Monitoring the Canadian Grain Handling and Transportation System

Third Quarter
2006-2007 Crop Year

1 Summary Report

Government of Canada / Gouvernement du Canada

Quorum Corporation

Foreword

In keeping with the federal government's Grain Monitoring Program (GMP), the ensuing report focuses on the performance of the Canadian Grain Handling and Transportation System (GHTS) for the nine-month period ended 30 April 2007. In addition to providing a current accounting of the indicators maintained under the GMP, it also outlines the trends and issues manifest in the movement of western Canadian grain during the first three quarters of the 2006-07 crop year.

As with previous quarterly and annual reports, the report is structured around a number of performance indicators established under the GMP, and grouped under five broad series, namely:

Series 1 – Industry Overview
Series 2 – Commercial Relations
Series 3 – System Efficiency
Series 4 – Service Reliability
Series 5 – Producer Impact

Although the indicators that follow largely compare the GHTS's current-year performance with that of the preceding 2005-06 crop year, they are also intended to form part of a time series that extends forward from the 1999-2000 crop year. As such, comparisons to earlier crop years are also made whenever a broader contextual framework is deemed appropriate.

The accompanying report, as well as the data tables which support it, can both be downloaded from the Monitor's website (www.quorumcorp.net).

QUORUM CORPORATION
Edmonton, Alberta

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Findings

The 2006-07 growing season was warmer and drier than the one that preceded it. The above average temperatures experienced on the prairies helped advance crop production by almost two weeks. This was supported by exceptionally good harvesting conditions, which contributed to the reaping of the first high-quality crop since the 2003-04 crop year. At the same time, a continuing strong demand for Canadian grain coupled with production problems in Europe and Australia helped elevate grain prices for the first time in four years.

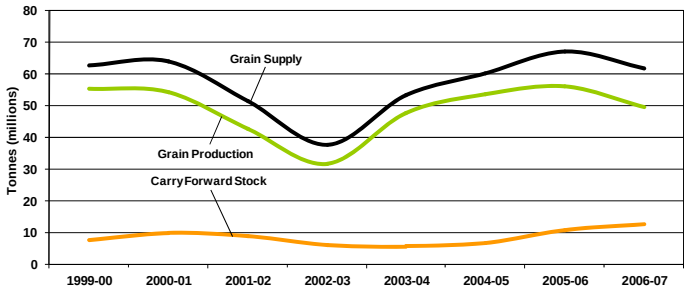
1.0 Industry Overview

1.1 Grain Production and Supply

Overall grain production for the 2006-07 crop year fell to 49.3 million tonnes, a decrease of 12.0% from the GMP record of 56.0 million tonnes set a year earlier.[1] This ranked as the fifth largest production volume in western Canada since the GMP was initiated, and fell well below the 53.1-million-tonne average for output in the program's non-drought years.[2] Special crops witnessed an even steeper decline, with production having fallen by 23.8% to 3.9 million tonnes.

The overall decrease in production reflected declines for most producing provinces, chief among these being Saskatchewan and Alberta with reductions of 22.5% and 15.5% respectively.[3] Running counter to this was Manitoba with a 60.6% increase in production, which was due in large part to a significant improvement in provincial growing conditions.

Figure 1 – Western Canadian Grain Supply



In a reflection of this decline, the overall grain supply decreased by 7.6%, falling to 61.7 million tonnes from 66.8 million tonnes a year earlier. To a large degree, this reduction was cushioned by a 15.4% increase in the amount of stocks carried forward from the preceding crop year, which reached a GMP record of 12.4 million tonnes. Much of the impetus for this came from the build-up of below-average quality grains.

A significant improvement in the quality of this year's harvest, along with a reduction in the output of competing nations such as Australia, did much to heighten the demand for Canadian grain. In the first quarter, primary elevator and railway shipments both set new records under the GMP, reaching 8.6 million tonnes and 7.1 million tonnes respectively. And while terminal elevator throughput in the first quarter did not result in the establishment of a new record, the 6.0 million tonnes put through these facilities constituted the second largest for the period. However, the extreme winter weather that buffeted the west coast in the second and third quarters did much to impede the flow of grain. Adding to the delays at port was a series of landslides that also disrupted mainline train service through the Rockies. Harsh winter conditions on the prairies as well as a strike by CN conductors did little to help matters. After posting a year-over-year gain of 10.5% in the first quarter,

[1] As a result of the 2006 Census of Agriculture, Statistics Canada reduced its earlier production estimate for the 2006-07 crop year of 52.3 million tonnes to 49.3 million tonnes. Accordingly, the production values presented here, whether in regard to a specific grain or province, differ from those published in the Monitor's report for the first quarter of the 2006-07 crop year.

[2] Grain production in the 2001-02 and 2002-03 crop years was adversely impacted by drought, and fell from values in excess of 50 million tonnes annually to 42.5 million tonnes and 31.5 million tonnes respectively.

[3] Grain production in British Columbia also declined, falling by 49.5% to 132,600 tonnes. However, owing to the considerable differences in scale, the reductions posted by Saskatchewan and Alberta were more significant.

railway grain shipments fell off sharply. Moreover, shippers grew increasingly frustrated with the railways' performance in the second and third quarters. By the end of April 2007, the 18.1 million tonnes of grain moved since the beginning of the year had fallen below that handled in the same period a year earlier, and trailed by a margin of 2.3%.

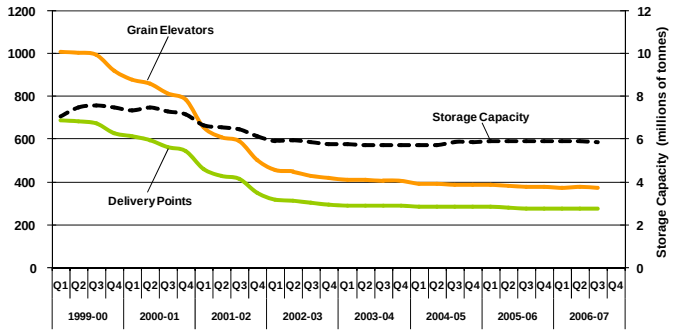
Despite the overall decline, wheat shipments posted a year-to-date increase of 14.2%, climbing to 7.8 million tonnes from 6.8 million tonnes a year earlier. This was accompanied by larger volumes of oats, rye and flaxseed. Durum and barley posted the most significant declines, with reductions of 11.0% and 45.8% respectively.[4] Special crop shipments also declined, falling by a total of 9.7%.

1.2 Country Elevator Infrastructure

As outlined in the Monitor's previous reports, although the country elevator network continues to be rationalized, the pace of the restructuring has slowed significantly in recent years. This continued to be the case in the first nine months of the 2006-07 crop year, with a net reduction of just two licensed elevators recorded for the period. By the end of April 2007 the remaining network encompassed a total of 372 facilities, which represented a net decline of 62.9% from the 1,004 elevators in place at the beginning of the GMP.

The decline in elevator facilities has been accompanied by a largely parallel reduction in the number of grain delivery points at which they were located. The first nine months of the 2006-07 crop year brought a net reduction of just two grain delivery points, which declined by 0.7% to 273 in total. As with the reduction in elevator infrastructure, the remaining delivery points constituted just 39.9% of the 685 that were in place at the beginning of the GMP. Although these installations are distributed generally throughout western Canada, grain deliveries have been concentrated at approximately one-third of the system's delivery points. In the 2005-06 crop year, just 90 of these locations accounted for 80% of the total grain delivered into the system.[5]

Figure 2: Grain Delivery Points, Licensed Elevators, and Licensed Elevator Storage Capacity



When contrasted with the decline in the number of elevators and delivery points, the reduction in associated storage capacity has not been nearly as dramatic. Moreover, it reflects the rate at which the storage capacity of high-throughput facilities has replaced that of smaller elevators. As such, even though licensed storage capacity declined by over 1.2 million tonnes in the first seven years of the GMP, from 7.0 million tonnes to 5.9 million tonnes, the reduction amounted to just 16.4%. In the first nine months of the 2006-07 crop year an additional 13,600 tonnes of storage capacity was lost. This had the effect of reducing the system's overall storage capacity by just 0.2%, effectively leaving it unchanged at 5.9 million tonnes.

These broad trends provide a clear indication of the evolution that has been taking place within the industry since the beginning of the GMP. The elevator network now comprises significantly fewer facilities, many with larger storage capacities and the ability to load railcars in trainload lots. It is worth noting that while only 11.9% of the system's elevators were able to load 50 or more railcars at a time when the GMP began, by the end of the third quarter that proportion had increased almost fourfold to 47.2%.

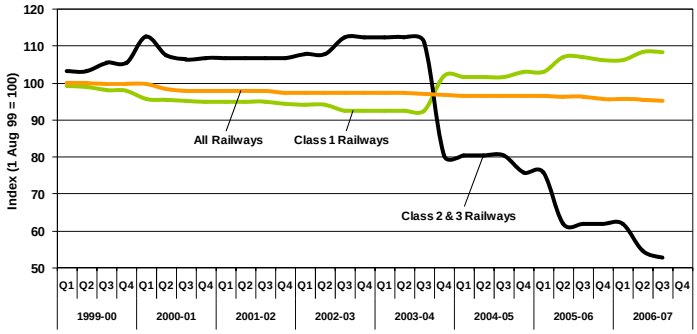
[4] Barley shipments in the 2005-06 crop year were unusually large owing to the fact that the CWB was able to successfully exploit a shortfall in the production from other competing nations.

[5] The most recent statistics available for grain deliveries by station are those from the 2005-06 crop year.

1.3 Railway Infrastructure

As previously reported, total railway infrastructure in western Canada has experienced comparatively modest change since the beginning of the GMP. By the end of the 2005-06 crop year the network had been reduced by 4.5%, to a total of 18,595.0 route-miles of track. Even so, there were noteworthy changes to the makeup of the system itself. The most significant of these involved the transfer of numerous branch line operations by CN and CP to a variety of new shortline railways. This practice, which began in the mid 1990s, was one of the cornerstones in an industry restructuring that ceded control over almost one-third of the railway network in western Canada to a collection of smaller regional and shortline carriers.

Figure 3: Relative Change in Railway Infrastructure



Recent events suggest that the shortline railway industry – at least those based in western Canada – is clearly in difficulty. The waning financial health of shortlines at large has prompted several of them into either selling or rationalizing their own operations. In most instances, this has resulted in shortlines reverting back to the control of the Class 1 carrier that had spun them off in the first place. Perhaps the most vivid example of this came in January 2006 when RailAmerica Inc. sold most of its holdings in western Canada back to CN.[6] Such shifts resulted in a significant realignment of Class 1 and non-Class 1 railway operations in western Canada over the course of the last three years. By the end of the 2005-06 crop year, the total number of route-miles managed by CN and CP had increased by 6.1%, to 15,725.1 route-miles from 14,827.9 route-miles at the beginning of the GMP. Conversely, the scope of the network operated by western Canada's non-Class 1 carriers had declined by 38.2%, to 2,869.9 route-miles from 4,640.3 route-miles.

A similar reacquisition was recorded in December 2006 when CN purchased the Savage Alberta Railway from its Utah-based parent, Savage Companies, for $25 million. Interestingly, the sale came only eighteen months after Savage Companies purchased what had formerly been Alberta RailNet, Inc., a shortline created in June 1999 following CN's divestiture of several branch lines in the province's Peace River region.[7] Although largely focused on serving the coal and forest industries, grain reportedly represented about one-fifth of the shortline's overall shipments. In addition to several producer-car loading sites, the 343.8 route-mile network also served several licensed elevators, including three high-throughput facilities in Rycroft, Alberta.

The third quarter also brought the first outright cessation of operations by a shortline railway on the prairies since 2005.[8] In January 2007, the Southern Manitoba Railway (SMR) received approval from that province's Motor Transport Board to abandon the last 78.6 route-miles of its network, which stretched from Mariapolis to Morris. Established in 1999 following the purchase of CN's former Miami and Hartney subdivisions, the SMR

[6] The sale, valued at $26 million, encompassed 702.8 route-miles of railway infrastructure grouped under three separate operations: the Central Western Railway; the Lakeland and Waterways Railway; and the Mackenzie Northern Railway. The CN purchase denoted a reacquisition of the very operations it had sold off several years earlier.

[7] Alberta RailNet, Inc. was established as a wholly owned subsidiary of North American RailNet, Inc. Headquartered in Bedford, Texas, the company was the parent of several shortline railways until May 2005, when its American operations were folded in with those of Denver-based OmniTrax, Inc. Savage Companies acquired the operations of Alberta RailNet at that time, renaming it the Savage Alberta Railway.

[8] The last cessation of shortline operations on the prairies came in May 2005 following the financial failure of the Prairie Alliance for the Future (PAFF). However, with the 211.5-route-mile network of leased grain-dependent branch lines over which PAFF had been operating having reverted back to the control of CN, railway service was not suspended. Nevertheless, CN did add these lines to its list of possible abandonment candidates in October 2005.

had been unable to stem the erosion of its traffic base. This had already prompted the carrier to abandon its westernmost operations three years earlier.[9]

Along with the abandonment of another 21.1 route-miles by CN and CP, these changes had the effect of tilting the balance even further in favour of the Class 1 carriers.[10] By the end of the third quarter, the railway infrastructure under CN and CP management had increased another 2.1%, to 16,047.8 route-miles. In comparison, the network operated by Class 2 and 3 carriers shrank by 14.7%, falling to a GMP low of 2,447.5 route-miles. Even with these changes, another 1,200 route-miles of infrastructure still remain targeted for discontinuance by CN and CP.

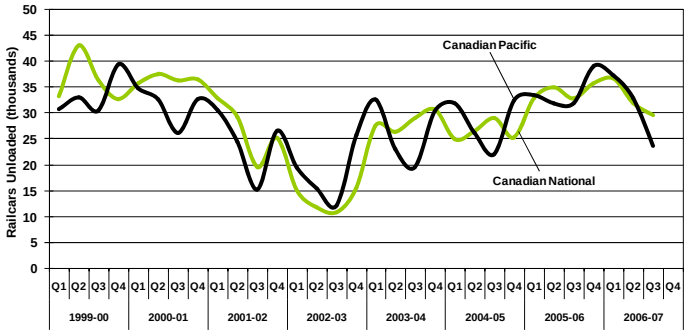
These declines do not augur well for the future of the shortline industry in western Canada. Although gains in producer-car loading has helped mitigate the adverse impact of local elevator closures, the tonnage originated by shortline carriers have clearly been faltering in comparison to that of the Class 1 carriers. Grain shipped from shortline-served points fell by 37.9% in the first nine months of the 2006-07 crop year while that from Class-1 points remained largely unchanged, increasing by 0.5%. Despite the best efforts of most shortline railways, they have simply been unable to reshape the economics that gave rise to the initial elevator rationalization strategies of the grain companies. This was reflected in a further 40.7% decline in the number of licensed elevators served by shortline railways during the period, and the 80.5% net reduction posted since the beginning of the GMP. In addition to having exceeded the 62.1% net reduction posted by the Class 1 railways, the storage capacity given over to the elevators served by shortline carriers declined by almost seven times as much: 81.4% versus 11.7%.

1.4 Terminal Elevator Infrastructure

No changes to the licensed terminal elevator network in western Canada were recorded during the first nine months of the 2006-07 crop year. At the close of the period, the network comprised a total of 16 facilities with an associated storage capacity of 2.6 million tonnes.

A total of 191,206 carloads of grain were unloaded at these facilities during the first nine months of the 2006-07 crop year. This represented a 3.0% reduction from the 197,210 handled during the same period a year earlier. Having originated 51.2% of the cars unloaded, CN surpassed CP as the largest handler of export grain in western Canada during this period.

Figure 4: Terminal Elevator Unloads – Railway Carrier



Although the record is somewhat mixed, CP has often outpaced CN's quarterly handlings since the 2002-03 crop year. This can be explained by a distribution in crop production that has tended to benefit CP rather than CN. Still, CN's more recent efforts to promote its Prince Rupert gateway appear to have done much to compensate for this. Through reduced freight rates and a better allocation of cars to the corridor, CN appears to be gaining market share – even if that gain has come at the expense of reduced handlings into Vancouver.[11]

[9] In March 2004 the Southern Manitoba Railway abandoned a 64.0-route-mile section of its network. This section extended from Elgin to Mariapolis, Manitoba, and constituted just under 45% of the carrier's overall infrastructure.

[10] The 21.1 route-miles noted here was comprised of 15.8 route-miles of CP's Kimberley subdivision, which was abandoned in November 2006; and 5.3 route-miles of CN's Preeceville subdivision, which was abandoned in April 2007.

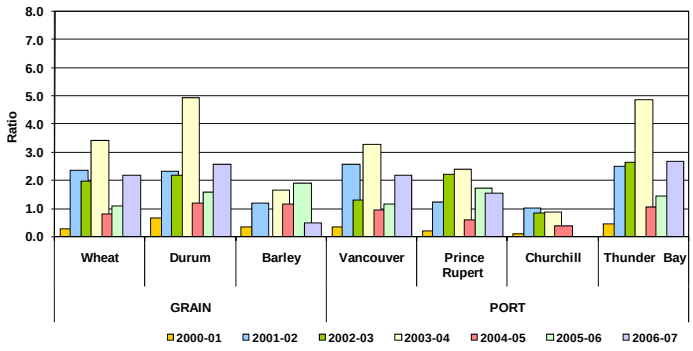
[11] In terms of the cars unloaded at Vancouver, CN's handlings in the first nine months fell by 19.0%. This resulted in CN's year-to-date share of the handlings at Vancouver falling to just 40.0%. Conversely, CN's unloads at Prince Rupert climbed by 21.4% to 41,777 carloads, a record for the period under the GMP.

