



National Grain and Feed Association

Ag Transportation Update: TFI Fertilizer and Technology Conference

Hyatt Regency Jacksonville Riverfront
Nov. 12, 2018



NGFA Fast Facts

1,000-Plus Member Companies

- Grain elevators
- Feed, feed ingredient manufacturers
- Oilseed processors
- Flour, corn mills
- Biofuels producers
- Many other related agribusinesses
- 34 State/Regional Associations
- Strategic Alliances with PFI, NAEGA

**Members
Handle 70%
of U.S. Grains
and Oilseeds**





On a Mission (Statement)

“Advocate a **global open market** environment to efficiently produce and provide a **safe, abundant, affordable, sustainable and wholesome supply** of grains, oilseeds, feed and related products **responsive to market demand** and to **enhance global food security.**”

Arbitration and Mediation



National Grain and Feed Association

- Established in 1901 – North America’s Oldest
- Fair, cost-effective, timely resolution of disputes involving grain, feed, barge and barge freight transactions.
- Rail Arbitration and Mediation Added 1998
 - Any dispute by mutual agreement
 - Specifically addresses disputes involving:
 - ✓ Demurrage rules, terms
 - ✓ Misrouting of cars, locomotives
 - ✓ Loss and damage claims
 - ✓ Reasonableness of RR published rules and practices
 - ✓ Rail transportation contracts
 - ✓ Application of RR special car or equipment program rules (COTs, vouchers, pool contracts, etc.)
 - ✓ Application of RR general car distribution rules
 - ✓ Mishandling of private cars, locomotives
 - ✓ Lease by rail users of RR-owned property
 - ✓ Property damage related to sidetrack agreements



NGFA-TFI Partnership

➤ **Agricultural Policy and Trade**

- Farm bill (CRP)
- Trade agreements

➤ **Transportation – All Modes**

➤ **Agroterrorism-Prevention/Facility Security**



National Grain and Feed Association



The
Fertilizer Institute
Nourish, Replenish, Grow

NGFA Transportation Priorities

➤ Rail

- Confirming full complement of STB commissioners to enable agency to resume work on major proceedings
- Addressing RR's race to reduce operating ratios to impress Wall Street investors at expense of service
- Addressing RR's increasingly onerous changes in rules; increases in accessorial charges
- Incentivizing increased rail competition



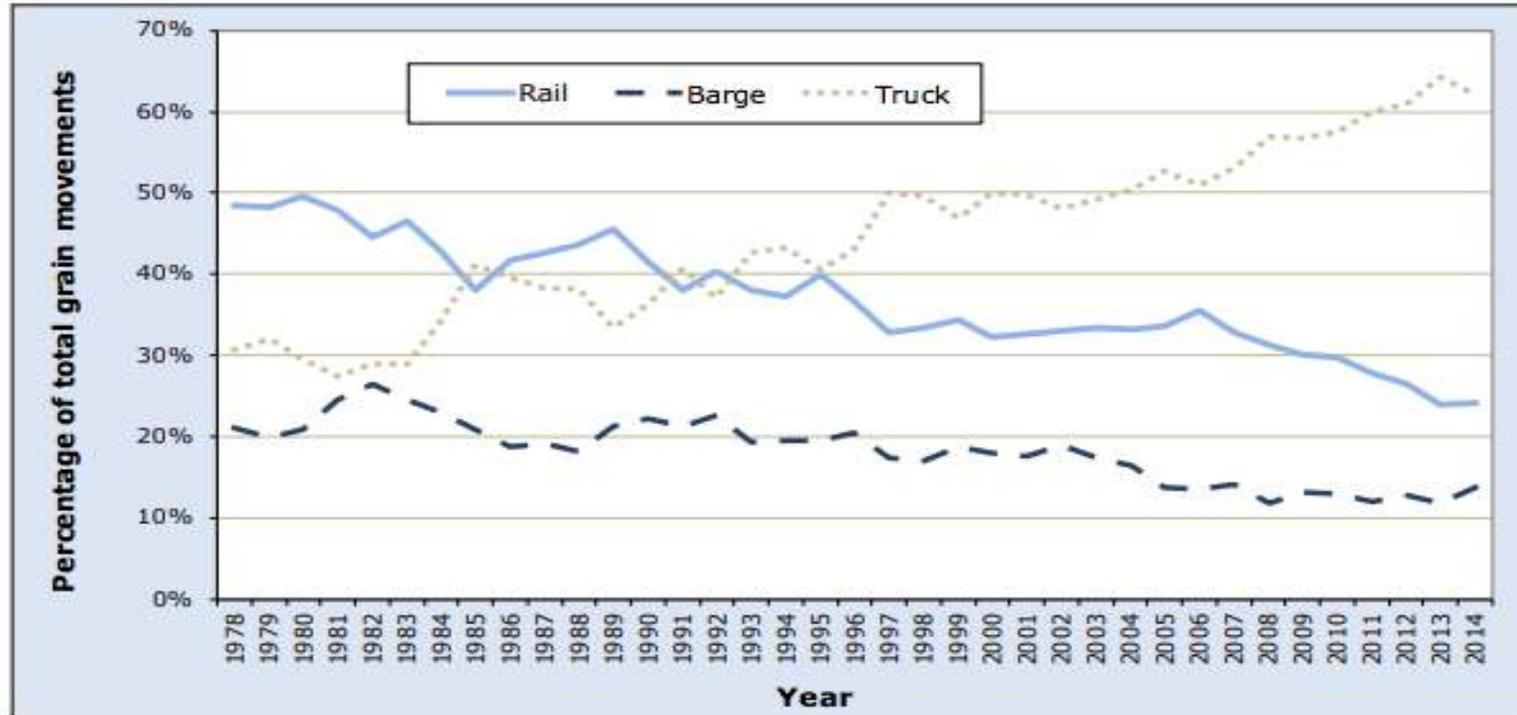
➤ Inland Waterways and Port Infrastructure – Bring into 21st Century

