

Agriculture Subcommittee Conference Call

Thursday, May 28, 2015

4:00 pm

Dial: (712) 432-1212

Meeting ID: 188-484-591

1. Welcome and Introductions –Eric Doheny, Agriculture Subcommittee Chairman
Chairman Eric Doheny welcomed the following individuals to the call:

- Ron de Yong, Montana Department of Agriculture
- Greg Stordahl, Montana Department of Agriculture
- Kim Falcon, Montana Department of Agriculture
- Ben Tiller, Montana Department of Agriculture
- Christopher Dorrington, Montana Department of Transportation
- Andre Giles, Montana Grain Growers Association
- Maia Aageson, BNSF Railway
- Terry Whiteside, Consultant
- Melissa Lewis, RSCC Coordinator

2. Standing Report - Greg Stordahl

Greg Stordahl provided a report regarding the status of Montana's pulse crop industry and transportation network. Key findings:

- 15 million bushels of pulse crop commodities leave the state each year by rail/truck
- Pulse crops are predominantly transported by rail (85%) versus truck (15%)
- Most of Montana's pulse crops are shipped to the Pacific Northwest for international export
- Several small elevators send pulse crops to a processing facility before transporting to market

3. Container situation/prospective study – Christopher Dorrington

Christopher Dorrington provided an update on the West Coast Ports Study commissioned by the RSCC after two major shipping companies discontinued container operations from the Port of Portland, essentially ending container exports from the port. There is concern this may soon result in considerable negative impacts to Montana specialty grain and pulse crop producers.

- In May 2015, the RSCC voted in favor of a limited solicitation study contract to evaluate Montana specialty grain and pulse crop industry and shipments, focusing on potential issues that may arise as a result of recent port business changes.
- The scope of the contract was developed by the Montana Department of Transportation and the Montana Department of Agriculture
- A meeting will occur on June 17 at 1:00 pm to score consultant proposals and award the contract
- Study funding will come from the RSCC's budget for the next biennium, which begins July 1, 2015
- Christopher Dorrington raised concern that the market may respond and resolve the challenges posed by the Port of Portland shipping changes before a contract consultant can appropriately review, plan and respond.

4. New rail rates/rail fuel surcharge – Director Ron de Yong

Ron de Yong, Director of the Montana Department of Agriculture, provided an update about Burlington Northern Santa Fe (BNSF) Railway's new rail rates and a rail fuel surcharge. Key points:

- Rail rates will increase for smaller shuttles (singles and 24s, not so much for the 48s)
- BNSF Railway rolled a higher fuel surcharge into the rate increase
- The fuel surcharge is built into rates, and it's also paid when rates rise and fall. The MT Department of Agriculture would like to see the fuel surcharge come off permanently
- Rates are higher on the transportation modes that pulse crops will use, at the same time that Montana's pulse crop industry is dramatically growing
- 2016 is expected to be "the year of the pulse crop" due to a United Nations marketing campaign. The increase could last several years, especially if wheat prices are down
- Reverse DETs (one destination with multiple origins) could help remedy the issue if feasible for BNSF Railway
- An RSCC-funded study could occur in 2016 to determine the feasibility of reverse DETs in Montana. RSCC financial constraints preclude the study from beginning earlier, as the RSCC's budget for was reduced to \$32,000 from \$50,000 by the 2015 Legislature and an existing study permitted to be funded by the RSCC will consume about 75% of the council's budget for the coming fiscal year, which begins July 1, 2015.

5. Other

Subcommittee Chairman Eric Doheny provided an update from Montana grain elevator operators. Key points:

- An elevator operator in Dutton has been receiving dirty or broken cars
- The elevator ordered 40 cars for November/December delivery and they loaded their last car May 2015
- Out of ten car shipments, five to seven cars are dirty or they would not close due to broken doors or missing lids
- Dirty/broken cars can result in an incomplete or delayed unit train and increased transportation costs
- BNSF Railway's maintenance schedule and car quality will be discussed at the next RSCC meeting

The above topics will be discussed at the June 18 RSCC meeting in Helena. The conference call concluded at 4:43 pm.