SESSION FOUR: INFRASTRUCTURE, LOGISTICS, AND ISSUES IMPACTING TRADE

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Remember: Round Table is off the record.

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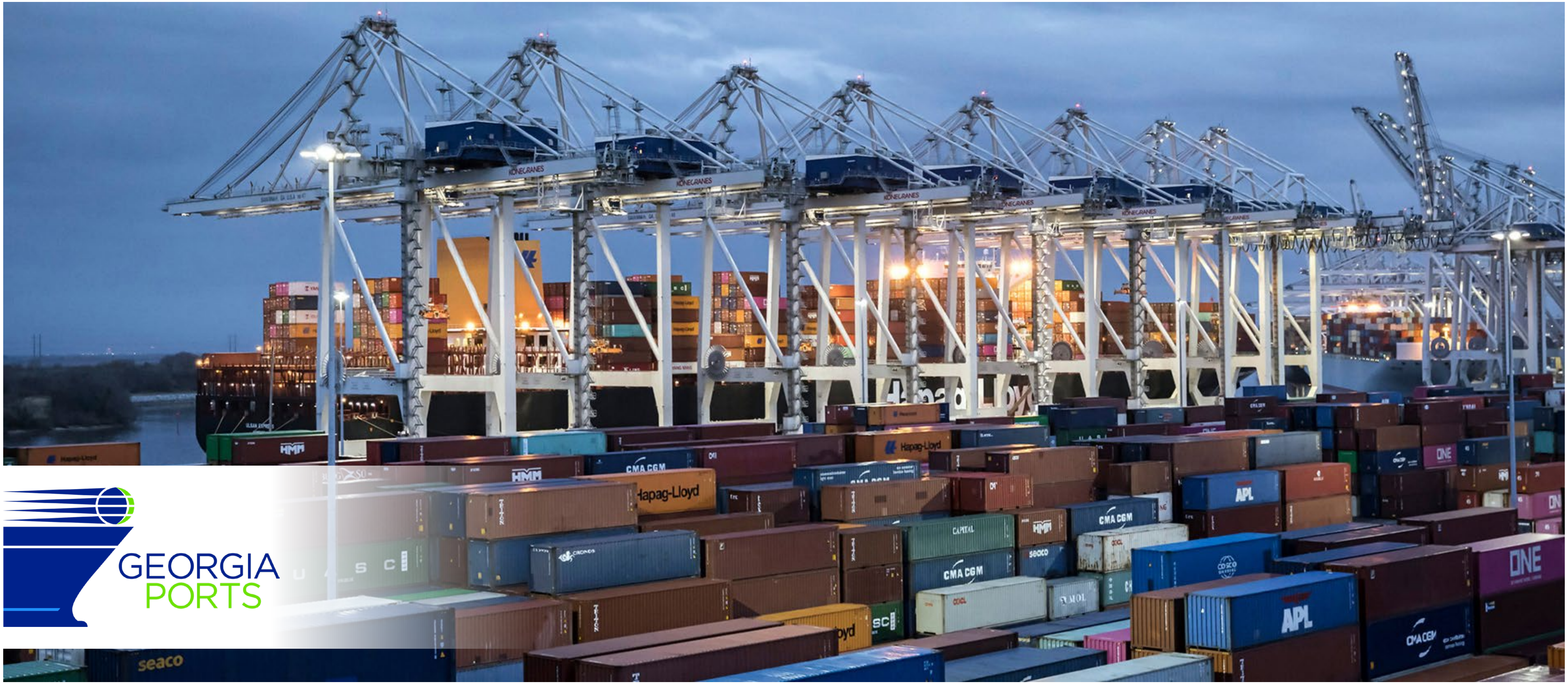


GEORGIA PORTS UPDATE

Presented to Farm Foundation - January 2023

DEEP WATER & INLAND TERMINAL OPERATIONS

GEORGIA PORTS

SAVANNAH: 3RD BUSIEST PORT COMPLEX
AND FASTEST GROWING

SAVANNAH #3 and Fastest Growing

PORT GATEWAY	FY2007 TEUs	FY2022 TEUs	CAGR '22 vs. '07
1. LA/Long Beach	15,924,913	20,301,954	+ 1.6%
2. NY/New Jersey	5,280,658	9,485,493	+ 4.0%
3. Savannah	**2,338,281**	**5,763,711**	**+ 6.2%**
4. Houston	1,623,443	3,742,538	+ 5.7%
5. Virginia	2,055,864	3,695,156	+ 4.0%
TOP FIVE TOTAL	**27,223,159**	**42,988,852**	**+ 3.1%**
6. Seattle/Tacoma	3,120,938	2,913,717	- 0.5%
7. Charleston	1,883,651	2,853,046	+ 2.8%
8. Oakland	2,358,510	2,377,259	+ 0.1%
9. Miami/Pt Everglades	1,845,093	2,334,305	+ 1.6%
10. Maryland	617,940	945,295	+ 2.9%
TOP TEN TOTAL	**37,049,291**	**54,412,474**	**+ 2.6%**

