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Illinois Fertilizer & Chemical Association

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July 1, 2008

Surface Transportation Board
395 E Street S W
Washington D C 20423-0001

RE: Docket EP 677; Common Carrier Obligation of Railroads - Transportation of Hazardous Materials; Testimony of Jean Payne, Illinois Fertilizer & Chemical Assoc.

Dear Committee Members

On behalf of the members of the Illinois Fertilizer & Chemical Association (IFCA), we submit these comments regarding the Common Carrier Obligation of Railroads – Transportation of Hazardous Materials

IFCA's membership consists of owners, managers and employees of retail agrichemical facilities located in Illinois, as well as representatives of pesticide, fertilizer and agricultural equipment manufacturers. The majority of IFCA's 1,000+ members are directly responsible for serving the needs of Illinois' agricultural producers. Agriculture is Illinois' leading industry with over 20 million acres in our state in crop production—mostly corn, soybeans and wheat.

Jean Payne, President of the IFCA, will also provide oral testimony at the July 22, 2008 hearing on this matter, focusing on the points made in these written comments.

Anhydrous Ammonia's Importance to Illinois

On average, Illinois farmers utilize 1.6 million tons of nitrogen fertilizer each year. In 2007 Illinois farmers planted 13.2 million acres of corn to meet the demand for food, feed and biofuels. Of the 1.6 million tons of nitrogen fertilizer utilized to meet the nutrient demands of our corn and wheat crop, 735,000 tons was in the form of anhydrous ammonia. Nearly half of the nitrogen fertilizer used by Illinois farmers is anhydrous ammonia, making Illinois a leading state in agricultural ammonia use.

Ammonia is the nitrogen of choice for many farmers because it can be applied in two seasons—fall and spring. Illinois is blessed with dense soils with a high level of organic matter, and the nitrogen in the form of anhydrous binds to the soil and is held in place throughout the winter. Anhydrous is also the only form of nitrogen that fertility researchers have determined is agronomically acceptable to apply in the fall prior to the next spring planting season. The majority of Illinois corn farmers choose anhydrous ammonia as their nitrogen source because of this characteristic. Because farmers can get an important step, fertilization, completed in the fall this increases their chances of planting corn in a timely manner when the weather breaks in the spring. Optimum corn yields depend on getting the crop in the ground as soon as the weather allows, the later you plant corn, the lower the yields. Corn growers in Illinois desire to finish planting by May 30. Corn planted after June 15 experiences a 50% loss in yield.

The wet 2008 spring planting season in the Midwest is a prime example of how critical it is to U.S. agriculture to have anhydrous ammonia available. Had Illinois farmers not been able to apply anhydrous ammonia in the fall of 2007, it would have been impossible this year to apply the recommended units of

nitrogen needed for optimum corn growth. This spring's wet weather barely enabled farmers to get their crop planted, much less have the time to apply fertilizer immediately prior to planting. The ability of our industry to distribute anhydrous ammonia in the fall allowed Illinois farmers to plant nearly 12.3 million acres of corn in 2008. We achieved this impressive acreage in Illinois even under desperate planting conditions. Why? Because our industry was able to manufacture and transport ammonia both in the fall and the spring. Our distribution system is designed for a two season system, and transportation by pipeline, barge and rail is critical to re-charge the terminals and ag retail locations after each season.

The Illinois Anhydrous Ammonia Distribution System

Illinois is fortunate in that we have a varied and geographically diverse distribution system for nitrogen fertilizer. Many consider Illinois to be the best positioned to handle the tremendous demand for anhydrous ammonia. We have one ammonia production plant in Illinois and our 11 ammonia storage terminals are mostly fed by ammonia from the pipeline and barges along the Illinois, Mississippi and Ohio Rivers. Because supply from river tows has decreased by 5% in recent years, terminals that can be fed by rail do so whenever possible. We estimate that rail supplies 60-70,000 tons yearly to Illinois terminals. Aside from rail's importance to the terminals, rail is a critical part of the distribution system for ag retailers. We estimate that approximately 10% of the ammonia purchased by ag retailers for their farmer-customers is transported to them by rail. This amount is roughly 75,000 tons each year. So in total, approximately 130,000 tons of ammonia is transferred within Illinois by rail each year.

