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Funded by the soybean checkoff

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Soybean Farmer Study Highlights Competitive Advantage and Potential Challenges in U.S. vs. South American Transportation Systems

Ankeny, Iowa – The viability of the U.S. soybean industry, and the profitability of the American soybean farmer, is not only a function of abundant supply and increasing demand, it also is dependent upon having connectivity between supply and demand. America’s system of roads, bridges, highways, railroads, navigable waterways, and ports allows the production of soybean farmers to access customers around the world and has resulted in the U.S. soybean industry achieving the reputation of being the most cost effective and reliable supplier of soybeans and soy products on the international marketplace.

“When looking at a field of soybeans in this country, one can assume that half of what you are looking at will be consumed outside the United States,” says Patrick Knouff, a soybean farmer from Minster, Ohio, and chairman of the Soy Transportation Coalition. “Given that so many of our customers are located in countries throughout the world, farmers need to emphasize having a transportation system that can deliver soybeans and grain to them in a low cost, reliable manner.”

A recent study funded by the soybean checkoff compares the cost, transit time, and predictability of transporting soybeans from the U.S., Brazil, and Argentina – the three primary producers of soybeans worldwide – to nine international destinations*. Although the distance in the United States from the farm to our export terminals is much further than in Argentina and comparable in distance to certain areas of Brazil, the U.S. soybean industry is consistently the most economical and reliable supplier to international customers due to our more extensive and better maintained transportation system.

The study was performed by HighQuest Partners on behalf of the United States Soybean Export Council and the Soy Transportation Coalition. In addition to establishing itself as the most economical supplier of soybeans to international customers, the research highlights how deliveries from the U.S. are more predictable. According to the research, soybean shipments from the United States will arrive within three days of expected delivery date. Deliveries from Argentina will arrive within seven days. Soybeans from Brazil will on average arrive within fifteen days of anticipated delivery.

While the U.S. soybean industry clearly is the most cost effective and reliable supplier of soybeans, there is growing concern that the nation's freight rail industry is increasingly incapable of accommodating the volume of soybeans and grain produced – particularly in areas of the country dependent upon rail for transportation to export terminals in the Pacific Northwest. Historically, a journey from states such as North Dakota, South Dakota, Western Minnesota, and Nebraska to the Pacific Northwest would take five to six days with a five to six day return trip. In early 2014, the journey increased to eight days to the Pacific Northwest with an eight day return trip. Not only does this increase the transit time from the farm to the ultimate customer, it decreases the reliability of those shipments.

Due to a severe 2013/2014 winter, a sizable 2013 harvest, and significant demand for rail service from crude oil and other commodities, U.S. railroads have not been able to provide sufficient service to its agricultural customers. It is widely anticipated that these rail service challenges will persist, and may become more pronounced, once the historic 2014 harvest becomes online.

“The thing about good reputations is that they take years to amass and moments to evaporate,” explains Mike Steenhoek, executive director of the Soy Transportation Coalition. “The U.S. soybean industry has developed this unique reputation as the preeminent supplier of soybeans and soy products on the international marketplace. It is one of the key reasons farmers have enjoyed profitability. When we start to observe evidence of more costly, less reliable service, we understandably become concerned. This has the potential of severely impacting the profitability of individual farmers. Transportation is clearly not a theoretical issue for farmers, it is very tangible. We therefore need to remain engaged to assure our nation improves its transportation system for our agricultural sector.”

*The following nine international destinations were analyzed in the research:

- Shanghai, China
- Tokyo, Japan
- Kaohsiung, Taiwan
- Jakarta, Indonesia
- Ho Chi Minh City, Vietnam
- Manila, Philippines
- Hamburg, Germany
- Rotterdam, the Netherlands
- Port Said, Egypt

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 twelve 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.