

Is the Willamette Valley's proposed intermodal facility on the right track? -

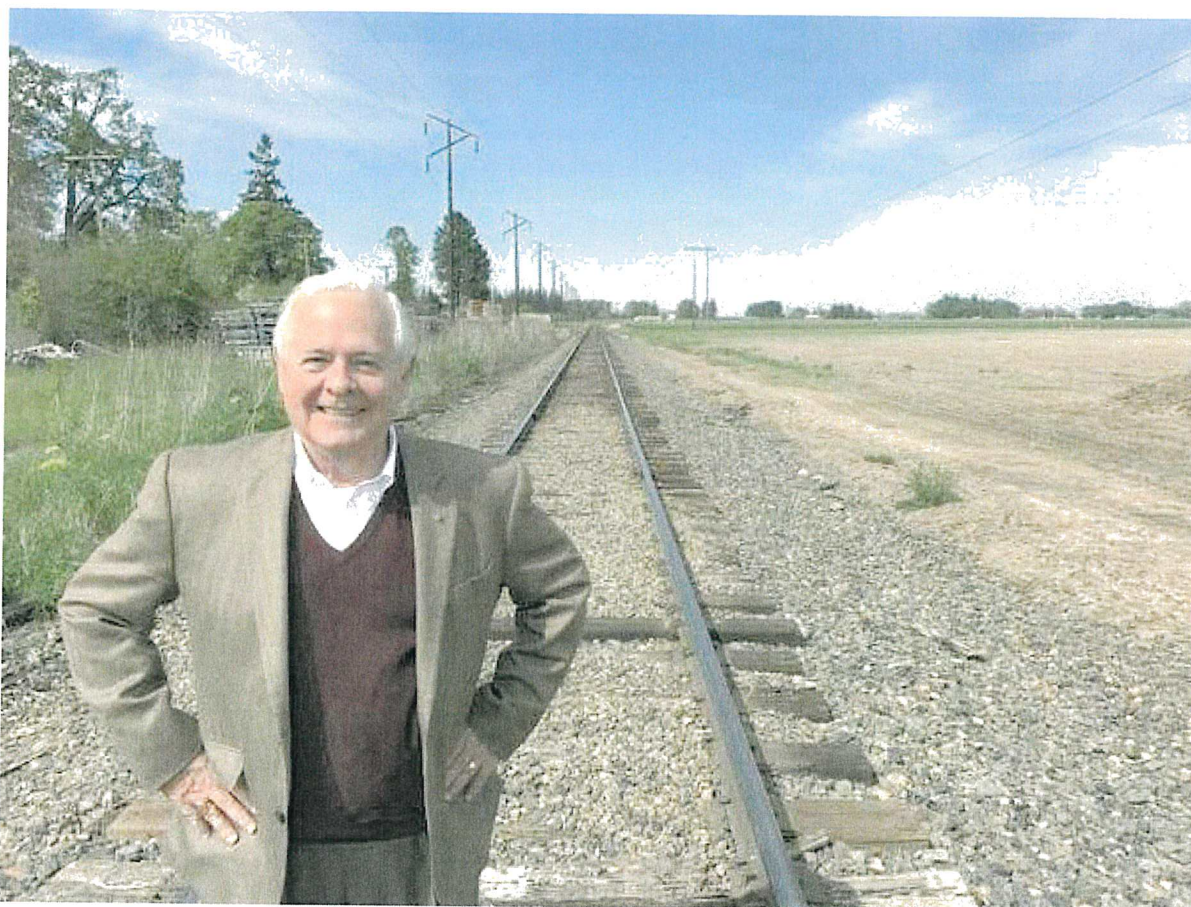
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Competing plans for a state-funded intermodal facility would help ag shippers avoid Portland traffic jams.

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Kevin Mannix, director of the Oregon Shipping Group, supports the development of an intermodal facility to switch containers from trucks to rail in Brooks, Ore. The facility is intended to allow agricultural goods and other exports to bypass traffic congestion in Portland.

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Roger Nyquist, chairman of the Linn County Board of Commissioners, supports the redevelopment of a defunct paper mill in Millersburg, Ore., into an intermodal facility to switch containers from trucks to rail.

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A worker operates straw-pressing equipment at a facility owned by the Boshart family in Salem, Ore. Straw is one of the agricultural exports that could benefit from an intermodal facility that switches containers from trucks to rail in the mid-Willamette Valley.

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A worker operates straw-pressing equipment at a facility owned by the Boshart family in Salem, Ore. Straw is one of the agricultural exports that could benefit from an intermodal facility that switches containers from trucks to rail in the mid-Willamette Valley.

