



Testimony of

**Steve Ebke, Chairman, Production & Stewardship Action Team
National Corn Growers Association**

**“The Economic Importance and Financial Challenges of Recapitalizing
the Nation’s Inland Waterways Transportation System”**

**House Committee on Transportation & Infrastructure
Subcommittee on Water Resources & Environment**

September 21, 2011

Chairman Gibbs, Ranking Member Bishop and distinguished members of the subcommittee, thank you for the opportunity to testify today on behalf of the National Corn Growers Association (NCGA) as part of the House Transportation and Infrastructure Subcommittee on Water Resources and Environment hearing on the importance of our nation’s inland waterways transportation system.

My name is Steve Ebke, and I am chairman of NCGA’s Production and Stewardship Action Team, which handles transportation policy for our national organization. I am a third generation farmer from Daykin, Nebraska where I grow corn, soybeans and wheat. NCGA was founded in 1957 and represents approximately 35,000 corn farmers from 48 states, as well as more than 300,000 farmers who contribute to corn checkoff programs and 27 affiliated state corn organizations across the country. The mission of NCGA is to create opportunities for corn growers to enhance corn’s profitability and use.

The U.S. agricultural sector is the largest users of the freight transportation network, accounting for nearly one-third of all freight transportation services provided across the country. With the primary agricultural production in the interior of the country, far from the ports that link to international trade economy, transportation is critical to the competitiveness of U.S. agriculture in world markets. The U.S. Department of Agriculture research shows that nearly half the cost of U.S. grain at its final destination is accounted for by the cost of transportation from the farm gate to the consumer.

Farmers move their crops and receive their inputs by barge, rail and truck. The competition among these modes of transportation helps farmers receive the best price for their crops, meet

their customers' demand for timely delivery of products and successfully compete with foreign producers. Without the competition that comes from access to efficient, alternative transportation methods, farmers can pay significantly more to transport their grain.

Even though not all corn growers ship to the Mississippi River, all growers are impacted by it. While my home state of Nebraska is not adjacent to the Upper Mississippi River System, farmers in my area understand the importance of our inland waterway transportation system. Every day, the price of grain a farmer receives at his home market is largely based on the price of grain that moves on the Mississippi River to export markets.

Each year more than one billion bushels of grain – about 60 percent of all grain exports – are shipped for export via the Mississippi River. The American farmer's international competitiveness has always hinged on the ability to move crops to market. The lower the cost of transportation, the lower the cost of U.S. grain on the world market; thus, the more grain the U.S. is able to sell. South American countries are investing large sums in river infrastructure to upgrade their river systems to be more competitive with the U.S. America cannot afford to allow any aspect of river commerce to deteriorate for fear of losing export market share to South America at the expense of our agriculture industry.

In addition, the modernization of the Panama Canal, expected to be completed in 2014, will lead to expanded agricultural export markets within the next few years. Currently, 57 percent of U.S. grain leaving Gulf ports makes its way through the Panama Canal. In 2006, Panama approved a \$5.25 billion project to double the capacity of the canal. The modernization project will add two new locks, two navigational channels connecting the new locks to the existing system, and deeper, wider shipping lanes.

The current canal completed in 1914 is nearing its limit for the number of ships it can handle. According to the Soy Transportation Coalition (STC), during peak shipping season, 40 or more ships can be backed up each day waiting to transit the canal. The expansion is good news for corn farmers, as it will lessen transport time and should reduce ocean-freight costs. This is particularly important for containerized dried distillers grains (DDGs) bound for Asian markets. However, if domestic infrastructure is inadequate, the canal expansion project will be a missed opportunity.

The truth is that many locks currently in use within the U.S. inland waterways system are too small for today's larger tows, susceptible to closures and long delays for repairs, and unable to

deal effectively with lines and wait times that results from their obsolescence. The American Society of Civil Engineers 2005 *Report Card for American Infrastructure* assigned a grade of D- to the condition of our river infrastructure. On the Upper Mississippi River, many lock chambers are 600 feet in length. However, the average length of a modern tow (15 barges pushed by a towboat) is 1,200 feet. Consequently, for a modern tow to navigate through these antiquated locks, it must split in half and transit the lock one section at a time, resulting in costly delays.

The good news is that construction has been planned for five new locks along the Upper Mississippi River – L&D 25, 24, 22, 21 and 20 – and two new locks along the Illinois River at LaGrange and Peoria. The planning was completed by the U.S. Army Corps of Engineers and approved by the Chief of Engineers in December 2004. In the 2007 Water Resources Development Act (WRDA), Congress authorized construction on these seven projects within the Navigation and Ecosystem Sustainability Program (NESP). The dual-purpose NESP authorization integrates modernization of the navigation system to reduce barge traffic delays with restoration of important habitats. Unfortunately, in the four years since the passage of WRDA, little or no funding has been allocated.

These much needed infrastructure and ecosystem improvements are consistent with the goal of job creation and overall economic recovery. In fact, President Obama included inland waterways projects as a component of the proposed American Jobs Act, which was unveiled just last week. The U.S. Army Corps of Engineers estimates that for every \$1 billion invested in navigation or ecosystem restoration projects, 30,000 to 35,000 jobs are created. More specifically, the lock upgrades on the Upper Mississippi and Illinois Rivers would require a total of 48,000,000 person hours from skilled trades throughout the Midwest. The reinvestment potential for our communities from this opportunity is enormous.