2.0 Commercial Relations

2.1 Tendering Program

Given the changes brought forth in the 2003-04 crop year, the CWB targeted to move a fixed 40% of its overall grain movements to the four ports in western Canada using a combination of tendering and advance car awards. Under the terms of this arrangement, the CWB is expected to tender up to a maximum of 20% of this volume in the 2006-07 crop year.

Figure 5:Tendered Volume – Ratio of Tonnage Bid to Tonnage Called



In the first nine months of the 2006-07 crop year the CWB issued 164 tenders calling for the movement of 2.5 million tonnes of grain. This marked a 24.9% reduction from the 3.4 million tonnes put out for tender during the same period of the preceding crop year. As in most previous crop years, the most substantive portion of this tonnage, 70.9%, related to the movement of wheat.[12] Barley constituted the second largest block at 17.6%, while durum accounted for the remaining 11.6%. Prince Rupert displaced Vancouver as the designated gateway for much of this grain, with just under half of the tonnage called, 49.6%, having specified delivery there. The allocation given to Vancouver slipped for a second year in a row, falling to a 39.6% share as compared to the 2004-05 crop year's record of 70.9%. The share of tender calls issued in favour of Thunder Bay also declined, falling to 10.8% in comparison to 13.2% a year earlier. For a second consecutive year, no tenders calling for delivery of grain to Churchill were issued.

The calls issued by the CWB were met by 649 tender bids offering to move an aggregated 4.8 million tonnes of grain, almost twice the volume sought. The scope of this bidding generally showed a marked increase in intensity as compared to that exhibited in either of the two preceding crop years.[13] Using the ratio of tonnage-bid to tonnage-called to measure grain company reaction, a broad increase in the response rates of the bidders was observed. Wheat showed the steepest relative gain in the response rates tied to individual grains, its ratio having climbed by 98.3%, to 2.2 as compared to 1.1 for the previous crop year as a whole. Similarly, the response rate for durum rose to 2.6, although this was up by a comparatively lesser 63.8% from 1.6 in the 2005-06 crop year. Only barley showed a marked decrease in bidding activity, with its ratio falling from the previous year's record high of 1.9 to just 0.5.

Equally pronounced changes in the response rates for the port specified in the tender calls were also evident. In particular, the ratio associated with grain intended for delivery at Prince Rupert fell by 10.3%, to 1.5 in the first nine months as compared to a ratio of 1.7 for the previous crop year as a whole. Conversely, the ratios noted for Vancouver and Thunder Bay both rose above the 2.0 mark for the first time in two years, reaching values of 2.2 and 2.7 respectively.[14]

In large part, these higher response rates reflected the improved ability of the grain companies to secure the wheat and durum volumes set out in the tender calls. To a degree, this was also reflected in a reduction in the

[12] Owing to a sizable short-term movement of barley in the first quarter of the 2005-06 crop year, wheat was briefly displaced as the largest single grain put out for tender by the CWB.

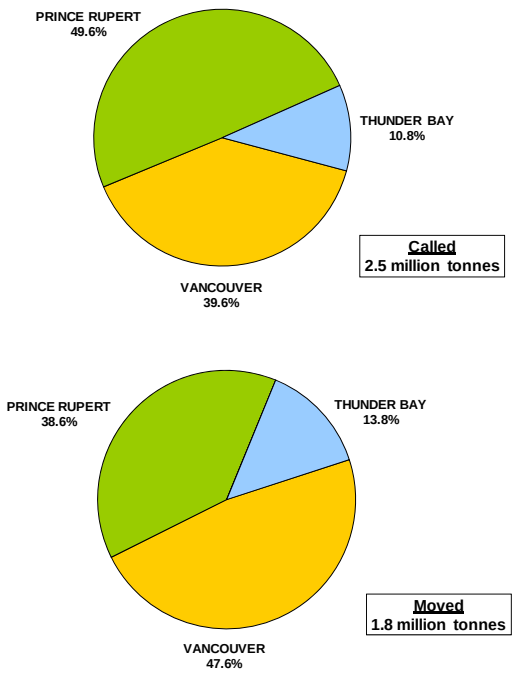
[13] The contrast presented here largely relates to the bidding activity exhibited since the 2001-02 crop year since meaningful comparisons with the 2000-01 crop year cannot be drawn as a result of the industry's limited participation in the CWB's new tendering program.

[14] With no tender calls having been issued for Churchill, the ratio of tonnage-bid to tonnage-called remained at zero.

proportion of the tender calls that went unfilled, which fell to 35.5% in the first nine months as compared to 54.7% for the 2005-06 crop year as a whole. However, this overall value ignores the proportions tied to specific ports. A closer examination of these values reveals that over half of the unfilled volume, 62.9%, was attributable to tender calls issued for Prince Rupert. In fact, 61.8% of the tender calls issued for Prince Rupert went unfilled. This proportion easily surpassed those for Vancouver and Thunder Bay, which amounted to 30.2% and Thunder Bay 11.3% respectively.[15]

The skewed nature of these results reflected the disinclination of those grain companies having terminal facilities in Vancouver to aggressively bid on the tenders issued in favour of Prince Rupert. Although the preference for Vancouver has led to better bids on tenders to that port, the differential widened substantially in the first nine months of the 2006-07 crop year.[16] Whereas there was little difference between the maximum discounts advanced on wheat tenders to Vancouver and Prince Rupert in the 2005-06 crop year, the discounts put forward by the major grain companies so far this crop year have favoured Vancouver much more, widening to as much as $11.07 per tonne in the third quarter.

Figure 6: Tendered Grain – Cumulative Volumes to 30 April 2007



Still, improvements in the supply of higher-quality grains have led to generally more aggressive bids.[17] Deeper discounting was again the norm, and the premiums the CWB had often been required to pay over the past two years were largely gone. No premiums were paid by the CWB on movements of wheat and durum in the first nine months of the 2006-07 crop year. Moreover, the value of the maximum discounts advanced during this period rose by a factor of 25%, to $24.51 per tonne and $21.56 per tonne respectively.[18] Even so, many of the bids relating to the tendered movement of barley required the CWB to pay a premium of as much as $16.00 per tonne in the first quarter.[19]

During the first nine months of the 2006-07 crop year, the CWB awarded a total of 230 contracts for the movement of an aggregated 1.8 million tonnes of grain.[20] This represented a decrease of 13.1% from the 2.1 million tonnes handled in the first nine months of the previous crop year. As opposed to the destinations

[15] The unfilled proportions attributable to tender calls issued for Vancouver, Prince Rupert and Thunder Bay were much closer in the 2005-06 crop year, amounting to 59.4%, 50.0% and 45.1% respectively.

[16] The shareholders in Prince Rupert Grain Ltd. all hold larger stakes in Vancouver-based facilities. This provides them with real incentives in favouring Vancouver routings, as terminal revenues need not be shared to the same degree. Some shareholders are also concerned with the port's dependence on single-carrier service, and the lack of a practical competitive alternative.

[17] The tender bids advanced by the grain companies are typically expressed as a discount to the CWB's Initial Payment.

[18] These discounts exceeded the 2005-06 crop year's maximums of $18.58 per tonne on wheat, and $18.05 per tonne on durum.

[19] These premiums were substantially above those paid in the 2005-06 crop year, which reached a maximum of $7.00 per tonne.

[20] The volumes cited as moving under the CWB's tendering program also extend to malting barley – which is administered independent of other CWB grains.

specified in the tender calls, the largest proportion of the grain shipped, 47.6%, was sent to the port of Vancouver. Prince Rupert and Thunder Bay followed in turn with shares of 38.6% and 13.8% respectively.

As observed previously by the Monitor, the vast majority of the grain moved under the CWB's tendering program did so in blocks of 25 or more railcars. For the first nine months of the 2006-07 crop year, 91.6% of the tendered grain volume moved in such blocks, which proved to be slightly above the 88.6% recorded for the entire 2005-06 crop year. However, movements in blocks of 50 or more cars increased noticeably during the period, reaching 74.4% as compared to the previous crop year's 59.7% share. This was in large part driven by a shift away from movements in blocks of 25-49 cars, which fell by 11.6 percentage points to 17.3%.

High-throughput elevators remained the leading originators of tendered grain shipments. During the first nine months, 85.6% of the tendered tonnage was shipped from these larger facilities. Although this proportion proved to be slightly below the 86.0% recorded for the 2005-06 crop year as a whole, it remained consistent with the values posted since the 2001-02 crop year.[21]

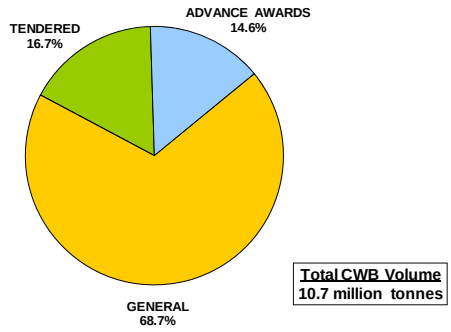
In terms of originating carriers, CP regained its position as the largest handler of tendered grain. With 54.2% of the volume originated through to the end of April 2007, the carrier easily outdistanced CN's 45.8% share. CP's share for the period was also considerably higher than the 48.3% it had secured for the 2005-06 crop year as a whole, which had been affected by an unusually large movement of tendered barley.[22]

In aggregate, 16.7% of the CWB's total grain shipments moved under tender to western Canadian ports in the first nine months of the 2006-07 crop year. Although the 1.8 million tonnes of tendered grain handled during this period proved to be 13.1% less than what it had been a year earlier, the CWB's reported Transportation Savings increased by 54.1%, to $26.2 million from $17.0 million.[23] Much of this improvement can be attributed to an increase in the discounts advanced by grain companies in their tender bids.

2.2 Advance Car Awards Program

With the beginning of the 2006-07 crop year, the CWB's advance car awards program entered its fourth year of operation. A total of 1.6 million tonnes of grain moved under this program in the first nine months. This constituted 14.6% of the total grain volume shipped by the CWB to western Canadian ports during this same period. When considered alongside the 1.8 million tonnes moved under the CWB's tendering program, this accounted for 31.3%, of the CWB's total grain shipments.

Figure 7: Western Canadian CWB Grain Volumes



The composition of the grain shipped under the advance car awards program differed from that moved under the CWB's tendering program in several respects. The first of these related to the fact that very little barley, just 2,700 tonnes, was shipped under the advance car awards program. As a result, wheat and durum took significantly larger shares of the movement. Wheat, which

[21] Although the 2000-01 crop year saw 90.3% of the tendered grain volume moved from high-throughput facilities, the limited activity recorded during the initial year of the CWB's tendering program makes any comparison unfair. Since that time, the proportion drawn from high-throughput facilities has ranged from a low of 83.0% in the 2002-03 crop year to a high of 86.2% in the 2003-04 crop year.

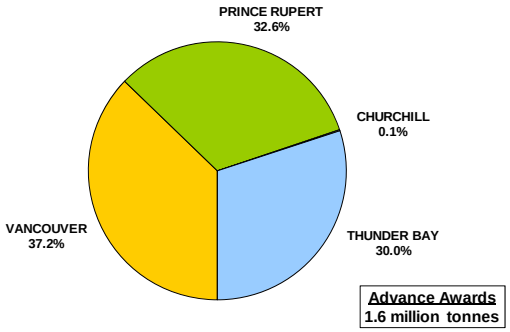
[22] Comparatively, CN originated almost twice as much barley – whether tendered or non-tendered – as did CP in the 2005-06 crop year. This extended somewhat naturally from the more northerly latitudes in which barley is grown, and in which CN operates.

[23] The CWB defines its Transportation Savings as the savings in transportation costs it realizes from the discounts advanced by the successful bidders under the tender program, all freight and terminal rebates, and any financial penalties it may assess for non-performance.

constituted the most dominant grain handled, accounted for 1.4 million tonnes and 87.9% of the program's overall volume. Another 11.9% was tied to the movement of 0.2 million tonnes of durum, while just 0.2% was for the movement of barley.

In addition, Vancouver took a considerably lesser share of advance-car-award shipments, accounting for 37.2% of the overall volume as compared to the tendering program's 47.6% share. However, this disparity did not work to the benefit of Prince Rupert, where the share accorded to it under the advance car awards program proved only marginally less than that secured under the tendering program, 32.6% versus 38.6% respectively. Rather, the principal beneficiary was Thunder Bay, whose 30.0% share under the advance car awards program proved to be more than double its 13.8% share on tendered grain movements. Churchill, with a 0.1% share of the total volume, followed in turn.

Figure 8: Advance Car Awards – Destination Port



As with tendered grain shipments, the vast majority of the grain that moved under the advance car awards program originated at high-throughput elevators, 82.5%. This, however, was somewhat below the 85.6% share cited earlier for tendered grain shipments. Similarly, CP also handled the majority of the grain that moved under the advance car awards program, 52.8% as compared to a 54.2% share for tendered grain.

When compared to tendered shipments, a significantly lesser volume of the grain shipped under the advance car awards program moved in blocks of 25 or more cars. This is because the cars allocated to shippers under the advance car awards program are often integrated with those obtained through the tendering program as a means of optimizing individual block or train movements. As such, this practice effectively dilutes the values that are obtained for the aggregate volume moved under the two programs. By way of example, 85.1% of this total volume moved in blocks of 25 or more railcars as compared to 91.6% for tendered grain alone. Similarly, the average overall size of these blocks amounted to 53.1 cars versus an average of 64.4 cars for tendered grain.

2.3 Other Commercial Developments

2.31 Government Moves Forward With Marketing Choice

As one of the planks in its 2006 election platform, the federal Conservative Party had promised to provide western Canadian farmers with greater choice in the marketing of their grain. In general terms, this pledge suggested that the CWB would no longer have exclusive jurisdiction over the sale of wheat, durum and barley grown in western Canada for export as well as domestic human consumption. In fact, the term "marketing choice" was intended to mean that farmers would be given the ability to sell the wheat and barley they grew to any domestic or foreign buyer they chose to, including a transformed CWB.

From its earliest history, the debate surrounding the role to be played by the CWB in selling western Canadian grain has always been politically charged. Strong opinions, both for and against the maintenance of the CWB's legislated monopoly, re-emerged towards the end of the 2005-06 crop year as the newly-elected Conservative government signalled that it was preparing to act on its pledge to introduce marketing choice.

As one of the first formal steps in this process, Chuck Strahl, the Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, announced the creation in mid September 2006 of an eight-person task force to examine the options open to the government in this regard.[24] Over the course of the next month,

[24] As originally constituted, the task force was to include a representative to be named by the CWB. However, the CWB declined to name one, which reduced the size of the task force to a seven-member panel. Notwithstanding this, the CWB responded to the questions directly put before it by the task force.

the task force considered the technical and transitional issues that would be manifest in making this changeover. The task force's report to the Minister, which was submitted on 25 October 2006, recommended a four-stage transition period extending over several years.

The first of these stages would deal with the legislative changes required to repeal the Canadian Wheat Board Act and provide authorization for the new commercial entity that would replace it, dubbed CWB II. The second would address the actual formation of this new entity, and the introduction of choice to the marketing of barley. The extension of choice to the marketing of wheat and durum would signal the beginning of a third stage, where governmental financial supports for CWB II would be gradually withdrawn. By July 2013, when the task force envisioned the transitional process being complete, CWB II would emerge as a fully self-sufficient commercial entity operating in a completely open market environment.

Within days of receiving these recommendations the Minister announced that the government planned to move forward in the matter of initially extending marketing choice to barley. Specifically, the government outlined its intention to hold a farmer plebiscite on the issue early in the coming year. By the end of the second quarter the eligibility requirements of the voters had been established, and the question to be voted upon made public. The plebiscite, which employed a mail-in ballot, extended from early February through mid March 2007. With a minority of 37.8% having voted to retain the CWB's single-desk authority, the government declared that it was going to proceed with the regulatory changes required to give producers a choice in the marketing of their barley by the commencement of the 2007-08 crop year.[25]

But the matter did not end there. Around this same time the CWB suggested that transitioning completely out of the marketing of barley might be the only real option open to it in the face of an actual loss of its single-desk authority. In light of the uncertainty that it claimed had been occasioned by the government's announcement, the CWB later lowered the Pool Return Outlook (PRO) on malting barley for the 2006-07 crop year, and suspended its PRO and Producer Payment Options on barley for the upcoming 2007-08 crop year.

2.32 Grain Industry Seeks Redress on Railway Service Issues

Stakeholder complaints over railway service and car allocation have increased in recent years. Of particular concern has been a perceived decline in the consistency and reliability with which that service has been delivered. Grain shippers have frequently cited costly instances where railcars have not been spotted in a timely manner at country elevators for loading, or at destination terminals for unloading. The general car allocation process – always a contentious matter – has also come under increasing fire from shippers who argue that they are being shortchanged by the preference given to unit trains ordered through the railways' advance booking products.

