



# RIVER TRANSPORT NEWS

Biweekly News and Analysis for the Inland River Industry

Vol. 22, No. 3: February 18, 2013

## 2012 Lower Miss Coal Exports Surge to New Record High

There was little surprise that 2012 would be a record year for lower Mississippi coal exports. After all, the region had already moved into record territory in October. Now that full year data are available, however, the full extend of the coal export boom is apparent.

In 2012, lower Mississippi coal exports totaled 23.21 million metric tons (25.56 million short tons), smashing the previous record of 18.57 million metric tons (20.46 million short tons) established in 2011 (see pp. 6 and 7). Last year’s record volume was made possible by a surge in steam coal exports, especially to Europe. Overall lower Mississippi steam coal exports increased by nearly 37 percent from 2011 levels, reaching 17.6 million metric tons. Lower Mississippi metallurgical coal exports, meanwhile, fell slightly from prior-year levels to 5.65 million metric tons (see Figure 1)...*Continued on page 4.*

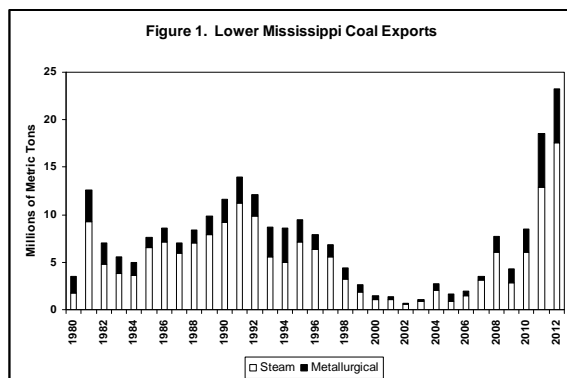
## Q4 Lower Miss Imports Post Year-Over-Year Growth

Imports of the major dry cargo commodities tracked by *RTN* through the New Orleans Customs District posted an impressive increase during the fourth quarter of 2012 relative to comparable year-ago levels. Aggregate imports of these commodities (excluding coal) increased to approximately 3.5 million metric tons during the most recent quarter, up 35.2 percent from comparable year-levels of 2.6 million metric tons. Fourth quarter 2012 imports also increased by 10 percent from the third quarter 2012 level of 3.2 million metric tons (see Table 1, page 2).

With the relatively strong performance in fourth quarter 2012 imports, aggregate lower Mississippi imports (excluding coal) for all of 2012 increased to 13.7 million metric tons. This level of activity represents a 2.1 percent improvement over the 13.4 million metric tons imported through the lower Mississippi for all of 2011.

## Steel Sector Firms

Much of the improvement in the fourth quarter’s import volumes was due to firming in steel sector import volumes. Aggregate imports of...*Continued on page 2.*



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steel and steel sector raw materials totaled 1.889 million metric tons during the most recent quarter, 57 percent above comparable year-ago levels. Fourth quarter 2012 imports were the second highest for the year, though they fell substantially below first quarter 2012 levels of 2.776 million metric tons.

For all of 2012, aggregate steel sector imports through the lower Mississippi totaled 7.956 million metric tons compared with 7.136 million metric tons imported for the full calendar year of 2011.

Steel sector imports generally improved across a broad range of both raw materials and finished products. Imports of finished steel during the fourth quarter of 2012 increased to 254,800 metric tons from 130,300 metric tons one year earlier.

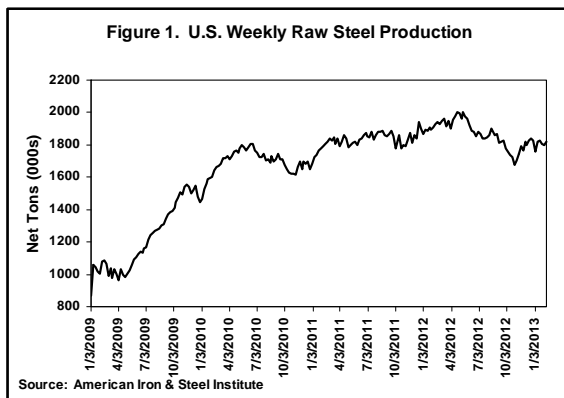
Imports of most steel sector raw materials also increased during the quarter and also for the full year. While imports of iron ore totaled just 17,300 metric tons during the fourth quarter of 2012, for all of 2012 lower Mississippi iron ore imports eked out a small increase over prior-year levels, reaching 617,800 metric tons.

