

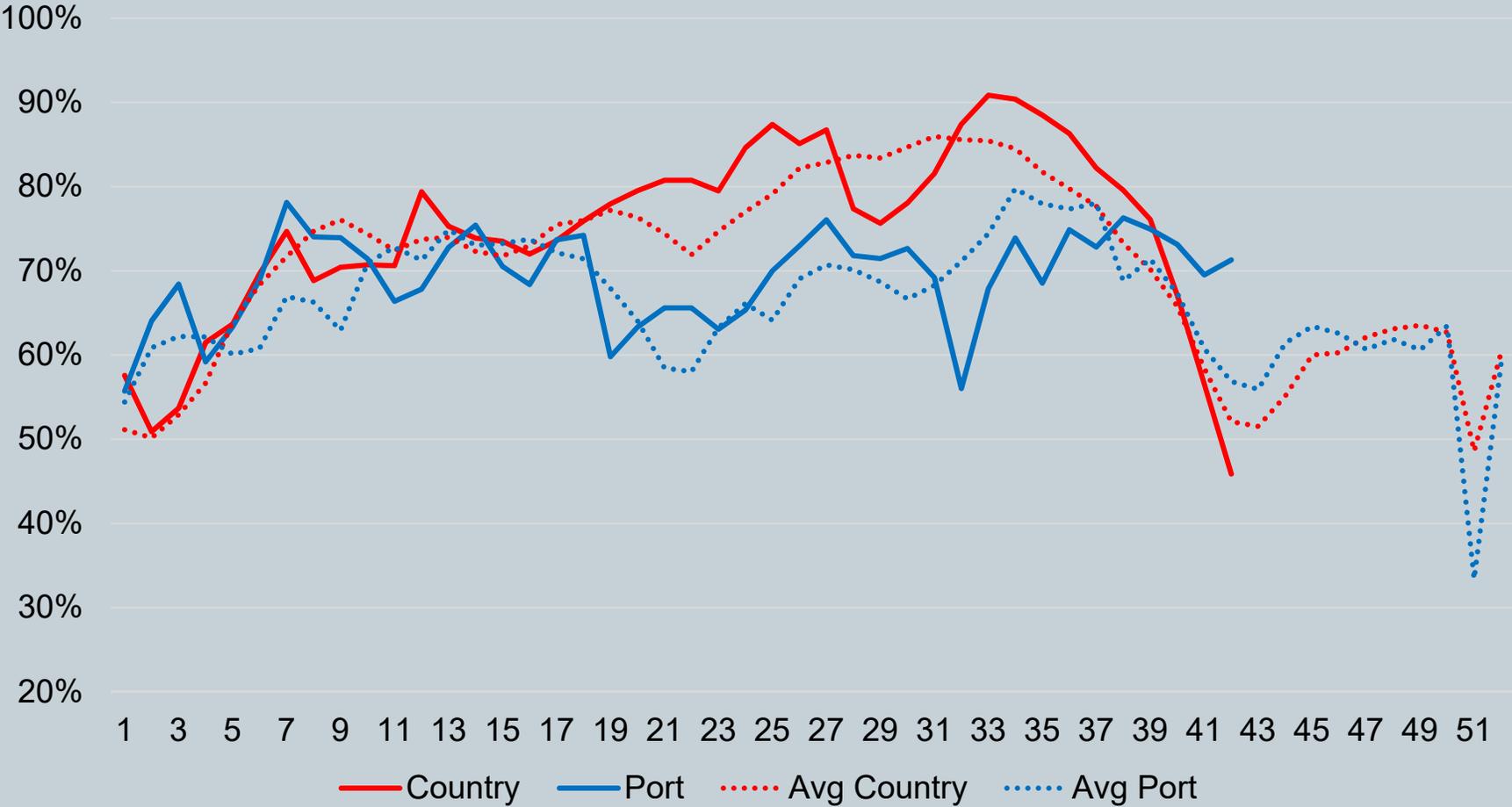


Western Canadian GHTS Update: 2018-19 CY

June 2019

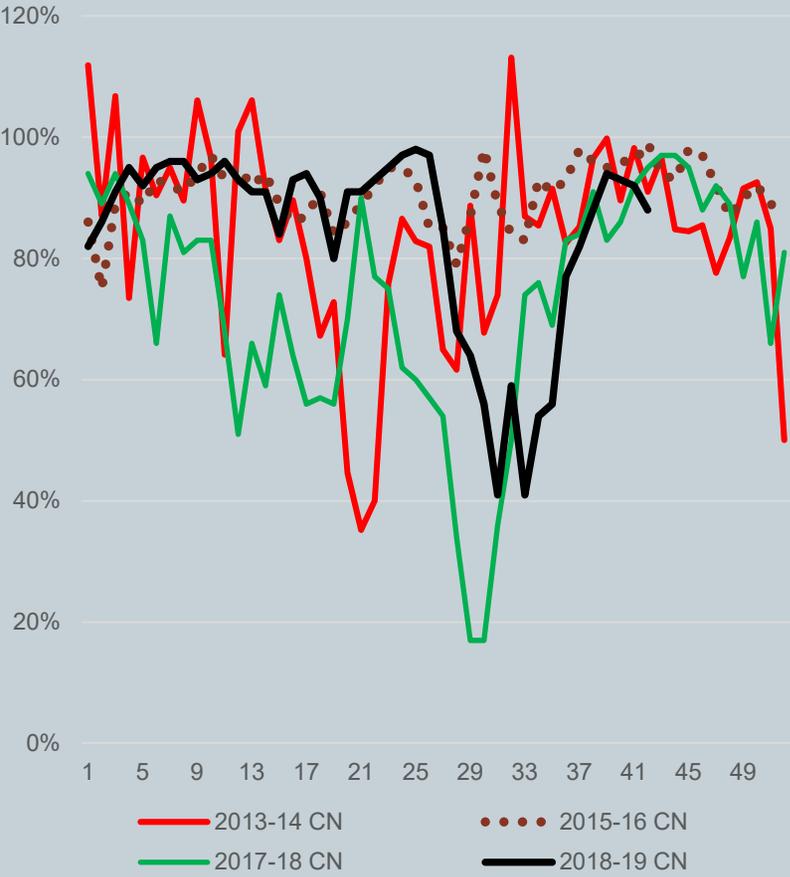


