

September 22, 2015

The Honorable John Thune
United States Senate
Washington, DC 20515

Dear Senator Thune:

Thank you for the support and attention you have brought to the critical need for an extension of the looming December 31, 2015 deadline for railroads to implement Positive Train Control (PTC) as required by the Rail Safety Improvement Act (RSIA). We appreciate the leadership you have demonstrated by including a three-year PTC extension in the Senate's Developing a Reliable and Innovative Vision for the Economy (DRIVE) Act. As you know, a vast majority of railroads have announced that they will fail to implement PTC by the deadline. And citing the requirements of the RSIA, most railroads have further announced that they will not ship toxic-by-inhalation (TIH) materials after that date. Some railroads have even threatened to embargo TIH shipments beginning as early as November.

CF Industries is North America's largest manufacturer of anhydrous ammonia, a TIH product. Anhydrous ammonia is a nitrogen fertilizer (and the building block for other nitrogen products) that is essential to crop growth and America's food supply. CF depends heavily upon rail transportation to distribute anhydrous ammonia from its production facilities to storage terminals and customer locations across the country. In 2014 alone, CF Industries transported 1.2 million tons of anhydrous ammonia by rail. CF also uses other modes of transportation—including pipeline, barge, and truck—but for some distribution terminals rail is the only mode to receive anhydrous ammonia.

I write to highlight some of the consequences a service stoppage would have on CF Industries, and how those consequences would impact the nation generally and your constituents specifically.

Insufficient Supply of Fertilizer to America's Farmers

A service stoppage threatens CF's ability to transport anhydrous ammonia in sufficient quantities to serve the needs of America's farmers. It is critical to consider that although fertilizer is applied to the soil twice annually—before the spring planting and after the fall harvest—CF ships anhydrous ammonia *365 days a year*. If CF were unable to produce and transport anhydrous ammonia to storage and distribution terminals across the nation's farmland, there would be an insufficient supply of ammonia to satisfy farmers' demands during next spring's application. The problem would be exacerbated because the service stoppage would apply not only to CF, but to all anhydrous ammonia manufacturers who ship by rail. A shortage of ammonia for spring application would affect crop yields and food supply

Of particular interest to South Dakota, CF's manufacturing facility in Medicine Hat, Alberta generates much of the anhydrous ammonia used by farmers in the Northern Tier. Because it does not have access to a pipeline or river, most of the Medicine Hat plant's anhydrous ammonia production is shipped by rail, primarily for use by Northern Tier farmers. Since January 2014, CF has shipped over 11,000 loads of anhydrous ammonia from Medicine Hat—totaling almost 900,000 tons—to distribution facilities in Minnesota, North Dakota, and Iowa (among other states), and which is subsequently trucked into South Dakota for use by its farmers. Without rail service, CF cannot move ammonia into the Northern Tier at needed volumes. And so a service stoppage would have a substantial and detrimental impact on CF's ability to transport anhydrous ammonia from Medicine Hat for use by Northern Tier farmers, and could result in ammonia shortages that would ultimately threaten crop yields in South Dakota and the rest of the Northern Tier.

Production Stoppages

CF has only limited storage capacity at Medicine Hat, and therefore must ship anhydrous ammonia year-round to continue production. If CF were unable to use the rail system to ship anhydrous ammonia from Medicine Hat at needed volumes, it would have to halt or curtail production at one of the two ammonia plants at the facility. In addition to the two ammonia plants (which combine to generate 3,500 tons of ammonia per day), there is also a urea plant at the Medicine Hat facility. At capacity operation, the Medicine Hat urea plant can consume about 75 percent of the capacity of one Medicine Hat ammonia plant. The Medicine Hat ammonia plants can be cut back to about 80 percent of capacity, then must be shut down. Because of the limit on how much CF can reduce a Medicine Hat ammonia plant's production, CF also more than likely would need to curtail production at its other ammonia plant at Medicine Hat if urea production plus local non-rail dependent ammonia sales cannot consume at least 80 percent of the remaining plant's ammonia production capacity. That, in turn, could result in CF also ceasing urea production at Medicine Hat until such time as the urea plant plus local ammonia sales could again utilize at least 80 percent of one ammonia plant's capacity. Because the plants almost always operate at full capacity, this production loss cannot be made up at a later date.

In addition to Medicine Hat, some of CF's six other North American manufacturing facilities could face similar production curtailments or stoppages without rail service. That could result in nationwide shortages of anhydrous ammonia.

Tank Car Fleet Management

CF also faces a substantial challenge to find storage for its rail cars used to transport anhydrous ammonia. CF leases over 1,100 cars for transporting anhydrous ammonia, including nearly 600 that service the Medicine Hat facility. Those cars would have to be idled and removed from the rail system if railroads cease to accept TIH shipments. CF itself can only store slightly more than half of this fleet, and so must find storage locations for the remainder. But at the same time, every other producer of TIH materials—not just anhydrous ammonia—also will need to store their rail cars. Putting aside the costs associated with storing these rail cars (which are substantial), it is unknown if there is sufficient storage space for the entire fleet of TIH cars. Given the December 31st deadline, CF would have to begin this storage process in November. Furthermore, once cars are placed in storage, there is typically a lag time for the railroads to retrieve them and return them to the fleet.

To avoid these substantial and devastating consequences, CF respectfully submits that it is critical to secure an extension ***by the end of October at the latest.***

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Thank you for your attention to this extremely urgent matter. If you have additional questions, please contact me or Rosemary O'Brien, Vice President, Public Affairs, at 202-371-9279.

Sincerely,



W. Anthony Will
President and Chief Executive Officer