Combined imports of pig iron, direct-reduced iron (DRI) and scrap steel, meanwhile, grew to approximately 1.2 million metric tons during the fourth quarter from approximately 715,000 metric tons one year earlier. For all of 2012, imports of these ferrous feedstocks totaled 4.4 million metric tons, 18 percent above comparable year-ago levels. The increase was paced by a 76 percent increase in DRI imports, while aggregate full-year pig iron imports were essentially unchanged from 2011 levels.

**Table 1.**  
**Major Commodity Imports Through the New Orleans Customs District**  
**(000s of Metric Tons)**

<b>Sector</b>											<b>YTD</b>
<b>Commodity</b>	<b>Q1 12</b>	<b>Q2 12</b>	<b>Q3 12</b>	<b>Q4 12</b>	<b>Ytd 12</b>	<b>Q1 11</b>	<b>Q2 11</b>	<b>Q3 11</b>	<b>Q4 11</b>	<b>Ytd-11</b>	<b>Change</b>
<b>Cement</b>											
Clinkers	0.0	0.0	3.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	3.0
Cement	10.1	7.1	3.0	10.1	30.3	48.9	54.4	7.5	56.6	167.4	-137.1
<b>Subtotal</b>	<b>10.1</b>	<b>7.1</b>	<b>6.0</b>	<b>10.1</b>	<b>33.3</b>	<b>48.9</b>	<b>54.4</b>	<b>7.5</b>	<b>56.6</b>	<b>167.4</b>	<b>-144.2</b>
<b>Steel</b>											
Iron Ore	463.6	49.0	87.9	17.3	617.8	336.3	143.2	91.7	44.4	615.6	2.2
Pig Iron	939.5	685.3	623.4	757.5	3005.7	798.7	896.3	766.7	532.2	2982.8	22.9
Scrap Iron/Steel	81.4	38.7	0.6	36.3	157.0	60.1	0.0	0.0	0.0	60.1	96.9
DRI/HBI	416.0	264.5	186.3	396.8	1263.6	137.3	198.7	197.4	182.9	716.3	547.3
Ferroalloys	323.0	246.0	357.8	251.5	1178.3	305.4	275.7	282.2	174.3	1037.6	140.7
Furnace Coke	60.5	13.5	8.3	6.6	88.9	185.7	165.4	74.4	24.6	450.1	-361.2
Manganese Ore	93.3	90.5	128.1	164.6	476.5	152.4	88.5	149.7	118.1	508.7	-32.2
Slabs/Billets	10.3	42.5	6.1	3.7	62.6	2.0	0.0	6.9	6.3	17.0	45.6
Finished Steel	388.2	249.0	217.5	254.8	1109.5	181.9	304.7	126.1	130.3	747.8	361.7
<b>Subtotal</b>	<b>2775.8</b>	<b>1679.0</b>	<b>1616.0</b>	<b>1889.1</b>	<b>7959.9</b>	<b>2159.8</b>	<b>2072.5</b>	<b>1695.1</b>	<b>1202.0</b>	<b>7136.0</b>	<b>823.9</b>
<b>Fertilizer</b>	<b>1389.7</b>	<b>986.0</b>	<b>1558.0</b>	<b>1608.7</b>	<b>5542.4</b>	<b>2388.6</b>	<b>1053.9</b>	<b>1202.7</b>	<b>1304.2</b>	<b>5949.4</b>	<b>-407.0</b>
<b>Unwrought Alum.</b>	<b>66.9</b>	<b>43.6</b>	<b>33.7</b>	<b>26.2</b>	<b>170.4</b>	<b>32.6</b>	<b>41.4</b>	<b>39.6</b>	<b>51.5</b>	<b>165.1</b>	<b>5.3</b>
<b>Coal</b>	<b>24.4</b>	<b>33.4</b>	<b>48.0</b>	<b>10.0</b>	<b>115.8</b>	<b>29.5</b>	<b>0.4</b>	<b>43.9</b>	<b>1.7</b>	<b>75.5</b>	<b>40.3</b>
<b>TOTAL</b>	<b>4266.9</b>	<b>2749.1</b>	<b>3261.7</b>	<b>3544.1</b>	<b>13821.8</b>	<b>4659.4</b>	<b>3222.6</b>	<b>2988.8</b>	<b>2616.0</b>	<b>13493.4</b>	<b>328.4</b>
<b>TOTAL EXCLUDING</b>											
<b>COAL</b>	<b>4242.5</b>	<b>2715.7</b>	<b>3213.7</b>	<b>3534.1</b>	<b>13706.0</b>	<b>4629.9</b>	<b>3222.2</b>	<b>2944.9</b>	<b>2614.3</b>	<b>13417.9</b>	<b>288.1</b>

