

Container terminal operators warn of port shutdown

By MATEUSZ PERKOWSKI
Capital Press

Container terminal operators claim West Coast ports are on the brink of shutting down but have stopped short of threatening to lock out the longshoremen's union.

"At some point this will collapse of its own weight," said Jim McKenna, CEO of the Pacific Maritime Association, which represents terminal operators. "This can't keep going forever."

McKenna claimed cargo congestion caused by the longshoremen is reaching a level where PMA's "hands will be tied" and it can no longer pay them while ports are gridlocked. However, he did not say his

organization is planning an imminent lockout.

"The system can only take so much. We're getting to a point anything is possible," he said.

The PMA is also going "all in" with its most recent labor contract offer to the International Longshore and Warehouse Union, which has been working without an agreement since July, McKenna said.

"The PMA has concluded the latest offer is as far as we can go at this point," McKenna said.

He would not go so far as to claim the negotiations are at an impasse, which would allow the employers to unilaterally implement its final contract offer on the union.

Capital Press was unable to reach ILWU for a response as

of press time.

The PMA's warnings are "partly posturing and partly substantive," said Michael LeRoy, a labor law professor at the University of Illinois who was involved in a past dispute between ILWU and PMA.

While McKenna did not draw a line in the sand, his statements may be an indication that container terminal operators want Congress to put more pressure on ILWU or that the Obama administration should plan to intervene in a looming lockout.

"I think it's more than just posturing. I think they're inviting the government to get involved in this dispute," LeRoy said. "I prefer to call it signaling they've reached a higher level of concern and frustration."

If the PMA were to commit to unilaterally implementing a contract, that would amount to provoking the union to take action or comply with its demands, said Jim Tessier, a labor relations consultant and former PMA employee.

"That's the invitation to a strike, but you're not the one doing the actual damage," he said.

Any result that would further disrupt shipping through West Coast ports is of great concern to agricultural exporters, who have contended with port congestion for months.

If a contract were implemented, the ILWU could reject it and go on strike or continue working under the imposed terms, said Henry Drummonds, a labor law professor

at Lewis & Clark Law School.

Even if longshoremen didn't strike, the container terminals could still lock them out due to allegations of misconduct, he said.

In 2013, for example, two Northwest grain handlers locked out longshoremen after claiming sabotage and work slowdowns.

"There are various rationales for a lockout," said Drummonds.

Unlike the standoff between ILWU and the grain handlers, however, the container terminals would not have the option of keeping their facilities operating in the event of a lockout, said Tessier.

Grain facilities require relatively few workers who were replaced by managers during the lockout.

West Coast container terminals employ more than 13,000 longshoremen — an impossible number of people to replace quickly, Tessier said.

"If they lock these guys out, nothing will happen," he said.

While recent port congestion has been disruptive, a shutdown would cost the U.S. economy \$700 million to \$2 billion a day, depending on its duration, according to PMA.

The association's contract offer comes shortly after it appeared the parties were making progress in their negotiations.

PMA said it had struck a tentative deal with ILWU over the management of truck chassis, which are wheeled platforms used to move cargo containers.

'I'm limping along for customers who need the feed'

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He said he's not sure how much longer he can last before he'll have to lay off his 49 employees and start shutting down.

The truck turn-arounds are costing him \$1,800 a day. He's been shipping 25 containers a week, and sometimes as few as 10. Before the labor trouble, the number was 51 to 55.

Boshart normally bales 55,000 tons of rye grass straw a year to be exported for dairy and beef cattle feed. Annual sales run \$11 million to \$13 million, about 10 percent of the Willamette Valley's straw export business.

"I'm limping along for customers who need the feed, but at some point I won't be able to," he said. "I'm almost there but I have way too many people counting on me on both sides of the ocean."

