

A Reliable Waterway System Is Important to Agriculture



Do You Know Why?

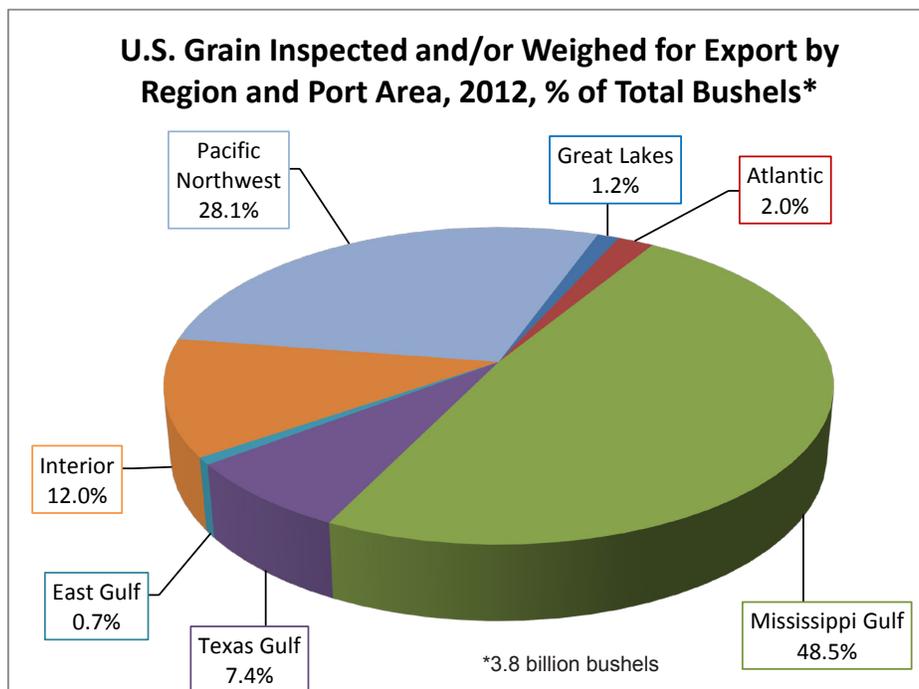
Big Picture Overview

- ◆ U.S. agriculture is expected to contribute \$29.5 billion to the U.S. balance of trade in fiscal 2013 (*USDA ERS/FAS Outlook for U.S. Agricultural Trade*, February 21, 2013).
- ◆ Exports are forecast to reach \$142 billion, while imports are forecast to reach \$112.5 billion.
- ◆ Forestry and fishery products, and critical farm inputs such as fertilizer, feed, and fuel move on the waterway system as well.
- ◆ Agriculture Secretary Tom Vilsack noted that every \$1 billion in farm exports supports roughly 8,400 jobs in the United States.
- ◆ In calendar year 2012, 81 percent of U.S. agricultural exports (138.8 million metric tons) were waterborne (*Census Bureau, U.S. Department of Commerce, and PIERS*).
- ◆ From 2007 to 2011 an average of 81 percent or 39 million metric tons of U.S. agricultural imports were waterborne.
- ◆ Exporters, importers, and domestic shippers depend on authorized port and waterway depths and widths, and locks and dam infrastructure.
- ◆ The Harbor Maintenance Tax (HMT) is a 0.125 percent ad valorem tax on the value of imports and certain domestic waterborne cargo.
- ◆ In fiscal 2012, the HMT generated \$1.59 billion in revenues and investment interest, deposited in the Harbor Maintenance Trust Fund (HMTF). Total funds in the amount of \$912.6 million were transferred from the HMTF; the U.S. Army Corps of Engineers received \$877 million.
- ◆ Estimated fiscal 2013 HMT revenues and investment interest are \$1.79 billion, while the fiscal 2013 Civil Works Budget requested \$848.1 million from the HMTF, yielding an estimated year-end balance of \$8.1 billion.
- ◆ In fiscal 2012, commercial vessels engaged in waterborne transportation on the inland waterways system generated \$89 million in revenues and investment interest from a 20 cents per gallon tax on diesel fuel, that were deposited in the Inland Waterways Trust Fund (IWTF). Funds in the amount of \$86.3 million were expended from the IWTF to finance one half the Federal costs of authorized locks and dams projects, in addition to \$96 million from the General Treasury.
- ◆ The fiscal 2013 Budget requested \$94.8 million from the IWTF and \$90.3 million from the General Treasury.



