Surface Transportation Board
Washington, D.C. 20423-0001

Minutes of the National Grain Car Council Meeting

Thursday, September 14, 2017
InterContinental Kansas City at the Plaza
401 Ward Parkway
Kansas City, MO 64112

Attendance

Thirty members or designated substitutes and fifty-two members of the public attended. (Attendance sheets are appended to these minutes.) Designated substitutes included the following.

Ed Neinaber	Heritage Cooperative
Jim Wilson	Norfolk Southern
Mark Hamilton	Norfolk Southern
Kira Murphy	Canadian Pacifc
Matt Branch	Chicago Freight Car Leasing

Agenda

1:00 pm 1) Welcome, call to order, and introductions
- Chairman Mark Van Cleave
- Safety Briefing – Vice Chair Sharon Clark
- Introductions
  - Fred Forstall – Approved substitutes
  - Members – self introductions
- Cochairman Dan Elliott
- Ryan Pellett (J.D. Heiskell & Co), Chairman – TEGMA

2) Adoption of 2016 Minutes – Mark Van Cleave

3) “Disruptive Technologies in Freight Transportation and Logistics”
Steve Sashihara, CEO Princeton Consultants Inc

4) CSX, Precision Scheduled Railroad Update – Cindy Sanborn

3:00-3:10 pm Break

5) Nominations from the floor for NGCC officers

6) Shipper Panel
Supply Dynamics – Moderator: David Pope, CHS
Eastern Market – Ed Neinaber, Heritage Coop
Midwest Market – David Pope, CHS
Western Market – Roger Fray, Landus Coop

Demand Dynamics – Moderator: Greg Twist, AGP
Corn Complex, Terry McDermott, Bunge
Soy Bean Complex, Greg Twist, AGP
Domestic Feed Complex, Sharon Clark, PAB

7) Railroad Panel – Moderator: Greg Guthrie, BNSF

Class I Reports
Short line Recap: East, Doug Story, Watco; West, Micah Powell, RCPE

8) Rail Equipment Panel, John Glynn, CIT

9) Closing Remarks
- Acting Chairman Ann Begeman
- Commissioner Deb Miller
- Cochairman Dan Elliott

5:00 pm 10) Adjourn – Mark Van Cleave

Welcome, call to order, and introductions

Safety briefing, introductions, and words of welcome from Board Chairman Dan Elliott and TEGMA Chairman Ryan Pellett, who noted that this was the 8th joint session of TEGMA and the NGCC. He perceives synergies for both groups as a result. TEGMA is a form for discussion and debate.

Adoption of 2016 Minutes – Draft 2016 minutes were adopted without revision

"Disruptive Technologies in Freight Transportation and Logistics"
Steve Sashihara, CEO Princeton Consultants Inc

The talk will be as in three parts – Disruptive technologies, impact on freight transportation, and strategies (what should we do about these?). (Management consulting Tim Davenport Competing on Analytics Moving up the "stack," *The Optimization Edge* – Sashihara) Stories – 3rd parties, large industrial companies and logistics companies. Trucking industry is "ripe" for disruption. An estimated $1.45 trillion spent on transportation across all carriers and modes (~8.5 percent of US GDP). Survey response - 45% carriers, 22% shippers, 13% suppliers, 20% others.

Questions
1. Drones - 3 phases surveillance, remote delivery, widespread delivery
2. Self-driving trucks - car technology, truck technology, test delivery last year. 3 phases truck autopilot, linehaul driverless, door to door driverless. Issues - detecting bicyclists, compared to cars, "truck stuff" is easy.
3. "Uber" for freight - A lot of start ups; not seen as a real threat.
4. Internet of things and big data, 9 primary impact areas
5. driver automation

9 primary impact areas – 9 class I/short line business models, 8 Work force, 7 primary transportation, 6 Inventory management, 5 forecasting, 4 Last mile deliveries, 3 Streamlining of paperwork, 2 Exceptions, 1 real time routing.

Parties are agreed that disruption is coming. Three strategies
1. Okay to take a "wait for vendors" approach
2. work hard to provide user friendly automation
3. Move from "gut" to data-driven decision making

It is necessary to master two types of analytics to create or survive disruption. Analytics of rest and analytics of motion.

CSX, Precision Scheduled Railroad Update
Cindy Sanborn (Slides are appended to these minutes.)

