

Task force ponders soybean markets

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By MARK POWELL

Jamie Jamison was in the role of speaking for Maryland's farmers, particularly those farmers west of the Chesapeake Bay.

Reading from notes his wife typed for him, the Montgomery County grain producer said: "I feel this task force needs to look at what can be done: short-term and long-term. Many producers are now worried as to where or how soybeans are going to be moved this fall."

Jamison represents the Maryland Grain Producers Association on the state Task Force on the Marketing of Grain and other Agricultural Products. Grain marketing for this task force, created by the state legislature this past winter, deals mostly with soybeans and the loss of Archer Daniels Midland's Port of Baltimore export facility. The task force met for the first time June 3 at the Maryland Department of Agriculture in Annapolis and is to report to the legislature and the governor at the end of the year.

In the meantime, a smaller group from the task force is expected to facilitate a short-term solution for farmers. Salisbury-based Perdue Farms is "strongly" considering establishing a railroad trans-loading facility in Carroll County. According to Brad Powers, former Maryland deputy secretary of agriculture and now a consultant for Perdue, farmers could deliver soybeans or grain to the facility, which would then be loaded onto rail cars and shipped on to a final market in Chesapeake, Va., or other points.

Powers said every effort would be made to have the facility up and running by this fall's soybean harvest.

Jamison said, "There isn't enough local storage for our production in a normal year. We depended on ADM and the ships that were loaded out. We need a rail load out, barge load out or both for this fall."

While a short-term solution is a pressing need for the task force composed of agricultural leaders, legislators, Baltimore port officials, along with rail, barge and trucking interests, a long-term solution appears daunting.

Pier 7, the key structure allowing ships to be loaded with grain and soybeans at the Baltimore port, collapsed June 30, 2001. It would cost about \$12 million to rebuild that pier or about \$20 million to upgrade to modern standards the facility built in 1923.

Since the loss of the pier and a subsequent decision from ADM to walk away from Baltimore, no soybeans have been loaded onto ships for export markets at the facility.

Don Amberman, a grain dealer from Stewartsville, Pa., worked at the Locust Point facility from the time when it was owned by Indiana Farm Bureau Cooperative Association Inc. He was managing the facility for ADM when it literally fell to pieces.

Amberman said the ADM facility shipped more than 31.2 million bushels of soybeans to foreign markets in the year before the pier's collapse, or about 35 Panamax-sized cargo ships fully loaded.

Since the loss of the ADM facility, the East Coast is down to five ports dealing with grain and soybeans: Norfolk/Chesapeake, Va. (affiliated with Perdue Farms); Albany, N.Y. (a Cargill facility); North Charleston, S.C. (a Farm Bureau operation); and Brunswick, Ga. A new operation in Wilmington, N.C., is importing soy meal and other feedstuffs for a consortium of hog producers.

Amberman said, "Maryland needs an export facility at the port."

He said without the export market, farmers are limited in their options, with Perdue being the dominant buyer.

William L. Hostetter, an Oxford, Pa.-based grain merchant who operates six grain elevators including those in Queen Anne, Md., Frederick, Md. and Trappe Landing, Md., told the task force that of the approximately 5 million bushels of soybeans produced west of the Chesapeake Bay, a large percentage moved through the Port of Baltimore facility before its collapse. Since the loss of that Baltimore facility and the resulting drop in the basis price paid for soybeans, Western Shore farmers earned almost \$2 million less from the 2001 crop, according to Hostetter.

"We had half a crop in 2002 due to the drought," Hostetter said. That fact took the pressure off the situation temporarily.

"A normal crop will create a significant challenge," Hostetter said. Even without the price concerns, he said, "just moving soybeans out of the region will be tough."

Jamison explained that prior to the pier collapse, farmers received a positive basis of 15 cents over the Chicago Board of Trade price per bushel. That dropped to a negative 20 cents compared to Chicago. In other words, before the pier collapse, if the Chicago price of soybeans was \$5 a bushel, western Maryland farmers would get \$5.15 a bushel. After the pier collapse, if Chicago posted a \$5 per bushel price, western Maryland farmers would get \$4.80 a bushel from purchasers.

Jamison said he grows about 100,000 bushels of soybeans a year. That loss of price then costs him about \$35,000.

"No one can take a big financial loss of this size year after year without impacting other business and labor," he said. "When you use an economic multiplier effect in Maryland's economy, you now see this figure has greatly expanded. We had a tremendous loss of economic vitality for the region. This ADM elevator was, for us, our end user of soybeans. We on the west side of the bay do not have a processor the size of Perdue."

Jon Quinn, a Cecil County farmer and president of the Mid-Atlantic Soybean Association, said competition among buyers of soybeans is good for farmers. "Perdue has been more than good to us," Quinn said. "They've kept the price up; gone above and beyond to help farmers."

Still, he said, competition is good.

Mark Newman, a Chevy Chase, Md.-based ag economist, couldn't give any direct numbers on the impact the Maryland port has to farmers in other parts of the country, but, he said farmers as far west as Indiana used to ship soybeans to Baltimore in years when vessel traffic backed up on the Great Lakes. Quinn said farmers from Pennsylvania and Ohio have often used the Port of Baltimore. "There's a ripple effect in the Midwest," he said.

Port officials paint a bleak picture of rebuilding a grain structure at the port. Jim White, head of the port's management, said the port would have to dredge the area to create the 40-foot draft required. The dredging, in turn, would undermine pilings at Pier 7, requiring new pilings and extensive construction.

"Competing for dollars in Annapolis is not easy," White said, noting that transportation funds are sought for road projects and other expensive items as well.

White added that when other grain merchants were shown the facilities at Baltimore, they indicated they would not be interested in locating at the port "unless it's turnkey." Another issue likely to arise was one of the issues which led ADM to walk away from discussions with the port about rebuilding. "Unless these companies can collect 'dockage and wharfage' they are not interested," White said.

Dockage and wharfage are fees collected when ships are in dock. Grain merchants see that as their profit margin. Port officials see it as a fee necessary for the state to collect. ADM never paid dockage and wharfage under an old contract; port officials had sought to start collecting the fees after rebuilding the pier.

State Sen. E.J. Pipkin, R., from the Eastern Shore is on the grain marketing task force. He argued at the MDA meeting that an investment at the port might make financial sense for the state as sound public policy.

Delegate Paul Stull, R., from Frederick serves on the task force. He said, "we ought to explore every arena" in finding a solution to the loss of the port exporting facility. "Maybe we ought to look at other piers at the port," he said.

A key factor in whatever the task force recommends to the governor and the legislature will be the report of a consultant, Martin Associates. The agriculture department, the Department of Economic Development and the Maryland Port Authority are paying the Pennsylvania-based firm \$64,500 to answer key questions about the port by Sept. 30. It is hoped by task force members that the consultant will help draw a conclusion to the question: "Is it feasible to re-establish the port's grain facility?" The report is also expected to explore alternatives.

Those alternatives are likely to include rail and barging facilities.

Powers, Perdue's consultant, said the poultry firm and grain buyer is contemplating a long-term commitment to barging facilities at Havre de Grace in Harford County, Rock Hall in Kent County and a site in St. Mary's County in Southern Maryland. Grain could be picked up by barge at those sites and transported down to Norfolk/Chesapeake, Va. Such a solution would take investment from private and public sources.