Stocks vs Working Capacity

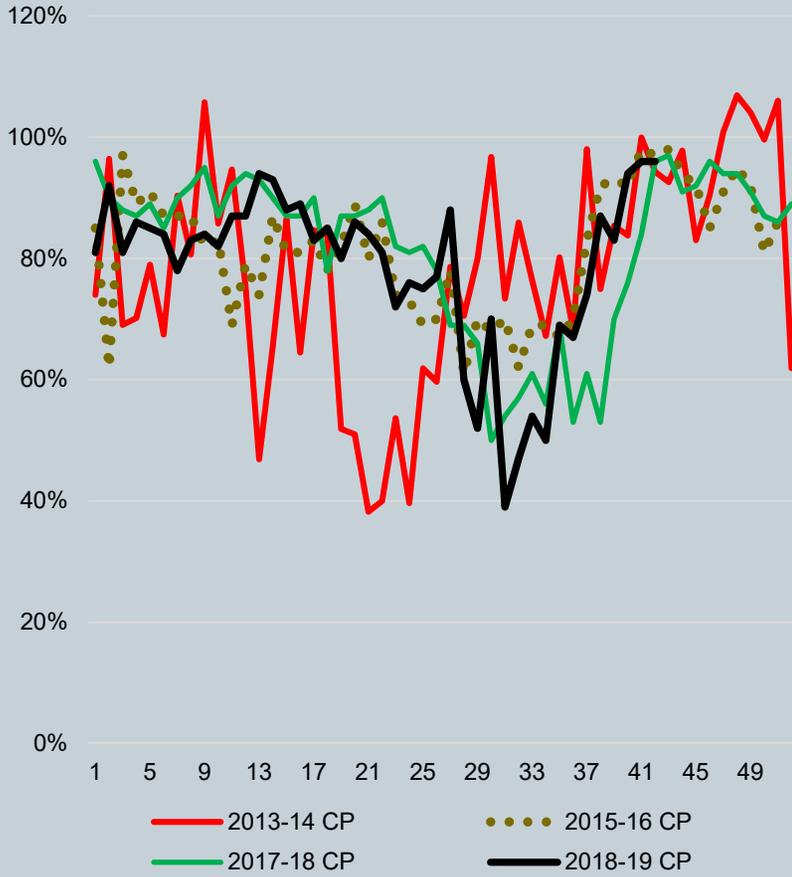


Order Fulfillment

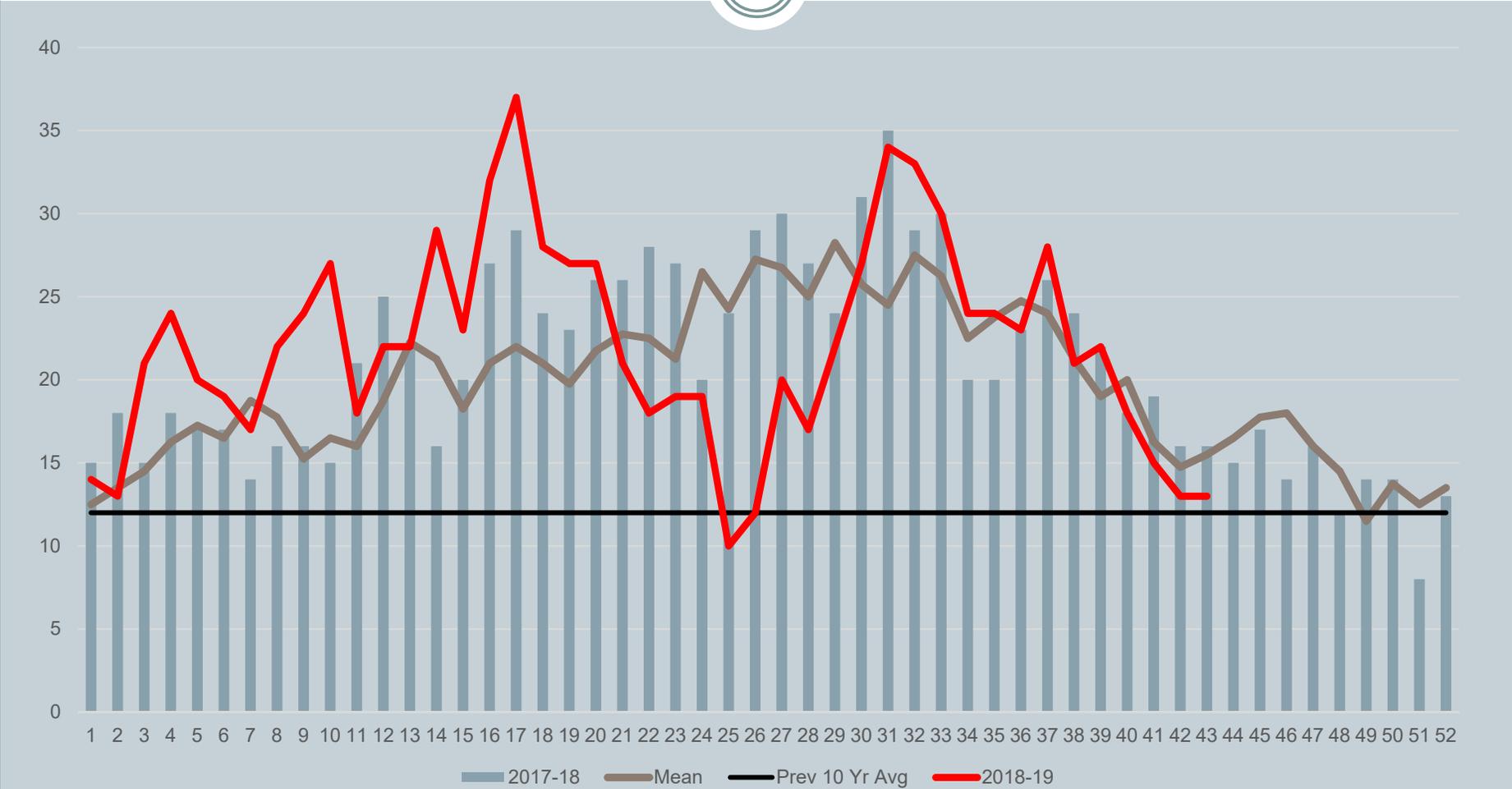
CN