GEORGIA PORTS

SOURCE: AAPA and Port Websites; throughput excluding domestic

SAVANNAH #1 Export Port

U.S. PORT	FY2013 TEUs	FY2022 TEUs	’22 Market Share
1. Savannah	**1,189,686**	**1,260,403**	**12.0%**
2. NY/New Jersey	1,407,410	1,246,908	11.9%
3. Los Angeles	1,750,529	1,079,511	10.3%
4. Houston	925,826	1,048,651	10.0%
5. Long Beach	1,386,665	1,000,378	9.5%
6. Norfolk	873,633	937,548	8.9%
7. Charleston	608,107	673,952	6.4%
8. Oakland	817,278	658,806	6.3%
9. Pt Everglades	378,037	366,187	3.5%
10. Tacoma	517,771	332,375	3.2%
TOP TEN TOTAL	**9,854,943**	**8,604,718**	**81.8%**
TOTAL U.S. EXPORTS	**11,991,588**	**10,516,112**	**100.0%**

GEORGIA PORTS

FY 2022: July 2021 through June 2022
Source: PIERS-Enterprise (Loaded Cargo); Excludes Domestic

SAVANNAH #1 Agricultural Export Port

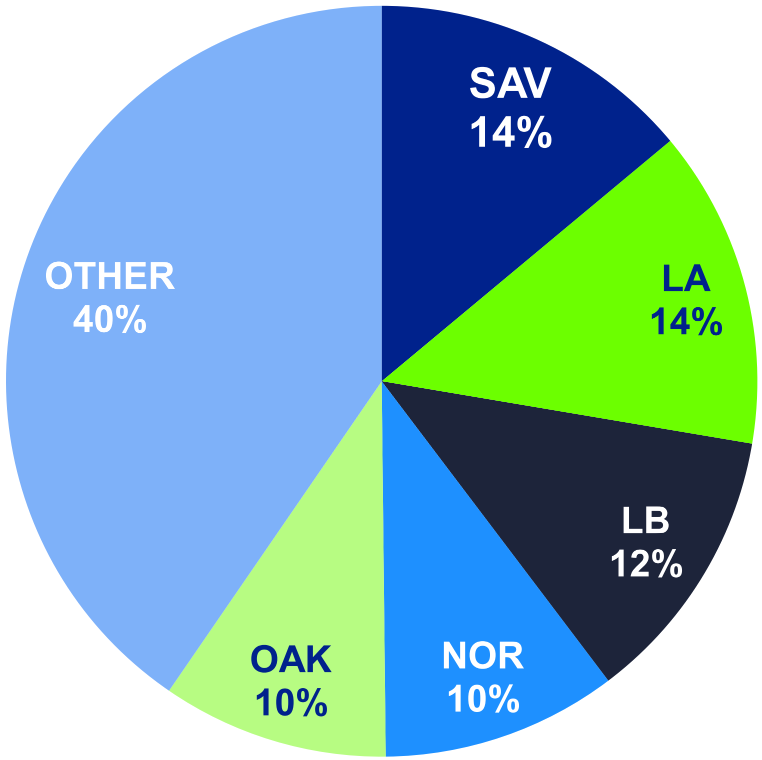
U.S. PORT	FY2013 TEUs	FY2022 TEUs	'22 Market Share
1. Savannah	**634,499**	**648,976**	**13.9%**
2. Los Angeles	860,548	638,823	13.7%
3. Long Beach	678,688	560,067	12.0%
4. Norfolk	377,544	471,762	10.1%
5. Oakland	486,116	453,876	9.7%
6. NY/New Jersey	477,957	413,863	8.9%
7. Tacoma	360,568	278,706	6.0%
8. Charleston	245,260	221,784	4.8%
9. Seattle	322,757	168,162	3.6%
10. Houston	120,725	114,612	2.5%
TOP TEN TOTAL	**4,564,662**	**3,970,632**	**85.3%**
TOTAL U.S. AG EXPORTS	**5,288,017**	**4,655,268**	**100.0%**

