

TRANSPORTATION IMPACTS OF INCREASED ETHANOL PRODUCTION:
A KANSAS CASE STUDY

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INTRODUCTION

The rapid expansion of the U.S. biofuel industry has driven the Kansas agricultural transportation market into a new era. Nationally, fuel alcohol production rose from 1,630 million gallons in 2000 to 9,239 million in 2008, a 467% increase. The number of ethanol production plants increased from 54 in January 2000 to 170 in January 2009, a 215% increase.

Many factors have contributed to the growth of the U.S. ethanol industry. Energy security and energy independence from unstable foreign countries has increased U.S. ethanol output. Global warming caused in part by combustion of fossil fuels has encouraged consumption of ethanol. Rural economic development related to corn and ethanol production has contributed to biofuel expansion. Federal energy policies have also played a role. The Energy Policy Act of 2005 includes the Renewable Fuel Standard Program (RFS) which mandates the minimum amount of renewable fuels to be blended into gasoline. The RFS doubles the use of ethanol by 2012. The Energy Independence and Security Act of 2007 further expands the RFS by requiring that 36 billion gallons of renewable fuels be blended into gasoline and diesel by 2022. The record high prices of oil in the first half of 2008 contributed to ethanol production growth. However, the substantial decline in oil prices which began in the Fall of 2008 has contributed to a slowdown in ethanol demand.

These national trends have occurred in Kansas as well. At the end of 2009, there were 10 operational ethanol plants in Kansas with a combined annual capacity of 438 million gallons. Of the 438 million gallons of capacity, 81% became operational between 2004 and 2008.

The growth of ethanol production in Kansas has affected the Kansas corn and sorghum markets in unknown ways with resulting implications for Kansas agricultural transportation.

Traditionally, Kansas corn was delivered by motor carrier at harvest to the nearest country grain elevators. Prior to the expansion of ethanol production in Kansas, the primary destination corn markets of Kansas country elevators were Kansas, Oklahoma, and Texas livestock feedlots with motor carriers accounting for all of these shipments. In Kansas, most of these corn shipments went to the western one-third of the state which accounts for 77% of the feedlots in Kansas. Some corn was shipped from country elevators by truck to alcohol plants in Kansas and Nebraska. About 15-20% of the Kansas corn was shipped from country elevators by truck to large terminal elevators in Hutchinson, Wichita, Salina, Topeka, and Kansas City, Kansas and then subsequently shipped by railroad to Texas Gulf of Mexico ports for export or to livestock feed locations in other states.

While a large number of studies have been written on the economics of ethanol, very few studies have examined the impacts of increased ethanol production on regional agricultural transportation markets. The main objective and motivation of this paper is to contribute to this small but growing literature and in the process to indicate a useful methodology that can be used by researchers in other states. The specific objectives of the paper are:

- A. Investigate the transportation impact of Kansas ethanol production from the point of view of the Kansas ethanol production industry, the grain elevator industry, and the railroads serving Kansas.
- B. Investigate the impact of incremental truck traffic on state and county road conditions in the vicinity of Kansas ethanol plants.

U.S. AND KANSAS ETHANOL PRODUCTION AND CONSUMPTION

As of the end of 2009, there were 10 ethanol plants operating in Kansas (Table 1). Most of the plants are located in the western half of Kansas with East Kansas Agri-Energy being the lone exception. The plants vary widely in production capacity with Arkalon Energy, LLC the largest (110 million gallons per year) and NESIKA Energy, LLC the smallest (10 million gallons annually). The total production capacity of the Kansas ethanol plants is 438 million gallons per year and they collectively use 156.2 million bushels of grain annually. Four of the plants are served by the Union Pacific Railroad and one by the BNSF Railway. The Kansas and Oklahoma Railroad serves two plants and the Kyle Railroad, one. Two plants are not located on a railroad, but one of those will be served by the Kyle Railroad by the end of 2010.

The U.S. demand for ethanol is concentrated in high population density states where most of the people and vehicles are located. Table 2 contains the top dozen ethanol consumption states which account for 65.3% of the total U.S. ethanol consumption. The top two states are California (14.49%) and Texas (9.46%) which together consume 24% of the U.S. total. Illinois accounts for 6% and a group of Midwestern states (Ohio, Michigan, and Minnesota) collectively account for 12% of total consumption. Five eastern states (New Jersey, New York, Massachusetts, Virginia, and Maryland) together account for 20.5% of total U.S. ethanol consumption.

