



Growth Opportunities: Canada's Commodities in Demand

Grain Sector

WESTAC
April 30, 2019



Questions

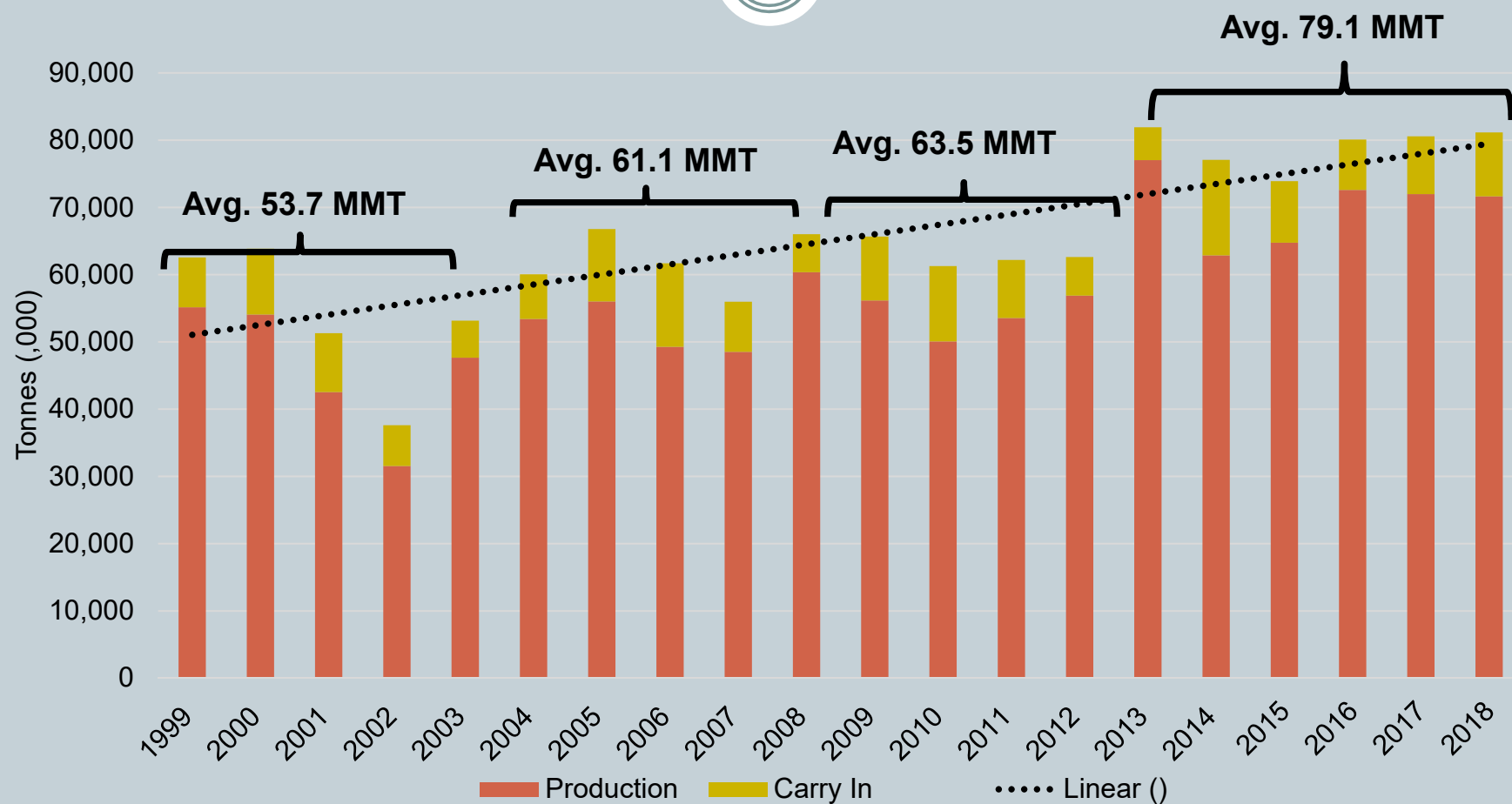


- How are markets and customers changing?
- Impacts of supply chain delays
- How will supply chains change in the next 10-20 years?
- Are the forecasts provided by Transport Canada and/or the ports realistic?
- Canada's plan to increase overseas exports by 50% by 2025?
- Impact of additional oil moving by rail?

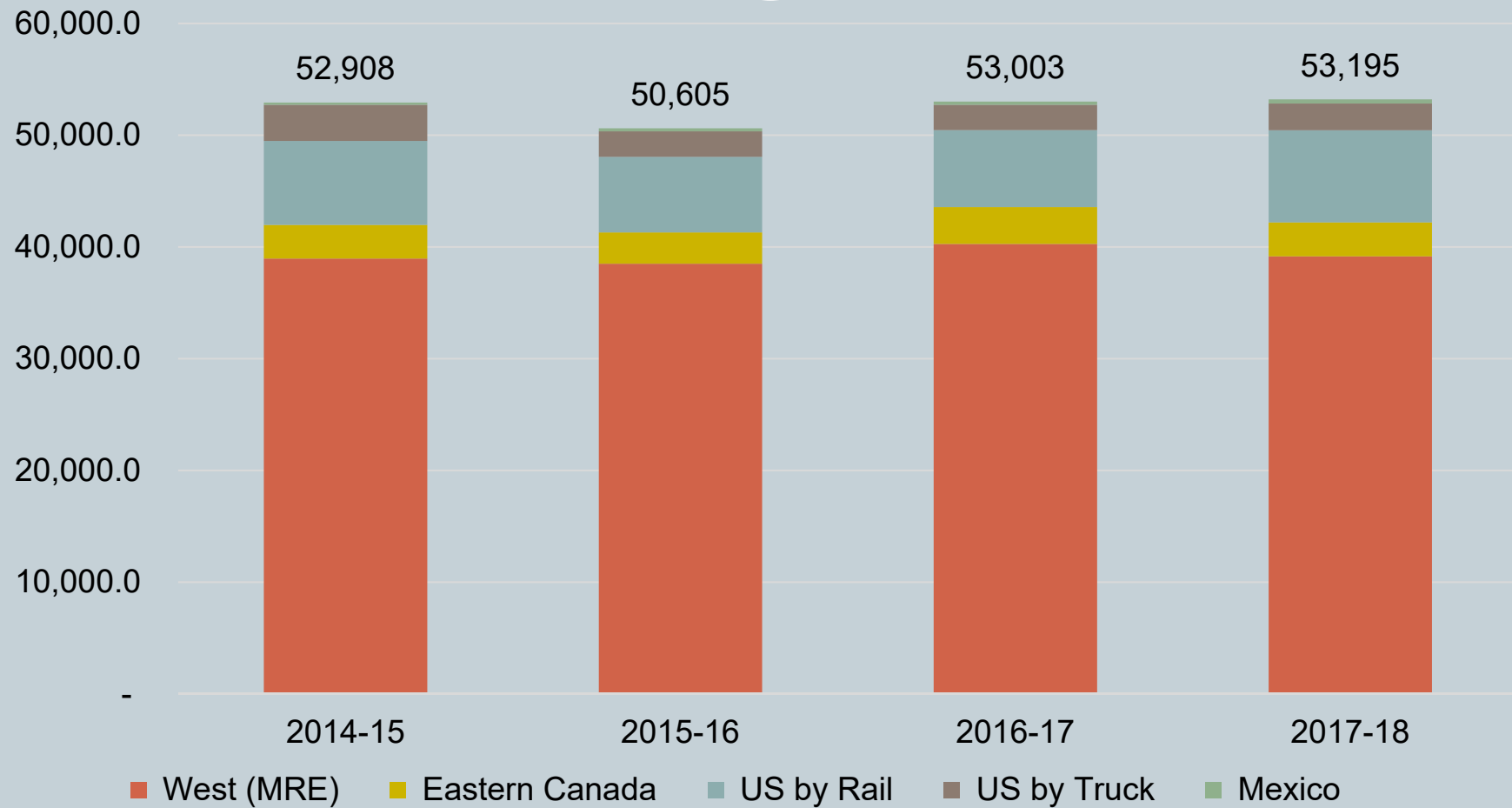


Total Grain Supply

(Western Canada Production and Carry-In Stock)

