

FTR Trucking Update January 2011

With 2010 behind us, the focus is on an improving 2011! In 2010, we saw a spike in activity from March - June with the market stabilizing with gradual improvement year on year. 2011 is forecasted to see a much sharper incline in manufacturing and industrial production ramping up second quarter and continuing through the year at improving levels. The impact on truck transportation will move lock-step with these projections. While this is very good news for both shippers and carriers, there will be speed bumps along the way that could impact both parties. Below I've stated key quotes from the FTR Trucking Update report in **black** font followed by my comments in **blue** font. For your reference, the complete FTR Trucking Update for January can be found following my summary.

- Conditions are in a short pause before a dramatic up shoot in 2011 due to capacity shortages. **No surprise here as manufacturers traditionally run inventory levels down at end of year and begin ramping back up in late February to March in order to be at full speed in the busier Spring/Summer period.**
- We expect the current pause for inventory reductions to end in the first quarter of 2011. **See comment above.**
- The economy is finally showing some upside potential. If true, then freight could get above 5% growth in 2011. **A 5% improvement on top of an already tightening capacity will have a compound effect when the number of trucks taken out of service over the last 24 months is also considered.**
- For 2011, the high values for this stage of recovery are also the result of additional freight growth and the implementation of Federal trucking regulations which effectively reduce capacity (HOS, CSA). The regulatory data has been added to these calculations for the first time. **Although the impact of CSA and revised HOS rules can only be estimated at this point, the private & for-hire fleets I have spoken with strongly believe that these two factors alone will result in a double-digit effective decrease in load handling ability. Now, on top of CSA/HOS, add on the 5% economic increase referenced abovetrucks will be in short supply.**
- FTR expects substantial rate inflation in 2011 and 2012 due to a perfect storm of capacity shortages and fuel price increases. **By now, everyone (shippers & carriers) involved in truck transportation should be fully aware of the impending capacity shortages and have expectations of upward rate adjustments. However, I find that overall, many shippers are not aware of how important the cost of fuel is to carriers; and subsequently, how important their fuel surcharges are to carriers. As fuel increases, those shippers with below-average fuel surcharges will not get trucks even if line-haul rates are in line with the market. Carriers will not be willing to incur the time, cost, and resources to constantly adjust line-haul rates to compensate for poor fuel surcharges.**
- Now that assets are in full use, market adjustments, henceforth, will require the expense matters of fixing deferred maintenance, purchasing new, expensive tractors, and sourcing drivers in a rapidly tightening market. **Carriers who tried to save money by reducing or delaying preventative maintenance on equipment are now being forced to invest major dollars in repairs. New equipment costs are up over 10% in a still-tight credit market. The driver pay rate per mile will have to rise to compensate for fewer miles driven under the new HOS rules. This will be further exacerbated by carriers competing for drivers with acceptable CSA scores.**
- Oil prices are again pushing up to a new two year high. Fuel prices continue to rise, just not as fast as oil prices. **Smart carriers will weigh shipper fuel surcharge scales (FSC) just as heavily as rate-per-mile in determining which customers to service. Many carriers learned a hard lesson in late 2007/early 2008 when fuel prices skyrocketed and FSCs did not adequately keep pace. Carriers lost thousands of dollars that were not offset by rates.**

January 11, 2011

- After reducing or eliminating driver hiring and training capacity, carriers are slow or unable to ramp up the hiring pipeline fast enough. The shortage of drivers will grow as freight demand increases faster than carriers add drivers. **As stated above, fewer qualified drivers per CSA will compound this challenge.**
- 2010Q3 bankruptcies were on par with what was seen during the prior quarter with 330 fleets failing during the quarter. This down only 25 from the Q2 failures. **Interesting that even though the economy has been improving, carrier defaults are still at high levels. Many in the industry believe that carrier failures could actually increase as used-equipment demand & prices increase enough for lenders to take action on carriers behind in payments.**
- On an annual basis, real GDP is forecast to increase 2.8% in 2010 and in 2011, and rise 3.2% in 2012. Manufacturing remains a large source of freight-movements. Industrial production is forecast to increase 5.5% in 2010, 4.7% in 2011, and 5.9% in 2012. Manufacturing and industrial production are the two drivers within the market served by the flatbed sector. **If these projections hold true, our customers business will improve which benefits both of us!**
- Since this capacity crunch will be roughly twice as tight as 2004, physical shortages are likely. When that happens, market order is disrupted and spot prices will skyrocket. We are looking at an upside event with at least as much power as the downside event we just survived. **If you are a shipper who plays the spot-price market and is heavily reliant on freight brokers, you may find yourself short of trucks and/or paying 20 - 25% premiums to get capacity. Carriers who survived the recession remember those customers who were loyal to them, supported them as best they could and have ongoing relationships.**

In summary, the good news for shippers is that the economy seems to be poised for increasing, continued improvement throughout 2010/2012. The good news for carriers is that as our shippers' business improves, so does ours! The smart shipper will be aligning itself with quality carriers that have considerable resources right now in preparation for the coming months. The smart carriers will be aligning themselves with shippers that have a positive impact on productivity (short load/unload times), pay reasonable rates, and are very driver friendly.

As the year progresses and the economy / truck transportation sector evolve, I will continue to keep you updated on the latest developments.

Best Regards,



Dan Taylor
Senior Vice President - Sales & Marketing
Melton Truck Lines, Inc.
918-234-8000 x600
taylor@meltontruck.com



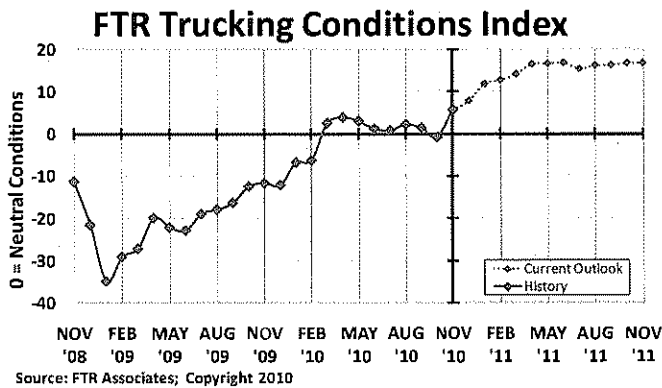
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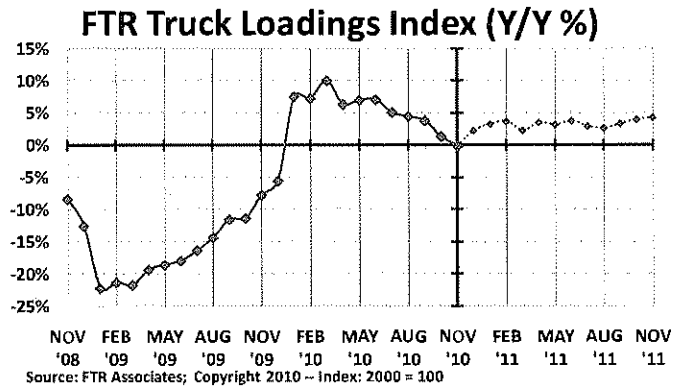
FTR FREIGHT FOCUS Trucking Update

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THE INCLUSION OF REGULATORY DRAG ESTIMATES PRODUCES SHARPER SPIKES IN TRUCK UTILIZATION AND THE TRUCKING CONDITIONS INDEX.