Moreover, grain shippers have been troubled by what they claim to be the railways' lack of accountability. They argue that regulatory change provides the only practical means of rectifying these perceived failings, they have joined forces with shippers of other commodities in raising their complaints to the federal government for attention. In response, the railways have contended that no such remedy is necessary, and that most problems could satisfactorily be remedied through private dispute resolution mechanisms.

Even so, the shipping community continued to press for legislative change, allying themselves in a broader governmental lobbying effort. In May 2006, Transport Canada advised shippers that the government intended to address their complaints about railway service with an amendment to the Canada Transportation Act. By the end of the third quarter, however, such a bill had yet to be introduced in Parliament.

With the onset of winter bringing its share of operating problems, these service concerns only intensified (see section 2.37 for a broader discussion of railway service during this period). One aggrieved grain shipper, Great Northern Grain Terminals Ltd. (GNG), opted to file a level-of-service complaint with the Canadian Transportation Agency. In its complaint, filed on 8 March 2007, GNG alleged that CN's advanced products discriminated against it and other small shippers in the allocation of railcars, thus rendering them uncompetitive in the marketing of grain. Furthermore, GNG also alleged that CN had failed to provide the complainant with an adequate level of rail service under its general railcar allocation program.

[25] The votes were tabulated by the accounting firm of KPMG, and made public by the Minister on 28 March 2007.

In many ways the case acted as a lightning rod for a host of smaller shippers, with over 20 separate organizations having sought intervener status in the case.[26] All of the interveners offered evidence respecting how the CN car allocation program worked and why its application resulted in an inadequate level of service being received from CN. With the Canada Transportation Act prescribing 120 days for the Agency to rule in the matter, a decision was expected in early July 2007.

2.33 Port of Prince Rupert Experiences Unprecedented Growth

With 3.7 million tonnes of grain directed to Prince Rupert in the first nine months of the 2006-07 crop year, the port posted a 20.7% increase for the period. Moreover, this constituted the largest volume directed to Prince Rupert in the first nine months of any crop year since the GMP was initiated.[27] And while CWB grains normally account for almost all of the port's handlings, there was also a sizable gain in the amount of canola shipped to it during the period, which reached over 0.2 million tonnes.

Much of the growth experienced by Prince Rupert can be traced to recent CN rate reductions. In the first year of the GMP, the rate for single car movements to Prince Rupert generally exceeded those for Vancouver by a factor of 13%. This gap was gradually reduced over the next several years, falling first to 7% in the 2000-01 crop year before reaching parity towards the end of the 2004-05 crop year. Although these reductions appeared to have prompted a modest increase in the volume of grain moving to Prince Rupert, it was not until this differential had been entirely eliminated that the impact became appreciable.

Between the 1999-2000 and 2004-05 crop years, Prince Rupert's share of the total grain volume seldom exceeded 14%.[28] By the 2005-06 crop year – the first in which the rate differential between Vancouver and Prince Rupert had been eliminated – Prince Rupert's share increased to a noticeably greater 16.6%. By the end of the 2006-07 crop year's third quarter this share had climbed to 20.7%. Supported in large part by the allocation of more hopper cars to movements in the Prince Rupert corridor, these actions promoted CN's broader strategic aim of increasing the amount of traffic handled over its less utilized route through northern British Columbia.[29]

The economic sway of these changes was reflected in the CWB's own programming decisions, which directed a noticeably larger share of its total movement, 32.5%, in the first nine months of the 2006-07 crop year to the port of Prince Rupert.[30] Even so, the major grain companies proved themselves less prone to making such a shift. This stems directly from the fact that, although the major grain companies have an ownership interest in Prince Rupert Grain Ltd., there is a monetary benefit for them to move grain through their own terminals in Vancouver. This preference, which has increasingly manifested itself in the form of better bids on tendered movements to Vancouver, accounts – to some degree – for the major grain companies' declining share on movements handled into Prince Rupert.

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[26] The Agency accepted interventions from Weyburn Inland Terminal Ltd., Providence Grain Group Inc., Paterson Grain, North West Terminal Ltd., North East Terminal Ltd., the Canadian Wheat Board, Parrish & Heimbecker, Battle River Producer Car Group, Prairie West Terminal Ltd., Agricultural Producers Association of Saskatchewan, Pulse Depot, Briercrest Grain Limited, Saskatchewan Association of Rural Municipalities, South West Terminal Ltd., National Farmers Union, Pulse Canada, Great Sandhills Terminal Marketing Centre, Canadian Federation of Agriculture, R & J Wiens Farms Ltd., and Alberta Agriculture and Food. All of the interventions were in support of the GNG complaint.

[27] The previous nine-month record for Prince Rupert reaches back to the 1999-2000 crop year when 3.2 million tonnes of grain were moved.

[28] An exception was noted in the 2002-03 crop year when a labour disruption at the port of Vancouver resulted in 16.7% of the overall grain volume being directed to Prince Rupert.

[29] Much of this renewed emphasis dates from CN's purchase of BC Rail, which was completed in July 2004. In addition to integrating the operations of this carrier, CN moved to promote the Port of Prince Rupert as a major gateway for the movement of bulk export products as well as containers. In 2005 CN announced that, in conjunction with Maher Terminals of Canada Corporation and the Prince Rupert Port Authority, it would be investing in the multi-phased development of a major new container terminal at the port. The new facility, which will have an initial twenty-foot equivalent container capacity of 500,000, is slated for opening in the fall of 2007.

[30] The CWB's direction of 32.5% of its total grain shipments to Prince Rupert represented a marked increase over the 19.8% share accorded to it just two years earlier. Much of this gain came directly from a reduction in the tonnage the CWB directed to Vancouver, whose relative share decreased to 37.0% from 47.4% in the same period.

2.34 USFDA Grants Canola Health Claim Labelling

The Canadian canola industry was bolstered by an announcement from the US Food and Drug Administration on 6 October 2006 stating that products made from canola oil could carry labels that included a qualified claim of health benefits. Owing to canola oil's unsaturated fat content, the industries claim that it reduces the risk of cardiovascular disease can now be used in the promotion of consumer products in the US marketplace.

With the increased desire on the part of many North Americans – and in some jurisdictions, a legally mandated obligation – to see reduce or eliminate trans-fats from food, this health claim is expected to contribute significantly to the use of canola as the preferred alternative to other mass-market oils. In addition, this ever-increasing demand has been supplemented by the growing use of canola as a feedstock in the production of biodiesel. These forces have helped increase domestic canola production to levels beyond the industry's own expectations, with an average of over nine million tonnes having been harvested in the last two years.

With the demand for both export and domestic crushing continuing to grow, commercial optimism has led to increased industry investment in infrastructure. Some of the more recent indications of this came in September 2006 when both James Richardson International and Louis Dreyfus Canada announced that they intended to build new canola-crushing plants in Yorkton, Saskatchewan. When completed, these facilities are expected to add another 50%, or 1.7 million tonnes, of crushing capacity to that currently in place. When combined with previously stated plans for the expansion of other crushing facilities, along with the expectation of more such investments, these announcements highlight the increasing prominence that is being given to canola's place in western Canadian agriculture.

2.35 Review of CGC and Canada Grain Act

On 18 September 2006, the federal government tabled a report completed by Compas Inc., a Toronto-based research firm, which had been selected to lead an independent statutory review of the Canadian Grain Commission (CGC) and the Canada Grain Act. Initiated in February 2006, this review built on the company's consultations with hundreds of stakeholders over the next six months.

In its review, Compas advanced nearly 100 recommendations that included changes to: the CGC's mandate and governance structure; licensing and security provisions; funding for infrastructure and research (including the Grain Research Laboratory); quality and quality assurance; weighing and inspections services; liability; and dispute resolution. Some, such as the recommendation proposing that inward weighing and inspection services at terminal elevators be made optional, imply a significant degree of change in the way the GHTS works today. In this instance, even though the CGC may no longer perform such services in parallel with the grain company operating the elevator, it would still be obligated to ensure that producer car shippers – or any other small shipper – desiring an independent third-party verification of unload weights and grades could still access such services.

Of particular importance, however, were the implications arising from the report's recommendation regarding quality assurance, and the possible changing of a grading system that has long been based solely on Kernel Visual Distinguishability (KVD). While avoiding the complexities inherent in moving away from the existing system, it recommended that the CGC somehow "balance the interest of those who would priorize [sic] protection of export brands with the interests of those who favour new varieties for feed and feedstock." In addition, it was recommended that the CGC initiate annual consultations with stakeholders to assess the effectiveness of whatever grading and quality-assurance procedures are adopted.

The Compas report was referred to the House of Commons Standing Committee on Agriculture and Agri-Food for further consideration. The committee's report to the House of Commons, tabled on 5 December 2006, contained 12 recommendations. In addition to proposing that the CGC's governance structure be altered, they recommended that farmers maintain their access to producer-car loading, and that inward inspection services be made optional. The committee also suggested that KVD be abandoned, and replaced with a system of farmer declarations supported by science-based mechanisms of quality control. To ensure compliance, it was proposed that a series of monetary penalties accompany these declarations.

The government tabled its response to the Standing Committee's recommendations on 16 April 2007. While indicating that most still remained under review, the government nevertheless targeted 2010 for the elimination of KVD as the basis for quality assurance in all classes of western wheat. In order to facilitate a measured

transition, the government requested that the CGC report by 31 December 2009 on the experience gained from doing away with KVD when grading minor western wheat classes.[31] The CGC was also requested to furnish an update on any related technological developments, as well as the evolution of the verification and declaration systems.

2.36 Saskatchewan Wheat Pool Launches Bid for Agricore United

Early in November 2006, Saskatchewan Wheat Pool Inc. (SWP) announced that it was launching a bid to acquire Agricore United (AU). Although many observers had argued that more consolidation within the industry was to be expected, few anticipated that it would involve the country's two largest grain companies, let alone that the smaller of the two would attempt an outright purchase of its larger rival.

As advanced, the SWP offer largely entailed a stock swap, with each limited voting common share in AU to be exchanged for 1.35 common shares of SWP; each $1,000 in convertible debentures to be traded for 180 common shares of SWP; and each convertible preferred share to be acquired for $24.00 in cash. Worth an estimated $1.0 billion, the SWP offer provided a premium of about 13% over the prevailing value of AU shares, but was contingent upon at least 75% of AU's common shares being tendered by 24 January 2007 as well as the receipt of regulatory approval from the Canadian Competition Bureau.

If successful, the SWP proposal envisioned the country's two leading agricultural companies combining to form an entity with a 50% market share and annual revenues in the area of $4.3 billion. Moreover, it was believed that the new entity could better position itself to compete with the multinational grain companies that already dominated the international movement of grain. To this end, SWP suggested that it would finally be able to address what it maintained was a chronic problem of over-capacity, bring new efficiencies to western Canadian agriculture, and realize some $60 million in annual cost savings.

Although many financial analysts appeared to react positively to the prospect of a stronger company with greater earnings potential, a number of other stakeholders questioned what seemed to be a significant reduction in competition. Regardless, after striking a special committee to evaluate the SWP offer, AU's Board of Directors unanimously recommended in December 2006 that its shareholders reject what it deemed to be a hostile takeover bid. To a large extent, this was founded on the view that the SWP offer was financially inadequate, and subject to potentially significant commercial and regulatory risks. This view was echoed by Archer Daniels Midland Co. (ADM), which held a 28% interest in AU, and which indicated that it could not support the deal as then structured.[32] More importantly, the AU board signalled that ADM was supporting its efforts to solicit a better offer for the company's shareholders, whether be it from SWP or another potential bidder.

In light of this, as well as the Canadian Competition Bureau's continuing investigation into the consequences of the proposed merger, SWP extended the deadline on its offer to 7 March 2007. At the same time, SWP also enhanced its original offer to include a cash component.[33] Under the terms of the revised offer, AU's common shareholders could now elect to receive either $11.33 in cash, 1.3601 SWP shares for every AU share they held, or any combination thereof.[34] This financial enhancement was underwritten by two subscription rights offerings totalling $225 million.

[31] As part of its ongoing Wheat Quality Assurance Strategy, the CGC will eliminate KVD as a segregation tool for minor classes of western wheat (all but those graded as CWRS and CWAD) by 1 August 2008. These classes typically represent about 15% of the total wheat production.

[32] With the SWP offer having been conditional on 75% of AU's common shares being surrendered, ADM's decision not to tender its 28% interest in the company effectively blocked the SWP's takeover bid.

[33] The stock exchange offer originally put forward by SWP excluded any cash payout to holders of AU common shares and convertible debentures. This was cited by the AU's Board of Directors as one of the offer's major failings, and one that contributed to the significant undervaluing of the company's securities.

[34] On 10 January 2007, AU redeemed all of its outstanding convertible debentures for limited voting common shares in the company. As a result, the portion of the SWP offer stipulating that each $1,000 in outstanding AU convertible debentures would be exchanged for 180 common shares of SWP stock was not extended.

Despite the apparent acrimony exhibited between the parties, as well as the AU board's recommendation in early February 2007 that the revised offer also be rejected, SWP appeared far from discouraged in its efforts to acquire the company.[35] Moreover, SWP claimed that its plan was progressing largely as expected, and that it had even been encouraged by AU's apparent willingness to consider other offers. But in a move that took the industry by surprise, the AU board announced on 21 February 2007 that it had agreed to combine with James Richardson International Limited (JRI) after receiving what it considered to be a better offer from JRI's parent, James Richardson & Sons Limited, and the Ontario Teachers' Pension Plan.[36]

This endorsement seemed to have sounded the death knell for SWP's plan. To be sure, beyond extending the deadline on its revised offer to 11 April 2007, the SWP's reaction to these developments proved rather muted. Then, on 28 March 2007, SWP revealed that if it was successful in its bid to acquire AU, the company would transfer a number of its elevator assets to Cargill Limited under the terms of a consent agreement reached with the Canadian Competition Bureau.[37] The next day, SWP announced that it was materially increasing its offer for AU in light of the joint JRI deal struck five weeks earlier. Under the new offer, each AU shareholder was to receive $8.00 in cash and 0.95 SWP shares for each limited voting common share held. On a comparative basis, this elevated the per-share value of the SWP offer to a level more than $4.00 higher than that put forward in the JRI deal, an estimated $17.86 versus $13.79 respectively.[38]

In short order, the AU board came forward to say that it was evaluating the proposal and that it would engage SWP in discussions on the matter. This was followed on 13 April 2007 by statements from both parties indicating that in light of SWP's willingness to increase its effective offer to $20.00 per share, the AU board now considered its bid to be superior to the one put forward by JRI. But before it could enter into an acquisition agreement with SWP, AU was obligated to first notify JRI and to provide that company with the opportunity of either matching or bettering the SWP offer.[39] This it did, and on 19 April 2007 AU and JRI announced a renewed plan for the merger of their two companies.

As the third quarter came to its close, SWP again extended the deadline on its latest offer, this time to 15 May 2007. This time around, however, the company chose not to advance a revised offer to AU directly. Instead, SWP first contacted JRI with a proposal calling for the sale of certain AU assets to JRI in exchange for JRI's support of a final SWP bid. Having secured JRI's agreement to stand aside, SWP then tabled what it claimed was its final bid to the AU board: an all-cash buyout of $20.50 per limited voting common share. As a result, on 9 May 2007, the acquisition agreement existing between AU and JRI was terminated, and the AU board recommended that its shareholders accept the SWP offer.

2.37 Extreme Weather and Labour Disruptions Undermine Rail Service

With the beginning of the second quarter, British Columbia found itself being frequently hit with strong winds, drenching rains and heavy snows. In early November 2006, a huge storm dubbed the Pineapple Express carried the remnants of Typhoon Cimaron, the strongest to have hit the Philippines in eight years, to the west coast. What proved especially unusual was the intensity of the rainfall – at times amounting to between 10 and 15 mm each hour for 15 consecutive hours – which set the stage for serious flooding problems.

[35] The AU board maintained that the revised SWP offer did not provide any meaningful increase in value to the company's shareholders and, as such, did not address the fundamental reasons put forward by the board when it recommended that SWP's original offer be rejected.

[36] Under the proposal advanced, AU shareholders would receive $6.50 in cash and 0.509 shares of the combined company for each limited voting common share held. Holders of the company's convertible preferred shares would receive $24.00 in cash. On completion of the transaction, James Richardson & Sons Limited and the Ontario Teachers' Pension Plan would own the majority of the new entity's outstanding stock (with interests of 50.5% and 20.0% respectively) while AU's existing shareholders would hold the remaining 29.5%.

[37] The consent agreement stipulated that, in the event of a successful bid for AU, SWP was to sell a total of nine country elevators, as well as its Vancouver terminal elevator, to Cargill Limited. In return, Cargill would surrender to SWP its 50% interest in Vancouver's Cascadia Terminal (where AU also had a 50% interest) along with a $70 million equalization payment.

[38] The increased monetary value of the SWP offer was supported by another subscription rights offering worth $275 million.

[39] Under the acquisition agreement already in place with JRI, AU had to provide it with a five-business-day period in which it could either match or better the offer received from SWP. In the event that JRI chose not to do so, AU would be obligated to pay JRI a termination fee of $24 million.

The storm dumped its heaviest load on Chilliwack, which swelled the Chilliwack River with roughly 20 times its normal flow. The water level on every river in the Lower Mainland, the south coast and the southern half of Vancouver Island rose to heights expected only once in every 50 years. The rain triggered widespread mudslides, washouts and floods that closed highways and resulted in the evacuation of hundreds of residents from their homes.

