**National Grain Car Council**

**Annual Meeting**

**Thursday, September 12, 2013**

Westin Crown Center

One East Pershing Road

Kansas City, Missouri 64108

**Agenda**

1:00 pm 1. Welcome and Safety

 - Safety Briefing by Vice-Chair Mike Bilovesky

- Co-Chairs Brad Hildebrand and Ann Begeman

- Robert R. Petersen, President – TEGMA

 2. Remarks

 - The Honorable Daniel Elliott, STB Chairman

- The Honorable Frank Mulvey, STB Commissioner

3. New Member and Member Introductions

 - Fred Forstall – New Members and Substitutes

 - Current Members – self introductions

 4. Adoption of 2012 Minutes

 5. Financial Report – Mark Van Cleave, Secretary/Treasurer

 6. Discussion of procedures for election of NGCC officers

 7. Rail Carrier Reports and Discussion – 2013 Fall Harvest

 - Market, Service and Issues

 - Velocity

 - Equipment Availability

 - Rail/Shipper issues and problems

 8. Shipper Reports and Discussion

 - Market, Service and Issues

 - Demand for grain cars

 - Equipment Availability

 - Rail/Shipper issues and problems

 9. Manufacturers/Lessors Report

 - Fleet size

 - Leasing Availability

 - Building estimates

 - Building/supply issues

2:45 pm Break

3:00 pm 10. Maintaining a Track Record of Success, Expanding Rail Infrastructure to Accommodate Growth in Agriculture and Other Sectors – Mike Steenhoek, Executive Director, Soy Transportation Coalition

11. Rail Time Indicators Update – Dan Keen, Association of American Railroads

12. Nominations of NGCC officers

13. Open Forum

14. Closing Remarks

5:00 pm Adjourn

**Minutes**

Welcome

The chairman, Brad Hildebrand, called the meeting to order at 1:02 PM with 42 members of the Council present. He offered words of welcome and thanks to the members, commissioners, and the public for their attendance. He noted that a better scenario was unfolding this year as compared to last year with corn bouncing back, a decent soy bean crop expected, and a good export outlook.

The Vice Chairman, Mike Bilovesky, gave a quick safety briefing calling especial attention to the exits and to those attendees who were proficient in CPR and assigning the responsibility for the 911 call in case of emergency.

Vice Chairman of the Board (and Cochairman of the NGCC) Ann Begeman, welcomed the members and thanked them for their time and attendance. The Vice Chairman noted that during her visit to her family farm in South Dakota prior to the meeting last year, she had been shocked by the drought. Although some pockets were not severely impacted by the drought, her family farm was brown and the crops did not look good. However, during her visit this year everything was lush and green. She is hopeful that good conditions will prevail for the rest of the season and that it will be a rewarding harvest for the members.

The Vice Chairman called attention to the rate regulation reform decision (EP 715) that was served in July and the upcoming ex parte docket that is intended to examine issues facing agricultural shippers and producers and develop more viable methodologies to address their needs. The feedback she has received to date indicates that Board efforts to address the needs of the agricultural community have fallen short to date.

Finally, she recognized Commissioner Mulvey on the occasion of his last NGCC meeting.

Remarks

STB Chairman, Dan Elliott, also recognized Commissioner Mulvey, wishing him luck and noting that he had been a great help to the Chairman and will be greatly missed.

The Chairman gave a brief outline of recent Board activities. The new arbitration and mediation rules are just out, and he would welcome any suggestions about how to improve them. The mediation process is not limited to rate cases and hopefully will be a simpler, less expensive method to resolve disputes. He also mentioned the decision in EP 715, encouraging the members to get involved. The intent of the changes was to simplify rate cases and make them more useful to stakeholders. Significant changes were made, and the Chairman is anxious to see how the changes “play out.” He noted the upcoming hearing in the reciprocal switching docket (EP 711). There is still time to arrange an appearance. He noted the ruling with respect to BNSF and the Berkshire purchase premium, which is to be phased in over a period of three years. In another case involving TIH liability, the Board struck down the UP tariff as unreasonable but did not get to the core issues of indemnification or shifting the liability for TIH shipments from one stakeholder to another, which is essentially a state issue. In a recent case involving Cargill, a fuel surcharge was not unreasonable although there was a significant discrepancy between the scale filed by the railroad and the amount of money it recovered. There will be another proceeding to determine that the “safe harbor” is used in a fair manner. The Chairman encouraged the members to avail themselves of the services of RCPA. He emphasized the budget concerns and sequestration and noted that the Board to date has avoided furloughs (many people are at or near retirement age). In closing the Chairman noted that the Board was making a special effort to get decisions out and thanked everyone for their attendance.

