**Meeting of the National Grain Car Council**Thursday, September 17, 2015

Westin Kansas City at Crown Center,

1 East Pershing Road

Kansas City, Missouri 64108

Attendance

Thirty-three members or designated substitutes and forty-five members of the public attended. Attendance sheets will be distributed with the email version of these minutes. Designated substitutes included:

Scott Baker, Sales Director Midwest Region, Chicago Freight Car Leasing Co

Rob Finch, Director of Agricultural Marketing CSX

Mark Hamilton, AVP Unit Train Services, Norfolk Southern

Cheryl Rangel, Dir. Sales & Marketing, Iowa Interstate Railroad, Ltd.

Bryan F Vaughan, Vice President Sales Leasing, RR’s, GE Capital, Rail Services

**AGENDA**

1:00 pm\* 1. Welcome and call to order

- Safety Briefing –Vice Chairman Mark Van Cleave

- Chairman Mike Bilovesky

- Cochairman Ann Begeman

- Mark Huston, Chairman – TEGMA

2. Member Introductions

- Fred Forstall – Approved Substitutes

- Members – Self introductions

3. Adoption of 2013 Minutes – Mike Bilovesky

4. Call for nominations from the floor to fill the Office of Vice Chairman – Mike Bilovesky

5. Financial Report – Sharon Trudell, Secretary/Treasurer

6. Guest speaker, Bill Hudson, The ProExporter Network®

World Grain 1975-2025: Price & Transportation Patterns (with Closeup of US Corn & Soybeans 2015-16)

2:45-3:00 pm Break

7. Railroad response panel

- Moderator: Greg Guthrie

- Panelists: Micah Powell, Doug Story, Aaron DeGodny, Wayne Winkle

- Comments from other railroads

- Questions & answers

8. Shipper response panel

- Moderator: Dana Hansen

- Panelists: Ed Sims, Mark Huston, Roger Fray

- Comments from other shippers

- Questions & answers

9. Manufacturers/Lessors response panel

- Moderator: Katie Hadenfeldt

- Panelists: Dean Sawyer, Bryan Vaughan

- Comments from other manufacturers/lessors

- Questions & answers

10. Closing Remarks

- Chairman Daniel Elliott

- Commissioner Deb Miller

- Cochairman Ann Begeman

5:00 pm 11. Passing the gavel and adjourn – Mike Bilovesky, Mark Van Cleave

\*Start time is tentative based on arrival of out-of-town members and guests.

**Minutes**

The Chairman, Mark Van Cleave, called the meeting to order with 33 members or designated substitutes.

Member Introductions

Fred Forstall, introduced new members and substitutes. Following past practice, other members introduced themselves.

Adoption of 2014 Minutes

Copies of the minutes of the 2014 meeting were distributed. A motion was made and duly seconded to approve the 2014 minutes as written. The motion carried by unanimous voice vote.

Nominations

Sharon Clark was duly nominated for the office of Vice Chairman, whereupon the nominations were closed and Ms. Clark elected by acclamation. Congratulations Ms. Clark.

Financial Report

The Secretary/Treasurer, Sharon Trudell, presented the following financial report. On her recommendation, a motion was made and duly seconded to assess dues of $100 per member for 2016. The motion carried by unanimous voice vote.

**NGCC Financial Report**

**September 17, 2015**

Beginning balance August 1, 2014 - $5,655.73

Expenditures August 1, 2014 thru Sep 15, 2014 - $3,715.46

(O’Neil Commodity $1,296.98, TEGMA $2,418.48)

Balance as September 15, 2014 - $1,940.27

Dues Received since March 1, 2015 - $3,100.00

Balance as of September 11, 2015 - $4,940.27

Outstanding 2015 dues as of September 8, 2015 - $500.00

Estimated cost of this meeting – ($3,000.00)

Projected Balance - $1,840.27

\*It is the recommendation of the Secretary/Treasurer that dues of $100.00 per member be assessed for the 2015 year.

Guest Speaker

Mr. Bill Hudson of PRX addressed the meeting the title of his presentation was “WORLD GRAIN 1975-2025:  
Price and Transportation Patterns (with Close up of US Corn and Soybeans 2015-16)” (A copy of his slides will be attached to the email version of these minutes.) Farm wealth increased from 2007-2013 but the next three years are expected to be negative. He identified a commodity price “super cycle” and regresses commodity prices using crude oil price as a proxy. He noted that “unusual episodes” are what shape the business and that econometrics “don’t work.” The ethanol surplus has found an outlet through exports. He suggests that China has “hit the wall” and might be forced to buy more cheap corn and that China beans are the “global increase.” However, China does not want to depend on the United States and will minimize its influence by developing alternate trade routes (e.g., South America, Africa). Reportedly, China has a carry out of two billion bushels of moldy corn. Mr. Hudson suggested that China can’t keep its controlled economy under control (“quasi-planned economy”). At the same time, US yields are growing and the exportable surplus continues up. He notes that a price spike incented foreign competition, which equates to “2 Illinois’ and 1 Nebraska.” The US is 5 percent of the world population and 25 percent of the world corn capacity. He suggests that if the Ukraine keeps growing it will kill exports off the Atlantic Coast.

