

Soy Transportation Coalition

Governor's Agricultural Summit

June 27, 2014



**SOY TRANSPORTATION
COALITION**

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



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The Soy Transportation Coalition – Farmer funded & farmer led

Established in 2007. Comprised of 12 state soybean councils, the United Soybean Board, American Soybean Association. National Grain & Feed Association & National Oilseed Processors: ex-officio members.



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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 – South Dakota:

- 1.) Reduction in gasoline & diesel taxes by one cent per gallon would reduce state revenue by \$6.7 million in 2014.
- 2.) Indexing the tax rate to inflation in 2014 would result in an additional \$9.9 million in average annual tax revenue between 2014 – 2025. Additional annual revenue of \$25.9 million per year by 2025.
- 3.) Had South Dakota indexed fuel taxes to inflation in 1999 (last time they were adjusted), an additional \$436 million would have been generated through 2013.



STC Analysis: Alternative, Sustainable Approach to Fuel Tax

<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	\$147 million	\$141 million	- 7 million	- 7 million
2015	\$145 million	\$143 million	- 2 million	- 9 million
2016	\$145 million	\$146 million	1 million	- 8 million
2017	\$145 million	\$148 million	3 million	- 5 million
2018	\$144 million	\$150 million	6 million	1 million
2019	\$144 million	\$152 million	8 million	9 million
2020	\$143 million	\$154 million	11 million	20 million
2021	\$142 million	\$156 million	14 million	34 million
2022	\$141 million	\$158 million	17 million	51 million
2023	\$140 million	\$160 million	20 million	71 million
2024	\$140 million	\$162 million	23 million	94 million
2025	\$139 million	\$165 million	26 million	119 million



U.S. Agriculture: A 21st Century Industry Utilizing an Early 20th Century Rural Infrastructure South Dakota

	<u>Then</u>	<u>Now</u>
• # of Farms (Total)	67,100 (1950)	31,800 (2010)
• Average Farm Size	669 acres (1950)	1,374 acres (2010)
• Volume (bushels)	152 million (1940)	920 million (2011)
• % Living in Rural Areas	81.1% (1930)	43.3% (2010)
• % Consumed on Farm	3.34% (1950)	0.07% (2010)
• # of Hog Farms	36,963 (1954)	1,042 (2007)
• Average # of Hogs per Farm	47 (1954)	4,307 (2007)
• Average Tractor Weight	6,042 lbs (1950)	12,260 lbs (2011)
• Railroad Miles	4,276 (1920)	1,741 (2009)



Rural roads to cropland: Converting a liability into an asset...A cost into a source of revenue.

- 1 mile of road = 8 acres (assuming average width of 66 ft. – road, embankments, right of way)
- Average annual savings of converting 1 mile of road to cropland: \$10,000 (paved); \$5,000 (gravel)
- Estimated annual county property tax revenue from converting 1 mile of road to cropland: \$100 - \$250
- Multiplier effect: Additional economic activity from increased cropland - \$808 for state & federal government



U.S. States Ranked by Percentage of Deficient Bridges

<u>State</u>	<u># of Bridges</u>	<u># Deficient</u>	<u>% Deficient</u>
1.) Pennsylvania	22,660	5,218	23%
2.) Rhode Island	766	167	22%
3.) Iowa	24,398	5,043	21%
4.) South Dakota	5,875	1,210	21%
5.) Nebraska	15,370	2,739	18%
6.) Oklahoma	22,912	4,227	18%
7.) North Dakota	4,439	726	16%

Source: U.S. Department of Transportation



Better technology for better bridge maintenance & stewardship

- Current approach of visual inspection is variable & subjective; Can result in suboptimal stewardship of scarce resources & unnecessary bridge postings
- Partnerships with state DOTs or counties in 12 STC sponsoring states
- Pilot programs to utilize technology to better evaluate the true condition of our bridge inventory
 - *“Sixteen critical (embargo) bridges previously posted in Iowa...were re-evaluated using diagnostic load testing...Subsequently, the Office of Bridges and Structures was able to justify removal for the majority of the postings.” (Source: Iowa DOT)*
 - *“(Norm) McDonald (State Bridge Engineer - Iowa DOT) estimates several dozen of the nearly 4,100 bridges maintained by the state have been field load tested. The number is even less at the county level. ‘Typically there’s an increase in bridge capacity when you do that, like 75 percent of the time,’ McDonald contends.” (Source: Iowa Soybean Review)*



Trucking Concerns

- Freight demand by all modes of transportation will increase by 75% by 2035; Demand for trucking will increase by 77% by 2035 *Source: U.S. DOT*
- Since 1980, miles of public roadways have increased by only 4.5% *Source: U.S. DOT*
- “Trucker jobs go unfilled, leading to delayed deliveries” (USA Today: 6-25-12)



