Why Should Farmers Care About Transportation? …Because our international competitiveness depends on it.

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

<table>
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<tr>
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<th>Davenport, Iowa to Shanghai</th>
<th>North Mato Grosso, Brazil to Shanghai</th>
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<tbody>
<tr>
<td>Truck – $10.86</td>
<td>Truck – $109.80</td>
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<tr>
<td>Barge – $33.95</td>
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<tr>
<td>Ocean – $43.69</td>
<td>Ocean – $50.42</td>
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<tr>
<td><strong>Total Trans – $88.50</strong></td>
<td><strong>Total Trans – $160.22</strong></td>
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<tr>
<td>Farm Value – $522.99</td>
<td>Farm Value – $536.60</td>
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<tr>
<td>Customer Cost – $611.49</td>
<td>Customer Cost – $696.82</td>
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<tr>
<td>T. as % of Cust. Cost – 14.47%</td>
<td>T. as % of Cust. Cost – 22.99%</td>
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*Source: USDA*
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?

Pre Panama Canal Expansion (70 miles)
Post Panama Canal Expansion (111 miles)
Post Panama Canal Expansion (161 miles)
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
Thank You

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