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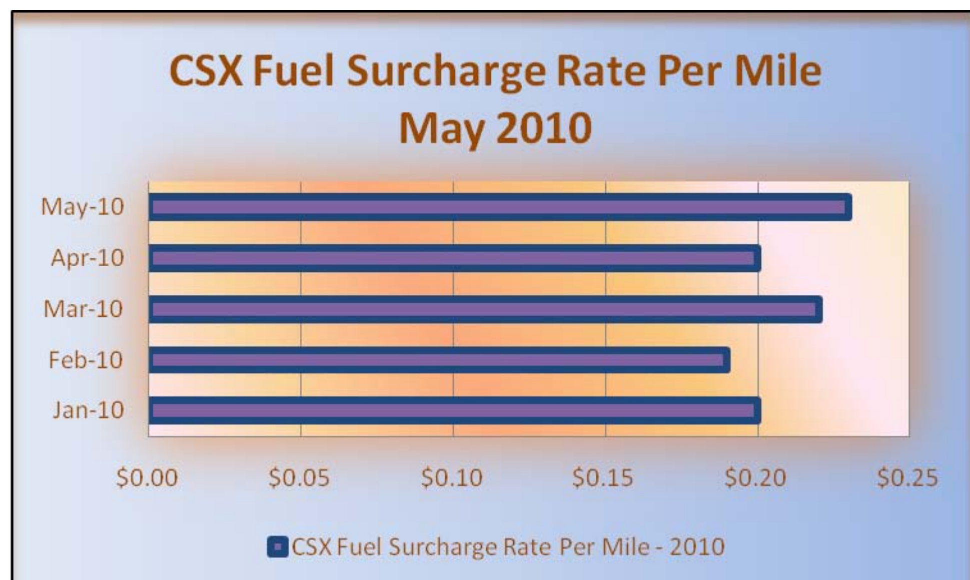
The CSX Transportation HDF fuel surcharge will increase May 1, 2010

Norfolk Southern said shipping prices rose 3 percent in the quarter and productivity improved

Railroad Updates

The CSX announced in April that based on the highway diesel fuel/mileage as it is published in CSXT Fuel Surcharge Publication 8661 and applies to all regulated linehaul freight rates existing or established by CSXT will change on May 1, 2010.

The CSXT HDF/mileage based fuel surcharge of 20 cents per mile, which became effective April 1, 2010, will change to 23 cents per mile for shipments having a bill of lading dated on or after May 1, 2010.



Read the entire article:
http://www.csx.com/?fuseaction=customers.news-detail&i=50636

Norfolk Southern 'Convinced' US Recovery is Underway

Norfolk Southern Corp. is convinced the U.S. economic recovery is well under way. It's just not sure how fast it will happen.

The railroad's confidence comes from improving shipping volume in the first three months of the year that helped its first-quarter profit rise 45 percent. The improvements have continued through [April 2010], indicating that more manufacturing lines are churning and consumers are starting to buy again.

Norfolk Southern said shipping prices rose 3 percent in the quarter and productivity improved. Although fuel costs are a growing concern. They shot up 60 percent from a year ago.

Norfolk Southern earned $257 million, or 68 cents per share in the first quarter, compared with $177 million, or 47 cents per share, a year earlier. The most recent quarter included a charge of 7 cents per share related to the newly enacted health care law.

NS says revenue for general merchandise — its biggest segment, which includes a wide range of products from food to cars, rose 23 percent

Revenue rose 15 percent to $2.22 billion, on higher shipping volume and prices. Shipping volume overall rose 9 percent.

Analysts, on average, expected a profit of 66 cents per share on revenue of $2.11 billion, according to a poll by Thomson Reuters.

Norfolk Southern, based in Norfolk, Va., said revenue for general merchandise — its biggest segment, which includes a wide range of products from food to cars, rose 23 percent.

Revenue from coal shipments increased 4 percent, mostly from the uptick in global steel production. Coal mined in the U.S. can also be used to produce electricity. Rival CSX said last week its coal shipments were down because there was less demand for coal to generate power.