Commissioner Mulvey noted that in spite of his remarks last year that that meeting would be his last, the meeting this year really will be his last, and he will miss working with the group. The Board is most interested in agriculture issues at the urging of the Vice Chairman. Commissioner Mulvey understands the corn crop is expected to be at or near record levels, which is good news, and he looks forward to hearing your remarks.

New Member and Member Introductions

The DFO, Fred Forstall, introduced the new members as well as the approved substitutes for the meeting. Following past practice, old members introduced themselves. (The list of members and substitutes is shown below.)

Todd McQueen (Scoular) thanked the STB and the NGCC for the opportunity to hold a joint meeting once again, which he regards as good for both organizations. He welcomed the group on behalf of TEGMA and gave a short introduction to TEGMA, which is a North American trade association comprised of grain shippers and receivers and related businesses such as transportation companies, ports, and inspection agencies. TEGMA provides a forum for agribusiness to discuss, debate, and resolve operational issues. The TEGMA portion of the meeting will be tomorrow at 8:00 AM. All are welcome to attend. Also, the joint reception will follow this meeting at 5:00 PM this evening.

**2013 NGCC Members and Approved Substitutes**

CLASS I Railroads

John Brooks, Managing Director, M&S - Grain and Grain Products, Canadian Pacific

Frank Anderson, General Director, BNSF Ag Operations, BNSF

Wayne Atamanchuk, General Manager - Car Fleet, Canadian National

Mike Bilovesky, VP Marketing and Sales, Ag & Minerals Business Unit, Kansas City Southern

Fred Ehlers, VP Customer Service, Norfolk Southern

Bill Eilbracht, General Director Logistics, Union Pacific

Steve Gehrt, Senior Manager Bulk Commodities, Canadian National

Gregory Guthrie, Director - Railway Agricultural Products, BNSF

Hasan Hyder, AVP, Grain & Grain Products, Union Pacific

Timothy J. McNulty, AVP Sales & Marketing, CSX

Steve Milligan, Account Director - Elevator Sales, Canadian Pacific

Joe Muller, Director Grain and Bulk Operations, CSX

Patrick J. Simonic, Director Agricultural Marketing, Norfolk Southern

Wayne Winkle, Director, International Asset Management, Kansas City Southern

CLASS II and III Railroads

Doug Story, VP - Agricultural Marketing, Watco Transportation Services

Michael A. Haeg, VP – Marketing, Rio Grande Pacific Corporation

Sam Terral, VP Sales/Marketing - Central Region Railroads, Genesee & Wyoming Inc.

Carrie Evans, VP Sales & Marketing, Iowa Interstate Railroad

Ed Sims, Manager, The Andersons, Inc.

Sharon Trudell, VP Marketing, Red River Valley & Western

Daniel R. Sabin, President, Iowa Northern Railway

FREIGHT CAR EQUIPMENT GROUP (5 REQUIRED)

Paul B. Deasy, President, Chicago Freight Car Leasing Co.

Kareen Gray, EVP, Sales & Services, GE Capital Rail Services

John Glynn, Senior VP Leasing, CIT Rail

Katie Hadenfeldt, VP Sales, GATX Corporation

Alan Lullman, Senior VP, American Railcar Industries

Thomas McGraw, Director, Citigroup Global Markets Inc.

Mark C. Van Cleave, Senior VP Commercial Sales, Trinity Rail

GRAIN SHIPPER GROUP

Randy Broady, Director of Grain Operations, Trupointe

Sharon G. Clark, SVP Transportation & Regulatory Affairs, Perdue AgriBusiness LLC

Scott Fredericksen, President Transportation, Archer Daniels Midland

James Bobitt, VP Transportation, Tate & Lyle Ingredients Americas

Brad Hildebrand, Global Rail and Barge Lead, Cargill AgHorizons

Mark A. Huston, Director North America Transportation, Louis Dreyfus Commodities

Michael S. Jones, Director – Transportation/Logistics, North Dakota Mill & Elevator Assn.

Brian Groskreutz, Grain Merchandising, Transportation Logistics-Grain, NIK Marketing Cooperative

Rob Cook, Senior Manager, Rail Operations, Bunge

Eric Parthemore, President & CEO, Heritage Cooperative

David Pope, Senior Merchandiser – Rail Transportation, CHS Incorporated

Greg Ramsbottom, Director of Sourcing and Risk Management, Land O' Lakes Purina Feeds

Roger Fray, Executive VP of Grain, West Central Cooperative

Gregory Twist, Senior VP – Transportation, Ag Processing

APPROVED SUBSTITUTES FOR 2013 MEETING

Paddy O'neill, Senior Director, Equipment Planning, Norfolk Southern

Dana Hansen, Director of Rates & Fleet Management, ADM Transportation

Kevin Zimski, Transportation Manager, Purina Animal Nutrition, LLC.

