Freight Rail Market Consist

Q2 2026

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Letter from the CEO

Harris Ligon,
Co-founder + CEO of Telegraph

Hi Folks,

Uncertainty continues to be a theme in 2026. Trade policy shifting frequently. Geopolitical friction showing up in data. It is certainly a challenging time for procurement and planning.

Fortunately, anyone who has worked in supply chain, logistics, or transportation is used to uncertainty. In fact, it is usually the default condition in most markets. What we've found is that the distinction is not the amount of uncertainty; rather, it is the volume of the noise in the forecasts and estimates which make it hard to prepare. At Telegraph, we view our role to be helping others navigate effectively.

A few things stand out this quarter. Rail service continues to show resilience across the network. Grain has near-term momentum. Intermodal is massively undervalued on capacity and price and, unsurprisingly, coal continues to buck the narrative (somewhat).

As we turn to the third iteration of the *Market Consist*, we are shifting our point of view a bit: we are providing the clearest possible picture of what we actually know: volumes, trends, commodity movements, service measures, and insight on policy so that you can make decisions based on signal, not static.

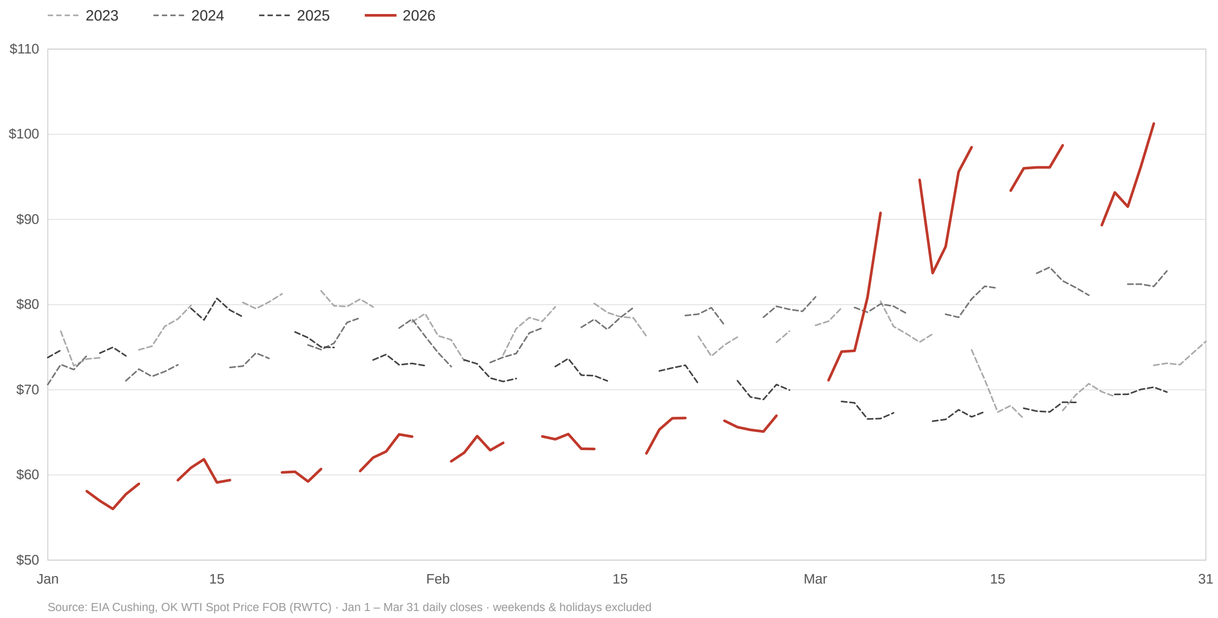
Information, navigated well, is a competitive advantage. We built Telegraph to make that navigation easier.

Let's go get it,

Harris Ligon

Introduction

But Wait... There's More!



Just when we thought we were past the headwinds of the 2025 trade war, March 2026 brought geopolitical conflict in the Middle East and an ensuing energy crisis rolled in. At the time of publication, the US and Israel's war with Iran is in its 7th week, with no clear indication that any end is in sight. As shown above, this war has caused the price of energy inputs to rise by roughly half – and hold there for weeks – going into Q2 2026.

In this installment of the *Telegraph Market Consist*, the turbulent energy market shows up in almost all of our quantitative projections. But, that's not to say it's *all* bad news. Quite the contrary, actually.

Building off the market narrative in last quarter's *Market Consist*, the latest round of tariffs in April 2025 does not seem to have lived up to its detractors' most dire predictions. Certainly not on the rails, anyways. Instead, so far this year, rail volumes have shown single digit year-on-year declines in both carload and intermodal volumes compared to 2025. As readers will see below, our modeling suggests that some of this underperformance is indeed attributable to tariffs and trade tensions – especially tensions with Canada, Mexico and China, our largest trading partners. But, particularly in carload, some portion of these modest declines should also be chalked up to long-term secular headwinds from both the coal and paper sectors. In effect, all of this obscures some of the recent growth we have observed in carload grains volumes.

Introduction

Should we believe that the rail sector will show similar resiliency under today's energy stresses? In aggregate, we think so. We're looking for national carload volumes to underperform compared to Q2 2025 by 5% this quarter, similar to our previous forecasts. Intermodal volumes are actually showing strength in our modeling, with the upcoming quarter looking a lot like last year at this time. This is actually good news for the mode, because the intermodal network was busy in Q2 2025. Carriers, we think, will be glad to expect more of the same over the next six months.

But, in our modeling, elevated energy prices show much more pronounced effects at the commodity level. Tank car commodities like chemicals are expected to underperform meaningfully over the next three to six months. On the other hand, hopper and gondola-borne commodities like grain and coal show meaningful year-over-year growth owing to both policy changes, and a 2025 crop that we believe will find markets this Spring.

Longer-term, several things are still on our minds. Should energy prices stay high, we expect our commodity-level outlook to flip. Towards the end of the year, we're expecting a comparatively light 2026 grain harvest. We also see a world where sustained high prices make crude by rail profitable in a way that our industry hasn't seen in decades. But wait … *there's more!*

Energy prices aren't the only thing that could change everything all over again. The trucking market shows credible signs of tightening. Two major trade trade developments are also on the horizon: a presidential-level summit in Beijing between the US and China scheduled for May; and also the long-scheduled revisiting of the US-Mexico-Canada Agreement in July, which currently supports free trade between the United States and our neighbors. Our outlook for all of these important benchmarks are discussed throughout.

