

U.S. Senator Amy Klobuchar
Written Testimony
Minnesota Senate & House Joint Hearing
Rail Congestion in Minnesota
September 30, 2014

Thank you for convening this hearing to examine issues related to freight rail capacity and service. This is an important issue that has serious implications for the economy not just here in Minnesota but across the region and the nation. As I travel across Minnesota I continue to hear concerns about rail service issues from agricultural producers, energy consumers and Iron Range taconite plants.

Agricultural producers are experiencing significant rail service delays including backlogs on orders for rail cars and shipping delays once cars are loaded with cargo. The results are lost sales, involuntary shutdowns at processing facilities and disruption to agriculture markets. In addition, unlike most business owners, agriculture producers do not set their own prices, and that means they cannot recoup their losses by passing on transportation costs and penalties for late grain deliveries. Without access to competition, rail customers are often in a “take it or leave it” position with respect to both price and service. I have long been concerned about costs for shippers and these delays are another example of why we need more railroad competition.

Reliable and affordable rail service is critical for providing our agriculture producers access to markets beyond our states’ borders. Minnesota hit a record \$6.8 billion in agricultural exports in 2012, which is a 13 percent increase over the previous year. Overall, the U.S. exported more than \$141 billion in farm products in 2012 – a record high. Minnesota, as the fourth largest agricultural exporting state in the country, contributes substantially to these export numbers. But we cannot continue to grow our country’s \$38 billion trade surplus without the ability to get our agricultural exports to our trading partners.

American farmers have traditionally held a competitive advantage over foreign producers like Brazil and Argentina due to the reliability and cost effectiveness of the U.S. freight network. Because much of what our agriculture producers grow is exported, and because agriculture is the largest user of freight transportation in the United States, these significant delays and resulting cost increases are especially damaging. I remain concerned about U.S. agriculture producers losing this competitive advantage as importers of U.S. grains may turn to producers in other countries.

A recent University of Minnesota study found that from March 2014 to May 2014 rail delays cost Minnesota corn growers \$72 million, soybean growers \$18.8 million and wheat growers \$8.5 million. In total, rail shipping delays cost Minnesota corn, soybean, and wheat farmers nearly \$100 million.

Last winter, Minnesota faced a severe shortage of propane, which drove up the price of propane which spiked at \$4.51 per gallon compared to just \$1.58 per gallon the previous winter. With the USDA forecasting an above-average harvest and with the discontinuation of propane shipments through the Cochin Pipeline which has historically supplied 40 percent of Minnesota's propane, I remained concerned about potential propane supply challenges again this winter.

With fall fast approaching demand for propane will rise once again. That is why during a recent Senate Commerce, Science & Transportation Committee hearing, I urged railroad companies to take the necessary steps to prepare for the likely high demand for propane and help ensure that our state can source the propane needed to heat homes, operate grain dryers, and heat livestock and poultry barns.

During this same hearing I also urged railroad companies to address rail service issues impacting mines on the Iron Range in Northern Minnesota which are experiencing delays in service and forcing these companies to stockpile significant quantities of iron ore. In total, facilities on the Iron Range in Minnesota currently have more than 2 million tons of taconite pellets stockpiled as a result of poor rail service. These disruptions not only affect operations at these mining companies, but also at the steel mills further down the Great Lakes that rely on taconite pellets to feed their furnaces. There is a finite shipping season on the Great Lakes which will close for shipping for the winter in just a few months, so it's critical that railroad companies address these backlogs.

Customers that rely on coal shipments must also have the certainty of reliable rail service. Last year utility companies saw their stockpiles of coal drop to dangerously low levels. Though inventories rebounded in late spring, deliveries have fallen off again over this past summer when stockpiles should be higher. Coal shipment delays have been significant enough to cause utilities to temporarily halt generation at affected plants, which seriously impacts their ability to provide reliable electric service to their customers. This issue will prove to be even more critical as we approach the winter months.

The U.S. Department of Transportation estimates that by the year 2040, freight rail will move 25 percent more tonnage than it moves today. With more traffic on

freight rail corridors in the coming years, the need to ensure reliable freight rail service can't be just an afterthought. It must be a priority.

Thank you again for convening this important hearing on rail capacity and service.