Todd J. Kahn, VP of Portfolio Management & Marketing, Chicago Freight Car Leasing Co

Larry Salcedo, Account Manager, Norfolk Southern

Keith O. Fredericks, Senior Manager, Car Management South, Canadian National

Jarad Farmer, Director, Price and Sales Support, Grain, Canadian Pacific

Adoption of 2012 Minutes

No corrections were offered to the minutes. A motion was made and seconded to approve the minutes of the 2012 annual meeting as written. The motion carried on a unanimous voice vote.

Financial Report

The Chairman acknowledged the painstaking work that Mark Van Cleave (Secretary/Treasurer) has done to get the NGCC financial situation in order. Mr. Van Cleave presented the treasurer’s report (attached below) summarizing the financial position of the NGCC. After expenses for the 2013 meeting, a small positive balance was expected to remain. Several members had yet to pay dues for 2013. Mr. Van Cleave recommended that dues in the amount of $100 per member be assessed again this year.

A motion to that effect was made, duly seconded, and passed on a unanimous voice vote to assess dues of $100 per member for 2014.



Discussion of procedures for election of NGCC officers

The NGCC charter is up for renewal at the end of the month (September 2013). Fred Forstall reviewed a draft of revised language pertaining to the election of NGCC officers (shown below). The changes are intended 1) to bring the charter into accord with actual NGCC practice regarding the office of Chairman, 2) to clarify the procedures for electing the Secretary/Treasurer, 3) to emphasize that NGCC leadership positions are open to members from any of the represented groups, and 4) provide for balloting via email.

**b. Officers.**

i. The officers of the NGCC shall consist of a Chairman, a Co-Chairman, a Vice Chairman, a Secretary/Treasurer, and such other officers as deemed necessary by the NGCC. The Chairmanship and Vice Chairmanship of the NGCC are open to any member of the NGCC and, to the extent practicable, will rotate on an equal basis among all of the different groups represented on the NGCC. At no time shall both the Chairman and the Vice Chairman of the NGCC be a member of the same interest group or organization.

ii. The Vice Chairman of the Board shall be designated Council Co-Chairman.

iii. The Vice Chairman of the NGCC shall be elected by a majority vote of those members voting in the election, and shall serve a term of two years. At the end of that term (if the committee is renewed), unless rejected by a majority vote of those present at a meeting at which the election of officers is on the committee agenda, the Vice Chairman shall assume the position of NGCC Chairman.

iv. If a vacancy in any of the offices of the Chairman, Vice Chairman, or Secretary/Treasurer occurs, notice shall be provided of the vacancy, nominations shall be sought, and an election will be held in accordance with the election procedures outlined below.

v. The Chairman of the NGCC shall be responsible for the management of the NGCC.

vi. The Vice Chairman of the NGCC shall have such powers and duties as may be delegated by the NGCC Chairman, and in the absence or disability of the Chairman, shall exercise all the duties and powers granted to the Chairman.

vii. The position of Secretary/Treasurer is open to any member of the NGCC. The Secretary/Treasurer shall be elected by a majority vote of those members voting in the election and shall serve a term of two years. A duly elected Secretary/Treasurer may serve up to three consecutive terms (if the committee is renewed).

viii. Nominations for officers will be solicited via email prior to a meeting at which nominations and elections are on the agenda and will also be accepted verbally at the meeting. Immediately following the meeting, members will receive ballots via email and will cast their votes via return email. Ballots will be tallied, and the winners announced as soon as practicable after the conclusion of the voting but no later than 90 days after the meeting.

Rail Carrier Reports

KCS – In 2013, KCS is investing approximately $320 million in infrastructure, equipment, and technology, (about $400 million for the U.S. and Mexico), which is about 25 percent of revenue. System wide velocity is on target at about 27-28 MPH. The expenditure for new locomotives last year was about 2 percent of CAPEX. Over the last 5 years, 100 new, high capacity hopper cars (C114) have been added to the fleet. The average age has dropped from about 25 years in 2008 to about 20.5 years. Currently, KCS has about 4,800 cars available. Most of the old TFM cars will be retired over the next 3 to 5 years. Those cars have been reduced by about 50 percent.