Revenue from Norfolk Southern's intermodal segment, which includes transfers from trucks and ships, rose 12 percent. That's a good sign that consumer spending is improving, because many retail goods are shipped that way.

NS believes that intermodal/transfers from trucks will continue to improve because demand is better and there are fewer trucks on the road than there were a year ago, which allows prices to rise

Norfolk Southern said in a conference call [April 27, 2010 that] it thinks transfers from trucks will continue to improve because demand is better and there are fewer trucks on the road than there were a year ago, which allows prices to rise.

Norfolk Southern's results follow earnings reports from two other major railroads last week. Union Pacific Corp., the nation's largest railroad, said its profit rose 43 percent. CSX earnings improved by 20 percent from a year ago. All three railroads say they think the economy is looking up.

Norfolk Southern shares fell $1.44, or 2.4 percent, to close at $59.65 on Tuesday as the broader market declined.

Read more at:
http://abcnews.go.com/Business/wireStory?id=10490987

Soy Transportation Coalition survey gives railroads "mixed grades"

Leading U.S. grain and oilseed shippers offered "mixed grades" to U.S. Class I railroads in the first annual Soy Transportation Coalition (STC) Rail Customer Satisfaction Index. The Ankeny, Iowa-based group says the survey was "completed anonymously by grain and oilseed shippers of various size and scale of operations."

"The STC survey reflects the perspectives of those who ship the overwhelming majority of grain and oilseeds in this country."

"While respondents overall provided higher ratings for the rail industry's customer service efforts, concern was consistently expressed at the costs of rail service and how they are communicated. In addition to mixed grades being given across the three performance categories, respondents also provided different ratings for U.S.-based railroads and their Canadian-based counterparts," the coalition says, referring to Canadian National and Canadian Pacific.

Eleven questions in the survey covered issues ranging from on-time performance to customer service and costs.

"The STC survey reflects the perspectives of those who ship the overwhelming majority of grain and oilseeds in this country," said Mike Steenhoek, the coalition's executive director. "We do not claim the survey is the definitive barometer on the performance of the rail industry. The survey is subjective and gauges customer attitudes. These attitudes have been developed by the movement of millions of bushels of grain and oilseeds. As a result, the survey results do serve to further instruct and illuminate our understanding of the extent to which the rail industry is meeting the needs of their agricultural customers."

Read the entire article:
http://www.railwayage.com/breaking-news/soy-transportation-coalition-survey-gives-railroads-mixed-grades.html

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AAR Updates

Earth Day, AAR notes rail's increasing fuel efficiency

The Association of American Railroads (AAR) announced that the nation's freight railroads in 2009 averaged 480 ton-miles to the gallon, up significantly from the benchmark of 426 ton-miles used by AAR, Class I railroads, and freight rail supporters throughout North America in recent months to bolster the mode's environmental credentials.

Ton-miles-per-gallon is the railroad measurement for fuel efficiency, like autos use miles-per-gallon. Overall, freight rail fuel efficiency is up 104% since 1980. In 2009, railroads generated 67% more ton-miles than in 1980, while using less fuel, AAR said.

"I'm pleased to report on Earth Day that the nation's freight railroads not only haul the goods that America depends on every day, but they do so while benefiting the environment and reducing our dependence on foreign oil," said AAR President and CEO Edward R. Hamberger.

Overall, freight rail fuel efficiency is up 104% since 1980

While environmental benefits from moving more people and goods by rail are important advantages, fuel efficiency is where it all starts, Hamberger noted, citing the federal government's finding that railroads are four times more fuel-efficient than trucks. "Railroads are moving more while consuming less fuel, which means we're emitting fewer greenhouse gases and easing highway congestion."

Railroads use sophisticated on-board monitoring systems to gather and evaluate information to provide engineers with real-time "coaching" and calculate the speed that maximizes fuel savings. Railroads also use innovative freight-car and locomotive designs that cut down fuel consumption, AAR says.

