

Surface Transportation Board meeting, September 4, 2014, Fargo, ND

Testimony by Eric Broten, Dazey, ND, representing North Dakota Soybean Growers Association

Good Morning (afternoon) Chairman Elliott, Vice Chairman Miller, and Board Member Begeman. Thank you for coming to Fargo to discuss rail service. My name is Eric Broten and I am a farmer from Eastern North Dakota. I farm 90 miles west of Fargo. I have taken time today to speak with you on behalf of the North Dakota Soybean Growers Association and all farmers across the state that are dealing with transportation issues.

Where I farm, corn and soybeans have become a majority of what we grow. Our need for storage and transportation have increased due to the higher yields associated with corn. To address this issue on our farm, we have added 1.25 million bushels of storage in the past two years. Farmers in North Dakota need this storage capacity on farm because we have very extreme harvest conditions. Our local elevators do their best to work with producers and provide the best service they can, but with the ever-present weather threats, farmers are forced to harvest their crop as quickly as possible or risk losing it. During this increased harvest pressure, elevators will fill with grain and need timely trains to provide the storage needed to hold the entire crop. To address this issue, producers have started to build their own storage allowing them to dump directly into their bins without having to wait in line at the elevator or risk getting caught with their local elevator full and not be able to unload grain.

Another real issue on the horizon is that due to the increased basis in the upper Midwest and a lower cash price, a lot of 2013 grain stored in farmers' bins is still there. Yes, many elevators are going to be empty going into harvest but the built-in buffer of on-farm storage will run out almost immediately. This puts an increased demand on railroads for timely movement of the grain from these full elevators so producers can continue to harvest their grain before losing it to weather. To prepare for this, farmers have started to look for other ways to store their grain until the elevator has room. This may be piling grain on the ground, in equipment sheds, or in older, smaller, salvageable grain bins. Personally, on our farm we have been moving old crop grain around to provide as much room for new crop as possible. I am very concerned with the fact that we may have to use very small older bins or pile grain on the ground.

Traditionally our marketing doesn't require us to hold this much old crop, but like all farmers we fell victim to the basis. When we harvest we usually store our grain on farm in and then deliver this grain either in the spring or summer. This is done to capitalize on a traditionally better basis because the demand to move grain is lower during this time, usually lowering the cost as well.

This year didn't play out that way and this spring we were faced with a horrible basis. This basis or cost of transportation is directly taken out of what I get paid for my grain. Last spring, realizing how important this issue was and how greatly it affected me and my ability to pay my bills, I jumped in a plane with Lance Peterson and went to DC to listen to the STB hearing. After sitting through this meeting, I left thinking the railroad, a partner that Midwest farmers have helped to build and are extremely dependent on, was going to start to improve, and our basis would come down. We were told of improvements being made and excuses from a horrible winter. This would be corrected and rail service would return to normal.

This basis improvement never came. I understand this is not due entirely to the rail carriers, but also to the secondary market taking advantage of the situation. Along with the drop in commodity prices, this left farmers with a tremendous amount of grain still in their bins.

As we look at the growing demand for rail service and the growth the railroad is undertaking, I am worried that we are still falling behind. Yes the railroad is working very hard to improve service, but we are in a remarkable time of growth in our state. This year, the North Dakota soybean crop is estimated at more than 190 million bushels, an all-time high. As a soybean farmer from North Dakota, I know 95 percent of my crop will leave this state and much will leave this country to be consumed. We as farmers absolutely need the railroad to continue to provide the world with a dependable source of protein.

In the past we were told of weather issues and quick fixes that would help to improve rail service. I think everyone knows what needs to be done will not be a quick fix. On my farm last year, we raised nearly a million bushels of grain. Because of the rail service issues, I estimate the basis on my crops increased about 60 cents per bushel. Sixty cents per bushel times one million bushels equals 600,000 dollars in lost income due to these transportation issues. There have been times this year where the basis has been \$1 per bushel over where it traditionally is. If we take that over a corn yield of 150 bushels per acre, that's an additional \$150 per acre towards transportation costs. This additional transportation cost would be higher than any other single cost - land payment, seed, fertilizer, or chemicals. Farmers in the Midwest cannot afford to pay these high costs and continue to be in operation. I am asking the railroads to continue to work with producers of the Midwest and provide the rail service we have come to expect, along with providing producers with accurate information whether it is good news or bad.

We support the request made by the American Soybean Association (ASA) for the STB to require railroads to submit metrics showing past dues, average days late, turnaround times, etc. for agricultural customers vs. crude oil customers and other customers. We are ready to help find long-term solutions for this on-going transportation challenge. As grain marketers trying to figure out a very complex market, our ability to successfully market our grain is extremely dependent on reliable information. I appreciate the time to speak with you. Thank you.