PMSA

West Coast Trade Report

April 2023

March 2023 – Partial Container Tallies

As a reminder to our readers, we only cite the container volumes reported by the ports we survey, not all of which have posted their latest monthly tallies before our publication date. Unless otherwise indicated, the container numbers appearing in this report represent TEUs.

In its April 7 news release, the National Retail Federation's Global Port Tracker (GPT) projected that container import traffic in March would total 1.68 million loads, which would represent a 28.2% drop from a year earlier. Only the previous month and the months of February and March 2020 saw fewer import loads arrive at U.S. seaports, according to the GPT. A similar report from Descartes Datamyne calculates that 1,853,705 import loads arrived at U.S. ports in March, down 27.5% year-over-year but up 4.2% from March 2019. Interestingly, the latter box counter further claims that USWC ports had gained market share in March.

As for the numbers the ports themselves have so far posted covering the year's third month, inbound container traffic (319,962) tumbled sharply by 35.4% from a year earlier at the **Port of Los Angeles** but was 7.7% above the level of pre-pandemic March 2019. Outbound loads (98,276) were down 12.1% from a year earlier and off by 38.2% from March 2019. Tallying both loads and empties, total container traffic through the port in the first quarter of this year amounted to 1,837,094, down 31.5% from last year's first quarter and 16.8% below the volume handled in the first three months of 2019.

Across the street at the **Port of Long Beach**, inbounds loads (279,148) were down 34.7% from a year earlier but tracked 13.0% higher than March 2019. Outbound loads in March (133,512) were up 16.9% over a year earlier but only represented a slender 1.6% gain over March 2019. Total YTD container traffic (1,721,326) was down 30.0% from last year's first quarter and off by 4.7% from the first three months of 2019.

Collectively, the two San Pedro Bay ports saw inbound loads this March exceed those in pre-pestilent March 2019 by a full 10.1%. Outbound loads from the two ports were up 2.6% from March 2022 but were still 20.2% below March 2019.

Altogether, however, inbound loads through the five major U.S. West Coast (USWC) seaports this March were up by just 0.4% from March of 2019, while outbound loads were down by 25.0%.

The **Port of Oakland** had a historically slow month of March this year. Inbound loads (60,311) were the fewest in any previous March since 2016, while outbound loads (65,635) were the fewest for any March dating back to 2002. YTD, total container traffic through the East Bay port amounted to 503,332, down 17.8% from the first quarter of pre-pandemic 2019.

The **Northwest Seaport Alliance Ports of Tacoma and Seattle** experienced their slowest March in their joint history. Both import loads (79,264) and outbound loads (51,759) were the fewest the NWSA handled in any previous March. Inbound loads this March were down 37.2% from a year earlier and were off by 32.3% from March 2019. Outbound loads were down 5.4% year-over-year but were also 40.4% shy of the March 2019 volume. Total first quarter traffic (679,820) was also the lowest first quarter figure in the NWSA's history.

Across the border in British Columbia, the **Port of Vancouver** experienced a sluggish March. Inbound loads (115,375) were down 29.9% from a year earlier and off 11.6% from March 2019. Outbound loads (64,851) edged up 2.0% year-over-year and were down 37.3% from March 2019. Total container traffic in this year's first quarter amounted to 707,767, down 15.3% from a year earlier and down 16.0% from the first three months of 2019.

Up in the far north of British Columbia, the **Port of Prince Rupert** handled a total of 187,543 loads and empties during the year's first quarter, its lowest first-quarter since 2017. Inbound loads in March (30,556) were down 35.0% from a

Pacific Merchant Shipping Association
475 14th Street, Suite 300, Oakland, CA 94612
510-987-5000 info@pmsaship.com

March Tallies Continued

year earlier and 29.1% below the number of inbound loads the port handled in March 2019. Outbound loads (14,848), while up by 16.3% year-over-year, were down 16.7% from March 2019.

Along the East Coast, the **Port of Virginia** recorded 105,315 inbound loads in March, 29.3% fewer than in the preceding March but down only 1.6% from March 2019. Outbound loads in March (100,473) were up 4.9% from a year earlier and up 12.5% over March 2019. Total container traffic YTD (794,162) was down 9.0% from last year but up 12.1% over the first quarter of 2019.

Further down the Atlantic Coast, the **Port of Charleston** handled 91,694 inbound loads in March, down 30.6% from a year earlier and down slightly (-1.3%) from March 2019. Outbound loads (59,771) slipped by 13.4% year-over-year, representing a 23.1% drop from March 2019. First quarter total container traffic at the South Carolina gateway (609,741) was down 15.5% from the same period last year but up 2.0% from the first quarter of 2019.

Inbound loads (170,295) in March at the **Port of Savannah** were down 19.4% from a year earlier but also down 8.6% from March 2019. Outbound loads (118,101), while up 8.0% year-over-year, were down 23.8% from March 2019.Total YTD container traffic at the Georgia gateway (1,184,387) was down 14.3% from last year's first quarter but up 2.8% over the first three months of 2019.

"The lack of suitable port infrastructure is a critical, unaddressed barrier to launching a floating offshore wind industry that is California based, especially for deployment off the central coast of California."

The top three sites to develop a staging and integration site for the development of offshore wind include the following cost estimates:

Port San Luis - $2.4 billion
China Harbor - $2.2 billion
Gato Canyon - $2.5 billion

The build out of a staging and integration site at these three sites is estimated to take "...at least 10-15 years..."

Source: California State Lands Commission; Alternative Port Assessment To Support Offshore Wind; Final Assessment Report

For the Record: Complete February 2023 TEU Numbers

Exhibits 1-3 provide the details on inbound and outbound loads as well as total container traffic (loads plus empties) through the North American ports this newsletter surveys.

Perhaps the most interesting numbers are those that attest to the provisional status of the **Port of New York/New Jersey** (PNYNJ) as America's busiest container port. Through the first two months of the year, PNYNJ moved 2,747 more containers than the **Port of Los Angeles** and 99,159 more than the **Port of Long Beach**, the nation's third busiest container port. The two big Southern California ports jointly handled 1,114,701 more containers than did their chief East Coast rival. From the perspective of the San Pedro Bay maritime gateways, the most worrisome bit of data is that, compared with the pre-pandemic February of 2019, total container traffic through PNYNJ edged up by 0.7%, while the combined volume through LA and Long Beach plunged by 17.1%.

