



Access To The World

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American corn and soybean products can be delivered twice as fast to the Pacific Rim as those shipped through the Gulf of Mexico, thanks to a sophisticated new terminal in Washington state: Port of Grays Harbor.

The first oceangoing ship to use the multimillion-dollar terminal, built and owned by Ag Processing, Inc. (AGP), of Omaha, NE, arrived this past December.

The new terminal in the Pacific Northwest (PNW) cuts shipping time and costs — savings that can amount to tens of thousands of dollars a day.

It also meets the needs of overseas customers and could improve prices in the Upper Midwest, say officials with the United Soybean Board (USB) and the American Soybean Association (ASA).

“We can ship to Asia in about 18 days from the West Coast,” says USB Chairman Criss Davis, who farms near Shullsburg, WI. Sending soybeans to Asia through the Gulf of Mexico requires about 35 days.

Asia represents one-third of total U.S. soybean meal exports, and nearly all the increase in demand during the past 10 years has been in this market, according to AGP officials.

“For us, the opportunity to send (soybeans) to the West Coast using a decent loading facility makes all the sense in the world,” says Bob Metz, vice president of the American Soybean Association.

“Where we sit in the Dakotas we have a wide basis compared to the rest of the U.S.,” says Metz, of Browns Valley, MN, who farms in South Dakota. More shipments to the Pacific Northwest could narrow the region's basis. The narrower basis could be comparable to that found in Illinois and Iowa, he adds.

About one third of the U.S. soybeans exported in 2003 were shipped through the PNW, says Mark Newman, president of **Market Solutions** in Chevy Chase, MD. He attributes these shipments to strong Chinese demand and a \$10/metric ton difference in shipping rates from the PNW vs. the Gulf of Mexico.

“Farmers got more of the added value than they would have if that (PNW) option hadn't been there. Having that option meant there was more money to filter back to farmers,” Newman says.

AGP's new facility and West Coast shipping means more than cutting transportation and inventory costs. “What really excites me is the relationships we build with Asian customers,” says Curt Raasch, an Iowa farmer and USB board member.

The new terminal “creates that environment so we have repeat business, not just one time (sales). This whole thing opens the door to creating relationships between buyers and sellers, with producers and buyers,” says Raasch, who farms with three sons.

“Looking ahead, that's extremely positive for my sons and the next generation,” he says.

DIRECT LINK TO THE PACIFIC NORTHWEST

The new AGP export terminal capitalizes on the huge expansion of soybean production in the Upper Midwest.

In 1995, farmers in Minnesota, Nebraska, North Dakota and South Dakota grew 12.1 million acres of soybeans, according to USDA. In 2002, acreage in these four states increased more than 50% to 18.7 million acres.

The world's largest soybean processing cooperative, AGP began shipping soybean meal through the PNW about 15 years ago.

"But we needed a facility in order to expand and grow and guarantee access to our customers," says Glen Heitritter, AGP's director of international trade.

Now, soybeans from AGP's member cooperatives and their farmer-owners are crushed and soybean meal is loaded into unit trains of 100 or 110 cars bound for Grays Harbor. "It's a direct link," says Heitritter.

The distance from AGP's Sergeant Bluff, IA, facility to the Gulf and to Grays Harbor, for example, is about the same. But shipping down to the Gulf takes about twice as long because it involves rail or truck transit to the river and loading and unloading barges.

Shipping to customers with the new terminal at Grays Harbor is not only twice as fast internationally, but also domestically, Heitritter adds. Using the new terminal also reduces handling, interest and shipping costs.

BUILDING THE PORT

Work began on the Port of Grays Harbor terminal in 2002 and finished last fall. The new terminal and related work at the port — which included \$2 million for an 8,000-ft. rail loop that passes through AGP's Terminal 2 — has an estimated value of \$14.5 million.

Both the Burlington Northern Santa Fe (BNSF) and the Union Pacific (UP) — the nation's two largest railroads — have tracks that run within about 40 miles of the harbor. A shortline railroad, the Puget Sound & Pacific Railroad, brings railcars the rest of the way.

The terminal features:

- An internationally approved vessel-loading scale and automatic sampler.
- A movable loading tower that travels the length of a ship, speeding loading.
- A rack to accommodate up to 300 railcars.

The cooperative plans to ship high-value soybeans, corn and other ag products through the terminal. It also can be washed, cleaned and air-dried after each shipment and AGP has a fleet of railcars dedicated solely for identity-preserved (IP) shipments.

This helps meet customer demand for IP, non-biotech soybean meal and traceability, says Glen Heitritter, AGP's director of international trade.

"Traceability has become a hot topic internationally," Heitritter adds. "Customers increasingly want to know where these products are coming from."

The Grays Harbor Economic Development Council estimates that the terminal will bring in 18-22 freighters in 2004. Other companies can also export through the harbor's Terminal 2.

AGP ships to a wide variety of customers in the Pacific Rim, including Australia, New Zealand, Indonesia, Thailand, the Philippines, Japan and Vietnam.

MORE DOMESTIC PROSPECTS

The Grays Harbor terminal offers more opportunities for soybeans within the U.S., says Bob Metz, ASA vice president from Browns Valley, MN.

"The movement of soybeans to the West Coast opens up many opportunities not only in exports, but also in new uses ranging from soy-based adhesives for the forest-products industry to soyfoods," he says.

The state of California's economy is so large that if it were a country, it would be the fifth largest in the world, he says, trailing only the U.S., Japan, Germany and the United Kingdom.

While soybean growers in the Upper Midwest now have a new port to ship through in the Pacific Northwest, they also need to select soybeans that are "high in protein," Metz says.

Soybeans grown in the Upper Midwest have less protein than those grown farther south.

"We need to put greater emphasis on soybeans that are high-producing," but also have higher levels of protein, says Metz.