

Refrigerated carrier revenue rises, operating ratios show improvement

By Gary Macklin

As predicted by most analysts, skies over refrigerated trucking began to clear in 2003 as the storm clouds from the two previous years receded and financial results showed distinct improvement. In the background of this improving picture, truckload carriers continued to suffer business failures that improved the future of survivors as shipper demand finally began to outpace trucking capacity.

Gross revenue data for 2003 shows a distinct increase for the 32 carriers responding to information requests from *Refrigerated Transporter*. Viewed as a group, these carriers reported much higher revenue than they reported for 2002. In fact, the rate of growth at 11% for these 32 carriers is almost five times the 2.4% growth of the 40 carriers that responded to this survey with 2002 data for the September 2003 issue.

Profit margins seem to have ticked up slightly in 2003 with the average operating ratio for these 32 carriers falling to 95.3 from an average of 96.4 reported by 40 carriers for the Gross Revenue Report on 2002 data in September 2003. However, the average operating ratio remains below the 94.6 reported in 2002 on financial results from 2001. The five largest carriers responding to the survey all show an improvement in operating ratio.

A number of carriers have sought bankruptcy protection in the past three years, many simply ceasing operations. Others have experienced marginal financial results and consequently have simply declined to release data. The Gross Revenue Report on 2003 data contains 32 carriers, eight fewer than provided data for the 2003 report on 2002 financial results. Although the business climate began improving in 2003, many privately held carriers have been more and more protective of their financial data. Only two refrigerated carriers remain among the ranks of public stock companies—Frozen Food Express Industries and Marten Transport. Several large, publicly held dry van carriers oper-

ate refrigerated divisions, but these companies do not release data from their individual operating divisions. In addition, a number of large carriers operate fleets dedicated to serving Wal-Mart grocery distribution centers. Combined, these fleets may be as large as 5,000 refrigerated trailers, but financial results are not available.

New report section

In a new section of the Gross Revenue Report on 2003 financial data, *Refrigerated Transporter* lists those dry van carriers known to operate refrigerated service and provides revenue data for the entirety of those carriers. No attempt is made to determine what level of contribution refrigerated operations make to total truckload fleet revenue. At some carriers, such as Swift, the contribution is large, because the company has a large refrigerated subsidiary as well as numerous dedicated refrigerated fleets. At others, such as Knight, the refrigerated fleet is new and relatively small.

With fewer carriers providing data, determining results for the whole industry becomes slightly complicated. In raw terms, the 32 carriers responding for this report show slightly more revenue for 2003 than the 40 carriers listed in 2003 showed for their 2002 revenue. The total for those 40 carriers was \$3,598,394,013. The 32 carriers providing data on 2003 revenue report a total of \$3,623,774,533, which is less than 1% higher than the revenue reported for 2002 by 40 carriers. However, when the difference in revenue for the years 2003 and 2002 for the 32 reporting carriers is calculated, those carriers show an increase of almost \$400 million from 2002 to 2003, a growth rate of 11%.

In fact, the reluctance to report revenues leads to some questions about the total size of the refrigerated freight market. We actually know that it approaches \$5 billion. We can defend that figure. However, some analysts suggest that it is much higher—possibly as high as \$10 to \$12 billion. That estimate is based on the assumption that freight costs account for 3% of total fresh and frozen food sales.

10 Best Operating Ratios	2003	2002	Rank
Sorenson Transport Co Inc	87.2	87.9	24
Stevens Transport Inc	89.6	92	5
Prime Inc	89.7	89.9	1
John Christner Trucking Inc.....	91.6	97.2	10
Baldwin Distribution Services Ltd	92.1	95	23
Kennesaw Transportation Inc	92.4	91.7	18
Frozen Food Express Industries	93.1	98.9	3
Marten Transport Ltd	94	95.9	4
Roads West Transportation	94.7	94.3	17
C R England Inc	94.5	95.3	2

