538.3**	**-2.6%**
Western Port Unloads (Number of Cars)			
Vancouver	23,407	127,570	6.3%
Prince Rupert	5,892	29,441	-9.1%
Thunder Bay	1,129	44,027	-12.9%
Total	30,428	201,038	-1. 0%

Table M-3	JAN 2018	2017-18 YTD	Var. from Last YTD
Terminal Elevator Shipments (000's tonnes)			
Vancouver	1,808.1	11,306.4	-1.4%
Prince Rupert	423.2	2,583.9	-11.4%
Churchill	0.0	0.0	0.0%
Thunder Bay	61.1	4,140.4	-11.9%
Total	2,292.4	18,030.7	-5.5%

Primary Elevator Shipments by Commodity

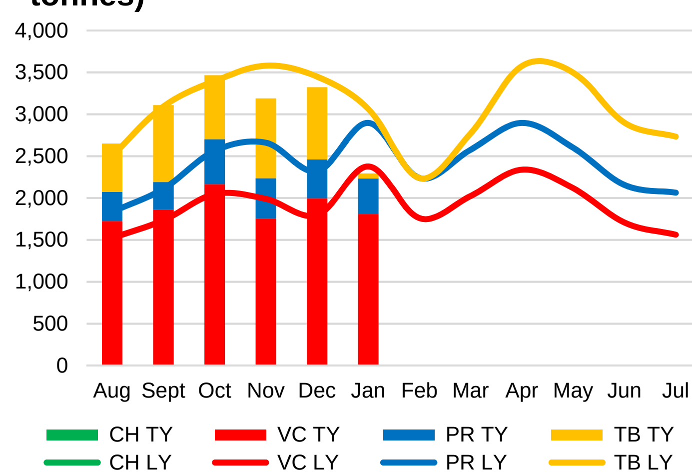


Total YTD = 23.7 MMT

GMP Data Table 2A-1

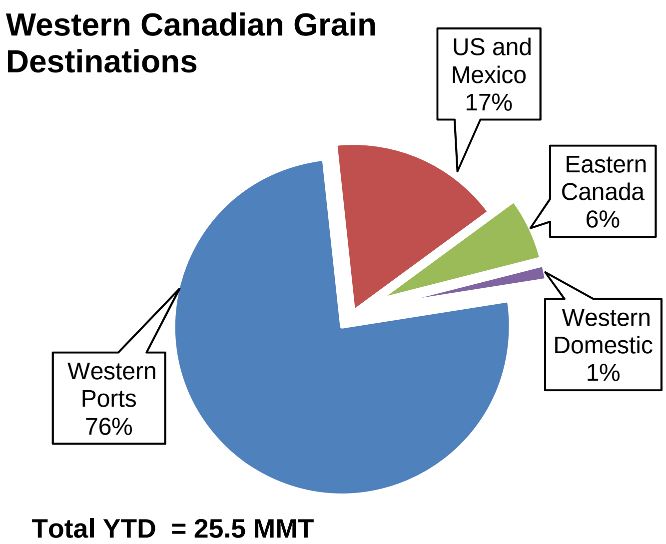
Grain shipments from primary elevators remained steady in January contributing to movement that registered 1.6% higher than the crop-year-to-date total for the previous year. Wheat, durum and canola continue to constitute the largest proportion of the movement at 74%. Movement of peas and lentils have fallen dramatically, to 7.8% of total movements, compared to 14.4% a year earlier as both tariff and non-tariff trade barriers challenge the marketing of these pulse crops.

Terminal Elevator Shipments (000's tonnes)



