

**Statement by:
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**Before the Senate Committee on Commerce, Science and Transportation
Field Hearing on:
“Addressing Surface Transportation Needs in Rural America”
August 10, 2009**

Thank you Senator Thune for the invitation to visit with you today about something critically important to South Dakota and what makes the agriculture industry competitive in the world:
Transportation

Hello, I am Lisa Richardson, Executive Director of the South Dakota Corn Growers Association, a grass roots commodity organization which represents 12,500 corn producers from South Dakota. As I visit with you today, South Dakota corn growers are preparing to bring in the largest corn crop in our history.

Agriculture is our state’s biggest industry creating a \$21 Billion impact to our economy. Already today, our agricultural resources and production ability are outpacing our transportation capacity, causing delays and efficiency challenges.

Let me put into perspective the importance of transportation in agriculture. Last year, South Dakota produced 172 million bushels of wheat, 585 million bushels of corn, 138 million bushels of soybeans, close to 8 million tons of hay, a billion tons of sunflowers and a billion gallons of ethanol. We simply can’t call the U.S. postal service or UPS to please pick up 100 million bushels of corn and take it to the Pacific Northwest because we have a sales call in Taiwan.

Let’s follow a kernel of corn from a typical South Dakota field.

South Dakota has 83,744 miles of road to go along with its 75,885 square miles of space. Ninety-one percent of these roads are city, county and township roads. These are the roads where grain transportation begins as producers truck the grain from fields along these roads to their nearest grain handling facility.

Years ago a typical load of corn traveled in a single axle truck containing 350 bushels of corn. With ever increasing yields, a producer today is using multiple axel trucks and semis to deliver their corn to the nearest facility. With the bulk of these bushels traveling on township and county roads that were designed for 50 bushel per acre corn versus today’s yield of 125 bushels per acre. These roads also haul feedstocks such as distillers grain to our livestock producers.

Now if the nearest grain handling facility doesn’t have rail access, that truck either keeps going to a processing facility....or right out of state to a top paying market which means South Dakota processing facilities and agribusiness are losing money in missed opportunities in addition to the added pressure placed on our local roads by greater transportation distance.

At a five location Central South Dakota grain cooperative, they handle 22 million bushels of grain annually including wheat, corn and sunflowers. It takes roughly 220 thousand truck loads on our state highway system just to get those bushels one point to a grain facility. Again, if that facility doesn't have rail access, it would have to be loaded out by truck a second time, doubling the truck loads for just that one area of the state, to nearly 450 thousand truck loads annually, and, in turn, a financial impact on local roads.

Senator Thune, no industry is more dependent on a good viable transportation infrastructure than agriculture.

If South Dakota didn't have rail, South Dakota industries wouldn't be competitive in grain production.

A competitive rail system narrows the basis because you can have greater efficiency in your energy need. Without rail access, the expense to raise a crop would increase significantly.

As ethanol and grain production continues to increase, the availability of economical transportation has become a growing issue. Currently, trucks are used for short hauls, but are prohibitively expensive for long distances. The rail system is utilized for long-distance transport, but is suffering from lack of infrastructure to handle the increasing volumes.

But for agriculture to remain competitive, balance must be brought into the game. Here's the deal with rail: we need it to be consistent, we deserve to know what it's going to cost. Rail customers don't want fluctuation. Elevators have already bought a lot of grain for future delivery and today they still don't know what the rail rates are for 2010.

The Senate Commerce Committee is currently developing legislation to make the rail industry more competitive and to provide an even playing field for shippers. The efforts by this committee are critically important and will have a significant impact on growers who are most affected by commodity prices and the ability to move grain.

The goal of rail competition legislation should be to provide more balance at the Surface Transportation Board (STB) between the interests of shippers and carriers. Historically the STB has sided with the railroads in cases pertaining to rates and access. Small and medium size shippers that are commonly found within the agricultural distribution chain have been shut out of the rate challenge process because it is prohibitively expensive and the chance of success is relatively low.

Since 1980, the STB has allowed the railroad industry to consolidate to four major railroads that carry more than 90 percent of all freight shipped by rail in the United States. A recent study by the STB revealed that over 44 percent of all rail freight by tonnage is captive to a single railroad. Yet the STB has provided meaningful relief for these rail customers in less than 20 percent of the rate challenges brought before the Board since 2000. No rail rate for the movement of an agricultural product has even been contested since 1982.

Congress should provide other forums for adjudication of complaints regarding unreasonable practices by railroads and also provide assurance that cases will be handled expeditiously. In 1995, legislation was adopted "to establish a simplified and expedited method for determining the reasonableness of challenged rail rates"; however, the goal has never been fully achieved. In some instances, STB decisions have taken longer than five years, which is unacceptable.

There are other problem areas that specifically need to be addressed. Unreasonable switching charges have substantially increased the cost of shipping grain via rail. Switching charges are fees that railroads use when providing access to competing rail lines. If the switching is open but the price for switching is exorbitantly high, it acts as a barrier to competition. Many railroads are increasing switching rates to such high levels that it is having an impact on the agricultural sector. In some instances, switching charges are more than \$500 per car, which has no reasonable comparison to the costs of providing the switch, and accomplishes nothing more than capturing more exclusive traffic for the carrier, while substantially narrowing the range of potential customers available to our growers.

There has also been concern in recent years regarding the question of liability for the transport of anhydrous ammonia by rail. At least one railroad has placed in its tariff a requirement that the shipper fully indemnify the carrier for any personal injury property damage or death resulting from the carrier's transportation of the shipper's goods regardless of whether the carrier was at fault. It is important that the fertilizer industry and the railroads come to a consensus on how to share liability for anhydrous ammonia shipments so that growers have uninterrupted access to this important agronomic product. Congress should explore avenues to address liability for the shipment of hazardous materials, particularly compounds that are toxic by inhalation.

We are in a global economy and our competitiveness and access to those markets are becoming increasingly important. Today for us to get to the Pacific Northwest with corn, the typical path takes that corn first east and then up north and finally west again. As we work to find solutions to our transportation challenges in our state and nation one thing is clear: Efficient and competitive transportation has never been more important to the future of our state's economic health and our nation's energy security.

When the last kernel of corn flows out of the grain cart, it begins a journey that is dependent on an infrastructure at the township, county, state, interstate rail, and river to make it to its destination in a worldwide economy.