PMSA

West Coast Trade Report

June 2023

May 2023 – Partial Container Tallies

As a reminder to our readers, we only cite the container volumes reported by the ports we survey. Unless otherwise indicated, the container numbers appearing in this report represent TEUs.

In a June 7 news release, the National Retail Federation's Global Port Tracker (GPT) projected that May would see 1.84 million inbound loads enter the thirteen U.S. ports it surveys. That, the GPT calculates, would represent a 23.0% fall-off from a year earlier. It would also represent a marginal decline from the 1.85 million inbound loads GPT counted in pre-pandemic May 2019.

As for what the ports themselves are saying so far, the individual stories are geographically mixed. Substantial year-over-year declines were common due to very heavy import flows in the first half of last year. The most telling contrasts were in the comparisons between this May and May of 2019.

May saw the **Port of Los Angeles** enjoy its busiest month since last August. Still, inbound loads (409,150) in the fifth month of the year were down 4.4% from the same month in 2019, while outbound loads (101,741) were off by 39.2%. Total container traffic through the first five months of this year (3,304,344) came up 12.4% shy of the mark set in 2019. Worse, apart from plague-plagued 2020, total container moves in this year's January-May period was the lowest in those months since 2015 at America's Port™.

Across the road at the **Port of Long Beach**, historic comparisons are skewed by a surge in May imports last year but also by an unusually languid month of May in 2019. As a result, inbound loads this May (361,661) were up 24.5% from four years earlier. Similarly, outbound loads this May (127,870) exceeded those in May 2019 by 6.0%. Counting all loaded and empty containers that passed through the port through May of this year, total traffic (3,135,600) exceeded the total during the first five months of 2019 by 8.0%.

The **Port of Oakland**'s struggles continued in May as its numbers were not simply down year-over-year but remained significantly below pre-pandemic volumes. Looking at how many containers moved through the Northern California port during the first five months of the year, this year's total (856,363) was the smallest for that period since 2009. Inbound loads in May (70,887) were not merely down 16.7% from four years earlier, they were the fewest in any previous May since 2011. Outbound loads (63,511) were not just down 18.6% from May 2019, they were the fewest in any previous May since 2004.

NUMBER OF THE MONTH

$145.14 billion

Total value of container trade through USWC ports YTD through April

(Source: U.S. Commerce Department)

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

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May Tallies Continued

As of our publication deadline, no official container trade statistics have been released by the **Northwest Seaport Alliance Ports of Tacoma and Seattle** for the month of May.

Over the border in British Columbia, the **Port of Vancouver** had an up-and-down month. May inbound loads (142,999) were down 14.9% year-over-year but up 9.4% from May 2019. Outbound loads (63,897) rose 2.9% from a year earlier but were off by 32.9% from May 2019. Total container traffic through the port YTD (1,269,742) was down 14.4% from the previous year and down 9.9% from the same period in 2019. Worse, it was the smallest number of containers handled at the port in the first five months of any year since 2016.

Even further north, the **Port of Prince Rupert** continued to compete unfavorably with its own past. Inbound loads in May (42,557) were down 26.1% from May 2019, while outbound loads (10,909) were the fewest in any previous May since at least 2013. Total container traffic YTD (3,304,344) was down 12.4% from the same period in 2019.

Along the Atlantic Seaboard, the **Port of Virginia** handled 129,203 inbound loads in May, a sharp 23.1% fall-off from the year before but 8.0% more than the port saw in May 2019. Outbound loads (88,044) dropped 9.9% from a year earlier but were nearly equal to the 88,065 outbound loads shipped from the port in May 2019. Total container moves YTD (1,316,451) were off by 14.4% from last year and down by 9.9% from the January-May months in 2019.

At the **Port of Charleston**, inbound loads in May (99,130) were down 21.5% year-over-year but up 12.6% from May 2019. Outbound loads (55,201) increased by 3.5% from a year earlier but were off by 22.7% from May 2019. YTD, total container traffic through the South Carolina port (1,022,742) represented a 17.6% fall-off from the first five months of 2022 but a modest 1.6% gain over the same period in 2019.

The **Port of Savannah** meanwhile sustained a 25.5% year-over-year drop in inbound loads to (188,728), which also represented a relatively meager increase of 1.9% over May 2019. Outbound loads in May at the Georgia port (116,247) were down 25.6% from a year earlier but were up 48.7% from May 2019. Total container moves through the port so far this year (1,993,584) were down 16.8% from the same period last year but were up 5.5% over the first five months of 2019.

Along the Gulf Coast, **Port Houston** reported 139,745 inbound loads in May, down 18.3% y/y but up 21.1% from May 2019. Outbound loads in May at the Texas port (109,220) were down 25.6% y/y but up a remarkable 48.7% from the same month four years earlier. Total container traffic YTD (1,542,392) slipped 2.0% from the same months the year before but was up a robust 27.5% from the same period in 2019.

For the Record: Complete April 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.

The National Retail Federation's Global Port Tracker reported on June 7 that the thirteen U.S. ports it monitors handled 1.78 million inbound loads in April. That represented a drop of 21.3% from the 2.26 million inbound loads the same ports handled last April. However, this April's volume was up 1.7% from the 1.75 million inbound loads those ports moved in April of 2019.

For the nineteen mainland U.S. ports we monitor, the 1,820,015 inbound loads reported for this April came up short of the 1,822,263 inbound loads recorded in April 2019 by 0.1%. A 6.7% gain at East Coast ports and 39.8% jump at the **Port Houston** outweighed a 6.0% fall-off at ports along the U.S. West Coast. Outbound loads in April (935,848) meanwhile saw a 17.2% decline from the same month in 2019 as every port except Houston and Virginia (and the two small California ports of Hueneme and San Diego) all saw drops in outbound loads.

