

Waterways

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Report says freight system at 'crisis point'

Five years ago the Illinois Chamber of Commerce issued a report on the sorry state of the state's locks and dams. Since little or nothing has changed since that report, the Chamber is out recently with a new report titled, "[Illinois Waterways – A Crisis Continued.](#)"

Among the findings in the report: [the state of the Mississippi/Illinois Waterway facilities](#) means at least \$7 billion in traffic congestion costs for the Chicago area economy and that cost could esca-

late to \$11 billion by 2030 unless needed repairs are



Above: 34 of the 38 locks on the Upper Mississippi/Illinois system are 600 feet or less, increasing their inefficiency.

needed.

Even so, [the Chamber report says](#), the efficiency of bulk cargo movement by barge saves about \$860 million on transportation costs each year for state businesses.

"The nation's overall freight system has indeed reached a crisis point," the Chamber report says. "As is often the case, many of the goals set forth in the 2007 WRDA legislation never came to fruition due to competition for scarce resources and other fac-

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UMWA elects new slate of officers for 2015

UMWA elected a new slate of officers at its 88th Annual Meeting September 18, at the Pool and Yacht Club on the banks of the Mississippi. There are some new names on the Executive Committee and officer roster.

Alphabetically the Executive Committee and Association Officers are: **Mark Caspers**, CCI; **Al Christopherson**; **Scott Dohmen**,

Secretary, CF Industries; **Paul Freeman**, President, Minnesota Soybean Growers; **Greg Genz**, Chair of the Board, Kaposia Marine; **Jack Holm**, Holcim (US) Inc.; **David Johnson**, Tow Inc.; **Taylor Luke**, Vice President, LS Marine; **Kyle Makarios**, N.C. States Regional Council of Carpenters; **Mike Noonan**, Portable Barge; **Tim Paurus**, CHS Inc.; **Kathryn**

Sarnecki, Treasurer, St. Paul Port Authority; **Rick Voigt**, Voigt Consultants, LLC; **Mike Wilson**, Wilson Oil and Gas Company.

The makeup of the Committee reflects the growing diversity of river interests and the strength of the UMWA after its merger with the RRA.

UMWA represents interests in Iowa, Minnesota and Wisconsin.

From the Executive Director...

Farm economy stuffed with grain

Recently Edward Lotterman, a St. Paul economist and writer, wrote that the expected bumper crop will prove a bumper for many farmers. He stated that it looks as though the 2014 harvest of major field crops such as corn and soybeans is going to be very large that might approach previous records and may even set new ones.

That, he said, is bad news for crop producers as prices have fallen sharply just since planting and are now below those of recent years. On the other hand, a drop in grain prices is good news for livestock producers and consumers, so neither the farm economy nor the consumer appears to be in dismal straits. But that might just depend upon which side of the pond you're on.

International economies struggle

Ever the economist, Lotterman goes on to explain "elasticity" between supply and demand, which we won't. His bottom line is this: Even though prices have fallen by half, farmers are still going to offer a lot of grain for sale, but those lower prices are not going to motivate grain users to dramatically increase usage. Why? Lotterman explains that Asia is a major importer of U.S. grain. "The Japanese economy has well-known problems. The outlook for the Chinese economy is decidedly more somber." "Europe is still an important customer and its economy is in poor shape, also, with the European Central Bank struggling to fend off deflation." Europe, he said, will still buy a lot from us but, here again, small quantity changes have big effects on price.

Other issues add to U.S. farmer's woes.

According to Lotterman, Japan is following a monetary policy to push down the value of the yen relative to other countries and it's successful, he maintains: \$10 worth of U.S. corn or beans would have cost a Japanese buyer 977 yen in August 2013, but 1,040 yen in August of this year.

That 6.4 percent price boost inhibits U.S. export volumes. The euro faces similar effect of a stronger U.S. dollar: the cost in euros of a given dollar value of U.S. farm products is 10 percent higher than at this time in 2011 to the disadvantage of U.S. agricultural exports.

Regrettably says Lotterman, while the European Central Bank is committed to a lower-priced euro, our Federal Reserve is on the verge of raising rates. This will make the dollar even higher-priced relative to both the euro and yen, to the disadvantage of U.S. agricultural exports. And, as we know too well, lower export sales mean lower future demand for barge transport even as a large glut of grain waits for transportation to fill existing contracts.

BIG bags to the rescue

In an effort to side-step the drop in grain prices aggravated by a bumper crop, lack of terminal storage and a shortage of transportation, grain producers in Minnesota and other farm states are stuffing corn, wheat and soybeans into 300-foot poly bags, 10 feet in diameter for temporary storage in the field. This is a welcomed alternative to waiting in line to deliver grain to an elevator especially since you can remove corn from the bags and truck them to grain elevators in December or January when prices are higher, says one Minnesota producer.

