



Grain Export Basis: What's at Stake for Producers Going Forward

Farmers Forum

July 20, 2015

Richard Gray

**University of Saskatchewan,
Saskatoon, Canada**

Questions I will attempt to address

- What is the export basis and why does it matter?
- What determines the export basis?
- What is the recent history of export basis levels?
- What are the producer costs of high basis levels?
- What will basis look like for 2015/16?
- What is needed to address export basis in the long run?

Numbers important for producers

- The world price is determined by global supply and demand - Canada produces less than 4% of the world's grains
- The difference between the prices paid in Port of Vancouver and the prices received in Saskatchewan is the “**export basis**”

Calculating an Export Basis

| | \$/t |
|---------------------------------|-------------|
| Vancouver FOB Price | \$400 |
| Saskatchewan elevator bid price | \$300 |
| Export Basis | \$100 |

Increase in Export Basis

| | \$/t |
|---------------------------------|---------|
| Vancouver FOB Price | \$400 |
| Saskatchewan elevator bid price | \$250 ↓ |
| Export Basis | ↑ \$150 |

Price Information to Calculate Basis

- US Associate's Weekly Price Reports of average FOB Portland Grain Prices
<http://www.uswheat.org/prices>
- USDA daily FOB Portland Grain
Prices:http://www.ams.usda.gov/mnreports/jo_gr111.txt
- (AAFC) Weekly Price Summary FOB Vancouver Grain Prices:
<http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/crops/crops-market-information-canadian-industry/weekly-price-summary/?id=1378745200250>
- The Saskatchewan Minister of Agriculture Market Trends Cash bids for grain:<http://agriculture.gov.sk.ca/MarketTrends>
- North West Terminal Limited NWT Cash Bids #1 13.5% CWRS, Unity Sask:
<http://www.northwestterminal.com>



WEEKLY PRICE SUMMARY

Friday, June 12, 2015

PRICES ARE FOR INFORMATION ONLY THEY ARE BELIEVED TO BE ACCURATE BUT ARE NOT ENDORSED BY THE GOVERNMENT OF CANADA. ACTUAL TRADED PRICES MAY BE HIGHER OR LOWER. PLEASE CONTACT YOUR GRAIN HANDLING COMPANY OR LOCAL ELEVATOR FOR ACTUAL SELLING/BUYING PRICES AT YOUR LOCATION.

| | Wheat No. 2 CPSR 11.0% Prot. West Coast FOB Indicator Price* | Wheat No. 1 CWRS 13.5% Prot. West Coast FOB Indicator Price* | Wheat No. 1 CWRS 13.5% Prot. St. Law. FOB Indicator Price* | Wheat Feed Thunder Bay Cash | Wheat US No. 1 HRW Ord. Gulf FOB | Wheat US No. 1 Milling DNS, 14% Prot. Chicago Cash | Durum No. 1 CWAD 13.0% Prot. West Coast FOB Indicator Price* | Durum No. 1 CWAD 12.0% Prot. St. Law. FOB Indicator Price* | DDG's Sarnia/ON FOB |
|------------------------------|--|--|---|--|--|--|--|---|---|
| | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne | CANS/tonne |
| June 12, 2015 | 281.51 | 308.82 | 306.21 | 224.00 | 283.53 | 328.55 | 431.80 | 449.95 | 222.50 |
| June 5, 2015 | 287.69 | 315.65 | 307.38 | 224.00 | 289.42 | 333.52 | 434.81 | 446.61 | 219.00 |
| May 29, 2015 | 272.45 | 298.60 | 299.12 | 224.00 | 278.48 | 329.39 | 437.08 | 435.13 | 214.00 |
| June 13, 2014 | 308.00 | 324.39 | 343.88 | 245.00 | 344.97 | 343.62 | 407.96 | 408.08 | 303.50 |
| 2014-2015 Cumulative Average | 281.68 | 321.39 | 333.24 | 233.64 | 305.08 | 335.95 | 491.33 | 513.29 | 203.46 |
| 2013-2014 Cumulative Average | 312.15 | 328.39 | 331.96 | 241.98 | 338.35 | 347.25 | 380.56 | 343.62 | 275.14 |
| 2013-2014 Final Average | 309.35 | 326.05 | 331.19 | 242.33 | 336.67 | 348.27 | 384.61 | 360.52 | 272.15 |
| 2012-2013 Final Average | 281.70 | 315.66 | 365.82 | 293.13 | 343.61 | 350.59 | 378.96 | 394.37 | 282.36 |
| 2015 Cumulative Average | 283.17 | 321.56 | 328.58 | 229.94 | 297.88 | 335.42 | 513.65 | 498.44 | 244.83 |
| 2014 Average | 302.76 | 330.23 | 337.24 | 239.27 | 331.13 | 352.34 | 430.80 | 498.14 | 227.08 |
| 2013 Average | 296.25 | 312.90 | 345.34 | 270.05 | 328.33 | 335.31 | 359.74 | 360.32 | 276.37 |
| | Barley No. 1 CW Lethbridge/AB Cash | Barley US No. 2 Feed Minneapolis Rail Cash | Corn No. 2 Yellow CBOT Nearby Futures | Corn No. 2 Yellow CBOT Nearby Futures | Corn No. 2 CE Elevator Chatham/ON Cash | Oats CBOT Nearby Futures | Oats CBOT Nearby Futures | Flaxseed No. 1CW Instore Saskatoon Cash | Exchange Rate Bank of Canada Noon Rate |
| | CANS/tonne | CANS/tonne | US\$/bushel | CANS/tonne | CANS/tonne | US\$/bushel | CANS/tonne | CANS/tonne | CANS/US\$ |
| June 12, 2015 | 222.60 | 143.81 | 3.59 | 174.42 | 164.24 | 2.59 | 219.58 | 499.38 | 1.2327 |
| June 5, 2015 | 210.60 | 143.24 | 3.59 | 176.24 | 164.95 | 2.52 | 216.88 | 499.38 | 1.2475 |
| May 29, 2015 | 202.00 | 157.03 | 3.52 | 172.46 | 161.80 | 2.37 | 203.21 | 508.49 | 1.2432 |
| June 13, 2014 | 192.40 | 173.44 | 4.46 | 190.94 | 166.84 | 3.46 | 259.18 | 529.11 | 1.0882 |
| 2014-2015 Cumulative Average | 195.25 | 142.86 | 3.71 | 173.74 | 170.84 | 3.04 | 244.96 | 515.19 | 1.1784 |
| 2013-2014 Cumulative Average | 187.39 | 182.16 | 4.56 | 193.39 | 171.67 | 3.83 | 283.85 | 508.50 | 1.0734 |
| 2013-2014 Final Average | 188.05 | 178.68 | 4.41 | 187.28 | 169.27 | 3.79 | 280.73 | 510.41 | 1.0734 |
| 2012-2013 Final Average | 278.84 | 242.11 | 6.97 | 276.44 | 256.73 | 3.79 | 262.91 | 580.23 | 1.0066 |
| 2015 Cumulative Average | 206.76 | 155.68 | 3.77 | 182.91 | 175.41 | 2.69 | 228.84 | 541.75 | 1.2334 |
| 2014 Average | 183.63 | 156.16 | 4.16 | 180.54 | 168.88 | 3.74 | 284.60 | 493.17 | 1.1037 |
| 2013 Average | 245.76 | 212.33 | 5.81 | 235.14 | 219.72 | 3.68 | 261.54 | 574.05 | 1.0309 |
| | Canola No. 1 CAN PAR Region Saskatoon Cash | Canola No. 1 CAN Track Vancouver Cash | Soybeans No. 1 Yellow CBOT Nearby Futures | Soybeans No. 1 Yellow CBOT Nearby Futures | Soybean Oil CBOT Nearby Futures | Soybean Meal CBOT Nearby Futures | Soybeans No. 2 CE Elevator Chatham/ON Cash | Feed Peas Government of SK Delivered Plant Price | Crude Oil Light-Sweet Cushing, OK US NYMEX Nearby Futures |
| | CANS/tonne | CANS/tonne | US\$/bushel | CANS/tonne | US c/lb | US\$/short tonne | CANS/tonne | CANS/tonne | US\$/BBL |
| June 12, 2015 | 480.44 | 513.54 | 9.45 | 428.07 | 33.67 | 314.24 | 410.58 | 175.64 | 60.09 |
| June 5, 2015 | 480.56 | 520.56 | 9.37 | 429.62 | 34.54 | 302.34 | 412.71 | 175.64 | 59.65 |
| May 29, 2015 | 458.16 | 498.16 | 9.27 | 423.63 | 32.32 | 305.13 | 405.73 | 175.64 | 58.38 |
| June 13, 2014 | 449.94 | 500.04 | 14.41 | 576.27 | 38.98 | 477.22 | 580.22 | 157.25 | 105.24 |
| 2014-2015 Cumulative Average | 430.91 | 480.62 | 9.90 | 432.14 | 32.12 | 344.86 | 413.48 | 164.01 | 67.05 |
| 2013-2014 Cumulative Average | 440.88 | 503.38 | 13.76 | 545.20 | 40.55 | 451.87 | 533.92 | 198.48 | 100.69 |
| 2013-2014 Final Average | 442.00 | 503.13 | 13.52 | 536.00 | 39.67 | 444.78 | 530.04 | 193.73 | 101.04 |
| 2012-2013 Final Average | 617.23 | 649.80 | 14.86 | 550.62 | 49.72 | 445.60 | 532.17 | 227.86 | 93.46 |
| 2015 Cumulative Average | 444.50 | 494.70 | 9.78 | 442.92 | 31.92 | 327.37 | 420.83 | 173.19 | 52.71 |
| 2014 Average | 420.39 | 482.79 | 12.49 | 505.73 | 36.89 | 424.11 | 500.41 | 160.79 | 93.24 |
| 2013 Average | 558.77 | 595.52 | 14.09 | 533.37 | 45.91 | 433.11 | 522.61 | 244.76 | 97.83 |

NOTES: 1) Web Site: www.agr.gc.ca/gaod-dco 2) Unless otherwise specified, the prices represent weekly averages. 3) The Crop Years for corn and soybeans and soybean products are September - August, all others are August - July.

