



**MAKING THE RIGHT MOVES**  
OUR CHALLENGES. OUR IMAGE. OUR FUTURE



# Greg Yont

Vice President  
Agrium Wholesale Global Logistics

## Challenges in the Transportation Sector



*The*  
**Fertilizer Institute**  
Nourish, Replenish, Grow



**Fertilizer Industry  
Round Table**



## Challenges in the Transportation Sector

Greg Yont, Agrium Wholesale Global Logistics VP

TFI Outlook Conference, November 18, 2014

# Forward-Looking Statements

Certain statements and other information included in this presentation constitute "forward-looking information" or "forward-looking statements" (collectively, "FLS"). All statements in this presentation, other than those relating to historical information or current conditions, are FLS, including, but not limited to, statements as to expectations with respect to future crop and crop input volumes, transportation policies and performance, demand, margins, prices and sales; business and financial prospects. The FLS included in this presentation are based on certain assumptions made by us and all FLS are qualified by the assumptions that are stated or inherent in such FLS. Investors should not place undue reliance on these assumptions and such FLS.

FLS are subject to various risks and uncertainties which could cause results and experience to differ materially from the anticipated results or expectations expressed. The key risks and uncertainties include, but are not limited to: general economic, market and business conditions, weather conditions; crop and other commodity prices; the supply and demand and price levels for major products; governmental and regulatory requirements and actions by governmental authorities, including changes in government policy, government ownership requirements, changes in environmental, tax and other laws or regulations and the interpretation thereof, and political risks.

## 2014 – tough year for Transportation



## Looking ahead

Farmers Almanac says 'below normal temperatures'

