



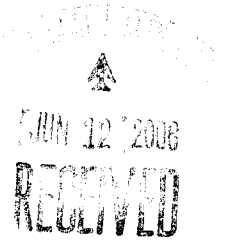
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June 9, 2006

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Suite 500
Washington, D.C. 20423

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Re: Ex Parte No. 661, Rail Fuel Surcharges

Dear Secretary Williams:

I, on behalf of my employer, Ag Processing Inc (AGP) presented a written statement and oral presentation on May 11, 2006 in Ex Parte 661, Rail Fuel Surcharges.

During my oral presentation, I stated that AGP surveyed its membership (211 farmer-owned local cooperative and six regional cooperatives) and a large percentage had encouraged us to submit testimony on their behalf.

Vice Chairman Mulvey, in the question period asked if I would submit the concerns and comments of our membership to the STB. He stated that he wanted this for the record. The following is a summary of comments made to me from our members.

- "Fuel surcharges should be used to offset the railroads extra fuel costs, not as an opportunity to form a new profit center."
- "When we've asked for a rate recently it is too high. It is much higher than it used to be and then there is fuel on top of that."
- "Railroad performance does not justify the charge. If they would move trains rather than let them sit and idle, fuel consumption would be less."
- "The railroads have little incentive to reduce their costs as they can pass them on through a fuel surcharge."
- "Fuel surcharges are levied on the total freight bill rather than on just the true increase in the fuel cost. Fuel surcharges should be cost recovery only and by the mile."
- "Every customer should pay fuel surcharges if we have to. Not all commodities pay and not all commodities pay the same surcharge rate."

- "How can the BNSF coal fuel surcharge be 22 cents per mile and grain is 33 cents per mile and the loaded cars weigh the same?"
- The mileage based system makes the most sense. The railroads, for a price, should offer risk protection against surcharges."
- "We can load four different grains at our elevator; corn, soybeans, sorghum and wheat. From the same origin to the same destination is four different rates and four different fuel surcharges. These are not cost related. It doesn't cost any more to haul the same weight of one commodity versus another."
- Fuel surcharges are too high and don't reflect the true increase in fuel costs."
- Some rates have increased over 50 percent in two years, and then 12 to 15 percent fuel surcharge is added to this rate increase. Railroads have the power to price both."
- "Excessive fuel surcharges reduce the price that we can pay the farmer for his grain."
- "Because we pass the increased freight and fuel costs onto the farmer, he has to get money from the government."
- "Some railroads hedge fuel and pass the full price of fuel increases onto us. They don't give us a mechanism to hedge fuel with them."
- "I understand the need for fuel surcharges as we have witnessed fuel price increases. What I and many coop managers don't understand is why the railroads are so promiscuous in the way they apply a fuel surcharge; sometimes 300% of the real fuel cost increase."
- "If the destination is only served by one carrier the freight rate is higher. When the freight rate is higher the fuel surcharge is higher. Often the higher rate is for a shorter distance which should use less fuel."
- "Railroads are still using \$1.25 fuel costs as their base for the fuel surcharge. Fuel hasn't been at that level for five years. They do not use five year old fuel cost numbers in their pricing today. I'm sure they use more current fuel costs in pricing and then add five year old surcharge numbers."
- "Charging more than the increase in fuel is an overcharge on freight. This is an increase on tariff and the STB should return the excess to the shipper."
- The railroads make presentations to the Wall Street investors and show them line items and bar graphs of how much they receive in fuel surcharges. Some show

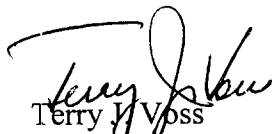
the money collected is greater than the added expense of fuel. The charges are different for different commodities. Agriculture is paying too much compared to other commodities.”

- “The American farmer cannot pass on these increases in his costs to anyone. He must absorb the freight rate and fuel surcharge and it comes out of what he is paid for grain. South America is getting more export business because our transportation costs are too high to the ports for exports. Some fuel surcharges are over \$700.00 per car or almost 20 cents per bushel.”

The above are a representative sample of some that we received from our members. As some were duplicate thoughts and comments, we submit only a sample.

Thank you for keeping the record open and for giving us the opportunity to share some of our local cooperative members concerns.

Respectfully submitted,



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CC: Chairman W. Douglas Buttrey
Vice Chairman Francis P. Mulvey