Even more worrisome is that the volume of container traffic through the Southern California ports had already been waning before 2019. When compared to February 2018, inbound traffic this February was down by 30.5% or 220,960 loads. Similarly, outbound loads this February were down 33.0% from the same month five years earlier, a fall-

Exhibit 1 February 2023 - Inbound Loaded TEUs at Selected Ports

	Feb 2023	Feb 2022	Feb 2021	Feb 2020	Feb 2019	2023/2019 % Change
Los Angeles	249,407	424,073	412,884	270,025	348,316	-28.4%
Long Beach	254,970	390,335	373,746	248,592	302,865	-15.8%
San Pedro Bay Totals	**504,377**	**814,408**	**786,630**	**518,617**	**651,181**	**-22.5%**
Oakland	58,073	85,286	80,199	63,568	69,977	-17.0%
NWSA	83,104	125,851	103,648	91,660	99,669	-16.6%
Hueneme	11,214	11,921	7,005	5,085	4,696	138.8%
San Diego	6,056	6,496	6,274	5,988	6,036	0.3%
USWC Totals	**662,824**	**1,043,962**	**983,756**	**684,918**	**831,559**	**-20.3%**
Boston	7,475	4,400	5,281	11,622	12,057	-38.0%
NYNJ	288,314	385,539	334,176	300,445	295,523	-2.4%
Maryland	39,893	41,573	38,565	36,870	42,287	-5.7%
Virginia	108,808	143,476	110,274	97,559	105,357	3.3%
S. Carolina	93,780	119,582	81,899	88,178	77,667	20.7%
Georgia	184,189	220,398	189,677	170,007	149,685	23.1%
Jaxport	21,005	21,803	22,430	26,128	25,702	-18.3%
Miami	36,196	43,939	41,512	37,556	38,690	-6.4%
USEC Totals	**779,660**	**980,710**	**823,814**	**768,365**	**746,968**	**4.4%**
New Orleans	9,452	6,692	10,396	9,395	7,393	27.9%
Houston	141,946	125,965	92,434	89,923	86,953	63.2%
USGC Totals	**151,398**	**132,657**	**102,830**	**99,318**	**94,346**	**60.5%**
Vancouver	123,981	135,035	146,659	114,201	129,494	-4.3%
Prince Rupert	23,244	39,551	37,928	55,753	34,758	-33.1%
British Columbia Totals	**147,225**	**174,586**	**184,587**	**169,954**	**164,252**	**-10.4%**

Source Individual Ports

February 2023 TEU Numbers Continued

off of 95,184 outbound loads. Adding loads and empties, the total container flow through San Pedro Bay fell off by 522,101 between February 2018 and February 2023, a decline of 18.3%.

Looking just at the Port of Los Angeles, inbound loads (249,407) in February were the fewest in any previous February since 2009, when the nation was emerging from the Great Recession. Outbound loads (82,404) were meanwhile the fewest in any February since 2001. As an example of how much the dynamics of exporting through America's Port™ has changed over the past decade, the port actually moved almost exactly twice as many outbound loads (164,725) in February 2012 than it shipped this February. YTD, total container traffic (loads plus empties) amounted to 1,213,860, down 22.1% from February 2019.

February at the Port of Long Beach was only slightly less discouraging. Inbound loads (254,970) were not only down 34.7% from a year earlier, they were also 15.8% below the number of inbound loads the port had handled in pre-pandemic February 2019. Outbound loads (110,919) were down 5.9% year-over-year, but up 5.3% from the same month four years earlier before COVID emerged to crash maritime trade flows. Total container traffic so far this year

Exhibit 2 February 2023 - Outbound Loaded TEUs at Selected Ports

	Feb 2023	Feb 2022	Feb 2021	Feb 2020	Feb 2019	2023/2019 % Change
Los Angeles	82,404	95,441	101,208	134,469	142,555	-42.2%
Long Beach	110,919	117,935	119,416	125,559	105,287	5.3%
San Pedro Bay Totals	**193,323**	**213,376**	**220,624**	**260,028**	**247,842**	**-22.0%**
Oakland	55,741	62,334	69,525	78,280	67,837	-17.8%
NWSA	45,716	45,855	60,525	68,553	65,610	-30.3%
Hueneme	1,720	3,348	1,751	1,271	1,174	46.5%
San Diego	740	1,050	400	268	164	351.2%
USWC Totals	**297,240**	**325,963**	**352,825**	**408,400**	**382,627**	**-22.3%**
Boston	4,386	2,991	4,174	5,767	5,858	-25.1%
NYNJ	98,692	103,782	94,698	113,801	113,358	-12.9%
Maryland	20,126	23,697	19,564	20,049	18,556	8.5%
Virginia	96,399	88,582	87,466	80,834	76,642	25.8%
S. Carolina	61,448	54,755	67,411	74,235	62,086	-1.0%
Georgia	110,772	103,690	111,045	125,953	105,260	5.2%
Jaxport	40,896	41,846	43,408	38,451	38,837	5.3%
Miami	22,362	25,811	26,020	34,043	38,947	-42.6%
USEC Totals	**455,081**	**445,154**	**453,786**	**493,133**	**459,544**	**-1.0%**
New Orleans	18,999	16,297	23,160	24,417	18,718	1.5%
Houston	116,265	82,079	79,840	110,854	86,460	34.5%
USGC Totals	**135,264**	**98,376**	**103,000**	**135,271**	**105,178**	**28.6%**
Vancouver	66,575	53,058	74,109	84,918	92,869	-28.3%
Prince Rupert	8,406	12,563	12,130	19,380	11,677	-28.0%
British Columbia Totals	**74,981**	**65,621**	**86,239**	**104,298**	**104,546**	**-28.3%**

Source Individual Ports

February 2023 TEU Numbers Continued

(1,117,448) was down 10.9% from February 2019.

Setting aside February 2015, when labor strife hampered container traffic up and down the West Coast, this February was the slowest February in over a decade at the **Port of Oakland**. The 58,073 inbound loads that passed through the port this February were the fewest since February 2012, while the port's 55,741 outbound loads were the fewest of any February since 2002. Total container traffic YTD (333,065) was the lowest volume in the first two months of any year since 2010.

In the Pacific Northwest, the **Northwest Seaport Alliance Ports of Tacoma and Seattle** handled 83,104 inbound loads in February, down 34.0% from a year earlier and down 16.6% from the pre-pandemic February of 2019. Outbound loads (45,716) were off by just 0.3% year-over-year but were still down 30.3% from February 2019. Total traffic through the two ports (438,842) was down 23.1% y/y and down 16.4% from February 2019.

Across the border in British Columbia, February at the **Port of Vancouver** was rather less languid. Inbound loads (123,981) fell by 8.2% year-over-year, while also 4.3% shy of the number of inbound loads the port handled in February 2019. Outbound loads (66,575) jumped 25.5% from a year

Exhibit 3 February 2023 - YTD Total TEUs

	Feb 2023	Feb 2022	Feb 2021	Feb 2020	Feb 2019	2023/2019 % Change
NYNJ	1,216,607	1,524,298	1,346,404	1,196,148	1,207,747	0.7%
Los Angeles	1,213,860	1,723,359	1,634,831	1,350,181	1,557,757	-22.1%
Long Beach	1,117,448	1,597,503	1,535,741	1,165,257	1,253,902	-10.9%
Georgia	816,507	937,126	850,412	742,076	742,121	10.0%
Houston	633,442	594,826	453,802	524,247	413,446	53.2%
Virginia	545,346	558,221	519,495	435,050	468,262	16.5%
Vancouver	480,915	505,148	600,705	497,159	573,358	-16.1%
NWSA	438,842	570,327	557,403	524,748	595,461	-26.3%
South Carolina	416,657	456,935	398,534	408,234	383,820	8.6%
Oakland	333,065	387,593	389,587	391,476	398,178	-16.4%
Montreal	238,420	264,687	263,328	263,251	258,773	-7.9%
JaxPort	195,375	199,159	224,480	209,258	220,934	-11.6%
Maryland	184,607	158,678	166,626	169,402	170,176	8.5%
Miami	181,878	196,791	206,189	189,528	187,852	-3.2%
Port Everglades	n/a	181,025	170,852	176,285	171,992	n/a
Prince Rupert	124,142	155,202	171,120	181,827	161,848	-23.3%
Philadelphia	122,468	118,467	103,267	108,100	94,347	29.8%
Mobile	n/a	94,109	75,473	69,785	59,249	n/a
New Orleans	75,883	67,190	85,356	103,531	89,593	-15.3%
Hueneme	45,923	45,005	35,100	32,412	21,542	113.2%
Boston	35,904	36,404	34,607	48,801	47,833	-24.9%
Portland, Oregon	24,288	21,392	11,739	5,072	20	∞

Source Individual Ports

February 2023 TEU Numbers Continued

earlier but were still 28.3% below the volume reported in February 2019. Total container traffic (480,915) was off by 4.8% from a year earlier and down 16.1% from the total volume recorded in February 2019.

