

301939

Finance Docket No. 36500 – Reply to Objections to KCS Waiver

April 12, 2021

The Honorable Cynthia T. Brown
Chief, Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423
March 29, 2021

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April 13, 2021
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Public Record

I am President & CEO of Ceres Global Ag Corp., with principal offices at 701 Xenia Avenue South, Suite 400, Golden Valley, MN 55416 (“Ceres” or the “Company”). In my role, I am responsible for setting Ceres’ corporate vision and running the Company.

On behalf of Ceres, I submitted a letter dated March 21, 2021 to the Surface Transportation Board (“STB”) supporting approval of the proposed CP-KCS combination. A copy of that letter is attached for the STB’s convenience. As expressed in that letter, Ceres supports swift STB approval of the CP-KCS combination because of the significant benefits we expect Ceres, our industry, and other shippers to realize from this proposed combination. A timely approval is important so that Ceres and other shippers can proceed with strategic investment decisions that will increase efficiency and market access for the farmers who supply our grain. Until there is greater clarity as to whether the proposed combination will proceed, financial decisions and subsequent benefits will be delayed.

Ceres is aware that several parties have filed objections to the STB’s potential application of the STB’s pre-2001 merger rules to the proposed CP-KCS combination. We believe these objections should be rejected. The 2001 rules specifically exempted transactions involving KCS from their scope, applying the rationale that because KCS is so much smaller than its Class I competitors, any merger involving KCS was unlikely to trigger the concerns that motivated the 2001 rules. Ceres believes the STB’s rationale was sound then and remains so today. The pre-2001 rules provide the STB and all interested parties the framework needed to fully evaluate the proposed CP-KCS combination.

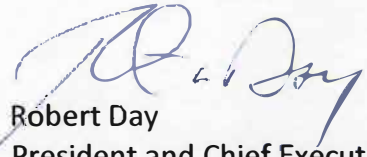
As I also mentioned in my March 21, 2021 letter, an end-to-end CP-KCS combination would increase railroad competition by providing shippers additional routes to efficiently move products to destinations that the CP cannot serve today. Our experience shows us that single-line rail service options are far superior to public and private fleets. The unique synergies of a CP-KCS combination promise significant public benefits to Ceres and similarly situated shippers, which we are eager to see realized as soon as possible, and without the delays and additional burdens that we believe would result if STB were to reverse KCS’s exemption from the 2001 rules. As a customer of multiple Class I Railroads, Ceres disagrees with those that believe that a CP-KCS combination raises the traditional concerns of anti-competitive effects that can flow from mergers of much larger Class I railroads. Our view is simple: the proposed transaction improves competitive options and service, and the application of the pre-2001 rules should remain applicable to the proposed combination. The 2001

rules were designed for much more complex transactions than this, and we believe they should not apply in this case.

In summary, Ceres and our shipping partners look forward to a CP-KCS network that will increase shippers' access to diversified market opportunities. However, a prolonged period of review will delay capital investments, efficiencies and potentially reduce the positive synergies this proposed combination promises. From our perspective, a CP-KCS combination is unlike other Class I merger combinations in that it is a straightforward transaction between the two smallest U.S. Class I railroads that do not substantially overlap anywhere across their respective present networks. Because of that, we do not believe this combination would pose any serious concerns about lost competition, service disruption, or other harms.

For these reasons, Ceres respectfully urges the STB to maintain and apply the KCS exclusion it thoughtfully included in the 2001 rules, which will allow the Board to conduct a thorough but efficient and fair review and allow for the benefits of the new CP-KCs network to come to fruition more quickly. We look forward to seeing CPKC emerge to provide stronger competition in the railroad industry.

Respectively,

A handwritten signature in blue ink, appearing to read "R. Day", is written over the printed name.

Robert Day
President and Chief Executive
Officer Ceres Global Ag Corp.

