

Policy Pennings by Dr. Daryll E. Ray

Farm export optimism and upgrading Mississippi locks and dams

A recent Senate committee's approval of legislation that authorizes the upgrading of the Mississippi River lock and dam system brought this issue back into the public spotlight. The Mississippi River locks and dams are an essential part of the grain transportation infrastructure of the central U.S., inexpensively delivering grain from the nation's breadbasket to Gulf ports for export shipment.

The system consists of a series of 27 locks and dams on the Mississippi River above St. Louis, Missouri, ensuring a nine foot channel for barge traffic as far upstream as St. Paul, Minnesota. The bulk of the system was built in the 1930s. The question has been whether or not this system needs to be upgraded to repair aging structures as well as to meet the current needs of shippers.

Agricultural producers and their organizations have been directly involved in lobbying for the upgrade project. They contend that it is necessary to help U.S. farmers remain competitive with producers elsewhere in the world by providing an efficient, low-cost transportation system.

There are, no doubt, some very good reasons for upgrading the lock and dam system including repairs of the effects of aging and the opportunity to take advantage of advances that have been made in riverine transportation systems since the system was originally built. On the other hand, it is important not to overestimate the positive impact it might have on farmers and the price they receive for their seeds and grains.

I say that because much of the original economic justification for the system was based on ten-year-old grain export projections that have not materialized. Those familiar with grain export numbers know that rather than

the 2.65 billion bushels that were projected for the 2003 crop year, the numbers have come in at 2.05 billion bushels. In general, corn exports remain flat at 20% below the 1979-1980 peak levels.

This does not mean that we will not have a spurt or even a long-term increase in corn exports. However, betting on increased exports based on hopes such that China will reverse a centuries-long self-sufficiency policy and become a major long-term U.S. customer seems like a bet that is far from a sure thing.

None of this is to say that there won't be benefits of the lock and dam upgrade. There will. The question is who will benefit. It may or may not be the farmers who are arguing in favor of the project. In fact, we can think of situations in the future in which grain-belt farmers might even be disadvantaged. We already see South American soybean meal being shipped into the Port of Wilmington (NC); something that I would never have guessed in my wildest dreams a decade ago.

Cargill is attempting to ship ethanol from Brazil to the U.S. Again, that doesn't mean that barges full of Brazilian or Argentinean soybean meal will be making their way up the Mississippi River with a rebuilt system.

It also doesn't mean that they won't.

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