

Statement of

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Before the

**SENATE COMMITTEE ON COMMERCE, SCIENCE AND  
TRANSPORTATION**

Hearing on

**Freight Rail Service: Improving the Performance of America's Rail  
System**

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## **Introduction**

Thank you Chairman Rockefeller, Ranking Member Senator Thune and members of the Committee for the opportunity to testify today. My name is Jerry Cope, and I am the President of the South Dakota Grain and Feed Association and am also the Marketing Manager for Dakota Mill & Grain. The South Dakota Grain and Feed Association (SDGFA) is a voluntary membership trade association that represents the grain dealers and feed manufacturers in South Dakota. SDGFA has over 300 members consisting of grain elevators; feed and feed ingredient manufacturers; biofuels companies; grain and oilseed processors and millers; exporters; livestock and poultry integrators; and associated firms that provide goods and services to the nation's grain, feed and processing industry. SDGFA is also one of 26 state and regional affiliates of the National Grain and Feed Association (NGFA). Dakota Mill & Grain is a private grain and agronomy company headquartered in Rapid City, South Dakota with 9 locations and over 500 customers in western and central South Dakota who primarily farm, ranch, feed livestock. I am testifying today on behalf of South Dakota Grain and Feed Association but also serve on the NGFA's Board of Directors and its Rail Shipper / Receiver Committee.

Agriculture is South Dakota's number one industry and we rank in the top ten in the nation in nearly all crops. We are a landlocked state with only 2 rail carriers to access both domestic and foreign markets for the many agricultural products our farm customers produce. The Burlington Northern Santa Fe (BNSF) runs east to west across the top of South Dakota and north to south from Aberdeen in the northeast to Sioux City, IA. The newly formed Rapid City, Pierre & Eastern (RCP&E), a short line subsidiary of the Genesee and Wyoming (G&W), runs east to west through the center of South Dakota from Brookings to Rapid City. The RCP&E terminates in Tracy, MN, just east of the South Dakota and Minnesota border where it interchanges with the Canadian Pacific (CP). The RCP&E was formed by the sale of the old Dakota Minnesota & Eastern line from the Canadian Pacific (CP) to G&W in May of 2014. Destination markets are often beyond the practical reach of trucks making rail service a critical lifeline for the livelihood and economic well-being of our state. South Dakota exports the majority of the crop production by rail to terminals in the Pacific Northwest, the Gulf of Mexico, livestock feeders in the Southwest and flour mills in the eastern half of the United States. Approximately 45% of the corn grown in SD is processed in state. The refined ethanol and corn by-products are exported by rail to population centers in the west and east and the by-products to feed markets across the country. Over 75% of the wheat, soybeans, sorghum, sunflowers and birdseed grains are exported by rail either to domestic markets or for export.

Rail service disruptions, delays and bottlenecks began last fall and worsened over the winter. These service disruptions over the past 12 months have impacted our state greatly, and made it necessary to identify and address problems in our rail service. Actions by the Surface Transportation Board (STB), Senator Thune, our affiliated state and national organizations have served to bring this issue to the forefront and to hold railroads accountable for restoring service to acceptable levels.

Our industry group believes that if we are going to voice concerns then we also have a responsibility to cite relevant facts on where we were before the service meltdown began last fall, where we are today, and offer a roadmap of what is wanted, expected and needed, as well as provide suggestions on how to improve rail service.