This was followed by other storms that continued to batter the coast with even more rain and strong winds. Finally, a series of month-end snowstorms blanketed the Lower Mainland with record snowfalls and unusually low temperatures. With 350.8 mm of rain and snowmelt in the Vancouver area, it proved to have been the wettest November on record. Under such extreme conditions, some disruption to railway service was to be expected. Mudslides occasioned by these heavy rains resulted in the closure of CN's mainline through the Fraser Canyon, which temporarily impeded train operations between Edmonton and Vancouver. However, it wasn't until mid December, when the Lower Mainland was again sent reeling by the back-to-back arrival of three powerful storms – each packing winds with gusts well in excess of 100 km/h – that the GHTS showed signs of being affected.

The strength of the winds tied to these storms brought down thousands of trees, produced over $100 million in property damage, interrupted basic residential services and almost crippled British Columbia's already fragile power grid.[40] The destructive power of the last of these storms was compared to that of Typhoon Freda, whose remnants struck the west coast hard in 1962. Emergency personnel described the storm as the most destructive in the province's history. At its peak, a record 250,000 people were without electricity, with several thousand having to wait days before power and telephone services could be restored.

This type of extreme weather continued to be experienced well into January before subsiding. Even so, the first three months of 2007 proved to be wetter than normal, with the month of March having brought 214.8 mm of rain to Vancouver.[41] These conditions were mirrored in the Rockies, which, combined with a heavy build-up in the snowpack, led to still more avalanches for the railways to contend with. Not surprisingly, the railways' average car cycle in the Vancouver corridor moved steadily higher during this period: from an average of 16.6 days in the first quarter, to 19.0 days in the second, and finally to 20.1 days in the third. At the same time, grain companies reported a sharp downturn in the number of railcars that were being made available to them for loading in the country.

The impact on the GHTS could also be observed from the elongation of the average times spent by vessels in port, since these adverse weather conditions frequently prevented ships from loading. For the port of Vancouver, these stays climbed from averages of 7.0 days and 7.1 days in November and December respectively, to 10.7 days in January and 13.8 days in February. Similarly, the longest time spent by any one vessel in port jumped from 18 days in December to 34 days in January. In light of this, the demurrage cost for ships waiting to load in the harbour reportedly climbed to as much as $175,000 per day.

If the effects of the weather were not enough to deal with, the GHTS soon found itself having to contend with a labour disruption at CN, where members of the United Transportation Union (UTU) – which represented about 2,800 conductors and yard-service employees throughout Canada – walked out on strike on 10 February 2007 following the failure of contract negotiations a day earlier.[42] Claiming that the UTU's wage demands were excessive, CN immediately pressed its management personnel into train and yard service in an effort to keep its trains moving. At the same time, the carrier also moved to have the strike declared illegal by the Canada Industrial Relations Board.[43]

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[40] The storm of 15 December 2006 produced the biggest punch, easily surpassing the two that preceded it in intensity. Speed records were shattered by winds that toppled trees that had been standing for almost two centuries, including thousands in Vancouver's renowned Stanley Park. BC Hydro, whose employees had been struggling almost nonstop for a month to keep the strained electrical grid from total collapse, called for the assistance of out-of-province hydro crews as reinforcements.

[41] Monthly averages from 1971 to 2000 show that 114.3 mm of precipitation is normally received by Vancouver in March. The rainfall experienced in March 2007 proved to be almost double the norm.

[42] Excluded from strike action were UTU members employed on CN's Northern Quebec Internal Short Line, the Algoma Central Railway in northern Ontario, and the Mackenzie Northern Railway in northern Alberta. CN and the UTU also agreed to the maintenance of normal commuter rail operations on CN lines in the Toronto and Montreal areas for the duration of its strike action.

[43] CN argued that the strike notice given on 6 February 2007 was deficient and that, in any event, the general chairmen issuing the notice had not been properly authorized to do so by the UTU. On 19 February 2007 the Canada Industrial Relations Board

Against this backdrop, the UTU refused CN's request for a two-month cooling-off period, which also called for an immediate return to work by striking employees and the resumption of collective bargaining. As the situation dragged on, shippers from across the country grew more concerned. By the tenth day of the strike, they were demanding that the federal government take decisive action to resolve what they had come to regard as an increasingly serious economic problem. By way of example, the Vancouver Port Authority estimated that $730 million in cargo was being held up as a result of deteriorating CN service.

It was at this point that the Minister of Labour appointed a mediator to help the parties settle their differences and end the strike. But this effort ultimately failed, and on 23 February 2007 the Minister tabled the back-to-work legislation needed to terminate the UTU's action against CN. However, consideration of Bill C-46 was suspended after the two sides reached a tentative settlement the following day. In light of this agreement, and a pending ratification vote slated for 9 April 2007, the UTU directed its members to bring down all picket lines and return to work as soon as possible.[44] Had this agreement been ratified by the UTU's members there would have been no further disruption to CN service.

However, on 10 April 2007, the UTU notified the railway that its membership had rejected the tentative settlement reached six weeks earlier. As a result, the UTU advised CN that rotating strike action would resume the next day. Wherever picket lines formed, CN responded by locking out its striking employees, and having management personnel again assumed their duties. Although further attempts to broker a national agreement followed, they ultimately failed.

In light of these developments, and renewed calls for a legislated settlement, the federal government re-introduced bill C-46 through Parliament, its previously suspended back-to-work legislation. The Railway Continuation Act, which provided for an immediate end to the UTU strike and CN's lockout of its employees, came into effect on 19 April 2007. This was followed a few days later by the federal labour minister's appointment of an arbitrator in the dispute.[45]

dismissed CN's application to have the strike declared illegal, ruling that the UTU's strike notice met the basic requirements of the Canada Labour Code, and that the technical nature of the omissions identified did not render the notice invalid. The board also declined to consider the matter of whether the proper bargaining agent had issued the notice, stating that the matter was internal to the workings of the UTU itself.

[44] The ratification vote was initially scheduled to take place on or before 26 March 2007 but was delayed by two weeks in order to accommodate the mailing of ballots to UTU members who had apparently been omitted from the original mailing list.

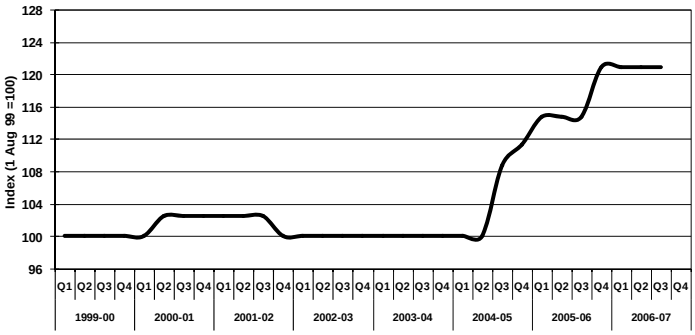
[45] Andrew Sims, an Edmonton-based lawyer, was appointed by the labour minister to arbitrate in the dispute between the UTU and CN. The Railway Continuation Act set a 90 day timetable for the arbitrator to select between the best "final offers" put forward by both parties, with that selection forming the collective agreement that would exist between them. The appointment of an arbitrator, however, did not prevent the parties from returning to the bargaining table and reaching an agreement before a decision was rendered.

3.0 System Efficiency and Service Reliability

3.1 Trucking

Commercial trucking rates remained unchanged in the first nine months of the 2006-07 crop year, after having risen by 20.9% over the course of the preceding twenty-four-month period. To a large extent, this price shock reflected the unleashing of the pent-up pressures that came from rising labour and fuel costs. Increased grain shipments, which had heightened the demand for carrying capacity, also furnished service providers with a greater degree of latitude in passing these costs onto their customers.

Figure 9: Composite Index – Short-Haul Trucking



Although the pump price for diesel has proven volatile, it has generally moderated in the face of recent reductions in the price of crude oil. This moderation in fuel prices helped to offset the rise in wages and other input costs experienced in the first nine months of the 2006-07 crop year. Still, after reaching a low of about $47 US per barrel in mid January 2007, the benchmark price of West Texas Intermediate crude oil again began to rise. By the end of the third quarter the posted price had rebounded to about $60 US per barrel, although this remained well below the per-barrel high of $75 US reached nine months earlier. While this suggests that commercial trucking rates will likely rise in the near future, the composite price index remained unchanged at 120.9 at the close of the third quarter.

3.2 Country Elevators

Total country elevator throughput, as measured by shipments from primary elevator facilities, increased by 2.8% in the first nine months of the 2006-07 crop year, rising to 24.5 million tonnes from 23.8 million tonnes a year earlier. This constituted the second largest throughput volume recorded for the period under the GMP.[46] The increase in tonnage was also reflected in a higher capacity turnover ratio for the primary elevator system as a whole, which rose by 4.3% to 4.8 turns for the first nine months. To an extent, this comparatively higher turnover ratio was also bolstered by a 29,600-tonne reduction in associated storage capacity over the course of the preceding twelve months. Moreover, an accumulated 1.2-million-tonne net reduction in storage capacity has helped improve the turnover ratio substantially since the 1999-2000 crop year. As a result of this, the primary elevator network could be seen to have handled comparatively more grain in the first nine months of the current crop year than at any other point in the history of the GMP.[47]

The amount of grain maintained in inventory increased by 4.0% in the first nine months, climbing to a weekly average of 3.0 million tonnes as compared to 2.9 million tonnes a year earlier. Much of this gain appeared to be tied to the overall increase in throughput, with the average standing only marginally above the longer-term GMP average of 2.9 million tonnes, and well below the higher values posted in the program's first two years.[48] Along with the build up in stocks, the amount of time that grain spent in inventory also increased, rising by 1.2% to an average of 33.1 days as compared to 32.7 days twelve months before.

[46] The 2000-01 crop year produced a variety of high-water marks for country elevator throughput, including a record 25.1 million tonnes in its first nine months.

[47] Comparatively, the annualized equivalent of the volume of grain that was shipped from the primary elevator system in the first nine months of the 2006-07 crop year would have yielded a capacity turnover ratio of 6.4. This ratio far exceeds those recorded in the first seven years of the GMP, and easily surpasses the 6.2 realized as a previous best a year earlier.

[48] Country elevator stocks have generally been falling in conjunction with the overall reduction in the system's storage capacity. Despite fluctuations in the average's quarterly values, it remains well below the record-setting 4.1-million-tonne average of the 1999-2000 crop year's second quarter.

In conjunction with the increase in grain inventories, the overall average weekly stock-to-shipment ratio for the period also increased moderately. The year-to-date average of 4.8 marked a 4.3% gain over the 4.6 scored in the same period a year earlier. This value affirms that grain inventories were generally more than sufficient to meet the prevailing demand.

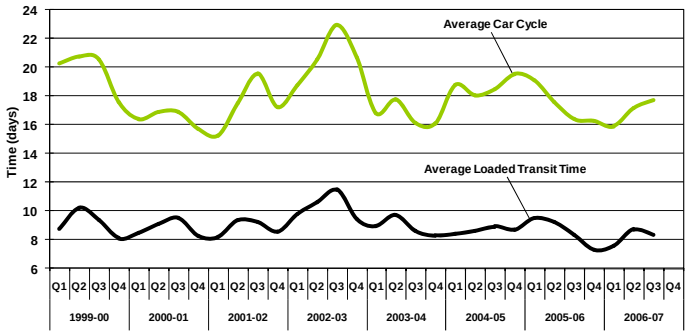
3.3 Railway Operations

The volume of grain moved by covered hopper cars during the first nine months of the 2006-07 crop year decreased by 2.3%, falling to 17.6 million tonnes from 18.1 million tonnes a year earlier. With originations of 16.8 million tonnes, the volume for Class 1 carriers remained largely unchanged, increasing by just 0.5% for the period. This represented a share of 95.3%, which denoted a gain over the 92.6% share these carriers held twelve months earlier. In comparison, the traffic originated by shortline carriers in this same period, which totalled over 0.8 million tonnes, fell by 37.9%. Although these contrasting results were largely attributable to the absorption of several shortline operations by CN, they also underscored the broader trends that have increasingly disfavoured shipments from the grain-dependent network.[49] The volume originated by the grain-dependent network in the first nine months of the 2006-07 crop year declined by 0.4 million tonnes, or 7.1%, while those forwarded from points along the non-grain-dependent network remained largely unchanged, decreasing by just 0.2%.

3.31 Car Cycles

Extreme winter weather conditions had an adverse impact on railway car cycles in the second and third quarters, which rose from the first quarter's 15.9-day average to 17.2 days and 17.7 days respectively. Despite the rise in these quarterly values, the year-to-date average for the first nine months of the 2006-07 crop year actually declined by 4.9%, falling to 16.9 days from 17.8 days. Moreover, although service disruptions occasioned by landslides in the Rockies and a nation-wide strike at CN had an impact on the movement of grain, improvements were noted in each of the primary corridors. Leading the charge with a decrease of 11.0% were movements in the Thunder Bay corridor, where the average car cycle was drawn down to 15.8 days from 17.8 days a year earlier. The Prince Rupert corridor followed with a reduction of 1.0%, which resulted in a 15.7-day average. The Vancouver corridor posted an equally modest improvement of 0.7%, with its year-to-date average falling to 18.6 days.

Figure 10: Average Railway Car Cycle



These improvements extended equally to the average car cycle's loaded and empty transit time components. In the case of the former, the average loaded transit time for the first nine months fell by 9.5%, to an average of 8.2 days from 9.1 days a year earlier. As for the average empty transit time, the betterment proved statistically insignificant, with the average remaining unchanged at 8.7 days.

Underpinning these gains were improvements in the car cycles of CN and CP, which fell by 6.1% and 1.3% respectively. The most marked improvement was reflected in a 9.0% reduction in the average loaded transit time posted by CN while the CP average fell by 5.1%. The results were more mixed with respect to their average empty transit times, which fell by 2.6% in the case of CN, and rose by 1.8% for CP.

The demand for railway carrying capacity typically surges at harvest time. Moreover, the larger the crop, the more intense the resultant strain on the GHTS becomes. Added pressure was undoubtedly placed on the system's railway resources due to a record grain movement under the GMP in the first quarter. This was

[49] Traffic originated by the shortlines acquired by CN in 2006 has been reclassified as Class-1 originations. The volume comparisons made here reflect the impact of this change.

reflected in average loaded transit times that steadily lengthened; a pattern that has often been observed under the GMP. Compounding this, however, were the added burdens of the service disruptions brought on by adverse west coast weather and a strike at CN in the second and third quarters. Even so, the quarterly averages posted thus far into the 2006-07 crop year continue to rank among the better values recorded under the GMP. CN in particular has made significant strides in narrowing the performance gap that it had opened with CP almost two years before.[50] Although a greater emphasis on unit train operations in the Vancouver and Thunder Bay corridors has been instrumental in this, the increased volume of grain being shipped to Prince Rupert – and which now consistently post some of the lowest corridor averages – has had an equally important effect on improving overall efficiency.

3.32 Railway Freight Rates

As outlined in the Monitor's previous reports, CN and CP broke with the practice of advancing largely parallel rate adjustments at the beginning of the 2003-04 crop year. At the same time, they also made the first substantive changes to the incentive discounts that they had been offering for movements in multiple-car blocks. Over the next three crop years, a new process involving the setting of new rates at the beginning of the crop year followed by at least one other rate adjustment in the second half was noted. To a large extent, this new process was aimed at maximizing the revenues that the carriers were entitled to receive under the revenue cap. Moreover, given the comparative narrowness by which these targets were missed, it is evident that both CN and CP have become quite skilful at managing their revenues within this regulatory framework.

For the 2006-07 crop year, both railways brought forward rate increases that were largely consistent with the 6.6% escalation factor approved by the Canadian Transportation Agency's Volume-Related Composite Price Index.[51] Although CN applied an across-the-board increase of 7.0% to all corridors, it restricted the increases applicable on certain high-throughput elevators moving grain to Prince Rupert to about 3.8%.[52] In addition CN also took an initial step towards its stated goal of publishing these rates as per-car, rather than per-tonne, charges. Although per-tonne rates were maintained for the movement of CWB grains, the rates applicable on all other commodities were converted to per-car charges.[53] In comparison, CP maintained its existing per-tonne rate structure, increasing its rates in the Vancouver and Thunder Bay corridors by about 6.0% and 6.5% respectively.

Through to the end of the third quarter, the overall increase in rates since the beginning of the GMP has been in the order of 13.5% for movements in the Vancouver corridor, and 13.1% for movements in the Thunder Bay corridor. Although similar for both CN and CP, the increases posted by CN have marginally exceeded those put forth by CP over the entire span of the GMP.[54]

Of particular interest is the fact that CN has gradually reduced its rates to Prince Rupert. At the outset of the GMP, these rates generally exceeded those applicable on the movement of grain to Vancouver by a factor of

[50] Following CN's return to the practice of using grain to fill-out its manifest trains early in the 2004-05 crop year, there was a significant elongation in its loaded and empty transit times. This ultimately manifested itself in a measurable performance advantage for CP, which continued to focus on unit train operations. Since dispensing with this approach early in the 2005-06 crop year, CN has managed to steadily narrow the gap in comparative performance.

[51] The revenue cap is adjusted annually for inflation by the Canadian Transportation Agency. For the 2006-07 crop year, the Agency determined that the Volume-Related Composite Price Index used to accomplish this was to be increased by 6.6%. See Canadian Transportation Agency Decision Number 253-R-2006 dated 28 April 2006.