Most of the U.S. ethanol production is concentrated in less than 10 Midwestern states (Tables 3 and 4). Table 3 displays the annual production capacity of the top 8 states which collectively account for 81.8% of the total U.S. ethanol production capacity. Iowa is the leading ethanol production capacity state accounting for 27.7% of the national total. Illinois has 11.9%

TABLE 1
KANSAS ETHANOL PLANTS
(PRODUCTION CAPACITY IN MILLIONS OF GALLONS PER YEAR)

| Production Plant | Location | Production Capacity | Starting Date | Bushels of Grain Used | Originating Railroad |
|-------------------------------|----------------------|---------------------|---------------|-----------------------|------------------------------|
| Abenoga Bioenergy Corp | Colwich | 25 | 1982 | 8.9 million | Kansas & Oklahoma |
| Arkalon Energy, LLC | Hayne (near Liberal) | 110 | 2007 | 39 million | Union Pacific |
| Bonanza Energy, LLC | Garden City | 55 | 2007 | 19.6 million | Burlington Northern Santa Fe |
| East Kansas Agri-Energy | Garnett | 40 | 2005 | 12.5 million | Union Pacific |
| Kansas Ethanol, LLC | Lyons | 55 | 2008 | 19.6 million | Kansas & Oklahoma |
| Prairie Horizon Agri-Energy | Phillipsburg | 40 | 2006 | 14.3 million | Kyle Railroad |
| Reeve Agri Energy | Garden City | 13 | 1982 | 5.4 million | None |
| Western Plains Energy | Campus (near Oakley) | 45 | 2004 | 16.1 million | Union Pacific |
| White Energy | Russell | 45 | 2001 | 17.2 million | Union Pacific |
| NESIKA Energy, LLC | Scandia | 10 | 2008 | 3.6 million | None |
| Total Capacity and Grain Used | | 438 | | 156.2 million | |

Source: (Location, Production Capacity, and Bushels of Grain Used) *Kansas Ethanol Production*, Kansas Corn Commission, Kansas Corn Growers Association, and Kansas Grain Sorghum Producers Association (<http://www.ksgains.com/ethanol>, accessed February 2009).

| TABLE 2 | | | |
|---|---------------|----------------------|-----------------------------------|
| Top Dozen Ethanol Consumption States, 2007 | | | |
| Rank | State | Thousands of Gallons | Percent of Total U.S. Consumption |
| 1 | California | 978,516 | 14.49 |
| 2 | Texas | 638,526 | 9.46 |
| 3 | Illinois | 405,258 | 6.00 |
| 4 | New Jersey | 387,114 | 5.73 |
| 5 | New York | 341,244 | 4.65 |
| 6 | Ohio | 305,382 | 4.52 |
| 7 | Michigan | 270,564 | 4.01 |
| 8 | Massachusetts | 253,218 | 3.75 |
| 9 | Minnesota | 236,418 | 3.50 |
| 10 | Virginia | 224,700 | 3.33 |
| 11 | Maryland | 204,498 | 3.03 |
| 12 | Arizona | 192,564 | 2.86 |
| <p>Source: U.S. Department of Energy, Energy Information Administration, State Energy Data System, <i>State Energy Consumption Estimates, 1960-2007</i>, Table 11 (www.eia.doe.gov/emeu/states/_seds.html).</p> | | | |

| TABLE 3 | | |
|---|----------|-----------------------------|
| Annual Production Capacity, March 2009 | | |
| State | Capacity | Percent of U.S. Total |
| Iowa | 2,866 | 27.67% |
| Illinois | 1,233 | 11.90% |
| Nebraska | 1,001 | 9.66% |
| South Dakota | 906 | 8.75% |
| Minnesota | 837.6 | 8.09% |
| Indiana | 697 | 6.72% |
| Wisconsin | 498 | 4.81% |
| Kansas | 438 | 4.23% |
| Total Top 8 States | 84,766.6 | 81.83% |
| U.S. Total Capacity | 10,358.0 | |
| <p>Source: Renewable Fuels Association. <i>BiorefineryLocations</i> (http://www.ethanolrfa.org) Accessed November 27, 2009.</p> | | |

| TABLE 4 | | |
|--|----------------------------|-----------------------|
| Major Ethanol Production States, 2009 | | |
| State | Number of Operating Plants | Percent of U.S. Total |
| Iowa | 41 | 21.5% |
| Nebraska | 25 | 13.1% |
| Minnesota | 22 | 11.5% |
| South Dakota | 15 | 7.9% |
| Illinois | 14 | 7.3% |
| Indiana | 12 | 6.3% |
| Kansas | 10 | 5.2% |
| Wisconsin | 9 | 4.7% |
| Ohio | 7 | 3.7% |
| Total | 155 | |
| Grand Total | 191 | |
| % Top 9 States | 81.2% | |
| <p>Source: Renewable Fuels Association. <i>BiorefineryLocations</i> (http://www.ethanolrfa.org) Accessed November 27, 2009.</p> | | |

of the U.S. total, so these two states together account for more than one-third of national capacity.

