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September 4, 2014  
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**North Dakota Grain Growers Association  
Surface Transportation Board  
Testimony re: Docket EP\_724\_0  
United States Rail Service Issues  
Hilton Garden Inn  
Fargo, North Dakota  
September 4, 2014  
8:00 a.m. Central time**

Chairman Elliott, Vice Chairman Miller, Surface Transportation Board Member Begeman; for the record my name is Brad Thykeson, Immediate Past President of the North Dakota Grain Growers Association. The North Dakota Grain Growers Association contracts with the North Dakota Wheat Commission and the North Dakota Barley Council to engage in domestic policy issues on behalf of North Dakota's 15,000 wheat farmer and 4,000 barley farmers in our state. NDGGA is also a participant in the BNSF National Ag Rail Business Council as well as in the North Dakota Ag Rail Business Council.

Timely, consistent rail transportation is critically important to the wheat and barley farmers of North Dakota. On-time market performance is essential in maintaining North Dakota's competitive edge in the foreign and domestic marketplace. On average 50 percent of North Dakota's wheat is marketed overseas; for the crop year 2014 that could amount to over 136 million bushels; without rail transportation that is dependable, consistent and affordable market opportunities, both foreign and domestic, are lost in the global marketplace. North Dakota farmers can't afford that, and they can't afford a grain/transportation/commodity end user system that fails to meet the needs of today's agriculture.

All of us are very aware of the challenges commodity transportation has faced in North Dakota since October, 2013. A larger than anticipated crop, bad weather, market collapse, rail service delays, freight management, increased rail capacity in other rail business sectors are all part of the challenge of marketing the 2013-2014 crop. We know the challenges; now we need to work together to find solutions.

*NDGGA provides a voice for wheat and barley producers on domestic policy issues – such as crop insurance, disaster assistance and the Farm Bill – while serving as a source for agronomic and crop marketing education for its members.*

First and foremost we need a solid commitment by the rail industry to agriculture. We've all heard that railroads continue their obligation to serve the agriculture industry but that is a hard sell when one observes oil train after oil train, coal train after coal train, running down the tracks while waiting to deliver grain to an elevator that is plugged. In June, 2014, 15 percent or 35 million bushels of the 2013 spring wheat crop remained on the farm; farmers inability to sell and to deliver created cash flow problems that in some cases continue today. Given current market conditions delivery problems in 2014 will negatively impact cash flows causing unnecessary strain on the North Dakota farm economy.

To be sure the railroad industry has attempted to address rail service needs. Capital and manpower upgrades will provide shippers of all kinds improved infrastructure with which to move their products. However as the demands of the railroad industries other business units increase it is critical that agriculture not get lost in the shuffle. NDGGA has said this many times, ag was here first, it will be here last, and the railroad's agricultural commitment must be maintained.

Second, communications between shippers and farmers is a key component of success in agriculture. Programs such as the BNSF Ombudsman Program have provided both farmers and shippers an avenue for communications with railroad operations as well as a "sounding board" for frustrations. Additionally organizations such as the National Ag Rail Business Council and the North Dakota Ag Rail Business Council allow stakeholders the ability to communicate with railroad officials to express needs and concerns. The STB may want to consider the formation of a national rail ombudsman program as a means of outreach to all agricultural shipping stakeholders.

Third, transparency is essential between farmers, shippers and railroads. It is critically important that the weekly railroad reports remain in place; the reports give stakeholders an accurate measure to railroad logistics. This transparency allows for better and more accurate freight planning.

Fourth, better freight management is needed. Rail service issues coupled with inadequate freight planning caused basis levels to soar in the 2013-2014 crop year; that phenomenon has also carried over to 2014-2015. Many factors contribute to basis but in looking at the February 2015 wheat marketing month you will find conservative basis levels which border on the worst case scenarios over average February basis levels seen from 2009-2010, 2010-2011, 2011-2012, and 2012-2013 crop years. Additionally secondary freight costs in 2013-2014 skyrocketed due in no small part to freight management. Farmers pay the freight; they shouldn't be expected to pay for mistakes.

Finally, input availability is crucial as we move forward toward 2015. The Surface Transportation Board is to be commended for its actions to ensure fertilizer availability this past spring. In the future near-term propane availability will be essential to finish this crop year. As we look forward to 2015 farm input availability

by rail such as fertilizer will once again be a dominant issue. Timeliness of deliveries is important; farmers must be assured that farm inputs won't take a back seat when it comes to delivery.

Orderly transportation is the lifeblood of agriculture; without it the competitive market advantage that makes American agriculture the envy of the world is lost. We must work together, farmers, shippers, railroads, government, to find solutions to the transportation challenges we face. The North Dakota Grain Growers Association stands ready to work together to find the solutions to help meet the needs of today's agriculture.