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Student defends thesis, “Analysis of Rail Rates for Wheat Rail Transportation in Montana; Comparing Rates in a Captive Market to One with More Intramodal Competition”

MANHATTAN, KANS., September 28, 2009 – Matt McKamey, Cascade, Mont., defended his thesis, “Analysis of Rail Rates for Wheat Rail Transportation in Montana; Comparing Rates in a Captive Market to One with More Intramodal Competition,” Tuesday, August 25, 2009.

McKamey is an Agricultural Banker at Wells Fargo Bank, N.A. in Great Falls, Mont. He will graduate from Kansas State University in December with a Master’s in Agribusiness (MAB).

Montana wheat grown for export must travel more than 400 miles to the nearest barge loading facility in Lewiston, Idaho. Given the great distance, railroads offer a substantial cost advantage over trucks in transporting Montana's wheat. In a state where more than eight national and regional rail carriers once operated, Montana is now only serviced by a small handful of rail providers for shipping of agricultural commodities and is considered a captive shipper due to the lack of competition.

“Railroad rates for grain shipments in Montana have always been an area of interest, given the lack of rail competition in the state,” McKamey said. “I believed the lack of competition made the rates of rail shipping higher in Montana than in other states with multiple rail providers and other modes of transportation.”

The objective of his master’s thesis was to develop a model to measure railroad costs and competition in order to test his hypothesis that Montana’s rail rates were higher than those of a market with intramodal competition. His research findings were unexpected when compared to previous studies comparing rail rates to those in other wheat producing areas. In general,

previous studies concluded shipping rates decreased as more competition or modes of transportation were made available.

Michael W. Babcock, Professor of Economics and McKamey's thesis advisor, said, "Matt has written a very interesting thesis that seeks to explain railroad wheat rates in Montana and Kansas. He found that variables such as distance of shipment, shipment weight, and distance of the origin from a barge loading facility had a significant impact on railroad wheat rates. However, contrary to prior expectation, the analysis found that Kansas railroad wheat rates are actually higher than Montana's."

McKamey was also surprised by these results and determined other factors may be considered when determining rail rates.

"I was rather surprised at the outcome of the research conducted as the rates in Montana were not higher than those of Kansas, a state with rail competition. Ultimately, I concluded that additional research is needed to better understand railroad pricing in Montana as it relates to intermodal competition," McKamey said.

K-State's Master of Agribusiness is an award-winning, distance-education degree program that focuses on food and agribusiness management. Students and alumni work in every sector of the food and agribusiness industry and are located in more than 35 states within the United States and more than 20 countries.

The full thesis publication can be found online on K-State's Research Exchange at <http://hdl.handle.net/2097/1702>.

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