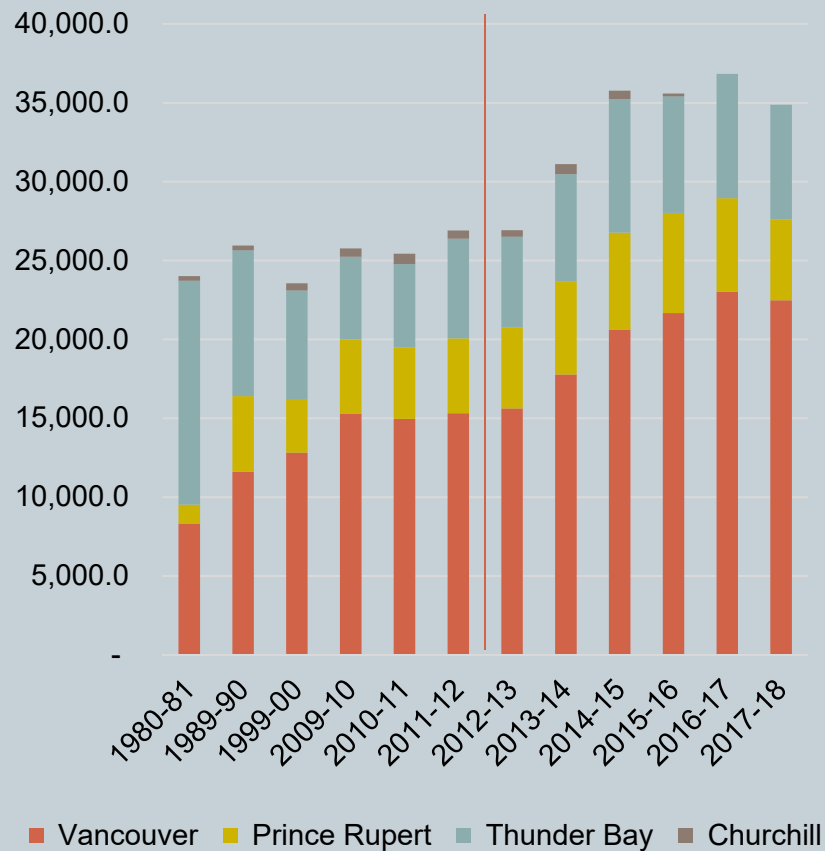


Movements to Destination

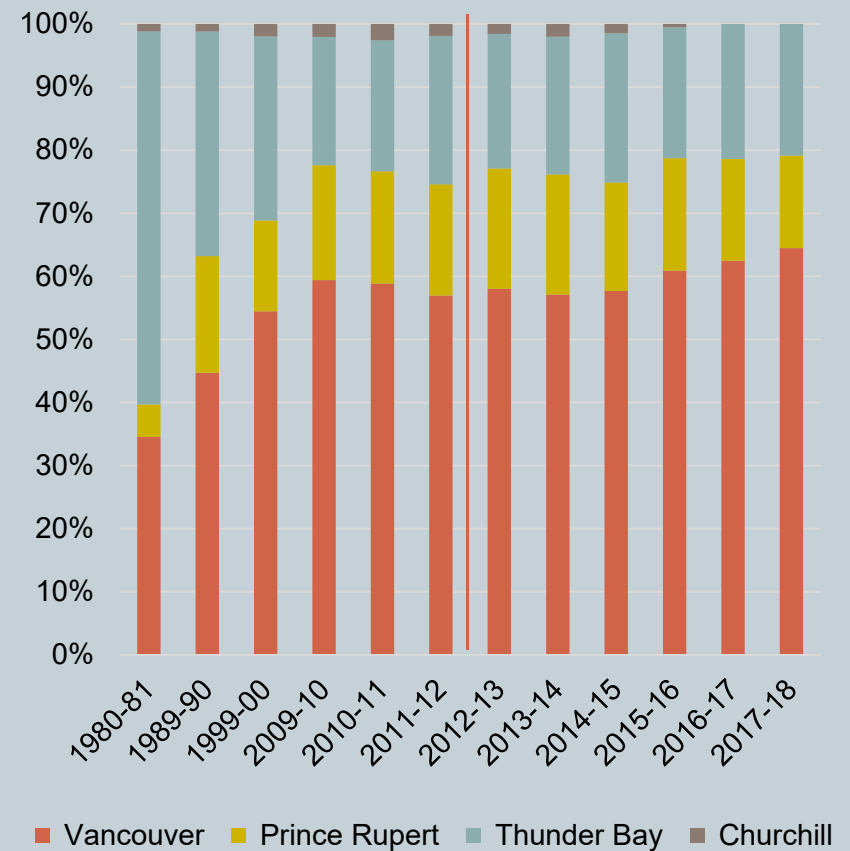


Western Port Volumes

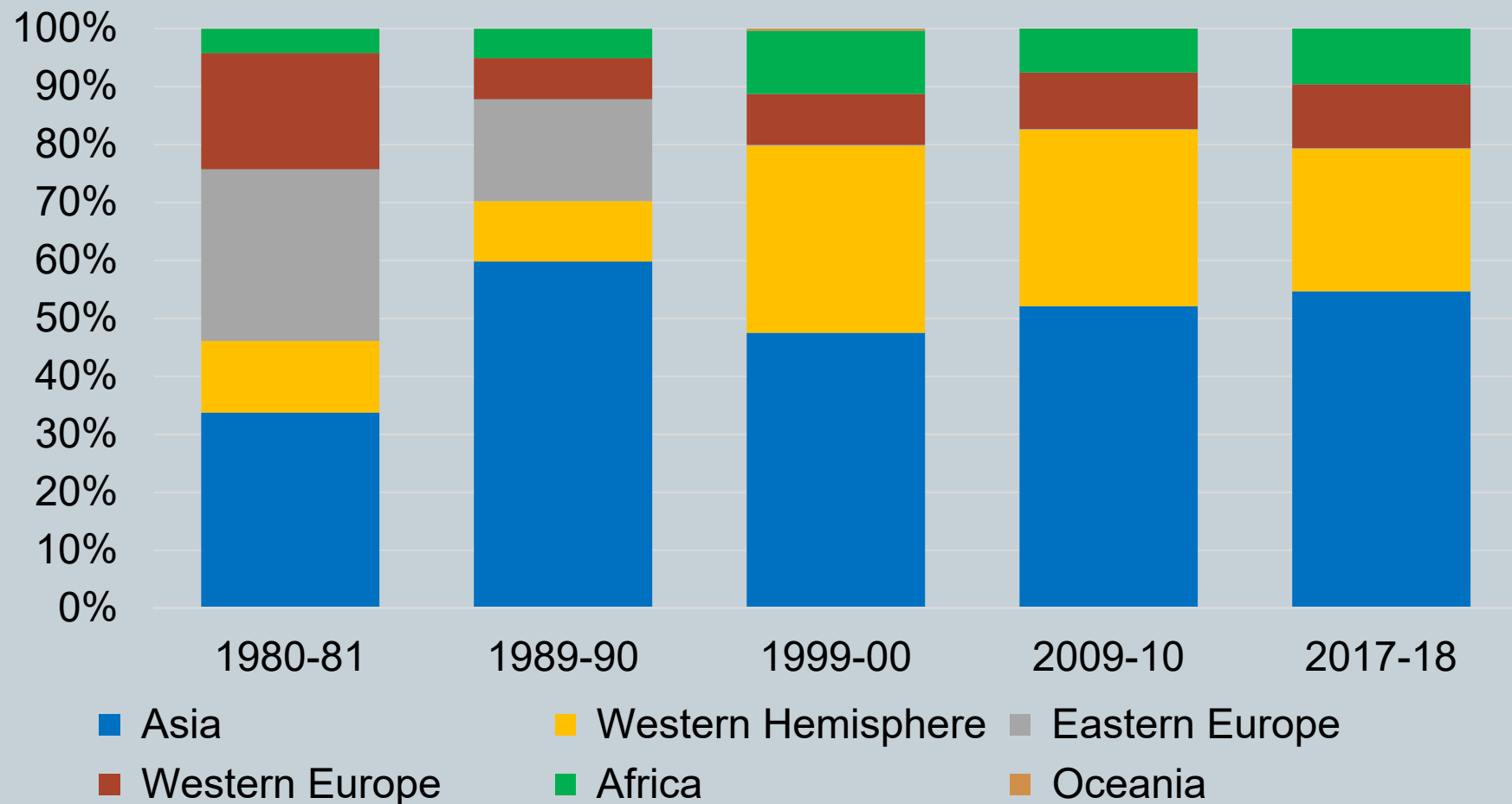
Tonnage by Port



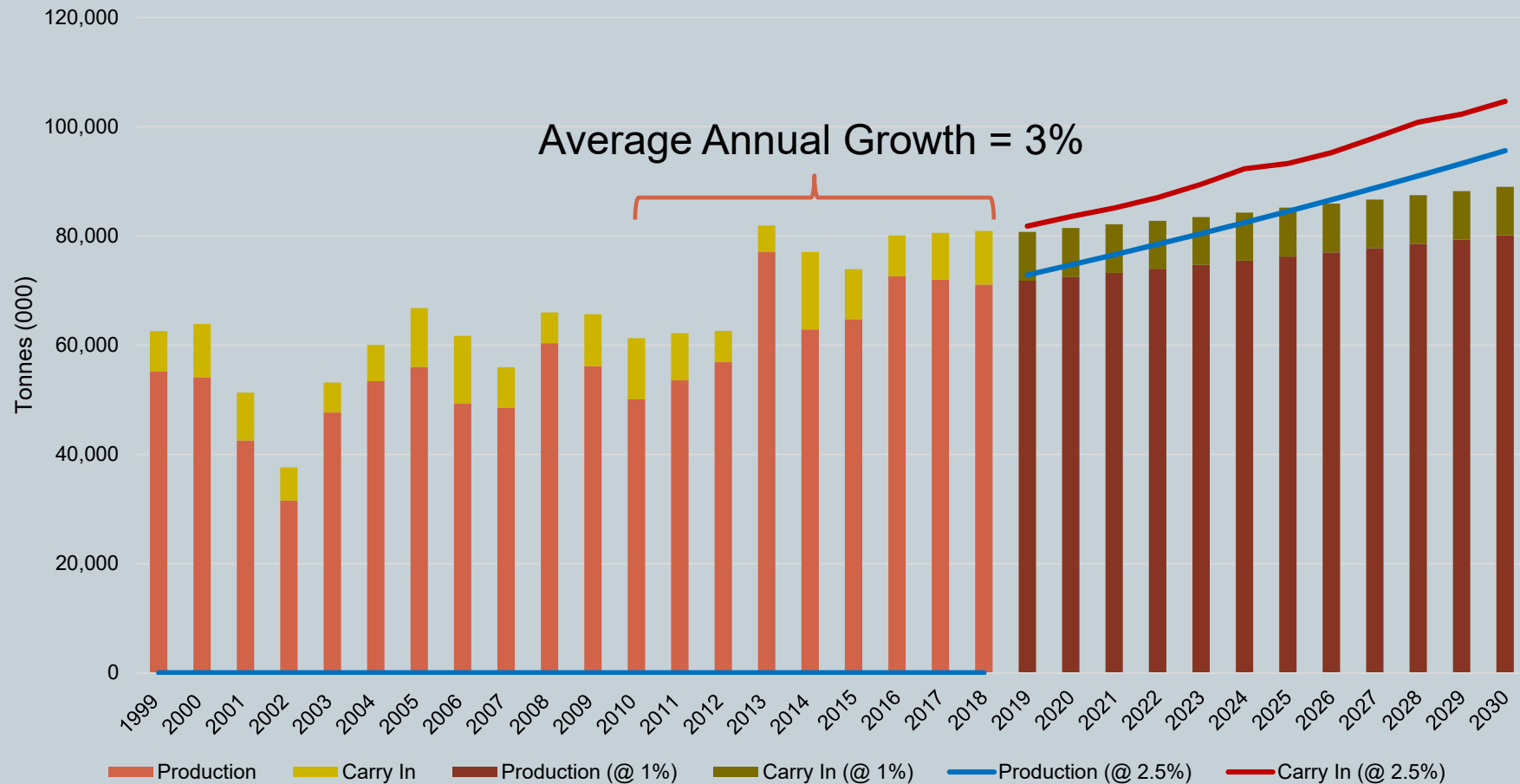
Western Ports



Canadian Grain Markets



Western Canada Grain Supply 1999-2018 Actual; F'cast to 2030



Mitigating Factors



