



International Trade Report

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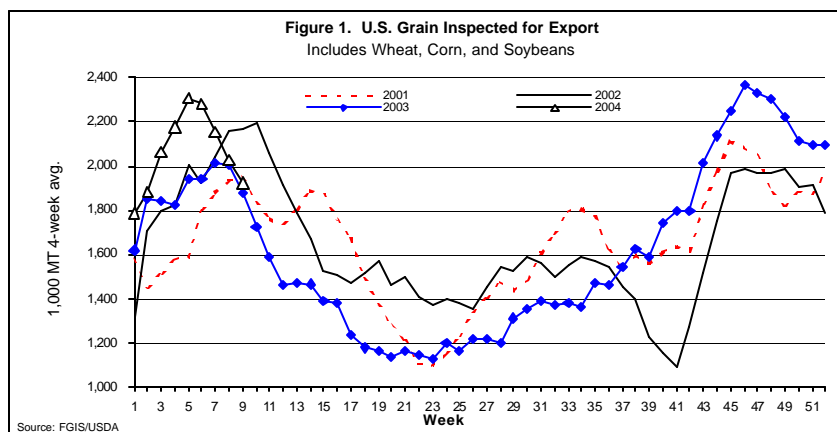
Rail Transportation Shortage Has Had Minimal Impact on U.S. Grain Exports.

Summary

This year's record U.S. grain* crop and increased exports have contributed to a demand surge for rail cars throughout the grain and soybean producing regions. Consequently, there were concerns that rail transportation delays may adversely affect exports. However, the relevant data indicates that the impact on U.S. grain exports has been minimal.

U.S. Grain Export Situation

A combination of global factors has led to a sharp year-to-year increase in the USDA export forecasts for wheat and corn for the current marketing year. USDA's February grain and feed publications show U.S. wheat exports are now forecast at 32 million metric tons (mmt), compared to the year-ago level of 23 mmt, while U.S. corn exports are expected to reach 51 mmt, compared to last year's level of 41.2 mmt. This surge in global demand for U.S. grain gave rise to concerns following the respective harvests that rail transportation delays could have a negative impact on U.S. grain exports.



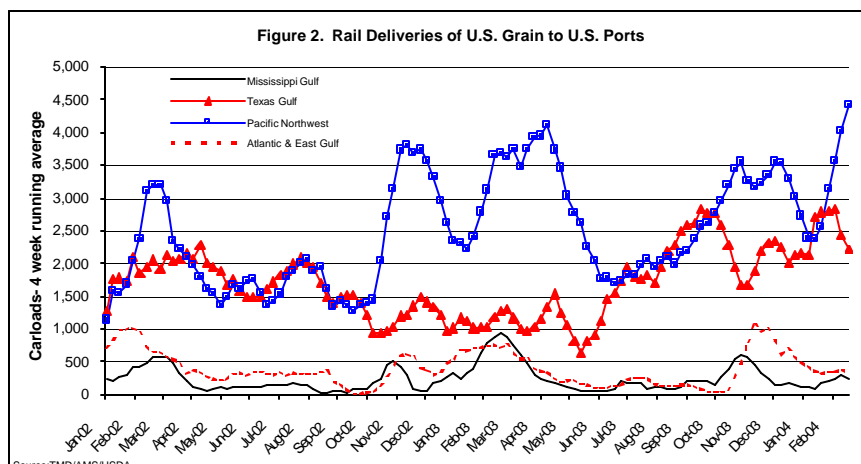
However, a review of the FGIS grain inspections data indicates that while there were rail transportation shortages – particularly in the Northern Plains - there has been little or no impact on the overall pace of U.S. exports. FGIS data for 2003 show that export inspections

were up 21 percent for the fourth quarter over the same quarter in 2002, while 2004 year-to-date inspections are up 11 percent over the same period of 2003 (Figure 1). In addition to inspections, 2003 port vessel weekly activity data for the Gulf and Pacific Northwest (PNW) are closely in line with the 2002 average.

