



United States Department of Agriculture

Office of the Secretary  
Washington, D.C. 20250

SEP 07 2017

The Honorable Ann D. Begeman  
Acting Chairman  
Surface Transportation Board  
395 E Street, SW.  
Washington, D.C. 20423

Dear Acting Chairman Begeman:

I am writing to you about service problems facing agricultural shippers who move their products by rail on CSX. Changes in CSX's operations are causing delays, increased costs, and decreased production. I support your recent efforts to address the problem and offer additional suggestions.

Agriculture is a fundamental and vital component of our country's economy, contributing \$992 billion to the U.S. gross domestic product and more 21 million full- and part-time jobs. The transportation delays and inadequate rail service that agriculture is now experiencing may ultimately lead to supply chain breakdowns. For example, livestock and poultry operations depend on reliable rail shipments for grain for feed. Milling operations rely on consistent deliveries of wheat to make flour used in consumer products and commercial bakeries are entering their major operating period for the year. Nationwide, the peak of this year's grain harvest will soon be upon us, adding to the demand for rail transportation. The convergence of seasonally driven rail transportation demands and the CSX service reductions could make U.S. agriculture less competitive in the global marketplace or cause prices to rise for consumers.

Rail service disruptions are costly and can have repercussions on our economy and the food supply. The U.S. Department of Agriculture encourages the Board to continue its efforts to resolve the CSX service issues and augment those efforts as suggested in the enclosure to this letter. The objective is to pinpoint issues and identify speedy resolutions. Additionally, I request the Board to encourage CSX to communicate clearly and frequently on the location and timing of service changes, helping agricultural shippers better plan production and transport schedules.

Agriculture needs an efficient and reliable transportation system to feed our Nation and remain competitive. I am hopeful that such measures to survey and correct CSX's current issues will lead to improved services and lower transport costs for moving our Nation's farm products.

Sincerely,

A handwritten signature in blue ink that reads "Sonny Perdue". The signature is fluid and cursive, written in a professional style.

Sonny Perdue  
Secretary

Enclosure

## ADDITIONAL INFORMATION AND USDA RECOMMENDATIONS

Agricultural supply chains are varied and complex. Rail service is a key component of freight logistics that many farmers and agricultural processing companies rely on as the predominant or only option for shipping some commodities to market. The industry's success requires the seamless movement of goods from the field to processing and manufacturing facilities, as well as distribution to a wide variety of domestic and international customers. Inadequate transportation service imposes additional costs on agricultural producers and shippers who, as a result, have to maintain higher inventories and source needed inputs from other areas or other modes.

Some agricultural shippers have reported significant service issues with CSX rail service, affecting a wide swath of States, including Alabama, Georgia, Pennsylvania, Tennessee, and several others. The Surface Transportation Board's (STB) existing service data (collected through EP 724), as well as CSX's updated performance data, support these claims by shippers. System-level train speeds in key corridors appear to be trending downward since May 2017. Dwell times are also concerning. In some locations that serve important agricultural lanes, terminal dwell times appear to be trending upward. The U.S. Department of Agriculture (USDA) is particularly concerned about the impact of this on agricultural commodity shippers in Illinois, Indiana, New York, North Carolina, and Ohio where many farmers rely on CSX's rail service for the success of their agribusiness.

While USDA is greatly concerned about the problems illustrated in shipper accounts and in the available service data, we are also confident that the private sector is capable of resolving these issues, as long as shippers are able to convey their concerns in an environment of transparency. USDA believes the Board can greatly aid shippers and railroads in resolving these issues by requiring CSX to provide data that is wider in scope, more granular in detail, and fully explained. Therefore, USDA is suggesting further ways that STB could improve upon existing service data.

First, USDA believes more granularity would improve existing performance metrics. Train speeds, car orders, and equipment available should be provided by corridor, particularly for lanes serving origin points in Midwestern States to the northeast, south Atlantic, and southern States. CSX should provide dwell time metrics for many more locations in their network that represent important segments of the agriculture industry and each of the metrics should distinguish between unit, shuttle, and manifest trains.

Second, USDA believes more detailed methodological explanations of existing data would be useful. For example, the CSX grain cars loaded and billed is uncorrelated with CSX's grain carloadings. This is not true for other railroads. CSX's methodology document does not explain why this would be the case. Shippers and other interested stakeholders need a better explanation of what the data means for service levels, or alternatively, CSX's methodology needs modification so it is similar to the data provided by other railroads in order to provide a useful view of delivery status.

Third, USDA encourages the Board to investigate the CSX grain car orders' data and methodology. During the 2013–2014 rail disruptions, the number of outstanding orders was a powerful indicator of the magnitude and location of problems, but CSX does not currently provide unfilled order data as other railroads do. Some methodological flexibility is necessary in an industry where each company is different; however, that flexibility should not prevent accomplishing the goal of providing service transparency and clarity.

Finally, USDA believes the service data should include a longer history of observations. USDA appreciates the fact that, when CSX recently updated the methodologies behind some of its service metrics, CSX included prior year data in order to benchmark current weekly values. With seasonal variations, a benchmark from at least two previous years is necessary to know what any particular point or change means in the current year. USDA encourages the Board to request that CSX provide historical benchmarks for all of its existing service metrics, as well as any additional metrics requested by the Board.