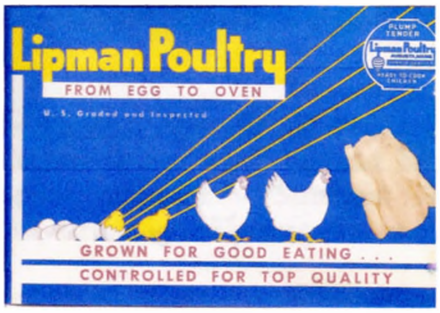
## Strongest Tug, Biggest Load… Maine To Import Grain By Barge!

## Fifty years Ago: The Story of Lipman Poultry, Corn and the Maine Central Railroad

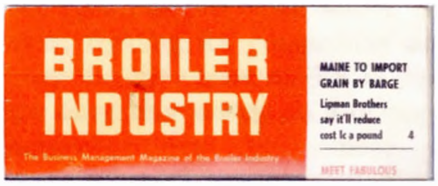
By Harvey A. Lipman March 31, 2011

By 1960, Lipman Poultry was a well-established success. After relocating the business from Bangor to Augusta, Maine, the three brothers, Barney, Frank and Harold had in rapid succession built a chicken processing plant, hatchery and feed mill. Following these developments, a young professor from Harvard Business School, Ray Goldberg, coined the term "agribusiness." In his 1955 case study, he indentified Lipman Poultry as the first vertically integrated broiler operation in the United States. The Lipman brothers were defining a new business model in direct competition to older and less efficient ways of doing business.




In the years following World War Two, the Lipman brothers had taken what was a cottage business in Maine, hauling live poultry to the meat market in New York City, and turned it into something much more substantial. This was the era when food stores sold whole birds, not pre-packaged parts. Lipman "ready-to-cook" Poultry was the premium brand in New York City. Each week Lipman's exclusive customer, Waldbaum Supermarkets, advertised Lipman chickens in the New York Times. Consumers loved the chicken's deep yellow skin tone.

The secret of the company's success was xanthophyll, the yellow pigment in corn. Unlike southern competitors, Lipman Poultry fed its chicken a rich corn-based diet. Success didn't come cheap. The high protein feed represented eighty per cent of the cost to raise one bird. Chickens eat a lot of feed. The Lipman feed mill required nearly 1,000 tons of corn each week and none of this was grown in Maine!




Corn is one of the world's great grain commodities. The United States is the single biggest producer. While the futures and commodity markets are associated with Chicago, users in fact buy corn based upon shipment from the Great Lakes port of Toledo, Ohio. Each week, when Lipman Poultry purchased its requirement from Midwest grain traders, rail cars would be loaded in Toledo and sent rolling to Maine. These cars traveled across six individual railroad lines, each taking a profit for the service provided. Maine Central Railroad delivered the corn just sixty miles, from South Portland to the Lipman mill in Augusta. This service cost as much as the other five combined.

Lipman suffered a further disadvantage. The Interstate Commerce Commission regulated railroads and grain freight rates. The commission's policy protected national and regional feed manufacturers by maintaining the out-dated "miller in transit" bill of lading. This allowed a miller to halt a 60 ton rail car at an upstate New York feed mill and ship it on later as finished-feed in 20 ton cars to three different customers all at the same rate that Lipman paid for one car. As a "point of use" operation, milling in transit rates placed Lipman at a comparative disadvantage.

With little incentive to change their operations, attempts to negotiate a "point of use" rate with the Maine Central Railroad came to nothing. Frustrated, the three brothers embarked upon a daring solution. The plan would by pass the railroads entirely and ship corn by boat across Lake Erie and the New York Barge Canal, down the Hudson River and up the New England Coast to the Kennebec River.

The idea drew industry-wide interest, publicity, which, in its fight with the railroad and interstate commerce administrators, Lipman Poultry very much welcomed. As the "little guys" fighting big entrenched interests, the three Lipman brothers needed public opinion in their favor. A feature article in Broiler Industry magazine, entitled "Maine to Import Grain By Barge," even outlined the estimated savings, $4.35 a ton, a 39% savings over rail!