Trucking Concerns

- Must be open to opportunities to get more out of the current system
- Checkoff study: Compared 5 axle, 80,000 lb semi vs. 6 axle, 97,000 lb semi
 - Motorist safety
 - Infrastructure wear & tear
 - Cost savings & efficiency gains for farmers
 - 183 additional bushels per load
 - Time savings: 1 day
- Expanded weight limits will be revisited in 2014



Railroad Concerns

- Rail service a significant concern – particularly between North Dakota, South Dakota, Minnesota, etc. and Pacific Northwest export terminals
 - Severe winter in 2013/2014
 - Demand from crude oil & coal; 2009: 11,000 carloads of crude oil, 2013: 400,000 carloads
 - Sizable 2013 harvest
- Rail Investment in Rural America Analysis
 - Evaluated the gap between future rail investment & the needs of rural America
 - Examined various incentives to determine how the investment gap can be addressed



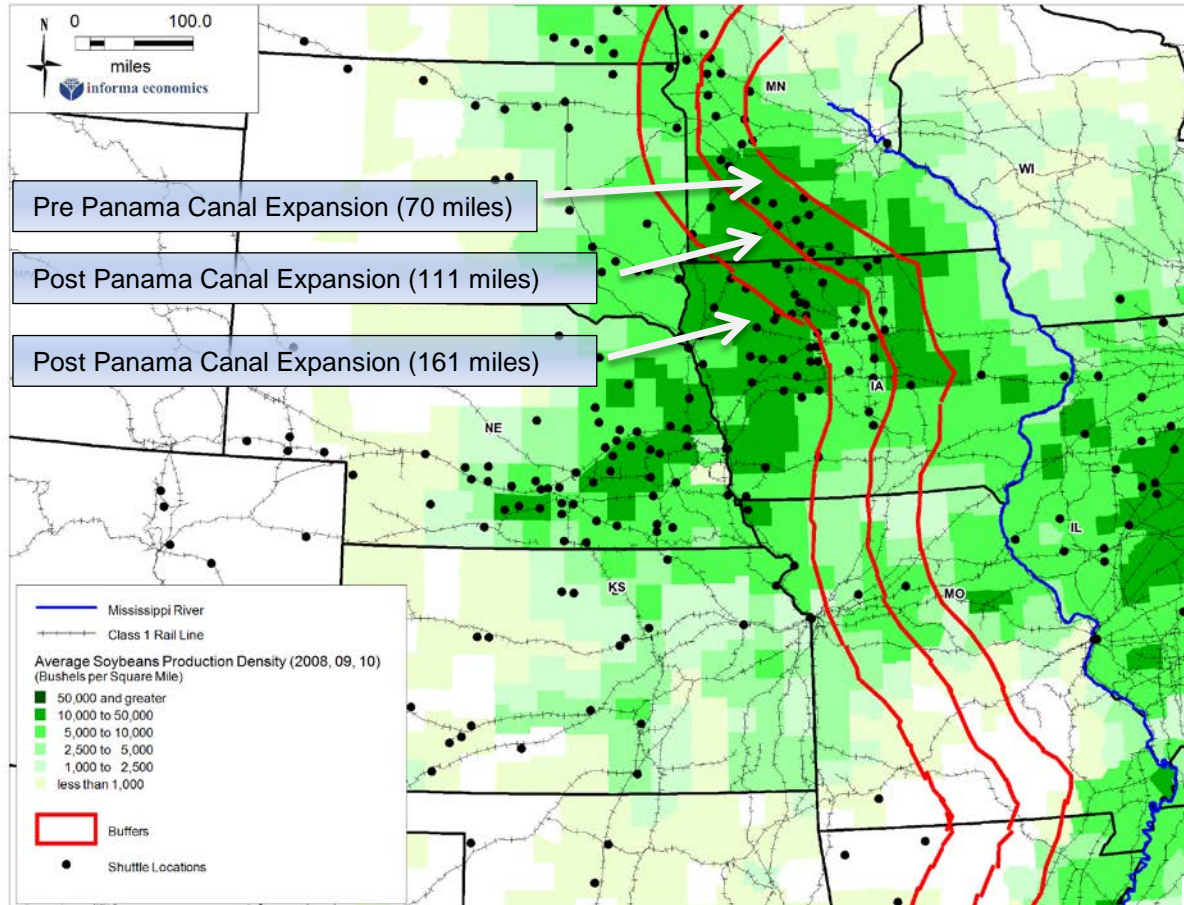
Panama Canal Expansion – Opportunity for increased efficiency, or are we shifting the bottleneck?

- 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

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