Back to the Drawing Board: Grain Transportation Under a New Wheat Marketing Regime
16th Annual Fields on Wheels Conference

Back to the Drawing Board:
Transportation Under a New Wheat Marketing Regime

September 30, 2011
Delta Hotel, Winnipeg, Manitoba, Canada

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Compiled & Edited by Kathy Chmelnytzki, Transport Institute
Cover Design: Kathy Chmelnytzki, Transport Institute 2011
The federal government has announced that it will introduce legislation to end the Canadian Wheat Board’s (CWB’s) monopoly on the purchase from producers of wheat and barley for export and domestic human consumption, and thereby provide marketing choice for farmers. Although there is a range of options as to how this move may be accomplished, it is apparent that ending the CWB’s monopoly will have far reaching effects on the grain handling and transportation system, as well as on regional and provincial economies.

While the details for this change have yet to be determined, two parameters do seem to be clear:

- The grain companies will be permitted to buy directly from farmers and to make sales of wheat and barley to markets formerly reserved to the CWB.

- The CWB’s regulatory role over transportation will, at a minimum, be lessened, and the contractual regime among the grain companies, the railways, grain producers and the CWB will be substantially altered.

The objective of this conference is to identify the issues that will have to be addressed by the CWB, governments and commercial grain industry participants. Officials from both Transport Canada and Agriculture Canada have been consulted on the content and structure of the conference and have expressed interest in hearing the views of a broad cross section of industry people. Officials from both departments are expected to attend, and a written summary of the views expressed will be provided to both the participants and to the two government departments.

To meet the objectives of the conference, participants will be asked to consider the implications of a voluntary CWB for the industry and for their particular function within it. Participation will be sought from experts who are not currently actively engaged in the industry, as well as senior people from the CWB, grain producers, railways, and grain companies, and from smaller participants such as short lines railways, farmer-owned inland terminals, the Port of Churchill and producer car loaders.
16TH ANNUAL FIELDS ON WHEELS CONFERENCE

Agenda

8:00 – 8:30  Registration and breakfast

Opening remarks

Keynote Speaker:  Mr. Greg Meredith
Assistant Deputy Minister, Strategic Policy Branch
Agriculture & Agri-food Canada

The purpose of the morning sessions is to explore the implications of the proposed policy changes for the Western Canadian grain industry as a whole. Speakers will provide their informed opinions on the way the grain industry will change with the new policy environment.

Session 1: Where Are We Going? The Future of the Western Canadian Grain Industry Under a Voluntary Wheat Board

8:45 – 10:00 am

Speakers

A Historical Perspective:  
Dr. Paul Earl, I.H. Asper School of Business

A Farmer Perspective:  
Mr. Bill Cooper, Saskatchewan Farmer

A Farmer Perspective:  
Mr. Don Dewar, Manitoba Farmer

Roundtable discussion

10:00-10:30 am  Networking Break  sponsored by:  

AIKINS LAW
Session 2  Where Are We Going? The Future of the Western Canadian Grain Industry Under a Voluntary Wheat Board (continued)

10:30 – noon

Speakers: A Supply Chain Perspective:

Mr. Mark Hemmes, President, Quorum Corporation

A former CEO Perspective:

Mr. Brian Hayward, President, Aldare Resources

An Independent Perspective:

Mr. John De Pape, President, John De Pape Ltd.

Roundtable discussion

Noon – 1:30 pm

Luncheon  sponsored by Agrifood

Hon. Otto Lang, P.C.,O.C.,Q.C.,
former Minister responsible for the CWB, & former Minister of Transport

The purpose of the afternoon sessions is to examine the implications of change on the day-to-day operations of the various players in the grain supply chain.

Session 3  Practical Realities: The Implications of Change for Grain System Participants

1:30 – 2:45 pm

Speakers

A Grain Handler Perspective:

Mr. Jean-Marc Ruest, Vice-President, Corporate Affairs & General Counsel, Richardson International

A Railway Perspective:

Mr. Ray Foot, Group VP of Sales, Canadian Pacific Railway

Roundtable discussion
2:45 – 3:00 pm  Networking Break  sponsored by:  

Session 4  Practical Realities: The Implications of Change for Grain System Participants (continued)

3:00 – 4:15 pm

Speakers

Shortline Perspective:
Mr. Brad Chase, President, OmniTRAX Canada, Inc.

A Port Perspective:
Mr. Scott Galloway, Director of Trade Development, Port Metro Vancouver

A Port Perspective:
Mr. Tim Heney, CEO, Thunder Bay Port Authority

Roundtable discussion

4:15 pm  Rapporteur:  Mr. Owen McAuley, Producer & Vice Chair  
Canadian Agri-Food Policy Institute

4:30 pm  Closing Remarks
16th Annual Fields on Wheels Conference

Speakers (in order of appearance)

Dr. Charles Mossman  
I.H. Asper School of Business

Mr. Greg Meredith  
Strategic Policy Branch, Agriculture & Agri-food Canada

Dr. Barry Prentice  
I.H. Asper School of Business

Dr. Paul Earl  
I.H. Asper School of Business

Bill Cooper  
Saskatchewan Farmer

Don Dewar  
Manitoba Farmer

Mark Hemmes  
Quorum Corporation, Inc.

Brian Hayward  
Aldare Resources

John De Pape  
John De Pape Ltd.

Hon. Otto Lang  
Former Minister of Transport & Former Minister Responsible for the CWB

Ruth Sol  
WESTAC

Ian White  
Canadian Wheat Board

Jean-Marc Ruest  
Richardson Internation Limited

Ray Foot  
Canadian Pacific Railway

Brad Chase  
OmniTRAX Canada, Inc.

Scott Galloway  
Port Metro Vancouver

Tim Heney  
Thunder Bay Port Authority

Owen McAuley  
Canadian Agri-Food Policy Institute

Participants (in alphabetical order)

Michael Adams  
Canadian Pacific Railway

Joel Alutalu  
Paterson Grain

Laura Anderson  
Canadian Grain Commission

Raj Appadoo  
Dept. of SCM, Asper School of Business

Larry Appleyard  
Canadian Pacific Railway

Greg Arason  
Thunder Bay Port Authority

Alejandra Arroyo  
Agri-Food Central Ltd.

Pat Atkinson  
Transport Canada

Hedley Auld  
CN

Bonnie Bain  
Farm Credit Canada

Robin Baldwin  
Parrish and Heimbecker

Jim Ball  
Canadian Grain Commission

Mike Banville  
TransX

Lisa Baratta  
WESTAC

James Battershill  
Keystone Agricultural Producers

Marcel Beaulieu  
Quorum Corporation

Theresa Bergsma  
Manitoba Corn Growers Association

Brian Bernard  
Cargill Limited

Suresh Bhatt  
Dept. of SCM, Asper School of Business

Marlene Boersch  
Mercantile Consulting Venture Inc.

Patrick Bohan  
Port of Halifax
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Dave Boldt  Western Economic Diversification
Chris Botta  DeBruce Grain
Lindsay Brumwell  Port Metro Vancouver
Randy Burghall  Canpotex

Alan Carson  Manitoba Agriculture, Food & Rural Initiatives
Grant Carlson  Manitoba Agriculture, Food & Rural Initiatives
Pierre Cécile  St. Lawrence Seaway Management Corporation
Greg Cherewyk  Pulse Canada
Marty Cielens  Richardson International Limited
Ken Clancy  Clancy Seeds
George Coleman  Norfolk Southern Corporation
John Corey  Canadian Transportation Agency
Russ Crawford  Agrinomics I.T. Consulting Ltd.

Jordan Dalzell  Canadian Wheat Board
Richard Danis  Manitoba Infrastructure & Transportation
Steve Demmings  Thunder Bay CEDC
Randy Dennis  Canadian Grain Commission
John Doran  Transport Canada
Bert Dupasquier  Canadian Wheat Board
John Duvenaud  Wild Oats

Ted Eastley  Manitoba Rural Adaptation Council
Ron Eastman  S.D.R. International Freight Inc.
Marci Elliott  I.H. Asper School of Business
Hank Enns  Manitoba Corn Growers Association
Jennifer Evancio  STEP

James Fehr  Royal Bank of Canada
Terry Fehr  Manitoba Rural Adaptation Council
Doug Fisher  Algoma Central Corporation
Todd Frederickson  Transport Canada
Kevin Fruhstuk  Enterprise Saskatchewan

Arturo Gardeweg  Manitoba Trade & Investment
Allen Geary  Northern Alberta Development Council
Dori Gingera-Beauchemin  Manitoba Agriculture, Food & Rural Initiatives
Savannah Gleim  University of Saskatchewan
Tess Goovaerts  Parrish & Heimbecker
Rémi Gosselin  Canadian Grain Commission
Nithi Govindasamy  Saskatchewan Ministry of Agriculture
Kathy Gulay  Canada Steamship Lines
Melanie Gustafson  Canadian Grain Commission
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Joan Hardy                    Richardson International Limited
James Hayward                Agriculture & Agri-food Canada
Doug Hilderman               ADM Milling Company
Karen Hodgson                Agriculture & Agri-food Canada
Amanda Houssin               Canadian Grain Commission

Lee Jebb                     Cando Contracting Ltd.
Kathy Jordison               Yara Belle Plaine Inc.

Soaleh Khan                  Dept. of SCM, Asper School of Business
Alex Kissler                 London Agricultural Commodities
Hubert Kleyssen              SRY Rail Link
Jake Kosior                  Manitoba Infrastructure & Transportation

Lionel Labelle               STEP
Carla Lavergne               Parrish and Heimbecker
Ron Lemky                    Canadian Pacific Railway
Mike Lesiuk                  Manitoba Agriculture, Food & Rural Initiatives
Gerard Linden                SRY Rail Link
Lyndon Lisitza               Saskatchewan Ministry of Agriculture

David Mackay                 Canadian Association of Agri-Retailers
Jeff Mayo                    Parrish & Heimbecker
Sean McCoshen                USAND Group Inc.
Bruce McFadden                Quorum Corporation
Doug Mills                    Port Metro Vancouver
Scott Mills                   Lansing Trade Group
Carlos Miranda Heras         AGRI-FOOD CENTRAL DE MEXICO S DE RL DE CV
Robert Moore                 QGI Consulting
Kevin Morgan                 Canadian Grain Commission
Charles Mossman              I.H. Asper School of Business

Ted Nestor                   Manitoba Infrastructure & Transportation
James Nolan                  University of Saskatchewan
David Nyznyk                 Agri-Food Central Ltd.

Darrell Pack                 Agriculture & Agri-Food Canada
Christina Patterson          Canadian Canola Growers Association
Wes Petkau                   Grain Growers of Canada
Richard Phillips             Manitoba Infrastructure & Transportation
Stephen Pratte               Western Canadian Wheat Growers Association

Phil Rance                   Richardson International Limited
Rick Riess                   GHY International Customs Brokers/Trade Consultants
Blair Rutter                 Western Canadian Wheat Growers Association
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Mark Simmons  
Winston Smith  
Wade Sobkowich  
John Spacek  
Art Stacey  
Chuanliang (Johnny) Su

Yara Belle Plaine Inc.  
Aikins, MacAulay & Thorvaldson LLP  
Western Grain Elevator Association  
Manitoba Infrastructure & Transportation  
Thompson, Dorfman, Sweatman LLP  
Alberta Agriculture & Rural Development

Dinen Subramaniam  
Mark Summers  
Rob Sumner  
Dale Thuli  
Brenda Tjaden Lepp  
Julie Toma  
Dean Torchia  
Denis Tully  
Ed Tyrchniewicz

Canadian Grain Commission  
BNSF Railway  
Transport Canada  
Port Metro Vancouver  
Farmlink Marketing Solutions  
Alberta Agriculture & Rural Development  
Richardson International Limited  
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Manitoba Infrastructure & Transportation

Harvie Wachter  
Richard Wansbutter  
Krista Warnica  
Tony Wattman  
Reg Wightman  
Ken Whitelaw  
Stephen Whitney  
Sheldon Wiebe  
Michael Wood

SRY Rail Link  
Viterra  
Canadian Transportation Agency  
AJW Warehousing  
Manitoba Infrastructure & Transportation  
Lansing Trade Group  
Canadian Pacific Railway  
AGI-Ag Growth Industries  
Manitoba Infrastructure & Transportation
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Transport Institute Staff

Ron McLachlin  
Kathy Chmelnytzki  
Jairo Viafara  
Al Phillips  
Doug Duncan  
Samara Hutton  
Grace Duong  

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Speaker Bios
16th Annual Fields on Wheels Conference

Dr. Barry E. Prentice
Professor, Dept. of Supply Chain Management
I.H. Asper School of Business
University of Manitoba

Dr. Prentice is a Professor of Supply Chain Management, at the I.H. Asper School of Business, University of Manitoba and the former Director (1996-2005) of the Transport Institute. His major research and teaching interests include logistics, transportation economics, urban transport and trade policy. Dr. Prentice holds a degree in economics from University of Western Ontario (1973) and graduate degrees in agricultural economics from University of Guelph (1979) and University of Manitoba (1986).

