

Stakeholder Discussions on Producer Impact

*Monitoring the Prairie
Grain Handling and
Transportation System*

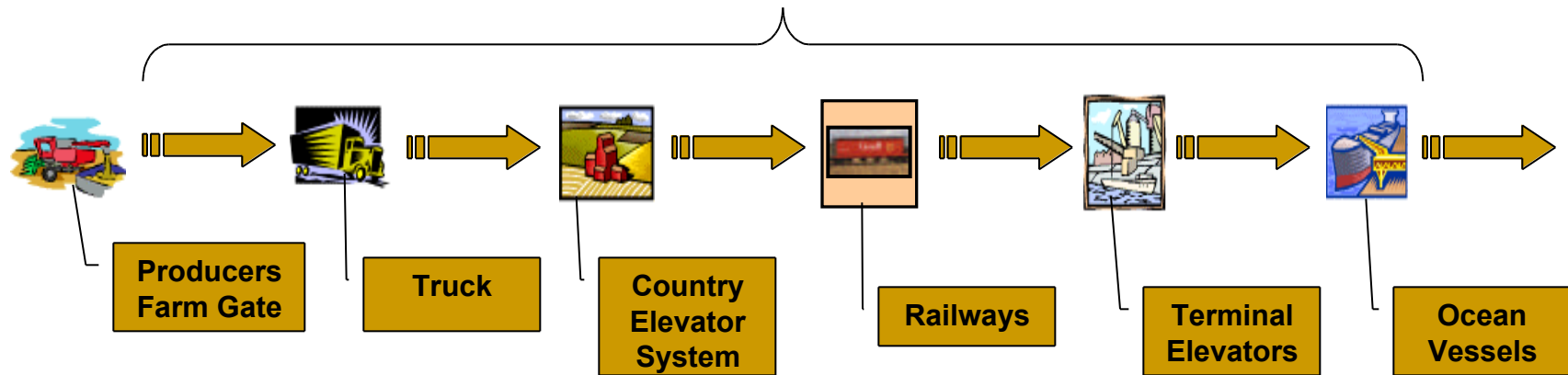


Agenda

- Producer Netback discussion
 - Discussion on paper and sample methodologies
 - Input on formula for Export Basis Calculation
- Other Producer Impacts
 - Discussion on definitions/ limitations
 - Listing of suggested measures/ issues
 - Discussion on potential measures methodologies

The Monitor's view of the GHTS...

From Farm Gate to Vessel Loading/ Departure



Objectives of the Monitor

- Assess the effects of changes in the GHTS to Producers
- Assess whether the CWB marketing mandate is affected and how
- Assess the overall performance of the GHTS
- Assess the effect on:
 - system grain handling efficiency
 - railway efficiency
 - port efficiency

Role of the Monitor

- Objective assessment of the performance of the GHTS through:
 - Collection of data from all affected industry stakeholders
 - Production of quantitative measures of performance across all aspects of the GHTS supply chain
 - Analysis of measures and determination of performance
 - Provision of quarterly and annual reports to the appropriate Ministers
- Monitor shall carry out his mandate:
 - In a neutral and independent manner
 - Without authority to direct stakeholders with respect to policy, practices or procedures
 - Without offering prescriptive advice or resolutions to issues or disputes that arise among industry stakeholders
 - Without making determinations as to performance targets or benchmarks for the industry

Producer Netback

Producer Netback: Objectives for Monitor

- For wheat, durum, feed barley, and canola:
 - ❑ Determine the export basis at selected locations in each province.
 - ❑ Perform sensitivity analysis on the export basis using alternative formulations and cost estimates.
 - ❑ Develop netback estimates at the provincial level using export prices and export basis.
 - ❑ Determine annual percentage changes in netback attributable to world prices and export basis.

Methodology for Wheat, Durum, and Feed Barley Export Basis and Visible Netback

Export Basis

- Determine the applicable rail freight
 - Wheat and durum: lesser of the rail freight to Thunder Bay plus the Freight Adjustment Factor (FAF) or the rail freight to Vancouver.
 - Feed Barley: lesser of the rail freight to Thunder Bay plus the Eastern FAF or the rail freight to Vancouver plus the Western FAF.
- Adjust the applicable rail freight for incentive rates
- Add the cost of commercial trucking from the farm to the elevator

- Add the primary tariff for elevation
- Add the primary tariff for dockage (terminal cleaning)
- Add the CWB pool account costs for operations.

Visible Netback

- Adjust the CWB final price for the CWB operating costs.
- Subtract the total export basis from the adjusted final price.