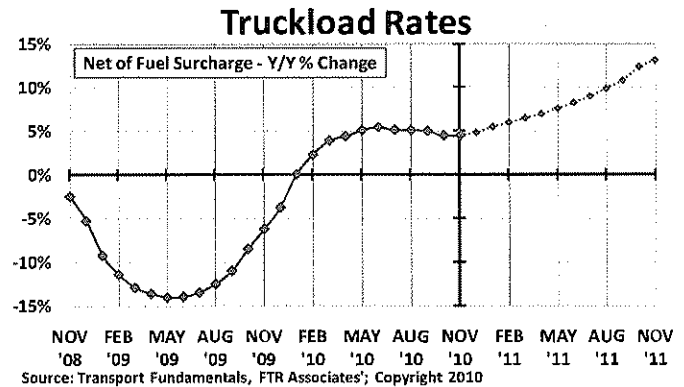
- Conditions are in a short pause before a dramatic up shoot in 2011 due to capacity shortages.
- FTR has recalibrated this index to better reflect the importance of capacity changes. We have also included better estimates of the impact of the coming regulatory hurdles.



- We expect the current pause for inventory reductions to end in the first quarter of 2011.
- Note that the 4% growth forecast for 2011 is on the low side of historical averages.
- The economy is finally showing some upside potential. If true, then freight could get above 5% growth in 2011.



- The high values for this stage of recovery reflect the conservative fleet attitudes following the bad downturn.
- For 2011, they are also the result of additional freight growth and the implementation of Federal trucking regulations which effectively reduce capacity (HOS, CSA 2010). The regulatory data has been added to these calculations for the first time.



- Rates have risen slowly in 2010 due to very conservative labor and equipment policies that have suppressed cost increases. Margins have increased substantially, however.
- FTR expects substantial rate inflation in 2011 and 2012 due to a perfect storm of capacity shortages and fuel price increases.

FREIGHT ENVIRONMENT

Overview

- There is no major change to the freight outlook this month.
- Because the Q3 softening in macro-economic activity slowed industrial production, trucking growth has slowed to almost zero in Q4.
- A resumption in consumption and industrial production growth promises solid 4% + growth in 2011.
- There is still a chance of better economics in 2011, which would possibly double freight growth. See the commentary section on page 9 for additional insights.

Van & Reefer Truck Loadings

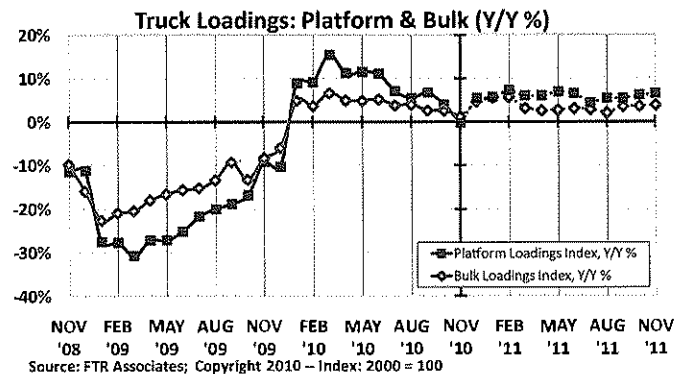
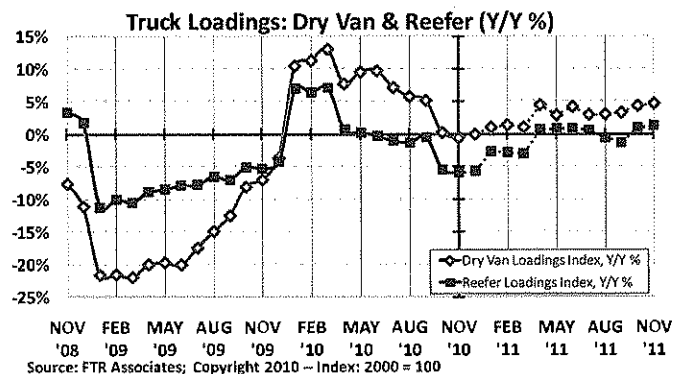
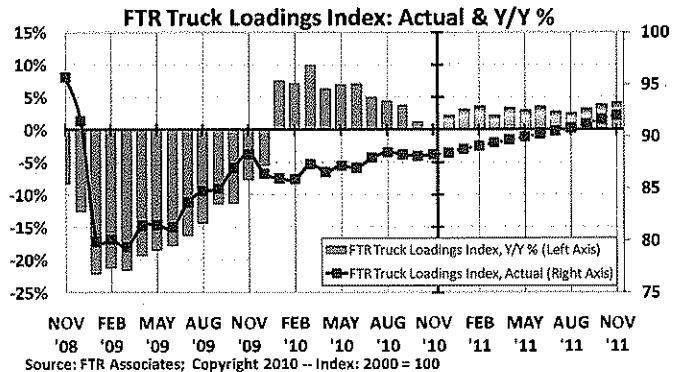
- Dry Van growth has slowed in 2010Q4 as supply chains have adjusted inventories in response to the slowed economy of mid-2010.
- Growth should resume soon. Look for growth to reach 5% by mid-2011.
- The reefer segment was slow in 2010 because of inventory activity in the meat and dairy segments and because of the slow service sector recovery (pharmaceuticals).
- This inherently slow growth segment should return to its normal 1-2% growth rates in early 2011.