Hurricanes impacted all five US based Class Is. Issues Jacksonville (Irma impact), network (rapid transformation). There is a visible recovery – CSX intends to serve demand and drive customer service. CSX is committed to customer relationships

Short term impacts of PSR. Balanced train movements (directions and days of week) and terminal fluidity (not necessarily at legacy locations) drive service and productivity improvements.

Groundwork in early July. Big impact on western part of the network. CSX is improving terminals while adjusting traffic flows to recover near-term service levels (dwell and velocity). Hump yard conversions – yard "foot print" should support a balanced train plan. CSX management were expecting a non-event. However, turnover in people (reductions) and redesigned organization (5 regions now versus 9 divisions before) created challenges. Business groups (Coal, Automotive, Intermodal, General merchandise, Grain)

Recent momentum is essential for success going into harvest and elevated grain volumes. With respect to the CSX grain business, the "path to efficiency" is the 90 car product. CSX will have 60 sets this year. Unit train changes – some unit train business has been shifted to merchandise, and CSX is now adding merchandise to unit trains

Feedback suggests that customers are not seeing the improvements. PSR is intended to improve frequency and turn times. However, CSX "stumbled out of the box." To the perception that PSR is "inward looking," Ms. Sanborn expressed the belief that better service benefits all. No "service component" will be included in contracts. Regarding concerns of forcing captive shippers to truck and that changes do not always work, she said that there will be adjustments to meet the needs of customers. To the question, "When will you be all better," she replied the CSX is "almost there," and close to being consistent.

Nominations from the floor for NGCC officers

> Doug Story was elected Vice Chair by acclamation. David Pope and Mark Huston were nominated for Secretary/Treasurer (i.e., 2nd Vice chair). Ballots were later distributed, and Mark Huston was duly elected.

Shipper Panels

Supply Dynamics

> East – Eastern corn production is up except from Indiana. Farmers or elevators will store the crop at current prices. Success will depend heavily on rail service. West – A new environment with 13 to 14 months of carry over. Iowa surplus and carry out. Elevates risk. Pace in February is the same as August. Producers are in the red; okay if you own but not if you rent. Yields of last year won't repeat. 145-205 with increased variability. Long crop at second lowest values in 16 years. Feed mill expansion - more hogs in the State. Asset rationalization is ongoing. Space still matters depending on rail. Upper Midwest – old crop corn and corn in bunkers. Short window in upper Midwest. "Okay but not like last year." Storage is built. Too much freight. Bean harvest has started and will be rolling by 9/25. Keeping grain local.

Demand Dynamics

> Corn complex. Increasing global production. (US is flat.) Domestic demand is steady. US is losing global market share. US production flat since 2012. 39% ethanol, 39% feed, food, export ("Brazil is back.") PNW - lower expectations this year. No major surprises for the railroads this year.

Beans. 49.8 bushels per acre expected. 6.3 billion extra bushels globally. 61% sold this year. Crush - 1.94 billion bushels. Depended on export meal sales. China antidumping effort backed up DDGs in US. Good world demand. China's crush is up. Balance of Asia, improved diets. US dollar. Quality should be better than last year. Bean crop needs stress. Biodiesel - Indonesia, Brazil subsidies, countervailing duties (final ruling coming). Domestic feed "Golden age." 60% increase in demand for protein. There are favorable conditions for export and US demand is up as well. Good weather the past few years and low prices are good for the meat business. Poultry – chickens up 2-2.5%. Turkeys flat. Mexico, Canada, and Hong Kong are top three export markets for US chickens. New plants. Pork is also up. 115 million hogs annually. Japan, Mexico, Canada are the top markets. Beef is up. Estimated production 27.4 billion pounds annual production. Japan, South Korea, and Mexico are the top markets. Issues – uncertain trade policy, China "center" of global demand, and Avian flu. Favorable global trends. "How will we meet the demand?"

Railroad Panels

UP - carloadings up 12 percent in the 2nd quarter. Export growth. Shuttles are performing well. Just under 3 turns per month. Train speeds are holding. T&E flat. 1000 locos stored. Adding cars to the fleet. Additional cars available. Routes - South Texas will have MOW curfews in late November and early December (Hurricane recovery). PNW issues in the spring and Hurricane Harvey - two of the top 3 weather events. 1,750 route miles out-of-service dropped within 12 days to 31 miles. At the moment, 2 subs remain out of service. Rerouting. Activated different yards.

