



# MIDWEST SHIPPERS ASSOCIATION

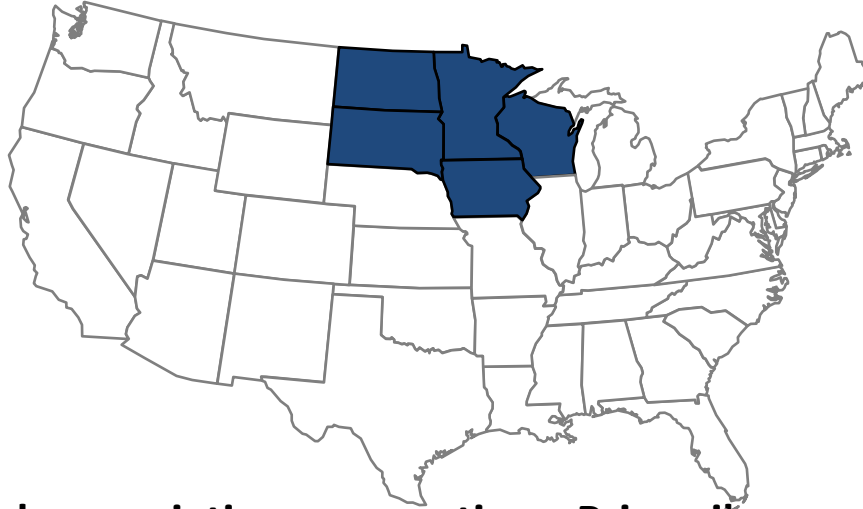
**Presentation & Discussion Points -- Bruce Abbe, MSA Executive Director  
MNDOT Minnesota Freight Advisory Committee meeting – October 18, 2013**

**Minnesota & Upper Midwest Export Competitiveness  
Perspectives of Container Grain Exporters**

# Overview

- About the Midwest Shippers Association –
- Importance for MN to have competitive, multi-modal transportation systems to stay in the global trade game.
- Grain export shipping from MN- *Basics* –
  - *Bulk Grain – Container Grain exporting -- trends*
- Current grain production & shipping outlook
- Competitive challenges for region container exporters
- Storm clouds on horizon
- Opportunities, needs for sustainable growth

# About the Midwest Shippers Association



- **Regional trade association cooperative. Primarily serves premium, specialty grains industry in Upper Midwest USA, + commodity container exporters**
- **Medium and small business member companies. Grain and soybean processors, exporters, traders, seed suppliers, grain quality and shipping service providers**
- **Strong container shipping focus. Also freight forwarders & logistics network members**
- **Originally MN Shippers Association - 5 core states – Minnesota, North & South Dakota, Iowa, Wisconsin – plus members in other states that serve the region**

- Despite all the ups and downs in global shipping, intermodal container shipping has continued to grow over the last 15 to 20 years.
- Tremendous growth in the Asian economies largely driven by manufacturing of goods delivered to U.S. by containers across the Transpacific by ever larger ocean carrier ships, and ever more efficient rail shipping inland in the U.S.
- Asian economies continue to hold greatest opportunity for U.S. manufacturing and ag export growth. Asian infrastructure geared to intermodal.
- Intermodal comprises 42% of U.S. Class 1 railroad volume (2010) - (AAR, & Union Pacific presentation MSA)
- For Minnesota's industries and Minnesota's economy to thrive in the global economy, it is vital that we maintain strong, competitive, multi-modal transportation systems in all forms -- trucking, rail, water, air, --including competitive intermodal container shipping.
- Minnesota is lucky to be on intermodal rail lines, have some service.
- But we have competitive and service problems, shortcomings that are limiting our export growth – even threatening some industries.