[52] By restricting the escalation at these strategic points, CN was able to give specified movements to Prince Rupert a financial advantage of at least $1.00 per tonne over those for Vancouver.

[53] The adoption of per-car rates is not unique to grain, in as much as the railway industry has been moving steadily towards the use of per-car charges as a means of simplifying its accounting processes for several years now. In adopting per-car rates, however, CN grouped the rates for specific commodities according their product densities. As a result, the per-car rates published for heavier grains differ from those published for medium and lighter density products.

[54] The Thunder Bay and Vancouver corridors are deemed the most competitive since both CN and CP offer direct rail services to these ports. Notwithstanding minor differences, the rate increases noted here reflect the general pricing actions of both carriers in these two corridors. With only one serving carrier at the ports of Churchill and Prince Rupert, inter-carrier comparisons of rate changes are not possible. An examination of CN's published rates to these ports shows net increases of about 14.0% for Churchill, and 0.6% for Prince Rupert, over the same period of time.

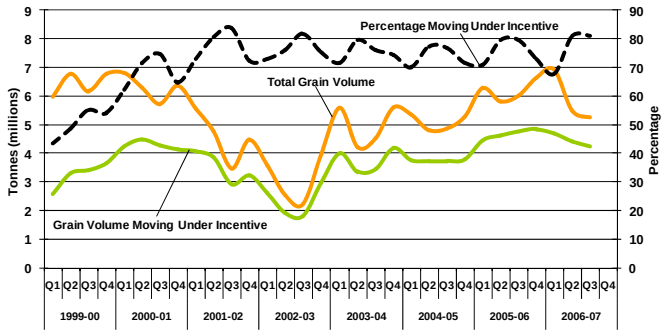
13%. In some circles, this differential was considered discriminatory, and prejudicial to the movement of grain to Prince Rupert. Beginning in the 2000-01 crop year, however, CN began to lower its rates in this corridor. By the end of the 2004-05 crop year CN had effectively equalized its rates on movements to Prince Rupert and Vancouver. This gradual reduction appears to have helped stimulate the shipment of grain to the more northerly of these two ports. Although larger grain supplies undoubtedly also had a bearing, Prince Rupert's share of the total rail movement continued to gain ground against that of Vancouver.

CN's selective rate increases along with the allocation of more cars to the corridor appears to have had an even more pronounced effect in the first nine months of the 2006-07 crop year, where hopper car shipments to Prince Rupert climbed by 20.8%, to 3.7 million tonnes from 3.1 million tonnes a year earlier. Moreover, the port's share of west coast movements climbed to a record 28.9% since the beginning of the GMP.

There were also some changes to the incentive programs offered by the railways. In the case of CP, although the carrier chose to maintain the $4.00-per-tonne discount that it had been offering on movements in blocks of 50-111 cars, it increased the minimum threshold for these movements to 56 cars.[55] No changes were noted with respect to the $7.50-per-tonne maximum CP had been offering on shipments in blocks of 112 cars.[56] In comparison, CN opted to reduce its discounts on movements in blocks of 50-99 cars from $4.00 per tonne to $3.00 per tonne, while maintaining the discount for block movements of 100 or more cars at $7.00 per tonne. Both carriers, however, added further emphasis to the advance booking options that they had been promoting in recent years.[57] It is worth reiterating that the perceived discriminatory nature of these options, although more specifically those of the products marketed by CN, were at the heart of the level-of-service complaint brought forward in the third quarter by Great Northern Grain Terminals Ltd. (see section 2.32.)

Owing largely to CP's elimination of the discounts applicable on movements of 25-55 cars, there appears to have been a marginal reduction in the relative volume of grain that moved under the railways' incentive programs in the first three quarters, 75.7% as compared to 76.6% a year earlier. Moreover, with this change, only movements in the largest block sizes (with a minimum of 50 cars in the case of CN, and 56 cars in the case of CP) remain eligible.

Figure 11: Railway Volume Moving Under Incentive



In keeping with this comparatively marginal decline in relative volume, the actual quantity of grain moved under the railways' incentive programs during this period decreased by 3.4% to 13.4 million tonnes. There was however, a more substantive 10.0% increase in the total value of the discounts earned by shippers, which rose to $72.6 million from $66.0 million a year earlier. In a reflection of the fact that only the larger car blocks were now entitled to receive these discounts, the average-earned discount rose by 13.8%, to $5.43 per tonne from $4.77 per tonne previously.

[55] The $4.00 per tonne discount cited here was actually reduced temporarily by CP to $3.75 per tonne in mid June 2006, and reinstated at the beginning of the 2006-07 crop year.

[56] To earn the maximum discount of $7.50 per tonne, a shipper must load the 112 cars in a 10-hour window. Shippers unable to do so can instead earn the $7.00-per-tonne discount that is available for cars loaded in a 24-hour window.

[57] These programs, which are supported by a diverse series of financial rewards and penalties, allow shippers to contract with the railways for unit train movements over an extended period of time.

3.4 Terminal Elevator and Port Performance

3.41 Terminal Elevators

A total of 16.5 million tonnes of grain passed through the terminal elevators of Canada's four western ports in the first nine months of the 2006-07 crop year. This represented a 3.2% reduction from the 17.0 million tonnes handled in the same period a year earlier. Accounting for half of this was Vancouver, where total shipments decreased by 11.3%, falling to 8.2 million tonnes from 9.3 million tonnes a year earlier. With a 21.5% gain for the period, Prince Rupert's throughput increased to a record-setting 3.7 million tonnes. For the most part, this gain reflected a structural shift in the economics of moving grain through the port, which was precipitated in large part by a reduction in CN's freight rates and supported by a preferential allocation of railcars.

The results for the eastern gateways of Churchill and Thunder Bay were somewhat mixed. With 0.5 million tonnes of terminal throughput, Churchill posted a 10.8% increase in volume. Although durum and pea sales were observed to have decreased, these losses were more than offset by additional wheat and canola exports. In comparison, the throughput at Thunder Bay fell to 4.0 million tonnes from 4.2 million tonnes a year earlier, a reduction of 4.7%. Increased shipments of wheat, oats and flaxseed were effectively negated by the reductions posted by other commodities.

As was the case with country elevator inventories, a larger grain movement led to a 6.8% build-up in terminal stocks, which rose to an average of 1.4 million tonnes from 1.3 million tonnes a year earlier. Churchill and Thunder Bay proved to be the key drivers in this result, having posted increases of 32.5% and 22.5% in their respective averages. The situation proved different for Vancouver and Prince Rupert, which reported reductions of 12.7% and 3.9% respectively. Despite these contrasting individual results, the overall build-up in inventory produced new quarterly records for the GMP.[58] This was also reflected in a 3.2% rise in the amount of time grain spent in inventory, which averaged 19.3 days as opposed to 18.7 days a year earlier. Reductions in storage times at west coast terminals were instrumental in containing the effects of increases for the ports of Churchill and Thunder Bay.

The increase in terminal elevator stocks also helped escalate a number of stock-to-shipment ratios. This was particularly true of barley, where total inventories increased by 29.9%. Where inventories declined, the ratios usually followed. Such was the case with durum, where a sharp decrease in railway shipments prompted a drawdown in terminal stocks, and the coverage they provided.

With few exceptions, the majority of these ratios all registered averages that were well above 1.0.[59] Despite these indications of ample supply, it should not be inferred that shortages were fully avoided. Shortages were noted most frequently in the ratios produced by the ports of Vancouver and Prince Rupert, which felt the fuller force of the disruptions to railway service discussed earlier. By the same token, the ports of Thunder Bay and Churchill showed a far less frequent record of such occurrences.

3.42 Port Performance

Some 550 vessels called at western Canadian ports during the first nine months of the 2006-07 crop year. This proved only marginally below the 557 vessels that called during the same period a year earlier. At the same time, the amount of time spent by these vessels in port increased by 24.0%, climbing to an average of 6.2 days from 5.0 days the year before. Even so, this year-to-date value camouflages a dramatic increase in the quarterly averages, which rose from a somewhat typical 4.5 days in the first quarter to a record-shattering 9.0 days in the third.[60]

[58] Terminal stocks rose to a record average of 1,390,100 tonnes in the first quarter. This was surpassed in the second and third quarters by averages of 1,425,400 tonnes and 1,399,600 tonnes respectively.

[59] A stock-to-shipment ratio in excess of a value of 1.0 implies that a terminal's existing stocks were sufficient to fill the demand posed by vessels loading in the coming week.

[60] The previous record was set in the 2004-05 crop year when the third quarter's average reached 6.1 days. The 9.0-day average posted here exceeds this earlier record by 47.5%.

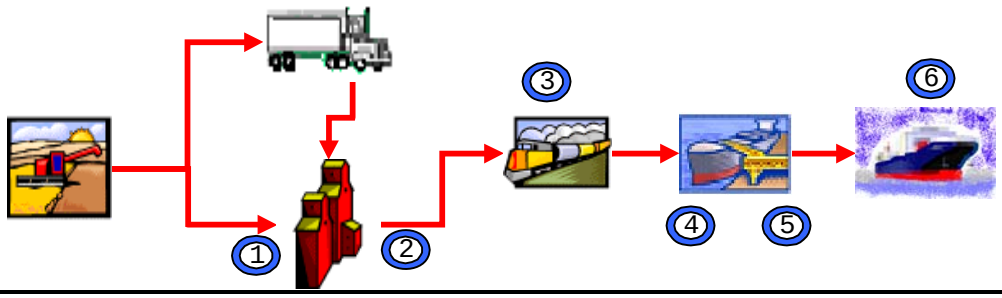
Much of the impetus for this could be traced back to the effects of adverse weather on the west coast (see section 2.37 for a fuller discussion of these weather-related service problems). The average stay in Vancouver increased by 18.6% in the first nine months, rising to 8.3 days from 7.0 days a year earlier. With an increase of 34.3%, the average stay in Prince Rupert climbed to 9.4 from 7.0 days. The averages for both Churchill and Thunder Bay also moved higher, albeit to less lofty levels. For Churchill, a 26.7% increase pushed the average stay up to 5.7 days from 4.5 days. In comparison, the duration of vessel layovers at Thunder Bay increased by a more modest 5.6%, averaging 1.9 days overall.

On the whole, much of the overall rise was attributable to a general increase in vessel waiting time, which climbed by 60.0%, or 1.2 days, to an average of 3.2 days. The average loading time for the first nine months of the 2006-07 crop year remained unchanged at 3.0 days.

3.5 The Supply Chain

As outlined in earlier editions of the Monitor's quarterly and annual reports, the supply chain model provides a useful framework by which to examine the speed with which grain moves through the GHTS. In this regard, the Monitor's annual report for the 2005-06 crop year concluded that the amount of time taken by grain as it moved through the supply chain had fallen to a record low under the GMP of 56.6 days.

Table 1: The GHTS Supply Chain



	SUPPLY CHAIN ELEMENT	TABLE	1999-00	2002-03	2003-04	2004-05	2005-06	YTD 2006-07	SUPPLY CHAIN EFFECT
	SPEED RELATED								
2	Country Elevator – Average Days-in-Store	3B-4	41.7	47.9	34.4	29.5	30.1	33.1	▲
3	Average Railway Loaded Transit Time (days)	3C-4	9.2	10.1	8.9	8.7	8.6	8.2	▼
5	Terminal Elevator – Average Days-in-Store	3D-4	18.6	21.7	19.0	19.9	17.9	19.3	▲
	Average Total Days in GHTS		69.4	79.7	62.3	58.1	56.6	60.6	▲
	SERVICE / ASSET RELATED								
1	Average Country Elevator Capacity Turnover Ratio	3B-2	4.8	3.7	5.6	5.6	6.2	6.4 *	▲
4	Average Terminal Elevator Capacity Turnover Ratio	3D-2	9.1	5.0	7.0	7.5	8.7	n/a	–
3	Average Railway Car Cycle (days)	3C-4	19.9	20.4	16.7	18.7	17.3	16.9	▼
6	Average Vessel Time in Port (days)	3D-7	4.3	4.3	4.0	4.9	4.8	6.2	▲

* For comparative purposes, the value of 6.4 presented here represents an annualized equivalent for the 4.8 actually recorded as the country elevator's capacity turnover ratio in the first nine months of the 2006-07 crop year.

This result was driven largely by a two-day reduction in the amount of time spent by grain in storage in the terminal elevator system, which fell to a record low of 17.9 days. This was also supported by some of the lowest values recorded for time spent in country elevator storage and loaded railway transit, which amounted to 30.1 days and 8.6 days respectively.

Although the railways' average loaded transit time was reduced by another 0.4 days in the first nine months, it was not enough to counteract the net increases in both country and terminal elevator storage times, which rose by a combined 4.4 days. As a result, grain took an average of 60.6 days to move through the supply chain during the first nine months of the 2006-07 crop year. Although this proved to be 4.0 days more than the 2005-06 crop year's average, it remains among the better values recorded under the GMP.
Still, a few other observations concerning the supply chain's performance during the first nine months of the 2006-07 crop year are warranted:

- Firstly, despite a 7.6% reduction in the grain supply, which totalled 61.7 million tonnes as compared to the previous crop year's 66.8 million tonnes, it proved one of the largest made available for movement under the GMP. Moreover, until volumes fell off sharply in the third quarter, the throughput of Canada's western ports was within a few percentage points of previous records. As a result, the pressures brought to bear on the GHTS early in the 2006-07 crop year can be deemed to have been comparable to some of the busiest periods experienced thus far under the GMP.

- Secondly, the quality of the grain that moved through the GHTS was superior to that moved in each of the last two crop years. As such, the mix of grains and grades passing through the system more closely resembled those depicted at the beginning of the GMP. Even so, changes in both the international marketplace as well as the competitive environment – perhaps best exemplified by the increasing demand for canola along with CN's efforts to sway more traffic to Prince Rupert – are working to alter these traditional traffic flows.

- Finally, there is evidence to suggest that grain is moving through the supply chain at a noticeably faster pace than it was eight years before. Much of this improvement is tied to a reduction in the amount of time grain in inventory in the country elevator network. Although this has clearly been driven by the rationalization of these same facilities, improvement is now also being observed in the loaded transit times posted by the railways. Although the 8.2-day average noted for the first nine months rivals some of the best yet recorded under the GMP, problems with car supply and railway service continued to be a concern for many GHTS stakeholders.

4.0 Producer Impact

4.1 Producer Netback

One of the GMP's key objectives is to determine the impact on producers arising from changes in the GHTS. The principal measure in this regard is the *producer netback,* an estimation of the per-tonne financial return to producers after the various logistics costs, collectively known as the export basis, are deducted from the actual price realized in a grain sale.[61]

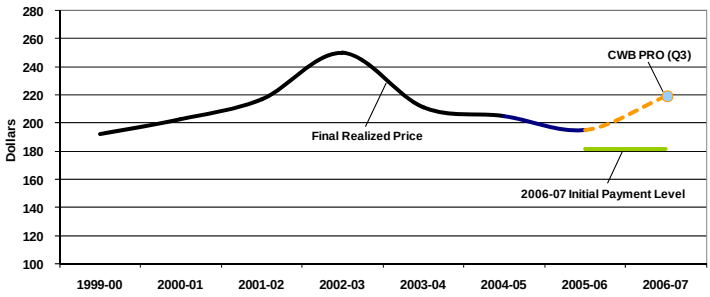
In its earlier reports, the Monitor described how increased commodity prices had largely been responsible for the improvement in the per-tonne returns accruing to producers of wheat, durum, canola, and yellow peas in the first four crop years of the GMP. During this same period, the export basis also fell marginally, thereby adding to the gains that improved grain prices had already generated. When prices moved lower between the 2003-04 and 2005-06 crop years, these per-tonne gains were significantly eroded.

The GMP only includes these indicators in the Monitor's annual reports since certain elements integral to the calculation are not available until after the close of the crop year itself. Nevertheless, current price and input-cost data is collected for both wheat and canola as a means of providing some insight into their probable impact on the per-tonne financial return arising to producers. Some of the changes observed during the first nine months of the 2006-07 crop year are summarized below.

4.11 CWB Grains

The GMP uses the CWB's Pool Return Outlook (PRO) for 1 CWRS wheat (13.5% protein) as the principal barometer of changing CWB grain prices. Throughout much of the first quarter of the 2006-07 crop year, the CWB's PRO for 1 CWRS wheat moved steadily upwards from the 2005-06 crop year's final realized price of $195.14 per tonne. By the end of November, the PRO had risen to a height of $218.00 per tonne, before then pulling back slightly. With the close of the third quarter, the PRO had inched its way up to $219.00 per tonne, a value that exceeded the $181.45 per tonne set as the farmer's initial payment for the 2006-07 crop year by 20.7%.

Figure 12: Recent Price Changes – 1 CWRS Wheat (dollars per tonne)



Notwithstanding better than expected yields of higher-grade wheat in North America, wheat prices rallied in the first half as a result of an anticipated drought-induced reduction in Australian production. The strong export demand exhibited in the face of tighter world wheat supplies more than compensated for the strengthening Canadian dollar, bolstering prices and increasing the PRO accordingly. These forces seemed to suggest that the 2006-07 crop year was likely to provide producers with better financial returns.