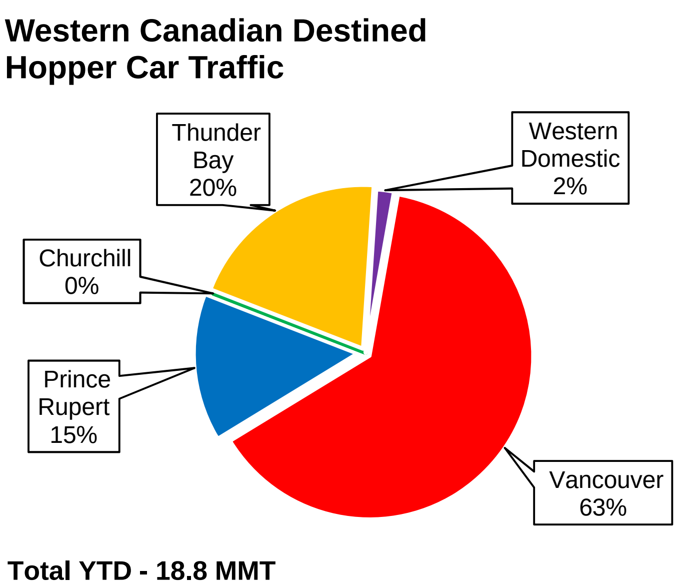
GMP Data Table 2C-1

Shipments out of the western ports fell in the first five months of the crop year, registering a 5.5% decrease on a year-over-year basis. With the close of navigation on the Seaway, January shipments fell to the lowest level thus far in the crop year.



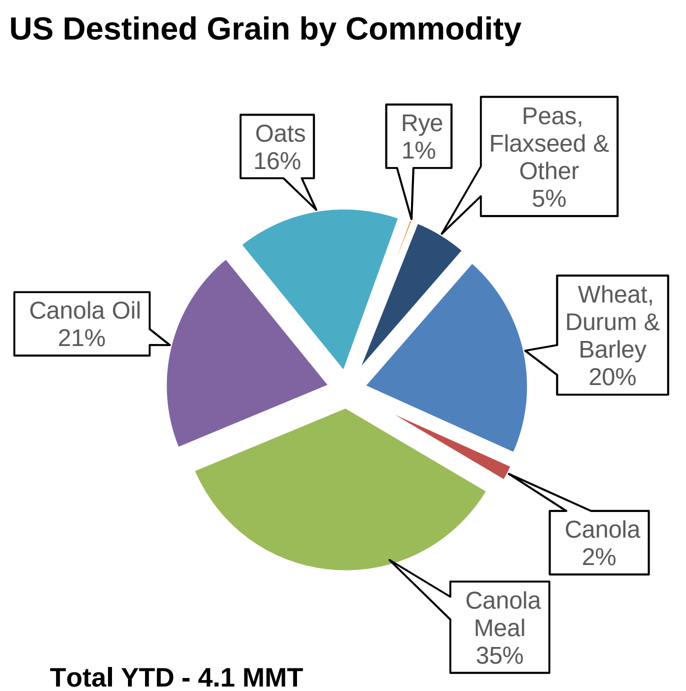
GMP Data Tables 2B-1, 2B-8 & 2B-15

Railway grain shipments from Western Canada totaled 25.5 MMT in the first half of the 2017-18 crop year, a 2.6% decrease from what was handled in the same period a year earlier. The majority, about 19.4 MMT, was directed to Western Canadian ports in support of offshore sales. This marked a 5.9% decline from what had been handled a year earlier. Shipments to Eastern Canada also declined, falling by a more substantive 12.4%. Running counter to these volume reductions were increases in: Western domestic shipments, up 31.6%; and US and Mexican shipments, up by 18.4%.



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

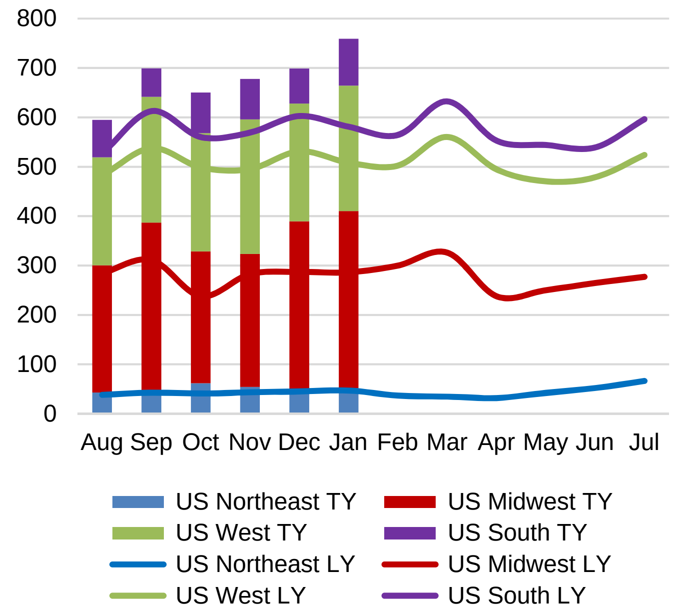
Over 95% of the tonnage directed to destinations within Western Canada moves in covered hopper cars. During the first six months of the 2017-18 crop year this amounted to just over 18.8 MMT, down 5.9% from that handled in the same period a year earlier. On the receiving end, 63% of these hopper cars were destined to Vancouver, which remains the unrivaled Canadian gateway for export grain given its ready access to Asia-Pacific markets, favourable logistical economics and year-round operations. Even so, hopper-car shipments through Vancouver during this period declined by 3.6%. Moreover, this reduction was eclipsed by steeper declines at Prince Rupert and Thunder Bay, which fell by 7.1% and 13.7% respectively.



