SURFACE TRANSPORTATION BOARD

Docket No. EP 724 (Sub-No. 4)

UNITED STATES RAIL SERVICE ISSUES—PERFORMANCE DATA REPORTING

Summary of Ex Parte Meeting between The Fertilizer Institute (TFI) and Surface Transportation Board (STB) Staff

Held November 23, 2015, 10:00 AM – 10:35 AM

TFI Attendees: Justin Louchheim (TFI), Alex Stege (CF Industries)

STB Attendees: Katherine Bourdon, Michael Higgins, Ronald Molteni, Lisa Novins, Nderim Rudi, Jason Wolfe

TFI opened with a brief overview of the fertilizer industry supply chain and referred to a two-page white paper, "Rail Marketplace and Fertilizer Logistics: Impact of Docket No. EP 724 (Sub-No. 4) on Agriculture." (Ex. 1.). Although generally fertilizer is applied in the spring and fall, it is shipped year-round. Rail service issues impact fertilizer shippers immediately. Producers have limited storage capacity on site, so service issues can lead to curtailments or shutdowns. Fertilizer moves year-round to strategically located terminals and warehouses around the country so that fertilizer can then move from those locations to farms in the spring and fall. TFI informally surveyed its members, who report that fertilizer shipments are fairly steady from quarter to quarter. Many production facilities, terminals, and warehouses are landlocked and rely heavily on rail. The United States also imports fertilizer, primarily into Gulf of Mexico ports. In addition to rail, fertilizer also ships by barge and pipeline.

Approximately 40-50% of crop yield is attributable to fertilizer; it underpins the agriculture sector. If farmers do not receive fertilizer during a narrow window in the planting season, they may question whether to plant for the season. The Board's proposed rule includes grain reporting, but without fertilizer, the grain yields could be cut in half.

STB Staff noted that in TFI's comments, it requested that the Board add fertilizer as a line item to some unit train metrics and asked for the breakdown between fertilizer moving in unit train versus less than unit train/carload service. STB Staff asked TFI to discuss how a line item for unit trains would be useful. STB Staff also inquired whether certain carload metrics such as orders placed versus orders filled, overdue or backlog numbers, orders awaiting fulfillment, tally of days late, or other metrics such as those the Board collects for grain would be useful to TFI's constituents.

TFI responded that it will reconvene with its members and request that they look at the specific numbers and data, so that TFI could respond in writing. TFI noted that the 16,000 rail cars discussed in its white paper represent only anhydrous ammonia, which is directly applied as fertilizer and also used as a fundamental building block for other fertilizers.

TFI explained that in the spring of 2014, when there were serious fertilizer delivery issues, the Board required specific fertilizer reporting and service turned around very quickly. TFI is concerned that excluding fertilizer from the permanent reporting scheme could be detrimental to the fertilizer industry. The data would help fertilizer shippers understand how their product is moving over the system so they could respond quickly to issues that arise, for example, by using the data to make supply chain decisions.

STB Staff asked about whether service data made available on Class I railroad websites or in other public settings, such as trade association meetings, including train on-time departure, arrival, connection performance, re-crew rates, and locomotive out-of-service rates could be helpful to TFI members. TFI responded that any additional data would likely be helpful, bring greater transparency, and provide important benchmarks. TFI offered to convey questions about these specific metrics to its members and provide more detailed comments in writing at a future date.

Exhibit 1

The Fertilizer Institute
Nourish, Replenish, Grow

Rail Marketplace and Fertilizer Logistics:
Impact of Docket No. EP 724 (Sub-No. 4) on Agriculture

Issue Summary: Fertilizer production facilities operate every day of the year, and, in terms of distribution, the industry depends year round on safe, reliable, and cost-effective rail transportation.

Background: Rail shipments of fertilizer are equally distributed across the year:

Winter:	24%
Spring:	27%
Summer:	24%
Fall:	25%

In 2011-2012, 61 million tons of fertilizer products were sold in the United States. In 2014, there were over 16,000 rail cars, each carrying 80 tons of anhydrous ammonia, a key fertilizer on its own and building block to many others, shipped in the United States.

Fertilizer manufacturers have limited storage capacity at their facilities, and therefore must ship anhydrous ammonia and other products year-round to continue production and "work within the capacity constraints of the transportation network."[1] Without access to rail transportation, on-site storage would quickly reach capacity. Because facilities typically operate at full capacity, production losses cannot be made up at a later date, and could result in nationwide shortages of crop nutrients.

Importance to Agriculture: Approximately 80 percent of all fertilizer used in the U.S. is derived from anhydrous ammonia. Research confirms that 40-60 percent of crop yields are attributable to the nutrient inputs of fertilizers. Hence its value to the farmer. The inability to deliver crop nutrients to farmers in a timely manner hurts everyone in the agricultural sector.

TFI Position: TFI supports policies that will promote greater transparency in the rail marketplace.

TFI Request: TFI is hopeful the STB will include fertilizer in its proposed rulemaking – Docket No. EP 724 (Sub-No. 4) – related to service reporting requirements. Because it moves year round and is essential to crop production, TFI strongly believes *fertilizer should be included with other commodities as part of the reporting requirements*.

[1] Office of the Chief Economist and the Agricultural Marketing Service, "Rail Service Challenges in the Upper Midwest: Implications for Agricultural Sectors – Preliminary Analysis of the 2013-2014 Situation," *United States Department of Agriculture*, January 2015

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The Fertilizer Institute
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Industry Overview

The Fertilizer Institute: TFI represents companies that are engaged in all aspects of the fertilizer supply chain. Fertilizer manufacturers, wholesalers, distributors, brokers, and retailers play a key role in producing and distributing vital nutrients that nourish crops to meet the global demand for food, fiber, and fuel.

Industry Background: The U.S. fertilizer manufacturing industry directly employs about 25,000 people with an average compensation of nearly $92,500, including benefits. TFI members also manage over 2,000 agricultural retail facilities in the U.S.

- The top three fertilizer-utilizing U.S. crops are: (1) corn, (2) wheat, and (3) soybeans.
- Between 1980 and 2014, corn production increased by 114 percent using only 4.5 percent more fertilizer nutrients.
- Corn production accounts for half of U.S. fertilizer use.
- In fiscal year 2012, over 61 million tons of fertilizer products were sold in the United States.
- The top five states ranked by utilization of fertilizer are Iowa, Illinois, Nebraska, Minnesota, and Indiana.

Importance of Fertilizer: All crops require nutrients. Fertilizer is used by farmers to replace nutrients removed from the soil with each harvest thereby maintaining and optimizing soil fertility.

- Research confirms that commercial fertilizers boost crop yields by 40-60 percent, conserving land that may be used for other purposes.
- "In the next 40 years, humans will need to produce more food than they did in the previous 10,000 years put together," The Economist, Jan. 3-9, 2015.
- Fertilizers help farmers remain profitable while growing crops in an environmentally sensitive manner. Because fertilizers are sold with a guarantee of nutrient content, farmers are able to determine application rates based on the crops' nutritional needs – not guesswork.

The Primary Nutrients: Nitrogen (N), phosphorus (P), and potassium (K) are the key ingredients used to nourish crops and replenish soils.

- Nitrogen: Essential to making proteins, critical to photosynthesis, helps keep plants green, and is a vital part of soil structure.
- Phosphorus: Vital in helping plants be more resilient and use water more efficiently.
- Potassium: Critical to how plants utilize water, and protects plants from extreme temperatures, pests, and weeds.

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