4.12 Non-CWB Grains

The Vancouver cash price for 1 Canada Canola rose by 30.0% in the first nine months of the 2006-07 crop year, to an average of $359.19 per tonne from the $276.38-per-tonne average of the previous crop year. Notwithstanding 8.5 million tonnes in domestic production, a large carry-forward stock from the preceding crop year, and a rising Canadian dollar, much of this price gain was attributable to the wider expectations of the global oilseed market. A severe drought in Australia, dramatically reduced production there and essentially

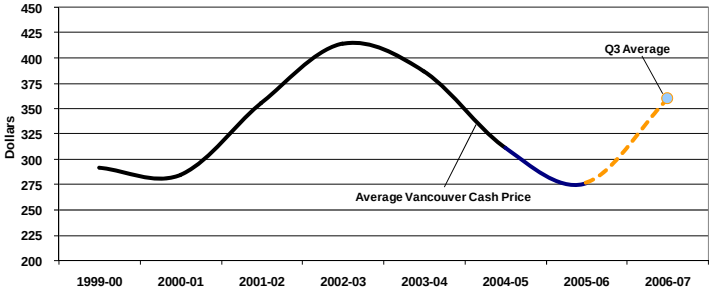
[61] Among other elements, the export basis includes the cost of trucking, elevator handling and railway movement. It also includes where applicable, the CWB's pooling costs, and other incidental charges. Similarly, it also includes a deduction for any of the financial benefits accruing to producers as a result of the receipt of trucking or any similar premiums, as well as the CWB's transportation savings.

removed that country as an export competitor for this crop year. In equal measure, the demand for canola was also stimulated by the growing need for feedstock in US and European biodiesel production.

The scope of the increase in price for 1 Canada canola strongly suggests that there will be a beneficial impact on the per-tonne financial returns of western Canadian grain producers in the 2006-07 crop year. Owing to the relatively greater rise in canola prices thus far into the crop year, the producer netback for non-CWB grains will likely improve comparatively more than it will for CWB grains.

However, rising input costs seemed likely to contain these potential gains. Among the most pronounced of these were the increases tied to the movement of grain by rail, which climbed by about 6.5% from those in place at the end of the previous crop year. Similarly, the charges associated with a variety of country and terminal elevator activities also posted increases in the first three quarters. In the case of the former, these increases ranged from a low of 0.8% for storage to a high of 2.9% on cleaning. Similarly, the escalation on the tariff rates tied to terminal elevation and storage activities amounted to about 1.8% and 3.3% respectively.

Figure 13: Recent Price Changes – 1 Canada Canola (dollars per tonne)



4.2 Producer-Car Loading

As discussed in the Monitor's 2005-06 annual report, the aggregate number of producer-car loading sites had fallen from 709 to 483 over the course of the last seven crop years. This net decline stemmed largely from a reduction of 290 sites local to both CN and CP, who continued to serve 354 such sites. Shortline carriers assumed operation of a portion of these, which resulted in their count rising from 65 to 129 in the same period.

CN's acquisition of the Savage Alberta Railway (SAR) in December 2006 resulted in the reclassification of 15 of these producer-car loading sites. When factoring in the closure of a site at Preeceville, Saskatchewan, the number of producer-car loading sites serviced by the Class 1 carriers actually increased by 4.0% since the beginning of the crop year, climbing to 368 from 354. In comparison, the number of producer-car loading sites serviced by the shortline railways declined by 17.8% to 106, the lowest level recorded since the 1999-2000 crop year. Beyond the loss of the SAR sites, this reduction was also fuelled by the closure of eight sites local to the Southern Manitoba Railway, which was abandoned in the third quarter.

Producer-car shipments during the first nine months of the 2006-07 crop year increased by 16.6% from that of the same period a year earlier, climbing to 7,583 from 6,504. In relation to the volume of grain shipped in covered hoppers, producer-car loadings accounted for 3.8% of the total. This share increases to 6.2% when gauged against CWB grains alone, which constitute the majority of producer car movements.

Synopsis – Industry Overview

The purpose of the Industry Overview series of indicators is to track changes in grain production, the structure of the industry itself and the infrastructure comprising the GHTS. Changes in these areas can have a significant influence on the efficiency, effectiveness and competitiveness of the GHTS as a whole. Moreover, they may also be catalysts that shift traditional traffic patterns, the demand for particular services, and the utilization of assets.

Highlights – Third Quarter 2006-07 Crop Year

Grain Production and Supply

- *Grain production decreased by 12.0% to 49.3 million tonnes.*
  - *Significant improvement in overall grain quality.*
- *Carry forward stocks increased by 15.4% to 12.4 million tonnes.*
  - *Largest level recorded under the GMP.*
- *Overall grain supply decreased by 7.6% to 61.7 million tonnes.*

Railway Traffic

- *Total railway tonnage for the first nine months decreased by 2.3% to 18.1 million tonnes.*
  - *Reflected problems in moving grain in the second and third quarters.*
- *Mixed results on traffic moving to western Canadian ports.*
  - *Vancouver – down by 9.3% to 9.6 million tonnes.*
  - *Thunder Bay – down by 2.4% to 4.3 million tonnes.*
  - *Prince Rupert – up by 20.7% to 3.7 million tonnes.*
    - *Showed substantive increase in volume as a result of CN inducements.*
  - *Churchill – up by 7.1% to 0.4 million tonnes.*

Country Elevator Infrastructure

- *Minimal changes recorded during the first nine months.*
  - *Grain delivery points decreased by two to 273.*
  - *Number of country elevators declined by two to 372.*
- *Elevator storage capacity decreased by 0.2% to 5.9 million tonnes.*
- *Elevators capable of loading in blocks of 25 or more cars fell by 2.0% to 245.*
  - *Accounted for 65.9% of total GHTS elevators.*
  - *Share of GHTS storage capacity fell marginally to 88.8%.*
- *Elevators capable of loading in blocks of 50 or more cars increased by 0.6% to 176.*
  - *Accounted for 47.3% of total GHTS elevators.*
  - *Share of GHTS storage capacity rose marginally to 78.2%.*

Railway Infrastructure

- *Western Canadian rail network reduced by 0.5% to 18,495.3 route-miles.*
  - *CN and CP abandon a combined 21.1 route-miles of track in Saskatchewan and British Columbia.*
  - *Southern Manitoba Railway abandoned the last 78.6 route-miles of its network.*
- *Discontinuance plans for over 1,200 route-miles of CN and CP infrastructure remain.*
- *CN reacquires Savage Alberta Railway in December 2006 for $25 million.*

Terminal Elevator Infrastructure

- *Licensed GHTS terminal elevators remained unchanged at 16.*
  - *Licensed storage capacity remained unchanged at 2.6 million tonnes.*
- *Terminal elevator unloads for the first nine months decreased by 3.0% to 191,206 carloads.*

Indicator Series 1 – Industry Overview

Table	Indicator Description	Notes	1999-00	2003-04	2004-05	2005-06	2006-07 Q1	Q2	Q3	YTD (1)	% VAR	
	Production and Supply [Subseries 1A]											
1A-1	Crop Production (000 tonnes)	(1)	55,141.7	47,655.3	53,401.3	56,002.7	49,264.6	-	-	49,264.6	-12.0%	▼
1A-2	Carry Forward Stock (000 tonnes)	(1)	7,418.2	5,488.9	6,647.5	10,768.0	12,424.7	-	-	12,424.7	15.4%	▲
	Grain Supply (000 tonnes)	(1)	62,559.9	53,144.2	60,048.8	66,770.7	61,689.3	-	-	61,689.3	-7.6%	▼
1A-3	Crop Production (000 tonnes) – Special Crops	(1)	3,930.2	3,539.1	5,093.9	5,159.7	3,938.1	-	-	3,938.1	-23.8%	▼
	Rail Traffic [Subseries 1B]											
1B-1	Railway Grain Volumes (000 tonnes) – Origin Province	(1)										
1B-2	Railway Grain Volumes (000 tonnes) – Primary Commodities	(1)	26,440.8	20,659.2	20,832.5	25,304.7	7,062.3	5,645.7	5,385.9	18,094.0	-2.3%	▼
1B-3	Railway Grain Volumes (000 tonnes) – Detailed Breakdown	(1)										
1B-4	Railway Grain Volumes (000 tonnes) – Special Crops	(1)	2,103.4	1,632.4	2,210.6	2,608.2	918.1	503.4	504.2	1,925.8	-9.7%	▼
	Country Elevator Infrastructure [Subseries 1C]											
1C-1	Grain Delivery Points (number)	(2)	626	288	282	275	273	274	273		-0.7%	–
1C-1	Grain Elevator Storage Capacity (000 tonnes)	(2)	7,443.9	5,688.6	5,845.6	5,870.8	5,863.3	5,861.7	5,857.2		-0.2%	–
1C-1	Grain Elevators (number) – Province	(2)										
1C-2	Grain Elevators (number) – Railway Class	(2)	917	404	385	374	371	374	372		-0.5%	–
1C-3	Grain Elevators (number) – Grain Company	(2)										
1C-4	Grain Elevators Capable of Multiple Car Loading (number) – Province	(2)										
1C-5	Grain Elevators Capable of Multiple Car Loading (number) – Railway Class	(2)	317	263	256	250	249	248	245		-2.0%	▼
1C-6	Grain Elevators Capable of Multiple Car Loading (number) – Railway Line Class	(2)										
1C-7	Grain Elevator Openings (number) – Province	(2)										
1C-8	Grain Elevator Openings (number) – Railway Class	(2)	43	9	18	10	3	10	14		40.0%	▲
1C-9	Grain Elevator Openings (number) – Railway Line Class	(2)										
1C-10	Grain Elevator Closures (number) – Province	(2)										
1C-11	Grain Elevator Closures (number) – Railway Class	(2)	130	21	37	21	6	10	16		-23.8%	▼
1C-12	Grain Elevator Closures (number) – Railway Line Class	(2)										
1C-13	Grain Delivery Points (number) – Accounting for 80% of Deliveries	(2)(3)	217	95	94	90	n/a	n/a	n/a		n/a	–
	Railway Infrastructure [Subseries 1D]											
1D-1	Railway Infrastructure (route-miles) – Grain-Dependent Network	(2)	4,876.6	4,406.1	4,390.3	4,221.6	4,221.6	4,221.6	4,137.7		-2.0%	▼
1D-1	Railway Infrastructure (route-miles) – Non-Grain-Dependent Network	(2)	14,513.5	14,416.6	14,373.4	14,373.4	14,373.4	14,357.6	14,357.6		0.0%	–
1D-1	Railway Infrastructure (route-miles) – Total Network	(2)	19,390.1	18,822.7	18,763.7	18,595.0	18,595.0	18,579.2	18,495.3		-0.5%	–
1D-2	Railway Grain Volumes (000 tonnes) – Grain-Dependent Network	(1)	8,686.5	6,359.3	5,936.7	7,601.2	2,089.0	1,659.2	1,451.6	5,199.8	-7.1%	▼
1D-2	Railway Grain Volumes (000 tonnes) – Non-Grain-Dependent Network	(1)	16,975.8	13,564.3	14,323.2	17,119.6	4,839.0	3,813.7	3,796.2	12,448.9	-0.2%	–
1D-2	Railway Grain Volumes (000 tonnes) – Total Network	(1)	25,662.3	19,923.6	20,259.9	24,720.8	6,928.0	5,472.9	5,247.8	17,648.8	-2.3%	▼
1D-3	Shortline Railway Infrastructure (route-miles)	(2)	3,043.0	3,299.7	3,088.2	2,445.6	2,445.6	2,101.8	2,023.2		-17.3%	▼
1D-3	Shortline Railway Grain Volumes (000 tonnes)	(1)	2,090.5	2,001.4	1,676.3	1,709.2	412.3	266.9	153.9	832.7	-37.9%	▼
1D-5	Railway Grain Volumes (000 tonnes) – Class 1 Carriers	(1)	23,571.8	17,922.2	18,583.6	23,011.6	6,515.8	5,206.0	5,094.3	16,816.1	0.5%	–
1D-5	Railway Grain Volumes (000 tonnes) – Class 2 and 3 Carriers	(1)	2,090.5	2,001.4	1,676.3	1,709.2	412.3	266.9	153.9	832.7	-37.9%	▼
1D-6	Grain Elevators (number) – Grain-Dependent Network	(2)	371	135	132	127	126	125	120		-5.5%	▼
1D-6	Grain Elevators (number) – Non-Grain-Dependent Network	(2)	513	255	239	233	233	237	236		1.3%	▲
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Grain-Dependent Network	(2)	2,475.4	1,543.1	1,659.2	1,628.8	1,621.2	1,604.0	1,587.7		-2.5%	▼
1D-6	Grain Elevator Storage Capacity (000 tonnes) – Non-Grain-Dependent Network	(2)	4,847.6	4,093.4	4,133.4	4,188.9	4,195.7	4,211.3	4,203.5		0.3%	–
	Terminal Elevator Infrastructure											
1E-1	Terminal Elevators (number)	(2)	15	16	16	16	16	16	16		0.0%	–
1E-1	Terminal Elevator Storage Capacity (000 tonnes)	(2)	2,678.6	2,642.6	2,642.6	2,642.6	2,642.6	2,642.6	2,642.6		0.0%	–
1E-2	Terminal Elevator Unloads (number) – Covered Hopper Cars	(1)	278,255	218,447	217,666	271,714	73,620	64,557	53,029	191,206	-3.0%	▼

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Railway Grain Volumes). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
(2) – Quarterly values for non-volume-related indicators (i.e., Grain Delivery Points) are "as at" the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.
(3) – Statistics relating to grain deliveries by station, as produced by the Canadian Grain Commission, are generally produced a full six months after the close of the crop year. The most recent statistics available are those from the 2005-06 crop year.

Synopsis – Commercial Relations

One of the objectives of the government's regulatory reforms was to provide the GHTS with a more commercial orientation. To this end, a cornerstone element in the reforms was the introduction, and gradual expansion of tendering for Canadian Wheat Board (CWB) grain shipments to Western Canadian ports. For the 2006-07 crop year, the CWB has once again committed itself to moving 40% of its grain shipments under a new program that combines tendering as well as advance car awards.

The government also expects that industry stakeholders will forge new commercial processes that will ultimately lead to improved accountability. The purpose of this monitoring element is twofold: to track and assess the impact of the CWB's tendering practices as well as the accompanying changes in the commercial relations existing between the various stakeholders within the grain industry.

Highlights – Third Quarter 2006-07 Crop Year

Tendering Program

- *164 tender calls were issued by the CWB during the first nine months of the 2006-07 crop year.*
  - *Calls for the movement of 2.5 million tonnes to export positions in western Canada.*
    - *Prince Rupert delivery – 49.6%; Vancouver – 39.6%; Thunder Bay – 10.8%; and Churchill – 0.0%.*
- *649 bids received; offered an aggregated 4.8 million tonnes.*
  - *Response rates significantly greater than in either of the two preceding crop years.*
    - *Reflects improved availability of high-quality grains for export.*
- *230 contracts concluded for the movement of 1.8 million tonnes.*
    - *Vancouver deliveries – 47.6%; Prince Rupert – 38.6%; Thunder Bay – 13.8%; and Churchill – 0.0%.*
  - *Represented 16.7% of volume shipped by CWB to port positions in western Canada.*
    - *Fell below maximum 20% target.*
- *Tenders for 35.5% of the tonnage called either partially, or not at all, filled.*
  - *Sharp reduction from the 54.7% recorded for the 2005-06 crop year.*
    - *325,300 tonnes – no bid.*
    - *275,300 tonnes – insufficient quantity bid.*
    - *245,000 tonnes – unacceptable bid price.*
    - *52,300 tonnes – non-compliance with bid specifications.*
- *Proportion of tendered grain volume moving in multiple car blocks increased to 91.6%.*
  - *Proportion moving in blocks of 50 or more cars increased to 74.4% from 59.7% in the 2005-06 crop year.*
- *85.6% of all tendered movements originated at high-throughput elevators.*
  - *Marginally lower than 86.0% observed in the 2005-06 crop year.*
- *CWB estimated that the overall transportation savings for the first nine months increased by 54.1% to $26.2 million.*
  - *Underscored effects of increased discounts in tender bids.*

Other Commercial Developments

- *Federal government moved forward with its election promise to introduce marketing choice.*
  - *Created an eight-person task force that proposed a transition period extending over several years.*
  - *Held a plebiscite on the extension of marketing choice to barley beginning with the 2007-08 crop year.*
- *Grain shippers sought government assistance in addressing perceived problems with railway service.*
  - *Great Northern Grain Terminals Ltd. files a level-of-service complaint against CN.*
- *Port of Prince Rupert experienced an unprecedented surge in grain traffic.*
  - *Spurred by recent changes in CN rates and car allocation practices.*
- *USFDA granted products made from canola the right to carry labels including qualified claims of health benefits.*
  - *Expected to further stimulate demand for Canadian canola exports.*
- *Federal government began to move on recommended changes to the Canadian Grain Commission and the Canada Grain Act.*
- *Saskatchewan Wheat Pool (SWP) launched bid to acquire Agricore United (AU) in November 2006.*
  - *SWP effort spawns a bidding war with James Richardson International Ltd. that extends until the end of the third quarter.*
  - *The AU board recommends that company shareholders accept SWP's final offer of $20.50 per limited voting common share.*
- *Extreme weather and labour disruptions undermine rail service in the second and third quarters.*

