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Grain Transportation Prospects

USDA/STB Grain Logistics Task Force
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Summary

U.S. grain (excluding rice) and soybean production for 1998/99 is forecast at 16,131 million bushels, up 2 percent from 1997/98 and only 74 million bushels short of the record 1994/95 crop. With carry-in stocks totaling 2,474 million bushels for the combined marketing years, 1998/99 available grain and soybean supplies are estimated at 18,839 million bushels, their highest level since the mid-1980's. Storage capacity in many regions will be as tight as it has been in several years. Prior to the harvest, many grain facilities were holding substantial inventories, and some were moving old-crop grain to outside storage. Available harvest-time grain and soybean supplies in the Eastern Corn Belt, Western Corn Belt, and Central Plains will meet or surpass available storage capacity. Despite continued weak demand for export rail movements, total grain carloadings on U.S. railroads were up 2 percent during the third quarter (July-September) of 1998, as compared to last year, and up 11 percent from the same quarter in 1996. This increase is the result of continued strong demand for rail transportation in the Eastern United States. Third quarter grain carloadings in the western United States fell short of last year's level, largely because of weak demand for export rail shipments, particularly to the Pacific Northwest (PNW). Despite projected modest improvements in export demand for corn and spring wheat, the PNW export corridor seems unlikely to see substantial increases in volume in the near term. The fourth quarter of 1998, consistent with the normal seasonal pattern for shipping demand, will be the strongest quarter for rail transportation demand this year. Large harvests and strong domestic demand for grain and soybeans will drive demand for rail transportation. The need to reposition grain from ground piles into use or into more permanent storage by winter will also add to demand. Grain carloadings on all the railroads since the beginning of October are already showing the seasonal upturn that accompanies the harvest. However, the secondary market for guaranteed rail freight and the spot market for barge transportation suggest some weakening in grain transportation demand as we move into early 1999.

This report is compiled by USDA's Agricultural Marketing Service, Transportation and Marketing Programs. It contains information provided by the Surface Transportation Board; and by USDA's Agricultural Marketing Service, Economic Research Service, Farm Service Agency, Foreign Agricultural Service, and National Agricultural Statistics Service. It is approved for release by the World Agricultural Outlook Board. For questions or comments concerning this report contact Jerry D. Norton, USDA-Agricultural Marketing Service, 202-690-1303, "jerry_d_norton@usda.gov". Unless otherwise referenced, information in the report is based on data from the October 9, 1998, *World Supply and Demand Estimates and Crop Production* reports and the September 1998 *Small Grains* report.

Grain Market Situation

Corn

Supplies. U.S. corn production for the 1998/99 marketing year is forecast at 9,743 million bushels, up 4 percent from last year and only 3.5 percent below the record 10.1-billion-bushel 1994 crop. This year's corn harvest is running ahead of normal, with 57 percent of the crop harvested as of October 18, compared to 45 percent last year at this time and the 5-year average of 38 percent. Beginning stocks for 1998/99 were reported for September 1 at 1,308 million bushels, up 48 percent from a year ago. Available supplies for 1998/99 are projected at 11,061 million bushels, up 8 percent from 1997/98. Ending year stocks for 1998/99 are projected at 1,711 million bushels, up 31 percent from last year. If current projections hold, 1998/99 ending stocks will be the largest since 1992/93 and result in the third straight year of stock building for corn.

Despite the large overall crop, drought and heat damage reduced this year's corn crops in the Southeast, Delta, and Southern Plains regions (figure 1, table 1). All other regions, except the West, are harvesting corn crops that are larger than last year's and substantially above their 5-year averages. Production in the Eastern Corn Belt is expected to be up 1 percent from last year and up 6 percent from the 5-year average. Western Corn Belt production is expected to be up 9 percent from 1997/98 and up a substantial 23 percent from the 5-year average. Central Plains production is expected to be up 5 percent from 1997/98 and 22 percent above the 5-year average. The Northern Plains corn crop, though substantially smaller than the corn crops in the Eastern and Western Corn Belts and Central Plains, is expected to be up 29 percent this year and up 52 percent from the region's 5-year average.

Corn production in some areas will be up even more than the regional numbers suggest. Illinois, Indiana, and Iowa will all see increases in production (4, 8, and 7 percent) for 1998/99. The largest increases in production in these States are expected in Central and Southern Indiana (figure 2). Larger increases are also expected in a band beginning in northern Illinois and including central and western Iowa. Substantial increases in production are forecast for Minnesota, North Dakota, and South Dakota (18, 42, and 27 percent) for this year. Production in Kansas and Nebraska is forecast up (6 percent each), with the largest gains in northern and western Kansas and central Nebraska.

Use. Total corn use for 1998/99 is projected at 9,350 million bushels, up 4 percent from 1997/98 and second only to 1994/95 when total use reached 9,405 million bushels (figure 3). Domestic use for 1998/99 is

