

Railway Tie Association

Market Update

Pressure Treated Wood Crossties

Presented By:

Jim Gauntt

RTA Executive Director



RTA Today

- RTA has over 3500 individual members within more than 2800 companies
- RTA's mission is to improve the wood tie's life cycle performance
- 3 tie related specifications that also conform with AREMA Chapter 30
- RTA is the forum for the exchange of technical information for members and the general public

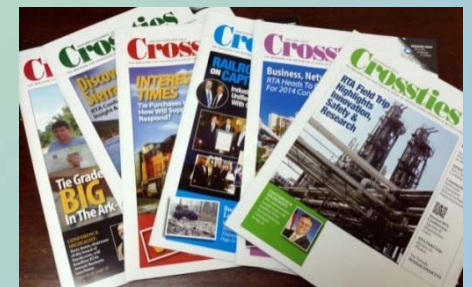
RTA Activities and Programs

- 3 meetings serving more than 400 members annually:
 - Annual Technical Conference
 - Tie Grading Seminar
 - RTA Member Safety and Material Handling Field Trip



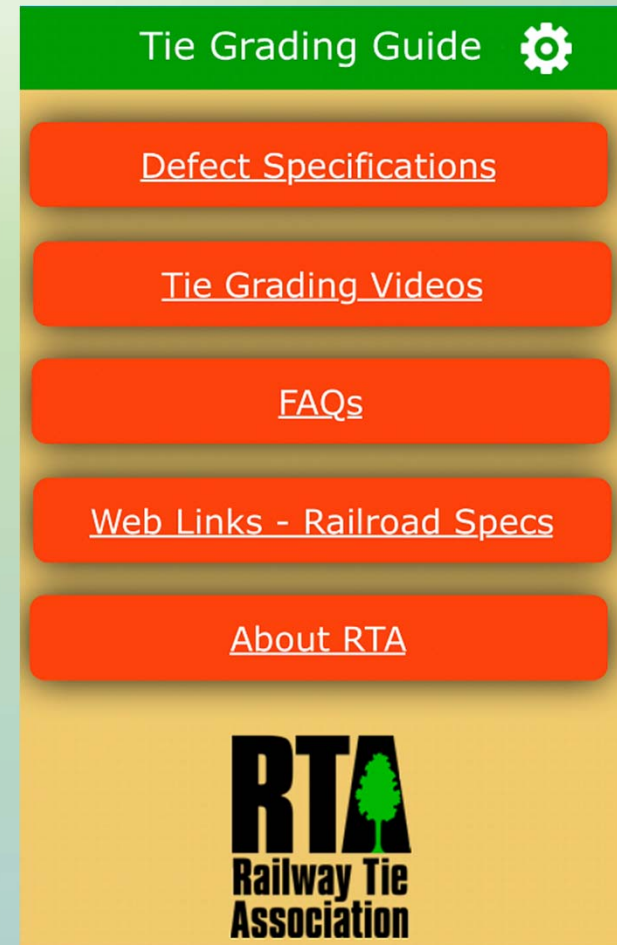
See the Events Page at www.rta.org for more information

- Publication and distribution of *Crossties* magazine to more than 5,000 industry contacts bimonthly