Indicator Series 2 – Commercial Relations

Table	Indicator Description	Notes	1999-00	2003-04	2004-05	2005-06	2006-07 Q1	Q2	Q3	YTD (1)	% VAR	
	Tendering Program [Subseries 2A]											
2A-1	Tenders Called (000 tonnes) – Grain	(1)	n/a	2,971.3	6,218.5	5,325.7	1,198.7	600.1	729.0	2,527.8	-24.9%	▼
2A-2	Tenders Called (000 tonnes) – Grade	(1)										
2A-3	Tender Bids (000 tonnes) – Grain	(1)	n/a	10,288.5	5,722.9	7,131.0	2,092.0	1,332.7	1,420.2	4,844.9	-21.0%	▼
2A-4	Tender Bids (000 tonnes) – Grade	(1)										
2A-5	Total CWB Movements (000 tonnes)	(1)(2)	n/a	13,617.3	13,281.2	15,132.6	4,013.2	3,362.3	3,296.7	10,672.2	-0.2%	–
2A-5	Tendered Movements (%) – Proportion of Total CWB Movements	(1)(2)	n/a	18.1%	18.0%	16.2%	17.3%	17.1%	15.6%	16.7%	-13.0%	▼
2A-5	Tendered Movements (000 tonnes) – Grain	(1)(2)	n/a	2,469.9	2,387.7	2,447.5	694.5	574.9	514.7	1,784.0	-13.1%	▼
2A-6	Tendered Movements (000 tonnes) – Grade	(1)(2)										
2A-7	Unfilled Tender Volumes (000 tonnes)	(1)	n/a	467.4	3,651.2	2,913.9	577.2	116.6	204.0	897.8	-34.3%	▼
2A-8	Tendered Movements (000 tonnes) – Not Awarded to Lowest Bidder	(1)	n/a	72.2	65.9	130.5	27.6	2.5	11.8	41.9	-58.7%	▼
2A-9	Tendered Movements (000 tonnes) – FOB	(1)(2)	n/a	0.0	43.2	155.6	69.9	83.0	0.0	152.8	-1.8%	▼
2A-9	Tendered Movements (000 tonnes) – In-Store	(1)	n/a	2,469.9	2,344.5	2,291.9	624.6	492.0	514.7	1,631.2	-14.0%	▼
2A-10	Distribution of Tendered Movements – Port	(3)										
2A-11	Distribution of Tendered Movements – Railway	(3)										
2A-12	Distribution of Tendered Movements – Multiple-Car Blocks	(3)										
2A-13	Distribution of Tendered Movements – Penalties	(3)										
2A-14	Distribution of Tendered Movements – Province / Elevator Class	(3)										
2A-15	Distribution of Tendered Movements – Month	(3)										
2A-16	Distribution of Tender Delivery Points (number) – Contracted Cars	(3)										
2A-17	Average Tendered Multiple-Car Block Size (railcars) – Port		n/a	58.7	55.5	54.4	63.3	58.6	71.2	64.4	17.7%	▲
2A-18	Railway Car Cycle (days) – Tendered Grain		n/a	14.7	16.9	15.7	13.2	14.8	16.4	14.6	-8.2%	▼
2A-18	Railway Car Cycle (days) – Non-Tendered Grain		n/a	16.1	17.5	16.8	16.1	16.7	16.5	16.5	-4.1%	▼
2A-19	Maximum Accepted Tender Bid ($ per tonne) – Wheat		n/a	-$23.04	-$21.86	-$18.58	-$23.12	-$24.51	-$24.14	-$24.51	31.9%	▲
2A-19	Maximum Accepted Tender Bid ($ per tonne) – Durum		n/a	-$24.07	-$19.03	-$18.05	-$21.03	-$21.56	-$5.56	-$21.56	19.4%	▲
2A-20	Market Share (%) – CWB Grains – Major Grain Companies		n/a	73.1%	77.2%	76.1%	78.2%	75.0%	75.4%	76.3%	-1.3%	▼
2A-20	Market Share (%) – CWB Grains – Non-Major Grain Companies		n/a	26.9%	22.8%	23.9%	21.8%	25.0%	24.6%	23.7%	4.4%	▲
	Advance Car Awards Program [Subseries 2B]											
2B-1	Advance Award Movements (%) – Proportion of Total CWB Movements		n/a	13.9%	15.8%	15.6%	12.5%	17.1%	14.6%	14.6%	4.3%	▲
2B-1	Advance Award Movements (000 tonnes) – Grain		n/a	1,888.0	2,100.7	2,365.1	507.1	567.1	482.8	1,557.0	4.0%	▲
2B-2	Distribution of Advance Award Movements – Port	(4)										
2B-3	Distribution of Advance Award Movements – Railway	(4)										
2B-4	Distribution of Advance Award Movements – Province / Elevator Class	(4)										
2B-5	Distribution of Advance Award Movements – Month	(4)										
2B-6	Railway Car Cycle (days) – Advance Award Grain		n/a	15.0	17.3	15.6	14.9	14.9	15.5	15.1	-14.0%	▼
2B-7	Distribution of Advance Award Movements – Multiple-Car Blocks	(4)										
2B-8	Weighted Average Tendered and Advance Award Multiple-Car Block Size (railcars) – Port		n/a	49.9	47.3	46.0	52.4	49.2	58.1	53.1	12.5%	▲

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Tenders Called). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier. Significant variances may be observed as a result of a change in the Canadian Wheat Board's tendering commitment.
(2) – Includes tendered malting barley volumes.
(3) – Indicators 2A-10 through 2A-16 examine tendered movements along a series of different dimensions. This examination is intended to provide greater insight into the movements themselves, and cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding data table directly.
(4) – Indicators 2B-2 through 2B-5, as well as 2B-7, examine advance car awards movements along a series of different dimensions. This examination is intended to provide greater insight into the movements themselves, and cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding data table directly.

Synopsis – System Efficiency

One of the chief aims in the government's decision to move the GHTS towards a more commercial orientation was to improve overall system efficiency. This stems from the belief that a more efficient system will ultimately enhance the competitiveness of Canadian grain in international markets to the benefit of all stakeholders.

The indicators presented here are intended to examine the relative change in the efficiency of the GHTS. A preceding chapter – Industry Overview – addressed changes observed in the basic components of the GHTS (country elevators, railways, and terminal elevators). In comparison, the following series of indicators largely concentrates on how these assets are utilized, and the overall time it takes grain to move through the system.

Highlights – Third Quarter 2006-07 Crop Year

Trucking

- *Composite Freight Rate Index for short-haul trucking remained unchanged at 120.9 for the first nine months.*

Country Elevators

- *Throughput increased by 2.8% to 24.5 million tonnes.*
  - *Second largest volume recorded for a nine month period under the GMP.*
- *The average elevator capacity turnover ratio increased 4.3% to 4.8 turns.*
  - *Reflected combined effects of increased throughput and lower storage capacity.*
  - *Denoted the most active period for the country elevator system under the GMP.*
- *Average inventory level rose by 4.0% to 3.0 million tonnes.*
- *Average number of days-in-store increased by 1.2% to 33.1 days.*
- *Average weekly stock-to-shipment ratio increased by 4.3% to 4.8 for the first nine months.*
- *Average posted tariff rates for elevation, cleaning and storage increased by up to 2.9%.*

Rail Operations

- *Average car cycle decreased by 4.9% to 16.9 days for the first nine months of the crop year.*
  - *Average empty transit time remained unchanged at 8.7 days.*
  - *Average loaded transit time decreased 9.5% to 8.2 days.*
- *Proportion of grain moving under incentive programs decreased marginally to 75.7% for the first nine months.*
  - *Reflected structural changes in railway incentive programs.*
    - *CP eliminated discount on blocks of 25-49 cars (June 2006).*
    - *CP increased minimum threshold from 50 cars to 56 cars on larger block movements.*
- *Railway incentive payments estimated to have increased by 10.0% to $72.6 million in the first three quarters.*
  - *Reflected increase in tonnage and applicable discounts.*
  - *Incentives now applicable on movements in blocks of 50 or more cars only.*
    - *CN reduced per-tonne discount on blocks of 50-99 cars from $4.00 to $3.00.*
- *Single car freight rates increased at the beginning of the 2006-07 crop year.*
  - *CP raised rates by a minimum of 6.0%.*
  - *CN restructures tariffs and converts rates on non-CWB commodities to per-car charges, raised rates by about 7.0%.*
    - *Increases of about 3.8% applied on select movements to Prince Rupert.*
    - *Creates preferential pricing on shipments of grain to Prince Rupert.*

Terminal Elevators and Port Performance

- *Terminal throughput decreased by 3.2% to 16.5 million tonnes for the first nine months.*
- *550 vessels loaded at western Canadian ports during the first nine months of the crop year.*
  - *Average time in port increased by 24.0% to 6.2 days.*
    - *Reflects impact of adverse weather along the west coast.*
- *Average posted tariff rates for elevator handling and storage increased by up to 3.3% in the first nine months.*

Indicator Series 3 – System Efficiency

Table	Indicator Description	Notes	1999-00	2003-04	2004-05	2005-06	2006-07 Q1	Q2	Q3	YTD (1)	% VAR	
	Trucking [Subseries 3A]											
3A-1	Composite Freight Rate Index – Short-haul Trucking	(2)	100.0	100.0	111.3	120.9	120.9	120.9	120.9		0.0%	–
	Primary Country Elevators [Subseries 3B]											
3B-1	Grain Volume Throughput (000 tonnes)	(1)	32,493.9	28,526.9	28,593.5	32,105.2	8,602.4	8,712.6	7,159.7	24,474.7	2.8%	▲
3B-2	Average Elevator Capacity Turnover Ratio	(1)	4.8	5.6	5.6	6.2	1.7	1.7	1.4	4.8	4.3%	▲
3B-3	Average Weekly Elevator Stock Level (000 tonnes)	(1)	3,699.3	2,691.9	2,314.3	2,651.2	2,974.5	2,929.2	2,997.8	2,996.3	4.0%	▲
3B-4	Average Days-in-Store (days)	(1)	41.7	34.4	29.5	30.1	31.5	33.1	35.2	33.1	1.2%	▲
3B-5	Average Weekly Stock-to-Shipment Ratio – Grain	(1)	6.2	5.0	4.1	4.3	4.7	4.6	5.2	4.8	4.3%	▲
3B-6	Average Handling Charges – Country Delivery Points	(3)										
	Rail Operations [Subseries 3C]											
3C-1	Hopper Car Grain Volumes (000 tonnes) – Province	(1)										
3C-2	Hopper Car Grain Volumes (000 tonnes) – Primary Commodities	(1)	25,662.3	19,923.6	20,259.9	24,720.8	6,928.0	5,472.9	5,247.8	17,648.8	-2.3%	▼
3C-3	Hopper Car Grain Volumes (000 tonnes) – Detailed Breakdown	(1)										
3C-4	Railway Car Cycle (days) – Empty Transit Time	(1)	10.7	7.8	10.1	8.8	8.3	8.4	9.4	8.7	-0.1%	–
3C-4	Railway Car Cycle (days) – Loaded Transit Time	(1)	9.2	8.9	8.7	8.6	7.6	8.7	8.4	8.2	-9.5%	▼
3C-4	Railway Car Cycle (days) – Total Transit Time	(1)	19.9	16.7	18.7	17.3	15.9	17.2	17.7	16.9	-4.9%	▼
3C-5	Railway Car Cycle (days) – Non-Special Crops	(1)	19.3	16.5	18.6	17.2	15.9	17.0	17.5	16.7	-4.7%	▼
3C-6	Railway Car Cycle (days) – Special Crops	(1)	25.8	20.4	20.6	19.5	16.1	21.4	21.9	19.0	-3.6%	▼
3C-7	Railway Car Connections (days)	(1)(3)										
3C-8	Hopper Car Grain Volumes (000 tonnes) – Non-Incentive	(1)	12,716.9	4,957.3	5,294.3	6,037.9	2,234.5	1,046.9	998.9	4,280.2	1.1%	▲
3C-8	Hopper Car Grain Volumes (000 tonnes) – Incentive	(1)	12,945.5	14,966.3	14,965.6	18,682.9	4,693.6	4,426.1	4,248.9	13,368.5	-3.4%	▼
3C-9	Hopper Car Grain Volumes ($ millions) – Incentive Discount Value	(1)	$31.1	$67.9	$67.7	$89.9	$24.5	$24.2	$23.9	$72.6	10.0%	▲
3C-10	Traffic Density (tonnes per route mile) – Grain-Dependent Network	(1)	442.5	356.7	337.1	439.0	494.8	393.0	350.8	413.3	-3.4%	▼
3C-10	Traffic Density (tonnes per route mile) – Non-Grain-Dependent Network	(1)	292.4	235.1	249.1	297.8	336.7	265.6	264.4	288.9	-0.1%	–
3C-10	Traffic Density (tonnes per route mile) – Total Network	(1)	330.3	263.8	269.8	330.5	372.6	294.6	283.7	317.0	-1.4%	▼
3C-11	Composite Freight Rates ($ per tonne) – Rail	(2)(3)										
3C-12	Multiple-Car Shipment Incentives ($ per tonne) – Rail	(2)(3)										
3C-13	Effective Freight Rates ($ per tonne) – CTA Revenue Cap	(2)(4)	n/a	$25.72	$25.87	$28.00	n/a	n/a	n/a		n/a	–
	Terminal Elevator and Port Performance [Subseries 3D]											
3D-1	Annual Port Throughput (000 tonnes) – Grain	(1)	23,555.5	18,962.0	18,943.5	23,722.7	6,026.0	5,928.5	4,503.7	16,458.2	-3.2%	▼
3D-2	Average Terminal Elevator Capacity Turnover Ratio	(1)(5)	9.1	7.0	7.5	8.7	n/a	n/a	n/a		n/a	–
3D-3	Average Weekly Terminal Elevator Stock Level (000 tonnes)	(1)	1,216.2	1,069.2	1,127.5	1,281.7	1,390.1	1,425.4	1,382.0	1,399.6	6.8%	▲
3D-4	Average Days-in-Store – Operating Season (days)	(1)	18.6	19.0	19.9	17.9	21.3	19.0	17.7	19.3	3.2%	▲
3D-5	Average Weekly Stock-to-Shipment Ratio – Grain	(1)(3)										
3D-6	Average Weekly Stock-to-Shipment Ratio – Grade	(1)(3)										
3D-7	Average Vessel Time in Port (days)	(1)	4.3	4.0	4.9	4.8	4.5	5.7	9.0	6.2	24.0%	▲
3D-8	Distribution of Vessel Time in Port	(1)(3)										
3D-9	Distribution of Berths per Vessel	(1)(3)										
3D-10	Annual Demurrage Costs ($millions)	(5)	$7.6	$4.7	$16.0	$6.7	n/a	n/a	n/a		n/a	–
3D-10	Annual Dispatch Earnings ($millions)	(5)	$14.5	$20.0	$17.5	$15.2	n/a	n/a	n/a		n/a	–
3D-11	Average Handling Charges – Terminal Elevators	(2)(3)										

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Grain Volume Throughput). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
(2) – Quarterly values for non-volume-related indicators (i.e., Composite Freight Rate Index) are "as at" the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.
(3) – Changes in the indicator cited cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding data table directly.
(4) – Statistics relating to effective railway freight rates, as determined by the Canadian Transportation Agency, are generally produced about six months after the close of the crop year. The most recent statistics available are those from the 2005-06 crop year.
(5) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

Synopsis – Service Reliability

The true test of any logistics chain is its ability to provide for the timely delivery of product, as it is needed – whether it is raw materials, semi-processed goods, component parts, or finished products. This applies in equal measure to both industrial and consumer products, and is summarized by a widely used colloquialism within the logistics industry: "to deliver the right product, to the right customer, at the right time." The indicators that follow are largely used to determine whether grain is indeed moving through the system in a timely manner, and whether the right grain is in stock at port when a vessel calls for loading.

