

BEFORE THE
SURFACE TRANSPORTATION BOARD

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OVERSIGHT HEARING ON DEMURRAGE AND ACCESSORIAL CHARGES

**WRITTEN TESTIMONY OF
AMERICAN PLANT FOOD CORPORATION**

American Plant Food Corporation (APF) is a 55-year-old crop nutrient manufacturer/distributor located in Galena Park, TX. We own smaller crop nutrient blend plants throughout Texas, and we wholesale crop nutrient products throughout the U.S. via rail and barge. Our core product line is Ammonium Sulfate (AMS), a non-hazardous nitrogen crop nutrient.

We ship primarily from Freeport, TX and Galena Park, TX. Freeport is a Union Pacific only origin, while Galena Park is served by the Union Pacific and open to the BNSF. Freeport, a production facility, only originates traffic for outbound shipment. Our Galena Park location, with 100,000 tons of bulk storage, is our primary plant for both inbound and outbound rail shipments of crop nutrients and other products. During the past twelve months, we shipped over one million tons via all modes of transportation, including originating or receiving via rail approximately 2,800 carloads (280,000 tons) at our Galena Park, TX location.

Our rail concerns are primarily with the Union Pacific. Our Galena Park plant capacity and operations were designed and set-up based on the Union Pacific policy of 48 hours of yard storage. We have managed our business for years based on this 48-hour policy. Now, with no allowance for us to build additional track capacity in a 45-day window of their announced policy change, our storage charges have exceeded \$130,000 in the first month with the change from 48 to 24 hours. The Union Pacific allows itself until 2020 to implement their operational changes and requests their customers be patient, however they expect the customers who have built their operations on their 48 hour yard storage rule to comply to a storage rules change within 45 days. In our view, it is one-sided.

Our operations and track infrastructure are not set-up to be capable of complying with these new Union Pacific policy changes on a 45 days notice. As we stated, in January, the first month of the policy change, the charges to us for yard storage in an invoice from the Union Pacific to us that was received in early February exceeded \$130,000. Upon receiving the

charges, we immediately began sourcing barge and truck material at higher product cost to us to avoid the excess charges from the Union Pacific.

The Union Pacific advised American Plant Food immediately after the policy change announcement last fall that we would receive a "Shadow Bill" for the month preceding the implementation date of the policy change. The "Shadow Bill," the Union Pacific said, would make it easier for us to understand the impact of the change so we could make necessary operational and transportation changes. We never received a "Shadow Bill" as promised, and when we asked why, we were advised that Union Pacific Supplemental Billing group realized they did not have the resources to supply "Shadow Billing" to customers as promised.

In addition, The Union Pacific advised American Plant Food that any yard storage charges due to bunching as a result of the new Union Pacific operational service changes are not Union Pacific's responsibility. In our opinion, the Union Pacific has taken a one-sided dictatorial approach with customers.

As a result of the Union Pacific's policy change on storage, during the past three months, we have had to source barge product at a significant product price cost increase. However when considering the Union Pacific yard storage charges, the all in delivered price for products we purchased are less expensive. Operationally, rail inbound to our plant is a better option for our time and involvement versus arranging barges and trucks. Presently, in order to comply with the new Union Pacific policy, we will need to allocate capital to add infrastructure to our plant. We would like to grow our Union Pacific rail car volumes and work with them to achieve mutual beneficial business opportunities.

Presently, we view the current Union Pacific approach as transactional business attitude without regard of the impact to the customer, nor towards working towards a valued business relationship. We were told in a face to face meeting in February with the Union Pacific that the Union Pacific "had no appetite" to work with American Plant Food regarding the charges associated with the policy changes.

We understand the Union Pacific's need to make operational improvements and we trust there will be long-term benefits. However the Union Pacific should work collaboratively and allow customers who have designed their operations around the previous policy a window to implement infrastructure improvements and operational changes and waive the new billing as long as the customer has committed to making the infrastructure and operational improvements in a window of six to nine months. Extensions should be granted on a case-by-case basis for issues such as permitting.

We believe the Union Pacific should waive the first month's invoice for yard storage charges due to their failure to provide "Shadow Billing" as promised. We also believe the Union Pacific should work with their customers and waive/suspend charges to customers who pursue infrastructure improvements, which will solve the yard storage charges that are now being incurred due to their new policy. The Union Pacific's window of 45 days from notice of yard

storage charge changes to compliance to the new policy is unreasonable and their lack of "Shadow Billing" as promised is both a disappointment and customer service failure.

Thank you for your time. We would ask you take these items into consideration as you discuss these new charges assessed by the railroad.

Sincerely,

American Plant Food Corporation