Accountability Score

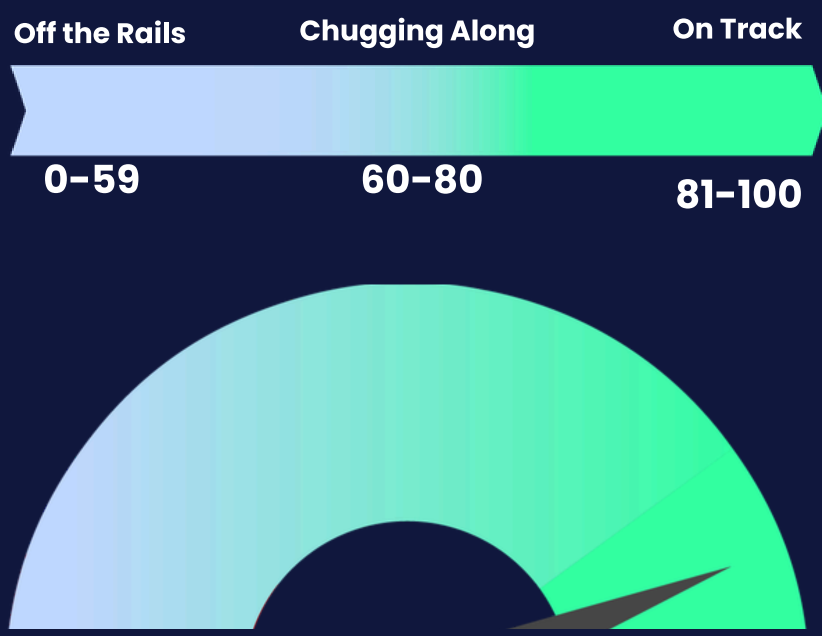
Looking back at our Q1 2026 *Telegraph Marketing Consist*, we achieved **98%** accuracy in forecasting monthly US carload volumes and **96%** accuracy predicting US national intermodal volumes, as compared to actual Q1 2026 volumes.

96%

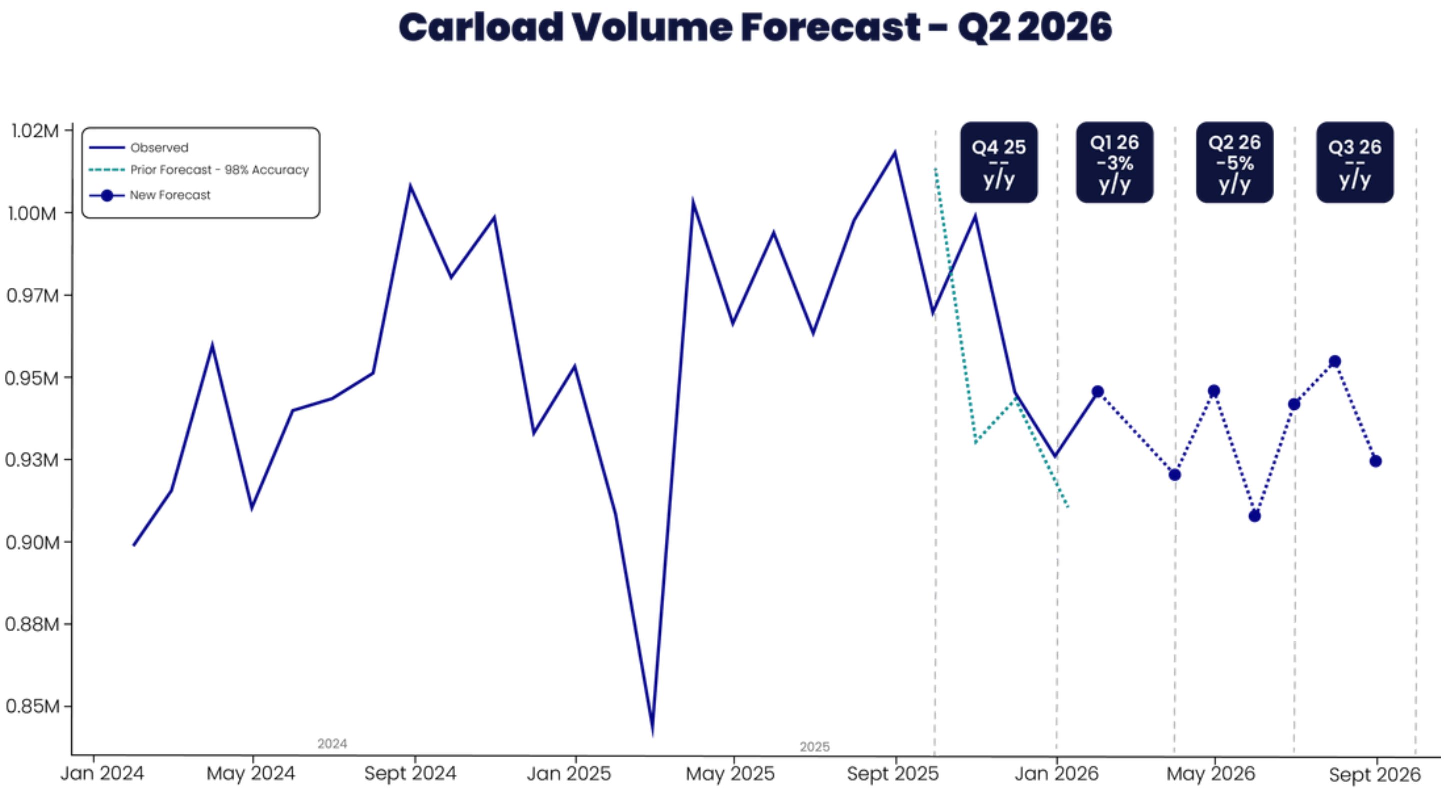
accuracy predicting monthly US national intermodal volumes

98%

accuracy forecasting monthly US carload volumes



National Carload Volumes



We see a modestly weak Q2 2026 for national carload volumes. Our modeling suggests a 5% year-on-year decline compared to Q2 2025, which would mean that Q2 2026 is likely to look a lot like Q2 2024, that is to say - generally on trend with long-term market decline. At this point, Q3 2026 looks on par with last year's volumes. Welcome news indeed.

In our modeling, Q2 2026 weakness comes from three primary headwinds:

- the United States' deteriorating trade relationship with Canada;
- the global energy shock's effect on railborne chemical volumes (see page 10);
- and continuation of the long-term secular decline in coal and paper movements on the rails.

Given these headwinds, looking ahead to a Q2 2026 that resembles Q2 2024 may actually be as much a sign of freight rail's resilience as anything else.

