

# Soybean producers join forces to battle increasing rail costs

By DON McCABE

**E**SCALATING rail rates and declining rail service are hitting U.S. soybean producers in the pocketbook at a time when market prices for soybeans are as high as they've been in years.

To address transportation issues and their impact on producers, soybean associations from seven states and the American Soybean Association formed the Soy Transportation Coalition early in 2007. The Nebraska Soybean Board represents Nebraska on the coalition.

Mike Steenhoek, the group's executive director, attended Husker Harvest Days this fall to spread the word about the group and the issues it is attempting to address.

"Rail rates over the past two years have risen 20% to 40%," he says. "In addition, soybean-producing regions are experiencing an abundance of rail traffic, but a scarcity of rail service. It is becoming more difficult, too, for elevators and some crushing plants to obtain rail service."

In contrast to barge service or trucking, railroad infrastructure is pri-

## At a glance

- Soy Transportation Coalition includes groups from seven states.
- Transportation costs and lack of service are cited by coalition.
- Issues make U.S. soybeans more expensive in the export market.

vately funded, and railroad stockholders often discourage infrastructure investments and advocate rail increases, he says.

The aged Mississippi River lock and dam system is another transportation bottleneck that the coalition has on its radar screen, but while Congress has approved funding to rebuild portions of the system, President Bush has threatened a veto, according to Steenhoek.

Disseminating information and education are the STC's primary missions. "For any significant change to occur, the producer community must be educated and motivated," he says.

Transportation issues need to be treated like other issues affecting the industry, including the farm bill, mar-

kets, new production development and research, according to Steenhoek. It affects profitability by increasing costs to foreign buyers of soybeans and soybean products.

## Export barrier

"The issue crystallized for soybean farmers some months ago during a meeting at a Grace Harbor, Wash., AGP export terminal when a soybean and soybean meal buyer from the Philippines said U.S. soybeans are priced out of that country's market," Steenhoek says. "He blamed it on transportation costs and wanted to know what U.S. soybean producers were going to do about it."

Higher transportation costs result in export markets becoming less favorable for U.S. soybean products, he says, and it means \$1 to \$2 less per bushel for farmers for their soybeans.

The National Grain and Feed Association, also a member of the coalition, estimates that during the past three years, 43% of grain and oilseed shipments and 28% of soybean meal and oil were moved at rail rates exceeding 180% of the variable costs of



**TRANSPORTATION FOCUS:** Mike Steenhoek is executive director of the Soy Transportation Coalition.

the rail companies.

Another challenge is that the current relief process established by the U.S. Surface Transportation Board is too onerous, according to Steenhoek. "As a result, no accessible, cost-effective option exists for shippers to protest excessive rail rates."

Coal is the most important commodity to the rail companies, and the infrastructure that does exist is focused more on hauling coal and other non-ag products than it is on soybeans and other ag commodities.