A container truck loaded with straw pulls away from a pressing facility owned by the Boshart family in Salem, Ore. Straw is one of the agricultural exports that could benefit from an intermodal facility that switches containers from trucks to rail in the mid-Willamette Valley. The facility is intended to allow agricultural goods and other exports

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A worker loads a pallet of compressed straw into a container at a pressing facility owned by the Boshart family in Salem, Ore. Straw is one of the agricultural exports that could benefit from an intermodal facility that switches containers from trucks to rail in the mid-Willamette Valley. The facility is intended to allow agricultural goods and other exports to bypass traffic congestion in Portland.

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Though Oregon farmers try to avoid Portland's legendary gridlock, the city's traffic congestion still slows down the state's agricultural economy.

For the tens of thousands of trucks moving farm goods and other freight through the Portland area each day, it's getting tougher to avoid delays as traffic jams become even more prevalent.

"As the mid-day becomes more unreliable, freight is having more problems meeting delivery schedules, and the cost of shipping is increasing," according to the Oregon Department of Transportation, which added up how long all the vehicles in Portland were stuck in traffic each day. ODOT found the total had increased by more than 22 percent, to 34,600 hours a day, between 2013 and 2015.

Repair work on Interstate 5 through Portland this summer promises even more gridlock.

To help agricultural shippers in the Willamette Valley avoid Portland's traffic problems, Oregon lawmakers authorized spending \$25 million for a Mid-Willamette Intermodal Facility as part of a broader transportation package.

The facility would allow containers of agricultural freight to be loaded from trucks onto trains, which would transport straw, hay, seeds, grains, potatoes, wood products and other commodities that are commonly exported from the state. Those containers would then

bypass Portland's jammed freeways on the way to major shipping terminals in Seattle and Tacoma, where they could be loaded onto ships bound for Asian ports.

"It makes sense for me to pull that traffic away from downtown Portland and pull it south to the Willamette Valley," said Karla Chambers, co-owner of Stahlbush Island Farms, a grower and processor near Corvallis, Ore.

Roughly 25 to 30 percent of the company's products are shipped out of the country and the majority are consumed outside Oregon, so reducing its dependence on increasingly scarce truck drivers would be a boon, she said.

"Anything that makes us more competitive on the transportation piece is really valuable," Chambers said. "Whenever we have a strong dollar, we have to be as competitive as we can in every other area."

Two options

At this point, managers of ODOT's Connect Oregon transportation grant program have narrowed the applications for the intermodal facility to two locations south of Portland: one about 45 miles away in Brooks, proposed by the Oregon Shipping Group, and another that's 65 miles away in Millersburg, proposed by the Linn Economic Development Group.

Proponents have until Sept. 27 to submit applications laying out the benefits of the competing sites, such as their proximity to major highways and existing rail lines, among other factors.

"Long term, the region's got to have something like this," said Roger Nyquist, chairman of the Linn County Board of Commissioners, who favors turning a defunct papermill in Millersburg into an intermodal facility.

"It's a known quantity. They'd been doing it here and it worked," he said. "As a community, we're committed to repurposing this site."

While the applicants are focused on the relative advantage of their preferred locations, some question the idea of spending tax dollars on the project at all.

Critics speak up

Critics of the state-funded intermodal facility have both ideological and practical concerns.

The philosophical doubts are common regarding government endeavors: Assuming the economic advantages of the project are as obvious as supporters claim, then why haven't investors jumped at the opportunity?

“If this is worth doing, it’s worth doing with private money,” said John Charles, CEO of the Cascade Policy Institute, a free-market think tank. “If no private party wants to step in, that’s a pretty good sign there’s no social value to doing it.”

Within Portland, there are already two intermodal yards that switch containers from truck to rail owned by private companies — Northwest Container Services and Pacific Container Repair — while the Port of Portland opened a third earlier this year at its Terminal 6 container facility.

Resources are allocated most effectively by those with expertise in an industry, rather than politicians who pick “winners and losers” by distributing tax money, Charles said.

“You distort the market and create inefficiencies. It’s bad for the economy but it’s good for them politically,” he said. “Legislators are never going to understand it adequately. Only people who are in the market really understand it.”

A more specific problem identified by logistics experts relates to the relatively sparse population of the mid-Willamette Valley.

Container quandary

Farmers and timber companies in Oregon have a need for empty shipping containers, but the region doesn’t attract enough imports to bring in a sufficient number of them.

