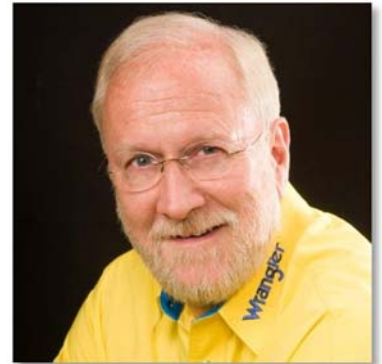


TRANSPORTATION REPORT

From: Terry Whiteside

Date: Thursday July 10, 2014



BNSF METRICS - SHOWING IMPROVEMENT?

Pursuant to an STB ruling on June 20, 2014, the Board directed the BNSF and the CP to publicly file their plans to timely resolve their backlogs of grain car orders and provide weekly status reports (by state) pertaining to grain car service.

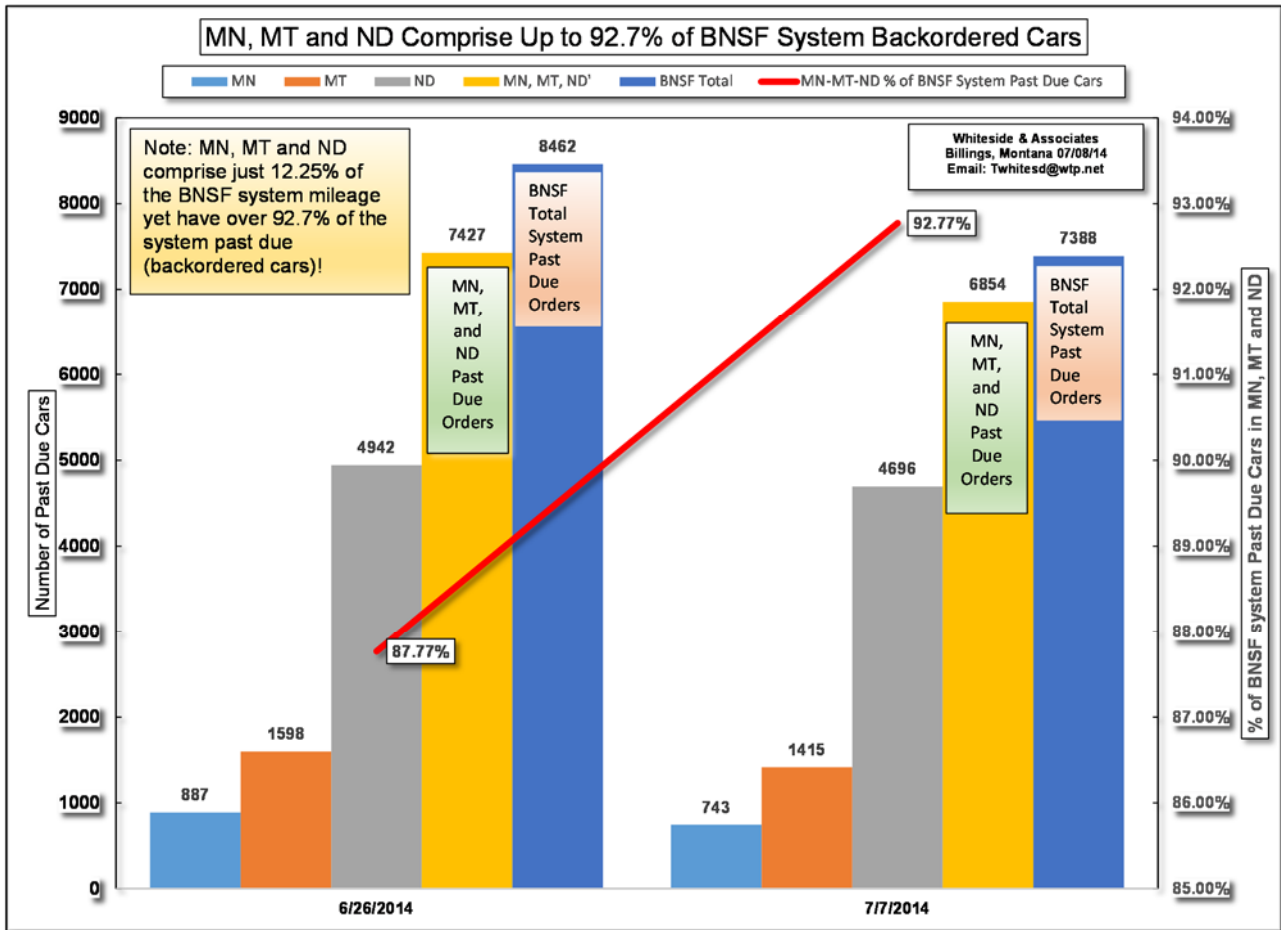
So far the BNSF and CP have filed two reports – one on service up to 6/26/14 and one covering up to 07/02/14.

They show some interesting trends and numbers.

Additionally W&A has analyzed the American Association of Railroad numbers on Average Train Speed for the past year on both grain and the entire BNSF system.