In addition to the direct, immediate and obvious benefits that these infrastructure investments would provide in the form of jobs and economic activity, they would also result in many additional long-term benefits. The greater capacity and efficiencies that are created for barge transportation on the inland waterways system will alleviate some of the demand for truck transportation, which is more fuel intensive and puts more pressure on already stressed highway infrastructure. The carrying capacity of one 15-barge tow eliminates the need for 870 semi-trailer trucks to travel our nation's highways.

As the most fuel efficient means of transportation for agricultural commodities, an investment in our waterways infrastructure will help us toward our national goals of energy security and

improving our environmental footprint. Barges operate at 10 percent of the cost of trucks and 40 percent of the cost of trains, while releasing twenty times less nitrous oxide, nine times less carbon monoxide, seven times less hydrocarbons, and burning ten times less high-price fuel.

Of course, we all realize that in this time of severe budget constraints, we must be more responsible and efficient with our federal spending. That's why in 2009, the U.S. Army Corps of Engineers collaborated with the Inland Waterways Users Board and other stakeholders to draft the Inland Waterways Capital Development Plan, which recommends major improvements to project funding and delivery. The plan proposes a more adequate funding mechanism, prioritizes navigation projects across the entire system, improves the Corps' project management, provides more oversight, and ensures the Inland Waterways Trust Fund (IWTF) continues to retain necessary matching federal funds.

The proposal would preserve the existing 50 percent industry and 50 percent federal cost-sharing formula for new lock construction and major lock rehabilitation projects costing more than \$100 million. The plan would adjust the current model to provide 100% federal funding for dam construction and major rehabilitation and smaller lock rehabilitation projects, recognizing the value derived by other beneficiaries from dams and the pools created by dams.

The proposal also includes a cost share cap on new lock construction projects to incentivize keeping projects on budget and prevent industry taxpayers from bearing the burden of paying for significant cost overruns. This will strengthen the ability of the Inland Waterways Trust Fund to fund all priority projects in the pipeline, including the seven NESP projects on the Upper Mississippi and Illinois Rivers that are a priority to NCGA.

The proposed new funding parameters will necessitate a 30 to 45 percent increase (between 6 and 9 cents per gallon) in the existing fuel tax of 20-cents-per-gallon that is paid by the barge and towing industry. At the same time, the recommended reforms to the Corps of Engineers' project management and delivery process would ensure that these additional resources are spent wisely.

In March of 2010, NCGA officially endorsed the Inland Waterways Capital Development Plan, and we have strongly advocated for its inclusion in any future WRDA bill or infrastructure development proposals. We recognize that the increase in the fuel tax will ultimately be passed on to farmers, but NCGA strongly believes that a strategic investment in our nation's waterways will be beneficial to the agriculture industry in the long run. Without a restructured capital

development plan, the seven locks authorized in WRDA in 2007 could be waiting decades to begin construction.

In 2005, the agriculture industry experienced firsthand how important the inland waterway transportation system is to our bottom line. In late summer, Hurricane Katrina shut down the Gulf ports for weeks and debilitated at least 100 barges south of New Orleans, severely constricting barge supply. The cost to ship a bushel of corn from St. Louis to New Orleans in the weeks following Katrina jumped from a normal rate of 33 cents to about 81 cents per bushel. Some areas were trading as high as 800 percent of tariff, which at the time translated to approximately \$1.34 per bushel. In other words, it cost more to ship a bushel of corn than what grain elevators along the river were paying for it. While these conditions were obviously weather related, the impacts from a major lockage failure could be similar.

In closing, NCGA believes that improving transportation capacity should be a national priority that deserves urgent attention. We can no longer stand idle, taking our transportation infrastructure for granted. For too long we have lived off the investment of our ancestors. It is time to provide necessary and long-overdue improvements to our nation's waterways.

Thank you for considering our comments on this important issue. I am happy to take any questions.

Steve Ebke

Steve Ebke serves as chairman of the National Corn Growers Association (NCGA) Production and Stewardship Action Team.

Steve and his wife, Deborah, farm irrigated and dryland, no-till corn, soybeans and wheat in southeastern Nebraska. Steve and Deborah are the parents six children.

Steve received a Bachelor of Science degree in Business Administration/Accounting from the University of Nebraska-Lincoln in 1973. After graduation he was employed as a Certified Public Accountant, serving as a manager in charge of auditing and financial accounting engagements.

In the spring of 1985, Steve returned to the family farm, as the third generation.

Steve has been involved in numerous local, state, and national boards and commissions:

- Chairman of the Mission Endowment Board of the American Lutheran Church, Fairbury, NE (2010-present)
- Member and Vice-Chairman, Jefferson County Planning and Zoning Committee (2000-present)
- Board of Directors, Jefferson County Farm Bureau (1998-present)
- Board of Directors, Nebraska Energy Cooperative (1997-2009).
- Board of Directors, Vice-President, President, Southeast Nebraska Corn Growers Association (1992-2001)
- Board of Directors, Secretary, Vice-President, President, Chairman of the Board, Co-Chair Government Relations Committee, Nebraska Corn Growers Association (1996-present)
- Ex-officio member, Nebraska Corn Development, Utilization, and Marketing Board (2005-2006)
- Board of Directors, National Corn Growers Association Corn PAC (2002-2004)
- Member, National Corn Growers Association Grower Services Action Team (2000-2004)
- Member, Vice Chairman, Chairman National Corn Growers Association Production and Stewardship Action Team (2004-present)
- Member, National Corn Growers Association Production and Stewardship Action Team Conservation Subcommittee (2006-2008). Subcommittee responsible for formulating National Corn Growers position on Conservation Title of 2007 Farm Bill.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Steve Ebke

(2) Other than yourself, name of entity you are representing:

National Corn Growers Association

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

None

Signature

Steve Ebke

Date

9/21/11