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before the

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Introduction

Mr. Chairman and members of the committee, thank you for the opportunity to come before you today and discuss the impacts of the recent hurricanes on our transportation infrastructure in the Gulf region. The devastation and damage left in the aftermath in coastal areas along the Gulf has had ripple effects upstream, affecting all modes of transportation, which in turn has exacerbated fall grain harvests and storage concerns.

America's farmers and ranchers were feeling pressure on multiple fronts before the storms. The Midwest faced drought while energy costs were rising and nearly 2.5 billion bushels of corn and soybean were carried over from 2004 bumper crops.

I would like to focus my remarks on the impacts of these events on agriculture and, specifically, on the grain industry and transportation sector's ability to move grain during this difficult period. In addition, I would like to review actions taken by the department to reduce the stress placed on the transportation and handling system.

Finally, I would like to provide our perspective on the outlook for navigation over the next six months as we look toward the harvest that is in full swing and the prospects for moving grain to export facilities in the Gulf region.

Impact on Ports and Grain Transportation

Although the river was opened quickly, oil spills, debris, and a nearly complete loss of aids to navigation rendered the river impossible for navigation immediately following the hurricanes.

The pace of vessel loading at ports fell considerably the week following Hurricane Katrina. Prior to the storm, the weekly loading pace was 36 vessels, with 49 due to arrive in the next 10 days. The week after the hurricane loaded vessels amounted to 10 with 18 due to arrive in the next 10 days.

In addition to the bulk grain facilities and ports along the Mississippi River, the ports of Gulfport and Pascagoula, Mississippi, sustained severe damage to warehouses and transit sheds for refrigerated and frozen commodities such as poultry. Imports of bananas were affected. Chiquita's Gulfport facility was severely damaged and will need to be rebuilt.

In the Port of New Orleans (PONO) nearly 2,300 metric tons of frozen poultry was destroyed in storage when Katrina hit and the port lost power. There are 10 export elevators in the area surrounding New Orleans and three floating rigs that can load 30,000 to 60,000 bushels of grain per hour from river barges onto ocean-going vessels. In total these elevators have a storage capacity of approximately 53 million bushels of grain and a capability of loading 970,000 bushels per hour when fully operational. Operational capacity was 63 percent of normal on September 7 after Katrina.

International food aid shipments out of the Central Gulf are now operational. A shipment of about 700 metric tons of international food aid flour was affected by the hurricane. Once steamships lines were permitted into the port it was discovered the commodity was in tact and was lifted in good order with minimal damage. The remaining flour that had not been delivered to New Orleans was diverted to Houston and has been unloaded from rail cars to containers.

Only one bulk grain vessel was affected as it was in the Mississippi River and scheduled to load 4,000 metric tons of soybean meal at Destrehan, Louisiana, between September 1 and 10. The soybean meal was destined for Honduras under the Food for Progress program. The original vessel sailed with out the cargo. The 4,000 metric tons of soybean meal was rebooked on another vessel, which completed loading the cargo at Destrehan, Louisiana on October 19, 2005.

Grain elevators on the Texas Gulf generally escaped damage from Rita. Getting power restored was the most significant delay. The seven grain export elevators located on the Texas Gulf have 33 million bushels of combined storage capacity.

Rail shipments to Texas increased from 2,000 rail cars per week before Katrina to 3,000 rail cars per week after Katrina. Rail shipments were up 77 percent from a year ago and 20 percent over the 3-year average.

Alternative ports to the Mississippi / Center Gulf region, namely the Texas Gulf, Great Lakes and Pacific Northwest, were already running at or near full capacity when the hurricanes struck, limiting the ability to divert products to these ports.

Sixteen oil refineries along the Gulf Coast took precautionary “shut down” measures as Rita approached. Three of those are still shut down. Three refineries in the New Orleans area are still shut down from Katrina. In total, the shut down refineries account for 1.6 million barrels per day of refining capacity. In the five weeks since Hurricane Katrina, the U.S. average cost of diesel fuel has risen 22 percent to $3.15 per gallon. Diesel prices in the Lower Atlantic region have increased by 50-cents per gallon since the storms.

The nation's transportation network is interrelated and connected. When one part of the system suffers severely, there are ripple effects throughout the entire system. In the Mississippi and Texas Gulf regions, the "one-two punch" of Hurricane Katrina followed by Rita affected both rail and waterway transportation negatively.

In the Mississippi Gulf, 90 percent of grain is delivered by barge, the rest by rail. Rail service to the Mississippi Gulf was initially embargoed by the railroads. By September 7, rail service was restored to most locations, except to sections of New Orleans and Myrtle Grove, Louisiana. The Texas Gulf is more dependent on rail service than the Mississippi Gulf. Rail service to the Texas Gulf was halted prior to Hurricane Rita on September 24, creating a variety of scheduling problems that are still being sorted out.

As a rule of thumb, it is often said that "truck transportation costs three times rail, and rail costs three times barge." Leading up to Hurricane Katrina, some of the advantage of barge rates over rail were eroding because of lower water levels in the Upper Mississippi River system resulting from the drought in Corn Belt states. The low water levels were causing concerns about the ability to move grain down the river during the upcoming harvest season. Before Katrina made landfall, drought conditions rendered a water level on the Mississippi River so low that many barges couldn't even get into grain elevators to be loaded in Memphis.

Hurricanes Katrina and Rita exacerbated an already problematic situation. Barges on the Mississippi River serve as the prime example.

After Katrina, barge industry representatives estimated 300 to 400 barges were out of service, numbers that were widely reported in national media. By mid-October, after industry efforts to recover barges, it was determined that only about 25 barges were actually lost due to severe damage or sinking.

Barge vessel pilots reported many of the aids-to-navigations (AToNs), such as signal buoys, were missing or destroyed after the hurricanes. The AToNs are the traffic system on the river. Imagine navigating a super-highway at night, without lights, guardrails, or lines on the road. Not only is it treacherous, it is uninsurable for business purposes. Sunken barges caused hidden dangers for river traffic and silt from the storms limited drafts to 33-feet and lower.

Barge rates that were already high due to drought in the upper Midwest rose sharply after Hurricane Katrina hit. The barge market started to recover only to be jolted again by Hurricane Rita.

Although barge rates had already begun to rise in July and August, the hurricanes simply added to the pressure on both barge and rail freight rates (*Addendum, illustrations 1 and 2*). After the hurricanes, with the increases in fuel costs, it appears that no mode has a cost advantage over any other mode of transportation.

Basic rail car freight rates (tariff rate) can only change with several weeks' advance notice. However, the impact of the hurricanes can be seen in the secondary rail car market where shippers bid for cars to be delivered in future months. These rates increased sharply since the hurricanes (*Addendum, illustrations 3, 4 and 5*). Rather than bids easing for rail cars to be delivered in December and January, as they tend to do when harvest ends, ongoing pressure on freight rates is anticipated. Rates are not expected to decline significantly simply because of the tightness in the transportation market right now and the concerns it creates among shippers.

The Mississippi River system is a major transportation artery in the U.S. marketing system, which provides a low-cost way for many farmers in the Midwest to serve global markets for grains, oilseeds and grain products. This system is one of the most important

elements in keeping U.S. grains and oilseeds - particularly, corn and soybeans - as well as several other U.S. agricultural products competitive in world markets.

