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**Testimony
Of**

Kevin Skunes

**On Behalf
of the**

North Dakota Corn Growers Association

**Before the
Surface Transportation Board**

Thursday, September 4, 2014

8:00 a.m.

Hilton Garden Inn

4351 17th Ave S, Fargo, ND 58103

Chairman Elliott, Vice-Chairman Miller, and Board Member Begeman:

On behalf of the North Dakota Corn Growers Association (NDCGA), let me thank you for this opportunity to testify on an issue so important to us. The NDCGA is a 1,300 member organization whose mission is “Growing a healthy, profitable business climate for northern corn.” As a part of this mission, we engage in public policy participation, such as important events like here today. We understand both the frustrations and the opportunities in the transportation of our product, and we wish to offer examples of how this is affecting us.

A bit of personal background: I am Kevin Skunes, and I own and operate a 5,000 acre farm in Cass County, North Dakota. I am a fourth generation farmer, and like many other members of the NDCGA I raise a variety of crops, including soybeans, wheat, edible beans and, of course, corn. As such, my livelihood (along with thousands of others like me) depends on safe, reliable, cost-effective delivery of products to the markets demanding them. This is not a new situation – but, sadly, it is one that currently has become a crisis. The lack of rail cars and the inability to rectify this emergency by the shippers is harming our country and the world.

In 2013, North Dakota growers produced 396 million bushels of corn. That is a huge number. Today, another huge number looms over us: 10%. That is approximately how much our product is *behind* the historical average in movements. To look at this another way, it equates to somewhere in the area of **10,000 rail cars** off of where we normally are – and that’s just for corn. While we understand that not all corn is shipped by rail, and that market conditions and other variables can also play a factor, the *clear reason* for this disturbance in the usual trend is because of the inability of shippers to get rail cars.

This means for every bushel of corn that could be feeding or fueling our nation, a huge amount of it is just stuck someplace. It's in an elevator, shoved in a bin on the farm – or even worse – rotting on the ground. Countless hours of labor have gone into producing this modern wonder of both nutrition and energy...and yet it sits wasting away.

This has not gone unnoticed by our elected officials. Because of the outpouring of concern by people in the Ag industry, Senator Heidi Heitkamp of North Dakota requested that the Department of Agribusiness and Applied Economics at North Dakota State University look at rail transportation problems in North Dakota. The Department used an analysis to measure changes in the local cash market basis levels. The *nearby basis* – which is the difference between the local cash price for immediate grain delivery, and the price for the corresponding futures market contract which is closest to today's date – was used for the study.

The results the study showed were startling. (I should note at this point that this study was limited to corn, soybeans, and wheat, and does not include many of the other crops grown in North Dakota.) The research by NDSU showed that *“there has been an approximately **\$66.6 million dollar loss** in North Dakota farm level revenue for crops that were sold from January through April, 2014.”* The researchers further noted that *“there is the potential for an additional **\$95.4 million dollars in lost farm revenue**, from the sale of on-farm grain stocks, if crop basis levels remain at current levels.”*

They also indicated that these amounts are *conservative* estimates, because their analysis was limited to spring wheat, corn and soybean, and didn't include any potential losses for the sale of durum wheat, barley, sunflower, canola, field pea, lentils, dry edible beans, flax, oats or food grade soybeans.

Imagine, just for a moment, the actual dollar amounts being lost when all of these crops are added together. Those true numbers are shocking, and saddening.

Let me also add, it isn't just those of us who are Ag producers that are feeling the pinch. In a recent New York Times article, food companies said they are also showing the effects of the delayed shipments due to the rail problems. General Mills, based in our neighboring state of Minnesota, told investors earlier this year that they'd lost **62 days of production** in the quarter that ended in February of this year because of logistics problems, including rail-car congestion. Cargill, another Minnesota-based food giant, reported a drop in net earnings that it attributed in part to "higher costs related to rail-car shortages."

Members of the Surface Transportation Board, as the NDSU transportation study notes: *"North Dakota agriculture is heavily dependent upon an efficient and timely logistics and transportation system. A reliable railroad infrastructure is a **key element** within that system. The state's agriculture is more dependent upon rail transportation than many other states. This is because a large portion of the production is shipped to processors and end users outside of North Dakota, and there are **limited alternatives** for high volume bulk shipments."*

Today, **real income is being lost by real families**. This is alarming – when you consider that our national economy is still recovering from its rough times. The 2014 corn crop will soon be harvested, but much of the 2013 crop is still sitting in storage. There is a looming threat that this year's crop may go to waste unless this railroad issue is fixed soon. While those of us who produce crops worry about the quality of our products deteriorating over time, we realize that the railroads don't have this problem. They get paid the same amount to haul our crops whether they are top quality, or just barely useable.

Because time equals financial loss for *us as producers*, I ask that you take action now. Please use your authority on behalf of the many women and men whose economic stability will be determined by whether or not the fruits of our labor can be converted to useable products. We can do so much better, and with your assistance we will continue to move ahead.

I would be remiss if I were to conclude my testimony without offering at least one step towards a solution. We've heard the railroads say they are working to correct delays, and I truly hope that is the case. Part of the reason why is because they have been required to submit to the Surface Transportation Board their statistics for the number of cars they are behind in shipping agricultural commodities. Let me suggest this: it would be a positive step, I believe, if the STB would also ask the shippers to provide similar figures for oil tanker cars. By disclosing weekly the train sets, the number of rail cars and locomotives dedicated to oil, and which direction the petroleum is being transported, you will have a base-line to compare whether each product (agriculture and petroleum) is being treated equally, as the railroads say they are. From there, you could use your best judgment on any actions needed to eliminate the need for future meetings like this one.

Once again, thank you very much for your willingness to listen. I would be happy to answer any questions you may have – either today or in the future as you work on our behalf to rectify this situation.