Soy Transportation Coalition

National Grain & Feed Association Annual Meeting

March 17, 2013

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Why Should Farmers Care About Transportation?

…Because our international competitiveness depends on it.

Costs of transporting soybeans: U.S. vs. Brazil (per metric ton; 3rd quarter, 2012)

Davenport to Shanghai	Sioux Falls to Shanghai	N. Mato Grosso to Shanghai
Truck - $13.51	Truck - $13.51	Truck - $109.73
Barge - $24.86	Rail - $55.66	---------
Ocean - $46.82	Ocean - $23.88	Ocean – $32.00
Total Trans - $85.19	**Total Trans - $93.05**	**Total Trans - $141.73**
Farm Value - $565.85	Farm Value - $552.38	Farm Value - $570.66
Customer Cost - $651.04	Customer Cost - $645.43	Customer Cost - $712.39
T. as % of Cust. Cost – 13.09%	T. as % of Cust. Cost – 14.42%	T. as % of Cust. Cost – 19.90%

Source: USDA

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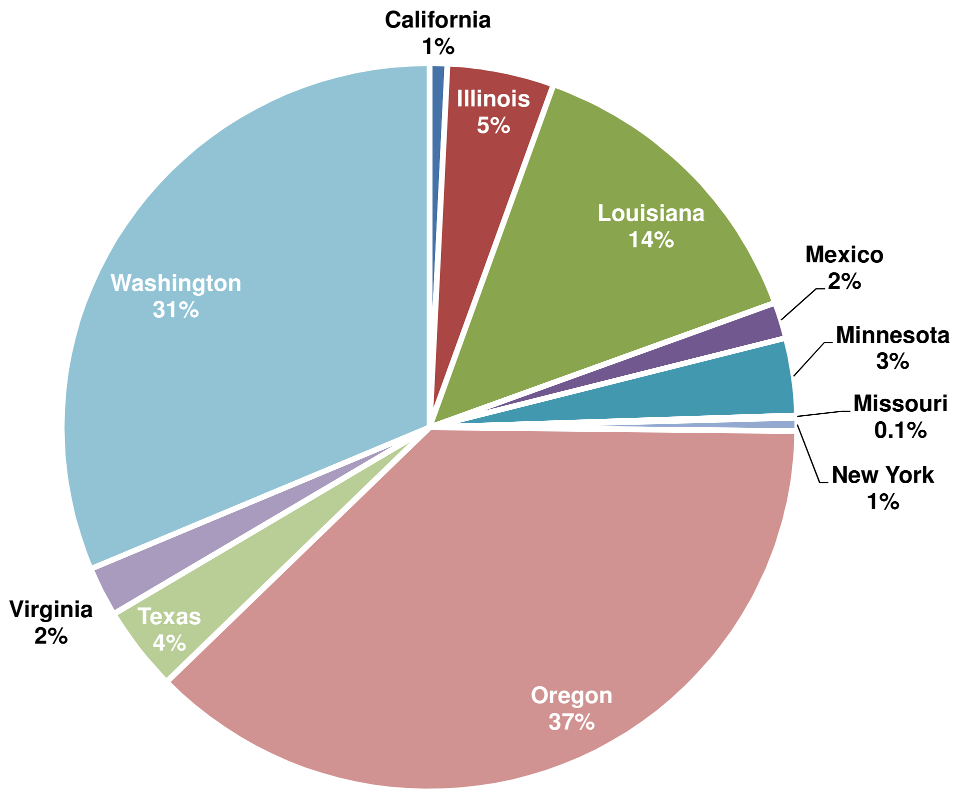
The Soy Transportation Coalition – Farmer funded & farmer led

- Established in 2007. Comprised of 11 state soybean councils, the United Soybean Board, American Soybean Association. National Grain & Feed Association & National Oilseed Processors: ex-officio members.

Railroads – Providing critical linkage to export regions

- 68% of railcars of soybeans are destined to Washington or Oregon (22% of exports depart via PNW)



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Agriculture and Railroads: “Maintaining a Track Record of Success”

- Study objectives:
  - Access current capacity of U.S. freight rail infrastructure
  - Provide outlook for increased rail demand for soybeans, agriculture, and overall economy
  - Evaluating the gap between future rail investment & the needs of U.S. economy
  - Examine various incentives to determine how the investment gap can be addressed

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Estimate of annual rail infrastructure investment gap (Class I railroads)

Current annual rail capital investment:	$10 billion
Additional investment to grow infrastructure:	$4.55 billion
Additional investment from Class I Railroads:	$3.0 billion
Investment gap to address expansion needs:	$1.55 billion

Note: $1.55 billion will accommodate general traffic growth plus an annual increase of 0.2% in modal share shifting from truck to rail.

