



PRODUCING RESULTS

Thirteenth Biennial Governor's Conference on Management of the Illinois River System

October 2011



Funded in part by the **Illinois** soybean checkoff.

ILLINOIS SOYBEANS



PRODUCING RESULTS

Increasing domestic utilization of Illinois soy is tied directly to maintaining and to the growth of the Illinois and U.S. livestock and poultry industries. Poultry, hogs and cattle consume about 98 percent of U.S. soybean meal.

- ✓ **Business development and securing infrastructure for the domestic livestock industry.**
- ✓ **Increasing demand opportunities domestically and internationally.**
- ✓ **Maintain soybean meal as the go to protein in livestock feed rations.**
- ✓ **Grow world demand for Illinois soybeans and meal.**
- ✓ **Create and enhance consumer trust and build influencer support for livestock operations.**



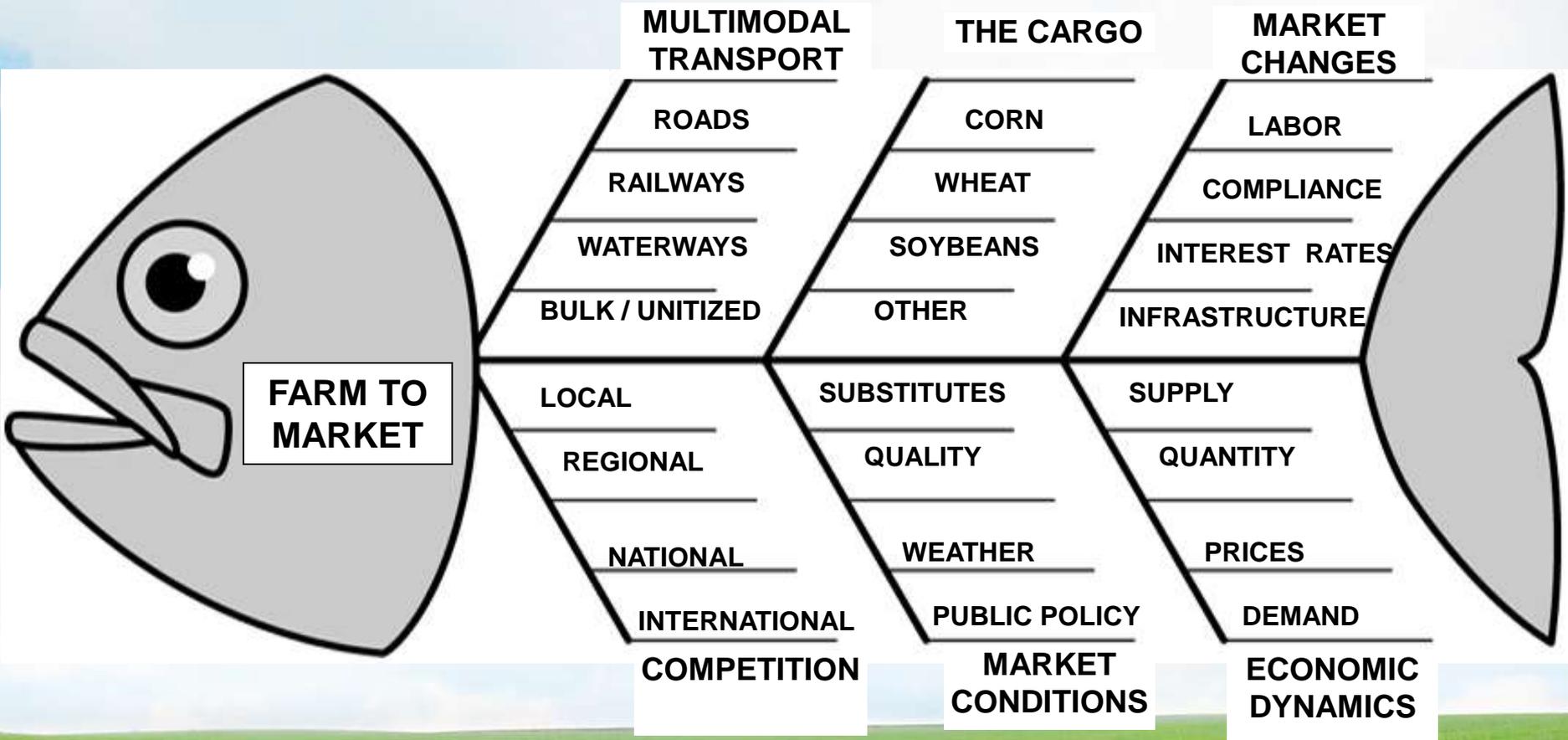
Funded in part by the **Illinois** soybean checkoff.

Table of Contents

1 INTRODUCTION FARM TO MARKET - The Head	4
2 MULTIMODAL TRANSPORT – The Fins	5
3 THE CARGO – The Flesh	10
4 MARKET CHANGES – The Gills	13
5 COMPETITION – The Predators	14
6 MARKET CONDITIONS – The Environment	15
7 ECONOMIC DYNAMICS – The Scales	19
8 SUMMARY – The Tail	20

TRENDS IN GRAIN MOVES ON ILLINOIS WATERWAY

Putting some meat on the bone requires seeing the dynamic integrated context



MULTIMODAL TRANSPORT

The modes of transport are interconnected and more closely related than purely discrete.

