PMSA

West Coast Trade Report

March 2021

A First Glimpse at February's TEU Counts

Note: *The ports we survey take anywhere from a few days to a few weeks to report their container trade statistics. Because West Coast ports are generally much quicker in releasing their monthly TEU tallies than their rival ports elsewhere in the country, these "First Glimpse" numbers are necessarily incomplete and may give a misleading indication of the latest trends.*

A few ports have already announced their February container tallies. But remember, we're entering a period in which the customary year-over-year comparisons we provide will be severely skewed by last year's outbreak of the COVID-19 virus and the lockdowns (of varying intensity) imposed in hopes of stemming the plague's spread. So for the time being, we'll cite an additional number for the inbound loads through each port we monitor: the change from the month before, from the same month in 2020, and from the same month in 2019, a year in which things were arguably less chaotic.

Let's start with February in sunny Southern California. At the Port of Los Angeles, inbound loads for the month totaled 412,884 TEUs, down 5.7% from January but up a stunning 52.9% over the 270,025 TEUs discharged at the port a year earlier. February's inbound loads also represented a more modest 18.5% bump over February 2019 and even more humble 7.8% increase over February 2018. Outbound loads from LA were meanwhile off from a year earlier by 24.7% and by 29.0% from the February before that. Total container traffic through the port this February amounted to 799,315 TEUs, a 46.9% surge over the same month last year but also a handy 13.3% gain over February 2019.

Next door at the Port of Long Beach, this year's second month was its busiest February ever, with a total of 771,735 loaded and empty TEUs crossing its docks. Inbound loads (373,756 TEUs) were up 2.6% from January, up 50.3% from a year earlier, and 23.4% ahead of February 2019. Outbound loads (119,416 TEUs) were up 2.7% from the previous month, down 4.9% year-over-year, but up 13.4% from two years ago.

No less impressive was February's 26.2% year-over-year jump in inbound loads at Oakland to 80,200 TEUs. That was up 3.6% from January and 14.6% above the port's inbound loaded traffic back in February 2019. Outbound loads at the East Bay port were off by 11.1% from a year earlier, but up 2.6% from February 2019.

At the Ports of Tacoma and Seattle, operating jointly as the Northwest Seaport Alliance, import loads in February totaled 101,091 TEUs, down 11.4% from the preceding month but up 10.3% over a year earlier and up 1.4% from February 2019. Export loads, meanwhile, were down

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A First Glimpse at February's TEU Counts Continued

13.6% year-over-year and were 9.9% below February 2019's level.

Collectively, the major USWC maritime gateways handled 967,931 inbound loads in February. That was down by 2.6% from the 993,350 loaded inbound TEUs the ports had handled in January, but it was up 43.6% from a year earlier and 17.9% higher than in February 2019. Outbound loads from the USWC ports totaled 349,430 TEUs, a decline of 14.1% from the previous February and 8.4% below the 381,289 outbound loads the same ports handled in the second month of 2019.

Up across the border in British Columbia, Vancouver posted an 8.7% year-over-year increase in inbound loads, but that was erased by a huge plunge of 32.0% at Prince Rupert, leaving the two Canadian ports with a February import total of 162,083 loaded TEUs, off sharply from the 211,426 TEUs of imports they received in January. February's inbound loads were also down 4.6% from last year and were 0.2% below their February 2019 volume. Outbound loads from the two amounted to 136,285 TEUs, up 2.0% from a year ago and 9.5% from February 2019. Total container traffic through the two ports came to 326,853 TEUs, off by 1.5% from a year earlier and by 1.9% from February 2019.

Now back East, Boston had a dreadful February with import loads down 54.6% and outbound loads off by 27.6%. Elsewhere on the East Coast, Virginia saw its February inbound load volume slide by 15.7% from January but increase by 8.2% from a year earlier and by 4.7% from February 2019. Outbound loads were up from January and from all previous Februarys. At Charleston, inbound loads in February, the port's least busy import month since last July, fell by 14.2% from January and by 7.1% from a year earlier. They were up, however, by 5.6% over February 2019. Outbound loads declined by 9.2% year-over-year.

On the Gulf Coast, Houston's inbound loads plummeted by 24.0% a month earlier and were down by 28.0% from February 2020. They were up 6.3% from February 2019. Outbound loads were down sharply both from January (-19.9%) and year-over-year (-28.0%). The 198,763 total TEUs (full + empty) Houston handled in February was the lowest volume of container traffic at the port in any month since February 2019.

Parsing the January 2021 TEU Numbers

Please note: *The numbers here are not derived from forecasting algorithms or the partial information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports.*

The Port of Long Beach reported that inbound loaded TEUs in the year's first month totaled 364,255. While that represented a 17.5% (+54,294 TEUs) jump over the first month of 2020, it marked a 10.3% fall-off from the 406,072 inbound loads the port handled in December. January was Long Beach's least busy month for inbound loads since last June.

Next door at the Port of Los Angeles, inbound loads totaled 437,609 TEUs, up 5.5% from a year earlier but down 5.0% from December. As was the case at Long Beach, January yielded the smallest number of inbound loads at the port in any month since June.

Together, the two San Pedro Bay ports posted a 10.6% (+77,172 TEUs) increase in inbound loads over January 2020. However, that was 7.5% shy of December, when the two ports handled 866,937 TEUs. Inbound loads in January were at the lowest level since last June.

Up the coast, the Port of Oakland continued to be impaired by congestion at San Pedro Bay. Inbound loads in January were down 11.9% (-10,466 TEUs) from a year earlier. The East Bay port's inbound traffic in January

Parsing the January 2021 TEU Numbers Continued

was also down 14.2% from December. Further up the coast, the Northwest Seaport Alliance (NWSA) Ports of Tacoma and Seattle started the year with a 10.9% (+11,205 TEUs) year-over-year increase in import loads. January's imports were also down 6.8% from December.

Altogether, the five major U.S. West Coast container ports saw an 8.5% (+77,911 TEUs) increase in inbound loads from January 2020. This January's volume was also down 8.0% (-86,276 TEUs) from December.

The two ports in British Columbia we track both recorded year-over-year gains in January. Inbound loads at Prince Rupert edged up 2.2% (+1,095 TEUs), while Vancouver posted a 12.2% (+17,577 TEUs) increase over January 2020. Together, the two saw a 9.7% (+18,672 TEUs) year-over-year increase. However, January inbound loads were down 6.7% from December.

Along the Eastern Seaboard, the nine ports we track reported 996,371 inbound loaded TEUs in January. That was up 4.2% from the 955,807 inbound loads that had arrived in December. This January's inbound loads were up 16.1% over the 857,998 TEUs they had handled in January 2020 and 13.3% higher than the 879,149 TEUs in January 2019.