In a typical year, 50 to 65 percent of U.S. grain exports move down this inland waterway and through the Gulf to their final destinations around the globe. Just before Hurricane Katrina hit, out of a total 50 million metric tons leaving U.S. ports in 2005, 59 percent had already been exported from the Mississippi Gulf.[1]

Of the top 10 U.S. ports used to *export* agricultural products, four of them are located in the Mississippi and Texas Gulf region (*Addendum, illustration 6*).[2] Fifty-four percent of agricultural exports, or approximately 67 million metric tons of cargo, moved through these four ports in 2004. Key commodities include bulk grains and grain products such as cereal and flour, soybeans, vegetables, animal feed, rice, and tallow (*Addendum, illustrations 7 and 8*).

For U.S. *imports* of agricultural products, two of the top 10 ports are located in the Mississippi and Texas Gulf region (*Addendum, illustration 9*).[3] In 2004, almost three million metric tons of agricultural imports, or eight percent of total agricultural imports, moved through these Gulf ports. Key commodities include oils (coconut, soybean, palm kernel, nut), coffee, fruit (bananas and pineapple), molasses, and beverages.

Agricultural damage has been severe in some coastal areas. Winds from Hurricane Rita, for example, hit all of the sugarcane growing areas in Louisiana. The tidal surges from these hurricanes also flooded croplands and pastures. Conservatively speaking, the hurricanes have caused as much as $1 billion in direct damages to crops and livestock throughout the Gulf Coast.

As Hurricane Katrina hit New Orleans, barge grain shippers up-river watched and waited with uncertainty. In Memphis, the corn basis before the hurricane was 20-cents per bushel under the Chicago Board of Trade which was relatively normal for early September. After the hurricane, grain companies quickly dropped the basis in Memphis to as low as 50-cents under not wanting to buy grain they may be unable to ship depending on the amount of damage done to the river system and the export facilities on the Gulf. Similar declines in basis levels happened all along the river system. The basis level in Savage, Minnesota dropped from an already low of 50-cents under to more than 80-cents under. Today, the basis in Memphis is back to 25-cents under the Chicago Board of Trade and 53-cents under in Savage, which is still slightly lower than normal.

USDA Initiatives

USDA has implemented three emergency provisions to help improve the situation for farmers and ranchers.

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[1] As of August 18, 2005, 50.2 mmt exported from all U.S. ports; 29.7 mmt exported from the Mississippi Gulf.
[2] South Louisiana (36%); New Orleans (8%); Westwego (5%); and Houston (5%)
[3] Houston (5%); and New Orleans (3%)

USDA took steps to further reduce stress on the grain transportation system caused by the hurricanes. We provided a temporary incentive to assist immediate movement of some 100 barges of damaged corn, approximately 110,000 short tons, out of New Orleans to up-river locations. Once unloaded, the empty barges will continue up river to load and begin moving new-crop commodities. USDA's Commodity Credit Corporation (CCC) also received proposals to move 422,194 tons of damaged corn out of New Orleans. CCC accepted three offers from two companies to move 45 barges containing 69,918 tons of damaged corn out of New Orleans to up-river locations.

In addition, to help producers deliver and sell crops in the absence of sufficient barge transportation, USDA will pay incentives for alternative storage of up to 50 million bushels of grain. CCC received proposals for alternative storage on over 327 million bushels. To date, CCC has accepted proposals on 41,373,000 bushels covering 26 proposals from 19 companies. This action will further ease pressure on producers marketing commodities under adverse conditions.

To reduce stress on the Central Gulf transportation and handling system, USDA will provide a transportation differential to cover the costs of moving grain to other river transportation modes, handling methods and locations. CCC received proposals on movements of 829,359 tons of bulk commodities through ports other than the Central Gulf. CCC accepted six offers from three companies to provide transportation freight differential incentives to move 294,770 metric tons of corn, wheat, and soybeans through the Great Lakes and Pacific Northwest ports. The shift from Gulf barge transportation to Great Lakes and Pacific Northwest rail transportation will help mitigate the temporary congestion.

To further alleviate grain movement pressure on the Mississippi River, CCC, on a state-by-state basis, will allow producers with 2004-crop corn, soybean and rice marketing assistance loans that mature at the end of September and October and who wish to forfeit the loan collateral securing these loans to CCC, the opportunity to keep the commodities on their farm for 60 days. These producers typically would be required to immediately move the forfeited commodity to commercial warehouses. During this 60-day period, the producer may purchase these commodities from CCC at the rate CCC uses in allowing marketing assistance loans to be repaid. This action also reduces the pressure on commercial storage availability.

Second, Agriculture Secretary Mike Johanns authorized more than $150 million in emergency assistance be made available to agricultural producers suffering from Hurricane Katrina. Emergency Loans are available to eligible producers who have suffered at least a 30 percent reduction in crop production or have sustained physical losses to buildings, chattel or livestock. Farmers and ranchers have eight months from the date of a presidential or secretarial disaster declaration to apply for low-interest agency loans.

And third, USDA implemented immediate changes to our 2005-crop year Marketing Assistance Loan Program to allow producers to obtain loans for "on-farm" grain storage on the ground in addition to storage in grain bins and other normally approved structures. States along the river in the upper Midwest have requests for approval of temporary and emergency storage in excess of 71 million bushels. Areas tributary to the Illinois River have requests for approval in excess of 43 million bushels. Facilities along the Missouri River have requested temporary and emergency storage in excess of 115 million bushels. We have requests along the Ohio River of approximately 40 million bushels. In total throughout the U.S., USDA has approved 222 million bushels of temporary storage and 273 million bushels of emergency storage.

This action is designed to alleviate short-term logistical problems and support local cash prices above distressed levels as a result of the hurricanes.

In addition, the Farm Storage Facility Loan Program (FSFL) is available to provide low-interest financing for producers to build or upgrade on-farm grain or silage storage facilities.

Status of Recovery

Ports – At the Port of New Orleans, normally 1,500 to 3,000 people are employed as dock workers, truckers and crane operators. Currently, 1,000 of those workers have returned to work and are living on temporary MARAD ships provided by the Department of Transportation. There is continued high demand for truck drivers at the port. Truck capacity is running at 40 percent of pre-storm levels. Additionally, with the major relief efforts that have been undertaken in the hurricane-affected areas, shortages of trucks are being reported in the Midwest and Southeast regions. Galveston reports delays in truck deliveries of grain. Normally a truck takes six days to make a roundtrip from the Midwest to Galveston; however, that same trip is now taking 10 days due to limited staff availability.

Other ports along the Gulf continue their recovery. Gulfport is operating two of its nine berth spaces. Five container vessels have called since September 22. The port continues the clean-up process from the storm and has started demolition of several damaged warehouses including some used for frozen product. Pascagoula is providing only direct loading services at this time - cargo is moved directly from truck, rail, or barge to and from the vessel. The port's warehouses sustained significant damage and are currently under reconstruction. The port plans to have the warehouses open and operational within the next two weeks. At the Port of New Orleans, 14 vessels, including four container ships, are scheduled to call this week, representing approximately 35 percent of pre-Katrina ship traffic. This tops the previous week's schedule of 9 vessels, demonstrating steady growth in cargo operations.

At the Texas Gulf, approximately 40 to 50 percent of the Port of Port Arthur is operational. Dry cargo facilities are open and functioning. Utilities are available to the port facilities; however, power has not been restored to some private facilities/terminals

due to internal damage. The port has processed approximately 60 deep draft vessels in the past 10 days, moving cargo such as crude oil, steel, lumber, and military supplies.

