
Soy Transportation Coalition

Farm Foundation Forum
November 19, 2014



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, 2013)

Davenport to Shanghai

Truck - \$12.42

Barge - \$33.90

Ocean - \$54.13

Total Trans - \$100.45

Farm Value - \$466.64

Customer Cost - \$567.09

T. as % of Cust. Cost – 17.71%

Sioux Falls to Shanghai

Truck - \$12.42

Rail - \$60.88

Ocean - \$28.62

Total Trans - \$101.92

Farm Value - \$456.62

Customer Cost - \$558.54

T. as % of Cust. Cost – 18.25%

N. Mato Grosso to Shanghai

Truck - \$109.29

Ocean – \$42.50

Total Trans - \$151.79

Farm Value - \$445.27

Customer Cost - \$597.06

T. as % of Cust. Cost – 25.42%

Source: USDA



**SOY TRANSPORTATION
COALITION**

STC Analysis: Alternative, Sustainable Approach to Fuel Tax

- Wide recognition of the need; Repeated inability to address the need
- Focus of analysis: Impact on nation & 12 STC states of:
 - Immediately decreasing fuel tax by one cent
 - Immediately indexing fuel tax to inflation



STC Analysis: Alternative, Sustainable Approach to Fuel Tax

Key Findings – National Impact:

- 1.) Reduction in gasoline & diesel taxes by one cent per gallon would reduce federal revenue by \$1.7 billion in 2014.
- 2.) Indexing the tax rate to inflation in 2014 would result in an additional \$1.1 billion in average annual tax revenue between 2014 – 2025. Additional annual revenue of \$6.2 billion per year by 2025.
- 3.) If the U.S. had indexed fuel tax to inflation the last time they were adjusted, an additional \$133 billion would have been generated.



STC Analysis: Alternative, Sustainable Approach to Fuel Tax (U.S. revenue comparison)

<u>Year</u>	<u>Tax Revenue</u> <i>(No Adjustments)</i>	<u>Tax Revenue</u> <i>(2014 CPI Indexed & One Cent Reduction)</i>	<u>Additional Revenue</u>	<u>Cumulative Change</u>
2014	\$34.35 billion	\$32.62 billion	- \$1.73 billion	- \$1.73 billion
2015	\$33.89 billion	\$33.24 billion	- \$655 million	- \$2.39 billion
2016	\$33.91 billion	\$33.86 billion	- \$41 million	- \$2.43 billion
2017	\$33.97 billion	\$34.51 billion	\$544 million	- \$1.89 billion
2018	\$34.03 billion	\$35.18 billion	\$1.16 billion	- \$733 million
2019	\$34.08 billion	\$35.87 billion	\$1.8 billion	\$1.06 billion
2020	\$34.09 billion	\$36.57 billion	\$2.48 billion	\$3.54 billion
2021	\$34.10 billion	\$37.29 billion	\$3.19 billion	\$6.73 billion
2022	\$34.13 billion	\$38.04 billion	\$3.9 billion	\$10.64 billion
2023	\$34.14 billion	\$38.78 billion	\$4.64 billion	\$15.27 billion
2024	\$34.14 billion	\$39.54 billion	\$5.4 billion	\$20.67 billion
2025	\$34.14 billion	\$40.32 billion	\$6.18 billion	\$26.85 billion



U.S. Inland Waterway System

- Water Resources Reform & Development Act (signed into law – June 10, 2014);
Previous WRDA – 2007
 - Increased funding for port & harbor maintenance
 - Modest increase in funding for locks & dams
 - Explores potential for alternative sources of funding (bonding, private funding)



Locks & Dams: Despite new WRRDA law, frustration remains

- 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
 - Opportunities for private investment?



Locks & Dams: Despite new WRRDA law, frustration remains

- 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? 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).