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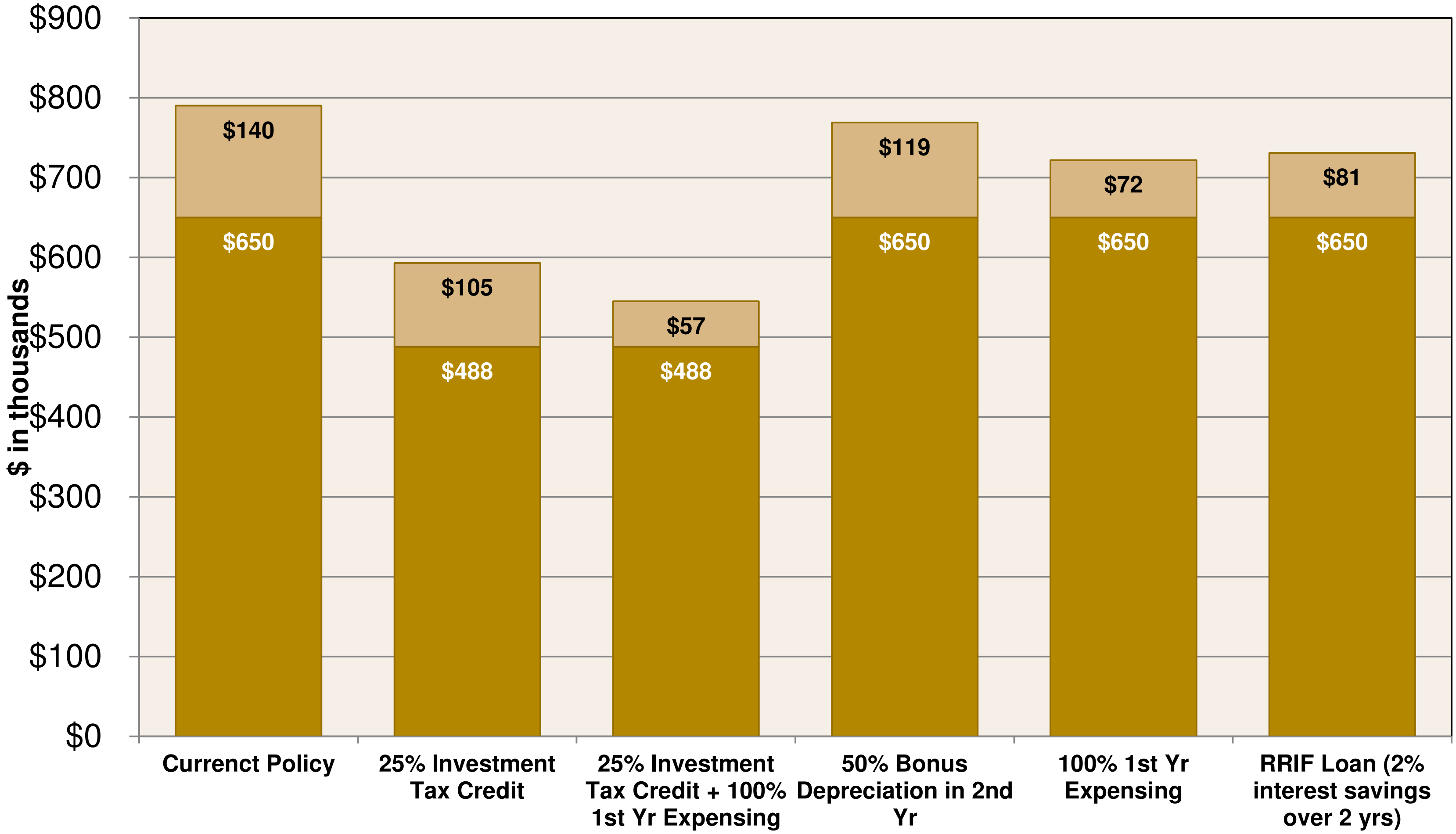
After Tax Investment Cost of $1 Million Rail Investment



Annual Cost/Benefit of Federal Tax Credit to Close Rail Investment Gap

Cost to government:	$981 million
Benefits:	
Soy sector (rates, higher speed handling):	$98 million
Other sectors (general rate reduction):	$635 million
Gain from shift from truck to rail (cost savings):	$268 million
Highway maintenance cost savings:	$700 million
Reduced highway congestion:	$595 million
Additional construction jobs:	30,000 jobs
TOTAL BENEFITS:	<u>$2,296 million</u>

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A discussion worth having…

- If the U.S. government will engage in encouraging the movement of freight, what is the most cost effective way of doing so?
- Can U.S. tax policy be less of a disincentive for infrastructure investment – particularly in rural America? In reality, would an ITC be a benefit extended or an obstacle mitigated?
- Can U.S. government encourage investment that presents a lower probability for waste? For every $1 incurred, do we get an equivalent in value?
- By encouraging greater investment in freight rail, there is a significant impact on congestion mitigation vs. promoting passenger rail (without ongoing subsidies)

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Thank You

Soy Transportation Coalition

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