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Latest Trends and Future Outlook for Agriculture and the Barge Industry Highlighted During FreightWeekSTL

[ST. LOUIS/May 14, 2024] Trends in water levels, infrastructure investment, global supply chain challenges and crop production all impact freight movement in the St. Louis region and around the world. That was the topic of conversation during a FreightWeekSTL panel discussion on May 14 hosted by the St. Louis Regional Freightway. The session featured Ken Eriksen who shared the latest trends and future outlooks for agriculture and the barge industry. Eriksen is a managing member and strategic advisor at Polaris Analytics & Consulting.

For the past two years, Eriksen said the Mississippi River has experienced low water conditions that will need to continue to be monitored, especially given the low Missouri River Basin snowpack this season. The Panama Canal also has faced low water levels with droughts resulting from El Nino, but he said shippers are now finally starting to see those levels increase

“The Panama Canal is very important because grain and other resources that move down the Mississippi River system and are loaded on vessels in the U.S. Center Gulf use the canal when shipping to Asia,” Eriksen said. “The U.S. Center Gulf serves two to three dozen markets for corn, soybeans, wheat and other products, serving significantly more markets than the Pacific Northwest or the U.S. East Coast.”

Eriksen said attacks in the Red Sea also remain an issue for moving freight, as are concerns about the pirates threatening shipping operations in Straits of Hormuz. He said the whole peninsula in the Middle East is creating major concerns among shippers. The concern is leading some vessel operators to bypass those routes, which is increasing the travel time by upwards of two to three weeks as they chose to route around the Cape of Good Hope. The result is the need for an increased number of vessels to move the same cargo.

Eriksen also talked about changes in movements of various cargos by barge, noting that over the last decade, coal volumes on the river system are down almost by half in the St. Louis region. He added the sharp decline has been partially reversed over the last three years as export volumes have risen to meet energy needs in Europe, North Africa and India.

On the agricultural side, he said the United States is facing a competitive environment for corn, soybeans and wheat, with U.S. exports of wheat dropping from over a billion bushels to around 700 million bushels. Meanwhile, Brazil is continuing to expand its soybean and corn production and Australia had three consecutive years of crop records, and this year is looking better than anticipated. Despite challenges reinvigorating the Black Sea as a safe export corridor, Russia, Turkey and Ukraine are also still contributing to the market. As planting season gets underway in the U.S., the USDA announced that more soybeans and less corn will be planted, which Eriksen says is partly due to the expansion of the soybean crush capacity for renewable purposes.

Still, Eriksen said the St. Louis region's location at the crossroads of the central U.S. is beneficial because lots of commodities and products still enter the market. Beyond ag products, the region sees fertilizer traveling up the river for spring crops and then transitioning to salt in the winter.

He also discussed the importance of infrastructure investment for access to domestic markets and the global marketplace, stating that good infrastructure ultimately results in better competitive positioning.

"You can have all the rolling and floating assets you want, but if you're not investing in the infrastructure by which they roll over or float on and through, you're not going to be able to really satisfy the investments that people have made in those assets," Eriksen said.

He added that infrastructure investment helps achieve the four Rs of the supply chain: reliability, resiliency, resourcefulness and redundancy. When there are broken parts of supply chains or infrastructure, costs go up all around because you just need more capacity to move the same volume. Eriksen said this is problematic, especially for long-term issues that stall supplies, as competitors around the world will work to fill the gaps, make infrastructure investments and fulfill those requirements, resulting in increased competition and strengthening their local economies.

"At the end of the day, a viable and efficient infrastructure allows for greater investment to bring commodities in or products to be manufactured and to use," said Eriksen. "And that just means there's more jobs, more tax revenue, and we see that infrastructure is everything. It gives the foundation for the economy to function and to work. And the Mississippi River system is the backbone of the U.S. economy serving well over a hundred million people now. So that infrastructure is important in what it does to serve the domestic and global markets."