Wheat Export Basis and Visible Netback, 1999-2000

	Saskatoon (Average)	Share of Basis	Dauphin (Average)	Share of Basis
	\$/Tonne		\$/Tonne	
Freight To Thunder Bay	30.58		23.38	
Freight To Vancouver	35.74		44.24	
FAF	10.37		10.37	
Applicable Freight	35.74	65%	33.75	61%
Incentive	-4.00	-7%	-3.00	-5%
Applicable Freight Adj for Incentive	31.74	58%	30.75	56%
Trucking	5.00	9%	5.00	9%
Primary Elevation	9.32	17%	10.65	19%
Primary Dockage	3.47	6%	3.49	6%
CWB Costs	5.40	10%	5.40	10%
Total Basis	54.93	100%	55.28	100%
CWB Final Price 1 CWRS	167.58		167.58	
Adj CWB Final Price 1 CWRS	172.98		172.98	
Visible Netback to Producers	118.05		117.70	

Durum Export Basis and Visible Netback, 1999-2000

	<i>Saskatoon</i>	<i>Share of</i>	<i>Dauphin</i>	<i>Share of</i>
	<i>(Average)</i>	<i>Basis</i>	<i>(Average)</i>	<i>Basis</i>
	<i>\$/Tonne</i>		<i>\$/Tonne</i>	
Freight To Thunder Bay	30.58		23.38	
Freight To Vancouver	35.74		44.24	
FAF	0.62		4.81	
Applicable Freight	31.20	47%	28.19	43%
Incentive	-4.00	-6%	-3.00	-5%
Applicable Freight Adj for Incentive	27.20	41%	25.19	38%
Trucking	5.00	8%	5.00	8%
Primary Elevation	9.32	14%	10.65	16%
Primary Dockage	3.47	5%	3.49	5%
CWB Costs	21.32	32%	21.32	32%
Total Basis	66.31	100%	65.64	100%
CWB Final Price 1 CWAD	206.79		206.79	
Adjusted CWB Final Price 1 CWAD	228.11		228.11	
Visible Netback to Producers	161.80		162.47	

Feed Barley Export Basis and Visible Netback, 1999-2000

	Saskatoon (Average)	Share of Basis	Dauphin (Average)	Share of Basis
	\$/Tonne		\$/Tonne	
Freight To Thunder Bay	30.58		23.38	
Freight To Vancouver	35.74		44.24	
FAF Western	0.00		0.00	
FAF Eastern	23.40		23.40	
Applicable Freight	35.74	69%	44.24	69%
Incentive	-4.00	-8%	-3.00	-5%
Applicable Freight Adj for Incentive	31.74	61%	41.24	64%
Trucking	5.00	10%	5.00	8%
Primary Elevation	10.25	20%	12.95	20%
Primary Dockage	4.30	8%	4.32	7%
CWB Costs	0.51	1%	0.51	1%
Total Basis	51.80	100%	64.02	100%
CWB Final Price 1 CW Barley	135.37		135.37	
Adjusted CWB Final Price 1 CW Barley	135.88		135.88	
Visible Netback to Producers	84.08		71.86	

Methodology for Calculating the Visible Netback for Canola

- Calculate the total basis
 - Add the cost of commercial trucking from the farm to the elevator to the basis calculated by the WCE.
- Calculate the visible netback
 - Subtract the total basis from the cash price for 1 Canada canola at Vancouver.

Canola Export Basis and Visible Netback, 1999-2000

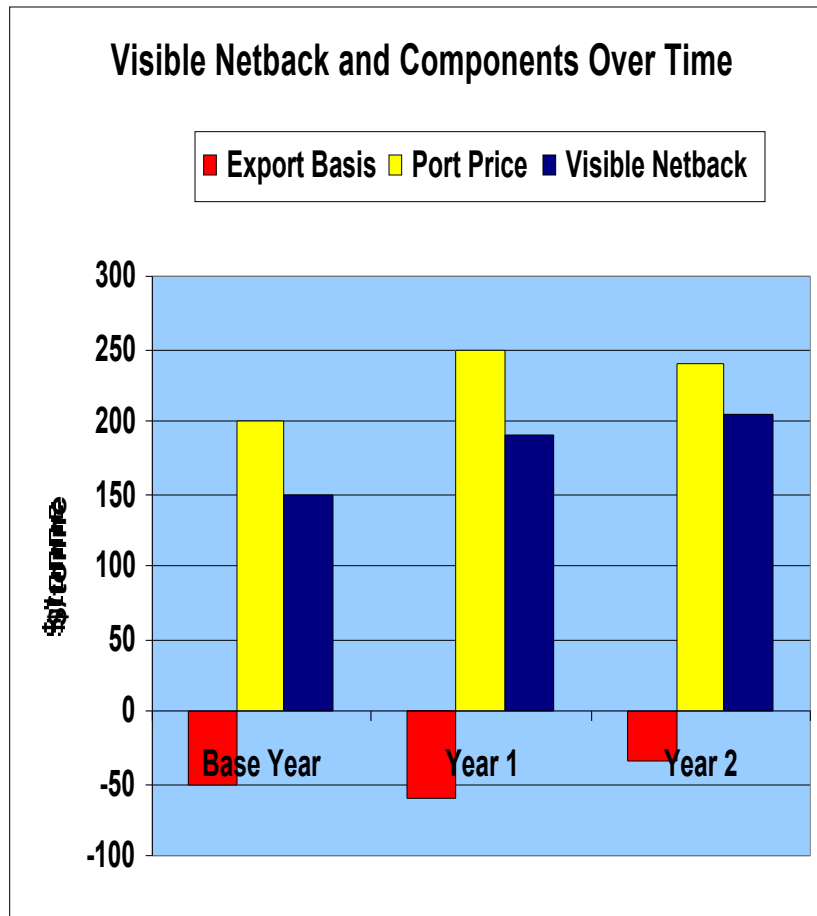
	<i>Saskatoon</i>	<i>Dauphin</i>
<i>Canola</i>	<i>(Average)</i>	<i>(Average)</i>
	\$/Tonne	\$/Tonne
Basis	50.00	55.00
Trucking	5.00	5.00
Total Basis	55.00	60.00
Cash Price 1 Canada	287.77	287.77
Visible Netback to Producers	237.77	232.77