Dr. Prentice has authored or co-authored more than 250 research reports, journal articles and contributions to books. His scholarly work has been recognized for excellence in national paper competitions and awards. In 1999, National Transportation Week named him Manitoba Transportation Person of the Year. Through the Transport Institute, Dr. Prentice has organized national and international conferences on sustainable transportation (Railways and the Environment), supply chain logistics (Planes, Trains & Ships), agribusiness logistics (Fields on Wheels), the potential use of airships for northern transportation (Airships to the Arctic) and food trade between Canada and Mexico (La Cadena de Frio). In 1999 and 2003, he received University of Manitoba Outreach Awards.

Dr. Prentice was instrumental in founding a major in transportation and logistics within the B.Comm. (Hons.) program at the I. H. Asper School of Business (fall 2003). Since that time a new Department of Supply Chain Management has been formed, and in 2006 a M.Sc. program in supply chain management was initiated.

Dr. Prentice has served on the Boards of Directors of several transportation organizations: National Transportation Week (President, 2001 and 2003), Honourary President of the Canadian Institute for Traffic and Transportation (2001-3) and the Canadian Transportation Research Forum (Past President, 1997). Dr. Prentice is the President of ISO Polar Airships that he co-founded in 2005 as a not-for-profit research institute to promote the use of airships as sustainable...
transport for the northern latitudes. He is Associate Editor of the *Journal of Transportation Research Forum*. In addition, Dr. Prentice has served on Winnipeg Airports Authority, Inc. (1998-2003), Winnipeg TransPlan 2010, the Mid-Continent International Trade Corridor Task Force, the Rapid Transit Task Force, expert committees, and is frequently asked to speak on the topics of trade and transportation.

**Dr. Paul Earl**

**Senior Scholar**

**I.H. Asper School of Business**

**University of Manitoba**

Paul Earl joined the Asper School of Business in 2003, after a long and varied career in the western Canadian grain industry. He worked for United Grain Growers, the Grain Transportation Agency, and, just prior to coming to the Asper School, had spent about five years with the Western Canadian Wheat Growers Association. He was then one of the founding members of the Department of Supply Chain Management when it was formed in the Asper School in 2004.

About half way through his career in the grain industry, he undertook doctoral studies at the University of Manitoba, completing his degree in 1992. His thesis examined the farm movement in western Canada from about 1918 to 1935, and examined how three prairie Wheat Pools, and the Canadian Wheat Board came into existence, and the ideologies held by farmers shaped those institutions.

Paul has had a long, but intermittent, relationship with the Transport Institute. He was a research associate with the Institute in 1987 and 1988 while working on his degree, and completed several studies with the Institute over the following years. Paul looks forward to several more years of exciting and interesting work in the Institute and the Supply Chain Management department.

**Mr. Bill Cooper**

**Saskatchewan Farmer**

Bill Cooper has been farming in Saskatchewan since 1954. He and his family farm approximately 4000 cultivated acres, producing mainly wheat, durum, canola, flax, barley and peas.
Bill was a lecturer at the University of Saskatchewan from 1953 to 1965. He was a member of the Board of Directors of the Rapeseed Growers Association from 1973 to 1979. Bill also served as Executive Director of the Saskatchewan Canola Growers Association from 1979 – 1987.

Bill has served on or been a member of numerous committees and associations throughout his career. In 1977-1978, he was appointed by the Hon. Otto Lang to the Prairie Rail Action Committee. He also served on the Dr. Clay Gilson Task Force from 1982-1983, making recommendation on the Western Grain Transportation Act. In 1999, Bill served on the Arthur Kroeger Task Force, which was to further refine the Justice Estey recommendations at the request of the Minister of Transport.

Mr. Don Dewar
Manitoba Farmer

Don Dewar owns and operates Dewar Seed Farms in Dauphin, Manitoba, with his son Mark, which was homesteaded by his grandfather.

Don received his Bachelor of Science degree in Agricultural Economics from the University of Manitoba. His career as a producer representative began in 1977 when he was elected to the board of directors of Manitoba Seed Growers. He served three terms and was elected president in 1982 and 1983. He also served on the national board of the Canadian Seed Growers Association from 1984 to 1991.

Over the years, Don has served as a Manitoba director for the National Board of SeCan, been a member of the Manitoba Farm Mediation Board, a member of the Dauphin Airport Advisory Board and has served a term with the policy branch of Manitoba Agriculture and Food. Community involvement is also important to Don. In the past, he has been a member of the Dauphin Kinsmen, where he held various executive positions, including that of President. Don is currently a member of the vestry for St. Paul's Anglican Church in Dauphin and a board member of the Dauphin and District Community Food Bank.

Don was elected to his district's Keystone Agricultural Producers board in 1991. He was elected to serve on the executive in 1992 and was elected as 2nd Vice President of the provincial organization in 1996. In 1997, he accepted the position of 1st Vice President. In 1998, he was elected President of KAP and served in that capacity until January 2002. During that time, he represented the province on the National Safety Nets Advisory Committee and also on the Canadian Federation
of Agriculture’s board of directors. In 1996, he received the Robertson Associate Award by the Canadian Seed Growers Association in recognition of his many contributions to agriculture.

Don currently represents Keystone Agricultural Producers on the board of directors of the Western Grain Research Foundation and is the vice-chairman of WGRF.

Mr. Mark Hemmes  
President  
Quorum Corporation

A career transportation professional, he manages the activities related to the Federal Government’s Grain Monitoring Program. In addition to his extensive knowledge of the Canadian grain handling and transportation system, Mark has developed a broad knowledge and experience relative to the market and operational issues in the rail and intermodal system in Canada, and in particular the Western Canadian GHTS.

Prior to establishing the Quorum Group of Companies Mark spent 23 years with CN Rail where he held a variety of senior positions in the fields of marketing, intermodal, and operations including the General Manager of Marketing for Western Canada and Assistant Superintendent of Operations. Mark attended school in Edmonton at the University of Alberta and has also completed course work at the University of Western Ontario in the area of Marketing. He has also held various board and executive positions with industry associations and currently sits on the Board of Directors of the Northern Alberta Transportation Club and the Canadian Transportation Research Forum.

Mr. Brian Hayward  
President  
Aldare Resources

Brian Hayward is President of Aldare Resources, a professional advisory practice that provides governance expertise, business consulting services, and alternate dispute resolution facilitation. From 1991 until 2007, he was CEO of Agricore United—a publicly traded firm with annual sales of $5 billion—with core business activities in grain merchandising, retail of crop production inputs, animal feed manufacturing, and agri-financial services. Agricore United provided shareholder returns above Canada’s TSX benchmark index, and the Company won domestic and international recognition for enterprise
risk management, innovation in information technology, and human resource management excellence.

Brian currently serves on various public, private and Crown Boards: MBAC Fertilizer, Glacier Media, Ridley, Business Development Bank of Canada (BDC), Princess Auto and ICE Futures Canada. He also has provided leadership to non-profit organizations, including the Royal Winnipeg Ballet, The Conference Board of Canada and the Arthritis Society.

In his role as a Director, Brian has played a pivotal role in a number of strategic transitions. In 2007, as Board Chair, Brian led the strategic review process that culminated with Ridley Australia selling its control stake to Fairfax. Brian chaired the Wellington West Board Special Committee that considered that Company’s strategic options—culminating with it being purchased by National Bank Financial. He has been and remains engaged with various Audit Committees, Human Resource Committees, and the Board Risk & Credit Committee of BDC.

Brian has been active in advising private clients—both domestic and international—with a focus on mergers, acquisitions, and other potential business combinations.

Brian holds a graduate degree in agriculture economics from McGill University and is a graduate of the Director's College of McMaster University's DeGroote School of Business. He has supplemented this with ongoing professional development--particularly in the areas of mediation, decision making, and negotiation. Brian is a member of Canada’s Institute of Corporate Directors (ICD), the National Association of Corporate Directors (USA), World Presidents Organization (WPO), and the Alternate Dispute Resolution Institute of Canada.

Mr. John De Pape  
President  
John De Pape Ltd.

Mr. De Pape has been involved in the Canadian grain industry in various capacities for the past 29 years. He held various grain merchandising positions with Cargill Limited before becoming an independent floor trader at the Winnipeg Commodity Exchange (WCE) (now ICE Futures Canada). He later was appointed Director of Marketing at WCE where he was heavily involved in the development of new futures contracts and the redesign and improvement of existing contracts. He established a Canadian office for Sparks Companies Inc.
(name changed later to Informa Economics, Inc.) in Winnipeg, where his consulting work focused on grain handling, transportation and risk management in Western Canada.

He is currently active in export trade development of agricultural, food and forestry products and works with private equity firms focused on investments in the agri-food sector. He also works with Castle Currency Management, providing foreign exchange strategies for a number of Canadian firms with a particular focus on agricultural markets.

He has a Bachelor’s Degree in Agriculture and a Masters in Business Administration (Agribusiness), both from the University of Manitoba.

**Hon. Otto Lang, P.C., O.C., Q.C.**  
**Former Minister responsible for the CWB and Former Minister of Transport**

**Otto Lang** was born in Saskatchewan. He received his B.A. and LL.B. at the University of Saskatchewan, and his B.C.L. at Oxford as a Rhodes Scholar. Mr. Lang served as a Professor and Dean of Law at the University of Saskatchewan from 1956-68. He was MP for Sask-Humboldt from 1968-79.

Mr. Lang served as Minister of Manpower and Immigration from 1970-72, Minister of Justice from 1972-74, and Minister of Transport from 1974-79. Mr. Lang was Minister Responsible for the CWB from 1969-79.

Upon leaving politics, Mr. Lang was Executive VP at Pioneer Grain from 1979-88. He then became the Chair of the Transport Institute serving from 1988-93. Upon leaving the Institute, Mr. Lang became President of Centra Gas from 1993-99.

**Mrs. Ruth Sol**  
**President**  
**WESTAC**

**Ruth Sol** is President of the Western Transportation Advisory Council (WESTAC). She joined the Council in 1983 as Research Economist and held increasingly senior positions. Previously she held positions in market research and statistical analysis at HA Simons International, a
consulting engineering firm in the pulp and paper industry, and MacMillan Bloedel Limited, an integrated forest products firm.

Ruth earned a BA (economics) and an Executive MBA from Simon Fraser University. She is a member of the Association of Professional Economists of B.C.

WESTAC is a member-based organization of senior decision makers in all facets of transportation – business, labour and government, across modes. Under Ruth’s leadership, this powerful forum brings together industry leaders to debate, discuss and better understand issues affecting some aspect of transportation. The Council contributes to the excellence of the western Canadian transportation system by ensuring that the industry’s voice is heard and that the importance of transportation to our economic and social well-being is widely understood and appreciated.

**Mr. Jean-Marc Ruest**
**Vice-President, Corporate Affairs & General Counsel**
**Richardson International Limited**

Jean-Marc graduated from St. Boniface College with a Bachelor of Arts (political science) in 1990. He obtained his Bachelor of Law degree in 1993 from the University of Ottawa and his Master of Law degree (International Commercial Law) from Cambridge University in 1994.

Jean-Marc was called to the Bars of Ontario and Manitoba in 1996 and joined Great-West Life as in-house counsel. He subsequently joined the law firm of Fillmore Riley in Winnipeg where he practiced primarily in the areas of civil and commercial litigation, employment and labour law. Jean-Marc joined Richardson International Limited in 2002 and is currently Richardson’s Vice-President, Corporate Affairs and General Counsel. In that role, he manages all legal affairs for Richardson International and its subsidiaries. He is also responsible for general corporate affairs and corporate communications.

**Mr. Ray Foot**
**Group Vice President of Sales**
**Canadian Pacific Railway**

Mr. Foot has been employed with CPR since 1974 when he graduated from the University of Western Ontario with an Honors BA and joined the company as a Sales Representative in Toronto. His career with CPR
has taken him across their extensive network, gaining experience in all of CPR’s commodity groups.

In 1988 Ray was appointed General Manager, Marketing & Sales, Intermodal. He held that position until 1996 when he relocated to Winnipeg to become Assistant Vice-President, Grain, a position he held until August 1, 2001 when he moved to Calgary to take on the role of Vice-President, Carload.

In 2003 Ray became VP, Merchandise and in August 2009 took on the role of Group VP, Sales.

**Mr. Brad Chase**  
**President**  
**OmniTRAX Canada, Inc.**

Brad has more than 20 years of experience within the transportation and logistics industries. For the past 10 years, Brad worked for Kleysen Group, LP based in Winnipeg, MB, a company handling commodities throughout the United States and Canada via rail and truck transportation. Brad joined Kleysen Group in 2001 to lead the Intermodal Business unit and assumed Flat Deck and Transload businesses. As Senior Vice President, he was responsible for strategic planning and business development and was instrumental in the company's growth. Prior to Kleysen, Brad held the role of Group Vice President, Business Development with Associates Fleet Services, a CITI Company. Brad gained additional leadership and transportation knowledge from Purolator Courier Limited, Carlyle Computer Products and Cleanair of Manitoba.