NS – Last year, operating conditions were good, and those conditions have continued in 2013; the network is operating extremely well. Last year, NS bought 2,400 new grain cars, two thirds of which are now in storage empty and waiting to be filled. NS is ready to carry your grain.

BNSF – There are about 25,300 cars in the grain fleet, of which 8,000 are currently stored. YTD, the grain car fleet has averaged 171 car miles per day. BNSF CAPEX this year is over $4.3 billion. Maintenance and expansion work has been ongoing since March and is continuing through the fall. BNSF has responded to customer needs in new markets handling significant volumes in nontraditional lanes. To address temporary service impairments, BNSF makes use of the AAR permit (embargo) system. At the moment, two facilities are under restrictions. Currently, there are 412 car orders past due, an average of 3.3 days late. BNSF has increased the fleet by about 1,500 cars this year, based on customer feedback regarding the harvest. BNSF is prepositioning equipment in anticipation of the harvest. One shipper asked if it were possible to receive a notice or update of the progress of a shuttle train when it left the last station before delivery, and he was also concerned that loop tracks were not being utilized. FRA rules currently do not permit the use of electronic devices in the cab.

CSX – CSX is ready for the harvest and is increasing capacity. The railroad has ten operating divisions and approximately 21,000 miles of track in 22 states. It moves about 20,000 carloads and 1,200 trains per day with a fleet of 4,100 locomotives and 80,000 freight cars. This year, the fleet includes 7,500 covered hopper cars (including fertilizer cars), of which 1,800 cars are rated for 286,000 lb. CSX has 31,070 employees, of which about 12,000 are T&E personnel. Grain unit trains, which are not scheduled, have been 83.4 percent on time YTD. Overall velocity of the railroad is about 23.2 mph. The CSX agricultural business is largely dependent on animal production. Last year CSX helped customers find alternate sources of feed grain during drought last year. The plan this year is to lease additional locomotives and 550 additional cars. Also, CSX has revitalized the grain express program, which has improved cycle times.

CP – CP is ready for the 2013 harvest. It has prepared in a couple of ways, by sizing the hopper fleet for the projected 2013-14 demand and by improving velocity across the network. Overall, CP has improved execution. The combined fleet is approximately 18,700 cars, an 11 percent reduction from last year. However, velocity is up in key corridors (23.2 mph) and CP added 550 high capacity cars YTD. The gate and hatch program is continuing. YTD overall average grain cycles are improved 20 percent over the 3 year average and 25 percent for PNW export business. In 2012-13, CP instituted a new web-based order management across the US system. This in conjunction with improvement in velocity resulted in a 20 percent improvement in order management. With the demise of the CWB, CP has instituted a North American wide pricing scheme (new grain quotes). CP is hopeful that the eastward flow of grain last year will reverse this harvest season to the normal westward flow. CP doesn’t have a US fleet per se anymore. Asked about possible unforeseen impacts of the new pricing scheme, CP responded by saying that new corridor pricing has been established, but it is an evolutionary process.

CN – CN has a US fleet of 2,275 cars, an increase of 10 percent over last year. Current velocity is good (167.3 miles per day). More cars are available in Canada. Average cycle time is 14.7 days. CN has initiated a “bulk center” at the operations center in Homewood.

UP – Presently, velocity is about 26.5 mph, and it has consistently been above 26 MPH, which is at plan. There are no service issues at the moment. The New Orleans gateway is much improved year over year due to a cross functional multi-railroad team, which meets several times per month. The UP internal customer satisfaction index stands at 93 percent. CAPEX for 2013 is $3.6 billion, a similar figure to last year. Resources (both locomotives and crews) are available for harvest. At the moment, UP is removing cars from storage and prepositioning trains. UP has had success increasing capacity at its customer elevators to 110 cars and estimates that currently about 80 percent of its customers are 110 capable.) The fleet is approximately 15,000 cars, of which 8 percent is 286M. Average age of the fleet is 14 years. As far as maintenance is concerned, the goal continues to be to “touch” every car at least once per year. On average, shuttle trains turn 3.9 times per month (similar to last year). Regarding Mexico bound traffic, UP has seen improvement and continues to talk to customers about keeping the tops of cars cleaned off. UP expects the lock out at the elevators in the PNW to continue. In response to a question, UP noted that unit trains are expected to remain at 110 cars per train for quite a while. The next leap is expected to be 124 car unit trains, which requires additional locomotives on the trains and is a much bigger challenge for elevators. “Never say never,” but UP expects to remain at 110 car trains for some time.