**CURRENT  
PATTERN**

POLAR  
**L**  
VORTEX  
ARCTIC BLAST



# Outline

1

- Transportation Demand overview

2

- Freight Supply overview

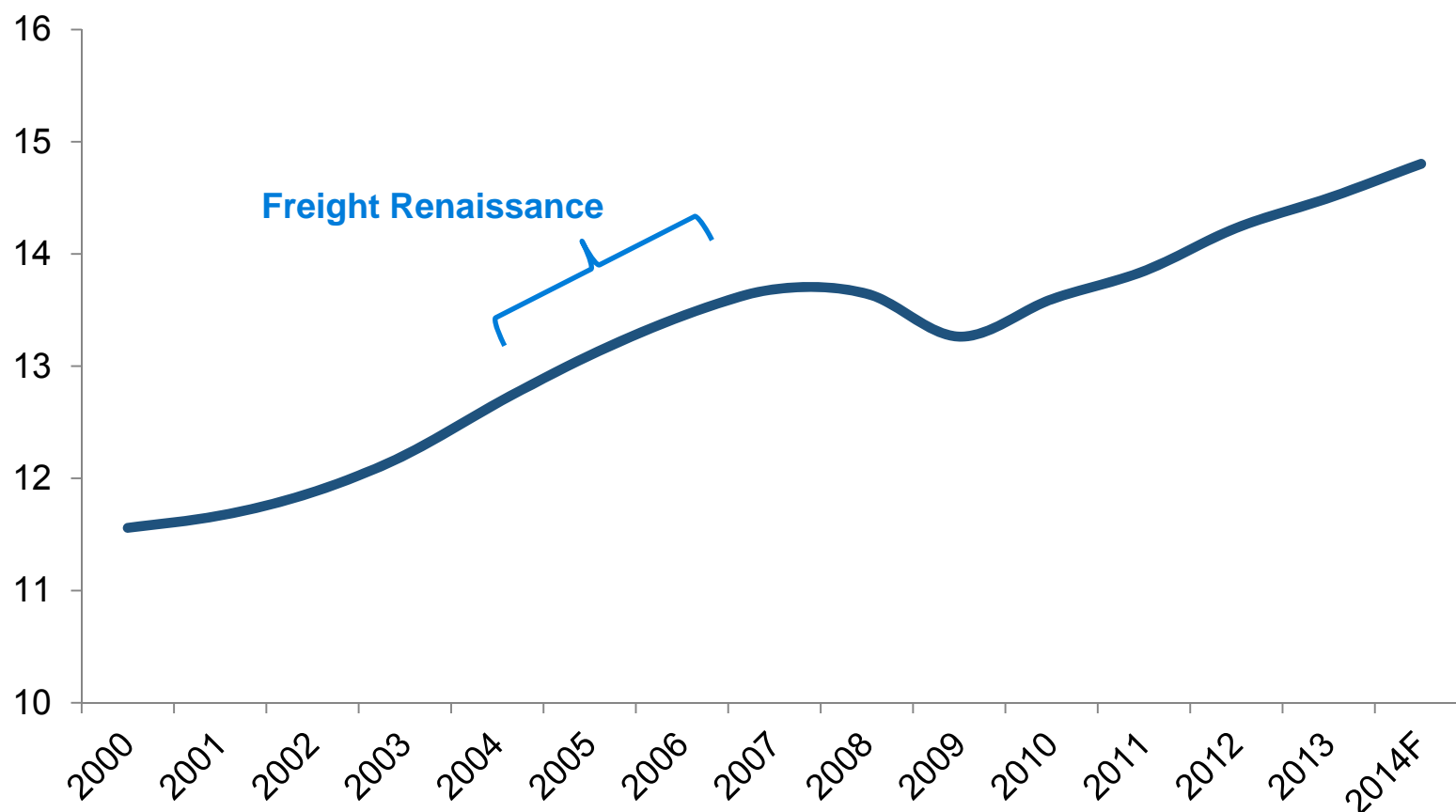
3

- Increasing Capacity

# U.S. GDP

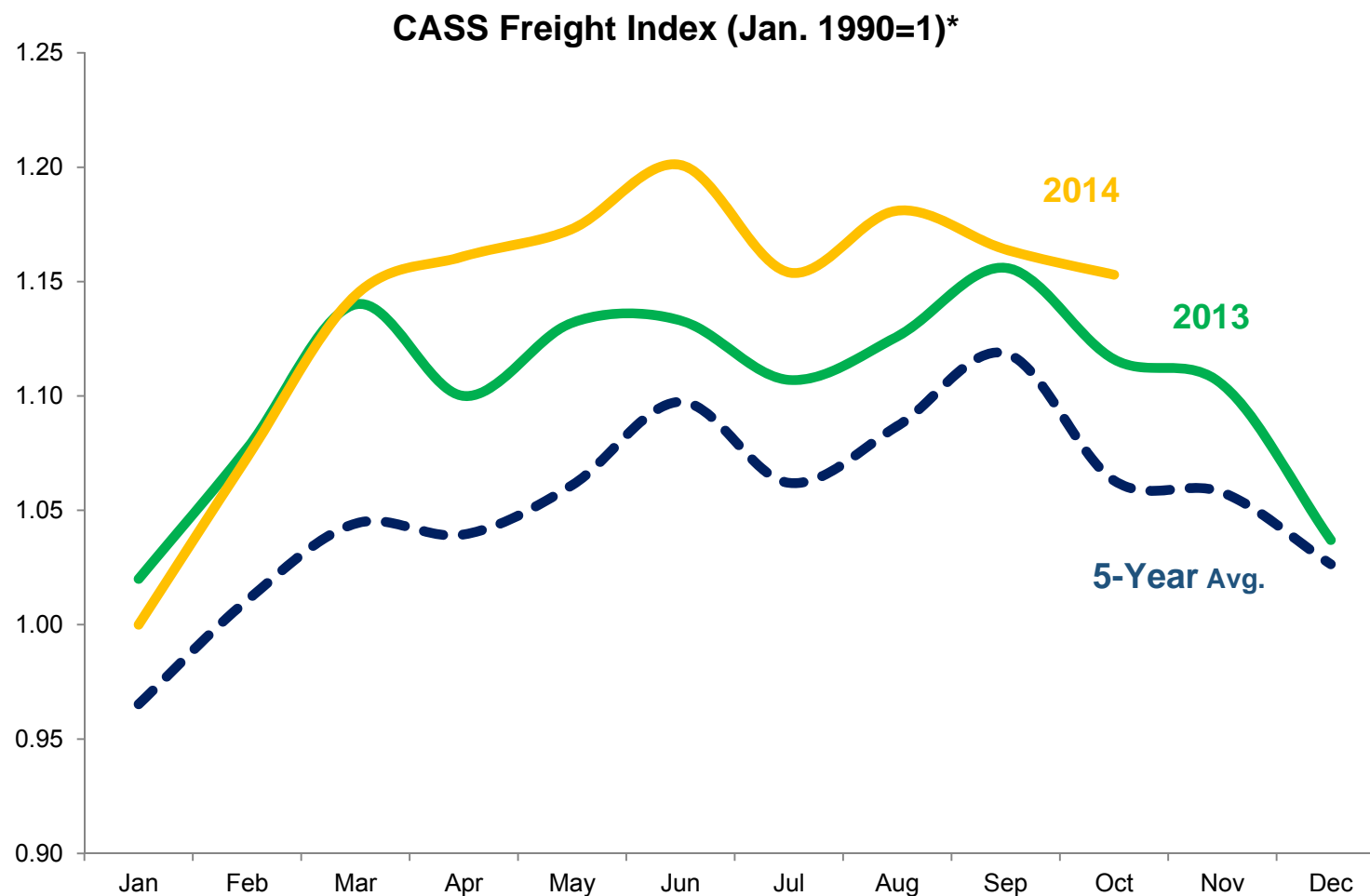
- GDP growth since 2009 has exceeded the growth from 2003-2008

