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UP boosts coal train loadings again in April

Unit train aggregate shipments price adjustments will become effective July 1, 2010

Railroad Updates

In April 2010, Union Pacific Railroad loaded 916 coal trains in the southern Powder River Basin (SPRB) compared with 835 trains in April 2009.

The railroad registered 117 missed SPRB loading opportunities, 78 of which were attributable to utility plants, 21 to UP, 15 to mines and three to the joint line the Class I shares with BNSF Railway Co., according to UP's weekly coal loading performance report. Missed loadings were partially offset by 73 extra loadings.

In addition, several unscheduled, month-end utility outages for SPRB customers resulted in UP loading 97.4 percent of National Coal Transportation Association (NCTA) demand for April, the report states. One major outage occurred because of a mechanical problem that is under repair and was expected to extend into May.

UP also loaded 229 coal trains in the Colorado/Utah Region in April 2010 compared with 219 trains in April 2009. Loadings were impacted by the seasonal transition, two major long haul moves and high utility stockpiles, which were expected to carry over into May, the report states. UP met 102.2 percent of NCTA demand in the region.

Read the entire article:
http://www.progressiverailroading.com/prdailynews/news.asp?id=23226

Unit Train Aggregate Shipments Price Adjustments Will Become Effective July 1, 2010

Addressing their customers' needs for reliable and efficient service, the BNSF continues to invest in the infrastructure and manage escalating costs. The BNSF reviews and adjusts transportation rates based on market conditions to support the ongoing investment and maintenance of our extensive network.

Unit Train Aggregate Shipments in BNSF 80025 will incur price adjustments effective July 1, 2010. For planning purposes, shipments into the DFW markets will increase $25 per car. Rates into the Houston area market groups and Louisiana will increase $50 per car.

Rates will be posted to the BNSF Price Publications Web page on or before July 1, 2010. To view the rates, **please click here.**

Learn more from the BNSF at:
http://domino.bnsf.com/website/updates.nsf/3b0cef23504a5ef886256b030057f78c/66f596e2e9671a8286257731006b69e8?OpenDocument

UP, GATX Offer Ethanol Rail Safety Conference

Union Pacific and GATX Corp. recently completed an ethanol rail safety conference, instructing about 85 attendees representing more than 30 ethanol shippers. UP and GATX educated customers on the railroad's safety and security measures. Key areas of focus included non-accident release reduction, emergency response techniques, and safe loading and unloading procedures.

UP and GATX complete ethanol rail safety conference focused on non-accident release reduction, emergency response techniques, and safe loading and unloading procedures

"Safety is one of our core values and hosting this conference gave us the opportunity to teach ethanol shipper show they can embrace the same safety focus that supports our commitment to provide safe, efficient and reliable service to our customers," said Paul Hammes, Union Pacific vice president and general manager-Agricultural Products. "Union Pacific is proud to be part of an industry that safely delivers more than 99.99% of hazmat shipments to their destination without a release caused by a train accident."

GATX provided a tank car for the hands-on training session that demonstrated safe practices for transferring ethanol to tank cars. The conference also featured a panel discussion with industry safety experts, including representatives from Union Pacific, the Ethanol Emergency Response Coalition, and the Federal Railroad Administration.

Read more at:
http://www.railwayage.com/breaking-news/up-gatx-offer-ethanol-rail-safety-conference.html

AAR Updates

Affordable coal-based electricity has helped ensure America's position as a global economic superpower, and freight railroads are a big reason for that, Association of American Railroads (AAR) President and CEO Edward R. Hamberger told the Congressional Coal Caucus on May 25. Railroads deliver 70 percent of all coal shipments to their final destinations, moving enough coal to meet the electricity needs of every home in America. It is the cost-effectiveness of freight rail that has made it the mode of choice for moving coal – and today twice as much coal can be shipped for roughly what it cost 30 years ago.

The success of America's railroads and coal are indelibly linked

"Policy makers should take steps to ensure the continued use of our nation's affordable domestic coal resources," Hamberger said, adding support for development of carbon-capture-storage (CCS) technologies and aligning carbon reduction timetables with its commercial availability. "Investing in CCS will ensure America can produce affordable electricity from coal, promote energy independence, and protect our environment."