The **Port of Prince Rupert** reported 23,244 inbound loads in February, the fewest it has handled in any February since 2014. Outbound loads (8,406) were the least the port has handled in any month on record except for November 2021, when a series of storms battered the port. The northern British Columbia gateway saw its meagerest volume of container traffic (124,142) in the first two months of any year since 2017.

Back along the Atlantic Seaboard, the **Port of New York/ New Jersey** topped all other U.S. ports in February in terms of inbound loads and total traffic through this year's first two months. Its 288,314 inbound loads beat out the Port of Long Beach (254,970) and the Port of Los Angeles (249,407). Its outbound trade (98,692 loads) put it in fourth place nationally, behind the Port of Houston (116,265), Long Beach (110,919), and Savannah (110,772). PNYNJ was also the nation's busiest container port through the first two months of this year, with 1,213,860 total of loads and empties, just edging out the Port of LA's 1,213,860.

At the **Port of Virginia**, inbound loads in February (108,808) plunged 24.2% from a year earlier but were still up 3.3% over February 2019. Outbound loads (96,399) rose 8.8% over the previous year and were 25.8% higher than the outbound volume the port handled in February 2019. Through the first two months of this year, the port processed 16.5% more loads and empties than it had four years ago.

Down the Atlantic coast, the **Port of Charleston** handled 93,780 inbound loads in February, a year-over-year fall-off of 21.6%. Still, that was 20.7% higher than the number of inbound loads seen in February 2019. Outbound loads, meanwhile, rose by 12.2% to 61,448 year-over-year but were down 1.0% from the last pre-pandemic February. Total container moves through the South Carolina gateway so far this year (416,657) represented an 8.8% drop from a year earlier but an 8.6% gain over February 2019.

The **Port of Savannah** handled 184,189 inbound loads in February, a y/y fall-off of 16.4%. But that still represented a 23.1% gain over the 149,685 inbound loads the Georgia port had handled back in February 2019. Outbound loads (110,772) were up 6.8% from a year earlier and 5.2% ahead of the February 2019 tally. Total container traffic YTD (816,507) was down 12.9% from the preceding year but up 10.0% from the first two months of pre-pandemic 2019.

Along the Gulf Coast, the **Port of Houston** again bucked the trend of year-over-year declines by posting a 12.7% increase in inbound loads (to 141,946) over the preceding February. That also constituted a robust 63.2% jump over the number of inbound loads the Texas port had handled in the pre-pandemic February of 2019. Outbound loads in February (116,265) were up 41.7% from a year earlier and up 34.5% over February 2019. Total TEU traffic in the first two months of the year amounted to 633,442, a 6.5% gain year-over-year and a 53.2% increase over the same period in 2019.

In its April 7 press release, the National Retail Federation reported that February 2023 import loads totaled 1.55 million TEUs at the thirteen U.S. ports monitored by the Global Port Tracker. That was down 14.4% from January and down 26.8% year-over-year. It was also the lowest import volume since the COVID-19 pandemic crashed global trade in February and March 2020.

Weights and Values

Here we offer an alternative to the customary TEU metric for gauging containerized trade. The percentages in **Exhibits 4 and 5** represent U.S. West Coast shares of the box trade through mainland U.S. ports. They are derived from data compiled by the U.S. Commerce Department from documentation submitted by the importers/exporters of record. Both exhibits provide ongoing evidence of the diminishing role West Coast ports have generally been playing in handling the nation's containerized trade, especially with respect to shipments arriving from East Asia.

Prior to the onset of the COVID-19 pandemic in early 2020, the USWC share of the volume of all containerized import tonnage arriving at mainland U.S. ports was normally significantly higher than this February's 31.3% share. In February 2019, for example, America's Pacific Coast ports accounted for 38.7% of containerized import tonnage. But a year before that, the USWC share was even higher at 40.3%. Over the past twelve months, the decline has been

February 2023 TEU Numbers Continued

Exhibit 4 — Major USWC Ports Shares of U.S. Mainland Ports Worldwide Container Trade, February 2023

	Feb 2023	Jan 2023	Feb 2022
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**31.3%**	**31.8%**	**37.1%**
LA/LB	21.7%	23.3%	26.6%
Oakland	3.5%	3.1%	3.5%
NWSA	3.8%	3.5%	5.0%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**37.3%**	**38.0%**	**42.7%**
LA/LB	28.1%	30.0%	32.9%
Oakland	2.8%	2.6%	3.1%
NWSA	5.1%	4.3%	5.4%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**31.5%**	**30.8%**	**34.3%**
LA/LB	19.2%	18.3%	19.9%
Oakland	5.5%	5.3%	6.8%
NWSA	5.9%	5.4%	5.8%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**25.8%**	**26.7%**	**28.1%**
LA/LB	16.2%	17.2%	16.9%
Oakland	5.6%	5.4%	6.9%
NWSA	3.2%	3.2%	3.2%

Source: U.S. Commerce Department.

Exhibit 5 — Major USWC Ports Shares of U.S. Mainland Ports Containerized Trade with East Asia, February 2023

	Feb 2023	Jan 2023	Feb 2022
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**49.8%**	**50.1%**	**55.5%**
LA/LB	36.8%	39.6%	41.7%
Oakland	4.6%	3.8%	4.6%
NWSA	6.4%	5.6%	7.9%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**57.4%**	**57.1%**	**60.1%**
LA/LB	44.3%	46.4%	47.0%
Oakland	3.6%	3.1%	3.9%
NWSA	8.1%	6.6%	7.8%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**51.8%**	**49.1%**	**57.6%**
LA/LB	32.6%	29.8%	35.9%
Oakland	7.8%	7.5%	10.0%
NWSA	10.2%	8.8%	10.7%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**53.8%**	**54.1%**	**56.4%**
LA/LB	34.0%	35.4%	35.9%
Oakland	10.7%	9.6%	12.0%
NWSA	7.6%	7.1%	7.8%

Source: U.S. Commerce Department.