Weights and Values

The TEU is not the only metric for gauging containerized trade. Indeed, from an economic perspective, it may be one of

Exhibit 1 April 2023 - Inbound Loaded TEUs at Selected Ports

	Apr 2023	Apr 2022	Apr 2021	Apr 2020	Apr 2019	2023/2019 % Change
Los Angeles	343,689	456,670	490,127	370,111	360,745	-4.7%
Long Beach	313,444	400,803	367,151	253,540	317,883	-1.4%
San Pedro Bay Totals	**657,133**	**857,473**	**857,278**	**623,651**	**678,628**	-3.2%
Oakland	70,140	84,303	101,886	80,003	80,702	-13.1%
NWSA	85,339	99,291	121,294	96,992	112,652	-24.2%
Hueneme	10,388	11,416	10,166	4,002	5,396	92.5%
San Diego	7,520	6,046	6,116	5,765	5,840	28.8%
USWC Totals	**830,520**	**1,058,529**	**1,096,740**	**810,413**	**883,218**	-6.0%
Boston	9,625	4,767	9,865	11,546	12,247	-21.4%
NYNJ	320,948	419,658	359,265	284,074	297,825	7.8%
Virginia	118,964	142,639	137,854	100,310	119,266	-0.3%
S. Carolina	101,024	140,730	1,105,054	82,899	87,675	15.2%
Georgia	195,679	247,177	236,479	166,679	175,661	11.4%
Jaxport	25,001	28,906	24,214	23,461	27,094	-7.7%
P. Everglades	27,903	36,571	28,974	23,164	32,308	-13.6%
Miami	38,255	43,838	47,644	28,943	32,831	16.5%
USEC Totals	**837,399**	**1,064,286**	**1,949,349**	**721,076**	**784,907**	6.7%
New Orleans	11,376	12,686	11,138	9,926	10,527	8.1%
Houston	140,720	162,965	128,834	100,034	100,627	39.8%
USGC Totals	**152,096**	**175,651**	**139,972**	**109,960**	**111,154**	36.8%
Vancouver	140,744	179,599	171,689	148,718	145,168	-3.0%
Prince Rupert	28,103	53,627	28,051	52,730	51,686	-45.6%
British Columbia Totals	**168,847**	**233,226**	**199,740**	**201,448**	**196,854**	-14.2%

Source Individual Ports

April 2023 TEU Numbers Continued

Exhibit 2 **April 2023 - Outbound Loaded TEUs at Selected Ports**

	Apr 2023	Apr 2022	Apr 2021	Apr 2020	Apr 2019	2023/2019 % Change
Los Angeles	88,202	99,878	114,449	130,321	155,533	-43.3%
Long Beach	122,663	121,876	124,069	102,502	123,804	-0.9%
San Pedro Bay Totals	**210,865**	**221,754**	**238,518**	**232,823**	**279,337**	**-24.5%**
Oakland	63,193	65,782	80,290	82,383	79,291	-20.3%
NWSA	47,121	46,600	59,729	66,955	81,305	-42.0%
Hueneme	1,928	2,946	2,390	1,000	1,340	43.9%
San Diego	608	798	380	248	176	245.5%
USWC Totals	**323,715**	**337,880**	**381,307**	**383,409**	**441,449**	**-26.7%**
Boston	5,173	1,854	6,669	5,354	7,754	-33.3%
NYNJ	110,243	113,536	121,671	97,312	131,311	-16.0%
Virginia	91,471	99,589	95,618	71,158	85,378	7.1%
S. Carolina	62,062	55,571	73,333	56,611	73,295	-15.3%
Georgia	118,277	125,330	128,205	120,852	129,726	-8.8%
Jaxport	41,595	49,433	51,129	31,524	42,353	-1.8%
Port Everglades	31,408	35,331	33,506	20,119	36,084	-13.0%
Miami	21,989	27,167	30,462	24,964	30,719	-28.4%
USEC Totals	**482,218**	**507,811**	**540,593**	**427,894**	**536,620**	**-10.1%**
New Orleans	19,597	23,614	23,246	20,076	24,545	-20.2%
Houston	110,318	114,860	91,766	91,808	106,654	3.4%
USGC Totals	**129,915**	**138,474**	**115,012**	**111,884**	**131,199**	**-1.0%**
Vancouver	74,924	62,110	85,768	91,942	97,394	-23.1%
Prince Rupert	9,894	12,404	10,000	22,526	20,271	-51.2%
British Columbia Totals	**84,818**	**74,514**	**95,768**	**114,468**	**117,665**	**-27.9%**

Source Individual Ports

April 2023 TEU Numbers Continued

Exhibit 3 April 2023 - YTD Total TEUs

	Apr 2023	Apr 2022	Apr 2021	Apr 2020	Apr 2019	2023/2019 % Change
Los Angeles	2,525,204	3,569,390	3,539,396	2,488,748	2,945,200	-14.3%
NYNJ	2,439,449	3,198,201	2,848,979	2,316,907	2,398,108	1.7%
Long Beach	2,377,375	3,281,377	3,122,316	2,202,845	2,434,845	-2.4%
Georgia	1,593,073	1,877,598	1,815,109	1,415,755	1,516,928	5.0%
Houston	1,241,910	1,237,876	1,027,039	994,627	946,860	31.2%
Virginia	1,050,575	1,196,163	1,085,414	861,609	954,230	10.1%
Vancouver	988,937	1,163,403	1,270,234	1,013,078	1,133,669	-12.8%
NWSA	912,141	1,167,869	1,200,367	1,036,556	1,256,236	-27.4%
South Carolina	823,842	985,368	872,518	770,017	802,554	2.7%
Oakland	677,814	790,881	852,891	784,209	828,153	-18.2%
Montreal	492,379	560,922	545,291	567,551	561,860	-12.4%
JaxPort	411,097	433,623	466,214	394,214	443,481	-7.3%
Miami	368,063	408,261	426,261	348,857	376,101	-2.1%
Port Everglades	354,438	375,832	349,338	340,693	357,390	-0.8%
Maryland	n/a	321,974	335,385	342,275	358,715	n/a
Prince Rupert	239,082	350,936	330,679	330,036	346,055	-30.9%
Philadelphia	237,322	244,929	223,240	209,112	192,075	23.6%
New Orleans	157,141	147,612	177,071	203,010	204,493	-23.2%
Hueneme	91,207	90,561	72,494	65,354	44,230	106.2%
Boston	71,444	35,556	75,955	92,994	97,988	-27.1%
San Diego	54,165	52,229	50,954	50,519	48,029	12.8%
Portland, Oregon	44,055	48,564	28,694	13,741	20	∞

Source Individual Ports

April 2023 TEU Numbers Continued

the least useful. Measures of Gross Domestic Product, for example, are not denominated in containers but dollars. The percentages in **Exhibits 4 and 5** represent U.S. West Coast shares of the box trade passing 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 shrinking role West Coast ports have been playing in handling the nation's containerized trade, especially with respect to shipments arriving from East Asia.

Although April did witness an uptick from March in the USWC share in terms of both tonnage and value of containerized imports arriving at mainland U.S. ports from worldwide points of origins, April's share was nonetheless down from a year earlier. 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 typically higher than this April's 34.1% share. In April 2019, for example, America's Pacific Coast ports accounted for 36.8% of containerized import tonnage. The year before that the USWC share was 39.9%.