Coal is the single largest customer segment for railroads, representing roughly

Coal is the single largest customer segment for railroads, representing roughly 25 percent of total revenue for the nation's major Class I railroads. Further, one in every five railroad jobs is related to the

25 percent of total revenue for the nation's major Class I railroads

movement of coal.

"Without coal, the U.S. rail network would face a need for vast restructuring with greatly reduced capacity to invest in the nation's rail network infrastructure," Hamberger said.

With various climate change proposals before Congress threatening to curb coal consumption, railroads are urging lawmakers to consider enacting contingent allowances in legislation. Specifically, contingent allowances would be made available to railroads that see a decrease in coal revenue as a direct result of federal climate change law. If coal markets go unaffected, the contingent allowances would not take effect. However if coal use falls, contingent allowances would help railroad businesses cope with the loss of billions of dollars in unique coal-related assets and revenues decimated from the change in law.

Contingent allowances would be made available to railroads that see a decrease in coal revenue as a direct result of federal climate change law

"The loss of these coal-related assets and revenue would significantly impede railroads' ability to meet the transportation needs of businesses all across the country that rely on rail to get to the global marketplace," Hamberger said. "If railroads cannot afford to renew and expand their capacity, more rail passengers and freight will move by less efficient, less environmentally sound ways across overcrowded highways."

Learn more from the AAR at:
http://www.aar.org/NewsAndEvents/PressReleases/2010/05/052510-CongressionalCoalCaucusTestimony.aspx

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Railroad Traffic

The Association of American Railroads (AAR) reported on May 12, 2010 that U.S. freight railroads saw a 15.8 percent rise in carloads during April 2010 compared with the same month last year, and a decline of 11.5 percent compared with the same month in 2008.

AAR reports traffic growth continues in April 2010

According to AAR's **May 2010 Rail Time Indicators Report**, all 19 major commodity categories saw higher carloads last month compared with the same month last year, marking a first since AAR's data series began in 1989. On a seasonally adjusted basis, U.S. rail carloads in April were up 0.5 percent compared with March 2010, while intermodal was up 1.0 percent from April 2010.

U.S. rail intermodal traffic, which covers the movement of truck trailers and shipping containers by rail, was up 14.3 percent in April 2010 compared with the same month last year, but down 6.9 percent from the same month in 2008.

All 19 commodity groups up – marking a first since data series began in 1989

Commodities showing notable monthly carload gains in April 2010 included primary metal products, up 90.5 percent compared with April of 2009, and coal, up 7.1 percent compared with the same month last year. This is the first monthly gain in coal traffic since December of 2008.

"Last month's favorable results come with a footnote that April 2009 was a particularly bad month for rail traffic," said AAR Senior Vice President John Gray. "That said, rail traffic last month suggests the early phase of a broad based recovery is underway. Although the recovery may not be happening as quickly as we'd like, conditions are better today than they were even a few months ago."

Visit the AAR at:

http://www.aar.org/Home/AAR2/NewsAndEvents/PressReleases/2010/05/051210-RailTimeIndicators.aspx

Industrial Inside

Corn rises on speculation that China will buy more U.S. grain

Corn rose to the highest price in almost two weeks on speculation that China, the world's second- biggest consumer, may need to import more U.S. grain to reduce record domestic prices.

China bought 241,000 metric tons of U.S. corn for delivery by Aug. 31, before this year's harvest, after canceling 130,000 tons for delivery after that date, the U.S. Department of Agriculture said today. China, which hasn't been a net importer in 14 years, has purchased a total of 595,100 tons from the U.S. for delivery before Sept. 1.

"China needs corn after drought damaged their crops last year," said Tim Hannagan, a grain analyst for PFG Best Inc. in Chicago. "The Chinese purchases are also boosting demand from other buyers worried about competing for U.S. supplies."