The context that must be looked at for relevancy of the numbers are, “do the numbers” show improvement or do they mask other issues.

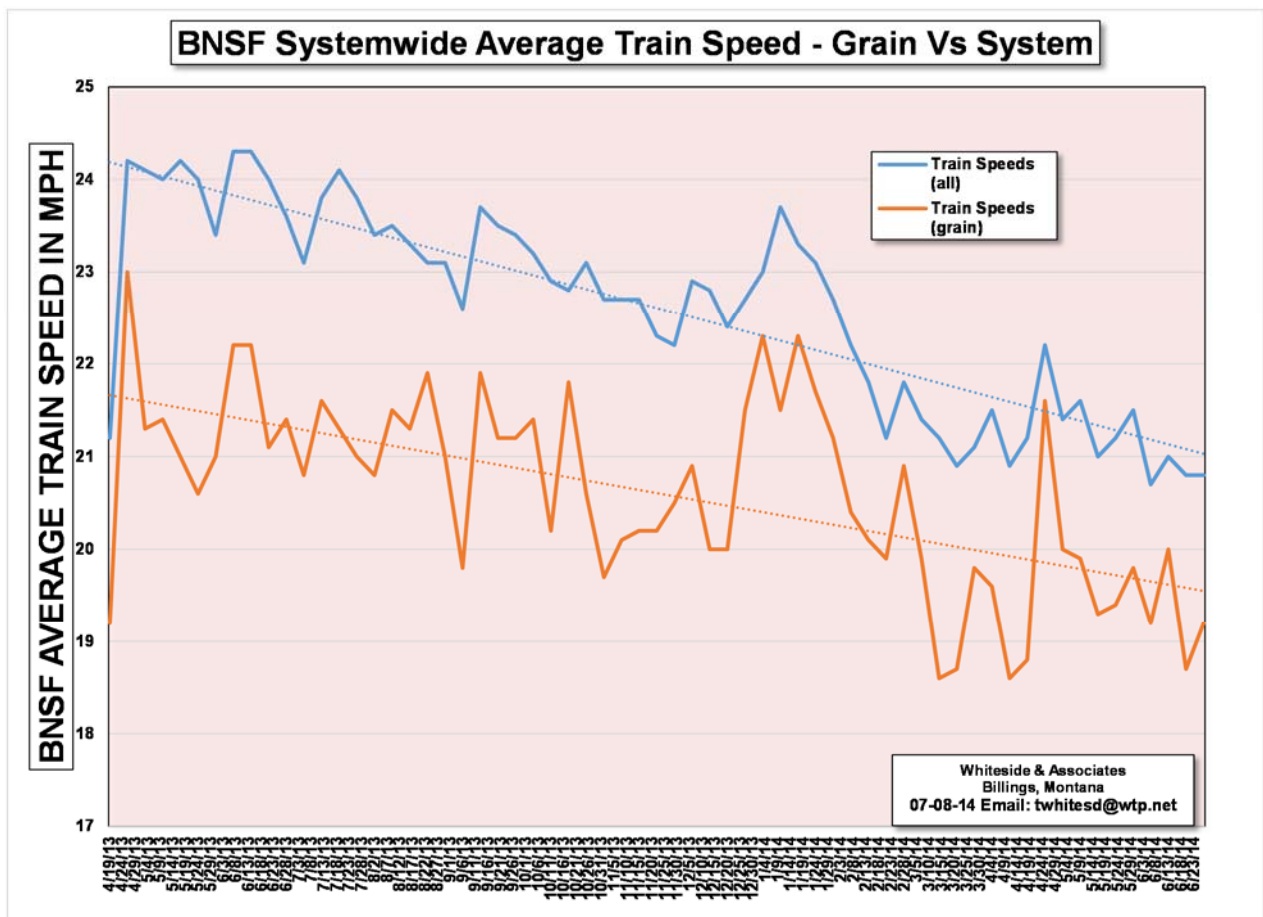
First let us look at BNSF published back-orders in the STB reports and concentrate on MN, MT, and ND figures.



Just looking at the number of backordered cars in MN, MT and ND for June 6, 2014 – 7,427 cars vs the same number for July 7, 2014 – 6,854 cars, one could conclude the B/O situation is getting better. And the BNSF system Past Due Orders went from 8,462 cars on June 6, 2014 to 7,388 cars on July 7, 2014 – one conclude again that the situation is getting better on the system. However, if one looks that the red line – showing the percentage of MN + MT + ND backordered cars is has risen from 87.77% to 92.77% of the total BNSF System Backorders between June 6th and July 7th.

In other words, the brunt of the backorders in the system are located in states that comprise just 12.25% of the total mileage!

