

# RAILROAD WEEK IN REVIEW

October 4, 2024

*“This was the largest project I was ever involved with — and is the only grain facility in Pennsylvania to have a loop track. It took a lot of hard work to bring it to the finish line by all parties involved, and the railroad is extremely proud to now be a part of the Country View Family Farms family.” —Todd Hunter, Chief Marketing Officer, North Shore Railroad*

*“This project was 20 years in the making, and the efforts of the North Shore Railroad with site selection and [Norfolk Southern with the line haul] were instrumental in making this possible, as rail access was critical to the success of the project.” — Aaron Ott, President, Country View Family Farms*

*“Agriculture, forest and consumer products volume decreased in both the quarter and year-to-date due to declines in corn, fertilizers, ethanol and food oils, partially offset by increased feed volume. Decreased corn volume was the result of customer sourcing changes due to increased southeast corn production.” — NS 10-Q, June 30, 2024 [Emphasis added — rhb]*

**Back when I was selling advertising space** in *Popular Mechanics*, I had a publisher who wanted his reps to make at least four customer calls a day. He always said, “If you don’t go see the people you can’t ask for the order.” It’s as true today as it was then and it’s particularly evident on short lines. A wood chip mill in North Carolina. A transload in New Jersey. An automotive distribution facility in Texas. And many, many more.

Now we have the brand new Country View Family Farms (CVFF) swine feed mill on the Union County Industrial Railroad, a member of the North Shore Railroad Group, in New Columbia, Pennsylvania, less than 100 miles due north of the state capitol in Harrisburg.

The \$47 million facility sits on a 173-acre land parcel and features an 8,250 foot loop track to accommodate unit trains of feed ingredients.





The mill will supply farms within a 50-mile radius with enough feed for 975,000 hogs, using 450,000 bushels of corn — about a train a week, nearly enough to fill the plant’s 600,000 bushel silo capacity. It is the only grain facility in Pennsylvania

to have a loop track, quite proper for a mill that will run 24 hours a day five days a week. The first train should have arrived by the time you read this.

A piece on the *Trains* magazine *NewsWire* tells us, “NS unit trains will be routed via their ex-PRR Pittsburgh Line to Harrisburg, then north on the former Pennsy Buffalo Line to the connection with the Union County Industrial Railroad’s former Reading trackage at Milton, Pa. NS locomotives and crews will move the unit trains to the facility and North Shore Railroad crews will handle the unloading process and set up the empty trains to depart the facility.”

Just to put things in perspective, owner CVFF includes more than 300 family farms throughout Indiana, Pennsylvania, Ohio, New York, Maryland and North Carolina. It is one of the top 11 US hog production companies, turning out nearly three million hogs a year. Lean hog futures contracts seem to run in a fairly consistent price range, so one must conclude this new operation will be around for a long time.

Grain is a top commodity for NS, and they’ve been in the unit train business for a quarter of a century. Some their first trains were on a short line I ran where we had won a Perdue chicken feed mill. The NS partnership worked so well we eclipsed the CSX single-car share of the business and we added another feed mill in short order.

According to the North Shores’s quarterly newsletter, Joe Kantz, the railroad’s Business & Development Manager, makes it his business to keep an inventory of all the developable properties along their railroad. So when he learned of Country View’s needs, he had a site immediately in mind — a site he learned of by going out to see the people along the property, proving once again that my magazine publisher boss was right. A ribbon-cutting ceremony attended by a trainload of dignitaries was held just a week ago.

**The non-Class I railroads’** rate of change in growing carload volumes may finally be getting some traction on The Street. Bascome Majors at Susquehanna Financial writes that carload growth rates of change for short lines and regionals are exceeding those of the Class Is and builds on the theme I wrote about in WIR [Oct 6](#).

As for what's ahead, he writes, "Rails remain optimistic for an improved merchandise volume environment for 2025." He notes that "core industrial merchandise traffic" may start turning around a year from now. He remains "cautious toward the second half of this year given the lagging industrial environment pressuring merchandise volumes." He says the railroads have a renewed "focus on meeting customer needs and new business development." Maybe. But tales of deep cuts in marketing and sales budgets and staffs may make this less than what one might be led to believe.

None of this addresses the fact that railroads continue to price to the target margin. If they can't get a rate that meets pre-ordained revenue/variable cost ratios, the traffic doesn't move. Not to long ago 1.8 was the make-or-break ratio. On a conference call yesterday, I heard tales of rails quoting rates with RVCs closer to 10. When you factor in added customer costs from things like long transit times, irregular service, constructive placement, and the differences in costs for unloading a boxcar vs a 53' trailer, the spread makes rail non-competitive. But the high margins keep the Street happy and C-Suite options up.

**Now's not the time to be short commodities.** The East Coast dock strike may have been averted for now but it shows how such an event could affect everything from imports of copper, steel, and fertilizer to eucalyptus pulp for tissue paper. The strike threat was such that on Thursday I was hearing tales like Walmart being out of toilet paper in the New York ADI. Here in Philadelphia the ports do a lot of business in food products from South America — bananas, wine, steak.

As you can see from this one-month chart of the DBC broad commodity ETF, commodity prices are on the increase. The fund includes, for example, crude oil and nat gas, base metals like copper and aluminum, and ag products. US construction, for example, uses tons of imported slab steel — shutting that off with a port strike would eat into the AAR metals group numbers.



More near-shoring can't come fast enough.

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