Corn futures for July delivery rose 1.25 cents, or 0.3 percent, to $3.7275 a bushel at 1:04 p.m. on the Chicago Board of Trade, after touching $3.7375, the highest price for a most- active contract since May 14. Corn, down 12 percent in the past year, has risen 2.1 percent since the first sales to China were announced on April 28.

U.S. exports of corn to all countries totaled 1.03 million tons in the week ended May 20, bringing the eight-week total to more than 10.1 million tons, the most since February 2008, USDA data show.

Corn is the biggest U.S. crop, valued at $48.6 billion in 2009, government figures show

China is allowing private feed and food makers to import as much as 2.8 million tons of corn this year, Zeng Liying, the deputy director of the State Administration of Grain, said earlier this week at a conference in Beijing.

The world's most-populous nation may require "large- scale" imports of U.S. corn if the domestic harvest falls this year after spring planting was delayed, Fei Zhonghai, an assistant to the general manager at Cofco Ltd., said this week. The last time China was a net importer of corn was 1996, based on USDA data.

Corn is the biggest U.S. crop, valued at $48.6 billion in 2009, government figures show.

Read more at:
http://www.bloomberg.com/apps/news?pid=20601012&sid=avo0CUgVEpQI

Fed expects economy to keep improving

The Fed cautioned that the U.S. economy remains vulnerable enough to maintain an "accommodative stance of monetary policy"

Financial Focus

The Federal Reserve has a more optimistic outlook for the U.S. economy, according to meeting minutes from the Fed's most recent Open Market Committee meeting, which took place in April. That meeting happened before the financial markets were rocked by an escalation of fears about the economic crisis in Europe.

But the central bank is still debating how to shrink its massive balance sheet.

The Fed now expects U.S. gross domestic product, the broadest measure of economic activity, to increase at an annual rate of between 3.2% and 3.7% in 2010. That's up from the Fed's previous estimate of between 2.8% and 3.5% in January.

GDP rose at a 3.2% annual rate in the first three months of 2010, the government said.

At the same time, the Fed reduced its forecast for the nation's unemployment rate to a range between 9.1% and 9.5% this year, versus 9.5% to 9.7% in January. The unemployment rate currently stands at 9.9%.

Still, Fed members also acknowledged the growing turmoil in Europe leading up to its last meeting, noting that "fiscal strains in Greece intensified during the intermeeting period."

The Fed subsequently announced plans to expand currency swaps with the European Central Bank and other central banks in the region to help contain the crisis.

When will the Fed raise rates? Despite the improved outlook, the Fed cautioned that the U.S. economy remains vulnerable enough to maintain an "accommodative stance of monetary policy."

In addition, committee members discussed ways to reduce the central bank's balance sheet, which swelled during the financial crisis as the Fed bought billions worth of government and corporate bonds.

In March, the Fed completed a $1.25 trillion program to buy mortgage bonds backed by government-sponsored lenders. It also purchased about $175 billion of agency debt.

In 2009, the Fed bought $300 billion of long-term U.S. Treasury bonds to help keep mortgage rates down.

"Meeting participants agreed broadly on key objectives of a longer-run strategy for asset sales and redemptions," according to the minutes. "Reducing the size of the balance sheet would decrease the associated reserve balances to amounts consistent with more normal operations of money markets and monetary policy."

The FOMC voted to hold the federal funds rate, its key overnight lending rate, near 0%

But the minutes showed that Fed bankers had a variety of opinions on how and when to begin selling the securities. Most members wanted to delay asset sales "for some time," but a few members preferred to begin sales "relatively soon."

A majority of members were in favor of selling assets gradually over a period of five years -- but not until after the Fed begins increasing interest rates since that would mean the economic recovery is firmly established.

If that's the case, the Fed may not wind up selling any of these assets anytime soon. The Fed also lowered its outlook for inflation, suggesting the central bank will be able to maintain the low interest rate policy it has had in place for over two years.

In April, the FOMC voted to hold the federal funds rate, its key overnight lending rate, near 0%. At that time, the Fed said it expects to keep rates "exceptionally low" for an "extended period" -- which has been the central bank's mantra for months.