- **ROADS**
- **RAILWAYS**
- **WATERWAYS**
- **BULK / UNITIZED**

Illinois Interstates: 23 routes 2,169.53 miles

Illinois Snapshot

Number of Freight Railroads	42
Freight Railroad Miles	7,313
Freight Railroad Employees	11,719

Starting in Illinois

FREIGHT	TONS	PCT
Intermodal	22,513,000	22.6%
Farm products	21,484,000	21.5%
Coal	18,846,000	18.9%
Food products	12,502,000	12.5%
Chemicals	8,906,000	8.8%
Other	17,683,000	17.7%
TOTAL	99,827,000	100.0%



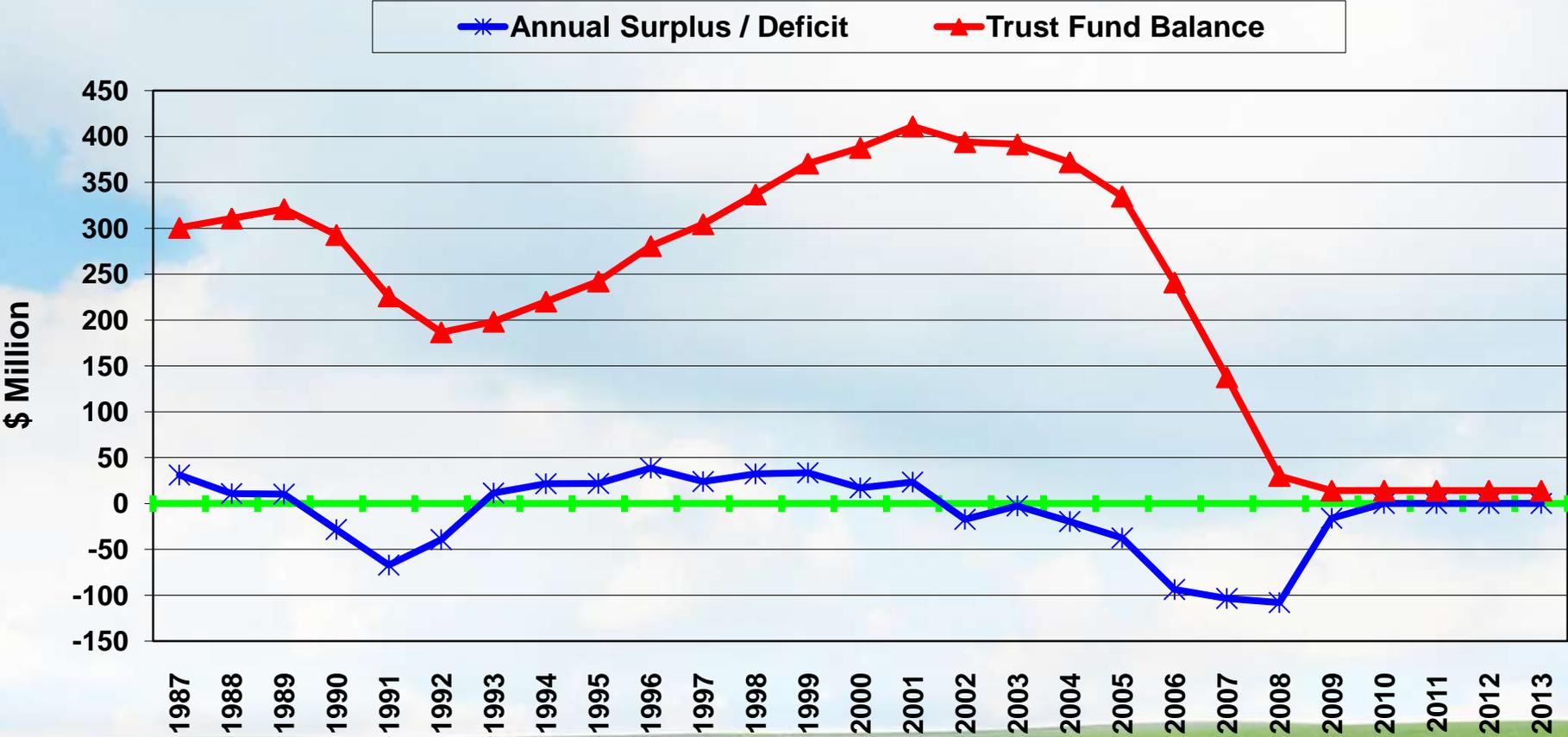
Ending in Illinois

FREIGHT	TONS	PCT
Coal	80,834,000	54.3%
Intermodal	18,576,000	12.5%
Farm products	10,328,000	6.9%
Chemicals	10,284,000	6.8%
Food products	9,784,000	6.6%
Other	19,184,000	12.9%
TOTAL	148,989,000	100.0%



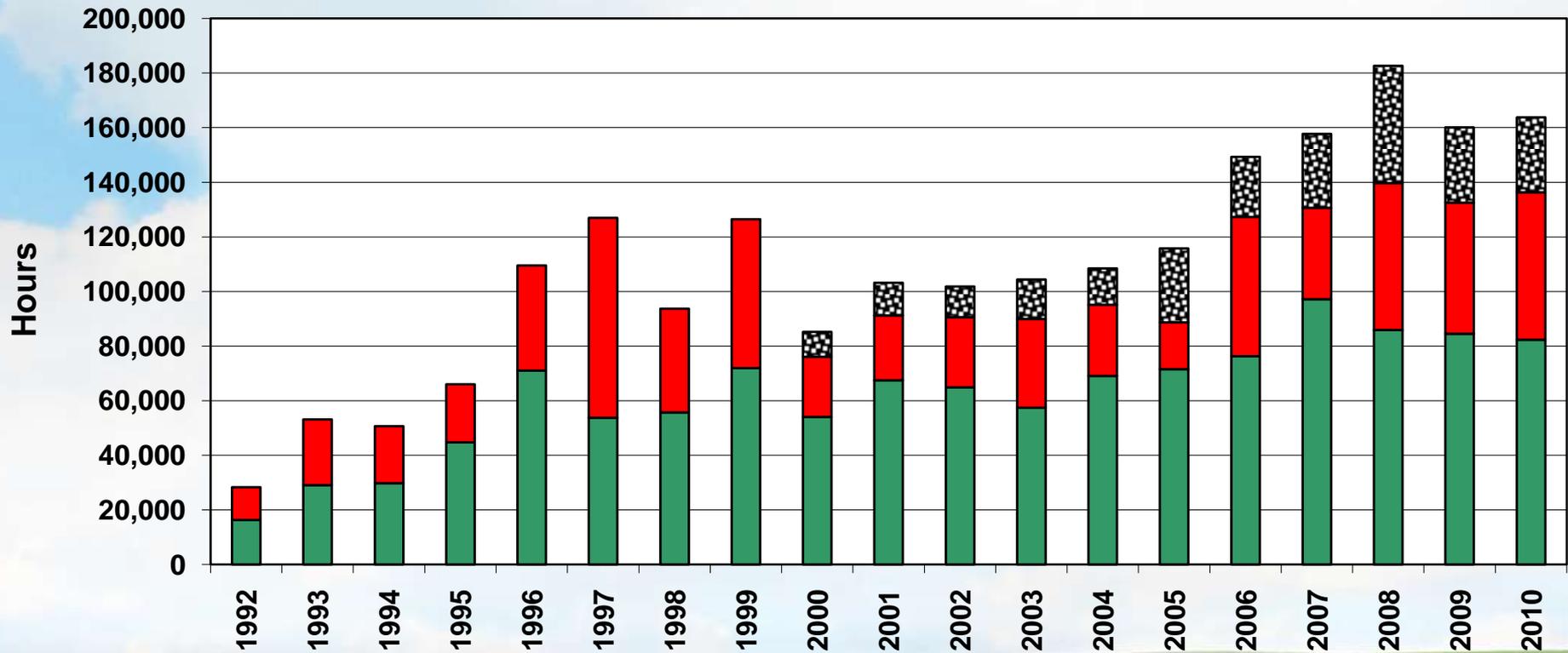
INLAND WATERWAY TRUST FUND (FY ENDING)