**U.S. Real GDP (trillion 2005 \$)**



Source: World Bank

# Freight Volumes well above recent history



Source: CASS Information Systems

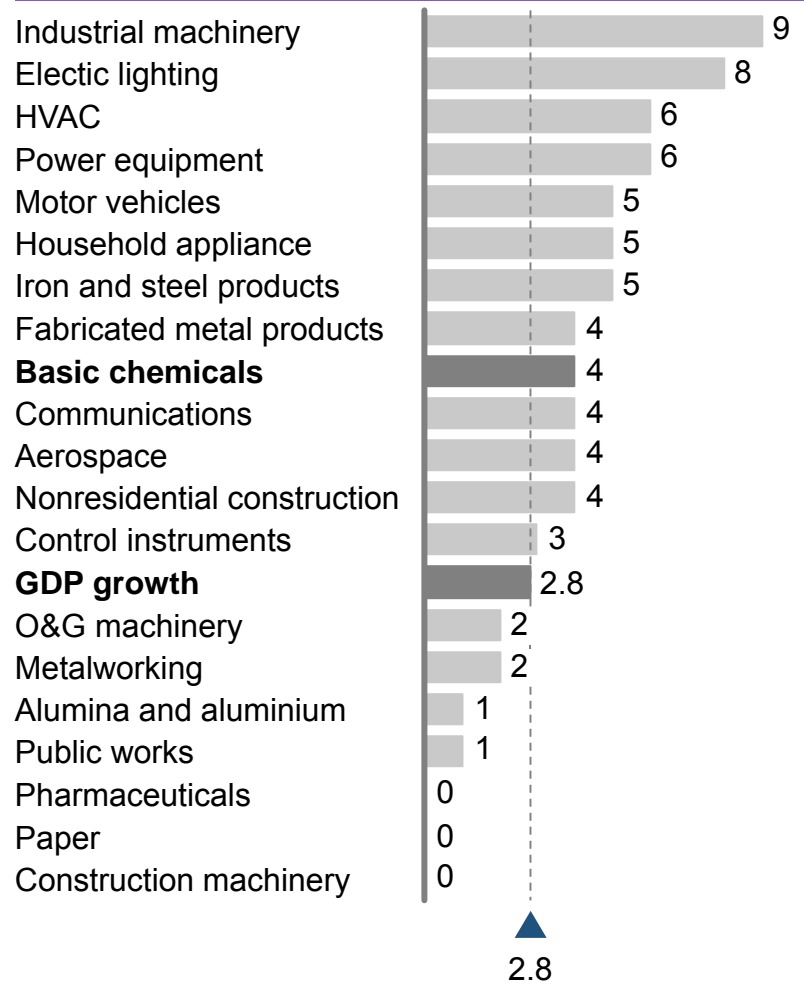
\*The CASS freight index is an index of volumes shipped by the CASS client base, including consumer packaged goods, food, automotive, chemical, OEM, retail and heavy equipment.