Let me share with you why the rail component of ammonia distribution is so important to Illinois agriculture, even though it falls third to pipeline and barge. In the fall of 2007, even Illinois' impressive ammonia storage and distribution system could not keep up with the farmers' demand for anhydrous ammonia. Ammonia that is shipped from the Illinois terminals to ag retailers is transported by cargo tank motor vehicles. Beginning in late October, every willing and available federally permitted ammonia cargo tank carrier and every available CDL and hazardous material endorsed certified driver was lined up at the terminals to meet the demand. As a result, by mid to late November, all of the ammonia terminals in Illinois were empty, with product still being requested by farmers. Many Illinois ag retailers were forced to source ammonia from as far away as Minnesota, Mississippi, Arkansas, Oklahoma and Florida and transport it by truck to the retail facilities. This was certainly not efficient or cost-effective, but it was necessary in order to meet the anhydrous demands of our farmer-customers as they sought to meet our nation's demand for corn.

Where did rail fit into the picture? Nearly 75,000 tons of ammonia were transported into ag retail facilities by rail, or about 950 rail cars. If these rail tons had to be replaced by cargo tank motor vehicles, it would be equivalent to an additional 3,700 more highway cargo tank loads. Given that we already have a shortage of USDOT approved cargo tank carriers for ammonia, coming up with an additional 3,700 truck loads to replace that which is transported by rail to ag retailers in Illinois is a formidable challenge. We would even say impossible in today's regulatory climate along with the human resource shortage of qualified drivers. Certainly it is a challenge that the motor carrier industry is not prepared to meet. Even with rail service in place, the barriers on the cargo tank end are formidable—if rail service is eliminated from the system we most certainly will not be able to meet Illinois agriculture's demand for timely delivery of nitrogen fertilizer.

As the fall of 2008 approaches, our industry already questions how we can meet the growing demand for ammonia given the pressure our distribution system is under. The renewable fuel standard passed by Congress will continue to require the production of billions of gallons of biofuels from corn and our farmers are very capable of meeting the demand for corn. However, our ammonia distribution system, without cost-effective rail service, is simply not capable of meeting the demand placed upon it.

Opportunities for Rail

What I have outlined is exactly why the rail transportation of ammonia is so vital to Illinois agriculture, and why we are so dedicated to working with the railroads to partner with them to meet this demand

Illinois ag retailers report that one of the best management tools they have to ensure they have adequate supply of ammonia for their farmer-customers is to work with the rail shippers and carriers to bring in rail cars of ammonia not only during peak fertilizer season, but in the off-season as well. Because we have limited storage capacity, rail enables our industry to continue to produce and ship nitrogen outside of the barge and pipeline-fed terminal system. Rail cars can go directly to the ag retailers, where they are safely off-loaded to the retailer's storage tanks and distributed as needed by truck to storage tanks within the retailer's territory. Because rail cars hold up to 4 times the amount of a cargo tank, this mode of transport is four times more efficient.

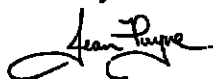
Ag retailers in Illinois who receive ammonia by rail at their facilities take a tremendous amount of pressure off the system because they are not competing with other ag retailers who are dependent on cargo-tank delivery from the terminals. I am aware of several ag retailers in Illinois who would invest in rail if they felt more confident about the future of this service. Several more are already making the investment because they have a good working relationship with their rail carrier. These ag retailers are watching the actions of the STB closely and hoping for an outcome that will enable the rail and ammonia industry to mutually benefit from the obvious demand for (and necessity of) anhydrous ammonia in the agricultural industry. There is room—and demand—in the system for increased rail delivery of ammonia and agriculture is willing to help address the concerns of the rail carriers regarding the transportation of this product. This is evidenced by the meetings that industry has held with the railroads to discuss options for managing risk.

Summary

In Illinois, the shipment of anhydrous ammonia by rail equates to approximately 130,000 tons yearly and 3,700 additional cargo tank loads for ag retail delivery. Illinois has an impressive ammonia distribution system that is utilized in both the fall and spring. Despite this, the system is at capacity and failed to meet demand for anhydrous in 2007. Our industry expects similar demand in the fall of 2008 and for years to come. Rail cars used to feed the ag retail sites are a vital part of the equation because they safely, and successfully, take the pressure off the maxed-out highway cargo tank delivery system.

Replacing rail with another form of transport for ammonia is essentially impossible. Compare Illinois with states that are even more dependent on rail and the possibility of losing this segment of transport, and the resulting impact on agriculture, is inconceivable. Agriculture's ability to meet U.S. and world demand for grain depends upon a transportation infrastructure that can meet current demand and which can also grow to meet future demand. With grain stocks at low levels and world population growing, the demand for food and energy will only grow. Agriculture depends on rail transportation to help safely and securely meet this need. We encourage the STB to develop and support policies enabling rail transportation of products like anhydrous ammonia not only to continue, but flourish under a system where shippers and users work together to address issues that threaten to impede this vital form of transportation. Thank you for considering our viewpoint on this important matter.

Sincerely,



Jean Payne, President