Grain Exports

- ◆ The United States exports approximately one quarter of the grain it produces. On average, this includes nearly 45 percent of the wheat, 35 percent of the soybeans, and 20 percent of the corn.
- ◆ Over 56 percent of grains inspected and/or weighed for export departed from the U.S. Gulf in calendar year 2012, nearly 2.2 billion bushels (*USDA GIPSA*).
- ◆ Pacific Northwest (PNW) ports accounted for 28 percent of grains inspected and/or weighed for export, nearly 1.1 billion bushels.
- ◆ The March 8, 2013, *USDA World Agricultural Supply and Demand Estimates* projections for 2012/13 U.S. exports includes:
 - Corn—825 million bushels (23.1 million short tons)
 - Soybeans—1.345 billion bushels (40.4 million short tons)
 - Wheat—1.025 billion bushels (30.8 million short tons)
 - Soybean meal—8.9 million short tons
 - Rice—108 million hundredweight (5.4 million short tons)
 - Sorghum—80 million bushels (2.2 million short tons)
 - Soybean oil—2.3 billion pounds (1.2 million short tons)

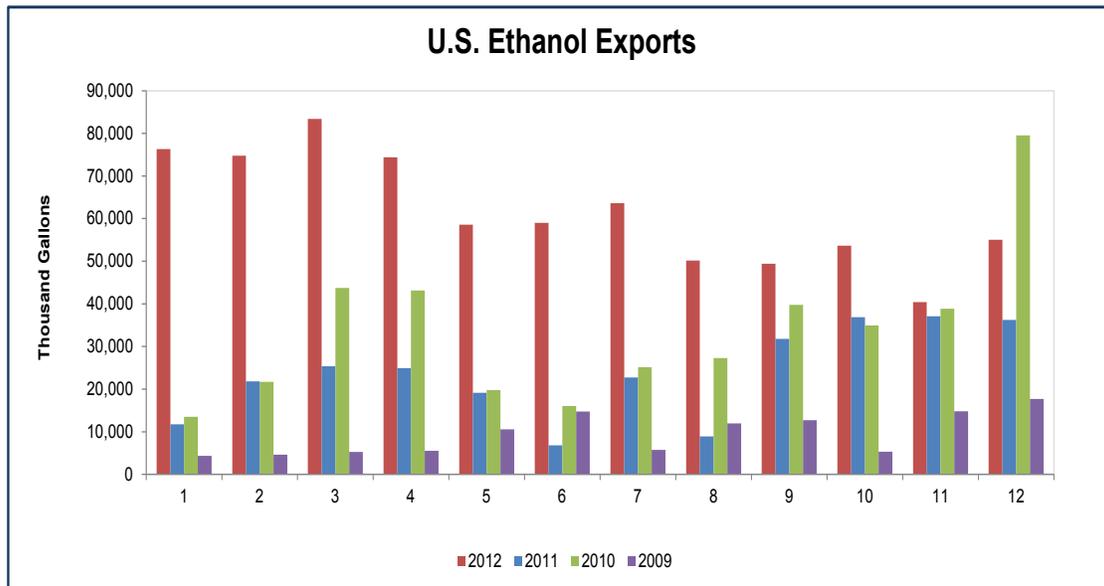


Source: USDA Market News, *Grain Inspected and/or Weighed for Export by Region and Port Area*, January 9, 2013



Ethanol, DDG, Corn Production, Fertilizer, and Barge Traffic

- ◆ U.S. ethanol production capacity at 183 operating refineries is nearly 12.9 billion gallons per year. (*Renewable Fuels Association, Biorefinery Locations, February 25, 2013*).
- ◆ Over 739.7 million gallons of ethanol were exported in calendar year 2012, compared to nearly 283.5 million gallons in calendar year 2011, a 160 percent increase (*Census Bureau, U.S. Department of Commerce*).
- ◆ Major multimodal ethanol terminals include Albany, NY, Baltimore, MD, Chicago, IL, Houston, TX, Linden, Newark, and Sewaren, NJ, New Orleans, LA, and Providence, RI.
- ◆ Barges move an estimated 5 percent of ethanol.
- ◆ Barges also move some of the fertilizer needed to grow corn for the production of ethanol, as well as some of the distillers dried grains (DDGS), an ethanol by-product used for animal feed.
- ◆ For every gallon of corn ethanol, about 6.34 pounds of DDGS are produced. Over 7.4 million metric tons of DDGS were exported in calendar year 2012. (*Census Bureau, U.S. Department of Commerce*).



