Grain & Agricultural Cargo Shipments

American Association of Port Authorities
Growth Opportunities for General Cargo & Shallow Draft Ports Seminar

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National Grain & Feed Assn

- More than 900 member companies involved in the grain, feed, processing and related industries
- Represents more than 5,000 facilities that store, handle, merchandise, mill, process and export more than 70% of all U.S. grains and oilseeds
- Publishes Trade Rules, including Barge and Barge Freight trade rules, which are widely used throughout the industry
- Administers the NGFA Arbitration System to solve trade disputes in efficient and inexpensive manner. Added Rail Arbitration in 1997.

Grain Transportation

- Modal Shares for all U.S. Grains
  - Truck 50%
  - Rail 32%
  - Barge 18%
- For U.S. Exports
  - Barge 52 %
  - Rail 42%
  - Truck 6%
- Key Competitiveness Issue for U.S. Grain and Oilseed Exports

Congress / The Administration

- WRDA
  - Agriculture primarily concerned about Upper Miss Navigation Project
- Appropriations
  - Always a struggle
- OMB
  - "low use" tributaries and inland ports

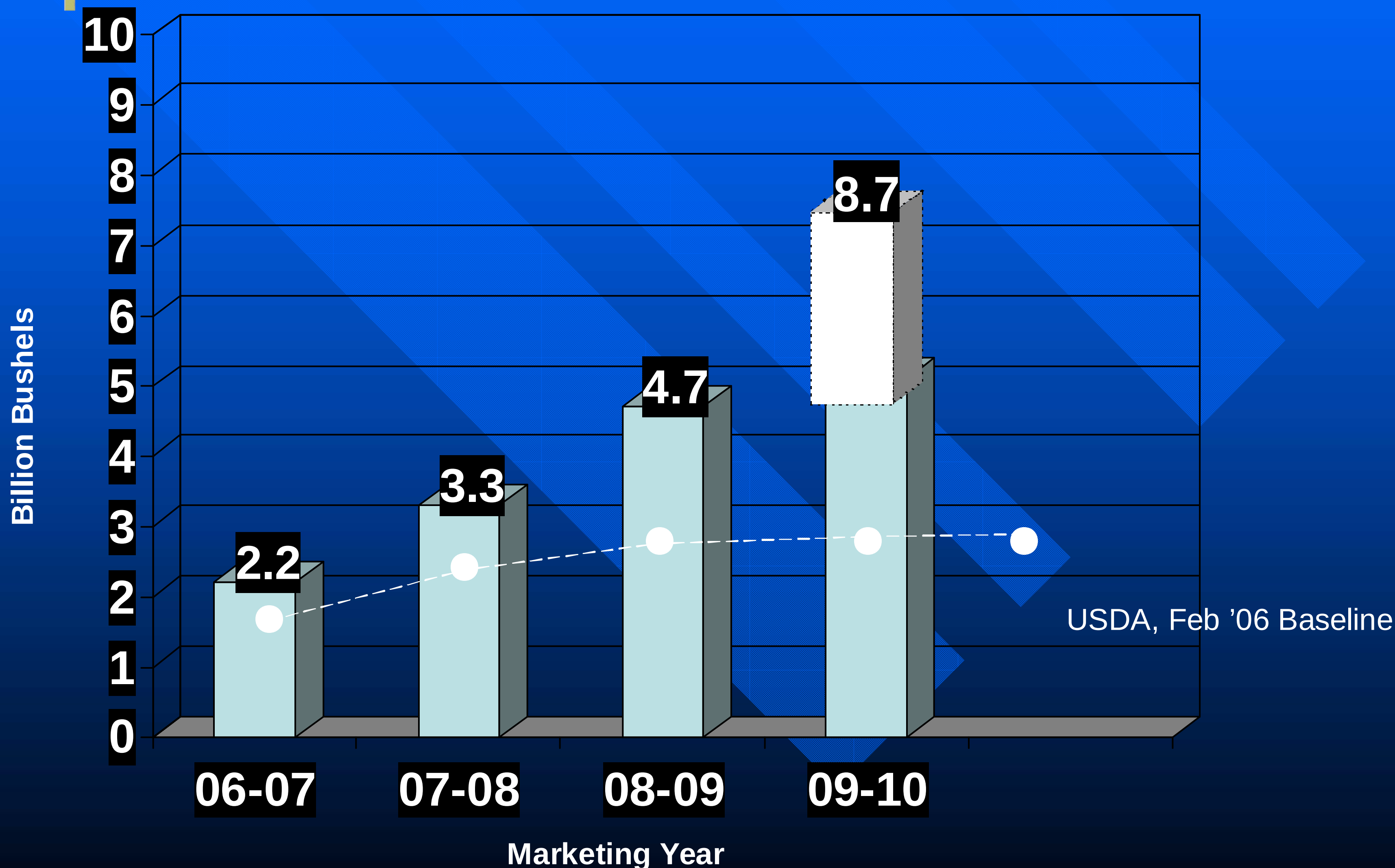
Issues Impacting Agricultural Transportation Opportunities

- Biofuels – how fast…how much
- WTO Negotiations and the Export Market
- Farm Bill – any changes to farm payment structure / focus?
- Biotechnology

Biofuels Explosion

- Biofuels production capacity expanding at rapid pace
- Biofuels is much bigger for ag than most envisioned just a short time ago
- Faster investments can be mistake-prone
- Corn price (indeed all grain prices globally) will have to rise in next few years

Corn Used in U.S. Ethanol Production



What We Don't Know

- Cellulose to alcohol technology curve
  - Breakthroughs are needed
- Yield technology
- Technology to improve feed performance of DDGs
- Shifting weather/climate impact
- Sustainability of existing tax structure

Industry Restructuring?

- Modern U.S. Ag infrastructure has evolved over 30-40 years; Will it be restructured in 5 years?
- What happens in local market restructuring can be very significant
- Will biofuels force corn prices to levels that will severely limit competitiveness of some sectors of ag?
- U.S. has “only” 320 million crop acres plus 36 million CRP acres

Exports Rising?

- WTO Negotiations Frozen
- New Congress…likely less trade agreement friendly…TPA expires in July 2007
- Competition continues to catch up
  - Investments in infrastructure
  - Development and wider usage of new production and yield technology

Exports

- Corn demand still strong and U.S. well positioned, but biofuel incentives could make less available to export market
- China scheduled to be a net corn importer
- Meat trade potential, but highly influenced by animal disease issues. Increased opportunities for feed grains as domestic animal production increases around the world

Farm Bill

- Energy Title
  - Focus on new incentives
  - Higher RFS
  - Land set aside for cellulosic material production – transportation problems
- Conservations Title
  - Focus on Working Lands
  - Opportunity to reform CRP?

Biotechnology

- New Events
- New Problems
- Acceptance issues still prevalent
- Opportunity for IP and niche markets – increased containerized shipments

Outlook…

Significant Challenges and Opportunities