Brad graduated from Red River Community College in Winnipeg, MB, receiving his Business Administration Diploma.

Brad has oversight of the OmniTRAX operations in Canada, including government relations and business development activities. The focus on evaluating and promoting business opportunities as well as develop strong relationships with local, provincial and federal governments, including the First Nations, Inuit, and other industry groups and associations is a priority.
Mr. Scott Galloway  
Director of Trade Development  
Port Metro Vancouver  

Scott Galloway is Director of Trade Development for Port Metro Vancouver, the Vancouver port authority. Mr. Galloway has more than 20 years of experience in transportation and marketing. Since joining the port authority in 1995, Mr. Galloway has held various leadership positions within the organization.

Mr. Galloway’s responsibilities include marketing the Port of Vancouver’s cargo and cruise sector. With offices in Vancouver and Beijing, and agent representation throughout Asia, the Port’s marketing team is well positioned to stay engaged with customers and stakeholders.

Mr. Galloway holds a Bachelor of Arts, majoring in economics from the University of Winnipeg and has completed the Executive Management Development Program at Simon Fraser University in Vancouver.

Mr. Tim Heney  
CEO  
Thunder Bay Port Authority  

Tim Heney has been Chief Executive Officer of the Thunder Bay Port Authority since 2005. Tim leads the Port Authority’s efforts to increase marine cargo, raise the profile of the port and seek strategic capital investment opportunities to improve port competitiveness. Recent successes include establishing the port as a project cargo gateway to Western Canada and the acquisition of strategic waterfront property in Thunder Bay including an operational grain terminal. Potential uses for the grain terminal include the transshipment and storage of wood pellets and grain related to biofuel production.

Prior to joining the Port Authority, Tim was Manager of Corporate Accounting for Great Lakes Forest Products.

Tim is currently President of the Ontario Marine Transportation Forum, Treasurer and Past President of the Association of Canadian Port Authorities, and a member of the Ontario Ministry of Transport Marine Advisory Panel. Tim has given presentations to government and logistics groups throughout North America on issues affecting Great Lakes marine transportation.
Mr. Owen McAuley  
**Producer & Vice Chair**  
**Canadian Agri-Food Policy Institute**

Owen and his wife, Anna Mae, have been married for 40 years, have 3 grown children and 6 grandchildren. They recently conducted an intergeneration transfer with their daughter and son in-law. The farm grows 5000 acres of grains and oilseeds with several hundred acres in hay. It owns a share of a feeder hog barn in the community. In 1991, they were fortunate to become Manitoba Farm Family of the Year.

Owen graduated from the University Manitoba with a Diploma in Agriculture in 1968. Among his many accomplishments, he served as a rural municipal councilor for 11 years; was chairman of the Virden Vet Services for 10 years; served on the Western Grain Marketing panel in 1994; was KAP vice-chairman in 1995; was a founding member of the Manitoba Rural Adaptation Council. Owen was inducted into the Manitoba Agricultural Hall of Fame in 2006. Most recently, he has served as Canadian Agri-food Policy Institute Vice Chairperson(2009).
The following speakers did not have powerpoint presentations. The audio of their presentations is available at [www.umti.ca](http://www.umti.ca)

- Mr. Greg Meredith, ADM, Strategic Policy Branch, Agriculture & Agri-food Canada
- Mr. Don Dewar, Manitoba Farmer
- Mr. John De Pape, President, John De Pape Ltd.
- Mr. Owen McAuley, Producer & Vice Chair, Canadian Agri-Food Policy Institute (Rapporteur)
THE CURTAIN FALLS; AN ERA ENDS!
WHAT WE WILL DO:---

Part 1: Set the stage: the development of “the great ideological divide.”

Part 2: Take an incredibly quick romp through 80+ years of history.

Part 3: Look at where we are today.
Part 1
The Great Ideological Divide
“It is time something was done to stop this fooling with food, robbing the men who have toiled to feed the world, and those for whom the food has been produced. It is a crushing indictment of the competitive system.”

Colin Burnell

President, Manitoba Pool
THE SOLUTION: THE POOLS!

THE PRODUCE OF THIS FARM IS MARKETED THROUGH FARMER'S COOPERATIVES

BOYS! WE'RE SUNK!

THE NEWEST DECLARATION OF INDEPENDENCE.

MIDDLEMEN
THE RESULT: UTOPIA!
1930s: SHARPER CRITIQUES OF CAPITALISM

A Study of Business Regulation by Natural Causes.
THE DISSIDENT VIEW (ca. 1930s)

Cecil Rice-Jones (to the Stamp Royal Commission):

“The futures market is of distinct benefit to a farmer, but radicals would hold meetings to get support for criticism of the Grain Exchange.”
“Western wheat farmers believed that the open market or competitive system ought not to govern the marketing of western grain.”

Vernon Fowke
Two ideological camps who “did not come to grips because the persisted in talking about different things while apparently fully convinced that they were talking about one and the same thing.”

Vernon Fowke
THE OPPOSING IDEOLOGIES

CO-OPs:
1. Wealth and poverty should not co-exist
2. Human beings are social by nature
3. Motives of service (“human nature is cooperative”)
4. Economic interests are antagonistic (“It is a zero sum game”)

LAISSEZ FAIRE:
1. Unlimited personal wealth is acceptable
2. Human beings are individualistic by nature
3. Economic motivation (“economic man”)
4. Economic interests are harmonious (“rising tide lifts all boats”)
Part 2
80+ years of history
WHAT HAPPENED IN HISTORY

THE POINT OF THIS QUICK REVIEW:

- We did not start out to create a state marketing agency.
- It happened gradually, and in response to specific circumstances.
- The current CWB was NOT (usually) the goal.
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

Hope!
1924: Three Pools formed

1929: Pools go bankrupt

WHAT HAPPENED IN HISTORY
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

1929: Pools go bankrupt

1931: Pools get provincial loans

Saved!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed
1929: Pools go bankrupt
1931: Pools get provincial loans

1931: Feds take over Pool stocks

Saved!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

1929: Pools go bankrupt

1931: Feds take over Pool stocks

1931: Pools get provincial loans

1935: Canadian Wheat Board formed
1924: Three Pools formed

1929: Pools go bankrupt

1931: Pools get provincial loans

1931: Feds take over Pool stocks

1935: Canadian Wheat Board

1938: Turgeon Royal Commission: “Keep CWB; we might be at war.”
WHAT HAPPENED IN HISTORY

1924: Three Pools formed
1929: Pools go bankrupt
1931: Pools get provincial loans
1931: Feds take over Pool stocks
1935: Canadian Wheat Board
1938: Turgeon Royal Comm.

1939: War; CWB part of wartime regulation

To permanence: step 1!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

1929: Pools go bankrupt

1931: Pools get provincial loans

1931: Feds take over Pool stocks

1935: Canadian Wheat Board

1938: Turgeon Royal Comm.

1939: War; CWB regulates grain

1943: Futures market suspended; CWB gets monopoly

To permanance: step 2!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

1929: Pools go bankrupt

1931: Pools get provincial loans

1931: Feds take over Pool stocks

1935: Canadian Wheat Board

1938: Turgeon Royal Comm.

1939: War; CWB regulates grain

1943: CWB gets monopoly

Post-war: CWB administers British Wheat Agreement & international agreements

To permanence: step 3!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed

1929: Pools go bankrupt

1931: Pools get provincial loans

1931: Feds take over Pool stocks

1935: Canadian Wheat Board

1938: Turgeon Royal Comm.

1939: War; CWB regulates grain

1943: CWB gets monopoly

Post-war: British Wheat Agreement

1948: Section 28(k); CWB gets control of transportation

To permanence: step 4!
WHAT HAPPENED IN HISTORY

1924: Three Pools formed
1929: Pools go bankrupt
1931: Pools get provincial loans
1931: Feds take over Pool stocks
1935: Canadian Wheat Board
1938: Turgeon Royal Comm.
1939: War; CWB regulates grain
1943: CWB gets monopoly
Post-war: British Wheat Agreement
1948: Section 28(k) added
1967: CWB made permanent
Victory at last!
THE TRANSPORTATION MESS

THE POINT OF THIS QUICK REVIEW:

- History is littered with dead studies of grain logistics (7 between 1950 and 1994; we’re now on #10)
- In 1996, the system suffered a major logistical breakdown.
- Something is not working.
THE TRANSPORTATION MESS

1948: Section 28(k); CWB gets control of transportation
1948: Section 28(k) added

1955: John Bracken: allocate cars in proportion to receipts
1948: Section 28(k) added

1950s: The Bracken Inquiry

1967: The Block Shipping System: move from “push” to “pull”
THE TRANSPORTATION MESS

1948: Section 28(k) added

1950s: The Bracken Inquiry

1960s: The Block Shipping System

1970s: Booz-Allen; Murta committee; Grain Transportation Agency

Major Studies #3, 4 and 5!
THE TRANSPORTATION MESS

1948: Section 28(k) added

1950s: The Bracken Inquiry

1960s: The Block Shipping System

1970s: Grain Transport. Agency

1980s: Western Grain Transportation Act: end of Crow

Major Study #6!
1948: Section 28(k) added

1950s: The Bracken Inquiry

1960s: The Block Shipping System

1970s: The GTA is formed

1980s: The Western Grain Transp. Act

1994: Car Allocation Policy Group
THE TRANSPORTATION MESS

1948: Section 28(k) added
1950s: The Bracken Inquiry
1960s: The Block Shipping System
1970s: The Grain Transport. Agency
1980s: The Western Grain Transp. Act
1994: Car Alloc. Policy Group
1996: Massive system failure; 1999: Estey study

Major Study #8!
THE TRANSPORTATION MESS

1948: Section 28(k) added

1950s: The Bracken Inquiry

1960s: The Block Shipping System

1970s: The Grain Transport. Agency

1980s: The Western Grain Transp. Act

1994: Car Alloc. Policy Group

1996-’99: Massive breakdown; Estey

2000: Estey accepted; Kroeger implementation study fails!
THE TRANSPORTATION MESS

1948: Section 28(k) added

1950s: The Bracken Inquiry

1960s: The Block Shipping System

1970s: The Grain Transport. Agency

1980s: The Western Grain Transp. Act

1994: Car Alloc. Policy Group

1996–’99: Massive breakdown; Estey

2000: Kroeger study

2011: End of CWB control

Major Study #10!
Part 3
Where are we now?
THE OBJECTIVES

OBJECTIVE #1:

To create “freedom of choice” for farmers, allowing them to market outside the CWB.
THE OBJECTIVES

OBJECTIVE #2:

To remove all regulatory powers from the CWB and give grain handlers full management control over their facilities.
THE OBJECTIVES

OBJECTIVE #3:

To create a voluntary CWB that will:

- source grain from farmers,
- sell grain to end users,
- contract with powerful competitors for logistics,
- and to be viable in the long run.
THE PRIMARY QUESTIONS (2)

THE FIRST QUESTION:

- Can this be done commercially through negotiations among the parties?
- Or is some kind of regulation required to guard against market power?
THE SECOND QUESTION:

- What does the CWB need by way of a business plan and start-up capital, and how are they to be provided?
THE SECONDARY QUESTIONS (2)

#1: ON THE ISSUE OF REGULATION:

- WHAT IS THE DIFFERENCE BETWEEN A VOLUNTARY CWB FACING 3 LARGE GRAIN COMPANIES, AND A CAPTIVE SHIPPER FACING 2 LARGE RAILWAYS?
#2: ON THE ISSUE OF START-UP CAPITAL

- DOES THE GOVERNMENT HAVE A LEGITIMATE ROLE IN PROVIDING START-UP CAPITAL FOR THE NEW ENTITY?
A (VAIN?) HOPE

To take a pragmatic, rather than ideological, approach.

To recognise that society needs both free enterprise AND cooperative values to solve economic problems.
THE PROBLEM WITH IDEOLOGICAL APPROACHES

“Virtually all ideologues, of any variety, are fearful and insecure, which is why they are drawn to ideologies that promise prefabricated answers to all circumstances.”

Jane Jacobs
“Those of us who looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief.”