The government funding doesn't appear to be there



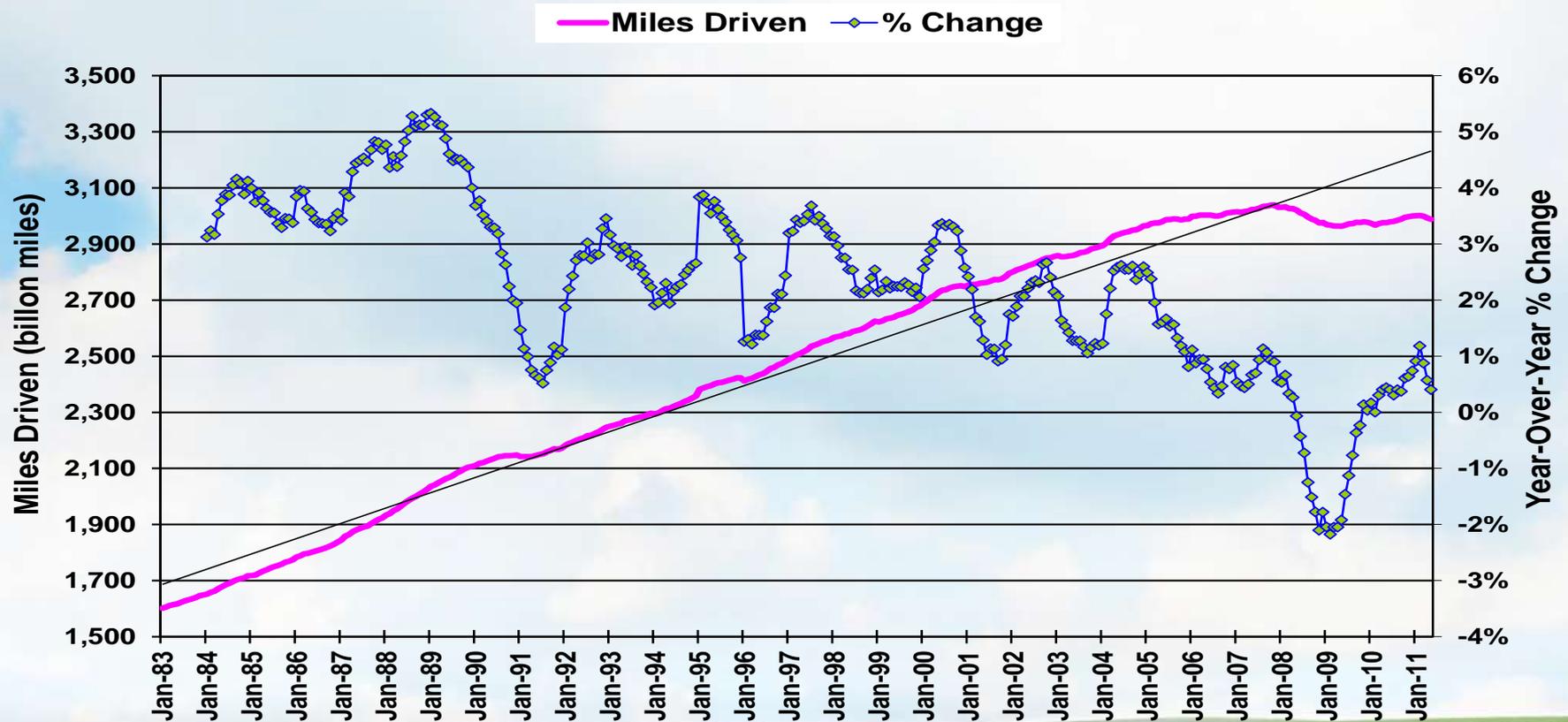
US INLAND RIVER LOCK INFRASTRUCTURE

Failing and Falling Behind



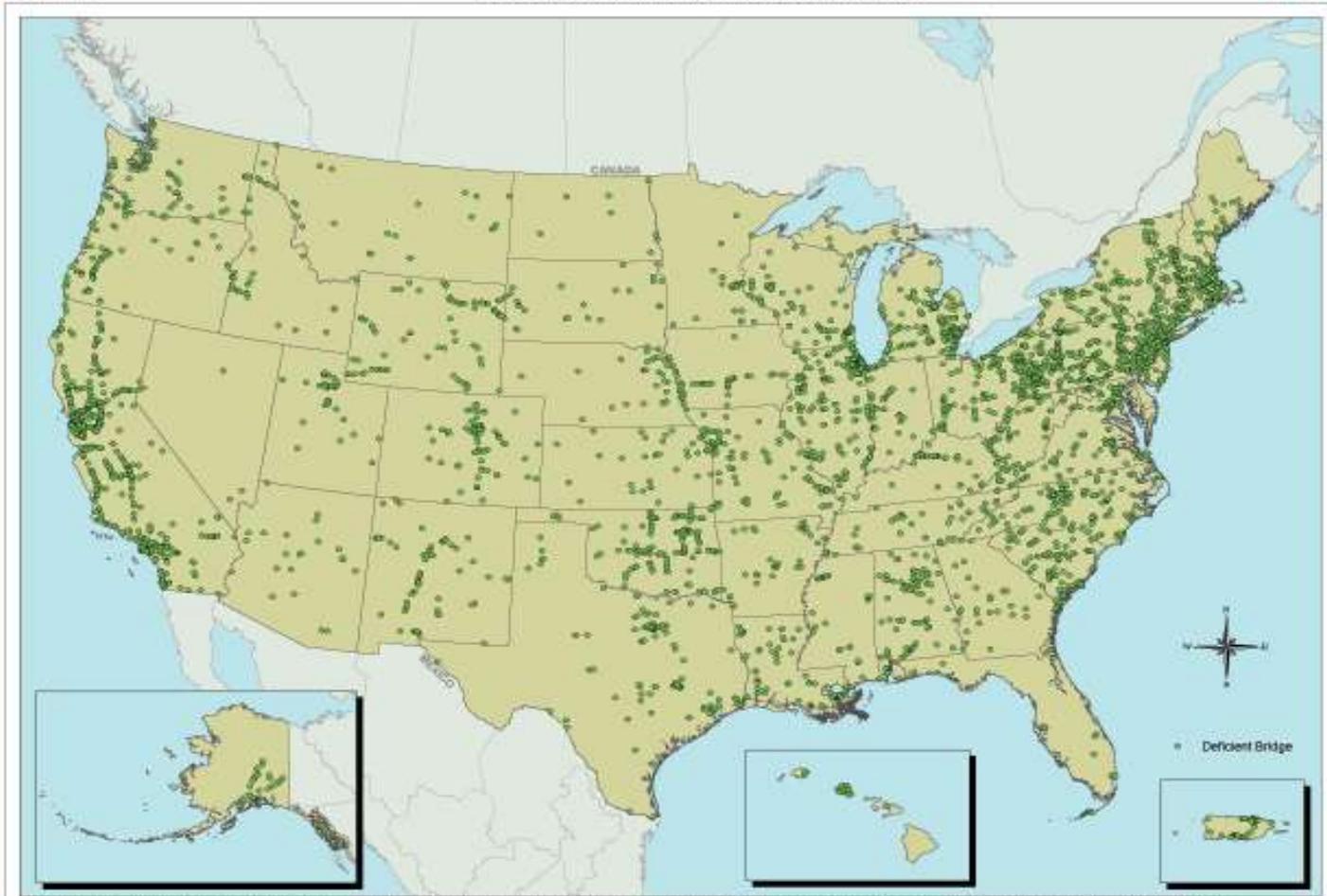
DRIVING NOWHERE FAST

Annualized Miles Driven by Month



DEFICIENT INFRASTRUCTURE: BRIDGES

