

The irony is not lost on Wisconsin corn and soybean grower Criss Davis. Quirks in U.S. maritime law make it less expensive to ship soybeans 8,000 miles from Brazil to North Carolina than to rail the 800 miles from Ohio.

This year, when corn supplies along the East Coast withered from drought, North Carolina corn prices spiked 45 cents to 50 cents above Columbus, Ohio's basis. In response, a new port facility in Wilmington, N.C., imported not only 90,000 tons of South American soybean meal but also feed wheat from France and the United Kingdom.

"Nobody blames the pork and poultry producers," says Davis, chairman of the United Soybean Board's international trade committee. "We're just trying to do something about freight costs before we lose the livestock infrastructure in the Southeast altogether."

The Jones Act, a 1920 maritime law staunchly defended by shipbuilders and labor unions, has dogged domestic agricultural freight for decades. It mandates that vessels used to transport cargo and passengers between U.S. ports be owned by U.S. citizens, built in U.S. shipyards and manned by U.S. crews. Rules apply to barge operators on inland waterways, and deep sea carriers along the coasts.

Supporters note that the law covers 37,000 vessels and affects 80,000 jobs for U.S. citizens. But such protection comes at a cost. U.S. ships charge at least two to four times more per ton than foreign-flag vessels, says Mark Newman of Market Solutions, Chevy Chase, Md., a consultant to the United Soybean Board. "Gulf ports should have a cost advantage of shipping grain to the U.S. Atlantic Coast, if they weren't effectively foreclosed by the Jones Act," he says.

Calls for Jones Act reform have escalated since the mid-1990s, Newman adds, as rail mergers left more grain buyers captive to single shippers and subject to service disruptions. No wonder livestock feeders feel nervous about steady feed supplies: Southeastern states produce 55% of the nation's broilers, 38% of the turkeys, 20% of the layers, and 18% of the hogs. That animal density means that the Southeast consumes one billion bushels of corn and one-third of the nation's soybean meal, most of it shipped from outside the region.

"The Wilmington facility got built as a result of rail mergers in the 1990s," says Newman. "Livestock feeders need to be supplied 365 days a year, and they feel vulnerable now. We consistently find that freight rates are influenced by competition. Where there is competition, rates are cheaper."

Politics, politics. Previous efforts to exempt agriculture from the Jones Act ended in failure in 1995 and 2001, farm groups admit. "If Social Security is the third rail for politicians, the Jones Act is the third rail for agriculture," says Paul Bertels, a transportation expert with the National Corn Growers Association (NCGA).

Change in Senate leadership is giving some farm groups courage to try again. Former Senate Majority Leader Trent Lott (R-Miss.) the son of a shipyard worker, once vowed that Jones Act reform would take place only "over his dead body," farm lobbyists recall. His high-profile resignation as majority leader clears that hurdle, although the Maritime Administration and politicians from shipbuilding states remain staunch defenders.

In December, a coalition including NCGA, the American Farm Bureau, the American Soybean Association, and the National Association of Wheat Growers commissioned a major economic study to identify the factors hindering the competitiveness of U.S. feedstuffs. Results, including an analysis of the Jones Act, should be available in late March. "If the Jones Act is significant, then we'll have something to show Congress," says Farm Bureau lobbyist Mary Kay Thatcher. "If it turns out its impact is minuscule compared to exchange rates or other factors, we'll leave it alone."

At best, farm groups hope for a limited or temporary exemption to the Jones Act, not a total overhaul. "The river fleets are working, so we don't want to mess with them," says Bertels. "Ultimately, what is needed, however, is for Congress to have a very rational debate about the whole U.S. salt-water fleet."

The Jones Act's indirect subsidy -- higher freight rates -- was supposed to guarantee a robust merchant marine in the event of military conflict. Unfortunately, America's merchant fleet has shrunk significantly since the 1960s. A third of the dry-bulk fleet was over 25 years old in 1998, an age deemed unfit for saltwater service. And Congress suspended the Jones Act during the Gulf War to assure adequate fuel supplies for U.S. troops. Maersk, a Danish-owned shipping firm, has already contracted to supply the U.S. military in the event of war with Iraq.

Agriculture's problem with the Jones Act isn't lack of vessels, it's lack of volume, says Glen Nekvasil, vice president of the Lake Carriers Association and a member of the task force defending the Jones Act. "Duluth to Buffalo is the only domestic grain trade left on the Great Lakes today," he says. The route once supplied grain exports to Russia, but volume has tanked since the collapse of the former Soviet Union. Shipments totaled only 15 million tons last year, half the 1970 level.

Maritime interests insist reforms are unnecessary. New oil tankers, container ships and tug barges are being built in the U.S. every day, says Nekvasil. It's the grain trade's erratic nature that makes new ship investments problematic. "No prudent business will spend \$30 million to \$50 million to build a ship for U.S. registry without assurances that demand will be there," Nekvasil says.

Farm interests claim there are only eight dry-bulk carriers that could haul feedstuffs under the Jones Act provisions, but most are on the Great Lakes, not salt water. Ag leaders want an exemption that would allow ships built outside the U.S., but still manned by U.S. crews, to meet the Jones Act mandate. Others want to opt for a temporary waiver for ag feedstuffs. Says NCGA's Bertels: "It's somewhat unpalatable if you're sitting on a mountain of corn in the Midwest to see Europeans and South Americans supplying your livestock industry."