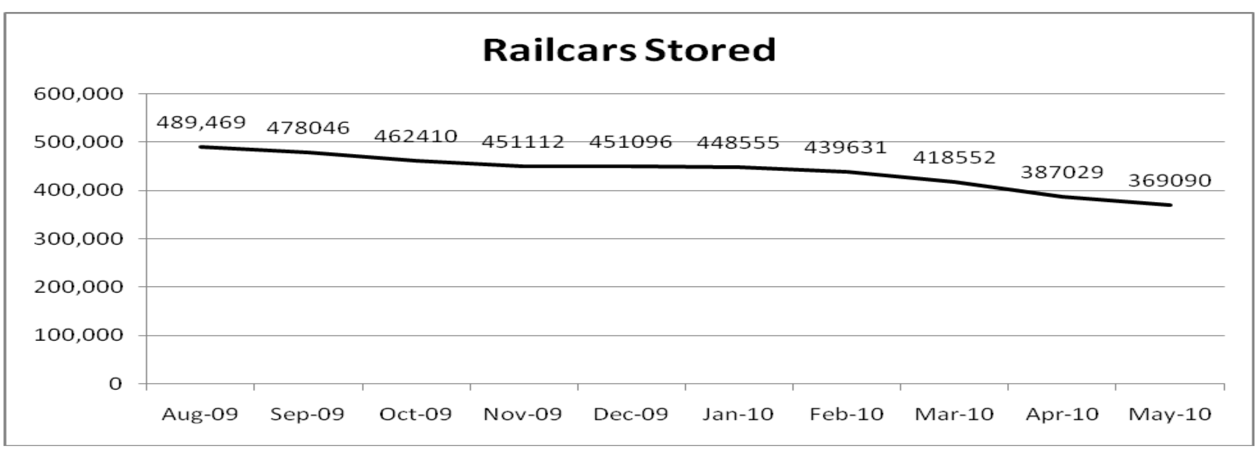
However, one member of the committee voted against holding rates low indefinitely.

Thomas Hoenig, president of the Federal Reserve Bank of Kansas City, indicated that rates should be increased toward 1% this summer, at which time the Fed could "further assess the economic outlook," according to the minutes.

Learn more at:
http://money.cnn.com/2010/05/19/news/economy/Federal_Reserve_meeting_minutes/index.htm

The Edge

Railcars that have found a home on storage tracks across the US are slowing making their way to either the scrap yard or back into the workplace. From August 2009 to May 2010 we've seen approximately 120,379 railcars move off the storage tracks.



Looking at railcar loadings over the same time period we see slight, albeit continuous, improvements throughout the timeframe. It appears that the storage market has hit bottom and is slowly crawling back to a reasonable level of freight. In talking with several Class I Railroads recently, we have been told that some freight loadings in specific and general industrial commodities have declined as much as 25 percent. The railroad seems to be concerned whether we're actually seeing sustainable growth or simply seeing manufacturers and electricity producers catching up with supply shortages due to low inventories.

When we compare the UMLER equipment index for the North American rail equipment fleet in the first quarter of 2010 against the statistics of fourth quarter 2009 we see a decrease of 16,353 railcars. Most of the decline from a railcar perspective was in the box car and tank car fleets. One would venture to guess that most of these cars are now in process to becoming auto fenders and appliances.

So, you may ask, why the focus on stored railcars?

There are a couple of lessons here.

One, storage is expensive if not managed properly. Class I Railroads charge between $10 and $75 per railcar per day. There are still a significant number of shippers paying these charges simply to utilize railroad owned track as a rolling inventory management system. There are often better ways than paying tens and hundreds of thousands of dollars in annual storage fees for empty and loaded railcars.

Two, management of the private car OT-5 process is important. In this business managing the details is darned important. OT-5 is the process by which railroads approve the use of private railroad cars being brought onto their rail lines. Railroads have done an exemplary job of shifting the railcar capital risk to shippers and receivers. Consider that 80 percent of the North American railcar fleet is privately owned. As a shipper (or receiver) that has or intends to use private railcars be sure you have OT5 approval. The form is on our website at this link **http://www.tealinc.com/pdf/OT-5.pdf.**

We look forward to earning your business!