# Growth in manufacturing output is outpacing GDP

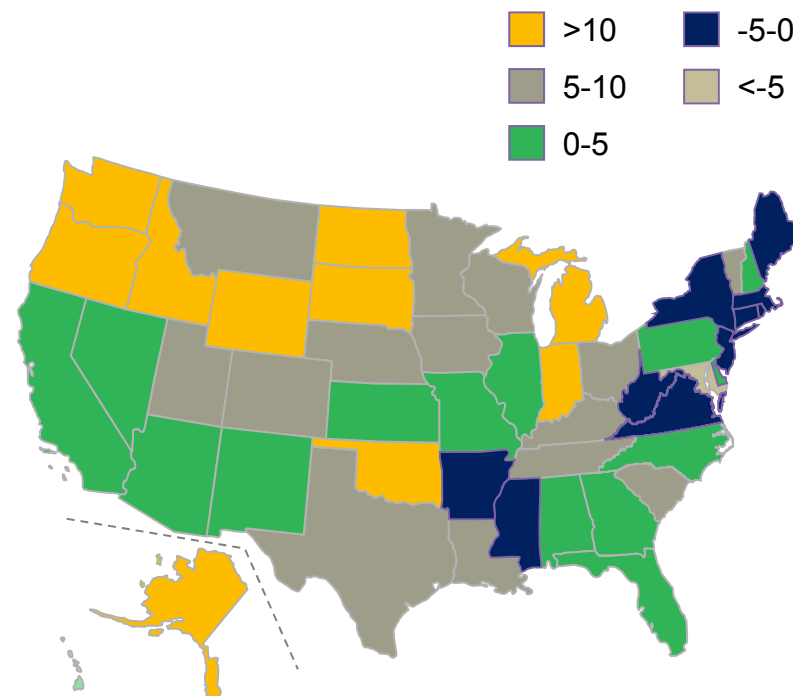
## Growth in US manufacturing output

2014, Percent



## Growth in manufacturing employment

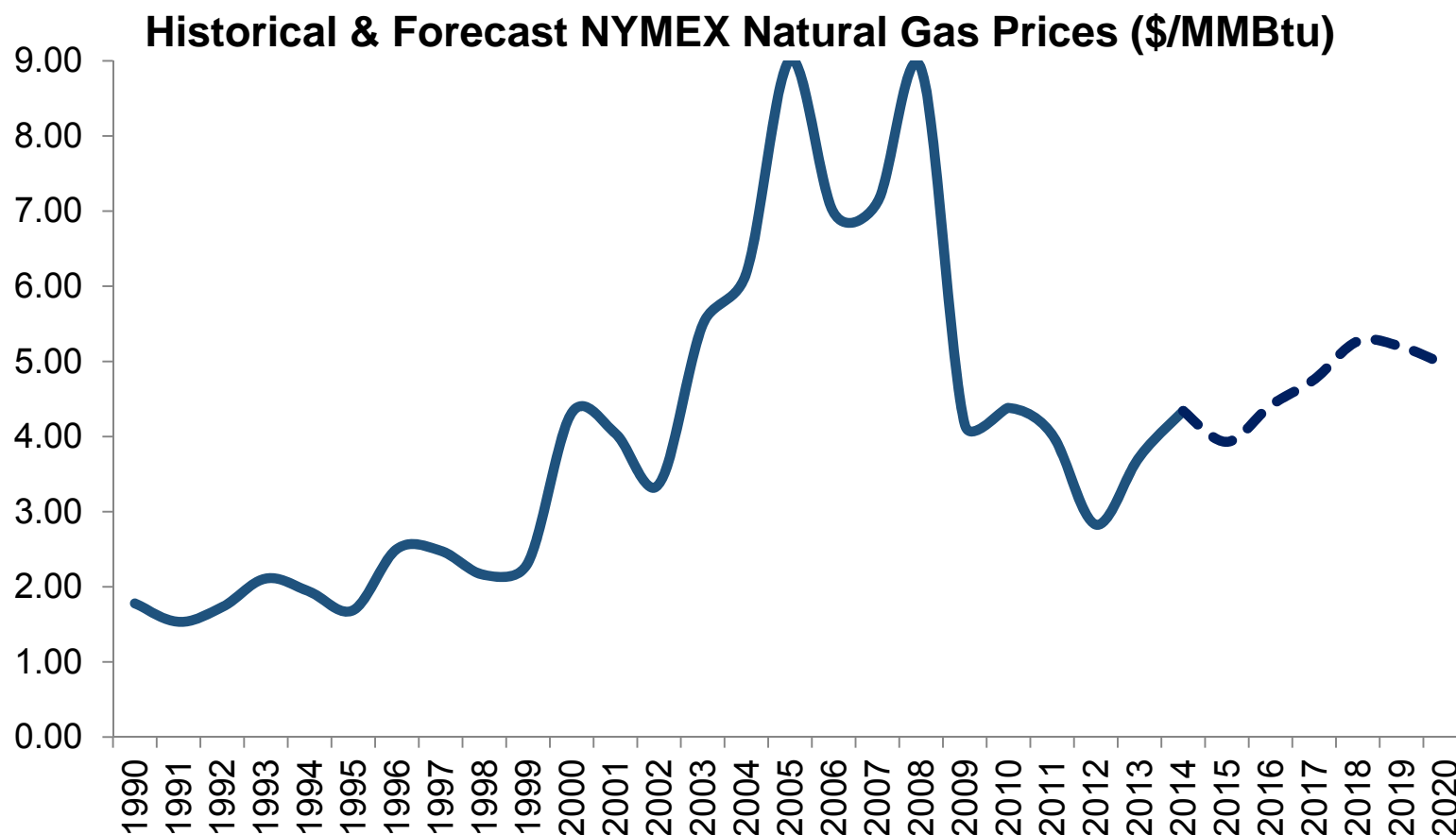
2009 – 2014, Percent



### Growth driven by

- Proximity to customers