The most impressive year-over-year gain was recorded by Savannah. There, import loads rose 23.2% (+43,883 TEUs) over January 2020 and 3.6% (+7,989 TEUs) over December 2020. Virginia also posted strong gains, 20.1% (+21,893 TEUs) from a year earlier as

Exhibit 1 January 2021 - Inbound Loaded TEUs at Selected Ports

	Jan 2021	Jan 2020	% Change	Jan 2021 YTD	Jan 2020 YTD	% Change
Los Angeles	437,609	414,731	5.5%	437,609	414,731	5.5%
Long Beach	364,255	309,961	17.5%	364,255	309,961	17.5%
San Pedro Bay Totals	**801,864**	**724,692**	**10.6%**	**801,864**	**724,692**	**10.6%**
Oakland	77,403	87,869	-11.9%	77,403	87,869	-11.9%
NWSA	114,083	102,878	10.9%	114,083	102,878	10.9%
USWC Totals	**993,350**	**915,439**	**8.5%**	**993,350**	**915,439**	**8.5%**
Boston	10,851	13,402	-19.0%	10,851	13,402	-19.0%
NYNJ	371,392	322,643	15.1%	371,392	322,643	15.1%
Maryland	43,576	45,268	-3.7%	43,576	45,268	-3.7%
Virginia	130,777	108,884	20.1%	130,777	108,884	20.1%
South Carolina	95,478	90,665	5.3%	95,478	90,665	5.3%
Georgia	232,645	188,762	23.2%	232,645	188,762	23.2%
Jaxport	33,560	26,698	25.7%	33,560	26,698	25.7%
Port Everglades	26,832	26,451	1.4%	26,832	26,451	1.4%
Miami	51,260	35,225	45.5%	51,260	35,225	45.5%
USEC Totals	**996,371**	**857,998**	**16.1%**	**996,371**	**857,998**	**16.1%**
New Orleans	9,414	12,514	-24.8%	9,414	12,514	-24.8%
Houston	121,578	105,047	15.7%	121,578	105,047	15.7%
USGC Totals	**130,992**	**117,561**	**11.4%**	**130,992**	**117,561**	**11.4%**
Vancouver	161,183	143,606	12.2%	161,183	143,606	12.2%
Prince Rupert	50,243	49,148	2.2%	50,243	49,148	2.2%
BC Totals	**211,426**	**192,754**	**9.7%**	**211,426**	**192,754**	**9.7%**
US/BC Totals	2,353,358	2,079,760	13.2%	2,353,358	2,079,760	13.2%
US Total	2,120,713	1,890,998	12.1%	2,120,713	1,890,998	12.1%
USWC/BC	**1,204,776**	**1,108,193**	**8.7%**	**1,204,776**	**1,108,193**	**8.7%**

Source Individual Ports

Parsing the January 2021 TEU Numbers Continued

well as a 6.1% (+7,559 TEUs) increase over December. Charleston reported a more modest year-over-year bump of 5.3% (+4,813 TEUs) in the year's first month. Miami saw the sharpest rate of year-over-year growth with a 45.5% (+16,035 TEUs) burst. By contrast, Port Everglades recorded a 1.4% increase over a year earlier, and a 3.9% fall-off from December. Jaxport posted a 25.7% gain (+6,862 TEUs) in January from a year earlier.

Along the Gulf Coast, Houston recorded a 15.7% (+16,531 TEUs) jump in inbound loads over the previous January. However, that was down 4.1% from December. New Orleans suffered a 24.8% year-over-year drop in inbound loads.

Export numbers along the USWC in January were down by 9.7% (-38,927 TEUs) from a year earlier. Long Beach did post a 7.0% year-over-year gain in outbound loads, but that was more than offset by a 19.5% plunge at Los Angeles, leaving the San Pedro Bay ports 8.3% (-21,249 TEUs) shy of the previous January's export load tally. Oakland saw an 11.3% fall-off (-8,785 TEUs), while export shipments from the two NWSA ports tumbled by 13.4% (-8,893 TEUs).

Elsewhere, Savannah's outbound loads were down 7.0% (-8,595 TEUs), while Charleston's exports dipped by 0.8% (-568 TEUs). Boston slipped by 3.9% (-273 TEUs). On the other hand, Virginia reported a 6.8% (+5,360 TEUs) gain over January 2020. Most astonishing was the 70.7% (+6,884 TEUs) year-over-year leap in outbound loads reported by Prince Rupert. Combined with a more modest 1.3% (+1,038 TEUs) increase

Exhibit 2 **January 2021 - Outbound Loaded TEUs at Selected Ports**

	Jan 2021	Jan 2020	% Change	Jan 2021 YTD	Jan 2020 YTD	% Change
Los Angeles	119,327	148,206	-19.5%	119,327	148,206	-19.5%
Long Beach	116,254	108,624	7.0%	116,254	108,624	7.0%
San Pedro Bay Totals	**235,581**	**256,830**	**-8.3%**	**235,581**	**256,830**	**-8.3%**
Oakland	69,147	77,932	-11.3%	69,147	77,932	-11.3%
NWSA	57,517	66,410	-13.4%	57,517	66,410	-13.4%
USWC Totals	**362,245**	**401,172**	**-9.7%**	**362,245**	**401,172**	**-9.7%**
Boston	6,692	6,965	-3.9%	6,692	6,965	-3.9%
NYNJ	108,738	118,488	-8.2%	108,738	118,488	-8.2%
Maryland	19,904	20,361	-2.2%	19,904	20,361	-2.2%
Virginia	84,688	79,328	6.8%	84,688	79,328	6.8%
South Carolina	67,937	68,505	-0.8%	67,937	68,505	-0.8%
Georgia	113,365	121,960	-7.0%	113,365	121,960	-7.0%
Jaxport	43,614	41,941	4.0%	43,614	41,941	4.0%
Port Everglades	30,795	33,483	-8.0%	30,795	33,483	-8.0%
Miami	27,610	35,324	-21.8%	27,610	35,324	-21.8%
USEC Totals	**503,343**	**526,355**	**-4.4%**	**503,343**	**526,355**	**-4.4%**
New Orleans	21,436	26,213	-18.2%	21,436	26,213	-18.2%
Houston	99,694	118,782	-16.1%	99,694	118,782	-16.1%
USGC Totals	**121,130**	**144,995**	**-16.5%**	**121,130**	**144,995**	**-16.5%**
Vancouver	79,194	78,156	1.3%	79,194	78,156	1.3%
Prince Rupert	16,619	9,735	70.7%	16,619	9,735	70.7%
British Columbia Totals	**95,813**	**87,891**	**9.0%**	**95,813**	**87,891**	**9.0%**
US/Canada Total	1,082,531	1,160,413	-6.7%	1,082,531	1,160,413	-6.7%
US Total	986,718	1,072,522	-8.0%	986,718	1,072,522	-8.0%
USWC/BC	**458,058**	**489,063**	**-6.3%**	**458,058**	**489,063**	**-6.3%**

Source Individual Ports

Parsing the January 2021 TEU Numbers Continued

at Vancouver, the two British Columbia ports we track recorded a strong 9.0% (+7,922 TEUs) gain from a year earlier.

Weights and Values

We acknowledge that the TEU is the container shipping industry's preferred metric. Here, though, we offer two alternative measures – the declared weight and value of the goods housed in those TEUs. The percentages in the following exhibits are derived from data compiled by the U.S. Commerce Department that are published with a five-week time-lag.