➤ Truck

- Addressing capacity constraints; driver shortages; costs



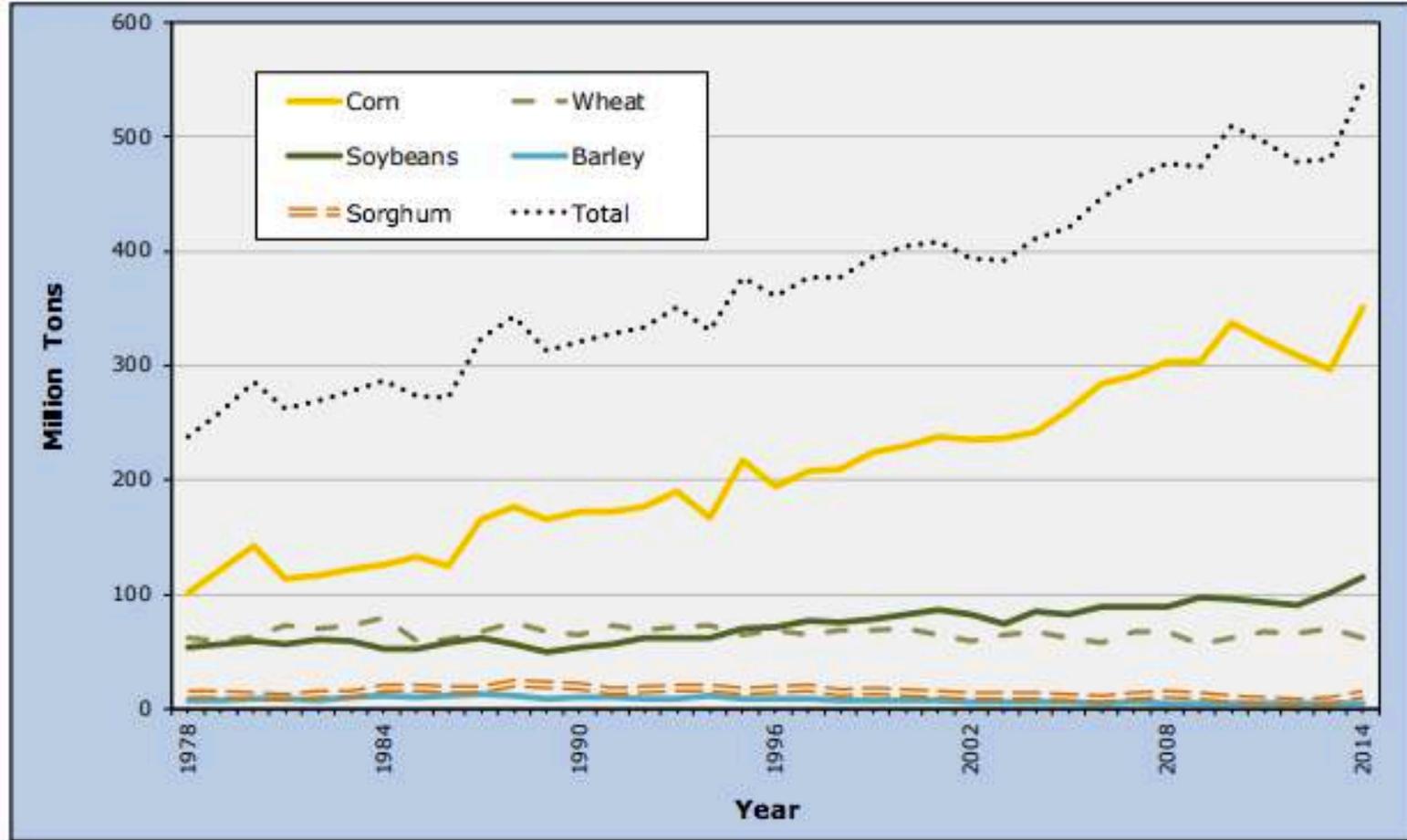
U.S. Grain Model Shares 1978-2014



Year & type of movement	Mode of transport					
	Rail		Barge		Truck	
	1,000 tons	Percent	1,000 tons	Percent	1,000 tons	Percent
2014	132,234	24	74,966	14	339,126	62



U.S. Grain Shipments by Commodity 1978-2014



American Society of Civil Engineers Report Card

2017 Infrastructure Grades

 AVIATION	D	 PARKS AND RECREATION	↓ D+
 BRIDGES	C+	 PORTS	↑ C+
 DAMS	D	 RAIL	↑ B
 DRINKING WATER	D	 ROADS	D
 ENERGY	D+	 SCHOOLS	↑ D+
 HAZARDOUS WASTE	↑ D+	 SOLID WASTE	↓ C+
 INLAND WATERWAYS	↑ D	 TRANSIT	↓ D-
 LEVEES	↑ D	 WASTEWATER	↑ D+

America's
Cumulative
Infrastructure
Grade



A EXCEPTIONAL

B GOOD

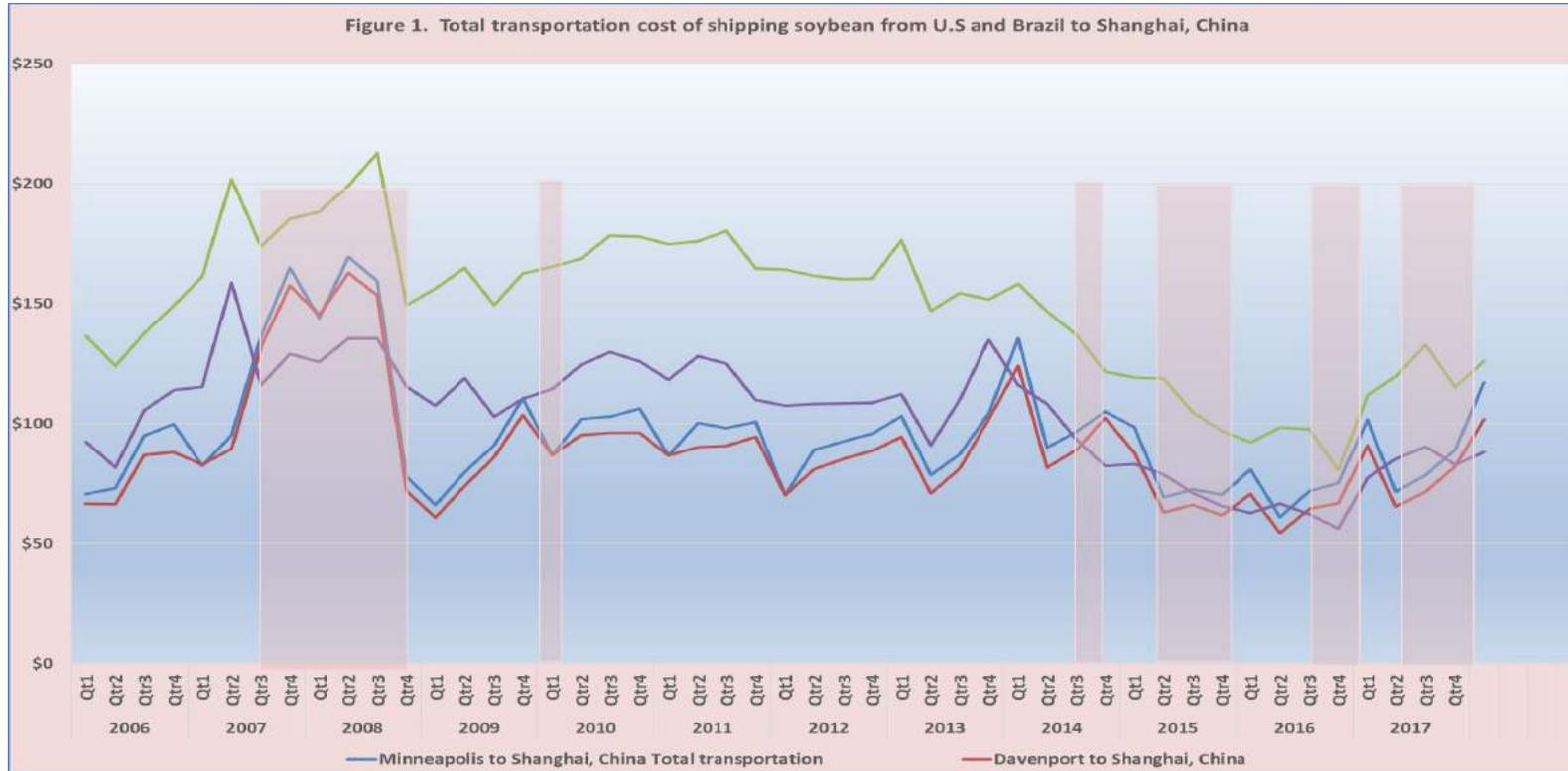
C MEDIOCRE

D POOR

F FAILING



U.S. Transportation Competitive Advantage Narrowing



Transportation Costs (mt)

2009 Q1

MN to China	\$66.06
IA to China	\$60.76 (157%)
Brazil to China	\$156.23

2018 Q1

MN to China	\$117.09
IA to China	\$101.64 (24%)
Brazil to China	\$125.94

“The United States enjoys a competitive advantage in overall transportation costs because of its extensive highway and rail networks and relatively unique access to inland waterways.” *USDA’s AMS August 3, 2017 Grain Transportation Report*

NGFA Rail Priorities

➤ **Confirming STB commissioners to enable agency to resume work on major proceedings**

- **Patrick Fuchs:**

- ✓ Key member of Senate Commerce Committee staff; led effort on STB Reauthorization Act of 2015
- ✓ Economist: data, fact driven

- **Michelle Schultz:**

- ✓ General counsel of Southeastern Pennsylvania Transportation Authority (Philadelphia regional commuter railroad)

- **Martin Oberman:**

- ✓ Attorney, former Chicago alderman
- ✓ Former chairman of Metra (Chicago regional rail commuter transit agency)

- **Vice Chairman Deb Miller** (term expires Dec. 31)



NGFA Rail Priorities

➤ **Challenge: Addressing RR's Race to Reduce Operating Ratios, Boost Revenues to Impress Wall Street Investors, often at Expense of Service**

