

After Two Decades as a Hardwood Industry Bulwark, The Crosstie Sector Faces a Complex Downturn

By Ben Stanley

For nearly two decades, the railway crosstie sector has been a crucial bulwark for the North American hardwood lumber industry.

Since 2008, consumption figures compiled by HMR/Fastmarkets show that crossties have been the third largest sector within the industry behind exports and pallet material. Around one-sixth of all hardwood consumed ends up below America's railway lines, supporting the greater US supply chain the network provides.

Since 2019, the crosstie sector is the only market for the hardwood industry that has seen consumption numbers grow, at 5.3%. Around 906 million board feet were used as ties in 2025 (**Figure 1**).

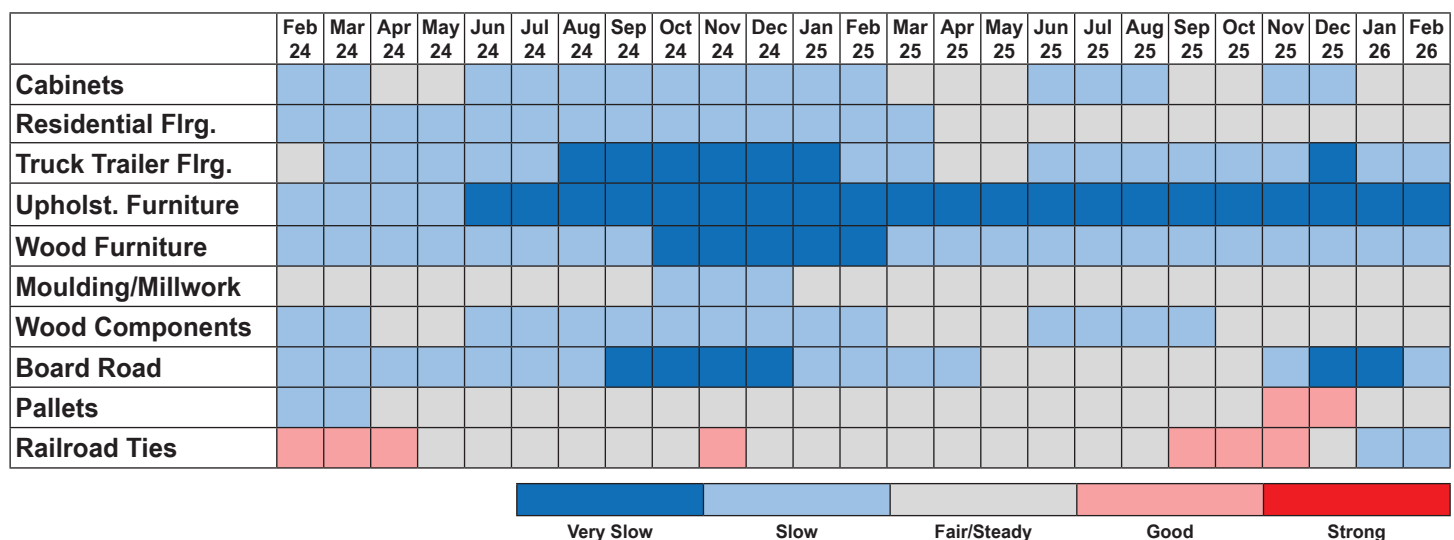
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- January 2026 real average hourly earnings for all US employees increased 1.2% over January 2025.
- The February US Manufacturing Purchasing Managers' Index fell 0.2% from January to 52.4%. The January reading was the highest since August 2022.
- US exports totaled \$287.3B in December (the most recent available figures), down \$5.0B from November. Imports were \$357.6B in December, up from \$345.3B in November. This leaves a deficit of \$70.3B, up from \$53.0B the previous month.
- US manufacturing capacity utilization was 75.53% in January. That figure is up, fractionally, from 75.14% in December and represents a four-month high.
- The US Consumer Price Index (CPI-U) moved up 0.2% on a seasonally adjusted basis in January. For the 12-month period ending in January 2026, the CPI increased 2.4%.
- China's January Purchasing Managers' Index fell to 49.3% in January, down 0.8% from December.