February 2023 TEU Numbers Continued

Exhibit 6

Five Years of Inbound Loads at LA, Long Beach, and PNYNJ

Source: Individual Ports

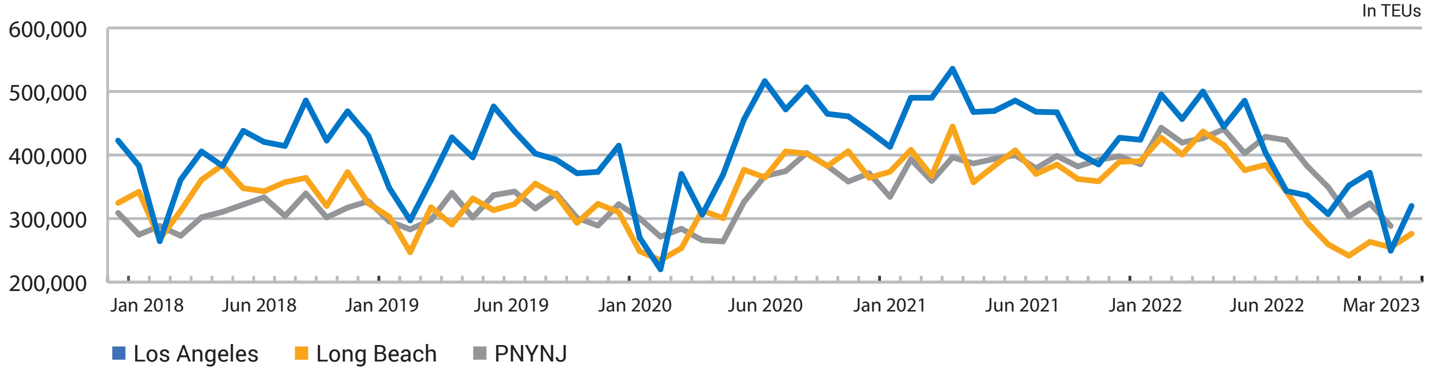
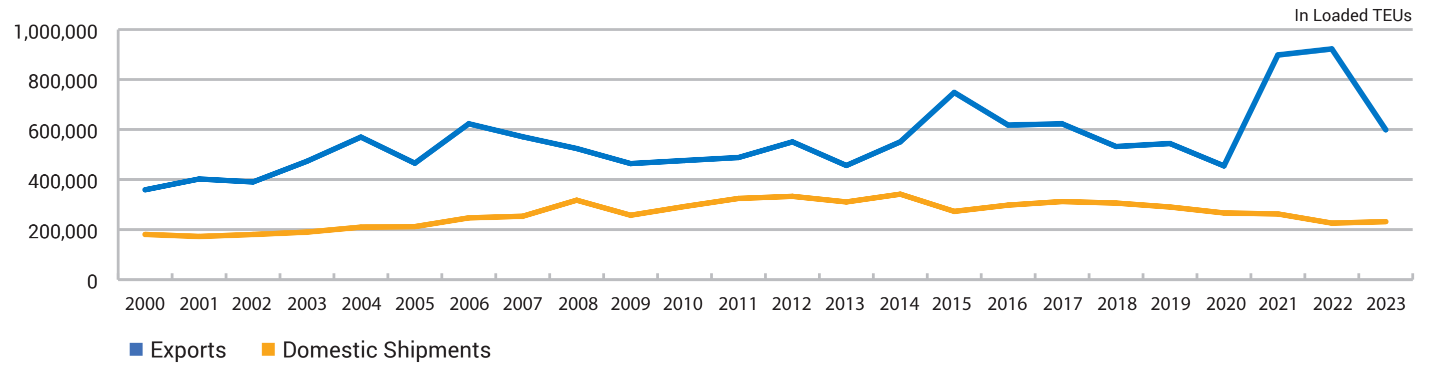


Exhibit 7

A Century of March Container Trade at San Pedro Bay

Source: Ports of Los Angeles and Long Beach



especially abrupt, most notably at the San Pedro Bay ports, whose combined share of the import trade fell to 21.7% this February from 26.6% a year earlier.

In pre-pandemic February 2019, the USWC share of containerized import tonnage from East Asia stood at 56.9%, with the two San Pedro Bay ports accounting for a 43.5% share. Oakland (4.2%) and the NWSA (8.2%) also handled a larger portion of the trade than they did this February. Looking back a bit further, February 2018 saw the USWC ports handle 59.1% of the import trade from East Asia, while Los Angeles and Long Beach combined for a 46.6% slice of the trade. Despite the massive number of import containers USWC ports have handled during the pandemic, market share has clearly eroded.

The Top Three U.S. Container Ports

As **Exhibit 6** reveals, the number of inbound loads through the nation's three busiest container ports has been trending lower since last spring. To be sure, the very latest numbers do indicate an uptick but not one expected to be replicated over the next couple of months. What's interesting is how the three ports have been jockeying for top position.

February 2023 TEU Numbers Continued

The Month of March at San Pedro Bay

Exhibit 7 depicts loaded container traffic through the two San Pedro Bay ports in every March since the turn of the century. Inbound volumes have clearly risen. This March's total of inbound loads (599,110) represented a 66.8% bump over the 359,171 inbound loads the two ports handled in March 2000. But it's been a very uneven journey. March inbound loads peaked last year at 922,476. And even though this March saw a sharp drop from a year earlier, outbound loads this March represented a 10.1% gain over March 2019.

Combined outbound loads this March (231,788) did tick up 2.6% from last March but otherwise were the fewest in any other March since 2005. Since the onset of the pandemic, Long Beach has consistently out-exported its neighbor in terms of loaded containers, while Los Angeles has had the edge in shipping empty containers.

The peak March for outbound loads was in 2014, when the Ports of LA and Long Beach combined to send 341,709 loads overseas. Until this March, each March since 2017 saw fewer outbound loads leave San Pedro Bay than in the preceding March.

Mixed News on Nut Exports

The Almond Board of California reports that exports in the month of March were up 24.0% from a year earlier. This came after February's exports rose 29.7% year-over-year. For the current crop year (which began last August 1), almond exports have been up 12.4%. By contrast, domestic shipments have been down 5.8%. In the eight months of the current crop year, exports accounted for 69.3% of all shipments. Exports to South/Central Asia, Australia-New Zealand, and East Asia accounted for 29.5% of all exports, while an even larger 32.4% share of exports went to Europe.

California's #2 agricultural export, pistachios, is also enjoying robust export sales, with overseas shipments in March up 60.9% from a year earlier, according to the committee that administers the federal marketing order for pistachios. But the California Walnut Board reports that walnut exports were down 10.9% from March 2022, owing largely to a fall-off in shipments to Europe.

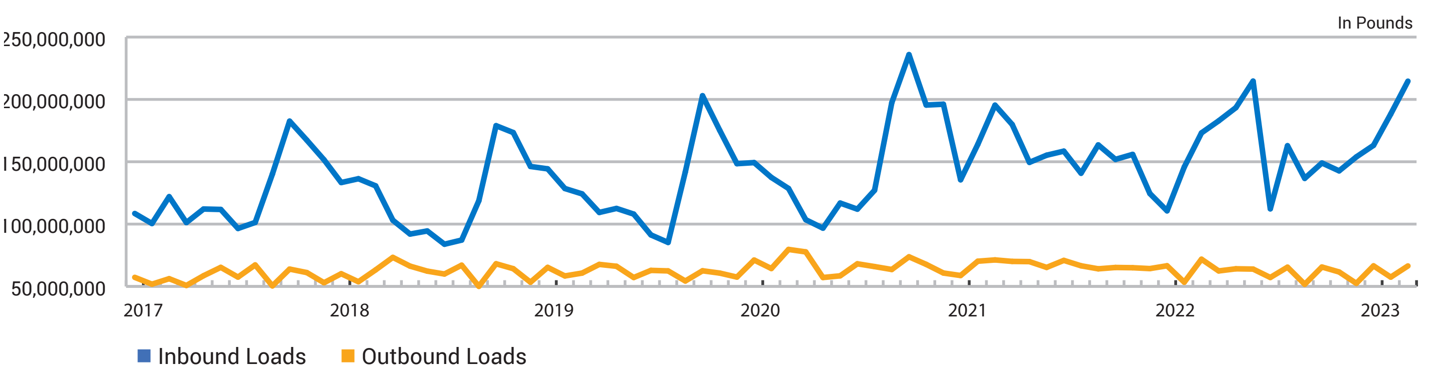
We will be sure to keep a close eye on exports of agricultural produce as flood waters recede and normal farming operations resume this spring and summer.

