



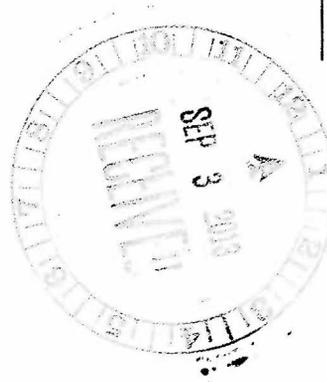
## **SOUTH DAKOTA WHEAT COMMISSION**

116 N. EUCLID • P.O. BOX 549 • PIERRE, SOUTH DAKOTA 57501

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August 28, 2013

Ms. Cynthia Brown  
Chief, Section of Administration  
Surface Transportation Board  
395 E Street, S.W.  
Washington, DC 20423-0111



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ENTERED  
Office of Proceedings  
September 3, 2013  
Part of the Public  
Record

Re: STB Finance Docket No. 35081 *Sub No. 2*

Dear Ms. Brown;

The South Dakota Wheat Commission submits this letter in support of the Petition of the State of South Dakota, STB Finance Docket No. 35081. We join the State in requesting that the Surface Transportation Board (STB) require the Canadian Pacific Railway (CP) to disclose how much it has invested in the Dakota, Minnesota and Eastern Railroad (DM&E) rail line since its purchase in 2008. This data is necessary to determine whether the CP has fulfilled the representations it made to the STB when it sought approval to purchase the line.

As representatives of the South Dakota wheat farmers, the South Dakota Wheat Commission has considerable concerns regarding the announcement of the CP's proposed sale of the rail in South Dakota.

CP's acquisition of DME was of great importance to South Dakota farmers and rail shippers as the DME operated the only east-west rail line traversing the entire State. This line is the principle and most cost effective means of transporting agricultural products and other goods from western and central South Dakota to markets in Chicago, Minneapolis and Kansas City and points further east.

In its application to purchase the DM&E the CP informed the Surface Transportation Board (STB) that its acquisition of DM&E would benefit both CP and DM&E's shippers. The STB approved CP's purchase of the DM&E Railroad in 2008 based upon the CP's representations that it would make substantial new capital investments in the DM&E.

Indeed, in its application the CP committed to expend a total of \$300 million (including DME's previously budgeted sums) in the first three post-acquisition years and a further commitment to expend a total of \$300 million over and above DME's projected capital budget over the next several years. This was anticipated to include rail rehabilitation to bring portions of the lines in South Dakota to Class III standards.

**The South Dakota Wheat Commission is concerned that the Canadian Pacific Railway has not met their represented financial commitments nor operated in good faith in meeting their representations of upgrading services of a Class I railroad.**

The CP's announced plans to sell are of great concern to South Dakota. If implemented, they could eliminate the benefits CP had promised South Dakota farmers and shippers, leaving them with marginalized service and fewer competitive options than those that existed when DM&E first began operations in 1986.

Several shippers have made considerable investments on the existing tracks to expand to shuttle loading facilities based on rail availability to markets. Those investments are now at risk. Other shippers have suspended additional investment in expansion plans as a result of the CP's recent announcement. Rehabilitation of the western rail portion to Class III status has not been completed.

A major concern is the sale of the rail line ending at Tracy, MN without access to other Class I rail lines on a competitive basis resulting in lack of access to Minneapolis and Chicago area markets. This would have a major impact on wheat to the domestic mills, a vitally important market for South Dakota wheat farmers. Ending at Tracy, MN would make a potential Class II buyer and South Dakota captive to the CP railroad in terms of delivery to markets at points east without access to additional Class I railroads.

Impact of the loss of competition or loss of rail service in Western South Dakota, should it come to that, includes reduced farm productivity and profits; reduction in the competitive position of South Dakota farmers in both domestic and export markets; and, increased transportation costs and safety issues.

- 42 million bushels of wheat produced in SD western and central western crop reporting districts, the ones impacted by CP rail. If basis was impacted by non-competitive rates or no rail service we could assume a 15 cent loss in basis to the farmers. This equates to \$6,325,950 less income to those SD farmers regardless of wheat prices.
- This sale would impact farmers delivering to the recent expansion of shuttle train facilities located on the CP line. Elevators that have rail service, but do not load shuttle trains pay about 10 cents less per bushel on corn. Corn production in the counties impacted by CP rail is 90 million bushels. Assuming 85% of this corn would go by rail, loss to the farmers would be \$7,694,795.
- Lack of rail infrastructure will have a direct impact on future agriculture processing and economic development.

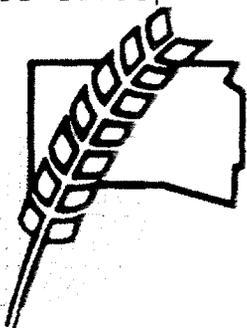
The STB has broad authority to enforce its orders directing applicants in merger and acquisition cases to adhere to STB stated conditions. We believe the CP has not met the stated conditions and we therefore support the State's Petition.

The South Dakota Wheat Commission and the wheat farmers we represent respectfully request the Surface Transportation Board grant the relief requested in South Dakota's petition.

Sincerely,



Chairman, South Dakota Wheat Commission



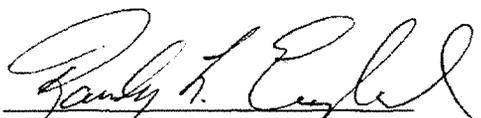
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**CERTIFICATE OF SERVICE**

I hereby certify that on the 3<sup>rd</sup> day of September, 2013, a true and correct copy of the South Dakota Wheat Commission letter in support of the Petition of the State of South Dakota, STB Finance Docket No. 35081 was sent via United States Postal Service first class mail, with adequate postage prepaid and properly addressed to Mr. Terrance Hynes, counsel for the Canadian Pacific Railroad.

September 3, 2013  
Date

  
Randy L. Englund, Executive Director  
South Dakota Wheat Commission