RTA Activities and Programs

New Tie Grading Guide App
is FREE for anyone to use

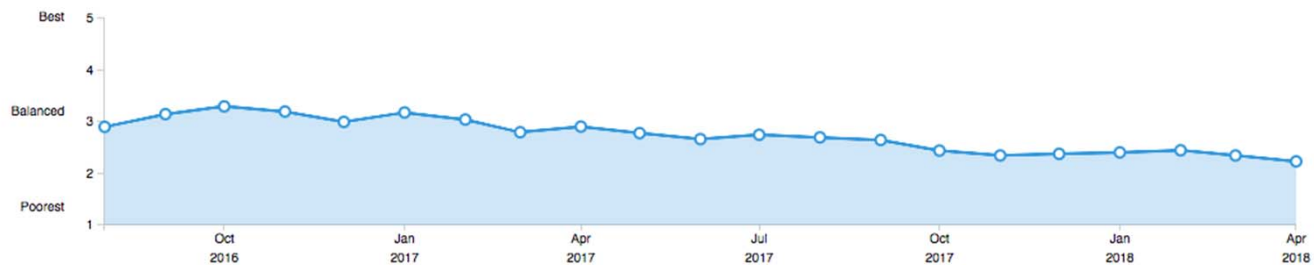


RTA Activities and Programs

New Real Time 'Market Dynamics' Web App

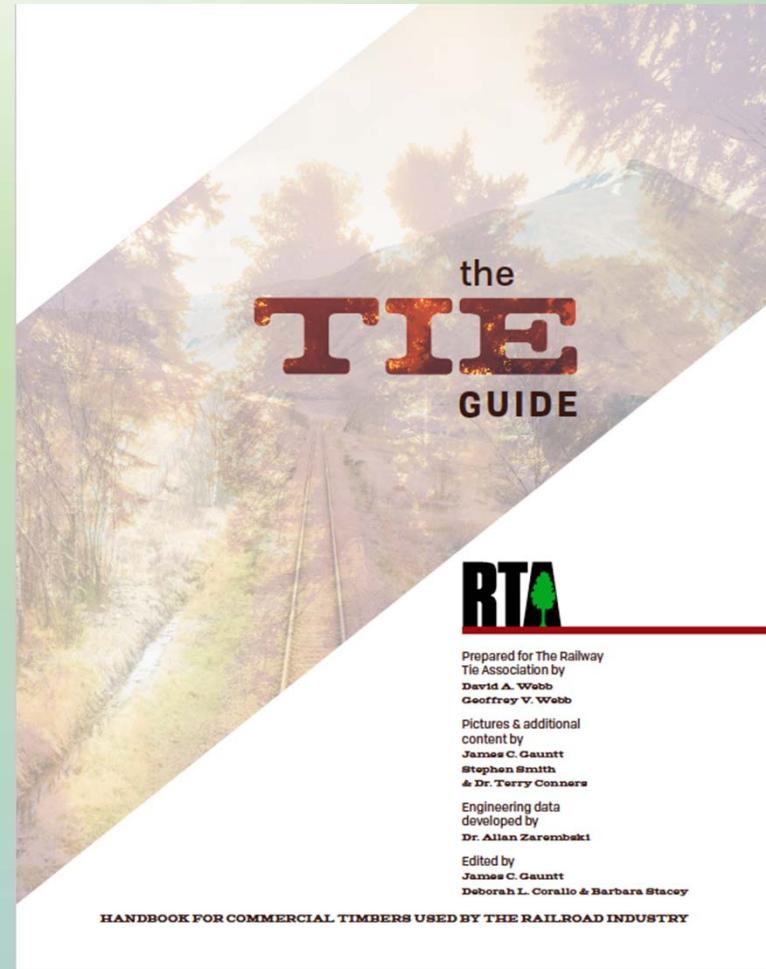
www.rtastats.org

8. What is your view of crossie competitive position relative to other hardwood products?



RTA Activities and Programs

The All New TieGuide
2nd Edition
in
English & Spanish
(100 pages includes specs)



2018 – A Busy Year!

- Log Exports to China – Return of Board Road/Crane Mats – More Lumber
- EPA Reregistration Challenges – AAR also engaged
- NHSM Rule – Possible to Fix??
- State of Tie Disposition – Landfilling the New Norm?
- Creosote Europe – No Ban
- State of New York – No Ban on RR use of Creosote Crossties
- RTA Economic Work Proving Benefits of 45G Tax Credit Verified– 1MM Ties!
- Hardwood Federation and RSI Economic Impact Studies – RTA Participates!
- And more...

Production and Inventory

- What's going on in the world of tie supply and demand?
- Usually it's a relatively uneventful marketplace, but since 2013 its been a "Wild Ride"
- Even without providing a complete history from 2013-2018 today, the outlook for production growth in 2018-2019 becomes pretty clear in next few slides





Information, Education, Research & Development, Stewardship

The Railway Tie Association is the forum for the interests and needs of all groups that depend on the wood crosstie for their business success.

