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Railroad Updates

CSXT mileage based and WTI based fuel surcharge to increase April 1, 2008

The CSXT HDF/mileage based fuel surcharge of 33 cents per mile, which became effective March 1, 2008, will change to 35 cents per mile for shipments having a bill of lading dated on or after April 1, 2008 while the CSXT WTI fuel surcharge of 28.0%, which became effective March 1, 2008, will change to 29.2% for shipments having a bill of lading dated on or after April 1, 2008.

The 29.2% fuel surcharge is based on the West Texas Intermediate Fuel Oil (WTI) average price of $95.35 per barrel as published in The Wall Street Journal for the calendar month of February 2008.

While the fuel surcharge programs remain in effect, CSXT will provide daily updates on the price of HDF and WTI, as well as the status of the charge. Go to the Fuel Surcharge page on CSX.com.

Read the entire article:
www.csx.com

BNSF unit train aggregate shipments price to increase in April and May

Unit Train Aggregate Shipments Price Increases Effective April

In accordance with BNSF's Industrial Products Rate Calendar, unit train aggregate shipments into Dallas/Fort Worth and Memphis will take price increases effective April 1, 2008. All unit train rates previously contained in BNSF 90064 have been moved to BNSF 80025.

Rates for traffic terminating in Dallas/Fort Worth will increase $25 per unit while Memphis rates will take a four percent (4%) increase.

Rates for traffic terminating in Houston, Lubbock, Slaton, and Hereford markets will take increases effective May 15, 2008. Increases will average six percent (6%) for trains with 87 cars and above, with increases varying in individual lanes.

On average, rates for 60 car trains will be increasing by fifteen percent

As previously discussed, rate spreads between 60 car trains and trains with greater than 87 cars terminating in Houston are being increased. On average, rates for 60 car trains will be increasing by fifteen percent (15%). Individual lane rates may vary.

Based on customer feedback, the BNSF is also reviewing the date for implementing future rate increases in unit train markets and the option of taking increases more than once per year. The BNSF says customers will be notified in advance of any changes.

Read the entire article:
http://domino.bnsf.com/website/updates.nsf/updates-pricing-industrial/01CDE3E41EE82B828625740A005E05DF?Open

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AAR Updates

Railroads up to the challenge of meeting new locomotive emission standards

The nation's railroads "will be up to the challenge" of meeting tough new locomotive emission standards announced March 14 by the Environmental Protection Agency, according to the head of the Association of American Railroads (AAR).

Meeting the new standards will be a serious challenge, said AAR President and CEO Edward R. Hamberger during an event here at which EPA Administrator Stephen L. Johnson announced the new standards.

"Our locomotive builders will be required to design diesel particulate filters and selective catalytic reduction systems that can fit within the narrow confines of a locomotive and withstand the harsh railroad operating environment," Hamberger said. "The railroads will need to develop an infrastructure to handle the fueling of locomotives with urea and maintain diesel particulate filters so heavy that cranes likely will be needed to remove and reinstall them for maintenance," but, he noted, "in meeting the emissions limits established by the previous standards, the railroad industry has achieved emissions and energy efficiencies beyond those contemplated at the time the previous standards were issued."

"Since 1990, the industry's fuel efficiency has improved by over 25 percent. Today, on average the railroad industry moves one ton of freight 423 miles on one gallon of fuel

Hamberger pointed to two energy efficient locomotives that served as a backdrop to the event. A BNSF locomotive manufactured by General Electric was built to meet EPA's stringent Tier 2 standards and impressively improved fuel consumption at the same time. And a Union Pacific gen-set locomotive uses multiple 700-horsepower engines in place of an engine producing over 2000 horsepower to achieve reductions of 80 percent in NOx and 90 percent in particulate matter, while at the same time achieving fuel savings approaching 40 percent.

