USDA United States Department of Agriculture

Grain Transportation Report

A weekly publication of the Agricultural Marketing Service
www.ams.usda.gov/GTR

Contact Us

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Contents

The next release is January 29, 2015

WEEKLY HIGHLIGHTS

Bulk Ocean Freight Rates Continued to Slide

Ocean freight rates for shipping bulk grains continued their fall into the new year. As of January 16, ocean freight rate for shipping bulk grain from the U.S. Gulf to Japan was $35 per metric ton (mt), down 10 percent from the beginning of the year and 38 percent from the same period a year ago. The rate from the Pacific Northwest to Japan was $19.50 per mt, 7 percent less than the beginning of the year, and 30 percent less than the same period last year. Falling ocean freight rates could be partly due to slow market activity and excess vessel supply. For more on bulk market and ocean freight rates, see the **Feature Article**.

Grain Inspections Down but Well Above 3-year Average

For the week ending January 15, **total inspections of grain** (corn, wheat, soybeans) from all major export regions reached 2.6 million metric tons (mmt), down 4 percent from the past week and 5 percent from last year, but 36 percent above the 3-year average. Although wheat and corn inspections increased 35 and 47 percent from the past week, the increases could not offset the 21-percent drop in total soybean inspections. Mississippi Gulf grain inspections decreased 14 percent from the previous week as demand for soybeans dropped. Inspections in the Pacific Northwest, however, increased 35 percent as wheat and soybean shipments increased through that port region.

Panama Canal Expansion 85 Percent Complete

On January 19, the Panama Canal Authority (ACP) announced that the Canal expansion is 85 percent complete. The expansion project will create a new lane of traffic along the Canal through the construction of a new set of locks, doubling the waterway's capacity. The existing locks allow the passage of vessels that can carry up to 5,000 TEUs. After the expansion, the Post-Panamax vessels will be able to transit through the Canal, with up to 13,000 TEUs. Part of the completion of the final phase of the project involves the installation of 16 gates at the new lock chambers. Currently 3 of the 16 new lock gates have been installed. The expanded canal is expected to be operational by early 2016.

Snapshots by Sector

Export Sales

During the week ending January 8, **unshipped balances** of wheat, corn, and soybeans totaled 33 mmt, 10 percent lower than at the same time last year. **Corn export sales** reached .819 mmt, significantly higher than last week, but 10 percent lower than the prior 4-week average. **Wheat** reached 0.285 mmt, up 89 percent, and **soybeans**, at 1.13 mmt, were up 24 percent from the previous week.

Rail

U.S. railroads originated 21,916 **carloads of grain** during the week ending January 10, down 5 percent from last week, up 8 percent from last year, and 11 percent above the 3-year average.

During the week ending January 15, average February shuttle **secondary railcar bids/offers per car** were $450 below tariff, down $250 from last week and $2,188 lower than last year. There were no non-shuttle secondary railcar bids/offers.

Barge

During the week ending January 17, **barge grain movements** totaled 478,818 tons—18 percent lower than the previous week and 3 percent lower than the same period last year.

During the week ending January 17, 283 grain barges **moved down river**, down 19.4 percent from last week; 851 grain barges were **unloaded in New Orleans**, down 12.3 percent from the previous week.

Ocean

During the week ending January 15, 42 **ocean-going grain vessels** were loaded in the Gulf, 16 percent less than the same period last year. Sixty-five vessels are expected to be loaded within the next 10 days, 26 percent less than the same period last year.

During the week ending January 16, the ocean freight rate for shipping bulk grain from the Gulf to Japan was $35 per mt, down 4 percent from the previous week. The cost of shipping from the PNW to Japan was $19.50 per mt, down 3 percent from the previous week.

Fuel

During the week ending January 19, U.S. average **diesel fuel prices** decreased 12 cents from the previous week to $2.93 per gallon. They were down 94 cents from the same week last year.