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HMR DEMAND INDEX (HDI)



In 2026, that number, and the stability of the sector itself, has come under real threat. Uncertainty created by both proposed and potential rail mergers, along with overly large existing tie inventories, has led to a major downturn in crosstie acquisition by Class I railroads.

The response by tie treating companies has resulted in price drops and quotas across all three hardwood-producing regions and caused several tie buyers to lose their jobs. The downturn has been pronounced in the Southern region, where recent years have seen sawmills become heavily reliant on industrial production, especially Oak crossties. The Railway Tie Association (RTA) is projecting more than one million less crossties will be purchased in 2026, a sector-wide drop of at least 5% that is likely to grow.

Though Southern prices west of the Mississippi River remain relatively stable for now, the mar-

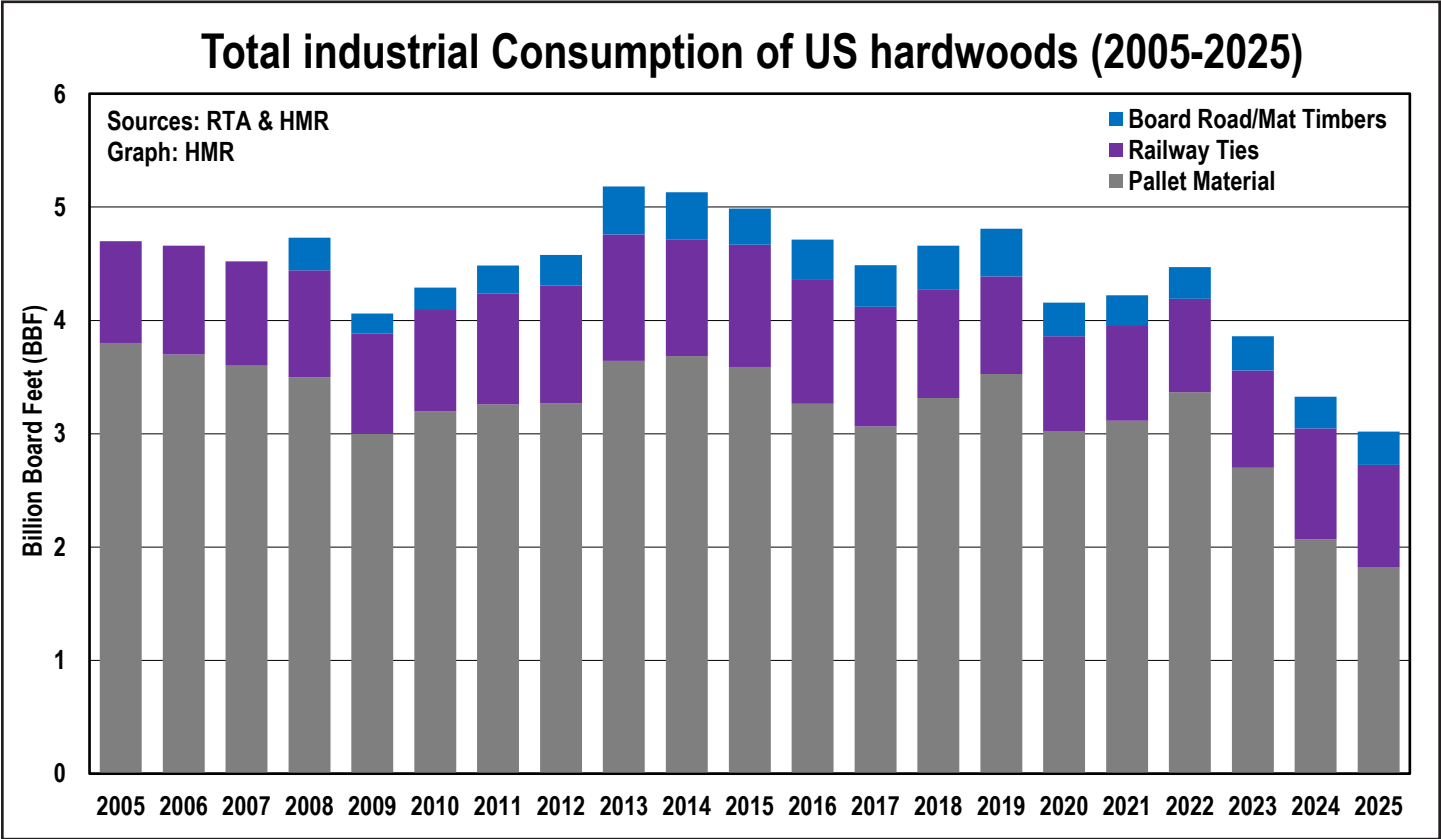
ket for 7x9 Eastern 8½-foot ties has been reeling (**Figure 2**). The high end of the Eastern range has dropped \$1.50 (to \$40) since January 16, while the Eastern low has dropped \$3.50 (to \$33) since the same date. Those ranges are now the lowest they've been east of the Mississippi since September 2021.

