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FOR IMMEDIATE RELEASE

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**CEDAR AMERICAN RAIL HOLDINGS, INC.
DM&E/IC&E RAILROADS
EXPANDING GRAIN CAR FLEET**

SIoux FALLS, S.D., Aug. 1--Cedar American Rail Holdings, Inc., which operates the Dakota, Minnesota & Eastern Railroad (DM&E) and the Iowa, Chicago & Eastern Railroad (IC&E), announced that in order to meet the high demand for grain cars, it has begun receiving the first of 600 new grain covered hopper cars. Delivery of these new cars begins this week and will continue through December 2005. Total cost of new rail cars exceeds \$45 million.

“We have seen good grain production in our South Dakota, Minnesota and Iowa service territory the past three years” said President and Chief Executive Officer Kevin V. Schieffer. “This very significant acquisition demonstrates our strong commitment to the agricultural business community. Acquisition of these cars is a part of our overall plan to improve the railroad infrastructure and our service capabilities to allow us to improve our ability to provide efficient, cost-effective transportation for our customers,” Schieffer added.

Trinity Industries, Inc, Dallas, TX, is building 200 of the new covered hopper cars and the remaining 400 are coming from National Steel Car Limited, Hamilton, Ontario.

The DM&E and IC&E Railroads are the longest regional railroad system in the United States. They operate 2,500 miles of track in eight states in the upper Midwest, including Chicago to Wyoming and from Minneapolis, Minn. to Kansas City, Mo., annually handling 250,000 carloads of freight.

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