All Mississippi River channels used for grain export are open and operating at normal depths. The shipping channel leading to Port Arthur and Beaumont, Texas, is open to 40-feet, daylight transits only, pending restoration of aids to navigation. The Coast Guard has cleared the Port of Lake Charles, Calcasieu Channel, to 40-feet, daylight transits only.

Grain Inspections – Mississippi Gulf grain inspections showed a significant increase between September 29 and October 13 – increasing over 150 percent (*Addendum, illustration 10*).

In the period immediately after Katrina hit, Mississippi Gulf grain inspections fell to 20 percent of their 4-year average. As of October 13 grain inspections at the Mississippi Gulf were actually 22 percent above the 4-year average. Texas Gulf grain inspections have nearly returned to normal, with the exception of the Beaumont facility. The export grain elevator at Beaumont, Texas, has limited power and cleanup is still occurring. This facility suffered the most damage from Hurricane Rita and likely is going to be out of service for the longest period of time. As of October 13, grain inspections in the Texas Gulf were 60 percent above the 4-year average following inspections for the week ending October 6 at 249 percent of the previous 4-year average. These levels of grain inspection contrast significantly with the 18 percent of the 4-year average that were experienced immediately following Hurricane Rita (*Addendum, illustration 11*).

Vessel and Barge Shipments – Vessel loadings of bulk grain in the Mississippi and Texas Gulf declined significantly after Hurricanes Katrina and Rita. Due to draft restrictions along the Mississippi River, ports and elevators that were available for bulk grain loadings were loading at less than optimal levels. Within two weeks of Hurricane Katrina passing, the pace of vessel loading was just about back to normal – reaching the 4-year average. However, with the approach of Hurricane Rita, the loading pace dropped again. At the close of the first week of October, the gap between vessels loading and arriving was beginning to narrow, indicating recovery is progressing (*Addendum, illustration 12*).

The United States Coast Guard captain of the Port New Orleans has lifted all restrictions on the Lower Mississippi River. USCG has restored all navigational aids and AToNs. Initially, the dredgers were not able to get to ports like Gulfport and Pascagoula because they were busy dredging in the Mississippi River. Dredging has now started in these ports over the past few weeks.

Barge operators say a lack of adequate labor to unload barges and turn them around is resulting in a huge bottleneck of barges in the south. There is a critical shortage of lodging facilities for barge crews in the southern area. Empty barges from New Orleans are not making their way back up river quickly enough.

Barges moving up the Mississippi River were in short supply immediately after Hurricanes Katrina and Rita. However, barge companies are increasingly using covered barges to move non-grain cargo back up the Mississippi River. This up-bound movement of non-grain cargo adds approximately two days to the turnaround time of a barge. These additional days also limit the availability of barges to move grain down river.

Barge grain shipments to the Mississippi Gulf were running behind the 4-year average before Hurricane Katrina. After the storm, shipments declined further as barges began to back up waiting for ports, elevators, and navigation channels to reopen (*Addendum, illustration 13*). While barge grain shipments continue to lag the 4-year average, for the week ending October 15 barge grain shipments rose to over 160 percent of the average shipments for the four preceding weeks (*Addendum, illustration 14*).

Still, out of a fleet of 11,900 covered barges, the industry reports that 2,000 to 2,200 of the covered barges are currently in the lower Mississippi River between Baton Rouge and Myrtle Grove, Louisiana. An unknown number of barges are reported to be transporting "hold off-condition" grain, some of which are said to have been in the Mississippi Gulf prior to Hurricane Katrina.

Barge capacity before the hurricanes was extremely low as the retirement-to-building ratio stood at 2-to-1. A significant shortage of barge production over the last four years is a major factor. Experts point to the elevated price of steel as a major reason for barge depletion. In 2001, the cost of building a barge was $280,000 compared with the current rate of about $400,000.

Rail Grain Deliveries – Rail grain deliveries to the Mississippi Gulf are beginning to recover, but appear to be about two weeks behind normal. For the last seven weeks, rail deliveries have been down 73 percent from 2004 (*Addendum, illustration 15*). Continuing this pattern, for the week ending October 12, Mississippi Gulf grain deliveries were 75 percent below the 4-year average.

Deliveries to the Texas Gulf have been erratic, but still 76 percent above the 4-year average. (*Illustration 16)*. However, the sequencing of rail deliveries to grain elevators at the Texas ports has been somewhat problematic.

At least three weather-related conditions also affected weekly grain car loadings during October: massive thunderstorms dumped up to a foot of rain on parts of Kansas, washing out several UP rail lines and disrupting operations; tropical storm Tammy dropped large amounts of rain along much of the Eastern Seaboard; and the lingering effects of Hurricanes Rita and Katrina continued to hamper operations. Also, unusually early heavy snow in North Dakota and Montana slowed rail traffic.

Weather-related events, which slowed rail traffic, also are likely the reason secondary rail car bids for guaranteed delivery during November and December shot back up after dropping during the week of October 13. Bids for guaranteed grain cars have been at record highs since August, in response to the hurricanes.

Secondary rail bids for guaranteed delivery during the months of January and February finally began to show signs of easing during the week of October 20 from sharp increases that occurred in response to Hurricanes Katrina and Rita. Still, they remain much higher than previous years, signaling shippers' concerns about tightness in the transportation market overall.

Local Rail Service – The New Orleans Public Belt Railroad (NOPB), which provides interchange service to five of the six major railroads that normally operate in New Orleans and serves the Port of New Orleans, has resumed operations on 90 percent of its lines and interchanges. The remaining lines could take another seven weeks to repair.

The New Orleans Gulf Coast Railroad (NOGC), which serves the CHS/Harvest States elevator at Myrtle Grove, Louisiana, will probably be out of operation until the end of the year. NOGC reports that it still has a mile of debris to remove from the line and will probably need to raise some portions of the line.

Interchange service in New Orleans among five of the six major railroads has been restored. CSX is the only major railroad unable to interchange freight in New Orleans, and it will be another five or six months before interchange service is restored.

Prices – Shippers are bidding against each other for barge and rail car capacity. Some shippers are paying 93-cents per bushel to ship corn on a barge, 200 percent more than last year. The price to charter a barge on the Mississippi River from Memphis to New Orleans has increased by over 500 percent since September. It typically costs 30-to-35-cents per bushel to ship soybeans down the Mississippi River. Reports of 200 percent increases are common right now. The situation is harshest for farmers without storage capacity who can't wait out barge industry challenges and high shipping costs.

With nearly 70 percent of U.S. corn and soybeans exported via the Mississippi River and its tributaries, farmers have neither the storage capacity nor the luxury of time to wait out a bottleneck of barges or create alternative transportation routes to ship their commodities.

Grain storage capacity has become a serious problem complicated by a carry over of nearly 2.5 billion bushels of corn and soybeans from 2004 bumper crops as well as the ongoing harvest of what will probably be the second largest crop on record in 2005. USDA's National Agricultural Statistics Service (NASS) projects farmers will harvest 10.9 billion bushels of corn and 2.97 billion bushels of soybeans this year.

As of Sunday, October 16, U.S. farmers had harvested 76 percent of their soybeans and 49 percent of their corn. Large volumes of old-crop corn and soybeans that remain in storage from 2004 have compounded the storage problem (*Addendum, illustration 17*).

At Buffalo Island in Missouri, Cargill has approximately 600,000 bushels of corn stored on the ground because grain elevators are full and there's a shortage of barges to ship the

grain down the Mississippi River. Tarps cover the grain and fans are used to aerate the grain. Farmers who have no storage capacity are selling grain at reduced prices.