- Falling difference in labor costs
- Low energy costs

# Lower Natural Gas Prices Fuel Industrial Resurgence

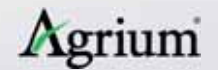


Source: Bloomberg, U.S. EIA, Agrium

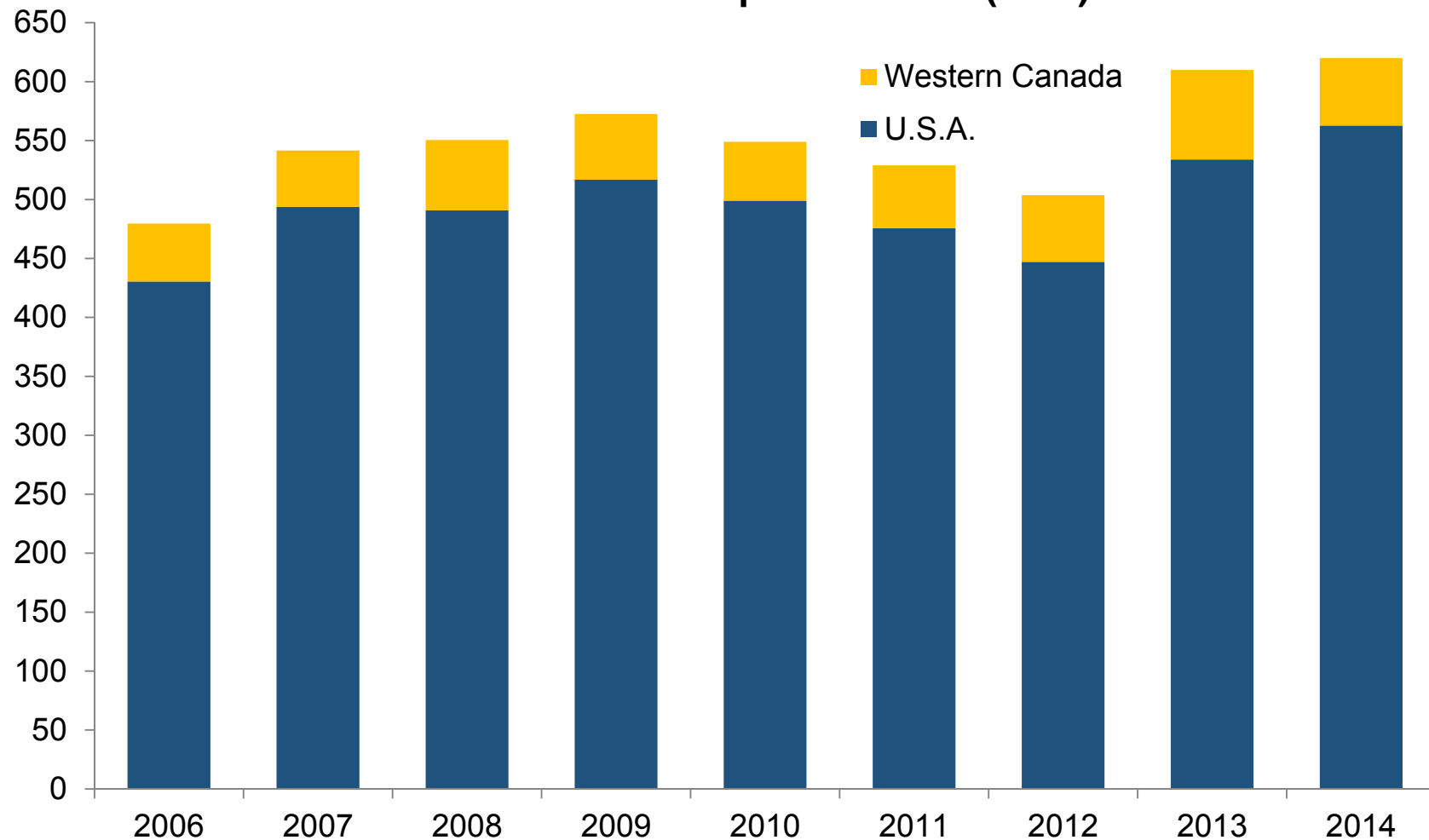


*\*Faded shapes indicate proposed projects, solid shapes indicate probable projects*

