

National Grain Car Council

Minutes for Annual Meeting – June 2, 2009

Location: St Louis, MO (Bunge NA Headquarters)

- 10:00 AM Meeting called to order. Co-Committee Chair, Darrell Wallace begins with emergency procedures, individual transportation concerns, and head table introductions.
- 10:02 AM Wallace introduces Acting Surface Transportation Board (STB) Chairman Frank Mulvey and STB Vice Chairman Chip Nottingham. Nottingham thanks Bunge NA for providing the meeting facilities and defers to Frank Mulvey. Mulvey also thanks Bunge for offering to host the NGCC annual meeting. Mulvey updates the attendees on activities at the STB; including recent high speed rail meetings in Chicago; Proposed Railroad Anti trust Bill, and STB Reauthorization Bills; Uniform Rail Cost System update efforts (URCS); and next STB Hearing on Rails to Trails, to be held on July 8th. Offers to take questions after the meeting.
- 10:09 AM Meeting sign-in sheet circulated, and member and audience introductions begin.
- 10:13 AM Brugman (STB) reviews list of functions of the National Grain Car Council for first time members.
- 10:14 AM Wallace proposes project for the NGCC – a white paper, to be addressed to the Acting Chairman and Vice Chairman of the STB concerning (1) the effect of grain car supply and distribution practices on US grain market, (2) car ownership changes 1996 – 2009, (3) impact of carpools, unit trains, shuttle trains, 286 gross weight on rails loading (GWOR), (4) grain car fleet size, etc.
- 10:16 AM NGCC general discussion on proposal. Hildebrand (Cargill) wishes the report to include forward as well as historic data. Wallace reinforces need to look at changes since the NGCC was formed, including private cars, 286 GWOR loading, etc. Mulvey suggests determining trends, where the market is going, etc. Proposal amended to include two Papers: (1) A white paper going back into history (as outlined above), and (2) A yearly paper on upcoming harvest, grain car supply and service. Wallace puts the proposal to a vote, Hiser (Tate & Lyle) motions, Voss (AGP) seconds, Wallace inquires about discussion, and none is called for. Vote taken by a show of hands – in favor entire membership – opposed zero votes. Wallace announces the motion is carried.
- 10:19AM Wallace asks for volunteers to work on the white paper project. Volunteers selected are: Bill Eilbracht - UP, Brant Ring – BNSF, Randy Bryden – CHS, Terry Voss – AGP, Doug Story – Watco, and Mark Vancleave – Trinity Rail. (Doug Story was listed at the June 2 meeting as a substitute for Kirk Hawley – Watco). Voss and Ring were selected to be co-chairs of the working committee. Mulvey suggested periodic phone calls and updates – communications between the involved committee members being the key.
- 10:22 Am Financial report given by Bouquet, Southern Illinois Railcar (SIR). See financial report at end of minutes. Bouquet thanked Bunge for furnishing the meeting place for this meeting. That reduced the estimated cost of the meeting to \$650.00, again thanks to Bunge's relationship with the caterer.

10:25 AM Railroad presentations begin.

BNSF presentation: Service measurements strong. Network performing well. Aided by current businesses environment –(decreased volumes). May take action to reduce grain car fleet size. Do not need to carry 12-13,000 grain cars in fleet – most parked this past grain season. Question (Q) – Wallace: Service for coming grain season? Answer (A :) – Should be manageable. Adequate grain car supply, many cars prepositioned around system for easy distribution. This season zero grain car orders/past due for many months. Q-Brugman: what if demand shifts between PNW and Texas Gulf at peak? A: multi-scenario shifts are already part of the operating plan and are covered. Q-Hildebrand: outlook for capital projects? A: Investments are continuing, but slowing due to reductions in current business.