Figure 1—U.S. grain production regions

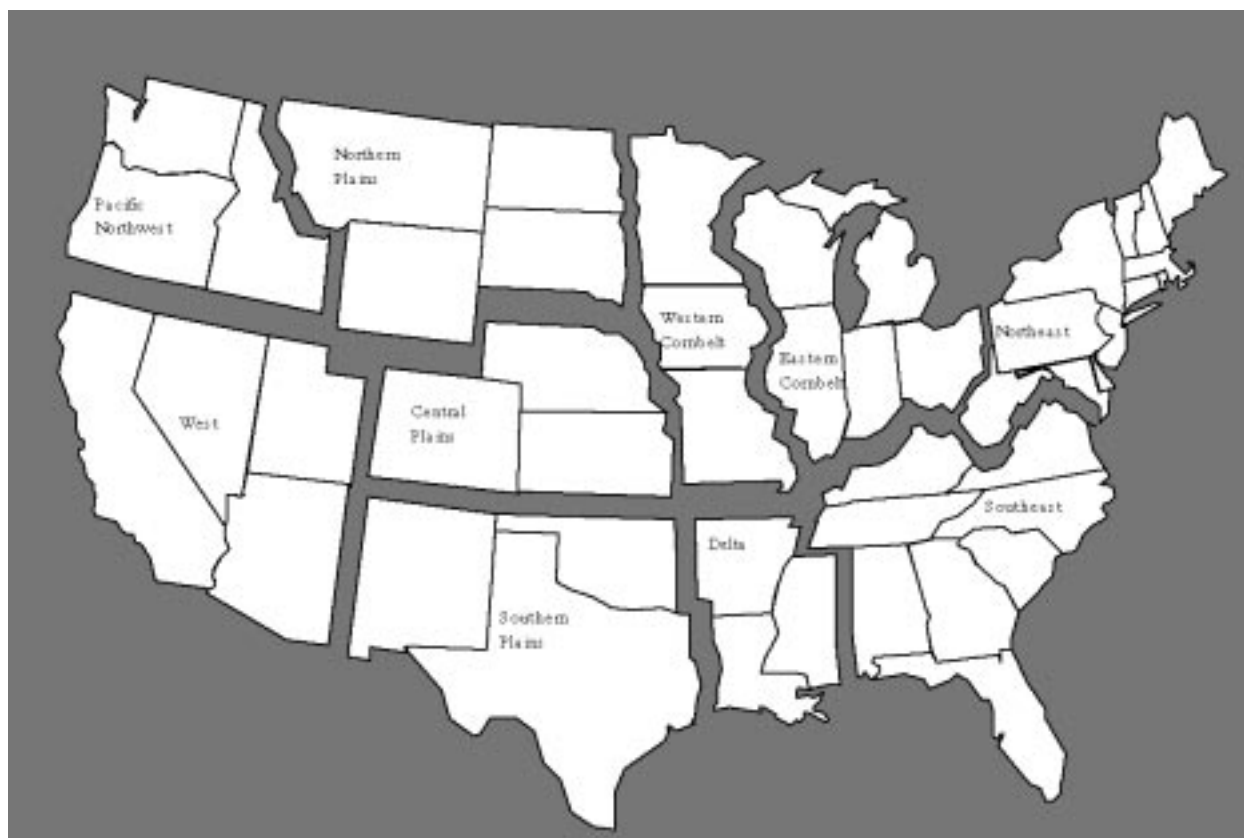
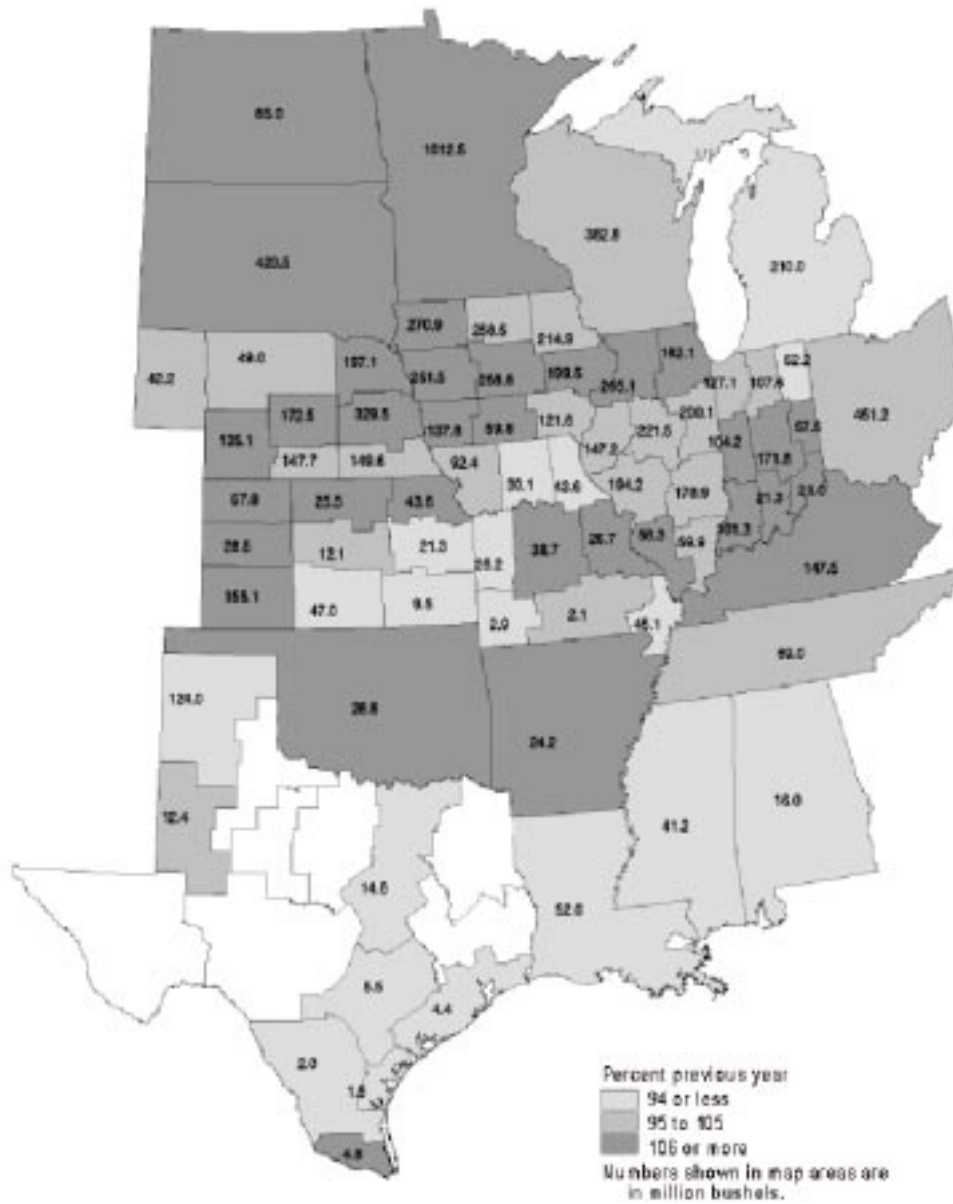


Table 1—U.S. corn production by region, 1993/94-1998/99

Region	Marketing year						Percent of 1997/98	Percent of 5-yr. avg.
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99		
<i>Million bushels</i>								
Northeast	208	270	226	297	240	266	111	107
Southeast	314	457	370	465	411	366	89	91
Delta	43	72	59	156	129	117	91	128
Eastern Corn Belt	2,815	3,829	2,701	2,994	3,273	3,305	101	106
Western Corn Belt	1,369	3,120	2,284	2,942	2,847	3,094	109	123
Southern Plains	242	269	245	241	290	217	75	84
Central Plains	1,108	1,592	1,191	1,678	1,688	1,783	106	123
Northern Plains	181	430	241	444	403	518	129	152
Pacific Northwest	24	28	28	33	29	31	107	109
West	33	36	30	45	56	47	84	118
United States	6,336	10,103	7,374	9,293	9,366	9,743	104	115

