

National Grain Car Council Meeting
Thursday, September 21, 2000, 10:00 a.m. – 3:00 p.m.
(Continental Breakfast @ 9:15 a.m.)
Holiday Inn O'Hare International, Rosemont, IL
A G E N D A

9:15am Continental Breakfast

10:00am Meeting Begins

- Welcome
 - Chairman Dennis D. Wendland
 - Vice-Chairman Diane D. Knutson

- Introduction of Guests
 - The Honorable Linda Morgan, Chairman – STB (Confirmed)
 - The Honorable Wayne O. Burkes, Vice-Chairman – STB (Confirmed)
 - The Honorable William Clyburn, Jr., Commissioner – STB (Invited)
 - Mark Drabenstott, V.P. Federal Reserve Bank (Confirmed)
 - Keith Klindworth, USDA Representative (Confirmed)
 - Kendal Keith, President – NGFA (Invited)
 - Melvin Clemens, Director, Office of Compliance & Enforcement – STB (Confirmed)

- Member Introduction

- Approval of Minutes

- Financial Report

- Remarks ...
 - Honorable Linda Morgan
 - Honorable Wayne Burkes
 - Honorable William Clyburn

- Presentation by Mark Drabenstott, Federal Reserve Bank
 - “The Transition of Grain Logistics and the Effort on Rural America and Shortline Railroads”

noon Working Lunch (Buffet Style)

- Kendall Keith – NGFA's Report from Member Survey on Harvest Expectations
- Each Rail Carrier – “Fall Harvest” Preparedness by Rail Carriers”
- Keith Klindworth – “Grain Outlook Next 3 Years Domestic/Export Markets”

2:00pm Election of NGCC Officers for Next Two Years

- Chairman
- Vice-Chairman
- Secretary Treasurer

2:30pm Closing Remarks

3:00am Meeting Adjourns

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National Grain Car Council (NGCC)
Meeting Minutes
Chicago, Illinois - September 21, 2000

Chairman Dennis D. Wendland called the meeting to order. Vice Chairman Diane Knutson also welcomed the group. Thirty-four (34) people were present. Members present were:

Dennis D. Wendland	NGCC Chairman - Cenex Harvest States
Diane Knutson	NGCC Vice Chairman - Union Pacific
Jerry Birmingham	NGCC Secretary/Treasurer - GE Rail
Terry Voss	AG Processing
Alice Saylor	American Shortline and Regional Railroad Assoc.
Larrie Owen	Arkansas Industrial Traffic
Ian Muir	Bunge Corporation
Fred Sasser	Chicago Freight Car Leasing
Keith Bouguet	First Union Rail
Tim A. Heiling	Norfolk Southern
Sharon Trudell	RRV&WRR
Keith Klindworth	USDA
Tom Owen	CSX
Mark Huston	(Alternate For Kevin Kaufman) Louis Dreyfus
John Davis	(Co-Alternate For Steven Bobb) BNSF
Randy Knox	(Co-Alternate For Steven Bobb) BNSF

The following representatives from the STB were present:

Linda J. Morgan	Chairman - STB
Wayne O. Burkes	Vice Chairman - STB (NGCC Co-Chairman)
William Clyburn	Commissioner - STB
Gerald W. Fauth III	Chief of Staff, Vice Chairman Burkes - STB (NGCC DFO/CMO)
Melvin Clemens	Director, Office of Compliance and Enforcement - STB

In addition, the following invited guests were present:

Kendell Keith	National Grain & Feed Association
Steve Murdock	ConArga, Inc.
Everett Engle	Thrall Car
Mike Keasling	CIT
Joe Mankowski	CIT
Paul Curry	CIT
Brent Dornian	Canadian Pacific
Vince Boyle	Citicorp Railmark, Inc.
Michael Mohan	CN/IC
Bill Eilbracht	Union Pacific
Desmond Hayes	FlexLeasing Corporation
Steve Colthurst	Land O' Lakes
Mike Bilovesky	Kansas City Southern

Chairman Wendland indicated that the agenda would be changed to address the new Demurrage rules changes imposed by BN and UP.