Agricultural Marketing Service (AMS) data for total 2003 railcar loadings, as of February 5, 2004, show 1,114,614 cars have been loaded, which is only 3.3 percent more than in 2002. However, data monitored by AMS show that 2003 railcar deliveries to export facilities are 18

percent above 2002, while 2004 year-to-date deliveries are 24 percent above the same time in 2003. This indicates that, while the amount of grain being loaded onto railcars is about the same, more grain is being directed to the ports for export than in 2002. Worth noting is that railcar deliveries to Pacific Coast export facilities were 31 percent higher for 2003 due to strong Asian market demand (Figure 2).

In the past few months, published reports indicate U.S. railroads have scrambled to alleviate the railcar shortage by increasing grain fleets and hiring more rail crews. Recent, AMS data show that, during the fourth quarter of 2003, railroads carried 6.6 percent more grain carloads than in 2002



and during the last four weeks of 2003 they carried 11.7 percent more. Even though the railcar shortage is expected to continue into the spring, the data above - along with the current pace of grain carloads - does not suggest that the current situation has or will have a detrimental impact on U.S. grain exports.

(Source: Transportation and Marketing Division, AMS/USDA and Grain and Feed Division, FAS/USDA)

Northern Plains Most Affected By Shortages

The recent rail car shortage reflects a combination of different factors: bumper U.S. corn and wheat crops, a surge in foreign import demand - particularly in Asia - and decreased grain car fleets/rail crews. In addition, high grain prices led producers to sell their crop early in the marketing year.

The rail car shortage has been most noticeable in the Northern Plains region, apparently for two main reasons. First, the Northern Plains has more on-farm storage than the other regions. As farmers rushed to sell their crops in the last quarter, off-farm storage areas in the region did not have the capacity to store the grain, which greatly increased the demand for railcars at a time when few were available. Second, the railroads were able to provide adequate service to grain elevators that are large enough to handle 110-car "shuttle" trains - which reflects the situation in other regions, including the corn belt. In contrast, in the Northern Plains, where delays were most severe, there is more dependence upon smaller shippers who rely on 54- and 26-car trains. It should be noted, however, that the Northern Plains supplies a good amount of grain to ports in the PNW and railcar shipments to the PNW are up 31 percent from last year due to strong demand from Asia.

Although it is apparent that a demand surge has led to a shortage in rail cars – particularly in the Northern Plains, the data above indicate that U.S. grain exports have not been affected. Rail shipments to ports, export inspections for the PNW and Gulf, and U.S. export sales are all significantly above year-ago levels.

Background on U.S. Transport System

Harvest time and the period thereafter are critical for the grain industry, as demand for storage capacity and transportation reach the peak level. Reports by the media beginning last fall suggested that the large corn and wheat crops had caused railcar shortages that could continue into the marketing year. Some grain industry officials predicted grain car shortages would persist into spring and raised concerns that unreliable transportation and shipment delays would adversely affect U.S. farmers and the overall economy.

While short-term grain car shortages and rail backlogs are not uncommon following the fall harvest, officials from industry and trade groups stated that the situation was more severe this year than in the last 3 or 4 years, affecting the whole industry and national in scope. The last time a shortage of this size occurred was in 1997, when operational difficulties arose as the result of merger problems between two railroads. Reports this past fall indicated that the major factor was the railroads' shedding older rail cars and reducing train crews during the recent economic slowdown. When demand for transportation increased during the past summer and this fall's harvest, railroads were in a bind to train new crews and redirect grain cars.

(Source: Transportation and Marketing Division, AMS, USDA)

*Special Thank You to the Transportation Services Branch, Transportation and Marketing Division, AMS/USDA.
For more information see TSB website: <http://www.ams.usda.gov/tmd/TSB/index.htm>*

**Grain includes Wheat, Corn, & Soybeans.*

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