GMP Data Table 2B-18

Total railway shipments into the US reached 4.1 MMT in the first six months of the 2017-18 crop year, a gain of 18.1% over that handled a year earlier. Over 80% of these shipments are directed into the US Midwest and West and are dominated by canola and canola products.

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



GMP Data Table 2B-18

System Efficiency and Performance

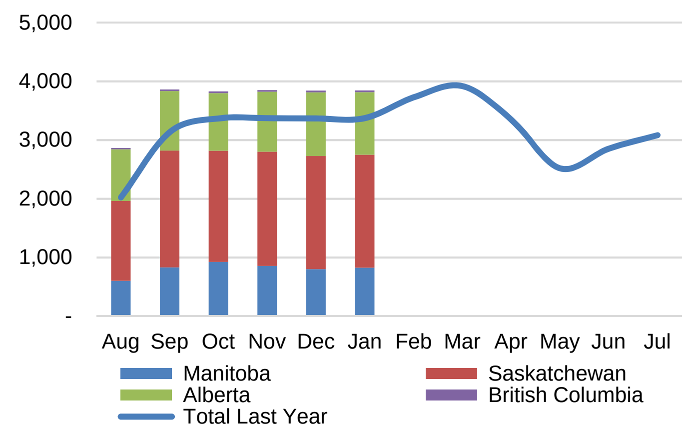
Primary elevator stocks continued to be high compared to the previous crop year's level. In January, for the fourth month in a row, stocks remained at 3.8 MMT which was only slightly below the 3.9 MMT registered in September. Overall space in the country system was fair with some areas experiencing congested elevators. Country stocks utilized 80% of the working capacity of the network. By province, stocks ranged from 77% of working capacity in Saskatchewan to 80% and 86% in Manitoba and Alberta respectively and 100% in British Columbia.

The average days-in-store in the primary-elevator system for the first half of the crop year increased substantially from last year, climbing by 21.6% to 28.7 days. This is indicative of delays in the grain supply chain and continued challenges in rail transportation this crop year.

Table M-4	JAN 2018	2017-18 YTD	Var. from Last YTD
Primary Elevator			
Average Weekly Stocks (000's tonnes)	3,843.7	3,655.8	19.4%
Average Days in Store	34.6	28.7	21.6%
Railway Operations (days)			
Cycle Time to Western Ports	15.9	15.2	10.6%
Cycle Time to Eastern Canada	24.6	22.5	11.4%
Cycle Time to US	28.3	26.4	9.8%
Loaded Transit to Western Ports	6.1	6.0	15.7%
Loaded Transit to Eastern Canada	12.8	10.5	25.9%
Loaded Transit to US	13.1	11.1	9.9%
Rail Fleet in Grain Service	22,327	21,390	2.5%
Western Canada Terminal Elevator			
Average Weekly Stocks (000's tonnes)	1,254.2	1,216.8	15.1%
Average Days in Store	11.4	11.9	24.0%
Port Unloads (hopper cars)	30,428	201,038	-1.0%
Terminal Out-of-Car Time	10.8%	10.2%	-30.4%
Western Canada Port Operations			
Average Vessel Time in Port (days)	15.8	9.5	-2.1%