Platform & Bulk Truck Loadings

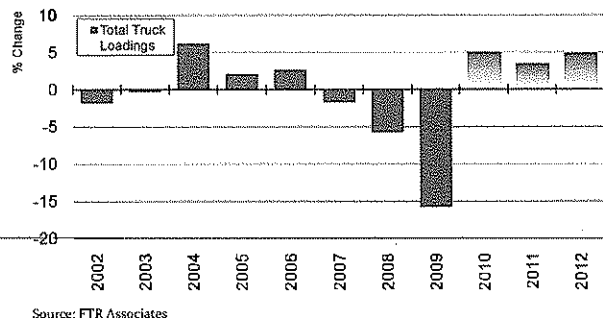
- The platform segment continues to lead the industry due to stimulus-induced construction work and strong machinery sales. This strength occurred despite continued depressed performance in the lumber sub-segment.
- The bulk segment has benefited from strong fourth quarter grain shipments.
- We expect that the inventory adjustments that have depressed intermediate chemicals shipments to end in 2011. That will spur growth in the tanks sub-segment of bulk.

Outlook

- The recent strong economic releases confirm our expectation of overall truck growth's return to the 4% level.
- Projected industrial production and freight growth rates appear to be low when compared to previous recoveries. The outlook for freight volumes is good, but not spectacular.
- These freight growth levels, although low by historical standards, are more than enough to create the capacity shortages we first forecast a year ago. Only a double-dip recession, characterized by a sharp manufacturing slowdown, would significantly change this forecast.



U.S. TRUCK FREIGHT OUTLOOK: ANNUAL



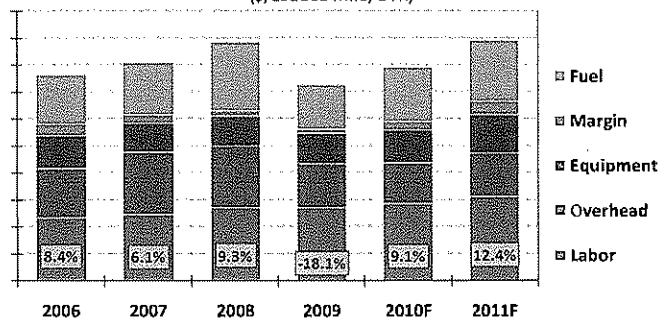
TRUCKING ENVIRONMENT

Fleet Costs Overview

- We expect strong increases in trucking costs as fleets make the transition from a downsizing period that produced strong productivity gains on static levels of fixed and variable infrastructure. That reduced pressure on rates. So far in this recovery, margins and fuel have been the prime movers in trucking rates.
- Now that assets are in full use, market adjustments, henceforth, will require the expense matters of fixing deferred maintenance, purchasing new, expensive tractors, and sourcing drivers in a rapidly tightening market.
- There is considerable upside exposure to these forecasts should capacity utilization reach the extremes we fear.

Truckload Costs

(\$/Loaded Mile; OTR)



Source: Transport Fundamentals, FTR Associates; Copyright 2010

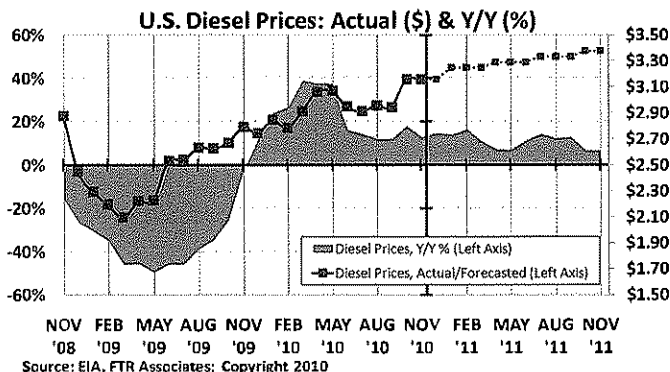
Publicly Traded Truckload Carrier Data

(000,000s)	Revenue		Net	Operating Costs					Rev./
	Freight	Fuel Sur.	Income	Total	Wages	Fuel	Rent/O-Os	Other	Loaded Mi.
2010Q3	\$1,960.7	\$319.1	\$108.5	\$2,092.9	\$609.7	\$362.1	\$675.7	\$445.5	\$1.644
Q/Q %	3.4%	-2.7%	3.6%	2.5%	1.8%	-0.6%	5.8%	1.4%	3.5%
Y/Y %	10.3%	32.4%	81.9%	10.9%	6.7%	14.9%	20.4%	1.5%	4.7%

Sources: Company Reports, FTR Associates

Fuel Environment

- Oil prices are again pushing up to a new two year high.
- Inventories of most petroleum products are falling.
- Despite rising prices and falling inventories, total petroleum product supplied is at the highest in the last two years.
- Stocks of ULSD have been rising the past couple of weeks.
- The higher oil prices plus rising supplies of ULSD have squeezed refiners margins the tightest since August.
- Fuel prices continue to rise, just not as fast as oil prices.

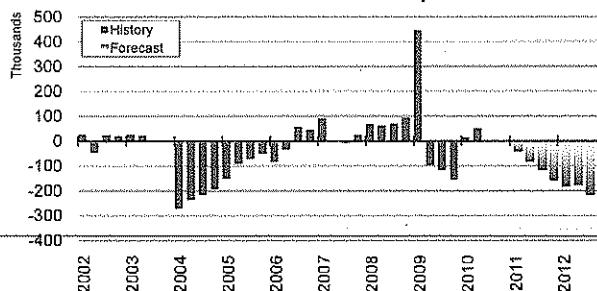


Source: EIA, FTR Associates; Copyright 2010

Labor Environment

- Reports from the field continue to confirm FTR's year-old forecast of a tightening driver market. This has occurred despite a weak overall labor market. Two items conspire to overwhelm that dynamic.
- After reducing or eliminating driver hiring and training capacity, carriers are slow or unable to ramp up the hiring pipeline fast enough. The shortage of drivers will grow as freight demand increases faster than carriers add drivers.
- The problem will be made worse by a series of Federal regulatory changes that have the effect of removing up to 200,000 drivers from the market place.

DRIVER LABOR: SHORTAGE/SURPLUS



Source: FTR Associates

TRUCKING ENVIRONMENT

New Truck Order Activity

- November net orders for U.S. and Canadian heavy-duty trucks were 23,373, up 166% from last November's 8,769 orders.
- The m/m increase was 6,229 units, up 42.1%. Orders have gained steady traction since August.
- November is typically the strongest order month of the year. Expectations were for net orders to reach 20,000+ units for the U.S. and Canadian markets combined, and they certainly exceeded that, but not quite to a level that would suggest an expansion of the overall fleet.

