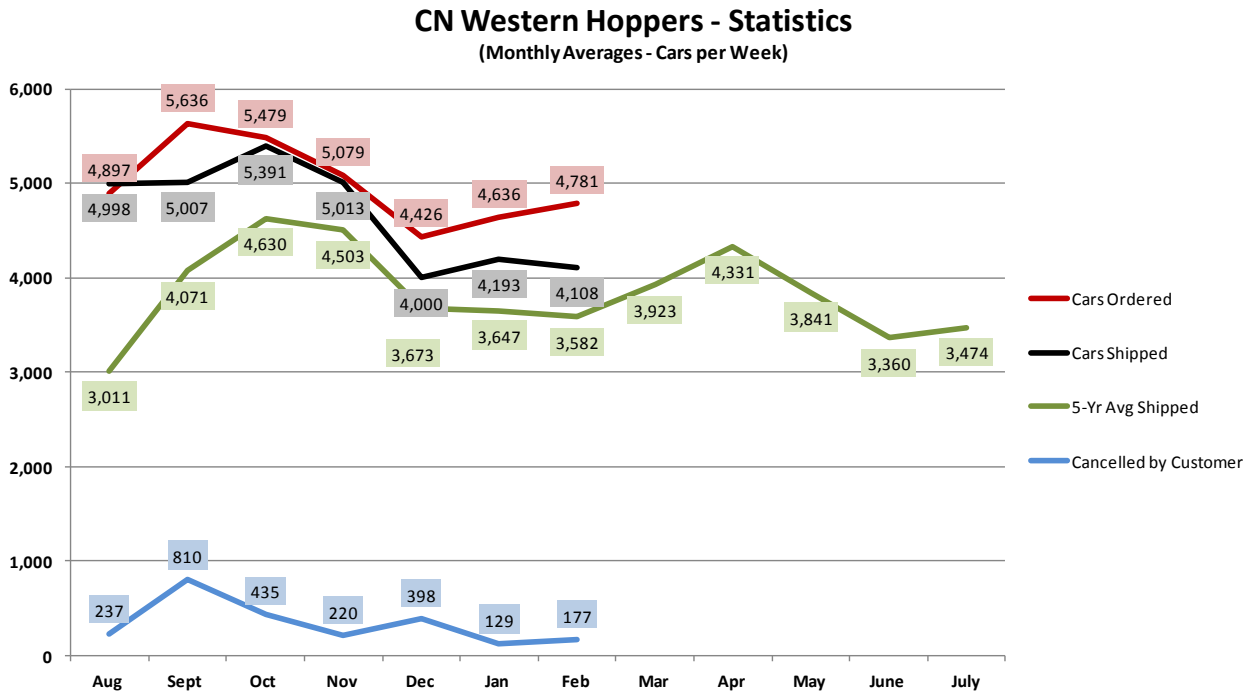




Update on Western Canadian Grain

CN is fully in sync with the grain supply chain in Western Canada, where end-to-end balance has been restored, and it is keeping pace with demand.

- In the 52 week period since March 9, 2014, when the Canadian government instituted minimum grain volumes for the major railways, CN's cumulative tonnage of Western grain movement has exceeded CN's mandated volume by more than 2.4 million metric tonnes, or 10%
- CN continues its record-setting grain movements. To the end of February 2015 -- 7 months through the 2014/2015 crop year -- CN has shipped 21% more grain covered hoppers in Western Canada than to the same point in the record 2013/14 crop year. CN's strong performance in 2014/15 is enabling Canada's grain supply chain to be on track for another banner year.
- To the end of February, CN has shipped on average 4,661 grain hopper cars weekly in Western Canada since the 2014/15 crop year began, keeping pace with grain car orders, as illustrated by the following chart from CN's Western Canada Grain Order Book Report, published weekly on-line.¹



- Over this same period of the 2014/15 crop year to date, car orders for CN Western hoppers have averaged 4,969 weekly, of which customers subsequently cancelled 7 per cent, for 4,627 weekly orders on average.

