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Agricultural Grain Transportation: Are We Underinvesting and Why?

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The truth of agricultural transportation is the interdependence of agriculture and transportation. Agricultural development was only possible by the advent and availability of transportation, the critical link between the production on our fields and the tables of our domestic and international consumers. Conversely, the growth of agriculture production served as the revenue source for our country's early investments in water, wagon, and rail modes of carriage. As more and more customers are found overseas, it increases the need for efficient and effective service from the massive transportation system that has historically served the United States so well.

But this system is under stress in both the public and private arena. Our ports, highways, roads, and waterways are faced with dwindling investments and support. Institutional changes in and among modes have brought rate changes and service deterioration to our rural parts of the nation. In effect, after designing and building our system for 100 years we have been consuming those investments.

It is especially in the railroad sector of the system that we have searched for the most efficient structure to maintain the service needed by agriculture. Prior to the Staggers Rail Act of 1980 our railroads were on the verge of bankruptcy or even nationalization. The Act partially deregulated the rate and route provisions of the regulatory environment for rail. Massive rail line abandonment as well as the creation of short-lines, was followed by nationwide mergers, resulting in loss of intra and inter rail competitive driven rates and service for agricultural shippers. In this theme, the authors consider the implications of these public and private decisions for transport of agricultural commodities, how we can evaluate system performance, and what we can learn from our neighbor to the north, Canada.

Articles in this Theme:

In the first paper Henrickson and Wilson evaluate three of these issues affecting railroad performance in agricultural shipments: consolidation of the rail lines, intra-modal competition, and fuel prices. Rates and service may or may not go in different directions in this partially deregulated environment.

Considering the Canadian Grain Handling and Transportation Policy, Nolan and Peterson reach out and present lessons for improving oversight in the United States. The Canadian system is undergoing major changes; impacts on railroad performance of selected changes can be identified for Canada and projected for the United States.

Babcock then looks directly at wheat, a dominant agricultural trade product and evaluates the impact of intermodal

competition on the transportation rates faced by American producers. He investigates wheat production locations and attendant modal choices and finds that they are dominant determinants of rates and service performances by railroads in terms of impacts on net shipper supply chain costs.

Finally, Sage takes a broader look at transportation systems, offering alternative means of measuring the benefits of transportation investments, from both public and private/commercial viewpoints. He determines and outlines a rational prioritization framework for investment, one that can handle regional variations in competitiveness, whether highway, railroad, or public versus private.

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