Railroad response panel

Capex – expectations are uneventful. MOW spending is front loaded. A more fluid network is expected. The fleet is being upgraded. Single digit increase expected in the United States and an increase in the teens in Mexico. Watco has 20 short lines with grain The wheat harvest was up 38 percent. The jump in harvest is creating opportunities and challenges. There is no demand in the Gulf, and terminals are filling up. Extremely good corn and soy bean harvests are expected. WSOR has 250 RR hoppers and 500 privates and expects good corn and record beans. On the K&O, the milo harvest is looking good. Where will it go? About 45 percent of CN business is in the United States. Weaker demand is foreseen. With respect to Capex, locomotives, and people, CN has been “out in front.” There is plenty of stored power. There will be no locomotive issues. Also, CN had 3900 new hires in 2014. The network is fluid. No problems or issues are expected. About 48 percent of RCPE business is agricultural products. The railroad has five shuttle locations and 2 ethanol plants. With a fleet of 2300 cars, RCPE is flush on cars at the moment. Two sidings are expected to be completed this year and one next year. South Dakota expects a bumper crop of corn and very good beans. The Chicago gateway is in good shape. Streator is the “back up.” Capex on the northern main line include signals and upgrades to CTC sidings. CSX has invested in infrastructure and locomotives. It has about 200 furloughs at the moment. Internal metrics have improved. Focus will be on proactive crew calling and larger trains. NS has no stored locomotives, additional employees, and is using temporary transfers at the moment. With respect to a PTC extension, CSX expects minimal impact to the grain business. On the other hand, BNSF expects all traffic to be impacted, not just TIH, and noted that a large portion of BNSF would be impacted. UP estimates that implementation is 3 years away. It is pushing for a reasonable testing period. It notes that it will not break the law and that short of an extension expects TIH and passenger service to be shut down by the end of the year. CP anticipates that it will work to “wind down” TIH shippers in front of the deadline. John Miller noted the necessity for an extension soon. In response to a question about “gathering storm clouds,” Tom Novitske offered that BNSF is a “different railroad” than two years ago. CP noted the CTC work on the North Dakota mainline. UP noted that it had 2400 furloughs and did not expect any difficulties with respect to head count and that volume was down 5 percent Y/Y. RCPE noted that cars, crews, and capacity were all up relative to start up. CSX expects to have PTC assets in place by 2018 and testing done by 2020. BNSF and NS are looking at about the same time frame for full implementation. CP is looking at 2018.

Shipper response panel

A record corn crop is expected in Iowa (190-191 bushels per acre [?] expected). Beans have just started (56-61 expected). Farmers will not sell $3.00 corn and will hope for $4.50-$5.00. “The crop doesn’t want to move short term.” Less than 12 percent of corn has been sold. With respect to beans 50-70 percent has been sold in past years as opposed to 13 percent this year. Rail service is less important in Iowa than in the past. In Tennessee, the corn crop is a little smaller due to increase acreage in beans. The farmers have money, and the crop is not sold this year. Trains are available, and the system is fluid with less volume. Reportedly, there is a bigger arc from which to draw and west to east movements are expected, perhaps later this year. There is more focus on exports and expectations that export demand will come later. Rail cars are $300-$400 per car this year vs. $1,000 last year. Very few issues are expected with respect to transportation unless it has to do with weather. Drivers over the next year are expected to be 1) the global economy, 2) regional droughts, and 3) currency matters. No problems with car supply are anticipated, either railroad or private marks. There is a concern about the supply of medium size locomotives that are typically used in local service.

Manufacturers/Lessors response panel

The Umler lists a total NA fleet of 1.5 million of which 472,000 are covered hoppers. Ownership breaks down as 58 percent lessors, 20 percent railroads, and 22 percent shippers. A total of 86,000 cars are expected to be manufactured this year, of which 31,000 are hoppers. The market is sold out through the first quarter of 2017. The repair network is at a premium as well. Expansion can’t happen quick enough to help decrease turn times. Many ten year inspections in the ethanol fleet are coming up. It is expected that shop space will tighten and that the network will be tighter than anyone as seen previously. Some softening of the mark in the third quarter was noted. The 5150s are fully utilized but there is availability of 4750s. More grain cars were built this year than were expected although energy markets (tanks and small hoppers) were still driving the backlog. The imbalance is “worrisome.” The mobile shop crew concept is expected to continue to grow.