

# **MEETING MINUTES**

## **National Grain Car Council**

### **June 25, 2008**

### **Washington, DC**

The meeting was called to order at approximately 10:30 am by NGCC Co-Chairman Darrell Wallace and was attended by forty-two members and guests. Co-Chairman Wallace then welcomed everybody and asked Tom Brugman of the STB to give a brief safety talk. Co-Chairman Wallace then introduced our presenting guests. Co-Chairman Mulvey then welcomed everyone, after which members introduced themselves. Co-Chairman Wallace then gave a brief history of the NGCC for the new members and guests. STB Chairman Charles Nottingham then welcomed everybody to the Board's new offices.

The minutes from our last meeting in July were presented and approved with minor changes.

Secretary/Treasurer Bouquet then presented the financial report which was approved as submitted. He recommended a dues assessment of \$100 per member which was also approved.

Jeffrey Komarow of the STB then gave a presentation on the Federal Advisory Committee Act under which the NGCC exists (see attachment).

Deby Murphy – UP and Murphy Krajenta - BNSF then gave a presentation on the AAR OT-5 TAG and the Centralized database for OT-5 registration.

At this point Chairman Wallace called for reports and comments from the members and guests.

#### **Rail Carrier Reports**

Kevin Kaufman of the BNSF reported that three of their sub-divisions were having problems with the flooding but that none of them involved agriculture. All problems will be corrected soon. The harvest in Texas/Oklahoma is doing well and they will be moving equipment north soon. They are running approximately 30,000 grain cars in their fleet which is about the same as last year. Brugman asked about the embargo through Chicago. Kaufman advised that it was a "permitted" embargo. Mulvey asked about barges backing up. Kaufman agreed that it was a problem, and Wallace advised that he didn't think barges were moving at all.

Mike Foran of the CP reported that their mainline between Milwaukee and Portage has been out since June 10. They should have it up and running soon. He also reported that the flooding has affected pipelines in the area. He reported that crops seem behind, but look good. They are currently running 21,000 cars between the Canadian and US fleets. They have approximately 4,000 cars in storage. Business is slow and they are ready for the harvest. Their fleet quality is improving. They are replacing more gates and inspecting cars more often. The general age of the fleet is approximately 19 years old in the US and approximately 50% of the cars are C114s. Mulvey mentioned concern over the age of the CP fleet. Foran advised that their feeling is that it is mostly an outlet gate concern and that they are addressing it. Brugman asked about the an embargo on corn going north last year. Foran said that they had used a permitted embargo to control movements and it worked.

Fred Ehlers and John Kraemer of the Norfolk Southern reported that flooding has affected two crossings which required them to reroute traffic. They have about 4,500 cars in grain/fertilizer service, and 2,000 C114s in unit trains. They have about 200 cars stored due to increases in velocity and the move to 75 car unit trains. Harvest looks good, they're ready. They were unsure of the age of their 4750s, their 5150s are leased in and under constant review. Buttrey asked how much of their traffic originates on short lines; answer was a small amount. He was also interested in how much of their corn was moving to bio-fuels; answer was not much, most moved by truck.

Keith Borman of the ASLRRA reported that the flooding has hurt members in Iowa tremendously.

Steve Gerht of the CN reported that the severe winter hurt their operations. Cycle times and velocity were down until March. Then the floods came which effectively cut them in half due to the Cedar Falls problems. Everything is up and running now. They have seen an increase in car loadings due to river problems. The harvest in Iowa will be off. They have 13,800 cars total in grain service. Some are in storage, strategically placed for the harvest. Velocity is recovering. They aren't moving much corn to bio-fuels, just a few plants. Ethanol volume is up and they have three more plants in Iowa coming on line.

Tim McNulty of the CSX reported that they only export a small portion of their grain movements, mostly feed. Velocity is about the same as last year. They have approximately 7,500 cars in grain/fertilizer. They expect to retire about 300 cars and have brought on about 200 C114s to compensate. They have about 1,900 cars parked which is a little larger and earlier than usual. About 80% of their grain moves in unit trains of (65) cars. They are increasing that to 90 car trains. The age of their fleet is approximately 26 years on average, and they are ready for the harvest.

Sharon Trudell of the RRVW reported that the weather this spring was a problem but has gotten better. Crops look good. Business is a little slow now but they expect it to pick up. They have added 25 cars to their fleet bringing it to 150 total (all for intra-line service). They are improving their turns, have added some power, and have two new

ethanol plants coming on line. They are still have crew issues with employees moving to the Class Is.

