235970

ENTERED
Office of Proceedings
April 25, 2014
Part of
Public Record

DAKOTA MILL & GRAIN INC.

224 Founders Park Drive
PO Box 2340
Rapid City, SD 57709 Phone: 605-342-3834

I am writing on behalf of the South Dakota Grain and Feed Association (SDGFA), which represents more than 300 members, and is comprised of grain elevators, their branch locations and feed manufacturers. In support of the actions by SD Senator John Thune and the state of South Dakota in their efforts to bring the poor state of rail service in South Dakota to your attention, we request immediate action by the Surface Transportation Board to resolve this issue.

As you know, the livelihood of our member companies is entirely dependent on the ability to receive farmer grain, and to sell and ship that grain; and to receive fertilizer and feed ingredients for resale to the same farm customer base. The current poor state of rail service from the two railroads that serve the state – Burlington Northern Santa Fe (BNSF) and Canadian Pacific Railway Company (CP) has severely impacted that ability.

The Association and its members recognize the uncontrollable factors the railroads have had to deal with, including extreme winter weather, the increased demand for oil and oil related products, the increased demand for coal, and higher than normal grain production in the Upper Midwest. However, as these issues began to intensify, it appears little or no action was taken on behalf of the railroads to try to stay on course. While the BNSF has made actionable strides now toward improvement, the CP has been woefully silent, both in action and communication.

The state of the rail service shortage in South Dakota has created many problems for our members, but one of the major problems is negative cash flow. Elevators have purchased grain, as far back as last fall, with the anticipation that it would be sold. However, if it can't be shipped it can't be sold. This puts a serious strain on cash available to buy more grain. As it stands, we may be near a time when our member companies stop buying grain from farmers because the cash flow is not there. Farmers would then be impacted in their ability to finance spring planting, fertilizer and feed.

Another major problem created is the inability to get fertilizer and feed ingredients for resale. Our member companies order and schedule their supply to come by rail but a delay could risk missing the window for spring planting or livestock feed manufacturing. Running out of inputs is simply not an option for a time sensitive business such as farming.

Finally, our member companies are dealing with added costs directly attributed to the rail service shortage. If it is even feasible, shipping by truck comes at a premium cost of $2 per hundred weight. By comparison, rail freight has ranged from 25 cents to over a $1.00 per bushel. In addition, the CP has announced a grain rate increase starting May 1st. CP rates for wheat went up 7 cents per bushel in 2013 and are going up another 7 cents on May 1st. Note that CP rates for all commodities are increasing over the same time frame and all these increases occurred while service has melted away.

This is not a car shortage issue. There are enough cars. The issue is asset allocation of crews, power and track time. We are asking for action by the Surface Transportation Board, to require the railroads to deal with the rail shortage issue immediately, and to communicate their plans with us so that our member companies can plan their future.

Sincerely,

Jerry Cope
President
South Dakota Grain & Feed Association