

ACTING DEPUTY SECRETARY MICHAEL SCUSE
“AG TRANSPORTATION SUMMIT:
A MODERN INFRASTRUCTURE FOR MODERN AGRICULTURE”
THE WESTIN O’HARE
ROSEMONT, ILLINOIS
WEDNESDAY, JULY 31, 2013
8:30-9:15 AM

Arthur, thanks very much for that warm welcome. And my thanks to Bruce Blanton and AMS’ Transportation & Marketing Programs ... along with the National Grain and Feed Association ... and the Soy Transportation Coalition ... for bringing us together this week.

This is a first-of-its-kind Summit with folks representing a strong cross-section of agriculture. It’s good to come together and take stock.

On behalf of Secretary Vilsack and USDA, I want to recognize the presenters and participants ... you heard from many of them yesterday ... for laying out the tough issues surrounding a modern transportation infrastructure for a modern agriculture.

In many ways, we’re of one mind here. We all know that your work ... everything you’re doing to address transportation’s capacity to meet agriculture’s needs ... affects U.S. agriculture, rural economies, exports and jobs in this century.

Last summer, the Secretary talked about the resilience of U.S. agriculture. He spoke about the innovation, diversity and growing markets that position agriculture to withstand challenges like the drought we were suffering at that time.

Thanks to this strength, 2012 farm income had grown 147 percent since 1988.

Agriculture was responsible for one in every 12 U.S. jobs.

Farm output was up by about 50 percent.

And the surge in ethanol production and the bio-economy was supporting more than 100,000 U.S. jobs.

Effective transportation helped make agriculture resilient.

It made the development of agricultural productivity possible and, with it ... the growing markets and innovation that support the economic health of the nation.

At USDA, we like to brag about agriculture's accomplishments.

Soaring productivity stands behind record exports. It contributes to the nation's balance of trade and supports over 1 million jobs here at home.

When we talk about what agriculture does for us as a people and an economy, we're also talking about a transportation system that's a seamless network of cooperation, competition and flexibility.

Maybe we need to say that louder, and more often.

When I'm at my regular desk at USDA, I'm working every day with both the domestic and trade side of USDA programs.

I know that transportation stands behind the \$139.5 billion in agricultural exports we're projecting for this year. Ocean vessels moved 81 percent of our ag exports last year.

Here at home, agriculture is the largest user of freight transportation in the nation.

In 2011, railroads moved 28 percent of the grain harvested in the U.S., including 41 percent of export grain movements.

Trucks carry 70 percent of the tonnage of agricultural, food, forest, alcohols, and fertilizer products. They are a vital link along an extensive supply chain ... and the first and last movements between farm and grocery store.

And barges move more than half our corn exports and almost half of our soybean exports through New Orleans to foreign destinations.

When you consider that we export nearly half of all the soybeans we grow in the U.S. ... and half of those go to China ... the link is clear between transportation, the \$28.5 billion that agriculture contributes to the U.S. balance of trade, and the health of the nation's economy.

Farm Bill

We have a lot riding on the continued growth of the nation's agricultural economy and rising farm income.

But to keep that momentum going, America's farmers, ranchers and producers need to manage their resources and plan effectively. They need certainty about the next five years of U.S. farm policy.

The transportation industry has a lot at stake in what that certainty—or lack of it—means for agricultural productivity.

Producers—who represent just one percent of the population—need the longstanding alliance between agriculture and nutrition. They need the engagement of the 99 percent of Americans who don't farm.

Every American has a stake in legislation that includes food, farm and jobs policies.

Rural America has tremendous potential to continue the economic growth of recent years. But we've got to get a comprehensive Food, Farm and Jobs Bill passed.

This bill must provide assistance to support a strong farm economy.

It must promote rural development ... maintain nutrition programs... honor international trade commitments ... and advance agricultural research. It must continue our record conservation efforts, and build up the bio-based economy.

The House bill is not comprehensive. The Senate has worked to pass a bipartisan and real farm bill that accomplishes those goals. Now we need Congress to name conferees to find compromise and pass a Food, Farm and Jobs Bill that is truly comprehensive.

Passage this year is essential. Congress must make long-term decisions now rather than default to another one-year extension. Too much is at stake, and too many people lose out if Congress can't act.

Transportation Concerns

Congress' inaction on the Farm Bill is a much-publicized issue affecting every citizen.

Less well known but with a broad impact of their own are the problems you're dealing with in each mode of transportation.

John Avery Dulles, Secretary of State under President Eisenhower, was fond of saying that he was making progress if today's problems were different than yesterday's.

By that measure, we're moving full steam ahead.

Our transportation system has helped transform agriculture into the most international of industries. Look at the remarkable trend in grain transportation. Total grain movements increased 84 percent from 1978 to 2006.

The overall profitability of the grain industry is flourishing. But with that comes pressure on our transportation infrastructure to keep U.S. grains and soybeans competitive with Brazil and Argentina.

