

218266

December 12, 2006

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20006



**Re: STB Ex Parte No. 665
Rail Transportation of Grain**

Dear Secretary Williams:

Enclosed for filing in the above referenced matter are the original and ten copies of my comments as a North Dakota grain producer.

Thank you for your assistance, and please do not hesitate to contact me if you have any questions regarding this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jay Elkin".

Jay Elkin
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Taylor, ND 58656-9645
701-974-3583

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BEFORE THE SURFACE TRANSPORTATION BOARD

Ex Parte No. 665

Rail Transportation of Grain

Written Testimony of Submitted by
Jay Elkin
North Dakota Grain Producer

December 12, 2006



In accordance with this Board's Oct. 11 2006 announcement, Jay Elkin, on behalf of himself, submits these comments for a public hearing to be held on Nov. 2, 2006, before the Surface Transportation Board.

I am pleased to have the opportunity to share my views on the rail transportation of grain before the Surface Transportation Board as a member of the North Dakota Grain Growers and the National Association of Wheat Growers Domestic Policy Committee. It is important for the Board to understand that the official positions of agricultural trade association on rail transportation do not reflect the views of the entire membership. Nor do they reflect what is happening out here in farm country every day. I view this as my opportunity to share what they are not telling you regarding the rail transportation of grain in North Dakota.

The relationship between rail and producers has been improving over the last several years. Through the efforts of individual producers and BNSF Railway, in particular, a collaborative, cooperative effort has developed that serves both well. I have attended numerous meetings as part of this effort with the railroad in North Dakota, Montana, and the NAWG board meeting. Despite the rhetoric that you will hear in Washington at hearings such as this one, the facts speak for themselves. Grain rates are lower and service is great.

Since the passage of the Staggers Act, BNSF wheat rates today in North Dakota are only nominally above what they were in 1981. Producers in North Dakota have seen a significant drop in wheat rates on BNSF, both east-bound and west-bound, since 2004 alone.

Approaching the issue of wheat rates from a different angle for purposes of comparison, the United States Department of Agriculture (USDA) tracks the cost on 15 major farm-related inputs each year. Since 1981, 13 of the 15 categories have increased more than the BNSF rail rate.

Another misconception is that Canadian grain transportation is a superior system with better rates and better service placing their neighbors in North Dakota at a competitive disadvantage. According to my contacts at North Dakota State University, the return to wheat and barley farmers in Canada is less than for those producers in North Dakota. While Canadian rates may be capped, they pay much more in total because of other costs.

You will also hear about how railroads have negatively impacted the competitiveness of certain commodities like barley. Barley market share has decreased but blame cannot be laid upon the doorstep of the railroads. The U.S. has seen a reduction in domestic and export market share for barley for several reasons. Due to the market conditions for barley, we producers have switched from barley to corn, soybeans and specialty crops. This choice is based on farmers' return per acre analysis. Feedlots are using more corn because barley producers cannot supply the growth in demand. And our overseas markets have received a hit as the European Union has increased their market share.

The bottom line is that BNSF rates reflect market conditions and help U.S. producers to compete in the global marketplace. Neither the railroad nor the farmer wins if the farmer cannot get his production to market. And everyone loses if railroads cannot maintain their financial health. Rates must be sufficient to justify further investment in agricultural products. Not only does this ensure that railroads remain viable, but it is necessary for the agriculture industry's continued success and competitiveness in domestic and export markets.

You will hear today that service in North Dakota is abysmal and the STB must take action. This is another inaccuracy. Rail service for grain has improved substantially in North Dakota for shuttle and non-shuttle alike. The elevator where I deliver my grain has told me that BNSF car supply is not only adequate but there's a surplus this year.

From my perspective, the railroad is reaching out to us and our trade associations. Instead of calling for action to be taken against the railroad industry, agricultural trade groups should be working collaboratively with the railroads on new marketing opportunities and increasing railroad capacity to ensure our product gets to market. That is what many of my fellow North Dakota producers have done and we have seen the results—lower rates and improved service.

Thank you for the opportunity to comment on this important subject.