# Grain export shipping from MN- *Basics*

- **Bulk grain shipping – rail cars/unit trains, barge, ocean bulk ships handle far and away largest share of overall volume of grain exports from U.S. Systems geared to large volume feed/commodity handling.**
- **Yet overall, container shipping accounts for larger share of ag exports in Value – (higher quality food products, fruits, vegetables, dairy, meat exports).** (USDA AMS Rural Transportation Study 2010)
- **Container grain exports from U.S. – maybe 10% -- but steadily growing.**
- **Approx. 55% of bulk grain exports from U.S. move by barge down river first. Was 60%.**
- **Minnesota's water shipping infrastructure showing its age – Mississippi barge shipping, Seaway – desperate need of new funding.**
- **Rail development has been leader in recent years.**

## Recent U.S. Developments – Bulk Grain Shipping

- Major bulk grain export capacity expansion in Pacific Northwest.....

- Spurred on by EGT, LLC (Bunge, Itochu, STX Pan Ocean) in Longview, WA

- First major new bulk grain facility in U.S. in more than 25 years. \$200+ million, state of the art facility.

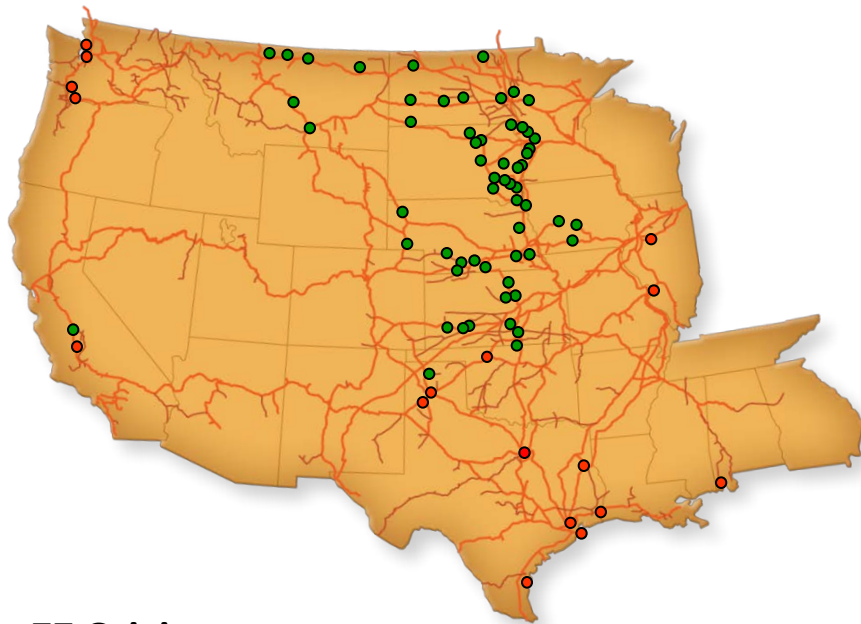


- Other PNW established bulk facilities stepping up with new additions.
  - AGP, Cargill/CHS Temco, KEC, United Grain terminals on Columbia River, Puget Sound, Grains Harbor all have made some expansions/improvements. *Average PNW exports 19 MMT....may grow to est. 30 MMT when completed.*
- **Gulf remains the largest outlet port locations for U.S. bulk grain exports**
  - In dire need of infrastructure funding for lock & dam, river maintenance.