He introduced the members of the Surface Transportation Board (STB) - Chairman Linda Morgan, Vice Chairman Wayne O. Burkes and Commissioner William Clyburn, Jr. He also introduced Keith Klindworth with USDA, Kendall Keith of NGFA, Mel Clemens of the STB and Gerald W. Fauth III of the STB. Self introductions were made. ✓

The Chairman asked for approval of minutes. The minutes were unanimously approved. ✓

Financial Report - Jerry Birmingham presented and summarized the report. He reported a deficit of \$1,447 in 1999 that was covered by GE. Mr. Birmingham made a motion to increase member donation to \$170 per company. The motion was seconded. The motion was unanimously approved.

Keith Klindworth of USDA presented on Grain Outlook for the next three years for the domestic and export markets. He mentioned that he would be leaving USDA soon to join The Fertilizer Institute. Corn - He indicated that record a corn crop is expected with 10.4 billion bushels (bb) expected with a 140 bushels/acres yield, which is also a record yield. He expected a moderate increase in exports - 13%. He said that supplies were the largest since '87/'88 and largest ending stocks since '87/'88. He expected foreign production to be down. SoyBean - He also expected an all time record crop/soybeans of 2.9 bb, which is 10% above last years production, in spite of dry conditions. Record supplies of over 3 bb. Record crush of 1.6 bb expected - a slight increase from last year. Record exports expected 1 bb, which is 2% above last year and 24% above 98/99. He indicated that the China market is huge. Wheat - Wheat production was approximately the same as last year 2.3 bb. Total available supply second highest. Ending stocks projected to increase. Small increase in domestic use. Wheat markets have shifted in recent years. Usage equal. General - Domestic feed use down again. Exports down again at 1.1 bb. Short term grain production all time record at 16.5 bb. Total use expanding to 16.2 bb also a record. Large carryovers in all grain make total supplies highest since 87/88. Use not expanding enough and total ending stocks expected to be highest level in 13 years. A question was asked concerning the lack of storage and capacity. He presented charts for long term (20 yr.) use which showed a fairly flat export trend and increase in domestic use. The trend was to more domestic processing and utilization. Questions were raised and a discussion ensued concerning the export market. ✓

Chairman Morgan was introduced and made remarks. She raised issues of concern. First, she continued to be concerned that customers are concerned about service not being where it needs to be. Second, customer relations are not where they need to be. She was concerned that customers and railroads were not in partnerships. In particular, she was concerned that the rail industry was making unilateral decisions that impact on the AG community. She stressed the need for a spirit of partnership. She stated that customers are not conformable bringing concerns to carriers and that a lot could be solved if there was a better dialogue. *conformable* ✓

VC Burkes emphasized need for better communications between shippers and carriers and between shortlines and Class I. He mentioned that there was a fear of retaliation. He stated that things have improved, but more needs to be done. He mentioned his tour of Chicago and that he gained a better understanding of the problems. ✓

Commissioner Clyburn mentioned attending a meeting in 1994. He mentioned the need to be prepared. He stated that the STB was there to protect the public interest. He also emphasized the importance of privately negotiated agreements. He also highlighted the issue of 286,000 lb. freight cars.

Chairman Wendland asked Kendall Keith to provide an update on rail arbitration. He indicated that there had been 5 filings, 4 of 5 have been settled. He emphasized that it has been helpful. Terry Voss indicated that it had been extremely helpful process. Many issues have been resolved because the avenue is available. Diane Knutson indicated that it has worked well and has opened the dialogue. John Davis of BNSF indicated that it has been a helpful and useful tool. Alice Saylor indicated that there have been none under the Rail Industry Agreement but is encouraged by the feedback.

Chairman Wendland asked the railroad representatives to address Demurrage changes.

Diane Knutson of UP started the discussion. She said the move was a reaction to increases in cost. Equipment costs have risen, but the bigger issue is capacity. She said that cars were going into terminals and being placed when a customer was not ready to take them. She said that UP was trying to find ways to be more efficient and looking for input. John Davis of BNSF said the major driver was increased efficiency and capacity. He said that they were faced with record production. The move was designed to increase capacity during peak period. He said that BNSF tried to be balanced and that post peak demurrage will be reduced to \$25. He said that a lot of input has been received from customers and that potential changes being discussed. He said that there were three (3) issues: time to get grades, movement of loaded cars and safety. Diane Knutson indicated that she has not done anything on peak versus non-peak demurrage. Terry Voss expressed concern about having crews work over the weekend. Diane Knutson said changes will be put into effect to address that issue. Larrie Owen commented that one hat does not fit all heads and that individual exceptions must be made. Terry Voss also indicated that the penalties should not be one way. It appears to be one-sided. Terry Voss also mentioned that there was no advance notice. He wants input from the beginning. He was also bothered that BNSF announcement came out within a few days of UP's notice. Mark Huston of Louis Dreyfus said that Ag community has increased accountability, but not the railroads. He also mentioned that shuttle trains do not have demurrage charges, which will work to push grain away from small shippers. Larrie Owen said biggest problem was with soy bean meal and that there should be a way to identify problem areas. Tim Heiling of NS indicated that it had adopted credit and debit system used by Conrail, but there had been no increase in demurrage. John Davis indicated that the program was not intended to move away from single car or smaller unit shippers to shuttle movements. Diane Knutson said some changes have been implemented.