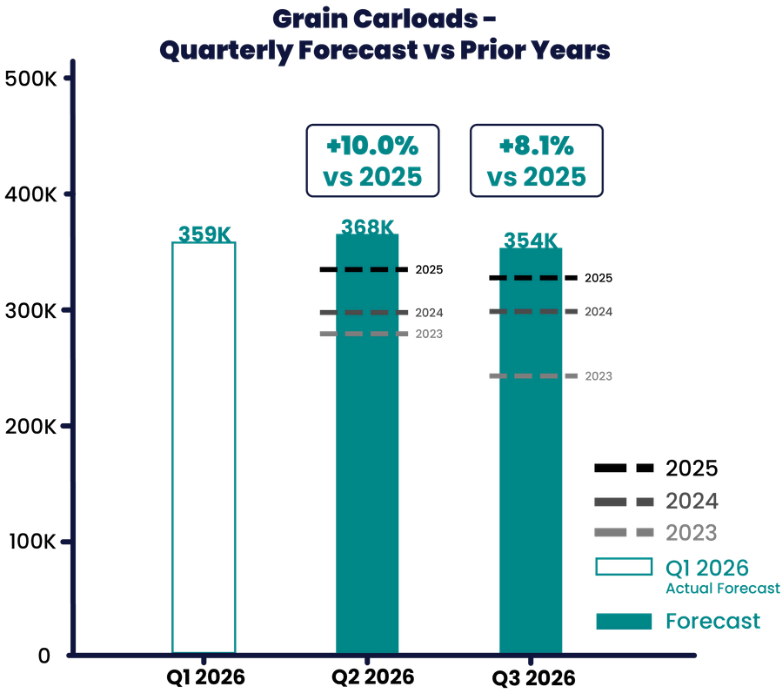
Concomitant with these overall carload declines, we actually see grain volumes surging and coal volumes blunting their long-term downward trend (for now anyway). In our view, at the commodity level, this is what will support carload volumes over the next six months. Of course, this is welcome news to gondola and hopper fleets. Longer term, however, we expect these fortunes to reverse (see next page).

Hoppers and Gondolas in Q2 2026 and Beyond

Grain Volumes

We're forecasting real growth in railborne grain volumes going into Spring 2026. We expect railborne grain in Q2 to be 10% higher than last year. Moreover, we expect every month for the next six to outperform compared to each of the last 3 years. Our modeling suggests that the next three months will be a hot time to own a hopper.

Some of this optimism comes from simple momentum. Grain volumes have been trending upward for years and that forward momentum influences our model's projections. But there are other reasons to be bullish on grain volumes in the near term too. First, two grain-fed commodities that we incorporate into our quantitative modeling appear strong going forward. Those are US food and beverage production, and ethanol production. Put simply, American consumers keep on spending, and have not yet bowed to tariff and/or energy-shock induced inflation. All other things being equal, we don't expect the American consumer to slow down discretionary food spending between now and June in a way that impacts our 6-month outlook for rail volumes. On top of that, we see upward potential for ethanol demand going forward because today's higher energy prices beget more ethanol demand, which is made entirely from corn grain. We believe that much of the stockpiled 2025 harvest will find its way to ethanol markets in the months ahead on the rails.



Longer-term we've developed a more bearish thesis on the 2026 fall harvest and associated railborne grain movements. Early evidence appears to be proving this thesis thus far.

Hoppers and Gondolas in Q2 2026 and Beyond

The 2026 Harvest Q4 Crop Rotation Thesis

The ongoing geopolitical conflict in the Middle East has, as is widely known, caused energy prices to rise dramatically. In our view, this has real ramifications for both the size and the trajectory of the 2026 grain harvest this fall. To begin, as energy prices rise, so too does the cost of nitrogen fertilizer. Most US grain belt states alternate crops between corn and soybeans (with some non-soybean exceptions by geography). This matters because corn demands significant amounts of commercial nitrogen fertilizer to grow. Therefore, the cost to grow corn this year stands to grow from already high, to *very high*. At the same time, the USDA reports that corn stocks remain elevated following last year's record corn harvest. This puts downward pressure on the market price for corn going into the 2026 harvest season. In effect, all this makes it look like a bad year for American farmers to grow corn.

This spring's USDA planting intentions survey affirms this part of our thesis. Corn acreage shows a 3% decline and soybean acreage shows a 4% increase. [1]

For the railroading community, we expect that this will matter because, for example, an acre of Iowa farmland planted with corn could yield something like 190 bushels, or ~11k lbs of grain. The same acre would likely produce something like 75 bushels (or ~5k lbs) if seeded with soybeans. Therefore, shifting American acres from corn to soybeans constitutes a substantial reduction in both the volume and the weight of the 2026 harvest. Put differently, a soybean-heavy 2026 crop year could mean fewer rail cars will be needed to carry the comparatively light 2026 American grain harvest in Q4 2026 and beyond.

Same Field Size, Different Freight Volume

Twenty acres of **corn produces** roughly 3,800 bushels, enough to fill about **84% of one hopper car**. Twenty acres of **soybeans produces** around 1,500 bushels, filling just **33% of one hopper car**. When millions of grain belt acres rotate from corn to soy, that gap between a nearly full car and a one-third full car is exactly where Q4 railcar demand gets hit.

USDA Confirms Planting Shift (corn acreage -3%, soy +4%)

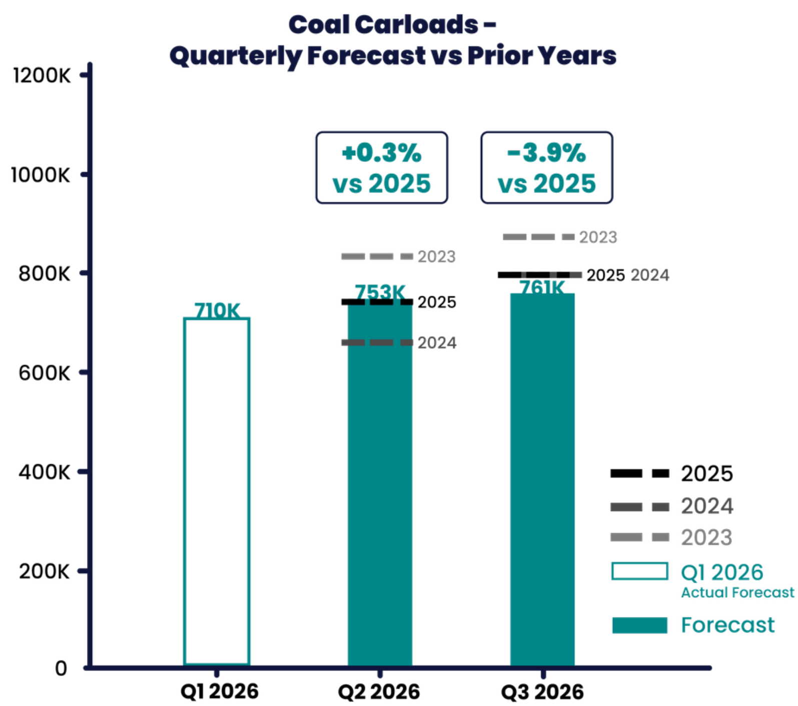
One shift in the field creates a chain reaction all the way to the railyard. A soybean-heavy harvest means less weight, less volume, and fewer cars needed to move it.