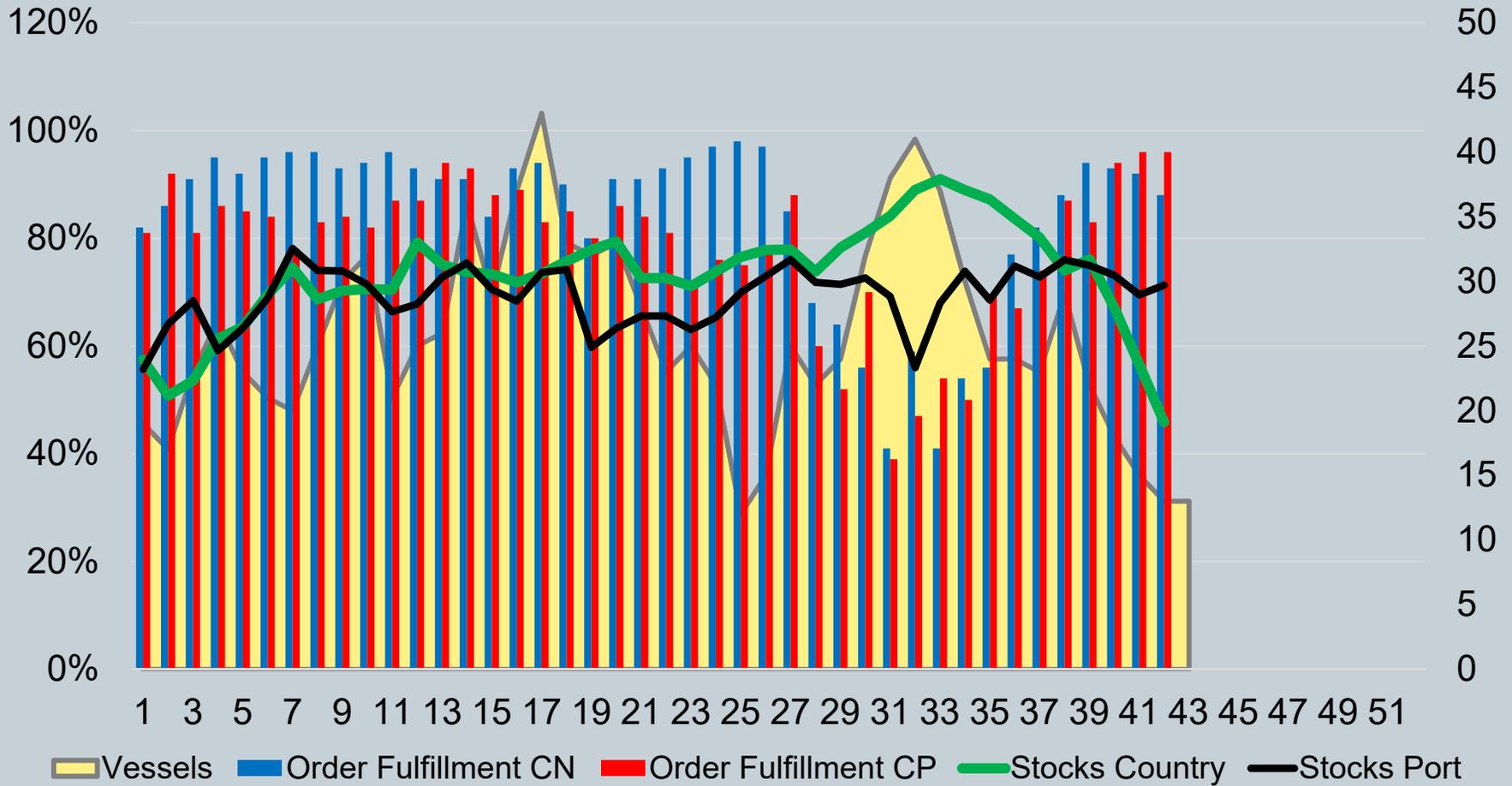
CP



Vessel Line up - Vancouver



GHTS Status Tracking: 2018-19



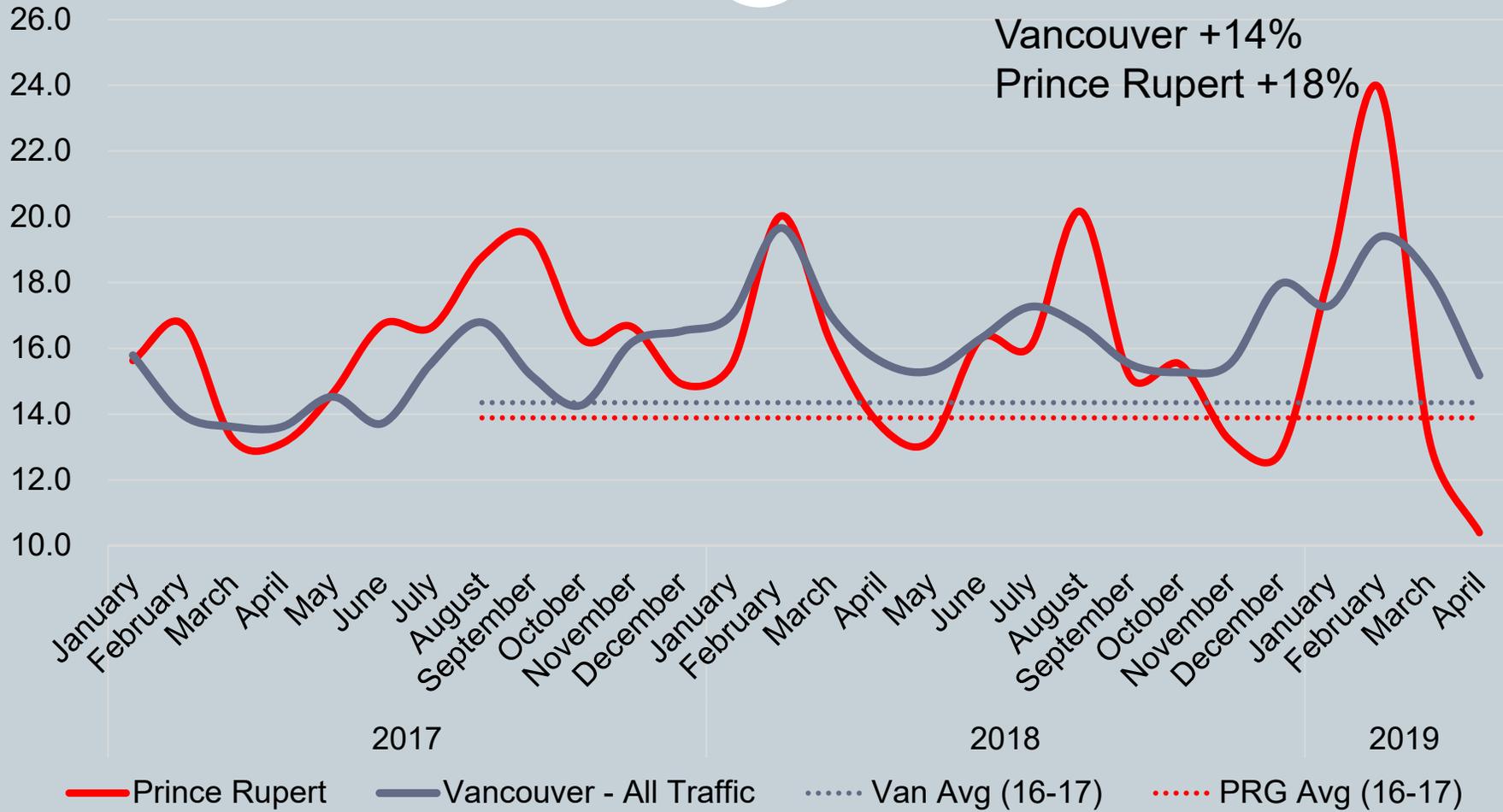
Mitigating Factors