Source: Census Bureau, U.S. Department of Commerce

- ◆ Increased ethanol production means increased corn acreage and transportation of fertilizer to grow the corn.
- ◆ USDA projects a corn harvested area of 87.4 million acres, yielding 123.4 bushels per acre, with 4.5 billion bushels to be converted to ethanol and by-products in 2012/13 (March 8, 2013, *USDA World Agricultural Supply and Demand Estimates*).
- ◆ Corn uses about 240 pounds of fertilizer per planted acre, as it has high nitrogen requirements.
- ◆ The United States imported 41 million short tons of fertilizer in calendar year 2012.
- ◆ This included nearly 20 million short tons of nitrogen. (*Census Bureau, U.S. Department of Commerce*).

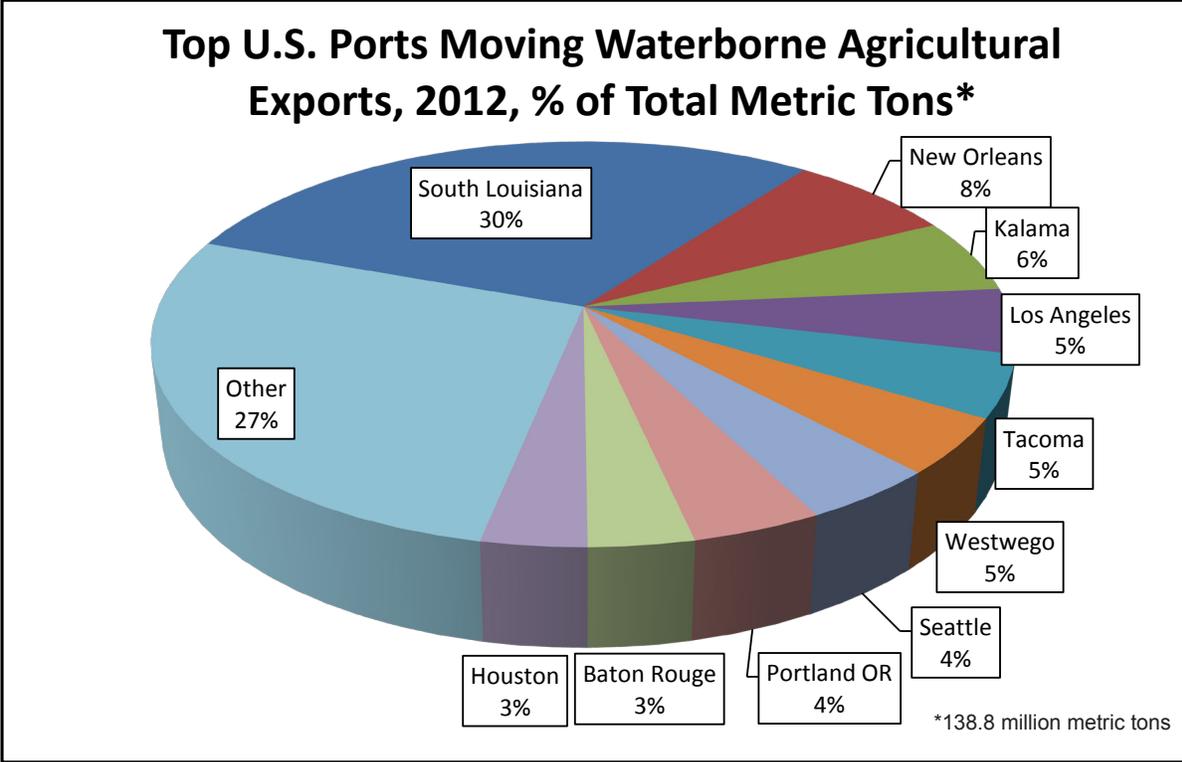


Barge and Rail Competition

- ◆ In calendar year 2012, total food and farm product barge tonnage (upbound and downbound) at Mississippi Lock 27, Ohio Lock and Dam 52, and Arkansas Lock and Dam 1 was 37.7 million short tons (*U.S. Army Corps of Engineers, Locks by Waterway, Tons Locked by Commodity Group, Calendar Years 1993-2012*).
- ◆ A substantial amount of export grain enters the Mississippi River below Mississippi River Lock 27, Ohio River Lock and Dam 52, and Arkansas Lock and Dam 1 (*U.S. Army Corps of Engineers and USDA GIPSA*).
- ◆ In 2012, 18,917 downbound grain barges passed through Locks 27, 52, and 1, with nearly 29.5 million short tons of grain.
- ◆ In comparison, 29,798 grain barges were unloaded in the New Orleans region during the period, a difference of 10,881 barges.
- ◆ Railroads originate approximately 35 percent of U.S. grain shipments.
- ◆ Railroads take into account barge rates and the spread between U.S. Gulf and Pacific Northwest ocean vessel freight rates, and price their services accordingly.
