

National  
Grain and Feed  
Association



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## **Grain Industry Urges Expansion of U.S. Transportation Capacity**

WASHINGTON – The U.S. transportation system, which traditionally has been a major strength in American agriculture’s competitiveness, is facing severe capacity constraints that warrants a reassessment of U.S. strategy for transportation investment.

That was the message conveyed by the nation’s two leading grain organizations today (Nov. 9) in testimony presented at a Senate Agriculture Committee hearing that focused on transportation challenges confronting U.S. agriculture.

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA), which are co-located in Washington, said limits on U.S. transportation capacity have become “a very serious” economic issue. “We submit the time has come to get serious about how we can expand transport capacity, or face the reality that economic growth in agriculture and other sectors eventually will be constrained by our inability to efficiently move product,” said Rick Calhoun, vice president of the Grain Division at Cargill Inc., and president of the company’s barge line, who testified on behalf of the NGFA and NAEGA.

Calhoun said higher energy costs, “chronic” rail capacity shortages, lack of investment in modernizing locks and dams on the inland waterway system, and storm-related problems have combined to “sharply escalate” the cost of moving agricultural products to market. At the same time, U.S. competitors, particularly countries in South America, have invested in transportation infrastructure and narrowed the competitive advantage once enjoyed by U.S. agriculture.

For starters, the NGFA and NAEGA urged the Senate to join in approving a House-passed water resources development act (H.R. 2864) that includes funds for constructing seven new 1,200-foot locks on the Upper Mississippi River, as well as two locks on the Illinois Waterway. “Given the critical importance of inland waterways to efficient movement of export grain and many other products, modernization of locks and dams and improved river maintenance should have been given a higher national priority several years ago,” Calhoun testified. “Now, with substantially higher energy prices, it is more important than ever.”

Calhoun noted that barge transportation is 2.5 times more fuel efficient than rail movements, and nearly nine times as efficient as truck transportation. “Since energy is likely to remain expensive, and energy conservation is a national goal, the time is nigh to begin seriously investing in modernizing the commercial navigation system,” he said.

The NGFA and NAEGA noted that the U.S. transportation system’s vulnerability had been highlighted by the disruption caused by Hurricane Katrina, which came ashore in late August. Calhoun noted that while most export elevators now are able to move product, there continue to be constraints on the system, with barge unloadings falling 27 percent below the five-year average and some traditional U.S. export customers shifting purchases to other countries. He commended USDA for allocating funds to discharge barges containing out-of-condition grain, which he said will help restore barge operations, assist in relieving storage congestion, minimize losses in U.S. market share to reliable export customers like Korea, and assist the possibility of raising interior U.S. cash grain prices, which also would reduce government farm program outlays.

The NGFA and NAEGA also stressed the capacity constraints on the nation’s rail system, which have “only gotten worse” over the past two years and may take a number of years to resolve. “Simply adding rail cars to the existing system will not solve the rail capacity issue,” Calhoun said. “Railroads need to hire more crews, purchase more locomotives, build double track in some corridors, build passing lanes, and make structural adjustments to rail yards to improve efficiency.”

The NGFA and NAEGA warned that the changes needed to enhance rail capacity will take several years, and economic projections suggest intermodal freight, coal movements and other rail business will continue to expand demand for rail freight, further challenging agriculture.

“With severe capacity limits, rail service is becoming increasingly unpredictable, which adds to the effective cost of transportation,” Calhoun said. “With capacity severely strained, in particular during harvest months, farmers in rail-served markets likely will be confronting increasing price risk in coming years unless transportation capacity problems can be resolved successfully.”

The NGFA and NAEGA also called on Congress to reassess the “perpetuity” of the so-called Jones Act, which requires that goods transported by water between U.S. ports be shipped in more expensive U.S.-flagged, U.S.-built, U.S.-crewed and U.S.-owned vessels. “While we know there is strong resistance to any amendment of this law from industries protected by it, the increasing congestion of cars and commercial trucks on the nation’s highways, the rail capacity shortage and the need for more inland waterway capacity eventually should force some reassessment” of the law, Calhoun said.

“We need cost-effective, highly dependable and responsive transportation services to respond to customers’ needs when they want to make purchases,” Calhoun concluded. “Simply put, we must be in a position to serve all types of customers if we are to compete successfully and grow markets.”

The NGFA, established in 1896, consists of approximately 900 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than 70 percent of all U.S. grains and oilseeds. The NGFA’s membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 35 affiliated state and regional grain and feed associations, as well as two international affiliated associations. The NGFA also has strategic alliances with the Pet Food Institute and the Grain Elevator and Processing Society, and has a joint operating and services agreement with NAEGA.

NAEGA, established in 1912, is a not-for-profit trade association comprised of private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States. Its mission is to promote and sustain the development of commercial export of grain and oilseed trade from the United States.