

Troy Knecht

Vice President South Dakota Corn Growers Association

Hearing Testimony

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Good afternoon, my name is Troy Knecht, I am a fourth generation family farmer from Houghton, SD. I serve as Vice President of the South Dakota Corn Growers Association, and I appreciate the opportunity to be with you today. Let me begin by thanking the Senate Committee on Commerce, Science and Transportation in passing the Surface Transportation Board Reauthorization Act of 2015 and Chairman Thune for holding today's hearing and his leadership on this issue.

On behalf of the 12,500 corn growers in South Dakota, I appreciate the opportunity to be here today to represent the South Dakota Corn Growers Association.

Agriculture is South Dakota's largest industry. Our great state has 43.3 million acres of farmland. Last year South Dakota Corn Growers grew over 800 million bushels of corn. Corn Growers used the rail system to export over a billion gallons of ethanol, over 1 million metric tons of distillers grain, and over 300 million bushels of corn. Simply put, rail is our gateway to the marketplace.

Because of our proximity to the Pacific Northwest, exports are an enormous market for us. 99 percent of our corn moves on the Burlington Northern Santa Fe. Recently, the BNSF put in over \$4 billion in over 35000 miles of tracks in the western United States, which was very appreciated by corn growers.

These investments are needed to address the growing demand for grain worldwide. According to the U.S. Grains Council, Japan has been the number one buyer of US Corn this decade, South Korea has been the number three and Taiwan is number four. Japan alone purchased \$14 billion worth of U.S. corn during the previous five years. China is the No. 1 buyer of U.S. soybeans and currently ranks second in ethanol purchases. To successfully serve those Asian markets, it is imperative that we are able to smoothly transport our commodities from the middle of the U.S. to the Pacific Northwest and we sincerely appreciate BNSF's vision in infrastructure.

The SDCGA is grateful to Senator Thune for addressing rail concerns shared by everyone in agriculture. We appreciate his leadership in passing of the SRB reauthorization bill. It is a critical piece of legislation that affects all major markets.

The STB Reauthorization Act was a needed piece of rail legislation. The STB had not been reauthorized since its formation in 1996 when it replaced the Interstate Commerce commission.

The legislation expanded the board from three members to five, enhanced the board's ability to address rail issues as they arise, streamlined rate case procedures, and created an alternate dispute resolution process. All of these have major impacts to shippers and growers, but none more than the new authority to investigate rail issues having regional or national significance.

Over the past decade, the Government Accountability Office (GAO) and the Department of Justice (DOJ) Antitrust Division have published reports raising concerns about the efficiency of rate review processes for shippers, particularly captive shippers served by a single railroad. Reports state that the rate review process, including the "standalone" cost test, is often burdensome and inefficient, costing millions to litigate and years to resolve.

So the ability of the STB to investigate rail issues is enormous to South Dakota, as we are the definition of captive shippers. Our corn is railed on the Burlington Northern Santa Fe (BNSF), the only Class one rail in South Dakota.

This Act empowered the STB to conduct investigations and required changes in the arbitration process. It is incredibly important that the STB board has the ability to proactively investigate issues. It is equally important that they share that information in a transparent manner.

We certainly appreciate the basic three-stage process proposed by the STB for implementing its new investigative authority, which would involve preliminary fact-finding by the STB's staff; a board-initiated investigation; and initiation of a formal STB proceeding if the investigation warrants it.

The SDCGA believes that the STB should adopt an appropriate degree of public transparency on the alleged issue or rail practice that potentially warrants an investigation, while still protecting the identity and reputation of the rail carrier and rail used involved.

We would also ask the STB to provide an appropriate degree of public transparency and accountability to inform freight rail users about the outcome of investigations that are not pursued or investigations that are not pursued or are discontinued, as well as the agency's general reasoning for its decision.

In the fall of 2013 and part of 2014 our state faced a significant rail crisis. The rail crisis not only affected South Dakota, but gripped the nation. It opened up the need for transparency in our transportation industry.

Once again, I want to thank you for the opportunity to speak on behalf of the 12,500 corn farmers of South Dakota, and Senator Thune for his vision in addressing this issue. It has been over 20 years since Congress addressed STB legislation. It is critical that it is done right for everyone involved.