Hoppers and Gondolas in Q2 2026 and Beyond

Coal Volumes

Throughout our installments of the *Telegraph Market Consist*, we have been uniquely and consistently bullish on railborne coal volumes. This bullishness started in 2025, borne of policies enacted in the “Big Beautiful Bill" that stood to reorient American energy development away from renewables and back toward coal. At that time, President Donald Trump commemorated his signing of the BBB saying “Coal is back!”. [2]

In the ensuing months, coal has gained more incremental momentum. Most obviously, skyrocketing natural gas prices have opened the door for fuel flexible consumers who once switched away from coal to natural gas to save money, to now switch back to coal in the current price environment.



And even longer term, stresses on the American power grid are mounting. As we have discussed in previous editions of the *Telegraph Market Consist*, the American power grid has been having trouble keeping up with electrical demand for years. And that was before February 2025, when the AI hyperscalers all pledged to build their own independent power generating facilities for data centers in America. In effect then, demand for power keeps growing, and the alternatives to coal as a feedstock have either been kneecapped by Washington policy (renewables), or priced out of competition by Washington’s war (natural gas). We believe that it is, again, a hot time as any in recent years to own a coal-capable hopper car.

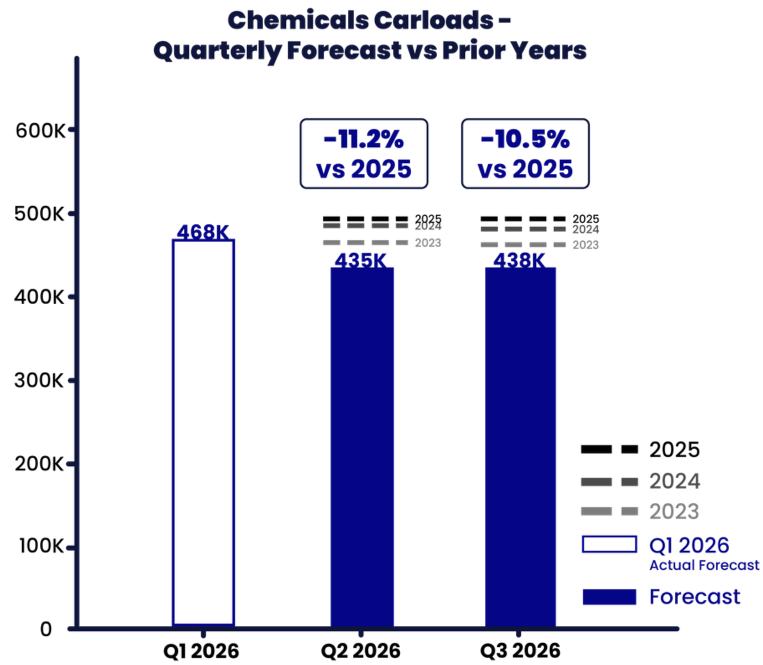
But, context matters here. We are not predicting big increases in railborne coal volumes, just under 0.3% year-on-year growth in Q2 and a return to trend in Q3 2026.In context, what we are calling for is for the long term secular decline in coal volume to decelerate for at least the next three to six months.

Turbulent Times for Tank Cars

Chemicals

Our models suggest that in 2026, railborne chemicals are looking at the worst Q2 and Q3 in 3 years. We see total railborne chemicals volumes falling by 11% year-on-year in Q2 and in Q3, and roughly 7% compared to last quarter.

In our analysis, this is mostly because of In our analysis, this is mostly because of downward momentum in recent years for chemical carloads, and the added headwind of the run up in energy input prices that chemical producers will face as when domestic natural gas prices catch up with the global energy crisis. Without credible near-term reason to believe that energy prices will fall in the next three months, we've modeled out railborne chemical volumes as one of the many worldwide ripple effects of a sustained global energy crisis.