# Record North American Crop Production in 2013 & 2014

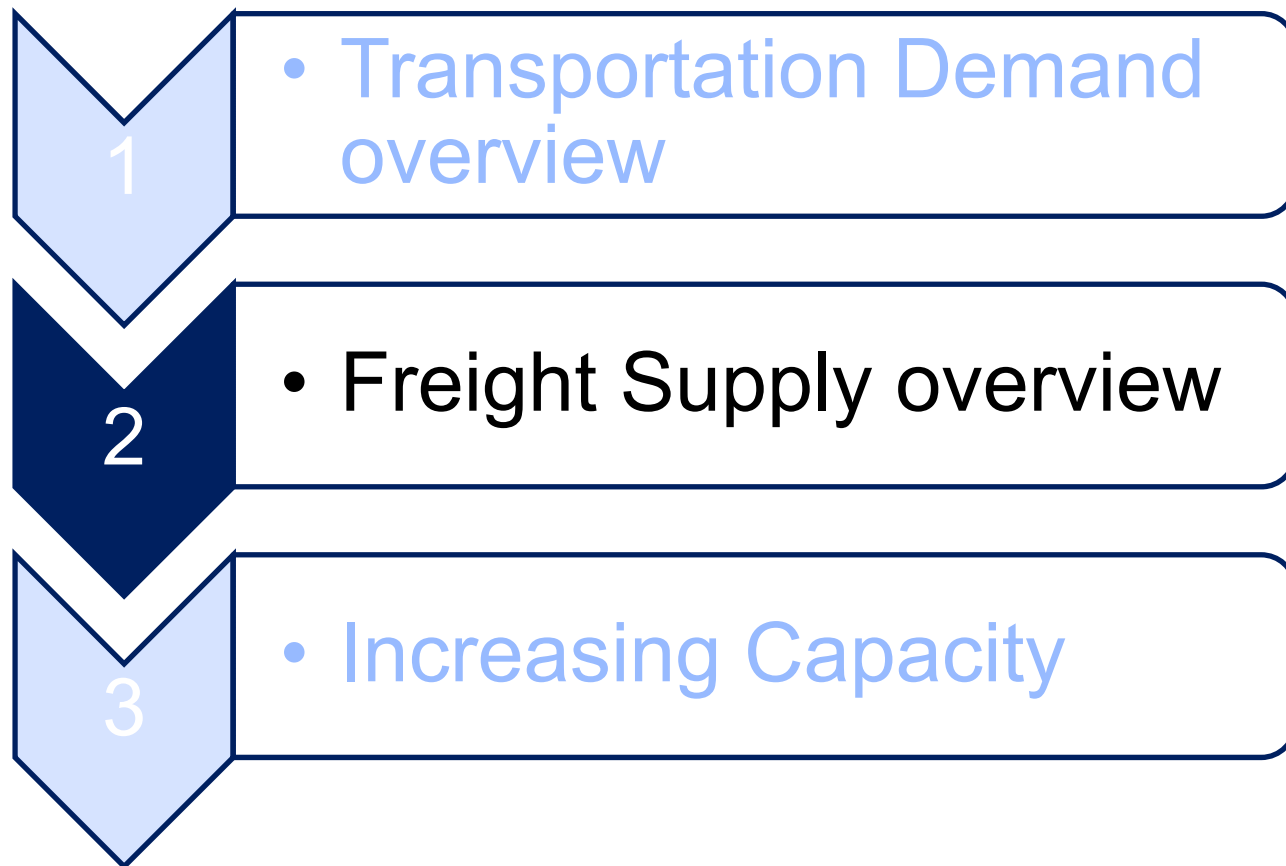


**North American Crop Production (mmt)**







Source: USDA, Agrium

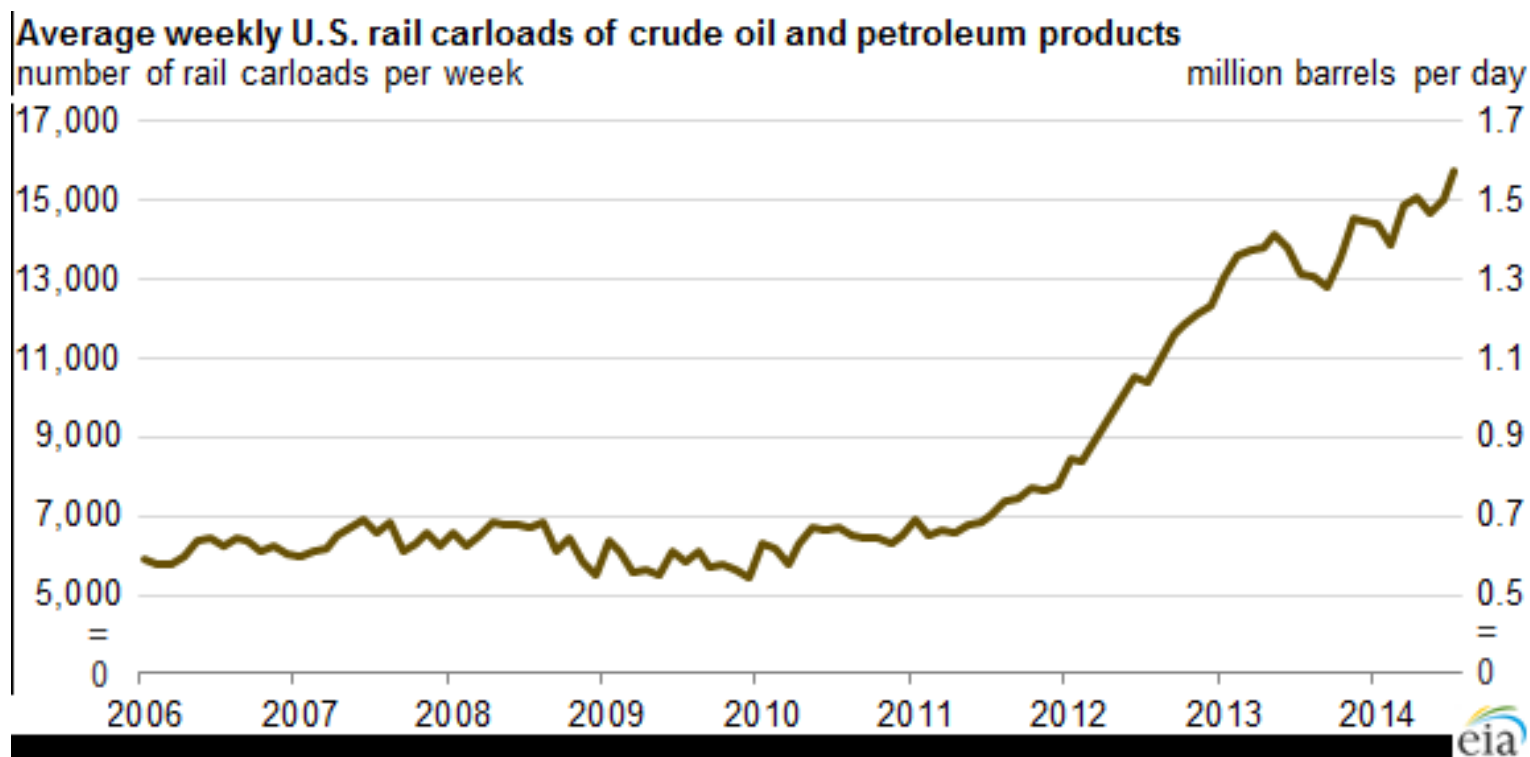
# Outline



# Freight Supply

	Capacity driver	challenges
	<ul style="list-style-type: none"> <li>• General economic activity</li> <li>• Crude oil</li> <li>• Grain</li> <li>• Coal</li> </ul>	<ul style="list-style-type: none"> <li>• Capital intensive</li> <li>• Regulation</li> <li>• Workforce</li> </ul>
	<ul style="list-style-type: none"> <li>• General economic activity</li> <li>• Conversion from other modes</li> </ul>	<ul style="list-style-type: none"> <li>• Road congestion</li> <li>• Regulation</li> <li>• Workforce</li> </ul>
	<ul style="list-style-type: none"> <li>• Import / export activity</li> <li>• Petroleum</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• Regulation</li> <li>• Waterfront perceptions</li> </ul>
	<ul style="list-style-type: none"> <li>• Resource development</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation</li> <li>• Public perception</li> </ul>

# Crude Oil Movement



Source: U.S. Energy Information Administration, based on Association of American Railroads

# Rail

## Demand

- Crude Oil shipments increasing dramatically, but small percentage of total
- Huge US Grain crop, return to historical in Canada
- Coal off historical, but close to 2013
- Intermodal growing with economy

## Supply

- Railroads continue to invest at increasing levels, \$26 billion forecast for 2014
- Car manufacturers delivering at capacity

## Challenges

- Mandates for grain movement do not create capacity
- Investment in PTC not expected to create capacity
- Railcar supply challenged by renewal and regulation



# Truck

## Demand

- Freight volumes running
- Shift from rail

## Supply

- Driver shortages
- New equipment standards

## Challenges

- Hours of Service legislation impacting productivity
- Roadway congestion / condition

