

COMMENTS

TO

THE SURFACE TRANSPORTATION BOARD

**Chairman Charles D. "Chip" Nottingham
Vice Chairman Francis P. Mulvey
Board Member W. Douglas Buttrey**

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PRESENTED BY



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COMMENT SUBJECT

**"COMMON CARRIER OBLIGATION & THE TRANSPORT OF
HAZARDOUS MATERIALS"**

COMMON CARRIER OBLIGATION & THE TRANSPORT OF HAZARDOUS MATERIALS

Chairman Nottingham and members of the Surface Transportation Board, the following comments are those of the 800-member Nebraska Agri-Business Association. The Association represents agricultural input suppliers in Nebraska. Products and services provided by our members to Nebraska's crop producers and ranchers include fertilizers, agricultural chemicals, seed, petroleum, soil testing services, custom application of products and other crop input supplies. The Association represents both local farmer cooperatives and independent retailers, distributors and manufacturers. In addition, the Association represents the related equipment industry, soil testing laboratories and technical suppliers.

The purpose of these comments is to address our opposition to attempts being made to relieve the nation's railroads of their obligation to transport toxic-by-inhalation (TIH) products (which includes a common farm nitrogen fertilizer, anhydrous ammonia) This topic will be the subject of a Hearing at the end of July, 2008, before the United States Surface Transportation Board.

The Association's opposition comes from an economical base.

Our comments will address the devastating economic adjustments which will be required without the capacity to replace the lost mode of transportation. Should the railroads no longer ship anhydrous ammonia by rail, the result could set farm production back fifteen to twenty years in loss of product availability, storage capacity and timeliness of product delivery. Our comments are also based on the logic that there will be a dramatic shift from using anhydrous ammonia as a nitrogen source to other fertilizer products. The loss of rail transportation will cause a shifting to other sources of fertilizer, and the storage capacity is not available for these replacement products. Anhydrous ammonia storage containers are not capable of holding other forms of nitrogen fertilizer.

If the railroads no longer handle anhydrous ammonia, and if the equivalent amount of anhydrous ammonia is to move into Nebraska, the transportation adjustment would require an immediate influx of nearly nine thousand pressurized cargo semi tractor trailers in Nebraska alone. This would require adding hundreds of employees to the payroll of the agricultural input suppliers (our members) and an

impossible replacement of anhydrous ammonia (nitrogen fertilizer) with other sources of nitrogen to meet the market demand across the nation. Manufacturing plants do not exist and cannot be geared up overnight to make the changes.

The nation's railroads may say that pipeline delivery and trucking can easily replace the amount of anhydrous ammonia moved into the state. There are several reasons this is not adequate. There are two pipelines in Nebraska at this time, both of which are located in the Eastern part of the state. These outlets will not provide adequate products for the Central and Western part of the state without long haul trucking miles. One additional pipeline (also located in far Eastern Nebraska) may come back on line next year, but was not operative this season. Regardless, the product will still require trucking and the truck inventory and drivers do not exist to meet the demand.

As you are well aware, the nation is facing a major shortage of natural gas. Natural gas is eighty to ninety percent of the feeder stock in the manufacture of anhydrous ammonia. And, anhydrous ammonia is the base to the manufacture of most all other nitrogen fertilizers. In other words, nitrogen solutions, urea, ammonium nitrate, aqua ammonia and other nitrogen fertilizers are manufactured from a base of anhydrous ammonia. A great deal of nitrogen is imported from foreign countries due to the natural gas shortage. The availability of cargo ships to import enough replacement product will also be a factor, if product is available at all. This past year, fertilizer products were short in many areas of the country. Lack of availability through lack of transportation will cause a shift in the types of nitrogen fertilizers used and plants are not on line to meet the adjustment.

Nebraska's agricultural production is traditionally number three or four at the gate, nationwide. Nebraska's corn crop is nearly eighty percent irrigated, and the state ranks either number one or two in cattle on feed, a large consumer of the state's corn crop. Nebraska producers also supply corn production to the state's ethanol industry and for export to foreign countries.

