

## Global Trade in Agriculture

### Panama Canal Case Study

#### Why is agriculture trade important? How are global patterns of consumption changing?

Panama Canal Expansion: Impact on U.S. Agriculture December 2011  
Case Study Round Robin Discussion  
“Food must move to feed a hungry world”

The following article was provided by the Ohio Soybean Council on July 2nd, 2016. To complete this activity it is imperative to have the fundamental understanding of the expansion of the Panama Canal Expansion and why this will impact the global soybean supply chains.

#### Panama Canal Expansion Opening this Summer!

Ohio soybean exports have topped more than 2 billion bushels in recent years – equal to half of the state’s production – making logistics and infrastructure a critical part of the industry. While infrastructure in Ohio itself is important, more than 600 million bushels that leave the state also pass through the Panama Canal, which has played a major role in maritime trade by connecting the Atlantic and Pacific Ocean for more than 100 years.

Since opening in August of 1914, the canal, as well as the system of locks and dams have simply been maintained, while the size of cargo vessels has continued to increase in width and depth. In 2006, the people of Panama passed a referendum to add a new entrance channel for larger ships as well as a third set of locks to accommodate a higher percentage of today’s cargo ships and remain relevant in global commerce.

“Clearly ocean transportation and the global economy has been transformed significantly since the original canal was open. There are larger ships crossing our oceans carrying much more volume than years ago and these ships have grown to a point where they exceed the capacity of the Panama Canal,” said Jeff Magyar, Ohio Soybean Council (OSC) board member and Soy Transportation Coalition (STC) board member.

Construction began in 2007 and after a few setbacks, the expansion is slated to open June 26, 2016. In addition to the third set of locks and entrance channels, the project deepened and widened current areas of the canal as well as expanded the artificial lake that is integral to the gravity-fed system. After expansion, the canal can accommodate larger ships and heavier loads. Previously, ships up to 106 feet wide with a 39 ½ foot depth could be accommodated, while the new locks will handle boats up to 160 feet wide with depths up to 50 feet.

“You can put more revenue producing freight in the ship for a given cost of transportation,” said Mike Steenhoek, Executive Director of STC. “We think it will improve the economics of US soybean exports, and we need any help we can get. Any opportunity to remove cost from our transportation system, which the Panama Canal can do, will help preserve the competitiveness of our industry.”

In addition to being a critical part of soy transportation, the canal expansion serves as a tangible example of the need to repair and improve Ohio’s own infrastructure. Several staff and board members from OSC visited the Panama Canal with STC in December 2015 and will use the experience to continue the conversation in Ohio on the importance of maintaining and updating our current inland waterway systems.

“There’s not a lot we can do about what happens in Panama, but there’s a lot that we can do about what happens in the United States. So becoming more familiar and developing greater knowledge of this expansion project should help us to increasingly insist upon investments and enhancements in our infrastructure,” added Steenhoek. “If the links in our logistics chain that lead up to the canal – our roads, inland waterway system, locks and dams – if those aren’t strengthened then the Panama Canal expansion will be a missed opportunity. When one link in your chain gets stronger you need to strengthen those other links as well.”



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<http://www.soyohio.org/council/panama-canal-expansion-opening-this-summer/>

\*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.

**Instructions:** You or your group will read one of the five selected profiles.

- 1) Large Grain Exporter
- 2) Large U.S. Retailer
- 3) Multi-National Agriculture Exporter and Foreign Importer
- 4) International Sugar Producer or
- 5) Georgia Port Authority.

Take note of the significant factors about your profile that you can share with your classmates. When instructed to share, share with classmates and then record what they have said about their article. You should be thinking about the following points that are provided. It may be helpful to research the following terms prior to your reading.

**Key Terms:** Transloading, Containers, Backhaul, Intermodal Containers, Domestic Freight, Supply Chain

- Does your profile/profile of others think that the Panama Canal will be beneficial to commodities such as soybeans?

- Will domestic/foreign shipping areas benefit from the expansion of the Panama Canal?

- How will the the expansion of the Panama Canal increase the supply chain of products like soybeans? Think how the domestic market will open up to the global market because of transport. Use examples from your profile.

- How could ports in the U.S. and around the globe change due to the Panama Canal expansion?

Exit ticket:

1) After learning about the supply chain of the soybean, how can we explain to someone else how the soybean connects the world? Think about careers involved in creating and transporting the soybean, how soybeans are being used, and how soybeans are marketed to the world.