The strength in fourth quarter 2012 pig iron, DRI and scrap steel imports was somewhat surprising given the overall state of the U.S. steel sector. Weekly raw steel production in the U.S. averaged 1.77 million net tons during the fourth quarter of 2012, down from 1.85 million net tons one year earlier. U.S. weekly raw steel production also declined from the third quarter 2012 average of 1.846 million net tons. While weekly raw steel production has increased from fourth quarter 2012 lows, production levels remain below third quarter 2012 average levels (see Figure 1).



Among the major ferrous raw material, only metallurgical coke experienced a significant year-over-year decline in 2012 relative to the prior year. Metallurgical coke imports declined to just 88,900 metric tons last year from 450,100 metric tons imported through the lower Mississippi in 2011.

### Fertilizer

Lower Mississippi imports of fertilizer remained strong during the fourth quarter of 2012 following a strong third quarter, where import volumes reached a new third quarter record of 1.558 million metric tons. Fourth quarter 2012 fertilizer imports increased to 1.608 million metric tons, representing a 23 percent increase over fourth quarter 2011 levels.

While imports during the fourth quarter of 2012 were respectable, volumes were well short of the fourth quarter record of 1.979 million metric tons set in 2005. As recently as the fourth quarter of 2010, lower Mississippi fertilizer imports totaled 1.939 million metric tons.

Despite the strong second half performance, total fertilizer imports for all of 2012 fell short of the 2011 total of 5.949 million metric tons. Lower Mississippi imports of fertilizer for all of 2012 totaled 5.542 million metric tons.

Give the strong likelihood that U.S. corn plantings this spring will once again exceed 95 million acres, lower Mississippi fertilizer imports should remain strong at least through the first quarter of this year.♣

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## **Methanex Seeks Permits for Geismar, LA Methanol Plant**

Methanex USA, LLC recently filed permit applications with the New Orleans District of the U.S. Army Corps of Engineers to install a methanol production complex at a site in Geismar, LA at milepost 185 of the lower Mississippi River. Methanex USA is a unit of Vancouver, Canada-based Methanex Corporation.

Methanex announced last summer that the company would be relocating one of four methanol production units that the company had been operating in southern Chile. Since 2007, however, these units have been operating substantially below their production capacities due to chronic shortages of natural gas feedstock. The Chilean units previously had relied on natural gas from Argentina. In 2007, however, Argentina curtailed natural gas deliveries due to economic and diplomatic disputes between Argentina and Chile. Since 2007, Methanex has had to rely on local Chilean natural gas supplies, which have not been sufficient to meet the complex's full needs.

Methanex indicates that the unit being relocated from Chile to Geismar will have the capacity to produce one million metric tons (1.1 million short tons) of methanol annually. The company anticipates that the relocated plant will be operational by the end of 2014.

At the time Methanex announced its intention to relocate the plant, Bruce Aitken, the company's President and CEO stated that "Geismar is an excellent location for a methanol project. It possesses world-class infrastructure, skilled workers and is a positive low-risk environment in which to

do business. It is also a large methanol consuming region which offers the potential for substantial logistics cost savings."

Methanex began dismantling the plant in Chile last summer. The project received its air permits for the project in November. Last month, meanwhile, Methanex announced that it had executed a 10-year agreement with Chesapeake Energy under which Chesapeake would supply all of the Geismar plant's natural gas requirements.

### **Second Unit Coming?**

Methanex, meanwhile, continues to face challenges at its Chilean operations. The company last month announced that it plans to completely idle its Chilean facilities in March due to an anticipated lack of natural gas feedstock during the upcoming southern hemisphere winter.