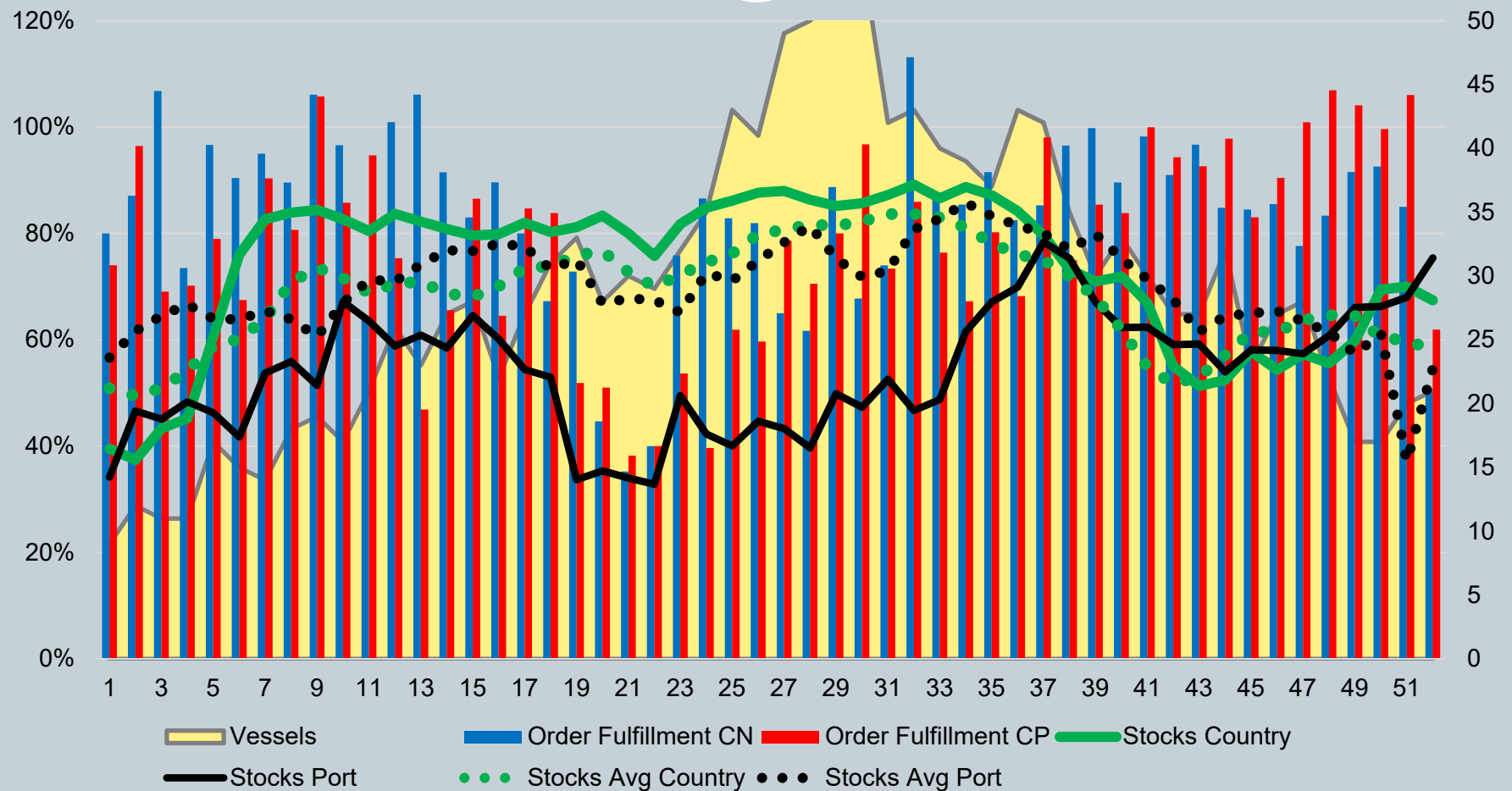
- **Global Market Challenges**
 - Climate change: Australia/ US/ South America
 - Market Aggressiveness of FSU states: Ukraine/ Russia
 - Political/ Diplomatic/ Non tariff trade issues: China, India, Italy et al
 - Various countries positions on GMO, Phytosanitary, MRL, Glyphosate, weeds
- **Agronomic**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



