



*Connecting the World's Best Specialty Grains Producers
With the World's Best Customers*

Transportation Research Board Summer Meeting
Grain Shipper Needs and Perspectives on Freight Corridor Programs
Minneapolis, MN -- July 13, 2010 – Bruce Abbe

Presentation Overview

- About the Midwest Shippers Association –
 - *Intermodal container grain & soybean exporters*
- Local, intra state freight shipping corridor issues
- Global level freight corridor issues –
 - *Can Upper Midwest grain exporters remain globally competitive?*
 - Will our transportation systems serve the increasing demand coming for ag products, and help us achieve National Export Initiative goals?
- Challenges, recommendations

Midwest Shippers Association

- Non-profit, regional, trade association cooperative. Est. 2002
- Mission – to promote and facilitate marketing and shipping of premium value specialty grains from the Upper Midwest.
- Serves North Dakota, South Dakota, Minnesota, Iowa and Wisconsin.
- Members – individual producers, value-added processors, export traders, country elevators, seed suppliers and conditioners, shipping & logistics suppliers, grain industry suppliers. Large, medium, small companies.
- Strong membership from MN, ND, growing in other states – IA, SD, WI. Particularly food grade IP soybean processors and exporters. Pulse & small grain, DDGS, other specialty and commodity exporters.

Midwest Shippers Association

- MSA's core members have a strong focus on intermodal container shipping.
 - Containers ideal for shipping identity preserved grain & oilseeds.
 - Food grade, non-GMO soybeans for tofu, other Asian foods.
 - DDGS
 - Smaller amounts of cleaned, sorted food grade products
 - Somewhat higher value – but limits to higher value due to global competition
 - Container shipping service, equipment supply & cost issues for Upper Midwest region critical to MSA members
 - Rail container service, trucking drayage issues of container movements critical issues to MSA members
 - Bulk shipping will always carry the lion's share of grain movements – barge, rail, ocean bulk. Intermodal will grow for value-added grains.

Transportation / Shipping



Key concerns

- **Can we stay globally competitive?**
 - Growing Asian economies will mean should mean continued growing demand.
 - Transportation service, costs will largely determine if our region will win or lose. Not U.S. grain quality or production capability. S. American, other regions keep growing.
- **Need to focus on improving transportation efficiencies for all modes – rail, truck, barge, ocean.**
 - Plenty of need, room for improvement in all modes. Shift from one working to hold back another.
 - Efficiency should not mean – only more efficient for one mode, one carrier. Efficiency should benefit the shipper and the end customer. Small, medium and large shippers.
- **Intermodal container shipping will grow worldwide, and in importance for ag exporters.** This region must see improved service, access to realize opportunity for growth, avoid decline.

Local, state grain shipping issues

- **Trucking weight limits --**

- Need for more uniformity among states. Long identified problem, not much progress.

- Max gross weight limits –

 - ND – 105,500 lbs., SD – 129,000 lbs. Mont. – 131,060.

 - Minn. – was 80,000. Now 90,000 on 6 axles, 97,000 on 7 axles.

 - Iowa – 80,000. Interstates – all 80,000.

- Helpful when Minn. raised weights two years ago. ND grain, sugar producers trucking to Minn. processors in RRV. Select corridors, special permits, times.

- Corridor improvement opportunity.

Local, state grain shipping rail issues

- Access to rail cars for elevators, shippers. Acute problem if not a shuttle service.
- Recent problem – BNSF changed it’s “processor” category, eliminating priority access.
- Some short line service car access is better. Short line service overall often favored by shippers....but....
- Major system issue – need to enhance short lines ability to compete – Federal reforms – process to change paper barriers, improve switching, eliminate bottlenecks.

Intermodal Container Export Shipping Challenges for Upper Midwest

- **Intermodal container shipping is key to success for IP value-added soybean and grain exporting industry.**
- **Shipping and transportation cost, service issues may be biggest threat to long-term competitiveness of Upper Midwest IP premium grain and soybean exporters.**
 - Can be \$300 to \$600 per container higher cost to Asia for our region's shippers compared to southern Ontario food soybean exporters.
 - Access to containers here becoming less reliable, sporadic – greater threat to industry. Upper Midwest often short of equipment at key grain shipping times. Chicago repositioning getting more difficult.
 - Major need – expanded intermodal in Twin Cities

Ocean Container Shipping



- **Ocean container lines experienced unprecedented losses –**
 - **Lost \$15 to \$20 billion last year.**
 - Carriers moves to consolidate, park ships, “manage” capacity caused enormous problems for ag exporters earlier this year. Cancelled bookings. Losses of business for shippers. FMC investigation underway. Could lead to anti-trust reforms.
 - **BUT experiencing rapid recovery.**
 - Vessel space crisis finally starting to ease. Outlook for space, equipment troubling for fall, winter.
 - Container shortage globally. Recovery strong in Inter-Asia lanes, Europe-Asia.
 - Rates now at or soon will be at pre-economic decline levels – high point in early 2008. Shipper concern – how high will they go? Will we remain competitive?
 - **Ocean carriers shifting more to Water to Water shipping.** Avoiding, minimizing inland rail moves. Inland rail rates largely stayed high during decline. Panama Canal widening will accelerate trend. Less inland rail will mean fewer boxes for exports.

Ocean Container Shipping

- **Hard reality now -- Intermodal ocean shipping is import-driven in ocean carriers' business strategy.**
 - Export provide maybe 1/3 revenue of higher value, higher rate import shipments.
 - Export back haul shipments important part of round-trip revenue – but less important.
 - Speed is critical -- More ocean carriers sending back more empties to pick up east bound imports – avoid the inland. Big importers doing more transloading on coasts.
- **Yet -- macro economic forecasts – Asian economies will grow faster than North America's.**
 - Export demand will grow. In time, may overtake imports in demand for space.
 - To meet U.S. export goals – need to make intermodal shipping system work. Equipment and competitive service reaching source of exports.

Recommendations

- **Expanded ocean carrier service of key export ports in PNW.**
- **STB oversight of intermodal rail service, rate practices.**
 - Restore some minimum level of service in more locations along main intermodal rail lines. Extend some level of common carrier responsibility. (STB now has no oversight authority for intermodal. Proposed rail reform legislation is very light on this.)
- **Reasonable, fair “repositioning rates” for moving containers from surplus areas (NY/NJ, Memphis)...to areas of demand with short supply.**
 - Upper Midwest, for export shipments to Asia. Used to be done. Need to do again.
- **Twin Cities intermodal expansion** – need direct rail service to LA/Long Beach – the biggest ports with surplus containers. Present CP, BNSF yards are constrained. Over reliance on trucking from Chicago, KC.
- **Fix bottlenecks in Chicago for interconnecting rail container moves.**

MSA's Main Event

- **Midwest Specialty Grains Conference & Trade Show**
- 2010 SPGC will be held jointly with 2010 Global Soybean and Grain Transport Conference, and 2010 Soya & Oilseed Summit
 - October 4-6 – Hyatt Regency, Minneapolis
 - Co-hosted by Soyatech and Midwest Shippers Association
 - Strong participation by international trade delegations.
- ***Federal Maritime Commissioner Rebecca Dye confirmed. Surface Transportation Board Chairman Daniel Elliot invited. U.S. Trade Representative Ag Ambassador Siddiqui, other senior government leaders invited.***

Midwest Specialty Grain Conference





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