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

	Apr 2023	Mar 2023	Apr 2022
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**34.1%**	**33.5%**	**35.6%**
LA/LB	25.0%	24.2%	26.7%
Oakland	3.6%	3.3%	3.2%
NWSA	3.8%	3.8%	3.8%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**39.4%**	**38.1%**	**40.0%**
LA/LB	30.7%	29.5%	31.9%
Oakland	2.9%	2.6%	2.7%
NWSA	4.4%	4.7%	4.2%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**30.1%**	**32.0%**	**34.7%**
LA/LB	18.1%	20.1%	21.3%
Oakland	5.5%	5.5%	6.8%
NWSA	5.5%	5.7%	5.6%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**27.4%**	**27.0%**	**27.3%**
LA/LB	17.7%	17.6%	17.0%
Oakland	6.0%	5.6%	6.5%
NWSA	3.3%	3.1%	3.0%

Source: U.S. Commerce Department.

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

	Apr 2023	Mar 2023	Apr 2022
Shares of U.S. Mainland Ports Containerized Import Tonnage			
USWC	**51.9%**	**53.9%**	**54.8%**
LA/LB	40.9%	42.0%	43.9%
Oakland	4.1%	4.4%	3.6%
NWSA	5.7%	6.3%	6.2%
Shares of U.S. Mainland Ports Containerized Import Value			
USWC	**59.5%**	**60.2%**	**59.0%**
LA/LB	47.7%	48.1%	48.2%
Oakland	3.4%	3.3%	3.2%
NWSA	6.8%	7.5%	6.4%
Shares of U.S. Mainland Containerized Export Tonnage			
USWC	**51.4%**	**52.8%**	**60.1%**
LA/LB	31.5%	33.9%	39.2%
Oakland	8.3%	8.0%	9.7%
NWSA	10.2%	9.9%	10.1%
Shares of U.S. Mainland Conatainerized Export Value			
USWC	**56.1%**	**55.7%**	**55.5%**
LA/LB	36.6%	36.9%	37.3%
Oakland	10.9%	10.5%	10.6%
NWSA	7.8%	7.0%	6.6%

Source: U.S. Commerce Department.

April 2023 TEU Numbers Continued

The San Pedro Bay ports saw their combined share of the nation's containerized import tonnage fall to 25.0% this April from 26.7% a year earlier and from 28.0% in April 2019. Still, April did see an uptick in market share from March at the two Southern California ports.

In pre-pandemic April 2019, the USWC share of containerized import tonnage from East Asia stood at 57.3%, with the two San Pedro Bay ports accounting for a 43.7% share. Oakland (4.6%) and the NWSA (8.4%) also handled much larger portions of the trade than they did this April. Looking back a bit further, April 2018 saw the USWC ports handle 60.7% of the import trade from East Asia, while Los Angeles and Long Beach combined for a 48.0% slice of the trade.

The story is the same in dollar value terms. The USWC ports' 59.5% share of the value of containerized imports from East Asia in April was down from 66.8% in April 2019 and 69.8% the April before that. Similarly, the 47.7% share held by the Ports of Los Angeles and Long Beach this April was much lower than their 51.0% share in April 2019 and even lower than their 55.7% share in April 2018.

Now that a tentative agreement has been reached by the Pacific Maritime Association and the International Longshore and Warehouse Union, we should soon begin to see data testing the various theories that have been bandied about on how much of the transpacific container trade will return to West Coast ports.

Train/TEU Traffic Through the Alameda Corridor

The Alameda Corridor connects the Ports of Los Angeles and Long Beach to the Union Pacific and BNSF railyards east of downtown LA. It began operation in April 2002 and, through March of this year, has carried 302,900

Exhibit 6

Annual Train Traffic Through the Alameda Corridor

Source: Alameda Corridor Transportation Authority

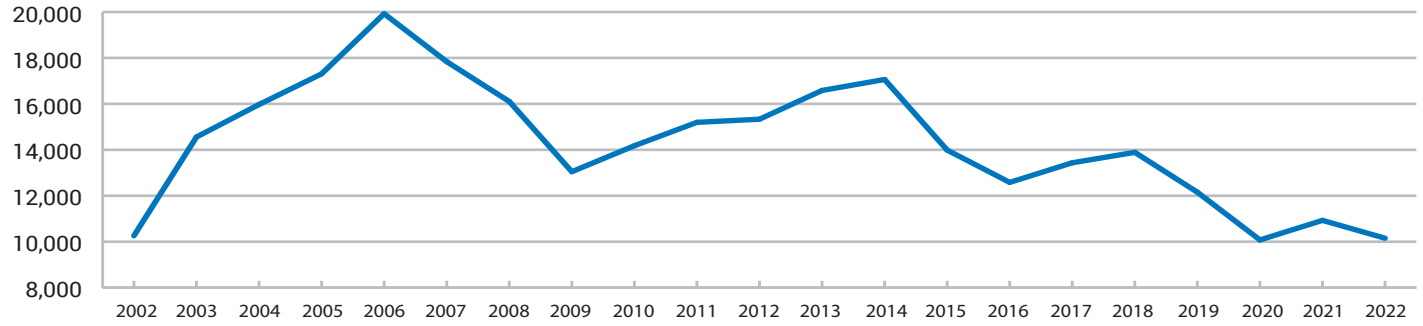
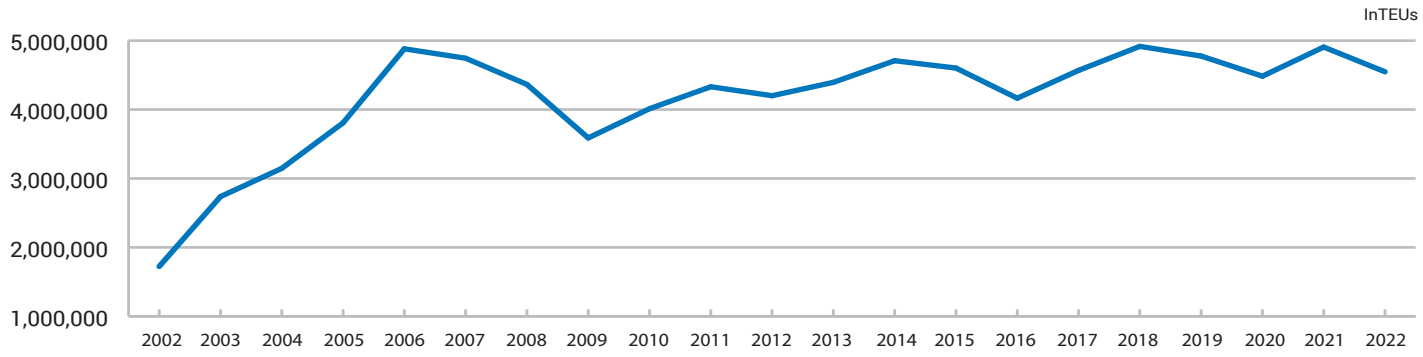


Exhibit 7

TEU Traffic Through the Alameda Corridor

Source: Alameda Corridor Transportation Authority



April 2023 TEU Numbers Continued

trains. After peaking in 2006, well before the onset of the Great Recession in late 2007, the number of trains moving along the Alameda Corridor steadily declined, as **Exhibit 6** shows.