The big picture

Boshart is just one of many farmers and shippers hurt by the slowdown, which has created a bottleneck at container ports along the West Coast. Chilled beef and pork, poultry, apples, frozen and dehydrated potato products, frozen vegetables, hay, forest products, Christmas trees, nuts and rice all have suffered combined sales losses in the hundreds of millions of dollars. The U.S. beef and pork industry just obtained access to South Korea's market only to lose it because of the slowdown.

Wheat has been largely unaffected because it is exported in bulk.

But even after a new contract is signed, the fallout will continue to hurt the region's agricultural exporters and the farmers who depend on them.

It will take months to clear congestion at ports and restore shipments to normal, and there will be the long-term loss of overseas customers, said Peter Friedmann, executive director of the Agriculture Transportation Coalition.

It's happened before, he said. Almond and hazelnut exports to Japanese candy makers after the 2002 longshoremen strike never fully recovered, he said.

"It will take months to unwind this, not just in clearing up port congestion but many importers already are shifting to the East Coast and saying they're not coming back," he said.

"People who grow apples and hay here in the Northwest

Top West Coast ports for containerized ag exports, 2011

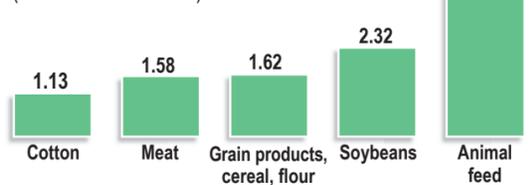
These ports handled the bulk of U.S. containerized agricultural exports in 2011, totaling nearly 1.8 million containers, according to the USDA Agricultural Marketing Service.

Port	Millions of U.S. tons	TEUs*	Percent of U.S. total
Los Angeles, Calif.	8.43	629,103	23%
Long Beach, Calif.	4.92	356,558	13
Oakland, Calif.	4.65	369,127	13
Seattle, Wash.	3.74	273,765	10
Tacoma, Wash.	2.35	170,758	6
Total	24.1	1,799,311	65

*Twenty-foot equivalent unit

Top containerized ag exports through West Coast ports, 2011

(Millions of U.S. tons)



Source: USDA AMS

Alan Kenaga/Capital Press

will have more difficulty getting containers because they will be landing on the East Coast. So I think the ILWU may win in the short term, but one has to wonder about the permanent damage to the cargo volumes and work available to longshoremen on the West Coast in the long term. I don't know if ILWU thought this through," Friedmann said.

"That shows how completely ignorant he is. This whole thing is not about short-term wins but trying to preserve our jobs in the future," responded Dean McGrath, president of ILWU Local 23 in Tacoma.

Longshoremen are not only concerned that importers are shifting to the East Coast but that foreign-owned companies operating the ports are trying to do away with the longshoremen's jobs altogether, McGrath said.

Impact on 2015 crops

There's also uncertainty about 2015 crop production levels in potatoes, vegetables, hay and other crops as growers and processors make planting decisions now.

Many growers of potatoes, sweet corn, green peas, carrots and lima beans are on contracts with processors that have already been set or soon will be, said Larry Schaapman, who

grows potatoes and vegetables near Quincy, Wash.

Contracted growers should be OK but growers playing the open market without contracts could end up with nowhere to sell their produce, he said.

Growers are concerned and "those who aren't should be," he said.

Gary Ash, manager of National Frozen Foods, Moses Lake, Wash., said the company produces 400 million pounds of frozen vegetables annually from its three Washington plants. Fifteen percent, or about \$65 million worth, is exported. So far, he said, they've experienced delays but no substantial losses.

"Our biggest concern and fear is loss of future business. As soon as you can't deliver, people go elsewhere," he said.

National is about to sign grower contracts for 2015 and fully intends to move forward, anticipating the port issue will be settled, Ash said.

But a far greater volume of frozen potato products, mainly french fries, are exported from Washington than frozen vegetables, he said.