# Ongoing Bulk Grain Shipping Trend – Shuttle Train Facility Expansion

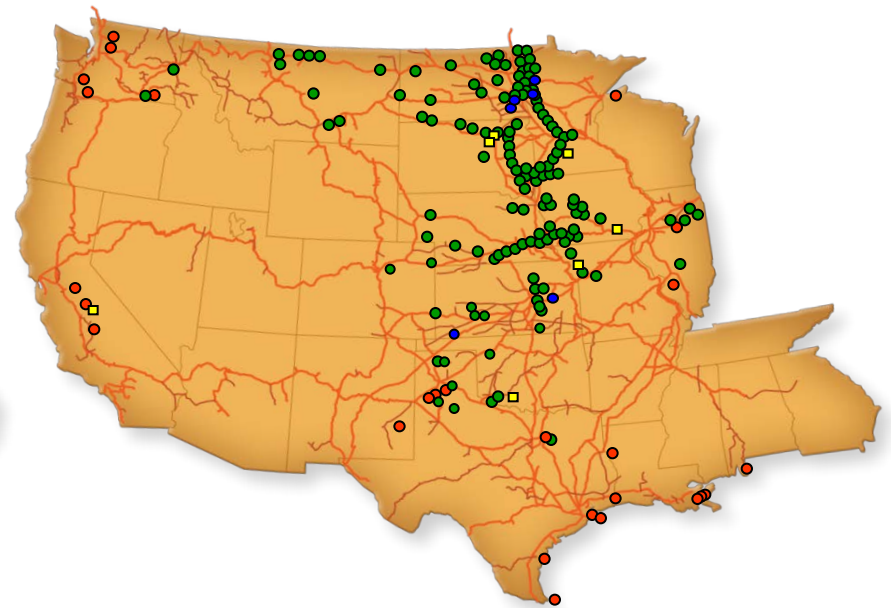
## BNSF Shuttle Network

### 2000



- 77 Origins
- 33 US Destinations
- 8 Mexican Shuttle Destinations

### 2010



- 173 Origins
- 73 Destinations
- 7 Under Construction
- 29 Mexican Shuttle Destinations

## New Trend for Container Grain Shipping

- Growth of Identity Preserved grains, oilseeds, food ingredients shipped by intermodal container.
- Drivers of Change – *Food safety, quality assurance, traceability, IP product segregation, field-to-table supply chains. Global customer demands. Value-added opportunities*





# Benefits of Containerized Grain Shipping

- *“Containerization has evolved from an industry serving niche markets to an industry creating niche market opportunities”.*
- **Quality advantages:**
  - Product differentiation. No contamination. Protects product integrity.
  - Ideal for Identity Preserved soybeans & grains.
  - Ideal for food grade quality grains. Processed grain product ingredients, like soy flakes.
  - Provides for greater traceability. Stricter food safety requirements growing worldwide.
  - Minimal damage. Provides greater product integrity. (Benefit for commodity feed buyers, as well).
- **Market advantages:**
  - Smaller exporters and importers can do business more direct. Enables new competitive players.
  - Scalable sales. Smaller transactions to finance for importers. Easier risk management.
  - Can source more specific raw material grain & ingredient products for specific end food use.
- **Delivery advantages:**
  - Better suited to certain locations. Smaller, shallow draft ports. Good in strong two-way container export markets – *particularly South East Asia countries*
  - Lots of empty containers need to be returned to S.E. Asia.

## **Near Term Outlook Now for MN**

- **Strong crop production year appears to be coming in – better than expected.**
- **MSA member exporters indicate – strong overseas demand.**
- **Outlook for container shipping – not good.**
  - **Tight supply now in Twin Cities.**
  - **Very tight, likely shortages next few key months.**

# Challenges, Perennial Problems for MN Container Export Shippers

- **Wide imbalances in service, costs for shipping from MN intermodal terminals overseas compared to other inland competitor regions.**
- **Frequent inadequate supply of containers where they are needed for grain exports.**
- **Price disparities significant problem for many regions compared to areas favored by Class 1 railroads and ocean carriers (i.e. Chicago).**
- **High costs for repositioning of containers.** *“First rule of repo – don’t repo” say carriers, rails. Yet carriers losing money on Chicago-based rates. We need to change these dynamics -- our export growth depends upon it.*
- **PNW rates higher than southern California.**

# Price Disparities

- Recent rate comparison – Feb. 15 – by MSA freight forwarder member showed:
  - Average of 6 major ocean carriers; rates from different locations to Kaohsiung, Busan, HCMC, Tokyo.
  - Compared to Chicago's current low rates –
    - Kansas City was \$220 higher per 20 TEU.
    - Minneapolis was \$700 higher
    - Detroit was \$800 higher
    - Omaha was + \$1,000
    - Seattle/Tacoma was \$100 higher than Chicago - with no rail involved. \$400 above LA/LB.
    - LA/LB was uncharacteristically high at \$700 to most of those Asian Ports. Often is under \$500 for spot rates. With Sea/Tac often \$600 - \$800 higher than LA/LB.