- ◆ *USDA Transportation of U.S. Grains, A Modal Share Analysis, 1978-2010 Update*, shows that barges moved 45 percent of all grain exports in 2010.
 - Barges moved 57 percent of corn to ports and 1 percent of corn to processors, feed lots, and dairies in 2010. Rail shares were 40 percent for exports and 19 percent for domestic moves.
 - Barges moved 47 percent of soybeans to ports and 3 percent of soybeans to processors in 2010. Rail shares were 44 percent for exports and 12 percent for domestic moves.
 - Barges moved 26 percent of wheat to ports and 1 percent of wheat to processors in 2010. Rail shares were 72 percent for exports and 68 percent for domestic moves.
 - Barges moved 7 percent of sorghum to ports in 2010. Rail shares were 55 percent for exports and 11 percent for domestic moves.
- ◆ Additional studies¹ have shown that without barge competition, agricultural shippers pay higher rail transportation costs, the farther they are from an inland waterway.

Top U.S. Ports for Agricultural Exports

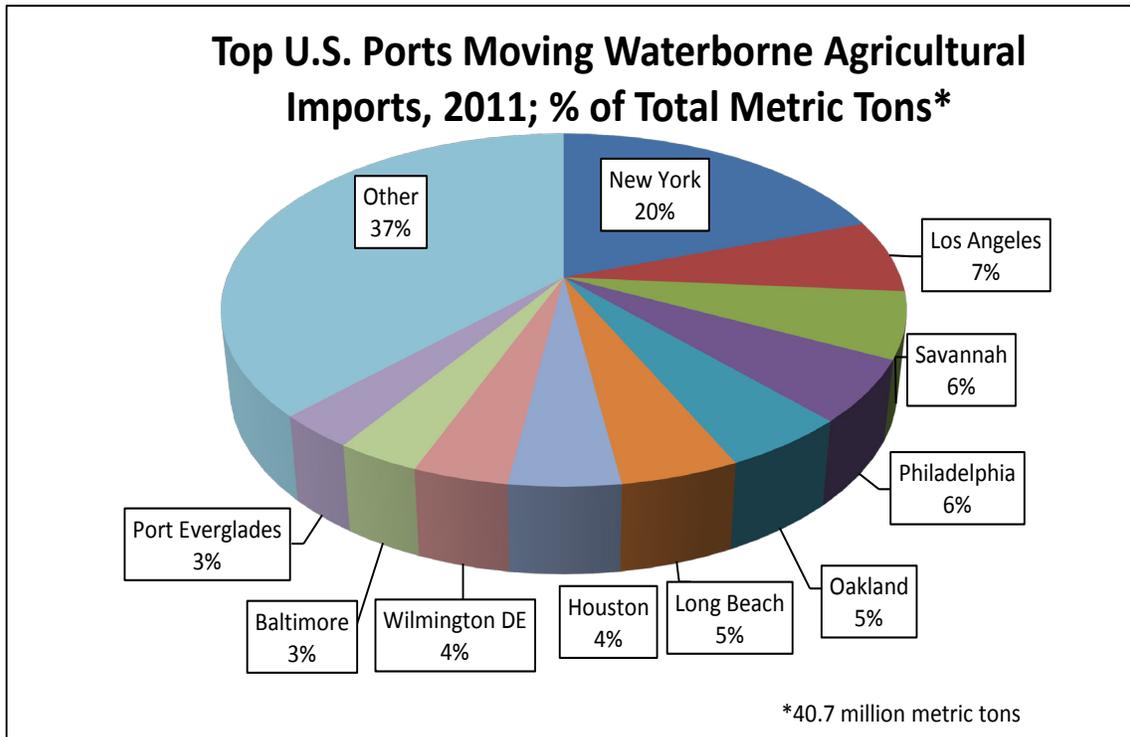
- ◆ In calendar year 2012, U.S. waterborne agricultural exports totaled 138.8 million metric tons, 25 percent were moved in containers (*PIERS*).
- ◆ During the same period, containers were used to transport 8 percent of total waterborne grain exports and 11 percent of U.S. grain exports to Asia.
- ◆ The top five U.S. ports for bulk and containerized agricultural exports were South Louisiana, New Orleans, Kalama, Seattle, and Los Angeles, and Tacoma. In terms of containerized movements, the top five ports were Los Angeles, Long Beach, Oakland, Seattle, and Tacoma.