Structurally Deficient Bridges in the U.S.



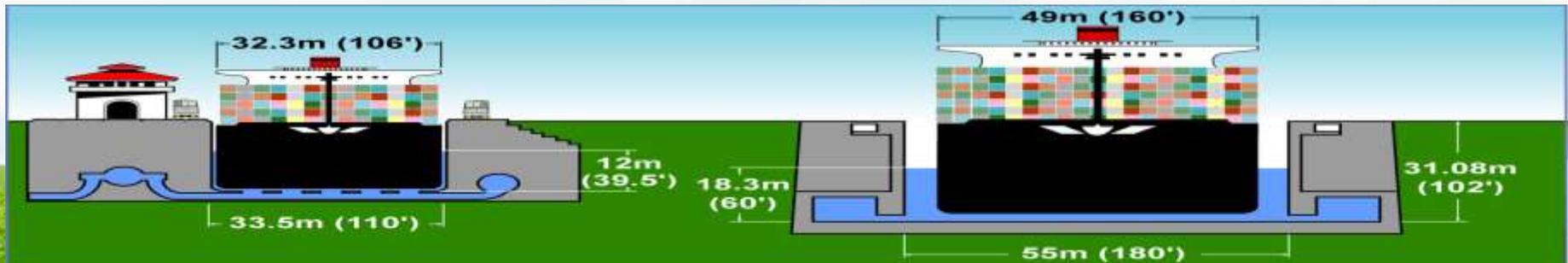
PANAMA CANAL EXPANSION PLANS

Increase capacity with 3rd Set of Locks for Post Panamax Capability

Dimension	Current (ft)	3rd Lock (ft)	Change
Draft	39.5	60.0	52%
Width	110.0	180.0	64%
Length	1,000.0	1,400.0	40%
Ship Length	965.0	1,265.0	31%

