



Iowa Institute for
Cooperatives

CO-OPVIEWS

News and information for the benefit of Iowa cooperatives.

June 2022 Vol. 53, No. 2

Railroads & Agriculture: Reasonable Service



*Contributed by Dr. Bobby Martens
Iowa Institute of Cooperatives
Endowed Professor of Economics*

Railroads have been a vital link for connecting American agriculture to the markets since the mid 1800s. Annually, railroads haul approximately 1.6 million carloads of grain and farm products (64% of which are corn and

soybeans), another 1.6 million carloads of food products, and a few hundred thousand carloads of fertilizer and agricultural inputs. In addition, about two-thirds of U.S. ethanol production moves by rail¹. American agriculture developed using railroads and depends on railroads today.

Despite its importance, rail service in Iowa and other Midwestern states has been a pain-point for agricultural shippers of inputs and outputs over the past 8+ months. Known costs to agriculture include 1) railroad hopper cars priced three to four times higher than in previous years; 2) longer than normal dwell times and car delays resulting in higher carrying costs and additional margin calls; 3) ethanol plant shutdowns;

4) increased competition for relatively much higher cost truck transportation; and 5) other opportunity costs.

The Federal Government has heard these service concerns. The independent federal agency charged with the economic regulation of various modes of surface transportation, the Surface Transportation Board (STB), held a Hearing on Urgent Issues in Freight Rail Service in late April. Among those testifying were Secretary of Transportation Pete Buttigieg, Deputy Secretary of Agriculture Jewel Brunaugh, and railroad CEOs. While the reasons for the poor service are complex, the hearings followed a fair and established process for shippers to voice concerns about rail service.

A bit of history will help establish the relationship between railroad service and agriculture. In the 1860s, the Grange Organization supported legislation that passed in Iowa, Minnesota, Wisconsin, and Illinois related to fees charged by railroads. The basis for “Granger Laws” was that railroads (monopolies) absorbed unfair profits from agriculture. Due in part to the Granger Laws, the Interstate Commerce Act of 1887 became the first major U.S. anti-trust law. Among other powers, the Interstate Commerce Act granted Congress power to economically regulate railroads. The complexities of the act are far too vast to discuss in this article, but transportation remained highly regulated until the Staggers Act of 1980.

By 1980, the need to deregulate transportation was obvious. Railroads were on hard times, at least partially due to excessive regulation. However, railroads continue to operate under a Common Carrier Obligation when there are no viable transportation alternatives (i.e., when shippers are “captive” to railroads). So, railroads must “honor a shipper’s reasonable request to transport under reasonable conditions at reasonable rates”².

Precedent and law suggest that railroads must continue to service agriculture in a “reasonable” manner. Reasonable is subjective, but the service complaints offered this spring were sufficient for the STB to call a hearing. What happens next will, once again, depend on Class 1 railroads’ ability to improve service - including right here in Iowa.

¹American Association of Railroads, 2022

²Mulvey and McBride, 2020



Live From The Hill

Rebecca Boyer, Director of Government Affairs

state budget was approved and last minute policy bills were debated before legislators headed home two weeks before the primary elections.

During the month of April, the Senate finally took up HF2128, the Biofuel Access Bill, that the House passed in February with a few new additions. The bill requires retailers with compatible infrastructure to sell E-15 on at least one pump by 2026. It also included that any new locations would need to sell E-15 on 50% of the pumps, if the location does not fit into one of the three exemptions. To address concerns for small business owners, an additional amendment adding the third waiver was added in the Senate and then approved by the House.

This additional waiver exempts retail locations that sold less than 300,000 gallons of gasoline a year, averaged over the last three years. Proponents of this amendment claim that this waiver will exempt about one third of the retail locations in the state from the E-15 on one pump requirement. The other two waivers include older underground tanks and locations that would have more than \$71,000 upgrade costs to be compliant with the requirement.

The bill passed with bi-partisan support and was signed by Governor Kim Reynolds on May 17.

Nearly a month after the target ending date, the 2022 General Assembly adjourned *sine die*, Latin for “no set date to reconvene,” after midnight on May 24. A comprehensive

This amendment also changed the Renewable Fuel Infrastructure Program (RFIP) grants into a tiered system.

Tier 1 grants are available for retailers with 10 or less locations and sell less than 140,000 gallons per location per year. This tier requires a cost share of 90% grant money and 10% retailer investment.

Tier 2 grants are available for retailers who have 10 or less locations and sell between 140,000 and 450,000 gallons per year. This tier requires a cost share of 75% grant and 25% retailer investment.

Tier 3 grants requires the current cost share of 70% grant, 30% retail investment and are available for retailers with more than 10 locations or sell more than 450,000 gallons per location per year.

Budget-wise, the Renewable Fuel Infrastructure Fund (RFIF) - which pays out the \$50,000 grants available to fuel retailers to upgrade equipment - was appropriated \$10 million from the Rebuilding Iowa Infrastructure Fund (RIIF) budget. This is a significant increase in funding from last year's \$5 million budget.

A few more important bills that saw movement in the last days of session included a reform on the state's bottle redemption process and some specific sales tax changes. Other issues, like the Education Savings Accounts, did not move, even though the Senate passed it earlier in session but stalled in the House.

One policy issue that got resolved late was the Pharmacy Benefits Manager (PBM) bill. An amendment was filed and passed that helps solve problems many industries had with the bill. The amended PBM bill passed the Senate and House unanimously and will go on to the Governor.

Overall, this session was good for cooperatives in Iowa. Not all the bills we lobbied for passed, but we were able to protect our members' interests on key policy issues.