Our mission since 1919: To ensure that the engineered wood crosstie system continues to evolve and improve in order to remain cost-effective and meet the ever-changing requirements of track systems around the world.

Members Only

Procurement Reports

Tie Purchases/Production Planner

Purchases Report

TieGrading App

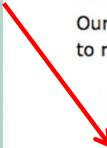
Tie Guide English/Spanish

Crossties Magazine

Upcoming Events

Sustainability Verification Certificate

Operation Lifesaver



Crosstie Production, Inventory & Purchases in thousands													(see note at bottom)		
Mo/Yr	Tie	Quarterly		YTD Tie	12 month rolling total, or Annual Production	Tie	3-month moving avg. Inventory	Change in Inventory	Tie	Quarterly		YTD Tie	12 month rolling total, or Annual Purchases	Inventory to Sales Ratio	Year
		Production	Production							Purchases	Purchases				
Dec-16	1,933	6,152	27,152	27,152	21,976	21,238	567	1,366	4,646	24,158	24,158	0.88			
Jan-17	1,901		1,901	26,827	23,141	21,842	604	1,297		1,297	23,745	0.92	2017		
Feb-17	1,795		3,696	26,455	22,108	22,408	567	1,229		2,526	23,155	0.97			
Mar-17	1,859	5,555	5,555	25,813	22,184	22,478	70	1,790	4,316	4,316	22,709	0.99			
Apr-17	1,764		7,319	25,264	21,338	21,877	(601)	2,365		6,681	22,784	0.96			
May-17	1,891		9,211	24,915	20,860	21,461	(416)	2,308		8,988	22,850	0.94			
Jun-17	1,800	5,456	11,011	24,175	20,119	20,772	(688)	2,489	7,161	11,477	22,702	0.92			
Jul-17	1,640		12,651	23,602	19,524	20,168	(605)	2,245		13,721	22,701	0.89			
Aug-17	1,999		14,650	23,107	19,310	19,651	(517)	2,516		16,237	22,855	0.86			
Sep-17	1,707	5,346	16,357	22,510	18,844	19,226	(425)	2,132	6,893	18,369	23,016	0.84			
Oct-17	1,492		17,849	21,843	18,588	18,914	(312)	1,804		20,173	23,342	0.81			
Nov-17	1,391		19,240	21,173	18,365	18,599	(315)	1,706		21,879	23,245	0.80			
Dec-17	1,262	4,145	20,502	20,502	18,030	18,328	(271)	1,533	5,043	23,412	23,412	0.78			
Jan-18	1,286		1,286	19,887	17,692	18,029	(299)	1,585		1,585	23,700	0.76	2018		
Feb-18	1,407		2,693	19,499	17,081	17,601	(428)	1,835		3,420	24,306	0.72			
Mar-18	1,467	4,159	4,159	19,106	16,914	17,229	(372)	1,839	5,258	5,258	24,355	0.71			
Average	1,561	4,729	4,624	18,856		13,602		1,561	4,682	4,194	18,647	0.73	LT avg		
prev 5 yr	1,952	5,699	5,699	24,146		19,063		1,959	4,881	4,881	23,480	0.82	5yr avg		

	A	B	C	D	E	F	G	K
1	Crosstie Production, Inventory & Purchases in thousands							
2			12 month	3-month			12 month	
3			rolling total	moving avg.			rolling total	Inventory
4		Tie	or Annual	Tie	Change in	Tie	or Annual	to Sales
5	Mo/Yr	Production	Production	Inventory	Inventory	Purchases	Purchases	Ratio
125	Dec-17	1,262	20,502	18,328	(271)	1,533	23,412	0.78
126	Jan-18	1,286	19,887	18,029	(299)	1,585	23,700	0.76
127	Feb-18	1,407	19,499	17,601	(428)	1,835	24,306	0.72
128	Mar-18	1,467	19,106	17,229	(372)	1,839	24,355	0.71
129	Apr-18	1,645	18,988	16,694	(535)	2,180	24,170	0.69
130	May-18	1,701	18,797	16,132	(562)	2,263	24,125	0.67
131	Jun-18	1,769	18,766	15,523	(609)	2,378	24,015	0.65
132	Jul-18	1,707	18,833	14,998	(526)	2,232	24,003	0.62
133	Aug-18	1,912	18,745	14,515	(483)	2,395	23,882	0.61
134	Sep-18	1,808	18,846	14,203	(312)	2,120	23,869	0.60
135	Oct-18	1,882	19,236	14,105	(98)	1,980	24,045	0.59
136	Nov-18	1,628	19,473	14,094	(10)	1,638	23,978	0.59
137	Dec-18	1,552	19,764	14,043	(51)	1,604	24,048	0.58
138								
139								
140	2018 YTD growth rate vs. 2017	-25.1%				21.8%		
141								
142	2018	0.0%			2018	3.0%		