"Indeed, the railroad industry continues to do more to reduce emissions and fuel consumption than required by EPA regulations," Hamberger continued. He cited work being done by railroads and their suppliers to develop a fuel-cell powered locomotive and on production of a demonstration hybrid locomotive that stores energy generated in dynamic braking in a battery.

"The railroad industry's record is one of continuous improvement in fuel consumption and emissions," he added. "Since 1990, the industry's fuel efficiency has improved by over 25 percent. Today, on average the railroad industry moves one ton of freight 423 miles on one gallon of fuel.

Hamberger also pointed out that railroads are more energy efficient than alternative forms of transportation. "For example, railroads are three times more efficient than trucks when transporting trailers and containers. A single train can take 280 trucks off the highways, thereby reducing highway congestion."

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"Transportation by rail benefits the environment," Hamberger concluded. "The railroad industry is committed to investments that will expand railroad capacity and continue to achieve improvements in emissions and energy consumption."

Visit the AAR at:
http://www.aar.org

Railroad Traffic

Coal, grain and metallic ore carloads were up in February whereas carloads of coke, crushed stone, sand and gravel, and lumber or wood product were down

Carload freight traffic on U.S. railroads was up from a year ago but intermodal volume was down during February, the Association of American Railroads (AAR) reported.

U.S. railroads originated 1,297,763 carloads of freight in February 2008, up 34,347 carloads (2.7 percent) from February 2007. U.S. railroads also originated 893,951 intermodal units in February 2008, a decrease of 31,007 trailers and containers (3.4 percent) from February 2007.

Ten of the 19 major commodity categories tracked by the AAR saw U.S. carload increases in February 2008 compared to February 2007.

Carload gains in February were paced by coal (up 5.7 percent); grain (up 24.5 percent); and metallic ores (up 40.1 percent). Carloads of chemicals in February were up 2.0 percent.

Commodities showing carload decreases in February 2008 included coke (down 34.6 percent); crushed stone, sand, and gravel (down 6.9 percent); and lumber or wood products (down 19.3 percent).

"Strong export markets are boosting rail coal and grain movements, while continued weakness in the housing sector is negatively affecting rail shipments of lumber and wood, primary forest products, and intermodal, among other categories"

For the first two months of 2008, total U.S. rail carloads were up 1.7 percent. Commodities with the largest carload gains in 2008 through February were coal (up 3.6 percent); grain (up 18.8 percent); and chemicals (up 3.7 percent).

In 2008, part of the increase in carloadings of coal, and decrease in carloadings of coke, is due to the expiration of a "synfuel" tax credit at the end of 2007 that resulted in some carloads that had been classified as coke being reclassified as coal.

"An increase in rail carloadings in February is a welcome bit of good news among a considerable amount of less favorable recent news on the U.S. economic front," noted AAR Vice President John T. Gray. "Strong export markets are boosting rail coal and grain movements, while continued weakness in the housing sector is negatively affecting rail shipments of lumber and wood, primary forest products, and intermodal, among other categories."

U.S. intermodal traffic, which consists of trailers and containers on flat cars and is not included in carload figures, was down 68,239 trailers and containers (3.4 percent) for the first two months of 2008 to 1,962,691.

Canadian rail carload traffic was up 4.2 percent in February 2008 and up 0.1 percent for the year to date. In February, an increase in carloads of chemicals (up 11.1 percent) and metallic ores (up 7.4 percent), among other commodities, more than offset declines in lumber and wood products (down 23.4 percent) and primary forest products (down 17.0 percent), among others.

Canadian carloads of chemicals, metallic ores up while lumber and wood products down for February 2008

Canadian intermodal traffic was up 7.1 percent in February 2008 compared with February 2007 and up 8.3 percent for the first two months of 2008.

Carloads carried on Kansas City Southern de Mexico, a major Mexican railroad, were down 2.2 percent in February 2008 while intermodal units carried were up 18.4 percent. For the year-to-date, KCSM carloads carried were down 1.2 percent, while intermodal units carried were up 14.5 percent 5,325 units.