* Source IGC and industry, except CWB for historical prices. The 'indicator prices' represent a sample of FOB asking prices for export and may not be reflective of actual selling prices.

Price Information to Calculate Basis

- (AAFC) Weekly Price Summary FOB Vancouver Grain Prices:
- <http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/crops/crops-market-information-canadian-industry/weekly-price-summary/?id=1378745200250>
- AAFC is no longer providing these weekly price updates. This ended June 12, 2015

WHY? Why? WHY?

Average Reported Price Estimates May 15-June 5 2015

| | US\$/t | CDN\$/t |
|---------------------|--------------|----------------|
| Location | Price | Price |
| Portland (USWA) | \$269.00 | \$329.54 |
| Vancouver | \$248.26 | \$303.37 |
| SMA Saskatchewan | \$167.92 | \$206.93 |
| | Basis | Basis |
| Portland- Sask. | \$101.08 | \$122.61 |
| Vancouver –Sask. | \$80.34 | \$96.44 |
| 2002-2012 Average | \$64.86 | \$72.50 |
| | Excess Basis | Excess Basis |
| Portland- Sask. | \$36.22 | \$50.11 |
| Vancouver –Sask. | \$15.48 | \$23.94 |

Source:

What determines export basis

- Grain export companies purchase grain from producers and most often sell it to buyers - FOB West Coast
- The export basis that companies charge must cover transportation costs, handling costs, and marketing costs, plus some marketing margin
- **When there is excess capacity grain companies must bid aggressively to buy farmers' grain - export basis is low in this case and reflects the costs of grain handling and transport**

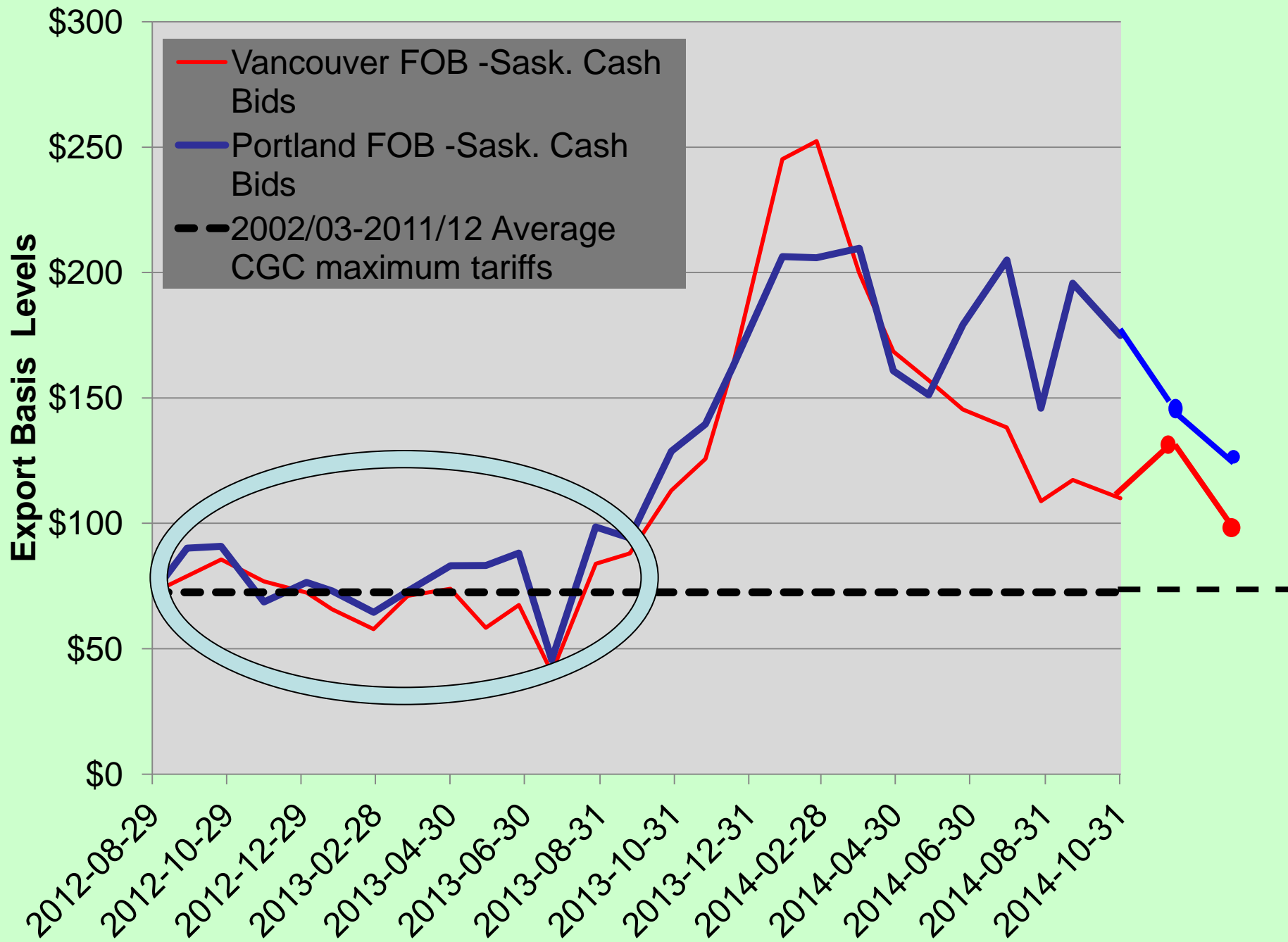
What determines export basis

- When available exportable grain supply exceeds export capacity then access must be rationed
- This is done by lowering the bid prices, which is an increase in the export basis
- When a grain company phone keeps ringing and can not move the grain offered to them, they have a very strong incentive to increase export basis until the supply matches the available capacity
- How do hotels price their rooms

The Farm Supply of Grain

- Producers like to sell their grain right away but will store grain if they can deliver it at a higher price later
- As the system gets booked up producers must wait longer and longer to deliver, so they are willing to accept a lower price today rather than store it
- The export basis is determined by the farmers willing to accept the lowest bids

So what has happened to Export Basis since August 2012?



