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April 26, 2006

Surface Transportation Board
Attn: STB Ex Parte No. 661
1925 K Street NW
Washington, DC 20423-0001

Dear Sir:

The Minnesota Grain and Feed Association, a voluntary non-profit association which represents the interests of nearly 400 country grain elevators operating in Minnesota, applauds the efforts by the Surface Transportation Board to publicly examine the practice of assessing fuel surcharges by our nation's railroads. We agree that fuel has become a significant component of the operating costs for railroads but these surcharges have turned into profit centers for these carriers, at the expense of the shipping community. As such, the STB should examine the issue from the perspective as an "unreasonable practice". It is clear that fuel surcharges are exceeding the actual cost of fuel for a particular movement to which the surcharge is applied. In addition, there is very little transparency in how the various carriers arrive at their fuel surcharges.

The Burlington Northern Santa Fe was the only carrier that switched to a more realistic mileage based surcharge versus a rate based surcharge, effective January 1, 2006. In their announcement, BNSF stated that the new mileage based formula would be revenue neutral with the rate based surcharge that preceded it. However, on January 24 for example, the BNSF reported on their website, record all-time quarterly and annual revenue. When you examine the numbers (which isn't easy), you see \$274 million increase in fuel surcharge revenue from quarter four of 2004 to quarter four of 2005. In the fifth paragraph of that same announcement, you will note a \$210 million increase in fuel cost from quarter four 2004 to quarter four 2005. By taking the \$274 million surcharge income and subtracting the \$210 million in actual fuel cost, you arrive at \$64 million "overcharge" for fuel. This helps explain the record earning for the BNSF and demonstrates the blatant unreasonable practice being followed by the BNSF and the other class I carriers.

Many of our country elevator rail shippers have seen freight rates increase between 30-40% from just last year. We assume that a part of these basic freight rate increases were due to the cost of fuel. It appears that the relatively new fuel surcharges are functioning as a double tax on fuel, which is an unreasonable and unethical practice that needs to be stopped. Railroads have very capable employees involved in hedging their cost of fuel but these hedging benefits are turning into profits for the railroad and an excessive and unnecessary expense for rail shippers.

We have witnessed testimony from railroads who claim they don't make money on fuel surcharges. The evidence however, seems to contradict that railroad opinion. We again urge the STB to exercise its authority over the reasonableness of a railroads practice, such as the improper and unjustified imposition of a fuel surcharge.

The Minnesota Grain and Feed Association also manages the Midwest Shippers' Association (MSA), a non-profit cooperative that consists of growers and processors of identity preserved specialty grains. Many of its members use the MSA as a freight consolidator, for the movement of containers through the intermodal rail network in the U.S. Recently, the railroads and steamship lines implemented an "Inland Fuel Surcharge" that is also not very transparent in its formula or income generated versus actual cost of fuel. It is unclear whether the railroad or the steamship line is profiting the most from this added tax. Again, as with bulk rail shipping, the basic ocean freight rates (which generally include the rail portion of an intermodal move from container yard origin to port) have always included the cost of fuel as a key component of the rate. We have no way of knowing how much more money is being generated by the inland fuel surcharge versus the actual cost of fuel. It

certainly appears that the railroads have played a key role in the implementation of this fuel surcharge, designed to recover amounts over and above actual fuel costs. As a result, container shipping firms are seeing their livelihood being challenged because the exceptionally high cost of freight (including the fuel surcharge) is putting them out of the world markets in which they participate.

The country elevator industry is constantly challenged in its attempt to continue its vital role as a local market, major employee, major tax payer and economic driver in rural areas. The country elevator rail shipper should be viewed upon as a "partner" with the rail industry, in adding value to the crops grown by our producer customers. Unfortunately, this partnership is threatened by this current practice to gouge rail shippers so that railroad stockholders can be elated with record profits. To remain competitive, country elevators need protection against inappropriate surcharges, so we can reliably forecast our transportation costs. The participation of the STB in this dispute appears necessary. We need some assurance that the fuel surcharges "fairly" reflect the increasing fuel costs of the particular movements to which they are applied.

Thank you for taking the time to address this significant issue.

Sincerely,

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