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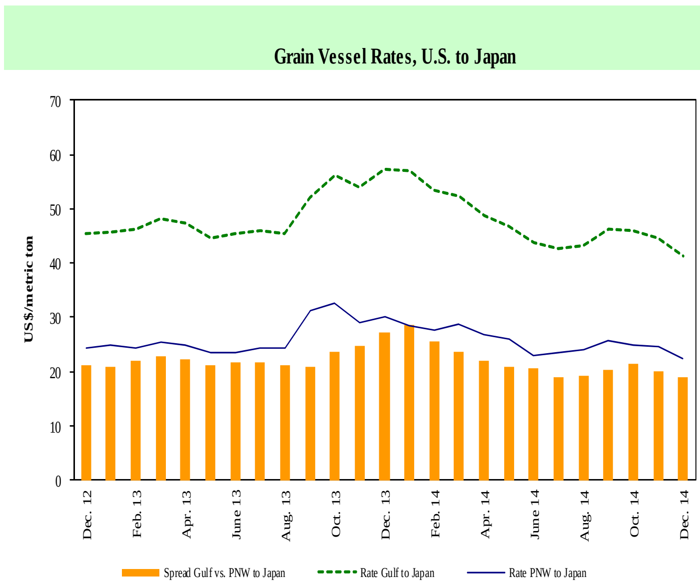
Feature Article/Calendar

2014 in Review: Ocean Freight Rates Did Not Rise as Expected

Contrary to the expectation of some ship owners and market analysts, ocean freight rates for shipping bulk commodities, including grains, remained low during 2014. Ocean freight rates for shipping bulk grains from the U.S. Gulf to Japan averaged $47.15 per metric ton (mt), 4 percent less than the previous year. The cost of shipping from the Pacific Northwest (PNW) to Japan averaged $25.47 per mt, also 4 percent less than the previous year. With regard to rates, ship owners believed that 2014 was going to be a turnaround year in the bulk market, with increased demand for vessel capacity. Some market analysts had also predicted that demand for bulk vessels may eventually catch up with the supply. However, that expectation was not met as ship owners ordered more vessels in anticipation of a market turnaround. The increasing vessel supply, coupled with lackluster global economic growth, led to the continuation of excess vessel supply in the bulk market, which resulted in continued lower freight rates.

Calendar year 2014 began with declining ocean freight rates (see figure) due to slow market activity caused by seasonal holidays, including the New Year holiday around the world and the Chinese New Year celebrations. In addition, bad weather hindered iron ore loading operations in Australia and Brazil. Other factors impacting bulk vessel activities included the Indonesian government ban on exports of unprocessed minerals and the Chinese central bank's restriction on access to credit by steel mills and traders for purchasing raw materials (see **GTR, dated 5/1/14**). Despite improvement in market activity after the holidays and increased coal shipments out of Indonesia, the rates continued to fall through March as China cut back its soybean demand in response to bird flu problems, according to the *Drewry Dry Bulk Shipping Insight* report, April 2014



Data Source: O'Neil Commodity Consulting

Rates continued to fall in April as unfavorable weather conditions and geopolitical issues in Russia and Ukraine slowed grain trade. Warmer temperatures reduced the demand for thermal coal in Europe and Asia. The price drop across the grain and oilseed markets and a reduction in iron ore demand further softened the rates during May and June. During this time, the dry bulk fleet continued to grow. By June, 1,989 new vessels (163 million deadweight tons (mdwt))—mostly Panamax—were on the order book (see **GTR, dated 7/24/14)**.

The second half of the year began with mixed activity in the dry bulk market. Although ocean freight rates for shipping grain from the U.S. Gulf to Japan and Europe slightly declined in July, the rate from the PNW to Japan increased slightly. However, the rates for all shipping routes were relatively low (see **GTR, dated 10/30/14)**. Despite support from the increased global grain and iron trade, a decline in coal demand from China and Europe weakened the dry bulk market overall. Activity revived during August due to an increased demand for iron ore and coal. Europe, China, and India replenished their diminishing coal stockpiles. There was a large influx of grain shipments from the Black Sea and Mediterranean into the global grain markets and increased grain loading activity in the U.S. Gulf. Mineral shipments from the U.S. Gulf also increased through September.

