



## Port E-News

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### **PORT OF GALVESTON AND AGRILIANCE LLC SIGN NEW LEASE AGREEMENT Bulk Cargo Tonnages to Increase**

On Tuesday, August 3, 2004, the Port of Galveston formalized a lease with Agriliance LLC to operate a general purpose bulk cargo terminal at Piers 35 and 36. The initial term of the lease is fifteen years with an option for seven additional three-year renewal periods.

“The Port of Galveston is extremely pleased with the terms of this new agreement and the public/private partnership with Agriliance LLC,” said Steven M. Cernak, Port Director. “This agreement will allow the Port of Galveston to increase our cargo throughput which will result in increased employment at the facility and at other ancillary companies servicing the new terminal.”

Agriliance will operate as a general-purpose bulk cargo terminal that will initially receive only inbound products. The longer-term goal is to make improvements to allow for both import and export operations. Potential cargoes include bulk fertilizer products, bulk agricultural products, bulk grains and grain substitutes, non-hazardous bulk minerals or mineral products and non-hazardous chemicals.

Agriliance will lease the up-land portion of the Pier 35 Bulk Cargo Terminal and over three acres on the north and east sides of Pier 36. Plans include the building of additional warehouse facilities on Pier 36 with a minimum investment of \$6,000,000 over the first three years of the lease.

Pier 35/36, the old Imperial Sugar Docks, was previously leased to River Materials LLC. With the signing of the agreement, Agriliance acquired the use of the Pier 35/36 terminal and purchased the assets of River Materials.

“The signing of this agreement with Agriliance signifies the best possible outcome for the Port’s marketing effort in attracting a new customer to the old Imperial Sugar Docks,” added Cernak. “The benefits to the port, local labor, and to the city are going to be tremendous.”

In addition to the annual rent, revenues will be derived from Throughput Fees, Dockage from lay-vessel opportunities and Rail Switching Fees associated with the movement of cargo through the facility. Agriliance has agreed to a Guaranteed Minimum Annual Throughput Fee of \$200,000 and to maintaining a minimum cargo throughput level of 150,000 tons per year.

Agriliance projects that cargo activity expected at the facility will produce approximately 27,000 man-hours per year by the middle of 2006 for vessel unloading and rail car loading, and that the annual man-hours will exceed 60,000 for the same activities by mid-2008, when cargo is expected to exceed 800,000 tons annually.

“With the Port of Galveston, we’re enhancing our crop nutrients distribution position and capabilities across all U.S. crop nutrients markets, especially for rail shipments to western regions,” says George Thornton, Agriliance President and Chief Executive Officer. “Agriliance also anticipates that moving shipments through Galveston will allow the company to divert some rail loads from Mississippi River terminals, thereby helping de-bottleneck normal river product movement. We began importing bulk product in 2003 through a port in Louisiana. Expansion into Galveston is an integral part of our company’s import strategy which is expected to increase significantly in the near term.”

Agriliance LLC, jointly owned by Land O’Lakes, Inc. and Cenex Harvest States, Inc., a Fortune 500 company, markets crop nutrients, crop protection products, seed and crop technical services to farmers and ranchers through local cooperatives and independent dealers in all 50 states, Canada and Mexico.

The Port of Galveston is Texas’ maritime gateway to the Caribbean, Latin America and South America for everything from commerce to recreation. A true 21<sup>st</sup> century business, the 179-year old Port of Galveston is a major contributor to the robust Galveston-Houston area, contributing \$500 million to the Texas economy.

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