Eriksen also commented on the significance of the funding the Port of New Orleans recently received for the new Louisiana International Terminal (LIT). He said the terminal is a greenfield product project and will feature efficient design components like multimodal options and access to the facility for some of the world's largest container vessels. This will have implications for SCF Marine, recently acquired by Ingram, who are designing their systems for the intermodal option for containers on the river system that could move via barge or other vessels to and from the Midwest.

"SCF Marine and Ingram have a lot of experience and have done a lot of study looking at the intermodal option for containers on the river system," said Eriksen. "It'll be very exciting to see what will come out of that and the type of investment they'll make and commitment they'll give."

Eriksen said the LIT will have an impact for the movement of ag products through the St. Louis region, bringing container-on-vessel and container-on-barge services up the river. He said St. Louis has a ready-made multimodal function that it serves and different warehousing and railroads that will be important to take advantage of. This will increase the reliability of the supply chain and make it even more efficient.

"As we see different needs for investment within the hinterlands of the United States, St. Louis is right in the middle of where things can connect and come together," Eriksen said. "So, it just opens for a chain of investments along the river and into St. Louis. This is going to be something that needs to be looked at very closely in the short term to prepare for what's coming over the long term."

Eriksen also touched on the use of artificial intelligence in the ag and barge industries, sharing that in a challenging labor market, using AI to for equipment management or office functions can save costs. However, he said there is still a need for people who can understand what needs to be accomplished and maximize the tools of AI. In St. Louis and elsewhere on the lower Mississippi, he said AI can be used to help increase planning

capabilities. Eriksen said it looks across numerous systems to determine opportunities and key drivers that are impacting aspects from towboat design to the impact of weather events on low water. Other tools like Microsoft's Co-Pilot and Chat GPT are also helpful resources that Eriksen says he uses every day. He added that as AI is deployed, and more and more information is put into it, its ability will also be enhanced.

Eriksen's outlook for the agriculture and barge industries in the St. Louis region touched on how the global and national trends discussed will have an impact on the region and need to be monitored. In addition, he said watching the rail markets will be very important since St. Louis is served by six Class I railroads accessing all coasts in the U.S. He also addressed how barge makers, including those based in the St. Louis region, will continue to deal with the challenge of rising equipment and material costs.

With agricultural competition from South America, Eriksen says U.S. grain exports will likely be smaller. Nonetheless, he said there is still a great opportunity for the St. Louis region given its multimodal capabilities and capacities and opportunity to take advantage of the draft of the river system to move down to the Center Gulf and be able to position commodities and products for export.

The virtual session with Eriksen was moderated by Mary Lamie. Lamie is Executive Vice President of Multimodal Enterprises for Bi-State Development, which operates the St. Louis Regional Freightway.

"We now have a clearer picture of how factors ranging from water levels and global disruptions to crop production in other countries and infrastructure investment here and abroad can impact the U.S. agriculture and barge industry," said Lamie. "We value the insight on how these factors might affect the movement of ag cargo flowing through the St. Louis region in the coming months and how continued investment in infrastructure is strengthening the St. Louis region's position as a global freight hub."

FreightWeekSTL 2024 continues through May 17 and is being delivered by the St. Louis Regional Freightway and Bi-State Development. To learn more, register for the remaining panel sessions or view today's or other past sessions for FreightWeekSTL 2024, visit FreightWeekSTL.com.

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About St. Louis Regional Freightway

A Bi-State Development enterprise, the St. Louis Regional Freightway is a regional freight district and comprehensive authority for freight operations and opportunities within eight counties in southwestern Illinois and eastern Missouri, which comprise the St. Louis metropolitan area. Public sector and private industry businesses are partnering with the St. Louis Regional Freightway to establish the bi-state region as one of the premier multimodal freight hubs and distribution centers in the United States through marketing and advocacy for infrastructure development that supports the movement of freight. To learn more, visit thefreightway.com.