

'Out of sight and out of mind'

Midwestern soybean farmers form lobbying group to represent infrastructure interests.

BY CHRIS DUPIN

Transportation issues have historically been one or two steps removed from the farmers. Farmers harvest their crops and drop it off at the grain elevator or processing plant and it is out of their hands," said Mike Steenhoek, executive director of the Soy Transportation Coalition in Urbandale, Iowa. "It is sort of out of sight and out of mind."



Steenhoek

Given the complexity of transport issues, Steenhoek also said soybean farmers have been hesitant to get involved in an area where they've been uncertain as to whether they can make a difference.

But as transportation costs for shippers and processors have grown in recent years, they have been reflected in the prices that U.S. farmers can command for their crops, and made it more difficult for them to compete in the international markets with South American growers.

"The question is not whether we can grow the best soybeans in the world, because we can. The question isn't whether we have customers both domestic and overseas who want to purchase those soybeans, because they do," Steenhoek said. "The question, increasingly, is whether we can get our soybeans to our customers in a cost effective way, and the answer unfortunately is becoming more and more, no."

So earlier last year, farmer-funded, farmer-led soybean promotion boards in seven states, along with the American Soybean Association and United Soybean Board, decided to underwrite a new organization to represent their interests in transportation issues.

Those seven states — Illinois, Indiana, Iowa, Nebraska, North Dakota, South Dakota, and Ohio — grow 63 percent of the soybeans in the United States, said Steenhoek, a former staffer with Sen. Charles Grassley, R-Iowa.

Steenhoek said the need for the group was

crystallized when he was with a group of farmers that were visiting a soybean export terminal in Grays Harbor, Wash.

The largest importer of soybeans in the Philippines, a businessman who sold product to the livestock industry, told the group that even though he was willing to pay \$15 a metric ton premium for U.S. versus South American soybeans, U.S. growers "were pricing themselves out of the market. And he blamed it on domestic transportation costs.

"The increased rate structure in the rail industry, particularly in the last two or three years, created the tipping point for the soybean industry to create this new organization," Steenhoek said. "I was just meeting with a prominent shipper this morning, and we are talking about 30-40 percent increases."

Unless a farmer has the good fortune to live near a delivery point approved by the Chicago Board of Trade, the price he receives at his local elevator is discounted to reflect the cost of getting his beans to market. "This basis spread is widening throughout the country and transportation costs are the primary culprit for the widening," he said.

If a farmer is near a barge terminal on the Mississippi, the change in the basis spread may be minor. If he is like the farmer in Nebraska that Steenhoek recently met, it could as much as double over the past year.

He notes that when a farmer receives less for his crop, the impact ripples through the community because he has less money to spend on goods or invest locally.

"I'd argue to care about rural development is to care about domestic transportation," he said.

What's the remedy?

Many shippers believe their concerns have not been given enough support by the U.S. Surface Transportation Board. And while Steenhoek believes there have been some recent positive developments for shippers, "more can be done to improve

the balance of power between shippers and railroads.

"But ultimately the problem is the infrastructure issue and that involves not only how much money is spent, but how that money is spent," he said.

From his work in the Senate, Steenhoek knows that advocates for passenger transportation often have a louder voice in Congress than those concerned about freight when transportation projects are authorized. He believes a group like his, which represents farmers, can be another voice that explains to legislators why freight infrastructure is important to their constituents.

Transportation funds sometimes "get scattered across the country without any coherent strategy," and he said his coalition can be another voice calling for a national freight policy.

Soybeans are shipped across all modes: barge, rail and truck.

He notes authorization of lock and dam projects included in the Water

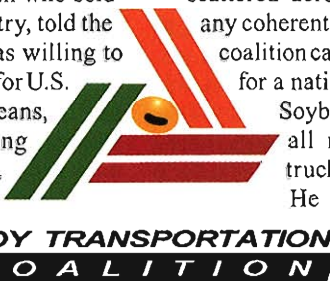
Resources Development Act will benefit soybean growers by allowing larger tows to move on the upper Mississippi River, which will reduce transportation costs for soybean shippers.

But getting authorization is just half the battle, and he sees his group as an advocate for actually getting those projects funded in future years.

Steenhoek notes that Class I railroads are seeking a 25 percent tax credit for new infrastructure, and short lines are seeking reauthorization and augmentation of a 50 percent tax credit for rehabilitation of existing infrastructure.

"Those are programs that we are supportive of," he said. "But we would like to see, as much as possible, that these are projects that are really new and not just programs they were planning already. We'd also like to see that the spending is truly benefiting the rail corridors in this country and not just making it possible to bring in foreign goods from, say, China. That will be very difficult, if not impossible to guarantee, but that is our posture and if this legislation is passed that is something we will be monitoring and calling attention to with our legislators."

Noting the huge imbalance in container freight movements from the Far East, he also thinks there could be programs such as innovative transloading facilities that might make it possible to encourage movement of soybeans back to Asia in westbound containers, "so that the No. 1 commodity being moved across the country is not air." ■



SOY TRANSPORTATION COALITION