Visit the AAR at:
http://www.aar.org

Industrial Inside

In a report regarding the 2008 outlook for the ethanol industry, the Renewable Fuels Association (RFA) stated that without question, 2007 was a year of tremendous change within the U.S. ethanol industry; a time of change so vast that the RFA can happily report that they saw their capacity to produce ethanol soar by nearly two billion gallons to an annualized rate of more than 7.8 billion gallons. The industry reportedly grew from 110 bio-refineries operating in 19 states across America to 139 bio-refineries in 21 states and more growth is on the way.

The RFA reports that the ethanol industry reportedly grew from 110 bio-refineries operating in 19 states across America to 139 bio-refineries in 21 states and more growth is on the way

Moving forward in 2008, the RFA estimates that nearly 4 billion gallons of ethanol production capacity will come online from 68 bio-refineries which are currently under construction or expanding. Once all of the new construction currently underway is complete, the U.S. ethanol industry will be able to supply more than 13 billion gallons of ethanol, representing nearly 10% of the nation’s gasoline demand.

Hand in hand with the growth in the capacity of the industry, the RFA says physical production of renewable, lower carbon fuel ethanol soared to 6.5 billion gallons in 2007, a 32% increase from the 4.9 billion gallons produced in 2006.

Physical production of ethanol increased thirty-two percent in 2007 compared to 2006

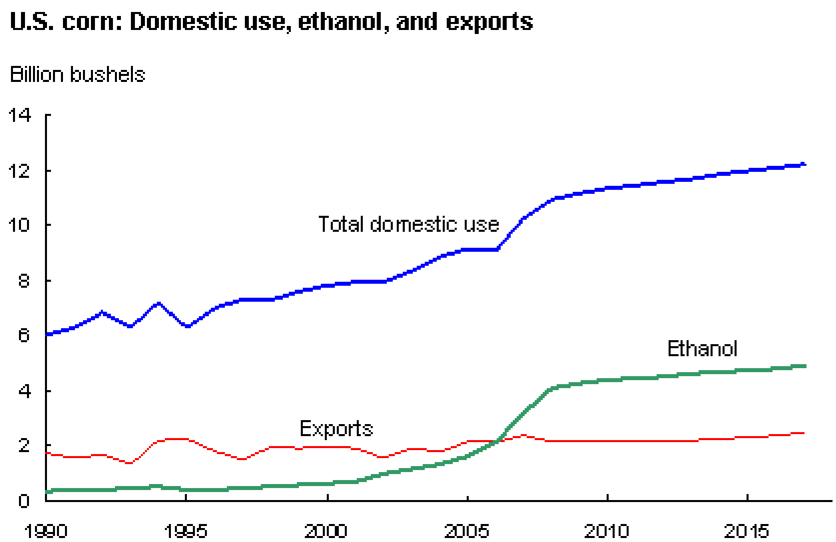
In line with ethanol production, the demand for domestic corn has steadily grown, primarily reflecting increases in corn used in the production of ethanol. Large increases are projected in corn used for ethanol production over the next several years mostly stemming from relatively high prices for crude oil contribute to favorable returns for ethanol production, which combine with government programs to provide economic incentives for a continuation of the ongoing expansion in ethanol production capacity.

U.S. demand for domestic corn has steadily grown to support the ethanol production

The impact on feed and residual use of corn is forecasted to decline over the course of the next few years and then rise only moderately as increased feeding of distillers grains, a co-product of dry mill ethanol production, helps meet livestock feed demand. Meanwhile, gains in food and industrial uses of corn (other than for ethanol production) are projected to be smaller than increases in population where consumer dietary concerns and other changes in tastes and preferences may continue to limit consumer demand.