"America can save even more fuel by shipping more by train. If just 10% of the long-haul freight

"America can save even more fuel by shipping more by train. If just 10% of the long-haul freight currently moving on our crowded highways was moved by rail, annual fuel savings would exceed 1 billion gallons," Hamberger said.

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Among other things, railroads have invested billions of dollars in thousands of new, more fuel-efficient locomotives and on overhauling older units to make them more fuel-efficient. Research also is under way on hybrid long-haul locomotives.

Read the entire article:
http://www.railwayage.com/breaking-news/on-earth-day-aar-notes-rail-s-increasing-fuel-efficiency.html

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Railroad Traffic

AAR reports broad gains in weekly U.S. rail freight traffic

The Association of American Railroads (AAR) reported in April 2010 that signs of recovery in U.S. freight rail traffic continue to gain momentum, with carload volume reaching its highest level since the week ended December 6, 2008. U.S. railroads originated 296,599 carloads during the week ended April 17, 2010, up 16.1 percent from the comparable week in 2009. However, volume was still down 11.6 percent from the same week in 2008. In order to offer a complete picture of the progress in rail traffic, AAR now reports 2010 weekly rail traffic with comparison weeks in both 2009 and 2008.

Intermodal traffic totaled 209,903 trailers and containers, up 14.6 percent from last year but down 6.3 percent compared with 2008. Compared with the same week in 2009, container volume increased 16.7 percent while trailer volume gained 4 percent. Compared with the same week in 2008, container volume was up 1.6 percent while trailer volume fell 35.3 percent.

All 19 carload commodities up from comparable 2009 week

Carload volume gained 19.6 percent from last year on Eastern railroads and 13.8 percent on Western carriers. Compared with 2008, however, carload volume was down 13.6 percent in the East and 10.2 percent in the West.

Eighteen of 19 carload commodity groups were up from last year, led by a 177.5 percent jump in loadings of metallic ores. Other notable increases included 68.8 percent for metals, 49 percent for motor vehicles and equipment, 46.4 percent for nonmetallic minerals and 34.5 percent for primary forest products. Grain was up 12.2 percent, and coal gained 9.6 percent. The only commodity registering a decline was pulp, paper and allied products, off 6.7 percent.

For the first 15 weeks of 2010, U.S. railroads reported cumulative volume of 4,175,722 carloads, up 4 percent from 2009, but down 14.3 percent from 2008; 3,040,683 trailers or containers, up 9.2 percent from 2009, but down 8.5 percent from 2008, and total volume of an estimated 455.4 billion ton-miles, up 4.9 percent from 2009 but down 11.1 percent from 2008.

Read the entire article at:
http://www.aar.org/NewsAndEvents/PressReleases/2010/04/042210_RailTraffic.aspx

Industrial Inside

ACRE program could pay big for Kentucky wheat farmers

Kentucky wheat growers who signed up for the U. S. Department of Agriculture's optional Average Crop Revenue Election Program , or ACRE, will likely see big payments in 2010, said Cory Walters and Greg Halich, agricultural economists in the University of Kentucky College of Agriculture.

"In Kentucky, a perfect storm hit the 2009 wheat crop," Walters said. "State yields were below average, and the national average marketing price is significantly below the commodity guarantee. For both corn and soybeans, Kentucky yields were well above average and marketing year prices were not far from their respective program guarantees. Therefore, right now it looks like no payments for corn or soybeans will be made."

The economists were able to estimate ACRE payments for 2010 by using USDA estimates of the state yield and marketing year average prices. Projected Kentucky ACRE payments are $95 per acre for wheat. These projected payments are estimates, and final payments will likely change based on final marketing year prices once the marketing year ends on August 31, 2010.

ACRE is a risk protection program added under the 2008 Farm Bill

ACRE is a risk protection program that was added under the 2008 Farm Bill. Unlike the traditional farm support programs that offer direct payments, counter-cyclical payments and marketing assistance loans if a price of a particular crop falls below a certain level, ACRE pays if crop revenue falls below a revenue guarantee. Revenue includes price and yields.