New Truck Lead Time

- November was the largest month for orders in four years. The large order activity lifted backlogs above 65k, the highest since September 2008.
- The backlog/build ratio rose to 4.2 months, a low ratio despite the large number of new orders.
- The higher orders still leave the backlog/build ratio below the 6 months threshold, which means it is unlikely to prompt significantly higher production levels.
- If, however, order levels are maintained anywhere near the November level, production is likely to see a significant ramp up.

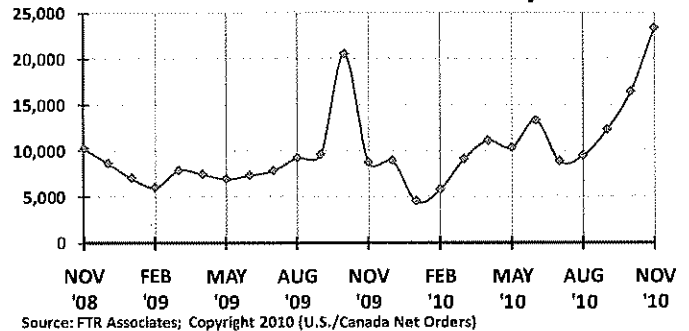
Intermodal Environment

- Although loadings declined from October, initial data indicates November was stronger than normal.
- Reports of strong holiday retail sales bodes well for higher import container movements into Q1 2011
- Growth in domestic loadings next year is dependent on successfully obtaining new domestic containers from busy Chinese suppliers.

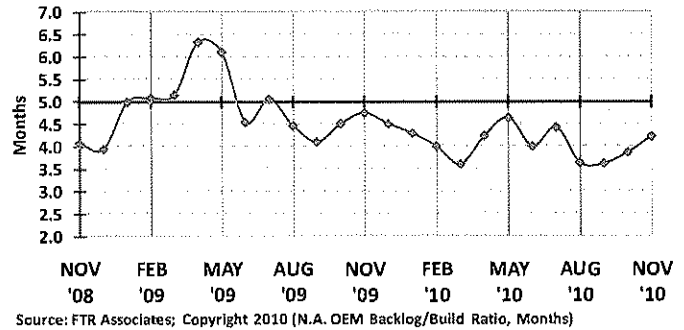
Bankruptcies

- 2010Q3 bankruptcies were on par with what was seen during the prior quarter with 330 fleets failing during the quarter. This is down only 25 from the Q2 failures.
- The freight environment has eased over the last few months and fuel prices are on the rise. Still, the capacity situation is a strong positive for any truck operation that is still running
- The number of trucks being taken off of the road were nearly equal to the second quarter.
- As capacity continues to tighten in 2011, we expect the number of trucks removed to quickly ramp down towards its historical floor of just under 5,000 units per quarter.

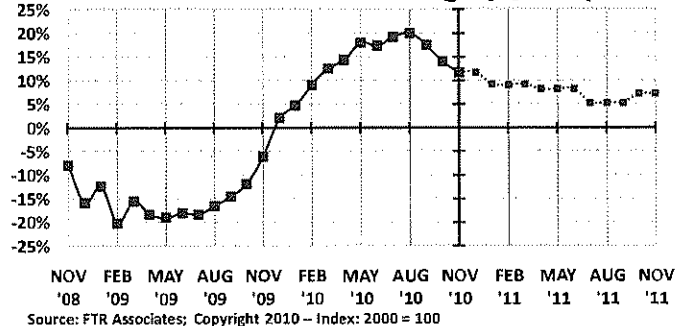
New Truck Order Activity



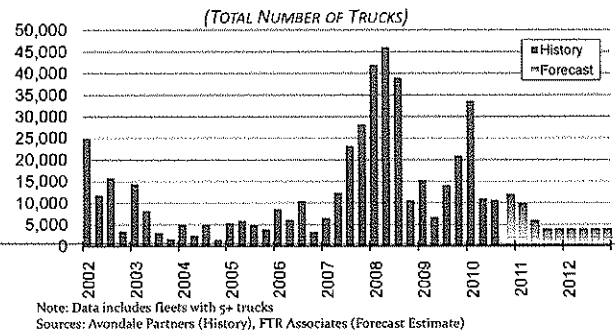
New Truck Lead Time



Rail Intermodal Loadings (Y/Y %)



TRUCKING BANKRUPTCIES



ECONOMIC ENVIRONMENT

MONTHLY BUSINESS & ECONOMIC HIGHLIGHTS

November's Economic Environment:	▲ Most signals for early 2011 are gaining positive traction. Housing is likely to remain weak for at least another quarter or two. Fuel prices are rising, but not at an unsustainable rate. 2011 is looking up.					
INDUSTRIAL PRODUCTION	Aug	Sep	Oct	Nov	Impact	Y/Y Chg. Comments
Total Industrial Production	0.2%	0.1%	-0.2%	0.4%	▲	5.4% Utilities rallied and manufacturing continues a steady climb.
Total Manufacturing ¹	0.1%	0.2%	0.4%	0.3%	▲	6.0% Highest levels of manufacturing in over two years..
Automobile and Light Duty Motor Vehicle Production	-9.9%	1.2%	2.3%	-11.0%	▼	3.5% Vehicle production fell to the lowest level since March - despite an improving sales environment.
BUSINESS INDICATORS						
Unemployment Rate	9.6%	9.6%	9.6%	9.8%	▼	-20 bp The second highest unemployed rate so far in 2010.
Job Creation (Payroll Employment)	-1k	-24k	172k	39k	●	842k Service sector increased 54k despite the losses in retail.
ISM Manufacturing Index	56.3	54.4	56.9	56.6	▲	290 bp Pointing to growth in manufacturing and in the economy.
CONSUMER INDICATORS						
Consumer Confidence (Conference Board)	53.2	48.6	49.9	54.1	●	3.5 pts Lifted to the highest since June by higher expectations.
Housing Starts	11.6%	-2.1%	-11.1%	3.9%	●	-5.8% Best single family starts since end of Fed program in April.
Retail Sales	0.9%	0.9%	1.7%	0.8%	▲	7.7% Half of the monthly gain came from gas stations.
Consumer Price Index	0.3%	0.1%	0.2%	0.1%	▲	1.1% Y/Y% change in core prices is only 0.8%
OIL AND FUEL						
National Avg. Diesel/Gal.	2.959	2.946	3.052	3.140	▼	12.5% Rising oil prices have squeezed refiners' margins.
W. Texas Int. Crude Oil (\$Bbl.)	76.82	75.31	81.90	84.14	●	7.8% Total petroleum product supplied is the highest in two years.

