



National Grain and Feed
Association



North American Export
Grain Association

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NGFA: (202) 289-0873 NAEGA: (202) 682-4030

October 4, 2004

The Honorable Bill Thomas
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Charles Grassley
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charlie Rangel
U.S. House of Representatives
1106 Longworth House Office Building
Washington, D.C. 20515

The Honorable Max Baucus
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairmen and Ranking Members:

The National Grain and Feed Association (NGFA) and the North American Export Grain Association (NAEGA) supports your considerable efforts to craft a reasonable solution to replace the Foreign Sales Corporation / Extraterritorial Income Benefit (FSC/ETI) with the corporate tax reform bill you are currently considering in conference. U.S. agriculture has benefited from FSC/ETI and we are encouraged that those benefits are included in both versions of the repeal legislation. The inclusion of a wide array of agricultural businesses in this bill is a positive outcome for the grain and feed industry and all of U.S. agriculture. In addition to the corporate tax benefits included in the bill, we support the short-line railroad rehabilitation provision that would allow a tax credit at 30 cents per dollar of investment coming from the private sector, with a cap of \$3,500 per year per mile of track to support investment in short line railroads.

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. The NGFA's membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 36 affiliated state and regional grain and feed associations, as well as two international affiliated associations.

NAEGA, established in 1912, is comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk

grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States. The Association's mission is to promote and sustain the development of commercial export of grain and oilseed trade from the United States. NAEGA acts to accomplish this mission from its office in Washington D.C., and in markets throughout the world.

Legislative action must be completed this year in order to end the negative impact of the EU tariff, now at 12 percent, on a wide range of agricultural products. Additionally, passing this legislation would reinforce the United States' commitment to abide by WTO rulings and set a positive example for the world to follow when U.S. challenges to unfair trade practices are successful.

Supporting a tax credit for short-line railroads is critical as they struggle to meet investment needs to upgrade their tracks to support the current shipping volume and to accommodate today's standard 286,000 lbs rail cars due to poor economic conditions and the state of rail lines abandoned by Class I railroads. The cost of upgrading track throughout the short line system is pegged at \$7 billion, while annual short line revenues are estimated to be \$2.8 billion. This disparity represents a serious threat to the long-term viability of many short line railroads and their rural customers.

Modernized short line track is an important tool in getting farm products to market domestically and to meet the growing demands of the global marketplace. The current competitive global environment demands cost effective and efficient infrastructure. Providing this tax credit for short line rail investment will assist the U.S. agricultural industry in meeting those demands.

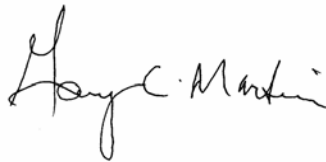
The NGFA and NAEGA support completion of the FSC/ETI corporate tax reform bill primarily because it would: 1) provide a significant corporate tax reduction; 2) reinforce the United States' commitment to abide by WTO rulings; and 3) implement a tax credit for short line rail infrastructure upgrades. We respectfully urge you to complete work on this bill before the targeted adjournment date of October 8 to ensure a positive outcome for U.S. agriculture and agribusinesses.

Thank you for your efforts and consideration.

Sincerely,



Kendell W. Keith
President
National Grain and Feed Association



Gary C. Martin
President
North American Export Grain Association