In order to grow corn, wheat and other crops in Nebraska, nitrogen fertilizer is necessary and anhydrous ammonia is the dominant source of nitrogen fertilizer in the state.

The Nebraska Agri-Business Association opposes the railroad's attempt of removing their obligation of the public interest by asking the United States Surface Transportation Board to remove the obligation. Further, the Association does not believe that the Surface Transportation Board has the authority to relieve the railroads of their obligation to transport the toxic-by-inhalation (TIH) products.

Nebraska and Midwestern Farmers Prefer the Economics of Anhydrous Ammonia Over Other Sources of Nitrogen.

Major sources of nitrogen fertilizer used in Nebraska are anhydrous ammonia, urea, ammonium nitrate and nitrogen solution. The percent of nitrogen in each of the products is:

Nitrogen Product	% of Nitrogen in Product
Anhydrous Ammonia	82 Percent
Ammonium Nitrate	34 Percent
Urea	46 Percent
Nitrogen Solution	28-32 Percent

Replacing anhydrous ammonia with the other products would require more movement by rail or trucking of other products to ag input retailers and to the farm. To equal the amount of anhydrous ammonia used by percentage of nitrogen, ammonium nitrate would require 2.41 more semi truck loads, urea would require 1.78 more semi truck loads and nitrogen solution would require 2.58 - 2.92 more semi truck loads.

Anhydrous ammonia moves into Nebraska via pipeline, rail traffic and trucking. Using the last three years of total tonnage of anhydrous ammonia sold to farmers in Nebraska, if the total amount of anhydrous ammonia moved into the state by rail were replaced by trucks, an additional 8,931.72 more trucks would be required during the spring season. Meeting this demand for transport trucks (requiring pressurized, specially approved by the United States Department of Transportation cargo tanks) is impossible and the vehicles and qualified drivers are not available. In addition, anhydrous ammonia is a hazardous material requiring specific training and driver licensing. Should the product be put on Nebraska's highway system in that number (8,931.72 semi tractor/trailers in a spring season,

three to four month window), the hazards to the motoring public would be astronomically increased.

Transportation by rail is safer and is generally away from highly concentrated populations such as the public highway and road system, where over-the-road vehicles travel through main streets of both urban and rural cities and communities.

Why is Anhydrous Ammonia the Nitrogen Source of Choice.

The simple answer is the concentration of nitrogen fertilizer per pound and the price per pound. The concentration results in less trips to the field, as fertilizer is applied (based on soil testing analysis) at "X " pounds of nitrogen per acre. Thus, a nitrogen solution of 28 percent nitrogen would require 2.92 more pounds per acre, and 2.92 more vehicle trips.

Because of the higher concentration, the product is less expensive per pound. Based on early spring prices at retail facilities in Nebraska, the following shows the price per pound of nitrogen to the farmer:

Anhydrous Ammonia	46 cents/pound of Nitrogen
Ammonium Nitrate	71 cents/pound of Nitrogen
Nitrogen Solution	69 cents/pound of Nitrogen
Urea	70 cents/pound of Nitrogen

Replacing anhydrous ammonia with other sources of nitrogen would result in an increased cost per acre and bushel for producers. The below based on a 1000 acre producer of corn.

Product	Lb. Cost	Dryland 140 lb/acre	Irrigated 180 lb/acre	% Increase Over Anhy.Amm.
Anhydrous Ammonia	.46	\$64,400	\$82,800	
Ammonium Nitrate	.71	\$99,400	\$127,800	54%
Nitrogen Solution	.69	\$98,600	\$124,200	50%
Urea	.70	\$98,000	\$126,000	52%

Total increased dollar costs per 1,000 acres are as follows:

	Dryland	Irrigated
Ammonium Nitrate	\$35,000	\$45,000
Nitrogen Solution	\$32,200	\$41,400
Urea	\$33,600	\$43,200

These estimates are based on spring 2008 prices to farmers. They do not take into account increased transportation costs or increased product costs due to the economic adjustments caused by the change in the mode of transportation.