BNSF resumes presentation: Railroad continues to have cars in storage. Performance levels not completely tied to business levels. Q-Voss: what percentage of cars in storage? A: Not aware of exact percentage, but figures 12-13,000 cars out of total fleet size of 30,000. Q-Wallace: new cars being acquired? Kicking back 4750's? A: Yes, still taking new cars. Focus right now on loading 110 car shuttles standard. Train sizes continue to increase. Q Hildebrand: What is the optimum number of cars (in unit trains/shuttles)? A: No magic number of cars. Depends on situation.

CP presentation – similar story to BNSF. Dakotas, no problem. No capacity issues based on forecast and demand. Fleet reduction expected (24,100 grain cars to reduce to 20,100). Based on Q4/08 improvement in cycle times. PNW corridor experiencing improvement in service. US Fleet to reduce to 7,800 cars from 08's 8,000 cars. Some surge capability if needed. DME fleet reducing to 2,400 cars from 3,200 last year. Reducing for coming crop year, tracking demand. CP car quality in North Dakota improving. Continuing to eliminate 263,000 lb gross weight on rails (GWOR) cars from fleet. In Canada, CP in third year of program to replace obsolete gates, with campaign to ensure gates are closed at time of release by shipper/receiver. Overall, fleet and power surpluses can be used if needed. Service outlook for coming new crop: good. Some discussion of the number of wheat cars owned by the Canadian Government, vs., Canadian Wheat Board. Q- Hildebrand: Efforts to integrate former DME grain fleet into CP grain fleet. A: Discussing that now. Goal is closer integration of the two fleets – labor issues being worked on. Q-Huston: percent of 286,000 lb capy cars? A: Fleet 40% “high-cap.” “Low-cap” cars continue to be reduced by the end of year. CP cannot commit to “low-cap” cars as a standard size for grain market.

CN presentation: Grain car fleet approx 16,000 cars currently. Lot of cars stored. Velocity improved 30% on grain cars overall. Partially due to longer passing sidings, handling longer trains. Reducing temporary slow orders. Anticipating reduction in grain car fleet size – possibly by 2,000 cars. Q-Wallace: Maintenance program on gates? A: 1,800 cars this year due to be upgraded to 286,000 lb GWOR capacity – work will include updates to gates and brake systems. Fall programs to be released shortly. Last comment – would love to have more business.

CSX presentation: Brief update. Running 70 grain trains currently to poultry markets in SE. Average train size increased this year to 64 cars. Speed improvements to 19.5 mph for grain trains overall. Capital improvements still planned, although seeing continued trend in lower business levels. Expect to maintain 8,700 grain cars in fleet for 2009 (300 fewer than previous year). Currently parking 2,600 grain cars for lack of demand. Expect full utilization in new grain season later this year. CSX will continue to offer incentives to shippers and receivers to load and unload trains quickly. Overall, new crop – expect to be prepared. No questions from attendees.

KCS presentation: 13% reduction in loads overall, year over year. Car dwell down 16%. Volume declines have improved service. Capital projects cut back in 09 due to reduced volumes. Grain car fleet in US 3,500 cars. Grain fleet in Mexico 2,800 cars. Total 6,300 cars of which 1,300 are 286,000lbs GWOR capable. Capital projects cut back, except Victoria-Rosenberg, which is expected to save a day in transit time to/from Mexico. Q – Fredericksen (ADM): What percent grain cars idle? A: Somewhere between 12-15%. Q-Hildebrand: What about new power (locomotives)? A: KCS went from having the oldest locomotive fleet in the industry, to the youngest fleet. Now have 1,016 locomotives in fleet, 243 brand new. Q-Huston: What about freight car vandalism? A: Experiencing same vandalism rates in both US and Mexico. Heavy security on Mexican portion of the system. Freight cars are generally safe in both countries. Voss-comment: “except for aluminum hatches.”

NS presentation: 3,400 cars parked. 1,500 stored. Number of grain trains up 20%. 1400 employees furloughed. Train speed up. Capacity good. Business down. NS purchased 500 new grain cars, assigned to feeder markets. For new crop, NS also has “swing” cars available (cars currently assigned to other non-grain commodities). Grain train standard is 75 car trains.