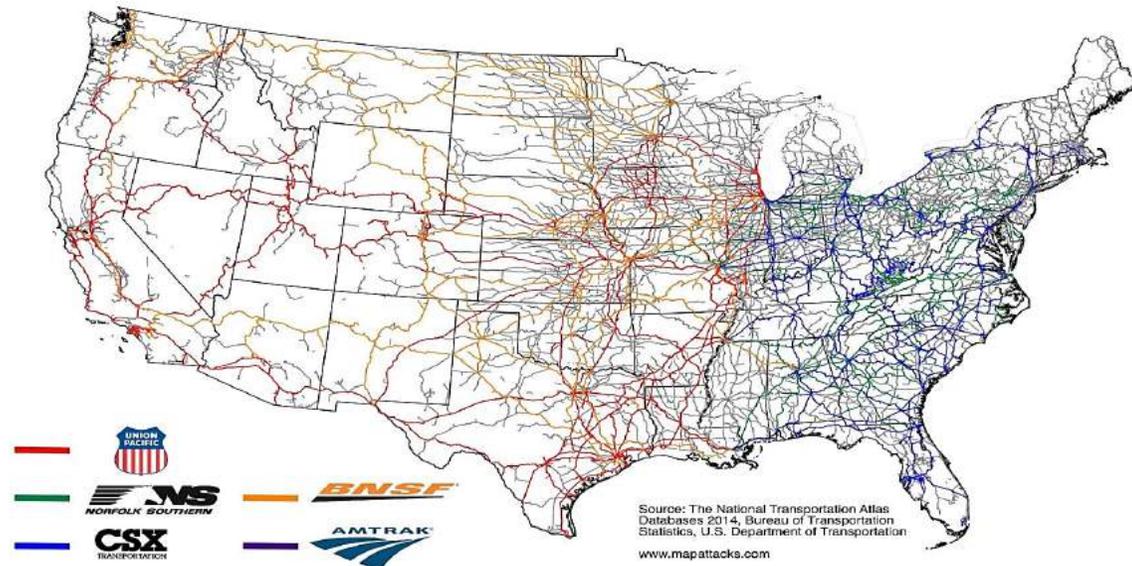
- Disinvestments and systemwide cutbacks in locomotive power, equipment, crews and customer-service personnel
- Unilateral decisions to reduce level and frequency of service, as well as more frequent, severe and widespread service disruptions

➤ **Strategy: Provide Clarity to RR's Common-Carrier Service Obligation**

- **Define what constitutes “providing adequate transportation or service on reasonable demand”**
 - ✓ Cited as shortcoming by National Academies of Sciences' Transportation Research Board 2015 report
- **Establish metrics that RRs in violation if don't meet specific standards**
 - ✓ Arbitrary changes to switching schedule
 - ✓ Delays in delivering shipments
 - ✓ Delays in pulling billed and loaded railcars to destination
 - ✓ Failure to return empty shipper-controlled cars for loading or remove unloaded carrier-controlled cars within specified time
 - ✓ Unreasonable demands or condition imposed on shippers/receivers as prerequisite for obtaining service

NGFA Rail Priorities

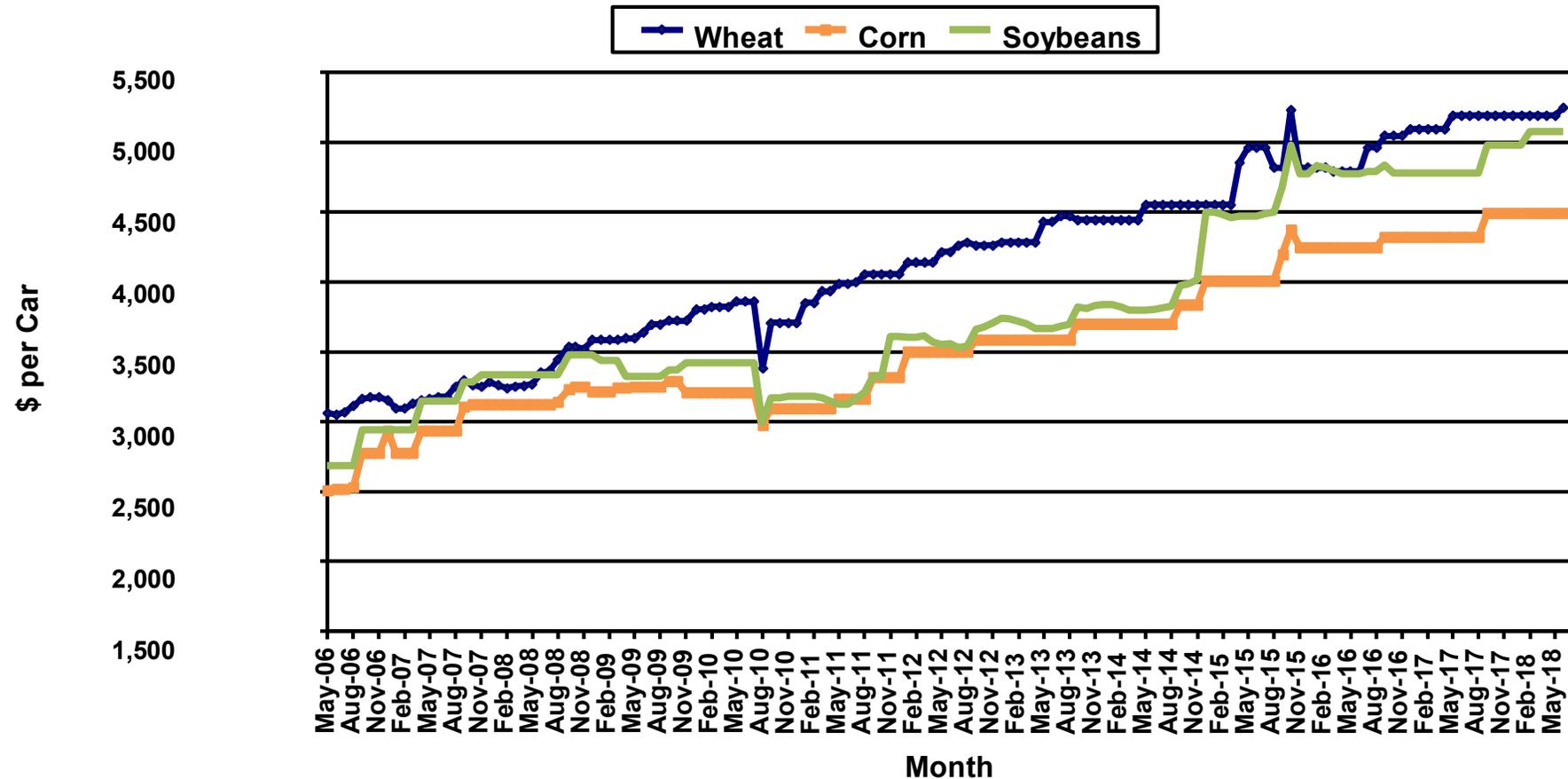
- **Challenge: Class I RRs Exercising Unbridled Market Power to Increase Freight Rates Regardless of Service Performance, Market Conditions**
- Reflects duopoly market power; carriers revenue adequate
 - UP, BNSF in West; CSX and NS in East handle 80+% of rail grains, oilseeds, compared to 53% in 1980
 - Increasingly egregious accessorial charges, rules



Average Unit Train Grain Rates on the Rise

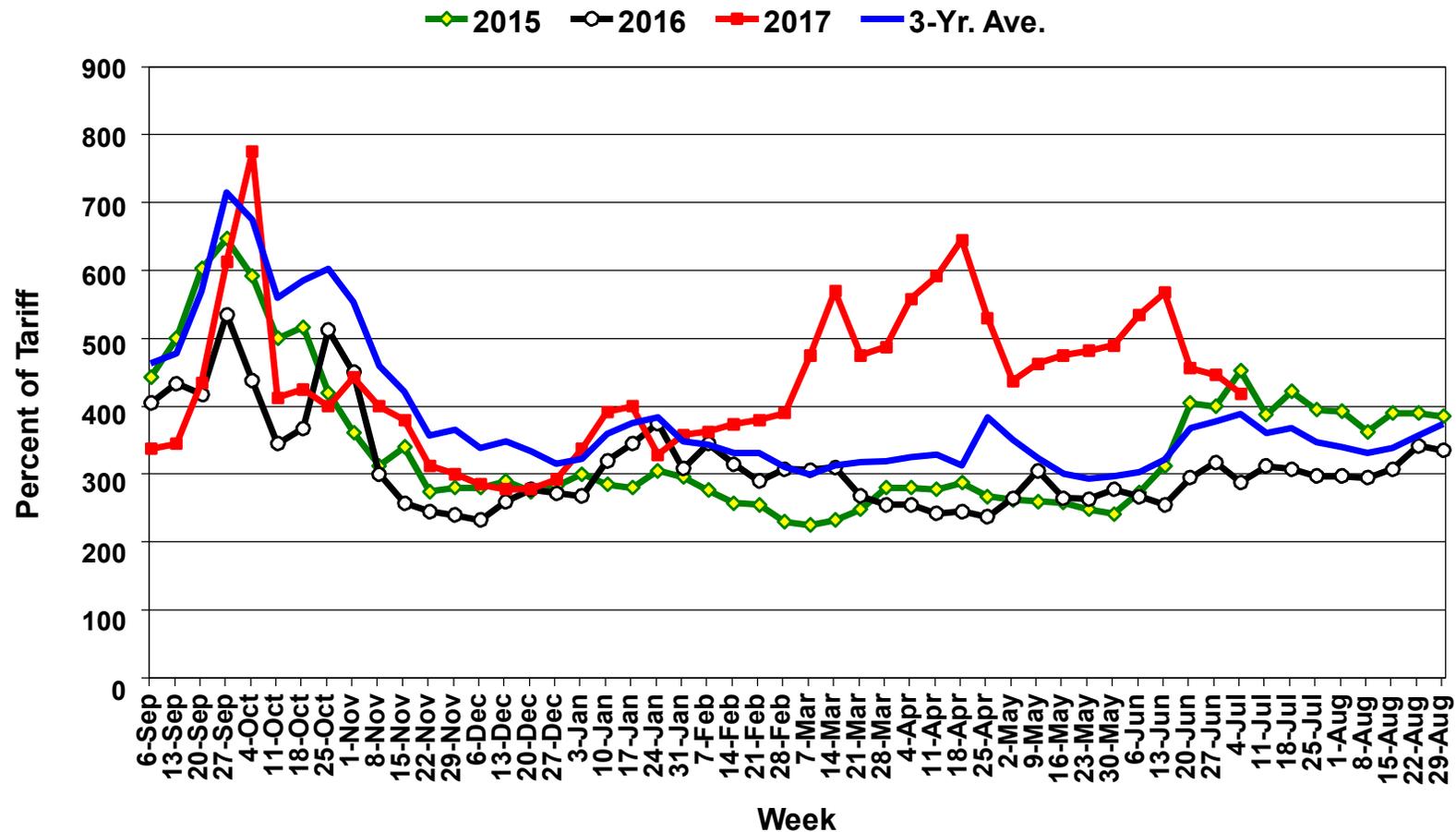
Avg. Unit Train Tariff (\$/Car) for Select Crops