Impact of Supply Chain Delays

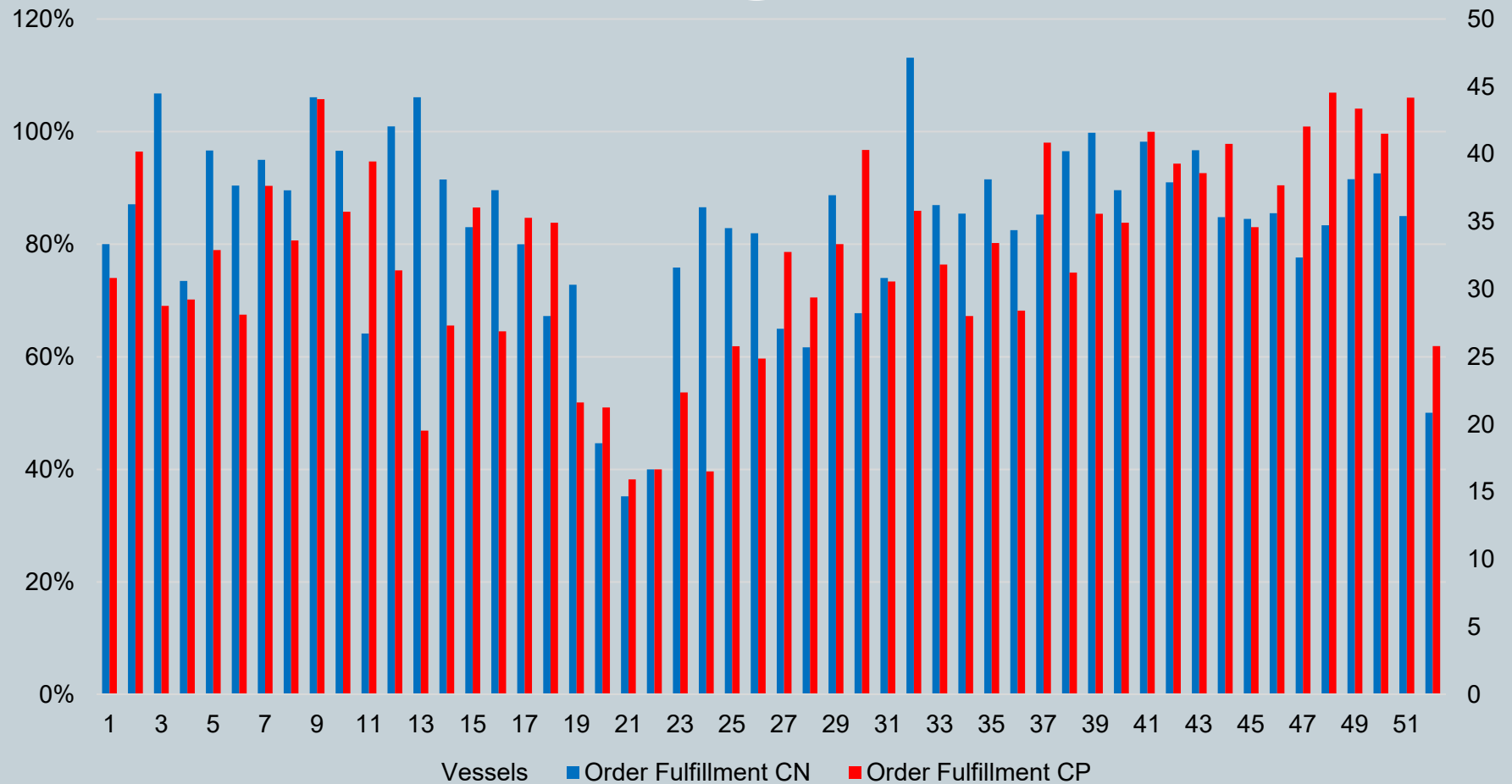


GHTS Status Tracking: 2013-14



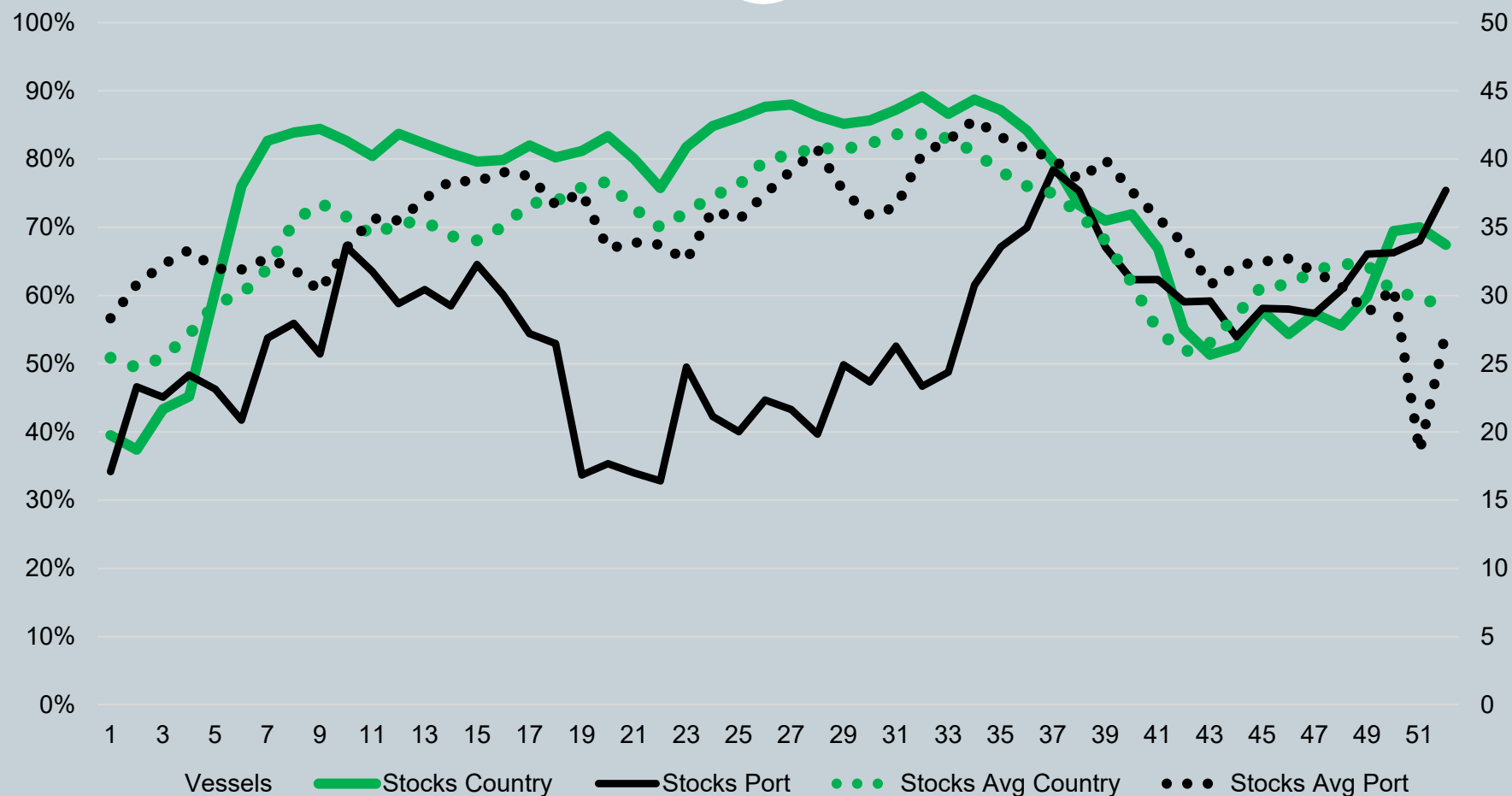
GHTS Status Tracking: 2013-14

+ Railway Order Fulfillment



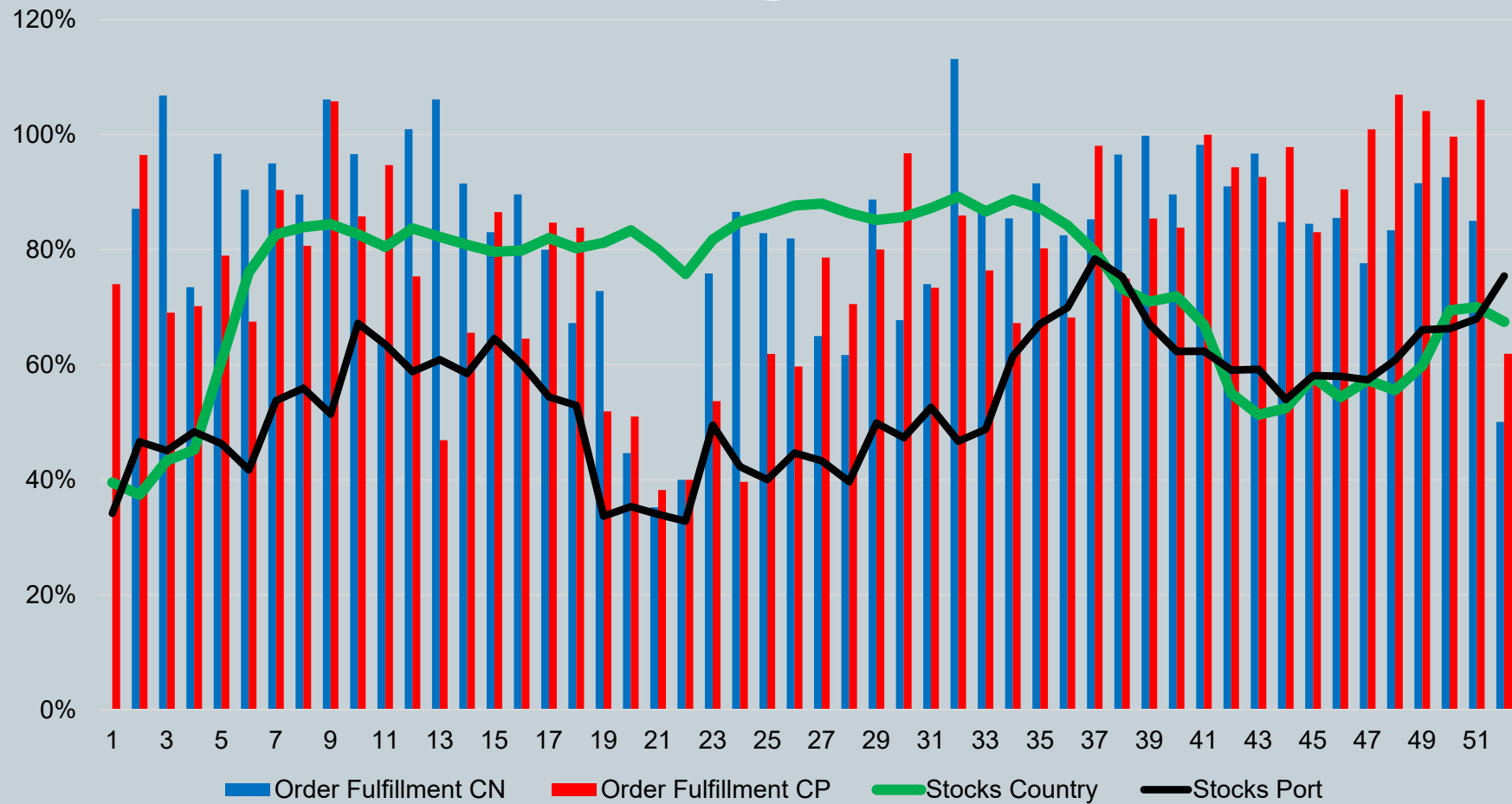
GHTS Status Tracking: 2013-14