See the next page for an expanded set of monthly indicators

Overview

- Recent data has been more upbeat with strong retail sales, rising consumer confidence, and manufacturing picking up strength. Real GDP is likely to hit trend growth in Q4. The probability of a more robust economy is growing.
- Total IP increased 0.4% in November. The important manufacturing component rose 0.3%. Industrial activity will pause in Q4, but remain on a positive track in 2011-12.
- The ISM survey edged down to 56.6 in November from 56.9 in October. Despite the dip, the index is above its third quarter average and has been above 56 three out of the last four months. Manufacturing looks solid going into 2011.

Forecast

- On an annual basis, real GDP is forecast to increase 2.8% in 2010 and in 2011, and rise 3.2% in 2012. Manufacturing remains a large source of freight-movements. Industrial production is forecast to increase 5.5% in 2010, 4.7% in 2011, and 5.9% in 2012.
- The goods producing sector is an aggregate of all the freight generating components of the economy. The goods producing sector is forecast to increase 9.7% in 2010, 5.7% in 2011, and 5.1% in 2012.

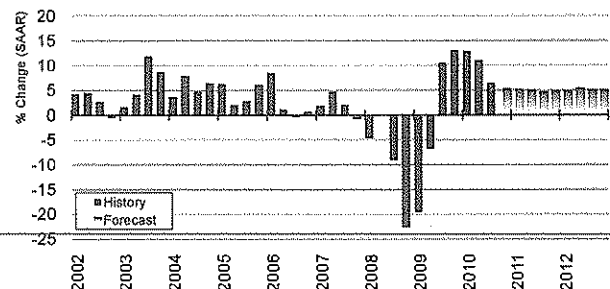
Economic Forecast Summary Table

	Q3	Q4F	2010F	2011F
Real GDP	2.5%	2.8%	2.8%	2.8%
Industrial Production (IP)	5.9%	1.2%	5.5%	4.7%
Consumer Price Index (CPI)	1.5%	0.4%	1.5%	0.7%

F - Forecast

Sources: FTR Associates, Witte Econometrics

GOODS-PRODUCING SECTOR OUTLOOK



Sources: FTR Associates, Center for Econometric Model Research (CEMR)

TABLE: U.S. MONTHLY INDICATORS

MONTHLY BUSINESS & ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION	Aug	Sep	Oct	Nov	Impact	Y/Y Chg. Comments
Total Industrial Production	0.2%	0.1%	-0.2%	0.4%	▲	5.4% Utilities rallied and manufacturing continues a steady climb.
Durable Manufacturing	-0.5%	0.2%	0.7%	0.4%	▲	8.4% Continued to gain despite weak month for auto production.
Non-Durable Manufacturing	0.8%	0.3%	-0.1%	0.2%	▲	3.3% Only slight increases over the last few months.
Total Manufacturing ¹	0.1%	0.2%	0.4%	0.3%	▲	6.0% Highest levels of manufacturing in over two years..
Food	2.1%	1.0%	-0.5%	-0.1%	●	5.8% Eased the last couple of months but still at a high level.
Wood Product	-0.8%	-1.8%	2.2%	1.6%	▲	2.1% Still at a low level, but has improved from 2010Q3 mini-slump.
Paper	-0.9%	0.2%	-1.0%	1.5%	▲	0.6% November bounced back from October's fall.
Chemicals	0.6%	1.5%	-0.4%	0.6%	▲	1.3% Second to January 2010 as the best month since June 2008.
Nonmetallic Mineral Product	0.0%	-0.3%	1.8%	-0.3%	●	3.6% October & November were the best two months since 2008.
Primary Metal	-0.6%	2.4%	-1.2%	3.3%	▲	10.2% Picking up again after 2010Q3 lull. Best gain since June.
Fabricated Metal Product	1.3%	0.4%	-0.3%	1.3%	▲	11.5% Sept. & Oct. were the best months for durable goods since 9/08
Automobile and Light Duty Motor Vehicle Production	-9.9%	1.2%	2.3%	-11.0%	▼	3.5% Vehicle production fell to the lowest level since March - despite an improving sales environment

BUSINESS INDICATORS

Unemployment Rate	9.6%	9.6%	9.6%	9.8%	▼	-20 bp The second highest unemployed rate so far in 2010.
Job Creation (Payroll Employment)	-1k	-24k	172k	39k	●	842k Service sector increased 54k despite the losses in retail.
ISM Manufacturing Index	56.3	54.4	56.9	56.6	▲	290 bp Pointing to growth in manufacturing and in the economy.
Leading Economic Indicators	0.1%	0.6%	0.4%	1.1%	▲	-- Biggest jump since March shows accelerating recovery.
Total Bus. Inventory/Retail Sales Ratio	1.27	1.28	1.27	--	▲	-3 bp Dropped lower as retail sales rose and retail inventories fell.
Business Inventories	0.9%	1.3%	0.7%	--	▲	6.9% Seasonally adjusted retail inventories fell 0.6% in October.
Durable Goods Orders	-0.8%	4.9%	-3.4%	--	▼	16.4% Capital goods led biggest drop since January 2009.
West Coast Port Container Activity (TEU's) ²	3.2%	-5.8%	-0.2%	-5.4%	●	16.5% Seasonal decline for inbound, highest outbound since 2008.
Chicago Fed National Activity Index (3 month moving average)	-0.30	-0.29	-0.42	-0.41	▼	8.9 bp Employment is keeping this index below some other indicators.
S&P 500	1,049.3	1,141.2	1,183.3	1,180.6	●	7.8% 12/20/2010 had the highest closing since September 2008.