(not adjusted for fuel surcharge)



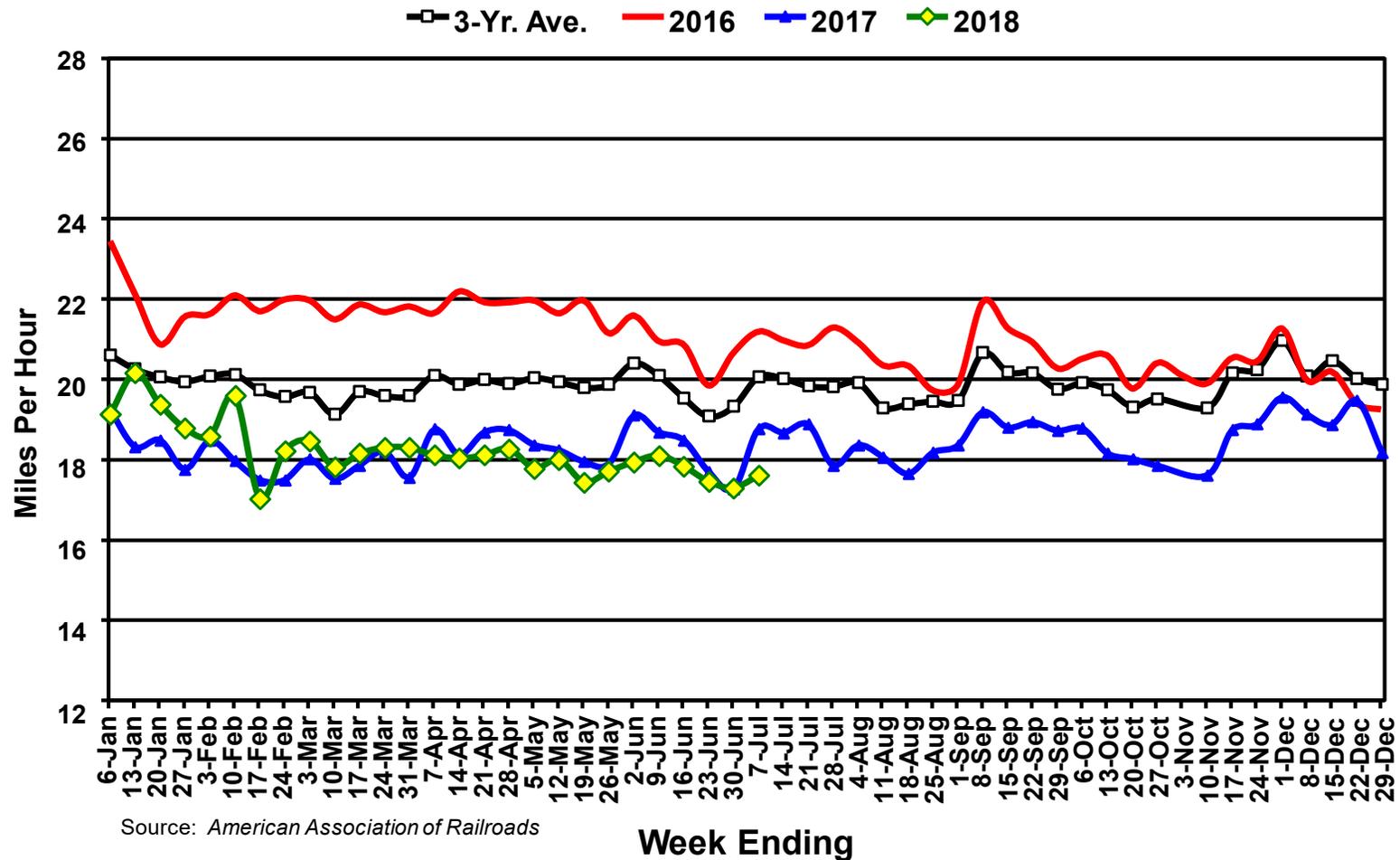
Compare to Fluctuating Barge Freight Rates!

Illinois River Barge Freight Rate (percent of tariff) by Crop Year (Sep/Aug)



Rail Service Performance Trending Down

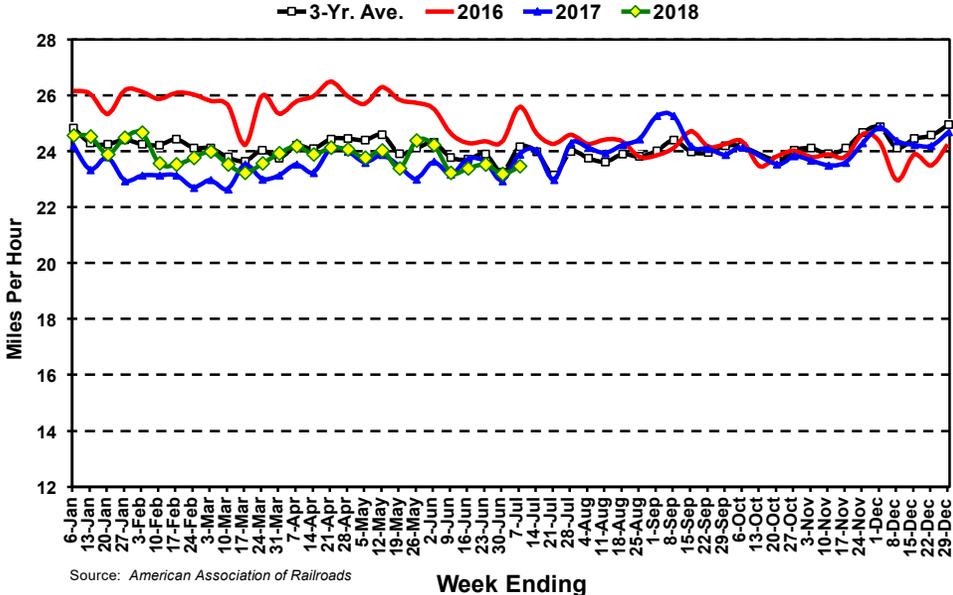
U.S. Weekly Average Grain Train Speed



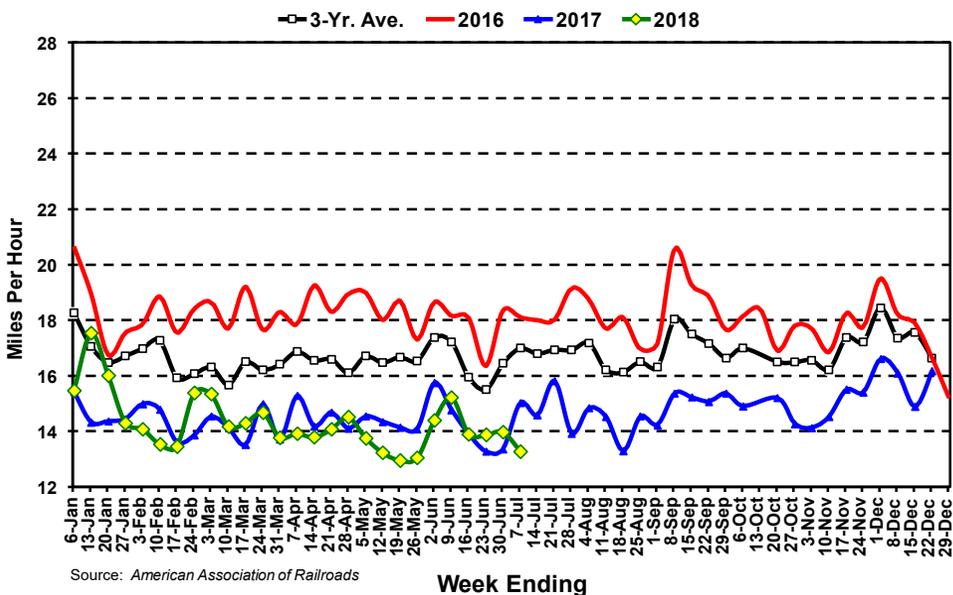
Source: American Association of Railroads