KCS - 6021 cars, a record fleet up 28 percent over last 5 years. Increased capacity and decreased age. Brownsville Sub is embargoed. UP and BNSF detours aided KCS grain traffic. Reopened Beaumont Sub and all embargoes were lifted yesterday. Twenty trains still holding due to Harvey. Not quite over it but feeling good. A little out of whack at the beginning (out of sync).

BNSF - 29,600 cars in fleet. 14,500 for carload moves. Balance for shuttles. 109 sets increasing to 134 by early October. Expecting 129 sets in 4th quarter. Down 10 percent from 2016 record. 2.7 turns per month recently. Non-shuttle orders are managing well. Past due orders peaked in February. As of October 1st, 900 locomotives in surge fleet. One route remains to be opened. Corpus remains under embargo until tomorrow.

CP - Northern plains waiting for harvest. All shuttles moving in Canada. Growth in US grain movements. CP is well-positioned and is expecting softness due to average crop in Canada. 17,000 cars in fleet. About one third in the United States. Dedicated train program increasing in the United States. Operations were improved in Q2. Increasing train weights but decreasing speed (23.3 mph). Hauling 12 percent more freight. 500 locomotives in surge capacity. Fleet renewal strategy - high capacity hoppers.

CN - Actively engaging customers and is ready to go. High horsepower locomotives are coming on line. CN has 1800 hoppers in the United States.

NS - No drastic impact from Irma. Lost power and signals in Savannah and Macon districts. All in all, weathered storm pretty well. Speed is up, and dwell is down. Network is "moving rapidly." 3,000 cars for unit trains and 700 small capacity cars for carload service.

CSX - Completed forecasting process with customers. Total fleet 3500 cars. 2,900 cars for unit train service. The 65 car product is gone; the 90 car product going forward. There is more interest in the Express Program. Still assessing situation in Florida. Power challenges and emergency trains for customers.

Shortlines – In the West, RCPE well positioned. Good power. More people. 2,400 cars. IAIS has crews and cars. MRL added 100 cars and 65 T&E. Kansas & Oklahoma 1,200 cars. Nebraska Central has 10 shuttle loaders and is ready for harvest. No major issues. In the East, Great Lakes Central 125 cars and in good shape. H&E 275 cars. Wisconsin & Southern 300 cars and 6 additional T&E. CFWE 100 cars. In good shape for staffing and power. W&LE 4 additional people and 90 cars for online moves. There has been an "uptick" due to preharvest movements in the Midwest and exports to Canada. (Prepositioning of private equipment as shippers get ready for soy beans.)

Rail Equipment Panel

Rail Equipment - No shortages. Total national fleet 544,000 cars, of which 195,000 are grain cars. Average age 21 years. 2,700 cars were delivered this year. 893 cars were scrapped. 3,800 car backlog for grain cars. Railroads are upgrading fleet to higher capacity cars.

Executive Summary

- CSX network has undergone rapid transformation
  - Significant change in early July led to congestion mid-late July
- Recovery efforts producing visible recent results
  - Network measures showing improvement; volume of customer issues, while still elevated, is reducing in both number and severity
- The operation is resourced to serve demand and drive superior customer service going forward
  - Precision Scheduled Railroading is a fundamental paradigm shift
- CSX remains committed to customer relationships, communication and planning across commodity markets
  - Mentality of ‘they win, we win’ to drive long-term success

2

Short-term impacts following network changes

Operational Focus
- Balanced Train Plan
- Terminal Fluidity

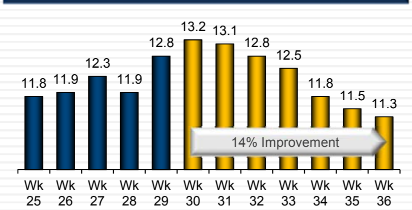
Service Improvements & **Productivity Improvements**

Improved Frequency	Better Reliability	Rolling Stock Utilization	People Efficiency
Faster Transit	Quicker Turnaround	Fuel Optimization	Train Density