Exhibit 4: USWC Ports and the Worldwide Container Trade. As usual, this exhibit features some interesting and possibly counter-intuitive data on containerized imports (regardless of point of origin) entering mainland U.S ports. Even with an armada of loaded vessels waiting offshore, the two San Pedro Bay ports saw their combined percentage of the nation's containerized import tonnage in January slip to 27.5% from 29.4% a month earlier and from 27.7% in January of 2020. Those numbers were reflected in the two ports' combined share of the value of the nation's containerized import trade, with a 33.9% share in January down from 34.9% in December and from 35.5% a year earlier. Meanwhile, the Port of Oakland's January share of import tonnage edged lower to 3.6% from 3.8% in December and from 4.3% in the first month in 2020. Oakland's share of import value also slid to 3.2% from December's 3.5% share and from the 3.7% share the port held the year before. Further north, the two NWSA ports saw their combined share of import tonnage in January decline to 4.6% from 4.7% in their December share and from 5.2% in the previous January. In value terms, the NWSA ports' import share in January equaled the 6.0% share they enjoyed in December, which was higher than their 5.8% share of January 2020.

On the export side, the Southern California ports' market share in January declined from both the preceding month and from January 2020. Owing to the increased prices of certain commodities the two ports handle, their share of the declared value of containerized exports in January was up slightly over both December and January 2020. Oakland saw its export share deteriorate across the boards, while the NWSA ports slipped from December in tonnage but was up on a year-over-year basis. In value terms, the NWSA share remained unchanged at 4.3%.

Exhibit 5: USWC Ports and the East Asia Trade. Plagued by congestion (and by the plague), the Ports of Los Angeles and Long Beach in January sustained a substantial drop in their combined share of the nation's containerized import tonnage from East Asia in January. That month's 43.3% share was down from 46.5% in

Exhibit 3 January Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports

	Jan 2021	Jan 2020	% Change
Los Angeles	835,516	806,144	3.6%
Long Beach	764,006	626,829	21.9%
NYNJ	721,284	617,024	16.9%
Georgia	459,607	377,671	21.7%
Vancouver	319,972	265,599	20.5%
NWSA	288,289	263,816	9.3%
Virginia	270,969	227,234	19.2%
Manzanillo	270,603	264,138	2.4%
Houston	255,039	268,773	-5.1%
South Carolina	216,265	211,020	2.5%
Oakland	199,098	211,251	-5.8%
Montreal	140,456	136,589	2.8%
JaxPort	122,770	109,141	12.5%
Miami	113,835	94,064	21.0%
Prince Rupert	101,585	81,487	24.7%
Lazaro Cardenas	97,640	119,432	-18.2%
Port Everglades	88,139	85,992	2.5%
Maryland	85,166	90,290	-5.7%
Philadelphia	52,301	54,851	-4.6%
New Orleans	40,291	54,636	-26.3%
Boston	22,325	25,874	-13.7%
US/Canada Total	5,096,912	4,608,285	10.6%
US Mainland Only	4,534,899	4,124,610	9.9%

Source Individual Ports

Parsing the January 2021 TEU Numbers Continued

Exhibit 4 USWC Ports Shares of Worldwide U.S. Mainland, January 2021

	Jan 2021	Dec 2020	Jan 2020
Shares of U.S. Mainland Ports Containerized Import Tonnage			
LA/LB	27.5%	29.4%	27.7%
Oakland	3.6%	3.8%	4.3%
NWSA	4.6%	4.7%	5.2%
Shares of U.S. Mainland Ports Containerized Import Value			
LA/LB	33.9%	34.9%	35.5%
Oakland	3.2%	3.5%	3.7%
NWSA	6.0%	6.0%	5.8%
Shares of U.S. Mainland Containerized Export Tonnage			
LA/LB	19.4%	22.4%	21.2%
Oakland	6.1%	6.7%	6.3%
NWSA	7.3%	7.4%	7.1%
Shares of U.S. Mainland Conatainerized Export Value			
LA/LB	20.7%	20.4%	20.4%
Oakland	6.8%	7.7%	7.4%
NWSA	4.3%	4.3%	4.3%

Source: U.S. Commerce Department.

Exhibit 5 USWC Ports Shares of U.S. Mainland Trade With East Asia, January 2021

	Jan 2021	Dec 2020	Jan 2020
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	43.3%	46.5%	44.0%
Oakland	3.9%	4.2%	5.1%
NWSA	6.8%	6.7%	6.7%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	49.3%	52.1%	51.4%
Oakland	3.8%	4.2%	4.4%
NWSA	8.7%	8.6%	8.2%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	31.9%	35.7%	34.9%
Oakland	7.9%	8.2%	9.0%
NWSA	11.4%	11.0%	11.1%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	37.6%	37.1%	39.0%
Oakland	11.6%	12.2%	11.8%
NWSA	8.1%	7.9%	8.5%

Source: U.S. Commerce Department.

December and from 44.0% one year earlier. The ports' decline in market share was paralleled in value terms with declines from both December and January of 2020. Elsewhere along the coast, Oakland's 3.9% share of containerized import tonnage from East Asia was off from 4.2% a month earlier and from a 5.1% share a year earlier. Oakland's 3.8% export value share was also down. Further north, the two NWSA ports' 6.8% share of containerized import tonnage from East Asia in January was higher than either December or January of 2020. The NWSA ports' collective share of the value of containerized imports from East Asia was similarly above December and a year earlier.

USWC shares of containerized exports to East Asia in January were here and there. The market shares held by the Ports of Los Angeles and Long Beach dropped in tonnage terms between January and December but rose in value terms over the previous month. Oakland's export shares declined from December to January in both tonnage and value, while the NWSA ports recorded market share gains in January from December.

Who's #1?

The Port of Los Angeles was the nation's busiest container port in January with 835,516 TEUs of total traffic (loaded + empty). The Port of Long Beach ran second with 764,006 TEUs, while the Port of New York/New Jersey (PNYNJ) placed well behind in third place with 721,284 TEUs.

Parsing the January 2021 TEU Numbers Continued

Leading the second tier of U.S. ports was Savannah with 459,607 total TEUs.

For nitpickers who believe empty boxes shouldn't count, the rankings don't change. Los Angeles remained the big dog with 556,936 loaded TEUs crossing its docks in the year's first month. In second place with 480,509 loaded TEUs was the Port of Long Beach, narrowly edging out PNYNJ's 480,130 total TEUs. Savannah was well behind with 346,010 TEUs.

In the category of inbound loads, Los Angeles (437,609 TEUs) exceeded PNYNJ (371,392 TEUs) which – here's some news -- topped Long Beach (364,255 TEUs). Inbound loads at Savannah totaled 232,645 TEUs.

As for outbound loads in January, the most intriguing news is that Savannah (113,365 TEUs) bested PNYNJ (108,738 TEUs) while falling shy of Los Angeles (119,327 TEUs) and Long Beach (116,254 TEUs).