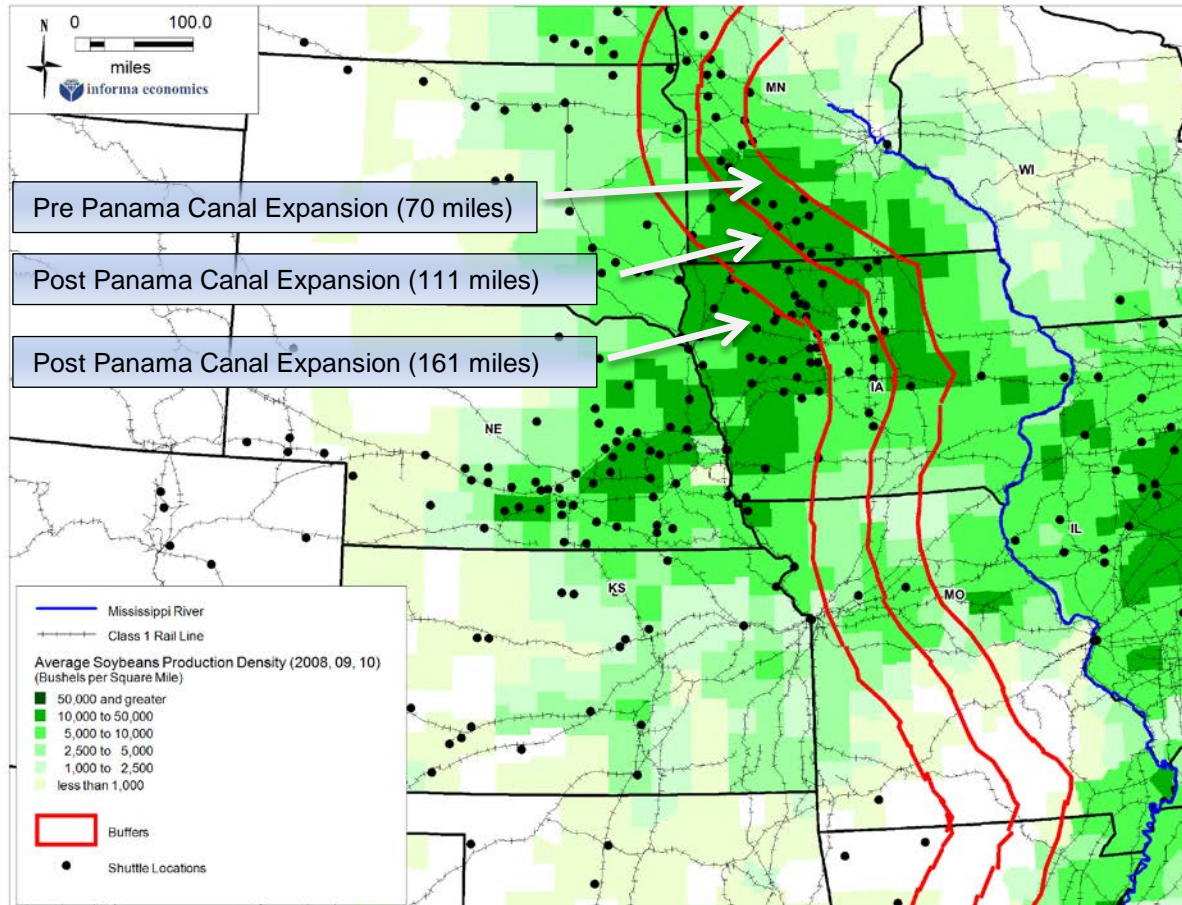


Panama Canal Expansion – Opportunity for increased efficiency, or are we shifting the bottleneck?

- Soybean checkoff-funded study
 - Total grain & oilseeds transiting the canal will increase 30% by 2020/21
 - Each vessel will accommodate 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?



Thank You

Soy Transportation Coalition

1255 SW Prairie Trail Parkway

Ankeny, Iowa 50023

515-727-0665

515-251-8657 (fax)

www.soytransportation.org

Mike Steenhoek, Executive Director

msteenhoek@soytransportation.org



**SOY TRANSPORTATION
COALITION**