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10 Best Growth Rates		Rank
Kelle's Transport Service Inc.....	251%.....	30
Central Refrigerated Service Inc.....	54.9%.....	7
Gemini Traffic Sales.....	30.4%.....	15
Escro Transport Ltd.....	26.4%.....	29
John Christner Trucking Inc.....	24.5%.....	10
Denny Transport Ltd.....	23.4%.....	28
Grand Island Express.....	21.7%.....	21
Navajo Shippers.....	20%.....	9
Witte Bros Exchange.....	17.6%.....	22
Refrigerated Food Express.....	17.6%.....	25

10 Largest Revenue Increases	
Central Refrigerated Service Inc.....	\$72,553,000
Frozen Food Express Industries.....	\$53,253,000
Stevens Transport Inc.....	\$44,607,000
Marten Transport Ltd.....	\$41,571,000
C R England.....	\$28,160,795
Navajo Shippers.....	\$28,000,000
Prime Inc.....	\$25,527,000
John Christner Trucking.....	\$21,552,897
Gemini Traffic Sales.....	\$8,937,335
Shaffer Trucking.....	\$6,574,384

10 Highest Revenue per Trailer		Trailers
Pride Transport Inc.....	\$172,350.....	245
Escro Transport Ltd.....	\$167,500.....	40
John Christner Trucking.....	\$151,427.....	722
Sorenson Transport Company Inc.....	\$148,401.....	106
Gemini Traffic Sales.....	\$141,170.....	260
Kennesaw Transportation Inc.....	\$141,262.....	240
Prime Inc.....	\$125,963.....	4,439
FST Logistics Inc.....	\$125,505.....	282
Grand Island Express.....	\$124,571.....	175
Kelle's Transport Service Inc.....	\$123,934.....	54

However, such an estimate may include some duplication such as counting the proceeds of third party logistics providers and the revenue of for-hire carriers without noting that for-hire carriers provide transportation services to logistics providers. In turn, some small fleets are leased to larger for-hire carriers as independent contractors. Revenue for these fleets in a sense is a double count of revenue paid to larger carriers that use small fleets as owner-operators.

Accounting for dedicated fleets

Dedicated fleets add to the confusion over revenue. Delivery costs from wholesale distribution centers to stores and food-service outlets is accepted to be one percent of retail sales. Based on grocery industry figures, downstream distribution cost should be in the range of \$9 billion. However, that figure is an expense to a private fleet, but revenue to a dedicated fleet.

Perhaps the whole industry needs a better definition of just what constitutes truckload carriage and what for-hire operations really do.

All said, freight demand has improved remarkably in the past year. Allowing for variations in the number of carriers responding to our request for financial data, we still see an increase of almost \$1 billion in refrigerated carrier revenue since 1995. However, this growth based on the volume of food shipments is rising only at the rate of population growth—only 1.5% to 2% a year.

Higher growth rate

The revenue increase reported by these 32 carriers amounts to slightly more than \$369 million, a growth rate of 11%, significantly higher than reported in recent years. This growth rate is much more like the stronger growth from the boom years of the late 1990s when increases peaked at 15.5% in the 1997 Gross Revenue Report. Throughout the 1990s, 7% to 8% was a fairly normal rate of increase. It may be too soon, however, to conclude that boom times are returning. The data in this report may indicate a rapidly rising revenue trend, or it may simply be the result of only carriers with positive news choosing to respond to information requests. More significantly positive data in subsequent years will be necessary to project a real boom.

Carriers say that they do not anticipate really high growth rates to be repeated any time soon. They are, however, seeing less resistance to rate increases as industry capacity contracts. Increased rates in a tight financial market, carriers say, are the only way to ensure wider profit margins. For instance, the Frozen Food Express Industries quarterly reports routinely note that for the first time in years lost capacity is not being replaced rapidly by new carriers.

90% report increases

The percentage of carriers who respond to our Gross Revenue Report information request and who report revenue increases remains higher than might be expected. For this report, 90% of carriers report higher revenue. This is up from 65% of responding carriers reporting an increase on revenue for the year 2002. Obviously, this is the result of receiving reports primarily from carriers in good financial condition who are willing to share data.