"Reduced tie demand is going to have a big impact on a lot of sawmills this year and I'm concerned about how many sawmill closures it will lead to."

Crosstie prices retreated earlier in the Appalachian region than in the Southern-East region but have not fallen as much recently (**Figure 3**). Figure 3

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Figure 1



also illustrates how tie prices have been much more stable than green #2A Oak prices over the last five years.

Political and corporate chicanery have already played a prominent role in the downturn and figure to do so throughout its circuit. Some sector contacts hope for demand stabilization by summer, though realists among them are preparing for a major hit to the sector, and to sawmills, throughout 2026.

"The impact of CSX's moves and elevated tie inventories at other railroads have spread further than sawmills, with Southern tie buyers feeling the impact."

"Railroad merger uncertainty, intense focus on streamlining operations to gain operating ratios and cut costs, and large existing inventories are the major reasons for this," Nate Irby, Executive Director of the RTA, said. "Reduced tie demand is going to have a big impact on a lot of sawmills this year and I'm concerned about how many sawmill closures it will lead to."

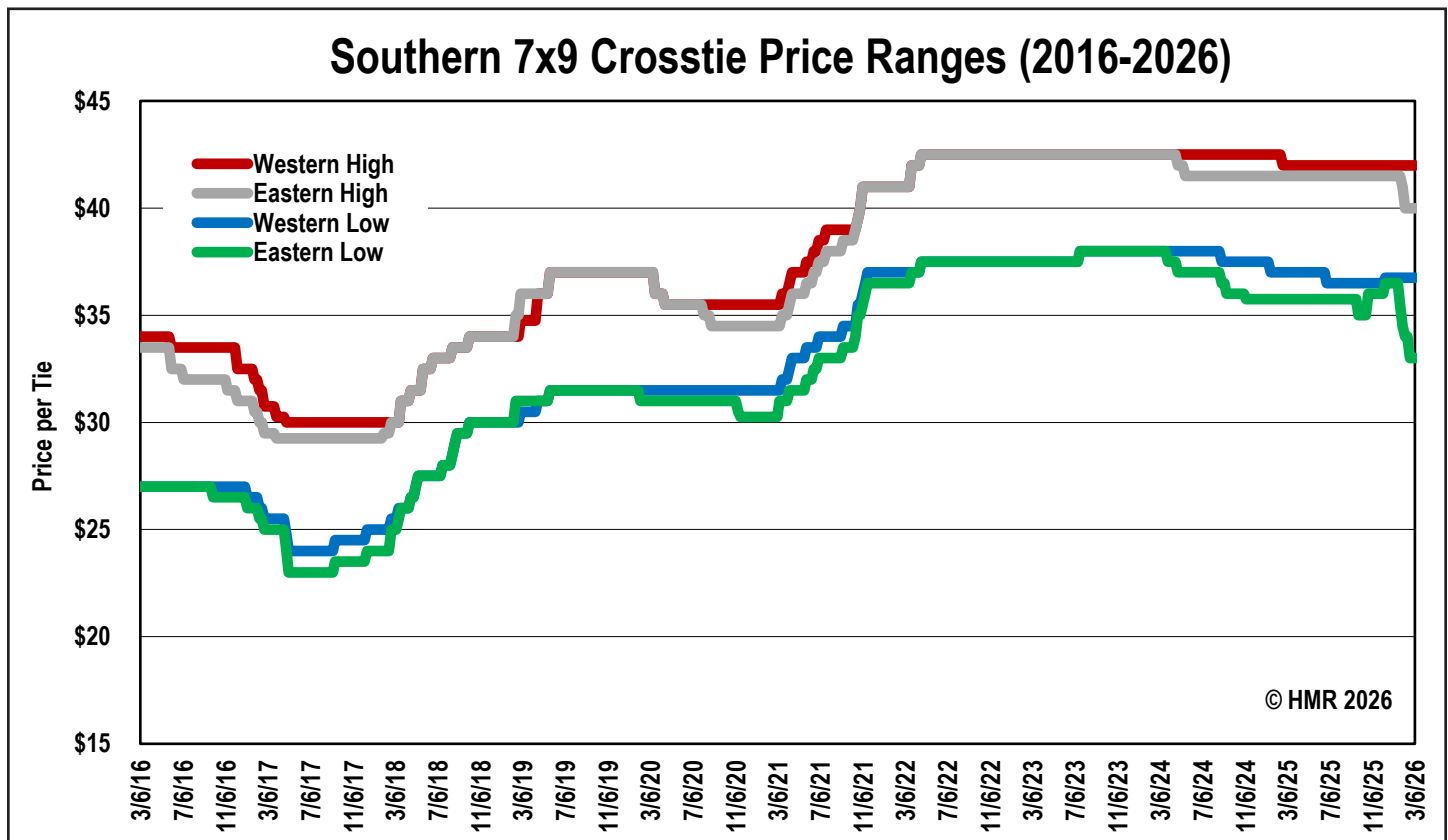
Merger Momentum