Globally, U.S. corn exports are expected to fall over the next several years but rise again as feed grains increase corn demand

Globally, U.S. corn exports are expected to fall over the next several years as global corn trade is expected to decline from the record 2007/08 level and as more corn is used domestically in the production of ethanol. After growth in ethanol production in the United States slows, U.S. corn exports are expected to again rise in response to stronger global demand for feed grains to support growth in meat production.



Source: *USDA Agricultural Projections to 2017*, February 2008.
USDA, Economic Research Service.

Additionally, U.S. corn exports to Mexico are expected to be boosted because of the elimination of tariffs on corn imports from the United States. This is expected to shift some U.S. exports to corn from sorghum and corn products, which already had tariff-free status.

Ethanol executive praises rail response to ethanol boom

On March 12, ethanol executives praised the nation's freight railroads for having worked effectively and efficiently with ethanol producers to keep up with the skyrocketing demand for the biofuel.

"As the demand for fuel ethanol grows, the infrastructure available to transport, store and blend ethanol into gasoline has expanded as well," said Bob Dinneen, president and CEO of the Renewable Fuels Association during testimony February 7 before the Senate Energy and Natural Resources Committee. "Railroad companies are working with our industry to develop infrastructure to meet future demand for ethanol," he added.

Dinneen cited the growing use of unit trains to move ethanol as one

“We will continue to grow the necessary infrastructure to make sure that in any market we need to ship ethanol there is rail access at gasoline terminals, and that those terminals are able to take unit trains”

example of the cooperation between producers and railroads. “Unit trains are quickly becoming the norm, not the exception, which was not the case a few years ago.”

Unit trains — some as long as 95 cars — shuttle between ethanol plants and terminals hundreds of miles away where the ethanol is blended with gasoline.

“We will continue to grow the necessary infrastructure to make sure that in any market we need to ship ethanol there is rail access at gasoline terminals, and that those terminals are able to take unit trains,” Dinneen said.

Association of American Railroads President and CEO Edward R. Hamberger said that the need for continued investment rail facilities to handle ethanol underscores the importance of Congressional passage of the bi-partisan Freight Rail Infrastructure Capacity Expansion Act (S. 1125 and H.R. 2116).

That legislation would provide a 25 percent tax credit for any business investing in rail infrastructure expansion projects. Included would be investments made by ethanol producers or gasoline refiners in ethanol terminals capable of handling unit trains.

Since 1995, rail volume of ethanol has grown from almost 32,000 carloads to more than 145,000 carloads in 2006

“Railroads have spent billions of dollars in recent years to expand capacity so that we can meet the needs of ethanol producers and other shippers who are increasing their use of energy-efficient rail,” Hamberger said. “The fact that we have been able to handle the four-fold increase in ethanol traffic without difficulty demonstrates the commitment we have to meeting the needs of all our customers.”

Since 1995, rail volume of ethanol has grown from almost 32,000 carloads to more than 145,000 carloads in 2006.

Adapted from:
http://www.aar.org/ViewContent.asp?Content_ID=4186 and **http://www.cattlenetwork.com/ethanol_Content.asp?ContentID=198704**

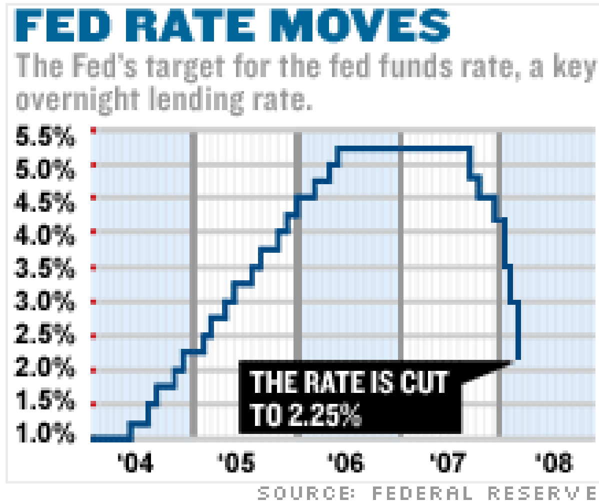
Financial Focus

Feds attempt to restore confidence in the economy with another three-quarter percentage point cut

The Federal Reserve slashed a key interest rate by three-quarters of a percentage point in March to 2.25 percent, in the central bank's continued effort to restore confidence in the economy and battered financial markets.