Goal: Operational 2014 – 100 years since first vessel transited canal

Higher tolls to fund \$5.25 billion price tag



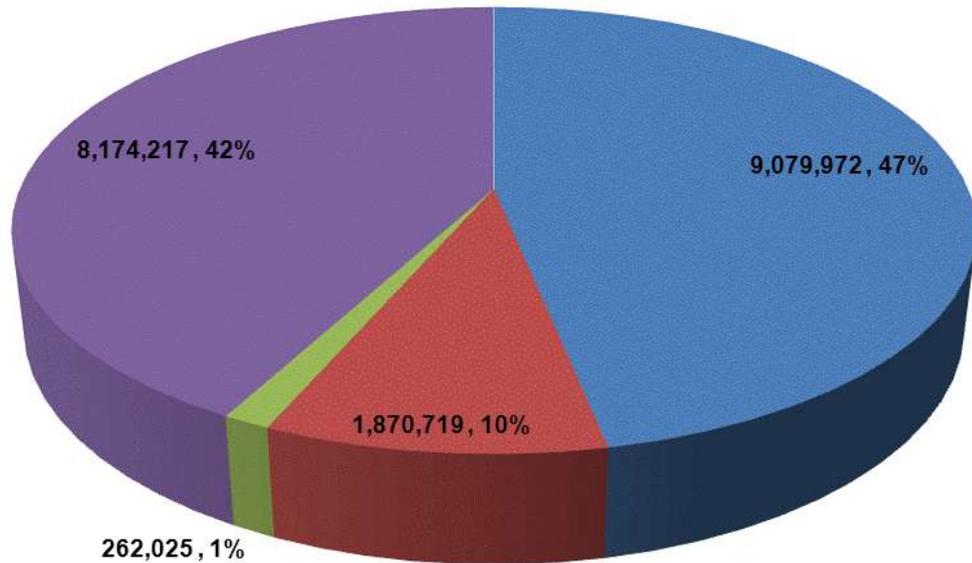
THE CARGO

Tonnage on the inland waterways

- **CORN**
- **WHEAT**
- **SOYBEANS**
- **OTHER**

Illinois River Downbound Volume,
Average Annual Tonnage 2006-2010

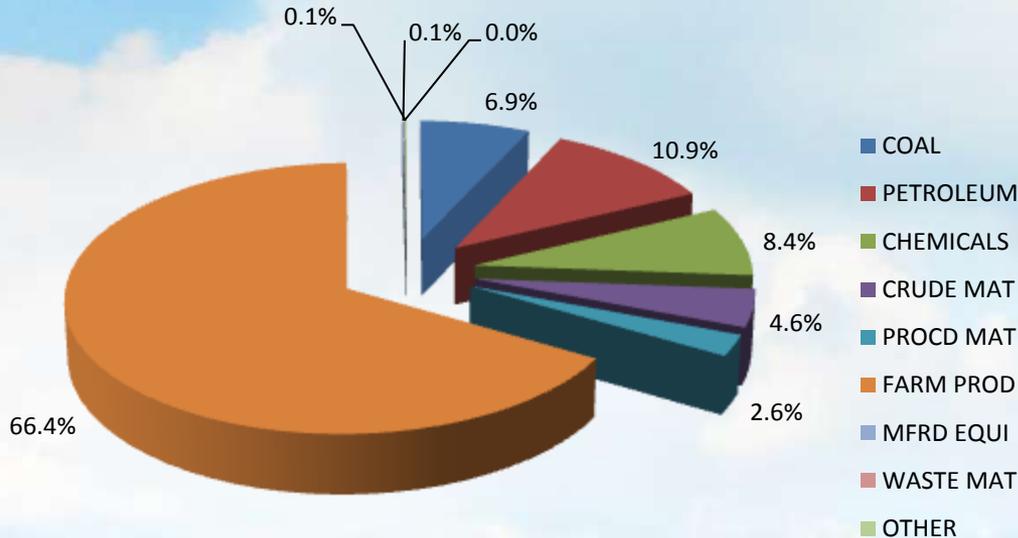
■ Corn ■ Soybeans ■ Wheat ■ Everything Else



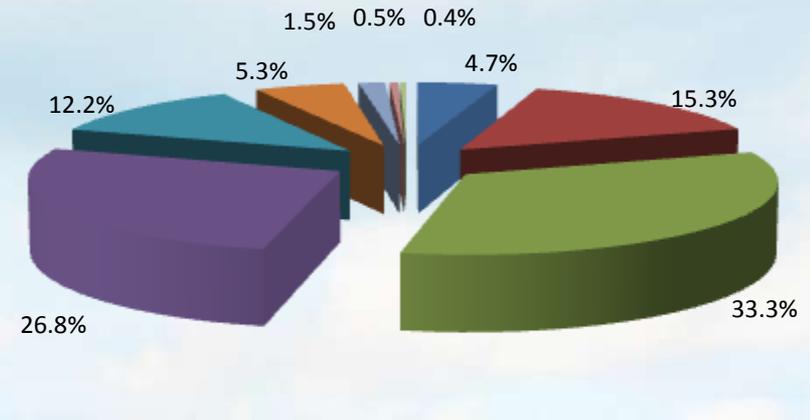
THE ILLINOIS RIVER - CARGO MIX

What goes up may not be the same thing that comes down at e.g., the La Grange Lock

2010 IL River Downbound



2010 IL River Upbound



MARKET CHANGES

Understanding the impacts of factors that effect trade, transportation, distribution and logistics is not just a matter of offering a price.

LABOR

- Aging Demographics of Farmers
- Truck Driver Shortage
- Productivity and Training
- Unions and Collective Bargaining Agreements

COMPLIANCE

- USDA, USDOT, USACE, FDA, EPA, USDHS, USCG, USCBP, USDOC, Census, ATF, USDOD, USDOL, USMARAD, OSHA, IMO, etc.