An early October article in the *Minneapolis Star Tribune* stated that the bagging system costs a fraction of what it would cost to build new steel storage bins. First introduced in 2008 by a company in central Minnesota, the bags cost just under \$1,000 each while bag loading and unloading machines for a 10-foot diameter bag costs about \$70,000 for the pair; bags come in lengths up to 500 feet long. We learned from a user of this system that a 400-foot bag holds about 20,000 bushels of corn. According to the manufacturer, it has sold more than 3,000 bag systems since 2008 in the U.S. and Canada.

"This will make the dollar even high-priced relative to both the Euro and Yen..."

As stated in the October article, bagging corn in the field is a fairly simple process. Grain is unloaded from combines into a hopper hooked to a tractor and an auger pushes it into a bag sealed at one end. Pressure from the bag as it fills pushes the hopper and tractor forward as the bag unfolds across the field. It is then sealed at the other end. For example, a 300-foot bag can be filled in 30 minutes if it has a constant supply of grain. This offers incentive for producers to use the bags as an option to storing grain in an elevator under a warehouse receipt where it can cost 3 - 4 cents per bushel per month, states the article. And, according to the manufacturer, if the bags are properly filled and sealed, there's minimal oxygen and little chance of spoilage.

But what about raccoons, squirrels and other critters who can easily chew their way into plastic bags? Don't load them too close to a wooded area, says the manufacturer and yes, a few traps might come in handy.

System 'at capacity'

With the soybean harvest underway in southern Minnesota and moving north, transportation consultant Walter Kemmsies says the waterway system may have trouble handling the predicted record or near-record harvest.

Kemmsies told [Farm Futures](#) recently, "I don't think the river is going to take it," he said of the big crops. "I have not seen any major infrastructure improvements in the river."

Kemmsies notes that the grain industry has been asking for upgrades and improvements on the system for years, especially the locations with short or single lock chambers.

Kemmsies is chief economist at the engineering company Moffatt and Nichols which specializes in global trade and transportation. He also advises port authorities and major transportation companies.

"I think the river system is operating at capacity," Kemmsies says.

"...This offers incentive for producers to use the bags as an option to storing grain in an elevator..."

Other items of interest:

- A recent study shows that some major U.S. [soybean customers prefer to buy from American farmers](#) because of the reliability and timeliness of product delivery (made possible in large part because of the waterway system). The study says soy buyers in China, Taiwan, Thailand and Vietnam frequently pay as much attention to timeliness as price.
- Delaying or [denying infrastructure spending is costing Germany a lot of Euros](#). The Kaiser Wilhelm Canal in Kiel was closed for two weeks last year and closed again recently to repair sluice gates causing ships to take a much longer, more costly route. Although their reasons for the parsimonious support of their infrastructure are different from the U.S., the Germans are experiencing the same kind of problems as this country's underfunded water transportation network.
- The [shipping season on the Missouri River](#) has been extended as the Army Corps of Engineers prepares reservoirs for next Spring's runoff. River levels will rise at least three feet in the next few weeks as releases are increased from Gavins Point Dam. The extension is for ten days and the season will close December 10.
- Don't forget that all recent issues of Waterways newsletter and other information on issues of concern to Association members are online at www.umwa.net/.

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tors. And yet the amount of freight traveling our nation's waterways is projected to increase sharply over the next several decades."

After reading the report, *Crain's Chicago Business* [columnist Joe Cahill](#) had some strong words for decision makers and other interests.

Cahill says few people appreciate the continuing role of water shipping in today's economy.

"We're headed for a maritime shipping collapse," Cahill says. "If nothing changes, we'll have to find 4 million trucks to haul those 100 million tons

of cargo. Think what that would mean for Illinois' beat-up, congested highways. Another report estimates that if barge shipping on the Mississippi and Illinois rivers came to a halt in the St. Louis area, 'truck traffic would double, traffic delays would increase fivefold and injuries and fatalities would increase from 36 to 45 percent on Interstate highways.'"

The American Society of Civil Engineers agrees with the assessment. [Its 2014 grade for Illinois Waterway infrastructure is D-](#)

ASCE says, "The Mississippi River, Illinois River, Ohio River, and Lake Michigan locks near

Chicago provide vital commercial shipping links for goods to travel throughout Illinois as well as the entire country. About 116 million tons of commodities valued at more than \$23 Billion are shipped annually on the 1,118 miles of Illinois's inland waterways. However, an unreliable lock and dam system and inadequate funding threaten the future viability of the state's navigable waterway infrastructure."

"It is not a matter of 'if' the river shipping system will fail. It is a matter of 'when,'" says Illinois Chamber CEO Todd Maisch.

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Address label here