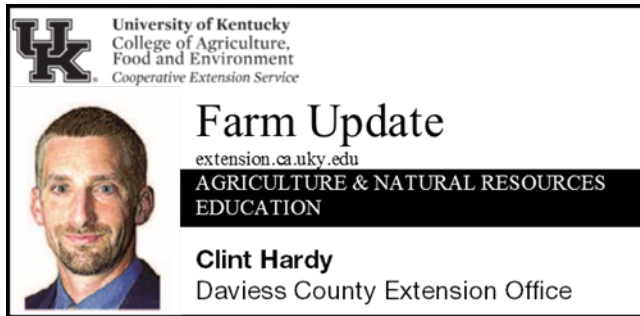


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October 22, 2022

River Transportation

This past week I had the pleasure of moderating a great panel discussion regarding the role of agriculture in the regional economy for Leadership Owensboro. There are many aspects regarding the economic benefit of agriculture, but one of our natural resources which gives us a competitive advantage for the production and marketing of agricultural products is our access to the most efficient transportation in the inland U.S., the navigable river system. Bowling Green and Elizabethtown might be on paved interstates but most of their soybeans are delivered to our river. For freight to be shipped a long distance, nothing is more affordable than floating it up or down a river, resulting in higher grain prices locally than elsewhere in Kentucky.

As I write this, the Mississippi River is extremely low due to the lack of rain this fall. In fact, a few weeks back more than 100 tows pushing 14 to 16 barges each sat parked in the lower Mississippi laden with metals, road salt, fertilizers, and other bulk commodities waiting for the channel to be dredged deeper as there are no locks south of Saint Louis to retain navigable levels in times of drought and subsequent low water. Vessels that were able to continue the journey north were loaded to less than half draft. All of this increased barge rates to unimaginable levels right at the peak of our grain crop harvest, pushing market prices lower due to the increased transportation cost if a barge was even available to be loaded.

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The U.S. inland waterway system utilizes a percent of tariff to establish barge freight rates. The tariffs were originally from the Bulk Grain and Grain Products Freight Tariff No. 7, which was issued by the Waterways Freight Bureau, of the Interstate Commerce Commission. The tariff value increases incrementally the farther north you go up the Mississippi and Illinois Rivers and how east on the Ohio River you go. In 1976 the U.S Department of Justice entered into an agreement with the Interstate Commerce Commission and deregulated Tariff No. 7, suddenly allowing inland river barge freight to be priced by vessel supply and demand. However, the barge industry continues to use tariffs as benchmarks for unit rates. During our grain harvest, under normal river conditions, the percent above tariff for the lower Ohio is usually around 300%. Last year, a hurricane in the lower Mississippi decreased barge availability just before harvest, pushing up to 1,000% above tariff. This year, the tariff has been above 2,000%. The drought-stricken Mississippi is simply too low to efficiently navigate and the result is skyrocketing barge rates.

Our farmers have suffered the consequence of this transportation debacle, but think back to my first paragraph. Our local farms have possibly one nickel per bushel in cost of delivery from field or storage to the local grain buyers, a dime if they hire someone to haul it 20 miles or less. The farms in Elizabethtown, Bowling Green, and Russellville that bring soybeans to Owensboro have \$0.45/bushel or more in transportation just to get it to Owensboro.

To bring the efficiency of water into perspective, I saw a presentation that compared transportation rates of trucks to railroad and barge. Assumptions were a barge freight rate of 350% above tariff, a truck freight rate of \$4.00 per mile carrying 925 bushels, and a train carrying 3,950 bushels per rail car. The origin was Indianapolis, 112 miles by truck, to the port of Jeffersonville, Indiana near Louisville at a cost of \$.48/ bushel. In one scenario, the truck

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continues south 710 miles to New Orleans, Louisiana at a cost of \$3.07 per bushel. In the second scenario, the truck offloaded to rail at Jeffersonville which continued 800 miles to New Orleans at a cost of \$1.44 per bushel. In the third scenario, the truck offloaded at Jeffersonville to a barge that traveled 1,200 miles to New Orleans at a cost of \$.43 per bushel. Nothing is more efficient, safer from accidents and injuries, and requires less infrastructure investment for moving large amounts of bulk commodities than our inland waterway system. Our regional agriculture economy is more prosperous than our peer production areas due to our access to river transportation.

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