NCRC – Rio Grande Pacific is a short line railroad company that owns four railroads. The Wichita, Tillman & Jackson is an 80 mile railroad in southwest Oklahoma that interchanges with both the UP and BNSF and serves as a bridge carrier for several other carriers in western Oklahoma. The other railroad is the Nebraska Central (NCRC), which celebrated its 28th anniversary this month. Regarding the WTJR, there wasn’t a good winter wheat crop this summer, roughly only half the harvest last year. Staging cars this year ahead of the harvest was not an issue because there was ample storage for the crop. The prospect is for a good wheat crop in western Oklahoma next year. The NCRC comprises about 340 miles of former BNSF and UP branch lines in central and northeast Nebraska. Last year was below par due to the drought. NCRC operates shuttle trains from 9 locations. No problems are expected moving the corn crop this year. NCRC has ample resources and power (18 locomotives supplemented by Class 1 run through power and ample crews).

Watco – Watco is a short line holding company that owns and operates 30 short lines in the United States and 1 in Australia. Primary grain railroads are the K&O in Central Kansas, the SKOL in southeast Kansas, and the WSOR in southern Wisconsin. The covered hopper fleet is about 1,500 cars (owned or leased) in addition to cars from the Class 1 partners. The primary crops are wheat on the K&O and wheat and beans on the SKOL. Wheat crop in Kansas was down about 14 percent this past year over the previous due to the drought in the western part of the state. As a result the K&O was down about 16 percent. The SKOL was up 3 percent with respect to wheat. Watco expects a good soy bean crop this year, although the hot weather over the last few weeks has reduced yields, and thinks that the fleet will be satisfactory to handle the harvest. Watco doesn’t handle much corn on the Kansas roads because much of the harvest goes to local feed lots. The WSOR handles a tremendous amount of corn to ethanol plants and to Chicago for delivery or further connections. Watco expects an average to above average crop but much better this year than last year. Watco expects that its fleet will be satisfactory to handle the corn harvest this year.

RRVW – The RRVW serves the southeast and central North Dakota operating on about 500 miles of track. The wheat harvest is complete; the quality and yield were pretty good. It was a nonevent for RRVW because in its broad territory wheat acreage is down and the majority of the wheat harvest “stayed on the farm.” Last year, RRVW was the “garden spot” with a good bean and corn crop. This year it is a different story; RRVW is not sure about corn or bean crops. A wet late spring was followed by a normal June, but in July, the rains stopped. Also, there were lower than normal temperatures in July, which did not allow the crop to “catch up.” In August, temperatures rose, but there was no rain. Indications are that the bean crop was hurt more than the corn crop. Latest estimate from the producers suggests that beans may be down 25 percent and corn down 10 to 12 percent this year. RRVW had record carloads in 2012, almost 60,000 carloads, a 7 percent increase. So far in 2013, there have been 5 record months with no equipment shortages or major operational delays. Since the last meeting RRVW has added to locomotives to its fleet for a total of 16 and has a covered hopper fleet of 385 to 400 cars. RRVW cars are used only within its system to move grain to processors and shuttle facilities. All equipment for off line movements is supplied by BNSF. RRVW serves 7 110 car shuttle facilities and 30 other elevators. RRVW is looking forward to the harvest and is preparing for winter with on location training seminars for customers and staff pertaining to switch operation/maintenance and safe switching/handling of railcars during snow and ice conditions. During the next couple of months, RRVW will be preparing all its snow removal equipment.

IAIS – IAIS is a regional railroad that runs west from Chicago to Council Bluffs and south from Bureau to Peoria. Despite the drought conditions in Iowa, IAIS anticipates strong corn crop. IAIS has plenty of cars, about 400 cars in its fleet. Currently, there are no service issues. IAIS has been meeting with its shippers and receivers to discuss ways to improve loading and unloading and is ready for harvesting to start.

G&W- There have a lot of changes as of late. With the acquisition of Rail America, G&W went from about 50 to 111 railroads. Western Kansas is an area of concern due to the continued drought.

Shipper Reports

ADM – A year ago, we were in the middle of a major drought. Spring brought the rains this year, but then the rains stopped. It is dry. There is a “huge corn crop coming on.” Last year was an anomaly with respect to volumes, but caution is warranted. With limited expectations for exports and a larger, more robust grind for ethanol, it will not be a huge year for corn. Beans should be stronger from the stand point of rail shipments. The railcar fleet is adequate for the moment, and after spring it will be beyond adequate. Another good year is necessary for things to return to normal. Key factors for a successful harvest are 1) communication, 2) flexibility, and 3) execution. Overall railroad service is going well. The expectation for corn exports is 1.2-1.3 billion bushels, a lot bigger than last year, but not really big.