*Container shipping price disparities are simply preventing some major U.S. grain production regions (MN & Upper Midwest) from serving certain overseas markets (growing S.E. Asia markets), that otherwise could yield sustainable export growth. PNW ports, currently, are only viable outlet for MN container exports going west to Asia.*

# Needs & Opportunities

- **More competitive options for container shipping –**
  - Ideally, more direct access to Southern California ports – LA/LB – biggest inbound supply of containers.
    - UP or BNSF service without going through Chicago
  - Expansion, improvement of existing infrastructure & equipment – CP, BNSF, new area CN service
- **Opportunity for Growth – Dairy exports forecast to again set record; meat exports continue to grow rapidly – revitalize refer service to and from T.C.?**
- **Biggest need – more imports to bring more boxes to Twin Cities. Two-way trade is key to competitive intermodal.**
  - Incentives for more Distribution Centers in Twin Cities- Nix new warehouse tax.
- **Collaborate for more creative logistics solutions –**
  - Seek matchbacks wherever possible.
  - Press for more reasonable repo rates for moving boxes from surplus locations to places where they can get a paying export load.
  - Seek unit train moves of boxes and advance-arranged loads whenever possible for repo efficiency
  - Find anchor importers, collaborative railroads – (ala CN Railroad & Chip Falls satellite ramp.)

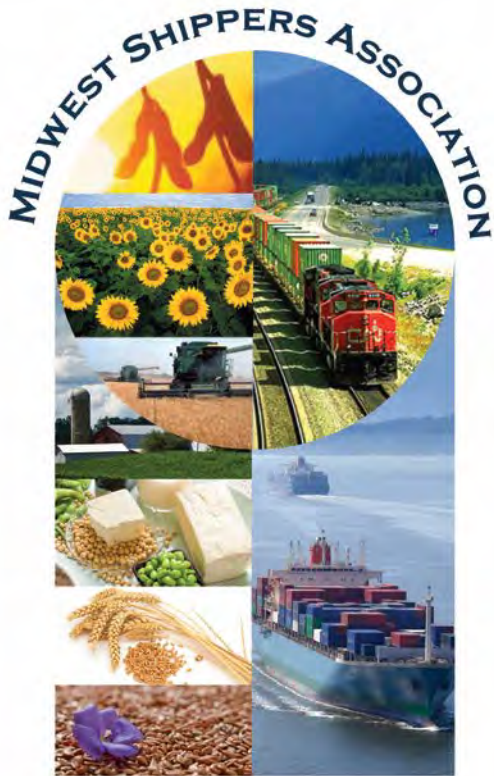
## **Storm Clouds on the Horizon for Inland Export Shippers**

- Trucker shortage worsening
- West Coast port labor issues – ILWU dock workers master contract up in 2014
- Trend of importers transloading to 53s/breaking down cargo on coasts, fewer boxes going inland for exporters use
- Hapag repo program for T.C. – will it continue

# Be Realistic

- **New intermodal development in MN should be scale-able, allow for incremental development here. Collaborate with other states, shipping sectors – (although the Twin Cities market is the key)**
- **Understand we are in this together – Problems anywhere in the supply chain affect the whole chain – ocean carrier continued losses, port labor strife (beware – on the horizon)**
- **Understand that the economics need to work for all parties.**
- **Need to work for the shippers too.**
- **We really, truly are in a Global Economy. Minnesota must have the transportation resources and competitive systems and service to succeed.**