Increased supplies are weighing on farm prices. USDA has recently reduced its price projections for both corn and soybeans. The department forecasts an average U.S. price received by farmers for corn of $1.85 per bushel for the marketing year that began September 1, 21-cents lower than the average for the 2004/05 marketing year. Soybean prices are expected to average $5.40 per bushel, 34-cents below last year's average.

Energy and fertilizer prices have soared along with the prices of crude oil and natural gas. Fuel costs have risen dramatically in the past year. USDA estimates farmers are paying 63 percent more in 2005 than in 2004 for diesel fuel. Crude oil delivered from the Gulf accounts for 30 percent of domestic production. Ninety-percent of oil output was disrupted by the hurricanes and caused a 30-to-40-cent-per-gallon jump in gasoline and diesel prices as farmers were gearing up for harvest. Farmers growing fuel-intensive crops like cotton have felt the impact the most. Every month that fuel prices stay high, farmers spend an additional $85 million.

Off-road diesel prices used for combines could average $1.65 per gallon higher than last year. Farmers are dealing with increased costs for propane to dry grain as well as significantly higher fertilizer costs for fall applications. Some farmers have left corn to dry in the field this year, hoping to save on drying costs. But there's no way to avoid filling fuel tanks on trucks, tractors and combines.

Rising energy costs are cutting into the farmer’s bottom-line. Hurricanes have driven up the cost of petroleum and natural gas related products such as diesel, propane and fertilizer. The majority of nitrogen fertilizer used on American farms is imported and higher fuel costs are hitting farmers just as they prepare for fall applications.

Outlook Over the Next Six Months

USDA is optimistic, but cautiously so. There are a number of bright spots in this picture, but also many challenges. The pace of recovery and the status of the grain and barge industry today are remarkable given the damage inflicted by these hurricanes. And where we are today is in no small way a measure of the cooperation among many people – individuals in the grain and barge industry, the Army Corps of Engineers, the Coast Guard, and USDA.

Time is not on our side, however. We are in the midst of the harvest season. We have a transportation system that is still in the process of recovering. Our grain inspection personnel have responded admirably during difficult times -- many have been separated from their families and are living in trailers, yet working around the clock to inspect grain so vessels can be loaded and barges turned back up river.

We remain optimistic that the river system can handle the grain movements, although we know it will be a more expensive year to ship grain. We also know that it will take

longer to move grain down the river and return a system that is "out of sync" back to normal operating conditions.

Rail will continue to struggle in a few areas, notably down in the Texas Gulf, until backlogs created by embargoes due to Hurricane Rita are corrected. Once that is addressed, we believe that the railroads will catch up and be able to service grain shippers. However, demand for rail cars is continuing to increase from other, non-agricultural sources. This means that railroads are being pressed to capacity and it likely means added pressure on rail rates.

Grain transportation, storage and energy costs are the three critical issues facing Midwest farmers along the Mississippi River this year. The ripple effect is causing pressure on many agricultural producers across the nation. Pricing pressure will place additional burdens on U.S. farmers. Farm program payments triggered by low market prices will help offset some of the lost income. Through loan deficiency payments alone, corn producers could capture about 45-cents per bushel. We are working steadily to create alternative storage and transportation solutions. Near-record harvests compounded by the availability of barges, higher energy costs, decreased labor pools in the Gulf region along with port infrastructure repairs, all add up to a challenging situation. While the situation is steadily improving, an intense focus by federal, state and local governments along with private efforts will be needed for the next three to six months.

Addendum

Illustration 1

Barge Rate Index and Current Rates ($/short ton), Based on 1976 Benchmark

	Twin Cities Index	Benchmark	**Current Rate $/Ton**	% Change	St. Louis Index	Benchmark	**Current Rate $/Ton**	% Change
8/24/2005	374	6.19	**23.15**		353	3.99	**14.08**	
8/31/2005*	510	6.19	**31.57**	36%	600	3.99	**23.94**	70%
9/7/2005	536	6.19	**33.18**	5%	685	3.99	**27.33**	14%
9/14/2005	550	6.19	**34.05**	3%	703	3.99	**28.05**	3%
9/21/2005	485	6.19	**30.02**	-12%	542	3.99	**21.63**	-23%
9/28/2005*	548	6.19	**33.92**	13%	715	3.99	**28.53**	32%
10/5/2005	593	6.19	**36.71**	8%	771	3.99	**30.76**	8%
10/12/2005	673	6.19	**41.66**	13%	921	3.99	**36.75**	19%

August 29, 2005 - Hurricane Katrina; September 24, 2005 - Hurricane Rita

Rates indicated are for barge movements per ton from Minneapolis-St. Paul, MN and St. Louis, MO to New Orleans export locations.

Current rates are based on corresponding 1976 benchmark dollar rate per ton, calculated as follows:
Current Rate = (Index multiplied by the (1976 tariff benchmark rate per ton))/100.

Illustration 2

Rail Rates

	Wheat: Minneapolis To Houston, TX	**Corn: Chicago to Baton Rouge, LA [1]**
	--$/mt--	
13-Oct-05	**37.50**	**39.91**
tariff (10/03/05)	26.68	28.77
Nov premium (10/08/05)*	6.71	6.71
fuel surcharge (15.4%)	4.11	4.43
14-Oct-04	**26.11**	**33.75**
tariff (10/04/04)	23.09	30.16
Nov premium (10/08/04)*	1.17	1.17
fuel surcharge (8%)	1.85	2.41
2005/2004 change	44%	18%

[1] Although corn is not moved to Baton Rouge by rail, this is used for comparative analysis with barge rates.
* Premium: Secondary Rail Car Market (average of BNSF and UP)

