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Docket Number: EP_724_0

Case Title: United States Rail Service Issue

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To:	Surface Transportation Board	Public Record

Thank you for taking comments on rail service issues in South Dakota and surrounding states. South Dakota Farm Bureau is a voluntary farm organization with over 13,000 farm, ranch and rural families as members. Rail service and the cost of that service have a tremendous economic impact on agriculture and related industries in South Dakota.

South Dakota farm and ranch operators who grow corn, soybeans, wheat and small grains, and other minor crops absorb the widest basis in the nation for the crops they produce. Basis is the difference between the Chicago Board of Trade price and the local cash price in South Dakota. The main factors in basis are transportation, local demand and facility operation costs. South Dakota produces much more grain than it can consume in a normal year. This means the state must export a majority of its production. This also means rail transportation is the major factor in the basis. The price per bushel to ship by rail has sharply increased this year. The general rail rates have increased three to five cents per bushel, which is about as anticipated. Car costs ranged from \$250-500 in the fall 2013, which averages out to be about twelve cents per bushel. As of April 2014, car costs have increased to \$3000-4000 per car - which averages out to ninety cents per bushel. This increase along has raised the basis seventy eight cents per bushel for grain transported by rail.

South Dakota farmers and ranchers also experience shipping delays because local elevators are having difficulty in getting rail cars. In previous years a shuttle train would make a turn in 8 to 10 days; therefore a shipping point could expect about three turns per month. The current situation is has slowed to fifteen to twenty days for a turn. This means the shipping point can expect less than one and one-half turns per month. This delay disrupts the delivery time for the farmer or rancher to move grain to the elevator. The elevator incurs increased operation cost by increasing storage in an attempt to satisfy their customers while waiting for train cars to arrive for loading. The elevator then needs to add to the basis to cover their risk factors in storage.

All of the above factors increase the basis and of course, these increases are passed along to the farmer and rancher. Farmers and ranchers are the source of new grain stocks. Therefore, they have no way to pass any increased freight costs on to others, as the railroads do. South Dakota Farm Bureau asks the Surface Transportation Board to:

- Research freight rail car charges that are done by auction and evaluate whether the auction is the best way to price rail cars, or if there is a better method of pricing rail cars for grain shipment.
- Review the delay and inability to get rail cars to local elevators for grain shipment because of the inefficiencies of the rail system to handle the congestion on the lines
- Provide recommendations for improved service

Thank you for accepting our comments.