Table 4 contains the number of operating ethanol plants in the top nine states which collectively account for 81.2% of the U.S. total. Iowa is the leading state with 21.5% of the U.S. plants. Other leading ethanol producing states are Nebraska (13.1%), Minnesota (11.5%), South Dakota (7.9%), and Illinois (7.3%).

LITERATURE REVIEW

To date relatively few studies have investigated the transportation implications of increased ethanol production. One of these studies (Yu and Hart 2008) analyzed transportation flow patterns of crops and biofuels in Iowa. The authors accomplish this goal by surveying grain marketers, grain handlers, corn/ethanol processors, and biodiesel producers concerning their grain, biofuels, and biofuels co-product transport flows in the 2006-2007 marketing year. They found that corn shipments to livestock feeding locations has declined due to increased ethanol production, although livestock feeding is still the primary end user of Iowa corn. According to their surveys the biggest transportation infrastructure problems were unimproved gravel roads, while the biggest marketing problem was transportation costs.

Denicoff (2007) examines the changes in corn-based ethanol transportation requirements and grain transportation caused by growth in the ethanol industry. This was accomplished by analyzing surveys conducted by USDA personnel. Denicoff found that corn is being used less as livestock feed or export and more for ethanol production. The author found that in 2005, 60% of the ethanol was shipped by rail, 30% by trucks, and 10% by barge. She said that railroads were affected by increased ethanol production through a decrease in grain shipments and an increase in ethanol tonnage. Barge shipments decreased due to a decrease in corn exports.

Wu and Markham (2008) suggest strategies to ensure ethanol growth in Minnesota is not limited by logistical problems. The authors accomplish this by evaluating Minnesota Department of Agriculture surveys of ethanol plant managers. Some of the issues that concerned ethanol plant managers included the following:

- (a) railroad turnaround time
- (b) poor condition of rail track
- (c) lack of funds to improve rail track
- (d) costly and unreliable transportation
- (e) transportation capacity for transporting ethanol and DDG
- (f) railroad reluctance to accept public funding

Wu and Markham's strategy for addressing these issues consist of an educational program to acquaint stakeholders with potential logistics problems and the negative consequences if nothing is done about them. They also identify public-private partnerships as the key to adequate investment in railroad infrastructure. The authors note policy support can aid railroads serving Minnesota in finding investment funds.

Khachatryan et al (2009) explore the economic feasibility of cellulosic ethanol production in Washington State by presenting the availability, transportation, and collection costs of crop residue. The authors use farm gate costs, transportation costs, physical availability of feedstock, and geographical distribution of feedstock to obtain crop residue supply curves. From analyzing these curves the authors conclude that transportation costs have a considerable influence on the delivered cost of feedstock. However, the magnitude of this influence depends on the capacities of the processing plants and the haul distance to them. The authors perform a sensitivity analysis

and find that small capacity processing plants relative to plants with large capacity, have delivered feedstock costs that are less sensitive to higher diesel fuel prices.

Thompson and Meyer (2009) simulate consumer demand for ethanol together with ethanol transportation costs with respect to benchmark oil and ethanol prices. The authors find a nonlinear relationship between benchmark prices and ethanol transportation costs. The relationship depends on how widely ethanol is used within a state and how close ethanol prices are to the price of corresponding types of energy. For states with widespread use of ethanol, the authors found that the amount of ethanol shipped to that state is insensitive to fuel prices, but an increase in transportation prices will increase transportation expenditures. In contrast, Thompson and Meyer (2009) found that states where ethanol is less widely used as a fuel additive have a more price sensitive (elastic) demand for ethanol. The sensitivity increases if fuels with different levels of additives are priced the same in local markets. The authors note that the difference in energy values between ethanol and the fuel it is replacing will cause an increase in each state's transportation costs since a larger volume of gasoline with an ethanol additive will be required to generate the same energy output as gasoline with a MTBE additive.