GEORGIA PORTS

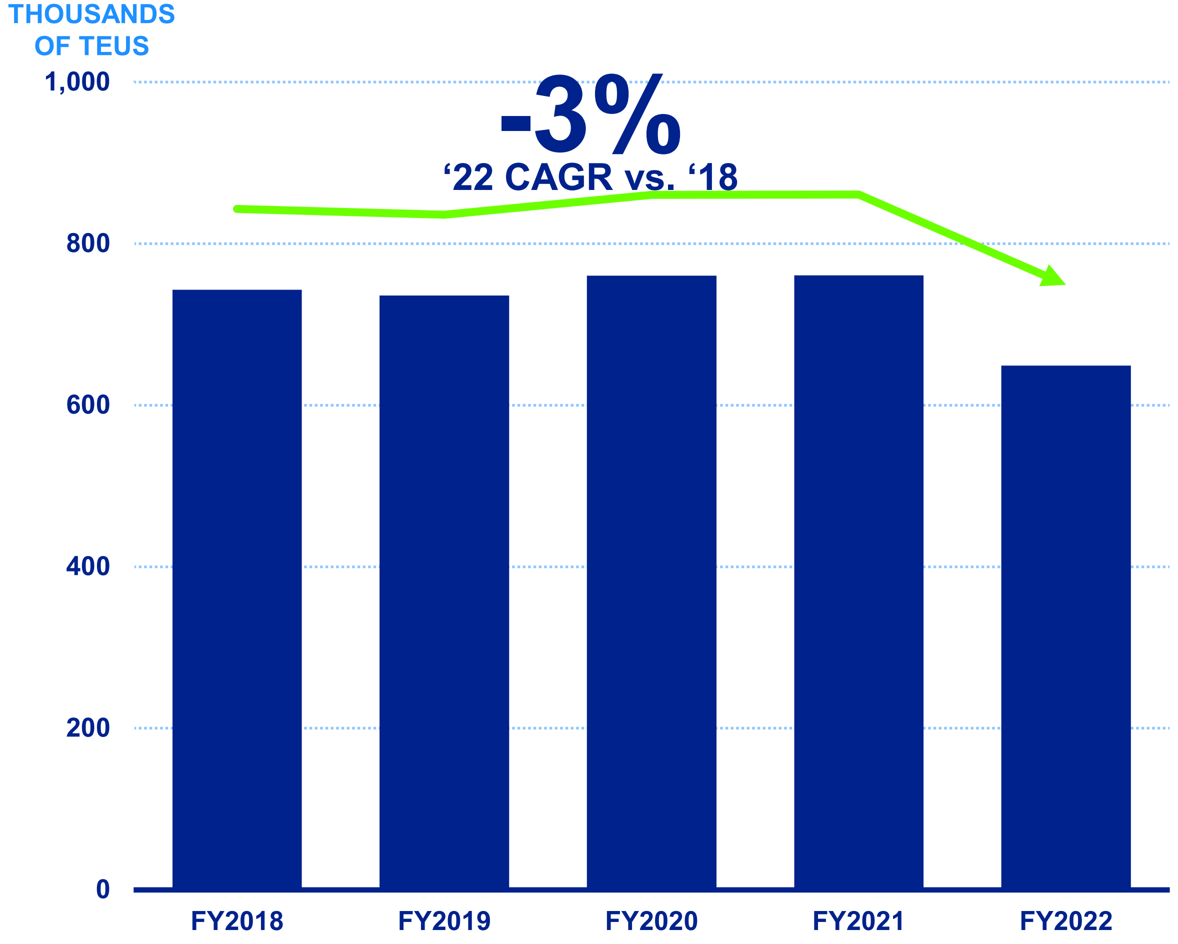
FY 2022: July 2021 through June 2022
Source: PIERS-Enterprise (Loaded Cargo); Excludes Domestic

