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Freight Costs of Moving Iowa Feed Grains From Surplus to Deficit Area

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SUPPLEMENT TO BULLETIN 342

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The Interstate Rates, shown on pages 130-135, have been altered somewhat as a result of I.C.C. Docket No. 17000, Part VII, published July 1, 1935. Some of the through rates from local points in Iowa to terminal markets outside the state were increased, while others were decreased. Proportional rates were lowered. Sioux City was given a proportional rate on a comparable basis with the other western markets.

Proportional Rates, discussed on pages 136-139, and the example appearing on page 126, also have been altered by the above ruling and a supplement to the above ruling, which was issued during April, 1936. In the last two sections whenever interstate or proportional rates are used, they are accordingly affected by these alterations.

A division and order rendered Aug. 15, 1936, by the Railroad Commission of Iowa, Docket No. B-1676, has altered the mileage sequence shown in column 2, page 128, to a 10-mile interval instead of the 10, 15, 20 and 30. This ruling caused some increase and some decrease but all are minor in character. The significant change in rates resulting from this decision was to make all joint line hauls, not exceeding 3 miles, carry the same rate as single line hauls.

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SUMMARY

DEMAND conditions being equal, the market with the lowest freight cost is in a position to make the highest bid to the local shipper in a given surplus area. Changing crop conditions, however, may create demand for feed grains in territories normally not in the market. When such demands arise the market serving the deficit areas must bid equal to, or above, the market with the favorable freight cost in order to draw grain from an equal or slightly higher freight cost area.

When production in the western feeding area, served by Kansas City, falls to or below 82 percent of normal, Kansas City is forced to bid from 1 to 5 cents above Chicago to draw corn from north central Iowa where freight rates are equal to both markets. In years when production in the western area reaches this low level the price differential usually exists for a period of 12 to 14 months, from mid-summer of the small crop year to mid-summer of the following crop year.

Consumers of feed grains in eastern and southern Iowa and surplus producers of feed grains in central and northwestern Iowa need a method of dealing directly with each other. Many shipments could be made direct from producer to consumer if adequate inspection opportunities were available to buyer and seller. Either a higher rate must be charged to cover the risk of a direct shipment without inspection, or the grain must take a round-about routing for inspection.

Intrastate or local freight rates are based on mileage hauled. A zoning of these local rates shows the competitive areas of the Iowa primary markets as far as local rates are concerned.

The interstate or through rates have more influence on the trade territory of the primary markets than the intrastate. From one-half to three-fourths of the commercial corn and oats leave Iowa. With this large a volume entering interstate traffic, interstate rates are largely used as a basis of price quotation.