The first tracks towards this year's crisis were laid last summer. In July 2025, it was announced that Union Pacific (UP) had reached an agreement to take over Norfolk Southern (NS). The \$85B deal would create the first coast-to-coast rail network in the United States and put around 40% of all rail freight into the hands of one company.

At the time, crosstie sector participants were cautiously optimistic. Industry insiders told HMR/Fastmarkets they were confident there would be

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Figure 2



negligible impact on tie demand, with some hopeful that a higher 'ties-per-mile' policy from UP could spur increased consumption. At the RTA Annual Conference in San Antonio last October, railroads provided stable tie demand forecasts for 2026, and sawmill operators breathed collective sighs of relief.

Though the initial perception was that the current Administration was supportive of the merger—President Donald J. Trump met with the UP Chief Executive Officer Jim Vena not long after the plan was announced and reportedly expressed support for the plan—things have not played out as smoothly as UP and NS would have hoped.

On January 16, the Surface Transportation Board (STB), the federal body overseeing rail industry mergers, rejected the companies' initial application as 'incomplete' and lacking in key requirements around company integration and market share. UP says it plans to resubmit the proposal in April.

Last month, more than 40 congressional Republicans signed a letter to the STB stating concerns the UP-NS merger could be anti-competitive and increase service problems. Last year, senators from both parties criticized merger plans.