Supply Disposition All Principal Field Crops: May 20, 2015 Forecast

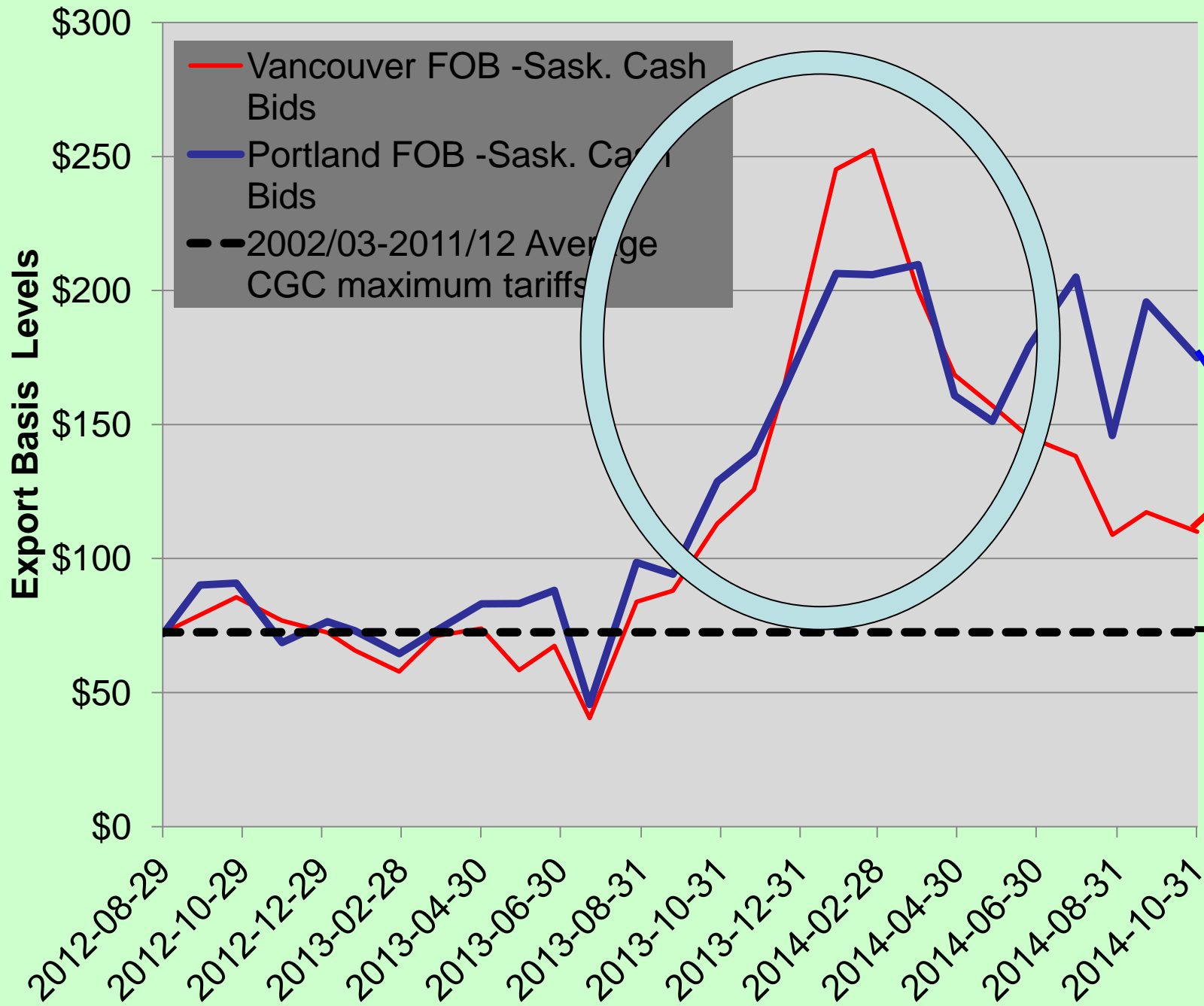
| | 2012/13 | 2013/2014 | 2014/2015[f] | 2015/2016[f] |
|--------------------------------|----------------|------------------|---------------------|---------------------|
| Yield (t/ha) | 2.67 | 3.46 | 2.85 | 2.86 |
| Production (kt) | 76,716 | 90,293 | 79,813 | 82,252 |
| Beginning Stocks | | 9,591 | 17,747 | 11,583 |
| Total supply (kt) | 89,512 | 100,356 | 100,637 | 95,543 |
| Exports (kt) | 41,889 | 43,284 | 47,500 | 45,570 |
| Total domestic use (kt) | 38,042 | 39,325 | 41,599 | 40,458 |
| Carry-out stocks (kt) | 9,591 | 17,747 | 11,583 | 9,535 |

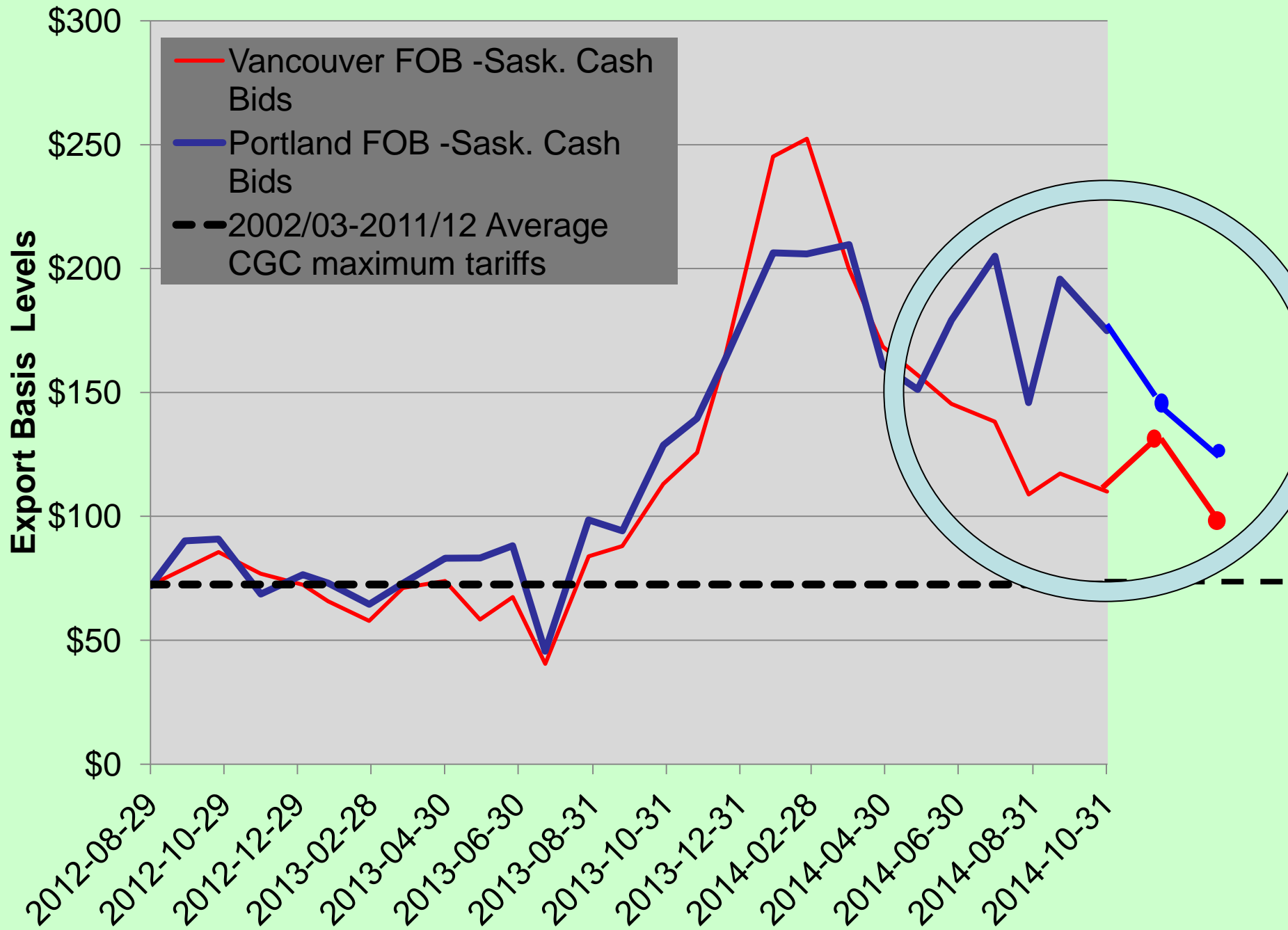
Source: Statistics Canada- AAFC

Supply Disposition All Principal Field Crops: May 20, 2015 Forecast

| | 2012/13 | 2013/2014 | 2014/2015[f] | 2015/2016[f] |
|--------------------------------|---------|-----------|--------------|--------------|
| Yield (t/ha) | 2.67 | 3.46 | 2.85 | 2.86 |
| Production (kt) | 76,716 | 90,293 | 79,813 | 82,252 |
| Beginning Stocks | | 9,591 | 17,747 | 11,583 |
| Total supply (kt) | 89,512 | 100,356 | 100,637 | 95,543 |
| Exports (kt) | 41,889 | 43,284 | 47,500 | 45,570 |
| Total domestic use (kt) | 38,042 | 39,325 | 41,599 | 40,458 |
| Carry-out stocks (kt) | 9,591 | 17,747 | 11,583 | 9,535 |

