RAILROAD WEEK IN REVIEW
March 21, 2025

"Steve Hanke and Kurt Schuler have observed—with particular reference to nations prone to fiscal deficit spending—'central banking is central planning in money, and central planning works as poorly in money as it does in agriculture or in industry.'" — Judy Shelton, Good as Gold, page 26

"Manufacturing Slump Pressures Rail Volumes. Industrial carloads fell 3.6% in February as manufacturing struggles persisted, with weak demand, supply chain disruptions, and lower new orders weighing on both production and rail freight demand." — AAR Rail Industry Overview, March 2025

"Watco is to purchase Great Lakes Central Railroad, the largest Class III regional railroad in Michigan, with approximately 400 miles of track stretching through central and northern Michigan. The purchase will enhance Watco's presence in the state of Michigan, complementing services provided by Watco's Grand Elk and Ann Arbor railroads." — ASLRRA Views & News, March 12

Share prices today are increasingly driven by algorithms (algos) rather than traditional fundamental analysis. High-frequency trading (HFT), quantitative strategies, and AI-driven models dominate daily price movements, reacting to news, order flow, and technical signals in milliseconds. (See George Soros on "reflexivity.") However, fundamentals still matter, especially for long-term price trends.

Companies with strong earnings, cash flow, and competitive advantages tend to outperform markets over time. The challenge is that short-term volatility can be detached from fundamentals due to momentum trading, passive investing (ETFs and index funds), and macroeconomic factors like Fed policy or geopolitical events.

I think for the railroads —companies with 100+ years of history and strong balance sheets—fundamentals remain key. But in the short run, prices can be noisy due to algo-driven trading. Consequently, I take company reports projecting gains going forward with more than a grain of salt. The algo machines, IMHO, will continue to drive share prices irrespective of the upbeat reports we get from the railroads and Wall Street..

AAR Week 10 U.S. revenue units increased 5.4 percent compared with the same week last year. Intermodal continues to be the big leader, increasing 8.4% to carloads' down 1.5%, including coal and automotive. Year-to-date revenue units — this is the trend to watch, not weekly stats — gained 3.8% all-in; coal dropped 4.0%, overshadowing the grain gain of 0.9%. The metals group was the big loser, down 8.7%.

U.S. Rail Traffic[1]

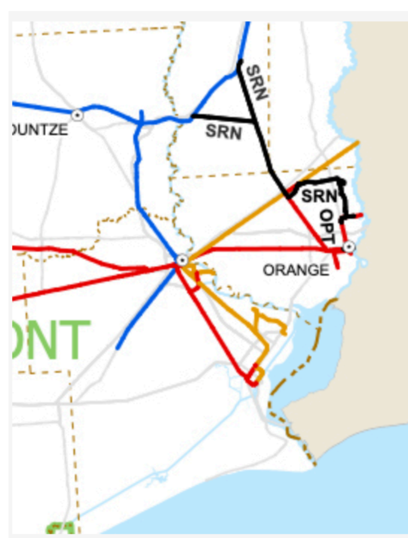
Week 10, 2025 – Ended March 8, 2025

	This Week		Year-To-Date		
	Cars	vs 2024	Cumulative	Avg/wk[2]	vs 2024
Total Carloads	**219,457**	**2.6%**	**2,088,739**	**208,874**	**-1.5%**
Chemicals	33,079	-2.0%	326,374	32,637	2.1%
Coal	57,977	5.1%	557,288	55,729	-4.0%
Farm Products excl. Grain, and Food	16,945	1.7%	170,985	17,099	3.4%
Forest Products	8,188	-2.0%	82,378	8,238	0.9%
Grain	21,710	12.5%	204,597	20,460	1.8%
Metallic Ores and Metals	17,939	-4.6%	176,044	17,604	-8.7%
Motor Vehicles and Parts	16,396	5.4%	134,920	13,492	-3.0%
Nonmetallic Minerals	28,407	-0.4%	248,759	24,876	-2.9%
Petroleum and Petroleum Products	9,919	-0.2%	103,028	10,303	2.9%
Other	8,897	14.3%	84,366	8,437	0.4%
Total Intermodal Units	**277,955**	**7.7%**	**2,714,285**	**271,429**	**8.4%**
Total Traffic	**497,412**	**5.4%**	**4,803,024**	**480,302**	**3.8%**

[1] Excludes U.S. operations of CPKC, CN and GMXT.
[2] Average per week figures may not sum to totals as a result of independent rounding.

YTD North American rail volume on nine reporting U.S., Canadian, and Mexican railroads increased .3% — intermodal up 6.6% and carload down 2.2%. Not surprisingly, grain was the big winner, up 3.4% while petroleum and related products increased 0.7%. Metals were off even more than the US, down 9.8%.

Press reports indicate the political moods in Mexico, and Canada are decidedly anti-US and the tariffs aren't helping. As I've written before, automotive will probably see the biggest hit, followed by metals, petroleum, and possibly grain. This is pure projection, of course, but it all bears watching as commodity carloads in all three countries are likely to suffer going forward.



A new – to me at least – short line group was in the press this week with the acquisition of three properties on the Texas Gulf Coast. The parent company, County Line Rail, has purchased the Sabine River & Northern, a 40-mile short line in the southeastern corner of Texas.

The SRN has three Class I connections — BNSF, CPKC, and Union Pacific. The core railroad is a 32-mile line between Bessmay and Echo, Texas, with an 8-mile branch between Buna and Evandale, Texas.

The SRN is a relative newcomer to the shortline scene, having been incorporated April 20, 1965. Construction was completed and service started from Echo to Mulford in April 1966. Service was extended to Mauriceville and Bessmay in

August 1967. The branch to Evadale was in operation in June 1988. The future of the line remains uncertain, as the primary customer, the International Paper container board plant north of Orange, had been slated for permanent shutdown at the end of 2023.

According to the County Line Rail website, "Our mission is to be a *one stop shop* for our rail customers, and to provide reliable service through innovation and an unwavering commitment to excellence." Nothing about the present purchase. The website list offices in Houston and LA, indicating a new holding company, possibly with overseas funding connections. There has been no response to an email request for further information. The up.com website has only the briefest thumbnail on the SRN.

One has to wonder about the funding of properties such as SRN. Was it created to take advantage of government grant programs or is the funding there to rehab substandard bits of rail or is there an independent funding source that can do all without government help? This has to be an important consideration with the Musk chainsaw out and about chopping off branches of the Washington bureaucratic tree.

To finish on a cautionary note, Loop Capital rail analyst Rick Paterson reminds us that not all railroad performance metrics are created equally. "He writes, "There's a lot of data in my reports and it obviously originates from the railroads themselves. While most of the data is standardized in terms of how it is defined and measured, in some cases it is not and some railroads measure and capture the data very differently."

Given these inconsistencies, readers should primarily focus on how these metrics change over time at each individual railroad and be very wary of comparing railroads with each other on any of the reported numbers. Differences in business mix, length of haul, and geography further make direct comparisons inaccurate. We also make the assumption the data is accurate given it's reported weekly by the railroads to the STB. Sometimes errors are discovered, but the companies are generally good at correcting these promptly with restated numbers.

So when BNSF reports average terminal dwell of 24 hours, it's clearly not being counted the same way as CSX where average terminal dwell is reported as 12 hours. And so operating metrics reported to the STB must be compared within railroad not between railroads. Ergo CSX reporting 12 hours terminal dwell must be compared with the previous week's CSX data to see the change. Comparing it to BNSF or any other railroad is meaningless.