Future needs: Rail Capacity  Liquidity
Key Assumptions

Enablers of liquidity

Value proposition
KEY ASSUMPTIONS

• 70% + of all rail grain shipments are via 100-110 car units

• Railroads do not directly benefit from secondary freight values

• Freight values can either be positive and negative

• Supply and demand drives price
ENABLERS OF RAIL CAPACITY LIQUIDITY

- Rail capacity programs that are market based, consistent, and transparent
- Rail capacity that is homogeneous and transferable
- Diversity of: geography, commodity mix, and market access
- Adequate number of buyers and sellers throughout all components of the grain trade
WHY IS RAIL FREIGHT LIQUIDITY VALUABLE?

• A liquid market efficiently establishes market value and rations demand accordingly

• Allows shippers to match freight capacity with their marketing and logistical needs

• Allows for shippers and producers to procure incremental freight capacity and take advantage of market opportunities or manage logistical challenges

• Allows the market to meet contractual commitments
WHY IS RAIL FREIGHT LIQUIDITY VALUABLE?

• Provides for transportation hedges, leading to the ability to buy & sell with confidence

• Allows for market participants to liquidate excess freight

• Risk reduction for freight buyer: Seller of freight assumes “performance risk”

• Provides market signals to producers, shippers, receivers, & railroads
• Limited transparency of freight supply or logistics

• No market clearing mechanism

• No ability to procure incremental freight or take advantage of incremental market opportunities

• Inability to bid and sell with confidence during times of logistical volatility

• Margin widening or “no bid” is only risk manage tool
CHECKS AND BALANCES

• Market forces establishes price

• Contracts establish obligations

• Trade is governed by National Grain and Feed Association secondary rail freight rules

• Customer service principles apply