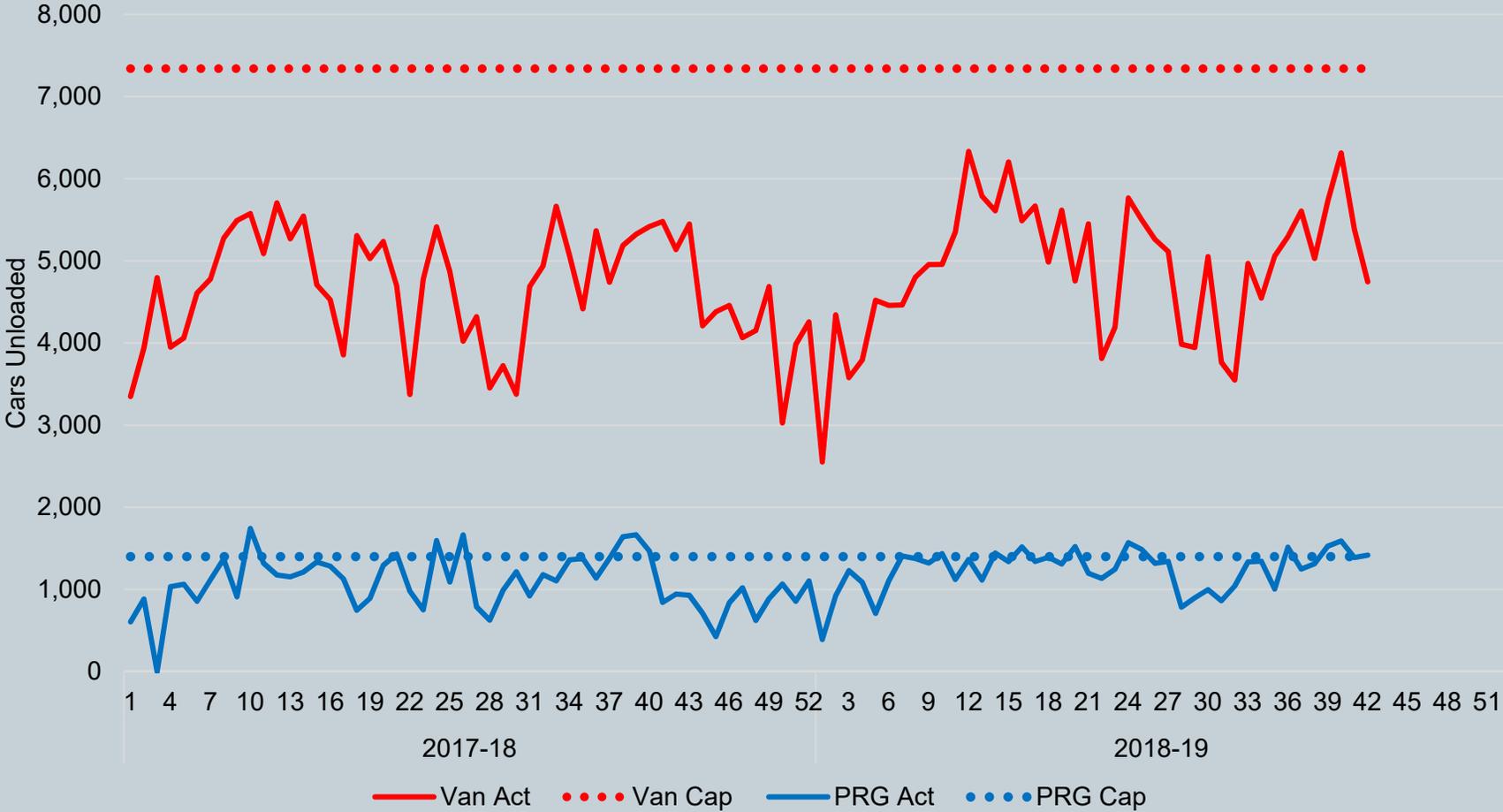
- **Global Market Challenges**
 - Climate change: Australia/ US/ South America
 - Market Aggressiveness of FSU states: Ukraine/ Russia
 - Political/ Diplomatic/ Non tariff trade issues: China, India, Italy et al
 - Various countries positions on GMO, Phytosanitary, MRL, Glyphosate, weeds
- **Agronomic**
 - Advent of new seed genomics
 - Increase in “Value added” products
- **The “Trump” factor**