SAVANNAH #1 U.S. Gateway for Agricultural Exports

FY2022 AG Exports by U.S. Port



AG Exports via the Port of Savannah



GEORGIA PORTS

Source: PIERS-Enterprise (Loaded Cargo); FY2022- July 1, 2021 – June 30, 2022

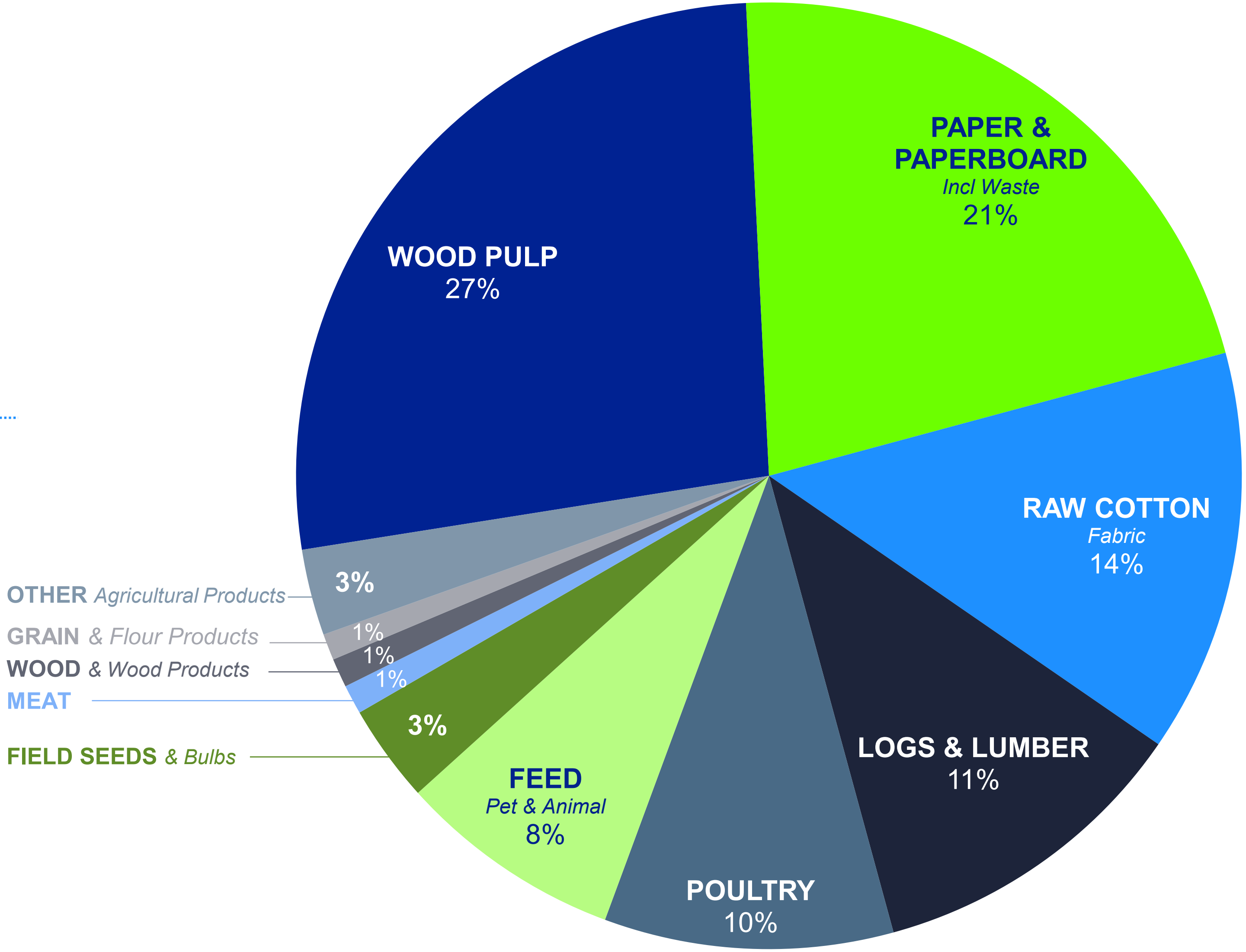
FY2022 AG EXPORT COMMODITIES VIA SAVANNAH

51.5%

of Exports via Savannah were **AGRICULTURAL**

14%

of all U.S. AG Exports were via **SAVANNAH**



GEORGIA PORTS

Source: PIERS-Enterprise (Loaded Cargo); FY2022- July 1, 2021 – June 30, 2022

GPA OUTLOOK

Container inventory returning to normal; yard remains fluid

Normalized volumes expected by Spring

GPA investing in berth/yard, with new container terminal operational in 2025

GPA betting on long-term future!