Source: Statistics Canada- AAFC

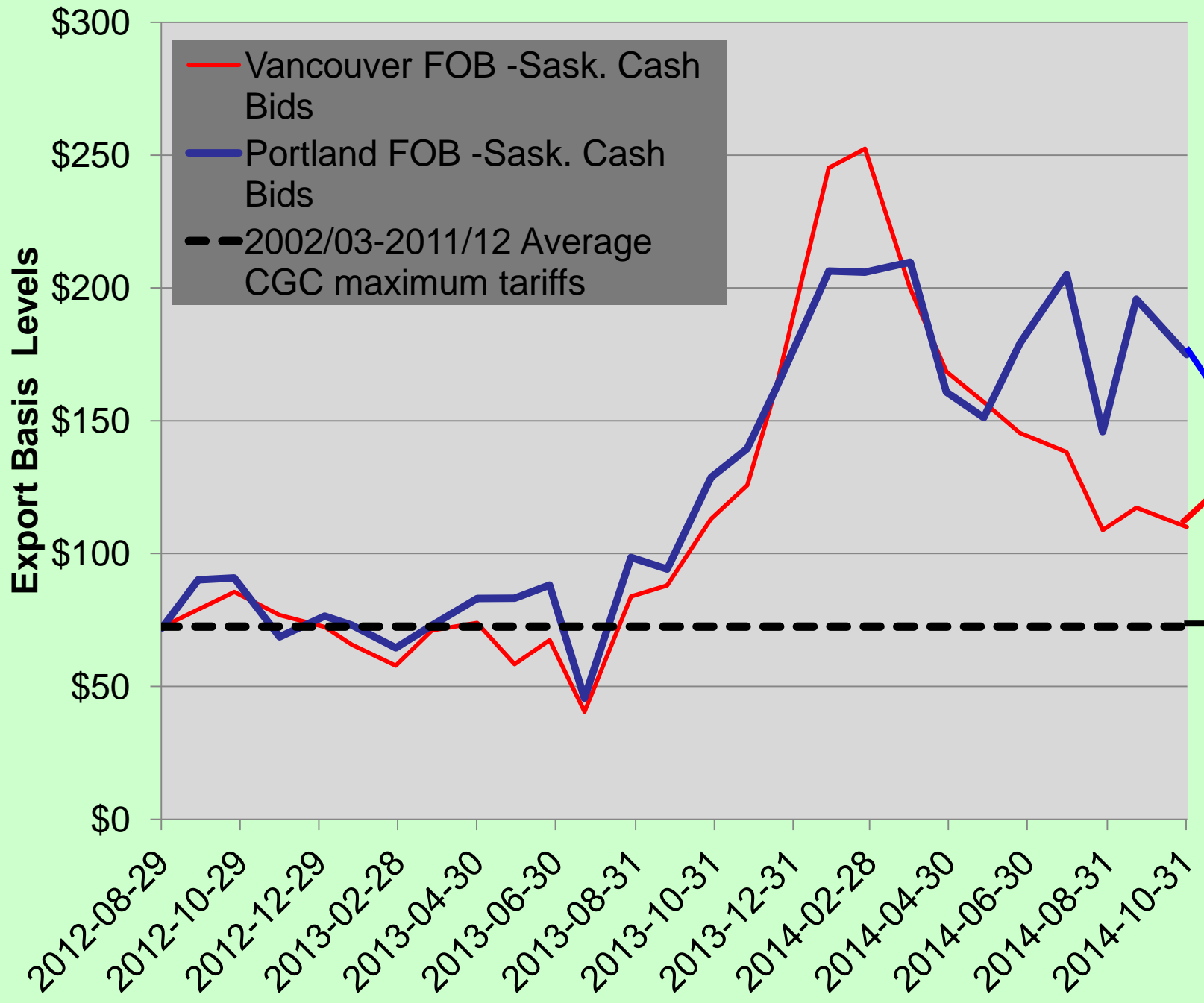




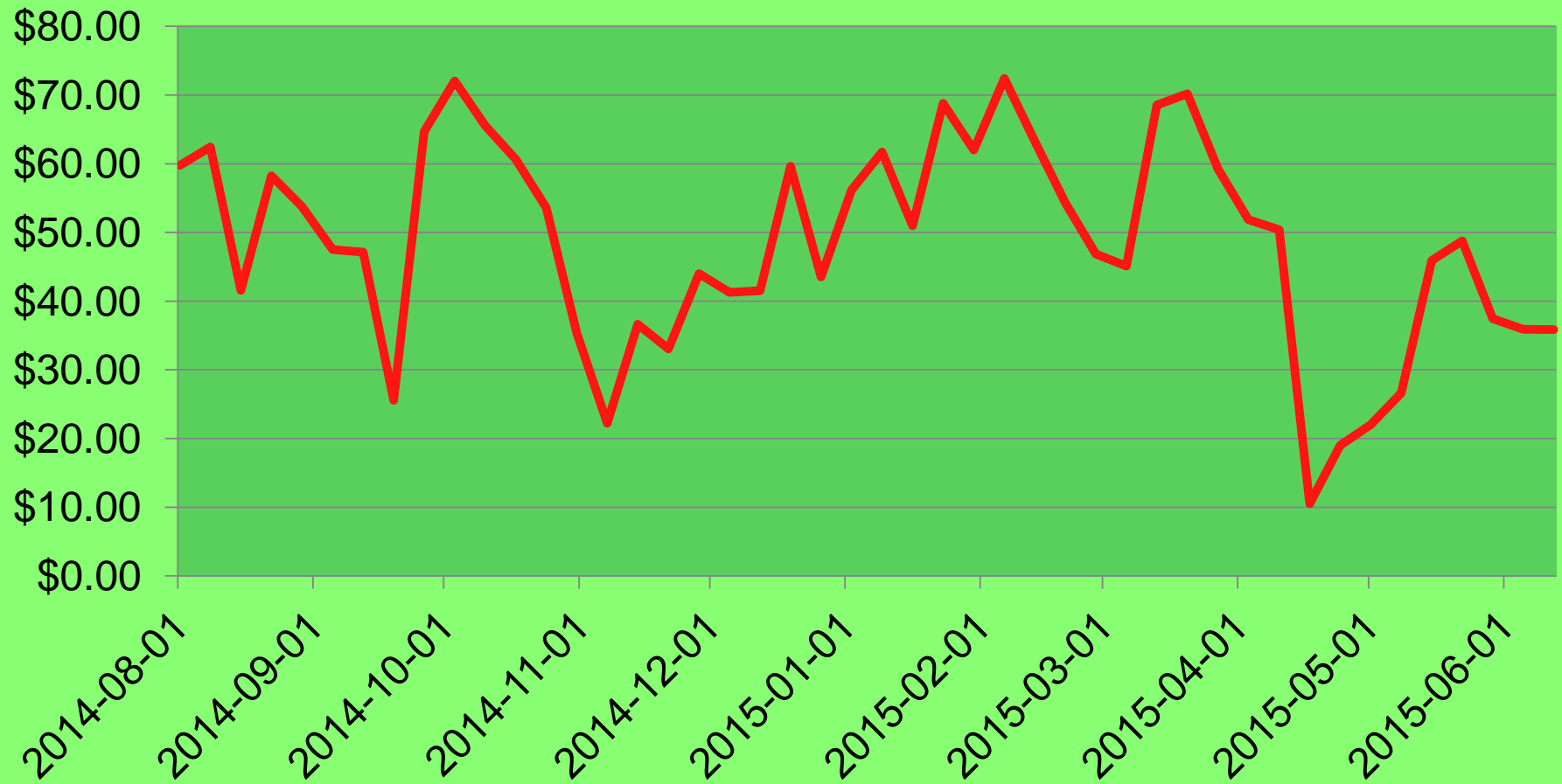
Supply Disposition All Principal Field Crops: May 20, 2015 Forecast

| | 2012/13 | 2013/2014 | 2014/2015[f] | 2015/2016[f] |
|--------------------------------|----------------|------------------|---------------------|---------------------|
| Yield (t/ha) | 2.67 | 3.46 | 2.85 | 2.86 |
| Production (kt) | 76,716 | 90,293 | 79,813 | 82,252 |
| Beginning Stocks | | 9,591 | 17,747 | 11,583 |
| Total supply (kt) | 89,512 | 100,356 | 100,637 | 95,543 |
| Exports (kt) | 41,889 | 43,284 | 47,500 | 45,570 |
| Total domestic use (kt) | 38,042 | 39,325 | 41,599 | 40,458 |
| Carry-out stocks (kt) | 9,591 | 17,747 | 11,583 | 9,535 |