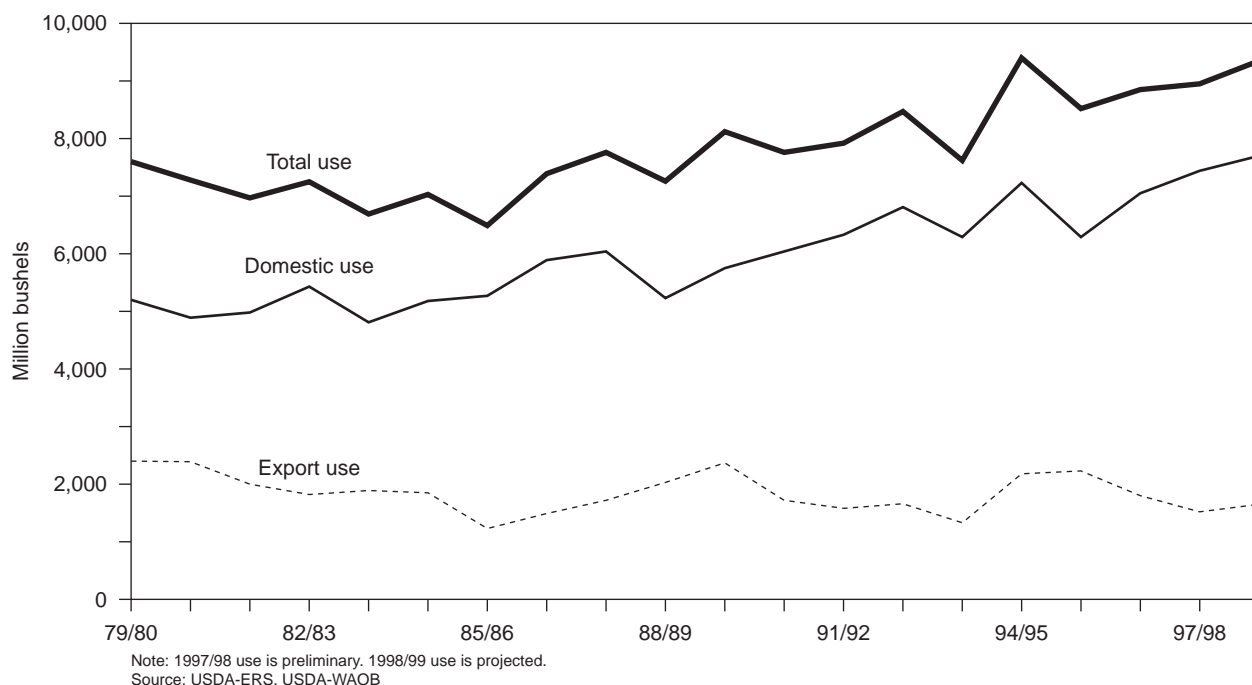
Source: USDA-NASS

Figure 2—Corn production forecast for selected districts/States, October 1, 1998



Source: USDA-NASS

Figure 3—U.S. corn use, 1979/80-1998/99



projected at a record 7,700 million bushels, up just less than 4 percent from last year and 6 percent above 1994/95. While projected exports of 1,650 million bushels are up 9 percent from 1997/98, they remain below the levels of 1994/95 through 1996/97. Outstanding export sales (sold but unshipped) of corn for the current and next marketing years totaled 307.1 million bushels as of October 15, 1995, up 10 percent from last year at this time.

Wheat

Supplies. U.S. wheat production is estimated at 2,557 million bushels for 1998/99, up 1 percent from last year. At this level, this year's crop will be the largest since 1990/91. The latest estimates put this year's average U.S. wheat yield at a record 43.3 bushels per acre. Beginning stocks (June 1) for 1998/99 are estimated at 722 million bushels, up 63 percent from 1997/98 and the largest since 1991/92. The 1998/99 wheat supply is estimated at 3,370 million bushels, up 10 percent from 1997/98 and at the highest level since 1987/88. Ending stocks for 1998/99 are projected to grow for the third straight year. At 902 million bushels, this year's ending stocks will be the highest since 1987/88's 1,261 million bushels.

Winter wheat seedings as of October 18 indicate that 75 percent of the 1999/2000 winter wheat crop is planted, behind last year at this time when 83 percent was

planted and behind the 5-year average of 81 percent. As of October 18, 50 percent of the crop was emerged, again behind last year at this time when 62 percent was emerged and behind the 5-year average of 57 percent. Although USDA's first estimates of the number of acres seeded to winter wheat will not be published until the January 1999 *Winter Wheat and Rye Seedings* report, low wheat prices suggest a strong likelihood that producers will once again reduce their winter wheat acreage this fall.

Hard red winter (HRW) wheat production is estimated at 1,188 million bushels for 1998/99, up 6 percent from a year ago. Large carry-in stocks push this year's HRW supplies to 1,496 million bushels, 19 percent above last year's level. This year's soft red winter (SRW) wheat production is estimated at 443 million bushels, down 8 percent from 1997/98. However, larger beginning stocks substantially offset the lower production. SRW supplies, at 523 million bushels, are down just 1 percent from last year. White wheat (winter and spring) production is estimated at 298 million bushels for 1998/99, down 11 percent from last year. Beginning stocks will offset much of this decline in production leaving available supplies at 398 million bushels, down just 1 percent from last year. Hard red spring (HRS) wheat production is estimated at 487 million bushels for 1998/99, down 3 percent from last year. The smaller crop, however, will be more than offset by large carryover stocks. Total HRS supplies are estimated at 763

million bushels, up 6 percent from 1997/98. Durum wheat production for 1998/99 is projected at 141 million bushels, up 64 percent from 1997/98. Carry-in stocks for durum are down for 1998/99, but the larger crop will leave supplies at 190 million bushels, up 30 percent from a year ago.

Wheat production is up for 1998/99 throughout the Plains (table 2). The largest increase was in the Southern Plains where 1998/99 production is up 12 percent over last year. In that region, Oklahoma and Texas experienced increases of 12 and 15 percent over last year's wheat crops. In the Central Plains, wheat production is also estimated up 2 percent from 1997/98.

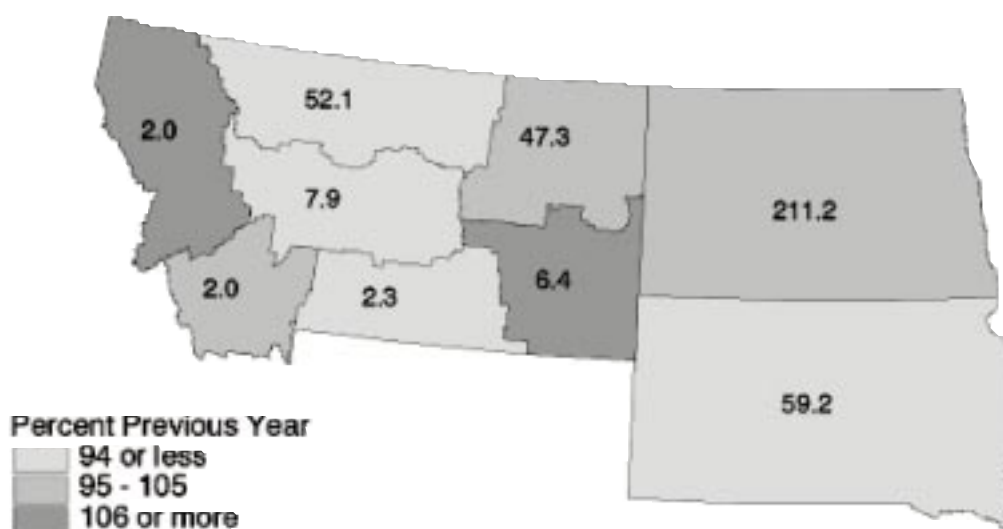
The wheat crops in Colorado and Nebraska are estimated to be up 14 and 20 percent from year-ago levels. Increases in winter wheat and durum production in the Northern Plains contributed to a larger wheat crop for this region. The 1998/99 crop is estimated to be up 8 percent from last year with the largest increases in North and South Dakota (12 and 22 percent). Spring wheat production in the Northern Plains, however, is expected to be down 5 percent from last year. The largest decreases are expected in South Dakota and Central Montana (figure 4). However, increases in spring wheat production are also expected in western and southeastern Montana.

Table 2—U.S. wheat production by region, 1993/94-1998/99

Region	Marketing year						Percent of 1997/98	Percent of 5-yr. avg.
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99		
<i>Million bushels</i>								
Northeast	28	32	38	34	39	34	87	99
Southeast	99	128	110	119	133	102	76	86
Delta	51	49	56	84	51	57	111	97
Eastern Corn Belt	182	196	227	151	219	206	94	106
Western Corn Belt	125	124	121	157	137	139	101	105
Southern Plains	281	224	188	173	307	343	112	146
Central Plains	559	584	477	404	671	687	102	127
Northern Plains	661	627	595	717	561	607	108	96
Pacific Northwest	353	293	318	369	346	318	92	95
West	58	63	53	77	63	65	103	103
United States	2,396	2,321	2,183	2,285	2,527	2,557	101	109

Source: USDA-NASS

Figure 4—Spring wheat production for selected districts/States, 1998



Source: USDA-NASS

Use. Total wheat use for 1998/99 is projected at 2,468 million bushels, up 5 percent from 1997/98 (figure 5). Domestic use is projected at 1,393 million bushels, up 7 percent from last year. Of this, feed and residual use is projected at 375 million bushels, an increase of 28 percent over last year because of expected lower wheat prices that will encourage the use of wheat for feeding. Food use is projected up a modest 1 percent for this year for a total of 925 million bushels. Exports are also projected up 3 percent over last year at 1,075 million bushels.