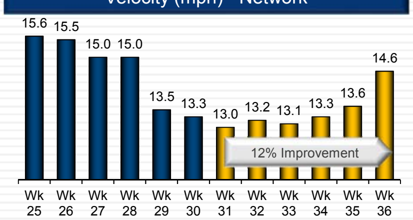
- Set the groundwork of a balanced train plan in early July
  - Terminal fluidity impacted in the short-term, as teams adjust to a new operating plan
- Most severe disruption occurred on the Western part of the network
  - Average dwell at key Western terminals peaked around 22 hours in late July, up from around 16 hours in June; dwell now below 14 hours at these locations
- Currently driving improvements in terminal efficiency while modestly adjusting traffic flows to recover near-term service levels
  - Long-term service and productivity improvements to be driven by improved execution on this foundation

Performance improvement gaining momentum

Dwell (Hours) - Network



Velocity (mph) - Network



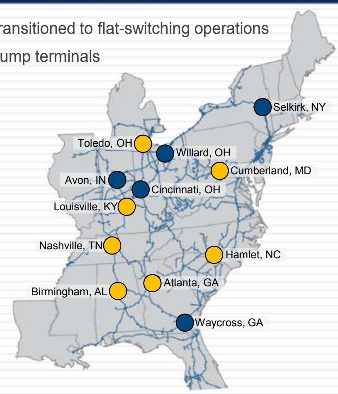
- Key network measures showing steady progress since early August
  - Dwell has returned to Q2 levels and terminals are fluid
  - Velocity beginning to accelerate more meaningfully
- Several customer-impacting advancements evident
  - Daily customer issue logs[1] down 51% from height
  - Active shutdown risks virtually eliminated
  - Cars dwelling >48 hours down 22% and returned to pre-July levels
  - Empty car dwell at customer locations up 62% from low point, suggesting improved car supply and availability
  - Local pull and place compliance rising

[1] Customer logs in the areas of delayed cars, bad order cars and switch issues

Pushing towards Precision Scheduled Railroading

CSX Hump Terminals
Transitioning operations to flat-switching

- Transitioned to flat-switching operations
- Hump terminals



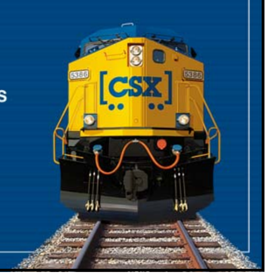
- Yard footprint to support a balanced train plan
  - Two to four humps likely long-term
  - Yard efficiency, fluidity, execution expected
- Precision railroading results in a superior service product
  - Reduced transit times a key priority
  - Strategic blocking allows for farther, faster transit while reducing handlings
  - Rightsizing of equipment is a catalyst
  - Refined performance measures now provide visibility to all portions of car trip
- Completion of operating transition necessary to derive full benefits

Improvements to be supported by sustained communication with all stakeholders

5

CUSTOMER FOCUS

HOW TOMORROW MOVES



Multi-faceted, integrated customer approach

Customers

↕

Local Operations, Customer Service, Sales & Marketing

↕

Network Operations, Car Management, Service Design

Ability to support full suite of needs

Industrial Development, E-business Tools, Other Support Functions

- Daily interaction with customers at local and corporate levels
  - Enhanced field leadership structure supports communication
  - Customer service, sales & marketing staged in key locations
- Expectation of two-way communication and problem solving
  - Ability to engage necessary functions to address issues
- Proactive and timeline communication remains a priority
  - Managing change, planning effectively

Full team focused on near-term needs, opportunities

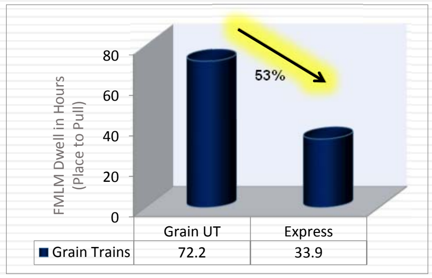
Coal	■ Manage resources to effectively handle domestic and export needs ■ Work closely with customers to forecast and adjust to demand levels
Automotive	■ Working closely with auto manufacturers to meet production and inventory needs ■ Maintain balanced auto flow between loads and empties
Intermodal	■ UPS, fall peak planning underway ■ Successful opening of Pittsburgh terminal allows for highway conversion ■ Smooth onboarding of new international customer; elevated international flows
General Merchandise	■ Revising plans to drive reliability, speed ■ Careful car planning to clear backlogs, meet customer priorities
Grain	■ Close customer coordination to plan harvest needs and resources ■ Focus on asset utilization through increased customer participation in loading and unloading efficiencies

