

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. EP 724

UNITED STATES RAIL SERVICE ISSUES

DOCKET NO. EP 724 (SUB-NO. 1)

UNITED STATES RAIL SERVICE ISSUES - GRAIN

STATEMENT
OF
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On behalf of the National Corn Growers Association, we would like to thank the STB for conducting this hearing and for the opportunity to for groups such as NCGA to report on service problems in the United States rail network. NCGA represents more than 40,000 dues-paying corn growers and the interests of more than 300,000 farmers who contribute through corn check-off programs in their states. NCGA and its 48 affiliated state associations and check-off organizations work together to help protect and advance corn growers' interests.

Based on the large railroad volumes of corn and corn products and relatively short peak seasonal shipping periods, timely and efficient railroad service is obviously extremely important for corn producers and shippers. NCGA members have been adversely impacted by recent railroad delays and service problems, particularly on BNSF and CP, and we are worried about the railroads abilities to provide timely and efficient service during the upcoming fall harvest and heavy shipping period.

In 2013, U.S. corn production totaled a record 13,925,147,000 bushels, which equals 389,904,116 short tons (based on 56 lbs. per bushel). Corn moves by truck, barge and rail. The following table shows the corn carloads and tons handled and revenues received by the U.S.

Class I railroads in 2013:

Table 1

2013 Corn Handled by U.S. Class I Railroads

<u>Railroad</u>	<u>Carloads</u>	<u>Tons</u>	<u>Revenue</u>
BNSF	169,819	17,941,156	\$616,252,824
UP	125,125	13,358,322	\$510,972,945
NS	100,823	10,617,490	\$205,190,784
CSX	88,149	9,298,589	\$202,373,525
KCS	45,545	4,693,613	\$114,259,312
CP (US)	53,281	5,331,042	\$83,878,306
<u>CN (US)</u>	<u>52,799</u>	<u>5,354,539</u>	<u>\$77,387,105</u>
Total	635,541	66,594,752	\$1,810,314,801

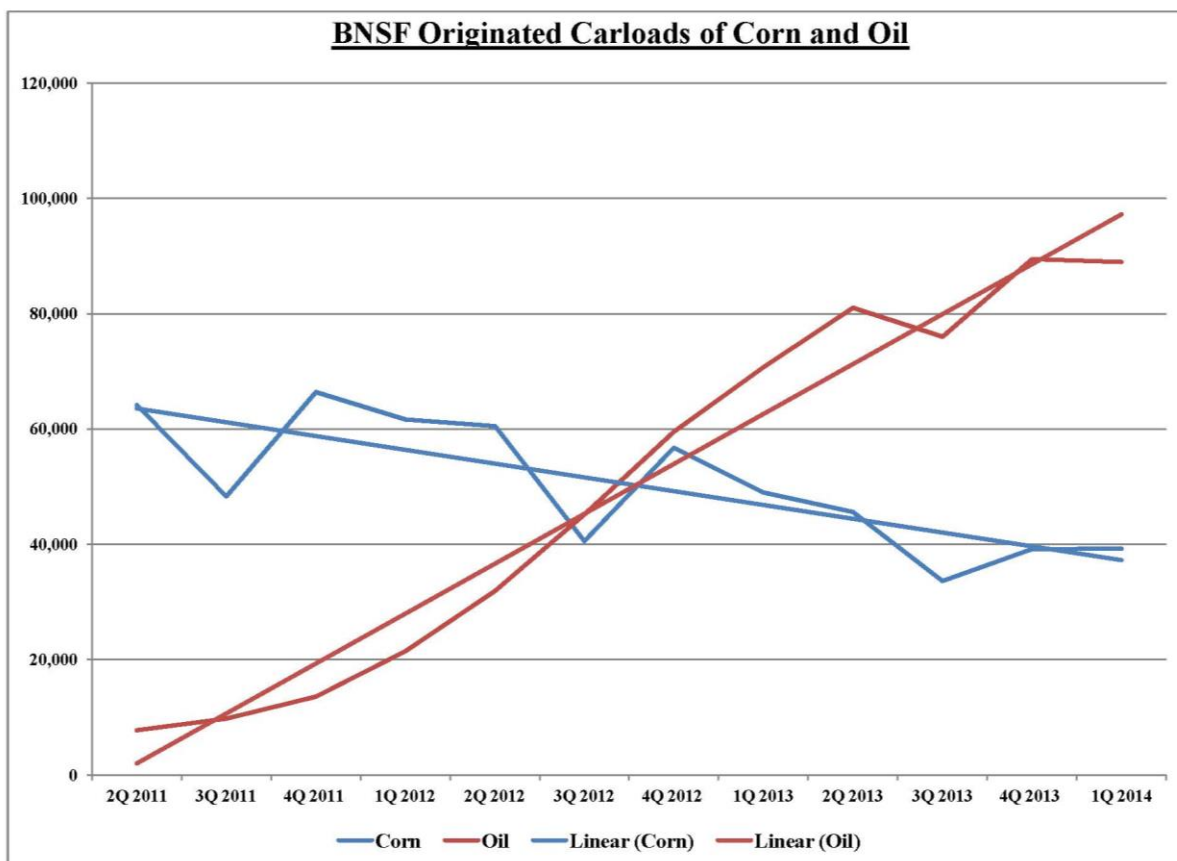
Although the U.S. Class I railroads handle only 17% of the total U.S. corn production, corn represents a large and profitable railroad transportation market with nearly 67 million tons handled by the Class I railroads and freight charges exceeded \$1.8 billion in 2013.

