

BEFORE THE
SURFACE TRANSPORTATION BOARD

Ex Parte No. 724 (Sub-No. 4)

United States Rail Service Issues – Performance Data Reporting

COMMENTS

submitted by

THE FERTILIZER INSTITUTE

The Fertilizer Institute (“TFI”) respectfully submits these Comments in response to the Supplement Notice of Proposed Rulemaking (“SNPR”)¹ issued by the Surface Transportation Board (“Board” or “STB”) in a decision in this proceeding, served April 29, 2016. TFI is the national trade association for the fertilizer industry. For over a century, TFI has represented fertilizer producers, importers, retailers, wholesalers, and others generally involved in the fertilizer industry. TFI’s members depend year-round on rail transportation for the safe and timely movement of fertilizer products consumed in the U.S., ensuring the end customer, the U.S. farmer, has a sufficient and reliable supply. Safe, reliable, and efficient rail service plays an integral role in sustaining our nation’s food supply.

I. Background.

In response to service problems that emerged in late 2013, the Board began monitoring the rail industry’s performance relating to a wide range of commodities. Pursuant to an STB Interim Order served October 8, 2014 (“Interim Data Order”),² all Class I railroads and the Class

¹ *U.S. Rail Service Issues – Data Collection*, EP 724 (Sub-No. 4), served April 29, 2016 [hereinafter *SNPR*].

² *U.S. Rail Service Issues – Data Collection*, EP 724 (Sub-No. 3), served October 8, 2014.

I railroad members of the Chicago Transportation Coordinate Office (“CTCO”) have been required to file weekly reports containing specific performance data.³ Subsequently, in a Notice of Proposed Rulemaking (“NPRM”),⁴ the Board proposed to make the weekly service reporting requirements permanent. The objectives of the NPRM are twofold, one to improve the Board’s ability to identify and help resolve future regional or national service disruptions more quickly, and to help shippers “better plan operations and make informed decisions based on [the] publicly available, near real-time data and their own analysis of performance trends over time.”⁵

The reporting requirements in the NPRM applied to rail service moving certain commodities, but did not include fertilizer, although fertilizer had been included in earlier reporting requirements. In the recent SNPR, however, the Board revised portions of the proposed rule to include fertilizer as a commodity for which rail service data reporting would be required.

II. Overview of the Relationship Between, and the Importance of, Fertilizer Production and Rail Transportation.

TFI and its members are pleased with the STB’s recognition of the importance of fertilizer in its inclusion of the commodity in the recent SNPR. This recognition is warranted by the extraordinary importance of fertilizer to maintaining our nation’s food supply and of rail transportation to moving sufficient volumes of fertilizer year-round from production plants to distribution centers located near our nation’s farmlands.

A. Importance of the U.S. Fertilizer Industry

There are 17 chemical elements that are essential to plant growth. Three of the elements are available and absorbed by plants from air and water, while the remaining 14 are derived

³ *Id.*

⁴ *U.S. Rail Service Issues – Data Collection*, EP 724 (Sub-No. 4), served December 30, 2014 [hereinafter *NPRM*].

⁵ *NPRM*, at 3.

through soil. As a result, soil management can significantly influence a plant's availability and potential for growth. Current soil management practices, including the use of fertilizer, have evolved today based on years of scientific study regarding the testing of nutrient levels in soil, how plants absorb these nutrients from the soil, and how to replace such nutrients after a harvest.

There are three primary plant nutrients available in commercial fertilizers: nitrogen, phosphorus and potassium. Nitrogen fertilizers, such as anhydrous ammonia, urea and urea ammonium nitrate solution ("UAN"), build proteins and enzymes; phosphate fertilizers contain phosphorous which aids in photosynthesis and speeds crop maturity; and potash contains potassium which improves root strength and disease resistance and aids water retention. U.S. consumption of these primary plant nutrients through the use of fertilizer products reflects the demand for such products. Nitrogen fertilizers account for more than half, or approximately 13.5 million, of the approximate 23 million total tons of the primary plant nutrients consumed each year, while phosphate and potash account for approximately 3.5 million tons and 6 million tons, respectively.

In addition to being used as a direct application fertilizer, anhydrous ammonia is an essential feedstock to producing other fertilizers. For example, the two primary forms of phosphate fertilizers, diammonium phosphate ("DAP") and monoammonium phosphate ("MAP"), require anhydrous ammonia. Similarly, anhydrous ammonia is the primary ingredient for all nitrogen fertilizers such as urea and UAN.

In sum, U.S. production and consumption of fertilizer products enable U.S. farmers to provide their crops the nutrients they need to grow, thereby sustaining our nation's adequate supply of nutritious food and animal feed. Stated differently, a lack of these fertilizer products in

the U.S. would adversely affect our nations' food supply, and rapidly create a world forced to survive with approximately less than half of today's harvest.

