



STATE OF SOUTH DAKOTA  
DENNIS DAUGAARD, GOVERNOR

April 8, 2014

Surface Transportation Board  
Attn: Docket No. EP 724  
395 East Street, S.W.  
Washington, D.C. 20423-0001

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Members of the Surface Transportation Board,

Thank you for your attention to the dire railroad service challenges facing farmers, grain elevators, ethanol plants, and other shippers throughout the Midwest. Agriculture is South Dakota's number one industry, generating over \$21 billion in economic activity each year. As Governor of South Dakota, I appreciate the opportunity to express my concern for the backlog of rail shipments.

South Dakota's three largest grain commodities are corn, soybeans, and wheat. Our farmers grew excellent crops in 2013, producing 808 million bushels of corn (a new record), 183 million bushels of soybeans, and 77 million bushels of wheat – a total of more than a billion bushels of grain. Yet according to the National Agricultural Statistics Service, half of that production – 506 million bushels – remains in storage.

The lack of rail transportation for these agricultural commodities has already led to some spoilage of grain stored on the ground. Some elevators can no longer accept grain from local farmers because they have no storage capacity at their facilities. When South Dakota farmers cannot sell their grain, entire communities dependent upon the economic activity of agriculture suffer.

The shortage of rail cars is so acute that our storage facilities may not have enough space to accommodate the wheat harvest this summer and the corn and soybean harvests this fall. I have received numerous reports of grain shippers requiring thousands of rail cars to move the grain currently in storage. Three grain elevators in central South Dakota are short a total of almost 4,000 rail cars. Other grain shippers report shortages of an additional 11,000 rail cars.

And the problem extends beyond grain transportation. A number of farmer-owned ethanol plants in South Dakota have had to shut down for three to four days or longer because the lack of rail service has caused their production to outpace their storage capacity. With more than ninety percent of our ethanol shipped by rail, the lack of rail service has had a considerable negative impact on this industry.

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Certainly, the impact of severe winter weather and ongoing construction efforts, combined with the large grain harvest has caused challenges for the rail system. With spring's arrival, however, it is imperative that reliable rail service be restored. Our railroad partners need to address the inconsistent delivery of cars. Locomotives and crews must be allocated to expedite shipping service to underserved areas. Investments in track improvements should be better coordinated to alleviate the tremendous backlog that is currently taxing the system.

I appreciate the acknowledgement of this problem and the efforts underway to alleviate it. I encourage our railroad partners to employ a wide variety of solutions – from increasing hours of service for crew members to adding additional cars and locomotives to the lines – to eliminate the rail car shortage before the 2014 harvest begins.

Farmers, biofuel producers, and other small businesses in South Dakota depend upon reliable rail service to operate their businesses efficiently and profitably. Prolonged disruptions to rail shipping will escalate into very real economic harm. I stand by to assist in the collective effort to prevent this from happening.

Thank you for your consideration and assistance.

Sincerely,



Dennis Daugaard

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