However, the trains have been carrying more containers, from an average of 245 TEUs in 2006 when the number of trains was the highest, to 448 TEUs last year. As a result, container flows through the Corridor peaked much later than the peak in trains. The highest container volume was attained in 2018 at 4,919,443 TEUs, just edging out the 4,907,041 TEUs conveyed in 2021. Last year's TEU count was 4,546,692. In the first quarter of this year, both the number of trains and TEUs were down from a year earlier.

What's obviously noteworthy is that the system handled more TEUs in 2018 than in 2021, when imports surged due to the pandemic.

The Latest Numbers on the Top Three U.S. Container Ports

Exhibit 8 displays the number of inbound loads through the nation's three busiest container ports in every month since January 2019. Not surprisingly, the numbers have been trending lower since last spring. (Please note the usual one-month time lag in data reported by the Port of New York/New Jersey.)

On the other side of the trade ledger, **Exhibit 9** reveals how the overall volume of outbound loads leaving the three major U.S. gateways has been waning since before the start of the pandemic, largely marroring the fall-off in volumes through the Port of Los Angeles.

It's Not Exactly Calculus

This isn't the first time we've taken issue with the container trade numbers tossed around by CNBC. Back in February 2021, the guy who writes the commentaries for

Exhibit 8

January 2019 - April 2023: Inbound Loads at Ports of LA, Long Beach, and PNYNJ

Source: Individual Ports

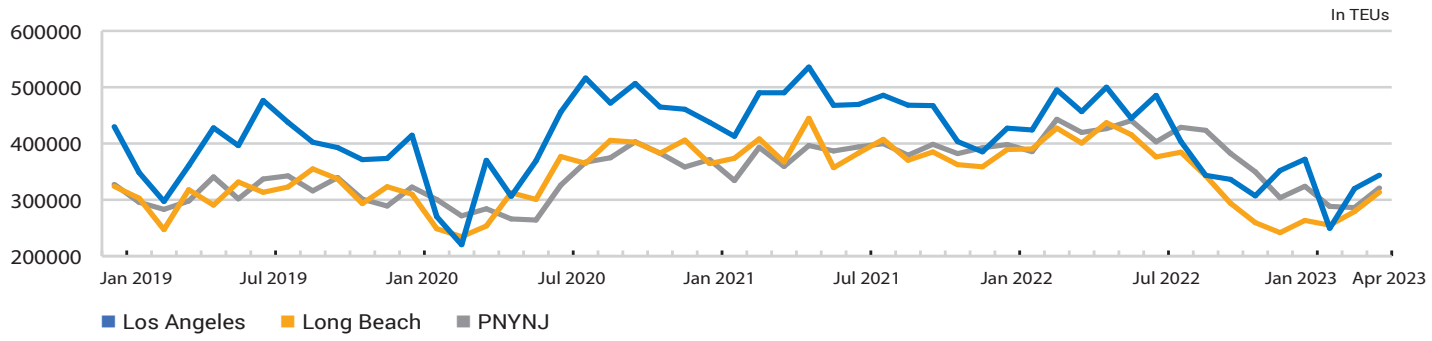
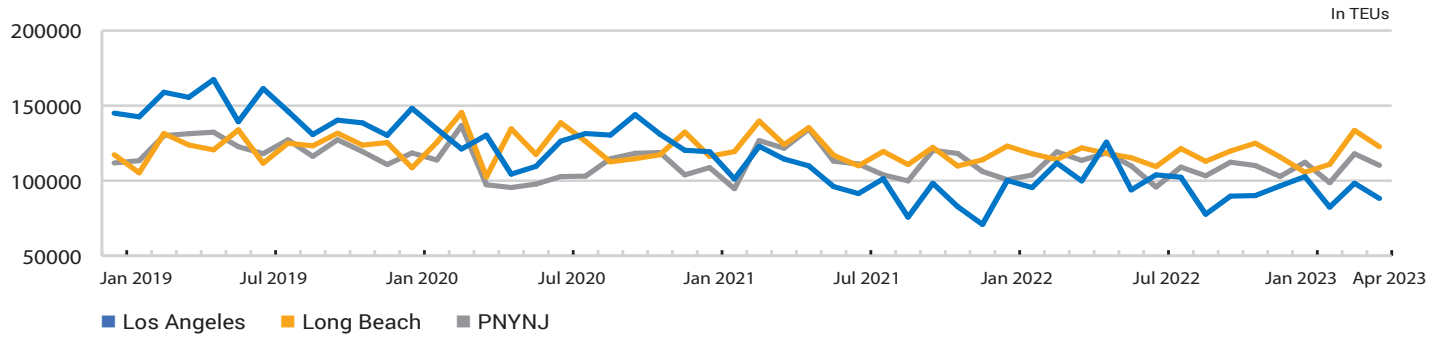


Exhibit 9

January 2019 - April 2023: Outbound Loads at Ports of LA, Long Beach, and PNYNJ

Source: Individual Ports



April 2023 TEU Numbers Continued

this newsletter found fatal flaws in the basic arithmetic CNBC's analyst used in claiming that, during a two-month period, precisely 177,838 TEUs of cargo had been left behind on the docks at the Ports of New York/New Jersey, Los Angeles, and Long Beach by ocean carriers eager to send empty containers back to Asian factories.

More recently, we saw a June 9 CNBC report making this claim:

The value of the combined 86,381 containers floating off the ports of Oakland, Los Angeles, and Long Beach reached $5.2 billion, based on a $61,000 value per container, and customs data.