In the spring of 1960, Lipman Poultry signed a contract with Conner's Standard Marine Corporation to tow consecutively two barges, 2,300 and 2,500 tons of corn, from Toledo to their newly constructed grain elevator in Farmingdale, Maine. The barges were leased on a per ton basis with an operating cost of about $ 1,200.00 per day, a tow taking about ten days to complete. The first would arrive in June and the second in August.

If this weren't enough, Lipman signed another contract with Turecamo Towing for a third delivery to arrive in early fall. Powered by the huge 1,600 h.p. tug Barney Turecamo, this shipment, actually two barges lashed together, would be the largest ever to navigate the Kennebec River, a gigantic load of 3,000 tons of corn.

On September 19th, The Portland Press Herald stationed a photographer on the Carlton Bridge while tug and barge passed below. The caption proclaimed: "Strongest Tug, Biggest Load… Record Breaking Shipment Taken Up Kennebec River."

Lipman Poultry purchased an old Kennebec icehouse wharf. The riverbed was dredged and the ancient cribbing restored. Mooring posts were imbedded deep into concrete. Two huge steel storage bins were erected, 38 feet in diameter and 65 feet high. The barges would be discharged pneumatically; huge volumes of compressed air shooting corn up tubes and into the bins.

So, here was this small Maine company: in one swat, fighting for competitive advantage in the most lucrative meat market in America, while at the same time taking on a monopolistic railroad, non-cooperative government agencies and powerful politicians supporting regional interests, all by reviving the most ancient means of commerce, water transportation. No small achievement, even today!

There was planning at every stage of the operation.

Long before the first barge appeared off Seguin Island, careful preparations for the ascent upriver took place. State officials tested the long-dormant drawbridges in Richmond and Gardiner to open and close on demand. The Coast Guard re-marked the channel with buoys. No river pilot was familiar with the upper reaches of the Kennebec so the river-run was surveyed by motorboat ahead of time. It was tricky stuff. The barge and tug would just snake past Swan Island and the narrows at Richmond.

Lipman Poultry was a family business, the three brothers intimately involved in each part of the operation. Barney would ride the barge up the river from Bath. His brother Frank would follow progress from the bridge in Richmond and then again in Gardiner. Harold waited impatiently on the quay in Farmingdale. There were hefty sums owed for demurrage, the penalty paid for holding the barge longer than three days for off loading. The terminal and discharge system were untried. With a couple thousand tons of corn to off load, the boat going up and down with the tide, no one really knew if the air compressors could do the job.

And then there were the neighbors, real history unfolding in front of them. No one had ever seen such thing as a grain barge on the river before or ships so powerful as the tug Barney Turecamo. A great crowd gathered on the Gardiner shore as the first barge and tug passed the bridge. Another crowd gathered across the river in Randolph as the shipment glided to a stop at the grain terminal.

No sooner were mooring lines secured and hatches opened than the offloading crew lowered flexible hosepipes into the immense pile of corn. There were six compressors, each powered by a one hundred horsepower motor. The whine of these machines was earsplitting. The only sound louder was the cascade of corn as it blew up the tubes seventy feet into the air and fell to the bottom of the bins Near-by homeowners were frantic. The noise went on until the last kernel was sucked from the barge.

After the third barge came up river, corn freight revenues reduced now to nothing, the Maine Central Railroad announced it would offer the competitive "point of use" freight rate Lipman Poultry originally sought.

The Lipman brothers had won the day. Years later, Barney Lipman would admit, "If the railroad had only known our real costs… one more barge would have bankrupted us."

This was but an armistice. The fight between the Maine broiler industry and the Maine Central Railroad would go on for twenty more years.

The barge idea was revived many times, but there was always more talk than action. Eventually, the huge bins were taken down and sold to a grain company in upstate New York. After years lying idle, a developer turned the Farmingdale wharf into a marina.

By 1980, Lipman Poultry and the other broiler operations here in Maine would succumb to the high cost of transporting feed grain to Maine. Southern competitors with lower costs overwhelmed the once flourishing Maine industry.

Proving that you can drive a bargain too hard: a few years after the Lipman shutdown, for lack of freight, the Maine Central Railroad abandoned its line along the Kennebec, as well.