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127	Feb-18	1,407	19,499	17,601	(428)	1,835	24,306	0.72
128	Mar-18	1,467	19,106	17,229	(372)	1,839	24,355	0.71
129	Apr-18	1,645	18,988	16,694	(535)	2,180	24,170	0.69
130	May-18	1,701	18,797	16,132	(562)	2,263	24,125	0.67
131	Jun-18	1,769	18,766	15,523	(609)	2,378	24,015	0.65
132	Jul-18	1,707	18,833	14,998	(526)	2,232	24,003	0.62
133	Aug-18	1,912	18,745	14,515	(483)	2,395	23,882	0.61
134	Sep-18	1,808	18,846	14,203	(312)	2,120	23,869	0.60
135	Oct-18	1,882	19,236	14,105	(98)	1,980	24,045	0.59
136	Nov-18	1,628	19,473	14,094	(10)	1,638	23,978	0.59
137	Dec-18	1,552	19,764	14,043	(51)	1,604	24,048	0.58
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140	2018 YTD growth rate vs. 2017	-25.1%				21.8%		
141								
142	2018	0.0%			2018	3.0%		

Crosstie Production, Inventory & Purchases in thousands

<u>Mo/Yr</u>	<u>Tie Production</u>	<u>12 month rolling total or Annual Production</u>	<u>3-month moving avg. Inventory</u>	<u>Change in Inventory</u>	<u>Tie Purchases</u>	<u>12 month rolling total or Annual Purchases</u>	<u>Inventory to Sales Ratio</u>
Dec-17	1,262	20,502	18,328	(271)	1,533	23,412	0.78
Jan-18	1,286	19,887	18,029	(299)	1,585	23,700	0.76
Feb-18	1,407	19,499	17,601	(428)	1,835	24,306	0.72
Mar-18	1,467	19,106	17,229	(372)	1,839	24,355	0.71
Apr-18	1,958	19,300	17,070	(159)	2,117	24,107	0.71
May-18	2,024	19,433	16,898	(173)	2,197	23,996	0.70
Jun-18	2,105	19,738	16,694	(204)	2,309	23,816	0.70
Jul-18	2,031	20,129	16,558	(136)	2,167	23,739	0.70
Aug-18	2,275	20,405	16,508	(50)	2,325	23,548	0.70
Sep-18	2,151	20,849	16,601	93	2,058	23,474	0.71
Oct-18	2,240	21,597	16,918	318	1,922	23,593	0.72
Nov-18	1,937	22,143	17,265	347	1,591	23,477	0.74
Dec-18	1,847	22,728	17,555	290	1,557	23,501	0.75
<i>2018 YTD growth rate vs. 2017</i>		-25.1%			21.8%		
2018	19.0%			2018	0.0%		

