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**Statement of Hal Clemensen
Farmer and President of the Board of Directors
of South Dakota Wheat Growers
at Surface Transportation Board Public Meeting
on United States Rail Service Issues
STB Docket No. EP 724, April 10, 2014**

Good afternoon, Chairman Elliott and Vice Chairman Begeman. My name is Hal Clemensen. I am a third-generation family farmer from Conde, in northeast South Dakota, where we raise corn, soybeans and wheat on 3,200 acres. I am also the President of the South Dakota Wheat Growers Board of Directors. I am speaking today on behalf of myself and Wheat Growers, the largest local, farmer-owned grain and agronomy cooperatives in the nation, with more than 17,000 owners in North and South Dakota. Thank you for this opportunity to discuss the growing crisis agriculture is facing over the lack of timely rail service to ship our grain to domestic and foreign markets and bring in needed inputs for spring planting. Today I will share with you the impact this situation has had on me, my fellow farmers and our cooperative.

Wheat Growers annually handles over 160-million bushels of grain and 400,000 tons of fertilizer through our network of grain elevators and agronomy centers. But our system is now being strangled by a lack of dependable, timely rail service that is creating economic hardship and frustration on the grain side and uncertainty and anxiety on the agronomy side.

Continued poor performance by the Burlington Northern Santa Fe (BNSF) and Canadian Pacific (CP) railroads in meeting grain handling and agronomy input demands have a direct effect on the prices Wheat Growers member-owners and I receive for grain and the price we pay for fertilizer this spring.

Agriculture in the Dakotas and the upper Midwest is critically dependent on reliable rail service. Our distance to markets makes trucks not viable, and without navigable rivers in the Dakotas, barges are not an alternative. Grain must ship a great distance, and inputs such as fertilizer must come from equally great distances. Rail is the only viable mode of transportation for these bulk commodities.

North and South Dakota are served primarily by the BNSF and, the CP railroads. We have seen a deterioration of service with both carriers.

This past fall, we saw shuttle train cycle times dramatically slow down. Shuttles we load at harvest generally ship to the Pacific Northwest (PNW) export market via the BNSF. A typical cycle time for loading at origin in South Dakota, shipping to the PNW, unloading at a destination elevator, and then returning to South Dakota for the next loading generally takes about 12 to 13 days. Normally, a grain shuttle will load an average of 2.5 times per month and "cycle" back. However, this fall, the shuttles cycled in an average of 18 to 20 days or 1.5 trips per month. This increased cycle time, effectively reduced the amount of grain shipped by a given shuttle by 40 percent! In fact today, our cycle times still continue to deteriorate. Our current cycle times have pushed out to 24 days or only 1.3 trips per month here in early April.

The amount of time a shuttle sits at one of our facilities, waiting on the railroad after being loaded, (in 15 hours or less), accounted for most of the delay. Prior to this year, origin dwell times generally were less than one day. However, we have seen individual shuttles sit at origin for up to 10 days. Overall, dwell times have averaged over 5 days. I don't know how these averages compare to other industries.

Because of the railroads' slow performance, the grain handling industry, such as our cooperative, suffered economic losses. Wheat Growers purchased expensive shuttle trips in the secondary market to offset the slow cycle times of the primary shuttles we owned. Going into harvest, our elevators had purchased grain from farmers for harvest time delivery. Sales were made to grain buyers and shuttles positioned to ship that grain. Those shuttles did not cycle timely on the railroad lines and elevators like ours were forced to buy additional shuttle trips, increasing costs that could not be passed on to the market retroactively. The costs of purchasing additional shuttle trips since harvest have ranged from \$1,000 per car to \$6,000 per car and have averaged nearly \$3,500 per car in the secondary market. This is an additional cost of approximately 88 cents per bushel that is paid above and beyond the tariff freight rate for the haulage.

The slow cycle times continue, and now farmers like me are seeing lower prices paid at elevators as the market adjusts the price due to higher shuttle costs. The basis price for corn in our North and South Dakota trade area is now approximately 50 cents per bushel less than the average of the prior two years. To put this into perspective, if this rail crisis reduces the prices we as farmers receive for our grain by 50 cents per bushel and with annual production

1.8 Billion bushels of corn, soybeans, and wheat in the Dakotas the cost to us as farmers is \$900 Million annually. An even more dramatic impact to my farming operation would be if my fertilizer supply does not arrive in time to effectively fertilize my crops this spring.

The Canadian Pacific (CP) situation is also dramatically poor. In the North Dakota portion of our trade area, the CP has experienced similar slowness of cycle times. In South Dakota, (where the CP does not run shuttles) the CP railroad has recently sold the portion of the line that crosses the state to a short-line operator and expects to close on that transaction in the next couple of months. However, as of early April, we still have not received all of our January car orders, nor any of our February, March or April car orders. The CP is behind by 1,900 cars to Wheat Growers alone! Since the first of the year, we have received an average of only 38 cars per week from the CP against an average of 350 cars ordered per week and every week the backlog builds.

It is soon planting time in the Dakotas, and fertilizer needs to reach my farm and others this spring. I have pre-paid for my fertilizer needs for the year, but now I'm wondering if the railroad will be able to deliver. It's yet another economic crunch that is hitting us all. Fertilizer supply is also heavily dependent on rail; for example: North and South Dakota need the equivalent of 2.5 million tons of urea nitrogen fertilizer for spring planting this year. If this moves by rail, that's equivalent to 26,000 railcars. But if we had to rely on trucks to deliver that same amount, it would require over 100,000 truckloads of fertilizer shipped from great distances in a very tight delivery window. Without dependable rail service, crop production this spring will be in jeopardy.

The BNSF has been the premier U.S. rail operator over the past decade. We truly hope that the recent congestion and slowing rail service issues can be solved quickly, and they can meet or exceed prior performance standards. Wheat Growers applauds the BNSF's recent willingness to meet with the industry, communicate with their customers and make their operating metrics more transparent. We also appreciate their announced capital improvements – although we believe much more is needed in the northern corridor.

Wheat Growers implores the Surface Transportation Board to protect agriculture's access to, and utilization of, the constrained rail capacity that this crisis brings. We do not want to see agricultural traffic de-prioritized or, worse yet, de-marketed. Agriculture has been a significant driver of this country's economic recovery, and any loss of service will set back the economic momentum that this key sector of our economy delivers.

We would also ask the board to stay vigilant in monitoring the Canadian Pacific, as the line in South Dakota is transitioned to a new owner. Until the ownership changes and the operating system rolls over to the new owner, the CP still has an obligation to service the line and should not be able to simply walk away from the backlog of cars they have generated this winter. We do not want to see the CP prematurely transferring assets such as cars and locomotives from South Dakota to other regions they intend to serve in the future.

On behalf of myself and our cooperative, I urge you to continue to make sure agriculture's needs are heard and addressed. Dependable, timely railroad service is critical to our economic survival so we can continue the cycle of producing, harvesting and transporting grain from the upper Midwest to help feed a hungry world.

Thank you for this opportunity to express my views and concerns. I am prepared to respond to any questions the Board may have.