UP presentation: Current fleet 20,000 grain cars, down 2,000 from 2008. Parked cars are positioned for new crop this year. Taking opportunity to purify fleet. Largest cars assigned to shuttle trains. GCAS program has been extended past initial three years. UP employing “distributed power” in grain trains. Train velocity at record levels. Hopper fleet seeing 39% improvement in turns per month. Reduced business volumes are contributing to improved service.

Capital budget is still \$2.6 billion, but being reviewed, and may be reduced. Q-Voss: Still 110 car grain train size? A: Still.

Genessee & Wyoming presentation: Not a large originator of grain. Handles 3.1 million tons grain. Adequate people. No grain cars parked. Outlook for new crop season – good.

Iowa Interstate presentation: 361 grain cars in fleet, all 263,000lb GWOR. None stored in 2009. Last year had 1 half of fleet stored. No reduction in fleet anticipated this year. Market expected to be manageable. Q-Wallace: Any track available for storage? A: all available tracks being used for online customers. Some stored ethanol cars have returned to service, generally going to offline shippers. Q-Hildebrand: Recovery from floods in 2009? A: One mile of track lost, but restored to service. No other significant flood damage.

KBSR presentation: Has 284 covered hoppers for grain. No reduction in fleet anticipated. Expecting all time record corn harvest in area based on plantings this year. Stores a little more than 1,000 cars on system – grain cars, center beam flats, etc.

Rail America – not attending.

Red River Valley RR presentation: Still recovering from flood issues from March and April 2009. All subdivisions were affected. \$400,000 in flood damage has been identified. Some bridges still being inspected and more work may be required. Grain car supply comes from BNSF, although they do have 160 cars in their grain fleet. May purchase some additional cars. Have 11 locomotives, and may purchase 2 more. Major projects include a new freight car repair facility for \$1.5 million. Facility will specialize in food grade cars and non-hazardous car cleaning. Also adding additional yard track in Breckenridge, MN. Turning rail freight business away in favor of storing cars on line. Expect to have capacity for new crop in 2009. Q-Voss: what about corn plantings? A: Decent crop expected. Bean plantings have been increasing due to weather conditions.

Watco presentation. Watco manages 22 railroads. Kansas railroads most involved with grain. 2009 has been a slow year up to now. Acreage planted is down a bit from 2008. Expecting very good wheat crop: one to two weeks away as of this date. They have been storing class one RR cars that they will be able to use in new harvest. June-July should be a tremendous harvest. Expecting corn and beans increases as well. Expanding track capacity to assist grain carloads move through Wichita area this year. K&O storage space for empty rail cars is full.

Tom Wade Companies presentation: West Tennessee wet and corn crop is expected to be short this year. Expecting 60% of previous year. Grain car fleet is in the area of 322-350 cars. Have lots of storage space for empty cars, but all storage space is full at this time.

11:21 AM Shipper Reports

AGP presentation: So much carry on board [in the market], does not foresee huge crop movement at new crop. RR velocity improvements approx 15% will cause AGP to release 15% of leased fleet. AGP's entire ethanol tank car fleet is currently parked. AGP processing plants all receive whole grains 100% in railroad provided grain cars. AGP leased or owned cars handle all outbound finished products.

ADM presentation: Currently have 24,000 leased or owned freight cars in their fleet. Some ethanol cars parked. Complained about railroad service cutbacks at both origins and destinations – citing one case where the railroad reduced local service from 7 days to 5 days a week. All class ones seem to be cutting back on service. Once past local service problems shipments are moving faster. ADM considering a 5 to 10% reduction in private car fleet 2009.