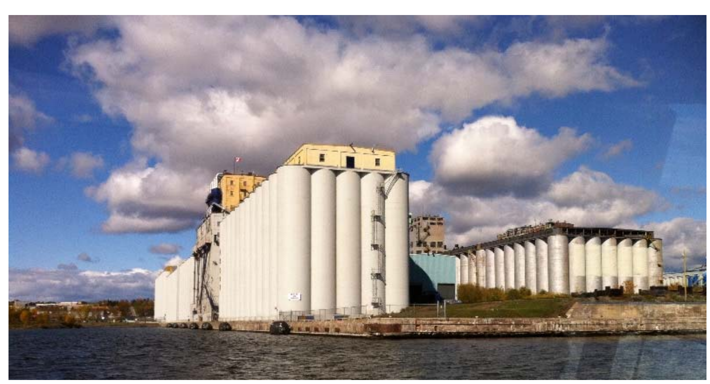
Car order and order fulfillment data is not complete from both railways and will not be reported until further notice.

Average Weekly Primary Elevator Stocks (000's tonnes)

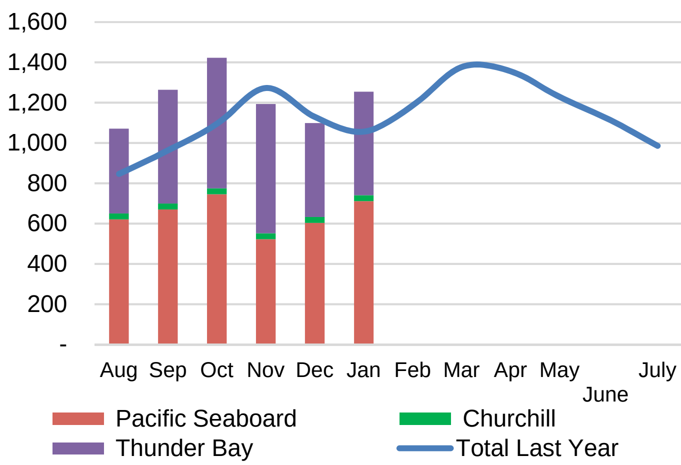


GMP Data Table 5A-2

Following a decline to 2.9 MMT in August, average country elevator stocks rose to 3.9 MMT in September, before dipping slightly to 3.8 MMT in October. They remained constant at that level right through January. Wheat, including durum, and canola stock, comprise over 72% of the total stock. At 16% of the stock, barley, oats and peas made up much of the balance. Of the remaining commodities, soybeans, constituting 6% of primary elevator stock, is the most substantial.



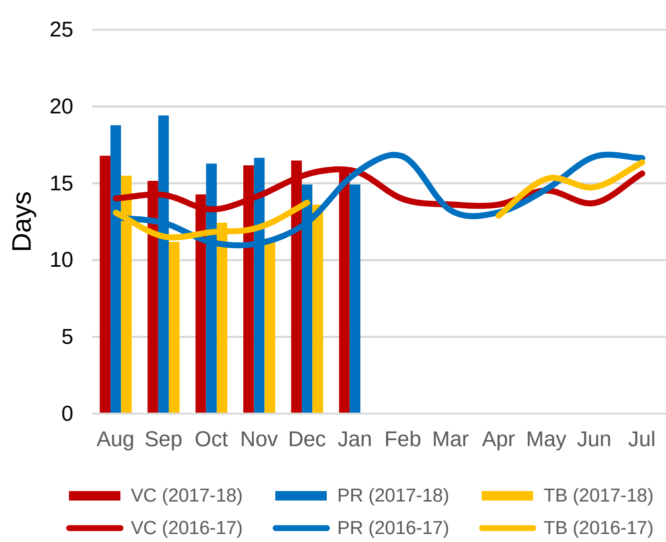
Average Weekly Terminal Elevator Stocks (000's tonnes)



GMP Data Table 5C-2

Overall terminal elevator stocks averaged 1.3 MMT in January 14% higher than the level seen a month earlier. Stock levels built at both Thunder Bay and Pacific Seaboard ports. Wheat, including durum, and canola stock, comprises over 82% of the total stock. Abundant vessel arrivals, especially at the Pacific Seaboard ports, are providing a ready outlet for arriving grains. In January, western ports utilized 72% of their overall working capacity.

