NEWS RELEASE

Grain transportation changes must benefit producers: Saskatchewan coalition

SASKATOON (April 11, 2017) – With changes to federal rail service legislation and the Canada Transportation Act (CTA) expected soon, a coalition of Saskatchewan producer groups visited federal officials in Ottawa last week to ensure farmer voices are being heard.

The producer coalition, which includes the Saskatchewan Wheat Development Commission (Sask Wheat), the Saskatchewan Barley Development Commission (SaskBarley) and the Agricultural Producers Association of Saskatchewan (APAS), met with officials with Transport Canada and Agriculture and Agri-Food Canada (AAFC), as well as several Members of Parliament. The message the coalition brought to Ottawa was simple: Any changes to the transportation system must benefit Prairie grain producers.

"Saskatchewan producers depend on an affordable and reliable grain transportation as an essential service," said APAS President Todd Lewis. "We do not have alternatives for shipping our crops to export markets, so we need to ensure that the federal government understands our needs."

The coalition has been vocal about grain handling and transport, continually meeting with federal officials and commissioning several academic studies, which showed western Canadian producers have lost billions of dollars since 2013 due to a lack of rail and port capacity. In a 2014 submission to the CTA review committee, the producer coalition recommended that the Maximum Revenue Entitlement (MRE) be maintained, that a full railway costing review be conducted before any MRE adjustments are considered, and that the CTA create a rail oversight group, that includes agricultural producer representation, to assess ongoing operations of the railways.

"Effecting long-term policy change can be a slow process, but trips such as this one are part of the necessary steps," says Jason Skotheim, SaskBarley Board Chair. "One of our top priorities at SaskBarley is acting as an advocate for Saskatchewan farmers at a national level. By meeting with federal government officials on trips such as this one, we get the unique opportunity to bring our concerns to key decision makers face-to-face."

"It is important that the producer voice is heard and that we have shipping price protection from the railways in any revised legislation," adds Sask Wheat Chair Bill Gehl. "Sask Wheat has been to Ottawa twice since February emphasizing the need for transportation policy that encourages maximum grain shipments and works for shippers, railways and producers. The MRE guarantees a fair return for railways while protecting farmers from undue railway power. We need this to be maintained and other mechanisms built in to improve export volumes and, ultimately, the profitability of our farms."

- 30 -

For more information, please contact:

Dallas Carpenter	**Delaney Seiferling**	**Todd Lewis**
Communications Manager	Communications Manager	President
Sask Wheat	SaskBarley	APAS
P: 306-220-7003	P: 306-250-1099	P: 306-537-6561

Sask Wheat DEVELOPMENT COMMISSION SaskBarley DEVELOPMENT COMMISSION APAS Agricultural Producers Association of Saskatchewan

Background

The producer coalition is made up of the Saskatchewan Wheat Development Commission (Sask Wheat), the Saskatchewan Barley Development Commission (Sask Barley) and the Agricultural Producers Association of Saskatchewan (APAS). Our group has made several unique contributions to the discussion around the CTA Review Process including:

- Research commissioned by Sask Wheat and carried out Dr. Richard Gray (University of Saskatchewan) indicates that **constraints in the grain handling and transportation system, in the 2013/14 – 2014/15 crop years, resulted in a loss of farmer revenue amounting to $5-6.7 billion.** (http://www.saskwheatcommission.com/wp-content/uploads/2015/09/The-Economic-Impacts-Of-Elevated-Export-Basis-Levels-On-Western-Canadian-Grain-Producers-2012-2015.pdf)

- Research commissioned by the Producer Coalition and carried out by Travacon Research Ltd shows that for the 2013/14 crop year, based on the maximum revenue entitlement (MRE), **CN and CP combined earned a contribution from statutory grain of $ 478.4 million, which was $ 322 million in excess of the contribution level of 20 % that was deemed fair and adequate under the *Western Grain Transportation Act* (*WGTA)***, and which Travacon believes is the maximum that could be earned under effective competition. (http://www.saskwheatcommission.com/wp-content/uploads/2015/03/Estimated-Contributions-Earned-by-Railways-from-Handling-of-Statutory-Grains-and-Grain-Products.pdf)

- Research commissioned by Sask Wheat and carried out by Dr. Mohammad Torshizi and Dr. Richard Gray indicates that **without increases in rail and port capacity, production increases will lead to an expected loss for farmers of approximately $10.8 billion for the 2016-25 period**. (http://www.saskwheatcommission.com/wp-content/uploads/2015/08/PolicyBrief_Final-Toshizi-Grey-2016.pdf)

- Results of the same study also indicate that **without the Maximum Revenue Entitlement (MRE), the railways can maximize their profits by reducing their grain transportation services to 25 MMTs, which would result in a shortage of rail capacity and high export basis levels in most crop years**. (http://www.saskwheatcommission.com/wp-content/uploads/2015/08/PolicyBrief_Final-Toshizi-Grey-2016.pdf)

- Torshizi and Gray further conclude that **if incentives to increase rail capacity are developed, it is important that they are done through negotiation with producers groups and shippers and remain within the current MRE structure to avoid the perverse incentives that are created when the railways can drive up service rates by reducing service levels**. It is important that those who benefit from a constraint are not allowed to control the constraint. http://www.saskwheatcommission.com/wp-content/uploads/2015/08/PolicyBrief_Final-Toshizi-Grey-2016.pdf)

- **Sask Wheat is the only organization that currently reports weekly FOB prices and estimates export basis levels to Canadian port positions.** FOB data is critical for producers as a benchmark for evaluating primary elevator prices and to determine the basis being paid. (http://www.saskwheatcommission.com/wheat-market-outlook/#FOB)

- Research commissioned by Sask Wheat and carried out Dr. Richard Gray, Dr. Peter Slade, and MSc. Candidate Devin Serfas indicates **that freight rates at US points remain close to Canada's regulated rates only in areas with significant intermodal competition, which is generally impossible in Canada** due to the absence of a barge system.