RIVER TRANSPORT NEWS

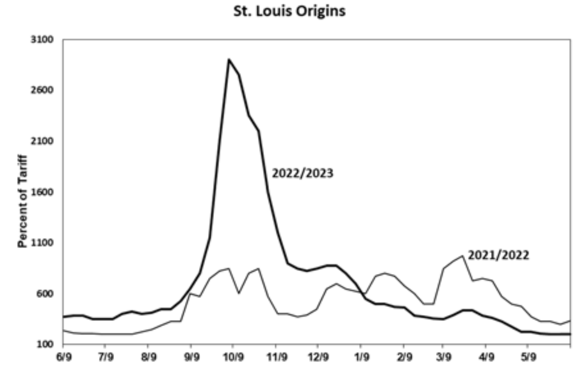
Reprinted with Permission from the June 12, 2023 Edition

Southbound Volume Plunges; Empties Being Towed to Gulf

There is a major drought affecting the barge industry. It's not just a lack of rain in the Midwestern corn/soybean belt. It's also a serious lack of southbound grain traffic. The freight drought has resulted in some unusual developments in the dry cargo barge market. Spot grain rates for southbound grain shipments had been elevated through the first four months of this year due, in part, to high water related navigation disruptions which tightened barge availability. High water has been replaced by sporadic low water, while grain demand has all but disappeared with the coming of the South American harvest.

Spot rates for southbound grain shipments began to decline rapidly in mid-April and have been hovering at levels that for some carriers are below break-even since early May. Spot rates for southbound grain shipments from St. Louis-area origins, for example, have been hovering around 200 percent of the benchmark tariff for the past several weeks. At this time last year, these rates were trading at 335 percent of the benchmark tariff (see Figure 1).

Figure 1. Nearby Spot Southbound Grain Rates: St. Louis Origins



Spot grain rates have been sufficiently low to prompt operators to tie off equipment. Others that continue to operate in the southbound grain trade are benefitting from previously sold freight agreements carrying higher rates. Carriers also are continuing to operate at variable cost levels to avoid idling towboats and crews with the grain harvest approaching.

Northbound/Southbound Rate Inversion

In addition to prompting carriers to tie up barges, the current southbound grain freight drought has also resulted in relatively rare development: A number of barge operators

River Transport News
is published bi-weekly (24 issues per year) by
Criton Corporation
947 Hover Ridge Circle
Longmont, CO 80501
(301) 879-0447

Sandor J. Toth
Publisher

Samuel Toth,
Assoicate Editor

On the Web at

www.rivertransportnews.com

Subscription Rates: Check or Money Order
1 year (24 issues) $575
2 years (48 issues) $1155

Discounts for multiple subscriptions to the same address. Foreign subscriptions: add $50 for 1 year and $100 for two years.

have been and are continuing to tow empty hopper barges from upstream locations to the lower Mississippi River. Several industry sources indicate that the current flow of southbound grain is not generating enough empty barges to meet demand for northbound freight. Other carriers, meanwhile, have temporarily stopped quoting nearby northbound business altogether due to the dearth of empties in the Gulf.

The net impact of this is that the northbound/southbound freight market has flipped. Historically, the northbound movements of fertilizer, salt and steel raw materials were backhaul shipments for barges delivering grain to the lower Mississippi. As a result, rates for these backhauls generally carried a significant discount. That is no longer the case. Spot northbound rates have been trading at a significant premium relative to their southbound counterparts. For example, as ***RTN*** went to press, spot rates for northbound movement from the Lower Mississippi to the St. Louis area were being quoted in the $14.00 to $15.00/ton range. The corresponding southbound grain freight rate was approximately $8.00/ton (200 percent x $3.99/ton). The northbound rate for nearby loadings from the lower Mississippi to Cincinnati, meanwhile, was being quoted at levels between $20.00 and $24.00/ton. The corresponding southbound grain freight rate, meanwhile, currently is trading at the equivalent of $10.55/ton (225 percent x $4.69/ton). The rate differential in each case is stark.

The good news for hopper barge owners is that crops are developing and rates will rise as the fall harvest approaches. As usually happens during this time of year, forward rates are beginning to anticipate the fall harvest. Based on current forward rate quotes, however, southbound grain rates are not expected to reach parity with their northbound counterparts until August for lower Ohio shipments and September for the St. Louis market. ♣