Illustration 3

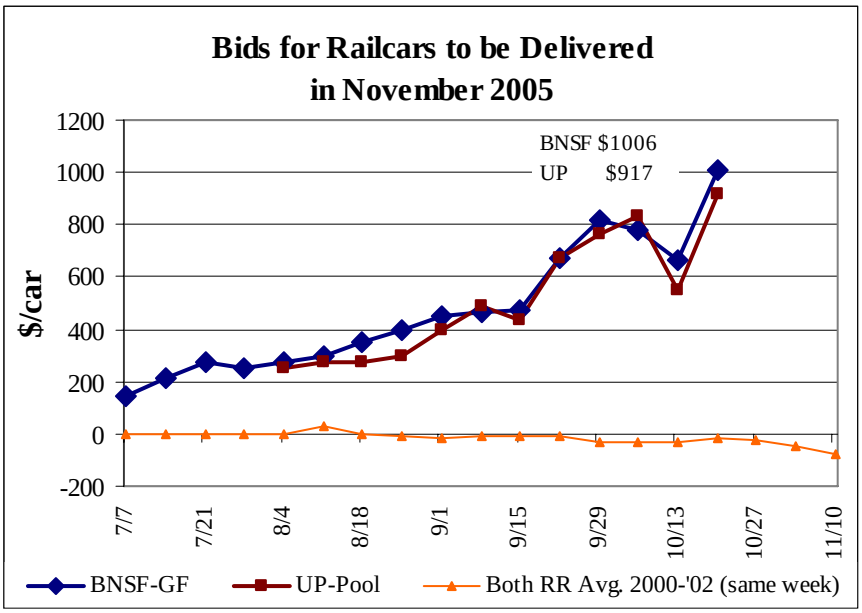


Illustration 4

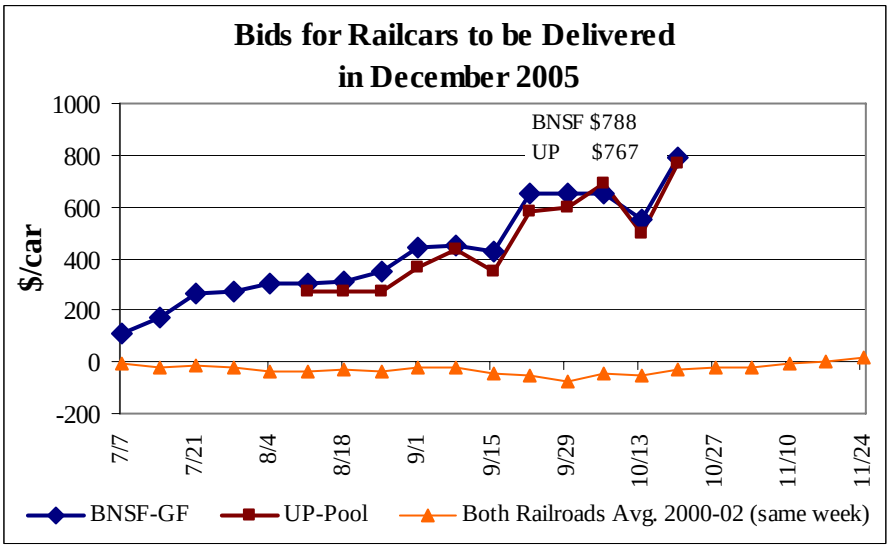


Illustration 5

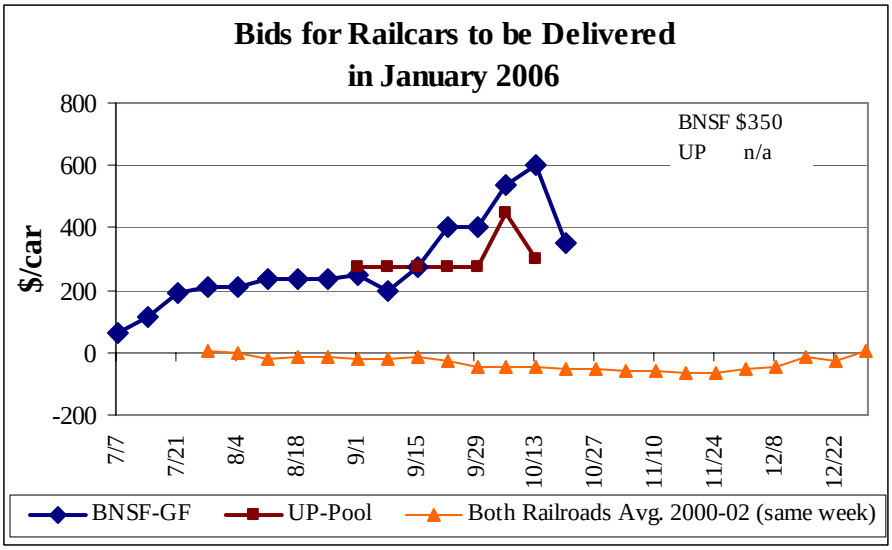
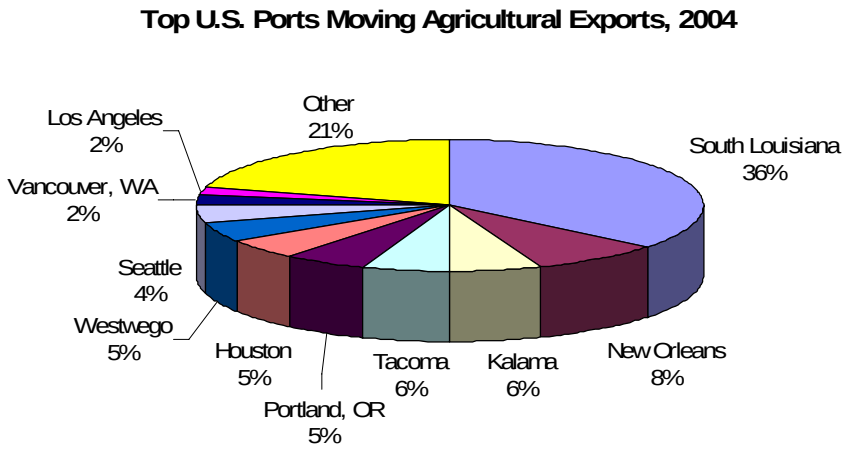


Illustration 6



Source: Port Import Export Reporting Service (PIERS), Journal of Commerce
Data is calculated by weight

Illustration 7

Total 2004 Agricultural Exports New Orleans, South Louisiana, and Westwego, LA			
Commodities	**Thousand Metric Tons**	**Share**	**U.S. Share**
Bulk grain	29,365	44%	48%
Soybeans	17,500	26%	68%
Grain products, flour	7,536	11%	82%
Vegetables	5,660	9%	60%
Animal feed	3,879	6%	48%
Rice, crackers, pasta	1,176	2%	42%
Soybean oil	269	0%	83%
Bulbs and seeds	266	0%	31%
Poultry	262	0%	12%
Corn oil	236	0%	70%
Other	436	1%	4%
Total	66,585	100%	49%

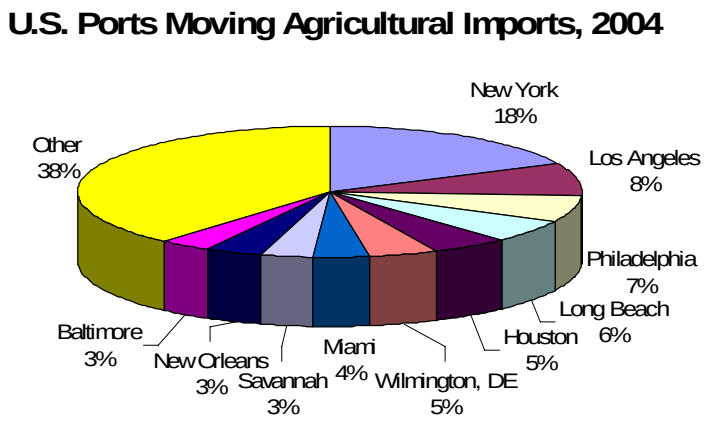
Source: Port Import Export Reporting Service (PIERS), Journal of Commerce, 2004

Illustration 8

Top 10 Agricultural Commodities Exported through Texas Gulf Ports*, 2004			
Commodities	**Thousand Metric Tons**	**Share**	**U.S. Share**
Bulk grain	7,906	76%	13%
Tallow, grease	546	5%	68%
Rice, crackers, pasta	32	3%	12%
Bulbs and seeds	245	2%	29%
Grain products, flour	174	2%	2%
Edible nuts	145	1%	30%
Soybeans	121	1%	0.5%
Poultry	112	1%	5%
Cotton	104	1%	6%
Corn oil	79	1%	23%
Other	703	7%	2%
Total	10,464	100%	8%
* Texas Gulf ports include: Houston, Galveston, Freeport, Corps Christi, Beaumont, Pt. Arthur, Point Comfort, Brownsville			

