



BreakingNews

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New Agriculture Group Concerned About Rail Rates

The newly formed Soy Transportation Coalition, which includes representatives from Iowa, Illinois, and other soybean-producing states, was established to ensure grain shippers have access to rail lines at competitive rates.

But before the coalition can negotiate effectively and even partner with the rail industry, it first must educate the very people it represents, farmers.

"Lobbying efforts will be down the road. Right now, we're focused on education and putting (transportation issues) in front of soy growers' minds," said Mike Steenhoek.

Steenhoek is in the first month of his job as executive director of the coalition, a collaboration spearheaded by the Iowa Soybean Association in conjunction with the American Soybean Association.

"The only transportation aspect to (farmers) is getting their grain to the elevator, then it usually is out of sight, out of mind," he continued. "We need to educate them on how transportation costs down the road end up hitting them in the pocketbook," he said last week.

Transportation costs often account for \$1-2 per bushel of soybeans and directly affect the prices received by farmers, according to **Market Solutions**, an East Coast-based consulting firm www.marketsolutionsllc.com.

And those rates have been on the rise.

The average freight revenue per car since 2003 has increased 39% for soybeans and 25% for corn and wheat.

"It boils down to price, but it's a function of infrastructure and a lack of competition," Steenhoek said.

The Soy Transportation Coalition also sees a disparity between the cost to ship grain vs. other commodities.

The rate to ship coal via rail from 1985 to 2004 reportedly declined 35% while the rate to ship grain increased 9%.

“The problem (of higher shipping rates and tighter availability of railcars), we think, is going to get more acute, especially with biofuels and how much of that needs to be shipped by rail,” Steenhoek said.

Freight demand is projected to increase in the next decade by 50% to 70%, Market Solutions reported.

The cost to build new hopper cars, meanwhile, has increased 79% in the past 25 years, according to information from Burlington Northern Santa Fe Railway.

The industry also is feeling the impact of higher fuel costs.

As a result, the coalition hopes to partner with the railroad industry to drive infrastructure investments.

“Transportation has been a competitive advantage (for the U.S. ag industry),” Steenhoek added.

“We’re starting to see that change to the point where we could be at a competitive disadvantage in the future.”

The coalition, while presently focused on rail issues, supports future investment in all modes of transportation to maintain agriculture’s competitive advantage, Steenhoek said.