METHODOLOGY AND DATA

Objective A was accomplished through personal interviews with managers of Kansas ethanol production plants, managers of Kansas grain companies, and personnel of the railroads serving Kansas ethanol plants. In addition to the interviews, managers of ethanol plants were asked to complete a detailed questionnaire containing the following sections:

- A. Production and Capacity
- B. Inbound Transportation
- C. Outbound Transportation

D. Carrier Choice Decision Factors

E. Kansas Transportation Infrastructure Quality

F. The Future

The Kansas grain elevator industry supplies the corn and sorghum to the ethanol production plants. The author (and research assistants) interviewed 21 managers of Kansas grain companies that collectively account for 227 elevators and 200 million bushels of storage capacity. The managers also completed a questionnaire with the following sections:

A. Grain Receipts

B. Outbound Transportation

C. Carrier Choice Selection Factors

D. Summary (how have your markets for corn and sorghum changed as a result of increased ethanol production in Kansas?)

Personnel of the railroads serving Kansas ethanol plants were interviewed by members of the research team. These railroads included the Union Pacific and Burlington Northern Santa Fe, and two shortline railroads – the Kansas and Oklahoma and Kyle Railroad. Representatives of the four railroads completed a questionnaire covering the following topics.

A. General Questions

B. Corn Shipments to Kansas Ethanol Plants

C. Outbound Ethanol Shipments from Kansas

D. Outbound DDG (dry distillers grain) Shipments from Kansas Ethanol Plants

E. Summary (expected ethanol car loadings in the next five years)

Objective B was accomplished by interviewing the County Engineer or County Road Supervisor of counties that have ethanol plants. The county representatives also completed a questionnaire containing the following areas.

- A. Current Condition of the County Roads
- B. Revenue and Expenses
- C. Impact of Ethanol Plant on County Roads

Secondary data sources include *Kansas Ethanol Production* (<http://www.ksgrains.com/ethanol>), the source for location, production capacity, and bushels of grain used of Kansas ethanol plants. State consumption of ethanol was obtained from Energy Information System, State Energy Data System (www.eia.doe.gov/emeu/states). State production capacity and number of ethanol plants was from Renewable Fuels Association (<http://www.ethanolrfa.org>).

TRANSPORTATION OF KANSAS ETHANOL PLANTS

The growth of ethanol production in Kansas has provided an additional market for Kansas corn and sorghum, and the transportation impacts of this new market are the subject of this section of the paper

Inbound Transportation

The Kansas ethanol plants processed 156.2 million bushels of corn and sorghum in 2008, which was 22.3% of the combined Kansas production of corn and sorghum. Since the great majority of the inbound grain shipments are short distance hauls, motor carriers dominate the inbound shipments accounting for 91% of the total. Nearly all the inbound motor carrier shipments (97.5%) were delivered in five axle semi-tractor trailer trucks. In a typical five day business week, the 10 Kansas ethanol plants unloaded 3,358 truckloads, or 672 per day. Since

each truck hauls about 893 bushels, about 600,000 bushels are processed each day. The great majority of the shipments (82%) originate at grain elevators, with the other 18% delivered by farmers.

Most of corn and sorghum shipments originate in the local area of the ethanol plants with 91% originating within 100 miles of the plant. The remaining 9% are rail shipments predominantly from Iowa. Since the Kansas ethanol plants rely on the local area for corn and sorghum supply the great majority (87%) of the truck shipments originate in Kansas.

Outbound Transportation

The outbound transportation of Kansas ethanol plants includes shipments of ethanol and co-products (DDG and WDG). Shipments occur by both rail and truck; however, rail is the dominant mode for outbound shipment of ethanol, accounting for 60% of the volume of shipments. Five plants shipped ethanol by rail to population centers in California, and four plants shipped ethanol to Texas by rail. Other rail shipment destinations include population centers in Illinois, New Mexico, Arizona, New York, and Washington. In general, rail was the preferred mode for long distance ethanol shipments.

Population centers in the states bordering Kansas were the principal destination markets for truck shipments of ethanol. Four Kansas plants shipped ethanol by truck to Colorado (primarily Denver) while six plants had truck shipments to Oklahoma (primarily Oklahoma City). Five ethanol plants shipped by truck to a wide variety of Kansas locations including refineries, fuel blending locations, and retail outlets. Three plants had shipments to Texas population centers, including Dallas-Fort Worth, Houston, and Amarillo. In general motor carrier was the preferred mode for relatively short distance ethanol shipments.

