



TEAMALBERTA ADVANCING POLICY ON BEHALF OF ALBERTA'S CROP SECTOR

March 12, 2018

Honourable Rachel Notley
Premier of Alberta
Office of the Premier
307 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta T5K 2B6
premier@gov.ab.ca

Re: Alberta's grain and oilseed farmers support for pipeline expansion.

Dear Premier Notley,

On behalf of Team Alberta, a collaboration between Alberta Barley, Alberta Canola, Alberta Pulse Growers and the Alberta Wheat Commission, please accept this letter in support of the Government of Alberta's efforts to advance the expansion of the Trans Mountain pipeline, and other crude oil pipeline expansions.

Team Alberta collectively represents nearly 20 million acres of grains, oilseeds, and pulses grown on more than 20,000 farms across Alberta. Like oil and gas, the market for Alberta grown grains and oilseeds is global. Since the domestic market for our goods is limited, we must export. Depending on the commodity, Alberta farmers export between 50 – 90 per cent of our crops at a collective value of approximately \$4.7 billion, a value that has increased by 175 per cent since 2005.

Alberta's landlocked farmers critically rely on Canada's rail system to get their products to market. Over 90 per cent of grain is moved by rail, and 99 per cent of grain and process elevators are served by only one rail company. With limited routes to Canada's global customers, shippers are often left captive in this monopolistic setting, with farmers bearing the costs associated with shipping delays from poor rail service. Further, when farmers are unable to deliver their grain, they don't get paid, creating a ripple effect throughout the rural economy.

With limited accountability on the railways to serve the needs of our growing Canadian industries, the result is an imbalance of power and ongoing service issues, experienced for decades, by the grain sector and other commodities.

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This can be illustrated by the shipping delays currently being experienced. Rail service has been deteriorating and having a negative impact on farmers across the prairies over the past several months.

In fact, the past few weeks have seen the poorest order fulfillment performance to date during the 2017-18 grain year, with CN and CP only supplying a combined 32 per cent of hoppers cars ordered. This is a new low, with performance dropping below the crisis levels reached in 2013 – 14, when car order fulfillment was at 35 per cent. The grain crisis of 2013-14 cost farmers billions of dollars in lost revenue. Further, it had a major impact on Canada's reputation as a reliable exporter. Many of our importers still hedge against the reliability of the system, potentially negating the Government of Alberta's international trade initiatives.

The grain sector is not alone in experiencing service level issues with respect to transporting goods by rail; however, the crop sector is unique in that we do not have an alternative shipping method. Trucking grain can cost as much as five times more than shipping by rail. It is also impractical. If grain that is exported through west coast ports were moved entirely by truck it would require close to 718,000 trucks, end to end to move the equivalent amount, not to mention an increase in carbon footprint.

Team Alberta supports that pipelines are the safest, most cost-effective way to move oil to market. We know that existing pipeline capacities have been reached and that demands of crude oil shipments by rail reduces capacity of the entire rail freight system.

The market dictates the price of oil and grain, which causes systematic fluctuations on the freight rail system and inversely impacts the flow of goods, especially given the railways' status quo approach to capacity and providing unreliable service. While we are hopeful the federal government's *Transportation Modernization Act* (Bill C-49) will help to rectify imbalances of accountability and improve service standards in the rail freight system, demands on the system continue to grow.

Improvements in science, technology and voluntary practices allow our farmers to produce more with less, suggesting that the steady rates of growth in the crop sector for over the last decade can be expected to continue. Further, Alberta's expanding domestic agri-food processing industries, which reached \$14.5 billion in sales in 2015, depend on rail service to receive shipments of raw products and in many cases to transport finished products to domestic and export markets. Lastly, the National Energy Board reported an increase of Canadian crude exports by rail of over 19 per cent, between 2016 and 2017, all of which suggests further demand on an already inefficient system.



We need to plan for the future and be proactive in ensuring there is capacity across our system for the growing demands of our diversified economy.

We applaud you, Premier, and the Government of Alberta, for your efforts to continue to push pipeline expansion forward for the movement of crude oil. Where safer and more economical means of transport exist, it takes pressure off the freight rail system, which the Alberta crop sector relies on to export our grains.

Sincerely,

Jason Lenz
Chair of Alberta Barley

Renn Breitzkreuz
Chair of Alberta Canola

D'Arcy Hilgartner
Chair of Alberta Pulse Growers

Kevin Bender
Chair of Alberta Wheat Commission

Cc:

Honourable Oneil Carlier, Minister of Agriculture and Forestry
Honourable Margaret McCuaig-Boyd, Minister of Energy
Honourable Deron Bilous, Minister of Economic Development and Trade
Honourable Brian Mason, Minister of Transportation

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