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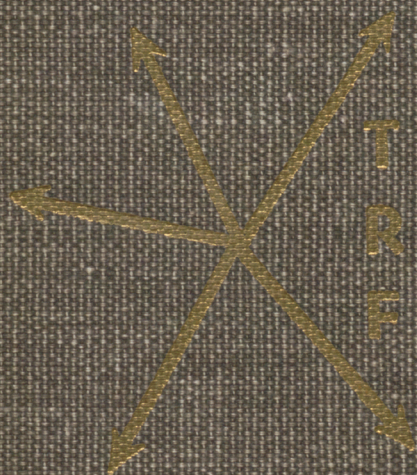
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PROCEEDINGS —

Twenty-second Annual Meeting

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TRANSPORTATION RESEARCH FORUM

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Theme:

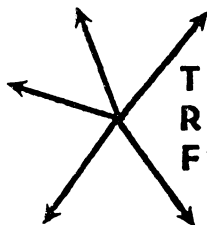
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Abstract

Agricultural Transportation: Policies and Prospects[†]

by L. O. Sorenson*

AGRICULTURAL transportation is concerned with the movement of goods for production and distribution of food and fiber. Other aspects of rural community mobility, such as the availability of air passenger service; the quality and availability of bus service; the quality and availability of intercommunity general-commodity trucking; and the quality and cost of highway development in local communities are not dealt with in this discussion.

Discussion of policies and prospects also needs a reference point relative to goals. This discussion will focus on system productivity in a "market" or "economic goods" sense and the effects and prospects of public policies on resource productivity both in agriculture and in transportation.

Public policies for transportation are limited to two principal areas: (1) capital investment and promotion and (2) economic regulation (entry, exit, rates, and services).

Each of the above policy areas has undergone major modification very recently and more changes are likely. Major changes are as follows:

Capital Investment and Promotion:

- Withdrawal of Federal Public funds for promotion and/or maintenance of rail service.
- Institution of user charges on barge operations beginning in October, 1980 and current administration proposals for sharp increases in those charges.
- Proposals for increase in federal highway use taxes on larger trucks.
- Increasing tendency to define "essential rail service" in terms of commercial viability.

Regulation:

- Partial economic deregulation of the motor carrier industry.

- Extensive economic deregulation of the railroad industry.
- Major deregulation of the air transportation industry.
- Administrative withdrawal from regulation by regulatory commissions.

The interface of agriculture and transportation is very complex. Policies to improve the interface may have complementary benefits in both areas; they may have associated costs in both areas or they may have associated benefits in one area and costs in another. In addition certain policies may benefit one type of supplier of transportation (for example truckers) more than another or they may benefit shippers of one commodity (for example, grain) more than another.

With diverse conditions of both demand for and supply of transport for agriculture, it is important that the flexibility of market determination of rates and services be maintained wherever possible. This will permit the tailoring of transport services to individual shipper or individual community service demands.

Recently public policy has moved in the direction of market determination, with tax responsibility moving toward more specific cost assessment to users and with more commercial freedom in marketing (sale and purchase) of transportation services.

Policy changes are not without cost to shippers and carriers. Regulatory and promotional environment is quickly capitalized into the system. When the rules change, some investments may increase in value, others may lose. Greater freedom to consolidate may substantially benefit the Union Pacific railroad but may severely damage the Denver and Rio Grande Western. Likewise, the owner of a small local grain elevator without a good trucking opportunity may find his capital investment no longer viable under surcharged, branchline conditions. Some adjustments will be very painful for agricultural shippers and for carriers.

The competitive role of railroads in carrying agricultural traffic in a freer economic environment may still be difficult given greater back-haul freedom

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for truckers and productivity increases in barge transport. Rate structure modification occurring since passage of the Staggers Act, appears to favor agricultural shippers rather than carrier. However, this has occurred in a period of ample supply of freight cars.

On balance, policy changes affecting the trucking industry appear favorable to agriculture and to elements of commercial trucking serving agriculture. Improved barge productivity permits that industry to absorb current user charges without serious reduction in competition position.

The new railroad environment presents substantial uncertainty for agriculture. Will railroads be willing to provide

smaller agricultural shippers with rate and service guarantees through contracts? Will railroads maintain a substantial network of lines serving rural communities under new competitive conditions and revised abandonment policies? Will individual railroads be able to negotiate on favorable terms with large shippers of agricultural commodities? Will the 1980s produce more pliant labor-management relations? And, most importantly, will carriers and shippers be innovative in providing for the transportation needs of agriculture?

The role of railroads in agricultural transportation will surely be revised in the decade of the 1980s. The new role will be dependent upon innovative improvements in rail productivity.