Cargill presentation: Concerned about soybean availability. Processing plant storage nearly empty at certain plants. Two plants in East, reaching out to unusual areas to draw in enough

beans. Not that many beans out there. Market is currently favoring export beans, impacting availability for domestic use. Market prices on US wheat are currently too high – leading to 25-

30% decline in wheat exports. Corn exports look pretty decent. Service scaling back at origin and destination points. Q-Brugman: Do railroads consult with shippers prior to local service reductions or make their own decisions based on their wisdom? A: No, railroads, do not generally consult the shipper on service needs. UP (Hammes) comment: UP does consult with shippers. BNSF (Ring) comment: BNSF consults with shippers on holiday curtailments and has a rigorous process involving customer input – both long term local service and short term holiday curtailments. Cargill comment: problems experienced on both long term service reductions and holiday reductions. BNSF (Ring) comment: Brugman comment of railroads using wisdom on unilateral service reductions is unjustified. AGP (Voss) comment on railroad service reductions: holidays kicked our butts. [The shipper] needs more notice to ship cars a week early. Need early leads from railroads. Hildebrand comment: Paul of UP (Hammes) makes a good point. More communication between railroad and shipper is needed. Wallace (Bunge) comment: Class ones [railroads] generally make abrupt announcements on reductions of service. There are times we can do with reductions in service – but not [zero] service. Q-Wallace to Cargill: fleet reductions? A: Cargill reducing fleet, but no specific amount at this time.

CFR presentation: Corn crop looking very good, wheat outlook uncertain – business as usual. Q-Wallace: fleet changes? A: No cars in storage. Majority of 263,000 lb GWOR cars are being given back. Number of 286,000 GWOR cars should hold. Q-Brugman: What is the market doing with the 263,000 GOR cars? A: 263 cars switching into fertilizer fleet. Large number of 263 cars sitting idle. Hildebrand comment: smaller 263 cars being switched into salt and meat/bone meal pools.

Farmers Commission Co presentation: Harvest rush seems to be getting shorter each year – currently Sep-Nov. Ohio crop subjected to wet areas and dry areas. Elevators consolidating with smaller elevators going by the wayside. Q-Hildebrand: Are farms switching from corn to [soy] beans because of wet conditions. A: Generally no, because of speed of farm equipment used in the planting process. Indiana and Illinois are trouble spots. Six new ethanol plants in Ohio, others shutting down because of slow market. Corn crop expected to be a little larger than one year ago. On [soy] beans agree with previous comments.

Farmers Cooperative Co. presentation: Suffering from the ethanol effect. Corn and beans making a much better start than in 2008. Ethanol plants drawing corn away from elevators. Anticipating a 50% reduction of corn carloads. Fertilizer volumes down – farmers not using dry fertilizer this past spring. Crops off to a great start in Iowa. Buyers in East are already interested in Iowa corn availability. Q-Voss: Changes in ethanol plant demand? A: Remaining ethanol plants running large capacity.

Land o' Lakes presentation: Domestic agricultural situation – too many cows making too much milk. Demand down 10%. Dairy herd over capacity. Need to cull herd. Suggests a “GM” plan for dairy industry – buy a new car, get a cow. People will have to start eating more before the agricultural economy can improve.

Louis Dreyfus presentation: Meeting so far has focused on whole grains. Ethanol and by product DDG. Dreyfus pushing ethanol plants to greater production. Prices good on DDGs. Overall rail service is good – probably too good in some cases. Agree with Cargill comments on wheat. Disappointing wheat crop in some areas. Crop seems better in Kansas - \$20 - \$30 bu out of the market today. Not a good outlook for export wheat. Great Kansas crop, but don't know what to do with it. Dreyfus reducing private fleet by 1,000 cars to reflect improved service. Mostly 4750's (263 GWOR cars). Current velocity of rail shipments good. If it stays good, Dreyfus may reduce their fleet by an additional amount.

NIK Marketing presentation: In Kansas –Oklahoma area, service since last year has been excellent. Plenty of grain cars. Large wheat crop expected. Where is the demand? Soybeans will move aggressively. Q: Colthurst (LOL): Bean supply? A: Less.