Speaking of Almonds

The Almond Board of California has been especially vocal in complaining of allegedly unfair or discriminatory shipping practices that have penalized agricultural exporters since the outbreak of the COVID pandemic. One issue we have in interpreting these charges is that the almond trade is historically spasmodic, with dramatic peaks and troughs throughout the typical year, as **Exhibit**

Exhibit 8 **Almond Exports vs. Domestic Shipments**

Source: Almond Board of California



February 2023 TEU Numbers Continued

8 shows. While we will stipulate that agricultural exports may have been impeded by the urgent need to return empty containers to meet the imperatives of America's thirst for imported goods from East Asia, we can't help but wonder what logistical impediments have long plagued the industry's ability to expand its domestic shipments.

Back in 1986, Blue Diamond Almonds, the huge Sacramento-based grower cooperative, launched a television ad featuring actual almond growers imploring Americans to buy "A Can a Week, That's All We Ask". Perhaps it worked for a while. Since 2017, however, the almond industry's peak month for domestic shipments came back in March 2020. Domestic shipments in March of this year were below the volumes reported in the same month in 2022, 2021, and 2020. Exports, however, have never seen a better March.

Well, It Was a "Low-Ice" Year

Around this time each year, while residents living along the western shore of Lake Superior in Minnesota anticipate the first sightings of songbirds from the south, they actually hold a major festival to commemorate the arrival of the first "saltie" or oceangoing vessel of the shipping season at the **Port of Duluth-Superior**. There's even a contest in which entrants predict the specific day and precise time the first incoming saltie passes beneath Duluth's Aerial Lift Bridge and enters its harbor. The prize package is said to include luxurious accommodations, delicious meals, and tickets to area attractions.

According to the *Duluth News Tribune*, the earliest an oceangoing vessel ever arrived at the port was on March 30. That was in 2013, a year before the record was set for the latest arrival (May 7). This year, the St. Lawrence Seaway, which connects the Great Lakes to the Atlantic Ocean, reopened on March 22. The Soo Locks, which connect Lake Superior to Lake Huron and the rest of the Great Lakes, opened three days later.

This year's winner established a new record. The 656-foot *Federal Dart* arrived on March 28 at 3:30pm, carrying 23,000 short tons of Turkish cement. The ship had sailed from Akcansa, Turkey on March 3 and, after a brief port call at Algeciras in Spain, crossed the Atlantic and entered the St. Lawrence River.

Its record-setting early arrival at Duluth was facilitated, according to the National Oceanic and Atmospheric Administration, by the fact this has been a "low-ice" year, with just 4.9% of the Great Lakes covered with ice in contrast to 25% a year ago. More intriguing for climatologists is that Lake Superior's average ice cover had declined from nearly 80% in 1973 to just over 40% in 2020, according to the U.S. National Ice Center and the Canadian Ice Service. Presumably, neither agency has had much of a popular following in Southern California…until maybe the past few snowy months.

Jock O'Connell's Commentary:

Containerized Exports: Nothing to See Here?

The maritime industry's more celebrated box counters can't, it seems, be bothered to pay much heed to exports. The containerized trade statistics most commonly cited in the nation's media are arguably those contained in the monthly Global Port Tracker published by the National Retail Federation (NRF) in collaboration with Hackett Associates. Admittedly, it's not the fault of the NRF that these reports only cover imports. The NRF, after all, has no compelling reason to commission the routine collection of data on America's maritime export trade. Still, the Global Port Tracker numbers are dutifully reported by the media, notably by the venerable *Journal of Commerce* and the even more venerable *Wall Street Journal*. By contrast, were it not for the occasional airing of grievances by organizations like the Agricultural Transportation Coalition, the general public and their elected representatives might not have heard much about America's containerized export trade. The more uncharitable among them might even come to believe that outbound loads are little more than ballast about which the less said the better.

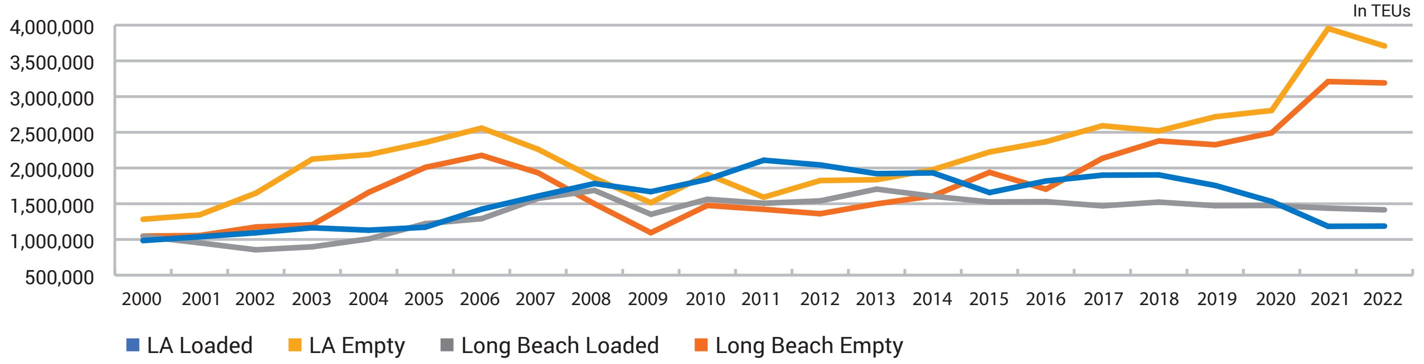
Yet, that's not an entirely unfair conclusion. Apart from agricultural produce, the mainstay of America's containerized export trade has long been our detritus or, more benignly, recyclables in the form of scrap paper, metal, plastics, and used clothing. Not exactly the kinds of things a wealthy, technologically sophisticated country likes to brag about. It's also the case that the numbers of loaded export containers are not only overshadowed by the volume of import loads, they have also been dwarfed in recent years by the numbers of outbound empties sailing from U.S. ports. As **Exhibit A** amply testifies, empties have dominated outbound container traffic for several years now at America's largest maritime gateway, the Ports of Los Angeles and Long Beach.

A History of Diminishing Container Exports

But it's not just at the two Southern California ports where the nation's containerized export trade has lately been waning. The number of outbound loaded TEUs from the five major U.S. West Coast ports peaked a decade ago. The Port of Los Angeles topped out at 2,109,394 outbound loads in 2011, while the Ports of Long Beach and Oakland both crested in 2013 at 1,704,924 and 1,014,786, respectively. The Northwest Seaport Alliance Ports of Tacoma and Seattle began reporting their joint numbers in 2013 and saw their outbound loads peak in 2016 at 984,481 TEUs. Compared with their highest years for outbound loads, traffic last year at LA was down 43.7%, 17.0% at Long Beach, and 25.0% at Oakland. See **Exhibit B**.

