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)

<table>
<thead>
<tr>
<th></th>
<th>Minneapolis to Shanghai</th>
<th>Sioux Falls to Shanghai</th>
<th>N. Mato Grosso to Shanghai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck</td>
<td>$12.42</td>
<td>$12.42</td>
<td>$109.29</td>
</tr>
<tr>
<td>Barge</td>
<td>$37.73</td>
<td>$28.62</td>
<td>$42.50</td>
</tr>
<tr>
<td>Ocean</td>
<td>$54.13</td>
<td>$60.88</td>
<td>$456.52</td>
</tr>
<tr>
<td><strong>Total Trans</strong></td>
<td><strong>$104.28</strong></td>
<td><strong>$101.92</strong></td>
<td><strong>$151.79</strong></td>
</tr>
<tr>
<td>Farm Value</td>
<td>$460.52</td>
<td>$456.62</td>
<td>$445.27</td>
</tr>
<tr>
<td>Customer Cost</td>
<td>$564.80</td>
<td>$558.54</td>
<td>$597.06</td>
</tr>
<tr>
<td>T. as % of Cust. Cost</td>
<td>18.46%</td>
<td>18.25%</td>
<td>25.42%</td>
</tr>
</tbody>
</table>

*Source: USDA*
The Soy Transportation Coalition – Farmer funded & farmer led

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 – Iowa:

1.) Reduction in gasoline & diesel taxes by one cent per gallon would reduce state revenue by $21.9 million in 2014.

2.) Indexing the tax rate to inflation in 2014 would result in an additional $33.8 million in average annual tax revenue between 2014 – 2025. Additional annual revenue of $90.9 million per year by 2025.

3.) If Iowa had indexed fuel tax to inflation the last time they were adjusted, an additional $145 million would have been generated.
<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Revenue (No Adjustments)</th>
<th>Tax Revenue (2014 CPI Indexed &amp; One Cent Reduction)</th>
<th>Additional Revenue</th>
<th>Cumulative Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$470 million</td>
<td>$448 million</td>
<td>- 22 million</td>
<td>- 22 million</td>
</tr>
<tr>
<td>2015</td>
<td>$465 million</td>
<td>$458 million</td>
<td>- 7 million</td>
<td>- 29 million</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>$467 million</strong></td>
<td><strong>$468 million</strong></td>
<td><strong>1 million</strong></td>
<td><strong>- 28 million</strong></td>
</tr>
<tr>
<td>2017</td>
<td>$469 million</td>
<td>$479 million</td>
<td>9 million</td>
<td>- 18 million</td>
</tr>
<tr>
<td>2018</td>
<td>$472 million</td>
<td>$490 million</td>
<td>18 million</td>
<td>- 1 million</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td><strong>$475 million</strong></td>
<td><strong>$502 million</strong></td>
<td><strong>27 million</strong></td>
<td><strong>26 million</strong></td>
</tr>
<tr>
<td>2020</td>
<td>$477 million</td>
<td>$514 million</td>
<td>37 million</td>
<td>63 million</td>
</tr>
<tr>
<td>2021</td>
<td>$480 million</td>
<td>$527 million</td>
<td>47 million</td>
<td>110 million</td>
</tr>
<tr>
<td>2022</td>
<td>$483 million</td>
<td>$540 million</td>
<td>57 million</td>
<td>167 million</td>
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<tr>
<td>2023</td>
<td>$486 million</td>
<td>$554 million</td>
<td>68 million</td>
<td>235 million</td>
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<tr>
<td>2024</td>
<td>$488 million</td>
<td>$568 million</td>
<td>79 million</td>
<td>314 million</td>
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<tr>
<td>2025</td>
<td>$491 million</td>
<td>$582 million</td>
<td>91 million</td>
<td>405 million</td>
</tr>
</tbody>
</table>
Railroad Concerns

- Rail service a significant concern – particularly between North Dakota, South Dakota, Minnesota, etc. & 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 of crude oil
  - Sizable 2013 harvest
- 2014 harvest: “Attaching a garden hose to a fire hydrant?”
U.S. Inland Waterway System

- US: 171 lock sites with 207 lock chambers (29 locks: Upper Mississippi River; 21 locks: Ohio River; 8 locks: Illinois River)
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?

- Pre Panama Canal Expansion (70 miles)
- Post Panama Canal Expansion (111 miles)
- Post Panama Canal Expansion (161 miles)
Thank You

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