As can be seen, BNSF and UP are the dominant rail carriers of corn as each have corn revenues which are more than double other carriers (e.g., NS and CSX).

Although the railroad transportation market share for corn is relatively small, the large corn volumes that do move by rail often involve large annual volumes and long rail distances (such as movements to Gulf and PNW export terminals), which are not truck competitive. According to AAR data, the average rail distance for corn is 1,109 miles.

As indicated in a recent article in the *New York Times* Ron Nixon titled Grain Piles Up, Waiting for a Ride, as Trains Move North Dakota Oil, dated August 25, 2014, railroad grain shipments have been held up and delayed primarily as a result of the significant increase in railroad shipments on Bakken oil from North Dakota and related traffic, such as sand, which have surged since 2008. As can be seen from the following graph, in three (3) short years, the number of BNSF originated corn carloads has been surpassed by originated oil carloads:

Table 2
BNSF Originated Carloads Per Quarter of
Corn Compared to Oil



As the article indicates, farmers are losing millions as a result of the delays. A recent North Dakota State University study, based upon basis values, concluded that North Dakota

farmers have lost nearly \$67 million this year because of rail shipment delays, and could lose an additional \$95 million if the delays persist.¹

According to USDA, bids in the *primary* railcar market have been trading at historic highs since late May, 2014 for guaranteed railcar placement for grain shipments in August, September, and October. Bids for the week ending July 17 ranged between \$2,700 and \$3,200 per car for BNSF's guaranteed grain car placement in September and between \$2,800 and \$3,000 per car for placement in October. In the previous 10 years, there was very little monthly trading and bids rarely exceeded \$700.²

Although farmers and shippers are incurring higher rail transportation costs, railroad service, particularly on BNSF and CP, has deteriorated within the last year. We commend the Board for recognizing the problem, initiating this proceeding, and requiring BNSF and CP to submit information regarding service delays.

Based on the data submitted by BNSF and CP, it appears car delays have improved since the Board issued its June 10, 2014 decision in this proceeding, which required BNSF and CP to report grain car delays. The following table summarizes the reports filed by BNSF:

¹ http://www.grainnet.com/articles/North_Dakota_State_University_Study_Finds_State_Farmers_Have_Lost_67_Million_to_Rail_Shipment_Delays-141184.html

² <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5108470>

Table 3

BNSF Past Due Grain Car Orders Since 6/26/14

Week Ending	Total Past Due Orders			ND Past Due Orders		
	Cars	Stations	Days	Cars	Stations	Days
06/26/14	8,462	173	28.6	4,942	87	32.0
07/03/14	7,388	164	26.6	4,696	89	28.5
07/10/14	7,047	158	27.9	4,561	87	30.2
07/17/14	6,329	145	24.2	3,908	81	26.6
07/24/14	5,564	134	22.0	3,359	68	23.6
07/31/14	4,066	118	19.9	2,399	52	21.3
08/07/14	3,492	115	18.3	1,656	44	22.1
08/14/14	2,671	102	17.0	1,262	42	19.6
08/21/14	2,609	101	12.9	1,336	45	10.2

Although past due grain car orders have improved in the past two months, the delays are still at high levels and we fear that that situation will get worse as we near the peak fall harvest time. USDA recently announced that it expects corn growers will produce a record-high crop at 14.0 billion bushels of corn, up 1 percent from 2013 which was also a record at the time. USDA also expects a record soybean crop of 3.82 billion bushels in 2014, up 16 percent from last year.³

USDA expects BNSF to clear its backlog by September, but remains concerned about CP. USDA states that “There is concern among some farmers and grain shippers the amount of past-due grain shipments will interfere with shipping this year’s harvest, leaving producers with insufficient grain storage and causing similar rail service problems to those experienced this past year.”

³ http://www.nass.usda.gov/Newsroom/2014/08_12_2014.asp

Despite BNSF's recent improvements, the past due car orders remain high, especially in North Dakota, and Bakken oil and sand shipments continue to increase. NCGA is worried about the railroads abilities to provide timely and efficient service during the upcoming fall harvest and heavy shipping period. As a result, we urge the Board to continue to carefully monitor BNSF's and CP's grain service through the fall harvest and take additional actions, if needed.