Total nitrogen products sold to Nebraska farmers in 2007 (which should not change significantly for 2008) follow with replacement of other nitrogen products as a comparison:

Product/% of Nitrogen (N)	2007 Sales/ton	% Factor of N	More Product required to Replace Anhydrous
Anhydrous Ammonia (82%)	294,736 ton		
Ammonium Nitrate ((34%)	18,890 ton	2.41	710,314 ton
Urea (46%)	39,594 ton	1.78	524,630 ton
Nitrogen Solution (28%)	244,860 ton	2.92	860,629 ton
Nitrogen Solution (32%)	1,038,480 ton	2.56	754,524 ton

Keep in mind, these economic statistics take into account only Nebraska, and the "More Product Required to Replace Anhydrous" column would be the total amount of Nitrogen required from that category. In reality, the replacement for lack of anhydrous ammonia would be a mixture of nitrogen products, depending on soil type, type of season, type of crop and other factors. Further, the number of semi tractor trailers required to move the additional product are as follows:

Product	# of Add'l Tons	Ton/Truckload	Total Add'l Trucks
Ammonium Nitrate	710,314 ton	27	26,307
Urea	524,630 ton	27	19,430
Nitrogen Solution 28%	860,629 ton	25	34,425
Nitrogen Solution 32%	754,524 ton	25	30,180
Average number of trucks based on above			27,585 trucks

In reality, the replacement product will be heavily weighted toward Nitrogen Solution. The percentage of Nitrogen (28 versus 32%) will depend on the area of the state due to climatic differences.

Increased Costs Due to More Product being Hauled to the Field and Lack of Spreading out Work Load to Farmer

Farmers are able to apply nitrogen in the form of anhydrous ammonia in the fall when the ground is cool enough for the product to not convert and will remain dormant until it is needed in the spring due to additives which inhibit its leaching into the soil in its gaseous form. Ammonium Nitrate, Urea and Nitrogen Solutions must be applied in the spring, just before planting, which changes the workload for the farmer or custom applicators. In addition, with Nitrogen Solutions being factors of 2.56 to 2.92 lower in nitrogen content, refilling applicators will require 2.56 to 2.92 more times in quantity of product and loading.

Summary

As you can see by the "comments," losing the rail movement of anhydrous ammonia would have the following economic effects in Nebraska:

1. Require 8,931.72 more cargo semi trailers to bring the product into Nebraska alone. This cannot be achieved. Therefore other forms of nitrogen fertilizer would have to make up the difference. Since anhydrous ammonia is more concentrated, more trucks would be required to move replacement products.
2. Up to 27,585 more semi trucks could be required to move other forms of nitrogen fertilizer to the farm alone. Most product does not move to the farm in semi load so the additional tanks and trucks could be three times higher than the 27,585 vessels.
3. Shifting to different nitrogen fertilizer products is impossible to achieve with the current storage capabilities at retail ag input supply locations.
4. Gearing up the manufacture of alternative forms of nitrogen fertilizer would take a five to eight year project if not more.
5. Moving anhydrous ammonia by truck versus rail is far more dangerous to the motoring public and communities in the country.

6. The industry is already desperately short of employees and drivers. Taking the movement of product and application of product times the 2.56 - 2.92 factor would result in the industry nearly tripling its workforce and need for employees who possess commercial drivers licenses. This is impossible.
7. Increased production costs will be extreme for producers. Couple this with the natural gas shortage and increased fuel costs, the profitability of farming will diminish drastically.
8. We also do not believe the United States Surface Transportation Board has the authority to remove the obligation of the railroads.

The Nebraska Agri-Business Association is affiliated with The Fertilizer Institute in Washington, DC. We understand that they have been working closely with the nation's railroads in the past year and a half to possibly resolve the railroad's concerns with hauling anhydrous ammonia. We are hopeful that a mutually agreeable resolution will transpire and the course of farm production will not be disrupted.

We thank you for allowing us to make comments and would welcome any questions you may have.

RESPECTFULLY SUBMITTED,



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The Nebraska Agri-Business Association is a non-profit trade association. The Association's mission to provide unified leadership and influence creating tangible economic and educational value for Nebraska's crop production industry professionals. "Creating Solutions Together."