# Inland Marine and Ports

## **Demand**

- Most ports are running near capacity

## **Supply**

- Terminal connections / congestion

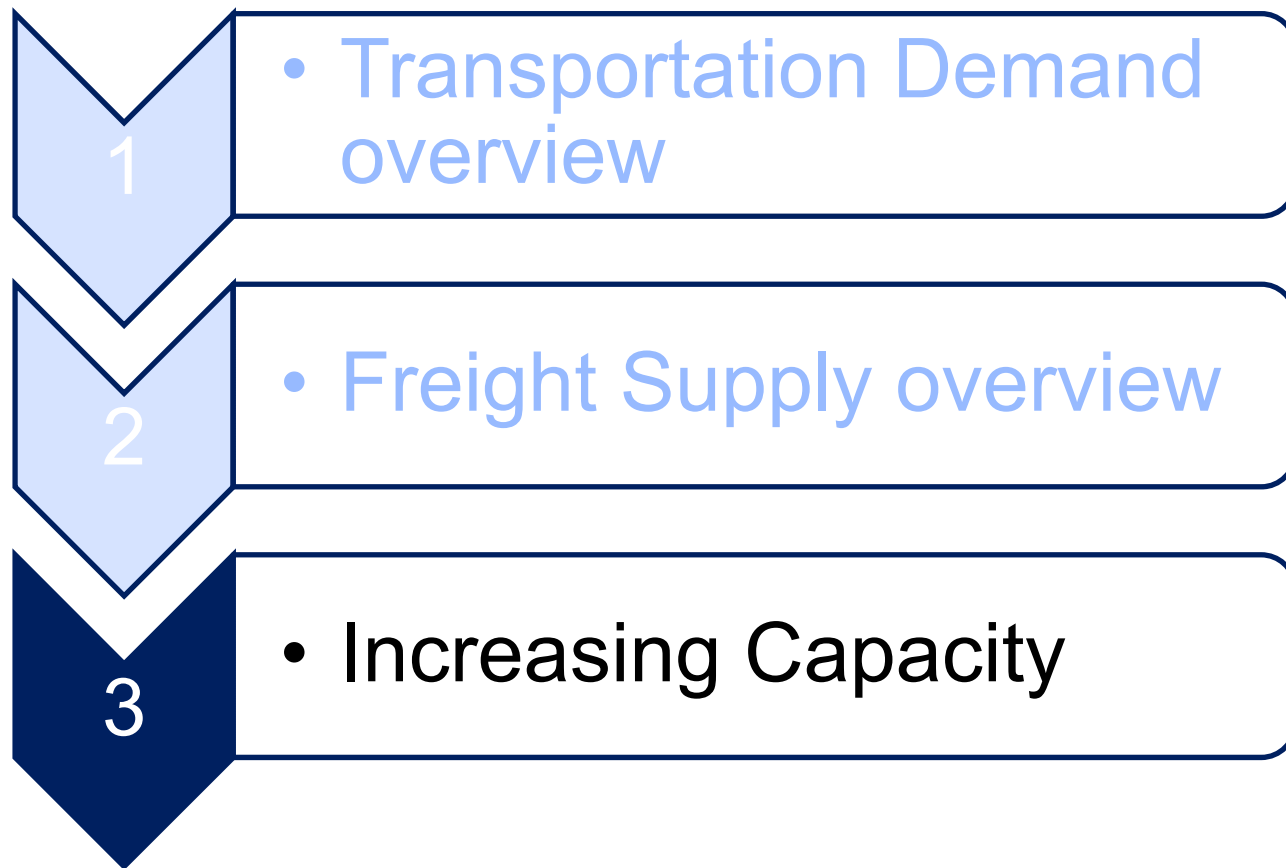
## **Challenges**

- New investment faces multiple barriers: cost, public perception

So what do we do?