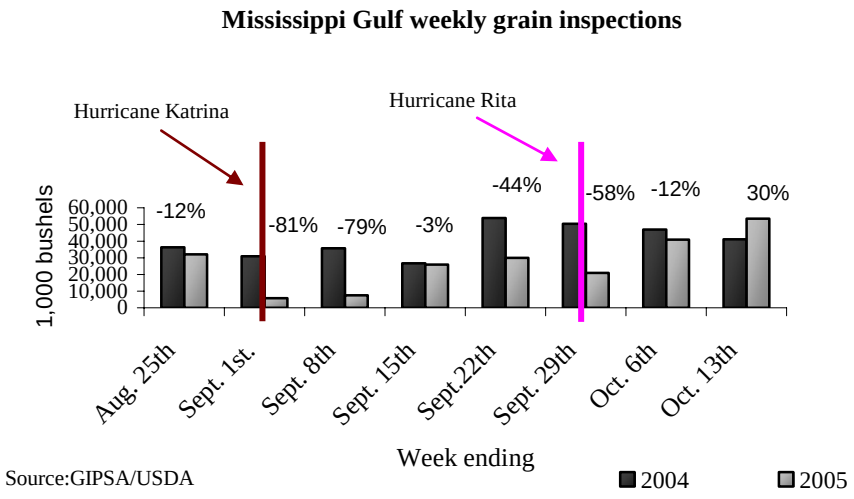
Source: Port Import Export Reporting Service (PIERS), Journal of Commerce, 2004

Illustration 9



Source: Port Import Export Reporting Service (PIERS), Journal of Commerce
Data is calculated by weight

Illustration 10



Source:GIPSA/USDA

Illustration 11

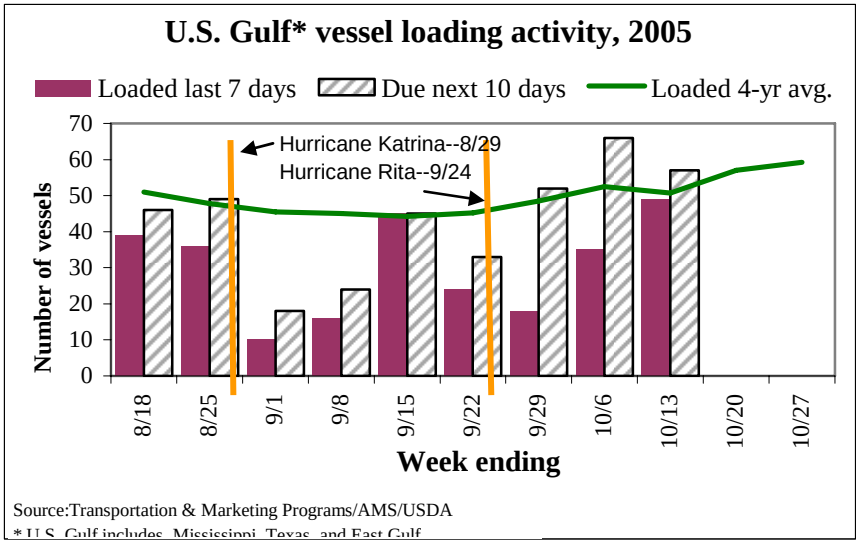
Table 4: Grain Inspections (1,000 bushels)

Week Ending	Mississippi Gulf 2005	Mississippi Gulf 4-yr avg	% Chg.	Texas Gulf 2005	Texas Gulf 4-yr avg.	% Chg.	Total (MS, TX, & PNW) 2005	Total (MS, TX, & PNW) 4-yr avg	% Chg.
08/25/05	32,126	40,882	↓ 21	5,455	4,695	↑ 16	59,539	59,757	0
9/1/2005*	6,232	30,382	↓ 79	9,318	5,499	↑ 69	30,599	49,203	↓ 38
09/08/05	9,436	41,113	↓ 77	5,794	5,402	↑ 7	30,327	56,404	↓ 46
09/15/05	27,139	37,960	↓ 29	15,307	5,527	↑ 177	58,446	56,272	↑ 4
09/22/05	31,483	38,335	↓ 18	6,935	4,282	↑ 62	57,713	56,461	↑ 2
9/29/2005*	20,968	39,788	↓ 47	1,024	5,659	↓ 82	41,162	57,615	↓ 29
10/06/05	41,025	42,597	↓ 4	11,638	3,331	↑ 249	73,968	60,968	↑ 21
10/13/05	53,389	43,689	↑ 22	8,522	5,324	↑ 60	79,660	67,550	↑ 18
YTD 2005	1,360,711	1,500,462		234,442	243,563		2,339,912	2,490,196	
2005 as % 2004	91%			96%			94%		

* Hurricane Katrina, Aug. 29; Hurricane Rita, Sept. 24.

Source: USDA, FGIS

Illustration 12



Source:Transportation & Marketing Programs/AMS/USDA

* U.S. Gulf includes Mississippi, Texas, and East Gulf

Illustration 13

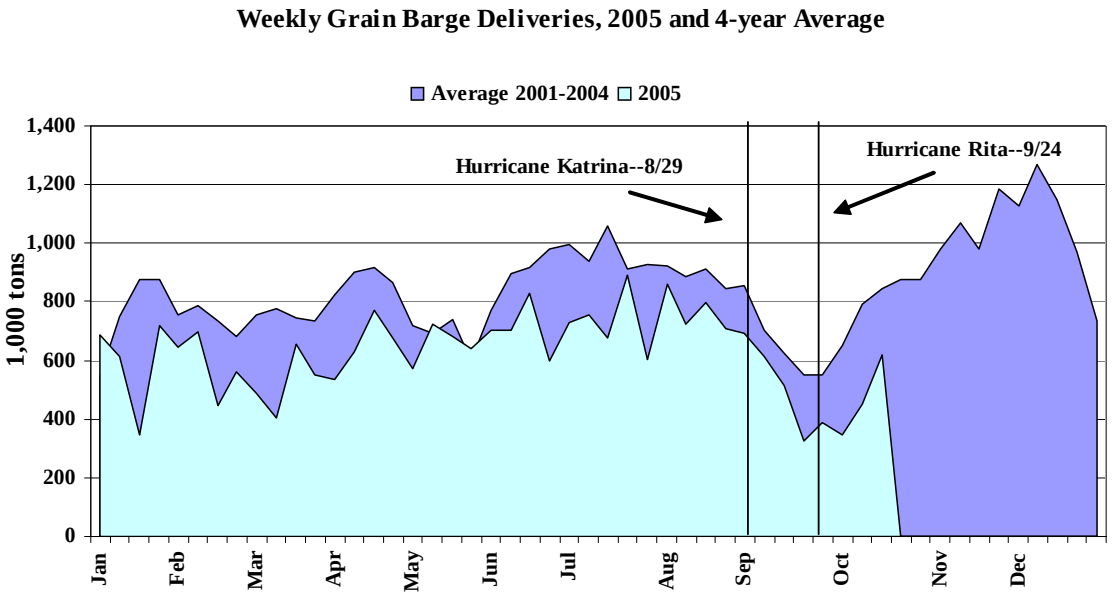


Illustration 14

Grain barge shipments (1000 tons)						
	Weekly shipments			Cumulative shipments		
Week Ending	2005	Avg. 01-04	% Change	2005	Avg. 01-04	% Change
8/27/2005	691	855	↓19%	22309	28083	↓21%
9/3/2005*	614	701	↓12%	22923	28784	↓20%
9/10/2005	515	623	↓17%	23438	29407	↓20%
9/17/2005	326	553	↓41%	23764	29960	↓21%
9/24/2005*	387	551	↓30%	24151	30511	↓21%
10/1/2005	345	652	↓47%	24496	31163	↓21%
10/8/2005	454	794	↓43%	24950	31957	↓22%
10/15/2005	618	846	↓27%	25568	32802	↓22%

*Hurricane Katrina, Aug. 29; Hurricane Rita, Sept. 24.

