

Farm Foundation

Transportation Infrastructure

June 7, 2018

Creating Partnerships in Agriculture®



About Us

CGB Enterprises, Inc.

- Established 1970 in St. Louis, MO
- Grain origination, trading, crop insurance, transportation, and logistics
- 19 Subsidiaries at over 118 Locations
- Grain handling, financing and risk management, buying, storing, selling and shipping of crops and more.



About Us

Consolidated Grain and Barge Co.

- 97 Grain locations.
- 37 facilities on the inland waterways.
- Storage capacity 200 million bushels.
- 65% of grain handle is export directed via the river.
- IP grains shipper, mostly export.
- Small company with benefit of global shareholders.



Consolidated Grain and Barge Co.

- ZEN-NOH.
 - Japanese Cooperative, 10 million members.
 - 33% of Japans compound feed demand.
 - Export facility: Convent, LA - U.S.
 - JVs - Brazil, Canada, Australia
- Itochu
 - Top 3 Japanese Trading House (JTH)
 - Global Trader

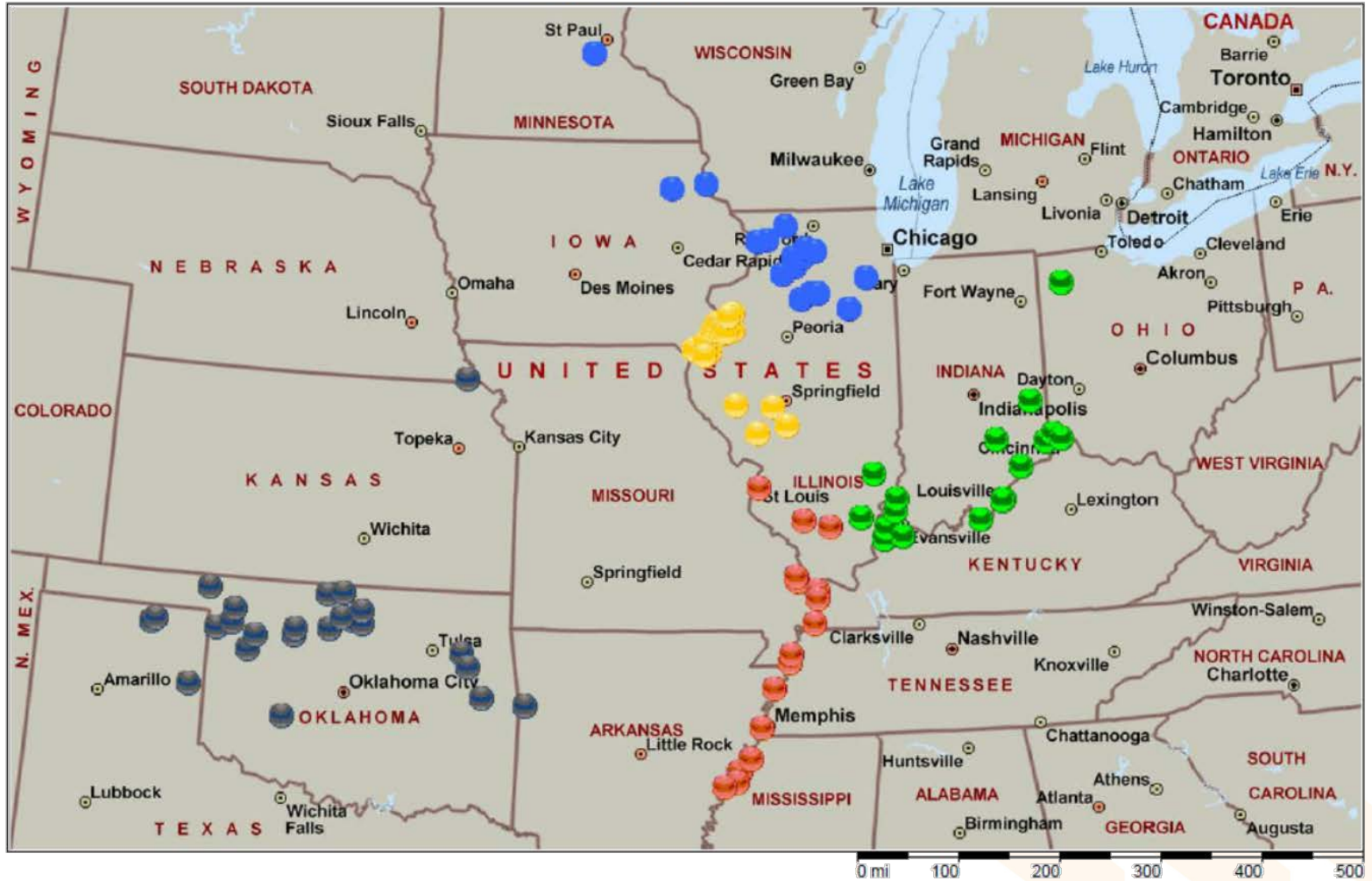


Grain Facilities

CGB Locations

Region by
City

- Mid-So...
- Naples
- NIL
- OVR
- SW



www.cgbgrain.com



**12,000 MILES
IN 38 STATES**

239 LOCKS AT 193 SITES

NEARLY
**600 MILLION
ANNUAL TONS**

VALUED AT OVER \$300 BILLION

**20% OF COAL
60% OF GRAIN**

MOVED ON OUR RIVER SYSTEM

TODAY'S U.S. INLAND WATERWAYS SYSTEM
A CRITICAL PART OF THE TRANSPORTATION SUPPLY CHAIN

AS MANY AS
540,000 JOBS
DEPEND ON INLAND NAVIGATION

**THE SAFEST AND
MOST ENERGY-EFFICIENT**
MODE OF SURFACE TRANSPORTATION

DECLINE IN INVESTMENT HAS LED TO DETERIORATION

58% OF OUR LOCKS ARE PAST THEIR DESIGN LIFE EXPECTANCY



**239 NAVIGATION
LOCK CHAMBERS
AT 193 SITES**

**AVERAGE AGE
OF LOCKS:
59.1 YEARS**

**# OF CHAMBERS
OVER 50 YRS OLD:
139**

Lock & Dam 52

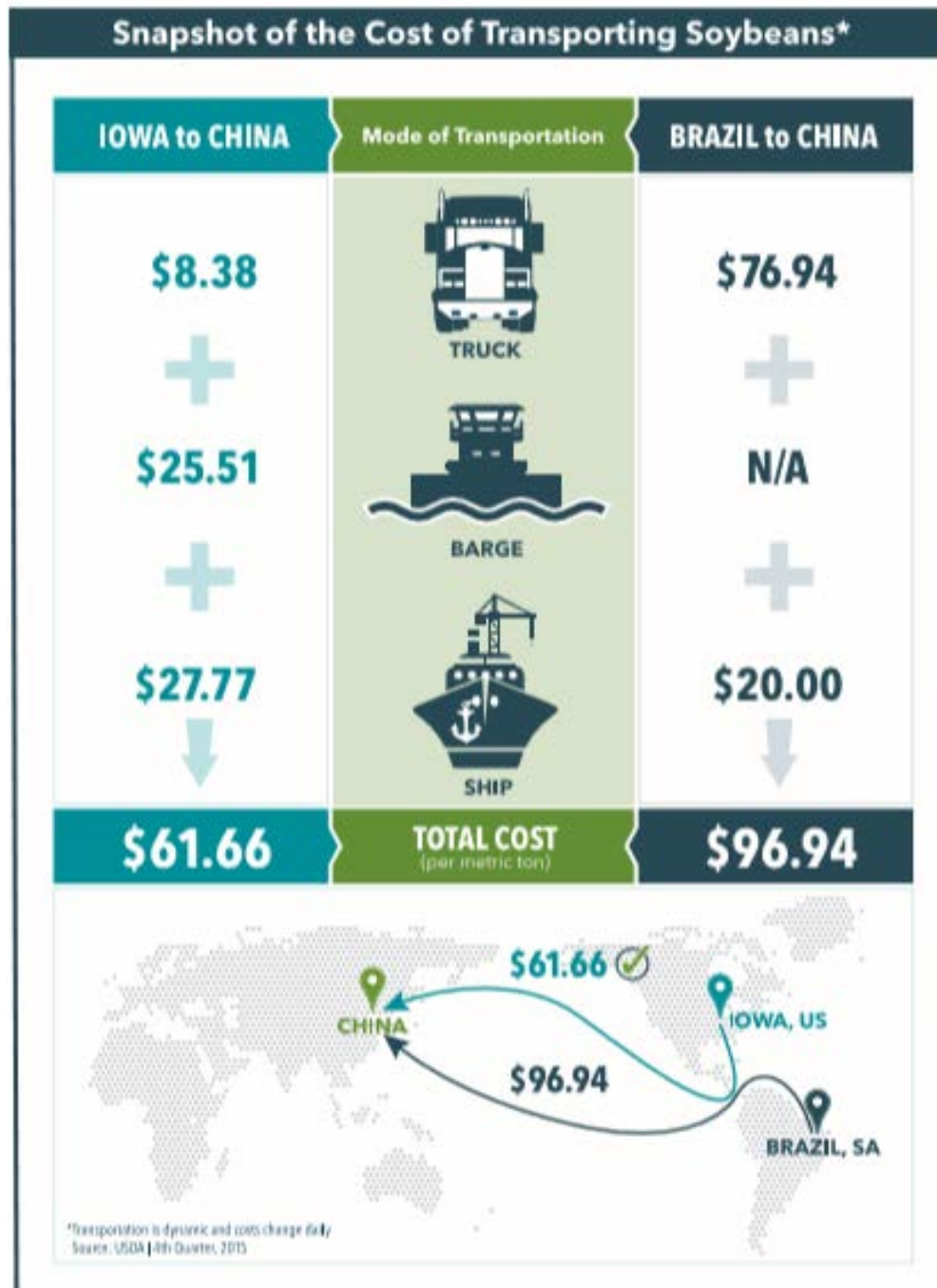
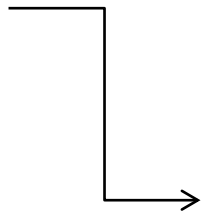
US River Lock and Dam system