Most of the transportation of DDG (dry distillers grain) and WDG (west distillers grain) is handled by motor carrier. DDG and WDG are high protein livestock feed ingredients, and are both shipped relatively short distances by truck to livestock feeding locations. Kansas feedlots (mainly cattle and hogs) were named by all 10 ethanol plants as a primary market for DDG and WDG.

IMPACT OF ETHANOL PRODUCTION ON KANSAS GRAIN COMPANY TRANSPORTATION

This section of the paper documents how the Kansas grain industry's markets for corn and sorghum have changed as a result of Kansas ethanol production, and what have been the associated transportation impacts. To do this, a sample was selected of 21 Kansas grain companies who operate 227 grain elevators with a total storage capacity of 200 million bushels. These companies collectively had 2007 corn receipts of 106.2 million bushels and 83.5 million bushels of sorghum (also referred to as milo). The corn receipts amount to 20.9% of total Kansas 2007 corn production. The corresponding percentage for sorghum was 39.9%

Outbound Shipments to Kansas Ethanol Plants

The 21 Kansas grain companies delivered 22.5 million bushels of corn to Kansas ethanol plants in 2007, all of which were delivered by motor carriers. Thus 21.2% of the total corn receipts of the sample grain companies were delivered to Kansas ethanol plants $[(22.5/106.2)*100=21.2\%]$. There were no corn shipments from the 21 companies to ethanol plants outside the state of Kansas.

In 2007, the sample grain companies shipped 22.1 million bushels of sorghum to Kansas ethanol plants, all of which were delivered by motor carrier. Thus the Kansas grain companies shipped 26.5% of their total sorghum receipts to the 10 Kansas ethanol plants $[(22.1/83.5)*100=26.5\%]$.

It is interesting to note that the total percent of Kansas corn plus sorghum production absorbed by Kansas ethanol plants in the 2007-2008 period (22.1%) is nearly identical to the corresponding percentage of the sample grain companies (23.5%). Also the 44.6 million bushels of corn plus sorghum represents 28.6% of the 156.2 million bushels of corn and sorghum absorbed by Kansas ethanol plants.

Outbound Shipments to Other (Non-Ethanol) Markets

In 2007, the 21 Kansas grain companies shipped 77.6 million bushels of corn to markets other than Kansas ethanol plants. Hereafter referred to as non-ethanol plant locations. Nearly all (76.4 million bushels) of these corn shipments were by motor carriers, with only 1.2 million bushels shipped by rail. Most of the truck corn shipments were to Kansas livestock feedlots and feed mills. Much smaller truck shipments went to Kansas terminal elevator locations (primarily Kansas City and Topeka), Kansas pet food manufacturing plants, and poultry feeding locations in Arkansas and Missouri.

Only 4 of the 21 sample grain companies shipped corn by rail to non-ethanol plant locations. Rail shipment destination included livestock feeding locations in California, Arizona, New Mexico, Oklahoma, and Texas. Other rail corn shipments were to Texas Gulf of Mexico export ports, Wichita and Hutchinson, Kansas terminal elevators, and poultry feeding locations in Arkansas and Missouri.

The 21 grain companies shipped 56.8 million bushels of sorghum to non-ethanol plant locations. Unlike corn, a large percentage of outbound sorghum shipments were by rail. The rail shipments were classified in two categories: rail and truck rail. The rail category is shipments from one of the country elevators of the grain company sample. The truck-rail category involves a short haul truck movement from a country elevator location to a shuttle (train loader) train

location, from which the sorghum is subsequently shipped by rail to final destination. Of the 56.8 million bushels of sorghum shipped by the 21 grain companies, 30 million (53%) bushels were shipped by truck, 3.8 million (7%) by rail, and 22.9 million (40%) by truck rail. Thus the total sorghum shipments by rail and truck were about equal (53% vs. 47%).

The principal destination markets for the truck shipments of sorghum were Kansas livestock feed yards and feed mills. Much smaller shipments went to Oklahoma feedlots, Kansas pet food companies, Hutchinson, Kansas terminal elevators, and poultry feeding locations in Arkansas and Missouri.

Texas Gulf of Mexico export ports were the only sorghum destination market for rail shipments from the country elevator locations of the sample grain companies. Nine of the 21 grain companies had truck-rail sorghum shipments to Kansas shuttle train locations with subsequent rail shipment to Gulf ports for export.

Grain Company Shipments by Crop, Market Destination, and Mode of Transportation

The results of the previous discussion are summarized in Tables 5 and 6. The data in Table 5 indicate that 21.2% of the corn receipts of the 21 companies went to Kansas ethanol plants and 73.1% was shipped to non-ethanol plant locations, together accounting for 94.3% of the total corn receipts of the sample grain companies. The remaining 5.7% of the corn receipts were likely used by farmers to feed their livestock.