Country & Port Terminals Stocks vs. 5 Yr Average



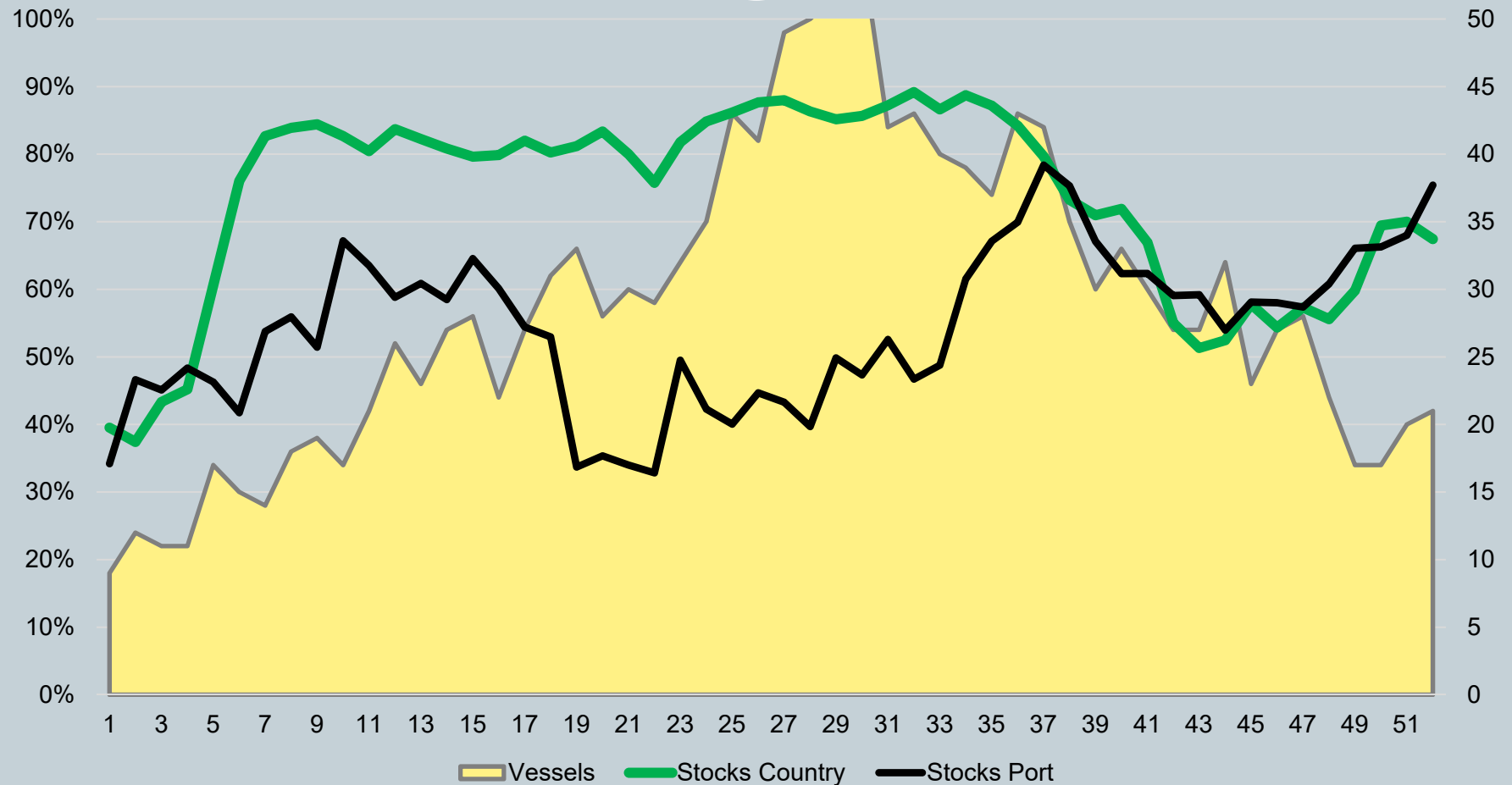
GHTS Status Tracking: 2013-14

+ All Stocks

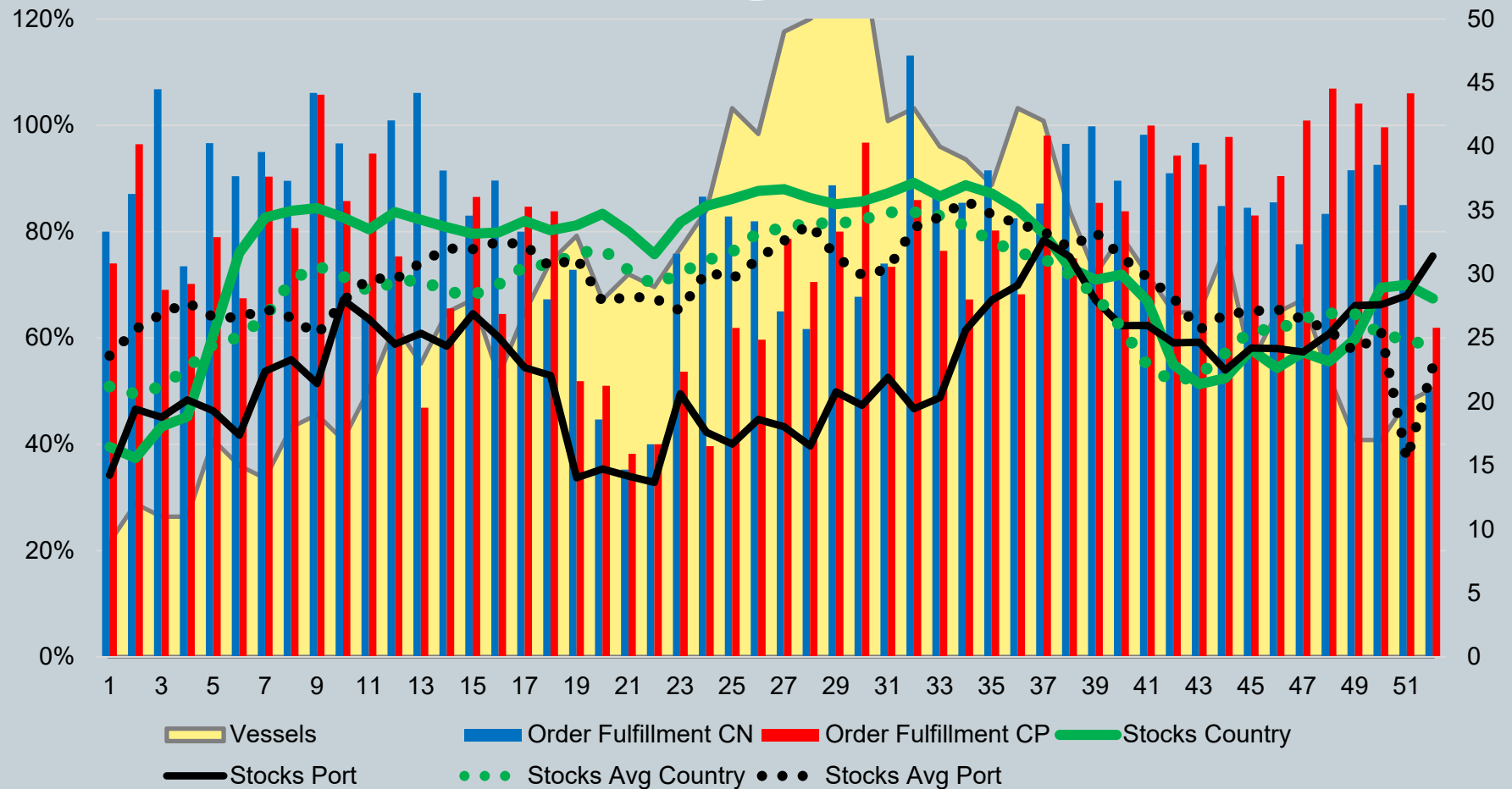


GHTS Status Tracking: 2013-14

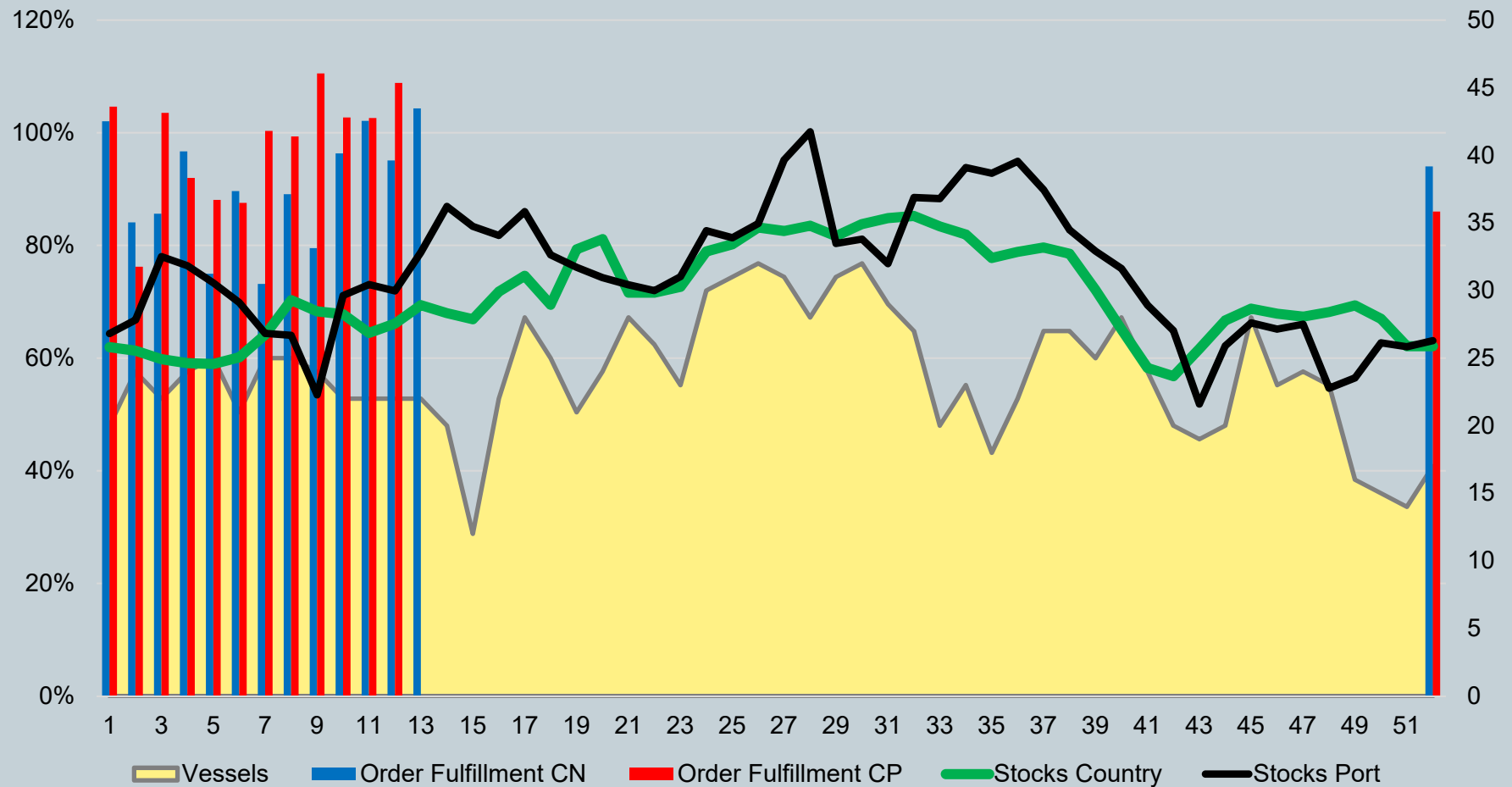
Country and Terminal Stocks vs. Vessel Line up