Crossborder Competition during the Months of Plague

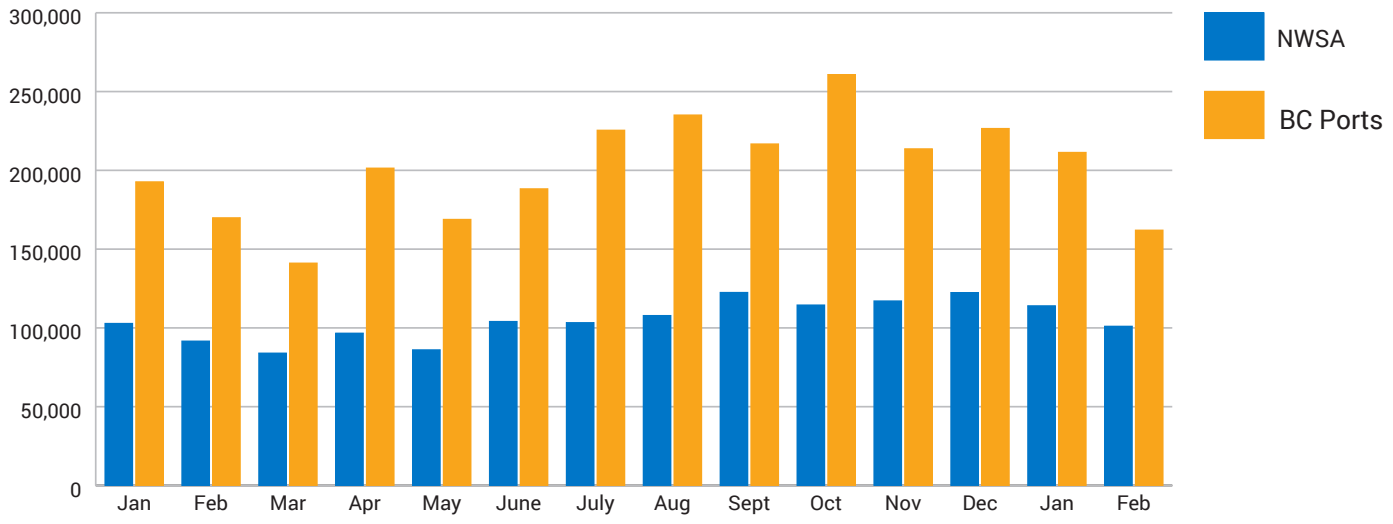
A year ago February, the four major ports in the binational Pacific Northwest region handled 263,174 loaded inbound TEUs, 11.0% below January's traffic of 295,632 loaded import TEUs. On the U.S. side of the border, the Ports of Tacoma and Seattle, operating as the Northwest Seaport Alliance, had a 38.4% share of February's inbound trade. The Port of Vancouver and the Port of Prince Rupert in British Columbia had 47.2% and 14.4% shares, respectively. **Exhibit 6** captures the downs, ups, and downs in containerized imports through the crossborder region's ports since the beginning of last year.

The binational import trade peaked in October at 375,395 TEUs in British Columbia and a month later at the NWSA ports. That was 23.8% higher than a year earlier. By this February, the import surge had subsided to 263,174 TEUs, up just 0.6% from last February. The shares had changed a bit, with the NWSA ports up slightly to 35.0%, while Prince Rupert's share subsided to 15.4%. Vancouver, with an increase to 49.5%, appears to have benefited from the fall-off at Prince Rupert in January.

Throughout the 14 months depicted in Exhibit 6, the four ports combined to handle 4,283,363 loaded import TEUs. That was 41.1% of the 10,413,884 laden TEUs imported through the Ports of Los Angeles and Long Beach during the same period.

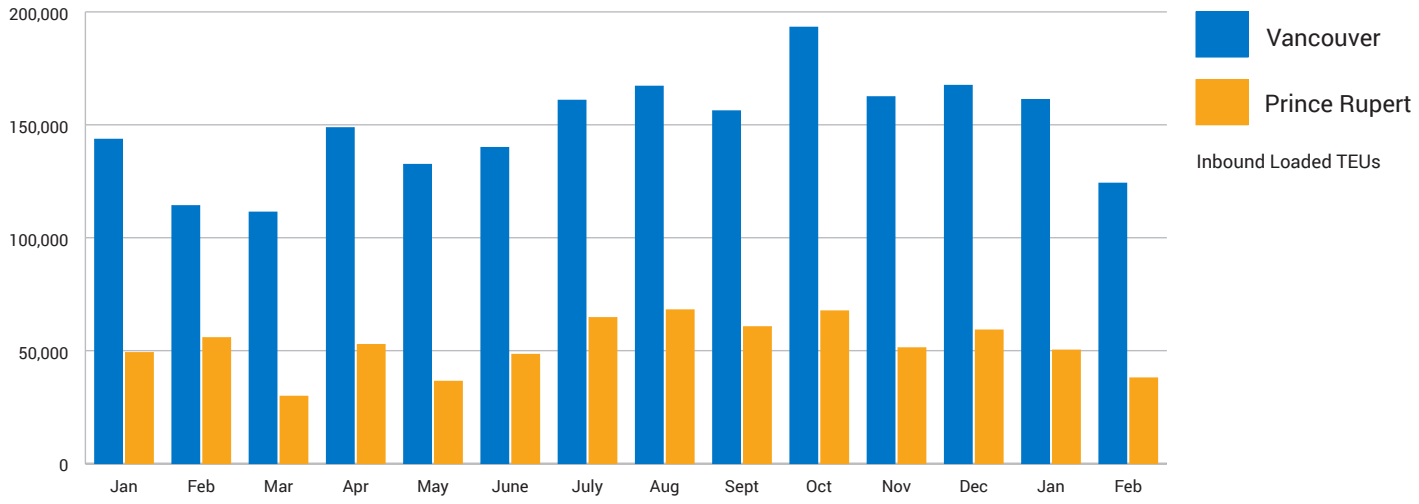
As **Exhibit 7** points out, Prince Rupert's inbound traffic generally mirrors Vancouver's, although clearly Vancouver is pulling most of the sled in British Columbia.

Exhibit 6 **NWSA vs. BC Ports' Import Trades: January 2020-February 2021**
Source: Northwest Seaport Alliance, Ports of Vancouver and Prince Rupert



Parsing the January 2021 TEU Numbers Continued

Exhibit 7 **Intramural BC Import Competition: January 2020-February 2021**
Source: Ports of Vancouver and Prince Rupert



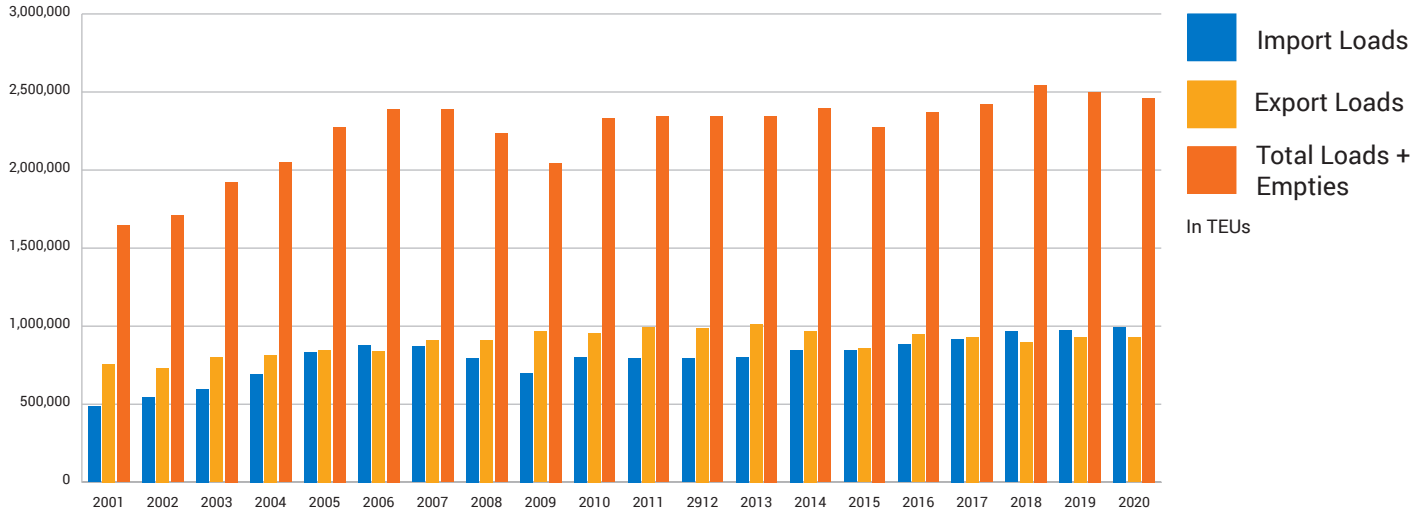
Summing Up the Port of Oakland's Century… So Far