Table 5 data reveal that 26.5% of the 21 grain company sorghum receipts were shipped to Kansas ethanol plants, with 68% going to non-ethanol plant locations.

Table 6 data indicate that motor carriers shipped 100% of the corn going to Kansas ethanol plants and nearly all of the corn shipments to non-ethanol plant locations. Motor carriers

| TABLE 5 | | |
|--|----------------------------------|---------------------------------|
| 2007 Shipments of Sample Grain Companies by Crop and Market Destination | | |
| Market Destination | Corn Bushels (Millions) | Percent of Total Receipts |
| Ethanol Plants | 22.5 | 21.2% |
| Non-Ethanol Plant Locations | 77.6 | 73.1% |
| Total | 100.1 | 94.3% |
| Market Destination | Sorghum Bushels (Millions) | Percent of Total Receipts |
| Ethanol Plants | 22.1 | 26.5% |
| Non-Ethanol Plant Locations | 56.8 | 68.0% |
| Total | 78.9 | 94.5% |

TABLE 6

2007 Shipments of Sample Grain Companies by Crop, Market Destination, and Mode of Transport

| <u>Corn</u> | | | |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Market Destination | Truck (millions of bushels) | Rail (millions of bushels) | Truck (percent of total) |
| Ethanol Plants | 22.5 | 0.0 | 100.0% |
| Non-Ethanol Plant Locations | 76.4 | 1.2 | 98.5% |
| Total | 98.9 | 1.2 | 98.5% |
| <u>Sorghum</u> | | | |
| Market Destination | Truck (millions of bushels) | Rail* (millions of bushels) | Truck (percent of total) |
| Ethanol Plants | 22.1 | 0.0 | 100.0% |
| Non-Ethanol Plant Locations | 30 | 26.8 | 52.8% |
| Total | 52.1 | 26.8 | 66.0% |
| *Includes Rail Only and Truck-Rail | | | |

accounted for all the sorghum shipments to Kansas ethanol plants, but only 53% of the sorghum shipments to non-ethanol plant locations.

In general, the emergence of ethanol plants as a new market for Kansas corn and sorghum hasn't changed the mode of transportation since all shipments to ethanol plants are by truck, as were the shipments to livestock feedlots before the emergence of ethanol as an additional market. However, the market destinations have changed significantly with a higher percentage of the corn and sorghum shipped to ethanol plants and a corresponding reduction in the percent shipped to non-ethanol plant markets.

KANSAS ETHANOL PLANTS AND RAILROAD TRANSPORTATION

Rail transportation is important to Kansas ethanol plants. In some cases corn was delivered to these firms by rail and railroads supply outbound transportation of ethanol and distillers grain. The Kansas ethanol plants are served by two Class I railroads which are Union Pacific (1,566 mainline track miles in Kansas) and Burlington Northern Santa Fe (1,237 mainline miles). Four Kansas ethanol plants are served by Union Pacific and Burlington Northern Santa Fe serves one. Some Kansas ethanol plants are served by shortline railroads. The Kansas and Oklahoma Railroad has 840 track miles in Kansas and serves two ethanol plants. The other shortline serving a Kansas ethanol plant is the Kyle Railroad that has 425 track miles in Kansas.

Railroad Corn Shipments to Ethanol Plants

In 2008, Class I railroads delivered 2,470 carloads of corn to Kansas ethanol plants. The typical shipment size was 100 car unit trains. Iowa was the origination state for 96% of the corn shipments with Minnesota accounting for the other 4%. One of the shortlines delivered 14 carloads of sorghum to a Kansas ethanol plant.

Railroad Shipments of Ethanol and Distillers Grain

Railroads play a much larger role in the outbound shipments from Kansas ethanol plants than the inbound shipments of feedstock. In 2008, the two Class I railroads shipped a combined total of 8,200 cars of ethanol from Kansas ethanol plants. The two shortline railroads shipped a combined total of 1,028 cars of ethanol which they subsequently interlined to one of the Class I railroads for shipment to the final destination. Thus, the 1,028 cars are part (12.5%) of the 8,200 car shipped by Class I railroads.