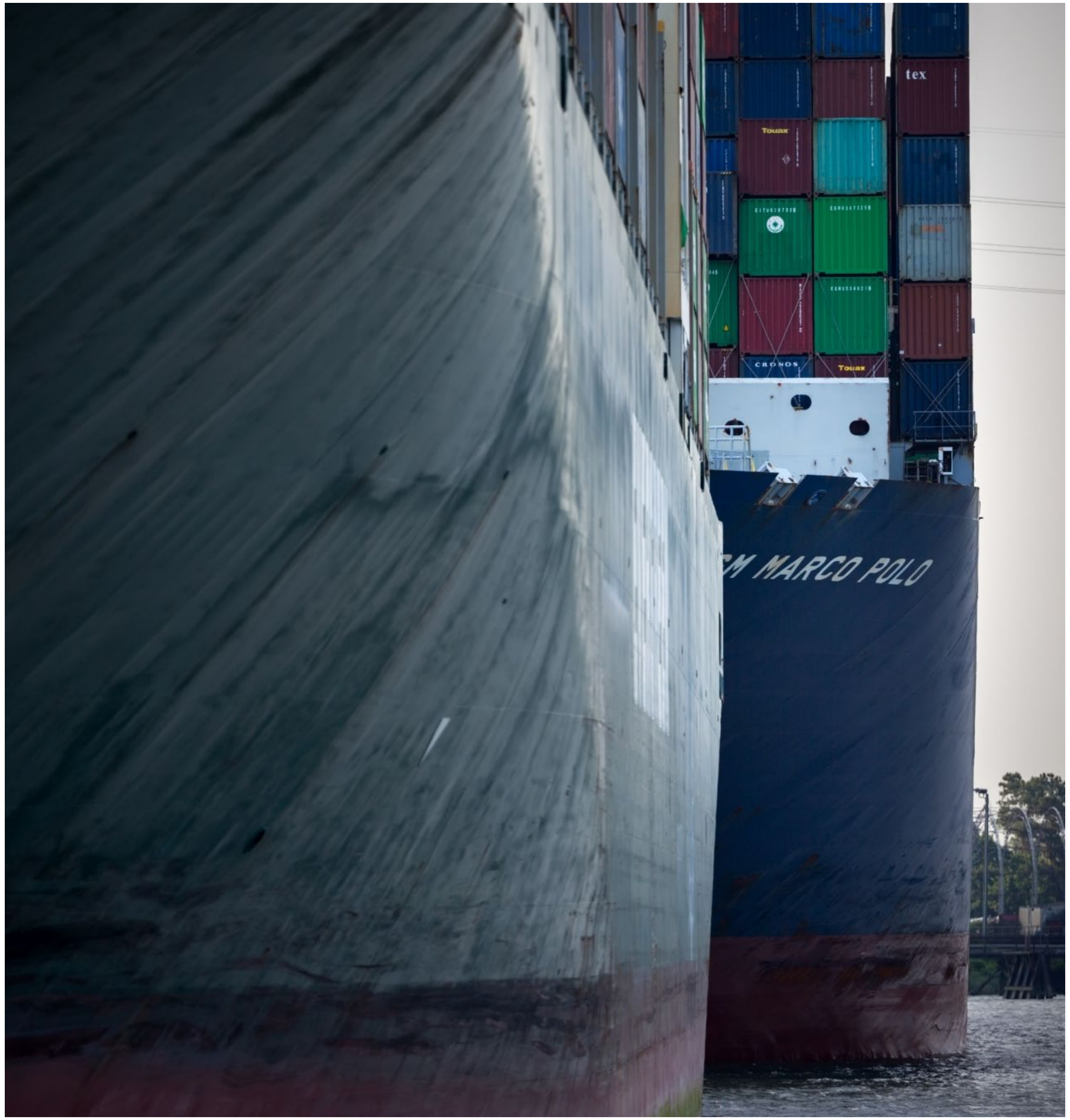
GEORGIA PORTS

GEORGIA OUTLOOK

Best state to do business 9 years in a row*

Record:

- Economic development
- Warehouse expansion
- Low unemployment
- GPA volume – 6.0M TEUs



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Area Development and Site Selection magazines; Fall 2022

INDUSTRY OUTLOOK

Union contract negotiations

- Rail, ILWU

West Coast / East Coast rebalancing

Vessel order book; almost 30% of current fleet capacity

Geopolitical landscape: Less reliance on China

Economic downturn

- Retailers canceling orders

As an industry:

Need to account for vulnerability still in supply chain

Supply chain needs to continue to invest

Monitor regulatory environment

GEORGIA PORTS

THANK YOU

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ANGELA CADDELL

GROUP VICE PRESIDENT
AGRICULTURAL PRODUCTS
BNSF RAILWAY COMPANY

Farm Foundation®

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THOMAS HEINOLD

CHIEF, OPERATIONS DIVISION
U.S. ARMY CORP OF ENGINEERS

US ARMY CORPS OF ENGINEERS
ROCK ISLAND DISTRICT

Navigation System Operation and Maintenance

Tom Heinold, Chief of Operations Division

Farm Foundation Round Table

12 JAN 2023

U.S.ARMY

US Army Corps of Engineers ®

WHY DO WE CARE ABOUT INLAND WATERWAYS?