HRW use is projected to total 1,072 million bushels in 1998/99, up 12 percent from 1997/98. HRS use is projected to total 528 million bushels in 1998/99, up 5 percent from last year. Most of the year-to-year gain in HRW and HRS will be in exports, as many of the world's importers are demanding higher protein hard wheat for direct use or for blending with their domestically produced lower quality wheats. White wheat use is projected at 326 million bushels, up 4 percent from last year, and SRW wheat is projected at 410 million bushels, down 9 percent from last year. Outstanding export sales (sold but unshipped) of wheat for the current and next marketing years totaled 190.2 million bushels as of October 15, 1995, up 14 percent from last year at this time.

Soybeans

Supplies. U.S. soybean production is forecast at a record 2,769 million bushels for 1998/99. If this forecast holds, this year's production will be up 2 percent from last year's record 2,703-million-bushel crop. The national yield projected for this year's crop, forecast at 38.7 bushels per acre, would be 0.1 bushels below last year's final yield. With 71 percent of the crop reported as harvested as of October 18, the harvest is progressing ahead of the 5-year average of 64 percent but slightly behind last year, when 74 percent of the crop had been harvested by this date. Available supplies for 1998/99 are projected at 2,975 million bushels, up 5 percent from 1997/98. Ending stocks for 1998/99 are projected at 395 million bushels, nearly double the 200 million bushels estimated for 1997/98. At this level, soybean ending stocks for 1998/99 would be the largest since 1986/87.

A record 71.6 million acres of soybeans are forecast to be harvested in 1998/99 with increases in production in the Eastern Corn Belt, Western Corn Belt, Central Plains, and Northern Plains (table 3). Production is expected to increase the most in the Central and Northern Plains. Production in these regions is expected to increase by 9 and 21 percent over last year and 33

Figure 5—U.S. wheat use, 1979/80-1998/99

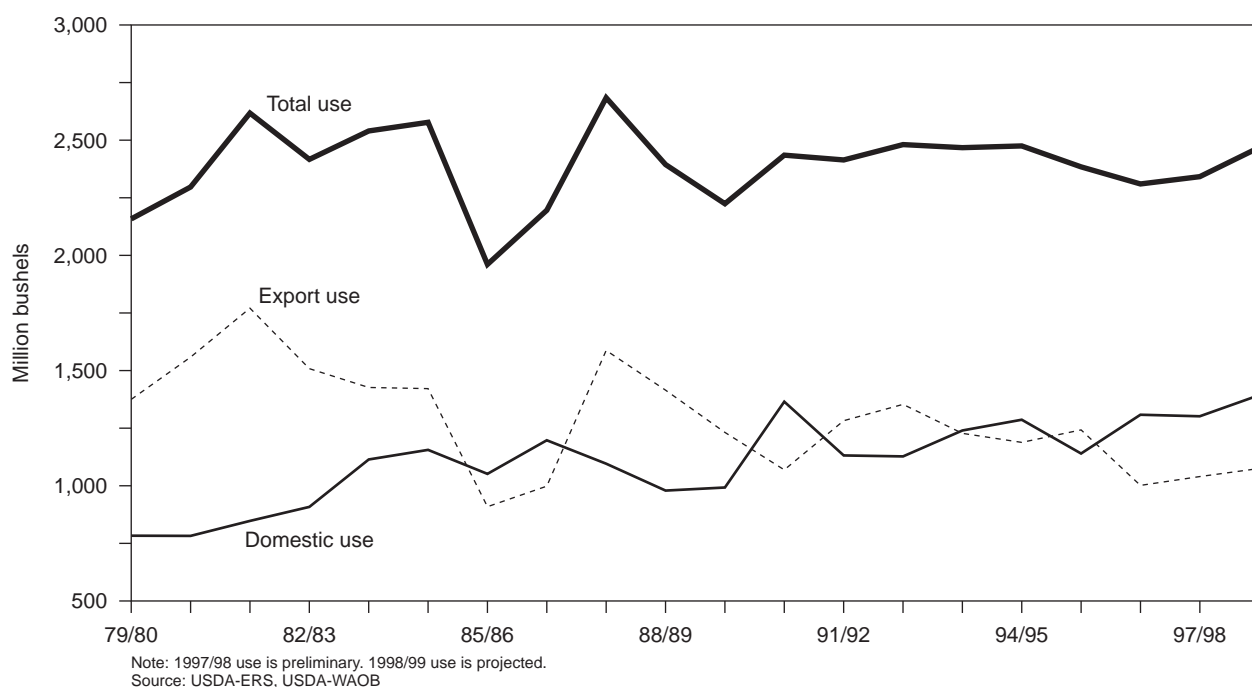


Table 3—U.S. soybean production by region, 1993/94-1998/99

Region	Marketing year						Percent of 1997/98	Percent of 5-yr. avg.
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99		
<i>Million bushels</i>								
Northeast	36	46	29	41	39	40	103	106
Southeast	135	181	141	172	170	145	85	91
Delta	166	205	152	202	212	165	78	88
Eastern Corn Belt	842	911	822	839	967	1,017	105	116
Western Corn Belt	491	840	775	790	910	947	104	124
Southern Plains	10	16	12	14	21	17	81	115
Central Plains	143	208	152	209	229	250	109	133
Northern Plains	48	110	94	115	155	187	121	179
United States	1,871	2,517	2,177	2,382	2,703	2,769	102	119

Source: USDA-NASS

and 79 percent over the 5-year average. The largest increases in western production are forecast for North Dakota where production is expected to increase 52 percent over last year (figure 6). Large increases are also expected for South Dakota and Nebraska, where production is forecast to be up 12 and 18 percent for 1998/99. In the Eastern Corn Belt, production is expected to be up 12 percent in Illinois and 2 percent in Indiana, but down 5 percent in Ohio and 4 percent in Michigan. Production in Missouri is forecast up 5 percent with much of this increase in the central and western parts of the State.

Use. Total soybean use for 1998/99 is projected at 2,580 million bushels, down 2 percent from 1997/98 (figure 7). The 1998/99 crush is projected at 1,600 million bushels, up just slightly from last year's estimated crush of 1,597 million bushels. Soybean exports are projected at 830 million bushels, down 5 percent from 1997/98. Outstanding export sales (sold but unshipped) of soybeans for the current and next marketing years totaled 280.8 million bushels as of October 15, 1995, down 28 percent from last year at this time.