- # of Lock/Dams:
 - OH River: – 20 locks
 - IL River: – 9 locks
 - Miss River: - 27 locks
- Consider: Ramification of a major lock collapse at one of the most down river locks.
 - All of the grain north of that lock, tributary to the river suffers significant basis loss due very opportunistic and expensive rail or truck freight.
 - US exports collapse, prices rise, giving even more incentive for Black Sea, SAM to grow acres and infrastructure.

The U.S. competitive advantage is freight

- US is the cheapest supplier to export channels.
- No other country has our river advantages.
- River system most efficient.
- Truck Frt 100 miles to STL = \$.38/bus. (ave 5/30/18)
- Rail Frt, Champaign to NOLA = \$.87/bus. + inefficient unload adds another \$.08/bus to barge.
- Barge Frt 1,000 miles from STL to NOLA = \$.38/bus. (STL @ 360%)

The
waterways
are particularly
important to
agriculture



Competition to the US

- Brazil

- High quality grain. Corn is harder, soy more protein and oil.
- Productive land, very cost competitive to produce soybeans and corn.
- Ports are growing in count and capacity.
- Transportation improving, but still awful.
- Currency fluctuations, can't earn carry.
- Cannot store entire crop so they have to ship.
- Due to uncertainty, they will ship all stocks and use price to do so.



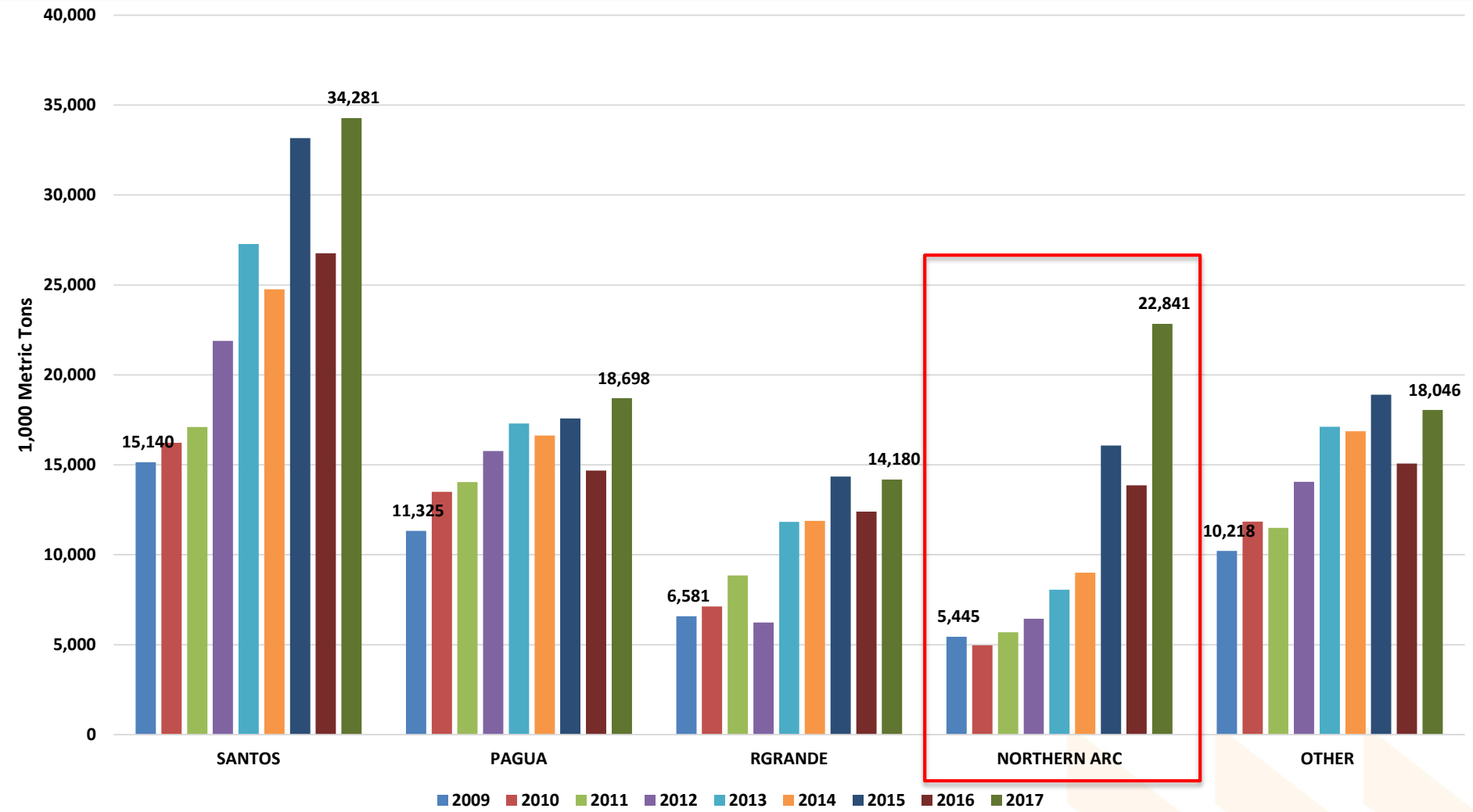
Trucks stuck at BR-163 past January: more than 4 thousand.