Exhibit A San Pedro Bay: Outbound Loads vs. Outbound Empties

Sources: Ports of Los Angeles and Long Beach



Commentary Continued

Exhibit B

Outbound Loads from Major U.S. West Coast Ports

Sources: Individual Ports

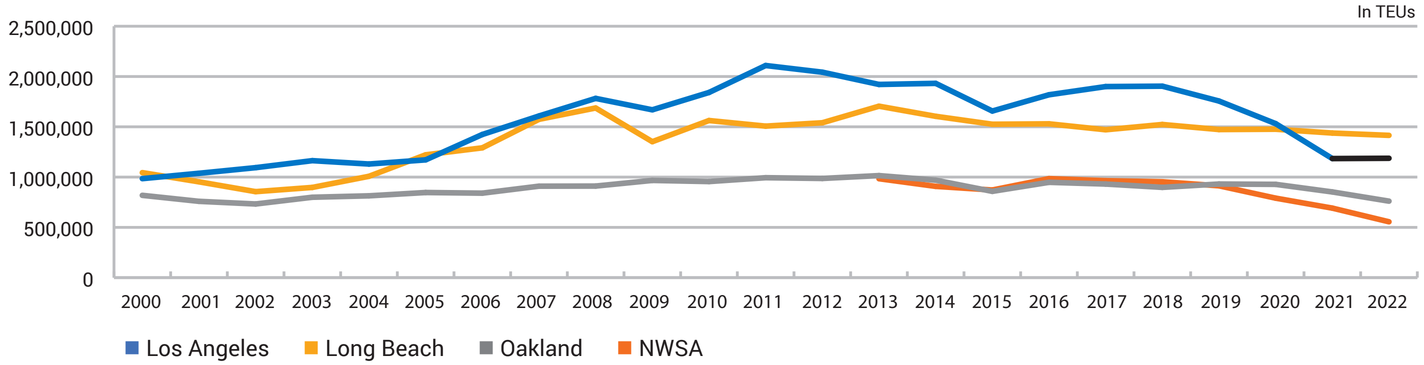
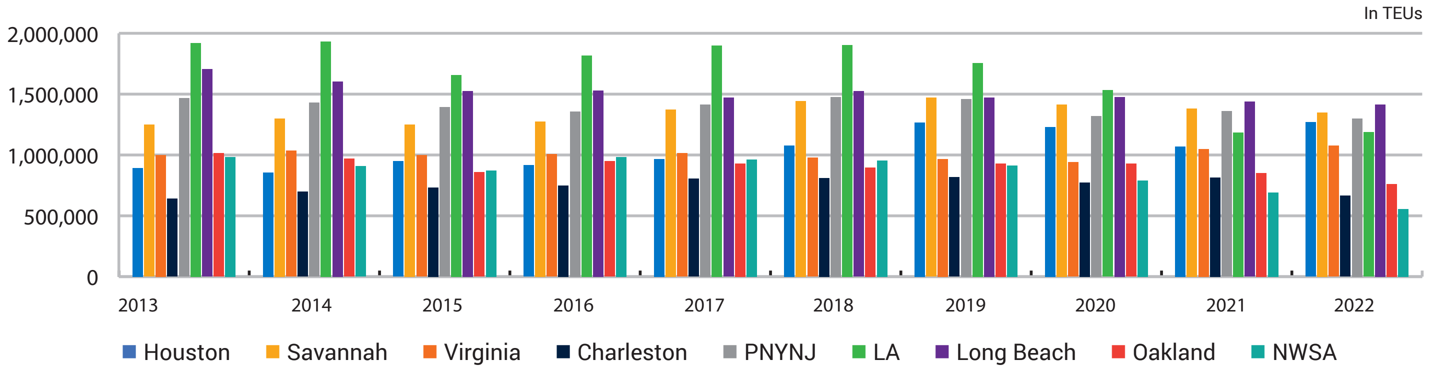


Exhibit C

Outbound Loads from Major U.S. Ports

Source: Individual Ports' Webpages



Lest anyone think the decline in containerized exporting is merely a Left Coast phenomenon, consider **Exhibit C**, which charts the volume of outbound loads at the nation's ten largest container ports over the past decade. Among all of these ports, outbound loads dropped by 13.4% between their peak in 2018 and last year.

Over on the East Coast, outbound loads at the Port of New York/New Jersey peaked, as far as the available data indicate, in 2011 at 1,621,264 TEUs. (Data on the Port Authority's website distinguishing loaded from empty containers began that year.) Last year's trade in outbound loads (1,299,070) was down 19.9% from the presumed peak.

The peak years for outbound loads at other major U.S. ports have been much more recent. Indeed, both the Ports of Houston and Virginia had their best years last year, while the Ports of Savannah and Charleston peaked in 2019. Presumably, the steadily larger shares of the nation's containerized import trade that have been driven to Atlantic and Gulf Coast ports in recent years helped regional exporters by providing more empty containers to fill, more slots on departing vessels, and shipping rates that were more attractive than when the ports were much less busy.

Generally, one of the standard explanations for the overall decline in outbound loads is that our trading partners

Commentary Continued

have gradually grown less indulgent about the quality of our exports of waste and scrap. China, for example, erected barriers in 2013 (“Green Fence Policy”), in 2017 (“National Sword Policy”), and in 2018 (“Blue Sky Policy”) that denied U.S. exporters the ability to, for example, ship containers filled with old pizza boxes, many still featuring bits of mozzarella and pepperoni. Accordingly, China’s share of U.S. containerized exports of waste and scrap paper (HS 4707) collapsed from 74.4% in 2016 to 2.8% last year. Worldwide, our containerized waste and scrap paper export trade has fallen 28.0% in tonnage terms since peaking in 2018. Similar restrictions were imposed on plastics and ferrous waste. Further, as their own economies have developed, China and a host of emerging economies like Thailand, Indonesia, Vietnam, Malaysia, and India have become more self-sustaining in fulfilling their own demand for recyclable materials. The cumulative impact of a more finicky world is likely to drag down a major segment of our containerized export trade. According to the latest “State of Disposal and Recycling in California” report from CalRecycle, the relevant state agency: “recyclable materials accounted for 23 percent of the 58 million tons of all material exported from California” in 2020.

One thing not mentioned in the CalRecycle report, or indeed in the relatively few media references to the nation’s containerized export trade, is the cost of shipping. This may be one of those cases where warnings to update your software go ignored. Waterfront lore has long maintained that containerized export loads are little more than the dependent stepchildren of the containerized import trade. More specifically, it’s the rates paid by those shipping enormous volumes of import loads that largely finance transoceanic sailings. Outbound loads are thus valued more as necessary ballast than as a significant revenue source.

Yet, the upside of being commercially disparaged has usually been much cheaper cargo rates. This, in turn, eventually leads to questions about the sustainability of shipping low-margin goods abroad if outbound shipping rates were to start rising. Were it not for importers effectively subsidizing the backhaul trade by paying most of the cost of roundtrip sailings, heaven knows how many American businesses would find exporting to overseas markets to be just plain unprofitable.