Chairman Wendland announced the results of the election of new officers for the next two years. Daine Knutson will be the next Chairman. Vice Chairman will be Terry Voss. Secretary/Treasury will be Keith Bouguet. He thanked Jerry Birmingham for his hard work.

Chairman Wendland discussed the next meeting place.

Kendall Keith presented a NGFA report from a member survey on Harvest Expectations. The

survey was mailed on August 4, 2000. A total of 224 responses were received by August 23, 2000. The survey sought information on 1) expected harvest size; 2) expected adequacy of rail transportation during fall peak; 3) company plans for ordering more rail cars or leasing additional cars; and 4) plans for using temporary or emergency storage and expected use of rail cars to temporarily store grain. Results were included in hand-out. Some of the carrier representatives expressed concern over the validity of the results of the survey.

Chairman Wendland then asked for comments from the various railroad representatives.

Tom Owen of CSX spoke regarding fall peak. He said that CSX is taking this very seriously. He mentioned that it had made \$800 million in infrastructure investment. He anticipates a 3-day faster cycle time which will increase capacity. He said that they will leave power with train with express contract traffic. He sees a huge increase in the eastern corn belt. Supply side will be huge, but no growth in demand side. He was confident that CSX will meet demand for grain, but maybe not the demand for cars.

Tim Heiling of NS cited the draught in Pennsylvania last year, which it does not have this year and should help. In terms of service, NS has done some aggressive things to make more fluidity in system. He said that cycle times were better than 1998. He said that NS leased an additional 89 locomotives and may have more than they need. NS will take delivery of 25 more this year. NS has 6,000 covered hoppers dedicated to Ag shippers and 3000 dedicated to smaller shippers. He said that NS had established some 75 car shuttle programs.

Mike Mohan of CN/IC cited a pickup of traffic. He said that this year should be similar to last year. He said that there will be a lot of grain on the ground, but this was not a result of a service problem - it was market-driven. He said that CN/IC has 15,000 covered hoppers and it was bringing in 40 new locomotive next month. He said they had hired additional 100 people. He said that CN/IC sees demand somewhat off.

Randy Knox of BNSF said that demand was steady and that there was no stress in the fleet. Orders were nothing big - about 28,000 cars. He said that BNSF had about a 6-7000 car decrease in fleet, but capacity was about the same due to the shuttle fleet. He said that there were about 5,000 cars in the shuttle fleet. BNSF is trying to increase the efficiency of the regular fleet. Overall BNSF is in pretty good shape. There are about 205,000 cars on line. He said that BNSF is "ready to rock and roll" and just needs the grain.

Bill Eilbracht of UP agreed with the projections. He said that there were some capacity constraints on line. UP was doing a better job powering trains. He said that the harvest will be short. They have 30,000 plus cars. He said that cycle times are improving with shuttle trains average about 3 trips per month.

Mike Bilovesky of KCS said they had purchased 50 new locomotives which increased capacity to the railroad. He said that the hopper fleet was about 3,500 cars which has remained fairly consistent. He did not foresee any problems. He said that KCS had just started a shuttle program. He sees tightness in October but then slowdown.

Brent Dornian of CP said that their shuttle program will continue this year. He said that CP has 8,200 cars for US market. He anticipates enough power and no crewing problems. He is also s

eeing better cycle times. They have contingency plans in place.

Sharon Trudell of RRVW indicated that they are gearing up for 286 cars.

Jerry Birmingham noted that he is concerned that leasing industry has repeated history with overbuilding and that the industry needs to be closer to market place. Everett Engle of Thrall indicated that market has dropped for new car orders. He is worried about a surge in demand.

The meeting was adjourned at approximately 2:10 PM.

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Chang