Car Cycles – West Coast



West Coast Grain: Actual vs Capacity



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

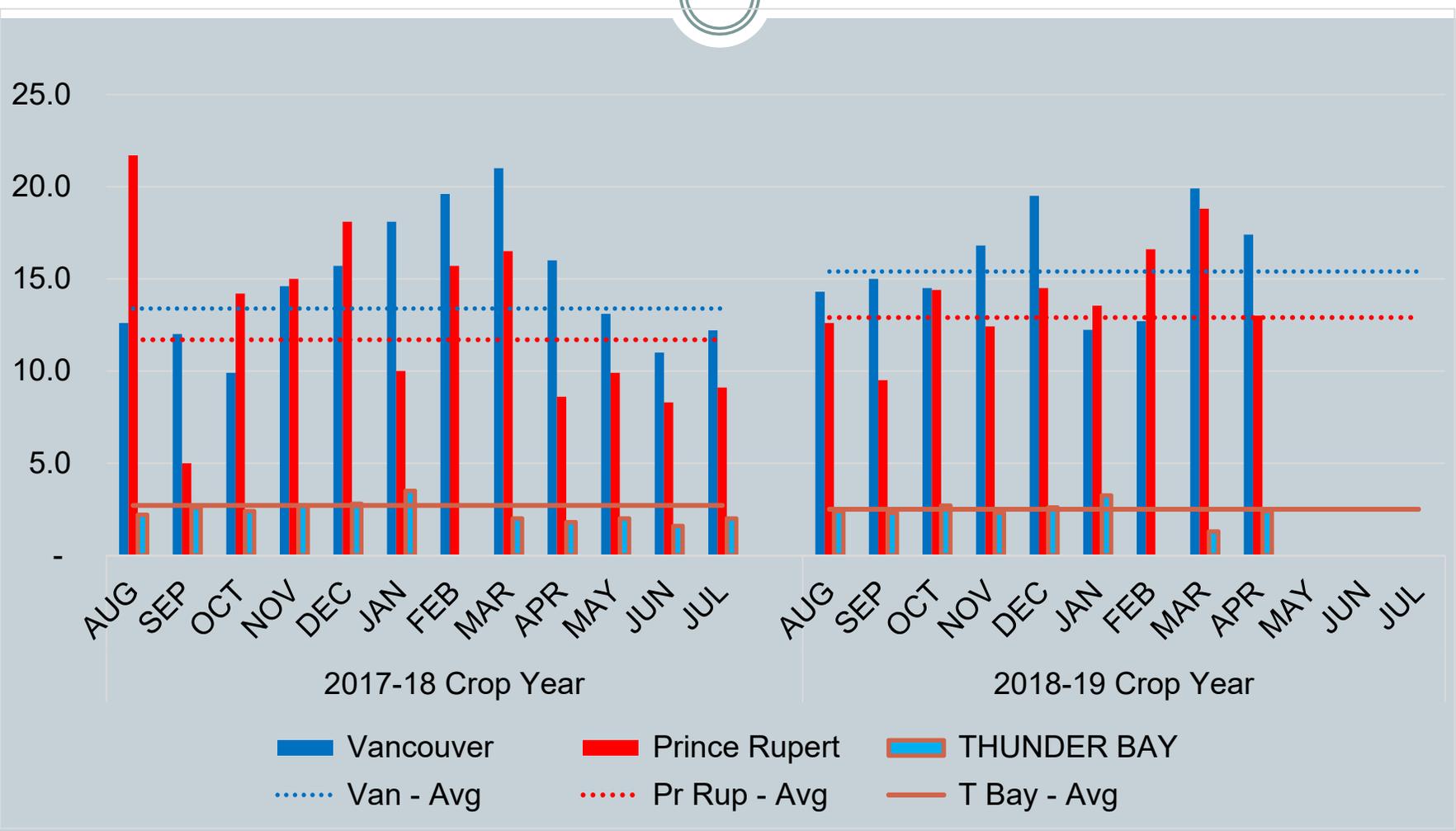
Fleet requirement for 5,500 cars/ week (based on variable car cycle)