### **Where we were**

To begin, I would like to review where we were before we began to experience serious rail service disruptions last fall – well before the harsh winter weather – and before the Surface Transportation Board (STB) initiated its rail service proceeding (EP 724) in April to look into the matter. I believe my company was typical of others in the state. We were behind by over one thousand cars, leaving farmers and elevators backlogged with over twice the normal grain inventory as we approached spring planting. South Dakota typically carries over about 20% of the wheat produced in a given year; 5% of the corn and 5% of the soybeans. Going into the spring the inventories both on and off farm were 25% or more of wheat and 20% of the corn. We had almost no regular communication with the railroads and if there was a plan to solve the backlog, it was not one that we could identify. The major carrier in the state, BNSF sells freight commitments in a primary market auction and shippers needing the freight buy it to procure a “deck” of freight. They often then trade the freight in a secondary market to manage storage space at elevators; timing of harvest; farmer selling and sales logistics. All types and sizes of grain rail shipments are sold in the primary freight auctions. Most common is shuttle or 110-car commitments, but larger elevators also utilize trains called Domestic Efficiency Trains (DET) which are 110 car units of usually wheat that are be loaded at one origin then split into multiple, smaller units at a central point for distribution to specific flour mills. Smaller elevators can also participate by utilizing 24-car units and single cars. Historically, the secondary market for this freight trades in a range of 15 cents a bushel below tariff to 50 cents per bushel above. However, last spring and into the summer, Secondary Freight car costs were roughly equal to the freight rate. \$5,000 per car or a \$1.25 per bushel was paid for cars - doubling the freight rate for corn shipped to the Pacific Northwest. These costs had escalated over time and elevators absorbed some of the cost along the way but eventually the secondary freight market costs were reflected in a lower basis and cash price paid farmers in South Dakota and the upper Midwest of 50-cents per bushel or more. Wheat costs were 75-cents to a \$1.50 per bushel in lost opportunity to sell for immediate flour mill demand which required availability of railroad cars versus selling for delivery two months or more down the road. Additional risk was that exporters, processors and flour mills were depending on timely delivery of product. Sellers risked the cost of buying in obligations and end users risked running out of product. Ironically, the secondary freight car market rewarded carriers for poor performance - the bigger the delay, the larger premium was for freight. Railroads will argue that day-to-day secondary freight market premiums do not go to them but to the owner of the freight and they are right. However, the urgency to secure adequate freight for this fall’s harvest resulted in some BNSF shuttles selling for up to a \$2.5 million to \$3 million dollar premium in the shuttle auctions. To date, total premiums paid to BNSF in auctions for their freight beginning this fall is over \$160

million (table 1)– all money that DID go the railroad. Through this crisis, there was little or no communication from the railroads. Simply put, we were without a voice.

Table 1:

<b>BNSF YEAR LONG SHUTTLE AUCTIONS</b>															
Bid is for 110-car shuttle to turn between origin and destination as many times as possible in one year.															
Total cars during the year is based on the number of turns.															
Bids are shown in increments of the lowest and highest bid accepted															
Number Of cars at: 1.5 turns per month: 1980															
Number Of cars at: 2 turns per month: 2640															
Number Of cars at: 2.5 turns per month: 3300															
Date	Shuttles Sold	Duration	Starting Period	Bids	Low bid Price / shuttle	Minimum Shuttle Auction revenue at Low bid	Cost per bushel at Cycles per month			High bid Price / shuttle	Maximum Shuttle Auction revenue at High Bid	Cost per bushel at Cycles per month			
							1.5	2	2.5			1.5	2	2.5	
7/16/14	3	Year Long	FP Nov	24	\$2,840,640	\$8,521,920	\$0.36	\$0.27	\$0.22	\$2,961,640	\$8,884,920	\$0.37	\$0.28	\$0.22	
7/9/14	3	Year Long	LP Aug	26	\$3,100,074	\$9,300,222	\$0.39	\$0.29	\$0.23	\$3,457,001	\$10,371,003	\$0.44	\$0.33	\$0.26	
7/2/14	3	Year Long	FP Sep	23	\$2,653,113	\$7,959,339	\$0.33	\$0.25	\$0.20	\$3,062,400	\$9,187,200	\$0.39	\$0.29	\$0.23	
6/25/14	5	Year Long	LP Sep	35	\$2,400,227	\$12,001,135	\$0.30	\$0.23	\$0.18	\$2,446,640	\$12,233,200	\$0.31	\$0.23	\$0.19	
6/18/14	5	Year Long	MP Sep	39	\$2,183,280	\$10,916,400	\$0.28	\$0.21	\$0.17	\$2,246,640	\$11,233,200	\$0.28	\$0.21	\$0.17	
6/9/14	5	Year Long	MP Sep	43	\$1,737,201	\$8,686,005	\$0.22	\$0.16	\$0.13	\$1,811,040	\$9,055,200	\$0.23	\$0.17	\$0.14	
6/2/14	5	Year Long	FP Sep	43	\$1,533,000	\$7,665,000	\$0.19	\$0.15	\$0.12	\$1,733,000	\$8,665,000	\$0.22	\$0.16	\$0.13	
5/27/14	5	Year Long	FP Sep	41	\$1,501,001	\$7,505,005	\$0.19	\$0.14	\$0.11	\$1,821,555	\$9,107,775	\$0.23	\$0.17	\$0.14	
5/19/14	5	Year Long	FP Oct	40	\$1,651,000	\$8,255,000	\$0.21	\$0.16	\$0.13	\$1,762,101	\$8,810,505	\$0.22	\$0.17	\$0.13	
5/12/14	5	Year Long	FP Oct	38	\$1,780,000	\$8,900,000	\$0.22	\$0.17	\$0.13	\$1,799,999	\$8,999,995	\$0.23	\$0.17	\$0.14	
5/5/14	5	Year Long	FP Oct	45	\$2,100,005	\$10,500,025	\$0.27	\$0.20	\$0.16						
4/28/14	5	Year Long	FP Oct	44	\$1,608,200	\$8,041,000	\$0.20	\$0.15	\$0.12	\$2,316,300	\$11,581,500	\$0.29	\$0.22	\$0.18	
1/27/14	30		FP May	79	\$217,800	\$6,534,000				\$377,000	\$11,310,000				
	3300 cars total. No cycle times							\$0.50							
1/21/14	10		FP April	30	\$304,920	\$3,049,200				\$575,888	\$5,758,880				
	1100 cars total							\$0.69							
	20		FP May	52	\$146,520	\$2,930,400				\$440,888	\$440,888				
	2200 cars total. No cycle times							\$0.33							
					Shuttles	\$120,764,651					\$125,639,266				
						<b>Potential Minimum Revenue</b>					<b>Potential Maximum Revenue</b>				

