

Testimony by John Zimmerman, Immediate Past-President

Minnesota Turkey Growers Association

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Good afternoon, my name is John Zimmerman, and I am a turkey farmer from Northfield, Minnesota and Past – President of the Minnesota Turkey Growers Association (MTGA). My wife and I raise about 4 million pounds of turkeys annually on our farm as well as grow about 500 acres of corn and soybeans. I also sit on the board of River Country Co-op that supplies propane in rural Minnesota. Finally, I also am a member of the National Turkey Federation, which represents the \$29.5 billion U.S. turkey industry and which worked with Senator Franken and his staff this past winter to elevate and momentarily correct this dangerous propane shortage. The problem is far from fixed, and I am here today to once again thank Senator Franken and the rest of the Minnesota delegation for staying focused on finding solutions.

Winter, unfortunately, will be here before we know it and the potential for shortages, by all estimates, are going to get worse if significant steps are not taken soon.

What started as a Midwest propane supply shortage developed into a larger, national discussion with over 20 governors declaring a state of emergency,

scrambling to secure adequate supplies to meet the need during the critical winter months.

Why did this crisis occur? Many of us have DESCRIBED IT best as the 4 C's (Crop, Cochin, Cold, and Communication) and I will elaborate.

To start, inventories were already low caused by increased demand for crop drying in November. Second, the Cochin pipeline, which is critical to Minnesota's propane supplies, had been reduced to fifty percent of its normal capacity. It did not help that this same pipeline was shut down for scheduled maintenance in November. Finally, the volatile run up in prices started on December 12, 2013 when a propane supplier notified many of our companies of force majeure, indicating they would not be able to complete the obligations of their contract, and the rest of our propane would have to be bought on the open market. So, what remaining propane was available we procured and what little storage our farms had left was filled. Unfortunately, there was neither enough storage nor propane available to weather the long, brutal winter.

Given the scenario I presented, fuel stocks were never able to rebound as early sub-zero winter weather set in across much of the Midwest and Northeast, hindering propane gas movement on our already overburdened pipeline and rail systems. I will highlight a few substantive ideas later, but it is agreed by many

that government at the very least, should establish some type of early warning system that allows time to formulate a plan for the impending disaster. We did not have the luxury of a head start on moving propane from where it was stored to where it was needed because such a system did not exist.

The inadequate transport and storage systems combined with the lack of an early warning directly hit the pocket book of the people that heat their homes with propane along with those of us that need propane to heat our turkey barns. It is safe to estimate that in Minnesota the turkey industry saw propane use increase by over 30% from last winter. So when we saw propane prices go from \$1.30 / per gallon to \$5 / per gallon in a few short weeks you can see the impacts dug deep into our profit margins. This past winter alone, the Minnesota turkey industry saw an increase of over 25 million dollars more in heating related input costs over the previous year. That is real money to farmers like me that operate on very thin margins.

While this propane shortage certainly caused significant price increases, it became clear to many of us that if something was not done we could very well run out propane altogether. This forced us to ration what propane we had on hand by lowering temperatures in our barns, shops and homes. This caused a loss of production efficiency and concerns over potential animal welfare issues. This has

and continues to directly impact the growers' bottom line when the turkeys go to market.

MTGA has started the necessary precautions by forming a "propane taskforce" and our 250 growers are prepared to do what is necessary to secure as much propane in storage before the cold weather hits this fall. However, there is not enough capacity to satisfy all the needs especially since the Cochin pipeline that was at fifty percent capacity this past winter is planning to stop delivering propane entirely this year.

There is currently no way to easily make up the loss of eighty million barrels that were provided by the Cochin pipeline. With rail and truck delivery being much less reliable, comprehensive discussion must begin on how we ensure safe and timely deliveries to avoid the scare that caused the massive spikes in pricing and the dangerous conditions for the Midwest. All options should be on the table.

Therefore we ask that several items be considered in the short-term:

1. Transparency – Direct the Federal Energy Regulatory Commission (FERC) or the appropriate government agency to establish an advanced notification system for end users when supplies/inventory drops below certain levels.

There must be a way to give consumers a chance to adjust before the shortage occurs.

2. Government Intervention – In the winter months, an appropriate trigger must be developed that allows the government to step in and prioritize pipeline and rail shipments of propane, as well as when to relax hours of service for trucks hauling propane.
3. Ease permitting for expanded propane storage.
4. Direct FERC or other agencies to report to Congress on current infrastructure abilities to meet demand by this September.
5. Establish a federal government emergency response plan.

Long-term:

1. Ease permitting for construction of a dedicated pipeline for propane.
2. Study and expand storage capabilities on government facilities that can allow relief.

To summarize, strong demand surges, low inventories and supply challenges have led to the price spikes that are still impacting rural Minnesota. If significant steps are not taken this will happen again.

Thank you for the opportunity to testify today, I will be happy to answer any questions at this time.