Turbulent Times for Tank Cars

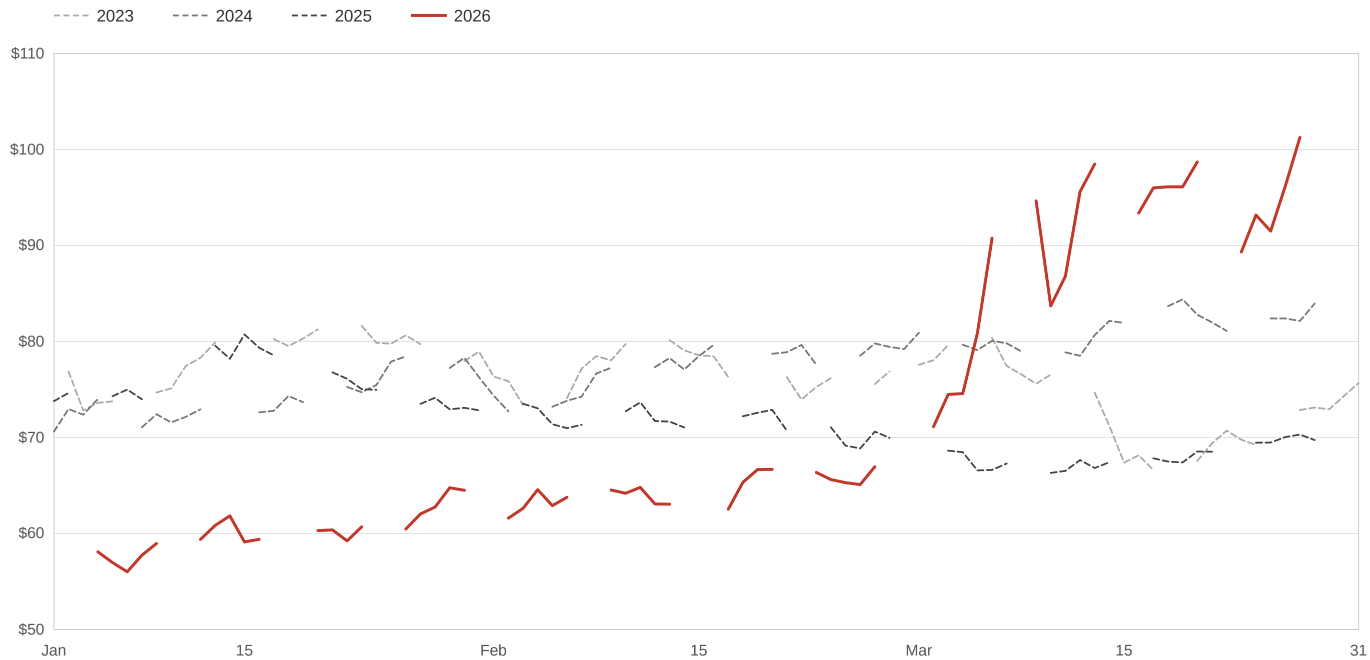
The 2026 Crude by Rail Thesis

Pipeline is, obviously, the most economical way to move crude oil in the United States. By some estimates, something like 70% of American crude flows through pipelines on long-term contracts. But, in our view, a sustained energy crisis has the potential to push some of that crude oil volume onto the rails.

With a long enough view, you will see that this has actually happened before. A decade ago, when the North American Shale Revolution was in full swing, the railroads were handling roughly 1mn barrels per day of North American crude oil.

Since then, new pipelines have been built and oil prices have plummeted. The railroads now handle less than a third of that peak volume, as pipeline capacity has grown and the falling market price for oil fails to justify the extra cost of railborne movements.

But we are currently living in a $100-per-barrel crude oil world. If sustained over time, it's possible that today's crude oil price point will justify paying the premium to get American crude oil to market on the rails. Moreover, widening differentials in global oil prices (most notably the WTI-Brent spread) will incentivize some crude oil producers to seek out new paths to export – paths that the rails can service, but existing pipeline infrastructure cannot.



Source: EIA Cushing, OK WTI Spot Price FOB (RWTC) · Jan 1 – Mar 31 daily closes · weekends & holidays excluded

Intermodal: Steady On, No Surprises

Intermodal Volumes

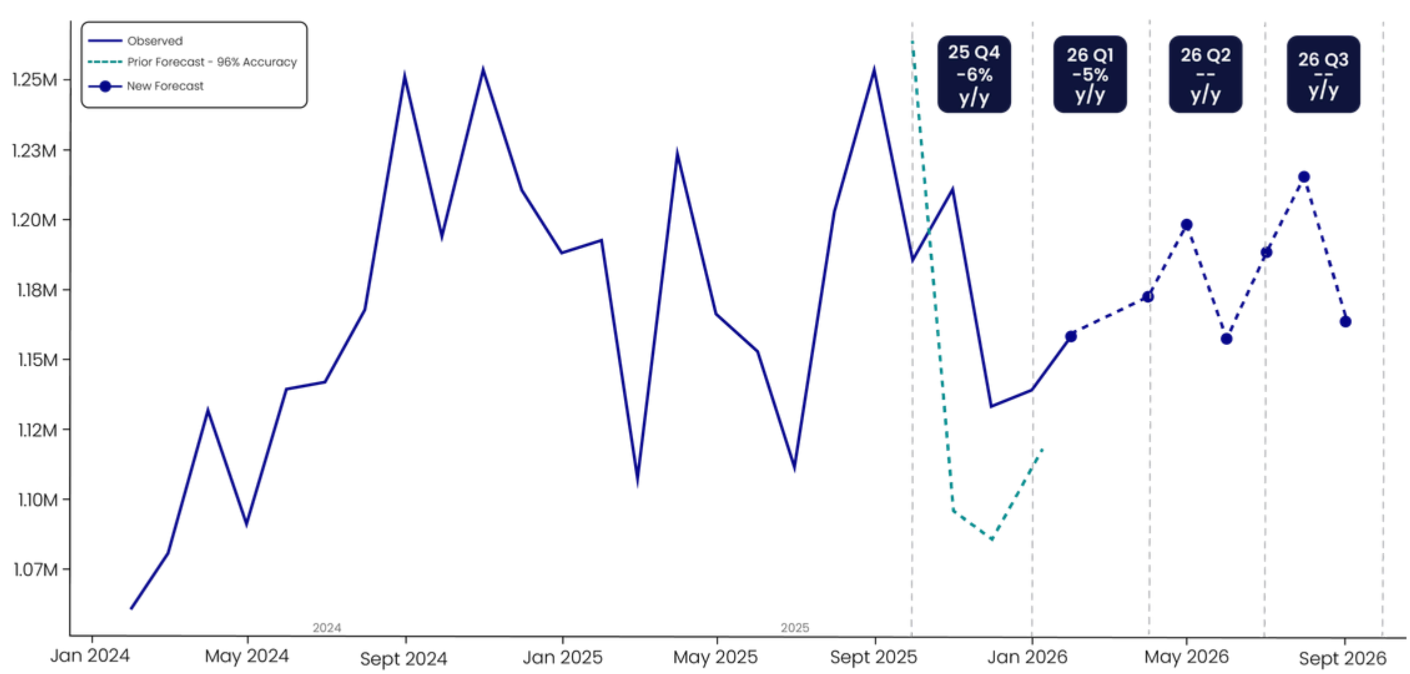
Compared to our carload outlook, our intermodal perspective for Q2 and Q3 2026 is rosy. We see intermodal volumes showing typical seasonality, but mostly matching year-on-year comparisons. In our expectation, 2026 Q2 and 2026 Q3 volumes will remain basically unchanged compared to the same time last year. How can this be?

First, in the intermodal context, the year-over-year comparison demands nuance. Intermodal volumes in Q1 2025 were atypically strong, in large part owing to inventory pre-positioning ahead of the 2026 tariff regime that took effect later that year. In essence, a steady intermodal market in Q2 compared to last year should be understood as another brisk intermodal market. Welcome news in turbulent times.

So what explains this in the current environment? First, at the time of writing, trade wars and economic uncertainty have not yet derailed two important drivers of the quantitative intermodal model: consumer spending, and the US-Mexico trade relationship. Both of these correlate strongly with monthly intermodal volumes and therefore serve as important inputs into our prediction model. Simply put, these two important forces that propel the intermodal market just haven't yet shown signs of slowing down, even against today's many headwinds.

But other factors play a supporting role too. With the ongoing conflict in the Middle East and its ensuing uncertainty, we expect that US industrial output will uptick and outperform time series trends, particularly around military inputs. This also adds a helpful tailwind to our forecast for intermodal movement for the next three to six months.