<b>BNSF DOMESTIC EFFICIENCY TRAIN (DET) AUCTIONS</b>											
Bid is based on 96 cars per train (24 X 4) less \$200 per car refundable prepay.											
Bids are shown in increments of the lowest and highest bid accepted											
Date	DET's Sold	Starting Period	Bids	Price / DET	Minimum DET Auction Revenue at Low bid	Number of cars sold	Cost per bushel	Price / DET	Maximum DET Auction Revenue at High bid	Cost per bushel	
8/4/14	3	October	13	\$376,010	\$1,128,030	330	\$1.02	\$406,340	\$1,219,020	\$1.10	
	3	November	12	\$355,005	\$1,065,015	330	\$0.96	\$371,000	\$1,113,000	\$1.00	
	3	December	13	\$355,850	\$1,067,550	330	\$0.96				
7/28/14	5	September	32	\$408,430	\$2,042,150	550	\$1.11	\$408,540	\$2,042,700	\$1.11	
	9	October	46	\$375,540	\$3,379,860	990	\$1.02	\$408,540	\$3,676,860	\$1.11	
	9	November	38	\$341,220	\$3,070,980	990	\$0.92	\$353,540	\$3,181,860	\$0.95	
	9	December	39	\$321,000	\$2,889,000	990	\$0.86	\$335,830	\$3,022,470	\$0.90	
7/14/14	6	September	61	\$280,500	\$1,683,000	660	\$0.75	\$324,500	\$1,947,000	\$0.87	
					\$16,325,585				\$16,202,910		
					<b>Potential Minimum Revenue</b>				<b>Potential Maximum Revenue</b>		