CONSUMER INDICATORS

Consumer Confidence (Conference Board)	53.2	48.6	49.9	54.1	●	3.5 pts Lifted to the highest since June by higher expectations.
Housing Starts	11.6%	-2.1%	-11.1%	3.9%	●	-5.8% Best single family starts since end of Fed program in April.
Building Permits	2.1%	-4.2%	0.9%	-4.0%	▼	-14.7% Fell below starts for month and for YTD.
New Home Sales	-2.8%	12.0%	-8.1%	--	▼	-28.5% Tenth decline in new home sales in the last 15 months.
Existing Home Sales	7.3%	10.0%	-2.2%	--	▼	-25.9% Sales are weak but inventories fell to lowest level since March.
Retail Sales	0.9%	0.9%	1.7%	0.8%	▲	7.7% Half of the monthly gain came from gas stations.
Consumer Price Index	0.3%	0.1%	0.2%	0.1%	▲	1.1% Y/Y% change in core prices is only 0.8%

OIL AND FUEL

National Avg. Diesel/Gal.	2.959	2.946	3.052	3.140	▼	12.5% Rising oil prices have squeezed refiners' margins.
W. Texas Int. Crude Oil (\$Bbl.)	76.82	75.31	81.90	84.14	●	7.8% Total petroleum product supplied is the highest in two years.

¹ Total Industrial Production minus Energy & Mining.

² TEU - Twenty Foot Equivalent Units (Containers); data includes Long Beach, Los Angeles, Oakland, Seattle, Tacoma.

TABLE: U.S. ECONOMIC ACTIVITY

U.S. Economic & Manufacturing Activity

GDP Components <i>Billions of 2005\$, SAAR*</i>	2010				2011				2009	2010	2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Annual		
Real GDP	13,139	13,195	13,277	13,369	13,459	13,557	13,662	13,773	12,881	13,245	13,613
% Change (SAAR)	3.7%	1.7%	2.5%	2.8%	2.7%	2.9%	3.1%	3.3%	-2.6%	2.8%	2.8%
Consumer Expenditures	9,225	9,276	9,340	9,399	9,456	9,534	9,618	9,708	9,154	9,310	9,579
% Change (SAAR)	1.9%	2.2%	2.8%	2.5%	2.5%	3.3%	3.6%	3.8%	-1.2%	1.7%	2.9%
Residential Fixed Investment	331	350	323	321	321	323	327	333	343	331	326
% Change (SAAR)	-12.3%	25.6%	-27.5%	-3.1%	0.1%	2.7%	5.3%	7.9%	-22.9%	-3.4%	-1.6%
Change-Business Inventories	44.1	68.8	111.5	106.5	101.5	91.5	81.5	71.5	-113.1	82.7	86.5
Real Exports	1,616	1,652	1,678	1,704	1,733	1,759	1,784	1,807	1,491	1,662	1,771
% Change (SAAR)	11.4%	9.1%	6.3%	6.4%	7.0%	6.3%	5.6%	5.3%	-9.5%	11.5%	6.5%
Real Imports	1,955	2,101	2,184	2,206	2,231	2,259	2,288	2,315	1,854	2,112	2,273
% Change (SAAR)	11.2%	33.5%	16.8%	4.0%	4.6%	5.2%	5.2%	4.8%	-13.8%	13.9%	7.7%
Output of Goods-Producing Sector	6,004	6,164	6,262	6,345	6,428	6,508	6,585	6,667	5,646	6,194	6,547
% Change (SAAR)	13.0%	11.1%	6.5%	5.4%	5.3%	5.1%	4.8%	5.0%	-10.2%	9.7%	5.7%
Housing Starts - Millions	0.62	0.60	0.58	0.58	0.56	0.58	0.62	0.70	0.55	0.59	0.61
% Change (SAAR)	42.6%	-9.4%	-11.4%	-5.3%	-13.4%	14.7%	35.4%	64.5%	-38.4%	7.3%	3.2%
CPI Index	2.18	2.17	2.18	2.18	2.18	2.19	2.20	2.20	2.15	2.18	2.19
% Change (SAAR)	1.5%	-0.7%	1.5%	0.4%	0.4%	0.9%	1.3%	1.3%	-0.3%	1.5%	0.7%
Auto Sales - Millions (SAAR)	11.0	11.3	11.6	12.3	12.3	13.0	13.7	14.2	10.4	11.5	13.3
3 Month T-Bill Rate, %	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2
Moody AAA Bonds, %	5.3	5.0	4.6	4.8	4.8	4.7	4.7	4.7	5.3	4.9	4.7
Unemployment Rate, %	9.7	9.7	9.6	9.7	10.0	9.8	9.5	9.1	9.3	9.7	9.6
Federal Surplus, \$ (SAAR)	-1,314.2	-1,336.5	-1,338.0	-1,337.2	-1,341.1	-1,341.8	-1,336.8	-1,330.8	-1,251.8	-1,331.5	-1,337.6
Industrial Production (IP)	2010				2011				2009	2010	2011
<i>Index: 2002 = 100, SAAR*</i>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Annual		
Non-Durables	91.5	92.4	93.0	93.5	94.3	95.2	96.3	97.5	89.0	92.6	95.8
% Change (SAAR)	4.8%	4.0%	2.9%	2.2%	3.4%	3.8%	4.5%	5.3%	-6.0%	4.0%	3.5%
Durables	86.0	89.1	90.5	91.4	92.9	94.6	96.4	98.5	82.1	89.2	95.6
% Change (SAAR)	9.3%	15.4%	6.2%	4.2%	7.0%	7.3%	7.9%	9.1%	-14.9%	8.7%	7.2%
Total IP (includes Mining & Utilities)	90.6	92.2	93.6	93.9	95.0	96.2	97.5	99.0	87.7	92.6	96.9
% Change (SAAR)	7.1%	7.2%	5.9%	1.2%	4.9%	5.0%	5.7%	6.5%	-9.3%	5.5%	4.7%

* - SAAR is Seasonally Adjusted Annual Rates or Seasonally Adjusted Quarter to Quarter Changes at Annual Rates.