Alan Greenspan
2008
THE QUESTIONS

- CAN A VOLUNTARY CWB SURVIVE WITHOUT REGULATION?
- WHAT KIND OF CAPITAL DOES IT NEED TO START UP?
- HOW DOES A VOLUNTARY CWB VIS-A-VIS 3 GRAIN COMPANIES DIFFER FROM A CAPTIVE SHIPPER VIS-A-VIS 2 RAILWAYS?
- SHOULD GOVT PROVIDE START-UP CAPITAL?
16th Annual Fields on Wheels Conference

A Farmer Perspective
by Mr. Bill Cooper
Saskatchewan Farmer
Dispelling the Myths, Half Truths (some would say lies)

- Producer cars would no longer be available!
- Port of Churchill will cease operating!
- Quality of Canadian grain will deteriorate!
- Grain companies will take advantage of farmers!
- No one to challenge the railways perceived lack of service!
- No one to intervene on behalf of farmers on WTO decisions!
- Premium prices no longer available without the single desk!
- Price pooling would not function in an open market!
- Trucks will line up at the 49th and the USA will close the border!
Removing the monopoly . . . .

. . . what follows for the farmer?
1. Greater transparency to help manage risk:

- a functioning futures market;
- priced contract offers prior to planting;
- prices will arbitrage between the millers and shippers in Canada;
- quality requirements will be more visible to the growers;
- millers and bakers will have more wheat quality choices;
- greater transparency is a ‘must’ to attract investment.

A ‘hall-mark” of a monopoly is non-transparency which accommodates “one-price-fits-all” concept (price pooling of transportation costs and fewer variety choices).
2. Grain transportation without the single desk:

- Shippers (grain companies/producer car users) improved management of their total transportation requirements;
- Lower cost routes and/or port facilities may be available;
- Justice Estey was concerned with the lack of “just-in-time” service in the grain industry (solution suggested: move the CWB to Port, tender sales needs back to shipper/farmers – shippers responsible for the delivery);
- Storage payments by the CWB to shippers discourages timely deliveries;
- Removal of the monopoly would result in a more competitive environment at both the shipper and port positions (the current situation creates inefficiencies [i.e.: Alliance] and does not reward new investment).
3. Grain transportation regulation:

- the Grain Service Review was mandated to seek out commercial solutions to identified problems whenever possible. The key recommendation was the establishment of “Service Agreements” between shippers and carriers with appropriate dispute settlement mechanisms;

- the SR Panel considered several important issues to be outside their mandate (i.e.: railway revenue cap, CWB role in transportation along with several other important issues that were raised by users).
4. North American crop adaptation areas runs north and south:

- this should have encouraged greater consultation and cooperation in wheat/barley breeding and production research between the Institutions in the Northern Tier States and the Prairie Research Centres. This may take place as we move to open and transparent North American marketing system.
• PRODUCER CARS & ACCESS TO PORT FACILITIES UNDER THE CANADA GRAIN ACT [NOT THE CWB ACT].

• OUR FOAM FAKE/KELLIHER MARKETING CLUBS HAD 22 CAR LOTS OF CANOLA PRICED AT ADM VELVA, N.D. THE TWO RAILWAYS WERE CONTACTED AND ONE CAME IN AT $4.00/MT LOWER. APPROXIMATELY $7500.00 DIFFERENCE.

• SEVERAL FARMERS FROM OUR AREA HAD EXCELLENT MALTING BARLEY CONTRACTED TO PML, BIGGAR, SK. THEY DISCOVERED THAT VANCOUVER FRT. WAS BEING DEDUCTED. I PROMISED TO CALL THE CWB BARLEY MARKETER. THEIR ANSWER: [“THAT IS SO THE FARMER SELLING TO CHINA WILL RECEIVE THE SAME PRICE AS THOSE SELLING TO PML.ISN’T THAT WHAT FARMERS WOULD WANT.”]

• PRIVATE COMMODITY POOLING IS NOT NEW. I BELIEVE IT WAS HON. OTTO LANG WHO INTRODUCED LEGISLATION WHICH ENABLED PRIVATE GRAIN CO’S TO OFFER POOLING. I ACTUALLY PARTICIPATED BY POOLING MY PEAS/CANOLA MIXTURE WITH ALLSTATE GRAIN, MOOSE JAW, SK.

• IN 2007 PRIVATE INVESTMENT IN PLANT R&D IN CANADA WAS $ 42 MILLION FOR CANOLA AND $ 3.3 MILLION FOR CEREAL GRAINS.
• IN 2008, 49% OF THE FLOUR EXPORTS FROM THE USA CAME TO CANADA.
• THE 1984 TO 2008 WHEAT ACRES WENT FROM 33 MILLION TO 22 MILLION WHILE CANOLA ACRES WENT FROM 7 MILLION TO 16 MILLION.
• WHILE EXEC. DIR. OF SCGA, MR. KEN SARSONS WAS CEO OF CSP FOODS LTD. KEN WAS PREVIOUSLY EMPLOYED IN THE FLOUR MILLING INDUSTRY IN EASTERN CAN. HE INFORMED ME MORE THAN ONCE THAT “THE FLOUR MILLING INDUSTRY LEFT WESTERN CANADA IN 1943” [CWB MONOPOLY]
• 2007/08 CROP YR. CWB COMMODITY TRADING LOOSES $226 MILLION.
• ALLIANCE TERMINAL, VAN. [OLD UGG BUILT IN 1922] HAS 10% OF THE BURRARD INLET TERMINAL SPACE BUT RECEIVES 30% OF THE CWB WHT, DUR & BLY. DEPENDING ON THE YEAR THAT IS ABOUT 19,500 CARS. SINCE THE TERMINAL IS NOT ABLE TO LOAD THE 55,000 TONNE VESSELS THEY MUST BE TOWED TO CASCADIA TO TOP UP. ESTIMATED COST @ $20,000 /BERTH SHIFT $1.35 MILL/ yr
• JUSTICE ESTEY WAS CONVINCED THAT THE CWB PRACTICE OF PAYING STORAGE [$70-80 MILLION/yr.] TO SHIPPERS DISCOURAGED ‘JUST-IN-TIME’ SHIPPING. [MOVE THE CWB TO PORT & TENDER THEIR EX.SALES TO SHIPPERS]
September 30, 2011

2011 Fields on Wheels: Where Are We Going? - A Supply Chain Perspective
Agenda

- Overview
- The Supply Chain
- Issues to watch for in the Canadian grain logistics chain
Overview

- The GMP is *not typically* forward looking ....
- About 18 meetings with stakeholders:
  - Grain companies, producer and commodity groups, railways, governments, ports, financial institutional reps, academics, etc...
- Encompassing and representative of all philosophical positions
CWB Change: *The Supply Chain*

- Country sourcing
- CWB and country elevation access
- Producer Cars
- Railway service
- Traffic Flows
- Port Terminal Issues
Production – 30 Years (% Proportion)

- Cereals have dropped from approx 83% to under 60%
  - Canola and Special crops have filled the gap
- Driven by a combination of regulatory shifts and producers desire for diversification
CWB Change: *Country Sourcing*

- Present system of sourcing grain through CWB contract calls will shift to agreements between the producer and the elevator.
- Most grain companies see this as opportunity to better manage their own logistics processes.
- Some producers concerned about the ability to deliver into the system:
  - Apprehension about their competitive options once grain companies take full control.
CWB Change: *Country Elevator Access*

- Concern from producers regarding how pooled grain will access to the system, and from grain companies about what their obligation may be (i.e. regulatory).
- Some concern about another round of facility rationalization in the country.
- Concern about potential increase in length of haul.
CWB Change: *Railway Service*

Concerns from most stakeholders concerning railways’ ability to consistently provide car supply and service in the new regime.

*Car distribution and allocation*

- Railways presently distribute cars based on the CWB and non-CWB demand
- Concern especially among grain companies that a heavy sales program in the period shortly after implementation will place railways in position of rationing cars.
- Lack of oversight or transparency concerns the trade as railways would ostensibly be in control of the market and have ability to determine market share.
CWB Change: Railway Service

Service Review “commitments”
- Potential delay in the implementation of service level agreements (SLA’s)
- Timing of the GHTS logistics chain review given the CWB mandate change

Revenue Cap
- Most grain companies and producers favour the continued existence of the revenue cap
  - Provides rate stability in the rail freight market.
  - Few believe an offsetting operational or financial benefit would accrue if freight rates were left to “market forces”. 
CWB Change: *Producer Cars & Short lines*

- Producer Cars have grown from less than 3,500 carloads in the 1999-2000 crop year to over 12,000 in the last two crop years and now represents over 4% of the total Western Canadian export volume.
- The majority of producer cars are comprised of grains marketed by the CWB (wheat and durum).
- Shortline railways (48.5%) promote and facilitate producer car movement to generate greater volume on their lines has been instrumental in the growth of producer cars.
- Producer cars could be one avenue for the post single desk CWB to source grain in the country.
- Producer groups and grain companies skeptical volumes would be maintained in the post CWB monopoly period.
  - Potential Quality issues
  - Inconsistent car supply and service
- Grain companies will have little incentive to encourage producer loading in the country.
CWB Change: *Port Terminal Issues*

**Order Consolidation and shipment size**

- CWB currently plays a role in consolidating shipments by sourcing from multiple elevators and grain companies.
  - This can sometimes mean multiple berthings of a vessel at a port - or extended times in store at the port position –
  - It also provides the opportunity to gain lower ocean freight costs by chartering larger vessels (i.e. Panamax at 60,000 tonnes) and moving larger volume lots.
  - Concern among some in the stakeholder community that few individual grain companies will have the ability to source grain from within their own network in sufficient lot sizes, and in an efficient period of time to make using larger ocean vessels effective.
- One option for grain companies will be the greater use of third-party brokers who could consolidate loads for a fee.
CWB Change: *Port Terminal Issues*

*Prince Rupert*

- **Background**
  - Over 85% is CWB logistical preferences
  - The PRG ownership consortium also own large terminals in Vancouver where some excess capacity exists.
  - With the current structure owners have taken an active interest that considers the individual companies’ interests over PRG’s. As such PRG has become the west coast back-up or surge capacity for the owners.

- Stakeholders are concerned that the absence of the CWB logistical control, Prince Rupert volumes will potentially decline.

- The impact this will have on other stakeholders is significant:
  - Volumes to Vancouver will potentially escalate, potentially congesting the route and rail terminal facilities
  - Volumes to Prince Rupert will decline meaning other commodities shipped to the port will ultimately see an increase in costs as the total cost base will be spread over a lower total volume
  - Terminal and port capacity at Prince Rupert will be under utilized/ competitor grain companies will be potentially disadvantaged
CWB Change: *Port Terminal Issues*

**Vancouver**
- Terminal ownership is limited to four companies – Viterra, Richardson, Cargill and Alliance Terminal (a consortium led by P&H, Paterson, Weyburn and other ITAC members)
- Given its preferential position, the industry will look to gain access in existing Vancouver facilities or possibly build new facilities.

**Churchill**
- Approximately 90% of the volume through the Port of Churchill is wheat, wholly directed by the CWB as a result of their logistical preferences
- Thus far, grain companies have not indicated an overt willingness or interest in using the Churchill facility.
- Some international marketers have shown an inclination towards Churchill as they have found the routing to be economical.
CWB Change: *Port Terminal Issues*

- **1 Facility**
  - 209,000 MT Storage
  - 4.6 MMT Avg. Annual Movement

- **6 Facilities**
  - 954,290 MT Storage
  - 14.6 MMT Avg. Annual Movement

- **1 Facility**
  - 140,000 MT Storage
  - 0.5 MT Avg. Annual Movement

- **8 Facilities**
  - 1.25 MMT Storage
  - 5.9 MMT Avg. Annual Movement
CWB Change: *Port Terminal Issues*

1. **Facility**
   - 209,000 MT Storage
   - 4.6 MMT Avg. Annual Movement

2. **Facilities**
   - 954,290 MT Storage
   - 14.6 MMT Avg. Annual Movement

3. **Facility**
   - 140,000 MT Storage
   - 0.5 MT Avg. Annual Movement

4. **Facilities**
   - 1.25 MMT Storage
   - 5.9 MMT Avg. Annual Movement
CWB Change: *Port Terminal Issues*
CWB Change: *Port Terminal Issues*

**Western Canada**
- Terminals: 16 MMT
- Storage: 2.56 MMT

**Eastern Canada**
- Terminals: 11 MMT
- Storage: 2.07 MMT

Annual Average TP:
- Western Canada: 25.60 MMT
- Eastern Canada: 7.07 MMT
CWB Change: Port Terminal Issues – US?
CWB Change: Traffic Flows

**US Southbound**
- Producer deliveries to US elevators south of the border are expected to amount to relatively small volumes (and may be met by trade restrictions of some sort).
- Some see southern movement becoming integral for those firms looking to use US Gulf coast terminal facilities, and/or the relatively cheaper Mississippi river barge system to access them.

**US Northbound**
- Canadian based firms (including international firms with both US and Canadian country elevator networks) would likely look to optimize vessel loading opportunities in all positions.
- A move to consolidate shipments through port terminals could see increased sourcing from US locations.
- This could provide those companies with the added benefit of stable revenue cap freight rates.
CWB Change: *Traffic Flows (Market)*
CWB Change: Traffic Flows (Logistics)
...on the Revenue Cap

- It is important to have a healthy discussion on the topic....

