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Canadian Rail Service Disrupting Grain Shipments

Report Categories:
Agricultural Situation
Agriculture in the News
Competitor
Grain and Feed
Oilseeds and Products
SP1 - Expand International Marketing Opportunities

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Report Highlights:
Under delivery of rail cars since September 2017 has disrupted agricultural commodity movement across the Canadian prairies. Though the economic impact has yet to be quantified, anecdotal evidence points to shipment delays and negative impacts on export price offers. The disruption has increased scrutiny of legislation to overhaul Canada's Transportation Act that has been under consideration since May 2017.

Keywords: Canada, CA18020, Transportation, Rail, Grain, Oilseeds

Overview

Beginning in September 2017, increased demand from intermodal freight shipments and fracking sand from Wisconsin have caused a shortage of locomotives and crews on Canada's two Class I rail lines – Canadian Pacific (CP) and the Canadian National Railway Company (CN). Extreme cold weather across the prairies, heavy snowfall, and a strong 2017 harvest have exacerbated rail capacity issues, backlogging shipments of oilseeds, grains and pulses out of Thunder Bay, Vancouver, and Prince Rupert. Producers are being told grains that were expected to be shipped months ago may not move until April. Seasonal weight restrictions, which limit truck shipments to reduce road damage, may add to the delays.

Total 2017 field crop production in Western Canada was 70.9 million metric tons (MMT), down about 1 percent from last year, but about 3 percent above the five-year average. According to the most recent Grain Monitoring Program Monthly Report,[1] the total volume of grain unloaded since August 2017 at the ports of Vancouver, Prince Rupert, and Thunder Bay, from which the majority of Western Canadian grain is shipped, is 5.5 percent behind last year (down 0.9 MMT), but on par with the five-year average.

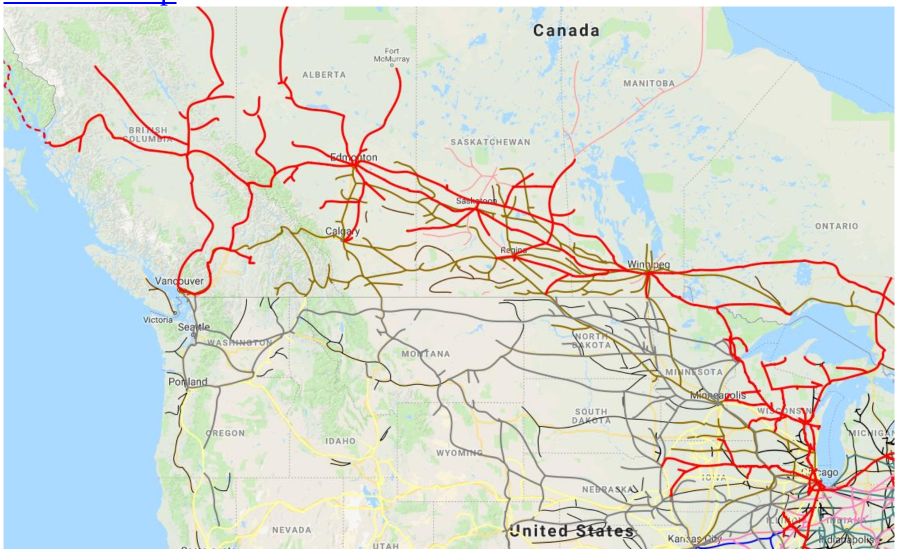
According to the Ag Transport Coalition (ATC), CN's overall car order fulfilment rate dropped to 56 percent in fall 2017. ATC reported that during the week of February 12, 2018, CN and CP combined provided only 38 per cent of the rail cars ordered by grain shippers; CP delivered 66 per cent of its orders and CN just 17 per cent.

The Liberal Government introduced Bill C-49 (the Transportation Modernization Act) in May 2017 to provide long-term solution to transportation deficiencies that resulted in the 2013/14 transportation disruption. Though expected to pass before Parliament's summer 2017 recess, the Bill still hadn't received royal assent before legislators rose for winter holidays. Now in the midst of a highly publicized transportation disruption, Senators are expected to propose amendments to the Bill, which would further delay passage. Information on Bill C-49's progress through the Canadian Parliament can be found here.

The 2013/14 rail disruption is estimated to have cost Canadian agricultural producers $6 - $8.5 billion CAD. FAS/Canada reporting on Canadian policy responses to the 2013/14 rail disruption can be found on the GAIN system: CA14073, CA14105, and CA14111.

[1] Quorum Corporation has managed the Grain Monitoring Program for the last 17 years, under contract with the federal government. Quorum Corporation reports to the Ministers of Agriculture and of Transport, and publishes a monthly report on the performance of the grain handling and transportation system in Western Canada.

[CN Rail Map]



[CP Rail Map]