

BNSF, which, according to company statements, has invested \$11.5 billion in rail infrastructure improvements in the last two years, acknowledges 2013 was a tough year, particularly on the lines running between Chicago and Seattle. But oil was not the only cause.

In 2013, U.S. farmers had a record corn harvest, while Canadian grain production was up 50% from the previous year. Plus, the Northern Tier wheat crop exceeded \$1 billion in value for the fourth time in five years. Additionally, that larger-than-expected ag harvest was compressed by heavy rains, while coal and crude shipments spiked.

Andy Cummings, manager of media relations at Canadian Pacific Railway (CPR), says the sheer crop size followed by a drastically cold winter when temperatures were regularly below -25°C also resulted in capacity challenges. However, CPR, he says, still shipped a record amount of grain in 2013–2014, up 16% from the previous record year in 2008–2009.

“The grain supply chain was not designed to move the enormous 2013–2014 crop over a short period of time,” Cummings says of the delays. “A system designed that way would be massively underutilized. Even in a typical year with a normal crop, there is excess capacity for several months.”

## Infrastructure Challenges

According to Andersen, BNSF learned from the congestion issues in 2013, and promptly began making investments in double track, crews and locomotives to prevent large future logjams. In 2014, the railway added more than 5,000 new cars, 600 new locomotives and hired an additional 6,000 to 7,000 employees. BNSF has focused most of its capacity expansion on the Northern Corridor between Fargo and the West Coast, which is a primary grain transport route.

It took well into the spring of 2014 to handle the backlog in trainloads from the prior fall and winter. Andersen says the new double track BNSF laid in North Dakota and Washington is moving smoothly, and now the railroad is working on expansion of its northern line from Minneapolis to Chicago, and on its southern line from the Windy City to L.A.

Watne says he’s been impressed with BNSF’s willingness to communicate with customers in the aftermath of the rail congestion issues of 2013 and 2014, and says the addition of double track has made a big difference to producers like himself. He acknowledges that no one, including the railroads, knew crude was going to take off so quickly, but also believes the rail industry prioritized oil because it was easier and quicker to ship.

“The oil industry used oil cars as a storage system,” Watne argues. “With oil cars, you can just grab and go with 100 or so oil cars instead of having to go to multiple elevators. I believe the rail industry was acting in the interest of their shareholders.”

Andersen says at no point did BNSF give priority to one type of carload over another. “Our job is to move everything from where it is to where it needs to be,” he says. “We’re not in



the business of giving priority to anyone over anyone else. When our velocity slowed down, coal, ag and crude were all impacted equally.”

Cummings also says CPR gave no preference to one commodity over another and has worked to improve infrastructure over the last two years, investing \$1.3 billion in capital projects in 2014 and another \$1.5 billion in 2015. He adds that CPR has shipped 2.8 million more metric tons of grain than the Canadian government’s minimum mandates established in 2014.

“I feel like they gave preferential treatment to oil.”

## Traffic Jams on the Horizon?

A U.S. Government Accountability Office report issued in 2014 suggests that even aside from any future bumper grain harvests, traffic on the nation’s rail lines will continue to increase with the growth of oil production in the Bakken Shale. The Energy Information Administration reports production there increased six-fold between 2007 and 2012, and will likely grow another 48% between 2012 and 2019, remaining above 2012 levels through 2040. Meanwhile, coal exportation is on the increase as well, meaning yet more absorption of natural resource transport by rail.

Watne says a viable transportation network is critical for the nation’s producers. He says the reason North American farmers still hold an advantage for exports in the Americas is because of their rail and highway systems. “Brazil may have the crops, but they don’t have this kind of infrastructure,” he explains.

“But that won’t last forever. We’re eventually going to see greater competition from countries who are developing their agricultural economies and infrastructure.” **FL**