From the start of the 21st century twenty years ago on January 1, 2001 through December 31, 2020, the Port of Oakland handled 44,988,002 total TEUs (loads + empties). For most of those years, Oakland was preeminently an export gateway, with outbound loads accounting for 52.9% of all loaded TEUs the port handled. However, the last three years have seen import loads exceed export loads. And that has most certainly been the case so far this year, with inbound loads outnumbering export loads by 157,603 TEUs to 138,735 TEUs.

The Ongoing Surge in San Pedro Bay

There's a good chance, figuratively speaking, that less ink is currently being spilled on the NCAA basketball

Exhibit 8 **Two Decades of Container Traffic at the Port of Oakland**
Source: Port of Oakland



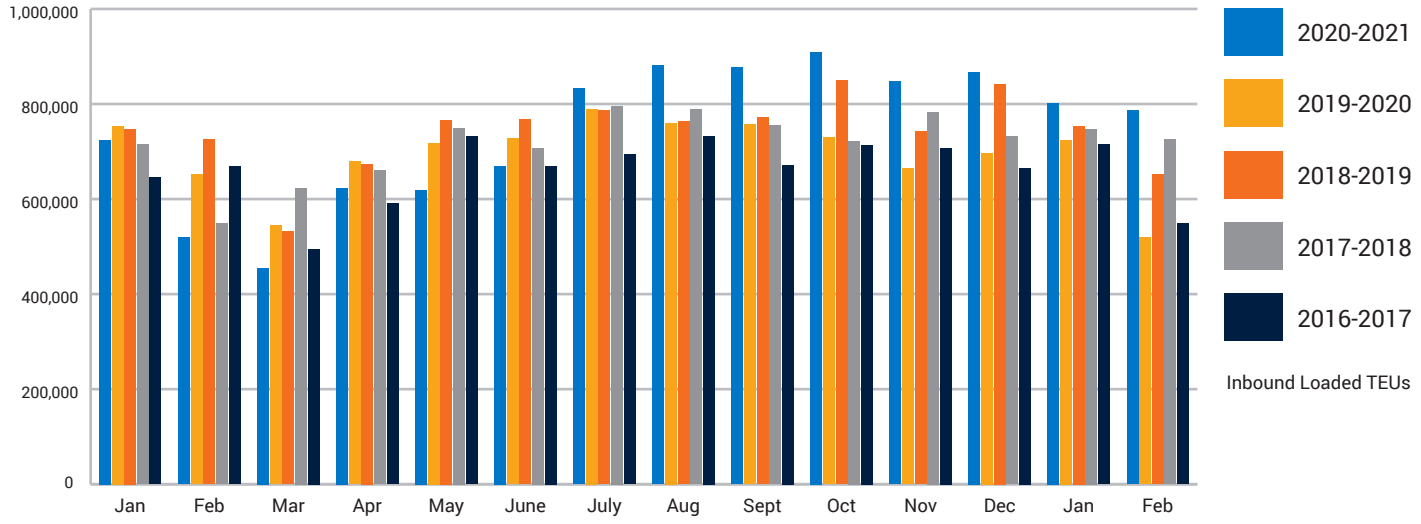
Parsing the January 2021 TEU Numbers Continued

tournament than on the plight of shippers trying to get their goods through the two big Southern California ports. This year, at least, the phrase "March Madness" seems to better capture the angst of the nation's importers and exporters than it does the anxieties of college basketball fans. (If only Holy Cross had made the cut, we all could have rooted for Tony Fauci's alma mater.)

Not to wander too far off topic, but we thought it might be useful to chart the volume of inbound loaded TEUs that have been arriving at the Ports of Long Beach and Los Angeles since the eve of the pandemic in January 2020 and show how traffic during those fourteen months compares with the same fourteen months for each of the previous years.

What immediately jumps out is how extraordinary the months since last summer have been. Starting last July, the dark blue columns tower over all others. But what is also interesting is not how poorly the period from January 2019 through February 2020 (represented in the orange columns) fared in the historical comparison, it's how relatively robust was the flow of inbound loaded containers in the fourteen month period starting in January 2018 (represented in gray). These were, of course, the months in which President Trump began aggressively deploying tariffs on imported goods.

Exhibit 9 **Inboard Loads at San Pedro Bay in the Plague Months**
Source: Ports of Los Angeles and Long Beach



Jock O'Connell's Commentary:

Riling the Xenophobes to Tap the Federal Fisc

"The ocean carriers and marine terminals – *which are mostly foreign-owned* – are strangling exports by denying cargo and slowing shipments." [Emphasis added.]

That's the incendiary claim lodged by the executive director of a national agricultural commodity group, who was responding to a CNBC report alleging that the shipping lines "rejected at least $1.3 billion in potential U.S. agricultural exports."

Let's set aside the fact that the CNBC report has been widely discredited by people who actually understand the rules of math and aren't merely hungry for attention-grabbing headlines. The executive editor of the *Journal of Commerce* labeled the CNBC claim as "specious," "hinged on a flawed premise," and "unhelpful" to a serious discussion of the real issues at hand.

Given the political climate in this country and the marked upswing in racially-charged incidents in recent months, we should all be seeking to discourage such xenophobic rhetoric. But it's probably only a matter of time before some hyperventilating politician stands before a television camera and tells the ocean carriers serving the nation's seaports to "go home where they came from."

Already, we have seen a flurry of letters to the Federal Maritime Commission demanding that the commission's gumshoes be loosed on those pernicious foreigners who've been abusing our American exporters, most terribly all those farmers struggling to get their produce to overseas markets.

Regrettably but predictably, none of the petitions forwarded to the FMC quite get around to acknowledging that it's the irrepressible demand of American consumers for imported merchandise that is dictating how the world's shipping containers are being deployed. Blaming the foreigner, after all, is vastly preferable to chastising fellow Americans for wanting to buy stuff no longer made in the USA.

So do we really know, apart from the scattered crumbs of anecdotes that trade associations have been scattering before a largely credulous media? Before digging into the data, let me stipulate that I am not seeking to make light of those farmers (or, perhaps more precisely, their freight-forwarders) whose shipments – for one reason or another – have literally missed the boat. What I am interested in doing is bringing some perspective to a topic currently rife with histrionic hyperbole.

