Transporting and Handling of Soybean Exports

Bob Sinner
SB&B Foods, Inc.
Sinner Bros. & Bresnahan began exporting food grade soybeans in 1988.

SB&B Foods, Inc. was established in 1998 to separate direct marketing activity from farming.

SB&B Foods provides the following role:

- Marketing of Food Grade Products.
- Establish Grower Contracts.
- Establish Customer Contracts.
- Establish Carrier Agreements.
- Export Documentation.
- Shipping & Receiving of Products.
Commodity Trend vs. IP Trend

- Two very different trends in Agriculture.
- Requiring very different infrastructure for transportation and storage.
Commodity Trend

Production and Marketing changes
- Larger equipment
- Larger trucks, further hauls, fewer elevators
- Larger Elevators/Receiving Stations
- 110 car shuttle trains
IP Trend

- Lot #'s assigned at field/grower level
- Consumer confidence
  - Food Safety
  - Reliable supply
  - Specific Traits
- Requires accurate record keeping
Accelerating Demand

- Export demand for IP crops continues to be strong.
- Domestic demand for IP increasing.
Containerized Intermodal Transportation Perfect for IP Ag

- Processors: Specific characteristics, just-in-time delivery, smaller shipments.
- Food Manufacturers: Direct delivery of safe, traceable, premium Ag Products.
What is containerized Intermodal?

The seamless and continuous door-to-door transportation of freight on two or more transportation modes. (Muller, 1995)
Steamship Liner Landscape

- U.S. Trade growth has outpaced infrastructure including ports, railroads, terminals, trucking & warehouses.
- Export growth of containerized Ag continues to increase.
- Import demand is well beyond expectations from all professional market sources.
- COSTS – Carriers are pushing for full recovery after significant losses previous 2 – 3 years.
  - Rail costs continue to increase.
  - Fuel costs decrease.
  - Labor increase.
CURRENT CRISIS – TRANSPORTATION ISSUES!

- Port Disruption & Congestion
  - Labor issues
  - Truck power, chassis, rail flat car shortages
- Embargo/Moratorium
  - Minneapolis/St. Paul BNSF Rail Ramp
- Food Industry Dynamics Changing
  - Just-in-time delivery
- Shipment Delays
Booking Example:

18 Containers of Soybeans from facility to Incheon, Korea
*Required to arrive no later than December 10th*

Initial Booking Details:
Rail Cut: 10/12  Minneapolis
  ETD: 10/24  Seattle
  ETA: 11/24  Incheon

*All containers were loaded, packed & returned to Minneapolis rail ramp before the rail cut off.*
...after 2 splits & 12 revisions...

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<th></th>
<th>Original</th>
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*Government rejection pending*

U.S. ATO/FAS office in Korea working with Korean Government to allow arrival.
Challenges??

TRANSPORTATION!!!

- Absolute Mess
- Logistical Nightmare
- No Accountability
Obama Plan to Double Exports

- Double US Exports over the next 5 years.
- Announced on Jan. 26th, 2010
- 49 more days
- ILWU – PMA contract dispute
- Disruptive activity
Challenges

- Customers need “Just-In-Time” delivery.
- Demand exceeds equipment supply.
- Cost: 20-25% of Total Invoice is Freight
Challenges

- Logistical Hurdles
  - Containers either at the coastal ports or located in the large Metro areas: NY City, Chicago, Memphis, etc.
- Ocean and RR Carriers are not prioritizing Food Shipments.
- Trans-loading -- Carriers promote All-Water Moves
- Trucking Logistics/Distance
What’s the IMPACT?

- Loss of customer confidence in reliability
- Customer/food manufacturing facility near shutdown
- Forces customer to source product from competition (Brazil / Canada)
- Processing/Cleaning Plant in North Dakota shut down
What’s the IMPACT?

- Opportunities for growth stalled
- Mismatch in Midwest gets worse
- Poor Carrier attitude, customer service and communication
- More Management time spent
- Transloading not an option
What can be done?

- STB more oversight authority on intermodal activity
- Increase highway weight limits
- Standardize containers: no name and no carrier ownership
- US No.1, cleaned, IP grains priority over US No. 2 grains/feeds
- Eliminate anti-trust immunity for Carriers
Why-Not-Minot???
Opportunities

- Food Safety - Global Ag Trade
  - IP Product – Production Records
  - No Contamination
  - Product Integrity

- Traceability
  - Stricter Requirements Worldwide

- Growing Economies and Markets
  - Smaller Importers - New Competitive Players
  - Delivery Advantages - Better suited to certain destinations.

- Shift of Grain Movement
Why The Upper Midwest?

“One Stop Shop”

Agriculture is changing!
Questions??