Overall, this session was good for cooperatives in Iowa. Not all the bills we lobbied for passed, but we were able to protect our members' interests on key policy issues.



Taking Farmers to the Next Level

Farmers Co-op Association & Vision Ag LLC of Keota welcomes Djamel Kahli as the new General Manager

After 22 years of living in the grassy plains of South Dakota, a new challenge presented itself to Djamel Khali that he couldn't pass up. After several trips to southeast Iowa to visit a friend, Djamel became very familiar with the landscape and always thought it would be a great place to live. When he learned of the General Manager opening at Farmers Co-op Association (FCA) and Vision Ag LLC of Keota, Iowa, Djamel was excited to apply.

He officially joined the FCA team as General Manager back in October of 2021. Being hired in one of the most challenging years we have faced in the agricultural industry, Djamel has taken it all in stride.

"Every year farming has a unique set of challenges - this year is no different," says Djamel. "We have great people that are dedicated and willing to work through these challenges. They are all willing to go that extra mile to give our customers exceptional service."

Serving over 700 cooperative members in the southeast corner of the state; FCA supplies farmers with grain, feed, agronomy services, fuel and even their very own convenience store. Since becoming General Manager, Djamel's focus has been on using precision agriculture to enhance the production of area farmers. In addition, Djamel and his team have been busy revamping the grain department, which now offers a wider variety of grain options for growers.

Tackling complicated issues is where Djamel thrives. Earning his Robotics and Flexible Automation degree from Minnesota West Community and Technical College in Granite Falls,

Minnesota, led Djamel to work for a manufacturing company in Sioux Falls, South Dakota. After nine years in robotics and another stint with a hydraulics company, Djamel saw a need in the agriculture industry and launched his own precision agriculture business. He sold his shares in the company in 2013 before becoming Director of Agronomy at Agtegra Cooperative in Aberdeen, South Dakota.

Since relocating to Iowa last year, the community of Keota has not disappointed. Even though Djamel and wife Kristen's children were of a tender age to move, sons, Gavin (14)

and Jaxon (12), and daughter Thaisia (10), are thriving in their new school and community. "The community has been outstanding and so welcoming," says Djamel.

"Even with today's challenges, I'm excited about working with the Keota and surrounding communities," shares Djamel. "My approach as General Manager is to ask how something is going to impact our members, and then question what the impact is to the co-op. The answer is in finding what is efficient and effective for both. My mantra has always been, 'We can do more together than individually.'"



DJAMEL KAHLI
General Manager
Farmers Co-op Association
& Vision Ag LLC of Keota

We can
do more
TOGETHER
than INDIVIDUALLY.

2022 Co-op Intern Day

There's no better way to spend a day of your summer internship than to attend the Iowa Institute for Cooperatives' Co-op Intern Day. At least, that's how 80 interns from 17 different Iowa cooperatives saw it.

On May 24, 2022, co-op interns were hosted at the FFA Enrichment Center in Ankeny for sessions such as

"Cooperative 101" with Dr. Bobby Martens of Iowa State University; "Evaluate a Job Offer" with Adam Terrill of United Benefits Group; and "Tips to Get in the Door", an HR panel comprised of Karen Luinstra from Hull Cooperative, Monte Hamilton from United Farmers Cooperative, Matt Bendler from Ag Processing, Inc., and moderator Rick Kievits from IIC.



Iowa Institute for Cooperatives

2515 University Blvd., Suite 104
Ames, Iowa 50010

IIC Staff

Dave Holm, Executive Director

Nancy Cyr, Office Manager

Rebecca Boyer, Director of Government Affairs

Rick Kievits, Director of Development

Mike St. Clair, Lobbyist

Contact Info

P: 515-292-2667

F: 515-292-1672

E: info@iowainstitute.coop

W: www.iowainstitute.coop



Events

Making plans for your summer months? Be sure to get these upcoming events on your calendars. You won't want to miss out!

June 30 | Summer Workshop

9:00 a.m. - 4:00 p.m.

*The Courtyard by Marriott 2405 SE
Creekview Drive, Ankeny, IA 50021*

Please join us for this workshop as we cover the following topics and hear from area speakers:

- **Ukraine/Russia Conflict - What's the end game?**
Dr. Eduardo Magalhães and Jake Moline
- **Protecting Our Mental Health**
Lyndsey Fennelly
- **Recap of 2022 Legislative Session**
Rebecca Boyer
- **Fixing Our Broken Supply Chain**
Dr. Bobby Martens
- **Lessons Learned From The Derecho**
Rick Kievits, Tom Hauschel,
Boyd Brodie and Bill McKim

*Registration and payment due by
Monday, June 27.*

July 12 | Human Resources Workshop

9:00 a.m. - 4:00 p.m.

*ISU Gateway Hotel and Conference Center,
2100 Green Hills Drive, Ames, IA 50014*

Looking for a chance to connect with other HR professionals? Attend this workshop for a chance to dive deeper into a variety of topics and current issues impacting HR departments across Iowa, and connect with surrounding area HR professionals.

*Registration and payment due by
Friday, July 8.*

July 13 | 2022 Board Officer Workshop

9:00 a.m. - 4:00 p.m.

*ISU Gateway Hotel and Conference Center,
2100 Green Hills Drive, Ames, IA 50014*

Do you currently serve as an officer within your cooperatives boardroom, or aspire to in the future? This workshop will discuss officer duties, how to identify and recognize board room skillsets, and even how to jumpstart a young member program within your cooperative.

*Registration and payment due by
Friday, July 8.*

Looking to attend any of these events? Head on over to our website iowainstitute.coop and register for these events under the "Events" tab. For more information, please contact our main office at (515) 292-2667.