The effective subsidization of export shipping rates is not a hidden benefit, but it mostly goes unacknowledged by exporters. It almost never comes up when elected officials are persuaded to lament about the alleged misdeeds of ocean carriers and marine terminals. If anything, the word “entitlement” springs to mind.

The shipping rates covering the vast majority of containerized imports are defined by contracts negotiated between shippers and shipping lines. As these specifics of these contracts are considered proprietary information and are not generally disclosed, the more easily available spot rates are often used as surrogate, albeit heavily caveated, cost indicators. The U.S. Department of Agriculture’s Agricultural Marketing Service compiles

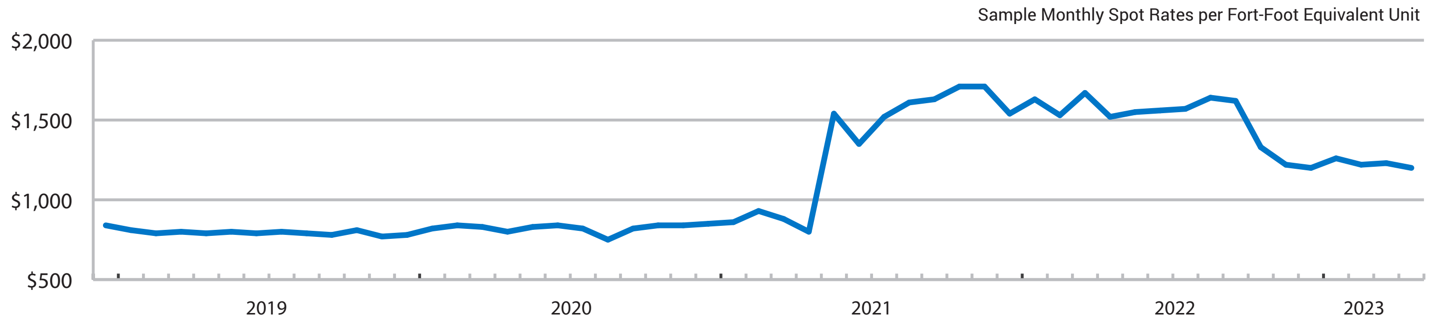
Apart from agricultural produce, the mainstay of America’s containerized export trade has long been our detritus or, more benignly, recyclables in the form of scrap paper, metal, plastics, and used clothing.

Commentary Continued

Exhibit D

A Brief History of FEU Spot Rates Los Angeles to Shanghai

Source: U.S. Department of Agriculture Agricultural Marketing Service, Drewry Supply Chain Advisors



monthly spot rates for containers shipped from Los Angeles/Long Beach to Shanghai. Prior to the disruptions caused by the COVID-19 pandemic, these rates were generally well under $1,000 per forty-foot container (FEU). But as **Exhibit D** reveals, the cost of sending a container from San Pedro Bay to Shanghai nearly doubled between March and April 2020 and remained elevated until subsiding in last year's fourth quarter. (The latest numbers from USDA are for this March, when the reported rate for shipping an FEU to Shanghai was $1,200.)

Normally, backhaul rates have compared very favorably with the head haul rates for container shipments between Shanghai and Southern California's ports. However, as the pandemic spurred a surge in Asian imports flooding U.S. ports, eastbound transpacific spot rates exploded. According to Freightos, a popular platform for booking cargo shipment, FEU spot rates on the China to West Coast passage soared from under $5,000 in late 2021 to slightly over $20,000 last September. Those spot rates have since collapsed.

Drewry Supply Chain Advisors' most recent report (April 20) lists a $1,856 per FEU rate on the Shanghai to Los Angeles route, down 79% year-over-year. By comparison, Drewry pegs the comparable spot rate for shipping an FEU from LA to Shanghai at $1,009, a difference of $847.

With outbound rates still lingering above pre-pestilent levels, it's certainly conceivable that some portion of the recent fall-off in outbound loads can be linked to the spike in shipping rates. What could be profitably exported at $800 per FEU became unprofitable at $1,600…and may even remain unprofitable at $1,200.

When the mix of cargoes shipped in containers from West Coast ports comes principally from farmyards and junkyards, it's difficult to see how rhetorical gestures like calls for a national export strategy would yield a significant boost in the volume of containerized exports from America's Pacific Coast gateways, even if shipping rates were to recede.

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

"An Inflection Point"

By John McLaurin, President, Pacific Merchant Shipping Association

I can't recall what prompted me to pose this question, but several years ago I asked a colleague in our Long Beach office whether California would have ports in the future. Without hesitation, he responded: "Yes. We shall call them marinas."

Humor aside, while the situation isn't that dire, we clearly face a number of challenges.

Two weeks ago during a monthly webinar that he holds which is normally viewed by 500-600 people, a senior maritime industry professional stated that West Coast ports were at an "inflection point", meaning that cargo that has been diverted from the West Coast may not come back. Among other issues, he cited labor uncertainty, regulatory uncertainty and rising costs, and the perception that Californians and their political leaders do not welcome trade or appreciate the benefits of the supply chains that serve the state. He sarcastically noted that while people don't like warehouses, they all like same-day delivery.

California ports and the commerce they facilitate are a critical part of California's economic success. They also represent innovation and leadership with regard to environmental achievements on a global scale. In order to maintain California's presence in the world marketplace, it is imperative that we protect and invest in these international gateways.

According to the California Association of Port Authorities (CAPA), the businesses operating at the ports of Long Beach and Los Angeles generate over 800,000 jobs in the state and over 2.7 million jobs throughout the nation. The Port of Oakland supports over 84,000 jobs in the Bay Area, and its close proximity to California's Central Valley agricultural sector provides a strong, balanced international gateway.

During the last three years of COVID, California ports and the supply chain endured the most intense business period in the state's history. Shortly after the start of the pandemic, the goods movement industry was forced to adapt to an unprecedented surge in cargo volumes due to massive consumer demand for goods, adjusted to shortages in equipment and space, congested terminals and rail yards. The shocks to global supply chains and resulting congestion occurred on a massive and international level, whether in Oakland, Chicago, Singapore or Rotterdam.

I think everyone can be proud of the efforts of the state's maritime industry along with everyone else in the logistics sector as the results defied the challenges. By the end of the pandemic, California ports processed a record number of containers. The supply chains running through the state's ports kept the national economy afloat during a worldwide pandemic.

But now, we need policy makers and the public at large to pay greater attention to another critical issue: the unprecedented competitiveness challenge facing California's ports. For years prior to the pandemic, California ports were experiencing a decline in market share. Now that pandemic cargo volumes have leveled off, the decline in market share has accelerated. We are losing our discretionary cargo.

Above all, we need policy makers, regulators, environmental advocates, and community groups to collaborate with the goods movement industry on devising pragmatic, holistic policies that will enable our goods moving industries to meet exacting environmental goals while growing steadily more competitive.

"An Inflection Point" Continued

The consequences associated with this loss of market share have direct and negative impacts on the California economy. California can expect to lose high quality logistics jobs throughout the supply chains as container volumes move to ports in other states.

The reason for the decline centers around three issues. First, the state needs to reevaluate policies that slow down the supply chain and increase costs, and re-engineer policies so that environmental and economic goals can both be achieved. They are not mutually exclusive goals.

