

**U.S. Senator Amy Klobuchar
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Chairman Elliott and members of the Surface Transportation Board, thank you for convening this hearing to examine issues related to freight rail capacity and service. This is an important issue that has serious implications for Minnesota's and North Dakota's agriculture producers, energy consumers and the economy not just here in the Red River Valley but across the region and the nation.

Reliable and affordable rail service is critical for providing our agriculture producers access to markets beyond our states' borders. Minnesota hit a record \$6.8 billion in agricultural exports in 2012, which is a 13 percent increase over the previous year. Overall, the U.S. exported more than \$141 billion in farm products in 2012 – a record high. Minnesota, as the sixth largest agricultural exporting state in the country, contributes substantially to these export numbers. But we cannot continue to grow our country's \$38 billion trade surplus without the ability to get our agricultural exports to our trading partners.

As I travel across Minnesota I continue to hear from agricultural producers who are experiencing significant rail service delays including backlogs on orders for rail cars and shipping delays once cars are loaded with cargo. The results are lost sales, involuntary shutdowns at processing facilities and disruption to agriculture markets. In addition, unlike most business owners, agriculture producers do not set their own prices, and that means they cannot pass on transportation costs and penalties for late grain deliveries to consumers. Without access to competition, rail customers are often in a "take it or leave it" position with respect to both price and service. I have long been concerned about costs for shippers and these delays are another example of why we need more railroad competition.

A recent University of Minnesota study found that from March 2014 to May 2014 rail delays cost Minnesota corn growers \$72 million, soybean growers \$18.8 million and wheat growers \$8.5 million. In total, rail shipping delays cost Minnesota corn, soybean, and wheat farmers nearly \$100 million.

Shipping delays are having a serious impact on Minnesota businesses. Last winter, American Crystal Sugar, a Minnesota-based sugar cooperative, had to significantly alter its production process due to multiple processing- and supply chain-related rail service issues. American Crystal's coal-powered processing facilities faced

slow-downs and suspensions due to the lack of coal resulting from delayed coal shipments. In turn, the company was unable to fulfill contracts and orders for sugar products on-time. Delays in rail shipments to move sugar products out of processing facilities rapidly exhausted available storage capacity, which forced additional reductions in production. The costs associated with these rail service matters affect the co-op's bottom line and that of its farmer members.

Last winter, Minnesota faced a severe shortage of propane, which drove up the price of a gallon of propane spiking at \$4.51 per gallon compared to just \$1.58 per gallon the previous winter. With another year of likely record crop yields and the discontinuation of propane shipments through the Cochin Pipeline which has historically supplied 40 percent of Minnesota's propane, I remain concerned about similar propane supply challenges this winter.

Now with fall fast approaching demand for propane will rise once again. I remain deeply concerned about the impact that rail service delays may have on the ability of Minnesotans to access the propane they need to heat their homes or production facilities especially if a similar spike in prices occurs. Any rail service delay would only drive up what would be already artificially high propane prices.

To help prevent another propane shortage, I urge railroad companies to take the necessary steps to prepare for this transition and help ensure that our state can source the propane needed to heat homes, operate grain dryers, and heat livestock and poultry barns.

The U.S. Department of Transportation estimates that by the year 2040, freight rail will move 25 percent more tonnage than it moves today. With more traffic on freight rail corridors in the coming years, the need to ensure reliable freight rail service can't be just an afterthought. It must be a priority. I look forward to continuing to work with you and the STB on this important issue that is critical to our nation's economic future.

Thank you again, Chairman Elliott for convening this important hearing on rail capacity and service.