CC: Parties of Record



701 Xenia Avenue South, Suite 400
Golden Valley, MN 55416
(952) 746-6800
www.ceresglobalagcorp.com

SHIPPER SUPPORT LETTER

March 29, 2021

ATTENTION: Surface Transportation Board ("STB")

I am President & CEO of Ceres Global Ag Corp., with principal offices at 701 Xenia Avenue South, Suite 400, Golden Valley, MN 55416 ("Ceres" or the "Company"). In my role, I am responsible for setting Ceres' corporate vision and running the Company. I submit this letter to the STB in support of Canadian Pacific Railway Limited's ("CP") request for STB approval of its planned merger with the Kansas City Southern railroad ("KCS").

Through its network of commodity logistics centers, Ceres and its subsidiaries merchandize high-quality North American agricultural commodities and value-added products and provide reliable supply chain logistics services to agricultural, energy and industrial customers worldwide. Ceres utilizes multiple transportation modes on several railroads, including the CP, to ship cereal grains and oilseeds (e.g., wheat, durum, soybeans) to and from Ceres-owned assets, third-party facilities, and directly to its customers in the U.S. A typical example of Ceres' shipments via the CP is the movement of grain products from the prairies of Western Canada and the Northern U.S. plains to Ceres' Minnesota terminal assets in Duluth and Minneapolis, and later by rail to grain and oilseed processing customers in the U.S., Mexico or by vessel to international customers. The CP plays a critical role in Ceres' ability to manage an efficient supply chain and provide reliable service to its customers.

Ceres supports the planned combination of the CP and the KCS as it would increase railroad competition by providing shippers additional routes to move products to destinations that the CP cannot serve today. Today, Ceres is unable to access KCS-only destinations directly from many of the facilities (Ceres-owned and 3rd party) from which it originates. The combined CP/KCS network will allow Ceres and others to efficiently access KCS lines and provide added options to access ports in the U.S. Gulf, Atlantic and Pacific coasts and directly into Mexico.

Ceres originates grain and oilseeds from farmers in Western Canada (Saskatchewan, Manitoba & Alberta) and the Northern U.S. (North Dakota, Montana & Minnesota) through Company-owned and 3rd party assets served by CP. While CP has historically provided Ceres with good service, its geographic reach is limited to the northern corridor of the U.S., thereby forcing Ceres to transfer its shipments on the CP to another railroad or mode of transportation (e.g., barge) when appealing opportunities arise to move products south into the U.S., U.S. ports and Mexico. Compared to a single-line haul carrier, which the CP/KCS would become should the combination be approved, the status quo for such shipments is both inefficient and costly. In addition, a single line haul provides the carrier with control of logistics from origin to destination, which would enable the carrier to provide shippers with more consistent monitoring, timing of arrival and pricing.

Ceres is particularly enthusiastic about the role the new CP/KCS single-line routes will play in expanding access to U.S. ports and Mexico. Today, farmers in the upper Midwest lack efficient access to the U.S. Gulf and Mexico, which forces them to lower the price of their products in order to compete globally. In recent years this has proven costly as cheaper logistics from other countries have made it difficult for U.S. farmers and their products to be price-competitive into the world market. A CP/KCS railroad, with its north to south connections, would open new markets for U.S. and Canadian farmers.

Lastly, with CP's strong focus on safety and its track record of operational excellence, we would expect a smooth integration. Given the straightforward network connectivity between the CP and KCS, and the fact that the CP and KCS are the two smallest U.S. Class I railroads, we are confident that they will be able to implement their combination without service disruptions that have accompanied some past rail mergers.

To summarize, Ceres supports the proposed combination of the CP and KCS, because it will enhance railroad competition to the benefit of shippers, provide both farmers and shippers with expanded options for their products, and drive efficiencies for customers of all sizes. Ceres encourages the STB to approve the planned merger as swiftly as possible so that these benefits can be realized as quickly as possible for all stakeholders.

Respectively,

A handwritten signature in black ink, appearing to read "Robert Day", written over a horizontal line.

Robert Day
President and Chief Executive Officer
Ceres Global Ag Corp.