



National
Corn Growers
Association
www.ncga.com

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September 25, 2006

The Honorable Charles D. "Chip" Nottingham
Chairman
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

RE: STB Ex Parte No. 661, *Rail Fuel Surcharges*

Dear Chairman Nottingham:

Thank you for the opportunity to comment on proposals before the Surface Transportation Board (STB) regarding fuel surcharge calculation and application by railroads.

The National Corn Growers Association (NCGA) represents more than 32,000 corn farmers from 48 states. NCGA also represents more than 300,000 farmers who contribute to corn check off programs and 26 affiliated state corn organizations across our country, working together to create new opportunities and markets for corn growers.

America's corn producers continue to make a significant and important contribution to our nation's economy. Over the last five years, the nation's corn crop has averaged 10.3 billion bushels resulting in an annual average farm gate value of almost \$22 billion. The relatively stable production over the past ten years, made possible by innovation in production practices and technological advances, has helped to ensure ample supplies of corn for livestock, an expanding ethanol industry, new biobased products and a host of other uses in the corn industry.

Key to our success is reliable, cost-effective and efficient transportation - whether by barge, truck or rail. Competition among these modes of transportation helps farmers receive their farm inputs, meet their customers' demand for timely delivery of products and successfully compete with foreign producers.

The availability of rail transportation at a fair price is critically important to corn growers. While recovery of unanticipated fuel expenses by railroads is justifiable, these surcharges have hit agriculture particularly hard. Higher transportation costs result in producers

HEADQUARTER OFFICE
1000 Executive Parkway, Suite 105
St. Louis, Missouri 63141
(314) 275-9915
FAX: (314) 275-7061

WASHINGTON DC OFFICE
122 C Street NW, Suite 510
Washington, DC 20001-2109
(202) 628-7001
FAX: (202) 628-1933

receiving lower prices for our grain, which results in reduced producer income. As price takers and not price makers, these costs come directly from a producer's bottom line.

As indicated in numerous testimonies at the May 11, 2006, STB hearing, tariff-based fuel surcharges do not track the additional fuel costs of shipments because of the routine use of differential pricing. Under this practice, those most dependent upon rail service not only pay higher tariff rates but also pay higher fuel surcharges. It is important that railroads assess fuel surcharges accurately and fairly among the users of the rail system. Fuel surcharges should closely approximate the actual added fuel costs caused by increased fuel prices.

We are encouraged that the STB recently ruled that applying surcharges based on rail rates constitutes an "unreasonable practice." Furthermore, we welcome the proposed changes offered by the STB, which mandate that fuel surcharges be reasonably related to additional fuel costs. This avoids a situation where fuel surcharges become a profit center or a means of hiding increases in tariff rates.

Additionally, we appreciate the added transparency that will come from monthly reporting by each Class I railroad showing the railroad's actual total fuel costs, total fuel consumption and total fuel surcharge revenues as well as how much of its total fuel surcharge revenues were shared with its shortline connections.

The agriculture industry depends heavily on a strong and financially viable railroad system. Corn growers appreciate your responsiveness on this issue and are ready to serve as a resource should you have additional questions or concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerald Tumbleson".

Gerald Tumbleson
President