Trade between China and Western Australia improved in the middle of the month, but eventually weakened because of a decline in coal imports from China.

The fourth quarter began in October with the Gulf-to-Japan rate remaining relatively stable, and the PNW-to-Japan rate declining 4 percent from the previous month. The Panamax market remained strong due to increased grain exports from the European Union and South America because of good yields. A massive decrease in freight rates was prevented by increased demand for iron ore and a seasonal swell in grain at the onset of the harvest season. Rates declined in November (see table), as harvest seasons came to an end in the United States and Canada,

Ocean freight rates for grain routes during the fourth quarter 2014

Route	Oct.	Nov.	Dec.	4th quarter 2014	Change from 3rd qtr '14	Change from 4th qtr '13	Change from 4-yr avg
	--$/mt--			--$/mt--	Percent		
U.S. Gulf to Japan	46.10	44.58	41.33	44.00	0.1	-19	-19
PNW to Japan	24.80	24.50	22.33	23.88	-2.3	-20	-20
Spread	21.30	20.08	19.00	20.13	3	-16	-16
U.S. Gulf to Europe	20.00	19.50	17.00	18.83	-3	-20	-20

Source: O'Neil Commodity Consulting

reducing exports. In addition, weather did not favor sugar production in Brazil. Rates fell further in December as the bulk market remained sluggish due to an ample supply of vessel capacity. The average fourth-quarter rates were below the previous year and the 4-year averages (see table). Overall, the average ocean freight rates were lower in 2014 than in 2013 due to excess vessel supply and lagging demand for bulk shipments. As of December 2013, the bulk vessel fleet stood at 9,813 vessels (714 mdwt), and the orderbook from 2013 to 2017 stood at 1,685 vessels (135.8 mdwt). As of December 2014, the bulk vessel fleet stood at 10,323 vessels (755.6 mdwt), and the orderbook from 2014 to 2018 stood at 1,980 vessels (166.96 mdwt). The number of bulk vessels increased by 5 percent over the year, and the bulk vessel capacity grew by 23 percent.

Market Outlook: It is too early to predict what 2015 will look like in terms of ocean freight rates. However, it is safe to say that ocean freight rates will remain modest for a while until the excess capacity disappears. Coal demand from India is likely to continue rising because of falling domestic supply caused by de-allocation of coal blocks. Furthermore, Japan planned to build 28 new coal-fired power plants following the closure of its nuclear power plants. These developments could strengthen the demand for coal, and hence put upward pressure on ocean freight rates. With regard to China, further stockpiling may be induced if lower iron ore demand persists, and consequently put upward pressure on ocean freight rates. However, the most important market driver is the wave of new vessel deliveries. At the same time, low steel prices and strong U.S. dollar have added to slow retirement of older vessels, exacerbating the problem of excess vessel supply. Will the vessel owners cut back on orders of new vessels in 2015? Or will the owners' optimism of 2014 continue to drive an increasing orderbook as it did in 2014?
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Grain Transportation Indicators

Table 1

Grain Transport Cost Indicators[1]

	Truck	Rail		Barge	Ocean	
Week ending		Unit Train	Shuttle		Gulf	Pacific
01/21/15	197	255	197	278	157	138
01/14/15	205	257	201	262	163	142

[1]Indicator: Base year 2000 = 100; Weekly updates include truck = diesel ($/gallon); rail = near-month secondary rail market bid and monthly tariff ra with fuel surcharge ($/car); barge = Illinois River barge rate (index = percent of tariff rate); and ocean = routes to Japan ($/metric ton)

Source: Transportation & Marketing Programs/AMS/USDA

Table 2

Market Update: U.S. Origins to Export Position Price Spreads ($/bushel)

Commodity	Origin--Destination	1/16/2015	1/9/2015
Corn	IL--Gulf	-0.85	-0.75
Corn	NE--Gulf	-0.93	-0.82
Soybean	IA--Gulf	-1.33	-1.30
HRW	KS--Gulf	-1.35	-1.25
HRS	ND--Portland	-2.68	-2.77