Table 7 displays data on 2008 Class I railroad shipments from Kansas ethanol plants by destination market. The West region (California, Oregon, and Washington) and the South region (Texas, Oklahoma, and Louisiana) accounted for the largest percentage of ethanol shipments with 30.8% and 29.5% respectively. The East of the Mississippi River region and the state of Arizona accounted for 19.1% and 16.1% of the total ethanol rail shipments from Kansas.

Railroad shipments of distillers grain are relatively minor since most of it is shipped by truck to Kansas feedlots. In 2008, 450 cars of DDG (dried distillers grain) were shipped from Kansas ethanol plants by Class I railroads. The primary destination was California.

IMPACTS OF ETHANOL PLANT-RELATED TRUCK TRAFFIC ON COUNTY ROADS

As noted previously the 10 Kansas ethanol plants receive nearly all of their corn and sorghum by motor carrier. In a single business day they collectively unload about 670 trucks or 67 per plant. A similar number of trucks are involved in outbound movements of ethanol and distillers grain. Nearly all these trucks are five axle, 80,000 pound GVW (gross vehicle weight) semis. The purpose of this part of the paper is to assess the impact of this truck traffic on county roads in the eight Kansas counties that have ethanol plants.

| TABLE 7 | |
|--|-------------------------|
| 2008 Class I Railroad Ethanol Shipments from Kansas by Destination Market | |
| Market Destination | Percent of Shipments |
| West (California, Oregon, Washington) | 30.8% |
| South (Texas, Oklahoma, Louisiana) | 29.5% |
| East of the Mississippi River | 19.1% |
| Arizona | 16.1% |
| Midwest (Illinois, Missouri, Wisconsin) | 3.2% |
| Mountain (Colorado, Nevada, Utah) | 1.3% |

Current Condition of County Roads

Collectively the eight counties are responsible for 6,882 miles of county roads and 1,805 bridges. Of the 6,882 miles, only 34 are concrete, 1,551 are asphalt (22.5% of the total), and the majority (5,297 miles or 77%) are unpaved (gravel or dirt). The county engineer or road supervisor of each of the eight counties were asked to rate the current condition of their county roads, and the results are summarized in Table 8. For the 34 miles of concrete road 8.9% were rated Poor, but nearly 56% were rated Good or Very Good. For the asphalt roads, 10.9% were rated Very Poor or Poor and 61.5% were rated Good or Very Good. The county representatives said only 3.7% of the county's unpaved roads were Poor or Very Poor while 48% were rated Good or Very Good.

Sedgwick County accounts for 37% of the 1,551 miles of asphalt road in the eight county sample. Sedgwick County representatives rated all 575 miles of their asphalt roads as being in Very Good condition. Sedgwick County is the most urbanized county in the state with a large tax base and dedicated funding sources. When Sedgwick County is removed from the eight county sample, a different picture of asphalt road conditions emerges in the other seven counties. The percent of asphalt roads rated Very Poor or Poor increases from 10.9% to 17.2% while the percent rated as Good or Very Good falls from 61.5% to 38.9%.

Overall the current condition of the roads in the eight counties is reasonably good for all road surface types with very few miles in the Very Poor and Poor categories.

Change in County Road Conditions

The county engineers/road supervisors were asked if truck traffic entering or leaving the ethanol plant has had an impact on the condition of the county roads. Six of the eight county representatives responded in the affirmative, while the other two respondents said they were not

| TABLE 8 | | | | | |
|--|---------------------|----------------|----------------|---------------------|---------------------|
| Ratings of the Current Condition of County Roads | | | | | |
| Road Surface Type | Very Poor % (miles) | Poor % (miles) | Fair % (miles) | Good % (miles) | Very Good % (miles) |
| Concrete | - | 8.9 (3) | 35.3 (12) | 38.2 (13) | 17.6 (6) |
| Asphalt | 2.3 (35) | 8.6 (133) | 27.6 (428) | 21.7 (336) | 39.8 (619) |
| Unpaved | - | 3.7 (196) | 48.3 (2,555) | 45.7 (2,423) | 2.3 (123) |
| Ratings of the Current Condition of Asphalt County Roads (Exc. Sedgwick County) | | | | | |
| Very Poor % (miles) | Poor % (miles) | Fair % (miles) | Good % (miles) | Very Good % (miles) | |
| 3.6 (35) | 13.6 (133) | 43.9 (428) | 34.4 (336) | 4.5 (44) | |

sure if there had been an impact.

Modifications to county roads generated by ethanol plant-related truck traffic include rebuilt roads, construction of turn lanes and widened turn radius, accelerated chip-seal maintenance rotation that includes asphalt overlay on roads that access the ethanol plant, and bladeing of roads to smooth out ruts. Representatives of county's with ethanol plants located on state highways said their county road condition had not been affected very much by truck traffic in and out of the plant.

