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MESSAGE: Some Rural transportation stories I thought you might be interested in

Patrick

N.Y. Times 11/17/98 A16

Trains Keep Grain Moving In Kansas

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STOCKTON, Kan., Nov. 16 (AP) — Requests for emergency grain storage in Kansas were a third lower than grain industry representatives predicted before the harvest started in September, largely because railroads were ready for the bumper crops.

"Unlike 1997, the rail transportation industry was clearly prepared for this year's bin-buster harvest, and in turn played a significant role in limiting the total number of bushels stored in emergency structures or on the ground," said Tom Tunnell, president of the Kansas Grain and Feed Association in Topeka. "Our staff consistently heard reports of vastly improved rail service during the fall harvest crunch."

In Stockton, the elevator manager, Dennis Bedore, prepared at the start of fall harvest to pile milo, a type of grain sorghum usually used as animal feed, on the ground because of anticipated storage shortages at his Farmers Union Mercantile and Shipping Association.

But it never got that bad.

"We had trucks going out backwards with loads as other trucks were coming in," Mr. Bedore said.

Requests for emergency grain storage in Kansas totaled nearly 71 million bushels, state and Federal officials said, or about 30 million bushels less than anticipated.

Agriculture Department figures showed 26.7 million bushels of milo and 13.5 million bushels of grain in emergency storage and on the ground at state-licensed facilities in Kansas. Harvest is almost finished, so it is unlikely more grain will end up on the ground.

State officials said last week that 96 percent of the corn harvest is done, 90 percent of the grain sorghum crop is out of the field, and 86 percent of the soybean crop and 91 percent of the sunflower crop are in the bin.

Damp weather in the last month has postponed the final days of cutting indefinitely. There also could be problems with grain stored outdoors because of the soaking it took from two weeks of rain and mist.

Earlier in the year during the wheat harvest, 800,000 bushels of grain were on the ground at Woodston and Stockton before it started to rain, Mr. Bedore said. Workers had to send 25,000 bushels to the landfill and gave an additional 10,000 bushels to local pork producers for feed.

5. **EUROPE: FRENCH MARKET UNEXCITED:** ***Bob Kohlmeyer***

The market's reaction to the Egyptian wheat business (see above) was that it was nice, but it was not enough to cause excitement. A sale of 110,000 mt is not likely to faze a market that is already long an estimated 750,000 mt - 1.0 mmt of wheat restitution. The sale was seen as aggressive pricing by an exporter needing a sale.

Domestic wheat values are flat at about 76.00-76.50 FF per 100 kgs basis delivered Rouen. Interior barley values are slightly higher at 78.00 FF.

ANALYSIS

6. **THE POWER OF MONEY:** ***Bob Kohlmeyer***

By and large, it is our sense that the storage and logistical nightmare forecast to accompany the 1998 US autumn harvests has not been nearly as bad as feared. You may recall that about 2 months ago we pointed out that the large 1998 crops combined with much larger supplies of grain already in storage would put a statistical squeeze on available storage space and transportation capacities. Statistically speaking, storage appears to be very tight, especially in the Western Corn Belt. But as a practical matter the feared problems do not appear to be as pervasive as many had expected.

This is not to say that everything is perfect by any means. Corn and even soybeans have been piled on the ground along the Illinois River and tributary to the mid-Mississippi River area where barge availability problems and logistics have played a role. There have been piles alongside a number of elevators in Iowa and Nebraska. But our admittedly ad hoc survey suggests that across the Midwest the piles are not as numerous nor as large as last year.

We see some reasons for the better-than-expected results:

-- The early crop and early good weather allowed a rapid but orderly harvest.

-- Many farmers scrambled to build on-farm storage bins last summer.

-- Rail transportation as a whole performed far better than last year creating fewer bottlenecks.

-- Very low prices discouraged immediate farmer selling off the combine.

Perhaps the strongest reasons that kept the big fall crops from flooding the market at harvest time involve the power of money. Many farmers might have been forced to sell their corn and soybeans even at the depressed prices prevailing at harvest to generate cash flow for debt service or other needs. But they were able to hold off thanks to the incredibly generous contribution to their cash flow from the federal govt as a result of the budget legislation passed by Congress just before the election this fall.

Besides the regular transition (AMTA) payments of 5.7 bln dlrs (the 2nd half of which was moved up into 98 if farmers desire it), Congress has tossed in an additional 2.9 bln dlrs in "market loss" payments, checks for which went out to farmers 10 days ago. The other types of "disaster" payments included in the bill should spread another 2.8 bln dlrs among eligible farmers before year-end.

And that's not all. Farmers have been making widespread use of loan deficiency payments (LDPs) to cash the difference between the cash market and the local loan level at the time of harvest. To date LDPs paid out amount to about 1.16 bln dlrs.

With all of this cash being thrown at them, it is not hard to understand why farmers have felt little compulsion to make hurried sales--and why processors, terminals and exporters are having to push up their basis bids to attract anything. In the past several days the corn basis in various locations has jumped 5 to 11 cts bu. Soybean basis bids are 10-15 cts higher. Even the wheat basis has picked up several cts. Mostly, this is due simply to farmers holding tough. We should also note that despite the board carrying charges, nearby and deferred cash bids have flattened out

Of course, the fact that farmers are hanging on to their production does not necessarily mean that they will be assured of much better prices. The grain must come to market sometime, and unless a greater level of demand is forthcoming soon, the market may be as unfriendly toward supplies a few weeks or months in the future as it was a few weeks ago.

7. VEGOIL DEMAND NOT JUST A CHINESE AFFAIR: *Gregg Doud*

We would like to draw clients' attention to a brief and interesting FAS ag attaché report that because available late last week from New Delhi. While the report makes no changes in the assessment of the demand for agricultural products, we've reprinted the first paragraph below as it provides some interesting food for thought:

"Prices of several major essential food items have risen sharply in recent months causing undue hardship to a majority of India's low and middle-class consumers. Although much of the rise in food prices can be attributed to a decline in output, opposition parties are blaming the government's ineffectiveness in dealing with hoarders and black marketeers as the cause for rising prices. In reaction to growing criticism, the government has recently announced various policy measures to control price rises and augment domestic supplies including import liberalization, import duty reduction/waiver and export restrictions."

The report notes that the "government recently freed imports of rapeseed and sunflower seed for private traders and permitted imports of soybeans in split form. Imports of rapeseed and sunflower seed are still subject to quarantine restrictions, which include grow out trials. The government has also decided to waive the 4 percent special additional custom duty applicable to vegetable oils imported for the production of vanaspati (hydrogenated vegetable oil) imposed in this year's budget. Earlier in the year (July), the government reduced the import duty on all vegetable oils from 25 percent to 15 percent."

The report goes on to say, "Indian wheat flour millers have been given permission to import wheat directly or through one of the three government parastatals according to a Public Notice issued on October 5. Prior to this millers were allowed to import wheat only through two government parastatals, namely the State Trading Corporation of India and the Project and Equipment Corporation."

All this sounds great in theory, but there are definitely a few problems between the lines of all these great pronouncements of trade liberalization. For at least US oilseeds, the export of split seed is simply not an economically viable option. In addition, India's soybean crushing plants are inland where the soybeans are rather than at the coast. Many of these discussions and changes