Grain and Soybeans

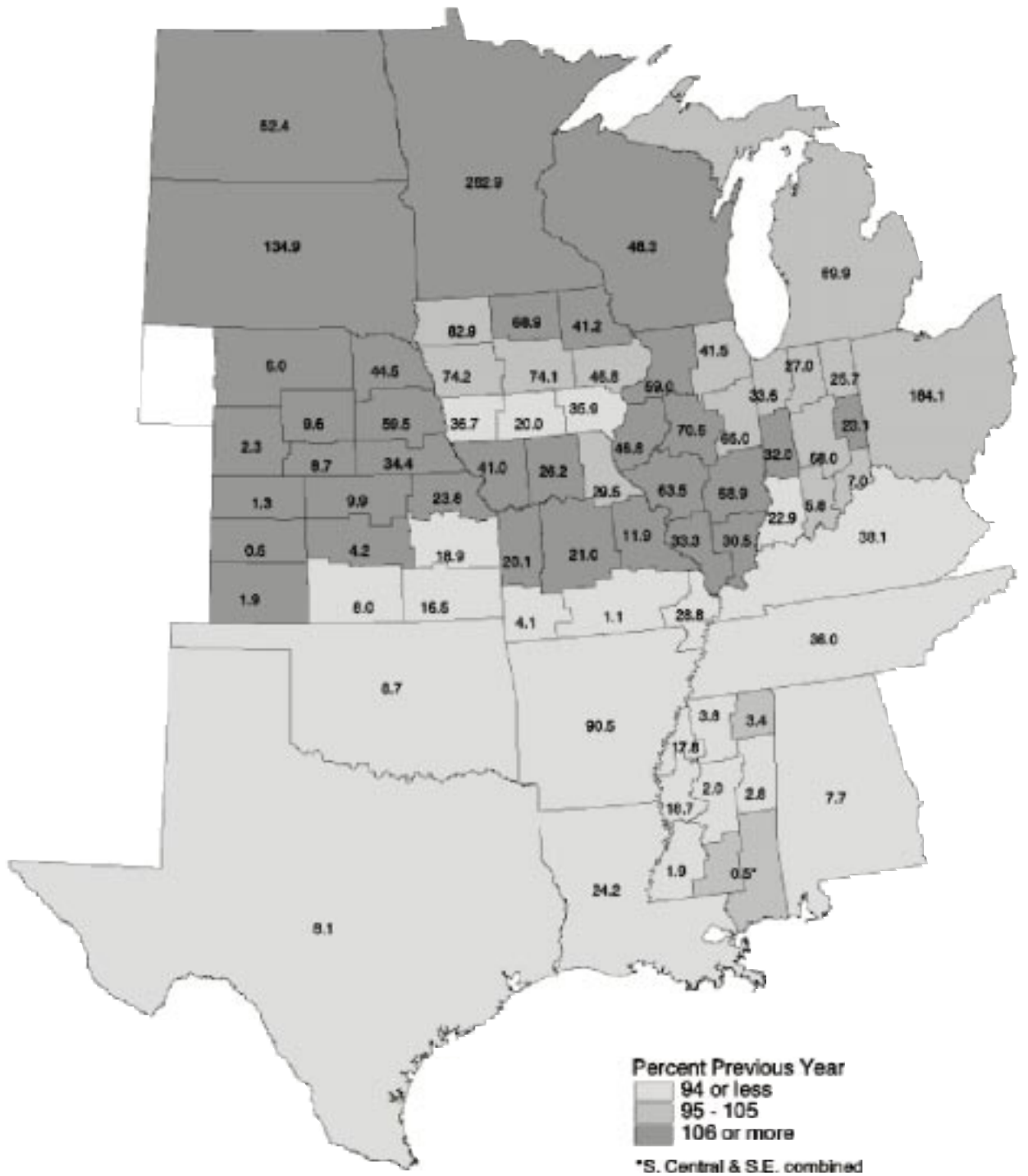
Supplies. U.S. corn, sorghum, barley, oat, wheat, rye, and soybean production for 1998/99 is estimated at 16,131 million bushels, the second largest combined grain and soybean crop ever. At this level, this year's grain and soybean production will be up 2 percent from last year and only 74 million bushels short of the 1994/95 record. With carry-in stocks totaling 2,474 million bushels, 1998/99 available grain and soybean supplies are estimated at 18,839 million bushels, their highest level since the mid-1980's. Available supplies

hit 21,796 million bushels in 1986/87. Carry-in stocks peaked in 1987/88 at 8,369 million bushels. Current projections put 1998/99 ending stocks at 3,259 million bushels, up 32 percent from last year and at the highest level since 1992/93.

Grain and soybean production is expected to be up for 1998/99 in all of the four major producing regions, which include the Eastern Corn Belt, Western Corn Belt, Central Plains, and Northern Plains (table 4). The overall increase in production in these regions and even larger increases in some subregions will put pressure on storage and transportation capacity during and immediately following harvest. At the current production estimates, these four regions will account for 84 percent of this year's total grain and soybean production. The largest regional increase is expected in the Northern Plains, where this year's production is estimated to be up 15 percent from last year. Production in North Dakota and South Dakota is estimated to be up 21 and 22 percent over last year. Production in the Western Corn Belt is estimated to be up 7 percent this year. Minnesota and Iowa production is estimated up 15 and 5 percent. In the Central Plains, where production is estimated to be up 4 percent, Nebraska is expected to produce 8 percent more grain and soybeans than last year. Despite the small 1 percent increase expected in the Eastern Corn Belt, Illinois and Indiana production is estimated to be up 5 and 6 percent from last year.

Use. U.S. grain and soybean use is projected at 15,580 million bushels for 1998/99, up 2 percent from last year and just 130 million bushels below the record in 1994/95 (figure 8). At a projected 11,794 million bushels, domestic use will account for 76 percent of total use. This is almost exactly the same share of use

Figure 6—Soybean production forecast for selected districts/States, October 1, 1998



