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Funded by the soybean checkoff

Date: December 16, 2016
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Production Growth, Overseas Competition Demands Transportation Investment

Ankeny, Iowa – In the aftermath of another historic soybean harvest, U.S. farmers continue to demonstrate their ability to respond to growing demand from domestic and international customers. However, this increased production requires a corresponding increase in transportation capacity to ensure the industry, and the individual farmer, remain profitable. A recent study funded by the soybean checkoff offers warning that future production increases, along with infrastructure improvements by South American competitors, could suppress the profitability of the U.S. soybean industry.

"Transportation infrastructure gives U.S. farmers a significant competitive advantage over our international competitors, but without investment, we won't enjoy that advantage for long," said Mark Seib, a soybean farmer from Poseyville, Indiana, and director on the United Soybean Board. "We need to focus on investing in our infrastructure now to position ourselves for a competitive and profitable future."

The study, "Farm to Market – A Soybean's Journey," is an expansion of the original 2012 report that highlights how soybeans are transported to domestic and international customers. In addition to documenting the volume of total U.S. soybeans transported across the various modes, the report provides transportation profiles of 26 individual states – an expansion from the 17 states featured in the 2012 study. The 26 states profiled account for 97 percent of soybeans transported in the country. The research was funded by the soybean checkoff and performed by Informa Economics.

Some of the key findings of the study include:

- Rail carloadings of soybeans will increase 20 percent to approximately 240,000 rail cars by the year 2023. Barge loadings will increase 32 percent to over 21,000.
- China, the leading international customer for U.S. soybeans, will continue to import larger volumes. China's annual soybean net imports increased by 24 million metric tons (882 million bushels) from 2006 through 2010. From 2010 through 2023, Chinese soybean net imports are expected to increase an additional 74 million metric tons (2.7 billion bushels) to 126 million metric tons (4.6 billion bushels).
- Soybean production in Brazil, the second leading producer worldwide, is expected to exceed 129 million metric tons (4.7 billion bushels) by 2023, up from 87 million metric tons (3.2 billion bushels) in 2013.

- Exports of soybeans from Brazil will expand to exceed 74 million metric tons (2.7 billion bushels) in 2023 from 45 million metric tons (1.7 billion bushels) in 2013.
- Infrastructure improvements in Brazil are estimated to reduce freight costs between 20 and 30 percent or $40 per metric ton. Such an improvement would result in Brazil's inland transportation costs to be nearly equivalent to those in the U.S.

Lower transportation costs have historically served as one of the key sources of competitive advantage for the U.S. soybean industry. While many previously planned infrastructure investments in Brazil have not come to fruition, if even a percentage of such investments are realized, the competitiveness of the U.S. soybean industry will be diminished.

"While it is very difficult to establish a precise forecast for our industry in a very uncertain and turbulent marketplace, it is important to scan the horizon to better understand the potential future demands on our transportation system as well as the efforts by our competitors to improve their efficiency," explains Mike Steenhoek, executive director of the Soy Transportation Coalition. "The time to plan for infrastructure improvements is before you experience the bottleneck, not after it. Keeping our finger on the pulse of how soybeans get from the farm to our ultimate customers is essential as we promote a transportation system that helps farmers remain profitable."

In addition to providing a forecast for future production and transportation demand, the report provides data in the following areas:

- Status and outlook for the livestock industry – both nationally and in the 26 featured states
- Rail transportation: Number of carloadings; Average distance moved; Leading origination and destination areas; Capacity
- Barge transportation: Percentages moved by various rivers; Commodities transported; Average distances moved per commodity; Capacity per barge
- Overview of current and future state of infrastructure development in Brazil
- Storage capacity – both nationally and in the 26 featured states

"Great nations, as well as great industries, continue to invest in themselves," explains Steenhoek. "Investing in infrastructure should not be an isolated incident. It needs to be perpetual. By issuing this report, it is our hope that we will increase attention and focus on the importance of investing in our economy and industry to enable us to remain competitive in the 21st century."

The full results of the study can be accessed at www.soytransportation.org or www.unitedsoybean.org.

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Established in 2007, the Soy Transportation Coalition is comprised of thirteen state soybean boards, the American Soybean Association, and the United Soybean Board. The goal of the organization is to position the soybean industry to benefit from a transportation system that delivers cost effective, reliable, and competitive service.