



National Grain and Feed
Association



North American Export
Grain Association

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August 8, 2012

Karen V. Gregory
Secretary
Federal Maritime Commission
800 North Capitol Street N.W.
Room 1046
Washington, DC 20573-0001

***Re: Federal Maritime Commission Notice of Inquiry
on the Development and Release of a Container Freight Export Index***

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA) appreciate this opportunity to provide feedback to the Federal Maritime Commission (FMC) in response to its Notice of Inquiry on the development and release of container freight indices for U.S. agricultural exports.

NAEGA, a not-for-profit trade association established in 1912, consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. NAEGA's mission is to promote and sustain the development of commercial export of grain and oilseeds and their primary products. Through a reliance on member action and support, NAEGA acts to accomplish its mission from its office in Washington D.C., and in markets throughout the world.

The NGFA is comprised of 1,050 member companies that operate more than 7,000 facilities and handle more than 70 percent of the U.S. grain and oilseed crop. NGFA membership encompasses all sectors of the industry, including country, terminal and export grain elevators; commercial feed and feed ingredient operations; biofuel producers; cash grain and feed merchants; end-users of grain and grain products, including corn and oilseed processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries that provide goods and services to the industry.

NAEGA and the NGFA support development of mechanisms that will provide additional transportation pricing and risk management tools including the freight rate indices targeted for agricultural products that are contemplated by the FMC and the subject of your inquiry.

NAEGA and the NGFA believe the establishment and public release by FMC of container freight indices for U.S. agricultural exports could be a useful tool for the industry. Our memberships have indicated considerable interest in utilizing a FMC-maintained Container Freight Export Index. Many find the market for container freight currently lacks sufficient exchange- or forward-pricing information in advance of a general rate increases, and believe FMC indices could be the critical element in providing for much-needed improvement in the ability to manage the volatility inherent in container freight used to transport U.S. grains, oilseeds and their primary products. As a result we believe such an index would facilitate the exports of agricultural commodities by increasing the ability of the industry to effectively utilize contracting and hedging tools.

However, to successfully develop and release such indices, the NGFA and NAEGA urge the FMC to maintain and provide for necessary confidentiality of each service contract's terms. The process the Commission uses to access the terms of those freight contracts and organize the pricing information – while at the same time providing for such confidentiality – needs to be effective and fully understood by all stakeholders.

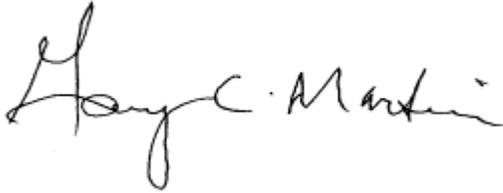
In any event, we see no alternative to using service contract rates to prepare the indices, and trust FMC would provide for as large as possible a sample of active service contracts covering as many transportation lanes as possible. We recognize that the competition for containers is greater than our segment of the market. As such, agricultural price indices need to be correlated easily to the entire market, not just to agriculture products. We find there is little support for individual commodity-specific reporting or indexing. Some of our member companies also suggested that FMC be encouraged to develop an aggregate index of the top three or four bulk commodities transported in containers, such as agricultural products, paper, scrap plastic and scrap metal.

In addition, ideally there would be multiple export rates indexed. But because of a lack of liquidity, only a few benchmark routes likely would be practical. The most liquid routes of concern to our members are Chicago-to-Kaohsiung (Corn / Soybeans / Dried Distiller Grains and Solubles) and Chicago-to-Shanghai/Qingdao (Dried Distiller Grains and Solubles). Indices incorporating routes like Chicago or Kansas City to Vietnam, Indonesia, Malaysia or Thailand also would be useful to hedge exports to Southeast Asia. The volume of shipments via these routes does not approach the volumes to Taiwan and China base ports out of one origin. Creating an index out of the U.S. East Coast (Savannah, Norfolk, Charleston, NY/NJ) also would be useful. With cargo divided between all of these origins, liquidity for any one market would challenge creating an index for any single route from the U.S. East Coast

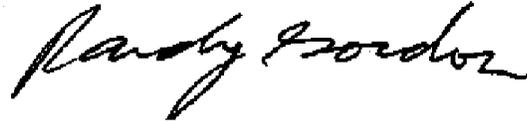
In closing, NAEGA and the NGFA reiterate their appreciation to FMC for its initiative to develop a container freight export index, and for considering the viewpoints and recommendations expressed herein.

We would be pleased to respond to any questions the Commission may have.

Sincerely,

Handwritten signature of Gary C. Martin in black ink.

Gary C. Martin
President and Chief Executive Officer
North American Export Grain Association

Handwritten signature of Randall C. Gordon in black ink.

Randall C. Gordon
Acting President
National Grain and Feed Association