<b>BNSF 24-CAR UNIT AUCTIONS</b>										
Bid is based on 24 cars per train less \$200 per car refundable prepay.										
Bids are shown in increments of the lowest and highest bid accepted										
	Units	Starting			Minimum Unit				Maximum Unit	
Date	Sold	Period	Bids	Price / Unit	Auction Revenue at Low bid	Number of cars sold	Cost per bushel	Price / Unit	Auction Revenue at High bid	Cost per bushel
8/12/14	30	November	13	\$16,348	\$490,440	720	\$0.13	\$55,200	\$1,656,000	\$0.58
	30	December	12	\$14,019	\$420,570	720	\$0.11	\$55,200	\$1,656,000	\$0.58
8/5/14	6	October	60	\$68,500	\$411,000	144	\$0.73	\$86,520	\$519,120	\$0.93
	30	November	141	\$49,848	\$1,495,440	720	\$0.51	\$79,368	\$2,381,040	\$0.85
	30	December	91	\$45,048	\$1,351,440	720	\$0.46	\$65,640	\$1,969,200	\$0.69
7/29/14	12	October	126	\$82,032	\$984,384	288	\$0.88	\$86,832	\$1,041,984	\$0.94
	30	November	187	\$76,829	\$2,304,870	720	\$0.82	\$79,567	\$2,387,010	\$0.85
	30	December	152	\$65,555	\$1,966,650	720	\$0.69	\$72,984	\$2,189,520	\$0.78
7/22/14	21	September	127	\$72,264	\$1,517,544	504	\$0.77	\$81,888	\$1,719,648	\$0.88
	22	October	144	\$78,912	\$1,736,064	528	\$0.85	\$89,088	\$1,959,936	\$0.96
	15	November	110	\$73,122	\$1,096,830	360	\$0.78	\$74,832	\$1,122,480	\$0.80
	15	December	99	\$65,000	\$975,000	360	\$0.69	\$71,424	\$1,071,360	\$0.76
7/15/14	11	September	158	\$67,488	\$742,368	264	\$0.72	\$72,115	\$793,265	\$0.77
	22	October	316	\$69,504	\$1,529,088	528	\$0.74	\$76,824	\$1,690,128	\$0.82
7/8/14	40	August	255	\$40,811	\$1,632,440	960	\$0.41	\$57,864	\$2,314,560	\$0.61
7/1/14	40	August	384	\$33,840	\$1,353,600	960	\$0.33	\$48,571	\$1,942,840	\$0.50
6/17/14	9	September	81	\$22,848	\$205,632	216	\$0.21	\$30,048	\$270,432	\$0.29
6/10/14	9	September	79	\$21,876	\$196,884	216	\$0.19	\$29,448	\$265,032	\$0.28
	9	October	84	\$36,000	\$324,000	216	\$0.36			
6/3/14	9	September	123	\$20,880	\$187,920	216	\$0.18	\$25,104	\$225,936	\$0.23
	9	October	113	\$30,048	\$270,432	216	\$0.29	\$36,000	\$324,000	\$0.36
5/27/14	9	September	116	\$17,472	\$157,248	216	\$0.14	\$29,400	\$264,600	\$0.28
	9	October	106	\$24,216	\$217,944	216	\$0.22	\$33,600	\$302,400	\$0.33
1/7/14	12	April	71	\$12,192	\$146,304	288	\$0.08	\$15,600	\$187,200	\$0.12
	12	May	63	\$8,544	\$102,528	288	\$0.04	\$14,400	\$172,800	\$0.11
					\$21,816,620				\$28,426,491	
					Potential Minimum Revenue				Potential Maximum Revenue	
					Shuttles \$120,764,651				Shuttles \$125,639,266	
					DETs \$16,325,585				DETs \$16,202,910	
					24-car Units \$21,816,620				24-car Units \$28,426,491	
					\$158,906,856				\$170,268,667	
					Total Potential Minimum Revenue				Total Potential Maximum Revenue	

Table 1- Results of BNSF auctions since January of 2014. Taken from the BNSF website September, 2014

Table 2:

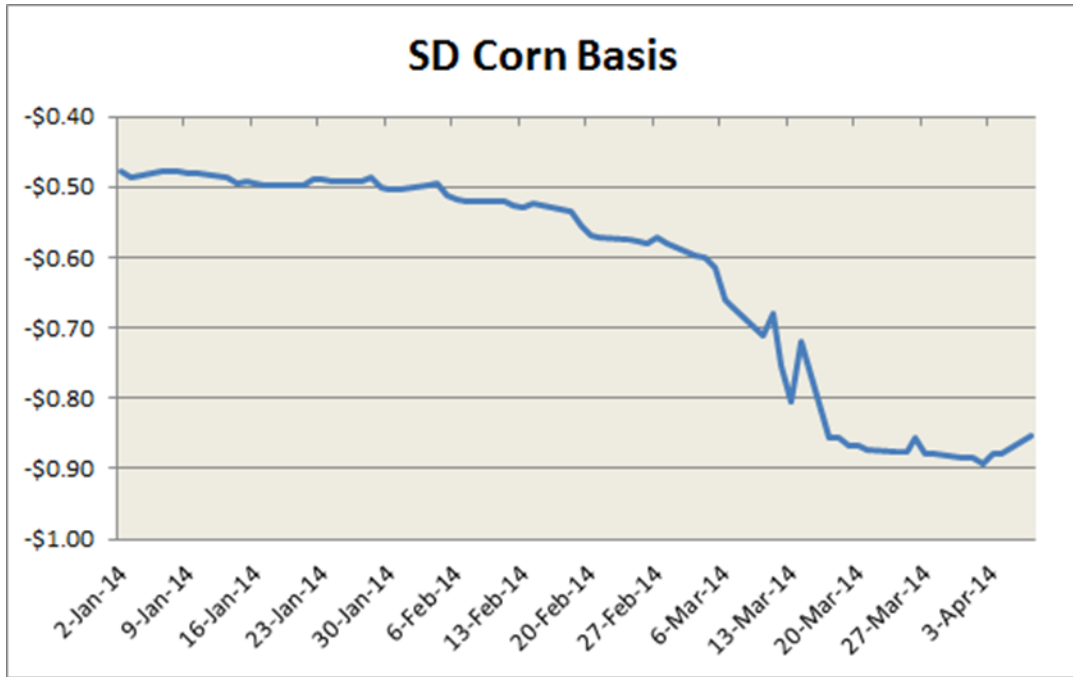


Table 3:

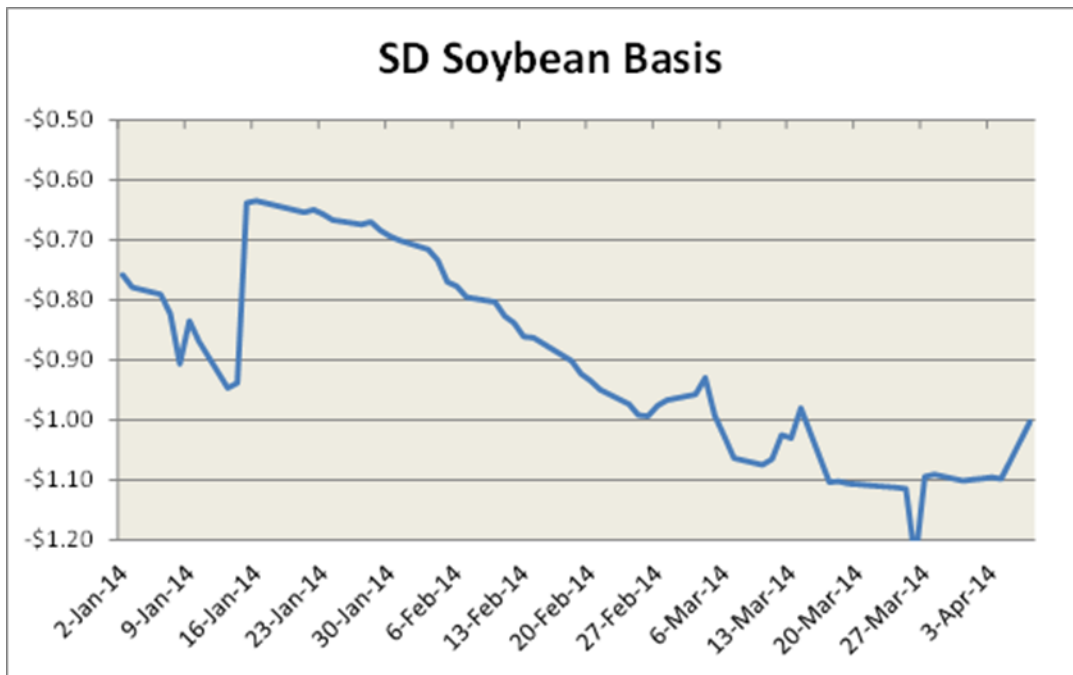


Table 4:

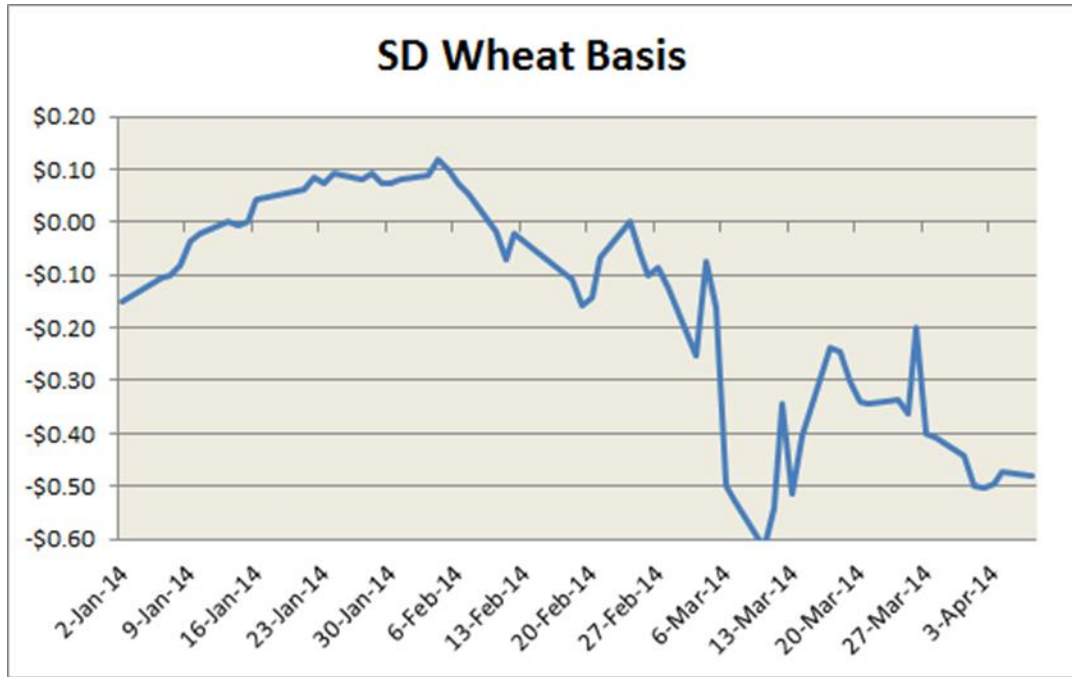


Table 2 – 3 - 4

From NGFA Testimony at STB Public Hearing on Rail Service Issues, STB Docket No. EP-724. 4/10/14

**Where we are**

Now, in the aftermath of the STB’s involvement and advocacy, as well as the combined efforts of Senator John Thune, South Dakota Grain and Feed Association, NGFA and the state affiliated grain organizations in Montana, North Dakota and Minnesota, we are being heard when it comes to addressing what is a logistics and operations issue for all the railroads involved, especially the Class I’s. As a result of this increased communication, additional reporting of service metrics required by the Board, active monitoring by the Board and actions by some of the major carriers in this region, there is some easing of fears as we are able to see the railroads plans for the long term and modifications regarding their day to day operations. It may not always be what we want to hear, but it is a first step. With the required reporting to the STB from the BNSF and Canadian Pacific, there is now more transparency to see what the carriers are doing and what they plan to do. There has also been improved communication between these two Western carriers and us, their customers. The CP’s specific reporting on their performance providing power and cars to the RCPE has provided a benchmark for a weekly gauge to measure their progress doing what they committed to do when they sold the western end of the DM&E line.

Today, progress has been made towards cutting the backlog of car orders our region. While this is great news, it is still a very serious situation. Needing a train every five days in order to clean out the backlog and get ready for fall harvest but getting one every ten prohibits accomplishing either of those objectives.

In regard to the CP's performance reports, until recently, it had not provided the locomotives it had committed to under the terms of the sale of the DME line to RCP&E. (The CP had committed to providing an agreed amount of cars on weekly basis in addition to locomotive power so that the RCP&E could effectively service their new line in South Dakota.) By not fulfilling this commitment, it left the RCP&E unable to clear their rail lines of loaded cars. This resulted in loaded cars sitting at RCP&E elevators for a week or longer, causing buyers to shy away from buying more RCP&E origin cars until they see that the ones they have already bought are moving. This situation is made worse at the interchange at Tracy, MN when the CP either hasn't shown up as scheduled or didn't come with as many locomotives as it previously committed; in which case the RCP&E really had no choice but to use their locomotives to help move the loads beyond Tracy –if they were available at all. This throws the RCP&E out of balance. The RCP&E then has crews that were scheduled for RCP&E local work out moving loads on the CP. It requires more locomotive horsepower to move loads than empties which again changes the RCP&E balance of power, crews and cars on its line. While the CP has provided a share of the cars that RCP&E has ordered, they have not until very recently provided the power promised. Although the CP has begun to fulfill its commitments and extra trains have even been added to help clear the backlog on the RCP&E, the full effect is yet to be seen in terms of cars on track to load. Unfortunately, the CP did not respond until required to do so by the STB. Until the CP honors all of its commitments on an on-going basis the problems will only get worse in South Dakota.