Source: (PIERS)

Top U.S. Ports for Agricultural Imports

- ◆ Additionally, in calendar year 2011, U.S. bulk and containerized waterborne agricultural imports totaled 40.7 million metric tons, 68 percent were moved in containers (PIERS).
- ◆ The port of New York brought in more agricultural cargo than Los Angeles, Long Beach, and Oakland, CA combined—more than 8 million metric tons.
- ◆ The top five U.S. ports for bulk and containerized agricultural imports were New York, Los Angeles, Savannah, Philadelphia, and Oakland.



Source: (PIERS)

Harbor Channel and Inland Waterway Draft Issues

- ◆ Inadequate channel depths and widths due to drought and sedimentation can lead to higher transportation costs.
- ◆ Barges and vessels may be loaded to less than capacity and more barges and vessels may be required to ship the same amount of commodities, and one-way, or day time only traffic restrictions may be imposed.
- ◆ There have been extended periods where low river levels and reduced channel widths impeded grain barge movements and access to shallow draft ports.
- ◆ When river levels are low, barges must be loaded lighter than normal and the number of barges in a tow may be reduced to the available channel width.
- ◆ At a 9-foot draft, a barge has 1,500 short tons of capacity; for each foot of reduced draft, the barge loses about 200 short tons of capacity.
- ◆ When harbor channels are at less than authorized depths, S-Class container vessels lose 3,840 tons of cargo capacity per foot, Panamax bulk grain carriers lose 2,148 tons per foot, and Great Lakes ocean-bound vessels lose 1,389 tons per foot.



Effects of Temporary Closures on Costs, Receipts, and the Federal Budget

- ◆ U.S. exporters compete on the basis of world prices.
- ◆ Temporary closures² and restrictions on traffic in channels due to high and low water conditions, sedimentation, groundings, natural disasters, man-made disasters, strikes, and lockouts can lead to delays, spoilage, diversion to other modes and ports, higher transportation costs, and lost sales.
- ◆ Higher transportation costs can result in lower cash bids in interior markets. As cash prices fall, USDA loan deficiency payments may increase³.
- ◆ U.S. exporters may be unable to pass on higher transportation costs, as customers can purchase similar products from other countries.
- ◆ In contrast, U.S. importers may be able to pass on higher transportation costs to their customers.
- ◆ Users of railroads and highways face congestion, constrained capacity, and driver and equipment shortages.
- ◆ Authorized channel depths and widths, and locks and dams maintained by the U.S. Army Corps of Engineers moderate the effects of congestion, provide resiliency, and enhance recovery after transportation disruptions.
- ◆ The Corps works to maintain operable navigation channels through accelerated dredging, rock removal, river training structures to remove sediment, strategic management of water releases from reservoirs, routinely scheduled surveys, and close collaboration with channel users and the U.S. Coast Guard on river conditions.
- ◆ Other important partners in a reliable waterway system include:
 - U.S. Coast Guard, which provides security, safety zones, and aids to navigation.
 - National Oceanic and Atmospheric Administration which provides nautical charts and maps, marine weather and river level information, and surveys after disruptions.
 - Maritime Administration which promotes the development and maintenance of an adequate, well-balanced, United States merchant marine.
 - Saint Lawrence Seaway Development Corporation which maintains and operates the two U.S. Seaway locks and vessel traffic control in areas of the St. Lawrence River and Lake Ontario, in collaboration with its Canadian partner, the St. Lawrence Seaway Management Corporation.
 - Federal Maritime Commission which regulates oceanborne transportation in U.S. foreign commerce for the benefit of exporters, importers, and the American consumer.



