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NEWS RELEASE

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Farmers face highest-ever increase in rail rates

(OTTAWA) – Farmers are facing the highest-ever annual increase in rail rates for grain, renewing calls for a long-overdue review of railway costs for grain transportation.

Rates will increase eight per cent in 2008-09 under the railway revenue cap for grain, the Canadian Transportation Agency (CTA) announced on April 24, after adjusting its volume-related composite price index due to higher fuel and labour costs for the railways. The revenue cap sets a maximum limit to what the major railways can earn from grain transportation.

"We all know fuel prices have increased, but we don't know the railways' actual fuel costs or consumption levels for grain transportation or how they've changed since 1992," said Bob Friesen, President of the Canadian Federation of Agriculture (CFA). The CFA is leading a coalition of farm organizations calling for improvements in grain transportation. Friesen noted that the cost assumptions in the composite index are based on 1992 railway cost levels—the last time a full costing review was done.

"Farmers not only have to absorb their own massive fuel-cost increases—they're also overpaying the railways for theirs, thanks to an outdated basis for all costs related to grain movement," said Friesen.

For example: for a producer near Saskatoon who moves 1,300 tonnes of grain to the Port of Vancouver, the increase adds $4,300 in annual freight costs. That producer paid $54,600 in rail freight ($42 a tonne) in 2007-08. A costing review could save farmers over $8,000 a year, according to a study by respected rail analyst John Edsforth, recently commissioned by the Canadian Wheat Board (CWB). The study estimated the two major railways earned at least $100 million above what they would make in a competitive, free-enterprise environment.

"We want the railways to be profitable because farmers rely on good service, but today's situation is beyond reasonable," said CWB farmer-director Ian McCreary. "The big railways are able to reap far more than they ever would if there was competition."

The railways have far fewer Prairie grain elevators to service today. In 1992, there were 1,500 elevators, compared to only 370 now. The railways now insist on moving grain mostly in large blocks of 50 or 100 cars and have repeatedly introduced programs to rationalize service and car supply – none of which have decreased car cycling time since 1992.

A full-industry railway service review is now underway by Transport Canada, but it is not specific to grain transportation. It is also unlikely to address farmers' specific concerns about the revenue-cap formula for grain freight.

"We are asking that the CTA be allowed to immediately conduct a costing review for grain transportation. We can't wait 18 to 24 months until the Transport Canada service review is complete," said Glenn Blakley, President of the Agricultural Producers Association of Saskatchewan. "A delay will only allow the railways to make hundreds of millions more at our expense. It is unreasonable to expect farmers to wait years for redress when we know there is a problem and have offered a convincing body of evidence in support."

Ian Wishart, President of Manitoba's Keystone Agricultural Producers, said the railways take advantage of farmers to make hundreds of millions in excess profits. "This money comes directly from our pockets, and we keep paying more while service gets demonstrably worse. Farmers cannot continue to be slowly bled through a revenue cap formula that puts the advantage squarely in the railways' court."

Humphrey Banack, President of Alberta's Wild Rose Agricultural Producers, said the railway companies have unfairly dismissed producers' concerns, falsely accusing farmers of wanting to return to the inefficient regulated system of the 1970s. "If the railways are so confident that they are 'effectively and efficiently meeting the growing needs of Canadian grain producers, they should have no objections to a costing review that proves it," he said.

The CFA has this week launched an e-mail postcard campaign urging the federal government to reconsider a costing review. It is posted at http://cfa-fca.ca/pages/emailer.php .

For more information contact:

- Bob Friesen, CFA President Cell: (613) 866-7611 bob@cfafca.ca
Phone: (613) 236-3633 Cell: (613) 866-1045 janice@cfafca.ca
- Maureen Fitzhenry, CWB media relations manager
Phone:(204) 983-3101 Cell: (204) 227-6927 maureen_fitzhenry@cwb.ca

Regional contacts:

- **Alberta** - Lynn Jacobson, WRAP 1st Vice President
Phone: (403) 739-2153 Cell: (403) 894-5208 ljacob@shockwave.com
- **Saskatchewan** - Glenn Blakley, APAS President
Phone: (306) 643-4910 Cell: (306) 745-7257
- **Manitoba** - Ian Wishart, KAP President
Cell: (204) 856-6964. Office: (204) 697-1140 agasea@mts.net