Across every mode, an affordable and reliable transportation network goes to the strength and competitiveness of American agriculture.

Rail

Rail is particularly important. It is virtually the only cost-effective shipping alternative for rural producers who are distant from barge transportation and end markets.

Since 1980, the number of major railroads has dropped to just seven that now move more than 90 percent of the freight.

The top four major railroads originated 86 percent of grain and oilseed traffic in 2011. That number was just 53 percent in 1980.

Concerned about complaints from shippers, Congress asked USDA and DOT (U.S. Department of Transportation) to study the issue.

Among the findings: the level of rail-to-rail competition for grains and oilseeds dropped sharply between 1992 and 2007.

And rail rates for corn, wheat and soybeans rose sharply from 2006 to 2011, by about 9 percent more than rail costs when adjusted for inflation and railroad productivity.

USDA is concerned about the lack of rail-to-rail competition. We're concerned about its impact on agricultural rates, the ability of agricultural shippers to appeal rates, and access to new or alternative markets.

As many of you know, USDA has actively represented agricultural shippers before the Surface Transportation Board.

We believe the Board should allow competitive switching. This is a solid approach to increase rail-to-rail competition and moderate agricultural rates. Some ag shippers now being served by one railroad could gain access to a competing railroad along with new alternative end markets.

We've expressed concern that agricultural shippers cannot effectively appeal rail rates. The Board's procedures are too expensive, take too long, and the monetary limits on awards are too small.

Over time, USDA has pointed out these issues to the STB. And we're getting results. On July 18, the Board removed award limitations for one of their rate appeals procedures and raised the limits on another, from \$1 million to \$4 million. The Board will also hold a proceeding to explore why ag shippers have not appealed rail rates using STB procedures. These are steps in the right direction.

Truck

On the trucking side, you're familiar with controversial requests from agricultural and other interests to raise the weight limit on interstate highways from 80,000 to 97,000 pounds.

They argue that farm and forest products are heavy and low value, making transportation a large part of their final price.

Congress has directed the Federal Highway Administration to conduct a comprehensive truck size and weight study by August 2014.

While USDA doesn't have jurisdiction in this matter, we'll be communicating with our DOT colleagues as the study moves along. We'll make sure the final product does not gloss over the benefits of truck weight reform for our farmers, ranchers and foresters.

Inland Waterways

Tricky funding issues for inland waterways are another area that puts USDA in a difficult position. The condition of these channels affects our stakeholders, yet these matters are outside USDA's jurisdiction.

About 57 percent of U.S. export shipments of grain went through the U.S. Gulf region this year. This includes much of the nearly 30 million tons of grain transported down through locks on the Mississippi River and its tributaries.

We understand the concern about the level of funding in the President's budget for 2014 {\$4.7 billion for the Army Corps of Engineers Civil Works program}.

While we support investment in our water resources, we feel that creating and maintaining that infrastructure is a shared responsibility between Federal and non-Federal beneficiaries.

Complicating the funding issues is the lack of consensus between the barge industry, the Administration and members of Congress.

While the decisions are made by others, USDA certainly has a role to play. Last summer, for example, at the President's direction, we formed a task force across federal agencies to address the impacts of drought.

Thanks to our input ... along with agricultural and barge shipping interests, and key members of Congress ... the Army Corps of Engineers expedited the removal of rock pinnacles on the Mississippi River. The pinnacles threatened to block barge traffic because of low water conditions. This could have caused serious disruption to barge movements of fertilizer and grain exports.

USDA Role

USDA's role, then, is to help inform decisions by other federal agencies. We stress the economic impact of inland waterways—a critical infrastructure—on the nation's agriculture.

In other ways, too, USDA provides insight of value to the transportation industry.

- Our weekly Grain Transportation Report is very popular, its analysis used by grain shippers, news outlets and traders on the Chicago Board of Trade.
- We provide a weekly report on the availability of ocean shipping containers. The use of containers for agricultural exports hit an all-time high in 2012. Containerized grain exports are a key part of this trend, increasing by more than 135 percent since 2006.
- We have a new report posted to the AMS website: State Grain Rail Statistical Summary. Please check it out.
- Our experts are now preparing papers on rail issues that concern shippers. We'll publish them soon on the AMS website as a service to our stakeholders.

- And, perhaps our most exhaustive work, three years ago we put together a lengthy Study of Rural Transportation Issues. This responded to direction from Congress in the 2008 Farm Bill.

What's clear through all of this work is the degree to which the past development and future growth of U.S. agriculture is one with our highways, our waterways, our rail lines and our ocean shipping.

Another way of saying this is ... the nation's economic health depends on the strength of agricultural transportation. We recognize this at USDA and we're proud to work with you in every way possible.

On behalf of Secretary Vilsack and me, thanks for all you do. Thank you.