ACRE payments are determined by taking the state revenue guarantee and subtracting the product of state average yield and the national average marketing price. When this value is positive, a potential payment is available, but that doesn't necessarily guarantee payment for every producer in the state. Individual growers must show that their 2009 farm revenue, which is their actual yield multiplied by the national average price, was less than their farm revenue benchmark, which is calculated by their yields from the past five years, minus highest and lowest yielding years, multiplied by the previous two years' national average marketing prices plus crop insurance premium. Crop insurance payments do not count against ACRE.

Producers eligible for ACRE include those who grow

Producers eligible for ACRE include those who grow corn, soybeans, wheat, sorghum, barley, rice, upland cotton, oats, peanuts, pulse crops and other oilseeds. Those who enroll in ACRE forgo any counter-cyclical program payments, forfeit 20 percent of direct payments and have loan rates reduced by 30 percent.

"On average, the 20 percent reduction in direct payments costs Kentucky producers $5 per base acre for corn, $2 per base acre for soybeans and $4 per base acre for wheat," Halich said. "Also, producers using Commodity Credit Corporation loans will have to put

corn, soybeans, wheat, sorghum, barley, rice, upland cotton, oats, peanuts, pulse crops and other oilseeds

up more bushels to get the same amount of money under ACRE, since loan rates are reduced by 30 percent."

Since it is based on revenue, price protection with ACRE currently is significantly higher than that found in the counter-cyclical program. ACRE payments for 2009 would be triggered if corn falls below $3.72 a bushel, soybeans drop below $9.04 a bushel, and wheat falls below $5.97 a bushel by the end of the marketing year. In the counter-cyclical program, payments would occur if prices fall below $2.35 a bushel for corn, $5.36 for soybeans and $3.40 for wheat.

The implied ACRE floor price can only go up or down by 10 percent each year. So it would take five consecutive years of significantly reduced revenue, with each year worse than the previous year, for the ACRE price floor to reach the counter-cyclical level for corn, soybeans and wheat.

"Thus, the price protections for ACRE are clearly better then the counter-cyclical program, even in the worst-case scenario, for the next five years," Halich said.

Read the entire article at:
http://graincrops.blogspot.com/

Financial Focus

Demand will be "sufficient" to bring about a moderate economic recovery in the next few months, more time is needed to recover job losses

The economy showed modest signs of life in the month of April 2010, the Federal Reserve said in its latest summary of regional economic conditions.

Economic activity expanded "somewhat" in 11 of the central bank's 12 districts, according to the latest edition of the Fed's Beige Book, released in early April 2010. St. Louis was the exception, reporting "softened" economic conditions.

"It's a gradual improvement, but certainly nothing that suggests the Fed is in any hurry to raise rates," said John Canally, an economist at LPL Financial. "There's just not an urgent tone in the report and improvements are very, very modest on all fronts."

"There's a recovery, but it doesn't seem that the Fed views it as self-sustaining," he added.

Improved conditions were led by increased manufacturing activity, which picked up in all districts except St. Louis since the last report, published in March.

Consumer spending also strengthened, spurred by increased sales in New York, Cleveland, Richmond and Kansas City.

Several districts reported consumers seemed "somewhat" more confident and businesses were "cautiously optimistic" about future sales, the Fed said.

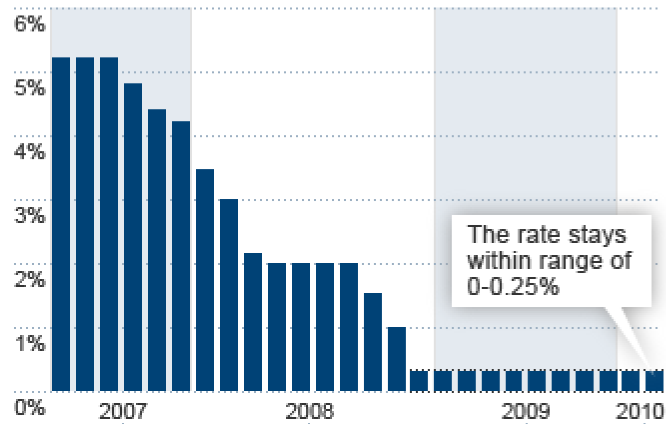
Economic conditions are likely "to warrant exceptionally low levels of the federal funds rate for an extended period"

The housing market was also a bright spot and many districts reported increased activity in the sector, though commercial real estate remained weak in most districts.

