

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB EX PARTE NO. 724

UNITED STATES RAIL SERVICE ISSUES

COMMENTS OF THE
NORTH DAKOTA GRAIN DEALERS ASSOCIATION

I am Stu Letcher, Executive Vice President of the North Dakota Grain Dealers Association. NDGDA is a 103 year-old voluntary membership trade association representing the interests of 90% of the grain elevators in North Dakota. These elevators are the first point of sale and delivery for hundreds of millions of bushels of grain produced by our state's farmers annually. NDGDA's Board of Directors is nine grain elevator managers. Almost all of them deal with railroads on a daily basis. Approximately 85% of North Dakota grain elevators are located on a rail line. Some members and some Board members are single car shippers; some load the biggest shuttle trains of 100 cars on the CP and 110 cars on the BNSF. All have use for non-shuttle service in blocks of 1-25-50 cars.

Current Situation

NDGDA recently conducted a survey of member elevators in North Dakota. There were about 100 surveys sent out and we received 42 responses. The results of the survey were tallied on August 28th. We broke the survey results down into four categories by rail carrier and size of shipper-BNSF shuttle loader, BNSF non-shuttle loader, CP shuttle loader, and CP non-shuttle loader. The results of the survey, while not all encompassing, do provide a picture of the current rail situation for many grain shippers in North Dakota. Seven BNSF shuttle loaders responded to the survey and

report being caught up on shuttle shipments while being behind 100 cars on less-than-shuttle shipments. Sixteen BNSF non-shuttle shippers responded and report being 333 cars behind. Fourteen CP shuttle loaders responded and report being 5800 cars behind on shuttle shipments and 1430 cars behind on less-than-shuttle shipments. Six CP non-shuttle shippers responded and report being 1260 cars behind. The survey also asked the respondents the amount of 2013 crop yet to ship and the total amount for the 42 who responded was over 30 million bushels. These results show improvement over the amount of backlog in April, however it cannot be overstated that there is still a large amount of 2013 crop that needs to be moved.

The survey also shows that the less-than-shuttle shipper is experiencing the greatest amount of delays in receiving service. North Dakota produces over 30 different commodities and only a handful of those are marketed via shuttle train. The smaller unit train and single car shipments are vital to many shippers in the state. One non-shuttle shipper on the BNSF reported in our survey being 135 single cars behind, which represents two month's of orders. One non-shuttle shipper on the CP reported being twenty-one 25 car unit trains behind or 525 cars. We believe this disparity in timeliness of service does not fulfill the common carrier obligation of railroads to non-shuttle service.

Constrained Environment

This is not the first time North Dakota grain elevators have dealt with shipping delays and we have made significant investments in our facilities to increase our storage capability and car loading and handling efficiency. The average capacity of North Dakota grain elevators has nearly doubled in the last decade from 600,000 bushels in 2003-04 to well over a million bushels today, the total storage capacity of grain elevators in the state is around 400 million bushels. The North Dakota grain elevator network also includes about 65 shuttle train loading locations in which our members have invested hundreds of millions of dollars. Poor rail service presents many problems for grain shippers. There is the increased risk associated with storing

grain over long periods of time due to quality issues and related discounts. Grain shippers also face discounts or penalties for late delivery on contracts and there is risk associated with grain marketers not being able to exercise normal marketing functions due to unreliable transportation such as converting bought grain to cash by selling and shipping it. There are costs to holding inventory and North Dakota elevator operators have lost millions of dollars due untimely and inconsistent rail movements. We believe the market should decide when and where grain is transported, not transportation deciding when and where grain is marketed.

Future Concerns

We are encouraged by the investments BNSF has pledged for infrastructure improvements and we applaud their efforts to address the backlog, but infrastructure improvements take time to complete and there are still concerns related to their ability to keep current once the bulk of harvest arrives and we move into the colder winter season.

Canadian Pacific has introduced a new rail order program and we praise any effort that will improve the efficiency of their system, but many open car orders were cancelled in transitioning to the new system. Those cancelled orders represent a large amount of grain volume that has yet to move and while CP's new ordering system may help manage the shuttle fleet, it does little to help the non-shuttle shipper on the CP system who has basically had to cancel old orders and start over with the ordering process.

A colder than average winter was cited by both railroads as a reason why the backlog developed. We are two months away from colder winter weather and our concern is that we will once again experience a slowdown of grain transportation. This could create a situation where all of the commercial and on farm grain storage is full requiring grain to be piled on the ground. A situation which would significantly increase the costs related to handling, and the risks associated with loss and spoilage if the grain cannot be picked up in a timely manner.

We would like to see the STB continue to require the BNSF and CP to report on their service metrics. Grain shippers watch the increased movement of oil on rail and wonder if a major reason for the grain backlog is additional rail resources dedicated to oil. Grain shippers report rail yards being clogged with oil trains. Grain shippers are rightfully upset about their investments and their product sitting idle while this new business seems to take priority. Maybe RRs should handle their existing business before taking on new business. We wonder how much delay oil shippers are encountering. Are oil trains shoved on through while grain trains sit and wait?

As I stated earlier, the grain industry in North Dakota has made major investments in infrastructure to become more efficient rail handlers, we feel it is time for rail carriers to deliver on the promise of better service. The type of service North Dakota grain elevators expect and deserve.

Thank you for the opportunity to present our views and suggestions on this matter.

Stuart L. Letcher, Executive Vice President
North Dakota Grain Dealers Association
1325 23rd St S. Suite A
Fargo, ND 58103
Ph: 701-235-4184 Cell: 701-799-0640
Email: sletcher@ndgda.org