

Voluntary Report – Voluntary - Public Distribution

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Report Name: Transportation Disruptions Impact Canadian Agricultural Supply System

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Post: Ottawa

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Report Highlights:

Despite multiple disruptions, the Canadian agricultural supply system continues to effectively move commodities to overseas markets. However, the efficient movement of exports depends on the pace that equipment is loaded, sent to destinations, and returned for the next load. Each of these necessary stages was impacted due to the interruptions described below, which have had multiplier effects on industry fluidity.

Several industry sources indicate that the bulk grain supply chain is one and half months behind schedule, and there continue to be delays as ports and railways return to normal operations. However, restoration efforts are well underway at both the Port of Vancouver and the Canadian National (CN) Railway.

Blockades over rail lines

Protests over energy pipelines blocked both CN and Canadian Pacific (CP) rails throughout the month of February. A blockade at New Hazelton, BC took out the Prince Rupert corridor for almost a week. According to industry, in addition to the New Hazelton blockage, there were more than a dozen other blockades of shorter duration and all of them impacted operations. Several blockades also occurred in Ontario, Quebec and Atlantic Canada. The Port of Vancouver was impacted by the ensuing back-up, as well as a blockade on the road to the port and a brief blockade on the rail line leading to the port.

Industry sources estimate that the blockades cost the agricultural sector anywhere between \$7 million CDN and \$10.25 million CDN per day. These estimates do not include the cost of deferred sales where grain may have to be sold at a lower price later this year. The blockades impacted Port of Prince Rupert operations more significantly than any other port, due to the positioning of one of the most persistent blockades on CN Rail track leading directly to the port. However, the Port of Prince Rupert handles a minority of bulk grain exports and therefore this blockade did not have a significant impact on the sector.

Labor strike

A CN labor strike halted nearly all movement of CN's cars for eight days in November 2019. The work stoppage impacted agricultural exports from ports during a critical period. The strike also impaired propane distribution to farms relying on the fuel to dry down wet crops after a difficult harvest. Over the course of the strike, more than 560,000 tons of anticipated grain and oilseed rail cargo did not move. In marketing year (MY) 2018/19, Canada exported 35 million metric tons (MT) of wheat and canola alone. Shippers are still working through the backlog more than three months later.

Rockslide

A rockslide in British Columbia between Boston Bar and Vancouver disrupted CN rail movement for three days beginning at the end of January, followed by several days of delays in the Vancouver corridor as CN returned to normal operations.

Cold weather

Cold weather slowed both CN and CP rail movement throughout the winter. As part of the railway's winter preparedness and train operating plan, when cold temperatures fall below -25°C, train length restrictions go into effect to ensure safe train operations. In Saskatoon, Saskatchewan, for example there have been 22 days below -25°C between the start of December 2019 and mid-March 2020. While train length restrictions go into effect every winter, they effectively slowed down recovery efforts and caused delays to proliferate.

Canada: MY 2018/19 Exports, By Port Terminal, % of total										
	Wheat	Amber Durum	Oat	Barley	Rye	Flaxseed	Canola	Soybeans	Peas	Corn
Vancouver	44%	31%	40%	84%	57%	84%	64%	21%	99%	0%
Prince Rupert	20%	0%	4%	16%	0%	0%	13%	0%	0%	0%
Churchill	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Thunder Bay	17%	35%	54%	0%	21%	16%	15%	4%	0%	0%
Bay & Lakes	3%	2%	2%	0%	0%	0%	5%	29%	0%	61%
St. Lawrence	16%	32%	0%	0%	21%	0%	3%	46%	0%	39%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Canadian Grain Commission, calculations by FAS Ottawa

Derailments

Two derailments impacted movement near Saskatoon, Saskatchewan and Prince George, British Columbia.

Late crop year

The late crop year also contributed to disruptions in fluidity, as only partial deliveries of grain arrived at terminals. The result was that vessels were partially loaded and anchored, or terminals were ineffective because not all grades of crop types were present for blending.

Potential impact of coronavirus

Covid-19 has led to equipment being stuck in limbo in China and not returned. As of mid-March, the coronavirus has had negligible impact on Canadian grain exports.

Shipping Progress

In mid-March, the Port of Vancouver stated that the industry is one and a half months behind for bulk grain. One rail company stated that they can provide an additional 20 to 30 percent capacity for each missing day of service. It could take months for the industry to catch up. However, record high rail car fulfillment rates for agriculture in the weeks prior to the November labor strike, may have helped cushion the blow initially.

Despite the delays, over 28 million metric tons of Canadian grain moved to overseas markets in 2019. Vancouver Fraser Port Authority has [stated](#) that the grain and containers experienced record growth in calendar year 2019, despite delays caused by the November labor strike.

Strong global demand for Canadian grain resulted in a new record of 28.3 million metric tons for both containerized and bulk cargo, a 3.5 percent increase over 2018. Increases in wheat, up by 16 percent, and specialty crops, up by 14 percent, offset the 19 percent decrease in canola exports, which was largely due to a 62 percent decrease in canola exports to China. While grain products reached record levels in 2019, this sector was the most significantly impacted by tariffs and trade challenges with China, resulting in a 37.3 percent decrease in grain exports to this economy.

According to CN's Grain Insights podcast, in February CN shipped 1.8 million MT of bulk grain and processed grain products compared to 1.9 million MT in February of 2019. CN's best February on record was 2 million MT in 2017. The lowest level in the past five years was in 2018 at just under 1.5 million MT.

The PBO (Parliamentary Budget Officer) issued a [report](#) detailing the macroeconomic impact of the February 2020 rail disruptions. For 2020 (full year), the report showed a decline in nominal GDP by \$275 million CAD and a decline in employment of 772 people.

¹ As described by David Przednowek of CN's Grain Insight Podcast

Attachments:

No Attachments.