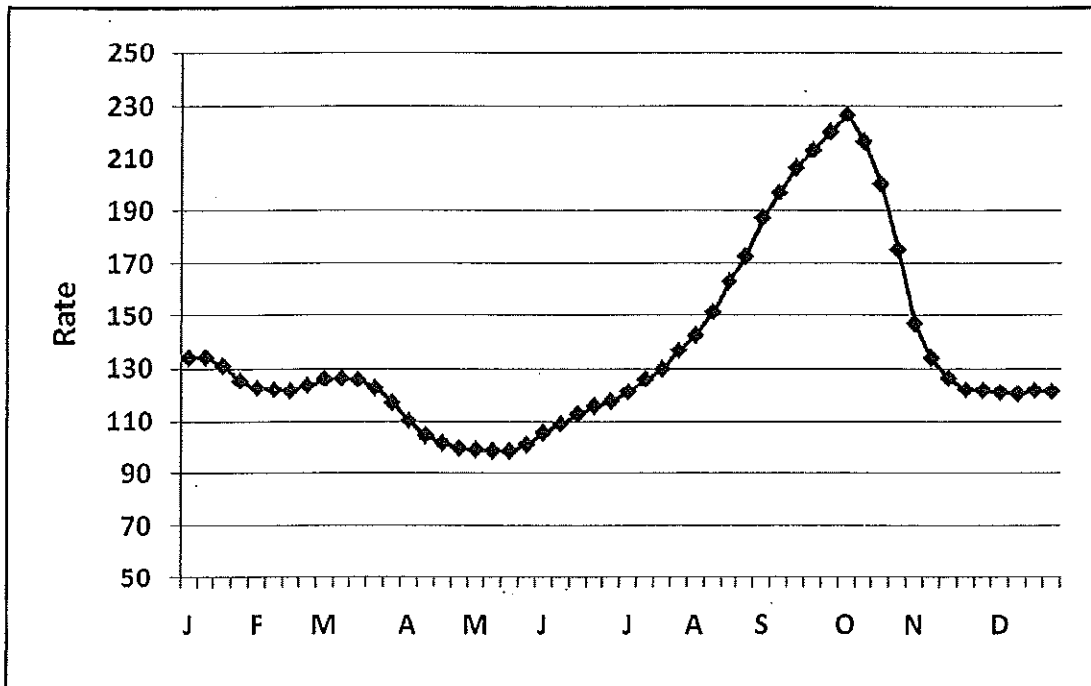


Figure 12-7: Weekly barge rates, St. Louis to New Orleans, 10-year average (1990-1999)*



*Rates expressed as a percent of tariff. The St. Louis tariff is \$3.99 per ton.

Source: AMS

The beginning of the upward swing in barge rates started in fall 2004, due to a decrease in the barge fleet size and an increase in the demand to transport non-grain commodities on the waterways. Barge rates continued their increase the following year when Hurricane Katrina disrupted barge logistics in the third quarter of 2005. During the mid-2000s, barges began shipping large quantities of non-grain commodities, such as steel and cement. They could ship them up-river to manufacturing facilities in the interior of the country, generating additional revenue. The up-bound shipments spread the limited number of barges over a greater geographical area. With the barges out of position for loading grain, barge availability for grain shipments decreased, causing an upward pressure on barge rates. Historically, during the fourth quarter in any given year, barge rates can swing in either direction depending on export demand combined with the activity of non-grain commodities that compete with grain for barge capacity.

Average quarterly grain barge rates from St. Louis to New Orleans for 2008 were consistently above the 4 year average as barge operators contended with a continuous string of navigation disruptions and pressing economic concerns (Table 12-6). Navigation was affected by flooding for much of the year, a July oil spill in New Orleans limited vessel movements, and two Gulf of Mexico hurricanes affected the industry in the third quarter. Barge shippers also had to deal with elevated commodity prices that limited economic opportunities. In addition, rates changed significantly every week. In 2008, the rate changed 100 points or more in 11 weeks. A more typical swing during a non-volatile period is 15 to 20 points per week.