Tate & Lyle presentation: Service issues – using truck more and more. Rail shipped products using T&L private fleet only. Reducing volume and fleet on rail. Shifting some volumes to truck. Ethanol fleet reduced by 200 cars, more of this business going to truck. Western railroads providing great service. Eastern railroads not as good. Examples (1) Pepsi (location not given) 502 miles distance, 17 days for rail to handle a shipment; may have to truck to Pepsi to avoid shutdown; (2) Dr Pepper (location not given) may shutdown today in South. Problems include union organized labor issue(s), blue flu and other issues in key service areas to Tate & Lyle. Concerns for a large harvest (in fall 2009) and possible impact on service levels due to crew issues. T&L relies on railroad estimates of service. When those estimates do not prove to be accurate, T&L has to use truck more and more.

12:08 PM - NGCC breaks for lunch

12:47 PM - Meeting resumes. Begin presentations of rail car leasing and manufacturing companies:

American Railcar Industries presentation: Production of (rail) cars sold out for year (2009) and next year (2010). No demand for grain cars. Demand for ethanol tank cars has changed (downward). Some demand in aggregate and food service cars, but not enough to avoid consideration of capacity reductions for 2009-2010.

Chicago Freight Car Leasing presentation: Leasing 2,500 cars, mostly agriculture. 1,500 cars surplus. Increasing number of 5100+ cu cars in fleet; decreasing 4750 cu cars. Overall demand for cars is weak, including grain shippers.

CIT Rail presentation: Currently 20,000 cars in fleet. Adding 5,100 cu cars, returning 4750 cu cars. 90% utilization. Discussed demand for tankcars for bio fuels, some aggregates, cement, etc. Grain covered hoppers steady/flat. RRs will lease cars if they do not want to pull cars out of storage.

CITIGROUP presentation: 2,000 grain cars in fleet including 286 cars. 210 off lease. No plans to acquire additional grain cars, but don't expect any cars to come off lease. Grain fleet includes 1,600 cars over 5000 cu ft.

Trinity Rail presentation: 13,500 cars in grain service, mostly 5000 cu ft plus in size. Not many grain cars being produced. Outlook for new grain car production: 4,266 produced 2008-2009; 750 being produced 2009-2010; 445 ordered for 2010 and beyond. Expect by 2012, smaller 4750 cu ft cars will be reassigned to other commodities or scrapped.

Southern Illinois Railcar presentation: 2,000 cars, mostly grain. Trying to diversify into larger cars – 5,150 cu or larger. Also hoping for an uptick in fertilizer car demand.

One Last Shipper presentation.

Bunge NA presentation: No cars in storage. Expect to turn back 600-800 cars from fleet. Have surplus DDG cars. Rail service having problems with local service, otherwise rail service is good. Harvest outlook same as other groups.

Other comments.

Nottingham, STB: Inviting comments, updates on projects, credit issues, etc.

1:10 PM - Wallace turns to next item on agenda – election of officers.

Advises NGCC membership that Kevin Kaufman, BNSF has withdrawn from NGCC membership. He previously was the designated next co-chairman of the NGCC to follow Darrell Wallace. New proposed slate of co-chairmen and officers as follows:

Tim McNulty	Co-Chairman of NGCC
Lynn Hiser	Vice Chairman “ “
Keith Bouquet	Secretary “ “

Question to group: Does anyone have alternative nominations? A: No.
Sims (Tom Wade) motioned for approval. Verbally seconded (unidentified).

Election taken by hand vote. All in favor. None opposed.
Motion carried.

1:10 PM Closing Comments.

Acting STB Chairman Mulvey: Very useful information. Go forth and do well.

Vice Chairman STB, Nottingham: Appreciate all in attendance. Couple of items:
RETAC meeting next Thursday in Washington DC
STB rated #1 small agency category as best place to work, promoting teamwork, and lifestyle balance.

Wallace adjourned meeting 1:14 PM June 2, 2009

Minutes taken by T Brugman, STB, DFO for NGCC