About 38,000 export containers are shipped annually from the Willamette Valley and Southern Oregon, which would be expected to benefit from the intermodal facility, while only about 9,000 containers of imports from overseas arrive in those areas each year, according to a study by the ECONorthwest consulting firm.

The imbalance means that agricultural exporters don’t have a readily available source of empty containers at their disposal and must pay to bring them to the area.

Opening an intermodal facility in the mid-Willamette Valley would require empty containers be moved from elsewhere, with the handling costs adding to the overall expense faced by shippers, according to critics. Due to the low profit margins of some farm goods, such as grass straw, using the intermodal facility wouldn’t pencil out financially for many, they say.

“Anything that adds a dollar per metric ton, that’s going to take them out of the game,” according to one transportation industry executive who did not want to be named.

The ocean carrier shipping lines that control containers will not reposition empty ones at no cost, which is why it’s tough to situate intermodal facilities in areas without a lot of paying inbound cargo, the executive said. “You want to follow the path of least resistance.”

Off-loading an empty container at the intermodal facility, reloading it onto a truck bound

for a straw-compressing facility or agricultural warehouse and then offloading it again at the site isn't cheap, the executive said. "It adds cost everywhere along the way."

Agricultural exporters already have to pay for empties to be brought to their property, with the truck returning full to the point of origin.

It wouldn't make sense, though, to pay for a round trip only to have the truck return empty after dropping off a container loaded with straw or other farm goods at the intermodal facility.

The only shot at making the mid-Willamette site a success would be finding a way to get loaded import containers delivered to the facility, the executive said. "If they can find that, it might work. Otherwise, they have to pay for empty repositioning into that area."

Importers needed

ECONorthwest, the consulting firm that completed a preliminary analysis of a mid-Willamette intermodal facility, has now been hired to perform a feasibility study specific to the Millersburg site.

Based on its initial assessment, roughly three-fourths of exporters would have to bear the cost of transporting a container both ways, while one-quarter would benefit from containers brought to the region by importers, said Sarah Reich, a policy analyst with the firm.

"Based on the current flow of goods, there is a mismatch," she said. "They're nowhere near the same and it's not a small difference."

However, there may be ways to attract new importers or otherwise increase the inflow of containers, which ECONorthwest is now evaluating, Reich said.

Stricter federal time limits on driving for truckers may also affect the economics to the advantage of the intermodal facility, since such interruptions would add costs and delay shipping, possibly causing loads to miss Asia-bound ships, she said.

Such considerations could push exporters to prefer rail, even with the imbalance of import and export containers, Reich said.

Kevin Mannix, director of the Oregon Shipping Group, said he has plans to attract containers with imported cargo to the Brooks site, though he can't reveal specifics before the proposal is submitted to ODOT.

"We hope to be the more creative problem-solver," he said.

Without going into detail, Mannix hinted there may be opportunities involving the surfeit of empty containers available at California's Port of Long Beach.

Currently, those containers are empty as they head back over the Pacific, so sending them

over full of agricultural goods would solve that problem, he said.

The intermodal facility could also serve as a stopover point for inbound containers carrying cargo that's bound for markets in the U.S. interior, he said.

Such freight must often be reconfigured into different containers specific to trucks, potentially freeing up containers compatible with rail, Mannix said.

"Those are the kinds of devilish details we will have to work out ahead of time," he said.

Upside for shippers

For Gary Weaver, owner of Weaver Seeds in Crabtree, Ore., the availability of truckers is a top-of-mind concern in getting his company's seeds to Japan and South Korea, where they're used for sprouts.

Traffic in Portland and Seattle can force drivers to stop for extended breaks required by regulation, slowing down the process of getting even a single load to those ports, he said.

If a driver simply had to get the seeds to the intermodal facility in Millersburg, he could deliver six or seven loads a day, preventing the containers from being sent across the Pacific Ocean on separate vessels, Weaver said.

"We could get it on one ship," he said. "This is a big break."

People are continuing to move to Portland and Seattle while those cities aren't building major new roads, so congestion is likely to keep growing as a problem, said Shelly Boshart Davis, vice president of international sales for her family's straw-pressing and trucking businesses, Bossco Trading and Boshart Trucking.

It's better for Oregon lawmakers to proactively look for a solution to the problem now, before the added costs of shipping delays become prohibitive, she said. "It might be too costly for my trucks to drive to Portland or through Portland."

The company currently uses intermodal facilities in Portland but trucks containers directly to Seattle for time-sensitive shipments. The mid-Willamette site would provide another option.

"The less we put all our eggs in one basket, the better off we are," Boshart Davis said.

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