Sources: Witte Econometrics; FTR Associates

TABLE: U.S. TRUCK FREIGHT

U.S. Truck Freight: Commodity Groups & Trailer Types

SEASONALLY ADJUSTED 000s of Loadings Originated	MONTH								QUARTER				
	PRELIMINARY ¹				FORECAST				PRELIMINARY ¹		FORECAST		
	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	10'Q2	10'Q3	10'Q4	11'Q1	11'Q2	
Total Truck Loadings	54,808	54,743	54,805	54,920	55,150	55,323	55,501	161,979	164,380	164,469	165,974	167,626	
Truck Utilization Rate (%)³	94.6%	93.7%	94.0%	94.7%	96.2%	97.2%	98.2%	92.5%	94.4%	94.1%	97.2%	100.0%	
Commodity Groups													
Food & Kindred Products	7,736	7,477	7,436	7,418	7,457	7,460	7,462	22,221	22,910	22,331	22,379	22,376	
Stone, Clay, Glass & Concrete	5,765	5,737	5,742	5,755	5,783	5,802	5,822	16,796	17,250	17,234	17,407	17,589	
Nonmetallic Minerals, Except Fuels	5,345	5,473	5,489	5,506	5,527	5,545	5,565	16,778	16,343	16,469	16,637	16,810	
Chemicals & Allied Products	5,223	5,070	5,052	5,049	5,080	5,090	5,100	15,142	15,458	15,170	15,270	15,357	
Transportation Equipment	3,214	3,316	3,342	3,365	3,360	3,390	3,432	9,564	9,745	10,023	10,182	10,672	
Other	27,526	27,670	27,744	27,828	27,944	28,034	28,120	81,477	82,674	83,242	84,098	84,824	
Trailer Types													
Dry Van	19,721	19,625	19,641	19,682	19,782	19,850	19,919	57,967	59,033	58,948	59,551	60,175	
Reefer Van	3,825	3,750	3,742	3,739	3,751	3,754	3,757	11,194	11,360	11,232	11,262	11,281	
Platform	6,768	6,768	6,787	6,814	6,857	6,889	6,921	19,675	20,252	20,369	20,667	20,946	
Bulk	24,494	24,600	24,635	24,685	24,760	24,829	24,904	73,143	73,735	73,920	74,493	75,224	
Y/Y % Change²													
Total Truck Loadings	3.8%	1.3%	-0.1%	2.3%	3.3%	3.7%	2.3%	6.8%	4.4%	1.1%	3.1%	3.5%	
Commodity Groups													
Food & Kindred Products	3.6%	-5.3%	-5.3%	-5.5%	-2.5%	-2.7%	-2.7%	3.8%	3.6%	-5.3%	-2.6%	0.7%	
Stone, Clay, Glass & Concrete	2.9%	2.0%	-3.3%	5.4%	2.4%	7.7%	5.2%	5.1%	1.4%	1.2%	5.1%	4.7%	
Nonmetallic Minerals, Except Fuels	3.0%	12.1%	6.6%	19.3%	18.8%	16.7%	10.3%	4.2%	5.5%	12.4%	15.2%	0.2%	
Chemicals & Allied Products	3.1%	-5.0%	-6.8%	-7.7%	-6.4%	-5.2%	-5.9%	5.7%	2.9%	-6.5%	-5.8%	1.4%	
Transportation Equipment	6.8%	10.4%	10.3%	9.8%	7.7%	8.6%	8.9%	20.8%	11.7%	10.2%	8.4%	11.6%	
Other	4.0%	1.4%	0.9%	2.1%	3.8%	3.6%	2.5%	7.3%	4.6%	1.5%	3.3%	4.1%	
Trailer Types													
Dry Van	5.2%	0.2%	-0.6%	0.0%	1.0%	1.4%	1.1%	9.0%	6.0%	-0.1%	1.1%	3.8%	
Reefer Van	-0.5%	-5.4%	-6.0%	-5.7%	-2.7%	-2.8%	-3.0%	0.3%	-0.9%	-5.7%	-2.8%	0.8%	
Platform	6.6%	4.0%	-0.3%	5.4%	5.6%	7.3%	5.9%	11.2%	6.4%	3.0%	6.3%	6.5%	
Bulk	2.7%	2.6%	1.3%	4.7%	5.5%	5.7%	3.2%	5.0%	3.5%	2.8%	4.8%	2.8%	

ANNUAL	THOUSANDS OF TRUCK LOADINGS (000s)					% CHANGE				
	PRELIM ¹	FORECAST				PRELIMINARY ¹	FORECAST			
	2009	2010	2011	2012	2008	2009	2010	2011	2012	
Total Truck Loadings	620,470	651,831	674,385	707,285	-5.7%	-15.8%	5.1%	3.5%	4.9%	
Truck Utilization Rate (%)³					92.0%	85.2%	93.6%	99.3%	100.0%	
Commodity Groups										
Food & Kindred Products	87,813	90,445	89,566	90,760	0.1%	-10.5%	3.0%	-1.0%	1.3%	
Stone, Clay, Glass & Concrete	65,542	67,850	70,921	75,463	-10.5%	-22.1%	3.5%	4.5%	6.4%	
Nonmetallic Minerals, Except Fuels	62,650	64,036	67,754	71,753	-14.2%	-17.8%	2.2%	5.8%	5.9%	
Chemicals & Allied Products	58,852	61,986	61,773	64,216	-4.8%	-12.1%	5.3%	-0.3%	4.0%	
Transportation Equipment	33,727	38,724	43,341	48,704	-13.0%	-16.2%	14.8%	11.9%	12.4%	
Other	311,886	328,789	341,029	356,388	-3.4%	-15.9%	5.4%	3.7%	4.5%	
Trailer Types										
Dry Van	220,648	234,828	242,212	254,347	-5.4%	-15.9%	6.4%	3.1%	5.0%	
Reefer Van	45,391	45,376	45,221	46,073	2.6%	-7.7%	0.0%	-0.3%	1.9%	
Platform	74,020	79,747	84,580	91,113	-5.2%	-22.1%	7.7%	6.1%	7.7%	
Bulk	280,411	291,880	302,371	315,752	-7.3%	-15.1%	4.1%	3.6%	4.4%	

Notes:

¹ - Preliminary Data: Based on economic data and subject to revision until annual freight data is available.

² - Y/Y % Change: Current period vs. year-ago period.

³ - Truck Utilization Rate: Trucks in use as a percentage (%) of trucks actively competing for freight.

Total Truck Loadings includes both Tractor/Trailer Loadings and Straight Truck Loadings.

Source: FTR Associates; Copyright 2011

Upside Recovery Potential

The macro-economy may be turning. Will it matter?

Over the past two months, economic releases have sharply recovered from their summer doldrums. With the exception of housing statistics, the reports have been uniformly positive, highlighted by the long-awaited improvement in employment statistics (though still inconsistent), strong Christmas season retail sales, and very strong exports. It appears that the employed majority of the population has regained sufficient confidence to begin spending again. This is how most recoveries enter their acceleration stages.

What would an upside scenario look like?

Should this momentum continue we could get a 2011 above the 2.8% FTR GDP growth, a number similar to most contemporary forecasts. Importantly, such a number is well below the rapid growth stage numbers of previous recoveries. In the 70's and 80's, the average quarterly growth (annualized) during recovery acceleration stages was above 6%. Even in the more gradual recoveries following the '91 and '02 recessions, the peak growth stages averaged 4%. As to freight - the latter recoveries still managed to generate 6.9% truck freight growth, well above the 3.5% number in the current FTR forecast.