Some carriers report especially rapid rates of growth with both Frozen Food Express and Marten Transport showing growth of 15.1% and 14.1% respectively. In addition,

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main in effect; although, a complete revision has been ordered by a federal appeals court. Actual trailer fleet size ranges from 4,439 at Prime to 53 at NET Trucking. In the total tractors category, C R England runs 2,400 tractors to only 33 at NET.

This report shows an average annual revenue per trailer at \$115,204 in 2003, down from \$120,922 in 2002, \$126,743 in 2001, and \$126,270 in 2000. Perhaps the larger trailer pool needed to keep drivers moving has contributed to the slightly lower annual revenue per trailer. This assumption is supported by a higher average revenue per tractor in 2003 at \$167,847, up from \$158,872 per tractor per year in 2002. Although it has wavered slightly a few times, this benchmark has been on an upward trend since 1999.

The top-heavy nature of this report is apparent when an average of all revenue is taken. A composite of the 32 carriers responding for this report would have an average 2003 annual revenue of \$113,230,454, much higher than the average of \$89,959,850 reported by 40 carriers on revenue from 2002 and higher still than the average of \$80,013,041 reported by 51 carriers on revenue from 2001.

10 Largest Tractor Fleets	Tractors
Frozen Food Express Industries	3,048
C R England Inc	2,400
Prime Inc	2,377
Marten Transport Ltd	2,181
Stevens Transport Inc	1,694
KLLM Transport Services	1,525
Shaffer Trucking Inc	1,312
Central Refrigerated Service	1,311
Navajo Shippers	884
Willis Shaw Express	850

10 Largest Trailer Fleets	Trailers
Prime Inc	4,439
C R England Inc	4,300
Frozen Food Express Industries	3,048
Stevens Transport Inc	2,840
Marten Transport Ltd	2,835
Shaffer Trucking Inc	2,760
KLLM Inc	2,400
Central Refrigerated Service	1,946
Navajo Shippers	1,700
Willis Shaw Express	1,400

Curiously, the soft freight market in the two previous years helps explain the rise of average annual revenue. Large carriers have the resources to weather tough times and seem relatively comfortable reporting financial data. This does not mean, however, that some big carriers haven't capsized recently. As the total number of carriers reporting data falls, the number of small carriers falls in relationship to the large carriers. This weights the average toward the top of the list.

Obviously, more refrigerated carriers are in business than those shown in this report. The big ones are easy to find and are usually fairly forthcoming with information. Our circulation list gives us a good tool with which we can locate smaller carriers. However, owners of small carriers are not as likely to provide financial data on their operations as their colleagues at larger companies. As the business climate becomes more competitive, nearly all carriers, with the exception of the publicly owned companies (now only two), become more protective of their revenue information. The information in this report has come directly from the carriers listed. □

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Rankings and Growth Rates	2003	2003	2003	2002	2002	2003
	Rank	Revenue	Ratio	Revenue	Ratio	Growth
Prime Inc, Springfield MO	1	559,153,000	89.7	533,626,000	89.9	4.7%
C R England Inc, Salt Lake City UT	2	485,538,350	94.5	457,377,555	95.3	6.1%
Frozen Food Express Industries, Dallas TX	3	404,187,000	93.1	350,934,000	98.9	15.1%
Marten Transport Ltd, Mondovi WI	4	334,667,000	94	293,096,000	95.9	14.1%
Stevens Transport Inc, Dallas TX	5	303,000,000	89.6	258,393,000	92	17.2%
KLLM Inc, Jackson MS	6	251,889,000	NR	246,871,000	NR	2%
Central Refrigerated Service Inc, West Valley City UT	7	204,470,000	NR	131,917,000	NR	54.9%
Shaffer Trucking Inc, New Kingstown PA	8	200,706,320	95.2	194,131,936	97.7	3.3%
Navajo Shippers, Commerce City CO	9	168,000,000	NR	140,000,000	NR	20%
John Christner Trucking Inc, Sapulpa OK	10	109,330,822	91.6	87,777,925	97.2	24.5%
Willis Shaw Express, Elm Springs AR	11	105,600,000	NR	108,283,000	NR	-2.4%