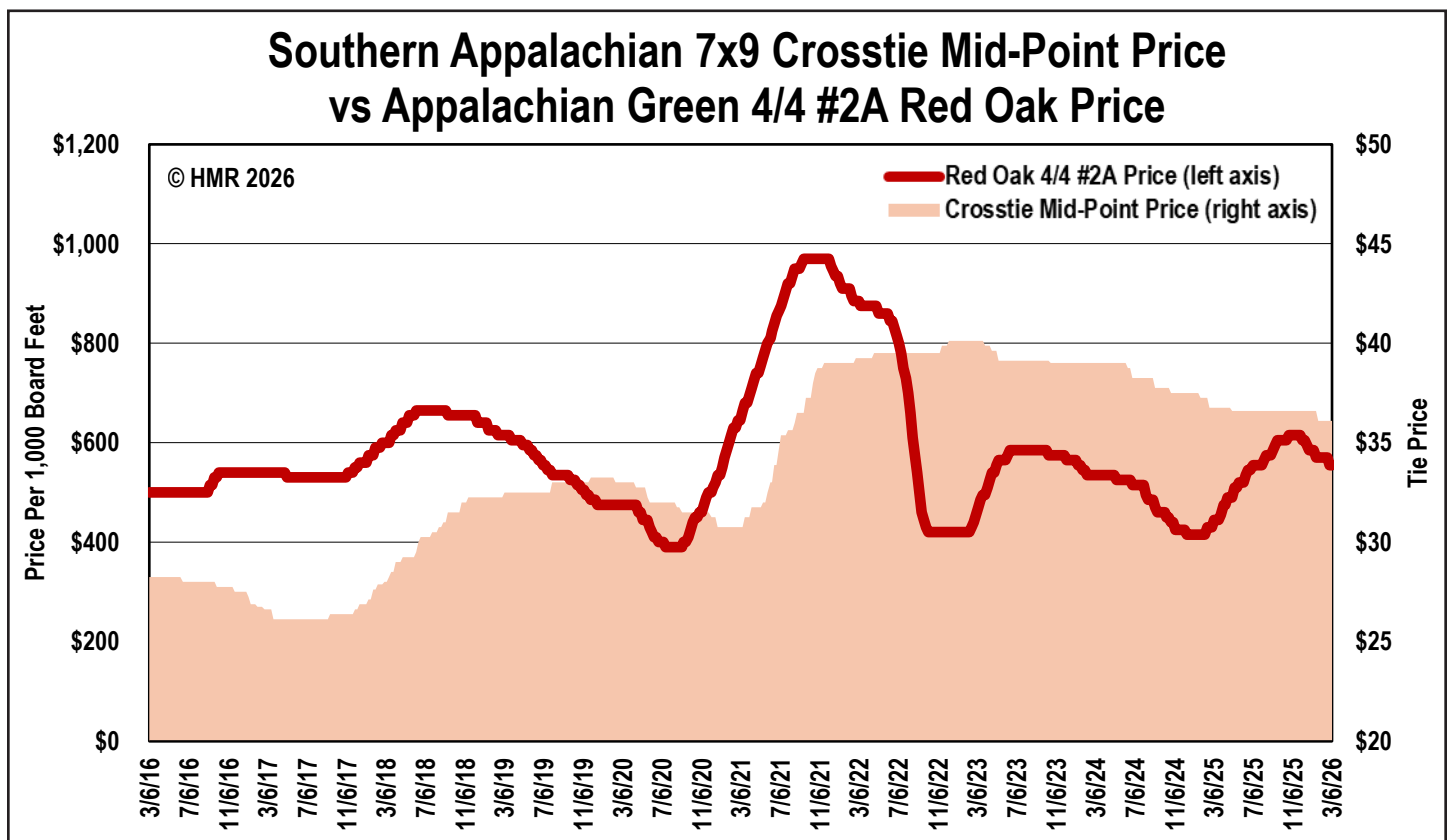
While industry insiders agree the potential UP-NS merger has not directly impacted tie buying, both railroads are understood to have had healthy tie inventories at the end of 2025.

One industry contact noted that reduced maintenance by at least one Class I railroad last summer created an overabundance of ties for this year, leading to less pressure to buy. In addition, tie buying does historically ease up in winter months.

"The demand isn't going to be there for a while."

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Figure 3





CSX Streamlining

Several railway tie sector contacts say movement at Chessie Seaboard Consolidated (CSX) has had a significant impact on the faltering tie market.

Recent months have been tumultuous at CSX, which is headquartered in Jacksonville, Florida. In January, the rail giant laid off 166 management-level employees, furloughed nearly 200 train conductors, and made significant cuts to its tie maintenance budget.