Given the supply shortages facing the company in Chile, Methanex has indicated that it is studying the possibility of relocating a second production unit from Chile to the Geismar site.

At this point, it is not clear what impact, if any, Methanex's Geismar facilities will have on river commerce. Company officials declined to provide details regarding future transport plans for the Geismar facility's methanol.♣

### **Coal Exports...Cont'd from page 1.**

The growth in lower Mississippi coal exports mirrored the growth in overall U.S. coal export activity which also grew to a new record high. U.S. coal exports in 2012 increased to 113.5 million metric tons (125.1 million short tons) from 96.77 million metric tons (106.6 million short tons) exported in 2011.

## European Steam Coal Demand

The growth in U.S. and lower Mississippi coal exports last year had several causes. Domestically, plummeting demand for coal from the power generating sector created a significant surplus, which found its way to the export market, often at distressed prices.

Generally strong demand growth, especially in the lower Mississippi's traditional core European steam market also helped boost volume. Lower Mississippi steam coal exports to Europe surged to 11.7 million metric tons last year from 6.9 million metric tons one year earlier. This growth more than offset a decline in lower Mississippi metallurgical coal exports bound for Europe which fell from 2.8 million metric tons in 2011 to 2.0 million metric tons last year (see Table 1).

	<b>2012 Tons</b>	<b>2011 Tons</b>	<b>Percent Change</b>
<b><u>Steam Coal</u></b>			
Europe	11,736.5	6,895.8	49.4
Central/S. America	2,033.4	2,158.0	-13.8
Africa/Middle East	1,373.6	1,734.1	-20.8
Asia/Oceania	2,424.8	906.3	67.6
<b>Total</b>	<b>17,568.4</b>	<b>12,853.9</b>	<b>36.7</b>
<b><u>Metallurgical Coal</u></b>			
Europe	1,954.7	2,822.8	-30.8
Central/S. America	1,458.6	964.8	51.2
Africa/Middle East	441.6	496.2	-11.0
Asia	1,794.3	1,431.5	25.3
<b>Total</b>	<b>5,649.2</b>	<b>5,715.4</b>	<b>-1.2</b>

Europe experienced strong demand for steam coal in 2012 as local natural gas prices were at extremely high levels, prompting a surge in coal-fired generation. Based on a review of European Union (EU) trade data through the first 10 months of

2012, *RTN* estimates that total EU steam coal imports increased by 9.3 million metric tons from prior-year levels, to approximately 190 million metric tons. Coal import demand growth from Asia, especially China, and India, meanwhile, continued to siphon South African coal from the European market. EU imports of South African coal declined by approximately 5.1 million metric tons last year from 2011 levels

The combine effects of Europe's increased appetite for steam coal imports and the continued diversion of South African coal to Asian markets created a 14.4 million metric ton "hole" in the European market which U.S. exporters (along with Russia and Colombia) were more than happy to fill.

The U.S. coal export position in Europe last year was further helped to labor actions in Colombia, which helped limit Colombian export growth. Colombian rail workers struck for 25 days last summer, disruption rail shipments from Colombia's largest coal producing region. In addition, Colombian production also was disrupted last year by a strike at Glencore's La Jagua mine. Despite these disruptions, however, EU imports of Colombian coal last year increased to an estimated level of 41.6 million metric tons from 36.9 million metric tons imported in 2011.

While European demand for steam coal was strong, the region remained economically fragile, dampening steel demand. Overall EU imports of metallurgical coal declined by approximately 3.0 million metric tons last year. Softer demand for metallurgical coal coupled with more aggressive pricing by railroads moving U.S. export coal to the East Coast helps explain the 30.8 percent reduction in lower Mississippi metallurgical coal exports to Europe last year.

