



Addressing the Transportation Challenge

by Mike Steenhoek



Mike Steenhoek is executive director of the new Soy Transportation Coalition. The organization was formed to help improve U.S. transportation systems for the soybean industry.

The Soy Transportation Coalition (STC) is a new organization with a big mission.

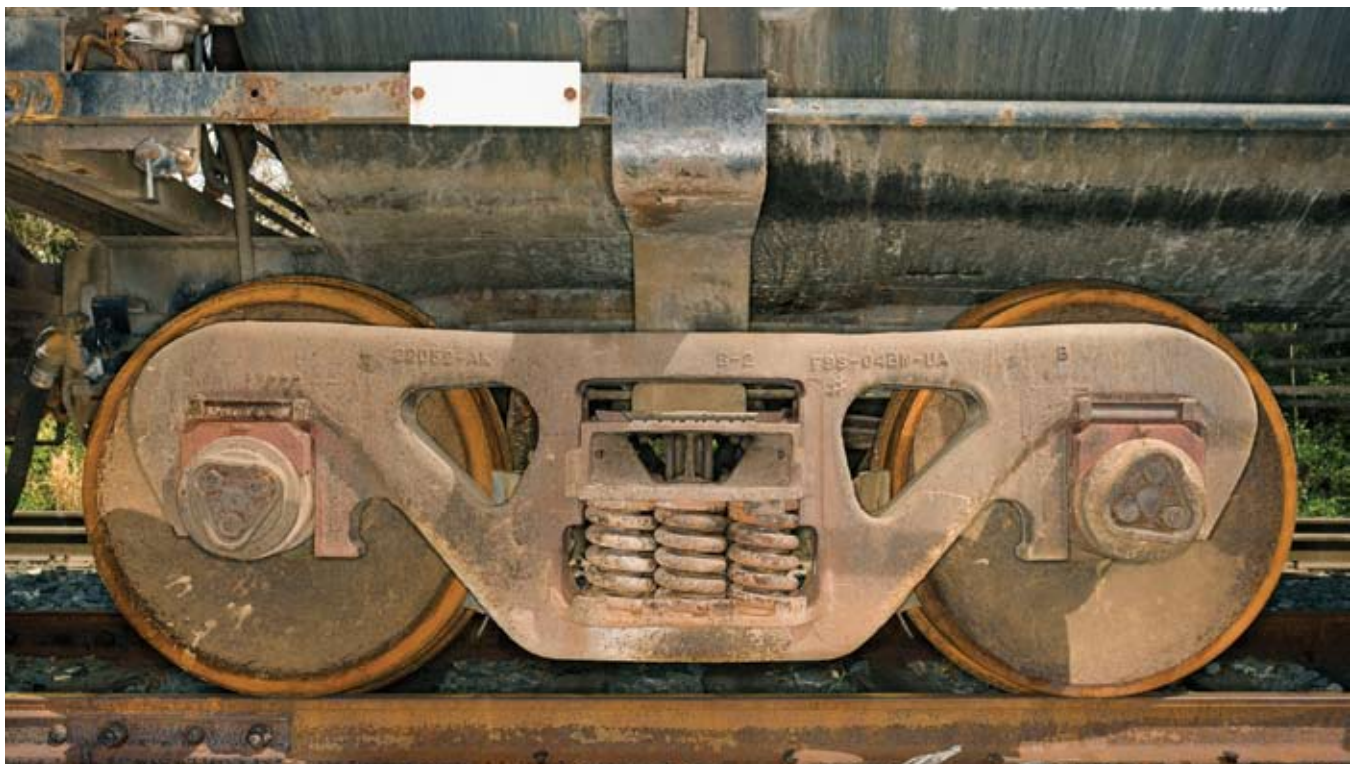
The current and impending transportation challenges in this country resulted in the decision to launch the STC. It is a new initiative that will develop a course of action to improve the transportation climate in the United States on behalf of the soybean industry.

Currently, six state soybean associations – Illinois, Iowa, Indiana, North Dakota, Ohio and South Dakota – have joined the STC. The state associations, along with the United

Soybean Board and the American Soybean Association, have committed resources to establish the STC.

The decision to commit both energy and resources in creating the STC is based on the following concerns: The competitive advantage of U.S. agriculture in general, and the soybean industry in particular, is eroding in the international marketplace; and domestic consumption of soy products has been constrained due to the shortcomings of our transportation system.

Nearly everyone involved in the soybean industry has long understood how the very products they produce





and promote can help address each of these concerns. What many do not appreciate, however, is how U.S. transportation systems – or lack thereof – are increasingly an obstacle to preserving a vibrant, profitable soybean industry.

A weak transportation infrastructure also weakens the nation's ability to achieve many other goals and objectives. So much of what we aspire to accomplish for our industry, and within our country, is dependant upon a robust transportation infrastructure. It is truly the linchpin for many of our intentions becoming outcomes.

No segment of the soybean industry is immune from this challenge. Processors face the dual constraints of rising costs accompanied by declining service. This ultimately impacts the wallet of the American farmer in the form of lower basis prices. A direct relationship exists between the per bushel price farmers receive upon delivery and the transportation costs absorbed by the elevator or processor.

The challenges of escalating costs and a decrease in service are the result of two sobering developments facing U.S. agriculture. First, the United States is not making the needed investments in transportation to keep pace with the demands placed upon it.

It is expected that our nation's demand for freight movement will increase by 50 to 70 percent in the next ten years. However, there is no

expectation that U.S. political leaders will increase transportation funding by a similar amount.

Currently, less than 1 percent of our country's gross domestic product (GDP) is allocated to upgrading our transportation system. In contrast, China annually spends 9 percent of its GDP on infrastructure, while India spends 3.5 percent.

A second major development in U.S. transportation today is that, of the infrastructure that does exist, an increasing percentage is now channeled to corridors. These corridors, which are primarily rail, have been devoted to transporting high-value, low-volume manufactured goods from China to our nation's urban centers.

As a result, soybean-producing regions are experiencing an abundance of rail traffic but a scarcity of rail service. Trains may be observed traversing the countryside, but they often are more likely to be filled with tennis shoes and electronics than soy products.

Moving forward, for the STC to be a credible voice, the initiative needs to develop a knowledge base and expertise on transportation issues, and leverage that expertise to educate and motivate our producer community. The STC must also identify and articulate how transportation costs have become a drain on both our exports and the overall soybean industry.

Any meaningful and enduring change in this effort will not be a function of a

single advocate or champion carrying the banner, but rather a collection of engaged organizations. The STC will collaborate with other shipping groups – both agricultural and beyond – in order to magnify our voice.

While the STC will be a collaborative organization, it is important to create an initiative that is specific to the soybean industry. The network of producers and our extensive network with other industries place the soybean industry in a unique position to shape the overall debate and effect positive change. Although other industries are active in trying to improve transportation to suit their needs, their prescribed transportation system may not mirror the system ideal for the soybean industry.

Given the wide soybean-growing region in the United States, the diversity of products derived from soybeans and the fact that soy products are sold both domestically and internationally, a transportation system that works for our industry will work for many industries.

A final point: Neglecting these issues would be a disservice to farmers. Soybean associations have a good track record as advocates for issues that are important to members. Given the critical role transportation plays in the success of the overall soybean industry, state and national associations must not respond by being passive or deferring to other groups to advance our concerns.

In the weeks and months to come, the Soy Transportation Coalition will continue to establish itself as a valuable resource to our industry.