Potato growers have purchased seed, are fumigating fields and will plant in March, said Matt Harris, assistant executive director of the Washington State Potato Commission



Dan Wheat/Capital Press

Larry Schaapman looks at his potatoes being loaded from his shed near Quincy, Wash., on Jan. 29, for processing at a McCain Foods plant in Othello. Schaapman says growers without contracts may have a hard time selling their crops next summer because of a backlog produced by the port slowdowns.

in Moses Lake. It costs about \$500,000 to grow 130 acres of potatoes, he said.

Harvest will start July 1 and could run into carryover from the 2014 crop, he said. Old crop could go for livestock feed or be dumped at growers' expense, he said. Or processors could decline the 2015 crop, he said, leaving it as the growers' loss.

"It puts our family farms in jeopardy," Harris said.

Washington lost \$23.5 million in frozen french fry exports in November and probably as much or more each month since, he said. For apples and potatoes, November, December and January are peak export months to Asia in advance of the Chinese New Year, which falls on Feb. 19. But the export build-up for the holiday has been lost.

"The potato pipeline is backed up and full. Not a lot of product is getting out so raw product, potatoes that should be processed, are still sitting in storage," Harris said.

European potatoes are taking the place of Washington and Idaho potatoes in Asia, he said.

J.R. Simplot Co. operates french fry plants in Moses Lake and Othello. When the ILWU slowdowns disrupted the company's shipments, it switched to alternate shipping routes through the ports of Houston, Texas; Savannah, Ga.; Jacksonville, Fla.; and New York, said Ken Dey, a Simplot spokesman in Boise.

"This is adding costs to suppliers and customers and creating supply issues in Japan, Korea and even Hawaii," Dey said.

Hay and apples

The port slowdown has been discussed at the annual

meetings of many commodity groups in last two months.

The U.S. Forage Export Council estimated losses in November alone at \$25.6 million for West Coast hay producers. Sales have been down 50 percent per month since then, exporters said. They said a big carryover of unsold 2014 inventory will impact the 2015 crop, perhaps in price and volume.

"The Japan agricultural ministry told us they can't get forage for their cattle and horses so they're going to New Zealand, Argentina and Australia," Friedmann said. "They're finding alternative sources and to us that's the great shame of this whole thing. It's forcing our best customers to find someone else."

The Washington apple industry has estimated losses of exports at tens of millions of dollars weekly since Nov. 1. Several packers laid off 100 to 200 people or reduced hours in late November.

The port slowdown has been an added blow as the industry markets a record large crop that has depressed prices.

The industry just gained access for all apple varieties to China, which is expected to become a major market in coming years. But the slowdown could cause growers to rethink their plans.

Settlement soon?

Representatives of the impacted industries say they feel as though no one knows, no one is listening, no one cares. They are frustrated government officials aren't doing more to pressure the ILWU and Pacific Maritime Association to reach a contract agreement.

Three Eastern Washington state legislators sent a letter to

President Barack Obama on Jan. 28 asking him to get involved in the issue. They said the state is trade dependent, exporting \$15.1 billion worth of food and agricultural products annually.

Obama can't order longshoremen to resume normal work unless they go on strike or there's a lockout, exporters said. Obama could pressure the ILWU and the PMA, "but he's not doing anything as far as we know," said Shelly Boshart Davis of Bossco Trading.

An apparent agreement on chassis maintenance, just one of several issues, has been reached and for weeks there have been rumors of a total settlement, Friedmann said. Local unions have to approve any agreement and it's still just paper until it is carried out, he said.

McGrath, president of ILWU Local 23 in Tacoma, blamed the PMA, which represents port operators, for shutting down night shifts to try to get rid of longshoremen.

PMA is trying to "demonize and intimidate" workers to "capitulate" more than it's trying to solve problems, he said.

Longshoremen aren't as motivated to work when they've been "jerked around for months and work in an increasingly congested and unsafe work environment," McGrath said.

"It doesn't add up for them to say it's all us," he said. "Believe it or not, we want them to make money and succeed."