Rail Performance by Region

Western Weekly Average Grain Train Speed



Eastern Weekly Average Grain Train Speed



NGFA Rail Priorities

- **Challenge: Class I RRs Exercising Unbridled Market Power to Increase Freight Rates Regardless of Service Performance, Market Conditions**
- **Strategy: Develop Workable, Timely, Cost-Effective Method to Challenge Unreasonable Rail Rates**
 - Existing STB rate-challenge methodologies unworkable for ag
 - STB Rail Rate Reform Task Force reevaluating
 - **NGFA 2014 proposal – Still Alive within STB**
 - ✓ Would establish rate-benchmarking approach
 - ✓ Challenged rate would be compared against those assessed for similar types of traffic by all RRs
 - ✓ Takes into account revenue-adequacy needs of carriers
 - ✓ No limit on rate relief
 - ✓ Proposes streamlined procedural schedule – final decision within 180 days
 - **Potentially expand compulsory NGFA Rail Arbitration to apply to rate issues**

NGFA Rail Priorities

➤ **Challenge: Create More Competitive Rail Environment and Enable Shippers to Access Customers**

➤ **Strategy:**

- **Reciprocal Switching:** Urge STB to complete ongoing proceeding (EP 711)
 - ✓ Would enable shippers served by single Class I railroad to access service from second Class I
 - ✓ NGFA supporting NIT-League proposal, but urging ag shipments not be limited to interchanges within 30-mile radius (NGFA proposing 100 miles or longer on case-by-case basis); limits on switching charges assessed by RR
- **Efficient Utilization of Privately Owned, Leased Equipment**
 - ✓ One-sided demurrage rules apply only to delays in utilizing RR cars, locomotives
 - ✓ Shipper-owned and leased equipment now accounts for 80 percent or more of rail fleet
 - ✓ Developing proposal to encourage efficient use of both carrier and private equipment

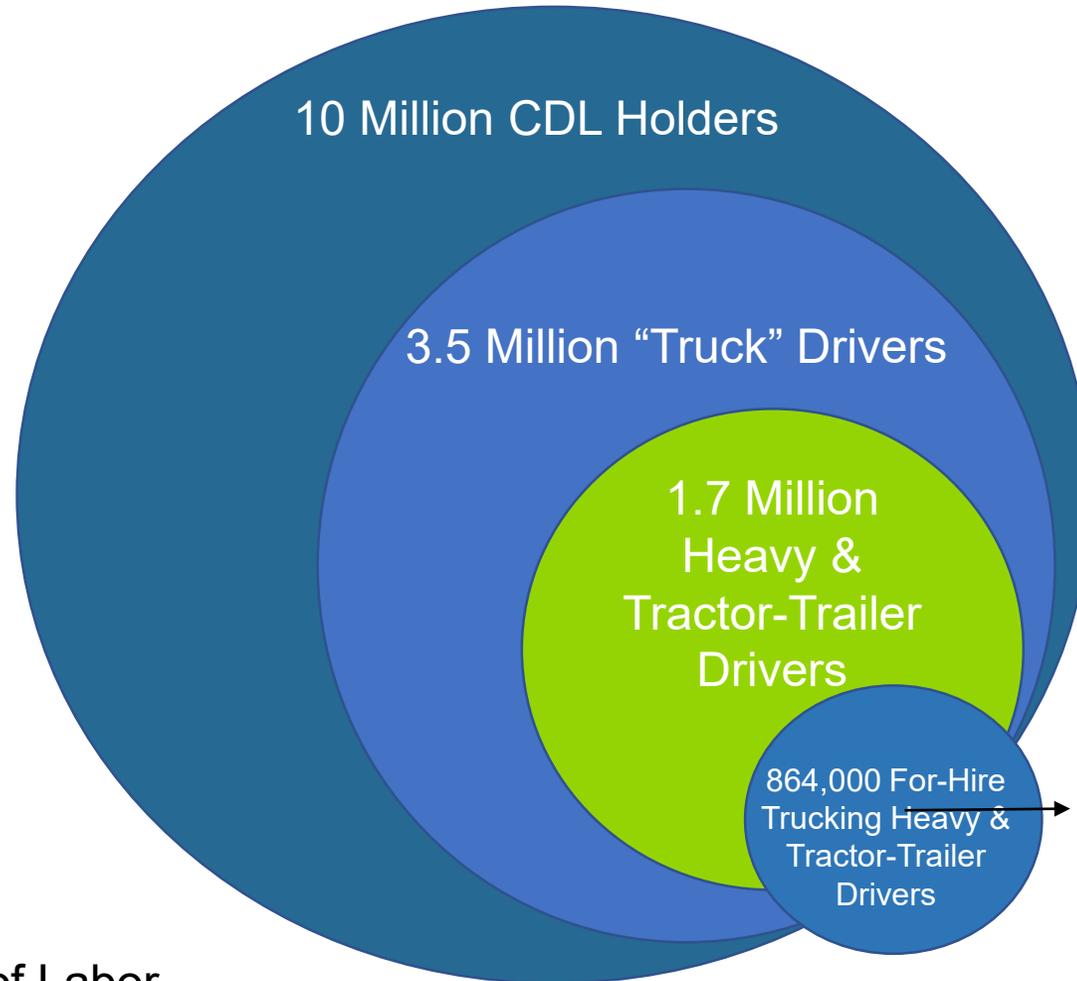
NGFA Motor Carrier Priorities



National Grain and Feed Association

Truck Driver Shortage

Driver shortage primarily an over-the-road, for-hire truckload issue. So how many drivers are in that space?



Based on government data, ATA estimates roughly 500,000 OTR for-hire TL drivers.

Source: U.S. Department of Labor

Truck Driver Shortage



Source: ATA's Truck Driver Shortage Analysis 2017

NGFA Motor Carrier Priorities

➤ Challenge: Driver Shortage

- Long-haul driver turnover 90% on annual basis
- Currently a 51,000 person shortage of truck drivers across the nation (174,000 by 2026).

➤ Strategy – Legislative and Regulatory Efforts

- Passed expanded ag hours-of-service exemption for short-haul drivers to 150-air miles (vs. 100 now)
 - ✓ Source definition expanded to elevator-to-elevator, etc., not just to farm
 - ✓ Applies to raw grains, livestock, fertilizer (but not processed commodities or ethanol)
- Still urging Congress, FMSCA to allow short-haul driving workday to be extended to 14 hours (vs. 12 currently)
- Truck industry efforts: Raising wages, benefits
 - ✓ Companies boosting pay – impact on rates
 - ✓ Sign-on bonuses of as much as \$10,000
 - ✓ Wal-Mart paying new drivers \$86,000/yr.; doubling spending on recruitment; reducing onboarding process to 30 days (from 70 previously); running TV ads

NGFA Motor Carrier Priorities

➤ Challenge: Capacity Challenges, Fuel Increases

- Only one truck available for every 12 loads – tightest ratio since 2005
- Spot market truck rates
 - ✓ Hit record high in June after increasing for 15 consecutive months; up 29% from year earlier
 - ✓ \$2.14 per mile in August -- record high for the month
 - ✓ Single digit spot rate increases projected for 2019
- Contracted rates up 19%
- Fuel averaging \$3.31/gallon as of Oct. 1 – up 19% (52 cents/gallon) from year ago and after averaging well under \$3 previous three years

➤ Strategy -- Legislative

- Pursue increase in gross vehicle weight limit on Interstate highways to 91,000 pounds on six axles (vs. 80,000 pounds). Failed as amendment to 2015 highway bill on House floor; pilot project being proposed, but opposition remains stiff.
- Electronic logging device requirement –
ag exemption for vehicles traveling 150 air miles or less



DRIVE-Safe Act

- 48 States allow drivers to obtain a CDL at age 18, but prohibited from driving on Interstates until 21
- DRIVE-Safe Act would allow younger drivers to enter the industry under certain rules
 - 1. Two-step apprenticeship program:** Candidates would ride with experienced drivers for 400 hours of on-duty time with at least 240 hours of driving time.
 - 2. Increased truck safety technology:** Includes active braking collision mitigation systems, forward-facing event recording cameras, speed limiters set at 65 miles per hour or less and automatic or automatic manual transmissions.



