

CN calls on all supply chain partners to work together to move the record grain crop

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MONTREAL, March 7, 2014 /PRNewswire/ - CN responded today to the Order in Council announced earlier by Transport Minister Lisa Raitt and Agriculture Minister Gerry Ritz that sets out minimum volumes of grain the railways are each required to move.

"CN will do its part to meet the challenge of moving this 100-year record grain crop," said Claude Mongeau, CN president and chief executive officer. "Our assessment shows that an upper limit of around 5,500 cars per week may be achievable, but only if all members of the supply chain work together closely. This is broadly in line with what was mandated by the government in today's Order in Council. But we all have to recognize that the challenge we jointly face is unprecedented, and it will require a new level of collaboration to succeed."

Last year's prairie grain crop was by far the biggest in Canadian history. As a result, CN has to move 10 million more tonnes of export grain, or 50 percent more than for any other crop. To put this in perspective, 10 million tonnes is equivalent to twice the amount of export potash CN handles, 25 percent more than the total amount of lumber it moves to export, and almost as much coal as it moves to export in a year.

"No supply chain in the world can reasonably be expected to handle a 10 million tonne increase in traffic on such short notice. It takes eight months to on-board and train a crew member, and seven to eight months to acquire cars and locomotives," said Mongeau.

The exceptional challenge of moving this year's record grain crop was made more difficult by the extreme winter conditions CN experienced across much of its network this year. "Our Western Canada employees have spent the last three months working day and night in the most frigid temperatures we've seen across the prairies in at least the last 50 years. Despite the best efforts and personal sacrifices of our employees, we have not been able to keep up with a normal winter grain flow during this polar vortex," said Mongeau.

The difficult weather conditions added to the pressure, and caused a shortfall of around 10,000 carloads (around one million tonnes) compared to a normal winter grain flow. Given this 100-year grain crop, CN would still have a large backlog of grain to move even if it performed at the best level achieved in its history. Indeed, even after a very slow start in August, when grain elevators decided to ship at least 10,000 carloads less than the available rail capacity, CN has moved approximately 10.5 million tonnes of grain out of prairie Canada so far this crop year. This throughput is on par with the average to-date performance over the last five crop years. CN's grain performance to date benefited from record spotting performance from September to November, until extreme cold weather hit much of North America in December.

CN has indicated to the federal government its intention to ramp up towards 5,500 cars delivered to country elevators each week, as soon as weather conditions permit and a strong Thunder Bay program starts. CN will have the resources - locomotives, cars and crews - in place to support this record weekly spotting level. This level of performance can be sustained, provided that there is strong collaboration from all partners in the supply chain - grain companies, country and

terminal elevators. Critical factors will include: use of all sale corridors; timely loading and unloading of grain cars; and encouragement from the federal government to act in a collaborative, as opposed to accusative, manner in the grain supply chain.

"Hard work, joint objectives and a true spirit of collaboration will be essential to the industry being able to meet the very aggressive targets that have been set today by the federal government," said Mongeau.

CN believes that the Minister of Agriculture's call to introduce more regulation for grain transportation is both ill-advised and seriously counter-productive. "More regulation would lead to adversarial relationships within the supply chain, at a time when collaboration is essential," said Mongeau. "Sound policy calls for exactly the opposite: a more collaborative and commercial framework is what Canada needs to support a world-class grain growing sector."