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Chairman Daniel R. Elliott III
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

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Dear Chairman Elliott,

I write on behalf of the agricultural producers and shippers in my state to express concerns regarding the poor freight rail service in North Dakota and to request your immediate attention to address it.

North Dakota is one of the country's most productive agricultural states, leading the nation in the production of up to 13 different commodities in any given year. Each of these commodities relies heavily upon dependable and affordable freight rail shipping services to move their products to market. For this reason, I urge the Surface Transportation Board (STB) to remain directly involved in the service improvement processes underway at the Burlington Northern Santa Fe (BNSF) and Canadian Pacific (CP) railroads. If service to customers does not improve, I urge the STB to exercise whatever authority necessary to ensure that the quality of service in North Dakota improves for agricultural customers.

The deterioration of the timeliness and reliability of freight rail service for agricultural customers in the winter and spring of 2013-2014 has caused significant harm in my state and throughout the Upper Great Plains Region. I understand both BNSF and CP have been providing regular reports to the STB regarding service improvements in light of the recent difficulties in meeting customer obligations. While both railroads have made improving service to agricultural customers a priority, I continue to hear concerns from farmers, grain elevators and agribusinesses in North Dakota about inadequate service.

Poor freight rail service results in economic harm to both shippers and farmers. First, farmers must contend with increased transportation costs built into cash payments from grain elevators for the commodities that they sell. Spreads between commodity prices and cash payments have reached as high as 25 percent of market average prices. For instance, under current conditions an elevator in western North Dakota will purchase corn from a grower at the price of \$3.78 per bushel. This cash payment is \$1.25 below the September future's market price of \$5.03 – a benchmark indicator near which a farmer can normally expect to sell their corn to a given elevator during regular conditions.

Second, due to the delays in agricultural shipments, farmers are struggling to access the capital necessary to plan for the coming crop year. This is because a large portion of the harvested crop from the previous season has not yet been delivered to markets. Without this delivery, farmers are unable to sell their commodities and access the cash they need to purchase inputs for the

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2014 crop year. In the worst case scenario, some farmers may not be able to pay off their operating loans on time from the 2013 crop year.

Third, economic harm can be seen in additional costs borne by agricultural shippers that acquire access to rail cars on the secondary market in order to meet customer obligations. Food related businesses need to meet the obligations they have made to their customers. If the open call cars that they have reserved on the primary market are not delivered in time to meet a customer obligation, a food related business must secure replacement cars on the secondary market. Given the great stress placed on the freight rail transportation system in North Dakota, accessing hopper cars that are often used to ship agricultural products on the secondary market can cost as much as \$5,000 per car. This is an extraordinarily high price to access the secondary market for rail cars; the normal range at this point in the season is between \$500 and \$1,000 per car.

I understand that the Class I railroads that service North Dakota have had to contend with unforeseen circumstances this year, most notably an unusually cold winter affecting train velocities system wide. I also recognize the railroads are taking steps to improve service for agricultural customers in both the short and long-term. I am encouraged the railroads are responding to the concerns raised by their customers; however, it is important that commitments are followed by results. I urge the STB to remain involved in this process until the concerns of agricultural customers of North Dakota have been fully addressed.

Thank you for your attention to this matter.

Sincerely,



Heidi Heitkamp
United States Senator