Steve Angel, CSX's Chief Executive Officer, said the job losses were due to "efforts to streamline the organization given challenging economic conditions." Angel, who has a history in mergers and acquisitions, was appointed CEO last September after pressure from an outspoken pro-merger investor led to the sacking of former boss Joe Hinrichs.

Several contacts have said the company is trimming budgets and capital expenditures to make itself a more attractive merger partner. Burlington Northern Santa Fe (BNSF) hired Goldman Sachs consultants to research their own merger plans last year around the same time the UP-NS plans were announced, though there have been no official moves since.

The impact of CSX's moves and elevated tie inventories at other railroads have spread further than sawmills, with Southern tie buyers feeling the

impact. Nearly ten tie buyers in the South have lost their jobs over the last two months, while a major tie treatment plant in South Carolina is due to shut for good in April.

Given that they must air dry inventory for up to nine months ahead of next year's orders, tie treaters are wondering how to plan for 2027 right now. "The demand isn't going to be there for a while," one veteran tie buyer told HMR/Fastmarkets.

Political Uncertainty

Like the industry it regulates, the STB is in a state of serious flux right now. Last August, President Trump fired Robert Primus, who was appointed board chair under President Joe Biden.

At the time of Primus's firing, Senator Tammy Baldwin (D-WI) said it looked like the President was trying to "stack the board" to rubber stamp the proposed consolidation. An opponent of rail mergers—he was the sole dissenting vote against the \$31B Canadian Pacific-Kansas City Southern merger in 2023—Primus has since filed a lawsuit claiming his termination was illegal. He had served on the STB since 2001.

STB members are appointed by the President and confirmed by the Senate. The nomination of Richard Kloster, a rail industry executive, was sent back to the White House after Senate hearings late last year. President Trump has since renominated him, but only three of the five board posi-

tions are currently filled. The current chair, Patrick Fuchs, was appointed by a Republican president, while the other two board members were appointed by Democratic presidents.

Though set up in 1996, STB revised its regulations in 2001 to make major rail mergers more difficult. In the 1980s, the Staggers Rail Act deregulated the American rail industry, leading several railroads to consolidate over the following two decades. A sharp increase in service issues led to a major rehaul of the STB's power to allow future mergers. Since then, there has only been one merger; the

one which Primus voted against during the Biden Administration. The STB only allowed it with numerous oversight conditions.

There is the potential for the board to have a different makeup and regulatory approach by the time UP-NS merger plans are next reviewed, though there is significant bipartisan pushback on greenlighting a deal that would limit rail competition.