Intermodal Volume Forecast – Q2 2026



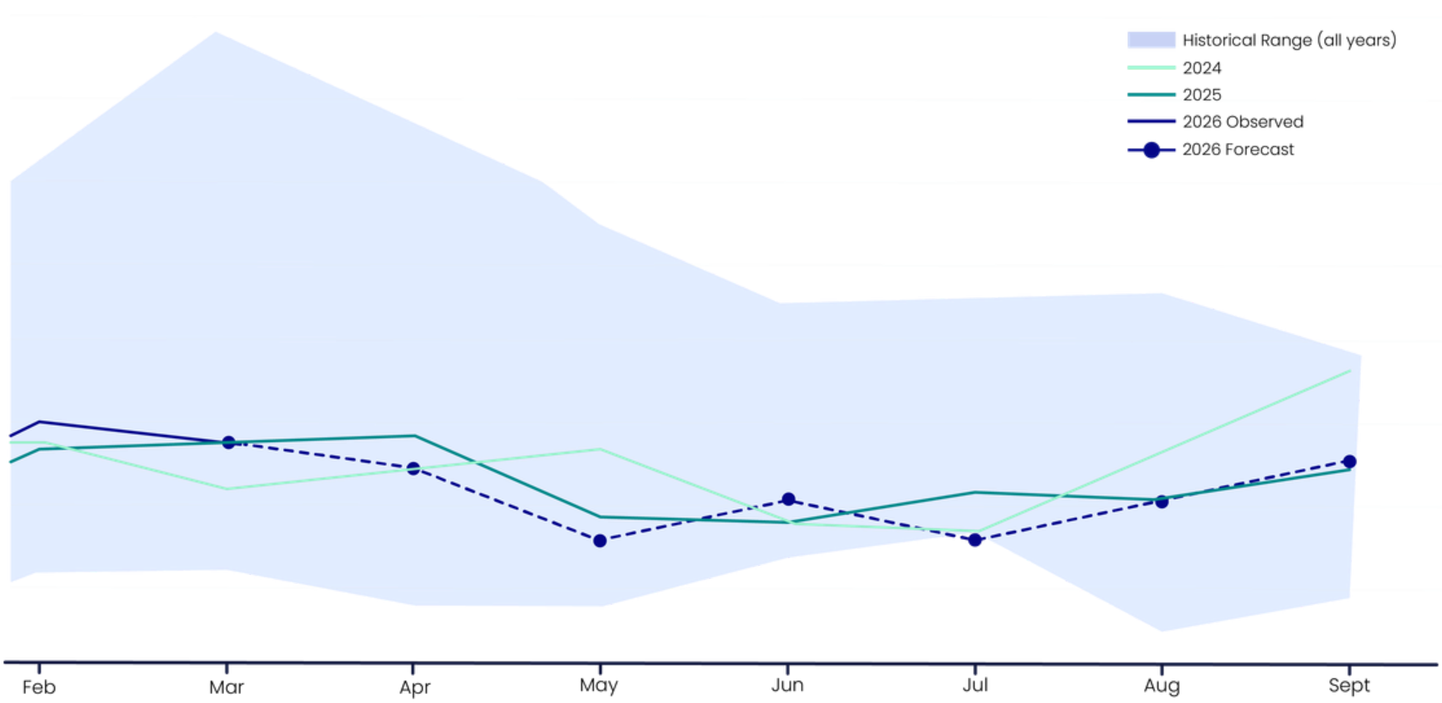
Service

Service Times through the Chicago Gateway

In terms of transit times through the all-important Chicago gateway, by all accounts movement is brisk. This comes as welcome news to carriers and to shippers alike. Similar to our previous forecasts, because our projections of volumes remain muted in Q2, we expect transit times through the Chicago rail yards to also remain low. However, compared to the forecast in our last *Market Consist*, our projections for transit times through the Chicago gateway have upticked slightly, from scraping the bottom of the 3-year historical range before, to now something resembling last year's interchange transit times in terms of both total hours and seasonality.

These quick service times at the Chicago gateway, paired with potential for upward pressure on long-haul trucking rates going forward (see below) affirm our thesis in the last two *Market Consists* that conditions are favorable for portfolio reallocation away from long-haul trucking towards intermodal solutions, both in terms of service times and rates.

Chicago Freight Transit Time: 2026 Forecast in Context



Service

Interchange Dwell around the Country

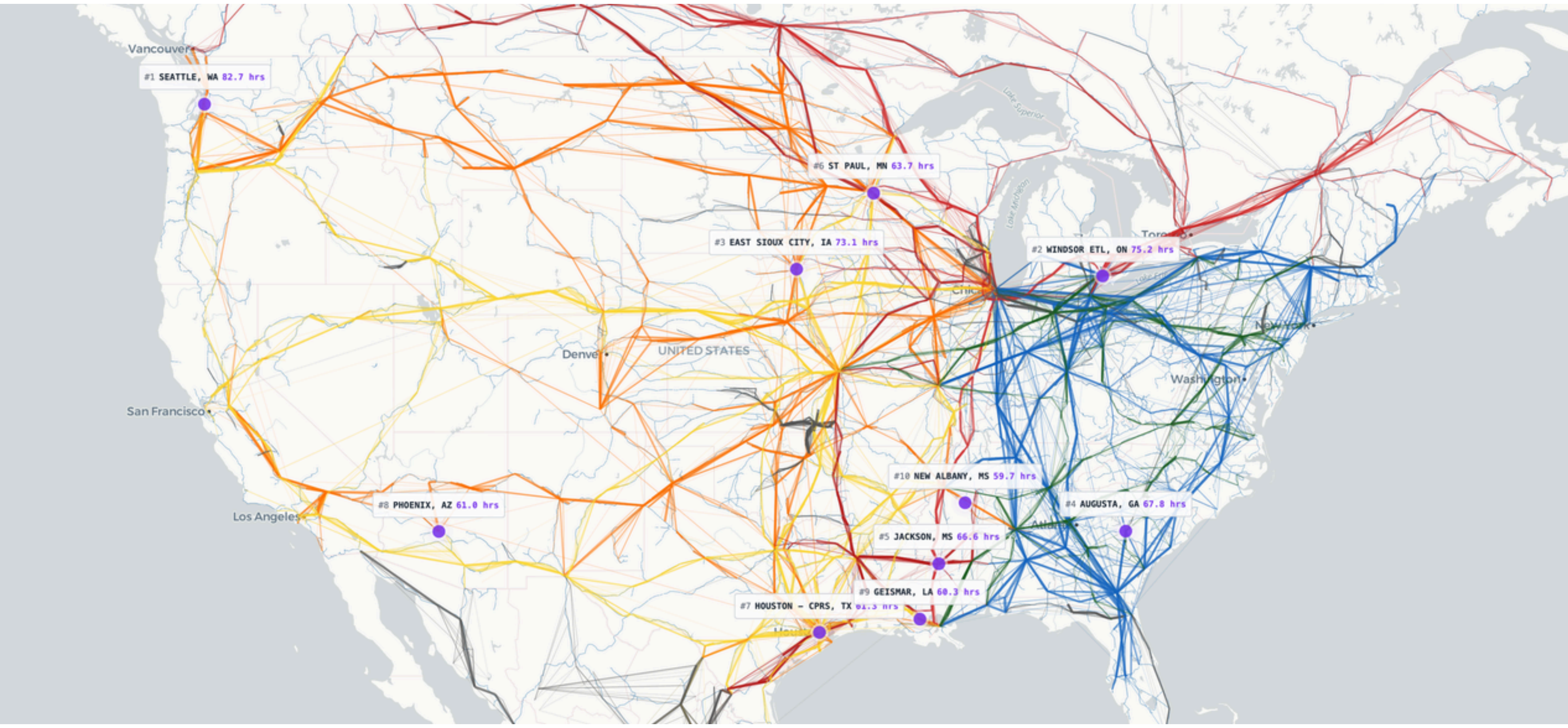
Chicago matters. But so too does everywhere else. In the map on the next page, we've highlighted where Telegraph data reveals the 10 slowest interchange junctions last quarter (Q1 2026).