Mike Bilovesky and Greg Walling of the KCS reported that flooding in Louisiana, MO had their line down, but that it should be back soon. It had little impact. Their grain fleet is approximately 3,400 cars which is about the same as last year. They are replacing C113s with C114s; 1200 new cars to date, another 300 coming. They have about 2400 cars in Mexico of which about 800 are in storage. The fleet is about 25 years old and they are working on that. Velocity is up due to 120 new locomotives. Bilovesky stated that he would like to see more cooperation between the KCS and its customers when it comes to moving cars into Mexico, mostly a documentation issue. They reported that KCS isn't a real big player in the ethanol market. They are in the process of evaluating their grain pool participants in an effort to supply more of the cars themselves.

Bill Eilbracht of the UP reported that they have some flooding around Trenton, MO and the line there is down. All other lines are open and all embargos are gone with the exception of Cedar Rapids. They are repairing flood damage on between 50 and 70 cars per day, and are working down the backlog of trains. Velocity is good and turns are up. Business into Mexico is improving too. They are running a grain fleet of 22,500 cars which is the same as last year, 3000 of which are in storage. They are bringing on some new C114s to replace C113s. They have spent \$60M on capacity in Iowa and Minnesota. They changed their pool from subleasing cars to direct leasing. They have 4-5 new ethanol plants coming on line this year. Crop size in Nebraska should be up.

At this point a discussion was held as to whether the NGCC should form a committee to make a recommendation regarding a letter to be written by the NGCC to the STB asking the government to address train delay issues between the US and Mexico. It was decided to wait and see what kind of data can be developed substantiating the problem.

Doug Story of WATCO reported that crops were up from last year. The wheat harvest was a little late but has started and they are expecting above average yields. The rains where having an impact on southeast Kansas. They are running about 1,500 cars in grain 750 of which are owned, the balance being swapped with Class Is.

Ed Sims of Wade Companies reported that as their short-line goes, they would like to be in the pools. They would also like to see rates more fluid. Crops in Tennessee look good.

Dennis Miller of the IAIS could not be in attendance due to flood issues but submitted a report that was read by Bouquet. Miller reported that they have sustained over \$1M in flood damages to date. Their mainline has been out of service east of Iowa City for the last 12 days and they hope to have it up by today (6/25). One mile of track was undercut to 10-12 feet deep. The crop conditions along their line is fair from Iowa City to Council Bluffs with some replanting now being done. They do not look for a bumper crop this year. Several ethanol plants have delayed start up this past week for about 1-2 months.

## **Shippers**

Darrell Wallace of Bunge reported that there would be less corn this year. The high cost of commodities and margin calls is causing issues with working capital for all shippers. They are changing the way they operate looking for more just-in-time delivery of grain. This will stress the system.

Randy Jess of ADM agreed with Wallace. The floods in Cedar Rapids are hurting them. They are having to reroute lots of traffic.

Randy Bryden of CHS reported that they felt the car supply was good. The railroads supplying cars seems to be working, as are the permitted grain embargos. They are upgrading their fleet from C113s to C114s.

Mike Jones of North Dakota Mills reported that they had a tough winter and spring. Volumes are down but the wheat average is up. They need rain soon. Corn and beans look good if a little late. North Dakota could become a net importer of corn if all of the planned ethanol plants come on line. They have no car supply issues.

Jay Larson of NIK reported that service from the railroads has been good. They feel crops will be short this year and have seen a reduction in ethanol production.

John Setterdahl of Farmers Cooperative reported that they feel corn acres will be up from USDA estimates. Corn is being replanted in some areas. All told they feel corn will be down by about 5% and beans by 15%. Working capital is hard to come by and ethanol is a big unknown.

## **Manufacturers/Lessors**

Mike Keasling of CIT reported that over the last five years their grain fleet has grown by approximately 10,000 cars to 20,000. They are adding approximately 1,800 new C114s this year, while getting rid of older C113s. Approximately 98% of their lease fleet is utilized. They are expecting new car costs to increase by at least 8-10% by 2009.

Paul Deasy of Chicago Freight Car reported that their grain fleet was up approximately 10% mostly in DDGs. They are taking a cautious approach to fleet expansion. Utilization overall is good.

Columbus Johnson of GE reported that their grain fleet was made up mostly of C113s and that they had no supply issues.

Tom Pawlicki of CitiRail reported that their grain fleet consists of about 2,000 C113s. They did add 500 new 5150s this year and 100% of their fleet is utilized.

Keith Bouquet of First Union Rail reported that they had added over 1500 cars to their grain fleet mostly through acquisition of existing leases. This brings their total grain fleet

to approximately 22,000 cars. He agreed with Keasling that new car prices are not softening.

At this time Chairman Wallace moved the meeting to the Open Forum stage and there was no discussion.

Mark Overbo of Farm Service Agencies then gave a brief report on Agricultural Food Relief. As of today they have no inventory in commodities. Everything went to food aid. They are tapped out.

In closing Co-Chairmen Mulvey and Wallace thanked everyone for attending and the meeting was adjourned at approximately 2:00 pm.