

American Crystal CEO: Rail Slowdown Could Cost Millions

DAVE KOLPACK, Associated Press

FARGO, N.D. (AP) — A slowdown in rail service is forcing American Crystal Sugar to cut back on production, something company officials said Wednesday could cost millions if the situation doesn't improve.

The cooperative plans to limit output at three of its five plants because it's running out of storage space while waiting for rail cars that BNSF officials say are being hampered by a wave of blizzards and subzero weather. The plants are in East Grand Forks, Minn., and Hillsboro and Drayton, N.D.

"The extreme cold and snow have been presenting significant operating challenges for our operations," BNSF spokeswoman Amy McBeth said Wednesday. "We are putting a priority on serving (American Crystal) through proactive measures that will help in light of the difficult current conditions brought on by weather challenges."

McBeth said BNSF planned to reroute some trains and add crews and locomotives.

David Berg, president and CEO of American Crystal, called the situation a "minor slowdown" at this point but said it could result in massive losses and waste if the plants are not back on schedule before it warms up.

"I don't doubt there is weather involved. Weather makes everything work more slowly," Berg said. "But winter weather is not a new phenomenon in the Northern Plains."

Berg said increased crude oil traffic on the rails has put a "bigger pinch" on service to the sugar industry. But McBeth said crude oil shipments make up 4 percent of the overall volume hauled by BNSF.

"The traffic volume increase leader on our railroad in 2013 in terms of new units of traffic was domestic intermodal traffic, not crude oil," she said.

The rail slowdown is the latest in a series of setbacks for the sugar beet industry in the last year. Imports from Mexico led to a glut of sugar and depressed prices in the U.S., and the amount of beets produced per acre and the sugar content also were down in the Red River Valley.

North Dakota Sens. John Hoeven and Heidi Heitkamp said they talked to BNSF officials and are confident the issue will be resolved.

"He acknowledged the problem," Hoeven said of BNSF Chairman and CEO Matt

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Rose. "He felt they were starting to catch up."

Said Heitkamp, "While the main issue BNSF is facing is with the cold weather, I'm confident that BNSF will take steps to address this to make its trains run smoother no matter the temperature outside. Every day an agricultural shipment is delayed adds costs for grain elevators and agricultural producers."

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