# Thank You



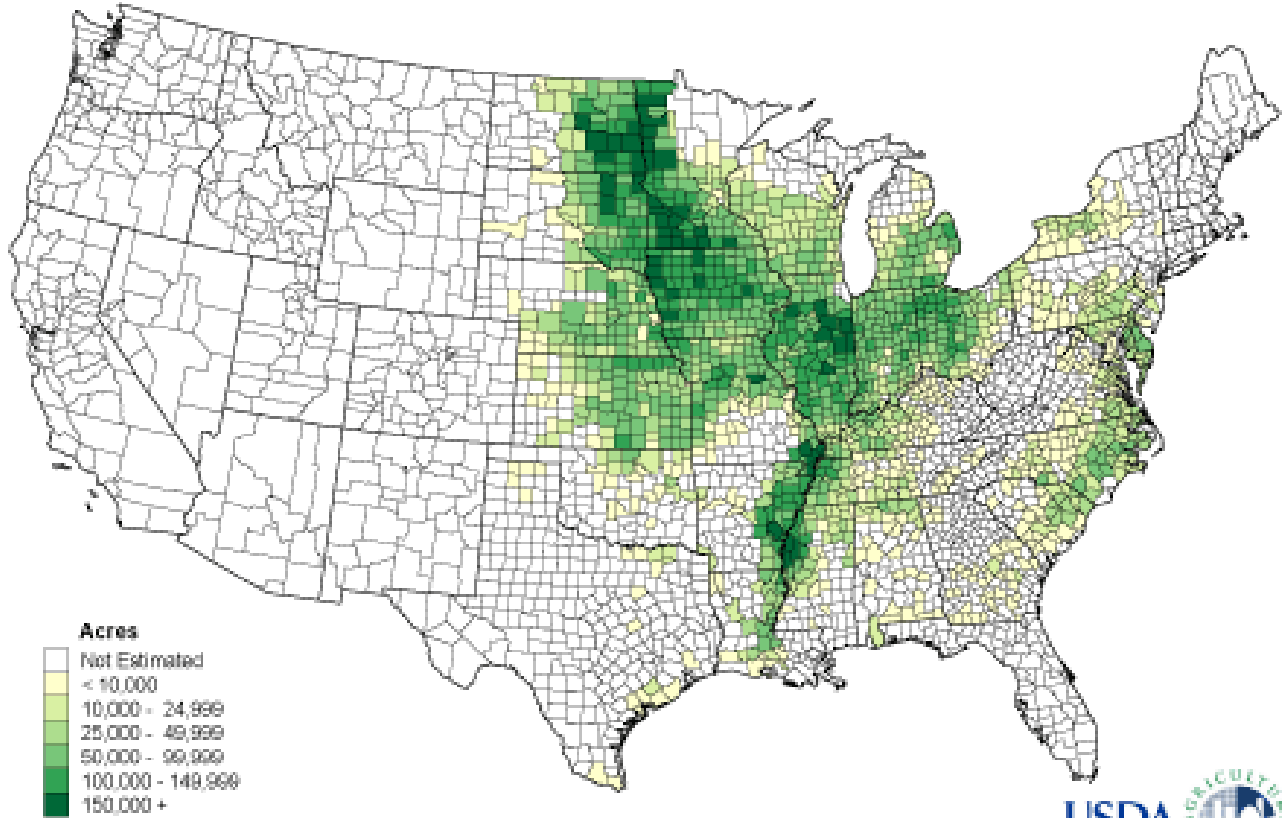
- [www.midwestshippers.com](http://www.midwestshippers.com)
- [www.grainconference.org](http://www.grainconference.org)
- [staff@mnshippers.com](mailto:staff@mnshippers.com)
- [bruce@mnshippers.com](mailto:bruce@mnshippers.com)

***Bruce Abbe, Executive Director  
Midwest Shippers Association  
7500 Flying Cloud Dr., Suite 900  
Eden Prairie, MN USA 55435***