Basis numbers for explanatory purposes only

Sensitivity Analysis on Variable Components (Trucking Costs, Elevation, and Incentives)

	<i>Saskatoon</i>			<i>Dauphin</i>		
	<i>Wheat</i>	<i>Durum</i>	<i>Feed Barley</i>	<i>Wheat</i>	<i>Durum</i>	<i>Feed Barley</i>
	<i>\$/tonne</i>					
<i>Total Basis</i>	<i>54.93</i>	<i>66.31</i>	<i>51.80</i>	<i>55.28</i>	<i>65.64</i>	<i>64.02</i>
<i>Visible Netback</i>	<i>118.05</i>	<i>161.80</i>	<i>84.08</i>	<i>117.70</i>	<i>162.47</i>	<i>71.86</i>
\$/Tonne						
Change in Basis	% Change in Netback					
10	-8%	-6%	-12%	-8%	-6%	-14%
9	-8%	-6%	-11%	-8%	-6%	-13%
8	-7%	-5%	-10%	-7%	-5%	-11%
7	-6%	-4%	-8%	-6%	-4%	-10%
6	-5%	-4%	-7%	-5%	-4%	-8%
5	-4%	-3%	-6%	-4%	-3%	-7%
4	-3%	-2%	-5%	-3%	-2%	-6%
3	-3%	-2%	-4%	-3%	-2%	-4%
2	-2%	-1%	-2%	-2%	-1%	-3%
1	-1%	-1%	-1%	-1%	-1%	-1%
-1	1%	1%	1%	1%	1%	1%
-2	2%	1%	2%	2%	1%	3%
-3	3%	2%	4%	3%	2%	4%
-4	3%	2%	5%	3%	2%	6%
-5	4%	3%	6%	4%	3%	7%
-6	5%	4%	7%	5%	4%	8%
-7	6%	4%	8%	6%	4%	10%
-8	7%	5%	10%	7%	5%	11%
-9	8%	6%	11%	8%	6%	13%
-10	8%	6%	12%	8%	6%	14%

Annual Percentage Changes



<i>Annual Changes in Visible Netback</i>			
	<i>Base Year</i>	<i>Year 1</i>	<i>Year 2</i>
	\$/tonne		
Visible Netback	150	190	205
Export Basis	50	60	35
Port Price	200	250	240
	Change (\$/tonne)		
Visible Netback		40	15
Export Basis		-10	25
Port Price		50	-10
	% of Netback Change		
Export Basis		-25%	167%
Port Price		125%	-67%

Other Impacts to Producers

Other Impacts on Producers –

- Two Approaches
 - True measures to be included in the GMP
 - Special Studies
- Studies must be prioritized
 - Not all can be performed
- Measures must have data accessible within the GMP mandate
 - Issues of Confidentiality/ Commercial Sensitivity

Other Impacts on Producers –

- Road impacts from increased trucking.
- Tracking of customer satisfaction levels.
- On-farm adjustment costs (i.e. reconfiguring yards to allow better movement of larger trucks)
- Changes in net income per acre resulting from changes in the GHTS.
- Long-term viability of Canadian ports.
- Best practices in GHTS.
- Examination of the commercial trucking industry

Other Impacts on Producers –

- Prospects for crop diversification and the impact of crop diversification on the demand for transportation and handling services.
- The ability of the system to move product to capture higher prices in particular time periods.