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

Present Fleet

| | |
|----|--------|
| CN | 12,100 |
| CP | 11,400 |

Average Vessel Time in Port



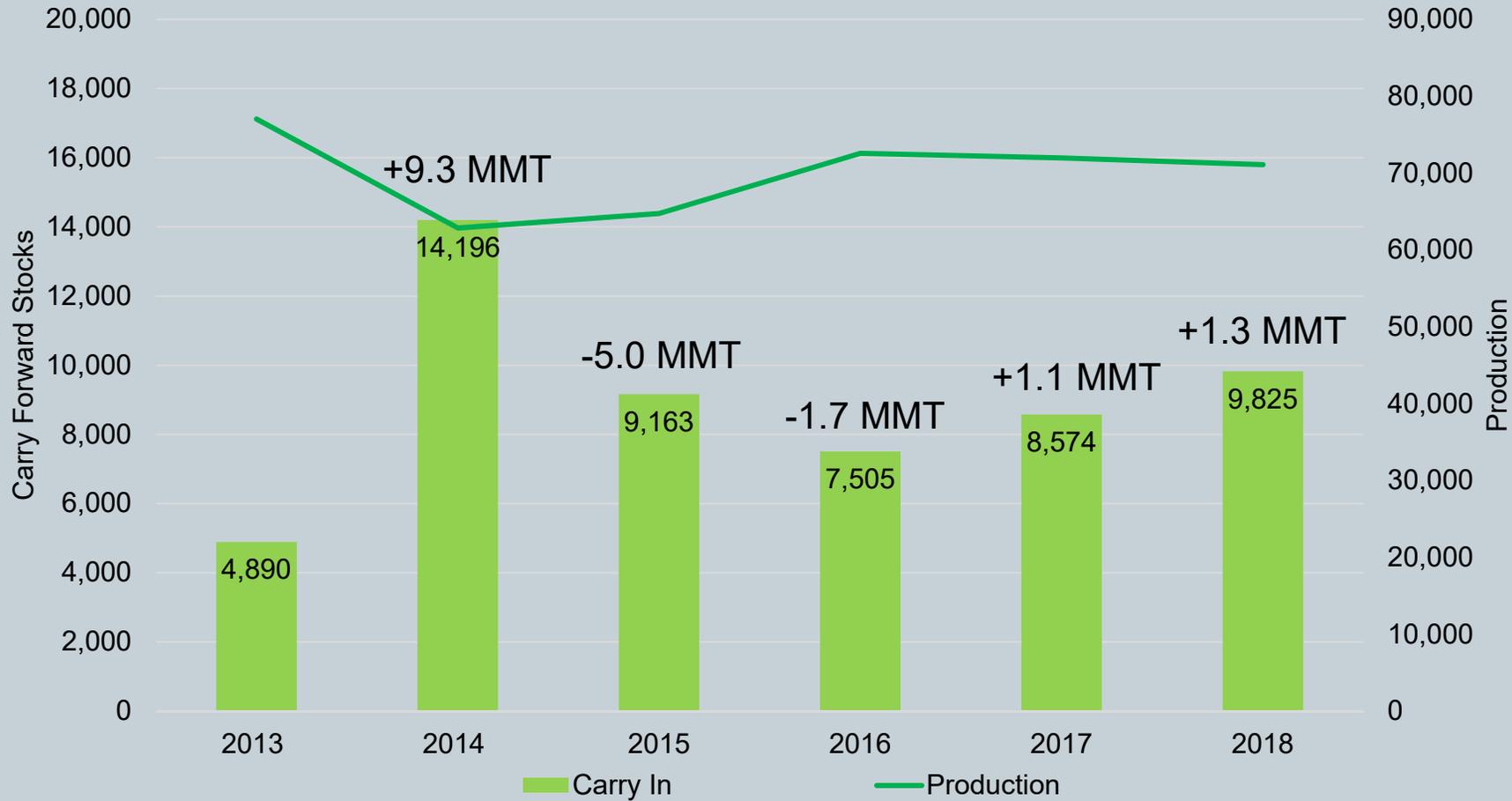
Other Issues



- Loading in the rain (Vancouver)
 - ILWU contract negotiations
- 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
- Impending growth of traffic on North Shore vs. rail capacity:
 - G3 in March 2022
 - 20-30% increase at Neptune (Coal and Potash)
 - Expansion of Fibreco facility



Carry Forward Stocks



Estimated Movement to April 2019

| | YTD Apr 2019 | YTD Apr 2018 | Var |
|-------------------------------|-----------------|-----------------|---------------|
| Western Canada Ports | 32,283 | 29,481 | 9.5% |
| Eastern Canada Ports | 2,518 | 1,738 | 24.3% |
| US - Export | 5,280 | 6,195 | -14.8% |
| Mexico - Export | 250 | 271 | -7.8% |
| Total Export by Rail | 40,330 | 37,684 | 7.0% |
| US Export by Truck | 1,640 | 1,816 | -10.5% |
| Total Export | 41,970 | 39,501 | 6.3% |
| Western Canada Domestic | 526 | 622 | -15.4% |
| Eastern Canada Domestic | 808 | 786 | 2.8% |
| Total Domestic by Rail | 978 | 1,408 | -30.5% |
| Domestic Disappearance | 14,537 | 14,392 | 1.0% |
| Total Domestic - Other | 15,515 | 17,207 | -9.8% |
| Total Grain Moved | 58,464 | 56,708 | 3.1% |
| <i>Supply</i> | <i>80,926</i> | <i>80,542</i> | <i>0.5%</i> |
| <i>Est Balance</i> | <i>22,462</i> | <i>23,834</i> | <i>-5.8%</i> |

Summary



- Measures indicate some ongoing, possibly systemic issues
 - Current challenges will take another few weeks to resolve
- North Shore access will likely be a challenge in the very near future
- Still too soon to tell if the C-49 amendments will make a difference.





Thank You

Reports Available

Website: www.grainmonitor.ca



7/24/2019