Trend vs. Cyclical

Importantly, weakness in housing, the recent banking failures, and skittish bond markets still provide powerful arguments for slow trend economic growth. FTR agrees with the prevailing consensus that the long run sustainable growth in GDP is now

below 3%, after running about 3.5% over the last twenty years. What we are most likely experiencing now is a "normal" upward cyclical response, a temporary recovery phenomenon that can easily add 200 basis points to the underlying potential of the economy. It is coming as a pleasant surprise to many industry observers, perhaps because the bi-polar nature to economic commentary has emphasized the negative in the aftermath of the worst downturn since the Great Depression. (It has its own name now, the "Great Recession.")

Truck Impact

Next month, FTR will be conducting an in-depth analysis of this upside potential, tracing its effect from the economy, through trucking, to equipment demand. In the interim, consider this: the existing FTR forecast already contemplates a very tight truck market by the end of 2011. The upside potential simply increases that probability. It brings in to view the potential for widespread spot shortages of capacity, where some goods will not move. This is a situation we avoided in the last capacity crunch in 2004. Since this capacity crunch will be roughly twice as tight as 2004, physical shortages are likely. When that happens, market order is disrupted and spot prices will skyrocket. We are looking at an upside event with at least as much power as the downside event we just survived.

We'll have more details for you next month.

APPENDIX

GLOSSARY

AVERAGE LENGTH-OF-HAUL

Tonmiles divided by tons.

INTERMODAL

Rail Intermodal Loadings of Units Originated. Contains International and Domestic Containers as well as Trailers shipped via rail. The transfer of a container or trailer to another railroad for the purpose of terminating the shipment or passing it to another railroad is only counted as one loading. Intermodal is defined as a movement of a container or trailer via more than one mode of transportation (i.e. rail and truck). Units shown in thousands, actual seasonally adjusted.

SAAR

Seasonally Adjusted Annual Rate

STCC

Standard Transportation Commodity Code (Similar to the SIC/NAICS Codes with a few added categories designed for transportation movements)

TON

Ton Originated by specific mode (i.e. one ton of coal shipped by rail and then by water would be shown as two tons of coal).

This is Domestic Traffic Only. Export movements are included only as far as the border or to a port in which it will be directly exported. The same is true for Imports. An import is counted once it reaches the border or a port.

Tons are shown in thousands, actual seasonally adjusted.

TONMILE

One ton moved one mile.

TRUCK LOADINGS

Truck loadings is the estimated number of truck loads originated in the United States plus truck loads that come to U.S. destinations from Mexico and Canada. It is tons divided by the average tons per truck.

TRUCKING CONDITIONS INDEX

This index tracks the deviation from trend in fifteen different metrics that represent five major conditions in the U.S. truck market. The major conditions are: volumes, active capacity utilization, fuel, cost of capital, bankruptcies. The index tracks level, rate of change, and expectations for each major condition. The fifteen individual metrics are combined into a single weighted average index that tracks the market conditions that influence fleet behavior. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

"ACTIVE" TRUCK UTILIZATION RATE

This metric calculates the percentage of the population of active trucks that is required to move the U.S. truck freight. In general, a figure above 95% indicates a tight market where the majority of the truck population is at work. A figure below 90% indicates a weak market where a significant portion of the truck population is idle.

SOURCES

ASSOCIATION OF AMERICAN RAILROADS

Profiles of U.S. Railroads Database; Freight Commodity Statistics; Railroad Facts; Weekly Rail Traffic Report

AVONDALE PARTNERS

Trucking Bankruptcies

BUREAU OF LABOR STATISTICS (BLS)

Payroll Employment, Consumer Price Index, Producer Price Index

CASS INFORMATION SYSTEMS

Cass Freight Index

CONFERENCE BOARD

Leading Economic Indicators, Consumer Confidence Index

ENO PUBLICATIONS

Transportation in America

FEDERAL RESERVE

Industrial Production Statistics, Chicago Fed National Activity Index

FREIGHT TRANSPORTATION RESEARCH (FTR) ASSOCIATES

Freight Forecasting Model

INDIANA UNIVERSITY

Center for Econometric Modeling Research (CEMR)

INSTITUTE FOR SUPPLY MANAGEMENT (ISM)

ISM Manufacturing Index

SURFACE TRANSPORTATION BOARD (FORMERLY ICC)

Public Use Waybill

TRUCK/TRAILER OEMS

Monthly Market Indicators

U.S. CENSUS BUREAU

Economic Census, Monthly Indicators

U.S. DEPARTMENT OF AGRICULTURE

Crop Reports

U.S. DEPARTMENT OF COMMERCE

Industrial Reports; Commodity Flow Surveys, Monthly Indicators

U.S. DEPARTMENT OF ENERGY

Coal Statistics; Petroleum Statistics; Natural Gas Statistics, Fuel Prices

U.S. GEOLOGICAL SURVEY

Minerals Commodity Summaries

U.S. FOREST SERVICE

Timber Statistics

U.S. NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Fisheries Report

WARD'S AUTOMOTIVE GROUP

RS-3S Report, FS-3 Report

WATERBORNE COMMERCE STATISTICS CENTER-

U.S. ARMY CORPS OF ENGINEERS

Waterborne Commerce of the United States – Part 5, National Summaries

WEST COAST PORTS

Container Activity: Los Angeles, Long Beach, Oakland, Tacoma, Seattle,



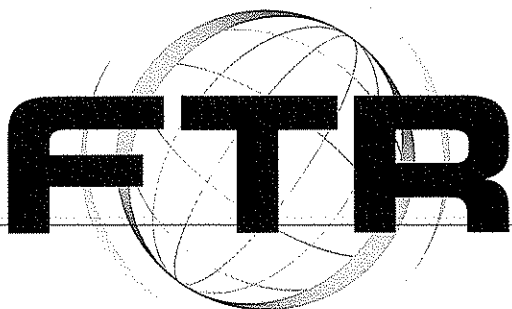
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www.FTRAssociates.com

FTR Freight Focus: Trucking Update
Part of the FTR Freight Focus Series
Written and Published by:



FTR Associates

2881 Grandma Barnes Road

Nashville, IN 47448

Phone: (888) 988-1699

Fax: (877) 222-9060

International: (812) 988-1699

Email: ftf@ftrassociates.com

Website: www.ftrassociates.com