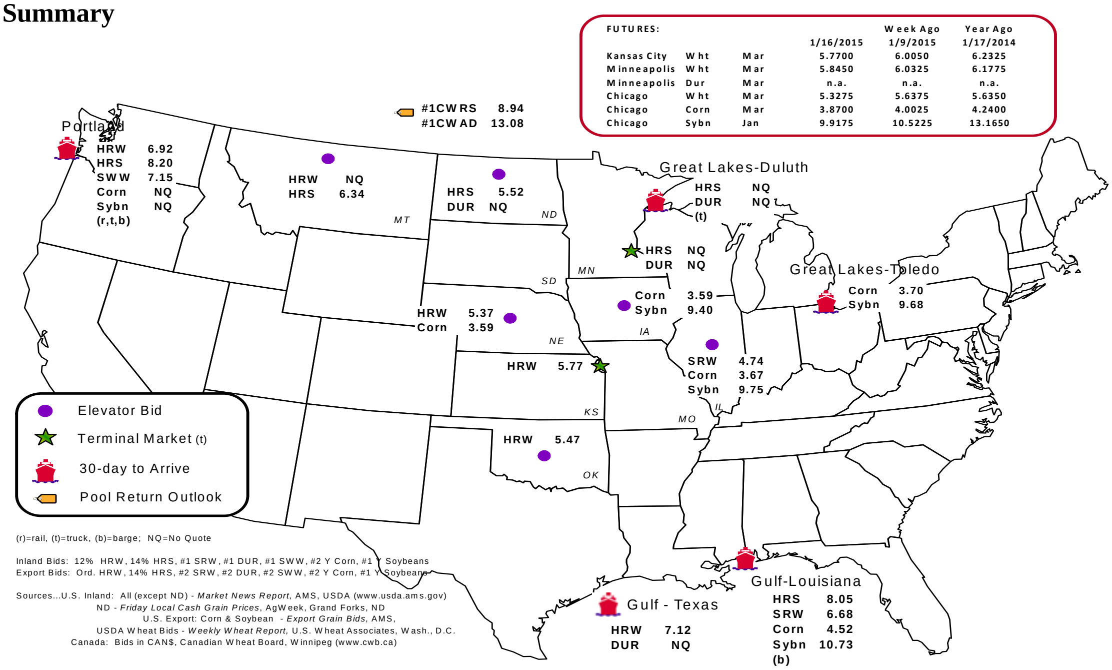
Note: nq = no quote

Source: Transportation & Marketing Programs/AMS/USDA

The **grain bid summary** illustrates the market relationships for commodities. Positive and negative adjustments in differential between terminal and futures markets, and the relationship to inland market points, are indicators of changes in fundamental market supply and demand. The map may be used to monitor market and time differentials.

Figure 1

Grain bid Summary



Rail Transportation

Table 3

Rail Deliveries to Port (carloads)[1]

Week ending	Mississippi Gulf	Texas Gulf	Pacific Northwest	Atlantic & East Gulf	Total	Week ending	Cross-Border Mexico[3]
1/14/2015[p]	1,035	1,344	4,227	1,097	7,703	1/10/2015	1,461
1/07/2015[r]	1,095	1,228	4,770	1,201	8,294	1/3/2015	1,334
2015 YTD[r]	2,130	2,572	8,997	2,298	15,997	2015 YTD	2,795
2014 YTD[r]	2,161	3,003	10,111	1,104	16,379	2014 YTD	3,015
2015 YTD as % of 2014 YTD	99	86	89	208	98	% change YTD	93
Last 4 weeks as % of 2014[2]	99	109	98	166	105	Last 4wks % 2014	83
Last 4 weeks as % of 4-year avg.[2]	143	125	115	169	125	Last 4wks % 4 yr	89
Total 2014	44,621	83,674	255,869	32,107	416,271	Total 2014	96,467
Total 2013	31,646	71,388	168,826	25,176	297,036	Total 2013	71,397

[1] Data is incomplete as it is voluntarily provided

[2] Compared with same 4-weeks in 2013 and prior 4-year average.