- Save money (least expensive mode)
- Our international competitiveness depends on them!
  - (62% of US grain exports are shipped down the Mississippi on barges)
  - Post-Panamax is open for business!
- Reduce road congestion (and wear)
- Safest
- Most environmentally sound / least polluting
- Provide augmentation to rail & road (no monopoly)
- Reliable navigation pools provide ancillary benefits (water supply, cooling water, recreation, improved environmental habitats)

STATE OF THE DISTRICT'S INFRASTRUCTURE

Rock Island District operates and maintains the second longest nine-foot navigation channel in the Corps of Engineers.

- 17 Dams and 20 Locks
- 582 Miles of Navigation Channel
- 755 Million Tons of Cargo Locked in fiscal year 2017
- > $1 Billion Transportation Annual Cost Benefit

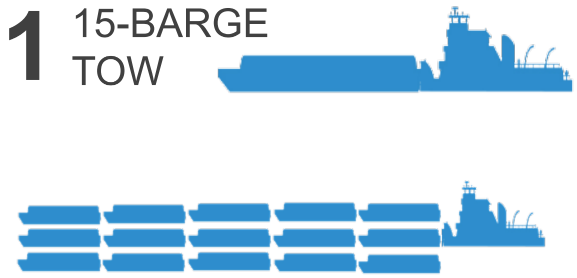
Most locks and dams on the Upper Mississippi and Illinois Waterway were constructed in the 1930s and 40s and have far exceeded their projected 50-year lifespan.

Major rehabilitation and construction is needed to restore these aging facilities to full capability, prevent major disruptions and provide opportunities for growth.

According to the 2019 U.S. Department of Agriculture study titled "**Importance of Inland Waterways to U.S. Agriculture**," failure to modernize these and other locks and dams increases costs of U.S. farm exports and helps foreign exporters close the cost gap with the United States.

IMPORTANCE OF INLAND NAVIGATION

The inland waterway navigation system, to include the Upper Mississippi River system, saves between $7 and $9 billion annually over costs of shipping by other modes. Cargo capacity is a major factor in the system's efficiency.



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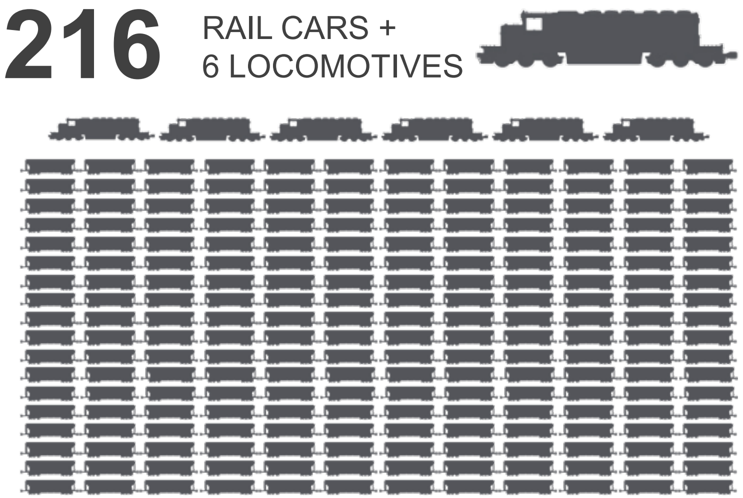

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In 2017, 532.8 million tons of domestic barge traffic worth $220 billion moved within the system. This includes roughly 57 percent of U.S. corn exports, valued at $4.8 billion, and 59 percent of U.S. soybean exports, valued at $12.4 billion.

Barge transportation is also environmentally friendly. On one gallon of fuel, a towboat can move one ton of cargo 647 miles as opposed to rail which can go 477 miles and truck which can only do 145 miles. Inland towing carbon dioxide emissions are also less at 15.62 grams per ton-mile as compared to 21.19 for rail and 154.08 for truck.