INTEREST RATES

- Japan 10-year 1.003%
- UK 10-year 2.539%
- U.S. 10-year 1.990%

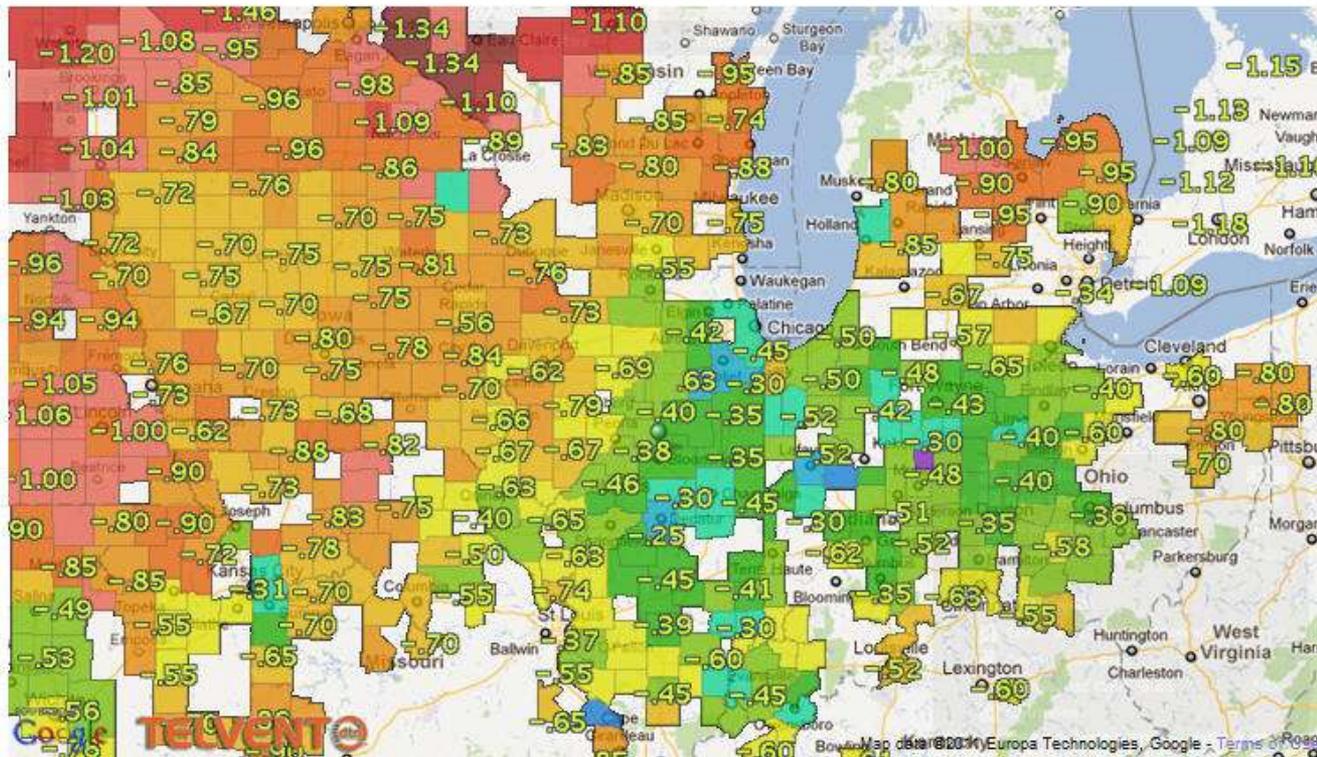
INFRASTRUCTURE

- Technology & Communications
- Roadways: Bridges & Tunnels
- Railways: Trestles, Tracks & Beds
- Waterways: Locks, Dams, Channels, Terminal Berths

COMPETITION

Around the corner and around the region, across the nation and around the world

DTN MARKET TRACKER



MARKET CONDITIONS

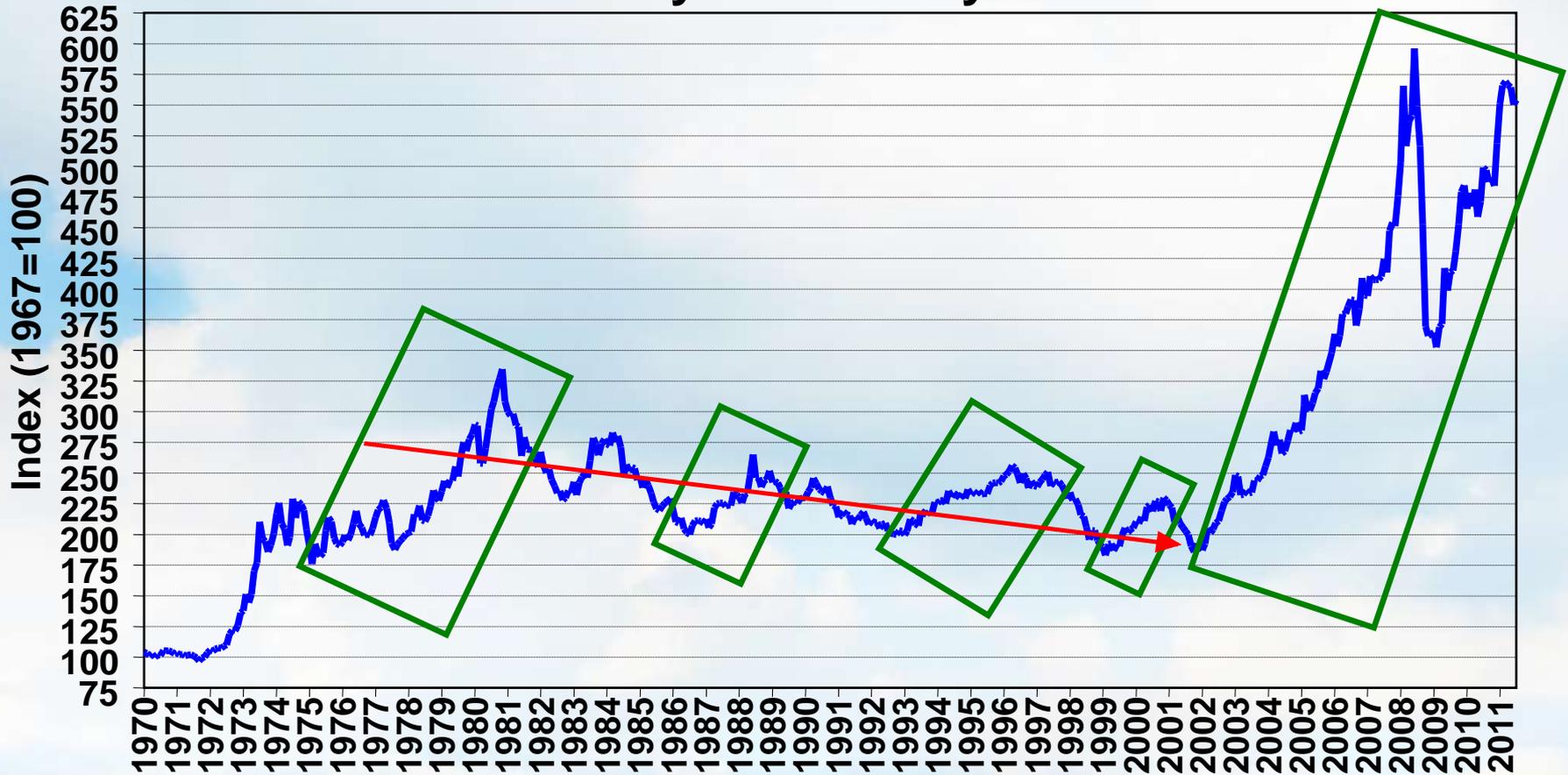
There are so many variables, yet still there are opportunities for management