... but should consider the following
Competitive points: Dual served/IC

- 3 Dual Served Facilities, 3% of Capacity
- 29 facilities within IC, 14% of Capacity

In 8 general locations
Single Railway Served Origins

- 335 Facilities served by one or the other Class 1 railway
- 83% of Capacity
CN – 10 Year Revenue/ RTM

CAGR
M&M – 2.3%
IM – 1.9%
P&C – 1.6%
FP – 1.1%
G&F – 1.7%
Coal – 4.0%

Rev Cap CAGR = 1.6%
CPI Average = 1.9%
CP 10 Year Revenue/ RTM

CAGR
- IM – 3.2%
- IP – 2.4%
- FP – 0.7%
- Grain – 0.9%
- S&F – 0.5%
- Coal – 3.2%

Rev Cap CAGR = 0.9%
CPI Average = 1.9%
Summary

- We should expect some structural change over time
- Entrance/ increase in interest of international players will change the landscape and approach to process and, perhaps, markets
- Expect “experimentation” with markets and logistical alternatives which will shift traffic flows
Thank You
APPROACHING THE QUESTION

Top down

Bottom up
WHAT IS A “GRAIN COMPANY”? 
COMPANIES DIFFER STRATEGICALLY
Pooling
Closed loop contracting
Inventory protection, control & rationing
Port designation/terminal agreements
Car allocation
Customer exclusivity
Company A

Company B

Company C

Company D

Pooling

Closed loop contracting

Car allocation

Port designation/terminal agreements

Inventory protection, control and rationing

Customer exclusivity
LOBBYISTS
Because it's hard for politicians to decide stuff on their own.
- Pooling
- Car allocation
- Port designation/terminal agreements
- Inventory protection, control and rationing
- Closed loop contracting
- Customer exclusivity

Company A

Company B

Company C

Company D
INFLECTION: BUT WHICH WAY?
POTENTIAL STRATEGIC MOVES

- Processors originate
POTENTIAL STRATEGIC MOVES

- Processors originate
- Originators process
POTENTIAL STRATEGIC MOVES

- Processors originate
- Originators process
- Pure handlers merchandise
POTENTIAL STRATEGIC MOVES

- Processors originate
- Originators process
- Pure handlers merchandise
- Terminals secure volume
POTENTIAL STRATEGIC MOVES

- Processors originate
- Originators process
- Pure handlers merchandise
- Terminals secure volume
- Foreign firms present
POTENTIAL STRATEGIC MOVES

- Processors originate
- Originators process
- Pure handlers merchandise
- Terminals secure volume
- Foreign firms present
- Inventory security
INDUSTRY WIDE CHANGES

1. Working capital
1. Working capital
2. Seasonality & price volatility
INDUSTRY WIDE CHANGES

1. Working capital
2. Seasonality & price volatility
3. Margin volatility
INDUSTRY WIDE CHANGES

1. Working capital
2. Seasonality & price volatility
3. Margin volatility
4. Dynamic market
Source: Canadian Grain Commission
INDUSTRY WIDE CHANGES

1. Working capital
2. Seasonality & price volatility
3. Margin volatility
4. Dynamic market
5. Different OD pairs?
WESTERN CANADIAN OATS AREA (HUNDRED THOUSAND HECTARES)

Source: Statistics Canada
PAUL'S QUESTION

“It is likely that the “new CWB” will be contracting with farmers for supply and with end users for final sale, but will have to contract with the current grain companies, who will also be its competitors in the market, for logistical services. The key question is whether this can be made to work in a free market situation or whether some regulatory control is necessary.”
TIME TO MOVE FORWARD

Thank you for your attention
Good morning. It’s a privilege to be here with you—and to be honest, also a little weird. In all my years of working in and around the grain industry, I never imagined being in this situation, talking about the Wheat Board losing its monopoly and regulatory role.

Normally, at this point in a speech, I would be expected to impart some humour—but I’ll dispense with that. First of all, as my kids repeatedly told me over many years, I’m not that funny. Secondly, the topic at hand is complicated, and I have a limited amount of time to cover a whole bunch of issues.

So let’s get right to it. I was approached to be here today, as your agenda says, to “provide an informed opinion on the way the grain industry will change with the new policy environment”. Some people analyze “top down” and look at macro issues, providing a description of the landscape from 35,000 feet. Others prefer a “bottom up” approach, looking at individual market participants. As a Canadian, I have chosen to compromise—no, not look at this sideways; but to compromise by using both approaches, bottom up and top down.
I’ll start with the latter, if only because I presume the reason why I’m standing here is because I ran one of those bottom up “grain companies” for 17 years. Those two words “Grain Company” probably conjure up some sort of mental image in each and every person in this room—the way the word “car” or “boat” does. The fact is, a Chevy is not a Ferrari, and a dinghy is not the Queen Mary. Accordingly, I think it would be worthwhile to take two seconds to do a deeper dive into the two words “grain company”.

Generally speaking, “grain companies” are intermediaries. They don’t grow grains or oilseeds. They’re not the ultimate consumer of those raw materials. Grain companies do things in between the growing and the consuming. They move grains and oilseeds and, perhaps, process them—to generate profit by changing form, location, or both form and location.

Some may disagree, but in my experience each and every grain company has at least one competent, credible competitor. Just being a “grain company” involves accessing lots of capital and day to day material business risk. To generate an appropriate return means doing
something different than your competitor. Hence, each and every company has its own distinctive twist on how to “go to market”. Put differently, each company has its own distinctive strategy.

No doubt, we have all experienced—or created—some form of the following simplified value chain slide. The starting point for value creation is at the farm. At some point, farmers transfer ownership of their production to a grain company—in the case of Board grains, the form of that ownership transfer is prescribed by agreement between the grain company and the CWB. Although the grain company has title to the grain and is responsible for maintaining its quality, the grain company is also an agent and will move the grain in accordance with the instructions of the Wheat Board. In doing so, the grain company provides various services and earns revenue—the grain is more valuable by virtue of being cleaned and put in position for subsequent direct movement to a customer, or in position for transshipment by vessel to an off-shore customer.

Now let’s overlay some hypothetical firms. First, let’s consider Company A. Its strategy involves cultivating
farmer customer loyalty, and leveraging this “downstream” to promote a reputation that it is a strong, reliable grain originator. It may sell inputs, bins, or provide financing. It has a low presence in transforming raw materials.

Now, let’s consider Company B. It gets market leverage from focusing its capital and management on transforming raw materials into both significant and niche market consumables. Its strategy involves having distinctive competence in product innovation manufacturing efficiently. It mainly relies on others to originate product.

Company C has chosen another strategic path. It has chosen to vertically coordinate its business. By using supply management skills, it “keeps money in the family”, to optimize financial returns and volatility.

Company D is a foreign player, with no Canadian assets. However, it merchandises wheat and barley globally to leverage its skills in risk management, and ocean freight and logistics.
I’m now going to use the same value chain slide—but instead of considering individual companies, I’m going to place a number of squares through the chain, which describe some of the ways the Wheat Board has had an influence historically. This is not an exhaustive list—but captures some of the more significant items.

- The Board as a monopoly has had exclusivity and employed price pooling. Price pooling largely removes volatility and seasonality from the pricing of wheat and barley. The Wheat Board uses formulas to finalize grade spreads within a wheat class—some would say this further masks market signals.
- The Wheat Board limits closed loop contract production, where grain companies can work with end-users to grow varieties with specific attributes.
- The Board has protected inventory through the year, so that customers wanting particular qualities can access supplies through the year. In years where production of certain qualities is limited, the Board has prevented so-called “cherry picking”, rationing particular grain to certain customers, and also
moderating the flow of grain into the market through the year.

- The Wheat Board has determined port clearance location, and by way of handling agreements, has at times designated the particular loading terminal within a port.

- The Board administers rail cars allocation. While the system has changed over the years, in the interest of time, I would simply paraphrase a recent movie and say “It’s Complicated”.

- By determining which port and terminal through which it will fulfill sales—and administering car allocation separately—the Wheat Board has in essence fragmented “the grain pipeline”. It really hasn’t mattered one iota whether a Wheat Board handling agent is a Wheat Board accredited exporter. Grain companies with country elevators, merchandising and transportation skills, and port terminal assets have been prevented from creating an integrated management approach to combine and synergistically leverage those skills.
Let’s move the discussion along by combining my previous slides. In short, this is a schematic diagram of the past and current Wheat Board market environment for grain companies. In this world, companies are indeed free to compete in one, some, or even all of the fragments. Companies that resemble Company A compete to provide farmers with handling services. They can compete effectively without downstream merchandising skills because the Wheat Board will merchandise and allocate cars. At the other extreme, grain companies that process wheat and barley do not have an absolute business need to either own assets to originate grain—or formally contract with originators. The Wheat Board protects inventory for firms like Company B—and fulfills orders to grain companies like Company B through the car allocation system. The same goes for Company D. So, Company B or D can choose to own origination assets, or not. Owning origination capacity does not materially impact on Company B’s ability to focus on manufacturing, or Company D’s ability to run a global merchandising business in wheat. As I mentioned, Company C is prohibited from implementing
any plan that crosses two or more of the big red lines that split the Wheat Board marketplace into six or more pieces.

In this market, grain companies have an incentive to lobby for change—or lobby for the status quo—to protect or enhance their competitive position. It’s no wonder the grain industry has been a political cauldron—especially when it comes to Wheat Board grains. The industry has experienced ongoing vigorous debates, as in the case of the Estey report, which proposed removing a number of my big red lines. The debate rages on today, with one of the hot buttons being the issue of “port access”.

The Government has stated it will remove the Wheat Board’s monopoly. For the sake of this presentation, I assume this will happen as planned. Customer exclusivity will be no more. That change will tip over other dominoes. Grain companies free to sell anywhere will be free to designate loading port and terminal. Companies will in turn allocate cars—as is the case with canola—to optimize their networks. Companies will be free to buy inventory to meet sales, and will be free to invent
storage programs, invest in storage assets, and develop different and/or new forms of grain contracting—including contracting for specific end use customers. In summary, the freedom to market will, in turn, remove the barriers that have created a series of fragmented sub-markets within the Canadian grain industry.

So, back to the question I was asked to address: what are the implications for grain companies? One of the most common answers to any question applies here—“it depends”. Are you Company A, B, C, or D? What are your assets? What’s your capital base? What talent do you have on your bench? That’s why I started this presentation with a “bottom up” view of the industry.

Five months ago, the consensus was the federal election would produce an outcome that would, in all likelihood, sustain the status quo within the industry. I strongly suspect that five months ago, most grain companies figured they would stick with or maybe tweak their existing strategy. The unexpected change to the Wheat Board—expected to occur over a relatively short period of time—shifts the tectonic plates of regulation. Companies that materially relied on the Wheat Board to
provide shipping capacity, volume, rail cars, and/or inventory security now face a potential strategic inflection point. An inflection can be either up or down—there will be winners, and losers.

I think the odds are reasonable—not 100%, but I think greater than 50%—there will be significant, dynamic competitive moves made by some grain companies over the next year. Because competitive business actions are dynamic, the actions of one firm may impact on the subsequent business tactics of others. There is a potential for surprises, and bold actions. The overarching motivators for this are two-fold: first, some companies must address strategic weaknesses that, left unaddressed and put bluntly, stand an excellent chance of becoming fatal weaknesses. Second, some companies may see this period of major change as an opportunity. I don’t think it would be appropriate for me to drill down into what specific companies I think might do what and when, but I will outline a few of the strategic business moves that might make sense.

- Grain companies that process and have relied on the Wheat Board to source grain through its country
handling agents will move to address this weakness—through contract, construction, or purchase.

- Some grain companies may choose to enter processing, or expand existing processing operations. This will certainly be the case if capital markets are not in the tank, and agriculture retains its investment glow.

- Originators that have limited merchandising and logistics expertise will seek to address this weakness. Some may do it through strategic alliances. Some may hire talent. Others may look to sell at a time when processors will be looking for origination assets.

- Non-aligned port terminal operators that have relied upon the Wheat Board for base volume will seek to address the lack of committed consistent inbound volume. I will return to this subject later.

- Companies that have had limited presence in Canada are likely to change that. At its simplest, firms may establish a trading office. At the other extreme,
foreign firms may look to have their own country assets.

- Companies—both Canadian and non-Canadian—that need very specific qualities of grain for their own purposes, or for export customers, will either build storage or develop on farm storage and/or contracting programs to secure inventory.

So far, I have been doing “bottom up” analysis of the changes that appear to be imminent. The collective actions of various firms will be a major part of how history will be written, ten or fifteen years from now.

But there are other implications for grain companies, independent of what any owner, CEO, or Board may decide. These are changes that are largely independent of any individual company—or involve issues that no one grain company can decide. I could probably make a list of 20 or 30 things that may change—I will focus on five.