Source: Statistics Canada- AAFC



Excess Port Basis CWRS 2014/15 (Vancouver - Sask.) - \$72 /t



Supply Disposition All Principal Field Crops: May 20, 2015 Forecast

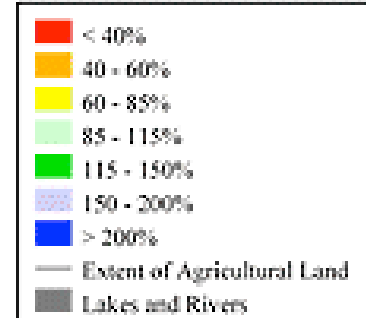
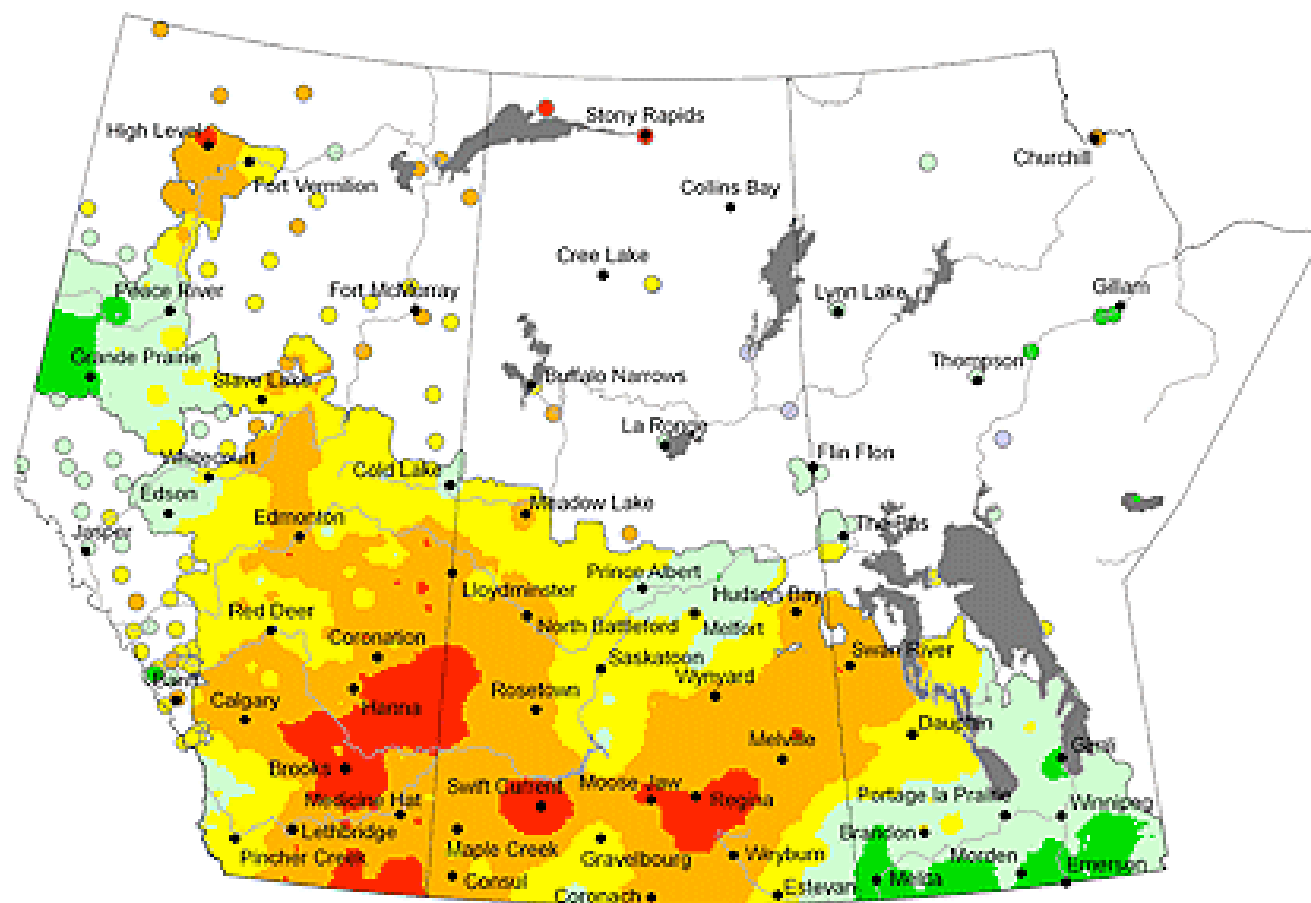
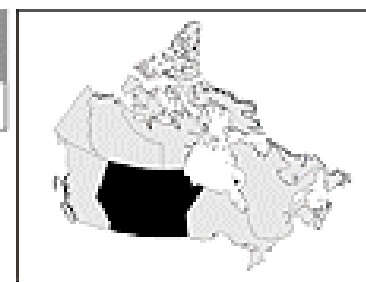
| | 2012/13 | 2013/2014 | 2014/2015[f] | 2015/2016[f] |
|--------------------------------|--------------|---------------|---------------|--------------|
| Yield (t/ha) | 2.67 | 3.46 | 2.85 | 2.86 |
| Production (kt) | 76,716 | 90,293 | 79,813 | 82,252 |
| Beginning Stocks | | 9,591 | 17,747 | 11,583 |
| Total supply (kt) | 89,512 | 100,356 | 100,637 | 95,543 |
| Exports (kt) | 41,889 | 43,284 | 47,500 | 45,570 |
| Total domestic use (kt) | 38,042 | 39,325 | 41,599 | 40,458 |
| Carry-out stocks (kt) | 9,591 | 17,747 | 11,583 | 9,535 |

Source: Statistics Canada- AAFC



3 Month (90 Days) Percent of Average Precipitation (Prairie Region)

March 21, 2015 to June 18, 2015

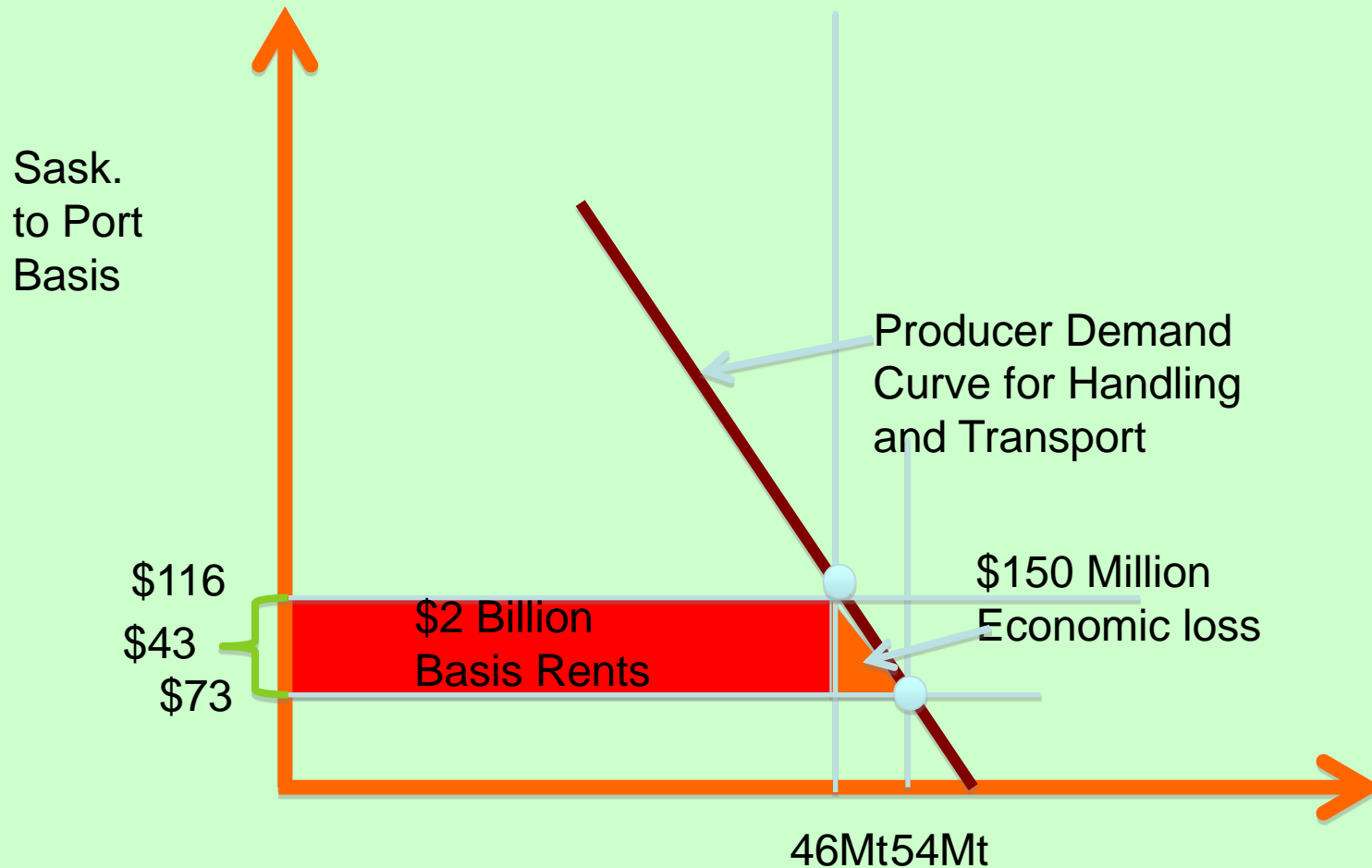


Produced using near real-time data that has undergone initial quality control. The map may not be accurate for all regions due to data availability and data errors.