Source: USDA-NASS

Figure 7—U.S. soybean use, 1979/80-1998/99

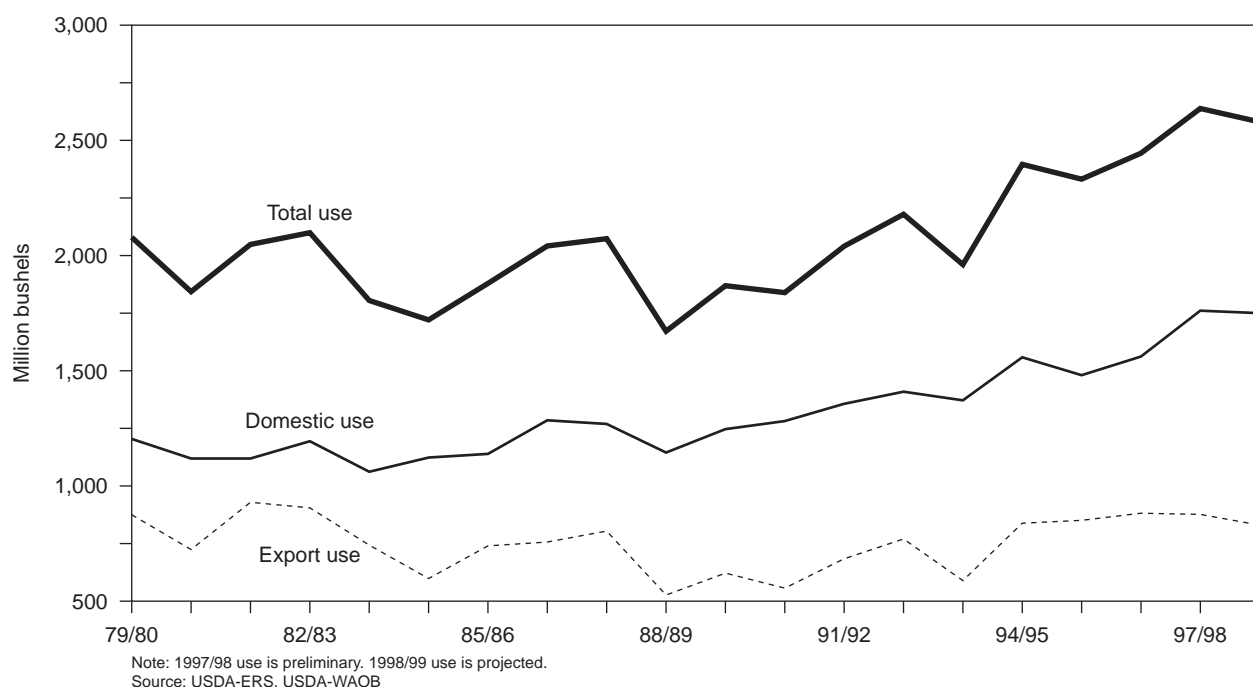


Table 4—U.S. grain and soybean production by region, 1993/94-1998/99

Region	Marketing year						Percent of 1997/98	Percent of 5-yr. avg.
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99		
<i>Million bushels</i>								
Northeast	304	378	325	397	351	369	105	105
Southeast	574	797	644	780	737	630	86	89
Delta	286	360	291	476	415	355	86	97
Eastern Corn Belt	3,910	5,007	3,806	4,040	4,521	4,582	101	108
Western Corn Belt	2,096	4,218	3,279	4,005	4,001	4,266	107	121
Southern Plains	722	692	597	652	848	709	84	101
Central Plains	2,087	2,763	2,078	2,782	2,951	3,070	104	121
Northern Plains	1,180	1,456	1,154	1,542	1,351	1,558	115	117
Pacific Northwest	476	405	440	499	485	457	94	99
West	120	128	110	151	147	136	92	103
United States	11,753	16,205	12,725	15,324	15,807	16,132	102	112

Source: USDA-NASS

as in 1997/98 but above that in 1994/95, when domestic use accounted for 71 percent of the total. Export use is currently projected at 3,787 million bushels, up 2 percent or 69 million bushels from 1997/98.

September 1 Stocks. Grain and soybean stocks, as of September 1, 1998, were reported at 4,427 million bushels, up 22 percent from a year earlier and 12 percent above the 5-year average for September 1 stocks (table 5). The largest stocks were in the Northern and

Central Plains regions, as would be expected given that the wheat harvests were virtually complete by September 1 and the corn and soybean harvests were only beginning. The largest year-to-year increases among the major growing regions, however, were in the Eastern and Western Corn Belts, where stocks were up 49 and 31 percent, respectively, from those in 1997. The Southern and Central Plains regions also had substantial increases in September 1 stocks this year, up 39 and 17 percent from year-ago levels.

Figure 8—U.S. grain and soybean use, 1979/80-1998/99

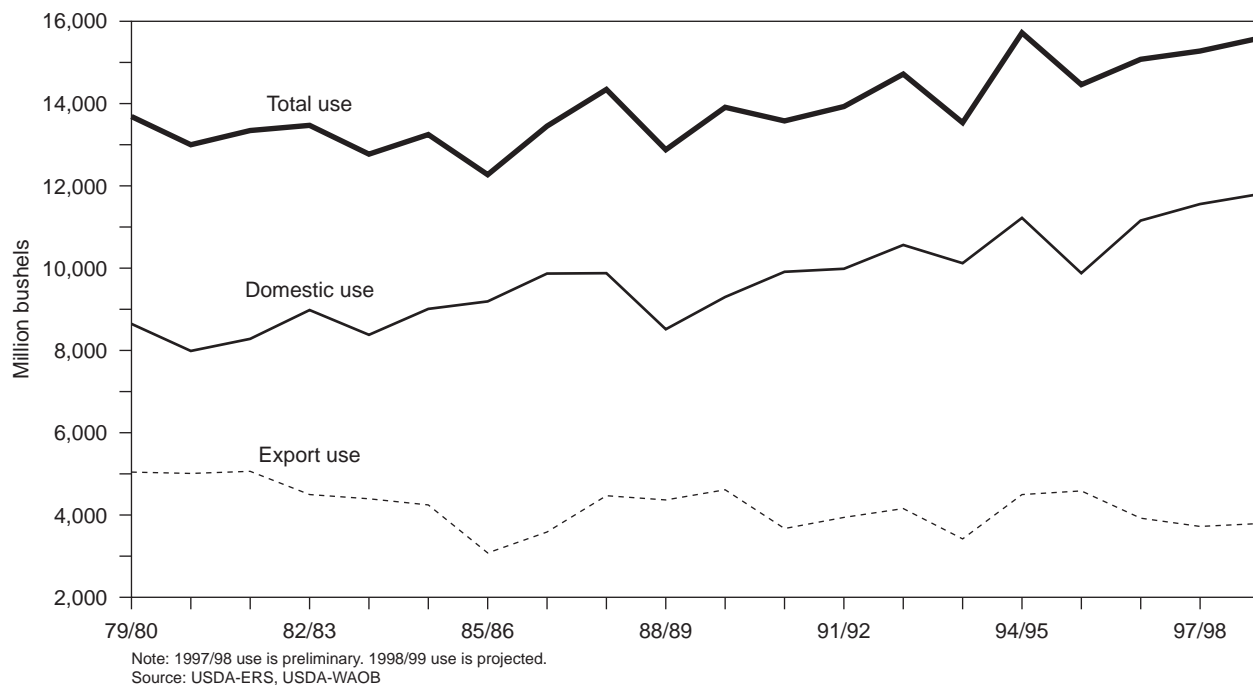


Table 5—U.S. grain and soybean stocks by region, 1993/94-1998/99

Region	Year						Percent of 1997	Percent of 5-yr. avg.
	1993	1994	1995	1996	1997	1998		
<i>Million bushels</i>								
Northeast	69	51	67	36	61	57	95	101
Southeast	98	94	89	54	69	80	115	98
Delta	53	44	42	38	39	60	153	138
Eastern Corn Belt	915	586	797	355	478	714	149	114
Western Corn Belt	1,323	628	1,077	437	622	818	131	100
Southern Plains	263	217	178	136	237	330	139	160
Central Plains	970	671	717	410	729	855	117	122
Northern Plains	1,086	972	856	854	831	899	108	98
Pacific Northwest	385	338	348	355	390	399	102	110
West	44	48	41	37	45	49	108	113
Unallocated	122	99	126	89	122	165	135	148
United States	5,328	3,748	4,338	2,801	3,623	4,427	122	112

Source: USDA-NASS

Rail Situation

Storage Demand. As the harvest progresses in most regions, storage availability will tighten. Prior to harvest, many facilities were holding substantial inventories, and some were moving old-crop grain to outside storage. Large September 1 stocks and anticipated large corn and soybean crops will exacerbate this situation in the next few weeks, particularly if good weather allows this year's harvest to progress rapidly.

Storage capacity in many regions will be as tight as it has been in several years (table 6). Storage utilization, as calculated using the September 1 grain and soybean stocks, plus the estimated 1998/99 corn, sorghum, and soybean production and the reported on- and off-farm storage as of December 1 for the preceding year, indicate that 92 percent of all U.S. storage capacity will be in use this fall. Available grain and soybean supplies in the Eastern Corn Belt, Western Corn Belt, and Central Plains will meet or surpass available storage capacity. Much like last year, the worst storage problems will be in the Central Plains, where utilization, by this measure, is expected to be 104 percent of capacity.