[3] Cross- border weekly data is aproximately 15 percent below the Association of American Railroads reported weekly carloads received by Mexican railroads to reflect switching between KCSM and FerroMex.

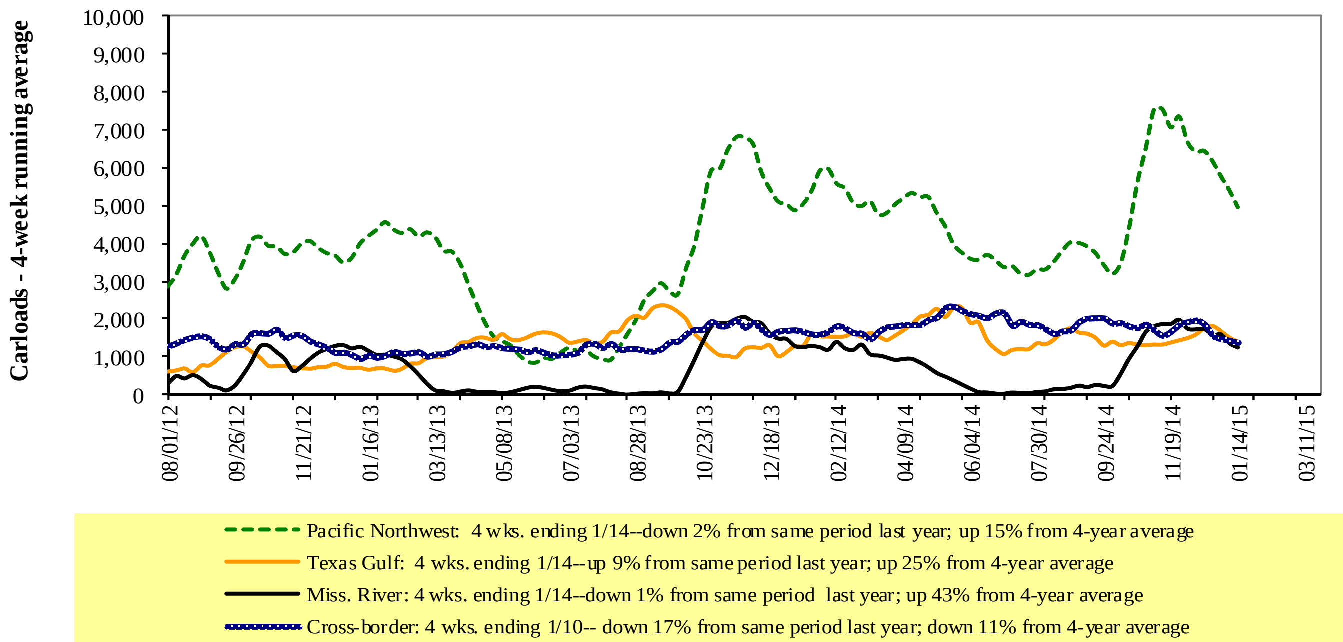
YTD = year-to-date; p = preliminary data; r = revised data; n/a = not available

Source: Transportation & Marketing Programs/AMS/USDA

Railroads originate approximately 29 percent of U.S. grain shipments. Trends in these loadings are indicative of market conditions and expectations.

Figure 2

Rail Deliveries to Port



Source: Transportation & Marketing Programs/AMS/USDA

Table 4

Class I Rail Carrier Grain Car Bulletin (grain carloads originated)