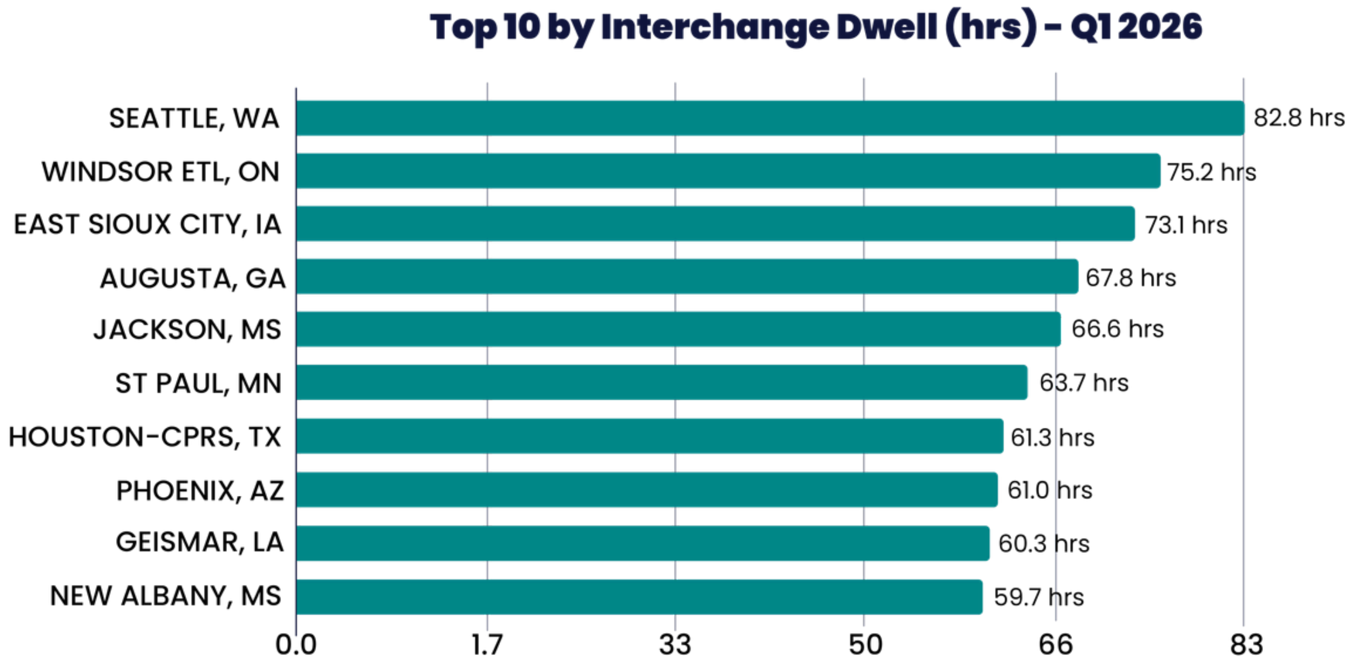
These results are based on total interchange time between railroads and repeat visits to each junction, with outliers removed as part of the data cleaning process. As one can see, in Q1 2026, where the North American network moved at its slowest, railborne freight sat for 60 to 80 hours (or 2.5 to 3.5 days).

As one would expect, interchange dwell can happen anywhere, but happens most often where the freight is. In Q1, the American Southeast showed some disproportionate congestion, with Mississippi, Louisiana, and Georgia accounting for about ½ of the 10 slowest junction points. This is a new analysis for us and we look forward to reader comments and suggestions here.

Service

Interchange Dwell around the Country





Policy Watch

Trucking Capacity Action

Beginning in mid-February 2026, the federal government has undertaken new efforts designed to improve road safety by curtailing the training and credentialing of commercial truck drivers that the administration deems as unsafe and unfit for service. Recent efforts have included rulings that: prohibit certain types of licensure for broad classes of visa-holders and other immigrants; stripping the accreditation of thousands of underperforming truck driver schools around the country; and imposing English-only language requirements for Commercial Driver Licensure testing.

It is too early to measure the long-term effect of these actions on the trucking market. However, multiple sources show early signs of supply tightness emerging, including both isolated market upticks in per mile trucking rates and tender rejections (when a trucking company declines to carry a shipper’s freight because they have a better option somewhere else).

For freight railroading, this matters because, all other things being equal, supply tightness in trucking should lead to an increase in per mile trucking rates, which would then make intermodal rail alternatives more attractive to shippers. From our perspective – although we do see healthy intermodal volumes currently, and going forward – it remains too early to attribute that momentum to a fundamental rebalancing of supply and demand in the long-depressed trucking market. Going forward, we’ll be watching trucking market indicators, as well as a bill that President Trump called for in his February State of Union Address, “Dalilah’s Law”. Dalilah’s Law, named for the 7-year old victim of a tragic collision between a passenger vehicle and a freight truck, aims to codify all of the Administration's recent rules-based measures into federal law, and to tie state-level compliance to eligibility for federal highway funding. At the time of writing, Dalilah’s Law had passed the House Transportation and Infrastructure committee on March 18, 2026 along a party-line 35-26 vote.

Service

USMCA

Since 2020, the USMCA has governed commerce between our three highly-integrated economies, with a scheduled 6-year review coming in July 2026. Preliminary discussions began in March 2026 and have already been contentious, with the US Trade Representative publicly criticizing counterparts outside official bilateral negotiations.