So, for starters, one thing we know is that the U.S. Department of Agriculture, which employs a small army of bean counters to keep tabs on the welfare of our farmers, tells us that the global sales of U.S. farm and food products last year was not only some seven percent higher than in 2019 but was also the second highest on record. Amazingly, all that food and fiber somehow made it to customers worldwide.

Another thing we know is that that most of the nation's farm export trade does not leave U.S. seaports in containers. Seaborne exports of soybeans, wheat, and corn last year amounted to 125.14 million metric tons, valued at just over $37.17 billion. How much of that trade traveled in containers? 6.71 million metric tons, a whopping 5.4% share. **Exhibits A-C** illustrate how little of the nation's export trade in wheat, corn, and even soybeans relies on the availability of shipping containers. So it would appear that a lot of the farmland fretting about metal boxes, especially in the states growing those amber waves of grain (and soybeans) we patriotically celebrate, has been for naught.

Some of the loudest laments lately cite the plight of apple growers in Washington State, who have been insisting they are being thwarted from getting their fruit onto outbound ships. U.S. trade statistics do show that apple exports through the Ports of Seattle and Tacoma between the usual start of harvest last September through January of this year (the latest available export numbers) were down from the same period a year earlier 18.0%.

But before anyone contends that that plunge constitutes prima facie evidence of ocean carriers discriminating against apple exporters, consider **Exhibit D**, which attests to the remarkable variability of the apple export trade through the NWSA ports over the past decade.

Commentary Continued

Exhibit A U.S. Soybean Exports Containerized vs. Bulk
Source: U.S. Commerce Department

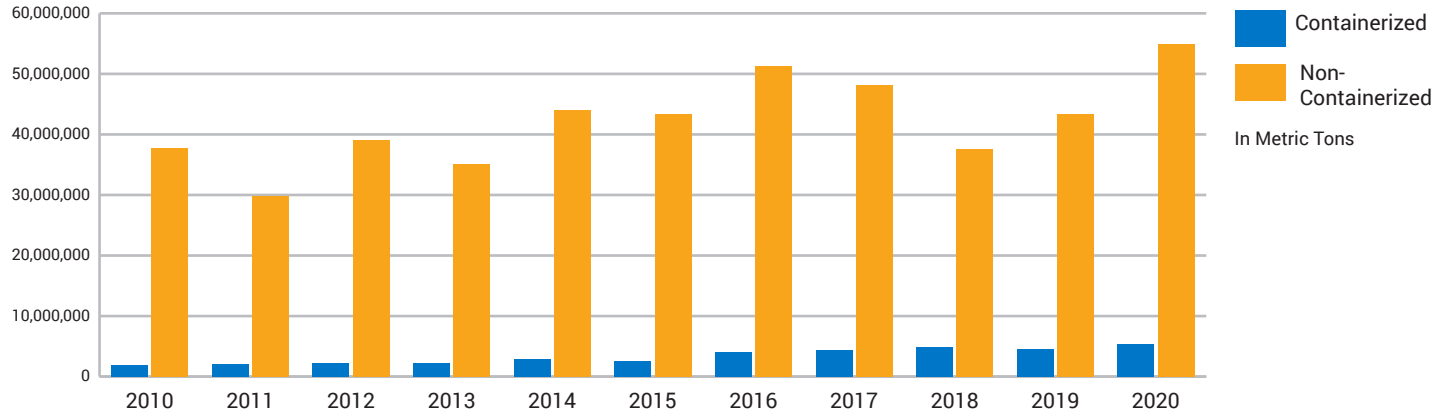


Exhibit B U.S. Wheat Exports Containerized vs. Bulk
Source: U.S. Commerce Department

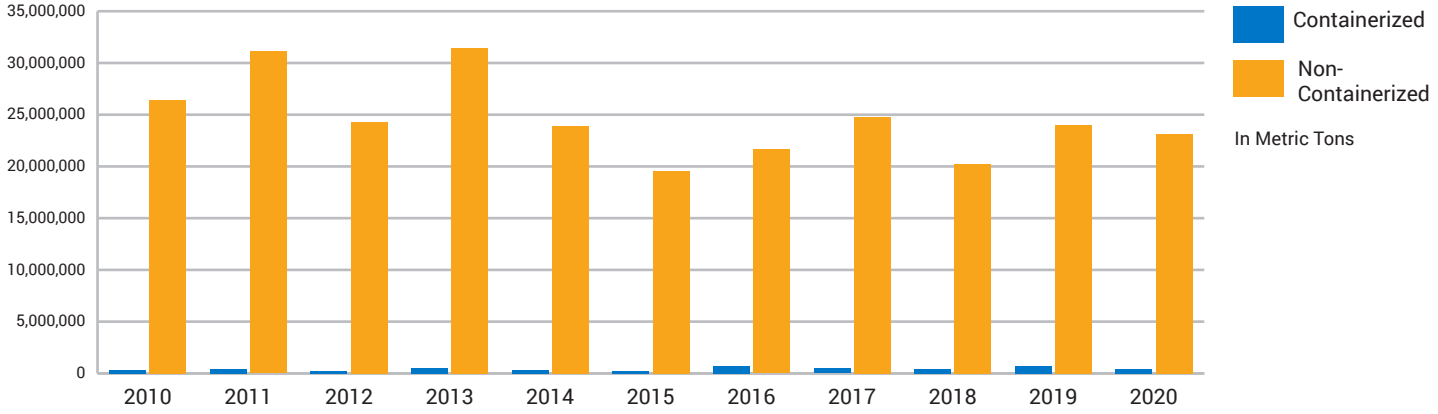
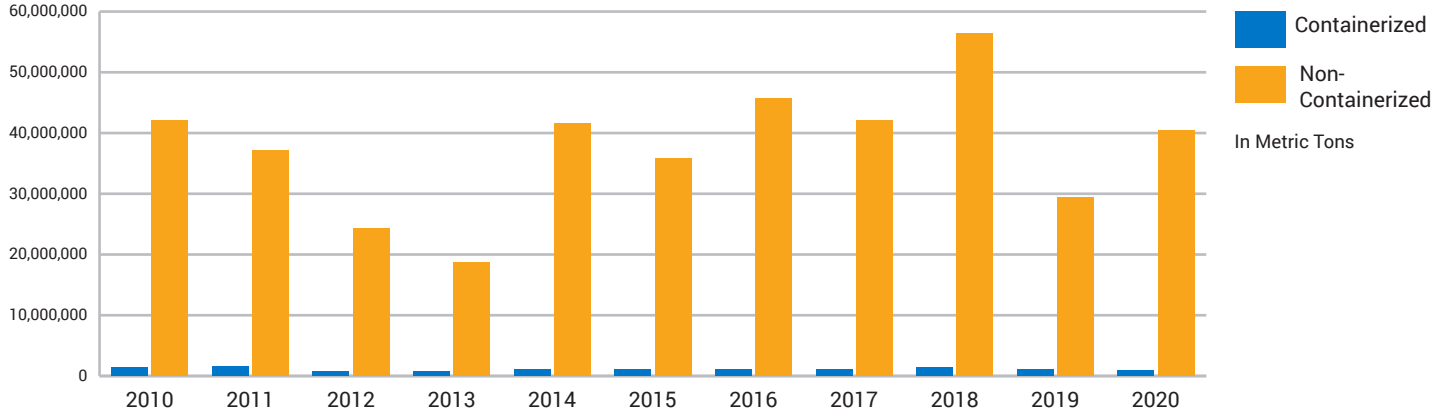


Exhibit C U.S. Corn (Maize) Exports Containerized vs. Bulk
Source: U.S. Commerce Department



Commentary Continued

As the export manager at one major exporter of Washington State apples recently told *Fresh Plaza*, a magazine covering the fresh produce industry, "overall demand this season has been slower than usual." Among other things, prices are said to be higher, which tends to suppress demand when large numbers of consumers are out of work due to pandemic lockdowns.

