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# Soy Transportation Coalition

AAPA Harbors & Navigation Committee

September 19, 2013



**SOY TRANSPORTATION  
COALITION**

# Why Should Farmers Care About Transportation?

...Because our international competitiveness depends on it.

Costs of transporting soybeans: U.S. vs. Brazil (per metric ton; 4<sup>th</sup> quarter, 2012)

## Davenport, Iowa to Shanghai

Truck – \$10.86

Barge – \$33.95

Ocean – \$43.69

**Total Trans – \$88.50**

Farm Value – \$522.99

Customer Cost – \$611.49

T. as % of Cust. Cost – 14.47%

## North Mato Grosso, Brazil to Shanghai

Truck – \$109.80

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Ocean – \$50.42

**Total Trans – \$160.22**

Farm Value – \$536.60

Customer Cost – \$696.82

T. as % of Cust. Cost – 22.99%

*Source: USDA*



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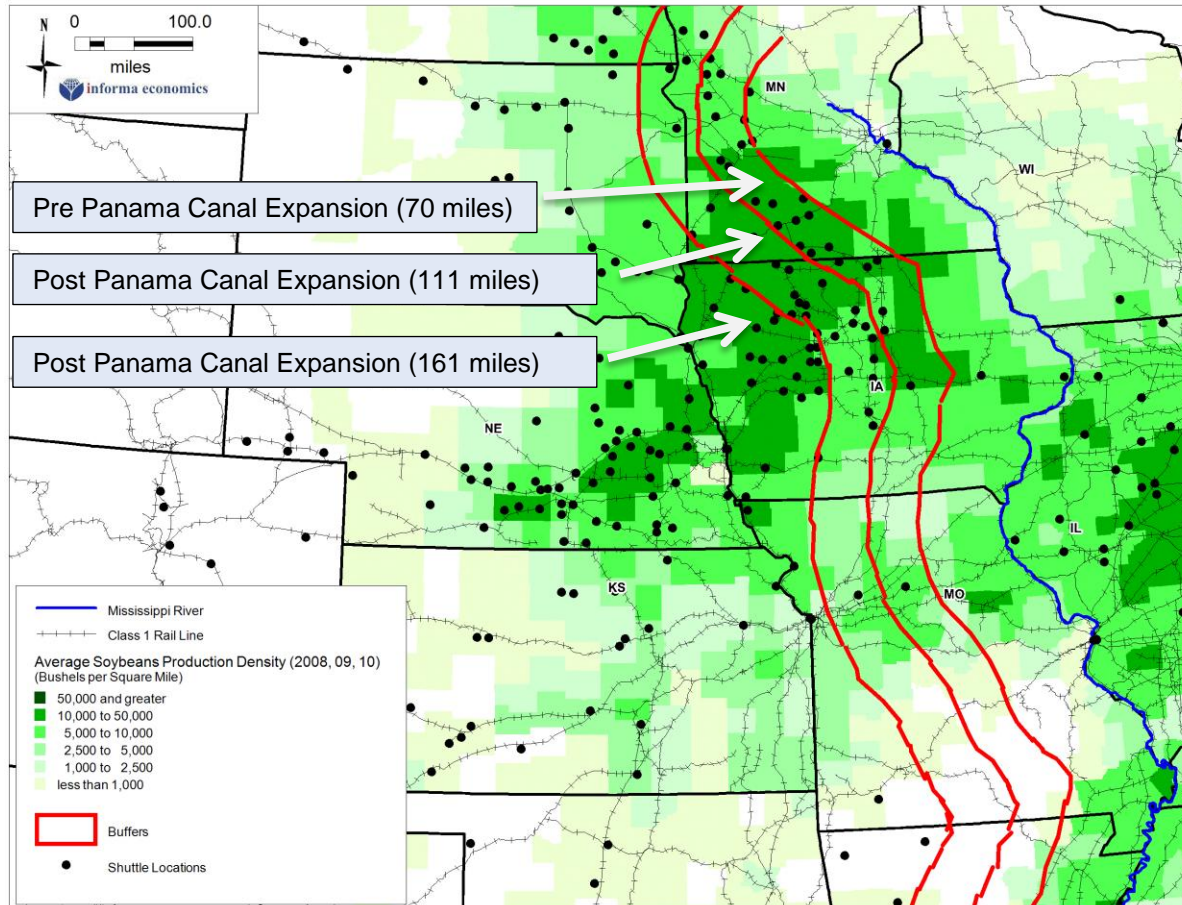
# Panama Canal Expansion – Opportunity for increased efficiency, or are we shifting the bottleneck?

## ■ Soybean checkoff-funded study

- Total grain & oilseeds transiting the canal will increase 30% by 2020/21
- Each vessel will accommodate up to 13,300 additional metric tons (488,642 bushels); \$6-7 million in additional value; 35 cents per bushel savings
- Increase the average draw area by 91 miles (70 miles to 161 miles); Impact on rail rates



# Panama Canal Expansion – Opportunity for increased efficiency, or are we shifting the bottleneck?



# Locks & Dams: Frustration is up; Optimism is down

- Argument #1: **How we allocate money is just as important as how much money we allocate.**
  - Comparison: U.S. lock & dam projects vs. foreign examples (Panama Canal, Deurganck Lock)
    - Olmsted Lock & Dam (\$775 million → \$3.1 billion)
    - McAlpine Lock & Dam – received 61% of capable funding → 38% cost overrun, 6 ½ years added to project
  - Describe alternative funding mechanisms that provide: 1.) Money up front & 2.) Greater certainty



# Locks & Dams: Frustration is up; Optimism is down

- Argument #2: ***A predictably good inland waterway system is better than a hypothetically great one.***
  - Should we transition from a “build & expand” approach to a “preserve & maintain” approach? Viability? What would that look like? Cost savings?
    - Cost of 1 lock construction project (\$376.8 million) is approximately equal to the cost of 9 major rehabilitation projects (\$40.7 million).



# Pros & cons of private funding for inland waterways

- Opportunity to generate funds in lump sum;  
Decrease probability of cost overruns
- Just because you open the door for private investment does not mean private investment will walk through the door...
- Freight rail industry post 1980



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# Thank You

## Soy Transportation Coalition

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