CHS – Overall, proactive communication between shippers and railroads is a key factor. Exports through the PNW are expected to be busy, at least through December, primarily with soy beans. Corn is “going to be tough” because all the exports won’t come back this year. The bean crop won’t be as good as last year depending on regional impacts (i.e., when the rains shut off). Soy bean harvest is starting in northwestern Minnesota. The PNW business, if the railroads can keep the cars moving, is “the railroads’ turn to shine.”

Heritage Cooperative – Heritage Cooperative is a locally owned farmers’ cooperative in central Ohio with 5000 members and 22 elevators, 6 of which are unit train facilities. Last year, central Ohio produced less than 120 bushels of corn per acre. This year, the expectation is for corn yields of 170- 175 bushels per acre. Beans will not be as good as corn because of dryness. After the tough time last year, Heritage is looking forward to complaining to the railroads about service problems and has been told that the railroads will generally be happy to accommodate its desire. Farmers have done well economically the last couple of years and have expanded or consolidated (driven be a “generational shift” and change of farm ownership), which in turn is driving consolidation, capital expansion, and revitalization of elevators. A large crop is coming in the East next year. However, there is also a lot of empty [storage] space, both on and off the farm. It is expected that the farmers will carry stock and that the premium structures will determine what moves. The premium priced stuff will move to start, and producers will sit on the rest. Whatever happens, this year will be a whole lot better than last.

Perdue- Perdue is expecting a record corn crop, which will fill farmer storage and supply Midwestern processors that were rationed last year. Export corn is not competitive right now. For the first time, South America grew larger corn crop than the United States last year. It is truly a global market place. Perdue expects some soy bean exports off the East Coast and tight car supply from October to January given the projected crops. Growing world demand is challenging traditional patterns of grain trade. In 2013, imports of grain came through east coast ports, some of which moved to interior producers. Seemingly, China has an insatiable demand for beans. Changes are expected. Some key transportation issues are as follows. 1) The trend toward private ownership of cars; it is 72.4 percent in 2013 and increasing. Maintaining a fleet is expensive, and the majority of the costs are borne by the car owner. Car ownership has implications for AAR interchange and car service rules (OT-5 authority) and charges for repositioning empty equipment. 2) A new FDA ruling (Food Safety Modernization Act rules) is expected by January 31, 2014. There are serious industry concerns that FDA sanitary rules for food and grain, particularly recordkeeping requirements, could become cost and capacity prohibitive. 3) The number of biotech “events” [i.e., biotech use of corn] continues to grow as well as demand for organic grains, requiring segregation within the supply chain (railcars, trucks, and barges) and leading to decommoditization of grain industry and the covered hopper fleet. Asked about the “health” of the poultry industry, Perdue noted that poultry is coming back rapidly in anticipation of the crop and at a faster rate than cattle. This is in part due to producers who anticipate higher margins resulting from more favorable feed cost and because the dislocations in the hog and cattle markets this past year, it is still cheaper for the consumer to purchase poultry rather than red meat.

Trupointe – Based on early harvests, Trupointe is expecting a dry crop in Ohio with small kernel size and lower yields. Corn has come in with 25 percent moisture. The quality looks good. Initial toxin testing did not uncover any problems. Farmers are getting anxious, and processors are offering early premiums to get things started. Trupointe expects there will be a push to move beans and more corn in storage for the moment. Trupointe is ready.

The Andersons – Last year, the Mississippi River was bone dry and yields were in 80 bushel range (compared to 130). Corn was “shifting out” of the river because it couldn’t ship. As a result, it was a decent year in West Tennessee. Ironically, last year the harvest was about finished by the meeting. This year, it is 2 to 3 weeks late and perhaps less than 20 percent complete. The corn crop is about 160 bushels per acre and is coming in wet rather than dry. My hat is off to the railroads that have extra cars. Because there is not as much farm storage in the South, the cars will be needed there. Last year, farmers barely met their contracts; this year, they’ll have a lot more corn to sell or hold and beans are on time. Please don’t send all the cars north.

Purina Animal Nutrition – Purina is a single shipper with a total fleet of about 800 cars, 230 tanks (tight) and 570 hoppers, accounting for about 12,000 shipments per year. With respect to market conditions, recently three cars out of eight were below specification and rejected at the Purina Gainesville facility. Truck capacity is extremely limited, and it is expensive to substitute trucks. Therefore, on time delivery of rail shipments is extremely important. With respect to equipment availability hoppers are available but tank cars are tight. During harvest, on time deliveries and accurate communications are necessary to prevent congestion and plan for production. Execution is a key factor, especially with respect to timely placement of ordered in cars.