The first implication is one that I suspect has already or is being dealt with by all grain companies, and it involves financing purchases. This is relatively straightforward—when companies buy grain they pay farmers. Historically,
grain companies have been able to finance Wheat Board transactions using off-balance sheet tools. The evolution from a monopoly will mean grain companies will need to finance wheat and barley purchases. That could mean the industry may need as much as about $1.5 billion in additional working capital. This change should not be difficult for most grain companies to execute—it will have the effect of making communications a bit more complex.

A second and more significant potential development relates to volume seasonality and price volatility. A system where initial prices are set in August—and possibly increased during the crop year—combined with a “contract call” process is a regime with much greater stability than the open market. Now imagine a scenario where wheat and durum prices at harvest are high and forecast to decline. Many farm businesses will seek to convert inventory into cash in the proverbial “asap”. I believe market is likely to incent grain companies to build more surge storage—probably in the form of big volume annexes or even flat storage. The new ICE Futures Canada wheat contract is likely to provide grain
companies with a carrying charge market, and if this is indeed happens, the construction of surge storage is even more probable.

The general stability inherent in an “initial price-contract call” system has been the main contributor to lower grain company gross margin volatility in CWB grains. Over my roughly 25 years of first hand observation, I would unequivocally say that Wheat Board gross margins per tonne have fluctuated within a relatively narrow range compared to canola or special crops. Some observers not familiar with how grain companies generate margins have said that charges for wheat and barley are regulated and will deregulate in the future. This is of course not the case—the relative stability of grain company margins is more a function of the stability of the underlying price for wheat under the CWB, and the fact that under the monopoly, price has not been the primary signal for farmers to deliver wheat. In my humble opinion, the removal of the monopoly leaves price as THE lever—indeed the only lever—to signal the demand (or lack thereof) for farmers grain. As prices fluctuate, and various companies execute their
strategies, as a third “top down” implication, I predict grain company gross margins are going to be more volatile.

A fourth implication for grain companies stems from the Wheat Board disappearing as “Producer-Director” of grain flow. Much as a puppeteer controls the actions on-stage, the Wheat Board has “top down” managed its programs on behalf of farmers exporting wheat, durum, and barley. To use one “for instance”, as I mentioned before—and said I would return to—the Wheat Board has sold grain ex certain ports. The Wheat Board has, at times, cross-hauled grain—paying adverse freight—to meet commitments at those ports. Judging by media coverage alone, it would seem there is a strong consensus that the volume of grain moving through Churchill will drop—the question being if it will be to the point where the facility cannot generate sufficient annual volume to cover its fixed cash costs.

One port that has received much less media attention is Prince Rupert. Over the course of the last 25 or so years, Wheat Board grains have been the mainstay of the business of Prince Rupert—accounting for well over 90%
of volume in most years. Despite the significant rise in the production of canola and pulses within western Canada, Board grains pay the bills at Prince Rupert. The ownership, financing, and legal structure of Prince Rupert is complicated. Put simply, the terminal was conceived amidst the bullish mindset of the late 1970’s. It was financed by the Government of Alberta—soon after it became operational, grain markets went into a tailspin. The losses incurred at the terminal were simply added to the outstanding principal, due in 2035. The amount outstanding is high—this debt will probably not be repaid in full.

Business 101 suggests the owners of Prince Rupert have an incentive to use it simply as a surge terminal. To the extent to which it makes sense to fully use Vancouver terminals, companies will do so—providing Prince Rupert with enough volume to cover annual fixed cash costs. The volume needed to do this is well below the volumes of recent years. In years where grain production is high, or there are strong seasonal surges that max out Vancouver, it will make sense to use Prince Rupert.
The topic of Prince Rupert provides an excellent segue into my fifth point—that being a potential for very different origin-destination pairings to emerge post Wheat Board monopoly. This could be significant for some or all grain companies. To the extent it does or does not happen involves one other party besides the Wheat Board and grain companies—that being the railways. Movement to Prince Rupert is via rail owned by CN. When grain volumes to Prince Rupert are in the four to five million tonne range, CN probably generates close to $100 million in revenue. What will CN do with its rates to Prince Rupert?

There are other situations where freight rates can create or preclude a market from developing. In the early 1990’s, trade in barley opened briefly under the “Continental barley market”. During that short time frame, California emerged as a significant purchaser of Canadian barley. The dairy industry in California is large—servicing a population of close to 40 million. In an era of where corn fetches over $7 per bushel, is California a potential barley market? A lot of Canadian
canola meal makes its way to that area—the logistics chain exists.

Unrelated to barley, Bunge, Itochu and a freight partner are opening a new loop track terminal in Longview, Washington—advertised to be capable of handling 8 million tonnes annually. As Canadian rail carriers look at this facility, will they provide shippers with rates that Canadian grain companies find attractive and viable?

Relative to a situation where the Wheat Board is involved, for companies longer term, a more dynamic market with greater price and volume fluctuations could have knock-on effects. I will explain by way of an example. For many years under CWB and Crow rate, Alberta was a key originator of oats for the US market. In the aftermath of oats being removed from the Wheat Board—and after the demise of WGTA, with full freight charges applying—oats became generally less attractive to Alberta farmers relative to other crops. I recall giving presentations to UGG country meetings during the mid-1990’s, saying that, over time, the production fulcrum for oats would shift east. It has happened. Similarly, I think that in the future, as the markets provide fully
transparent pricing to farmers regarding the value of various classes of wheat, there is a good potential for wheat and barley production to diversify and become more regional.

I would be remiss in my presentation if I did not mention, as an implication for grain companies, the impact of the Wheat Board itself as an ally or competitor to one or more grain companies. On the screen is part of the invitation e-mail I received from Paul Earl, in which he said:

“The key question is whether this can be made to work in a free market situation or whether some regulatory control is necessary.”

The Wheat Board has said it has evaluated 17 business models. At the end of the day one will prevail—so the last reel of the movie has yet to play out. In my last life, we had a number of false starts on Wheat Board change. It should come as no surprise that at those times we had lots of discussions about changes to the Wheat Board—both as a management team, and with the Directors. Some of the business models the Board may be
considering could have a big impact on grain companies. Others may not.

Just like any other organization, without a monopoly the Wheat Board will need to continually innovate, adjust its strategy, aggressively manage expense, and react to market events that present threats—and opportunities.

A harvest of success for the Wheat Board of the future will not germinate from the seeds of regulation. So to answer Paul’s “key question” of “whether some form of regulatory control is necessary”, I would unequivocally say “no”. It is time for the grain industry to stand proudly and independently. There are provisions under the Canada Grain Act that provide farmers and customers with various options and resources. Canada’s Competition Act has been relevant several times in the evolution of the competitive landscape of the grain industry.

I think it would be a sign of collective confidence, if the grain industry moved forward alongside energy, potash, mining, and forestry—without special treatment—as pillars of the western Canadian economy of the future.
Changes to the CWB: Transportation Implications

Jean-Marc Ruest
Vice-President, Corporate Affairs & General Counsel
Richardson International

• Canada’s largest privately-owned agribusiness
• One of Canada’s 50 Best Managed Companies
• Market and manage the movement of grains and oilseeds worldwide
  — Handle CWB and non-Board grains
• Supplying crop input products and services
• Canola crushing & refining plants in Lethbridge and Yorkton
• Canola-based food product development in Lethbridge
Richardson Pioneer

- Largest privately-owned grain handling network of efficient, modern high-throughput elevators
  - Approximately 76 locations strategically located across Western Canada
- Handles all major grains such as wheat, canola, barley, flax, and oats
- Network of Ag Business Centres offer complete range of quality fertilizer, crop protection products, and agronomic expertise
Our Network
Changing Environment

• Changes for producers
• Changes for grain industry
• Changes for customers

Will there be significant change?
Implications – A grain handler’s perspective

Legislation not yet announced, so making certain assumptions:

• Single desk will be removed August 1, 2012
• Grain companies will be allowed to buy wheat and barley from producers
• Grain companies will be responsible for logistics relating to wheat and barley purchased from producers
• Transportation logistics for wheat and barley will be handled by grain companies on behalf of the CWB
Current grain handling system

Two different systems in one network

– Non-Board grains operate in a "demand-pull" system
– Board grains operate in a "production-push" system
Non-Board movement

1. Grain sale made to overseas customer / Producer contract
2. Vessel arrives in Vancouver
3. Railcars arrive in Vancouver
4. Railcars loaded at country elevator
5. Producers deliver grain to country elevator
CWB has a \textit{production-push} system

- Based on relieving pressure vs. executing sales
- Results in congested facilities / inefficient use of network
  - Experience shows that turn-ratio for wheat is approximately 64% of non-Board grains

Producers deliver grain to country elevator

Country elevator fills up and grain moved by rail to port based on deliveries

Grain stored in Vancouver until vessel arrives for loading
Days in inventory at port terminal (Thunder Bay)

- CWB vs. Non-Board Grains

![Bar chart showing days in inventory at port terminal (Thunder Bay) for CWB vs. Non-Board Grains from 2007 to 2011.](image-url)
Average weekly stock to shipment ratio, Vancouver
- Quorum data

- WHEAT
- DURUM
- BARLEY
- CANOLA
- PEAS
Average weekly stock to shipment ratio, Vancouver - Quorum data

- WHEAT
- DURUM
- BARLEY
- CANOLA
- PEAS

Linear (WHEAT)  Linear (DURUM)  Linear (BARLEY)  Linear (CANOLA)  Linear (PEAS)
Changes to the system

Post August 1:
• Wheat and barley sourced and marketed by grain companies will be handled on a demand-pull basis
  – Same as non-Boards today
• Longer planning window will benefit all participants
  – Producers
  – Grain companies
  – Railways
• Overall system will be less congested
• More frequent use of combination 100-car unit trains
• Facilities will turn more frequently = increased capacity
• Logistics of grain handled on behalf of CWB must be managed by grain companies to present congestion
Questions?
Canadian Grain Landscape

September 30th, 2011
Whatever the outcome of the CWB, Canadian grain is and will remain one of CP’s most important commodities.
Agenda

1) CP and Grain

2) The Evolving Role of the CWB

3) Impacts and Opportunity

4) Rail Service Review

5) Moving to the Future
2010 CP Freight Revenues $5.0B

- **Bulk** 43%
  - Grain 23%
  - Coal 10%
  - Sulphur & Ferts 10%

- **Merchandise** 29%
  - Industrial & Consumer 19%
  - Automotive 6%
  - Forest Products 4%

- **Intermodal** 28%
  - Import/Export 15%
  - Domestic 13%

*Grain – CP’s Single Largest Commodity*

(1) For the year ended December 31, 2010.
Note: Numbers may not add due to rounding.
CP’s Network

- Track miles: 14,785
- Expense employees: 13,879
- Annual carloads: 2.66 million
- 2010 Revenues: $5.0 Billion
- Global reach through ports of Vancouver, Montreal, Philadelphia & New York
- Broad North American reach through Chicago, Minneapolis & Kansas City
Many alternative outcomes are possible

CWB evolves or exits

- Becomes an independent marketing company?
- May merge with consortium of small independent elevators to create an asset base?
- Continues price pooling model and maintains significant purchasing/sales leverage?
- Exit entirely?

Whatever the outcome CP is ready to work with industry stakeholders.
Logistics – Board Grain Allocation Process

Current State – Tri-Party Supply Chain Collaboration

CP ➔ CWB ➔ Grain Companies /CGC ➔ CP

- Provide capacity guidance
- Perform regional allocation with Grain Companies & Producer car loaders
- Consult with Grain Companies and CP on grain/grade & supply chain capabilities
- Input requests for car placement into CP system
- Match Board and Non-Board demand to allocation
- Develop service plan based upon customer requests
- Optimize EOF

Future State – Streamlined Interaction & Collaboration

CP ➔ Grain Companies /CGC ➔ CP

- Provide capacity guidance
- Also includes new CWB company
- Perform internal allocation based upon sales needs
- Input requests for car placement into CP system
- Develop service plan based upon customer requests
- Optimize EOF

Moving to a system based on the benefits of efficiency.
Grain Traffic Flows – How Will They Change?

How will participants react to maximize efficiencies?

$200M+ Investment in PNW Ports

Canadian Pacific
Overcoming the Challenges – Vancouver Unload Capacity

- Historic sustained capacity – 4000 railcars/week
- Demand expected to grow

Vcr Unloads (CP+CN) over 5 years

How does the industry get to 5000+ unloads per week?
Maximizing the Efficiency of the Supply Chain

Insight
- About 30 different wheat/durum crop classifications, sold on the basis of class, grade and protein level leading to complex logistics challenges.

Opportunity
- Export terminals have proven to be more efficient when focused on a targeted subset of grains & grades opening the way for greater efficiency.

The industry needs a collaborative approach to ensure the entire GHTS can take advantage of new efficiency opportunities.
Insight

- The GHTS is continuing to move to a more commercial system.

Opportunity

- Other components of regulation still exist and also need to evolve to unlock maximum efficiency among asset owners.