Railway Cycle Times to Western Ports (days)

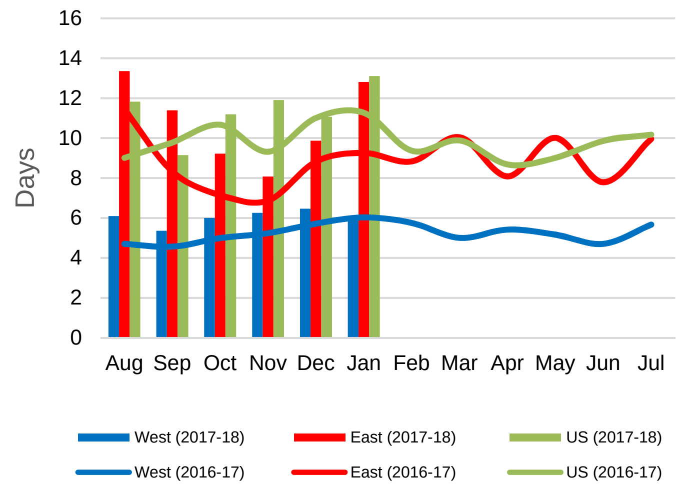


GMP Data Table 5B-1

Railway car cycles to Western Canadian ports averaged 15.2 days in the first half of the 2017-18 crop year, an increase of 10.6% from the 13.7-day average posted in the same period of the previous crop year. This result was shaped by increases in all corridors, with the Prince Rupert average rising by 32.8%; Vancouver by 8.3%; and Thunder Bay by 0.1%.

Car cycles to Eastern Canada showed a slightly greater increase during this same period, rising by 11.4%, to an average of 22.5 days from 20.2 days a year earlier. Similarly, the car cycle for movements into the United States rose by 9.8%, to an average of 26.4 days from the 24.0-day average posted the previous crop year.

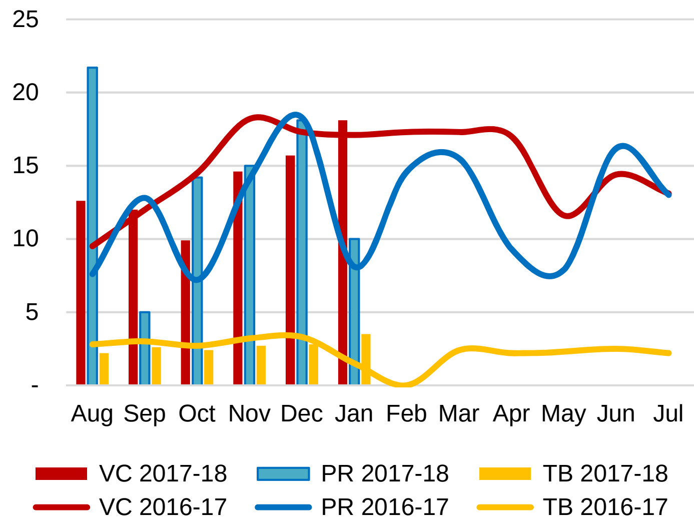
Average Loaded Transit Times (days)



GMP Data Tables 5B-4, 5B-8, 5B-12

Loaded transit time for traffic destined to Western Canadian ports averaged 6.0 days in the first six months of the 2017-18 crop year, up 15.7% from the 5.2-day average posted a year earlier. This result was primarily shaped by increases in the Prince Rupert and Vancouver corridors, which rose by 43.4% and 12.4% respectively, but also supported by a 1.2% increase in the Thunder Bay-corridor average. The average loaded transit time for movements into Eastern Canada also increased sharply in the first half, rising by 25.9%, to 10.5 days from 8.3 days the year previous. The corresponding average for US-destined traffic saw a much lesser increase, rising by 9.9%, to 11.1 days from the 10.1-day average posted twelve months earlier.