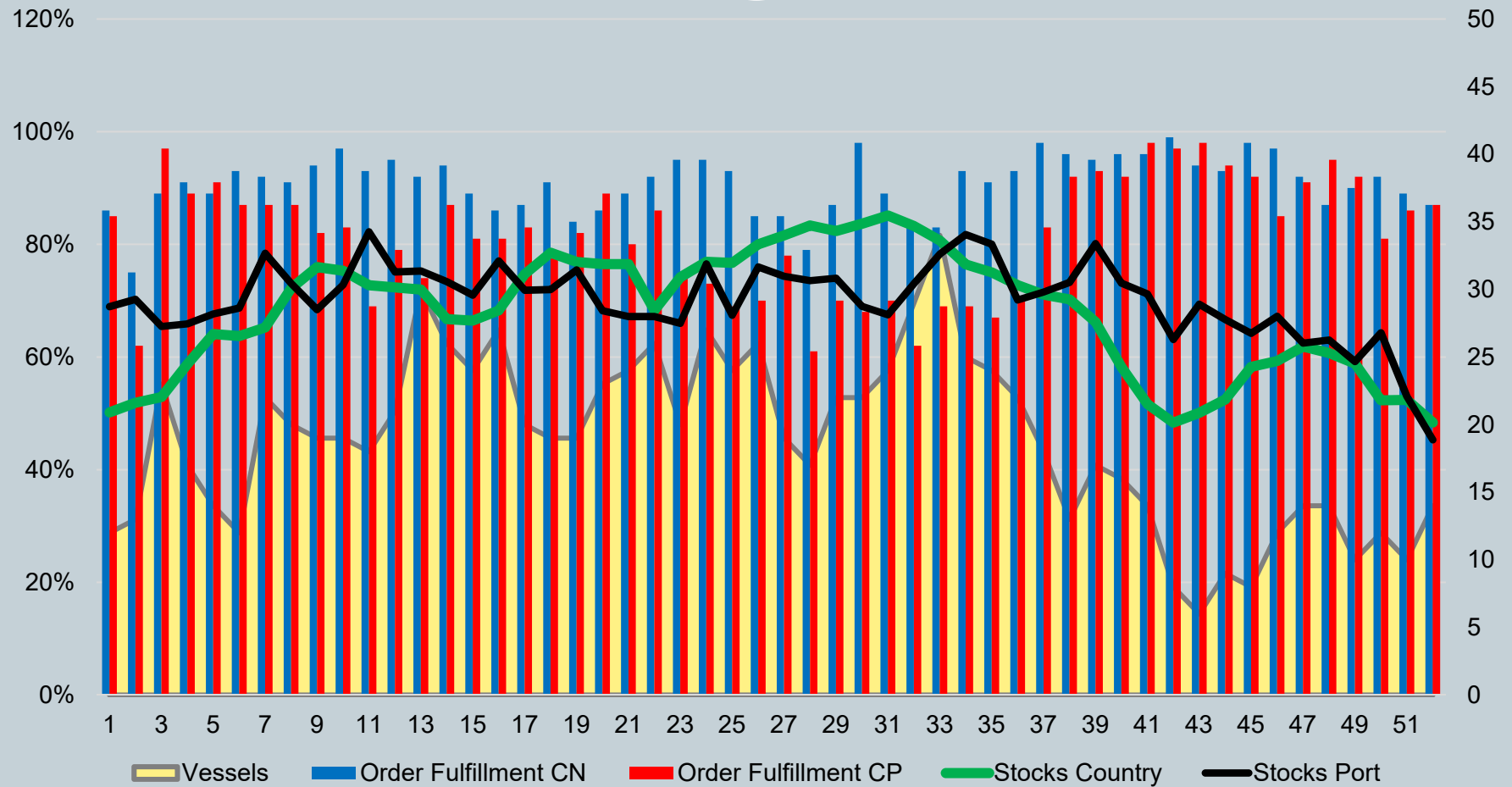
GHTS Status Tracking: 2013-14



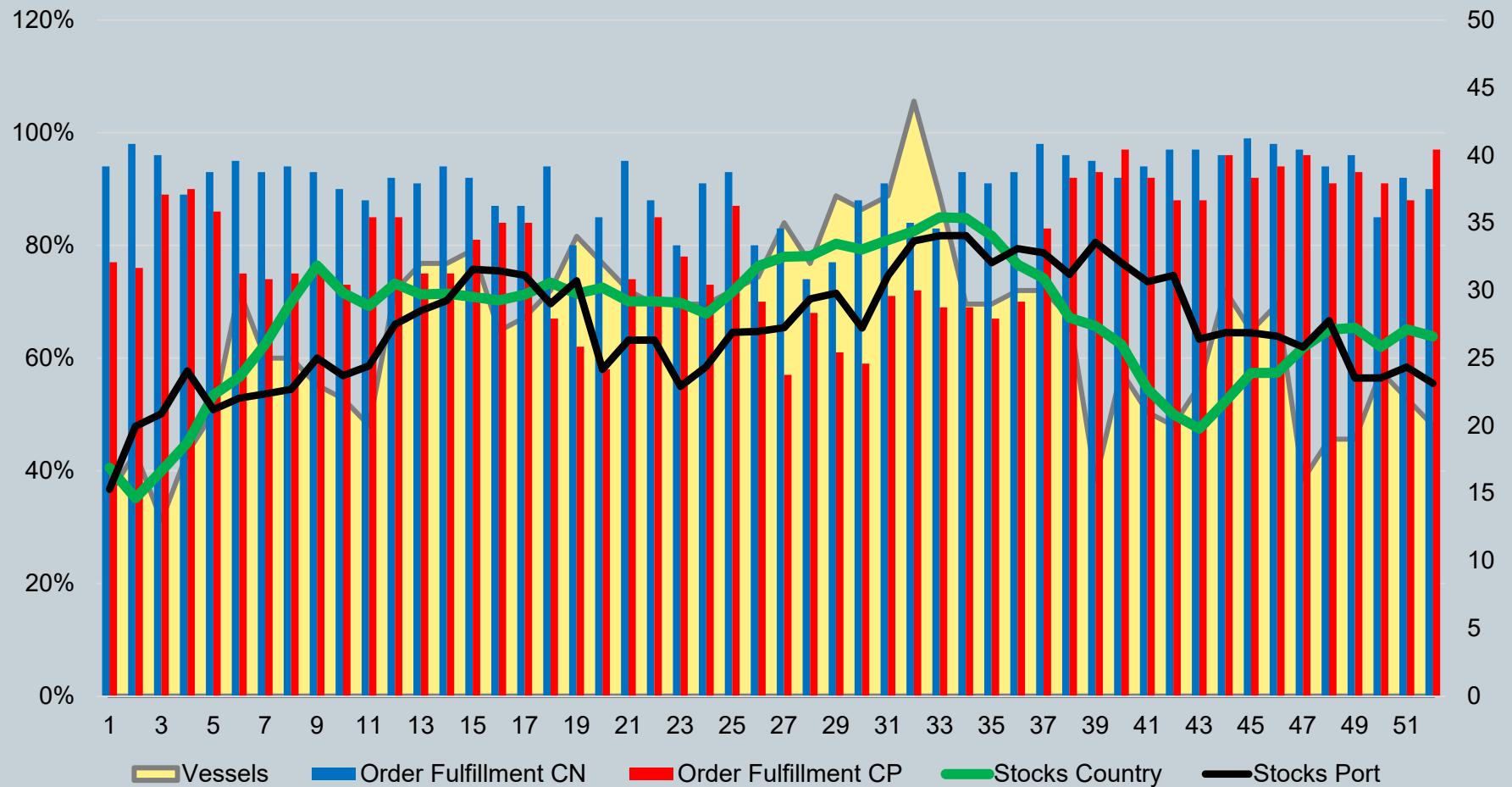
GHTS Status Tracking: 2014-15



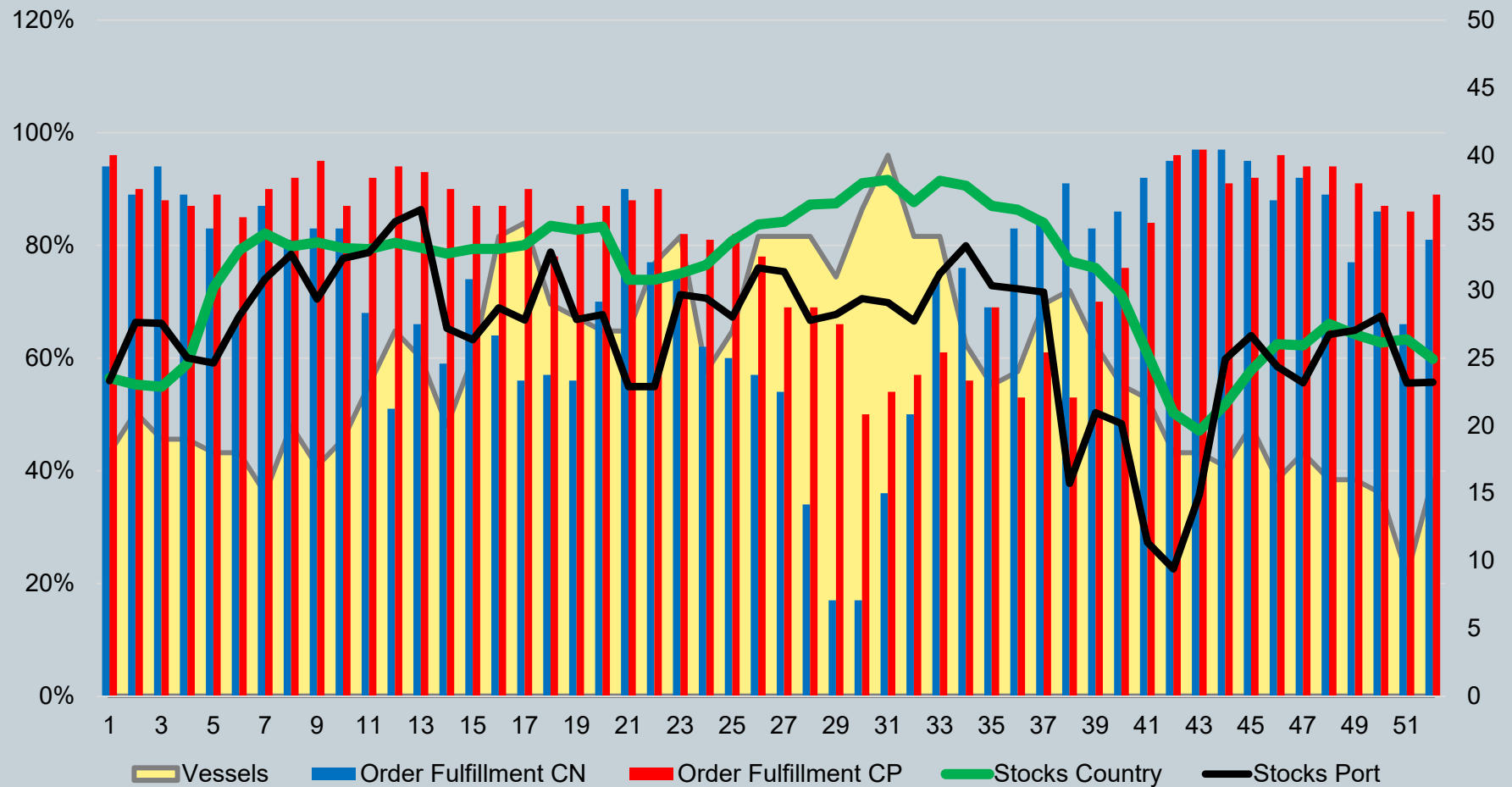
GHTS Status Tracking: 2015-16



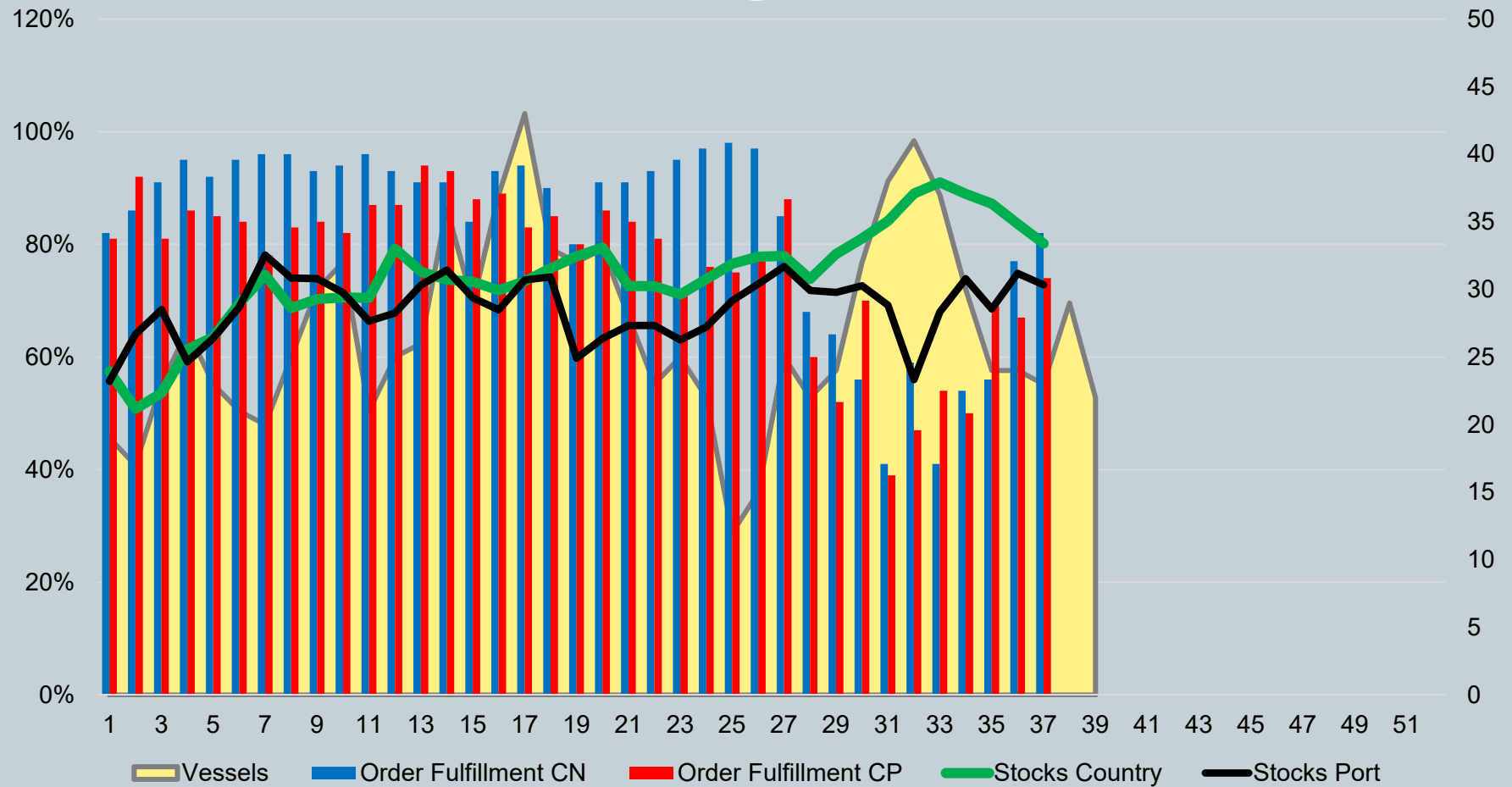
GHTS Status Tracking: 2016-17



GHTS Status Tracking: 2017-18



GHTS Status Tracking: 2018-19



The Elephant in the Room



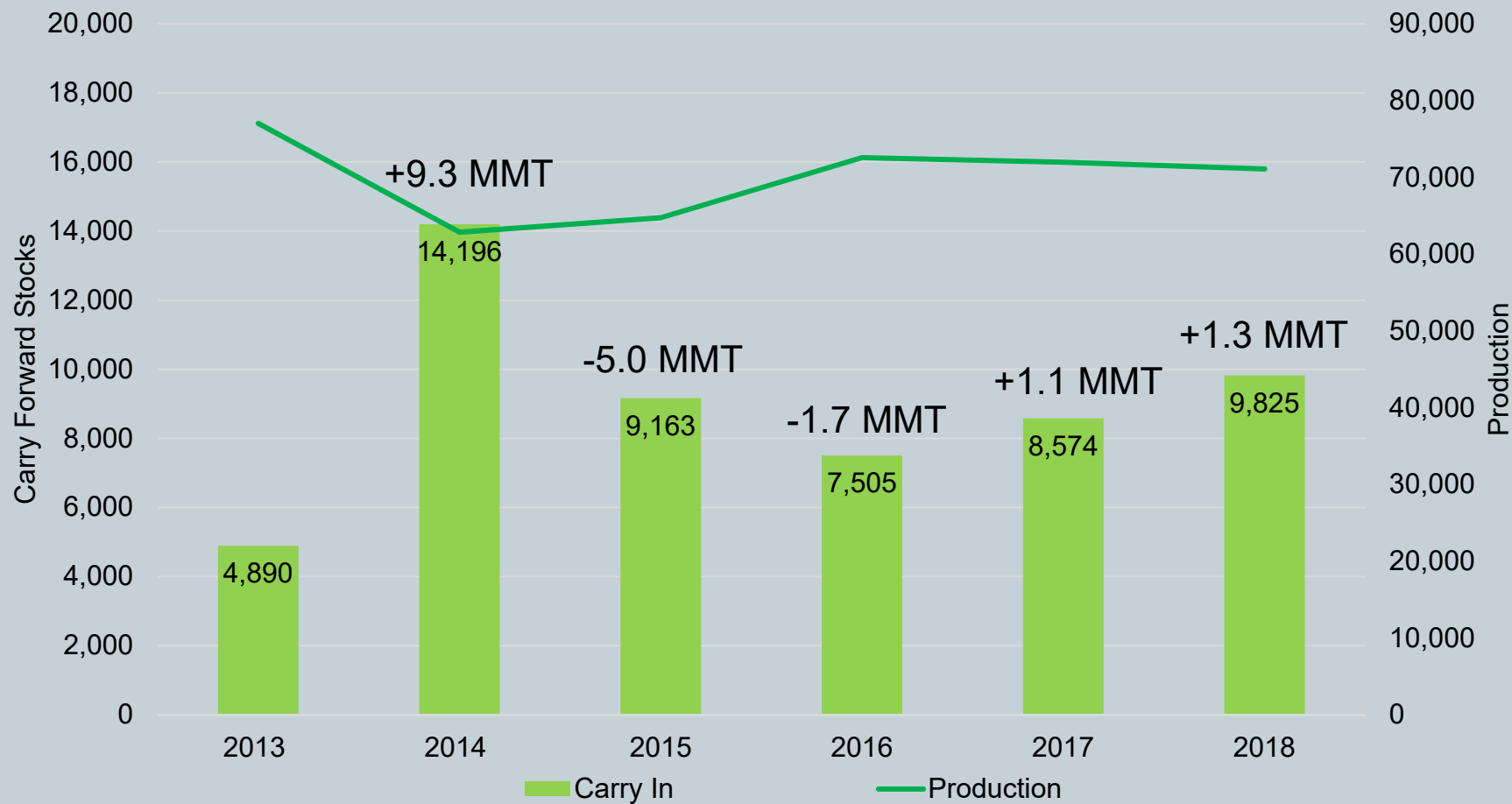
Grain Companies position in the Market



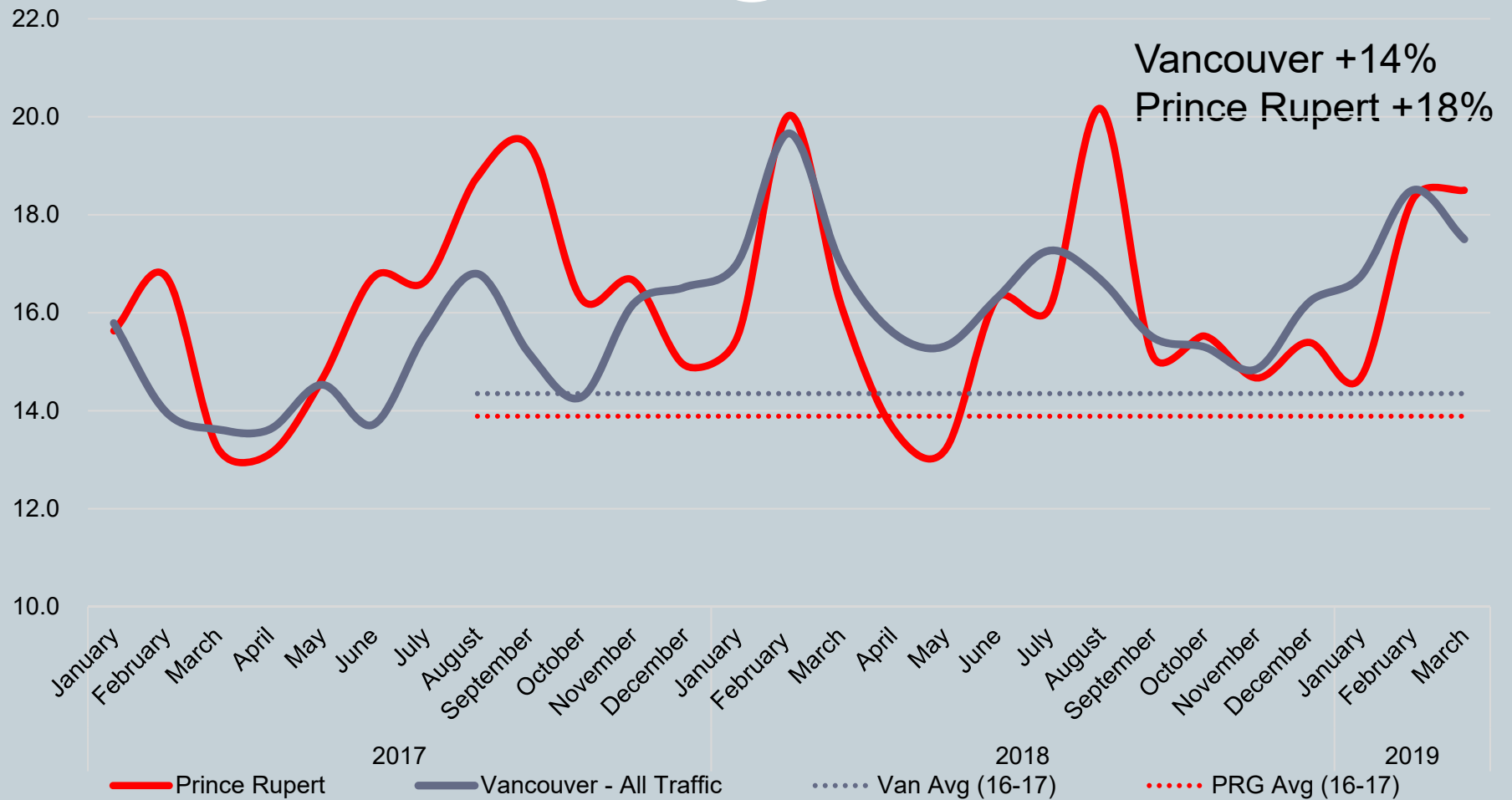
- Grain companies generally do not market grain based on global market demand but on what rail capacity they think they can obtain.
 - Market share competition is therefore not for a share available in the global market, but rather amongst themselves for rail capacity