Impact of a drought

- Drought will reduce the basis next crop year and the rest of this cropyear as producers store more grain want to deliver less
- We could see a return to almost normal export basis levels
- However, improving crop prospects will have the opposite effect --especially if the crop is much larger than the railways plan for

INCOME LOSSES FROM LIMITED SUPPLY OF HANDLING AND TRANSPORTATION IN 2014/15 OCTOBER 24 VANCOUVER BASIS



Estimated Grain Producer Income Impact of Congestion Related Excess Basis Western Canada 2013/14 and 2014/15

| | Units | 2013-2014 Cropyear | | | 2014-2015 Cropyear | | | Total |
|---|------------------|--------------------|----------------|----------------|--------------------|--------------|--------------|----------------|
| | | Aug-Dec | Jan-Mar | Apr-July | Aug-Dec | Jan-Mar | Apr-July | |
| Farm Deliveries* | Million t | 21.80 | 11.86 | 18.92 | 22.85 | 12.72 | 15.00 | 103.15 |
| All Sold at Prevailing Basis** | | | | | | | | |
| Ave Excess Basis | \$/t | \$51.49 | \$143.53 | \$77.67 | 48.63 | 59.97 | 34.94 | 64.88 |
| \$ Impact | \$Million | \$1,123 | \$1,702 | \$1,470 | \$1,111 | \$763 | \$524 | \$6,692 |
| All sold at basis 12 weeks prior^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | 58.62 | 48.48 | 56.82 | 61.21 |
| \$ impact | \$Million | \$131 | \$899 | \$2,475 | \$1,339 | \$617 | \$852 | \$6,314 |
| 80% sold at basis 12 weeks prior^^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | \$58.62 | \$48.48 | \$56.82 | 0.75 |
| \$ impact | \$Million | \$105 | \$719 | \$1,980 | \$1,071 | \$493 | \$682 | \$5,051 |

Source: Authors Calculation, Table 3 , and CANSIM Table 001-0043

Estimated Grain Producer Income Impact of Congestion Related Excess Basis Western Canada 2013/14 and 2014/15

| | Units | 2013-2014 Cropyear | | | 2014-2015 Cropyear | | | Total |
|---|------------------|--------------------|----------------|----------------|--------------------|--------------|--------------|----------------|
| | | Aug-Dec | Jan-Mar | Apr-July | Aug-Dec | Jan-Mar | Apr-July | |
| Farm Deliveries* | Million t | 21.80 | 11.86 | 18.92 | 22.85 | 12.72 | 15.00 | 103.15 |
| All Sold at Prevailing Basis** | | | | | | | | |
| Ave Excess Basis | \$/t | \$51.49 | \$143.53 | \$77.67 | 48.63 | 59.97 | 34.94 | 64.88 |
| \$ Impact | \$Million | \$1,123 | \$1,702 | \$1,470 | \$1,111 | \$763 | \$524 | \$6,692 |
| All sold at basis 12 weeks prior^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | 58.62 | 48.48 | 56.82 | 61.21 |
| \$ impact | \$Million | \$131 | \$899 | \$2,475 | \$1,339 | \$617 | \$852 | \$6,314 |
| 80% sold at basis 12 weeks prior^^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | \$58.62 | \$48.48 | \$56.82 | 0.75 |
| \$ impact | \$Million | \$105 | \$719 | \$1,980 | \$1,071 | \$493 | \$682 | \$5,051 |

Source: Authors Calculation, Table 3 , and CANSIM Table 001-0043

Estimated Grain Producer Income Impact of Congestion Related Excess Basis Western Canada 2013/14 and 2014/15

| | Units | 2013-2014 Cropyear | | | 2014-2015 Cropyear | | | Total |
|---|------------------|--------------------|--------------|----------------|--------------------|--------------|--------------|----------------|
| | | Aug-Dec | Jan-Mar | Apr-July | Aug-Dec | Jan-Mar | Apr-July | |
| Farm Deliveries* | Million t | 21.80 | 11.86 | 18.92 | 22.85 | 12.72 | 15.00 | 103.15 |
| All Sold at Prevailing Basis** | | | | | | | | |
| Ave Excess Basis | \$/t | \$51.49 | \$143.53 | \$77.67 | 48.63 | 59.97 | 34.94 | 64.88 |
| \$ Impact | \$Million | \$1,123 | \$1,702 | \$1,470 | \$1,111 | \$763 | \$524 | \$6,692 |
| All sold at basis 12 weeks prior^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | 58.62 | 48.48 | 56.82 | 61.21 |
| \$ impact | \$Million | \$131 | \$899 | \$2,475 | \$1,339 | \$617 | \$852 | \$6,314 |
| 80% sold at basis 12 weeks prior^^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | \$58.62 | \$48.48 | \$56.82 | 0.75 |
| \$ impact | \$Million | \$105 | \$719 | \$1,980 | \$1,071 | \$493 | \$682 | \$5,051 |

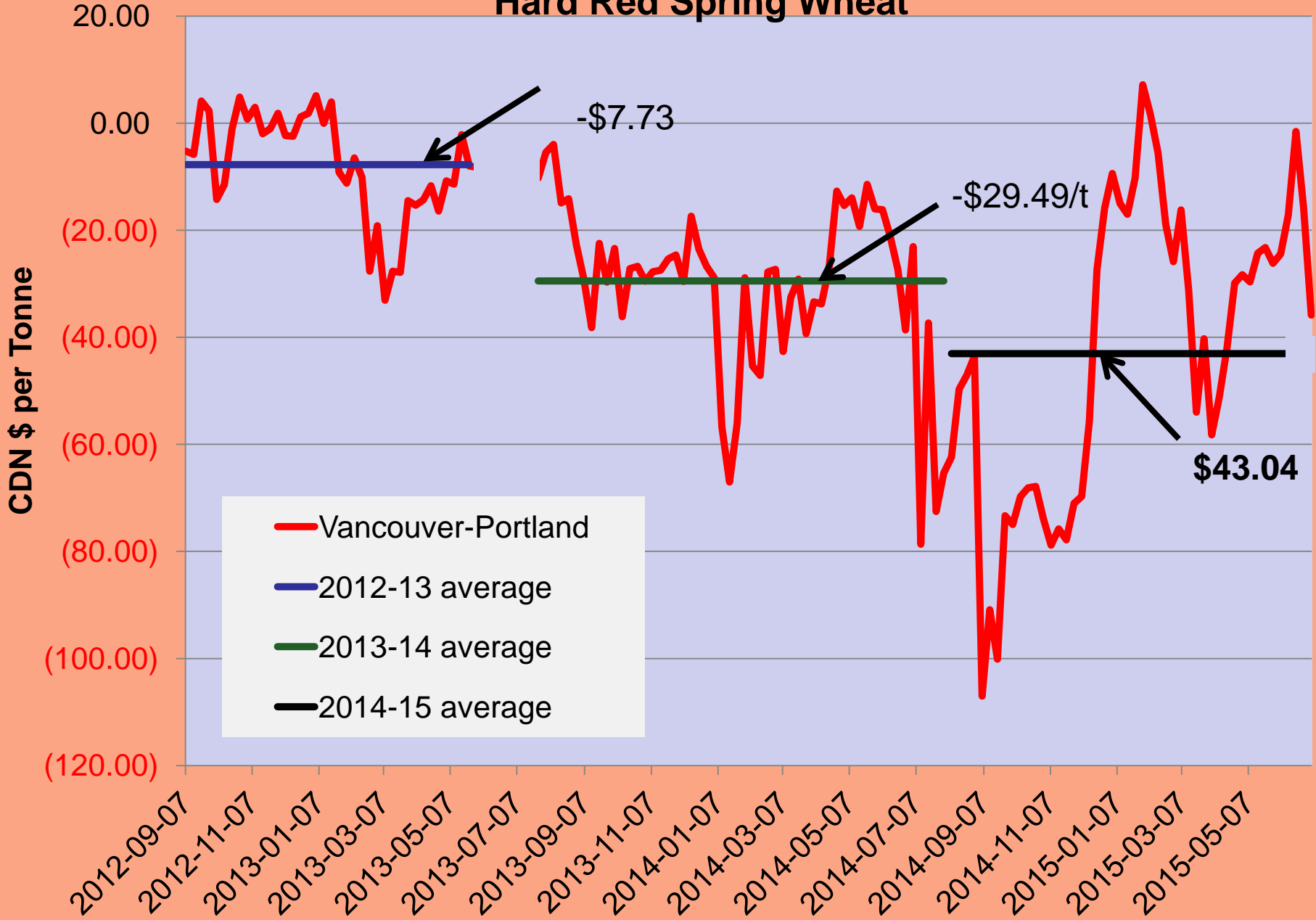
Source: Authors Calculation, Table 3 , and CANSIM Table 001-0043

Estimated Grain Producer Income Impact of Congestion Related Excess Basis Western Canada 2013/14 and 2014/15