Looking Elsewhere

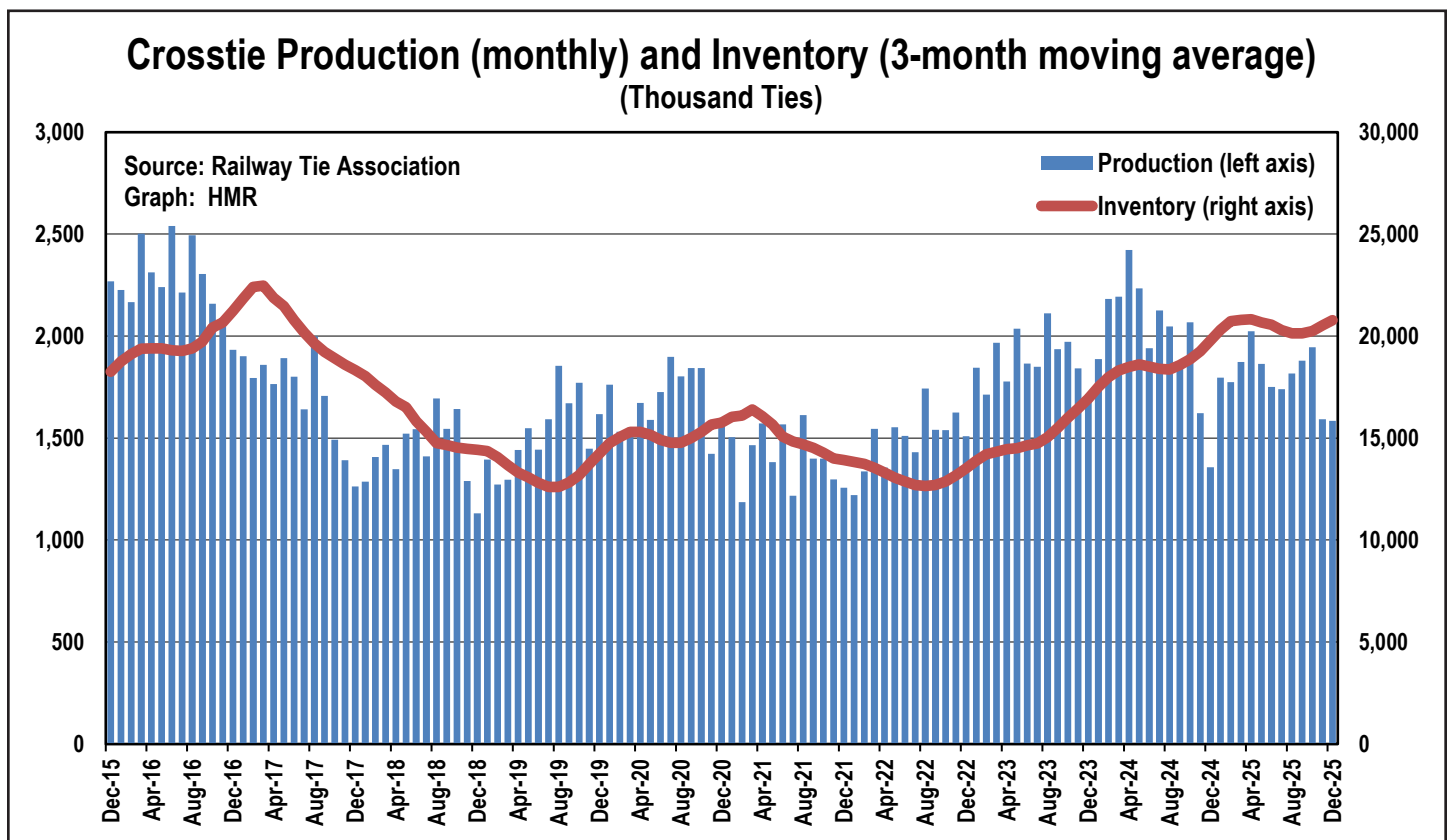
Due to the ongoing need for replacement ties for more than 90,000 miles of America's Class I railroads, there is widespread industry confidence that crosstie demand will re-strengthen in the long-term.

That upswing may come too late for some hardwood sawmills, but before that a tricky question is being posed to the hardwood industry: what to do with the additional low-grade lumber in 2026?

"While I still feel good about the long-term stability of hardwood crossties, the sector is about to navigate one of its trickiest times in recent history."

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Figure 4



"The center part of the log is under so much pressure right now," a Southern hardwood seller explained. "That's where the problem is for so many in the industry. If ties are not a reliable option, what are you going to do with it?"

Pallet, residential flooring, and truck trailer flooring markets use similar quality raw material as the tie sector. However, none of those paths are likely to yield enough additional orders to offset reduced tie demand in the short-term. Though 1.82 billion board feet of hardwood pallet cants and lumber were consumed last year, softwoods now comprise more than 80% of wood pallets, a ratio that is arguably still getting worse. Residential and truck trailer flooring factories are well-stocked with lumber and unlikely to see surges in business in the months ahead.

Other industrial products like board road and mat timbers could be avenues, though both are contingent on large-scale projects. Even if the ability to sell lumber into all these sectors was possible, general oversupply could have a negative impact on reported prices.

"While I still feel good about the long-term stability of hardwood crossties, the sector is about to navigate one of its trickiest times in recent history," Irby said. 



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