Second, California has established zero-emission goals for the goods movement sector, but the path to achieving those goals is uncertain. For example, California has mandated that the port-based supply chain become all electric by 2035, but there are significant challenges in building the power grid infrastructure and ensuring the supply of reliable electricity on that timetable. In order to electrify the trucking component of the supply chain, approximately 400 heavy-duty truck charging units need to be built every month between now and 2035. Yet, over the past several years, vessel operators have been repeatedly asked to disconnect from the power grid during times of great stress to the power system in order to avoid widespread blackouts. Every recent hot spell has occasioned pleas for the public to avoid using electrical appliances between the hours of 4-9pm when the demand for power peaks.

Nevertheless, public policy goals are driving an ever-greater demand for electricity without corresponding mandates on power generation or transmission. As demand and extreme weather events increase, the need for adequate power infrastructure shifts from a long-term planning goal to an immediate operational concern. I believe that time has arrived.

And third, California must embrace, create and invest in a robust strategy for promoting the state's role as a premier international trade gateway. Other states have made their ports a centerpiece of their economic growth. Trade routes and volume, like other business decisions, are impacted by perceptions. Unfortunately, California's reputation for working earnestly with cargo owners and other supply chain partners is less than golden.

To market our ports we have to believe in our ports. That is difficult to do when public officials cavalierly discount the value of maritime real estate against various fields of dreams. It is difficult to do when port budgets are viewed simply as ATM machines to fund failed municipal ambitions. It is difficult to do when people assume that cargo must come to California without acknowledging how many shipping options are now available to cargo owners.

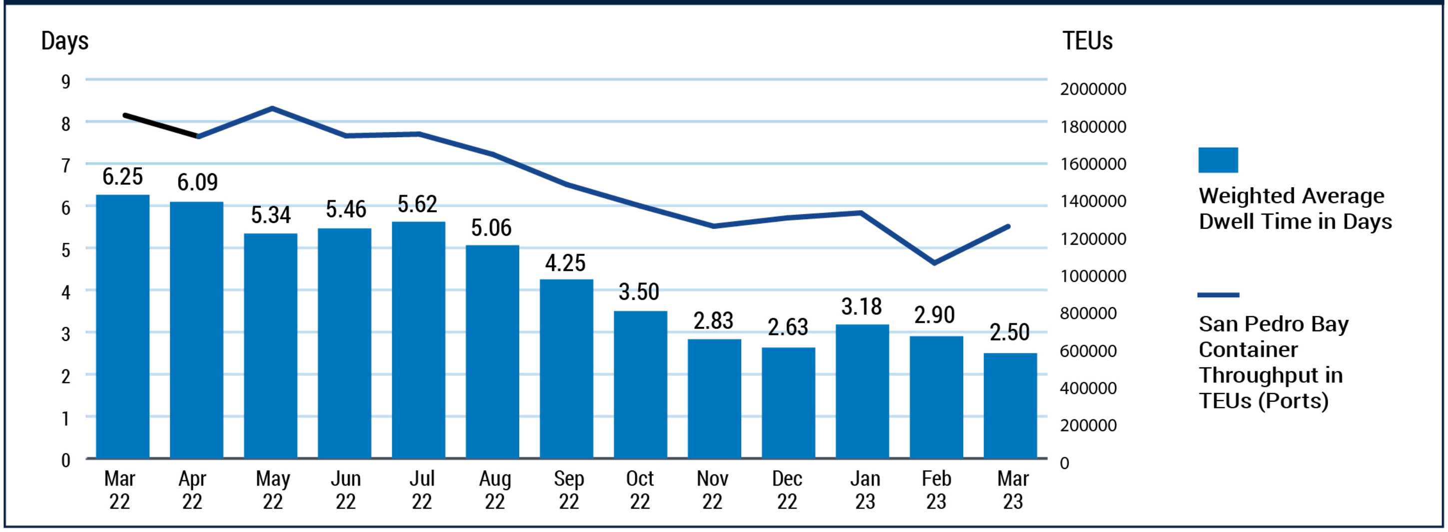
If it weren't for the pandemic import surge, few people would have cause to truly appreciate and value California's supply chains. But memories and attention spans are short. We should not take our ports and supply chains for granted.

Above all, we need policy makers, regulators, environmental advocates, and community groups to collaborate with the goods movement industry on devising pragmatic, holistic policies that will enable our goods moving industries to meet exacting environmental goals while growing steadily more competitive.

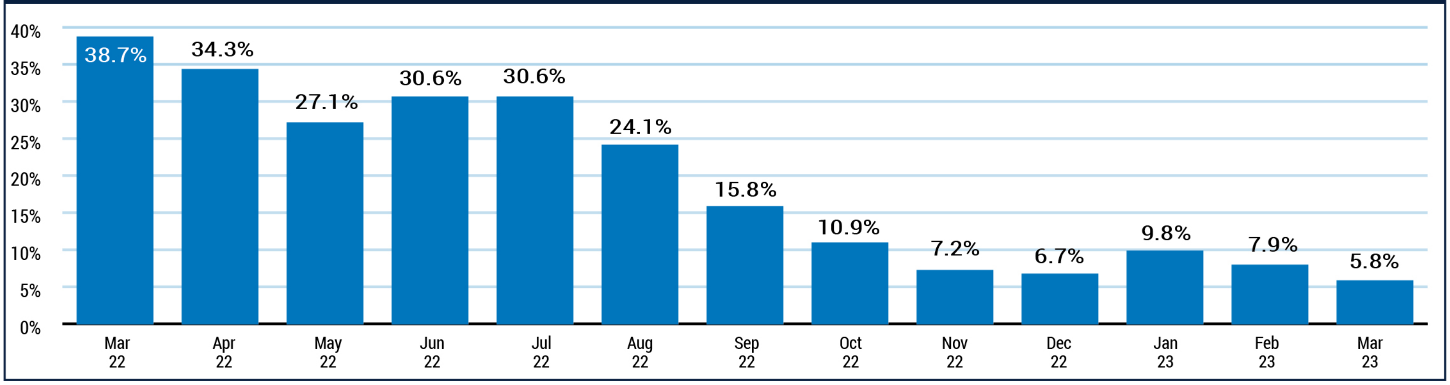
So, my plea to you is this: get engaged. If we want ports instead of marinas, get ready to fight for them!

Container Dwell Continues To Fall in March

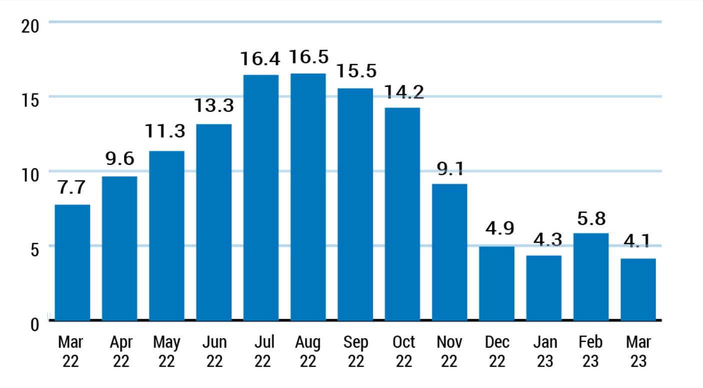
San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days



Rail Dwell Time in Days



Rail Dwell Time in Days % > 5 Days