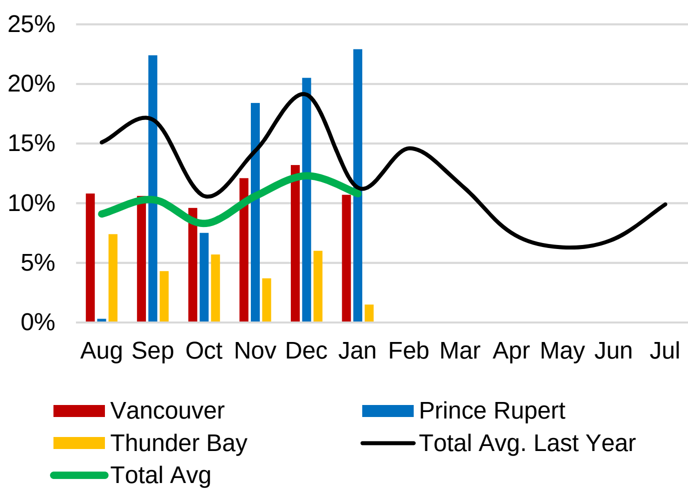
Average Days in Port per Vessel



GMP Data Table 5D-1

In January, the overall average time vessels were in port waiting and loading grain was 15.3% more than in the same month of the previous year. With only two vessels departing Thunder Bay, and its dampening effect on the all-ports average greatly reduced, the average rose 50% from that seen in December. While a decline was registered at Prince Rupert, Vancouver posted a more substantial month-over-month gain. In January, the days in port stood at 18.1 for Vancouver, 10.0 for Prince Rupert and 3.5 for Thunder Bay.

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



GMP Data Table 5C-5

The port terminal out-of-car time measure represents the total number of hours terminal elevator facilities are open and staffed (including overtime hours) and the corresponding number of hours that terminals have no rail cars available to unload. The measure is expressed as a percentage (hours without cars to the total number of hours working).

Notwithstanding some fluctuation, the percentage of time terminals are out of cars has charted a trend of improvement from its high of 29.8% in January of 2015. The aggregate measure for all ports fell to 10.8% in January from 12.3% in December. Terminal out-of-car time at Vancouver fell to 10.7% in January, and 1.5% at Thunder Bay while rising to 22.9% at Prince Rupert.

Commercial Relations

Table M-5 **Rates: $CDN per tonne**	**Q2 2017-18**	**Index (1999=100)**	**% Change YTD**
Avg. Primary Elevation	16.21	1351	0.4%
Rail to Vancouver			
CN	54.55	148.0	8.3%
CP	53.85	145.3	11.7%
Rail to Pr. Rupert			
CN	54.55	130.8	8.3%
Rail to Thunder Bay			
CN	53.96	168.4	7.0%
CP	46.33	155.2	15.5%
Average Terminal Elevation	14.36	157.5	0.1%

Note: *Commercial rates are measured on a quarterly basis, the above table refers to rates at the close of the second quarter of the 2017-18 crop year (as at 31 January 2018). Railway freight rates reflect average published single-car rates, and do not include multi-car incentives ($4/tonne for 50+ car blocks and $8/tonne for 100+ car blocks).*

Neither CN nor CP adjusted their single-car freight rates in the second quarter, effectively extending those in place at the close of October 2017. CN had successively raised its rates in September as well as October. By the close of the second quarter, CN's rates on westbound movements into Vancouver and Prince Rupert had risen by 8.3%, with its rates into Thunder Bay rising by a slightly lesser 7.0%. Although CP's single-car rates were increased by up to 10% at the outset of the new crop year, these were followed by additional increases in October. With the close of the second quarter these actions had elevated the rates on westbound and eastbound CP movements by 11.7% and 15.5% respectively.

Commercial Developments

India broadens trade actions against pulse imports: Canadian pulse producers confronted an ever-expanding series of hurdles in their efforts to sell into the Indian market during the second quarter. Beyond the Indian government's requirement for the fumigation of all imported grain, it moved to impose a series of punitive duties on several key crops. The first of these came at the beginning of November 2017 when the Indian government imposed a 50% duty on pea imports while raising its existing tariffs on wheat and soybeans to 20% and 45% respectively. This was followed in December with a new 30% levy on lentils and chickpeas. While perceived as protectionist measures aimed at supporting its own industry in the face of domestic overproduction, the Indian government's actions were widely regarded as an instant threat to Canadian exports. In the weeks that followed, pulse deliveries were virtually halved as the Canadian industry started to deal with the realities of being effectively shutout of a market that absorbed about 40% of Canada's pulse production, as well as the financial fallout from declining prices and margins. Moreover, in the face of what was expected to be a continuing global oversupply, few believed that the situation would reverse itself in the near term. This was leading many in the industry to predict a dramatic reduction in the number of acres that would be devoted to growing pulses in spring 2018.