NGFA Motor Carrier Priorities

➤ A Few Positives!

- DOT withdrew proposed regulation in 2017 that would have required higher insurance requirements for commercial truckers
 - ✓ Current financial responsibility standard is \$750,000 for general freight; \$5 million for most dangerous haz-mat; \$1 million for other haz-mat freight
 - ✓ Proponents argued for \$10 million or more
- DOT withdrew onerous proposed rule to require testing of truck drivers for sleep apnea and treatment



NGFA Waterways Priorities



National Grain and Feed Association

Afternoon Trivia!

Where Was the Worst Traffic Jam in America Last Fall?



“America’s worst traffic jam this fall occurred on the Ohio River, where a line of about 50 miles of boats hauling grains and other products turned into a waterborne parking lot, as ship captains waited for the river to reopen.”

Reuters



National Grain and Feed Association

**12,000 MILES
IN 38 STATES**

239 LOCKS AT 193 SITES

NEARLY
**600 MILLION
ANNUAL TONS**

VALUED AT OVER \$300 BILLION

**20% OF COAL
60% OF GRAIN**

MOVED ON OUR RIVER SYSTEM

TODAY'S U.S. INLAND WATERWAYS SYSTEM
A CRITICAL PART OF THE TRANSPORTATION SUPPLY CHAIN

AS MANY AS
540,000 JOBS
DEPEND ON INLAND NAVIGATION

**THE SAFEST AND
MOST ENERGY-EFFICIENT**
MODE OF SURFACE TRANSPORTATION



**WATERWAYS
COUNCIL, INC.**



Waterway Infrastructure

Problem

- Most U.S. locks and dams have surpassed their 50-year design life
- Unscheduled lock outages increased 700 percent over last decade
- Recent University of Tennessee study concluded that disruptions at Mississippi River Lock 25 would result in loss of 7,000 jobs and \$2.4 billion in economic activity.
- Navigation channels at U.S. ports need to be deepened/widened to accommodate vessels.





Ports and Waterways



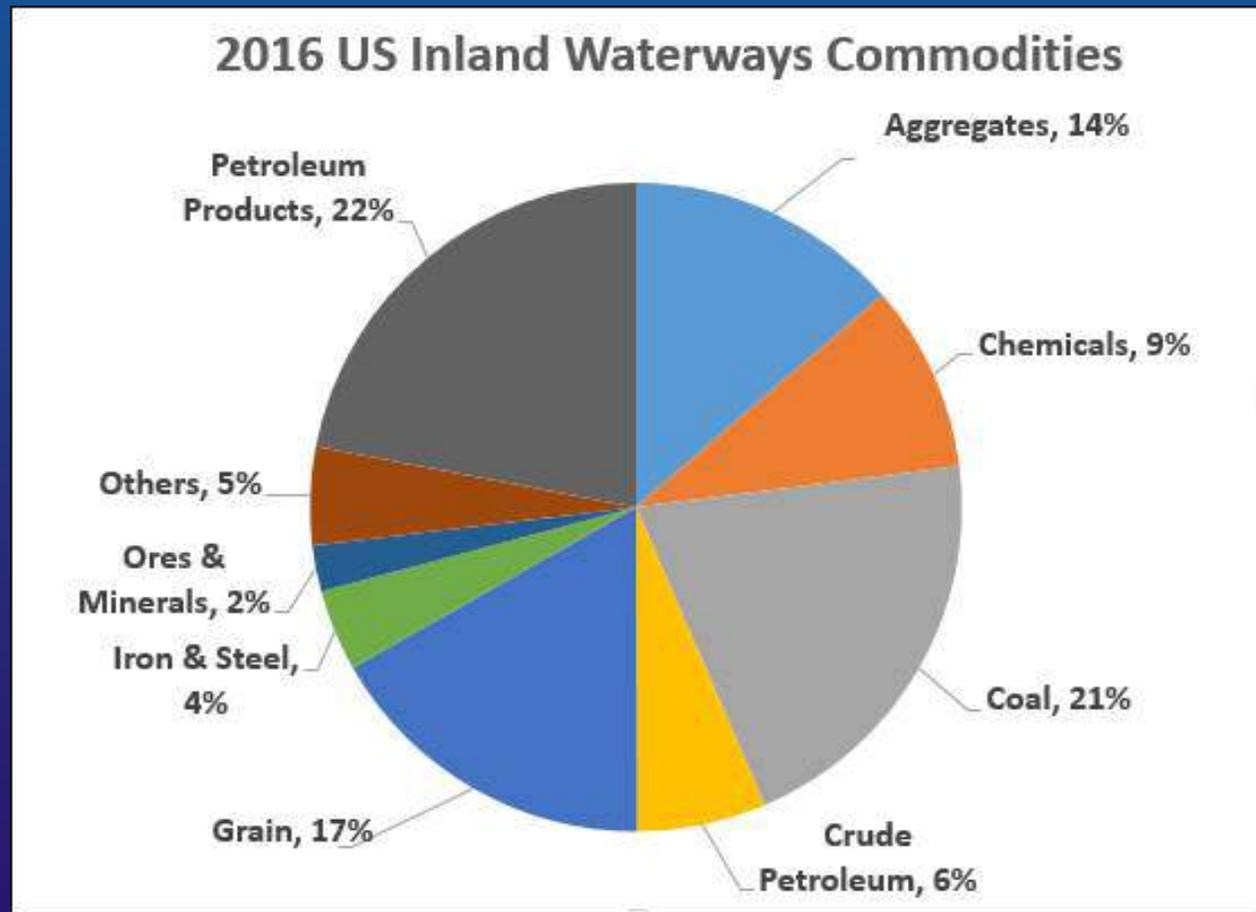
- In 2015, 72% of U.S. Ag Exports (142 mmt/ \$128 billion) were waterborne.
- U.S. exports 25% of its grain. 60% shipped from Gulf; 27% shipped from PNW.
- Ag Exports responsible for 20% of farm income. Contributed \$21.5 billion to trade balance in 2017.
- Inland waterways important to northbound movement of fertilizer, other farm inputs





What's Moving on U.S. Inland Waterways? (2016)

