

## Gulf oil spill may harm U.S. grain exports, says market economist

June 3 2010

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(PhysOrg.com) -- With the latest failed efforts to stop the flow of oil from an uncapped well into the Gulf of Mexico, projections are that the spill may not be contained until late summer, or later.

That could affect grain prices for the United States and overseas markets, according to Iowa State University Extension grain markets specialist Chad Hart.

Hart, assistant professor of economics, says that if the [oil slick](#) enters the [shipping lanes](#) there could be a slowdown in shipping traffic.

"If the oil slick got into what is called the Southwest Passage - which is a canal that goes from New Orleans out to the [Gulf of Mexico](#) - we would be looking at severe delays in getting our corn and soybeans shipped overseas," said Hart.

Ships can sail through the oily water, but would need to be cleaned when they enter port.

"When a ship comes into port, it would have to be cleaned if it went through the oil slick," said Hart. "And then when it goes to their destination, it would have to be cleaned again when it arrives."

The result would be much slower movement of grain out of the Midwest to foreign markets.

More than 60 percent of United States grain goes through the port of

New Orleans, according to Hart.

Right now, according to Hart, the oil spill is moving mainly to the east, so there has been little impact on the shipping lanes, which lay to the west of the slick.

"If we end up with a bottleneck down there, we could see prices in the U.S. fall from 10 to 50 cents (per bushel)," said Hart. "Katrina had a similar impact. If that happens, people will start to look at alternative shipping routes. For instance, right now, most of our soybeans that are going to China, go through New Orleans. People may start shipping overland to the Pacific Northwest by rail to ship over to China. That is more expensive, but it is an alternative if the gulf slows down."

As long as the spill stays clear of the shipping lanes for the next few months, Hart doesn't feel there will be a huge impact on prices.

"In some ways we were lucky on the timing," said Hart. "We ship most of our grain earlier in the year, so right now there are smaller amounts of grain moving."

Provided by Iowa State University

Citation: Gulf oil spill may harm U.S. grain exports, says market economist (2010, June 3) retrieved 14 May 2024 from <https://phys.org/news/2010-06-gulf-oil-grain-exports-economist.html>

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