"I think it's the right step, a measured step and ultimately it has to be viewed as a compromise," said Bernard Baumohl, head of the Economic Outlook Group, a Princeton, N.J., research firm.

The rate cut is the sixth cut in the past six months and comes at a time when the Fed is trying to keep the economy from slipping into recession - although many think it has already entered one.



The Fed cited a weakening labor market and a slowdown in spending by consumers, as well as a continued crisis in financial markets and tight availability of credit to justify the cut. U.S. employers have cut 85,000 jobs so far this year, according to the Labor Department, the most in four years.

The federal funds rate affects how much consumers pay on credit cards and home equity lines of credit, as well as the rate paid by many businesses on loans tied to banks' prime rate

'Compromise' on the growth-inflation debate

But two members of the central bank's policymaking body - Dallas Fed President Richard Fisher and Philadelphia Fed President Charles Plosser - voted against the cut. According to the Fed's statement, they "preferred less aggressive action." While a single dissenting voice is not uncommon - Fisher voted against the Jan. 30 rate cut as well - having two "no" votes is very rare.

Baumohl said the Fed meeting was probably "one of the most contentious" in many years. He speculated that some members were probably arguing a full-point cut was justified by problems in the market while other Fed governors likely did not want to cut by more than a half-point due to concerns about inflation and the dollar.

Some economists have argued the rate cuts will cause a continued weakening in the value of the dollar and a further spike in commodity prices -- which could lead to higher prices for gas, food and imported goods

Some economists have argued the rate cuts will cause a continued weakening in the value of the dollar and a further spike in commodity prices -- which could lead to higher prices for gas, food and imported goods. According to a new national CNN/Opinion Research Corp. poll released Tuesday, Americans said inflation is their top economic concern.

The dollar did rally modestly following the Fed's announcement but some investors worried that even the three-quarters of a percentage point cut will cause more declines in the dollar in the future, especially if other central banks around the globe don't start lowering rates.

Traders are betting on another half-point cut following a two-day meeting that concludes on April 30.

Learn more at:
http://money.cnn.com/2008/03/18/news/economy/fed_rates/index.htm?postversion=2008031817

The Edge

“Weak economy slows cargo, idles railcars” was the March 28, 2008 headline for BusinessWeek. There’s an interesting phenomenon that started occurring over the past few months.

The United States has begun to change the tide from being a highly consumption net importer of goods in intermodal boxes to adding some significant raw material exports to the mix. Even the trade deficit has moved slightly (if one can move a trillion dollars!).

The softening dollar and general concern in the economy has most household consumers slowing down their discretionary spending habits. Converse to that the softening dollar has made US raw materials (scrap, coal, coke, grain, etc.) very attractive in world markets. An exporter friend told me last week that the price, for what would typically be backhaul containers off the west coast to China, has risen by 300% for the commodities he exports.

All these changes are reflected in the rail transport arena. We’re seeing the beginnings of a significant number of intermodal railcars being parked, lumber (centerbeams and log flats) continue to find storage locations and conversely coal, grain, coke and general bulk commodity cars continue to be in demand.

You can also see some railroad pricing that reflects the strong commodity movements and poor performers. In this newsletter pay particular attention to unit train and large blocks of cars pricing versus smaller blocks across many diverse business segments.

If you follow railroad investor trends and the fallout in the securities and investment banking market you’ll notice that railroads continue to represent a steadfast investment segment. With the pressure greater returns brings for investors so goes price pressure for shippers. Be sure you’re doing everything possible to remain competitive in your market segment.

We look forward to earning your business!