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Rankings and Growth Rates		2003 Rank	2003 Revenue	2003 Ratio	2002 Revenue	2002 Ratio	2003 Growth
Arctic Express Inc , Hilliard OH	12	60,419,873	102.8	64,752,446	97	-6.6%	
Jim Palmer Trucking , Missoula MT	13	56,864,000	NR	52,077,000	NR	9.1%	
Pride Transport Inc , Salt Lake City UT	14	42,225,840	99.2	38,252,913	99.6	10.3%	
Gemini Traffic Sales , Edison NJ	15	38,264,200	95.1	29,326,865	98.7	30.4%	
FST Logistics Inc , Columbus OH	16	35,392,492	98.7	31,686,070	98.6	11.6%	
Roads West Transportation , Phoenix AZ	17	34,520,944	94.7	34,700,165	94.3	0.5%	
Kennesaw Transportation Inc , White GA	18	33,903,060	92.4	29,818,858	91.7	13.7%	
Edwards Bros Inc , Idaho Falls ID	19	26,561,349	98.3	23,536,085	95.4	12.8%	
Howell's Motor Freight , Cloverdale VA	20	24,700,000	NR	24,300,000	NR	1.6%	
Grand Island Express , Grand Island NE	21	21,800,000	98.9	17,900,000	100.5	21.7%	
Witte Bros Exchange Inc , Troy MO	22	20,000,000	96.2	17,000,000	95.4	17.6%	
Baldwin Distribution Services Ltd , Amarillo TX	23	17,768,046	92.1	17,572,606	95	1.1%	
Sorenson Transport Co Inc , Chehalis WA	24	15,730,532	87.2	13,716,930	87.9	14.6%	
Refrigerated Food Express Inc , Avon MA	25	14,652,622	99.2	12,459,407	99.7	17.6%	
Classic Carriers Inc , Versailles OH	26	12,650,000	NR	11,500,000	NR	1%	
W N Morehouse Truck Line Inc , Omaha NE	27	11,437,723	99	11,270,628	102	1.4%	
Denny Transport Ltd , Commerce City CO	28	7,409,000	NR	6,000,000	NR	23.4%	
Escro Transport Ltd , Buffalo NY	29	6,700,000	95.2	5,300,000	98.4	26.4%	
Kelle's Transport Service Inc , Salt Lake City UT	30	6,692,447	95.7	1,902,165	95.2	251%	
Farmers Distributing Inc , St George UT	31	5,224,692	98	5,109,900	99	2.2%	
NET Trucking Inc , Burbank IL	32	4,137,000	97.3	3,950,000	94.7	4.7%	
Totals		3,623,774,533	95.3	3,254,359,873		11%	

Alphabetical Listing

Company	Rank	Company	Rank	Company	Rank
Arctic Express Inc	12	Gemini Traffic Sales	15	Pride Transport Inc	14
Baldwin Distribution Services Ltd	23	Grand Island Express	21	Prime Inc	1
C R England Inc	2	Howell's Motor Freight	20	Refrigerated Food Express Inc	25
Central Refrigerated Service Inc	7	Jim Palmer Trucking	13	Roads West Transportation	17
Classic Carriers Inc	26	John Christner Trucking Inc	10	Shaffer Trucking Inc	8
Denny Transport Ltd	28	Kelle's Transport Service Inc	30	Sorenson Transport Co Inc	24
Edwards Bros Inc	19	Kennesaw Transportation Inc	18	Stevens Transport Inc	5
Escro Transport Ltd	29	KLLM Inc	6	W N Morehouse Truck Line Inc	27
Farmers Distributing Inc	31	Marten Transport Ltd	4	Willis Shaw Express	11
Frozen Food Express Industries	3	Navajo Shippers	9	Witte Bros Exchange Inc	22
FST Logistics Inc	16	NET Trucking Inc	32		