**December and Full Year 2012 Lower Mississippi STEAM Coal Exports  
(Metric Tons)**

<b>Country</b>	<b>Dec. 12</b>	<b>Dec. 11</b>	<b>Ytd 12</b>	<b>Ytd 11</b>	<b>Ytd 12 to 11 % Change</b>
Belgium	73,406	249,616	266,858	648,903	
Brazil	0	0	0	241,235	
Chile	55,075	201,5950	491,599	431,558	
China	0	0	1,209,129	0	
Croatia	68,750	67,000	399,711	406,670	
Denmark	0	0	0	76,829	
Dominican Republic	0	0	251,473	29,000	
Egypt	0	0	0	144,055	
Finland	0	0	0	145,295	
France	0	0	288,537	771,157	
Germany	0	0	962,896	934,598	
Guatemala	0	0	32,986	0	
Honduras	27,016	0	151,938	83,840	
India	105,309	0	1,114,044	632,946	
Ireland	0	0	147,233	0	
Israel	0	0	16,500	0	
Italy	0	0	408,877	0	
Jamaica	0	0	93,644	71,500	
Latvia	0	0	0	104,866	
Mexico	0	0	1,011,803	1,236,509	
Morocco	125,100	321,527	1,276,635	1,590,027	
Netherlands	201,602	153,513	2,244,485	1,481,053	
Pakistan	0	0	101,638	0	
Panama	0	0	0	218,476	
Peru	0	0	0	47,504	
Poland	0	67,784	209,006	128,888	
Portugal	72,900	105,600	363,941	388,325	
Russia	0	0	68,300	0	
Slovenia	0	0	79,688	0	
S. Korea	0	0	0	273,304	
Spain	0	71,615	577,855	71,615	
Switzerland	0	0	0	64,514	
Togo	0	0	96,925	0	
Turkey	71,824	71,500	340,052	357,088	
Ukraine	0	0	0	64,313	
United Kingdom	558,486	171,500	5,352,607	2,209,852	
<b>Subtotal</b>	<b>1,359,468</b>	<b>1,481,250</b>	<b>17,568,360</b>	<b>12,853,920</b>	<b>36.7</b>

Coal demand in Asia, meanwhile, remained robust, especially in China. Total Chinese coal imports last year surged to approximately 234 million metric tons from 184 million metric tons imported in 2011. Most of this increase was in the steam coal sector.

With last year's surge in Asian import coal demand, lower Mississippi exports of steam coal to Asia increased to 2.4 million metric

tons from 906,000 metric tons exported in 2011. Most of this increase can be attributed to China, which increased its purchases of lower Mississippi steam coal last year to 1.2 million metric tons from nothing in 2011. Lower Mississippi steam coal exports to India, meanwhile, also increased last year to 1.1 million metric tons from 633,000 metric tons exported in 2011,

more than offsetting a 273,000 metric ton decline in lower Mississippi steam coal exports to South Korea.

Strong Asian demand for metallurgical coal also helped boost lower Mississippi coal exports last year, as metallurgical coal exports to the region increased to 1.8 million metric tons from 1.4 million metric tons exported last year.

### Limited Barge Sector Benefits

While lower Mississippi coal exports soared to record highs last year, the inland barge industry experienced only limited benefits

from the growth. Overall, the vast majority of the growth in 2012 lower Mississippi coal export volumes was due to increased rail shipments of coal via the CN Railroad to Foresight Energy's Convent Coal Terminal. According to industry sources, rail shipments through the terminal last year increased by more than four million short tons from 2011 levels. Consequently, barge coal shipments to the lower Mississippi export coal market last year increased by approximately 700,000 short tons, representing just 3.8 percent growth from 2011 levels.♣

<b>December and Full Year 2012 Lower Mississippi <u>METALLURGICAL</u> Coal Exports</b>					
<b>(Metric Tons)</b>					
<b>Country</b>	<b>Dec. 12</b>	<b>Dec. 11</b>	<b>Ytd 12</b>	<b>Ytd 11</b>	<b>Ytd 12 to 11 % Change</b>
Argentina	47,222	0	143,979	0	
Belgium	0	0	67,360	0	
Brazil	0	0	567,268	209,081	
China	0	0	299,704	139,929	
Chile	49,563	0	291,811	296,644	
Croatia	47,812	0	122,160	74,833	
Egypt	0	0	71,700	130,651	
Dominican Rep.	0	51,832	0	51,832	
Germany	0	148,533	71,276	378,152	
Iceland	5,929	7,717	55,796	58,361	
Ireland	0	0	0	135,952	
India	67,632	80,562	519,198	411,189	
Japan	0	0	491,050	258,373	
Latvia	0	0	70,283	140,846	
Mexico	43,489	41,983	455,571	407,265	
Morocco	0	0	61,880	63,451	
Netherlands	0	119,672	553,938	400,886	
Norway	0	0	79,465	80,574	
Poland	0	0	80,854	109,847	
Romania	32,855	0	32,855	0	
Saudi Arabia	0	0	43,194	26,528	
Slovenia	0	0	0	54,479	
S. Africa	0	0	264,840	275,557	
South Korea	0	68,174	484,331	621,973	
Spain	0	0	111,776	145,052	
Turkey	0	0	215,802	351,717	
Ukraine	49,144	0	175,744	134,588	
United Kingdom	0	29,229	311,452	757,549	
<b>Subtotal</b>	<b>343,646</b>	<b>547,702</b>	<b>5,649,216</b>	<b>5,715,309</b>	<b>-1.1</b>
<b>GRAND TOTAL</b>					
<b>MET + STEAM</b>	<b>1,703,114</b>	<b>2,028,952</b>	<b>23,217,576</b>	<b>18,569,229</b>	<b>25.0</b>

