

National Grain Car Council Meeting

Wednesday, March 3, 1999

Chicago O'Hare

Chairman Dennis Wendland opened the meeting of the National Grain Car Council ("NGCC") meeting by welcoming all of the members and introducing the new vice-chairman, Diane Knutson of the Union Pacific Railroad. The membership then personally introduced themselves. (See attached list of attendees.)

Chairman Wendland then introduced the Chairman of the Surface Transportation Board ("STB"), the Honorable Linda J. Morgan, who in turn introduced the new vice-chairman of the NGCC, William Clyburn, Jr., recently elected to the STB.

Chairman Morgan indicated that Commissioner Wayne Burks was now on board providing a full compliment for the STB. In continuing her remarks Chairman Morgan called for continued constructive change and positive momentum which she feels has been taking place. Then, the Chairman asked for information regarding the pros and cons in the current transportation grain markets and complimented the railroads on the implementation of their service reporting systems.

As to the reauthorization of the STB, the Chairman indicated there were broad areas ranging from open access to fine-tuning the various issues that were currently being discussed. Also, the Chairman indicated that the industry needs to redefine the goals of both parties having a stake in the reauthorization of the STB.

Chairman Morgan provided the attached letter to Senators McCain and Hutchison regarding the STB's belief of what needs to take place in reauthorizing the STB to make it more contemporary in today's environment.

Dennis Starks, the designated Federal officer of the NGCC and senior counsel for the STB, provided a revised membership list for the annual report and indicated that the charter had been revised and that copies would be sent out to all members. Mr. Starks indicated that the Website for the NGCC is <http://cm.policyworks.gov.cms>.

Chairman Wendland then introduced the guest speaker, Andrew Bellingham, president of Commodity Trade Analysis, Inc., of Reston, VA. Mr. Bellingham proceeded to provide the NGCC with wide-ranging comments on the current condition of domestic and foreign grain markets. Paying particular attention to the increasing size of ending stocks here in the U.S. as well as increased production in China as well as South America.

Mr. Bellingham indicated that he did not believe there would be any changes in the Farm Bill, this year. Although \$8 to \$10 billion in farm aid could be provided by Congress, but

that would not necessarily move grain off the farm and into the market. Bellingham also indicated that his belief was that Asian demand was two to three years away and that the Argentine/Brazilian expansion could be an incredible growth story with possibly landed cost to Europe being their greatest advantage.

On the completion of Mr. Bellingham's remarks, Chairman Wendland called upon the individual railroads for their reports as far as car supply. In general, given the time of the year, there were no supply issues. Attached are the individual performance reports that were distributed by the railroads.

Upon completion of the railroad reports, Mr. Norton of the USDA, gave an overview of the prospects for the current crop year, with comments ranging from the soybean crop being almost the largest ... missing by only 30 million bushels; to the second largest corn crop in history, with an expected increase of 4% usage in the domestic market and a 15% increase in the export market. Wheat would also have the largest crop since 1990-91 year with domestic shipments up 8% and exports down 1-1/2%.

Mr. Norton also provided the NGCC with the Website for the USDA/STB Grain Logistics Task Force, which provides transportation prospects. The address is www.ams.usda.gov/tmd/tmdmta.htm, and you will find them under special reports.

After a brief luncheon, Chairman Wendland reconvened the meeting on the preparations being made on the fall markets. Tom Owen of CSX spoke about railroad investments and indicated that the railroads have done an inadequate job communicating the amount of capital expenditures being made both on infrastructure and equipment, with "railroads investing more in capital expense per operating budgets than any other business".

Another issue that was brought to the table was the issue of "co-mingling" of freight cars, this being a problem of 263,000 pound big cars being placed with 286,000 pound cars and the difficulties that it raises for both the shipper and the railroad. Roger Speery addressed the problem indicating that his railroad will be charging a penalty for light loading of any 286,000 pound car while Larry Owens of the Arkansas Industrial Traffic Association commented that 65% of cars being loaded do not have a particular destination and therefore the shipper is being penalized for light loading. According to Mr. Owen, rates should be based upon the size of the car ordered. The issue continued under discussion between shipper and railroad without resolve.