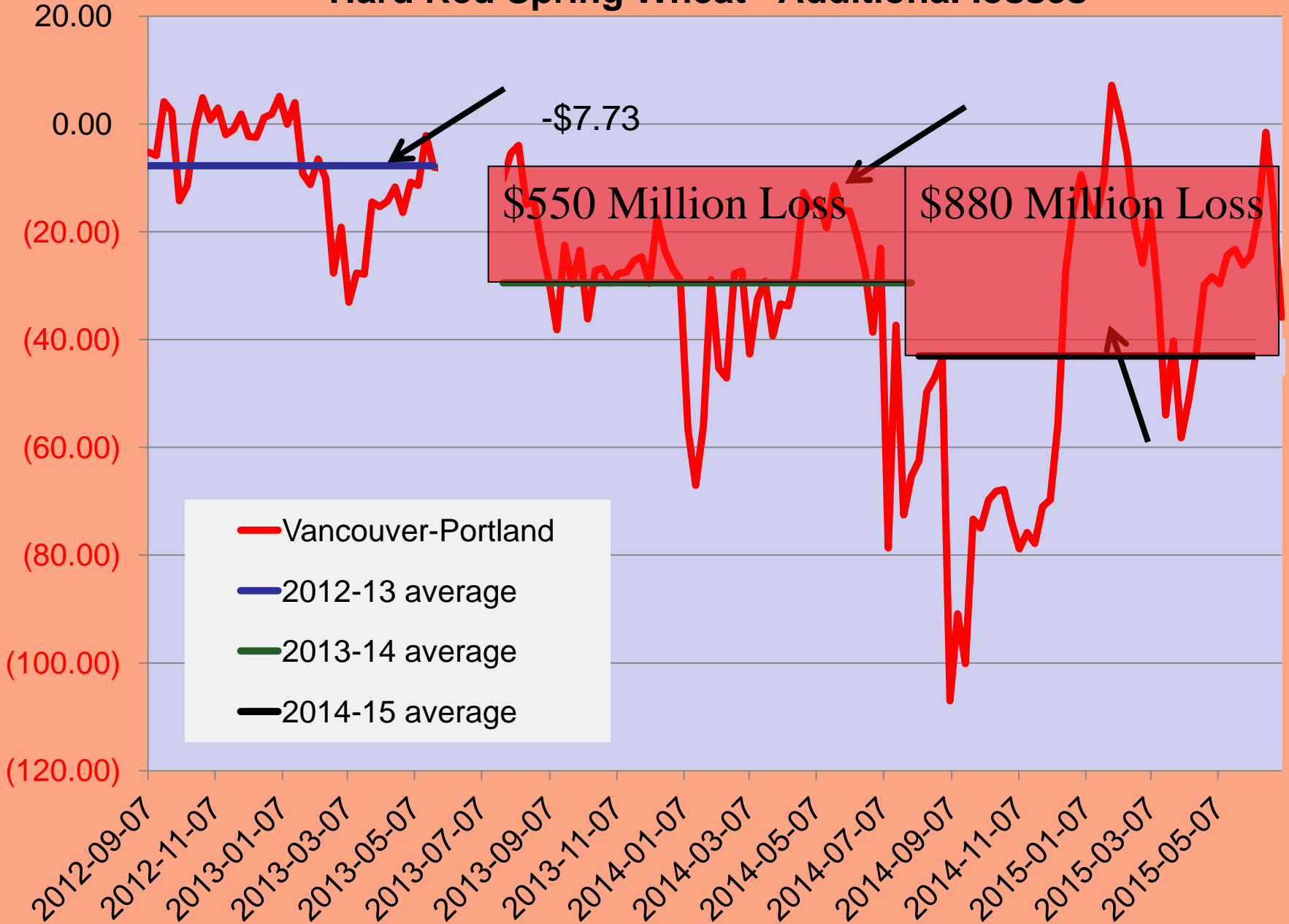
| | Units | 2013-2014 Cropyear | | | 2014-2015 Cropyear | | | Total |
|---|------------------|--------------------|--------------|----------------|--------------------|--------------|--------------|----------------|
| | | Aug-Dec | Jan-Mar | Apr-July | Aug-Dec | Jan-Mar | Apr-July | |
| Farm Deliveries* | Million t | 21.80 | 11.86 | 18.92 | 22.85 | 12.72 | 15.00 | 103.15 |
| All Sold at Prevailing Basis** | | | | | | | | |
| Ave Excess Basis | \$/t | \$51.49 | \$143.53 | \$77.67 | 48.63 | 59.97 | 34.94 | 64.88 |
| \$ Impact | \$Million | \$1,123 | \$1,702 | \$1,470 | \$1,111 | \$763 | \$524 | \$6,692 |
| All sold at basis 12 weeks prior^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | 58.62 | 48.48 | 56.82 | 61.21 |
| \$ impact | \$Million | \$131 | \$899 | \$2,475 | \$1,339 | \$617 | \$852 | \$6,314 |
| 80% sold at basis 12 weeks prior^^ | | | | | | | | |
| Excess Basis (t -12weeks) | \$/t | \$6.02 | \$75.78 | \$130.82 | \$58.62 | \$48.48 | \$56.82 | 0.75 |
| \$ impact | \$Million | \$105 | \$719 | \$1,980 | \$1,071 | \$493 | \$682 | \$5,051 |

Source: Authors Calculation, Table 3 , and CANSIM Table 001-0043

Vancouver minus Portland FOB Price #1 13.5% Hard Red Spring Wheat



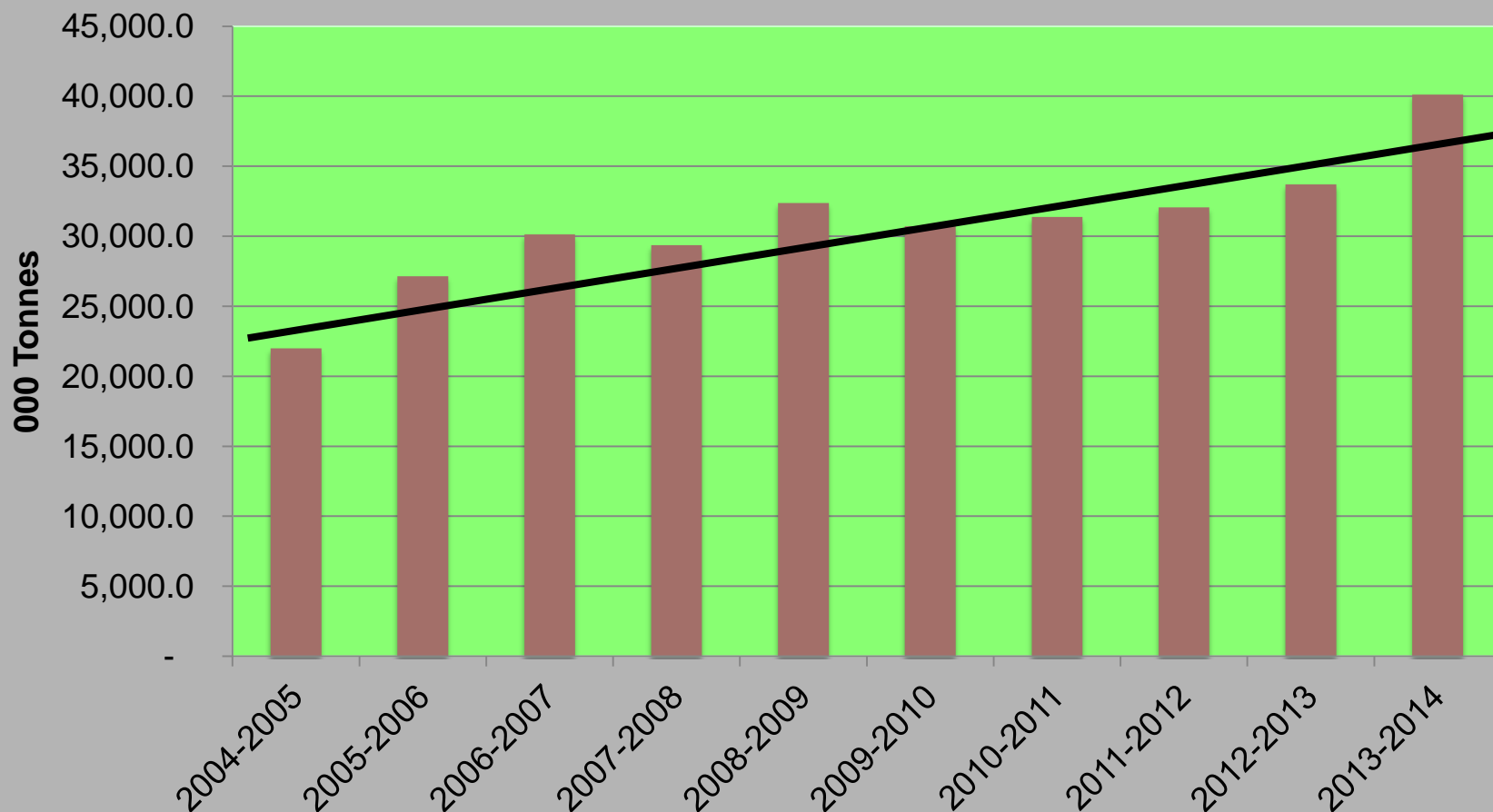
Vancouver minus Portland FOB Price #1 13.5% Hard Red Spring Wheat –Additional losses



What does the future Hold?