The report attributed the numbers of TEUs idled offshore to MarineTraffic, a supply chain intelligence company. But whence came the $61k number? Looking back, we eventually found this calculation in a January 3, 2023 CNBC report:

From January to November [2022], 4.6 million loaded import twenty-foot equivalent units, or TEUs, with a total value of about $282 billion moved through the Port of Los Angeles. This is in comparison to the Port of New York and New Jersey, which processed 4.5 million TEUs during the same timeframe with a value of about $274.6 billion. The value of a container entering the ports is approximately $61,000, ***based on customs data****.* [Emphasis added.]

Hmm. We checked the relevant numbers posted by the U.S. Census Bureau's Foreign Trade Division (FTD), the official repository of U.S. trade statistics. The FTD data show that the value of containerized imports through the Port of New York/New Jersey (PNYNJ) in the first eleven months of last year totaled $176.42 billion. We emphasize that that's the official U.S. Government statistic, based on import values reported to the Customs and Border Protection (CBP) Agency by the importers of record. These value declarations are used to assess import duties and so fudging them is a federal offense. Getting the numbers right is serious business. But dividing $176.42 billion by the 4,500,840 import loads PNYNJ reported it handled in those months yields an average value of $39,197 per TEU.

That's, of course, much less than $61,000.

Similarly for the San Pedro Bay maritime gateway. During the first eleven months of last year, FTD statistics show that $304.44 billion in containerized imports arrived in the 8,740,838 inbound loads reported by the Ports of Long Beach and Los Angeles. That works out to an average value of $34,830.

Again, that's much less than $61,000.

Alas, the ***West Coast Trade Report*** does not command the attention of a national network's audience, many of whom took CNBC's claim as gospel and retweeted or otherwise regurgitated the $61,000 figure. We are instead a simple country newsletter with a limited readership, but we are staffed by people who know their way around a sliderule.

So we're sticking with our numbers.

Nuts from California

We're now over three-quarters of the way through the latest crop year for California's almond growers. Exports since August 1 (the start of the current crop year for

April 2023 TEU Numbers Continued

the state's almond industry) totaled 1.592 million pounds, a 3.2% increase over the same point last year. Domestic shipments, however, were down 6.9% to 599 million pounds. That's according to the Almond Board of California. As the numbers suggest, this is an industry that sells slightly over 70% of its output abroad.

The current crop year for pistachios and walnuts, the Golden State's other big nut crops, both started last September 1. Exports of pistachios, according to the Administrative Committee for Pistachios, in the current crop year amounted to 227,269 tons, an 18.5% year-over-year bump. Domestic shipments (84,090 tons), meanwhile, were off by 5.1% from this point in the previous crop year. As with almonds, the pistachio business relies on foreign markets for about 73% of its sales.

In contrast to the rising exports and declining domestic sales reported by almond and pistachio growers, the California Walnut Board reports that exports of walnuts so far in this crop year (398,979 tons) are down 1.3% from a year earlier, while domestic shipments (232,260 tons) have jumped by 34.7%. Approximately 63% of walnut shipments are bound for foreign markets.

Bob vs. Jeff

Each spring we eagerly look forward to the *Journal of Commerce*'s annual rankings of the top 100 importers and exporters. Two years ago, we were intrigued to see that Bob's Discount Furniture of Manchester, Connecticut reportedly imported more containers (54,646 TEUs) in 2020 than did Jeff Bezos' Seattle-based retail operation (46,259 TEUs). For that year, the *Journal* ranked Bob as the nation's 24th largest importer, while Jeff placed 30th.

Neither came remotely close to matching the staggering volumes of containerized merchandise imported in 2020 by the usual suspects, Walmart (930,000 TEUs), Target (650,000 TEUs), and Home Depot (520,130 TEUs).

Last year's *Journal* rankings (for 2021) showed that Bob's 41,100 imported TEUs dropped him to 36th place. Jeff, meanwhile, did a little better. His 47,128 imported TEUs allowed him to hold on to his spot in 30th place.

The latest standings (for 2022), published on May 23, saw a major shake-up in the mid-range importer rankings. Bob's Discount Furniture tumbled all the way to 65th with 21,085 TEUs of imported furniture, presumably because displaced office workers were largely done replicating their cubicles at home. Meanwhile, the 33,004 TEUs imported by Jeff's outfit (aka Amazon) sent him down to 44th in the rankings, behind Goodyear Rubber & Tire but just ahead of Best Buy.

The *Journal's* rankings of the nation's biggest importers are based on data supplied by PIERS. Like the *Journal*, PIERS is part of the information conglomerate S&P Global. PIERS reportedly massages raw trade data made available to it by U.S. Customs and Border Protection. The numbers attributed to PIERS indicate that the Top 100 importers imported approximately seven million TEUs last year, 6.2% fewer than they had in 2021.

Last year, the *American Journal of Transportation* published its own rankings for 2021's top 100 importers. At the top

April 2023 TEU Numbers Continued

was Jeff/Amazon, with 330,818 TEUs of imported goods. That easily put it ahead of the second largest importer, Dole Foods, at 244,154 TEUs.

The *AJOT* attributes its findings to Descartes Datamyne, which evidently mines different sources of data on U.S. containerized imports.

The Sharp "Drop" in Retail Imports

Surveying the container import trade through a different set of numbers, the National Retail Federation's Global Port Tracker reports that the thirteen U.S. ports it monitors handled 25.5 million TEUs of imports in 2022. That would be down 1.2% from 25.8 million a year earlier.

While the dueling data can daze anyone searching for reliable information, we are highly gratified to see that, beginning in March, the NRF/GPT's monthly press releases on containerized imports have quietly backed away from the highly misleading practice of labeling all loaded inbound containers as "retail imports". As we have repeatedly pointed out, federal government trade analysts say that two-thirds of all U.S. imports (at least by value) are Industrial Supplies and Capital Goods of the sort unlikely to be purchased by consumers at Target or Lowe's. Sometimes, refinements in nomenclature can be as useful as refinements in the methodologies for collecting statistics.

Where the Inventories Went

Anyone reading the headlines in the mainstream press (really, now, who has the time anymore to read much beyond first paragraphs?) has lately been seeing reports claiming that the nation's major retailers have pretty much worked through the huge piles of inventories they had accumulated as optimistic forecasts of consumer spending ran afoul of consumer anxieties. One might reasonably think that it took a wave of discounts to clear out the warehouses at Macy's and Walmart, thus shifting the burden of inventory storage from the retailers to the consumers, who presumably are finding their living quarters increasingly cramped for space.