Recent momentum essential to success going into elevated fall volumes

CSX grain business is continuing on the path towards efficiency

- All of our 2017 harvest unit grain business will be in at least a 90 car product.
- Express Program has increased participants from 56 to 81 customers
  - —*Expect 84% of grain loads to originate at an express elevator*

2015 and 2016 Harvest Dwell Reductions

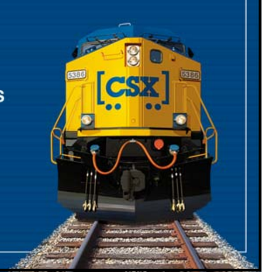


- *Building for the future*
  - — *Stability allows for crew planning to reduce release to pull dwell*
  - — *More efficient turns allow for growth opportunities*
  - — *Capture greater volumes during peak times through increased asset utilization*

Speed and train length facilitates growth and efficiency

9

HOW TOMORROW MOVES



NATIONAL GRAIN CAR COUNCIL

MEMBERSHIP ATTENDANCE LIST 2017

Present	FIRST	LAST	TITLE	COMPANY
MB	Mike	Bilovesky	VP Marketing and Sales, Ag & Minerals Business Unit	Kansas City Southern
MB	Matt	Branch	Senior Manager, Fleet Marketing & Customer Support	Chicago Freight Car Leasing Co.
✓	Sharon G.	Clark	Senior Vice President Transportation & Regulatory Affairs	Perdue AgriBusiness LLC
CE	Carrie	Evans	VP Sales & Marketing	Iowa Interstate Railroad
J.F.	Jarad	Farmer	Managing Director - Sales	Canadian Pacific
R.F.	Rob	Finch	Director of Agricultural Marketing	CSX
✓	Roger	Fray	Chief Commodity Marketing Officer	Landus Cooperative
	Dan	Gilbert	Sourcing Manager - Transportation	Purina Animal Nutrition, LLC.
JG	John	Glynn	Senior VP Leasing	CIT Rail
✓	Brian	Groskreutz	Transportation Coordinator/Grain Marketing	NIK Marketing Cooperative
[illegible]	Gregory	Guthrie	Director - Railway Agricultural Products	BNSF
MAH	Michael A.	Haeg	VP - Marketing	Rio Grande Pacific Corporation
K.M.	~~Murray~~	Hamilton	~~Ass't VP, Grain Marketing & Sales~~ Kira Murphy, Grain Marketing & Sales	Canadian Pacific
MH	Mark	Hamilton	AVP - UNIT TRAIN SERVICES	Norfolk Southern
DH	Dana	Hansen	Director Rates and Fleet Management	Archer Daniels Midland
[illegible]	Daniel	Hartmann	Senior Director - Business Planning & Development	Union Pacific
[illegible]	Brad	Hildebrand	Global Rail and Barge Lead	Cargill Inc.
MAH	Mark A.	Huston	Director North America Transportation, VP	Louis Dreyfus Company Rail Services
MSJ	Michael S.	Jones	Director – Transportation/Logistics	North Dakota Mill & Elevator Assn.
JL	Jim	Lewis	Chief Sales and Marketing Officer	Montana Rail Link
TM	Terry	McDermott	Director, Supply Chain	Bunge North America
	Thomas	McGraw	Director	Citigroup Global Markets Inc
	Daniel	McLaughlin	AVP, Grain & Grain Products	Union Pacific
TJM	Timothy J.	McNulty	VP Agricultural and Minerals Products	CSX
	Ed	Neinaber	VP of Grain Marketing	Heritage Cooperative
	Todd	Nuelle	Director of Sales and Marketing	Canadian National
[illegible]	Judy	Petry	President and General Manager	Farmrail System
[illegible]	David	Pope	Senior Merchandiser – Rail Transportation	CHS Incorporated
	Micah	Powell	VP, Sales and Marketing	RCP&E (Genesee & Wyoming)
DP	David	Przednowek	Director of Marketing - Grain	Canadian National
DRS	Daniel R.	Sabin	President	Iowa Northern Railway
	Dean	Sawyer	Director- Regional Sales	American Railcar Industries
DS	Daniel	Schueth	Network Planning Coordinator/Bulkdesk	Kansas City Southern Railroad
	Ed	Sims	Manager	The Andersons, Inc
	Scot	Stoa	Director, Unit Grain Operations	BNSF
DS	Doug	Story	VP - Agricultural Marketing	Watco Transportation Services
	Bruce	Sutherland	President	Michigan Agricultural Commodities
[illegible]	Charlie	Threlkeld	General Manager - Transportation	CGB Enterprises Inc.
✓	Gregory	Twist	Senior VP - Transportation	Ag Processing
	Mark C.	Van Cleave	EVP, Industrial Leasing & Sales	TrinityRail
JLW	Jim	Wilson	Marketing Director - Agriculture	Norfolk Southern

