

## Global Trade in Agriculture

# Panama Canal Teacher Notes

## Teacher Notes for the 5 Profiles

There are 5 profiles being used for this activity. These documents were created for the US Soybean Board, US Soybean Export Council, and Soy Transportation Coalition. This data and information was created in 2011.

Make a class set of copies for each of student. This should include pages 122- 141. Make a class set of copies for each of the articles on its own color paper.

Provide a map of the Panama Canal and global maps showing the Pacific Rim and the United States during the activity.

Step #1: 15-25 minutes for students to read and find key points of their article

Step #2: 10 minutes to discuss the key terms

Step #3: 10-15 minutes to discuss the profile questions and any other matters that connects how the global market of the soybean is connected through global trade and what careers are created from this

### **A. Large Grain Exporter:**

- Transloading is transferring shipment from one mode to another. It's used when one mode cannot be used for an entire trip.
- Backhaul- Cargo carried on return journey
- Lack of cash flow & supply of containers makes expansion profits difficult
- Shipping grain in containers can only be profitable if there is constant grain sources, inexpensive backhaul opportunity & supply of containers.
- Containers normally flow to populated areas.
- Intermodal containers are crucial to save money and time! In 2012, there were 20 million intermodal containers.
- Many nations want specialized soybeans imported which could be placed in specialized intermodal containers.
- The ocean carriers control the rates. The exporter receives an **all in rate** ...where the costs if from door to port.
- If the Panama Canal expands container traffic to the Gulf of Mexico and to the East Coast, the lack of local grain & soybeans for backhaul is a major disadvantage.

### **B. Large U.S. Retailer:**

- This U.S. retailer has imports from 30-40 countries.
- Target imports come from Eurozone, India, Vietnam, China, and Indonesia. Manufacturing is shipping to China from Europe.
- 45% of business is through Eurozone.
- Domestic freight is used. Truck & rail with intermodal companies.
- Freight on East Coast came from Europe or Indian Sub-Continent. All other freight comes through Panama



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Canal. 70% went to West Coast from the Panama Canal.

- Expanded Panama Canal could lead to more investments in New Orleans, Jacksonville, Houston, and Mobile, Alabama. Larger ships could then go to these areas.
- A bigger Panama Canal would lead to more available capacity to East Coast and Gulf Region. The question would be how far inland can these ships go? What investment will need to be made to do this.
- They do not export. They sometimes have begged for more capacity on rail. Their product moves 5-6 days on all water transport.
- Rails have been better from 2011-2015. There have been better rates too.

### **C. Multi- National Ag Exporter & Foreign Importer:**

- Minimal commodity changes due to expansion of Panama Canal
- Ocean carriers are in control and have great relationships with railroads.
- Foreign ports will have a difficult time accommodating larger ships. (probably due to depth reasons)
- In regards to containers, its all about the amount of boxes.
- The more the quantity the easier to make agreements because there could be more profit.
- Backhaul is not a priority of ocean carriers.
- The key is to match containers between transports.
- Shipping rates are consistent among carriers.
- Container ship capacity is measured in 20 foot equivalent units. (TEU)
- Modern ships can carry up to 19,000 (TEU).
- Most west coast can only handle 4,000 TEU due to shallow channels.
- Example - A 16,000 TEU ship that is sent to Vietnam. Four different feeder ships will have to go meet the 16,000 TEU ship to bring products into the channels into the mainland. (Major cost to transfer these containers to ships)
- Japan is investing in Vietnamese port expansion.

### **D. International Sugar Producer:**

- Does not use Panama Canal.
- Caribbean and North America is their market.
- Would use Panama Canal if Asian markets opened up.
- Backhaul opportunities are the biggest benefit due to extra containers on the east coast of the US.
- Better ports will be needed and more containers are available.
- Truck is primary mode of transportation for them. But they are using intermodal to gain efficiency. RR is used to get into the middle of the US.
- Want to work with Midwest Soybean Farmers because of the ports at Miami. This would increase flow through the Georgia ports, which would increase amount of containers and backhaul opportunities. This can increase global competition for sugar and soybeans.

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- Time is money. The more voyages for a carrier could mean millions of dollars per trip.
- Goals of vessels are to be filled 100%. However, they at least want to be 85%. If vessels unload around the Panama Canal or in the Caribbean, they actually could load again and be over 100% capacity. More money through intermodal exchanges.

### **E. Georgia Port Authority:**

- 4<sup>th</sup> largest port in the U.S.
- 70% of population lives east of the Mississippi.
- India and Southeast Asia go through Suez Canal to Georgia Port Authority.
- Lack of Infrastructure and storage in Africa has increased GPA activity. Also, more imports from China.
- 1,000 containers of frozen chicken to China per week.
- Railroads have expanded due to trade through Suez Canal. Railroads have not expanded that much due to the Panama Canal. (yet?)
- Ships up to 10,000 TEUs, would enter more quickly into the Memphis and Chicago markets with improved ports.
- Transloading is expensive. \$250 per container to move it from vessel to vessel.
- West Coast U.S. receives more electronics. East coast gets more furniture, auto parts, and ag products. Therefore there is less monetary value in these shipments on the East Coast.
- Faster transit time is needed on the West Coast therefore it is more expensive to ship from West Coast. Electronics have more risk to ship therefore increased shipping costs.
- East Coast is beneficial for Ag shipping because costs are cheaper.
- Georgia Port Authority is dredging the shipping channels from 42 to 48 feet in Savannah to allow an increase in TEUs. This is projected to increase from 3 million to 6.5 million TEUs. That is millions of dollars.