Illustration 15

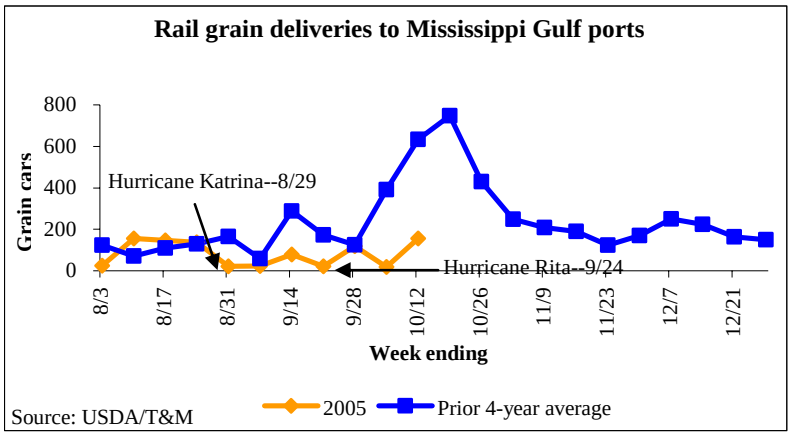


Illustration 16

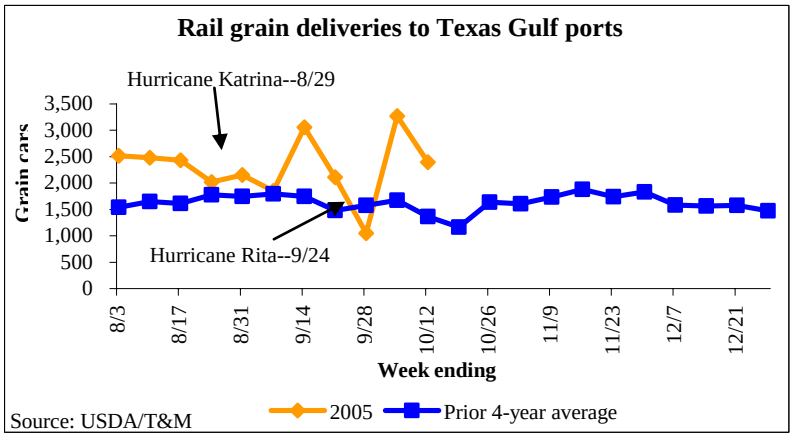
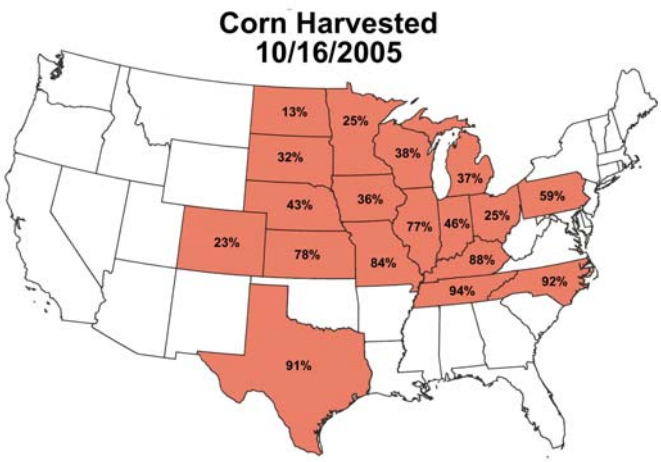
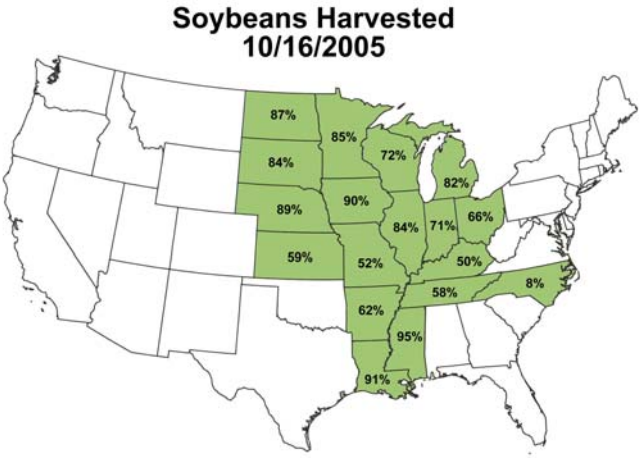
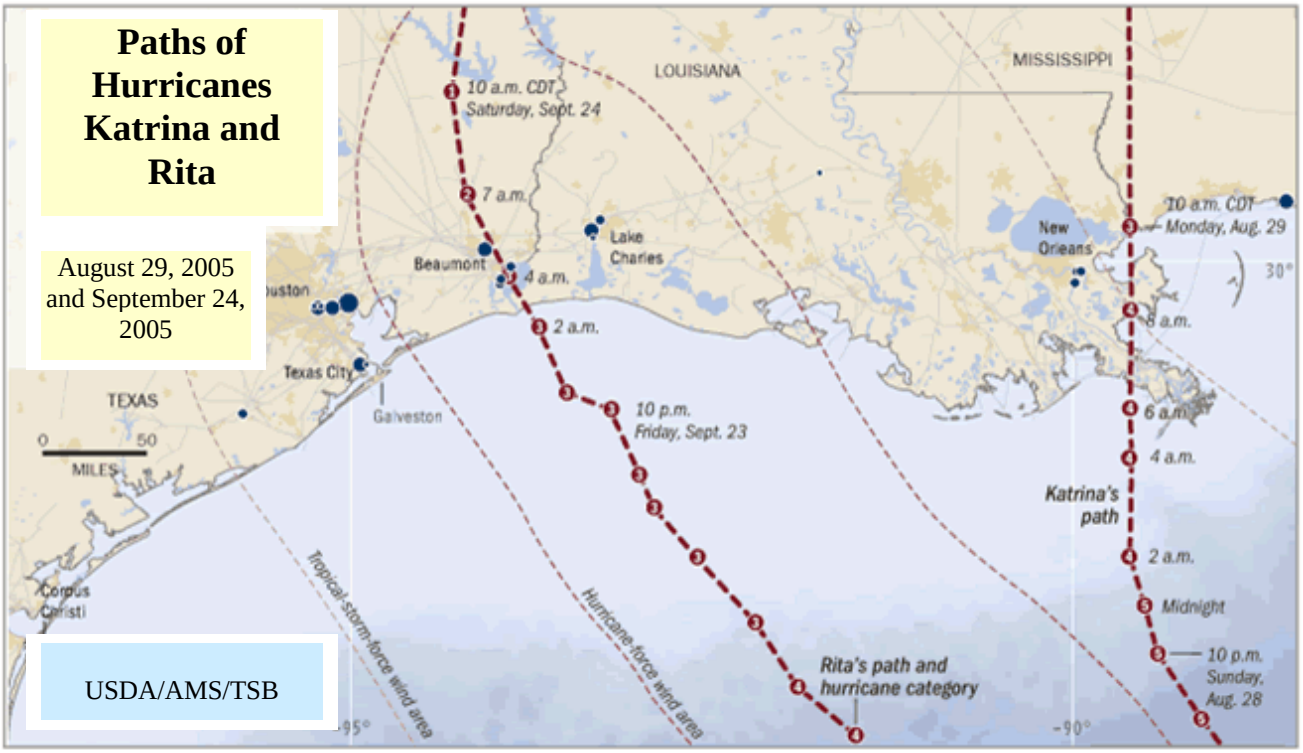


