
Iowa DOT Freight Advisory Council
Transportation & Farmer Profitability
December 11, 2015



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, 2014)

Davenport to Shanghai

Truck - \$12.06

Barge - \$47.68

Ocean - \$42.64

Total Trans - \$102.38

Farm Value - \$369.89

Customer Cost - \$472.27

T. as % of Cust. Cost – 21.68%

Sioux Falls to Shanghai

Truck - \$12.06

Rail - \$60.26

Ocean - \$22.91

Total Trans - \$95.23

Farm Value - \$350.66

Customer Cost - \$445.89

T. as % of Cust. Cost – 21.36%

N. Mato Grosso to Shanghai

Truck - \$90.94

Ocean – \$30.50

Total Trans - \$121.44

Farm Value - \$361.74

Customer Cost - \$483.18

T. as % of Cust. Cost – 25.13%

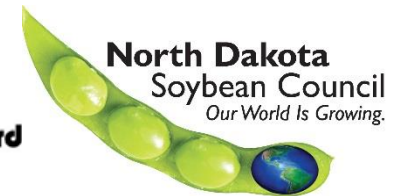
Source: USDA



**SOY TRANSPORTATION
COALITION**

The Soy Transportation Coalition – Farmer funded & farmer led

Established in 2007. Comprised of 13 state soybean organizations, the United Soybean Board, American Soybean Association.



Federal Funding for Roads & Bridges

- Good News: Multi-year highway bill with increased funding; Bad News: Funding mechanism remains unsustainable
- Fundamental flaw – A fixed source of revenue trying to meet the needs of an escalating cost
- Analysis (STC & Indiana University) – If the U.S. had indexed fuel tax to inflation the last time they were adjusted (1997), an additional \$133 billion would have been generated.



Trucking Concerns

- Freight demand by all modes of transportation will increase from 18.5 billion tons in 2010 to 27.5 billion tons by 2040; Demand for trucking will increase from 12.5 billion tons to 18.5 billion – 50% increase *(Source: U.S. DOT)*
- Since 1980, miles of public roadways have increased by only 4.5% *(Source: U.S. DOT)*
- Widespread shortage of truck drivers
- Must be open to opportunities to get more out of the current system



Trucking Concerns

- “Safe Trucking Act” (Cong. Reid Ribble, R-WI); Would have allowed 6 axle, 91,000 lbs. semis on interstates vs. 5 axle, 80,000 lbs. limit; Defeated 187-236 in House (11-3-15)
 - Motorist safety
 - Shorter stopping distances (1 foot less)
 - Fewer trucks vs. status quo
 - Infrastructure wear & tear
 - Federal Bridge Formula compliant
 - $80,000 \text{ lbs.} \div 5 \text{ axles (18 tires)} = 4,444 \text{ lbs. per tire}$; $91,000 \text{ lbs.} \div 6 \text{ axles (22 tires)} = 4,136 \text{ lbs. per tire}$ (308 lbs. less per tire)
 - Cost savings & efficiency gains
 - 137 additional bushels of soybeans or wheat; 146 additional bushels of corn per load
 - ↓ gallons of fuel, carbon emissions
 - Trucking & Rail – Increasingly not interchangeable



U.S. Agriculture: A 21st Century Industry Utilizing an Early 20th Century Rural Infrastructure

Iowa

	<u>Then</u>	<u>Now</u>
■ # of Farms (Total)	206,000 (1950)	92,400 (2010)
■ Average Farm Size	169 acres (1950)	333 acres (2010)
■ Volume (bushels)	687 million (1940)	2.83 billion (2011)
■ % Living in Rural Areas	60.4% (1930)	36% (2010)
■ % Consumed on Farm	3.12% (1950)	0.06% (2010)
■ # of Hog Farms	153,619 (1954)	8,758 (2007)
■ Average # of Hogs per Farm	93 (1954)	5,398 (2007)
■ Average Tractor Weight	5,904 lbs (1950)	11,816 lbs (2011)
■ Railroad Miles	9,808 (1920)	3,925 (2009)



U.S. Agriculture: A 21st Century Industry Utilizing an Early 20th Century Rural Infrastructure

Framing Questions (Indiana Soybean Alliance, Indiana University, Purdue, STC):

- If we were to design a rural road & bridge system to meet the current & future needs of U.S. agriculture, would we design the system we have today?
- What does the infrastructure need to look like in 10 years, & what are the incremental steps that need to be taken to achieve that? (Prioritizing roads & bridges, relocating storage, etc.)