Largely overlooked in most reports is the imposing volume of inventory that went unsold straight to landfills and furnaces, thus shifting the inventory storage burden from the retailers to the nation's environment. According to the National Retail Federation, shoppers last year returned $816 billion in goods. Determining how many of those returns wound up being plowed under in landfills is not easy, according to a *Business Insider* report this February. But it does cite an estimate by Optoro, a Washington, D.C. consultancy that helps retailers manage their overstock, that up to 9.5 billion pounds of returned merchandise ended up in landfills in 2022.

As we've noted before, less liberal returns policies could help reduce that waste, while possibly reducing the congestion in the nation's supply chains retailers are apt to lament.

Jock O'Connell's Commentary:

Was 2019 Really the Last Normal Year?

If only because it immediately preceded the social and economic convulsion brought on by the global outbreak of the COVID-19 virus in early 2020, the preceding year has come to be regarded by many as a benchmark for normality. When, we wondered innumerable times as the pandemic ran its course, will life return to the way it was before the plague struck? When can we get back to normal?

In the maritime trade industry, the big question has been how long would it take for the old, familiar rhythms of container traffic to reassert themselves?

Unfortunately, the passage of time tends to rub down the rough edges of the past. As even a cursory check of the year's headlines in the *Journal of Commerce* will attest, 2019 was a year of much tumult, especially for importers

Commentary Continued

Exhibit A

TEU Imports by Month: January 2018 - April 2023

Source: National Retail Federation/Global Port Tracker

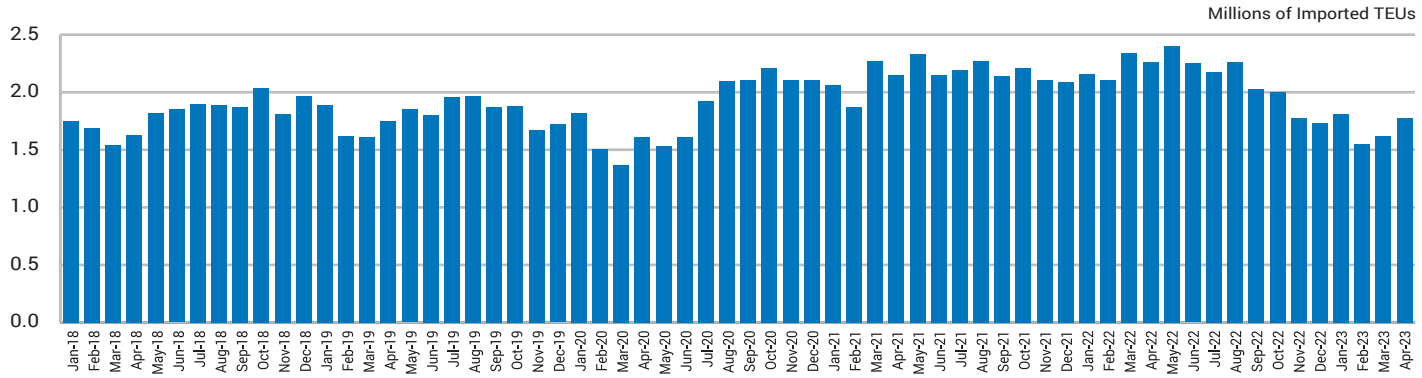
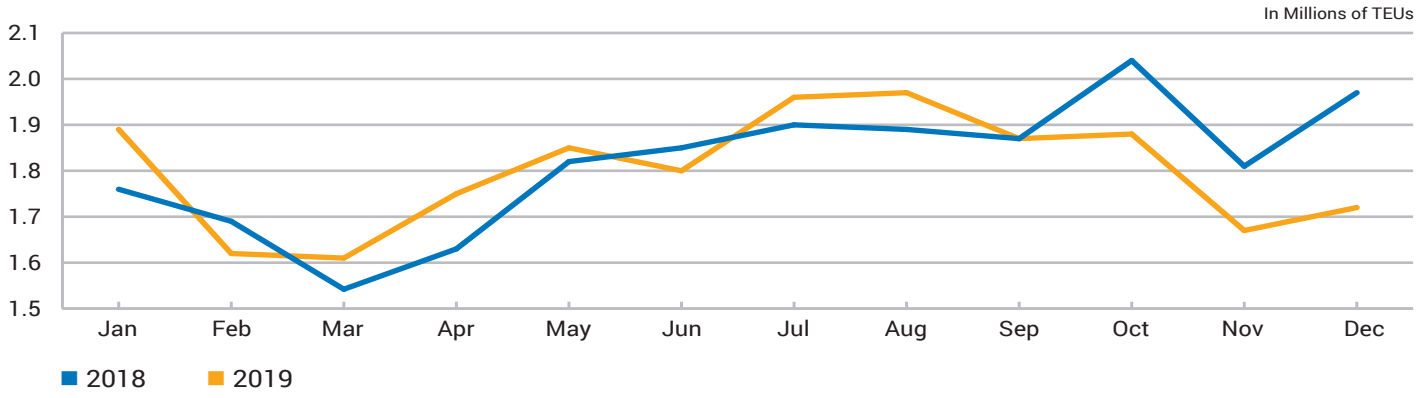


Exhibit B

Inbound Loads by Month 2018-2019

Source: National Retail Federation/Global Port Tracker



made nervous by President Trump's nearly incessant talk about tariffs. You remember, the tariffs he assured us that foreigners would pay.

Exhibit A displays the number of import loads for each month between January 2018 through April 2023, according to the National Retail Federation's Global Port Tracker (NRF/GPT), which monitors container traffic at America's thirteen largest seaports. What it reveals very dramatically is the depth of the trough in early 2020 and the tsunami of import traffic that subsequently hit America's ports.

Exhibit B, which also employs NRF/GPT data, offers a closer view of the "normality" that preceded the pandemic. Inbound loads in both 2018 and 2019 tracked each other closely until the last quarter of 2019, when import traffic unexpectedly tailed off nationally.

In its outlook that September, the NRF/GPT anticipated that a new set of tariffs President Trump had threatened to impose in December would continue to drive up import traffic. Accordingly, the NRF/GPT forecast looked for the arrival of 1.92 million import TEUs in October, 1.97 million in November, and 1.77 million in December. In the end, though, fewer boxes than anticipated materialized.