Fibreco Terminal Enhancement Project gets partial approval: On 7 December 2017 the Port of Vancouver issued a project permit to Fibreco Export Inc. for the marine component of its larger Terminal Enhancement Project in North Vancouver, British Columbia. The project proposes to enhance the terminal's current wood pellet operations, add new grain export operations and remove the existing woodchip exporting infrastructure. The permit, which only applies to work undertaken on federal lands and waters managed by the Vancouver Fraser Port Authority – such as berth improvements, dredging, and demolition – came with 64 conditions aimed at ensuring there would be no significant environmental impact. However, much of the proposed upland work, including proposed silos and railway infrastructure, falls within the District of North Vancouver and still required its approval. Even so, Regina-based AGT Foods and Ingredients announced shortly thereafter that it had reached a 20-year terminal services agreement with Fibreco to move its grain products through the planned export facility. Plans call for the facility to have about 43,000 tonnes of dry bulk storage capacity, a rail spot for full unit trains, along with a new shiploader and an expanded berth capable of loading Panamax vessels.

Infrastructure

Apart from the railways' car fleet, GMP measures relating to infrastructure are reported on a quarterly basis. The first half of the 2017-18 crop year brought various changes to the GHTS's physical infrastructure, much of it concentrated in the second quarter. The first centered on the licensing of several elevators, which lifted the active facility count to 400 from 391. It also added another 130,000 tonnes of storage capacity to the system, which reached a GMP record of almost 8.3 MMT.

The railway network also witnessed its first significant physical extension under the GMP following the opening of CP's Belle Plaine subdivision, an 18.9-route-mile section of track designed to service the newly established K+S Potash Canada mine situated near Bethune, Saskatchewan. This enlarged the Western Canadian network by just 0.1%, to 17,295.0 route-miles, with almost 85% of it operated by CN and CP.

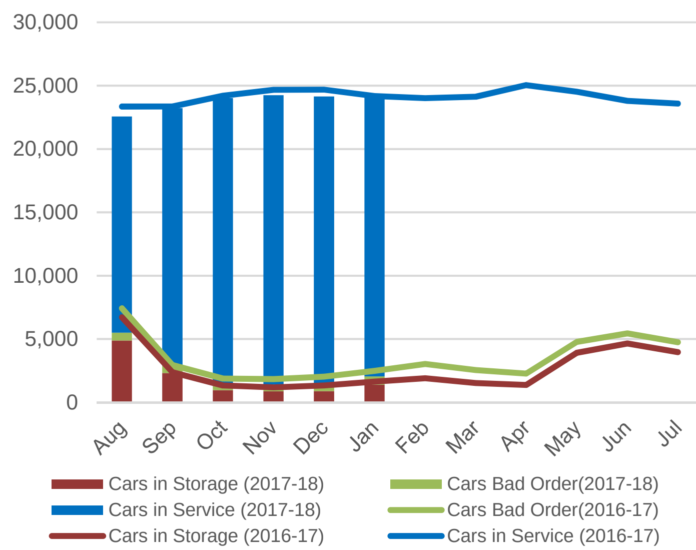
The terminal elevator network remained unaltered throughout the first half of the 2017-18 crop year, with 16 facilities having a combined 2.5 MMT in associated storage capacity.

Table M-6	Q2 2017-18	Index (1999=100)	% Change YTD
Country Elevator			
Primary and Process Elevators (Count)	400	39.8	2.3%
Storage Capacity (000's tonnes)	8,293.2	118.0	1.6%
Railway			
Route Miles - Major Carriers	14,625.4	98.6	0.1%
Route Miles - Shortline Carriers	2,669.6	57.5	0.0%
Route Miles - Total	17,295.0	88.8	0.1%
Average Weekly Total Hopper Car Fleet Size*	23,327	n/a	2.5%
Terminal Elevator			
Terminal Facilities (Count)	16	114.3	0.0%
Storage Capacity (000's tonnes)	2,485.0	97.2	0.0%

** Hopper Car Fleet Size represents all cars in all statuses for the first half of the 2017-18 crop year.*

During times of heavy demand for grain hopper cars, nearly all of the grain hopper car fleet is placed in service. As traffic volumes slowed in the later months of the 2016-17 crop year, railways began the process of moving cars into storage. In July 2017, a weekly average of 18,832 cars, representing 80% of the fleet was in active service. The average car fleet in service during the first half of the crop year was 21,390 cars, peaking at an average of 22,826 per week in November and declined to 22,327 in January, encompassing 92% of the overall feet at that point. The balance of the fleet, comprising 8% of the rail cars, is in storage or repair status (bad order), a substantial decline from 20% in July.