Want to Know More? Try These Publications:

¹Studies and reports on modal share, competition, and infrastructure investment

Salin, Delmy. Brazil Soybean Transportation Indicator Reports. February 2013. U.S. Department of Agriculture, Agricultural Marketing Service.

Denicoff, Marina. February 7, 2013, “U.S. Grain Shipments Improve as the Mississippi River Navigation Threat Dissipates.” Grain Transportation Report. pp. 2-3. U.S. Department of Agriculture, Agricultural Marketing Service.

U.S. Dept. of Agriculture, Agricultural Marketing Service. *Mexico Transport Cost Indicator Report*. January 2013.

“New Approaches for U.S. Lock and Dam Maintenance and Funding.” January 2013. Center for Ports and Waterways, Texas Transportation Institute (prepared for United Soybean Board).

“Farm to Market, A Soybean’s Journey from Field to Consumer.” July 2012. Informa Economics (prepared for United Soybean Board, U.S. Soybean Export Council, and Soy Transportation Coalition).

“Study of U.S. Inland Containerized Cargo Moving Through Canadian and Mexican Seaports.” July 2012. Federal Maritime Commission.

“Diagnosing the Marine Transportation System, Measuring Performance and Targeting Improvement.” June 26-28, 2012. Transportation Research Board.

“U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels.” June 20, 2012. Institute for Water Resources, U.S. Army Corps of Engineers.

Salin, Delmy and Jessica Ladd. June 2012. “Soybean Transportation Guide: Brazil 2011.” [annual] USDA Agricultural Marketing Service, Transportation Services Division.

Marathon, Nick and Adam Sparger. “Transportation of U.S. Grains, A Modal Share Analysis 1978-2010 Update.” March 2012. USDA Agricultural Marketing Service, Transportation Services Division.

“A Modal Comparison of Domestic Freight Transportation Effects on the General Public, 2001-2009.” February 2012. Center for Ports and Waterway, Texas Transportation Institute. (prepared for National Waterways Foundation.)

“America’s Locks & Dams: A Ticking Time Bomb For Agriculture?” December 2011. Center for Ports and Waterways, Texas Transportation Institute. (prepared for United Soybean Board)

“Panama Canal Expansion: Impact on U.S. Agriculture.” September 2011. Informa Economics (prepared for United Soybean Board, U.S. Soybean Export Council, and Soy Transportation Coalition).

Denicoff, Marina. August 4, 2011. “U.S. Agriculture Depends on Long-term Funding of Transportation Infrastructure.” Grain Transportation Report. pp. 2. U.S. Department of Agriculture, Agriculture Marketing Service. Web.

Salin, Delmy. April 2011. “U.S. Grain and Soybean Exports to Mexico, A Modal Share Transportation Analysis, 2007-2010.” U.S. Department of Agriculture, Agricultural Marketing Service. Web.

“Study of Rural Transportation Issues.” April 2010. U.S. Department of Agriculture and U.S. Department of Transportation. Web.

²Temporary closures

Meyer, Seth, Luis Fellin, and Peter Stone, December 2007. “Impact of a Lock Failure on the Mississippi or Illinois Rivers.” Food and Agricultural Policy Research Institute.

“Effects on Agriculture of a Closure of West Coast Port Facilities,” United States District Court for the Northern District of California, San Francisco Headquarters, United States of America, Plaintiff, v. Pacific Maritime Association, and International Longshore and Warehouse Union, Defendants, Declaration of Ann M. Veneman, Secretary of Agriculture, October 7, 2002.



Higher transportation costs, lower cash bids

Denicoff, Marina. December 23, 2010. "Carry and Basis: Grain Market Signals and Transportation Implications." Grain Transportation Report. pp. 2-3. U.S. Department of Agriculture, Agricultural Marketing Service.

Nibarger, Daniel, Pierre Bahizi. September 2, 2010 "Commodity Basis, Price Spreads, and Transportation Cost." Grain Transportation Report. pp. 2-3. U.S. Department of Agriculture, Agricultural Marketing Service.

"Transportation and The Farmer's Bottom Line." June 2010. O'Neil Commodity Consulting (on behalf of the Soy Transportation Coalition and the United Soybean Board).

Nibarger, Daniel. July 2, 2009. "Basis and Transportation Cost Primer." Grain Transportation Report: pp. 2-3. U.S. Department of Agriculture, Agricultural Marketing Service.

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