



# NEWS RELEASE

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## **A National Investment with Local Benefit: STC Research Identifies Farmer Benefit of Dredging the Lower Mississippi River**

Ankeny, Iowa – As real and potential threats confront U.S. agriculture, in general, and the soybean industry, in particular, it becomes all the more incumbent to identify opportunities to enhance farmer profitability. Making strategic investments in infrastructure – the system that allows production to cost effectively and reliably access international customers – is one of the most effective ways to promote and elevate America’s farmers.

To cost-effectively and reliably access domestic and international markets, U.S. soybean farmers rely on a multi-modal transportation system comprised of rural roads and bridges, highways and interstates, freight railroads, inland waterways, and ports. Each link in this supply chain is essential for farmers to remain profitable. While sufficient levels of investment must be directed to each of these essential modes, a recent analysis by the Soy Transportation Coalition (STC) highlights that one particular infrastructure enhancement offers the potential to significantly enhance the competitiveness of the U.S. soybean industry and individual farmer profitability.

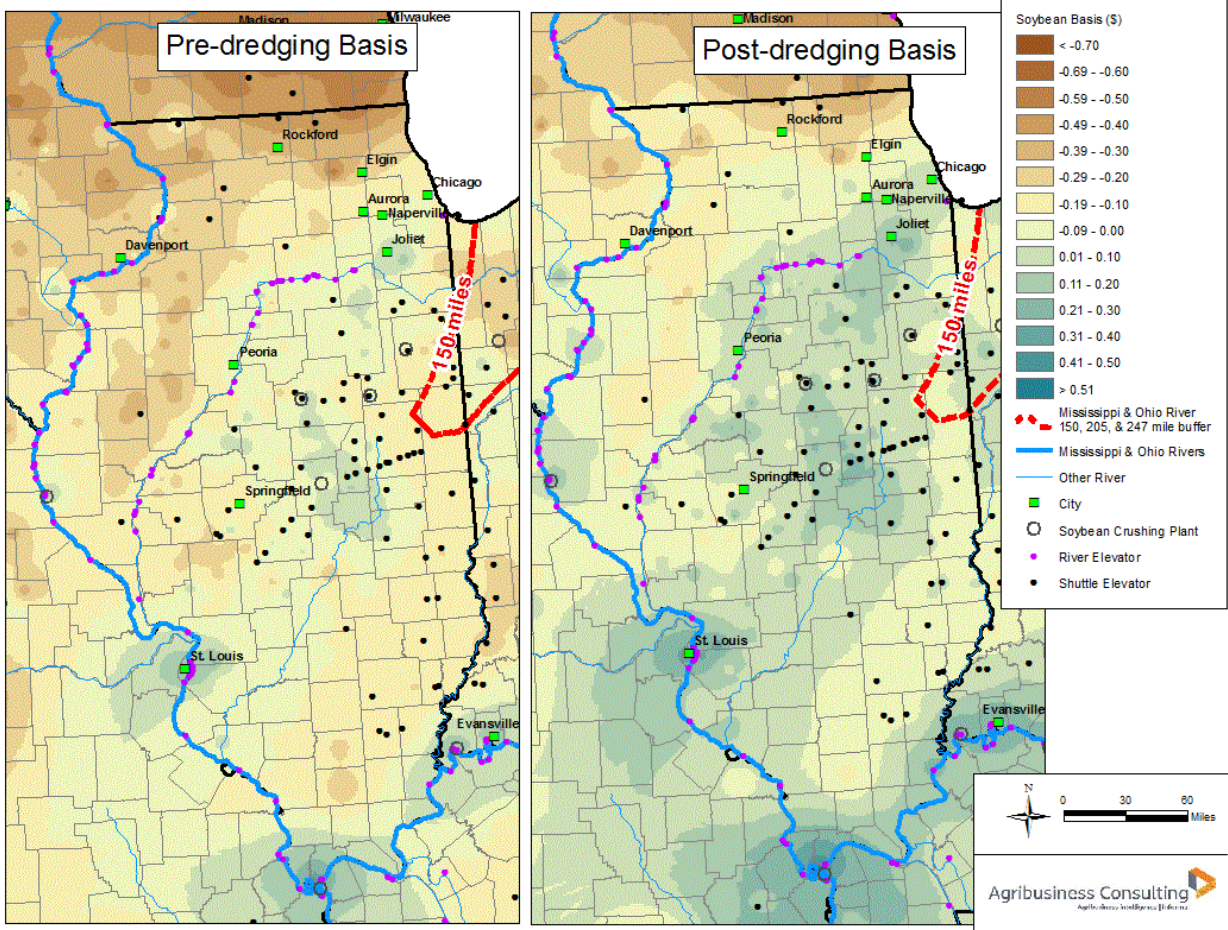
The 256-mile stretch of the Mississippi River from Baton Rouge, Louisiana, to the Gulf of Mexico accounts for 60 percent of U.S. soybean exports, along with 59 percent of corn exports – by far the leading export region for both commodities. There is a growing effort among Mississippi River stakeholders, including agriculture, to promote the dredging of the lower river shipping channel from 45 ft. to 50 ft. in depth. The STC report – performed by Informa Economics IEG – was designed to increase understanding and awareness of the benefit to the U.S. soybean industry of this potential project.

