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April 21, 2022

Surface Transportation Board of the United States
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RE: Docket No. EP 770, Urgent Issues in Freight Rail Service

Dear Members of the Surface Transportation Board:

The USA Rice Federation ("USA Rice") appreciates the opportunity to submit these comments concerning urgent issues in freight rail service and urges the Surface Transportation Board to take immediate and direct action to resolve ongoing issues, including action that would prevent future rail issues.

USA Rice is the global advocate for all segments of the U.S. rice industry with a mission to promote and protect the livelihood of farmers, millers, merchants, and allied businesses. The USA Rice Farmers, USA Rice Council, USA Rice Merchants' Association, and the USA Rice Millers' Association are all members of USA Rice. The U.S. rice industry contributes more than \$34 billion to the U.S. economy annually and provides jobs for more than 125,000 individuals. Half of the rice produced in the U.S. is exported overseas to more than 120 countries. Approximately 80 percent of rice consumed in the U.S. is produced and processed domestically.

It is important to note that USA Rice and our members have spent years pushing the industry's customers towards rail service as the best, most efficient method for transportation. Unfortunately, rail service seems to be the most inconsistent form of transportation available today. Rampant inflation is causing rising costs across the board, including for transportation, so these rail issues and their associated increased costs could not come at a worse time.

Our industry is in a unique situation where we are essentially the only commodity facing stagnant market prices yet expected to absorb the skyrocketing input costs that are plaguing all farmers, likely leading to a second year of decreased U.S. rice production. This production decline will negatively impact rice farmers along with the entire infrastructure supporting the rice supply chain (e.g., mills, driers, and other agribusinesses), not to mention the rural communities that rely on the support from business generated by our industry.

The entire U.S. rice industry is bearing the brunt of the myriad of supply chain issues, including rail disruptions and congestion, labor shortages, as well as a lack of available and acceptable equipment to ship rice and rice by-products. These issues are further squeezing rice farmers, millers, merchandisers, end-users, and others as we face an already tenuous situation due to transportation and logistical issues exacerbated by the pandemic and now the rippling effect of Russia's invasion of Ukraine.

Additionally, there are secondary impacts for customers that are affected by not receiving our rice and rice by-products, including brewers, pet food companies, industrial cereal and food companies, and rice re-packers. Resulting rice shortages due to rail availability from the supplier's side have impacted these companies' production schedules causing shutdowns and production schedule adjustments. For example, these delays caused operational shutdown for one USA Rice member totaling 96 hours, leading to approximately \$500,000 in lost revenue so far in 2022.

Rail service from Class I carriers is unreliable and inconsistent. This includes the carriers offering car deliveries, only for those deliveries to be cancelled hours later. The carriers are also notorious for being late or early in spotting cars –

often with little to no advance notice. Weekly car orders are not being filled anywhere close to the full orders, and replacement car arrivals are unpredictable. One USA Rice member noted that since February 2022, they have seen a decline in transit times with rail carriers by as many as 7 to 10 days.

Across the board, shortages of box and hopper cars are further adding to the headaches experienced by rice shippers. The shortage of cars has caused production lines to shut down at multiple plants due to the lack of rice and/or rice by-products. For one USA Rice member, the lack of available boxcars alone has cost the company an additional \$640,897 in freight costs year-to-date through March. In addition to costs, our members fear long term impacts, such as customer loss due to the lack of reliable deliveries.

One Class I carrier has not had any empty equipment available to shippers since December 2021. The affected USA Rice member ultimately leased cars to fulfill part of their needs, but this is only one-third of the total equipment the company requires, and they continue to try to work through the inconsistencies to fill their remaining needs.

Moreover, rice shippers are increasingly forced to reject cars due to the arrival with the presence of previous cargo, sanitation issues, or damages. USA Rice members cannot take the risk of having product rejected at destination due to contamination. Railcars are routinely dirty, contaminated with other agricultural products, or even foreign material like metal shavings, rust, or paint. As a result, our members are forced to spend unbudgeted time and finances in additional cleaning of 'marginal equipment' because of uncertainty when they will receive a replacement car and they are already late on shipments due to delays in getting the original car order in. Historically, the marginal condition cars would be rejected, and replacements ordered, but that is not a viable option in current conditions. Since the cleaning occurs onsite, the equipment clock has already started, and these companies risk incurring per diem penalties as well.

Given the lack of reliability, rice shippers in some cases have resorted to trucking product rather than using rail. In one instance, this has cost a rice end-user to incur an additional \$500,000 in transportation costs, and another company an additional \$100,000. This is not an uncommon occurrence.

As a matter of practice, communication from Class I rail carriers to customers should be drastically improved. Numerous USA Rice members have reported that communication from multiple carriers is essentially non-existent, and when those communications finally occur, the information provided is inaccurate and undependable.

As a member of the Agricultural Transportation Working Group, USA Rice strongly supports the recommendations offered by the coalition in its April 21, 2022, letter to the Surface Transportation Board to provide reprieve and solutions to these issues for rice shippers, as well as shippers of other agricultural commodities. USA Rice thanks the Board for its work on this critical issue to our industry, and it is our hope the Board will take immediate and lasting actions to resolve these issues and prevent future issues with commercial rail transportation.

Please do not hesitate to contact us if you are seeking any clarity or additional information from the U.S. rice industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jamison A. Cruce". The signature is fluid and cursive, with the first name "Jamison" being more prominent.

Jamison Cruce
Director, Government Affairs