On top of that, crop yields are expected to be at record highs this year. This year's wheat yield in South Dakota is running approximately double of normal. Even though our state's total wheat acres are down from the five-year average and the final yield is yet to be determined, total production will, at worst, be slightly above the five-year average but more likely 10 to 20 percent above. The USDA forecast for South Dakota corn production is the same as 2013; however, another well respected private firm forecasts corn to be a record at 10 percent above last year's production. Production of other crops such as soybeans, sorghum, sunflowers, oats and millet look just as promising. Given these projections, and at the BNSF's and CP's current pace of service recovery, the backlog will continue and possibly even increase through next summer. There is no room for even a minor hiccup in rail service this fall and winter —including weather, competing demand or anything else.



Table 5:

SOUTH DAKOTA PRODUCTION						
2013-14						
		CORN		SOYBEANS		ALL WHEAT
<b>CARRY IN</b>	<i>Millions of bushels</i>	41		9		20
<b>Acres planted</b>	<i>Millions of acres</i>	6200		4600		
<b>Acres Harvested</b>	<i>Millions of acres</i>	5860		4580		
<b>Yield</b>	<i>bushels per acre</i>	138		40		50+? Estimated
<b>PRODUCTION</b>	<i>Millions of bushels</i>	809		183		120
<b>TOTAL SUPPLY</b>		850		192		140
<b>TOTAL USE</b>	<i>Millions of bushels</i>	504		30		5
<b>Residual &amp; Seed</b>	<i>Millions of bushels</i>	66		5		5
<b>Feed</b>	<i>Millions of bushels</i>	59		1		
<b>Processing</b>	<i>Millions of bushels</i>	379		24		
<b>Export</b>	<i>Millions of bushels</i>	<u>289</u>		<u>154</u>		<u>110</u>
<b>CARRY OUT</b>	<i>Millions of bushels</i>	57		8		25

Table 5 – From USDA 6/30/14 June Acreage and Stocks Report

If there is no change in the pace of rail service, the storage of this abundant crop will create challenges. In my travels through western South Dakota, there are farmer piles of wheat ranging from 20,000 bushels to over 200,000 bushels. Elevators have open ground piles of grain waiting to be shipped. Unfortunately, the same weather that has led to doubled yields has also caused disease issues in some of the wheat. In certain instances, quality issues will require blending and cleaning of diseased wheat to make it marketable. With elevator storage capacity full and waiting for cars, space to segregate and blend does not exist, leaving open the risk that less than ideal quality wheat may not be marketable – which negatively impacts local producers who have taken the risk of planting those very crops. While secondary freight costs have relaxed from their peak levels, the bids elevators are offering consistently reflect allowances for crop-quality risks and the freight costs they are incurring. Basis cost for the risk of quality, contractual obligations and freight is a lesson learned from the experiences of the past 12 months. The risk factor is reflected in bases bids of approximately 30 to 50-cents for harvest delivery. The CP railroad, RCP&E and the processing industry do actively auction their freight but they, we shippers, buyers and the producers are all affected by the secondary market. Secondary market costs are an indicator of market pricing and risk because high freight costs are inversely proportional to freight availability – the higher the extra cost of rail freight, the less freight there is to go around which in turn impacts the elevator industry’s ability to handle grain.

Table 6:

<b>APPROXIMATE FREIGHT AND RISK PREMIUM FOR CORN IN CENTRAL SOUTH DAKOTA</b>						
<b>FALL 2014</b>						
<b>Delivered Pacific North West for Export in October</b>						\$4.71
<b>Approximate Average Cash bid for new crop 2014 Corn October delivery</b>						-\$2.61
<b>Approximate freight and Fuel Surcharge from South Dakota</b>						-\$1.50
<b>Typical back-to-back Margin</b>						<u>-\$0.25</u>
<b>Approximate Freight and Risk Premium</b>						-\$0.35

Table 6 – Representative central SD Cash bids for new crop 2014 corn posted on publicly available company websites

Table 7:

<b>FALL 2014 SECONDARY BNSF 110-car SHUTTLE FREIGHT COSTS</b>				
			Bid	Offer
<b>October</b>	<i>Dollars per car</i>		\$3,500	\$4,800
	<i>Cents per bushel</i>		\$0.88	\$1.20
<b>November</b>	<i>Dollars per car</i>		\$2,000	\$4,000
	<i>Cents per bushel</i>		\$0.50	\$1.00
<b>December</b>	<i>Dollars per car</i>		No Bid	No offer
	<i>Cents per bushel</i>			
<b>October</b>	<i>Dollars per car</i>		\$1,800	\$3,500
<b>November</b>	<i>Cents per bushel</i>		\$0.45	\$0.88
<b>December package</b>				

Table 7 – Secondary BNSF freight bids and offers from public TradeWest Brokerage wire 9/5/14

Is it an option for companies to expand storage? Over the past 15 years hundreds of millions of dollars have been invested in South Dakota grain and fertilizer facilities based on expectations of reasonable and predictable rail service. Investments in rail facilities at grain elevators can easily run from over \$3 million dollars for a minimal amount of bins and a 25 car track upgrade to over \$30 million for a state of the art shuttle shipper and fertilizer receiver. As an industry we have to ask ourselves when does the risk outweigh the reward given the unpredictability of transportation services.