Steve Getzug, a PMA spokesman, said the organization's goal is to negotiate "a fair and reasonable contract" to make West Coast ports competitive and build jobs. He denied PMA is trying to get rid of longshoremen but said employers took protective steps in the face of union slowdowns that began Oct. 31 and continue.

Terminal operator ICTSI shut down night shifts because not enough work was getting done, Boshart Davis said.

"PMA says the day shift wasn't working hard enough so the night guys would get overtime," she said. "ILWU denies that. The truth is somewhere in there."

McGrath said he wants farmers to know PMA is to blame for cutting hours.

"A lot of my members go to Eastern Washington a lot and they've been almost attacked over there. I understand their (farmers') feelings, but they don't know the whole story," McGrath said. "I want them to know."

'So far, it has just been a fickle event, very hard to forecast'

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Douglas said the possibility of an El Niño rebuilding this summer would be a "red flag" for the PNW, opening the possibility of a warm, dry fall, delaying planting.

"So far, it has just been a

fickle event, very hard to forecast," he said.

As the El Niño continues through the upcoming year, the Pacific Northwest could have another dry winter, Douglas said.

"I've lived under his forecasts and he's led me for 20 years," wheat farmer William

Guhlke, of Davenport, Wash., said of Douglas.

Guhlke was glad to hear Douglas predict moisture in April, which didn't occur last year. He was also pleased to hear from Douglas that a northern blast of arctic air is more likely to occur on the East

Coast than at home, easing his fears about winterkill.

"We really haven't broken dormancy, but the wheat has been knocked around enough that any more of that kind of situation would really damage the wheat," Guhlke said.

Reardan, Wash., farmer Jim

Nollmeyer hoped for more moisture earlier in the year than Douglas forecast. He's concerned about increased possibility of rust with warmer weather and early summer moisture.

He expects lower yields with continued dryness since early summer 2014.

"We're starting out with a few strikes against us as far as soil moisture," Nollmeyer said. "That's the bright spot of his talk — maybe we're going to get back into a little wetter pattern come April. Mid- to late-summer moisture will still help our yields, but might complicate harvest."

Environmental groups argue that CAFOs must be subject to stricter rules

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governing administrative procedures and have asked a federal judge to force the agency to make a decision on Clean Air Act regulation of livestock facilities.

Environmental groups argue that CAFOs must be subject to stricter rules than traditional livestock farms because large numbers of animals are

concentrated in relatively small areas.

The negative impacts on air quality are intensified because CAFOs are often "clustered" in close proximity to each other in some regions, the complaint said.

"Concentrating and feeding large populations of animals in one location generates enormous quantities of biological waste products, including feces

and urine, as well as a variety of dangerous air pollutants, including ammonia, hydrogen sulfide, methane, nitrous oxide, volatile organic compounds and particulate matter — emissions of which contribute to climate change, threaten public health and safety, and harm the environment," the plaintiffs claim.

CAFOs are already regulated under the Clean Water Act and must obtain permits intend-

ed to prevent discharges.

The EPA acknowledged it does not directly regulate air emissions from CAFOs but said that a "National Air Emissions Monitoring Study" developed with the cooperation of livestock groups "is a first step in improving emissions estimates from this sector."

The National Milk Producers Federation believes it's too early for EPA to make any de-

terminations on regulating CAFOs under the Clean Air Act because it's still interpreting data collected at dairy, pork and egg farms, said Chris Galen, senior vice president of communications for the group.

The agency cannot simply assume that every large farm will have similar emissions, as they vary by locale and housing type, Galen said.

While the EPA finished gath-

ering data about CAFO emissions in 2011, it's still interpreting those results, he said.

"Any action without good data about ammonia emissions would be fruitless," he said. "How would you regulate if you don't know what's coming from the farm?"

Galen said he did not want to speculate about whether CAFOs will ultimately fall under EPA's Clean Air Act jurisdiction.