The STC research highlights that shipping costs for soybeans from Mississippi Gulf export terminals would decline 13 cents per bushel (\$5 per metric ton) if the lower Mississippi River is dredged to 50 ft. A deeper river will allow both larger ships to be utilized and current ships being utilized to be loaded with more revenue-producing freight.

The research also highlights the impact on interior basis – the difference between the local price a farmer receives and the market value established by the Chicago Board of Trade – for soybeans in 31 states if the lower Mississippi River shipping channel is dredged. It is well established that farmers located in closer proximity to the nation’s inland waterways and barge transportation enjoy a positive or less negative basis vs. soybeans grown in

areas further removed. As a rule, the less-costly and more efficient the supply chain is subsequent to farmers delivering their soybeans, the higher value a farmer will receive for the bushels of soybeans produced. The STC directed the researchers to produce basis maps for soybean-producing states located adjacent to navigable inland waterways – highlighting the current situation and how basis could improve for soybean farmers if the lower Mississippi River shipping channel is dredged to 50 ft.

### Illinois Soybean Basis Pre and Post Lower Mississippi River Deepening (September through November)



As the above basis maps highlight, areas of the state of Illinois enjoying positive or slightly negative basis will expand if the lower Mississippi River is dredged to 50 ft. The areas with more pronounced negative basis will be crowded out by more favorable basis territory. It is estimated that this development will result in Illinois soybean farmers annually receiving over \$77 million more for their soybean crop. This dynamic will be replicated in other soybean producing states along the inland waterway system.

“One of the main reasons soybean farmers in my area of the country can remain profitable is due to our access to the Ohio and Mississippi Rivers,” says Gerry Hayden, a soybean farmer from Calhoun, Kentucky, and chairman of the Soy Transportation Coalition. “Our research highlights that dredging the lower Mississippi River will improve the supply chain for those soybeans being loaded onto the river and eventually exported from the Mississippi Gulf region. This more efficient supply chain will translate to more profitable soybean farmers.”

While the research projects Illinois receiving the largest benefit from dredging the lower Mississippi River, the STC research estimates farmers in the 31 evaluated states will annually receive an additional \$461 million for their soybeans due to dredging the lower Mississippi River to 50 ft. While those states located in close proximity to the inland waterway system will realize the most benefit, states further removed will also benefit from the

increased modal competition between rail and barge. When modal competition increases, a downward pressure on shipping rates will often occur. With barge transportation becoming more viable for a larger percentage of the soybean-producing areas of the country, there will be a greater degree of overlap between areas served by railroads and barge. Soybean shippers will benefit from this modal competition.

“Things like weather can inhibit supply, and geopolitical forces can impede demand, but the barrier to improving our transportation system that connects supply with demand is all too often a lack of will,” explains Mike Steenhoek, executive director of the Soy Transportation Coalition. “All too often, infrastructure investment is allowed to become a theoretical issue. The STC research clearly explains how this single infrastructure enhancement will have tangible benefit to individual farmers in individual states throughout the country. If our nation desires to make our farmers more competitive in a turbulent marketplace, this investment would be an excellent place to start. May we have the will to do so.”

The full study can be accessed via the STC’s website at [www.soytransportation.org](http://www.soytransportation.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.*