557.8 Million Tons, \$300 Billion Value



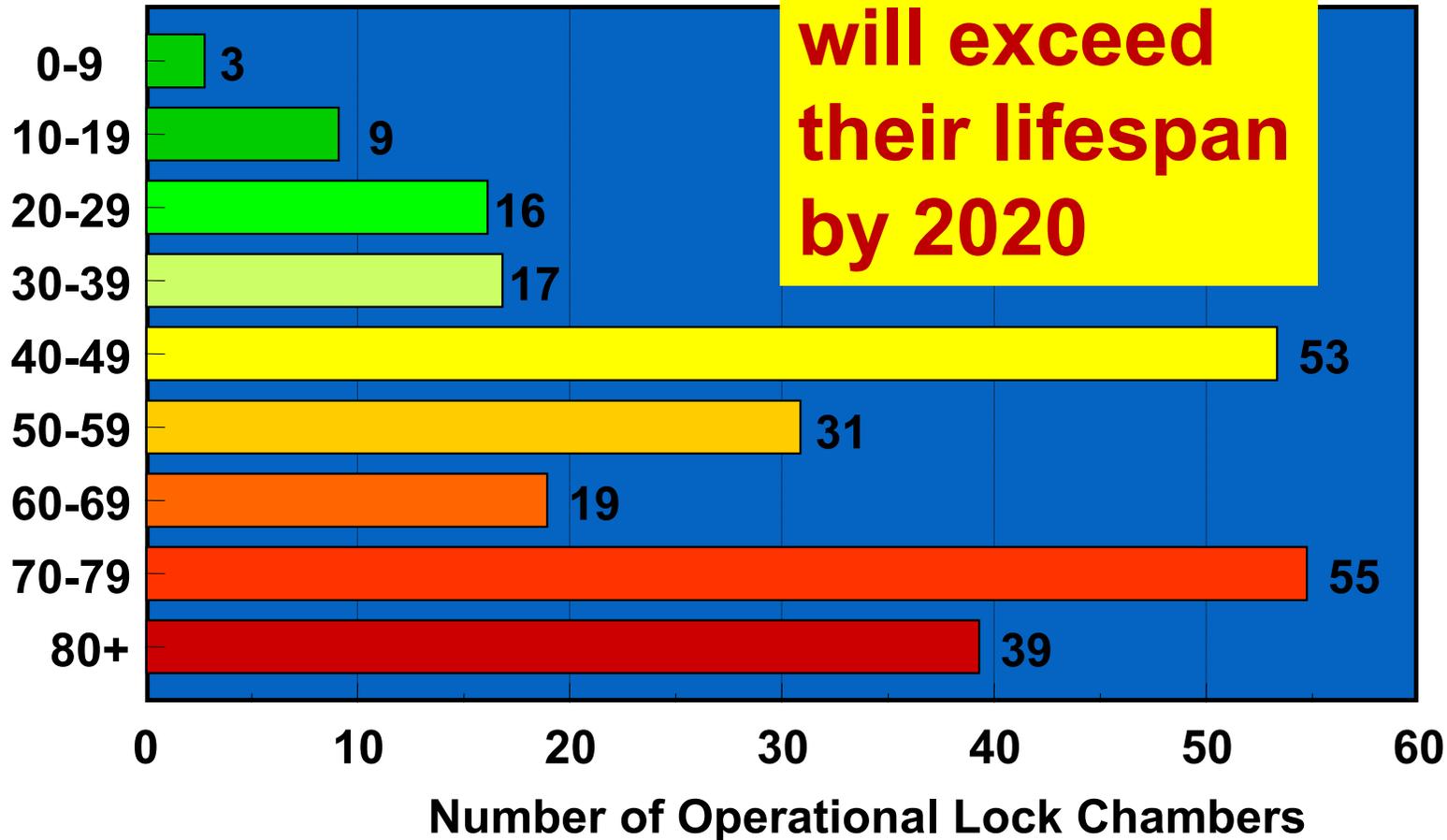
U.S. National Defense Still Critical Role of Inland Waterways



Military equipment transits Kentucky Lock, 2018

Challenge: Aging Infrastructure

Age in 2012 (Years)



60% > 50

*Includes all operational deep and shallow draft Corps and TVA navigation locks and control structures.

Federal Role for Waterways Grounded in U.S. Constitution



Federal government's role in operating and maintaining waterways is fundamentally rooted in the U.S. Constitution, under the Commerce Clause, and through subsequent Supreme Court rulings concerning the federal government's role in regulating interstate commerce and providing navigational improvements.



WATERWAYS
COUNCIL, INC.

IWTF

..... stands for

Inland Waterways Trust Fund

Capital inland waterways navigation projects funded through Inland Waterways Trust Fund (IWTF) and the General Treasury

50% of project costs funded via IWTF (through 29-cent/gallon barge diesel user fee levied on commercial users of U.S. inland waterways)

Originally authorized by Congress in 1978, IWTF was modified in 1986 so cost of construction and rehabilitation shared equally between IWTF and through the General Treasury, which pays remaining 50% of project costs

Industry already paying half the costs



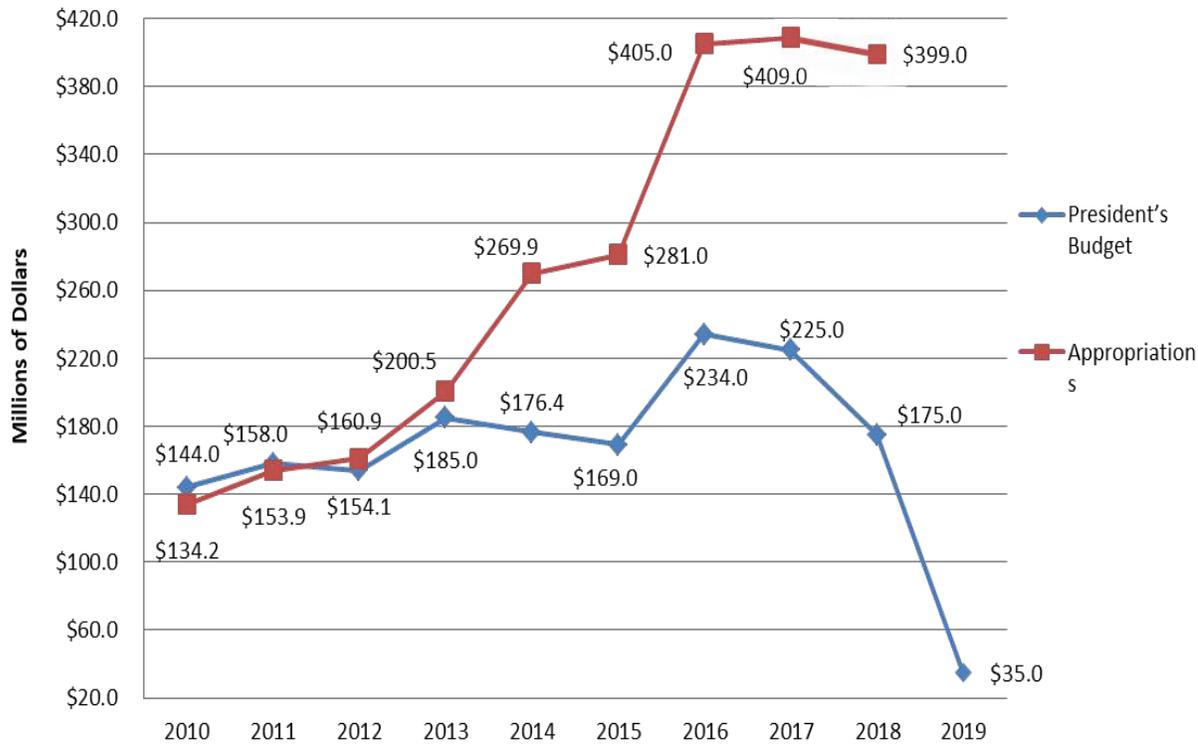
National Grain and Feed Association



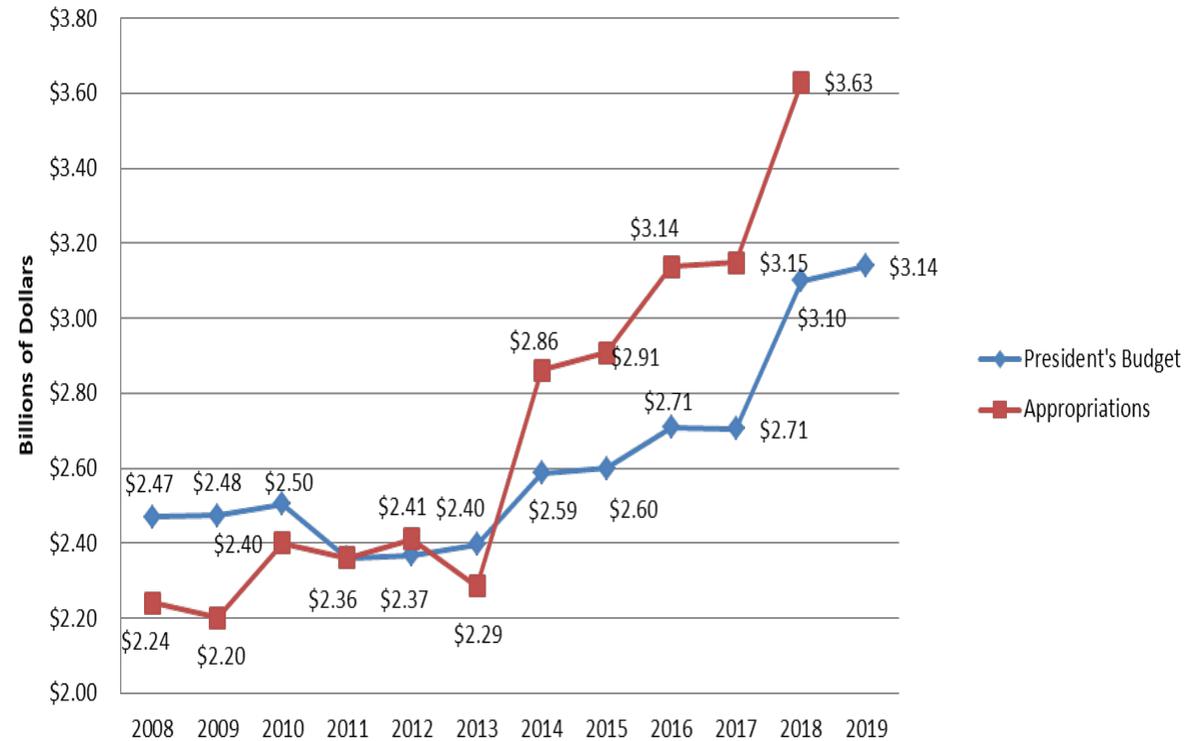
WATERWAYS
COUNCIL, INC.