¹ CN's weekly Western Canada Grain Order Book report is available online at:
<http://www.cn.ca/-/media/Files/Your%20Industry/Documents-Grain/western-canada-grain-order-book-report.pdf>



Western Canada Grain - Order Book Report / Registre des demandes – Céréales de l'Ouest canadien
2014-2015 Crop Year / Campagne agricole 2014-2015

Updated on / Mise à jour : 27-Feb-2015

	Grain Week	Vancouver	Prince Rupert	Thunder Bay	Churchill	North America Amérique du Nord	Total
Order Book Status / État du registre des demandes							
Orders planned to be spotted in week of / Wagons	2015/02/22	30	2,062	1,453	160	0	4,574
demandés à mettre en place pendant la semaine du :	2015/02/22	31	2,151	992	141	0	4,470
Outstanding orders end of / Demandes en attente au :	2015/02/22	31	1,125	0	85	0	1,986
Future weekly orders beyond the week of/ Demandes futures au-delà la semaine du :	2015/02/22	31	151	0	0	0	274

- As of the end of February, CN’s waitlist for Western grain hopper cars² is under 2,000 cars.
 - This represents only a few days’ worth of car supply based on CN’s average run rate for spotting Western grain hoppers in the 2014/15 crop year to date.
 - The waitlist is essentially current, with more than half of outstanding orders having want dates within the latest week (last week of February) and over 90% having want dates within the latest three weeks.
- The Canadian Government has comprehensive information on CN’s grain performance levels. Specifically, CN has supplied all information required for the Government’s expanded grain monitoring program, as mandated by amendments made last August to the *Transportation Information Regulations*. This includes a range of new information on CN grain movements to North American destinations and on grain car order fulfillment. CN has also responded fully and promptly to requests from Canada’s Minister of Agriculture & Agri-Food and Transport for supplementary detailed information beyond what the newly developed regulations require.

CN does not accept the Ag Transport Coalition’s analysis and claims regarding cars supplied, outstanding orders and railway dwell times, which are neither comprehensive nor transparent. For example, CN has actually supplied 127,894 or 36% more covered hoppers than the Ag Transport Coalition has indicated over the 27-week period covered by its latest report³. The Coalition’s order fulfillment data is based at least partly on “phantom orders” carried in a “shadow order book” maintained by and only visible to the Ag Transport Coalition or its contractor.

In September 2014, CN instituted a new way of receiving and administering grain orders from grain companies and farmers. CN’s experience during the record 2013-14 crop year clearly established that unlimited car order requests provide an unreliable and misleading indicator of demand because some shippers can place “phantom” order requests. Indeed, by March 2014, the accumulation of so-called unfilled orders reached an unprecedented level, well beyond the capacity of the overall supply chain. Tens of thousands of these orders wound up being cancelled over the remainder of the 2013-14 crop year.

² Waitlist status and service plan summary are also published weekly in CN’s Western Canada Grain Order Book, available online.

³ Ag Transport Coalition Weekly Performance Update – To Grain Week 27 (CY 2014)

CN's ordering system⁴ now requires that:

- All valid car order requests must now specify the origin and the destination unloading facility (for destinations served by CN), or the interline gateway (for destinations served by another railway). Requests for port destinations must have Terminal Authorization, which signifies the unloading facility operator undertakes to receive and unload the cars when delivered. (Previously, requests for port destinations did not require Terminal Authorization, and requests for non-port destinations did not have to specify the destination facility or gateway.)
- The total number of outstanding order requests (i.e., requests for the current want week or an earlier want week) must not exceed twice the car spot capacity for each loading facility (or, for producer cars which are loaded by farmers, not more than twice the car spot capacity of the loading site). For a larger grain shipper, total order requests at all of its loading facilities must not exceed two weeks' worth of base car allocation. (Previously, the number of outstanding order requests for a loading facility/site had been unlimited, with many customers grossly exaggerating their order level.)
- Order requests representing twice the car-spot capacity for each loading facility, or two weeks of demand for larger grain shippers, provide CN with ample forward visibility to plan service and deployment of its assets and resources at times when the grain supply chain is in high gear, and provide grain shippers with the means to communicate priorities. If these order request thresholds are exceeded, CN expects a grain shipper to reduce or remove car order requests from the Grain Car Order Book to stay in line with these limits. If no action is taken, CN will proceed to remove orders so that the total remains in line with these thresholds.

CN's new ordering system – a major step forward -- promotes more effective communication of week-to-week priorities among grain shippers, operators of unloading facilities, and has produced a meaningful accountability in the order process.

March 4, 2015

⁴ As described in "Passport 2015" Tariff CN 9000-U, at page 7, available to public at: [http://ecprod.cn.ca/velocity/eDistribution/english/public/PriceDocuments?URL=PriceDocuments&ACTION=DisplayDocumentOtherVersions&DOCUMENT_REFERENCE_NUMBER=CN+T+9000+\(En\)](http://ecprod.cn.ca/velocity/eDistribution/english/public/PriceDocuments?URL=PriceDocuments&ACTION=DisplayDocumentOtherVersions&DOCUMENT_REFERENCE_NUMBER=CN+T+9000+(En))