FLASHBACK – LAGRANGE LOCK

- Unsafe conditions for both Towing Industry and Lock personnel
- Steeply decreasing reliability of service
- Delays in restoring service after flooding conditions

Was the Nation’s “Poster Child” for decaying infrastructure

LAGRANGE MAJOR REHABILITATION/MAINTENANCE

Vertical concrete pre-cast panel installation

New gate machinery base

19 MAY 2020 – STARVED ROCK LOCK

STARVED ROCK MAJOR MAINTENANCE

MARSEILLES MAJOR MAINTENANCE

MISSISSIPPI RIVER LOCK DEWATERINGS

Typical Dewatering Activities:

- Close mid-DEC / early JAN
- Clean sills, set bulkheads, pump down the chamber
- Inspect normally-submerged components (and repair what we can)
- Place bulkhead sill beams and encase in concrete
- Repair / replace bubbler systems
- Repair sills
- Repair miter gate seals
- Replace miter gate anchorages
- Repair vertical concrete in the chamber
- Open by late FEB or early MAR

LOCK 15 DEWATERING – WINTER 2021-2022

LOCK 15 DEWATERING – WINTER 2021-2022

National Research Council Findings

- NRC Suggests Appropriate Maintenance Investment Range of 2-4% PRV
- FY 15 USACE Infrastructure Plant Replacement Value* (PRV) = $268B

Est FY15 PRV =	$268,000,000,000	% PRV	
NRC "High" (4%) =	$10,720,000,000	4.00%	Fiscally Impossible
NRC "Low" (2%) =	$5,360,000,000	2.00%	Exceeds Corps TOTAL Budget
TOTAL FY15 O&M Budget =	$2,600,000,000	0.97%	< 1%, Incl "O"
O&M Allocated for Just Maintenance =	$618,500,000	0.23%	Current Reality and *WHY O&M Efficiencies are SO Important*

Akin to buying a $30,000 car and spending $69 annually on maintenance and repair for its life, with no warranty service

Like Other Agencies, the Corps is Not Close to NRC Recommendations... EVEN IF O&M is Optimized...this is a National Infrastructure Priority

FUNDING TRENDS

1990’s – 2000’s: “Fix as it Fails”

- Reliability decreased significantly, things were breaking faster than we could fix them

Early 2010’s: Stemmed the Tide

- Got to a “steady state” where we were able to keep up with items that would stop navigation, but the system continued to age and we weren’t making any progress)

Late 2010’s to the present: Making Progress

- Restoring the reliability, safety and efficiency of the system, and even making progress toward capital reinvestment

NESP

- **<u>1200’ Locks</u>** at Locks 20, 21, 22, 24, and 25 on the Mississippi River along with 1200’ Locks at Peoria and LaGrange on the Illinois Waterway + other Navigation & Ecosystem improvements

- FY20: $4.5M received, $3M for Navigation, $1.5M for Ecosystem
  - Funds used to advance designs and ready projects for construction
  - At the end of FY21, over $20M in construction ready projects
- FY21: No Construction new start, will continue PED
  - $5M received in Work Plan, $2.625M for Navigation, $2.375M for Ecosystem
- FY22: **$732M for Lock 25**, $97 for LD22 fish passage

THANK YOU

for the opportunity to speak with you today!

Are there any

QUESTIONS?

Rock Island District's website: www.mvr.usace.army.mil
E-mail: thomas.d.heinold@usace.army.mil
Phone: (309) 794-5401

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Infrastructure, Logistics, and Issues Impacting Trade

Farm Foundation Roundtable

January 12, 2023

Jeff Weiss

Partner | Washington, DC

jweiss@Steptoe.com

Jeff Weiss spent more than 15 years in senior legal, policy, diplomatic, negotiation, and political roles in the US government across three administrations – including at the White House, Office of the US Trade Representative (USTR), and the Office of the Secretary of Commerce.

He now co-chairs Steptoe's internationally recognized **International Trade Policy** practice and leads the firm's **Supply Chain** team. He is also a core a member of the firm's **ESG** practice.