While the employment picture remained dreary, the Fed said "some hiring activity was evident, particularly for temporary staff."

"That's something new, but they're just acknowledging that hiring has begun to pick up a little bit," said Canally. "The hiring of temporary workers has been rising since October because employers just can't afford to pay benefits to full-time workers."

In testimony before the Joint Economic Committee, Fed chairman Ben Bernanke warned that while private sector demand will be "sufficient" to bring about a moderate economic recovery in the next few months, more time is needed to recover job losses.



At last month's policy meeting, the Fed held its key interest rate, the federal fund rate, between 0% and 0.25% and repeated that economic conditions are likely "to warrant exceptionally low levels of the federal funds rate for an extended period."

Learn more at:
http://money.cnn.com/2010/04/14/news/economy/federal_reserve_beige_book/index.htm

The Edge

You'll see a commodity focus to our newsletter this month as we discuss grains and fuel. This makes a pretty good lead in to a combination of both. The Chicago Mercantile Exchange (CME) launched a new Distillers' Dried Grains ("DDGS") Futures contract Monday, April 26th. (**www.cmegroup.com**)

This brings the third leg of stability to the ethanol industry allowing the feed side of this fuel industry to create reliable value for its users. The introduction of this contract will create a "corn crush" trade much the same as the soybean crush trade that exists today. The corn crush

spread trade is complicated in that one needs to trade corn, ethanol and DDGS futures to execute a trade; however, as in all trades the fundamentals of the marketplace should dictate profitability. This will be of particular interest to the fuel ethanol industry, agri-business and livestock feeders.

Corn plantings are off to an explosive start with close to half the corn acres planted (USDA data) during the first three weeks of April. This is close to 30% ahead of the previous five year average. That bodes well for cheap food and feed prices going forward.

Wheat in 2009 was harder hit than the numbers we're seeing in 2010. Wheat as a feed grain is showing robust growing numbers as the Department of Agriculture reported that 69% of the U.S. winter wheat crop is in good to excellent growing condition. Wheat in Kansas which grows the largest volume of winter wheat varieties got great reviews.

From a transportation perspective, grain is generally a push commodity meaning it is supply driven and pushed to markets. There are only so much storage space and means of keeping this perishable commodity at origin locations. The result is a seasonal and sometimes quite large demand on the country's transportation truck, rail and barge infrastructure.

Looking across industrial commodities we often follow this segment by obtaining expert opinions on the future pricing of scrap metal. Yes scrap metal. Scrap metal is an indicator of how the industrial segment is doing in our country. Scrap metal is a key ingredient of steel mills that service automotive, industrial and infrastructure demand. These mills have been whipsawed in the past much the same as the rest of the industry and are conservatively moving forward with scrap inventories and pricing. Our crystal ball says that we'll have a short downturn this month with steady but cautious pricing through the summer and early fall. The fourth quarter remains a guess to all but the most daring.

In comparing basic goods and services industries we find a common denominator. They are all trying to eke out small increases to get back some of the revenue they lost during the last two to three year recession. Whether or not these price increases are sustainable we see them being justified (rightfully so) by U.S. Bureau of Labor Statistics published material and costs of goods increases and increases in cost components such as freight, energy, health care and labor. This falls in line with our article on the Federal Reserve focus in this newsletter.

If we can be of assistance with your transportation needs or simply to answer any questions don't hesitate to call upon us.

We look forward to earning your business!