- **SUBSTITUTES**
- **QUALITY**
- **WEATHER**
- **PUBLIC POLICY**



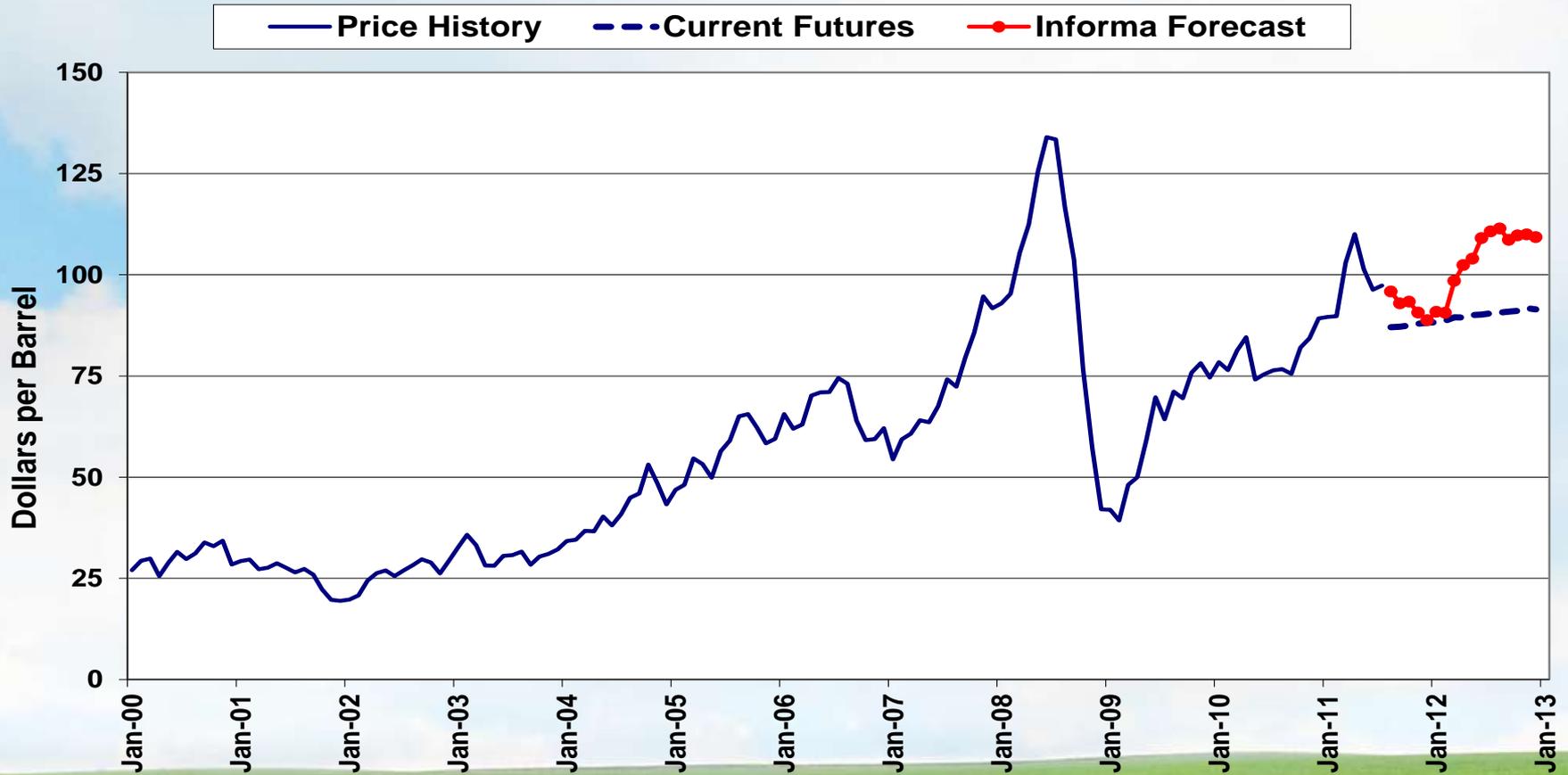
Surging Raw Ingredient Cost Environment

Monthly CRB Spot Index January 1970 – July 2011



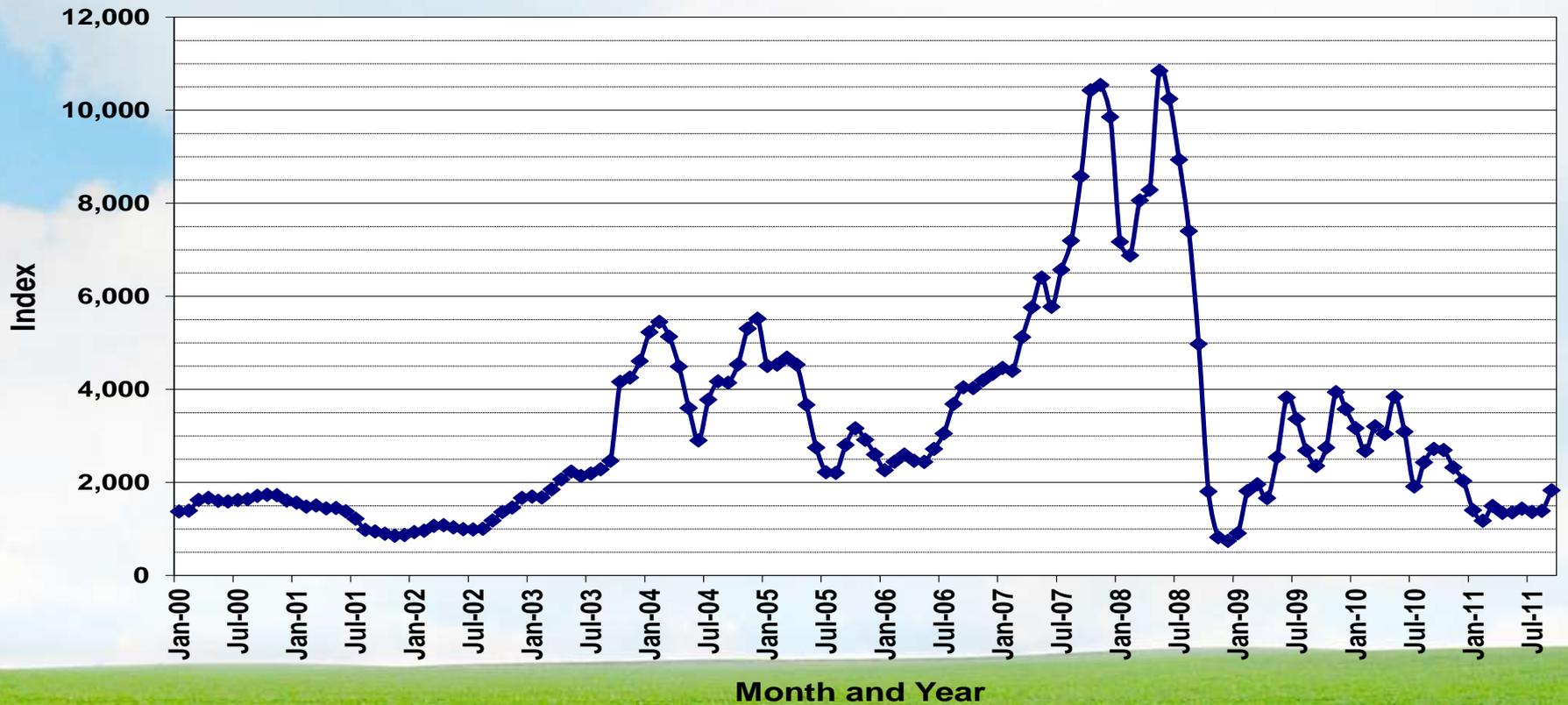
Energy Markets Thriving

Crude Oil Price Outlook Nearby Futures, Monthly Average



Drybulk Ocean Freight Sputtering

Monthly Average Baltic Dry Index



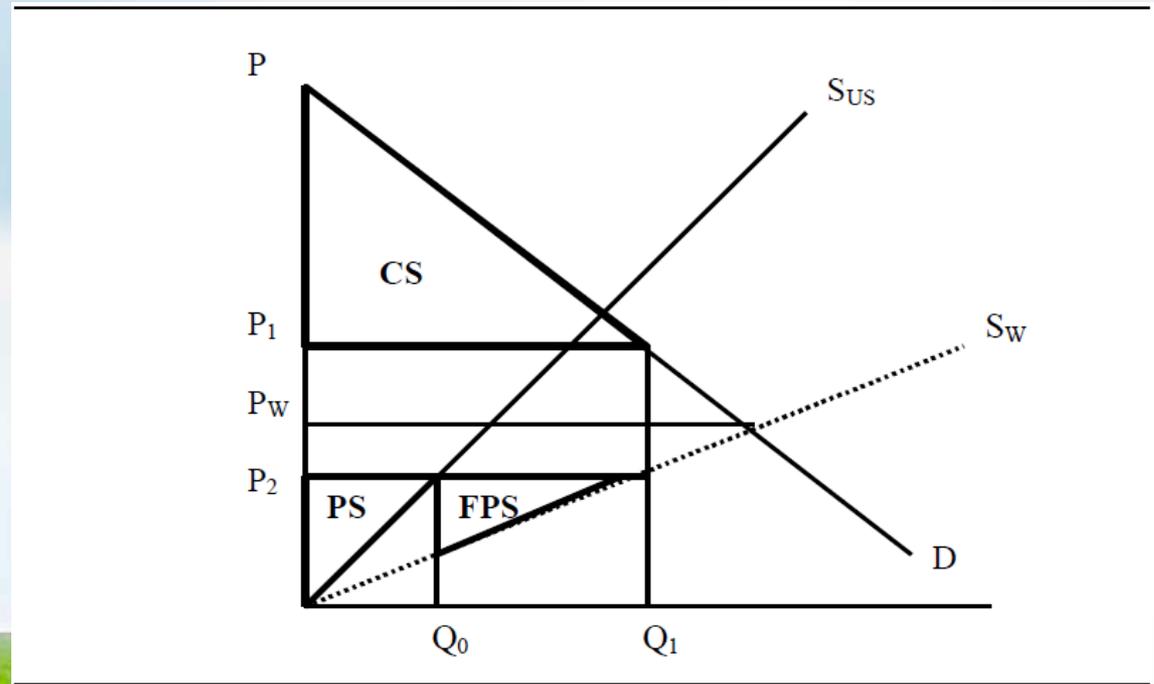
ECONOMIC DYNAMICS

Cost competitiveness can be evaluated with models

Basic Factors for Modeling

- **SUPPLY**
- **QUANTITY**
- **PRICES**
- **DEMAND**

Efficient Markets Seek Equilibrium



Summary – The Tail

Navigation on the Illinois River is not just a function of what the river pilots are doing

Markets are inter-related

- MULTIMODAL TRANSPORT – Fins
- THE CARGO – Flesh
- MARKET CHANGES – Gills

Markets are integrated

- COMPETITION – Predators
- MARKET CONDITIONS – Environment
- ECONOMIC DYNAMICS – Scales





PRODUCING RESULTS

Thank You!

Scott Sigman

Transportation and Export Infrastructure Lead

sigmans@ilsoy.org

901-202-4440



Funded in part by the **Illinois** soybean checkoff.