AGP – AGP anticipates that grain prospects are much improved. One area of concern is a small corridor in southwest and central Iowa, but in general AGP anticipates much improved yields. Export markets for soy bean meal are expected to be good from October through March. AGP supplies a high percentage of private cars for its “meal” fleet and augments its base with cars fro, UP, BNSF, and CP. AGP anticipates an adequate car supply from all three railroads. Naturally, the AGP tank car fleet supplies 100 percent of its needs. The AGP tank car fleet is stable given the stable demand for products. The wildcard in the tank car market is biodiesel policy, which seems to be renewed at the last minute each year. With respect to service, the only corridor that concerns AGP at this time is Lincoln, Nebraska through Sioux City toward Minnesota. AGP believes this has resulted from redeployment of railroad resources to the Bakken oil fields, but it presents a challenge to manifest movements in that area. Otherwise, AGP anticipates good service this fall.

Tate & Lyle – Tate & Lyle is excited about the new crop. Its processing assets are in Indiana, Illinois, and Tennessee, and its elevator network is built around those facilities. The new crop is beginning to come in. There has been good quality so far. Rail service has been pretty good for Tate & Lyle, and it expects that an adequate supply of railcars will be available.

Bunge – Bunge is seeing a late harvest (10 to 12 days later than normal). There is still some concern, but what has come in looks pretty good. Bunge is expecting good yields and a good export market. Maintaining service to the PNW is a critical issue. Where service windows were once measured in day, they are now a matter of hours. Good communication is necessary to ensure that equipment turns. Bunge anticipates good yields in many areas, is excited about the overall prospects, and doesn’t expect railcar availability to be a problem.

West Central Coop – The West Central Coop (WCC) trading area is roughly from Ames to just east of Council Bluffs, Iowa. Traditional coops are very active in the west central part of Iowa. WCC operates 24 locations but is nontraditional in that it operates a soy bean processing plant and has made an investment in biodiesel. West Central Coop loads out on BNSF, UP, and IAIS. Due to the drought in 2013, Iowa imported corn, which was “weird” because facilities are generally set up to load product out rather than receiving it. There have been unintended consequences. Typically, there is a premium to ship via truck rather than rail, but right now it is the other way around; is that sustainable? A primary driver is farmer retention. Farmers have cash right now and won’t be in a hurry to sell. It is easier to sell corn at $7.50 per bushel than at $4.50 per bushel. There is no interest in selling more right now. What moves at this point will be soy beans. Premiums will drive corn. USDA is expecting a 162 bushel per acre crop, which WCC accepts as a reasonable estimate. WCC is at the epicenter of the “drought story” this year; it has rained less than an inch since June. However, it does not agree with the USDA estimate for beans (43 bushels per acre). It expects 38 bushels per acre for the State, and that estimate is subject to frost. WCC expects to return to rail shipments but is “out of practice.” Safety and communication will be critical. WCC is updating facilities to 110 car unit trains at UP locations. Thirty percent remains to be completed.

Louis Dreyfus – Dreyfus is celebrating its 160th anniversary this year. The weather during the last three weeks has trimmed the potential harvest. There are a couple of concerns. Service in the southern corridors is a challenge due to MOW work, which is expected to continue into November. Concerns in the PNW are similar. There are MOW projects as well expected to go into November. There are a lot of trains to start for this “front end loaded” export market. Also, a concern is how the labor situation resolves itself. Dreyfus thinks there are plenty of railcars as long as we can get them across the system in a timely fashion.

NIK Marketing – In Nebraska, the crop in the western part of state is expected to be the same as last year, while the crop in the eastern side of state will be better. Iowa and Nebraska beans corn poor yields, other side of state better moisture. NIK doesn’t own a lot of inventory at the moment and has a lot of space. The question is “when will the farmer decide to sell?” MOW work has impacted some of the operations, but there are plenty of cars available.

Cargill – Many countries (e.g., Russia, Ukraine, Brazil, and Argentina) are competing against the United States. In general, the world is becoming much more competitive. We need to be at the “top of our game.” A good crop is expected. Good carrier communication is needed, as far in advance as possible. Please do not hold back any bad news. Cargill is excited about the coming harvest.