Railway Grain Fleet Size and Utilization



GMP Data Table 3B-2

Producer Cars

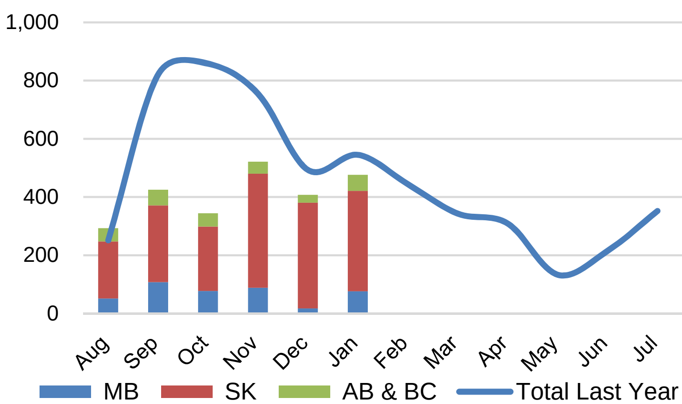
In the first quarter of the 2017-18 crop year, CP de-listed a total of 17 producer car loading sites. This was comprised of two sites in Manitoba, six in Alberta and nine in Saskatchewan. The total number of available producer car loading locations has held steady since and at the end of the second quarter stands at 273.

Table M-7 **Producer Car Loading Sites**	**Q2 2017-18**	**Index (1999=100)**	**% Change YTD**
Class 1 Carriers	143	22.2	-10.6%
Shortline Carriers	130	200.0	0.0%
All Carriers	**273**	**38.5**	**-5.9%**

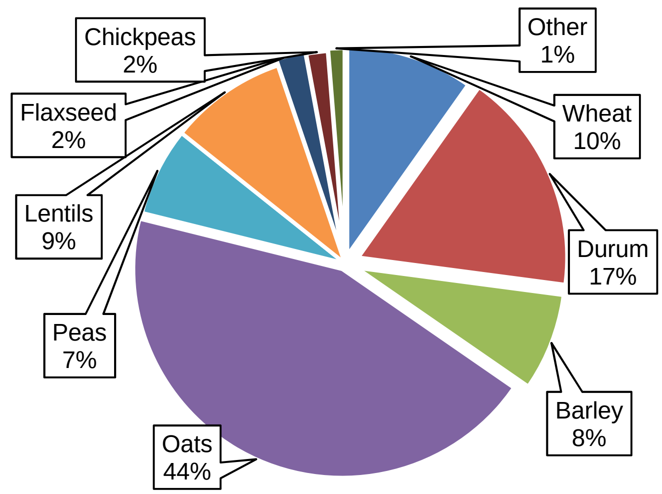
Table M-8 **Producer Cars Scheduled**	**Q2 2017-18**	**2017-18 YTD**	**Var. from Last YTD**
Manitoba	181	416	6.7%
Saskatchewan	1,100	1,781	-42.6%
Alberta & B.C.	123	269	17.0%
Total	**1,404**	**2,466**	**-33.8%**

Producer cars scheduled this year-to-date are down 33.8% from the previous year. The first half of the 2017-18 crop year saw a reduction in producer-car applications received by the Canadian Grain Commission.

Producer Cars Scheduled by Province



Producer Cars Scheduled by Commodity



GMP Data Table 6B-2

Producer car shipments have shifted from primarily being wheat, durum, and oats to reflect a significant increase in the number of cars carrying special crops. Shipments throughout the first half of the 2017-18 crop year continue to reflect this trend, with the traditional commodities comprising only 71% of the total. Special crops such as peas, lentils and chickpeas contributed 18% of the total volume.

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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 our address by either phone or email