# Outline



## Increasing Capacity

### Investment

- Public Infrastructure
- Private assets

### Efficiency

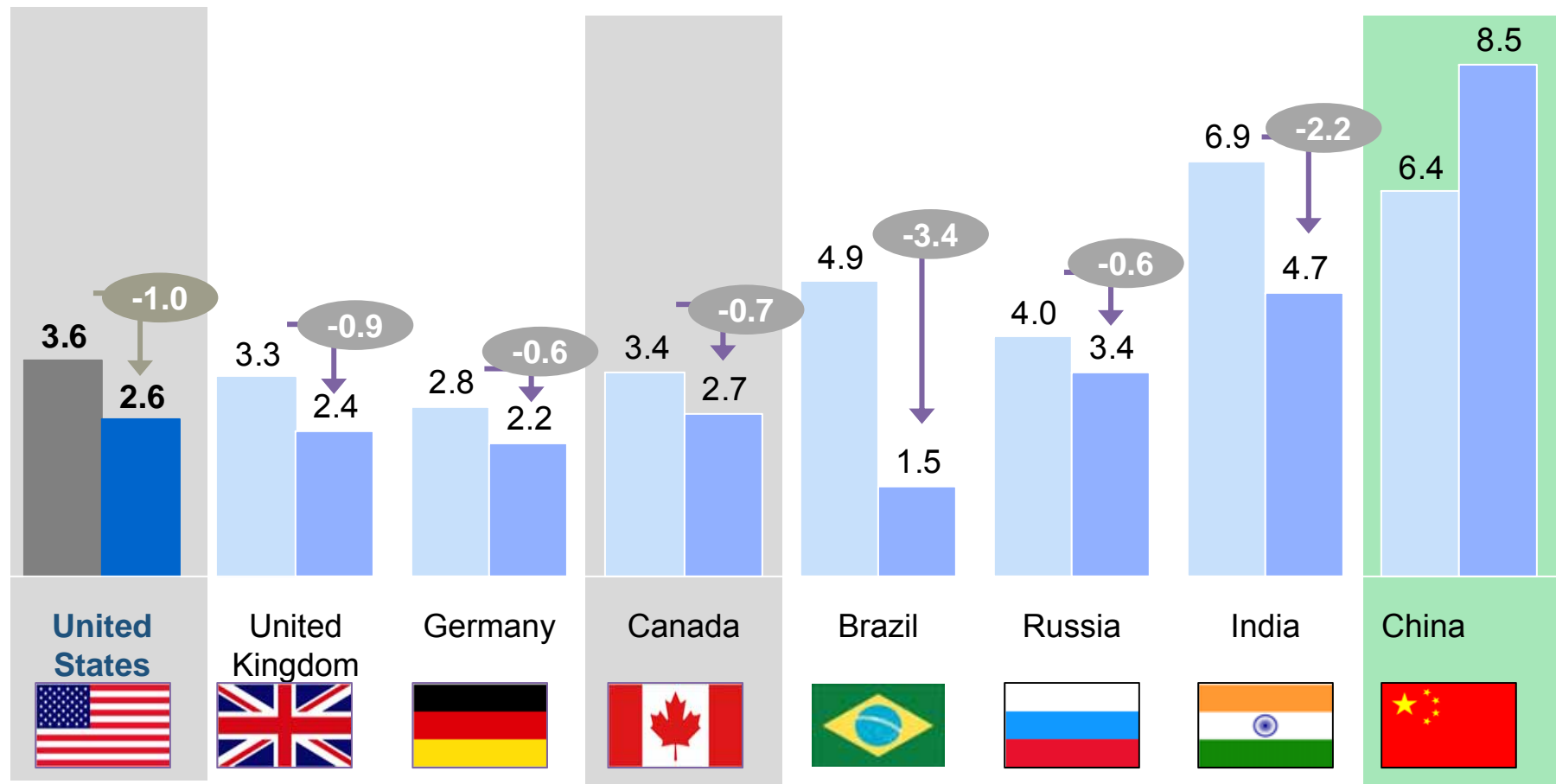
- Flow
- Leveling

# North America must raise infrastructure spending

## Gap between historical spend and estimated future spending need

Percentage of GDP

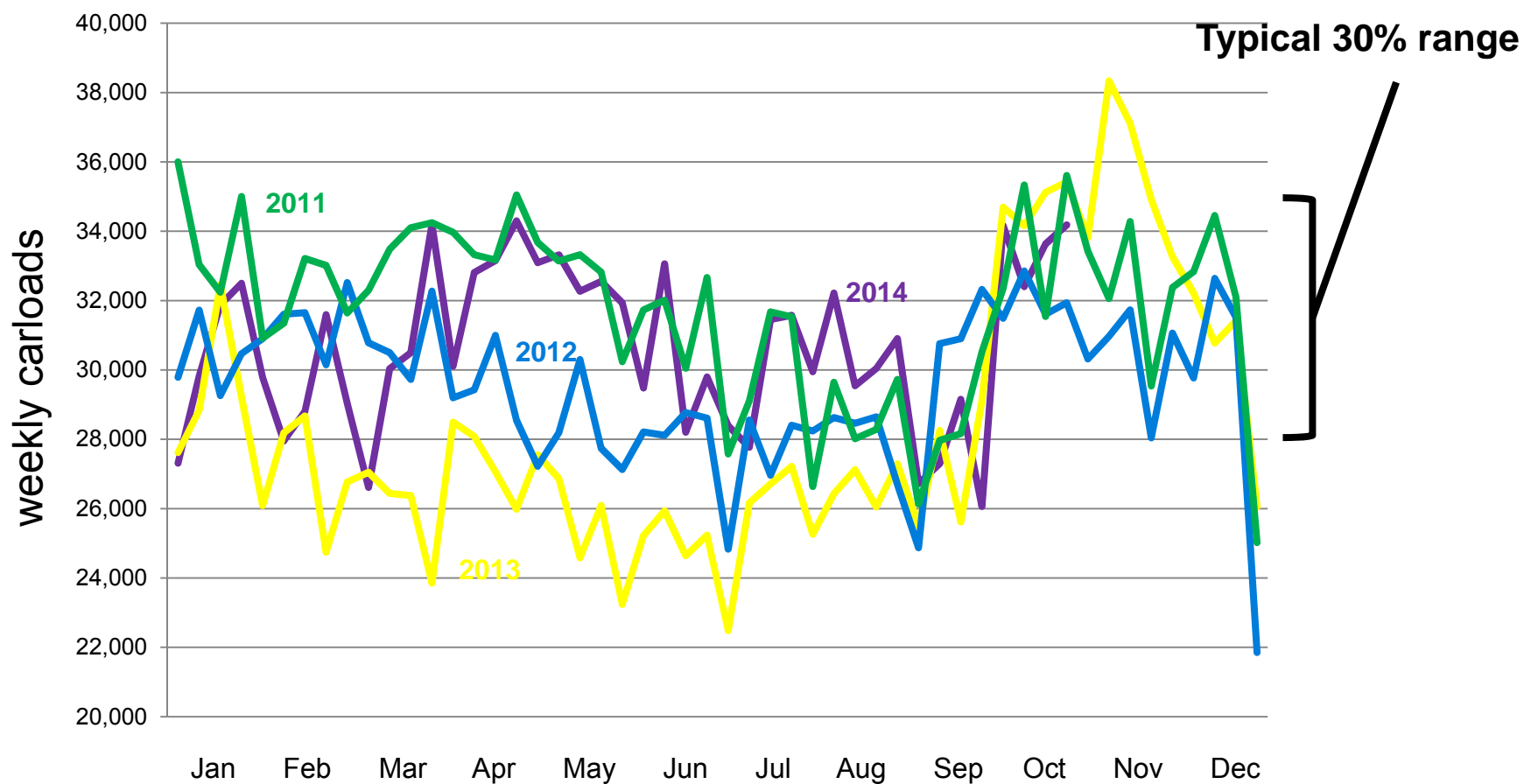
■ Estimated need  
■ Actual spend



SOURCE: McKinsey Global Institute

# Efficiency

## North American Rail Grain Movement



SOURCE: AAR

# Rapid Acceleration In Equipment Size & Adoption

- Farm consolidation continues: Fewer growers and increased farm size
- Significant investment in agricultural equipment by growers over the past five years

20 Years Ago: 30 foot planter



Now: 120 foot planter





Thank You!

**Questions?**