



National Grain and Feed  
Association



North American Export  
Grain Association

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August 20, 2010

The Honorable Thomas Vilsack  
Secretary of Agriculture  
Washington, D.C., 20250

Dear Mr. Secretary:

The North American Export Grain Association and National Grain and Feed Association wish to bring to your attention a situation that poses significant adverse consequences to U.S. agricultural exports and producers.

The U.S. Gulf transportation system in and around the major port of New Orleans, La., is experiencing a high degree of inconsistency in Official inspection results for grading corn that has resulted in significant disruptions to export logistics and marketing. The impact is severe, affecting more than half of the export destinations for U.S. grains and oilseeds and their primary processed products. Last year, the United States shipped 54.5 million metric tons of corn, soybeans and wheat through export terminals located at the mouth of the Mississippi River, up 6.6 percent from 2008. In 2010, U.S. agricultural products traversing both north and southbound on this most important of all transportation tributaries are expected to exceed \$90 billion in value. Large prospects for the export of U.S. grains and oilseeds in the coming market year are well documented, as the world increasingly is turning to the U.S. to accommodate the growing demand for agricultural products to meet food, feed, fiber and fuel needs.

The inconsistency in official inspection results in the U.S. Gulf, coming at a time when the initial stages of a large U.S. fall grain and oilseed harvest is underway, and when world demand for these U.S. agricultural products is at a very high level, has manifested itself in several ways, including the following:

1. The availability and competitiveness of U.S. grains and oilseeds in export markets has been reduced significantly. In the absence of offers for U.S. No. 2 yellow corn for shipment in October, we understand Argentine-origin corn has been sourced by foreign buyers to fill significant immediate market needs.
2. Restrictions are reverberating throughout the U.S. transportation and inventory-management systems, putting in question among foreign buyers the reliability of the U.S. grain and oilseed supply system. Increased vessel load times, reductions in the

availability of railcars and barges, and additional tightness in storage space all are challenging supply chain management

In addition, the ripple effects of this situation may have an adverse impact on farm gate prices for agricultural producers, as freight rates and differentials in price basis futures markets have increased.

Currently, we estimate that official grading inconsistencies have triggered a 20 percent or greater reduction in utilization of U.S. transportation and handling capacity for commodities flowing through the Center Gulf region. Restrictions in corn capacity, of course, are much greater (perhaps as much as 50 percent). Further, the impacts of ever-increasing delays in discharging rail cars in the Center Gulf are expanding and having an increasingly adverse impact on the efficiency of other ports regions. And these impacts and the resulting market disruptions, attributable largely to inconsistent Official grading of corn in the New Orleans market, are growing exponentially, not linearly. If not corrected, this situation only will worsen with the surge of the new-crop corn harvest, likely extending it well into October and beyond into 2011.

**It is our understanding that the Federal Grain Inspection Service within USDA's Grain Inspection, Packers and Stockyards Administration, is working to alleviate this unfortunate situation. However, we seek your active and direct involvement and assistance to ensure the Agency has targeted its efforts appropriately, and has sufficient support and resources at its disposal to address mechanisms to immediately reduce the lack of predictability and reliability of Official grading that has placed U.S. agricultural exports in such jeopardy.**

**In this regard, we would appreciate an opportunity to meet at your earliest opportunity to discuss several possible actions that may assist the agency in resolving this matter. Our intent is to invite other stakeholders in the grain export chain to also participate in such a meeting.**

**We appreciate your prompt consideration of this request.**

Sincerely,



Gary C. Martin  
President and Chief Executive Officer  
North American Export Grain Association



Kendell W. Keith  
President  
National Grain and Feed Association

Cc: Jim Miller, Under Secretary for Farm and Foreign Agricultural Services  
Edward Avalos, Under Secretary for Marketing and Regulatory Programs