Agenda

- Underlying Causes of Supply Chain Disruptions
- Ports: Current State of Congestion
- Port-Related Developments
- Ports: 2023 Outlook
- Trucking-Related Developments
- Areas for Stakeholders to Engage

Underlying Causes of Supply Chain Disruptions

- <u>Increased consumer demand due to COVID</u>
- Transportation-related issues in California
- U.S.-China trade war
- Russia's invasion of Ukraine
- China's strict COVID lockdown policy
- Other disruptions

U.S. Ports: Current State of Congestion

- West Coast ports are mostly clear (latent capacity in LA)
- East Coast ports became congested, although levels are down
- Rail strike has been averted
- Systemic issues persist
  - Congestion could easily return if demand increases, or we have another major crisis

Port-Related Developments: Ocean Shipping Reform Act (OSRA 2022)

- Inspiration for passage of OSRA 2022: COVID-related congestion and allegations of unfair practices by steamship lines that negatively impacted U.S. shippers (e.g., food/agriculture)
- OSRA 2022 created new invoice requirements and an expedited process for filing charge complaints
- Ongoing Federal Maritime Commission rulemakings on detention and demurrage (D&D) and unreasonable refusal to deal
  - Sec. Vilsack and Johnson/Garamendi supporting ag exporters
  - Steamship lines threatening litigation on D&D rule
- Upcoming rulemaking on unfair/unreasonable practices
- FMC is contemplating action on improving data sharing
  - Includes a potential emergency order and a data sharing rulemaking

Port-Related Developments: California

- Ongoing port **management (PMA)-labor (ILWU) talks** on a new contract
- California Assembly Bill 5 (**AB 5**) on worker classification
  - Drayage trucks can no longer be independent contractors
- **Clean-fleet rule** prohibited use of approximately 4000 older model trucks at marine terminals
- Potential **ban on diesel trucks** at ports by 2035
  - Drayage truckers claim lack of charging stations renders the ban infeasible
- Developments have **shifted container traffic** from West to East/Gulf
  - NY-NJ is currently the top container port by volume
  - East Coast ports are adding capacity

Port-Related Developments: Bipartisan Infrastructure Law

- Invests $17B in port infrastructure and waterways, and $110B to repair roads and bridges and support large "transformational" projects
  - Inflation Reduction Act provides $3B to ports for electrification projects
- First tranche of awards announced in October
  - $700M in grants to nearly 50 ports (coastal, inland, and Great Lakes)
- Only a down payment and physical infrastructure is not the only issue

Port-Related Developments: Efforts to Increase Visibility

- U.S. Department of Transportation: Freight Logistics Optimization Works (**FLOW**) initiative
  - Creation of an economic indicator for port congestion
- Federal Maritime Commission: **Maritime Transportation Data Initiative**
  - Could lead to regulatory requirements for ocean common carriers and marine terminal operators to provide data to the FMC
- **ASTM Committee F49** on Digital Information in the Supply Chain
  - Could create international standards for sharing and use of digital information in the supply chain

U.S. Ports: 2023 Outlook

- **Consumer buying patterns** unlikely to fully revert to pre-pandemic levels so potential remains for renewed congestion
- **Still no agreement in the PMA-ILWU talks** so more disruption on the West Coast is possible
  - Will make it more difficult for LA/LB to regain lost container volumes
- Battle continues at Port of Oakland over potential new **baseball stadium** at Howard Terminal
- As **China opens up from lockdown**, we could see another surge of exports
- **Russia-Ukraine** conflict also has disruptive potential
- **UFLPA implementation** trends could impact freight flow, storage space

Trucking-Related Developments: Shortage of truck drivers

- Many causes: lack of truck parking, high fuel costs, fear of automation, port congestion
- Efforts to expand hours of service, reduce weight limits, and reduce the age limits for drivers have not gained traction
- Additional funding for truck parking, tax incentives for new drivers to pay for training and insurance, State recruitment efforts
- On the drayage side, need to address systemic port congestion
- California has a whole host of issues

Trucking-Related Developments: Shortage of diesel fuel

- Northeast U.S. has no refining capacity
- Diesel is imported from Europe due to high cost of shipping diesel from the Gulf to the Northeast due to the Jones Act
- Russia-Ukraine disrupted shipments from Europe, leading to a shortage
- Also fewer refiners operating after COVID, so capacity is down
- Shortage has been temporarily averted, but will return this winter and prices could spike again
  - EU sanctions set to take effort on seaborne delivery of diesel from Russia
  - Demand for heating oil set to rise
- White House will be pushed to consider a temporary Jones Act waiver to move diesel to the Northeast and alleviate the shortage

Areas for Stakeholders to Engage

- General: look for opportunities to serve on Departmental and agency advisory committees (Commerce, Transportation, FMC)
- Federal Maritime Commission
  - File comments on rulemakings and other RFIs
  - Bring charge complaints under new procedure
- Support advocacy efforts to increase number of truckers
- Join ASTM standards effort to improve supply chain visibility

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Q & A

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QUESTION AND ANSWER

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NATIONAL GRAIN
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