Illustration 17

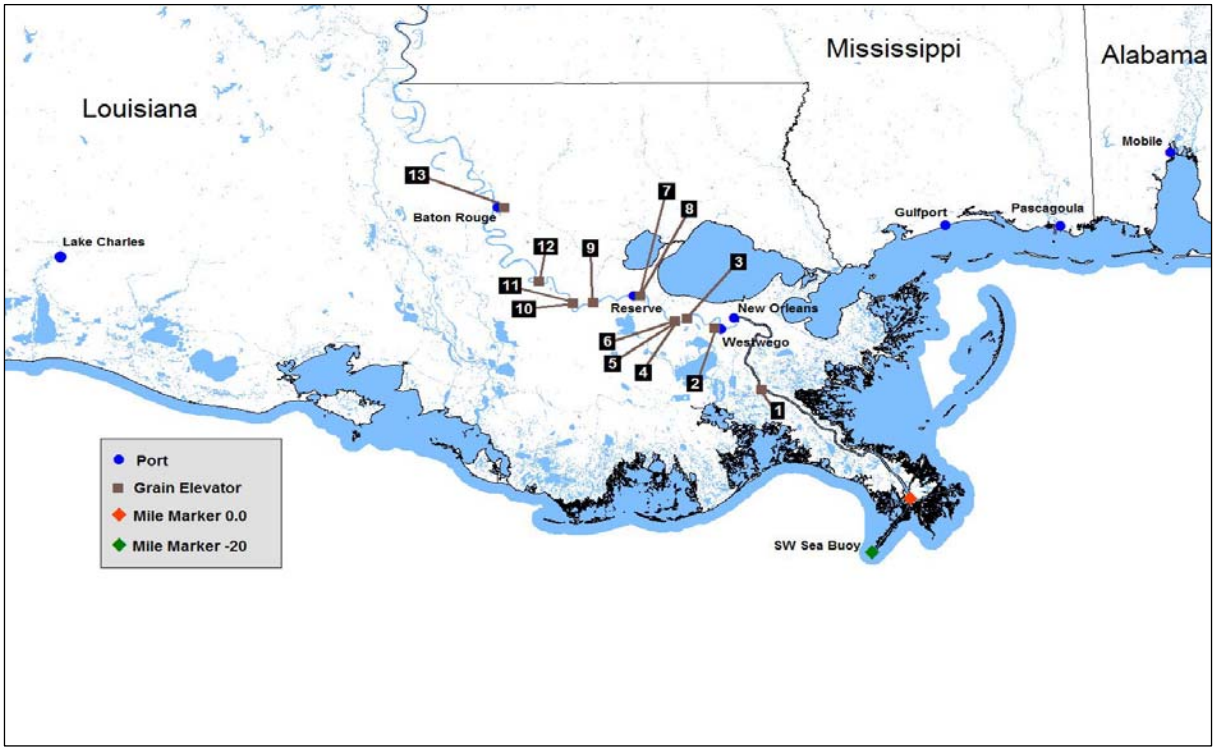
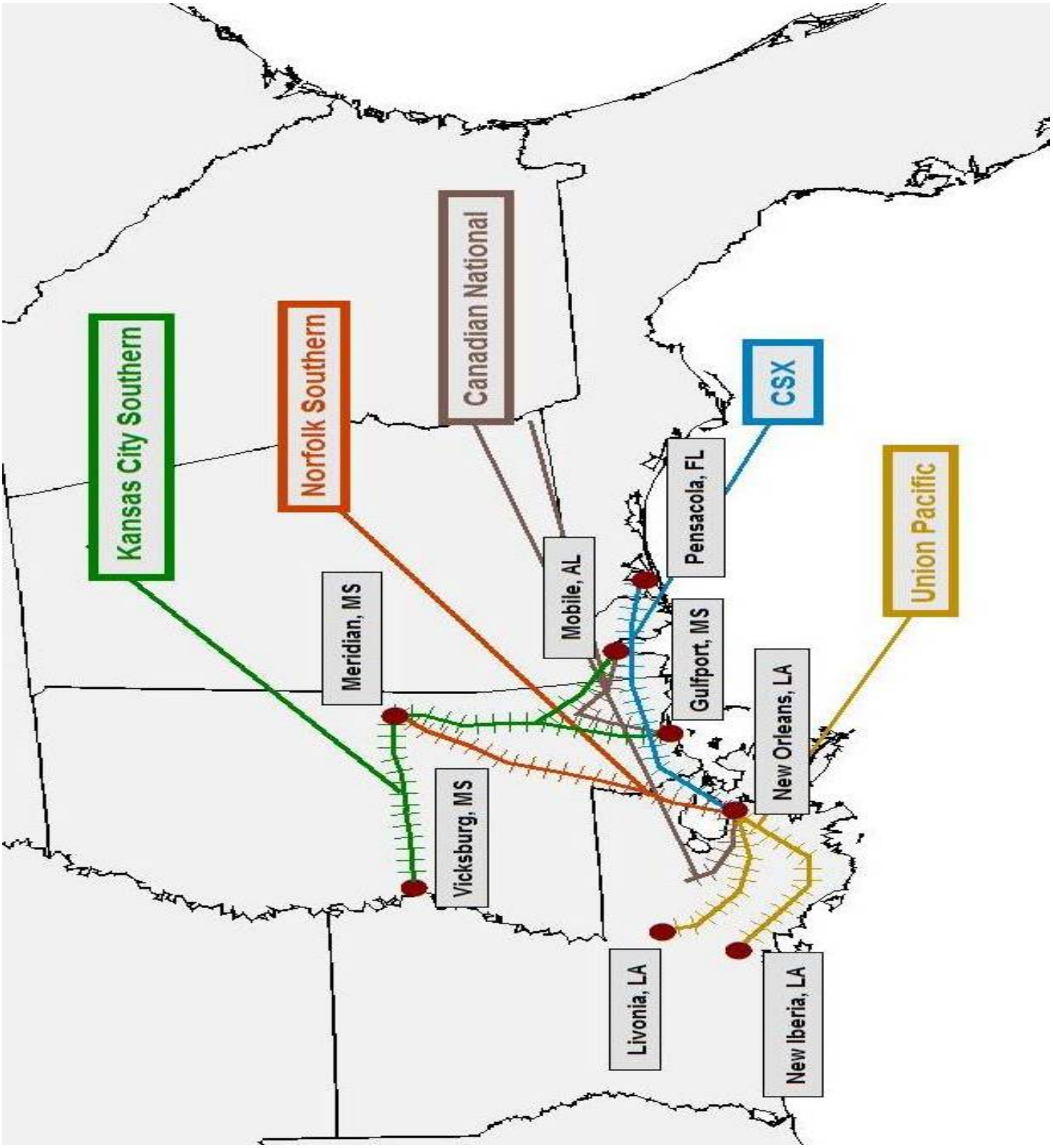




Mississippi Gulf Briefing
Hurricanes Katrina and Rita



Mississippi Gulf Export Grain Elevators



MAP OF MAJOR RAILROADS IN THE MISSISSIPPI GULF