As for the matter of container availability, the executive pointed to a wrinkle in the eastbound transpacific trade that directly affects exporters of perishables. "In the past, dry goods would often be loaded into reefer containers to reposition them for export when they are here in the US, but reefer containers have less room than dry containers do. So, with imports being up, they are looking to ship as much product as they can and are using more dry containers so there just aren't as many reefer containers being used right now."

Let's now look at how agricultural exports have been faring in the nation's top farming state. That, of course, would be [drum roll, please] California, where total farm receipts are greater than runners-up Iowa and Nebraska combined. California is also the nation's leading exporter of agricultural products.

According to the Agricultural Issues Center at the University of California at Davis, the state's top five agricultural exports by value are almonds, pistachios, dairy products, wine, and walnuts. Together they account for just over half of the state's agricultural export trade.

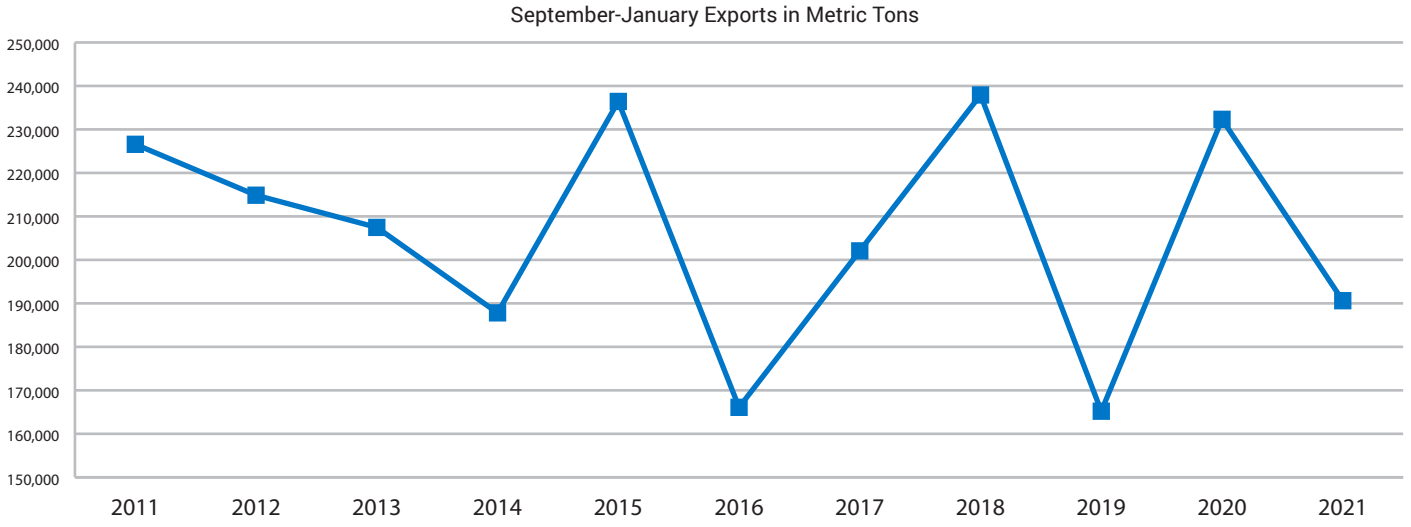
Unlike Midwestern wheat, corn, or even soybeans, California's tree nuts, dairy products, and wine are all prime candidates for containerization. So if anyone's exports are being afflicted by a conspiracy of foreign-owned shipping lines, these commodities should be prominent on the casualty list. So just how poorly have they been faring these past months of chaotic conditions at the docks?

The California Almond Board reports February exports were up 13,274 tons from a year ago, an increase of 19.3%. For the almond crop year which began last August, exports have been up 20.3%, an increase of 105,520 tons over the previous crop year.

The Administrative Committee for Pistachios reports February exports were up 788 tons from a year ago, an increase of 5.8%. For the pistachio crop year that began last September, exports have been up 32.9%, a gain of 17,437 tons from a year earlier.

The California Walnut Board reports February exports were up 6,923 tons from a year ago, an increase of 24.8%. For the Walnut Board's marketing year which started last

Exhibit D **Fresh Apple Exports Through the Ports of Seattle and Tacoma**
Source: U.S. Commerce Department



Commentary Continued

September, exports through February were up 19.2%, an increase of 54,207 tons from a year earlier.

Containerized dairy exports through California's three major ports have been up 19.2% by tonnage since the start of the import surge last July, according to official U.S. trade statistics.

Containerized exports of California wines since last July have admittedly been down 2.3% from a year earlier, but then containerized wine has been an export trade of declining volume since 2013.

So where does this leave us?

There is every expectation that the congestion crisis at U.S. ports will significantly ease in the coming months. Making permanent policy decisions based on transitory circumstances is seldom a good idea. Worse still is leveraging those circumstances to tap the federal fisc for subsidies benefiting a narrow constituency.

It's never a pretty sight to see pressure building for public policy decisions to be taken hastily on the strength of anecdotes rather than hard data. The potential for miscalculations with long-lasting consequences is all too real. Yet that seems to be where we may be heading here.

And what, we should ask, is the likelihood that aid directed to agricultural exporters won't simply push up shipping rates for all outbound containers? And where would that eventually leave shippers of low-value merchandise such as scrap paper and metal, which dearly depend on cheap outbound rates to move their containers to overseas markets?

Standing on the dock, gazing dejectedly as someone else's politically-preferred goods sail away is my guess.

Disclaimer: The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.

It's Time For A Change

By John McLaurin, President,
Pacific Merchant Shipping Association

Our supply chain is overwhelmed with cargo. At its core, there is more cargo than the system can handle. That is evident by ships that are full and sitting at anchorage, terminals which are at capacity, containers and chassis that are fully deployed, scarcity of rail equipment, lack of adequate truck assets and drivers, and full warehouses and distribution centers.

It is also something that is happening all over the world. The explosion of e-commerce is a global response to the pandemic.

The result of this cargo surge: in Southern California, marine terminals have become storage facilities rather than transit points; chassis and containers are being taken out of service and used as mobile storage facilities; ships are inadvertently being used as floating warehouses as landside storage facilities are unable to accommodate additional volumes.

Delay in one segment cascades and becomes an additional delay in other supply chain segments.