Commentary Continued

Exhibit C

Inbound Loads at Mainland U.S. Ports, 2019 over 2018

Source: National Retail Federation/Global Port Tracker

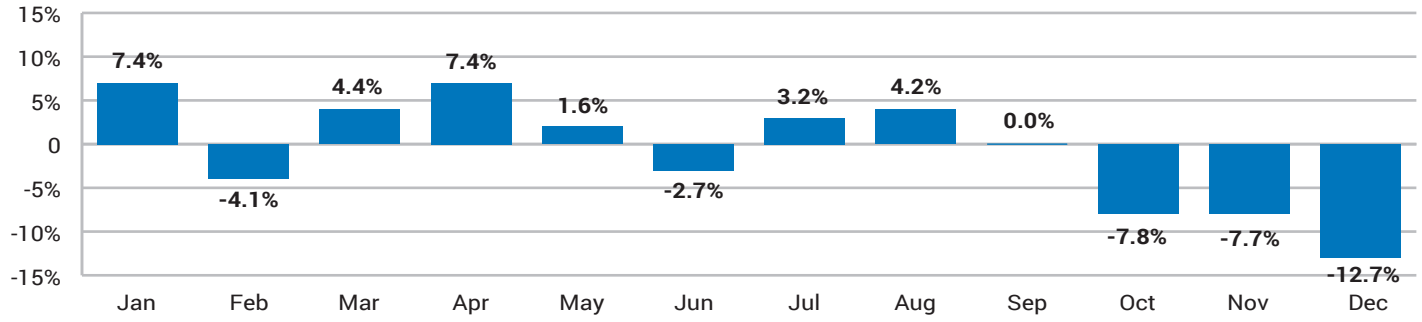
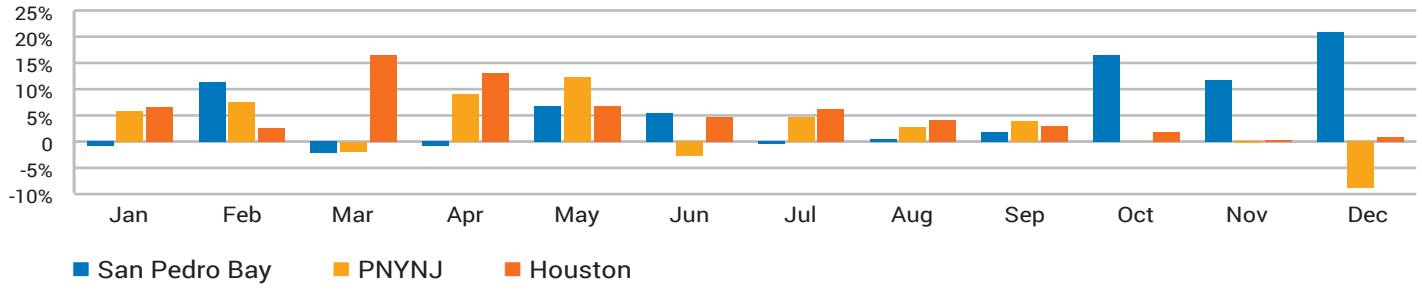


Exhibit D

Inbound Loads 2018/2019 at Selected Major Ports

Source: Ports of Los Angeles, Long Beach, New York/New Jersey, Houston



October saw the arrival of 1.88 million import TEUs, 1.67 million in November, and 1.72 million in December. Not only were the actual fourth quarter TEU counts lower than were forecast by the NRF/GPT, they were also down sharply from a year earlier, as **Exhibit C** shows.

But what's normal in one setting isn't necessarily normal in another.

For one thing, not all ports hit their pre-pandemic peaks in 2019. The number of inbound loaded TEUs at the Port of Los Angeles, for example, was higher in both 2017 and 2018 than in 2019. Exactly the same was true across the street at the Port of Long Beach. At the Northwest Seaport Alliance, more imported containers showed up in 2016, 2017, and 2018 than in 2019. Oakland was the only major U.S. West Coast ports to post a year-over-year gain in inbound loads in 2019.

As **Exhibit D** indicates, 2019 played out very differently based on where you stood…or which ocean your waterfront faced. In the year's final quarter, inbound loads surged at the two San Pedro Bay ports, went flat at Houston, and plunged (at least in December) at the Port of New York/New Jersey.

So it's not at all clear what was so normal about pre-pandemic 2019, except that it was much less calamitous than what followed.

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

Cargo Volume Cap for Los Angeles/Long Beach?

By John McLaurin, President, Pacific Merchant Shipping Association

The South Coast Air Quality Management District (SCAQMD) is moving forward with Proposed Rule 2304 (PR 2304) - Indirect Source Rule (ISR) for Commercial Marine Ports. If enacted, it may cap cargo throughput at the ports of Long Beach and Los Angeles.

Under this proposed rule there would be two requirements: the Ports of LA/LB would be required to meet a port-wide mass emissions cap; and each individual container terminal would also have to meet their own individual emissions cap.

SCAQMD is expecting the Ports of Long Beach and Los Angeles to use tools such as deploying charging infrastructure, applying for grants (though it is unclear how applying for grants is a regulatory tool), developing incentive programs, implementing lease measures, and enacting tariff requirements (e.g., Clean Trucks Program).

According to the port ISR concept, terminals will be expected to control emissions from marine terminal equipment, locomotives, vessels, tugs, pilot boats and trucks. Most of these entities do not have a contractual relationship with the terminals.

Control of emissions would be done by evaluating a "terminal-specific max TEU throughput". This would impose a cap on cargo volume; "routing cleaner ships through coordination with customers and ocean carrier under parent corporate control; require clean air actions from customers that have contractual agreements with terminal" and implementation of fees.

The SCAQMD port ISR is an effort by the air district to reduce NOx emissions and vessel emissions, including those in-transit. At this point in the development of the Port ISR, it is unclear at what level the emissions limits would be placed. In a recent presentation, SCAQMD staff stated that the emission reduction needs for the South Coast air region implied reductions of up to 80% for nitrogen oxides. The proposed port ISR concept would include two milestone years of 2031 and 2037, where no flexibility would be granted. Since vessel emissions make up the majority (around 70%) of port-related emissions, the consequences of the rule will center on what happens with vessel technology. Given that there are no known tools to reduce vessel emissions by that magnitude in such a short timeframe, the emissions cap will likely serve as a limit on cargo volumes. In practice, this could mean that a terminal operator may have to choose between turning away cargo or willfully violating the rule.