Are we going fast enough to compete internationally?
GHTS is drawn to Efficiencies

Insight
- Will need to maximize the efficiency of the GHTS to compete in world markets.

Opportunity
- Industry stakeholders who take advantage of these efficiency opportunities will thrive in the reshaped marketplace.
  - Cross border movements
  - Asset owners working together
  - Export destination adaptations
  - Targeted collection system
  - More efficient train operations

Ensure we collaborate to gain efficiencies.
## Rail Service Review

### Government’s Action Plan
- Six-month facilitation process to negotiate a template service agreement (SA) and streamlined CDR process
- Government to table a bill to give shippers the right to a service agreement to support commercial measures
- Government planning to establish a Commodity Supply Chain Table and to complete an analysis of grain supply chain
- The Government also endorsed Panel’s recommendation on bilateral performance reporting between railways and customers

### CP View
- CP is engaged. Confidential contracts are the vehicle for capturing price/service and other terms commercially negotiated between the shipper and railway. Offering CDR
- No new regulation required. Commercial measures preferred
- Follow Asia-Pacific Gateway model including supply chain performance table and the identification of best practices
- CP agrees. Performance visibility is a supply chain best practice

**Waiting for additional clarity on Government’s plan and time frames for implementation.**
Moving into the Future

What does the Canadian grain landscape look like?

- Regardless of the CWB’s future role, Canadian grain will remain one of CP’s most important commodities.

- Demand will continue to grow, feeding potential for new traffic flows.

- Industry partners will need to collaborate on efficiencies and investments to keep Canadian Grain competitive.

- The commercial system continues to evolve, are we where we need to be?
Schedule A

Canadian Pacific Railway Company
Three-Year Rail Network Plan, 2010-2013

Following is a comprehensive list of all lines in Canada that Canadian Pacific Railway Company intends "To Discontinue" during the three year period 2010 to 2013. It is an update of the CP Three-Year Rail Network Plan dated July 30, 2010.

This list of lines includes all connecting auxiliary track.

The list has an east-to-west orientation based on the Freight Station Accounting Code (station numbering system used by railways for waybilling purposes).

<table>
<thead>
<tr>
<th>Subdivision</th>
<th>Province</th>
<th>Between</th>
<th>And</th>
<th>Approx. Distance</th>
<th>Miles</th>
<th>KM</th>
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</thead>
<tbody>
<tr>
<td>Alexandria (1)</td>
<td>ON</td>
<td>Mileage 72.4</td>
<td>Mileage 76.33</td>
<td>3.9</td>
<td>6.3</td>
<td></td>
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<tr>
<td>Beachburg (1)</td>
<td>ON</td>
<td>Mileage 0.4</td>
<td>Mileage 6.0</td>
<td>5.6</td>
<td>9.0</td>
<td></td>
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<tr>
<td>CASO (1)</td>
<td>ON</td>
<td>Mileage 169.9</td>
<td>Mileage 218.2 (near Tecumseh)</td>
<td>48.3</td>
<td>77.7</td>
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</tr>
<tr>
<td>M &amp; O (1)</td>
<td>ON</td>
<td>Mileage 82.5</td>
<td>Mileage 83.5</td>
<td>1.0</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>North Prescott Spur (former Prescott Subdivision)</td>
<td>ON</td>
<td>Mileage 28.3 (near Kemptville)</td>
<td>Mileage 30.35 (near Bedell)</td>
<td>2.1</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>Arborg</td>
<td>MB</td>
<td>Mileage 10.7</td>
<td>Mileage 17.2</td>
<td>6.5</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Glenboro</td>
<td>MB</td>
<td>Mileage 67.5 (near Rathwell)</td>
<td>Mileage 130.3 (near Page)</td>
<td>62.8</td>
<td>101.0</td>
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<tr>
<td>Winnipeg Beach</td>
<td>MB</td>
<td>Mileage 22.3 (near Selkirk)</td>
<td>Mileage 58.0 (near Gimli)</td>
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<tr>
<td>Arcola</td>
<td>MB/SK</td>
<td>Mileage 1.1 (near Schweitzer)</td>
<td>Mileage 61.32 (near Redvers)</td>
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<tr>
<td>Bromhead + Southall Wye</td>
<td>SK</td>
<td>Mileage 0.1 (near Estevan)</td>
<td>Mileage 41.0 (near Tribune)</td>
<td>41.9</td>
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<td>Gravelbourg</td>
<td>SK</td>
<td>Mileage 0.1 (near Mossbank Jct.)</td>
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<tr>
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<td>SK</td>
<td>Mileage 0.1 (near Hatton)</td>
<td>Mileage 17.8 (near Golden Prairie)</td>
<td>17.7</td>
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<tr>
<td>Kerrobert + Rosetown Spur</td>
<td>SK</td>
<td>Mileage 10.6 (near Conquest)</td>
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<tr>
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<td>SK</td>
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<td>Radville 2</td>
<td>SK</td>
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<tr>
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<td>AB</td>
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<td>Mileage 28.47 (near Sunnybrook)</td>
<td>13.4</td>
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<tr>
<td>Cardston</td>
<td>AB</td>
<td>Mileage 0.1 (near Stirling)</td>
<td>Mileage 7.8 (near Raymond)</td>
<td>7.7</td>
<td>12.4</td>
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<tr>
<td>Irricana</td>
<td>AB</td>
<td>Mileage 0.1 (near Bassano)</td>
<td>Mileage 36.5 (near Standard)</td>
<td>36.4</td>
<td>58.6</td>
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<tr>
<td>Former Macleod</td>
<td>AB</td>
<td>Mileage 36.0 (near Aldersyde)</td>
<td>Mileage 39.7 (near High River)</td>
<td>3.7</td>
<td>6.0</td>
<td></td>
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<td>Stirling</td>
<td>AB</td>
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<td>Mileage 80.1 (near Stirling)</td>
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<td>Marpole Spur</td>
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<td>Mile 5.82</td>
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Total: 601.8

Km - conversion based on 1.609 kilometers per mile
(1) Jointly operated by CN and CPR
Updated on August 9, 2010
Welcome

Fields on Wheels

September 30th, 2011
Objectives

“Practical Realities: Implications of Change for Grain System Participants”

• Information on Short Lines
• OmniTRAX Canada
• Review Some Trends
What is a Shortline (Wikipedia)?

- A **shortline railroad** is a small or mid-sized railroad company that operates over a relatively short distance relative to larger, national railroad networks. The term is used primarily in the USA and Canada.

- Shortlines generally exist for one of three reasons: to link two industries requiring rail freight together (for example, a gypsum mine and a wall board factory, or a coal mine and a power plant); to interchange revenue traffic with other, usually larger, railroads; or to operate a tourist passenger train service. Often, short lines exist for all three of these reasons.
More on Shortlines - From the Shortline Advantage December 2004

• Major freight railroads have spent more than $200 billion since 1980 to maintain and improve equipment and track
• The train accident rate has fallen 68% and employee casualty rates have fallen 67%
• Productivity of equipment has doubled; productivity of labor has more than tripled
• They make decisions at the local level
• They provide links to communities and companies
• A town with a link from a short-line railroad to two or more Class I carriers provides a good incentive for businesses to set up satellite facilities or to relocate to that town
Stats from Trans. Canada Annual Rail Transportation Report

- Railway fuel consumption significant decrease 2008-2009
- Car loadings all commodities increased 2009-2010
- Volumes & values of exports & imports increased 2009-2010
- Less railway km ownership 2009 – 2010
• Rail is the most efficient form of freight surface transportation as it can move one tonne of freight more than 180 kilometres on just one litre of fuel.
• Rail currently transports more than 100 miles of train a day cross border between Canada and the U.S.
• Shortlines in Canada now originate more than one million carloads of traffic, more than double the volume of a decade ago.
• **Own and operate 17 regional rail systems**
• **Interchange with 6 Class 1 carriers**
• **Strong transportation franchises in:**
  - Agricultural
  - Petrochemicals
  - Aggregates and Industrial Materials
  - Food Products
  - Ethanol
  - Chemicals
Carlton Trail Railway
Hudson Bay Railway
Hudson Bay Railway

- Extends 510 miles from The Pas to Churchill, MB
- 87 miles from The Pas to Flin Flon, MB
- Moves approximately 19,500 carloads annually
- Owns a fleet of 80 railcars
- Has a fleet of 25 locomotives
- Operates VIA Passenger Trains
CN Service

- Interchange
  - The Pas
  - 4 days/week
  - With DP – up to 300 Cars
Port of Churchill
• Background
  – West side of Hudson Bay
  – First shipment of grain 1930
  – Linked to HBR
  – Churchill Marine Tank Farm
  – Freight Transport (Gillam, Churchill, Nunavut)
- Typical season lengths - July 15th Through October 31st
- Typically Compete With Thunder Bay
Port of Churchill
NATURAL CATCHMENT
Key Players

• Viterra, Cargill and Richardson handle an estimated 70% of the annual supply of grain.

Major Canadian Grain Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Annual Revenue</th>
<th>EBITDA</th>
<th>Ownership</th>
<th>Elevator Capacity (MT)</th>
<th>Port Capacity (MT)</th>
<th>Manitoba Locations</th>
<th>Saskatchewan</th>
<th>Alberta</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viterra</td>
<td>$8.09B</td>
<td>$373M</td>
<td>Tor: VT</td>
<td>2,045,270</td>
<td>593,680</td>
<td>16</td>
<td>54</td>
<td>29</td>
<td>101</td>
</tr>
<tr>
<td>Cargill Canada</td>
<td>$107.88B</td>
<td>NA</td>
<td>Private</td>
<td>732,750</td>
<td>1,006,040</td>
<td>9</td>
<td>13</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Richardson</td>
<td>$661.22M</td>
<td>NA</td>
<td>Private</td>
<td>947,520</td>
<td>508,790</td>
<td>9</td>
<td>29</td>
<td>11</td>
<td>54</td>
</tr>
<tr>
<td>Parrish &amp; Heimbecker</td>
<td>$528.90M</td>
<td>NA</td>
<td>Private</td>
<td>411,830</td>
<td>40,800</td>
<td>3</td>
<td>10</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Patterson Grain</td>
<td>$153.49M</td>
<td>NA</td>
<td>Private</td>
<td>381,800</td>
<td>-</td>
<td>16</td>
<td>18</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>Canada Malting Co.</td>
<td>$1.71B</td>
<td>$162.1M</td>
<td>Aus: GNC</td>
<td>230,760</td>
<td>80,900</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Bunge of Canada</td>
<td>$45.74B</td>
<td>$3.49B</td>
<td>NYSE: ADM</td>
<td>116,450</td>
<td>224,030</td>
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<tr>
<td>Louis Dreyfus</td>
<td>$7.93B</td>
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<td>Private</td>
<td>347,550</td>
<td>292,950</td>
<td>2</td>
<td>4</td>
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</tr>
</tbody>
</table>

Mileage Distances from Saskatoon:

- Thunder Bay, ON: 925 miles
- Vancouver, BC: 1,000 miles
- Prince Rupert, BC: 1,230 miles
- Churchill, MB: 830 miles

Spring Wheat Density (Acres per Sq. Mile):

- 150 or Greater
- 100 to 150
- 75 to 100
- 50 to 75
- 25 to 50
- Less than 25

Canadian Rail System (Operator Status):

- CN
- CP
- Other

Major Elevator

- The Pas
- Regina
- Saskatoon
- Rosetown
- Yorkton
- Tisdale
- Brandon
- Winnipeg
- Thunder Bay, ON: 925 miles
- Vancouver, BC: 1,000 miles
- Prince Rupert, BC: 1,230 miles
- Churchill, MB: 830 miles
### Canadian Grain Market: Origination

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<tr>
<th>Company</th>
<th>Annual Revenue</th>
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- Cargill, Viterra and Richardson handle an estimated 70% of the Inland Capacity.
- The Port of Churchill had **82.4%** of carload volume from 2007 - 2010
Canadian Grain Market: Exports

Canadian Grain Exports - Port Distribution

- 5 year average of All grain exports: 27.8 million tonnes
TRENDS
4.2 Access to producer cars and short lines

1) The Minister should ensure that the right to ship producer cars remains in the *Canada Grain Act*, and encourage communications to producer car shippers that these shipments must continue to be tied into a sales program. Producer car shipments should move to port in response to orders for the grain from customers, rather than in response to a wish by producers to push grain into the system.
4.2 Access to producer cars and short lines

2) The Minister of Agriculture and Agri-Food should monitor the use and availability of producer cars. The Minister of Transport, Infrastructure and Communities should continue implementation of Rail Freight Service Review initiatives on service agreements between railways and shippers (i.e., a facilitation process to develop template service agreements that railways and shippers can implement commercially, and legislative provisions that allow a shipper to obtain a service agreement when commercial negotiations fail). These initiatives will give producer car shippers the ability to establish service agreements with the railways, promoting more predictable and efficient service.
4.2 Access to producer cars and short lines