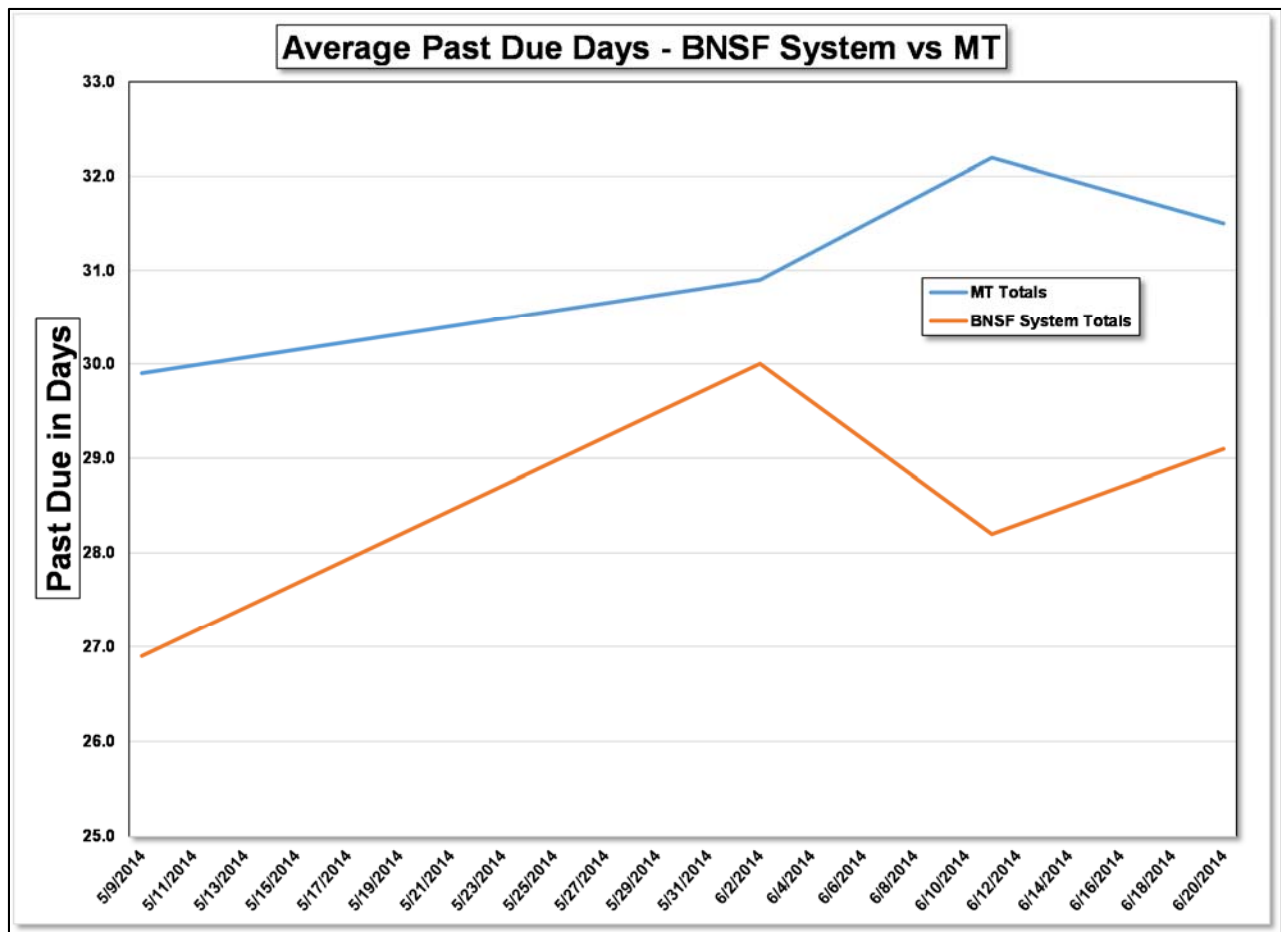
How is the BNSF average system speed doing vs grain? This is one of the most important metrics shippers can look at.



It is clear that the BNSF and the Grain Average Train Speed is not improving and they haven't even got back to the average dropping trend line – and winter is over in MT and ND and MN (according to the locals 😊). This is probably the most disturbing of the BNSF metrics. Until train speeds recover, the train service cannot begin to recover.

When one looks at the past dues car orders, they are on the climb again. The MT totals have fallen in the last several weeks but the BNSF has started up again. One can say – good the past dues are going down but look at the first chart in this report showing the northern tier region is suffering the brunt of the past due car orders on the system.

W&A will continue to look into these numbers to analyze the trends and report them to everyone.



Be mindful that when the statement is made by the railroad, we make more money on grain shipments than oil shipments – the railroad is talking clearly about gross dollars. When one compares the revenue per car being generated by an oil movement it is clearly a better earner than grain.

It is also clear that less-than-shuttle loaders are taking the brunt of the car back order load. These less-than-shuttle loaders continue to be the marketing locations for alternative crops, pulse and lentils, barley, specialty grains, and many domestic movements whose receivers cannot receive shuttle size shipments.

While the BNSF has indicated that they will let the “48 car marriage rule” expire in August, the less than shuttle facilities continue to struggle with

car supply and service issues. Some of the ND and MT less-than-shuttle loaders are reporting being 60-90+ days behind on orders.

MT, ND, MN and SD are continuing to have concerns about not having the 2013 crop moved off the farm and through the facilities before the 2014 crop starts to hit the system by the middle to end of August, 2014.