



Open Wheat and Barley Markets...

Transportation & Policy Update

Background

Grain Shipping for Exports = “Pipeline”



- Complex System
- Performance subject to many factors

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Overview

A Real Life Example:

Problem - Delays in grain shipping in the Peace

Cause - Prince Rupert shutdown on the November 11, 2011 long weekend, due to unavailable labour.


Challenges for the System:

Labour or weather issues, port or railway problems



Overview

- Country elevators consolidation continues
- Rail shipments dominated by two Class 1 carriers
- Four ports exporting Western Canadian grain
- Grain also moves by rail and truck to the U.S.



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Railways



Canadian National (CN)

- Only service to Prince Rupert
- Dominated Churchill through Hudson Bay Railway
- Scheduled Train process to allocate cars

**CANADIAN
PACIFIC
RAILWAY**

Canadian Pacific (CP)

- 52-60% of Vancouver's grain traffic
- Majority (>70%) of grain through Thunder Bay
- Cars allocated to orders placed by shippers

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Shipments of Grain by Port, 2011/12

	Million tonnes
Vancouver	14.98
Prince Rupert	4.70
Thunder Bay	6.25
Churchill	0.51



Grain Handling in the Open Market

Farmers Deliveries Up (Aug 1 to Jan 6)

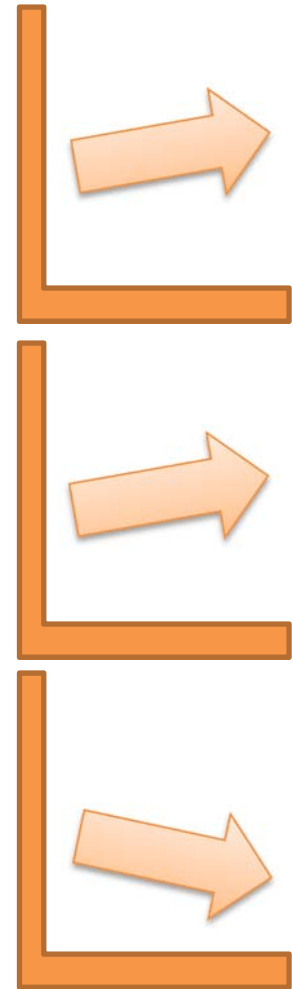
- 20.6 million tonnes, 2012/13
- 20.5 million tonnes, 2011/12

Domestic Disappearance Up

- 6.5 million tonnes, 2012/13
- 6.4 million tonnes, 2011/12

Exports Down Slightly

- 13.7 million tonnes, 2012/13
- 13.8 million tonnes, 2011/12



Grain Handling in the Open Market

West Coast (Aug 1 to Jan 6)

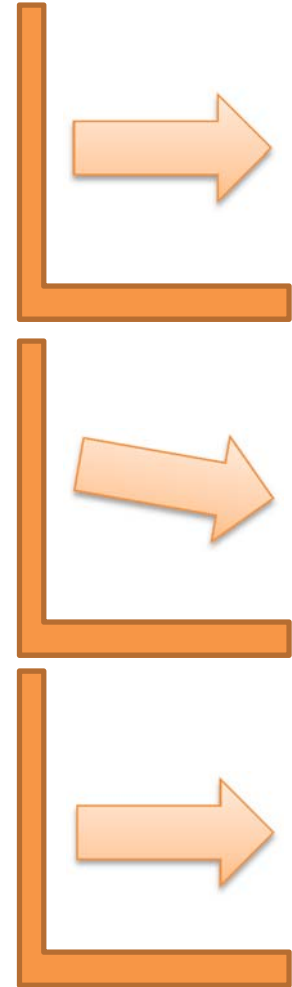
- 8.7 MT, 2012/13 (Van 6.7 + PR 2.0)
- 8.7 MT, 2011/12 (Van 6.7 + PR 2.0)

Prairie Elevators Direct to South

- 1.5 MT, 2012/13
- 1.6 MT, 2011/12

Thunder Bay + Churchill


- 4.0 MT, 2012/13 (TB 3.6 + CC 0.4)
- 4.0 MT, 2011/12 (TB 3.5 + CC 0.5)



Railcar Allocation

Railways will allocate cars based on:

- Car supply
- Expected system performance
- Operational area
- Shipper history
- Different CN and CP allocation systems



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Railcar Allocation

Efficiency gain in the Open Market?

- Elevators do not ship... grains and deliver calls

Too Early to be Conclusive

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Producer Cars



Approximately 4% of total rail shipments



Canada Grains Act guarantees right to a producer car



Allocated by the Canadian Grain Commission



CWB previously dominated and continues to play a major role



Other grain dealers also offer services

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Producer Cars in the Open Market



2,053, Q1, 2012/13

vs.