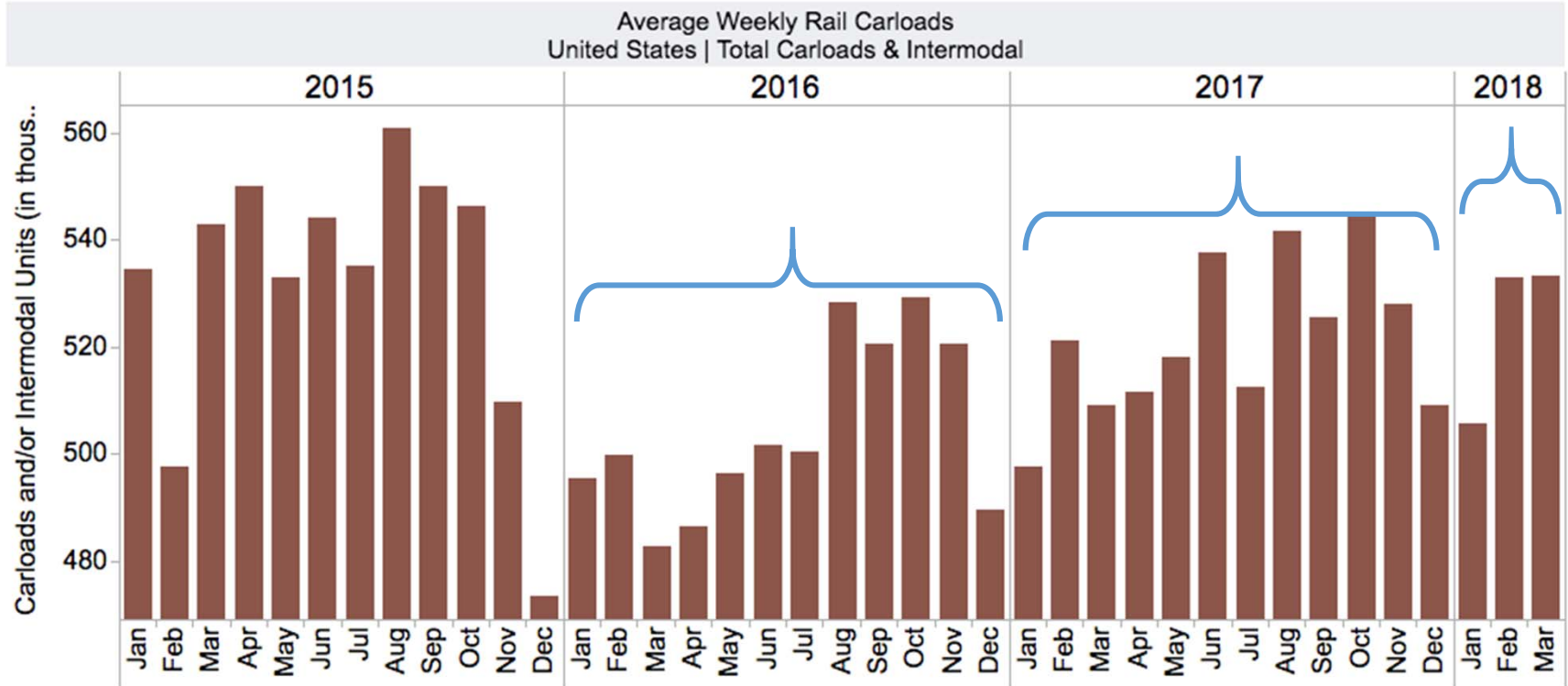
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				12 month	3-month			12 month	
				rolling total	moving avg.			rolling total	Inventory
		Tie		or Annual	Tie	Change in	Tie	or Annual	to Sales
5	Mo/Yr	Production		Production	Inventory	Inventory	Purchases	Purchases	Ratio
125	Dec-17	1,262	✓	20,502	18,328	(271)	1,533	23,412	0.78
126	Jan-18	1,286	✓	19,887	18,029	(299)	1,585	23,700	0.76
127	Feb-18	1,407	✓	19,499	17,601	(428)	1,835	24,306	0.72
128	Mar-18	1,467	✓	19,106	17,229	(372)	1,839	24,355	0.71
129	Apr-18	1,645		18,988	16,694	(535)	2,180	24,170	0.69
130	May-18	1,701		18,797	16,132	(562)	2,263	24,125	0.67
131	Jun-18	1,769		18,766	15,523	(609)	2,378	24,015	0.65
132	Jul-18	1,707		18,833	14,998	(526)	2,232	24,003	0.62
133	Aug-18	1,912		18,745	14,515	(483)	2,395	23,882	0.61
134	Sep-18	1,808		18,846	14,203	(312)	2,120	23,869	0.60
135	Oct-18	1,882		19,236	14,105	(98)	1,980	24,045	0.59
136	Nov-18	1,628		19,473	14,094	(10)	1,638	23,978	0.59
137	Dec-18	1,552		19,764	14,043	(51)	1,604	24,048	0.58
138									
139									
140	2018 YTD growth rate vs. 2017	-25.1%					21.8%		
141									
142	2018	0.0%				2018	3.0%		