Rail issues

- Positive Train Control extension; Extension was provided & provided sooner rather than later
- Rail service for the 2015 harvest has been very reliable:
 - Railroads have responded to demand
 - Farmers storing grain



Locks & Dams: Despite new WRRDA law & IWT increase, frustration remains

- ***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? 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).

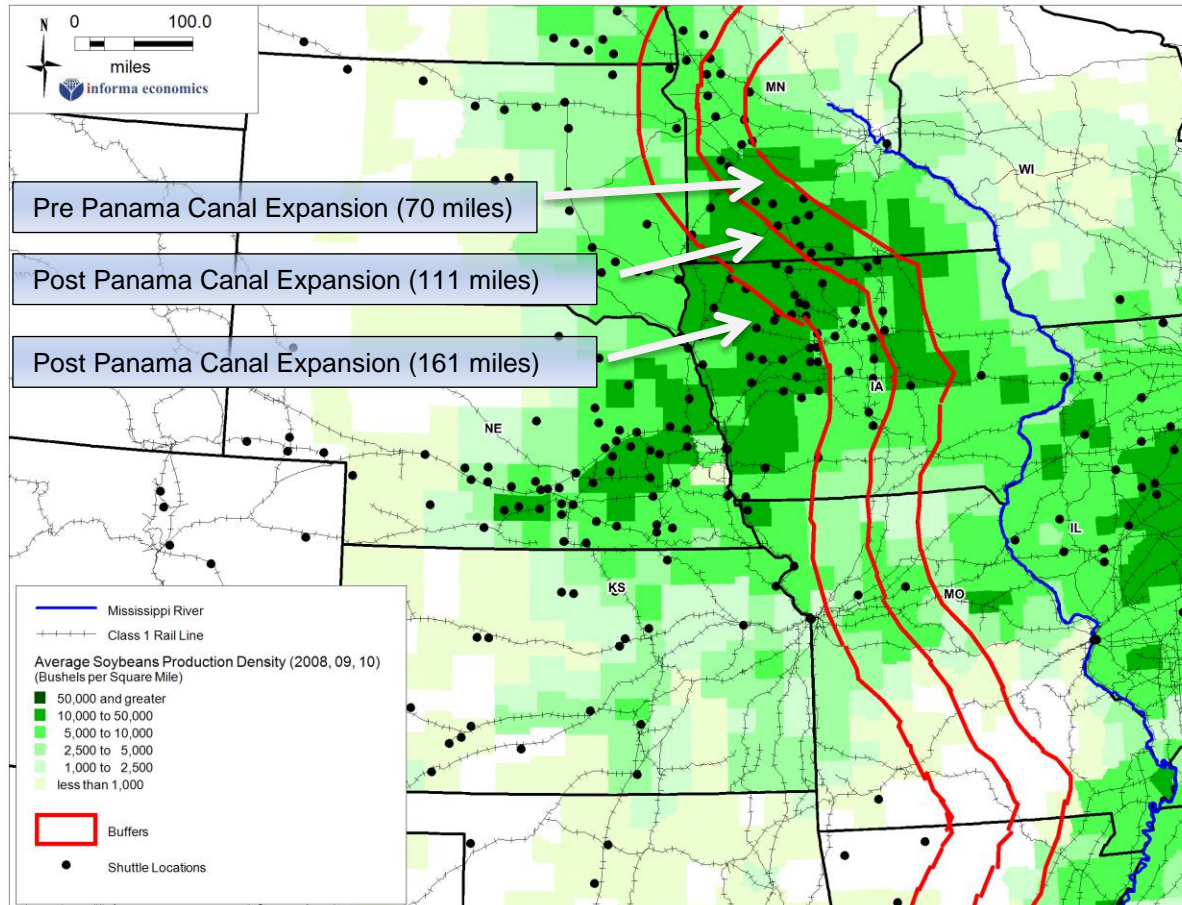


Panama Canal Expansion – Opportunity for increased efficiency, or are we shifting the bottleneck?

- Soybean checkoff-funded study
 - Total grain & oilseeds transiting the canal will increase 30% by 2020/21
 - Each vessel will accommodate 500,000 or more additional bushels; \$5-8 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?



Thank You

Soy Transportation Coalition

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