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By UPS overnight mail

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E. Street, S.W.
Washington, DC 20024

Re: Docket No. AB-1232, *Town of North Judson, Indiana – Adverse Discontinuance of Service—in LaPorte, Porter and Starke Counties, IN*

Dear Ms. Brown:

Co-Alliance, LLP (“Co-Alliance”), the primary freight rail shipper¹ located along the railroad line that is the subject of the referenced proceeding, asks that this letter be added to the record for the purpose of providing the Board with additional factual information related to the filings in this proceeding to date..

I. Identity of Co-Alliance and General Background

Co-Alliance is an 8,000 member farmer-owned cooperative. It is the seventh largest privately held company in the state of Indiana, with over \$1.1 billion in revenue in 2013. Our partners have been serving the needs of mid-western farmers in Indiana, Michigan and Ohio since the 1920s. Co-Alliance owns two grain elevators located along the Rail Line described in the Petition for Waiver and Exemption in Conjunction with Prospective Application for Adverse Discontinuance of Service ("Petition") filed in this docket by the Town of North Judson, Indiana. One elevator is located in the town of Union Mills, IN and the second in the town of Malden, IN. In 2014, the Union Mills and Malden grain elevators provided grain handling and grain marketing services to approximately 688 local farmers and landlords.

¹ There is one other shipper on the line that averages 20 rail cars per year.



The Union Mills facility, in addition to providing grain services, also is a bulk fertilizer hub for farmers in the region. Over the last decade, Co-Alliance has invested approximately \$20 million dollars in the facilities at Malden and Union Mills to increase storage capacity and efficiencies. Accordingly, any actions concerning freight rail operations over the Rail Line, and who provides those operations, directly affects Co-Alliance and the farmers we serve.

In 2003, when CSX originally planned to decommission this rail line, LaPorte County Co-Op (now a partner in Co-Alliance) financially participated in saving the rail line, and was the largest private contributor of funds for its purchase by the Town of North Judson in 2004, providing \$300,000. The Chesapeake and Indiana Railroad (CKIN) has been the line's operator since the acquisition. The CKIN primarily provides the means for Co-Alliance's grain commodities to be transported to interchanges with CSX Transportation and the Norfolk Southern Railway for distribution out to national and international markets. Co-Alliance has been pleased with the level of service we have received from CKIN and our relationship with this carrier.

II. The Rapid Growth in Grain Shipping on the Rail Line

The use of the Rail Line for freight rail transportation has increased rapidly since the town purchased it in 2004 and CKIN took over as the operator. The number of grain cars Co-Alliance has shipped utilizing CKIN has increased from 506 cars in 2005 to 3282 cars in 2014, a 600% increase in grain traffic in a period of nine (9) years. Based on an average of 3700 bushels per car, in 2014:

- 12,143,400 bushels of grain were railed out of the two grain elevators;
- At a conservative average price of \$4.50/per bushel, this equates to approximately \$54,645,300 in locally grown grain that farmers rely upon this rail line to get to market.

CKIN has applied for grants and made capital contributions and as a result has provided the following during Co-Alliance's expansive grain handling and marketing growth in the region:

- adding additional tracks;
- upgrading bridges to accommodate 286,000 lb. gross jumbo rail cars; and

- adding a junction spur greatly facilitating connection to the Norfolk Southern where previously facilities had been captive to CSX.

III. Future Needs of Co-Alliance and Local Farmers:

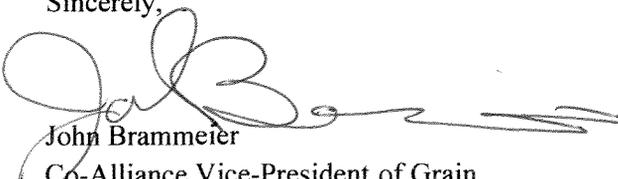
In order for Co-Alliance to continue to thrive in the grain industry, we must have a rail operator of the Rail Line that is knowledgeable about the rail transportation of grain and has an established reputation and experience in negotiating rates for agricultural commodities with the mainline carriers. As stated, Co-Alliance has been pleased with the expertise and rail service supplied by the CKIN since it began operating over the Rail Line in 2004. However, we understand that one outcome of this proceeding could be a change in rail operators over the Rail Line. We have two primary concerns with this potential outcome. First, many short line railroad operators have little to no expertise in agricultural economics and dealing with main line railroads. To not have this expertise in a short line operator if CKIN is replaced could have a very negative financial impact to the regional farming community. Small swings in freight prices when looking at over 12 million bushels of grain can have a devastating impact to the local farmer's bottom-line. Specifically, Co-Alliance and the farmers it serves need the following criteria in any short line railroad operator:

1. It is essential that the short line operator have existing and well-established relationships with the NS and CSX on grain commodity shipping.
2. A contractual commitment to service 7 days a week during daylight hours, essentially two work crew shifts available for both Union Mills and Malden when needed, this is especially essential in snow and ice conditions which comprises some of the busiest time for grain shipments.
3. A contractual commitment to two crews, one crew available for Malden and one crew available for Union Mills to move cars for loading and unloading.
4. An operator who will make available their locomotive mechanic to provide work on the Co-Alliance owned locomotive housed at Malden.
5. Proven history and experience in handling logistics of up to 270 cars at one time on a short line this size.
6. A contractual commitment for at least three power sources capable of pulling a fully loaded 90 jumbo car trains.
7. An operator who puts safety first and maintains the rail line to the standards required by regulators.

Co-Alliance's second concern is the potential uncertainty over the timing of any change in operators. It would be extremely detrimental to our business if any change even to an operator that met the foregoing criteria was not planned and conducted in a fashion that ensured that there are no disruptions in the service levels and exposure to markets we currently enjoy with the CKIN both during and after any transition to a new operator. Interruptions in service of any duration would be unacceptable. Moreover, grain markets are traded on a futures basis and Co-Alliance is already purchasing and selling grain at dates many months into the future. In order to be able to do that successfully, Co-Alliance must have a rail carrier that understands the complex economics of this market and can price its rates accordingly.

In conclusion, Co-Alliance has been satisfied with the service of CKIN over the Rail Line. The uncertainty associated with the possible termination of CKIN's service and the experience levels of the replacement rail carriers the Town of North Judson and The Hoosier Valley Railroad Museum have considered to date, along with uncertainties over the process and timing of any change, make it very difficult for Co-Alliance to plan for the future. Regardless of the outcome of this proceeding, it is vital to the continued success of Co-Alliance's grain business, and for the farmers in the region who rely upon the Union Mills and Malden grain elevators, that any railroad who operates over the Rail Line continue to provide the current high levels of service and expertise in grain transportation that Co-Alliance currently enjoys.

Sincerely,



John Brammeier
Co-Alliance Vice-President of Grain

Cc: Thomas P. McFarland, Esq.
John D. Heffner, Esq
(both by first class, U.S. mail and e-mail.)