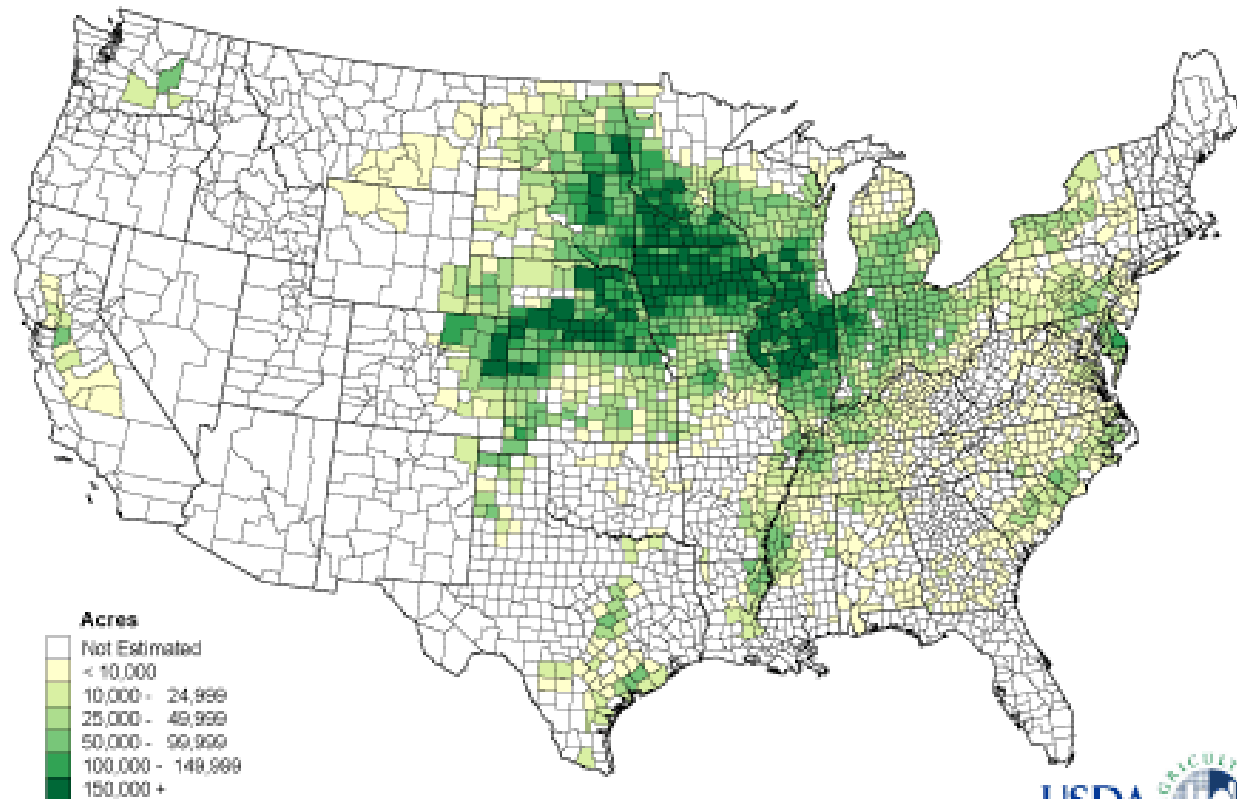




**Soybeans 2010  
Harvested Acres by County  
for Selected States**



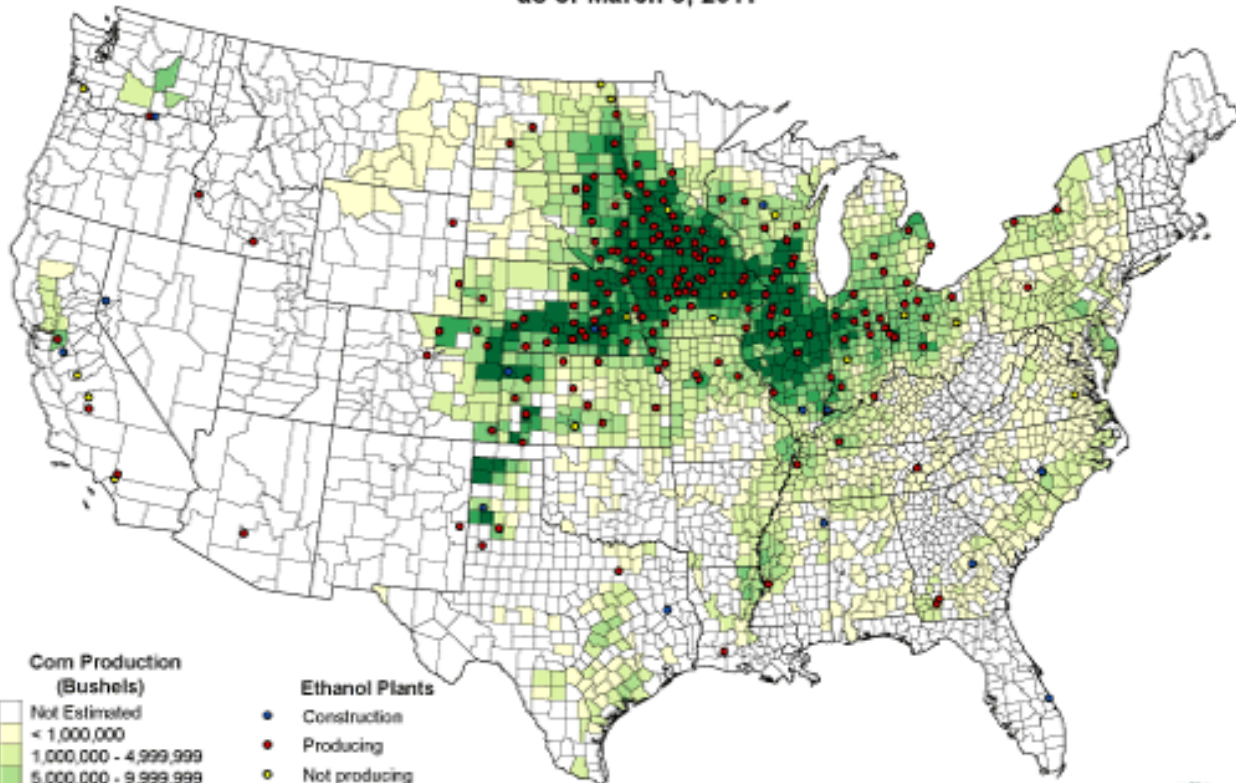
### Corn for Grain 2011 Harvested Acres by County for Selected States



U.S. Department of Agriculture, National Agricultural Statistics Service



**Corn for Grain 2010  
Production by County and Location of Ethanol Plants  
as of March 3, 2011**



- |                                  |                       |
|----------------------------------|-----------------------|
| <b>Corn Production (Bushels)</b> | <b>Ethanol Plants</b> |
| Not Estimated                    | • Construction        |
| < 1,000,000                      | • Producing           |
| 1,000,000 - 4,999,999            | • Not producing       |
| 5,000,000 - 9,999,999            |                       |
| 10,000,000 - 14,999,999          |                       |
| 15,000,000 - 19,999,999          |                       |
| 20,000,000 +                     |                       |

U.S. Department of Agriculture, National Agricultural Statistics Service



# Container Grain Exports

- Despite slow yr for exports in 2012, overall U.S. container grain exports were up 2% above 2011 through Nov., according to USDA/Piers, after running higher. Container grain shipping continuee to make steady gains.
  - DDGS remain top grain export commodity. Bounced back in 2012, after China anti-dumping case subsided. 6.89 MMT. 37% of all U.S. container grain exports.
  - Soybeans -No. 2 for container exports. 133,873 TEUs, 31% of total. 2.164 MT.
  - Other animal feed (mix). 54,136 TEUs, 10% of total, 690K MT
  - Corn – 39,075 TEUs, 10% of total. 672K MT
  - Soybean Meal – 28,343 TEUs, 5% of total. 375K MT.
  - Other – 496,785 TEUs, 7% of total. 497K
- Source: USDA Grain Transportation Report, February 14, 2013