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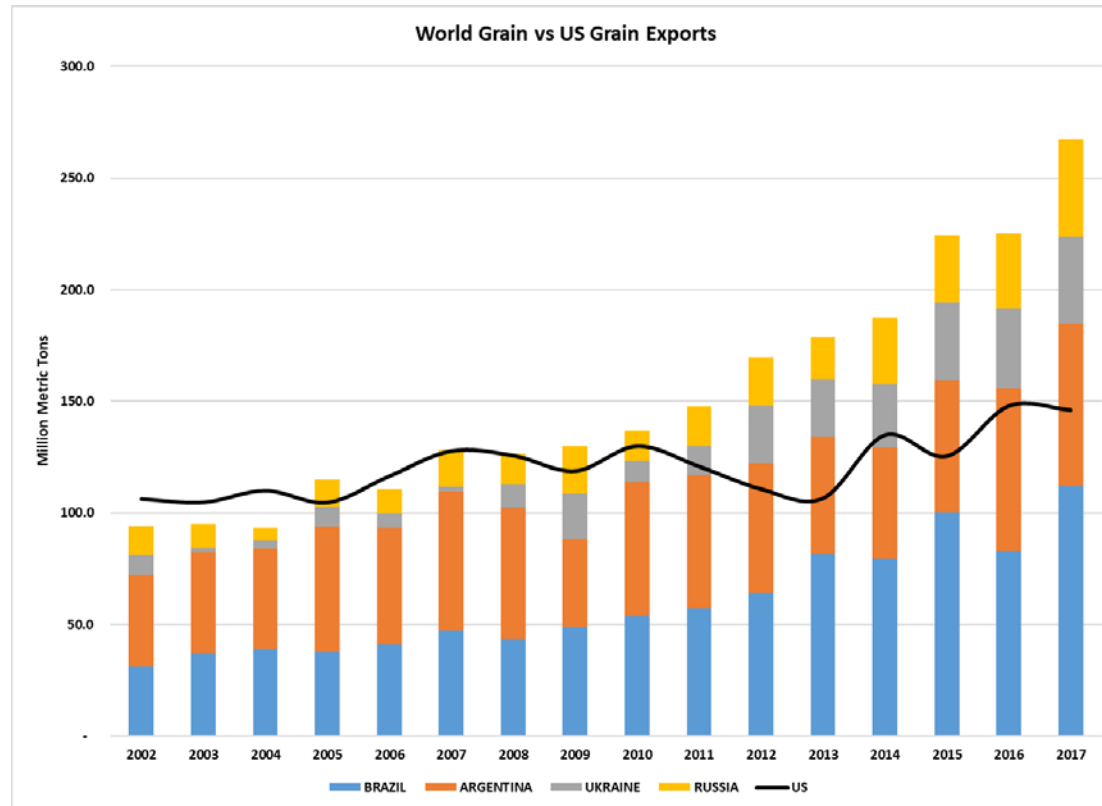


Brazilian corn, beans and soymeal exports by ports



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Source: Cargonave/ZGC Research



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China ?

- Use 60-70% of world soy exports.
- Trade?
- Gov't involvement always a concern.
- Gov't has large lever on Chinese privates. (Price may determine origin, but concern over gov't limits action.)
- Gov't currently selling corn stocks (27MMT).
- “Silk Road” - the Belt and Road Initiative (BRI). Not as cost effective as the US waterways.

Conclusion

- US Waterways are our single largest competitive advantage.
- Some say cheap transportation is the ONLY competitive advantage from U.S. origins.
- Any effort to increase transportation cost, inhibits grain exports as well as imported steel, cement, fertilizer, raw products, etc.
- Our lock and dam system is old and in need of heavy maintenance.