Crosstie Production, Inventory & Purchases in thousands							
		12 month rolling total	3-month moving avg.			12 month rolling total	Inventory
Mo/Yr	Tie Production	or Annual Production	Tie Inventory	Change in Inventory	Tie Purchases	or Annual Purchases	to Sales Ratio
Nov-17	1,391	21,173	18,599	(315)	1,706	23,245	0.80
Dec-17	1,262	20,502	18,328	(271)	1,533	23,412	0.78
Jan-18	1,286	19,887	18,029	(299)	1,585	23,700	0.76
Feb-18	1,407	19,499	17,601	(428)	1,835	24,306	0.72
Mar-18	1,467	19,106	17,229	(372)	1,839	24,355	0.71
Apr-18	1,810	19,152	16,859	(370)	2,180	24,170	0.70
May-18	1,871	19,132	16,467	(392)	2,263	24,125	0.68
Jun-18	1,946	19,277	16,035	(432)	2,378	24,015	0.67
Jul-18	1,877	19,515	15,680	(355)	2,232	24,003	0.65
Aug-18	2,103	19,619	15,388	(292)	2,395	23,882	0.64
Sep-18	1,988	19,900	15,257	(131)	2,120	23,869	0.64
Oct-18	2,071	20,479	15,347	91	1,980	24,045	0.64
Nov-18	1,791	20,878	15,500	152	1,638	23,978	0.65
Dec-18	1,708	21,324	15,603	104	1,604	24,048	0.65
2018 YTD growth rate vs. 2017							
	-25.1%				21.8%		
2018	10.0%			2018	3.0%		

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1	Crosstie Production, Inventory & Purchases in thousands							
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127	Feb-18	1,407	19,499	17,601	(428)	1,835	24,306	0.72
128	Mar-18	1,467	19,106	17,229	(372)	1,839	24,355	0.71
129	Apr-18	1,810	19,152	16,922	(307)	2,117	24,107	0.70
130	May-18	1,871	19,132	16,596	(326)	2,197	23,996	0.69
131	Jun-18	1,946	19,277	16,234	(363)	2,309	23,816	0.68
132	Jul-18	1,877	19,515	15,944	(290)	2,167	23,739	0.67
133	Aug-18	2,103	19,619	15,722	(222)	2,325	23,548	0.67
134	Sep-18	1,988	19,900	15,652	(70)	2,058	23,474	0.67
135	Oct-18	2,071	20,479	15,800	148	1,922	23,593	0.67
136	Nov-18	1,791	20,878	16,000	200	1,591	23,477	0.68
137	Dec-18	1,708	21,324	16,151	151	1,557	23,501	0.69
138								
139								
140	2018 YTD growth rate vs. 2017	-25.1%				21.8%		
141								
142	2018	10.0%			2018	0.0%		

Rail Traffic Increased in 2017

Will Upward Trend Continue in Throughout 2018...?



*Canada - Figures for Canada include the U.S. operations of Canadian railroads.

**United States - Figures for the U.S. excludes the U.S. operations for Canadian railroads.



What now for 2018 and Beyond

- With tax reform and improvement in US GDP growth, RR demand should increase, and the econometric forecast is for 3% improvement through 2018 which only gets us taking us back to 2016 levels of tie purchases.
- With reduced inventories, production has to increase (maybe a lot)
- Carry Forward Need for Increased Supply in 2019 to Rebuild Inventories
- Watch www.rta.org and www.rtastats.org also for seasonality clues on production, inventory and especially ISR
- Since many of these competing hardwood markets (and now saw log exports to China, et al.) can heat up and/or cool off much quicker than in the past, the next 2-3 years could see more volatility in procurement activity