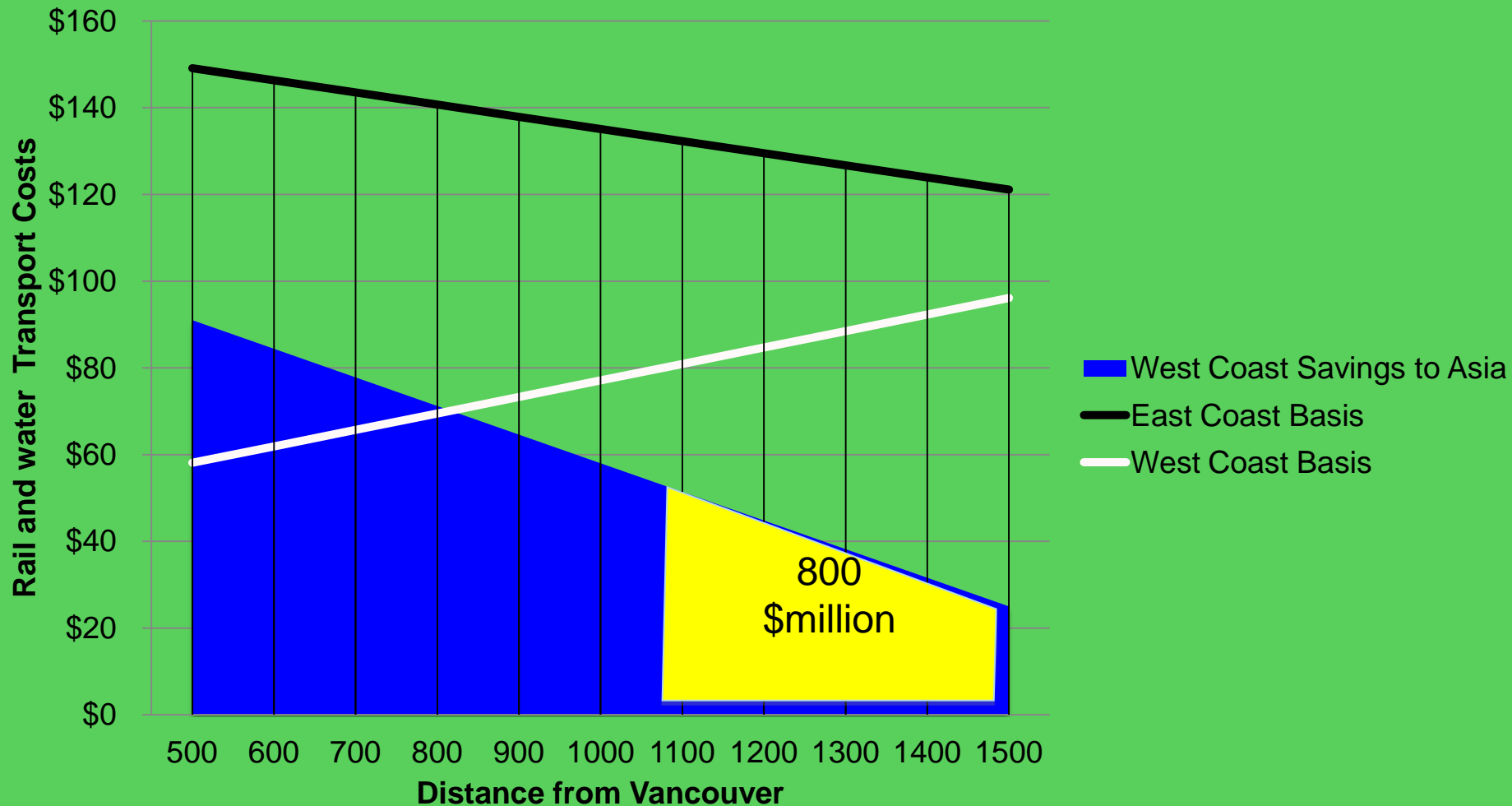
- Future demand for exports
 - Production
 - Markets

Canadian Grain Exports from Licensed Facilities



Source: Canadian Grain Commission

Estimated Rail and Water Basis to Asian Markets – Go West!

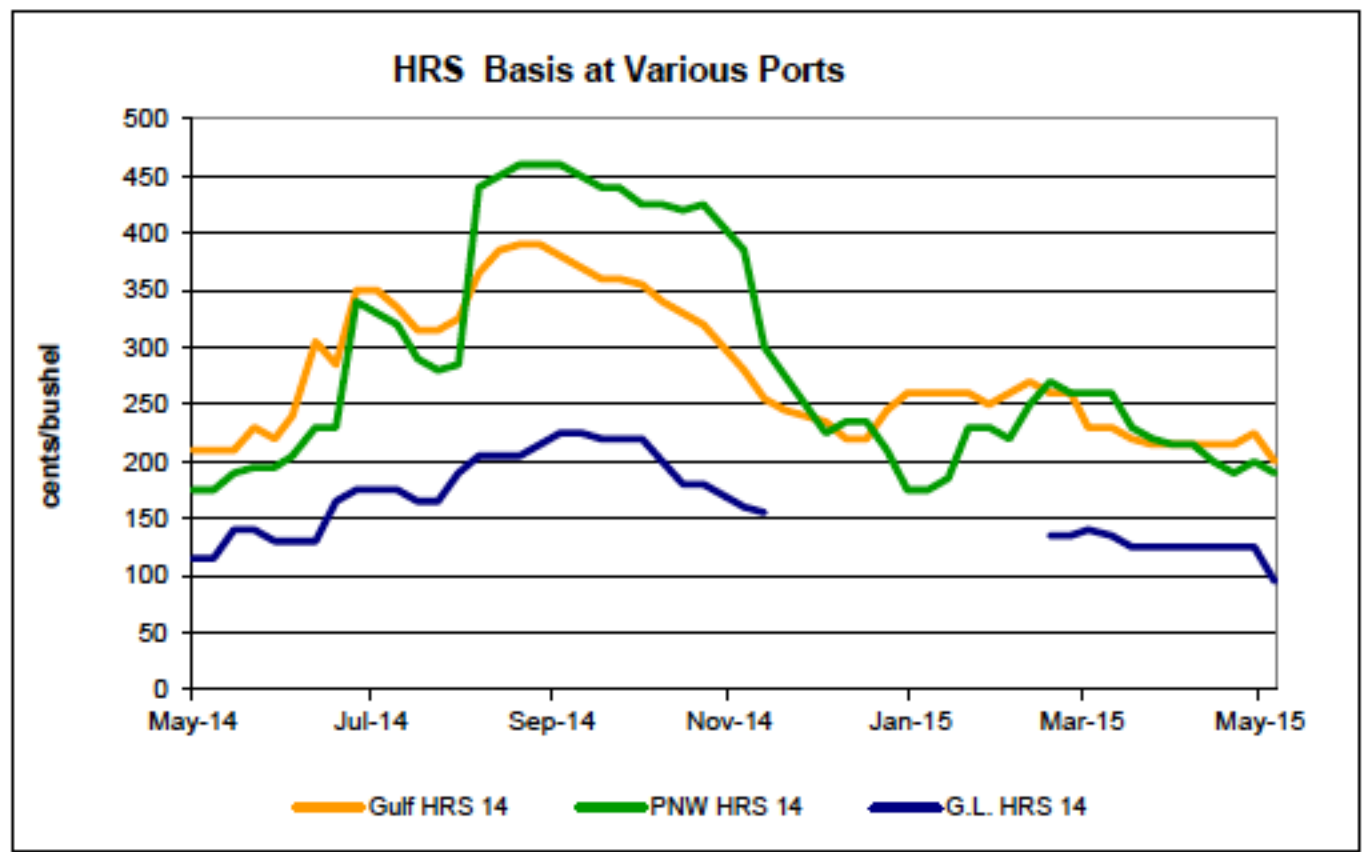


How do we fix the basis issue ?

1. Adequate rail regulation to ensure competitive pricing and adequate levels of service

- **Deregulation of rail rates is not the solution just look at the US - much higher rail rates and very poor performance.**
- additional incentives for winter rail movement in the Revenue Cap formula would help
- Open running rights is the only market based solution but this is a pretty bold move- maybe inter-switching Edmonton – Prince Rupert

Minneapolis to Port Basis



How do we fix the basis issue ?

1. Adequate rail regulation to ensure competitive pricing and adequate levels of service

- Deregulation of rail rates is not the solution just look at the US - much higher rail rates and very poor performance
- **additional incentives for winter rail movement in the Revenue Cap formula would help**
- **Open running rights is the only market based solution but this is a pretty bold move- maybe inter-switching Edmonton – Prince Rupert**

How do we fix the basis issue?

2. Adequate west capacity to meet the growing demand for westward grain exports

- Public incentives for new investments
- New public/private partnerships
- Container backhaul systems
- Prince Rupert could be expanded – but is only served by one railway is a problem for port investment

How do we fix the basis issue?

3. A supply chain view of logistics and marketing

- a willingness to explore new coordinating market and non-market mechanisms e.g.
 - West Coast based futures market
 - Third party rail coordination
 - Improved public price reporting, crop forecasts, basis levels in future months etc.

Conclusions

- Know the numbers - monitor export basis levels **ask for more port price reporting and data**
- Protect yourself through contracts and hedging when you can
- The stakes are very large – get the facts and understand cause and effect
- Basis issues might get worse in the future
- There are solutions but require policy action – push for them

Thank you