U.S. rail grain shipments during the third quarter (July-September) of 1998 were the largest since 1995.

Despite continued weak demand for export rail movements, total grain carloadings on U.S. railroads were up 2 percent during the third quarter, as compared to last year, and up 11 percent from the same quarter in 1996. This increase in third quarter carloadings is the result of continued strong demand for rail transportation on the eastern U.S. railroads. Eastern railroads have experienced strong increases in third quarter loadings for the last 3 years. Third quarter eastern carloadings were up 28 percent from the same quarter in 1997 and 40 percent from 1996 and down only 2 percent from the strong demand year of 1995. Western railroads, by contrast, experienced a 6-percent drop in third quarter 1998 carloadings as compared to 1997 and a 25-percent drop when compared to 1995.

Grain carloadings for the first three quarters (January-September) of 1998 show much the same thing. Although, total U.S. carloadings were down 3 percent for 1998 as compared with 1997, eastern carloadings,

Table 6—U.S. fall harvest storage capacity utilization by region, 1993-98

Region	Year					
	1993	1994	1995	1996	1997	1998
	<i>Percent</i>					
Northeast	70	85	81	95	90	96
Southeast	56	79	66	79	76	71
Delta	50	63	49	79	76	68
Eastern Corn Belt	89	104	85	84	95	101
Western Corn Belt	61	90	82	84	90	100
Southern Plains	46	47	42	46	65	62
Central Plains	73	88	70	86	95	104
Northern Plains	61	72	57	70	69	81
Pacific Northwest	60	55	58	59	66	68
West	47	55	50	59	73	68
United States	68	85	72	78	86	92

Note: Storage capacity is based on on- and off-farm capacity as of December 1 the preceding year reported in the January Grain Stocks report. Utilization is determined based on the total of all September 1 grain and soybean stocks plus estimated 1998/99 production for corn, sorghum, and soybeans.
Source: USDA-NASS

so far this year, were actually up 9 percent from 1997. Through September, eastern carloadings were up 15 percent over 1996 and down only 3 percent from 1995. During the first three quarters western carloadings were down 8 percent from 1997, 10 percent from 1996, and 21 percent from 1995.

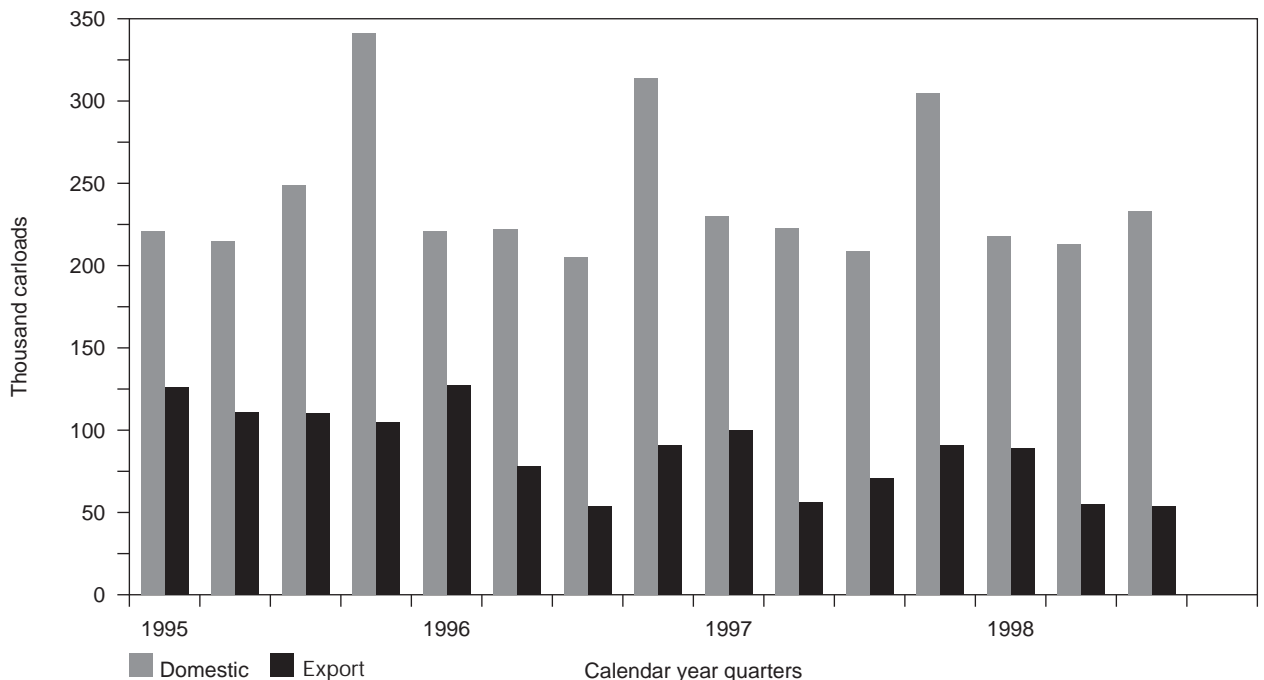
The loss in western rail demand is attributable almost entirely to continuing weak demand for export rail shipments. Domestic rail shipments have shown a strong but relatively consistent seasonal pattern since 1995, with their strongest demand in the fourth and final quarter (figure 9). Since 1995, export rail shipments have trended downward, despite peaking seasonally in the early months of each year. Export shipments, however, during both the second and third quarters of 1998 have remained at or below the lows during the 1995-97 period. Third quarter 1998 export rail shipments were down 24 percent from 1997, roughly even with 1996, and down 51 percent from 1995. For the first three quarters of 1998, export shipments are down 12 percent from 1997, 23 percent from 1996, and 42 percent from 1995.

Export rail demand is driven substantially by demand for corn and, to a lesser extent, wheat at the PNW ports. West-bound rail shipments from the Northern Plains, western parts of the Western Corn Belt, and upper portions of the Central Plains account for about

60 percent of all export rail grain traffic. This is about twice as much as the other large export rail market at the Texas Gulf. Rail shipments to the PNW during the first three quarters of 1998 are down 28 percent from last year and 40 percent from 1996. During the third quarter of 1998, rail shipments to the PNW were off 40 percent compared to 1997, 3 percent compared to 1996, and 67 percent compared to 1995. Despite projected modest improvements in export demand for corn and spring wheat, this export corridor seems unlikely to see substantial increases in volume in the near term, given the current ocean freight differentials between the PNW and the Gulf.

The fourth quarter of 1998, as in the past, will be the strongest quarter for rail transportation demand during the year. Large harvests and strong domestic demand for grain and soybeans will drive demand for rail transportation capacity. The need to reposition grain from ground piles into use or into more permanent storage by early winter will also add to demand. In some instances, the need to reposition grain will result in nontraditional shipping patterns that create logistical problems for railroads and shippers. Grain carloadings nationwide since the beginning of October are already showing the seasonal upturn that accompanies the harvest. Average weekly loadings during the first 2 reported weeks in October are running at their highest levels since February, at just over 26,000 cars per week. This

Figure 9—Rail carloadings of grain by quarter, 1995 through third quarter 1998



Source: USDA-AMS, Association of American Railroads

is up from the weekly average of 22,072 cars during the third quarter.