Waterway Infrastructure Appropriations Increasing

Annual Funding for Inland Waterways Trust Fund FY 2008-2019

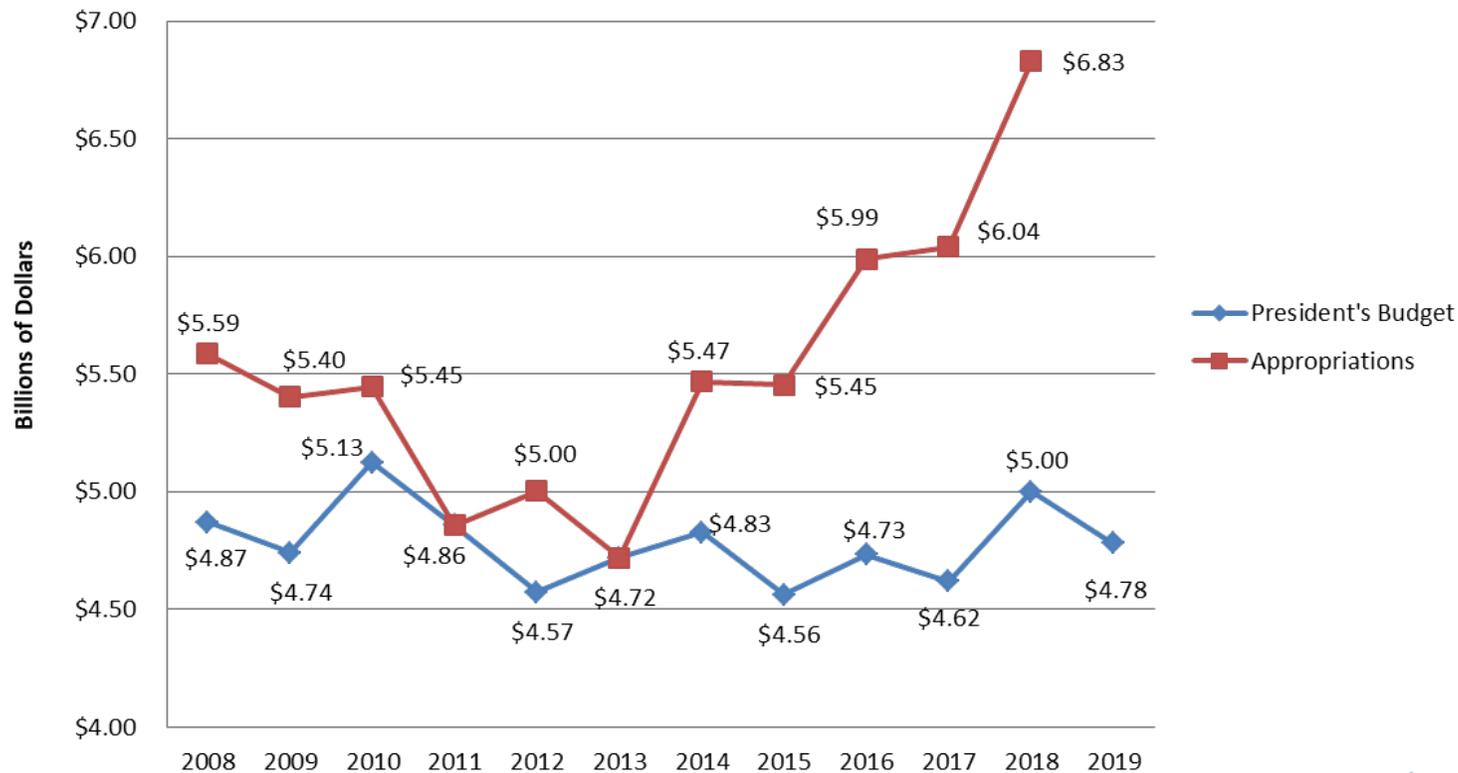


Annual Funding for Operations and Maintenance FY 2008-2019



Waterway Infrastructure Appropriations

Army Corps – Civil Works Total Annual Funding



NGFA's Goal for Infrastructure Package

➤ Reclaim America's Transportation Comparative Advantage

➤ How?

- Address current backlog of 25 inland waterways projects (\$8.8 billion)
- Continue full use of Inland Waterways Trust Fund
- Include \$10 million for Navigation and Ecosystem Sustainability Program that would expand vitally important locks on Upper Mississippi River System
- Vigorously oppose proposals to introduce tolling or lockage fees on commercial users of inland waterways transportation system



Welcome to the Resistance! (To Tolling the Inland Waterways)

STAKEHOLDERS UNITED AGAINST TOLLS

OPPOSITION LETTER SIGNED BY 75 WHO SAY NO

to tolls or lockage fees on inland waterways transportation system

- U.S. manufacturers
- Farmers
- Wholesalers
- Retailers
- Importers
- Exporters
- Ports
- Shipyards
- Labor
- National orgs
- Regional orgs
- State agencies
- Transportation providers
- Logistics providers

AEP River Transportation > Alabama State Port Authority > Amherst Madison, Inc. > American Commercial Barge Line > American Iron and Steel Institute > American Petroleum Institute > AWO > Archer Daniels Midland Company > Blessey Marine Services, Inc. > Brownsville Marine Products, LLC > Bunge North America > C&B Marine > Campbell Transportation Company, Inc. > Canal Barge Company > Cargill > Caterpillar, Inc. > CF Industries > CGB Enterprises, Inc. > Channel Shipyard Company > Chicago Regional Council of Carpenters > CHS, Inc. > Coalition of Alabama Waterways Association > Cooper T. Smith > Crouse Corporation > Deloach Marine Services, LLC > FirstEnergy Corp. > Golding Barge Line, Inc. > Gulf Intracoastal Canal Association > Hunter Marine > Illinois Corn Growers Association > Illinois Marine Towing > Indiana Corn Growers Association > Indiana Soybean Alliance > Ingram Barge Company > Iowa Corn Growers Association > JB Marine Services, Inc. > Kentucky Corn Growers Association > Kirby Corporation > LaFargeHolcim > Louisville Gas and Electric Company and Kentucky Utilities > Marquette Transportation Company, LLC > McNational, Inc. > Michigan Corn Growers Association > Minnesota Corn Growers Association > Missouri Corn Growers Association > Mulzer Crushed Stone, Inc. > Murray American Transportation, Inc. > National Association of Manufacturers > National Association of State Departments of Agriculture > National Corn Growers Association > National Council of Farm Cooperatives > **National Grain and Feed Association** > National Oilseed Processors Association > Ohio Corn & Wheat Growers Association > Parker Towing Company, Inc. > Pine Bluff Sand & Gravel Company > Port of New Orleans > Port of Pittsburgh Commission > Southern Towing Company > St. Louis - Kansas City Carpenters Regional Council > Tennessee River Valley Association > Tennessee-Cumberland Waterways Council > Tennessee-Tombigbee Waterway Development Council > **The Fertilizer Institute** > Trinity Marine Products, Inc. > Turn Services > United Association > Upper Mississippi Waterway Association > Upper River Services, LLC > Valero > Warrior Tombigbee Waterway Association > Waterways Association of Pittsburgh > WCI > Wepfer Marine, Inc. > Wisconsin Corn Growers Association

Thank You!

Randy Gordon, President

202-289-0873;

rgordon@ngfa.org

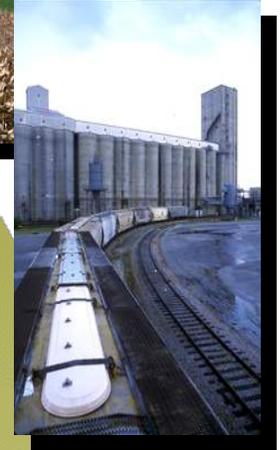
Web: www.ngfa.org



Twitter: @NGFA



National Grain and Feed Association



Modes and Bills

➤ Rail: Fill the Surface Transportation Board (STB) and get to work!

➤ Waterways: WRDA 2014, 2016, 2018
Keep Up Funding Increases Through Appropriations Process.

➤ Trucks/Highways:

2005-09 SAFETEA-LU (\$244 Billion) RRR

2012-14 MAP-21 (\$105 Billion) DDR

2016-20 FAST (\$305 Billion) DRR



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