Break

Manufacturers/Lessors Report

Trinity – Expects 4500 to 4830 hopper cars to be delivered this year and about 5000 to 6500 expected next year. Average age of the US fleet is 19.9 years with 34 percent of fleet being over 25 years old. There are no production or supply change issues, and fleet utilization is 99.9 percent. In response to a question, Mr. Van Cleace noted that a “chunk” of tank cars were being built. Also, in answer to a question, he noted his opinion that a number of builders would offer delivery of new hopper cars in the 1st quarter of 2014.

American Rail Car – American Railcar is a car builder with a small lease fleet. It has two facilities in Arkansas and has production available for the first quarter of 2014.

GE – The GE Grain car fleet is approximately 13,000 cars. Cars are available. Reportedly, there are about 221,000 cars in the U.S. grain market, about 13,500 cars lower than in 2009. About 7,000 cars are retired from the fleet each year, mostly small cube cars. Between 2009 and the beginning of the year, approximately 10,700 large cube cars have been built. 2,000 to 5,000 cars have been built annually in recent years. Year over year, a 24 percent increase in car loadings is expected. There are 1.3 million cars in national fleet.

Chicago Freight Car – The company has a privately held fleet of about 10,000 cars. The fleet is fully utilized at present, but Todd doesn’t know how long that will hold. That there are adequate cars available is great for shippers but not so great for lessors. It is disappointing that the large harvest isn’t going to translate into more rail car demand, but we understand that the business is cyclical.

Citigroup – Citi Rail owns a fleet of 10,000 cars and 300 locomotives (North America). About 10 years ago, Citi was about twice that size but took advantage of favorable opportunities to divest part of the fleet. Currently, there are 3,200 cars (all 286M) in the grain fleet, two thirds of which are greater than 5,000 cu. ft. Citi plans to sell about 1,000 cars at the end of the month to a Class I carrier that is exercising a purchase option. The remaining grain fleet will be about 2,000 cars. The last purchase of new cars for the grain fleet was 2008, and there are no current plans to add cars to the fleet.

CIT Rail – CIT has about 24,000 grain cars in the fleet, 95 percent of which are 286 M and 99 percent of which are leased. There are no plans to add any cars anytime soon. There are no service issues at this time.

GATX – GATX has 117,000 total cars in its fleet, half of which are tank cars. Within that total, there are 20,000 covered hopper cars. About half of those are 5,000 cu. ft. or greater. GATX also owns about 600 locomotives that are leased to railroads or industries. The covered hopper fleet is almost fully utilized now that harvest is approaching. At the moment, shorter term rates are attractive. Another good year will bring back rates to a more “enticing” level. GATX is not investing in new cars at this time; the pricing/rate situation is not favorable at the moment. The large amount of compliance work necessary for tank cars is constraining shop capacity and causing delays for covered hopper maintenance. GATX is combatting this by utilizing mobile units where it can. It is important to keep this in mind when undertaking maintenance because tank car work is definitely taking up shop capacity.

Presentations to the Group

Maintaining a Track Record of Success, Expanding Rail Infrastructure to Accommodate Growth in Agriculture and Other Sectors – Mike Steenhoek, Executive Director, Soy Transportation Coalition

Rail Time Indicators Update – Dan Keen, Association of American Railroads

Nominations of NGCC officers

Current vice chair, Mike Bilovesky, will serve as Chairman for the 2013-15 term. A nomination was made and duly seconded of Mark Van Cleave for the position of vice chairman. There being no further nominations for that office, the Chairman called a vote. Mr. Van Cleave was elected unanimously by voice vote.

During the meeting, a call was made for volunteers for the position of Secretary Treasurer. (Subsequently, two members, David Pope and Sharon Trudell, stepped forward to volunteer, with Sharon Trudell being subsequently elected by the membership via email balloting.)

Open Forum

Closing Remarks

Vice Chairman Begeman is looking for ideas regarding the NGCC (i.e., ways to make it more meaningful). Should there be a change of scope? Should the scope expand? Is there more worthwhile and interesting subject matter, r had the Council outlived its usefulness?

In response, David (CHS) suggested that the FDA/car seal issue be considered in the future. Sharon Clark (Perdue) noted the shift between railroad and private car ownership and suggested 1) that AAR interchange rules and the rules and practices for moving empties were not favorable to the private car owners and 2) that private car owners were under represented on the committees tasked with considering rules changes.

Commissioner Mulvey noted the cyclical factors and important larger issues and that it was good to have the Council and it would be good to expand its scope.

Greg Guthrie thinks that broadening the issues is a good idea., noting that it is a new world now vs. 10-15 years ago.

Meeting adjourned at 5:00 PM