The seasonal increase in rail demand, however, will not be uniform across the various railroads. Eastern railroads that serve predominantly domestic markets should see demand for service at or above year-ago levels. Western railroads, like the Burlington Northern Santa Fe (BNSF) and the Union Pacific (UP), which serve the PNW export market, may see demand for service on their systems weaken as we move past the harvest season and into early 1999. Guarantees for car service on BNSF and UP for this December and the coming January are trading at discounts or at levels just above the tariff rate. Barge rates on the Mississippi River system, which compete with the railroads for export-bound grain traffic, are trading in the very high 200- to low 300-percent range through October but fall off sharply into the mid-100's for December on those parts of the river that remain operating through the winter months. These two indicators suggest weakening demand for export grain transportation capacity as we move beyond the harvest period and into the new year.

Western Railroads

Burlington Northern Santa Fe. Grain carloadings on BNSF were down 6 percent during the third quarter of 1998 as compared to the same period 1 year ago. Grain carloadings for the third quarter averaged 8,152 cars per week. Grain transportation demand appears to have improved in the past few weeks, with loadings averaging 9,216 cars per week since the first of October. As of October 18, 1998, BNSF reported its active grain fleet at 34,105 cars, with 111 cars in storage and 19,635 (58 percent) loaded and in the "pipeline." Requests for grain cars under all service programs totaled 53,955 for October, up only slightly from the 53,899 cars requested in September. BNSF reports its systemwide total cycle time for grain cars at 19.77 days for the week ending October 17, 1998. This is down substantially from the 29.18 days reported November 21, 1997, during the height of the western rail service problems. As of October 20, BNSF reported past due car orders totaling 15,876 cars, with the average order 9.1 days late. On September 22, 4 weeks earlier, BNSF reported past due car orders totaling 8,900 cars, with the average order 8.7 days late. These numbers suggest a small decline in the timeliness of service since the fall shipping season began in earnest. Systemwide cycle times for grain shipments, however, remain at or below their levels for September, indicating that BNSF system performance remains high, despite increasing demand.

Kansas City Southern. Third quarter grain carloadings on the Kansas City Southern (KCS) were up again for the third straight year. This year's third quarter loadings were 16 percent higher than those in 1997 and 28 percent above those in 1996. Weekly grain carloadings averaged 653 cars during the third quarter. Grain demand on KCS also shows signs of strengthening during the fall, with weekly carloadings averaging 847 cars during the first 2 weeks of October.

Union Pacific. Grain carloadings on UP were down 6 percent for the third quarter, as compared to the same quarter in 1997. Weekly grain carloadings for the third quarter averaged 6,677 cars per week. October loadings, so far, have shown an increase over those in the third quarter, averaging 7,413 cars for the early weeks of the month. Despite weather problems that damaged tracks and hindered rail traffic for UP and BNSF during early October, both railroads have been able to make the necessary repairs, and it appears that UP has been able to continue its service improvements. In its service report to the Surface Transportation Board, UP describes grain demand as remaining soft but heavily focused on the Texas Gulf. UP also reports that deliveries of additional locomotives, which have been behind schedule, are now being received and placed into grain service. Loaded car velocities from Nebraska to the PNW and Kansas to the Texas Gulf are reported at 14.1 and 8.7 days for the week ending October 9, 1998. Shipment times for grain moving to the PNW and Texas Gulf for the same week last year were 15.5 and 14.8 days.

Eastern Railroads

CSX Transportation. Third quarter 1998 grain carloadings on CSX Transportation (CSX) were up 28 percent, as compared to the third quarter 1997. Weekly third quarter carloadings averaged 1,958 cars. Grain demand has been especially strong on CSX in the past few weeks. For the first half of October, weekly grain loadings have averaged 3,008 cars, with CSX loading 3,383 cars during the week ending October 10, 1998. This is the highest weekly total since December of last year. As of October 22, 1998, CSX reported its fleet of cars in grain service at 5,900 cars, or 72 percent of its jumbo covered hopper fleet. CSX projects that it will increase the number of cars in grain service to 6,400 for November, before reducing its grain fleet back to 5,600 cars by the first of next year. CSX reported that 75 percent of its grain car orders are filled. Average total cycle time for grain cars on CSX for October was reported at 24 days, compared to 26 days during September.

Illinois Central. Grain carloadings for the third quarter on Illinois Central (IC) were up 20 percent over third quarter 1997. Weekly grain loadings averaged 1,534 cars during the third quarter. Grain demand on IC has also strengthened with the harvest. Weekly loadings have averaged 1,868 cars for the first 2 weeks of October. As of October 18, 1998, IC reported a grain fleet of 4,289 covered hoppers with 207 cars in storage. For the 4-week period beginning October 18, IC reports grain car orders totaling 1,970 cars. This is down from the 4-week period beginning October 11, when IC reported grain car orders totaling 2,398 cars, and down from the 4-week period beginning October 4, when orders totaled 2,701 cars.

Norfolk Southern. Third quarter grain carloadings on Norfolk Southern (NS) were up 22 percent over the same period in 1997. Weekly loadings for the third quarter averaged 2,261 cars. Demand for grain service on NS appears to be on the increase as the fall harvest in the Eastern United States moves into its final weeks. Weekly loadings on NS for the first half of October averaged 2,858 cars.

Additional Sources of Information

More detailed information on grain and oilseed production and stocks is available from the National Agricultural Statistics Service in:

Crop Production,

<http://jan.mannlib.cornell.edu/reports/nassr/field/pcp-bb/>

Grain Stocks,

<http://jan.mannlib.cornell.edu/reports/nassr/field/pgs-bb/>

Small Grains Summary,

<http://jan.mannlib.cornell.edu/reports/nassr/field/pcp-bbs/>

More detailed information on grain and oilseed supplies and use is available from the Economic Research Service in:

Feed Outlook,

<http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bb/>

Wheat Outlook,

<http://usda.mannlib.cornell.edu/reports/erssor/field/whs-bb/>

Oil Crops Outlook,

<http://usda.mannlib.cornell.edu/reports/erssor/field/ocs-bb/>

The latest and most detailed grain and oilseed supply and demand information is available from the World Agricultural Outlook Board in:

World Agricultural Supply and Demand Estimates,
<http://www.usda.gov/oce/waob/wasde/wasde.htm>.

More detailed information on grain and oilseed exports, trade, and outstanding sales is available from the Foreign Agricultural Service in:

Grains: World Markets and Trade,

<http://www.fas.usda.gov/grain/circular/1998/98-08/graintoc.htm>

Oilseeds: World Markets and Trade,

<http://www.fas.usda.gov/oilseeds/circular/1998/98-08/toc.htm>

Export Sales,

<http://www.fas.usda.gov/export-sales/esrd1.html>.

For additional information on grain and rail transportation see:

USDA-AMS, *Grain Transportation,*

<http://www.ams.usda.gov/tmd/grain.htm>

U.S. Surface Transportation Board,

<http://www.stb.dot.gov>

Association of American Railroads,

<http://www.aar.org>

Burlington Northern Santa Fe,

<http://www.bnsf.com>

CSX Transportation,

<http://www.csx.com>

Illinois Central,

<http://www.icrr.com>

Kansas City Southern,

<http://www.kcsi.com>

Norfolk Southern,

<http://www.nscorp.com>

Union Pacific,

<http://www.up.com>.

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