Highlights – Third Quarter 2006-07 Crop Year

Port Performance

- *Average weekly stock-to-vessel-requirements ratios posted mixed results for the first nine months of the 2006-07 crop year.*
  - *Vancouver*
    - *Wheat – 3.6 for the first nine months of the 2006-07 crop year, down by 6.8%.*
    - *Canola – 2.5, up by 19.0%.*
  - *Thunder Bay*
    - *Wheat – 7.7 for the first nine months of the 2006-07 crop year, down by 2.1%.*
    - *Canola – 5.9, up by 31.4%.*
  - *Indicates that grain inventories were generally sufficient to meet short-term demand.*
    - *Most shortages related to movements from Vancouver.*
- *Average stock-to-shipment ratios provide similar evidence of the ability of these ports to meet short-term demand.*
  - *Vancouver*
    - *CWB grains – 2.8 for the first nine months of the 2006-07 crop year, down by 5.7%.*
    - *Non-CWB grains – 3.8, up by 14.0%.*
  - *Thunder Bay*
    - *CWB grains – 6.7 for the first nine months of the 2006-07 crop year; down by 16.0%.*
    - *Non-CWB grains – 4.7; up by 28.2%.*

Indicator Series 4 – Service Reliability

Table	Indicator Description	Notes	1999-00	2003-04	2004-05	2005-06	2006-07 Q1	Q2	Q3	YTD (1)	% VAR	
	Port Performance [Subseries 4A]											
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – VCR – Wheat	(1)	3.1	3.5	2.7	3.4	3.8	2.9	4.2	3.6	-6.8%	▼
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – VCR – Canola	(1)	2.5	3.6	2.8	2.3	1.9	2.5	2.9	2.5	19.0%	▲
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Wheat	(1)	5.6	4.8	6.0	6.6	7.0	7.1	9.9	7.7	-2.1%	▼
4A-1	Avg. Weekly Stock-to-Vessel Requirements Ratio – TBY – Canola	(1)	2.8	3.0	2.2	4.4	6.4	6.1	4.9	5.9	31.4%	▲
4A-2	Avg. Weekly Stock-to-Vessel Requirements Ratio – Grade	(1)(2)										
4A-3	Avg. Weekly Stock-to-Shipment Ratio – VCR – CWB Grains	(1)	3.5	3.3	3.2	3.2	3.0	2.7	2.9	2.8	-5.7%	▼
4A-3	Avg. Weekly Stock-to-Shipment Ratio – VCR – Non-CWB Grains	(1)	3.6	3.7	3.6	3.2	4.1	4.3	3.1	3.8	14.0%	▲
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – CWB Grains	(1)	4.6	6.0	7.2	6.8	6.4	6.2	8.0	6.7	-16.0%	▼
4A-3	Avg. Weekly Stock-to-Shipment Ratio – TBY – Non-CWB Grains	(1)	3.3	3.1	3.6	3.6	4.4	4.9	5.1	4.7	28.2%	▲
4A-4	Terminal Handling Revenue ($millions) – Vancouver	(1)(3)	$192.7	$134.9	$150.9	$150.9	n/a	n/a	n/a		n/a	–
4A-4	Terminal Handling Revenue ($millions) – Thunder Bay	(1)(3)	$82.1	$61.7	$68.4	$68.4	n/a	n/a	n/a		n/a	–
4A-4	CWB Carrying Costs ($millions) – Pacific Seaboard	(1)(3)	$63.3	$52.5	$73.8	$73.8	n/a	n/a	n/a		n/a	–
4A-4	CWB Carrying Costs ($millions) – Thunder Bay	(1)(3)	$31.3	$40.9	$36.1	$36.1	n/a	n/a	n/a		n/a	–

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Average Weely Stock-to-Vessel Requirements Ratio). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
(2) – Changes in the indicator cited cannot be depicted within the summary framework presented here. The reader is encouraged to consult the corresponding data table directly.
(3) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

Synopsis – Producer Impact

One of the key objectives of the GMP rests in determining the producer impacts that stem from changes in the GHTS. The principal measure in this regard is the producer netback – an estimation of the financial return to producers after deduction of the "export basis." The methodology employed in calculating these measures was developed following an extensive study conducted as a Supplemental Work Item under the GMP, and approved for incorporation into the mainstream indicators of the GMP by Transport Canada and Agriculture and Agri-Food Canada.

Highlights – Third Quarter 2006-07 Crop Year

Export Basis and Producer Netback – CWB Grains

- *Changes in the CWB's Pool Return Outlook (PRO) for 1 CWRS wheat:*
  - *Farmer's initial payment set at $181.45 per tonne.*
    - *Represented a 7.0% reduction from the final realized price for the 2005-06 crop year of $195.14 per tonne.*
  - *PRO increased to $219.00 per tonne by the end of the third quarter.*
    - *Represented a 20.7% premium to the farmer's initial payment.*
    - *Price escalation largely fuelled by strong demand and tighter global supplies.*
- *Recent changes in input costs:*
  - *Country elevator handling – up by a minimum of 0.8% for storage.*
    - *Cleaning charges increased by an average 2.9%.*
  - *Rail transportation – up by at about 6.5% from most origins.*
  - *Terminal elevator handling – up by as much as 3.3% for storage.*
- *Changes in the PRO for 1 CWRS wheat, and input costs to the export basis, suggests an improvement in the producer's per-tonne netback for CWB grains in the 2006-07 crop year.*

Export Basis and Producer Netback – Non-CWB Commodities

- *Changes in Vancouver cash price for 1 Canada canola:*
  - *Price rose to an average of $359.19 per tonne for the first nine months of the 2006-07 crop year.*
    - *Represented a 30.0% increase from the 2005-06 crop year's monthly average of $276.38 per tonne.*
    - *Price increase largely fuelled by larger global oilseed demand.*
- *Recent changes in input costs:*
  - *Country elevator handling – up by a minimum of 0.8 for storage.*
    - *Cleaning charges increased by an average 2.9%.*
  - *Rail transportation – up by at about 6.5% from most origins.*
  - *Terminal elevator handling – up by as much as 3.3% for storage.*
- *Changes in the price of 1 Canada canola, and input costs to the export basis, suggests an improvement in the producer's per-tonne netback for non-CWB commodities in the 2006-07 crop year.*

Producer-Car Loading

- *Number of producer-car-loading sites reduced by 1.9% to 474 in the first nine months of the 2006-07 crop year.*
  - *The abandonment of the Southern Manitoba Railway along with CN's acquisition of Savage Alberta Railway reduced the number served by shortline carriers by 17.8%, to 106.*
    - *Represented the lowest level reached since the 1999-2000 crop year.*
- *Producer-car shipments increased by 16.6% to 7,583 railcars in the first nine months.*
  - *Represented 3.8% of total covered hopper car movements, and 6.2% of CWB grain movements.*

Indicator Series 5 – Producer Impact

Table	Indicator Description	Notes	1999-00	2003-04	2004-05	2005-06	2006-07 Q1	Q2	Q3	YTD (1)	% VAR	
	Export Basis											
	Western Canada											
5A-10	CWRS Wheat ($ per tonne)	(1)(3)	$54.58	$55.51	$57.77	$61.81						
5A-10	CWA Durum ($ per tonne)	(1)(3)	$67.63	$64.72	$70.73	$72.61						
5A-10	1 Canada Canola ($ per tonne)	(1)(3)	$52.51	$42.51	$40.97	$41.51						
5A-10	Canadian Large Yellow Peas – No. 2 or Better ($ per tonne)	(1)(3)	$54.76	$67.75	$67.98	$52.94						
	Producer-Car Loading											
5B-1	Producer-Car-Loading Sites (number) – Class 1 Carriers	(2)	415	348	329	354	354	369	368		4.0%	▲
5B-1	Producer-Car-Loading Sites (number) – Class 2 and 3 Carriers	(2)	122	166	155	129	129	114	106		-17.8%	▼
5B-1	Producer-Car-Loading Sites (number) – All Carriers	(2)	537	514	484	483	483	483	474		-1.9%	▼
5B-2	Producer-Car Shipments (number) – Covered Hopper Cars	(1)	3,441	9,399	8,061	11,345	1,474	3,528	2,581	7,583	16.6%	▲

(1) – Year-To-Date values are reported for volume-related indicators only (i.e., Producer-Car Shipments). The accompanying percentage variance denotes the relative change in the current YTD value as compared to the same period a year earlier.
(2) – Quarterly values for non-volume-related indicators (i.e., Producer-Car-Loading Sites) are "as at" the end of the reporting period. The accompanying percentage variance denotes the relative change in the value of the most recent reporting period as compared to that at the end of the preceding crop year.
(3) – The GMP provides for the calculation of this indicator on an annual basis. Quarterly values are not available.

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Appendix 1: Program Background

On June 19, 2001, the Government of Canada announced that Quorum Corporation had been selected to serve as the Monitor of Canada's Grain Handling and Transportation System (GHTS). Under its mandate, Quorum Corporation provides the federal government with quarterly and annual reports aimed at measuring the system's performance, as well as assessing the effects arising from the government's two principal reforms, namely:

- The introduction, and gradual expansion of tendered grain movements by the Canadian Wheat Board; and

- The replacement of the maximum rate scale for rail shipments with a cap on the annual revenues that railways can earn from the movement of regulated grain.

In a larger sense, these reforms are expected to alter the commercial relations that have traditionally existed between the primary participants in the GHTS: producers; the Canadian Wheat Board; grain companies; railway companies; and port terminal operators. Using a series of indicators, the government's Grain Monitoring Program (GMP) aims to measure the performance of both the system as a whole, and its constituent parts, as this evolution unfolds. With this in mind, the GMP is designed to reveal whether the movement of grain from the farm gate to lake- and sea-going vessels (i.e., the supply chain) is being done more efficiently and reliably than before.

To this end, the GMP provides for a number of specific performance indicators grouped under five broad series, namely:

- *Series 1 – Industry Overview*
  Measurements relating to annual grain production, traffic flows and changes in the GHTS infrastructure (country and terminal elevators as well as railway lines).

- *Series 2 – Commercial Relations*
  Measurements focusing on the tendering activities of the Canadian Wheat Board as it moves towards a more commercial orientation as well as changes in operating policies and practices related to grain logistics

- *Series 3 – System Efficiency*
  Measurements aimed at gauging the operational efficiency with which grain moves through the logistics chain.

- *Series 4 – Service Reliability*
  Measurements focusing on whether the GHTS provides for the timely delivery of grain to port in response to prevailing market demands.

- *Series 5 – Producer Impact*
  Measurements designed to capture the value to producers from changes in the GHTS, and is focused largely on the calculation of "producer netback."

Appendix 2: Producer Netback Calculator

A prime issue with many stakeholders is the impact that the shrinking GHTS network has had on the length of truck haul from farm gate to elevator. While all evidence suggests that truck hauls are increasing because of the reduced number of delivery points, the exact – or even approximate – amount of this increase is unknown. Following discussions with stakeholders and the government, a methodology that would allow the Monitor to gather the data necessary to enhance the quality and reliability of this component of the export basis has been developed.[62] The Producer Netback Calculator (PNC) was designed to provide a cost-effective and non-intrusive means of gathering this data.

At the same time, and in response to producers' requests, the Monitor will provide access to data on the costs associated with moving grain from farm-specific locations to export position (the export basis). These costs are the same ones reflected as deductions on cash tickets. The PNC has been designed to assist farmers in determining the delivery options that may provide the best returns for their wheat, durum and feed barley. When these costs are subtracted from the most recent CWB Pool Return Outlook (PRO), the resulting calculation of producer netback provides the best possible estimate of the real returns to be had for their grain.

To gain access to the PNC, producers are provided with their own personal log-in identification and password. Once they have logged into the system, all communication will be secured through 128 bit encryption technology, identical to that used by major banks to allow customers access to their accounts over the internet. This ensures that all information is communicated and held with the strictest confidentiality, while allowing the Monitor to classify data according to the demographics of the specific producer. Producers can be assured that no data specific to any individual will be published, or shared, by Quorum Corporation.

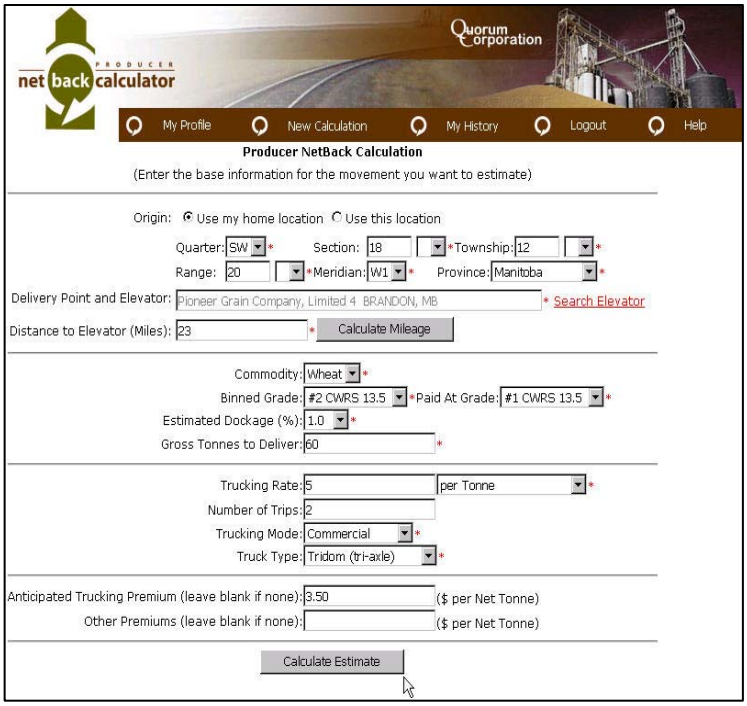

Figure A1: An image of the input screen for Quorum Corporation's Netback Calculator.

Calculation of a producer's estimated export basis and netback is based on the entry of movement-specific information (i.e., delivery point, grain company, grain, grade, etc.). After entering this basic information, the producer can then run a calculation that will return a tabular accounting of the export basis and producer netback based on the PRO. The producer also has the option of "recalculating" these estimates by returning to a previous screen, and changing any of the parameters used in the calculation (i.e., destination station, grain company, etc.).

[62] The GMP currently incorporates trucking costs based on the commercial short-haul trucking rates for an average haul of 40 miles, as presented in Table 3A-1.

Every estimate will be recorded and accessible to the producer through a "history" listing. It is through this screen that producers are given the ability to create comparative reports that can present these estimates – or those they wish to see – in summary or detail. These reports can also be printed or presented as a computer spreadsheet. This is also the section of the system where the producer identifies estimates that subsequently resulted in actual grain movements.

The Grain Monitoring Program will gain valuable data on grain logistics by retaining a record of the individual transactions that pertain to actual deliveries. In specific terms, this data will assist in analyzing the average length of haul to elevators, modal utilization, and other farm gate to elevator delivery issues. This information will be incorporated into the calculation of producer netback in future reports of the Monitor.

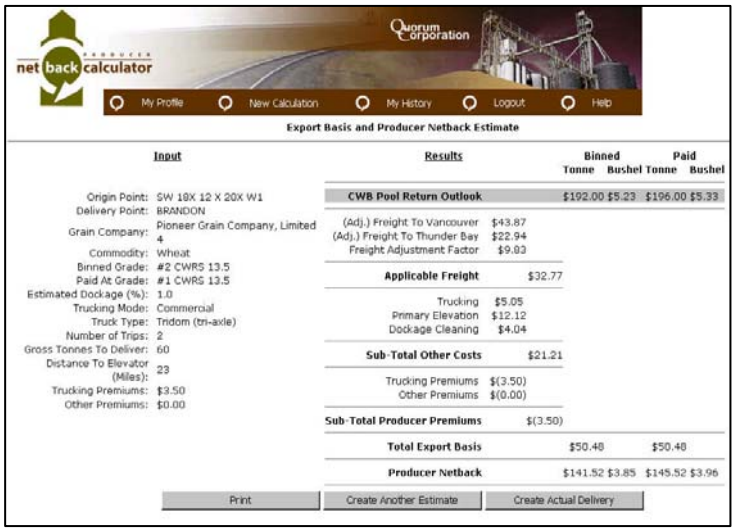

Figure A2: An image of the output screen for Quorum Corporation's Netback Calculator.

Appendix 3: Acknowledgements

The scope of this review is far-reaching and could not have been completed without the assistance of the various stakeholders that submitted views on the detailed monitoring design and provided the data in support of the Grain Monitoring Program (GMP). Quorum Corporation would like to thank the following organizations, and more particularly the individuals within them, for the cooperation they have extended in our efforts to implement the GMP. We have come to appreciate not only their cooperation as suppliers of data under the program, but to value their assistance in helping to improve the quality of the program as a whole. We look forward to their continued input and cooperation throughout the duration of the program.

Agricore United
Agricultural Producers Association of Saskatchewan
Agriculture and Agri-Food Canada
Alberta Agriculture, Food and Rural Development
Alberta Infrastructure and Transportation
Canadian Canola Growers Association
Canadian Grain Commission
Canadian Maritime Chamber of Commerce
Canadian National Railway
Canadian Pacific Railway
Canadian Ports Clearance Association
Canadian Ship Owners Association
Canadian Special Crops Association
Canadian Transportation Agency
Canadian Wheat Board
Cando Contracting Ltd.
Cargill Limited
CMI Terminal
Fife Lake Railway Ltd.
Gardiner Dam Terminal
Government of British Columbia
Grain Growers of Canada
Great Sandhills Terminal
Great Western Railway Ltd.
Inland Terminal Association of Canada
James Richardson International Ltd. (Pioneer Grain)
Keystone Agricultural Producers
Louis Dreyfus Canada Ltd.
Manitoba Agriculture, Food and Rural Initiatives
Manitoba Infrastructure and Transportation
Mission Terminal Inc.
National Farmers Union
North East Terminal Ltd.
North West Terminal Ltd.
OmniTRAX Canada, Inc.
Parrish & Heimbecker Ltd.
Paterson Grain
Port of Churchill
Port of Prince Rupert
Port of Thunder Bay
Port of Vancouver
Prairie West Terminal
Prince Rupert Grain Ltd.
Red Coat Road and Rail Ltd.
Saskatchewan Agriculture and Food
Saskatchewan Highways and Transportation
Saskatchewan Association of Rural Municipalities
Saskatchewan Wheat Pool
South West Terminal
Statistics Canada
Transport Canada
Vancouver Wharves Ltd.
West Central Road and Rail Ltd.
Western Barley Growers Association
Western Canadian Wheat Growers Association
Western Grain By-Products Storage Ltd.
Western Grain Elevator Association
Weyburn Inland Terminal Ltd.
Wild Rose Agricultural Producers
Winnipeg Commodity Exchange