Grain & Agricultural Cargo Shipments

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

Memphis, Tennessee
November 16, 2006

Chris Holdgreve
National Grain and Feed Association
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

<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>Billion Bushels</th>
</tr>
</thead>
<tbody>
<tr>
<td>06-07</td>
<td>2.2</td>
</tr>
<tr>
<td>07-08</td>
<td>3.3</td>
</tr>
<tr>
<td>08-09</td>
<td>4.7</td>
</tr>
<tr>
<td>09-10</td>
<td>8.7</td>
</tr>
</tbody>
</table>

USDA, Feb '06 Baseline
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