- By extension, the competition for producers grain is impacted by what cars their local elevator is allocated by the railway that serves them.
 - Grain farmers are often not delivering to where they get the best price, but rather to the elevator that has space



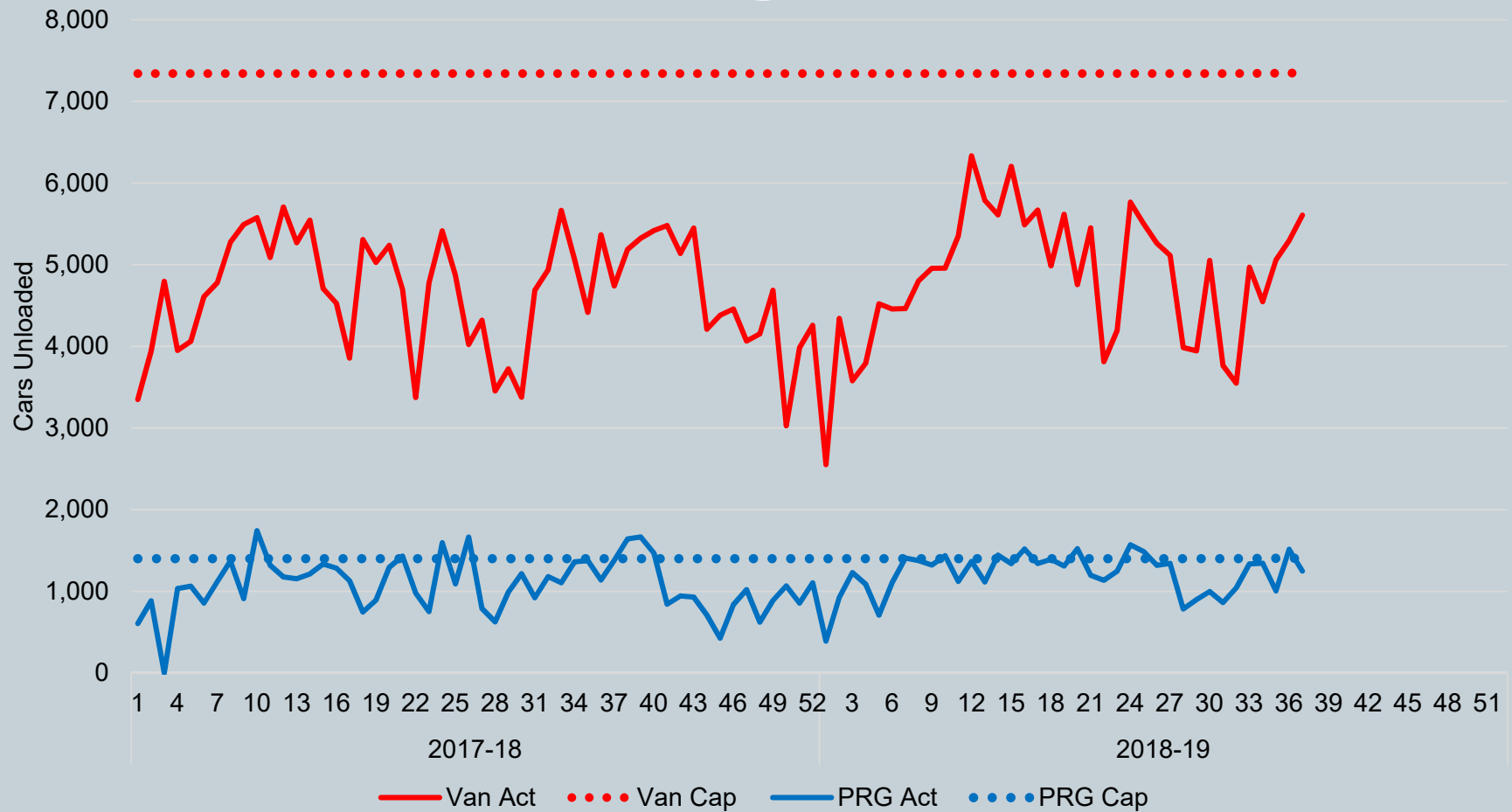
Carry Forward Stocks



Car Cycles – West Coast



West Coast Grain: Actual vs Capacity



Recent Improvements to GHTS



- **New Hopper Cars**
 - Higher capacity; more efficient
- **Increased storage and new elevators in the country**
 - 1.5 MMT incremental storage since 2014
 - Loop track design is new standard
- **Investments in existing Port Terminal infrastructure**
 - Replacement of ship loaders at three terminals
 - Additional storage
 - Improved rail car unloading
- **Construction of new Terminals in Vancouver**
 - G3 to open by March 2020
 - P&H/ GrainsConnect in 2021



Oil by Rail: *Impact on Grain Movements*



- Grain movement from Western Canada predominantly moves to West Coast position (70%); about 18% moves south to US
 - Oil movements are predominantly east and to US destinations
 - Oil presently represents between 5-8% of railways total volume; Grain is 17-22%
- Under the present routings and volumes, oil poses no significant competition to grain for rail capacity
- ***A change in routing (to West Coast position) or a significant increase in volume, would likely change that scenario and would cause concern amongst grain companies and grain producers***

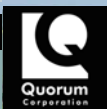




Thank You

Reports Available

Website: www.grainmonitor.ca



5/3/2019