NATIONAL GRAIN CAR COUNCIL

PUBLIC ATTENDANCE LIST 2017

FIRST	LAST	TITLE	COMPANY
Jim	Greufe	VP Agribusiness Capital	FCS of America
Dave	Long	VP Marketing & Sales	Twin Cities & Western RR
Duncan	Wilson	Merchandise	Bartlett Grain
Dan	Ricke	VP Commercial Credit Officer	Bank of America
Gary	Kearby	VP Sales	Wells Fargo Rail
Shane	Berrett	Director -	Gavilon
Callie	Algaabright	Manager of Rail Operations	Compass Minerals
Matt	Franko	Warehouse & Logistic Svcs Manager	Compass Minerals
Shaun	Meiners	Director - Transportation	Lansing Trade Group
Josh	Blau	Logistics Manager	Livestock Nutrition Center
Trent	Schairer	Director - Transportation	Bartlett Grain
NICK	SMITH	MANAGER, MARKETING & SALES	RAPID CITY, PIERRE & EASTERN
Heather	Keasling	Manager, sales + marketing	Rapid City, Pierre + Eastern RR
Kristin	Dietz	AVP, Underwriter	Bank of America
Mike	Brainerd	Sr Director Grain	UPRR
JJ	Sullivan	Director - Feed Grains	UPRR
Ross	Edwards	VP - Transportation	GAVILON
Kevin	Bahnline	Director Rail Marketing	RESIDCO
Antonio	Amerigo	Sub Director Sales & Marketing	KCSM
Francisco	Belden	Supply Director	RAGASA
RAUL	MORALES	MARKETING & SALES	KCSR
Natalie	Robinson	Account Manager	Canadian Pacific
Alejandro	Jiménez	Sr. Rail Trader México	CGB
Mark	Summers	Dr. Marketing	BNSF Railway
Scot	Stog	Dir. Unit Ops	BNSF

NATIONAL GRAIN CAR COUNCIL

PUBLIC ATTENDANCE LIST 2017

FIRST	LAST	TITLE	COMPANY
Dan	Anderson	Manager, Market Intelligence	Trinity Rail
Lance	Adams	Merchandising Manager	Team Marketing Alliance
Amy	Homan	Director - Carload Marketing	Iowa Northern Railway
Ryan	Pellett	CEO	J.D. Heiskell
LUKE	JONES	CORP. ACCOUNT MGR.	GATX
Tony	Germain	VP Sales-Midwest	Greenbrier
MITCH	CARLSON	GRAIN RAIL SOURCING LEAD	CARGILL
Joe	Smith	~~Arizona Grain~~ Merchandising	Arizona Grain
Greg	Evans	Sales Mgr - Midwest Region	Salco, Inc.
MIKE	KEASLING	DIRECTOR - Business Development	HeartLAND RAIL LLC
Kord	Stupnianek	Sr. Director of Sales	A. Stucki
[illegible]	REUSSER	VP/GM	ATP
Jesse	Gastelle	Economist	USDA-TSD
Carrie	Williams	Merchandising Manager	AgMark
Anne	Erickson	General Director	BNSF
CURT	GREINER	SR. Merchant	The Scoular Co.
Keith	BORMAN	VP-GC - A	ASLRRA
Wyatt	Brummer	TRADE Director	SCOUCAR
PATRICK	BRYAN	PRESIDENT & CEO	PACIFICOR, LLC
WARREN	SONATY	DIR. BUSINESS Development	CarMath
Walker	Carmon	Vice President	CARMATH, INC
Steve	Woltjer	Regional Portfolio Manager	POET Grain
Aaron	Reid	Senior Vice President [redacted]	JD Heiskell
Scott	McWilliams	Commercial Trading Manager	CGB
EG	Herl	VP Grain & Logistics	Graincraft
Barb	Haertling	General Director Wheat	BNSF
Randy	Gordon	President	National Grain & Feed Assn