### **Where we need to be**

Moving forward, it is hoped that the stringent oversight of the agricultural rail service crisis will continue as the recovery in service hopefully continues and ultimately returns to more normal levels. In the long term, continued vigilance and the spotlight on this crucial issue will facilitate needed communication between the railroads and the state, where one did not exist before. Hopefully, this same communication can come into play when railroads are making investment decisions to increase capacity. The BNSF has responded to the heightened awareness with announcements to add locomotives and double track around North Dakota's oil fields. We hope that the CP will follow through with their commitments also.

While oversight from the STB, efforts by agricultural producer and shipper organization, and the leadership efforts of Senator John Thune, the ranking member of the Senate Committee on Commerce, Science and Transportation, has helped and will be needed moving forward, ease of doing business and safeguards against overregulation also are important. Certainly, the rail business environment can be improved by implementing reasonable processes and rules to make it easier to bring justifiable grievances regarding rail service, as well as rates and charges to a timely conclusion. Direct government intervention in railroad operations is not our goal. But this this can be accomplished while still not encumbering railroads with regulatory constraints that make it uneconomic for them to invest in their systems to more efficiently handle grain and to enable our industry to continue to serve our farmer customers as their link to domestic and foreign markets.

### **How do we get there?**

In addition to oversight, continued reporting of service metrics are important and necessary. We have a saying in our company that the problem with communication is the illusion that it actually took place. While seemingly tongue in cheek, it speaks to a real problem. Communication has to be open, honest and real. Action plans, progress reports and relevant scorecards from railroads on a real time basis are needed. Real time is defined as weekly or at least bi-weekly. Scorecards that outline targets and then follow up with a transparent analysis and frank summary of the results will not only help identify areas of improvement for the railroads but provide the affected grain industry planning tools of predicting future performance based on past results. In this region we would like to see the BNSF continue publicizing its plans and following up with the STB, affected states and customers. The CP needs to continue its reporting especially regarding the RCP&E commitments so that all stakeholders are aware and the RCP&E can make real progress addressing the backlog on their line. The recent addition for BNSF and CP to report shuttles by region (specifically the three states of ND, MN and SD) is a helpful metric and we're pleased that you followed through with the request made by Senator Thune in July, which mirrors a recommendation from NGFA. Further, NGFA is in ongoing discussion with rail carriers on how to determine additional service metrics to show that agricultural shipments are not being disadvantaged at the expense of other, higher-value products hauled by rail.

In addition to reporting, there needs to be one-on-one discussions between railroads and their customers to comprehensively outline what is needed and expected. Customers have the responsibility to honor commitments but the end goal is a team effort. We also believe additional manpower is needed to operate along the rail. Rail workers hours of service regulations are more stringent than those of trucks. Could hours of service regulations be relaxed during this period of service recovery so that while still operating in a safe and responsible manner, additional hours would help improve car movement?

Proposed changes in the *Surface Transportation Board Reauthorization Act of 2014* are important to help the STB keep up with changes in the transportation network we are experiencing and see going forward. The highlights of the bill include increasing STB's investigative authority so it can launch its own investigations before a complaint is filed; making it easier for Board members to communicate; and improved alternative dispute resolution practices; all of which are all positive steps.

### **Conclusion**

Again, let me stress, we are not asking for direct government intervention and we are not asking for preferential treatment for grain. We just want to ensure that we are not disadvantaged or that grain is marginalized in the rail freight picture. Challenges faces the rail freight framework have reached the point where it is not productive to place blame, condemn or debate who was right and who was wrong. We stand at a crossroads where we need to determine a course of action that works for the benefit of all stakeholders. Thank you for your time today entertaining input from us. The members of the SD Grain & Feed Association appreciate your proactive stance and efforts to improve the dire situation of rail freight service for grain in SD.