***River Transport News Statistical Summary***

***RTN Spot Coal and Grain Freight Rate Survey***

Origin	Destination	LH Feb 2013		March 2013		April 2013		LH Feb 2012	
		High	Low	High	Low	High	Low	High	Low
<b>Coal</b>									
Big Sandy	Davant	\$21.00	\$18.00	\$21.00	\$18.00	\$21.00	\$18.00	\$22.00	\$20.00
Marmet, WV	Davant	\$23.00	\$20.00	\$23.00	\$20.00	\$23.00	\$20.00	\$24.00	\$22.00
Cora	Davant	\$17.00	\$15.00	\$17.00	\$15.00	\$17.00	\$15.00	\$15.00	\$13.00
Mt. Vernon, IN	Davant	\$17.00	\$15.00	\$17.00	\$16.00	\$17.00	\$15.00	\$16.00	\$14.00
Big Sandy	Pittsburgh	\$9.00	\$8.00	\$9.00	\$8.00	\$9.00	\$8.00	\$9.00	\$8.00
Big Sandy	St. Louis	\$15.00	\$14.00	\$15.00	\$14.00	\$15.00	\$14.00	\$14.00	\$13.00
Big Sandy	Cincinnati	\$8.00	\$7.50	\$8.00	\$7.50	\$8.00	\$7.50	\$8.00	\$7.00
Marmet, WV	Cincinnati	\$9.50	\$8.50	\$9.50	\$8.50	\$9.50	\$8.50	\$9.50	\$8.00
Marmet, WV	Pittsburgh	\$10.00	\$9.00	\$10.00	\$9.00	\$10.00	\$9.00	\$10.00	\$9.00
Birmingham	Mobile	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50

Origin	Destination	High	Low	High	Low	High	Low	High	Low
Illinois River	NO/BR	320	320	320	310	320	300	485	460
St. Louis	NO/BR	265	250	250	250	250	250	375	360
Twin Cities	NO/BR	NA	NA	350	350	350	350	NA	NA
Lower Ohio	NO/BR	215	215	215	210	215	210	425	415
Mid Mississippi	NO/BR	NA	NA	315	310	310	310	NA	NA
Lower Miss	NO/BR	190	180	190	180	190	180	260	250

***RTN Spot Northbound Freight Rate Survey***

<i>Northbound Covered or Open</i>								
Destination	LH Feb. 2013		March 2013		April 2013		February 2012	
	High	Low	High	Low	High	Low	High	Low
Twin Cities	\$18.00	\$16.00	\$18.00	\$16.00	\$18.00	\$16.00	NA	NA
Chicago	\$18.75	\$14.50	\$18.75	\$14.50	\$18.75	\$14.50	\$14.50	\$13.00
St. Louis	\$14.50	\$9.00	\$14.50	\$9.00	\$14.50	\$9.00	\$11.00	\$8.00
Cincinnati	\$16.00	\$14.00	\$16.00	\$14.00	\$16.00	\$14.00	\$14.00	\$13.00
Pittsburgh	\$20.00	\$18.00	\$20.00	\$18.00	\$20.00	\$18.00	\$16.75	\$15.50
Catoosa, OK	\$16.00	\$15.00	\$16.00	\$15.00	\$16.00	\$15.00	\$16.50	\$14.50
Salt Diff.	\$4.00	\$3.00	\$4.00	\$3.00	\$4.00	\$3.00	\$4.50	\$4.00