Removing USMCA protections — which have shielded many North American freight flows from the 2025 tariff regime — could significantly impact US rail volumes, especially carload grain and raw materials trade with Canada, and intermodal and energy trade with Mexico. Canada has shown credible defiance, while Mexico appears more malleable. We expect trust and trade between the US and its neighbors to deteriorate over the next six months, leaving an intact but underperforming North American trade relationship in 2026.

Hey There, Dalilah's Law

What's it like without your CDL?

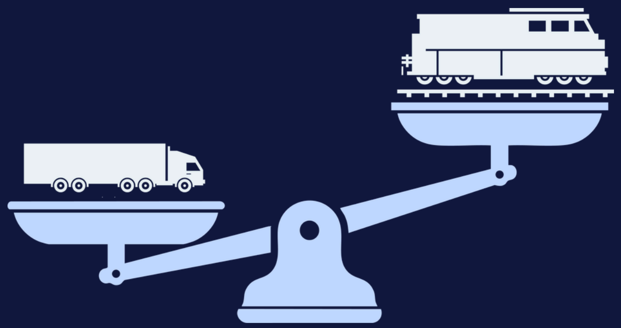
What it is:
Dalilah's Law would codify the Trump administration's recent trucking safety rules into federal law, and tie state compliance to federal highway funding eligibility.

What it covers:

- Restrict visa/immigration licensure
- Deaccredit CDL schools
- English-only CDL testing

What this means for rail:
If Dalilah's Law triggers a major trucking capacity crunch, freight rail could benefit as shippers seek reliable, cost-effective alternatives.

However, rail's reliance on first and last mile trucking delivery could create friction for intermodal operations.



Service

US-China Relationship

The US-China trade relationship never fully recovered from Trump's first term tariffs in 2018/2019, and his second term is proving no friendlier. Liberation Day tariffs, trafficking and immigration tariffs, IEEPA tariffs, and Section 301/232 tariffs have all worsened relations. China has responded by withholding critical minerals from US supply chains and launching retaliatory trade investigations against the United States.

The March 2026 war with Iran further complicates matters, as much of the energy blockaded behind the Strait of Hormuz was destined for China. A planned Trump-Xi meeting was pushed to late May as a result. This all matters for freight rail because US-China trade meaningfully impacts intermodal volumes — any cooling of tensions would be welcome news for importers and intermodal carriers alike.

2018–2019
US imposes Section 301 tariffs on Chinese goods. The modern trade war begins.

February 4, 2025
US imposes a 10% tariff on all Chinese imports under IEEPA. China retaliates with tariffs on US goods and anti-monopoly probes.

April 2, 2025
("Liberation Day")
US announces sweeping reciprocal tariffs. US-China rates escalate to 125% on Chinese goods.

May 12, 2025
US and China announce a 90-day tariff truce, reducing April tariffs from 125% to 10% on each other's goods.

August 12, 2025
Truce extended another 90 days.

October 2025
China tightens rare earth export controls. US imposes 100% tariffs on Chinese-linked intermodal chassis.

November 2025
Truce extended one full year through November 10, 2026.

February 20, 2026
US Supreme Court strikes down IEEPA tariffs, ruling Trump exceeded his authority. IEEPA tariffs terminated February 24, 2026.

March 2026
Conflict with Iran. Energy blockaded behind Strait of Hormuz was largely China-bound. Disrupts energy supply to China; worsens bilateral relationship. Trump-Xi meeting rescheduled to late May.

Late May 2026 (upcoming)
Trump-Xi meeting rescheduled.

Implications for Telegraph Customers

For Shippers

Particularly in the carload market, it remains a shipper's market. We expect that shippers going into contract rate negotiations over the next three to six months should enjoy much of the same pricing leverage (as much as that is possible) in their rate negotiations with the railroad as they did in Q1. In aggregate, railroad volumes are looking flat to down for the next several months. Our modeling suggests that this is especially true for tank car shippers in the near term.

Grain shippers might expect a different story over the next six months. Our perspective is that it's time to move the 2025 crop out ahead of what we expect to be a light 2026 harvest. Grain shippers with long term flexibility might find that their near-term leverage with their railroad carriers is actually weaker now then when the next crop year rolls in.

For Railcar Lessors

Lessors managing the legislatively mandated phase out of older tank cars might find it profitable to accelerate that transition over the next six months. As discussed above, we anticipate unseasonably light volumes going forward. This could make it an opportune time to service, cull, and upgrade tanker fleets.

Should our longer-term energy-driven crude-by-rail thesis also prove true, the looming near-term tanker lull may prove a good time to re-equip and reallocate portions of the tanker portfolio towards catching new crude-by-rail loads in the months ahead.

For Railroads

The long-term struggle for volume remains real. But, this forecast calls for some bright spots - notably grain in the near term, and potentially crude oil and petroleum products after that.

The upside of low volumes over the next six months for both shippers and railroad carriers is that low volumes will likely mean less congestion at important rail junctions. This is a perfect environment for transit time and service to beat historical expectations. This may prove opportune for carriers who are looking to disprove the UP-NS merger's implied thesis that a fragmented rail network underperforms compared to a transcontinental one. Class 1's offering up their cooperative interline services as proof that the merging of two railroads is not the only good way to serve a shipper, may find ample opportunity over the next six months to prove out that position – precisely as the STB deliberates the UP-NS's updated proposal documentation.

Looking down the Tracks

References and Technical Notes

[1] "US farmers expect to plant less corn and more soybean acres" USDA Press release March 31, 2026.

[2] Transcript of US President Donald Trump's Remarks, July 4, 2025

Note on Forecasting Methods

Quantitative forecasts developed using the Federal Reserve of St. Louis economic data, Surface Transportation Board railroad data, and Seasonal Auto-Regressive Integrated Moving Average with Exogenous Variables (SARIMAX) forecast formulations. Exogenous inputs into the carload and intermodal SARIMAX forecasts were first independently forecast using Auto-Regressive Moving Average (ARIMA) forecast formulations, and then modified where necessary to capture our expectations of anomalous future behavior (i.e. political developments).

If you have any questions regarding our forecast, please reach out to us at research@telegraph.io.

About the Author:

David Correll is the Director of Freight Market Intelligence at Telegraph. He has spent two decades in transportation and logistics with the US Department of Transportation, the US Department of Energy, the Massachusetts Institute of Technology, and Clark University. David brings his many experiences – and a little bit of wit – to help us break down some of the more nuanced challenges and opportunities facing American rail transportation.

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