



## COMMENTARY

# Barge Leaders See No Need For Locks

by **Mark Muller** Advocates for lengthening Mississippi River locks have always used the promise of ever increasing grain demand as a primary reason for taxpayers to foot much of the bill. They note that China's burgeoning middle class is consuming higher quantities of meats, oils and other food products that U.S. farmers can provide. Our waterways need to be ready, they allege, for when the demand for our grain overwhelms current capacity.

In reality, increases in exports provide a temporary benefit to farmers, but have not resulted in long-term benefits to farm income in the rural Midwest. Furthermore, the rapidly changing global grain economy – with fast growth in Brazil, Argentina, Ukraine, China and other countries – has greatly reduced the U.S. dominance of these markets. The result is that grain exports and Mississippi River barge traffic levels have been stagnant or in decline for years, with current barge traffic at less than 60% of what it was 15 years ago.

Representatives of the shipping industry have often written off critics as anti-barge. But now even proponents of longer locks are echoing many of our arguments. At the annual meeting of the Waterways Council in November, one of the industry's own grain transportation experts came to the same conclusion – that a variety of factors will limit growth opportunities for Mississippi River navigation.

Richard Browne, senior vice president for grain marketing for CHS, Inc., presented on a panel at the meeting entitled "Looking Ahead: Commodity Trends". CHS, a Fortune 500 company and supplier of food, grain and energy products, has been a leader in the industry coalition pushing for taxpayer-funded lock improvements. Browne stated, "You're seeing a significant uptick in global trade and global demand for grains. It's just that the U.S. is not participating in that uptick."

Why are we losing markets to competitors? The United States has the latest agricultural technology, extremely efficient farmers, significant subsidies, and the most extensive transportation infrastructure in the world. Barge proponents argue that we can regain our competitive advantage by extending locks and reducing transportation costs by a couple of cents a bushel.

Browne, however, points to several national and global trends that are working to the disadvantage of U.S. farm exports. These trends easily overwhelm any benefits that might emerge from extending Mississippi River locks:

- South American farmers are producing soybeans and corn at a lower cost than is possible in the U.S, and have absorbed essentially all of China's increased grain trade.
- Eastern European farmers have successfully met increased demand in that region by adopting available technology.
- Substantially higher ocean freight rates are making short hauls more attractive, thereby working to the advantage of the Pacific Northwest and Australia to capture the growing Asian markets.
- The emergence of shuttle trains has provided a low-

cost transportation alternative to barge transportation. Ethanol production has exploded, providing farmers with higher prices and pulling a tremendous amount of grain off of the river.

Obviously, reversing the Midwest farm crisis and declining Mississippi River traffic levels will take much more than subsidizing longer locks. The cost of land and labor is so much cheaper in countries like Brazil that they will always be able to undercut our export prices. Diminishing market opportunities in Europe and expanding opportunities in Asia will make West Coast ports increasingly attractive to exporters. And, the demand for domestic, renewable energy will expand opportunities for using commodities in the region for ethanol, biodiesel and biomass. Barge traffic levels are likely to decline even if every lock was extended to 1200 feet.

What federal agricultural and transportation policies would best support the region's long-term growth? Here are some recommendations:

- **Don't expand locks, but fully fund the operation and maintenance of the system.** Even if traffic levels somehow reverse and dramatically increase in forthcoming years, which is extremely unlikely, farmers would still receive minimal economic benefits. They do, however, suffer when markets are taken away. The Corps' operation and maintenance work should be adequately funded so that the navigation system can continue to function with minimal disruption.

- **Promote regional food production and value-added opportunities.**

Exporting raw commodities is not an effective development strategy. Every barge carrying grain out of our region represents lost jobs and business opportunities. We've seen numerous facilities that should be processing that grain shut down in the Mississippi River basin over the last few years. Every acre of land dedicated to low-value, export commodities is an acre not utilized to provide high-value produce to the tens of millions of consumers in the region.

- **Embrace and foster emerging opportunities in bioindustrial products.** The high price of oil, coupled with tremendous technological advances in utilizing carbohydrates, will profoundly change manufacturing. Just in the past few years, corn-based plastics and fibers, biodiesel, biolubricants, construction materials from agricultural fibers, biomass power plants, and grain-

burning stoves have become economically viable. Corn-based ethanol is simply the first in what is becoming an enormous market for energy and manufactured products. Farm and environmental organizations are now coming together to develop social and environmental standards for this industry. The Mississippi River basin is perfectly positioned to reap the rewards of these technological advances.

- **Fix agricultural commodity markets.** Current farm policy encourages commodity prices that are chronically below the cost of producing the crops. Grain traders and processors reap the benefits of these low prices. For 30 years the government has turned a blind eye to agribusiness' market power. This imbalance has essentially made commodity markets nonfunctional. Farmers don't need farm payments, subsidized locks or any other handout – they simply need assurance that markets will function in a manner that pays them what their commodity is worth.

It's good to see barge expansion supporters realize the limited growth opportunities for Mississippi River navigation. Embracing new regional market opportunities – rather than pushing exports no matter what the cost – is the best way of revitalizing the rural Midwest and protect the integrity of the Mississippi River and the entire basin.

*Mark Muller is the Director of the Environment and Agriculture Program for the Institute for Agriculture and Trade Policy in Minneapolis.*