The county representatives were asked if ethanol plant-related truck traffic had affected the county's annual expenditure for road and bridge maintenance. The respondents were divided on this question with three replying that maintenance expenditure had been affected, while three said there had been no impact, with the other two representatives not sure if an impact had occurred. One of the respondents that said there had been no impact modified this response by stating that although total maintenance expenditure was unaffected, the county was redirecting maintenance resources to ethanol plant-related maintenance.

Although the majority of the eight county representatives revealed that ethanol plant-related truck traffic had affected the condition of the county's roads, seven of the eight respondents said that the incremental truck traffic had not impaired the ability of the county to maintain an adequate level of service on the county's roads. However, several respondents indicated that the ethanol plant had opened recently and that it was too soon to tell what the longer run impact would be on the condition of the county's roads.

CONCLUSION

In 2008, Kansas ethanol plants processed 156.2 million bushels of corn and sorghum, 22.3% of the combined Kansas production of corn and sorghum. Since the inbound grain

transport movements are relatively short hauls, trucks dominate these shipments, accounting for 91% of the total inbound feedstock (corn and sorghum), with railroads accounting for the remaining 9%. Most of the corn shipments to Kansas ethanol plants originated in the local area of the ethanol plant with 91% of the shipments originating within 100 miles of the plant. The remaining 9% are rail shipments originating primarily in Iowa.

The outbound transportation of Kansas ethanol plants includes shipments of ethanol and co-products DDG and WDG. Shipments of ethanol occur by rail and truck; however, rail is the dominant mode accounting for 60% of the volume of shipments. In 2008, two Class I railroads shipped a combined total of 8,200 cars of ethanol from Kansas ethanol plants. The West region (California, Oregon, and Washington) and the South region (Texas, Oregon, and Louisiana) accounted for the largest percentage of ethanol shipments with 30.8% and 29.5% respectively. The East of the Mississippi River region and the state of Arizona accounted for 19.1% and 16.1% of the total ethanol rail shipments from Kansas. Relatively minor amounts were shipped to the Midwest region (Illinois, Missouri, and Wisconsin) and the Mountain region (Colorado, Nevada, and Utah). In general, rail was the preferred mode for long distance ethanol shipments.

Population centers in the states bordering Kansas were the principal destination markets for truck shipments of ethanol. These include Denver, Colorado; Oklahoma City, Oklahoma; and Dallas-Fort Worth, Houston, and Amarillo, Texas. Kansas refineries, fuel blending locations, and retail outlets also received ethanol by truck. In general, motor carrier was the preferred mode for relatively short distance ethanol shipments.

Most of the transportation of DDG and WDG is handled by motor carrier since these co-products are shipped relatively short distances to livestock feeding locations, primarily Kansas feedlots for cattle and hogs.

The growth of Kansas ethanol production has affected the traditional markets for Kansas corn and sorghum. In the corn market the percent of shipments from country grain elevators to feedlots has declined and the percent shipped to ethanol plants has increased. However, as before, nearly all of these shipments are by motor carrier, and feedlots remain the largest single market for Kansas corn. The impact in the sorghum market has been an increase in the percent of truck shipments from country grain elevators to Kansas ethanol plants, and a decrease in the percent of rail shipments to distant livestock feeding locations and Texas Gulf ports. The percent of truck shipments of sorghum to feed mills and feed yards has also declined. Ethanol plants have increased the demand for Kansas corn and sorghum, resulting in higher bid prices for both grains.

It is difficult to identify recommendations for Kansas transportation policy given the uncertainties that exist in the ethanol market. At this time the critical determinants of the demand and supply of ethanol are unknown. Will the demand for Kansas ethanol emerge from the current downturn and increase in the future? Will corn supply in Kansas increase enough to supply the ethanol market as well as the other non-ethanol corn markets? The answers to these and other questions will be partly determined by national agricultural and energy policy.

Another source of uncertainty is that half of the Kansas ethanol plants have been in operation for less than four years. Thus the long run impact of Kansas ethanol plants on Kansas transportation is unknown at this time. Motor carriers and railroads are both involved in the transportation of corn and sorghum to Kansas ethanol plants and the transportation of ethanol and distillers grain from these plants. Therefore, it seems prudent for Kansas to maintain its current transportation programs of maintaining a high quality state highway system, state aid to county roads, and aid programs for Class II and III railroads.

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