As concerning as this rule is, it should not be viewed in isolation. Cargo owners need to look at the totality of recent regulatory requirements, additional proposed measures and their overall cost to the supply chain. These measures include the following:

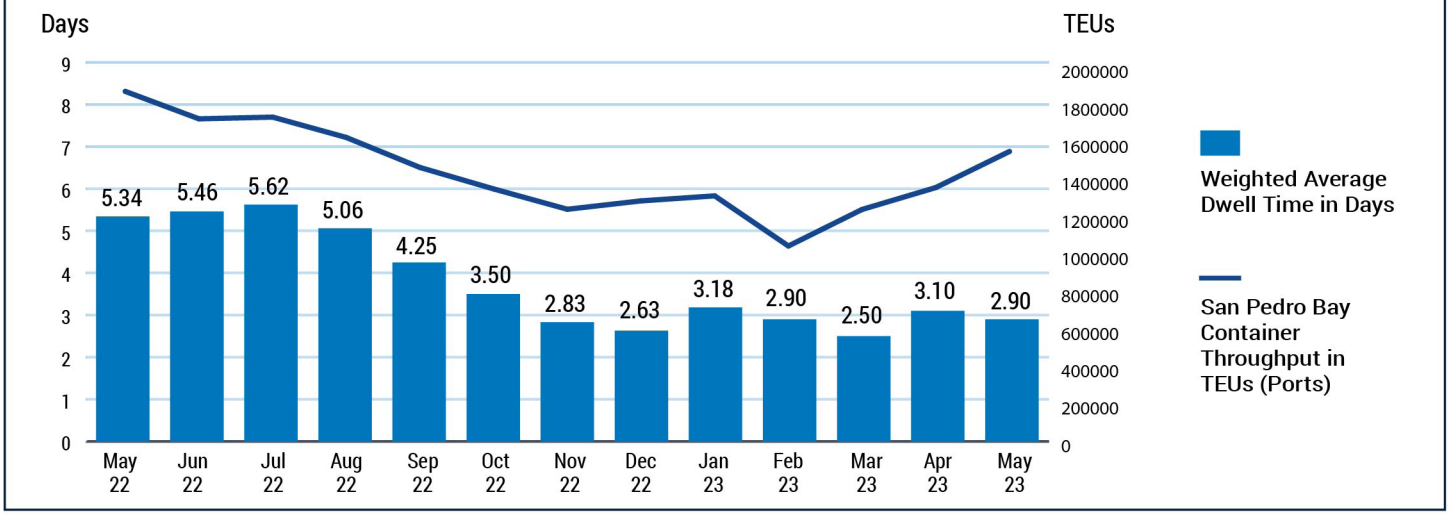
- SCAQMD Warehouse Indirect Source Rule – currently being litigated and estimated to cost an additional $1 billion per year in compliance costs to the Southern California supply chain.
- SCAQMD New Railyard Facility Indirect Source Rule – proposed.
- CARB Advanced Clean Fleet rule – requiring that all new trucks registered in the state drayage truck registry be zero emission trucks starting January 1, 2024; requires complete transition to zero emission trucks by 2035.
  - Costs to transition the port drayage fleet to zero emissions will be in the billions of dollars.
  - California Energy Commission estimates that 157,000 MD/HD chargers are needed by 2030 – meaning over 400 chargers per week for the next seven years need to be installed in California requiring a "Manhattan Project" approach addressing permitting, funding, grid power availability and infrastructure for it to happen..
- It has been proposed that the Ports of Long Beach and Los Angeles Clean Truck Fee be doubled to $20 per TEU later this year.

With respect to locally focused proposals and regulatory requirements, we expect them to be adopted in other air districts impacting other port gateways. We have already seen two similar ISR proposals from the San Diego County Air Pollution Control District.

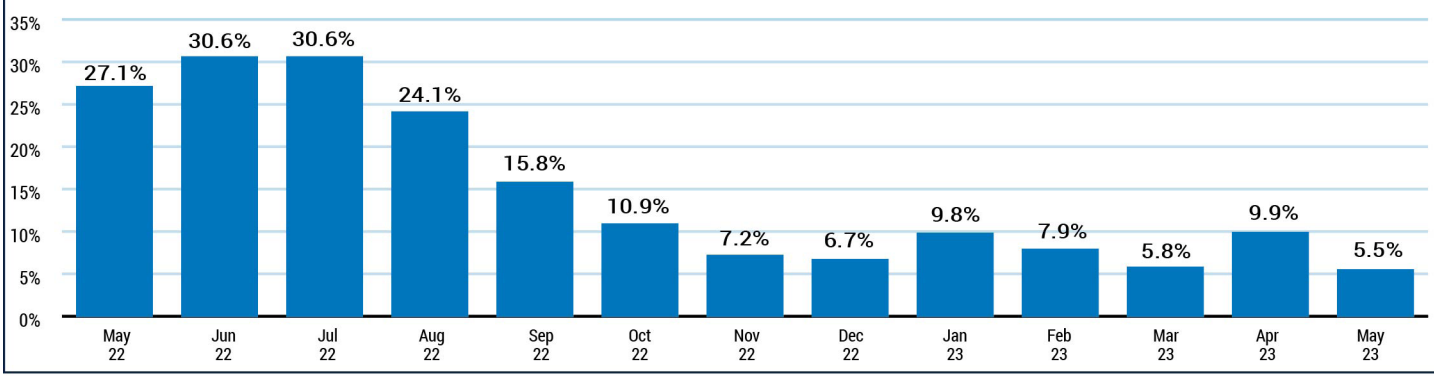
This is on top of rules which will already add immense costs while further increasing instability and uncertainty: more stringent shore power requirements, new tug replacement requirements, and 2030 goals for zero-emission cargo-handling equipment that doesn't exist and has no supporting infrastructure.

Container Dwell Time Is Down in May

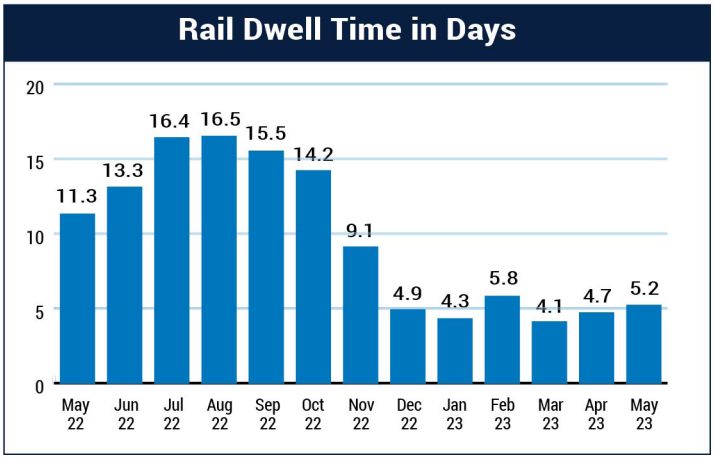
San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days



Rail Dwell Time in Days



Rail Dwell Time in Days % > 5 Days