The unprecedented demand for consumer goods and industrial products shipped in containers has stressed chassis supply, truck power, berth space, terminal land and warehouse capacity resulting in many in the supply chain advocating "solutions" which only benefit the advocate but penalize everyone else and make the congestion worse.

The proposal to eliminate detention and demurrage charges is one such misguided effort. To argue that eliminating an incentive to return equipment you don't own somehow promotes equipment availability is counterintuitive. If the complaint is that there are abuses in imposition of those fees, then the established oversight of the Federal Maritime Commission is appropriate and will hopefully be based on verifiable data as opposed to scattered anecdotes.

It is time to move away from myopic, self-serving solutions and consider real change in how cargo is transported through Southern California ports. The recent surge in cargo, and speculation by some as to

It's Time for a Change Continued

whether this will be the "new normal," requires the trade community to re-evaluate our entire logistics system.

One idea for real change is to rethink the current model and move away from the "pull model" of cargo owners going to marine terminals and retrieving the cargo as desired. Could you imagine the pull system being applied to FedEx or UPS packages, relying on customers to make an appointment to pick up their own packages – when it is convenient?

Instead, the port container system should consider the "push model" that is more common with final mile delivery of goods, where the ultimate consumer is informed of when the cargo is to be delivered to a warehouse or other location. If marine terminals are truly to be transit points as opposed to a de-facto storage yard, cargo needs to move through the terminal to either its final destination or to an off-dock facility or location that is easily accessible to cargo owners.

Will it be transformative? Yes. Will it require stakeholders to come together to make it work? Yes. Would it ensure cargo moves through the ports efficiently and improve velocity? Yes. Is it necessary? Yes.

The current chassis system is also the subject of perennial complaints. Chassis availability becomes an issue whenever cargo volumes surge. There is a feeling among many that the chassis system must change, and in fact it has changed in the last decade, just not to everyone's satisfaction. Many complain that there aren't enough chassis; the fees are too high; they take up space on terminals; street dwell time is too long and chassis are often damaged, creating artificial shortages. Has the time come to move chassis to an off-dock location and/or to require a trucker/BCO to utilize their own chassis as opposed to waiting at a marine or rail terminal for a chassis to become available?

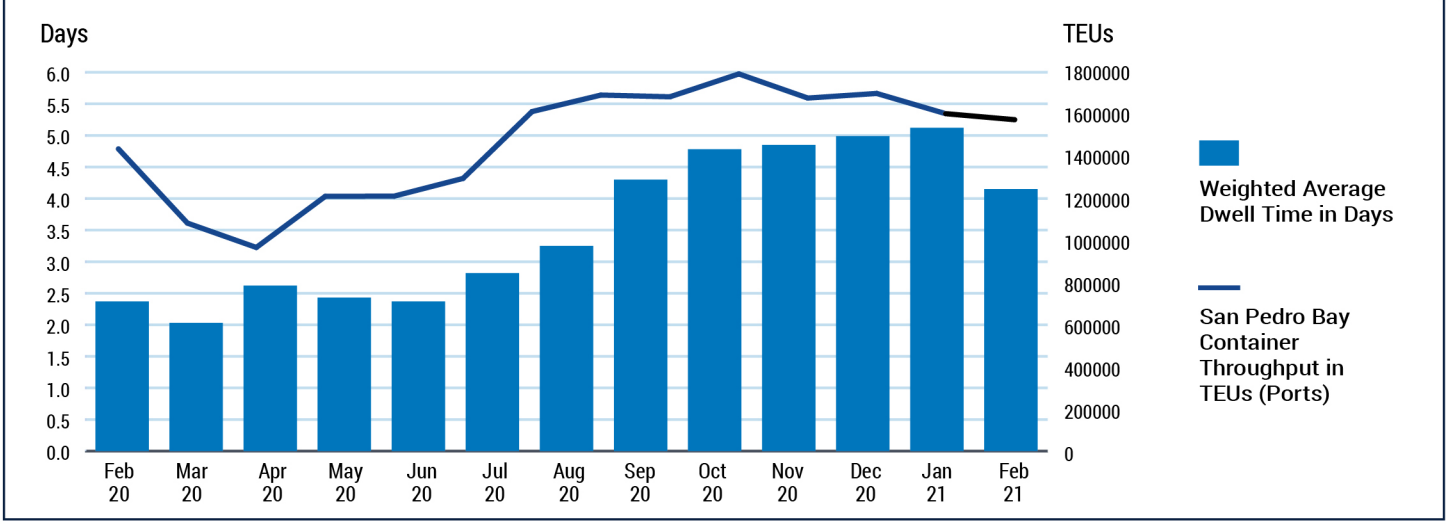
Finally, California is rapidly driving logistics to a zero-emissions future. It will bring on many changes. There will be winners and losers. For a time, due to proposed California Air Resources Board policies, there could be a reduced pool of available trucks for use in the harbor area – bringing additional challenges to other segments of the supply chain. In addition to the public policy challenges requiring a zero-emissions supply chain, the collective industry needs to discuss what the port drayage model will look like in just a few years. Whatever surfaces, it will be transformative and affect everyone in the supply chain and will require everyone to work together.

The COVID crisis is providing a preview of the challenges facing the supply chain. Let's take advantage of this opportunity and move together to a better system.

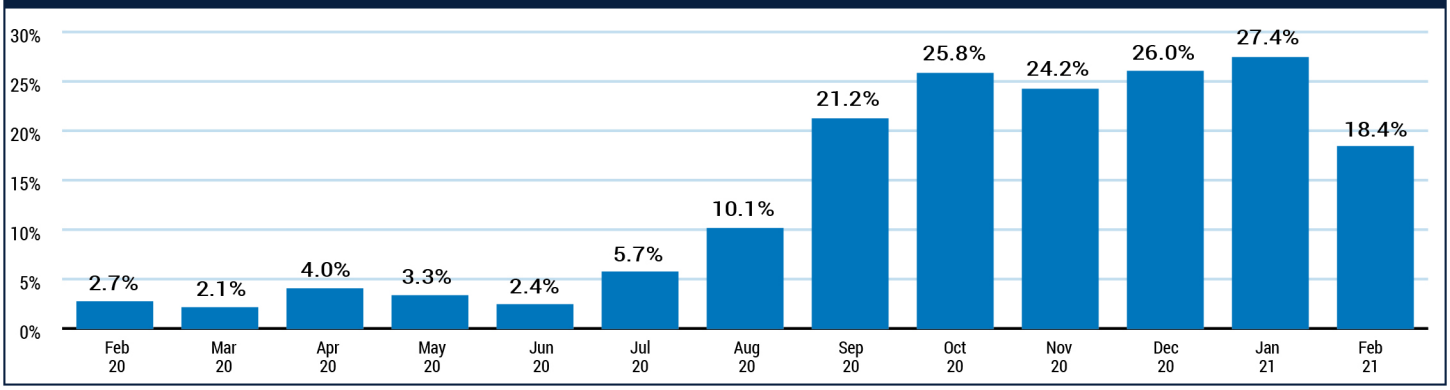
The views expressed by John McLaurin are his own and may not reflect the positions of the members of the Pacific Merchant Shipping Association.

Import Dwell Time Is Down For February; Rail Dwell Time Is Up

San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days



Rail Dwell Time in Days