3) Short line railways and producer car shippers should ask CN and CP to change their multi-car rate incentive rate requirements to make it easier for shippers on short lines to qualify when they interchange a block of cars to the mainline carrier, provided that they can meet all of the requirements, except for single origin and single shipper.
Trends

• Shortlines in Canada now originate more than one million carloads of traffic, more than double the volume of a decade ago

• CP 2010-13 Canada Line Divestiture List 12 1 10.docx
Trends

• Sale of Assets
• Class 1 ROIC – Shareowner Satisfaction
• Class 1 Operating Ratio
  – Increase Rates
  – Reduce Expense
  – Utilization (Length of Haul, Turns)
• Larger Hubs
• Larger Trains, Larger Markets
• Extending Reach??
Trends

• Car Supply (12,000 & 3000) - Canada Grain Act
• Switch Service – Location Impact on Operating Ratio
• Price and Service
  – Leverage Scale (50, 5000, or 50,000 cars per year)
  – Choice of CP or CN
Questions?
Presentation to: Fields on Wheels

Scott Galloway
Director, Trade Development
Port Metro Vancouver

September 30th, 2011
Gateway Update

- About Port Metro Vancouver
- 2011 PMV Priorities
- Current Gateway Environment
  - Foreign Trade
  - Bulk Cargo Tonnage and Forecast
- Leadership, Advocacy, Reliability
  - Trade Area Investments
  - Collaboration Agreements
- Collaboration
  - Supply Chain Performance
  - Monitoring and Measuring
  - PMV Supply Chain Focus
About Port Metro Vancouver

- Non-shareholder, financially self-sufficient corporation, established by the Government of Canada
  - Accountable to federal Minister of Transportation
  - Ability to joint venture
- Governed by diverse board of directors (11)
  - 7 appointed by the federal government based on recommendation of industry; and
  - 1 directly appointed by federal government
  - 1 directly appointed by BC provincial government
  - 1 directly appointed by Western provinces (Alberta, Saskatchewan, Manitoba)
  - 1 directly appointed by our 16 bordering municipalities
Operational efficiency, capacity and customer value enhancement.

- Improve reliability and expand throughput capacity of the supply chain to meet customer needs and enhance our value to our customers.

Land Strategy

- Ensure there is sufficient land, appropriately utilized, to meet long term requirements of the port

Community and Government Affairs

- Engage community and government to ensure alignment of community support and government decision-making with the needs of the Port.

Organizational Excellence

- Ensure we have engaged employees, effective processes and appropriate technologies.

Corporate Social Responsibility ("CSR")

- Deliver material progress on the most relevant CSR initiatives.
WHERE WE ARE TODAY

current environment
PORT METRO VANCOUVER 2010 CARGO TONNAGE

- Foreign: 93.3 Million Tonnes (79%)
- Domestic: 25.1 Million Tonnes (21%)

PORT METRO VANCOUVER FOREIGN TRADING PARTNERS (Based on 2010 Tonnage)

- CHINA: 26%
- JAPAN: 18%
- SOUTH KOREA: 13%
- UNITED STATES: 8%
- EUROPE: 6%
- MEXICO: 3%
- MIDDLE EAST: 3%
- BRAZIL: 2%
- INDIA: 2%
- TAIWAN: 2%
- ALL OTHER TRADING PARTNERS: 1%
- OTHER LATIN/SOUTH AMERICA: 4%
- OTHER ASIA/OCEANIA: 12%
- MIDDLE EAST: 3%
- MEXICO: 3%
VANCOUVER GATEWAY

North Shore Trade Area
Program Cost: $244M
PMV Contribution: Up to $59M
# of Projects: 6

South Shore Trade Area
Program Cost: $125M
PMV Contribution: Up to $58M
# of Projects: 2

Roberts Bank Rail Corridor
Program Cost: $307M
PMV Contribution: Up to $50M
# of Projects: 9
Lynn Creek/Brooksbank Project

Project Highlights:

- New rail bridge over Lynn Creek (complete)
- Expansion of current Brooksbank Avenue underpass
- Relocated parking area and public access for Harbourview Park
- Total budget = $43 million
- Deadline = March 2014 (Brooksbank)

Update:

- Preparations underway to enable construction of Brooksbank underpass
Low Level Road Improvement Project

Project Highlights:
• Part of Federal Asia-Pacific Gateway & Corridor Initiative
• Realignment to Low Level Road between Cotton St & St. Georges Ave
• Construction of overpass for access to Neptune & Cargill Terminals
• Total Budget = $99 million
• Deadline = March 2014

Current Status:
• On July 18, the City of North Vancouver approved PMV to lead Detailed Design for the project.
• Detailed Design to commence in September 2011 (est. completion in March 2012)
Project Highlights:

- New elevated road over Stewart Street between Clark Drive and Victoria Drive
- Implement Intelligent Transportation Systems to achieve real time diversion of trucks from congested areas
- Realign Commissioner Street to improve rail capacity and operational efficiencies
- Pedestrian overpass at Victoria Dr/Stewart St
- Total Budget = $75 million
- PMV funding = $36.5 million
- Deadline = March 2014

Update:

- Currently in Project Definition Phase
• Collaborative strategy development
• Joint investment
• Collaboration in operational measurement and improvement

Collaboration is the key to meaningful achievement
Established in 2007

**Program Objective:** Improve supply chain visibility, identify capacity-limiting problem areas and enable identification of opportunities for improvement.

**Program Strategy:** Develop processes for measuring and reporting on all key events within the Intermodal and Bulk Gateway supply chains.

PMV’s Measuring & Monitoring program is aligned with Transport Canada data requirements.
Grain sector supply chain defined as “from the supply of empty railcars in the country to vessel departure from Vancouver”

Key Observations:
- Limited visibility into “product in the pipeline” bound for Vancouver.
  - Need the right product, delivered on-time, for the right vessel.
- Unload capacity was not a constraint during the last grain year.
  - Gateway terminals operated at 72% of unload capacity for the year.
- Long vessel delays at PMV.
Grain Railcar Unload Performance Weekly Overview
2010-11 Crop Year (August 1, 2010 – July 31, 2011)
Grain Vessels Total Days in Port
Total Days by Activity - 2010/2011
Average Vessel Days at Anchor
By Commodity - 2011

![Bar Chart showing average vessel days at anchor by commodity from January to December 2011. The chart displays data for coal, potash, and grain, with each month having a bar for each commodity, indicating the number of days at anchor.]
# PMV Estimated Vessel Demurrage – Grain Sector

By month - 2011

## PMV Estimates

<table>
<thead>
<tr>
<th>Month</th>
<th>Vessel Calls per Month</th>
<th>Demurrage Rate/Day</th>
<th>Est. Days Demurrage</th>
<th>Estimated Demurrage</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>30</td>
<td>$8,000</td>
<td>291</td>
<td>$2,326,000</td>
</tr>
<tr>
<td>February</td>
<td>35</td>
<td>$8,000</td>
<td>257</td>
<td>$2,052,000</td>
</tr>
<tr>
<td>March</td>
<td>29</td>
<td>$8,000</td>
<td>261</td>
<td>$2,087,000</td>
</tr>
<tr>
<td>April</td>
<td>36</td>
<td>$8,000</td>
<td>356</td>
<td>$2,848,000</td>
</tr>
<tr>
<td>May</td>
<td>44</td>
<td>$12,000</td>
<td>388</td>
<td>$4,660,000</td>
</tr>
<tr>
<td>June</td>
<td>32</td>
<td>$15,000</td>
<td>249</td>
<td>$3,731,000</td>
</tr>
<tr>
<td>July</td>
<td>34</td>
<td>$13,000</td>
<td>203</td>
<td>$2,639,000</td>
</tr>
<tr>
<td>August</td>
<td>30</td>
<td>$13,000</td>
<td>91</td>
<td>$1,141,000</td>
</tr>
<tr>
<td>September</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td></td>
<td></td>
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</tr>
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<td>November</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total 2011</strong></td>
<td><strong>270</strong></td>
<td><strong>2,095</strong></td>
<td><strong>$21,485,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
PMV Supply Chain Focus

- Supporting Canadian Trade Goals
- Gateway Fluidity
- Efficient use of Port assets
- Global Competitiveness
Thank You
1. The Seaway’s Role as a Supply Chain to Western Canada

2. The Port of Thunder Bay: Current Activities

3. Opportunities for the Future
GREAT LAKES – ST. LAWRENCE SEAWAY

PORT OF THUNDER BAY

Map of the Great Lakes and St. Lawrence Seaway system.
The Great Lakes – St. Lawrence Seaway is Canada’s original Gateway, built to provide direct access to European Markets for Western Canadian Grain.
<table>
<thead>
<tr>
<th>Rail</th>
<th>Vessel</th>
<th>Logistics/Tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Car to TBay</td>
<td>Laker to Montreal</td>
<td>$68.42</td>
</tr>
<tr>
<td>Single Car to Montreal</td>
<td>-</td>
<td>$75.29</td>
</tr>
<tr>
<td>Unit Train to TBay</td>
<td>Laker to Montreal</td>
<td>$62.92</td>
</tr>
<tr>
<td>Unit Train to Montreal</td>
<td>-</td>
<td>$63.23</td>
</tr>
</tbody>
</table>
• Western Canada’s Gateway to the Seaway

• 2nd largest Western Canadian Grain Port

• Largest export port on the Seaway

• Largest Grain Storage Capacity in NA

• Fastest Ship Turnaround of all Western Canadian Grain Ports

• Only potash load point on the Seaway
PORT OF THUNDER BAY

Largest Available Grain Storage Capacity in Canada

<table>
<thead>
<tr>
<th>Facility</th>
<th>Storage Capacity (tonnes)</th>
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<tbody>
<tr>
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<td>Mission Terminals</td>
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<td>Parrish &amp; Heimbecker</td>
<td>40,000</td>
</tr>
<tr>
<td>Richardson</td>
<td>208,500</td>
</tr>
<tr>
<td>Viterra A &amp; B</td>
<td>362,600</td>
</tr>
<tr>
<td>Viterra C (idled)</td>
<td>231,000</td>
</tr>
<tr>
<td>Western 10</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,250,900</strong></td>
</tr>
</tbody>
</table>

5-Year Average: 7.8 million tonnes

- Grain: 75%
- Coal: 15%
- Potash: 5%
- Dry Bulk: 1%
- Liquid Bulk: 2%
- General Cargo: 1%
- Other: 1%

Largest Available Grain Storage Capacity in Canada
PROVINCIAL MAKE-UP OF SEAWAY GRAIN

- Saskatchewan: 63.6%
- Manitoba: 28.6%
- Alberta: 7.8%
SEAWAY SHARE BY PROVINCE

<table>
<thead>
<tr>
<th>Province</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manitoba</td>
<td>56%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>31%</td>
</tr>
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<td>Alberta</td>
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Thunder Bay

Other Western Canada Ports

*excludes grain railed directly to the U.S. and Mexico*
- Increase & Diversify Marine Cargo
- Increase Port Profile
- Pursue Strategic Investments
TWO-WAY CARGO

PROJECT CARGO

GRAIN
*1 Freight Ton = 40 cubic feet. Where weight in metric tonnes is greater than volume in freight tons, weight in metric tonnes is used.
PROJECT CARGO
• Direct connections to rail
• Largest export port on Seaway
• Single customs clearance
• No harbour maintenance tax
• Project cargo gateway to the Oilsands

• Liebherr LHM 320 Mobile Harbour Crane
$7.3 MILLION INVESTMENTS

- Intercity Property
- Laydown Area Expansion
- Intermodal Yard
- 45-ton Toplifter
- Shore Crane
- Shed #4
• Oilsands Investment
  2010-2035: $2.1 trillion, 800,000+ new jobs

• World Grain Consumption
  Middle East & African Demand: 30% growth

• European Trade with Canada
  Canada’s Second Largest Trading Partner
Growth in Western Canada
AB, SK, & MB will outgrow Canada in 2011 GDP

West Coast Congestion
Increasing Coal & Potash Demand in Asia

Ocean Vessel Freight Rates
SEAWAY INITIATIVES

Lower Cost of the System
• Streamline and reduce Regulatory Costs
• Innovate to reduce labour Costs

Diversify Cargo
• Regular Scheduled European Service
• Ease of Access for Ocean Vessels

Strategic Recognition
• Ensure the Seaway’s rightful status in National and Provincial Transportation Strategies
NEW LAKE VESSELS

- $500 million investment
- 12 new Lake Vessels
- More speed with less power for superior fuel efficiency
- Air emissions reduced 40% compared to existing vessels
- Maximized cargo hold capacity
- Increased manoeuvrability and safety
- Space for ballast water treatment
• The Port of Thunder Bay has the largest grain storage capacity in North America

• The Port of Thunder Bay’s grain facilities are broadly owned

• The Seaway is a revitalized, competitive supply chain