1,788, Q1, 2011/12

Up 15%

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Containers

- Primarily specialty and identity preserved grains/products
- Haul bulk commodities to port and load there

Advantages

- On-farm loading
- Faster shipping times
- Specialty markets
- Segregating smaller volumes

Challenges

- Need 20 TEU containers, Calgary/Edmonton loading
- Cost
- Clean or line containers
- Limited supply

Access to Ports



No provision in *Marketing Freedom for Grain Farmers Act* for regulated access



Inland terminals, short-line railways and CWB



Handling grain = revenue for terminal owner

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Access to Ports



Port terminals have
excess capacity



Monitored for anti-
competitive behavior

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Railway Regulation Update

To Address Competitive/Service Issues

- Federal Rail Freight Service Review
- Jim Dinning Facilitation Process
- Federal Legislation Introduced in late 2012
 - Fair Rail Freight Service Act, Bill C-52
- Grain Supply Chain Study by Quorum Corp.



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Amendments to the Canada Grain Act

Drivers: Industry Changes

- Grain industry consolidation
- The recent removal of the CWB single desk

Purposes:

- Streamline operations of CGC
- Remove unnecessary services and costs
- A sustainable funding model for the CGC

Amendments to the Canada Grain Act

Eliminate Mandatory Inward Inspection

- Inward Inspection - inspection for grain received at port terminals/transfer elevators, from PE.

Reasons:

- Primary elevators and port terminals or transfer elevators often owned by the same company.
- If needed, inspection available from a third party.

Producer Payment Protection

Currently

- Licensees must provide security to the CGC
- Bond, letter of credit, other financial instrument

Amended Canada Grain Act

- Insurance based producer payment protection
- CGC to oversee program delivery

Licensing

Currently

- Elevators and grain dealers must be licensed in the interest of grain quality insurance
- Producer payment security is a condition of license approval

Amended *Canada Grain Act*

- Licensing and security requirements continue
- Operators of licensed elevators would not be required to conduct regular weigh-overs



Inspection & Appeals

Eliminate the grain-appeal tribunals, but provide:



- a mechanism to request third-party inspection by a company selected by the terminal elevator and authorized by the CGC




- the right to appeal the CGC for binding determination of grade and dockage if there is a disagreement

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Canadian Grain Commission


- The CGC will continue to
 - Establish and maintain standards of grain quality.
 - Safeguard the quality of grain for exports
 - Provide an oversight of the system
 - Provide producer car administration



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Summary

- Grain Shipping and Handling - Complex System, with Challenges
- Performed well in the Open Market
- Regulation Changes to address competitive issues
 - Bill C- 52, Fair Rail Freight Service Act
 - Canada Grain Act and Canadian Grain Commission
- Open Market/Exports to US – New Opportunity
- The Future Looks Friendly



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EXPORTING ALBERTA GRAIN CROPS TO THE UNITED STATES



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Selling grain in the U.S.

U.S. buyers purchase:

- U.S. Grain Standards
- Buyer Specification



U.S. Grain Check-Offs

- Most states have check-offs on producer grain sales
- Collected at first point-of-sales (elevator)
- Amount and refunds varies



Do a credit check on each potential buyer



Label bags with “Product of Canada” in ink

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Documentation

- Driver's License**
- Personal Documents:** *passport, NEXUS CARD, Free & Secure Trade (FAST) card*
- Truck Documents:** *proof of insurance, Motor Carrier Safety Administration Form MCS-90, Scale Ticket, Bill of Lading, Canadian Border Services Form B-13A*
- U.S. Customs and Border Protection (CBP) or U.S. Customs Broker's Invoice**
- Food and Drug Administration (FDA) Prior Notice**
- Automated Commercial Environment (ACE) e-Manifest**



Entering the U.S.



- Sweetgrass, MT = only commercial port between Alberta and the U.S.
- All trucks must stop at Customs and Border Protection at the Port of Entry

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Entering the U.S.

All merchandise must be “brought in” by one of the following:

The Seller

The Buyer

The U.S. Customs Broker

Commercial truck shipments are another option

U.S. Customs Brokers require Power of Attorney

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U.S. Customs Broker

Will:

- Prepare U.S. CBP paperwork
- Arrange for payment of duties
- Arrange for release of any goods from U.S. CBP
- Arrange bonds for FDA, duties, taxes, & Merchandise Processing Fees (MPFs) payment

Is required when:


- Goods are valued at more than \$2000.00
- The truck driver has no Power of Attorney



Closing Thoughts

- What to do now?
 1. Buy a new Super-B
 2. Load-'er-up-and-head-'er-south

NO! Exporting grain to the U.S. is NOT a two-step process



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Closing Thoughts



Many step process requiring careful planning



If there are issues with the paperwork, your load may be turned back



Important: Hire a U.S. Customs Broker

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