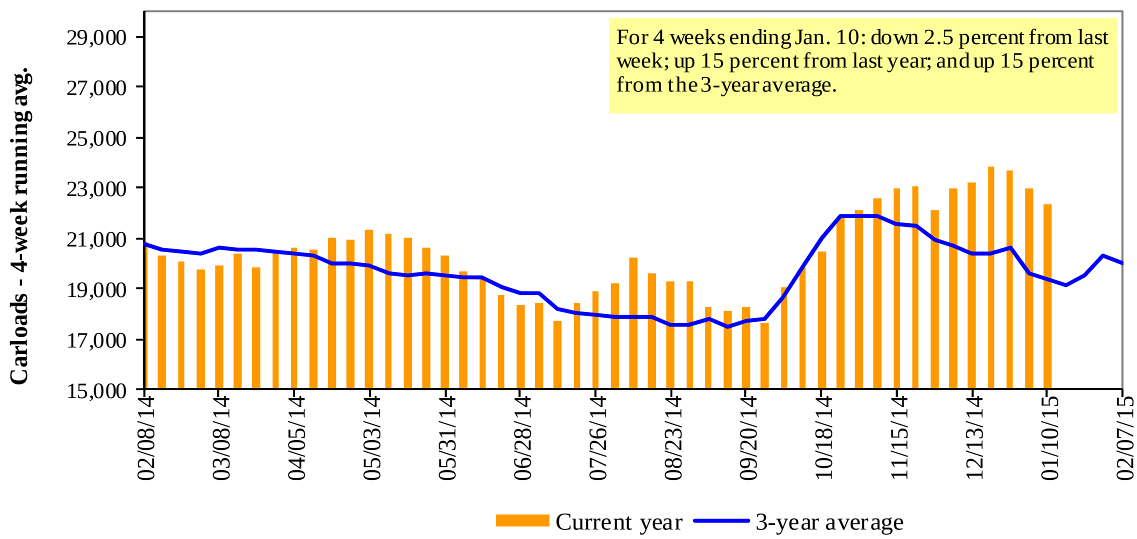
Week ending	East		West			U.S. total	Canada	
	CSXT	NS	BNSF	KCS	UP		CN	CP
01/10/15	2,688	3,638	9,357	792	5,441	21,916	4,438	4,461
This week last year	1,699	2,961	8,596	1,126	5,985	20,367	3,797	4,722
2015 YTD	2,688	3,638	9,357	792	5,441	21,916	4,438	4,461
2014 YTD	1,699	2,961	8,596	1,126	5,985	20,367	3,797	4,722
2015 YTD as % of 2014 YTD	158	123	109	70	91	108	117	94
Last 4 weeks as % of 2014	113	104	127	91	106	114	117	106
Last 4 weeks as % of 3-yr avg.[1]	125	113	109	143	122	115	116	94
Total 2014	103,331	153,771	482,431	47,510	297,969	1,085,012	242,616	276,322

[1]As a percent of the same period in 2009 and the prior 3-year average. YTD = year-to-date.

Source: Association of American Railroads (www.aar.org)

Figure 3

Total Weekly U.S. Class I Railroad Grain Car Loadings



Source: Association of American Railroads

Table 5

Railcar Auction Offerings[1] ($/car)[2]

Week ending	Delivery period							
1/15/2015	Feb-15	Feb-14	Mar-15	Mar-14	Apr-15	Apr-14	May-15	May-14
BNSF[3]								
COT grain units	no offer	no offer	51	no offer	54	379	31	278
COT grain single-car[5]	no offer	no offer	3 . . 25	no offer	1 . . 33	75 . . 271	0 . . 33	89 . . 151
UP[4]								
GCAS/Region 1	no offer	no offer	no offer	90	no offer	no offer	n/a	n/a
GCAS/Region 2	no offer	no offer	no offer	1	no offer	no offer	n/a	n/a

[1]Auction offerings are for single-car and unit train shipments only.

[2]Average premium/discount to tariff, last auction

[3]BNSF - COT = Certificate of Transportation; north grain and south grain bids were combined effective the week ending 6/24/06.

[4]UP - GCAS = Grain Car Allocation System

Region 1 includes: AR, IL, LA, MO, NM, OK, TX, WI, and Duluth, MN.

Region 2 includes: CO, IA, KS, MN, NE, WY, and Kansas City and St. Joseph, MO.

[5]Range is shown because average is not available. Not available = n/a.

Source: Transportation & Marketing Programs/AMS/USDA.