Farmer Cooperatives Conference

Dan Mack: vice president transportation and terminal operations – CHS Inc.

November 7, 2014
RAIL OVERVIEW – DISCUSSION TOPICS

- Macro rail industry view
- Key drivers of current situation
- Rail service & logistics – current & future view
HISTORICAL US RAILCAR VOLUME (LESS INTERMODAL UNITS)

2006 - Historical Peak volume year

Recession Low 2009

Carloads (Millions)

Year

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* Estimate

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## 2013 YTD VS. 2014 YTD NORTH AMERICAN RAIL GROWTH
(AS OF OCTOBER 24, 2014)

<table>
<thead>
<tr>
<th>Product Line</th>
<th>BNSF</th>
<th>UP</th>
<th>CP</th>
<th>All Rails</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain</td>
<td>-0.1%</td>
<td>+32.9%</td>
<td>+4.8%</td>
<td>+13.7%</td>
</tr>
<tr>
<td>Coal</td>
<td>+1.1%</td>
<td>+3.5%</td>
<td>-4.4%</td>
<td>+2%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>+14.1%</td>
<td>-7.6%</td>
<td>+17.5%</td>
<td>+13%</td>
</tr>
<tr>
<td>Sand/Gravel</td>
<td>+14.4%</td>
<td>+20%</td>
<td>+75%</td>
<td>+17%</td>
</tr>
<tr>
<td>All Carload Traffic</td>
<td>+2.8%</td>
<td>+5.9%</td>
<td>+0.5%</td>
<td>+4.5%</td>
</tr>
</tbody>
</table>

**Year to Date:**  +825,000 carload increase from 2013 to 2014  
(excludes intermodal)
Key Driver #1

- Demand Growth

- Agriculture, Coal, Intermodal, Crude oil/exploration
Key Driver # 2

- Resource Constraints
  - Locomotives, crews, & track capacity
KEY DRIVERS OF CURRENT RAIL SITUATION

Key Driver # 3 & 4

- Infrastructure expansion
- Unpredictable events
CURRENT RAIL SERVICE SITUATION

- Overall, service has improved over the past few months, however, expect to experience continued variability in service and logistics

- Resources deployment is improving with strong hiring and locomotive purchasing initiatives, but more yet to be completed

- Infrastructure build-out continues

- Cycle times continue to struggle

- Pend up demand is still prevalent
WHAT TO KEEP YOUR EYE ON

• Service volatility

• Rail economics
  ➢ Rates
  ➢ Capacity valuation volatility
  ➢ Accessorial charges

• Chicago gateway

• Localized disruptions due to infrastructure expansions

• Areas of demand growth – North is key

• Shipper/receiver facility development costs

• Canadian rail situation
POLICY AND POLITICAL ACTIVITY – NORTH AMERICA

- Federal and state legislator engagement
- Surface Transportation Board
- Industry association engagement
- Canadian government