B. Rail Transportation in the Fertilizer Industry

Fertilizer materials are transported across the United States by all modes, including pipeline, barge, rail, truck and ocean vessel. For many reasons, however, rail is often the only, or the preferred, mode for transporting fertilizer. The importance of fertilizers, coupled with industry reliance on rail transportation, enhance the value of rail performance data for fertilizer shippers across the country.

Fertilizer use is time-sensitive. During planting seasons, farmers race the clock to get their crops into the field, planting and fertilizing millions of acres across the country in a matter of weeks. Nitrogen fertilizers can only be applied during a 4-6 week window. This window can be shortened significantly if the weather does not cooperate. Therefore, demand for these products during these periods is enormous and meeting that demand is critical for farmers.

In order to meet the enormous demand for nitrogen-based fertilizer products, ammonia suppliers must produce ammonia year-round and transport it to massive storage terminals throughout the American farmland, from which it is distributed, during the planting season, to nearby farms. Because ammonia also is a feedstock for other fertilizers, it also must be transported to other fertilizer production facilities year-round. Rail is critical to this supply chain. Any significant disruption in rail transportation has the potential to create a fertilizer shortage during the planting season. For example, if anhydrous ammonia, cannot be transported, it cannot be produced due to insufficient storage at production plants; if it cannot be produced, it cannot be sold; if it cannot be sold, it cannot be applied; where it cannot be applied, crop yields would decrease dramatically.

All types of fertilizer production, whether it be nitrogen, phosphate or potassium based, frequently occurs far from the farms where it ultimately is applied to crops. Rail transportation plays a vital role in moving fertilizer over such long distances to sustain the nation's food supply because the use of alternative transportation modes is, for the most part, infeasible over such distances. Although trucks are theoretical alternatives to rail, this mode is not feasible because it takes 3 – 4 trucks to transport the same volume as a single rail car. For example, in the case of just one TFI member who transports ammonia by rail from an ammonia production plant to another facility that produces other nitrogen-based fertilizer, shifting that rail volume to trucks would require convoys of trucks operating continuously over public highways for over 500 miles. There simply are not enough trucks to absorb rail volumes if service problems arise.

In sum, rail transportation is vital to ensuring that farmers have sufficient quantities of fertilizer during planting season. Due to the enormous volume of fertilizer needed, that transportation must occur year-round and thus should be monitored year-round.

III. Request for Comments Relating to Fertilizer Shipments under Proposed Rules.

In its SNPR, the Board requested comment on two matters relevant to reporting rail service metrics for fertilizers. First, the Board asked whether a sufficient volume of fertilizer moves in unit train service to make it meaningful for the agency to monitor unit train rail service for fertilizer.⁶ Second, the Board has asked whether there were any additional Standard Transportation Commodity Codes (“STCCs”) for fertilizers that are not specified in the SNPR.⁷ TFI, on behalf of its members, addresses both requests as follows.

⁶ SNPR, at 9.

⁷ *Id.*

A. STCC

The Board has proposed to include the following fertilizer STCCs under its revised proposal: 14-7XX-XX, 28-125-XX, 28-18X-XX, 28-19X-XX, 28-71X-XX, and 49-18X-XX.

TFI believes that this list is complete.

B. Sufficient Volume of Unit Train Shipments of Fertilizer

In its SNPR, the Board solicited comment on whether a sufficient volume of fertilizer moves in unit train service to make data on unit train movements meaningful.⁸ Due to a lack of reasonable substitutes for most fertilizer products consumed in the U.S. and the lack of feasible alternative transportation modes for transporting current volumes transported by rail, in addition to the overall importance of ensuring a reliable supply of fertilizer materials to consumers, TFI believes the existing volume of fertilizer shipments moved in unit trains will provide meaningful information and warrants the inclusion of such movements under proposed Section 1250.2.

For these comments, TFI surveyed its members to ascertain the proportion of unit train fertilizer volumes versus total volumes transported in 2015. Six fertilizer producers, which collectively account for 84% of the total nitrogen, phosphate, and potash fertilizer production capacity in the United States, responded. In 2015, those producers transported a little over 27 million tons of fertilizer by rail, of which over 5.8 million tons moved in unit trains. In other words, 21.5% of their 2015 fertilizer production moved by unit trains, ranging from a low of 1% to a high of 58%. Since approximately one-fifth of the total volume shipped by fertilizer producers responsible for 84% of total U.S. production capacity moved by unit trains in 2015, TFI believes that data request regarding such service should provide meaningful information for the Board, and for fertilizer shippers, to monitor such rail service which is essential to these fertilizer shippers, their consumers and America as a whole.

⁸ SNPR, at 9.

IV. Conclusion.

TFI supports the Board's proposal to add both manifest and unit train fertilizer shipments to the proposed data reporting requirements and confirms that the proposed fertilizer STCCs are complete. TFI appreciates the opportunity to make its views known to the Board on this important subject.

Respectfully submitted,



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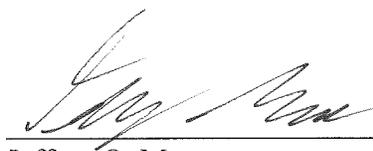
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