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SHIPPING & TRANSPORTATION

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Back to the Future & How to Beat Biff?

The first quarter of 2018 was like a young George McFly sitting in the car before the dance; scary, unpredictable and a foreboding presence hovering over him. Recently, it looks to be working out with the spot market softening and rates inching back down. Many think this should continue short term. Studying [truckstop.com's](http://truckstop.com) MDI report and the basic laws of supply and demand might say differently though. It's no time to take your eye off the ball and a great time to secure a good partner and make sure capacity is available for the upcoming months.

Here is a brief market overview and report on all the factors driving the current market, our expectations for where it's headed, and most importantly, how to manage this market and come out on top!

Whether it was 2014 or just last year, we've seen this type of market before. As George Santayana famously said, "Those who cannot remember the past are condemned to repeat it." Many variables shift and drive the market each month. Government regulations, weather, seasonal shipping, the economy and the number of available trucks are the biggest factors that contribute to volatile rates. Any of those factors could be "[Biff](#)" in this scenario, and luckily it doesn't take finding a DeLorean, a crazy scientist and time travel to overcome them! It's time to be prepared for the upcoming market and take advantage of knowledge and know-how ahead of time as if you knew it was coming.

The market seemed to absorb the ELD factor without the predicted chaos. The relatively smooth transition could be attributed to the top brokers and carriers being ready ahead of time by using only ELD compliant carriers who had them installed on time. Mother Nature gives us calmer weather in the spring and takes that factor off the table (*although colder weather to start the season has pushed produce into the nursery season, which could tighten capacity short term*). The national load count ([see Table 2 below](#)) eased back in April, along with historical patterns, but continuing that history will bring the load count in May and June to the 6 million mark. This is **3x** the number of loads in 2016 and 50% more than last year. Predictions can be

made, and data scientists can get into the weeds on one factor or the other; however, the basic laws of supply and demand are still very relevant. That number of loads and the number of trucks remaining relatively static can only mean higher rates ([see Table 3 below](#)) this summer. Taking a look at the [MDI](#), you can see the cyclical increases on the way, regardless of all the factors above ([see Table 1 below](#)) and we could see that number back in the 60's before too long.

The most important factor driving this market is on the demand side. We just witnessed the first industrial-led recovery since 1961, and all indicators show the industrial economy remaining strong for quite some time. The consumer economy is still growing stronger after a record 4th quarter last year. A big factor in this future is the millennial generation. After being long derided as the “we’ll never start a household,” generation they have begun to prove the critics wrong. Just as has been true for almost 100 years, each generation has waited a little longer to get married and buy that first house. The millennials are no exception. That said, there are more millennials than boomers. Millennials have started to form households, and have started the goods accumulation phase of their lives that accompanies it. Consumer spending is poised to be strong for the foreseeable future as both the consumer and industrial economies are shifting into high gear.

(Cass Info)

Some wild cards are at play as the Trump administration pushes tariffs that could cause some wholesale changes in the industrial sector. This could impact goods from [Harley-Davidson](#) motorcycles to [Kentucky Bourbon](#) as our big brands and agricultural exports could see retaliatory tariffs. The rail networks are finally recovering as [CSX](#) made overhauls and the Canadian Rail Network mitigated possible strikes. Intermodal, with double-digit growth from shippers escaping high truck rates, is seeing capacity shrinking in this sector. (Page, 2018)

So, “Biff” can be difficult to avoid and the market might seem like riding in a [DeLorean](#) through the space-time continuum, but the right partner can help plan for what might be a [long and winding road](#). As capacity tightens this

year, a broker with a large network of vetted carriers will keep your freight moving on time and on temp. This can be the case whether or not Biff turns out to be the economy, weather or the government. A trusted partner with a strong intermodal, LTL and truckload team will give you peace of mind and keep you delivering results for your company.

We, at [Choptank Transport](#), are not expecting any quick or easy fixes. Relying on your partners and the experts can relieve a lot of stress and provide solutions in navigating this volatile market. An experienced third-party logistics provider can utilize their established pool of carriers, up-to-date technologies to track the market and well-trained staff to provide real-time information and the best rates available. [Request a quote today](#) to see how we can help you improve your supply chain. No matter which mode of service you need, Choptank can deliver via [truckload \(dry and refrigerated\)](#), [DRY LTL](#), [Cold LTL](#), [Intermodal](#), [Flatbed/Oversized](#), [Specialty Loads](#) and more.



TABLE 1. *Market Demand Index (MDI) by [Truckstop.com](#)

*The MDI is a measure of relative truck demand in the spot market. It compares load availability to truck availability.

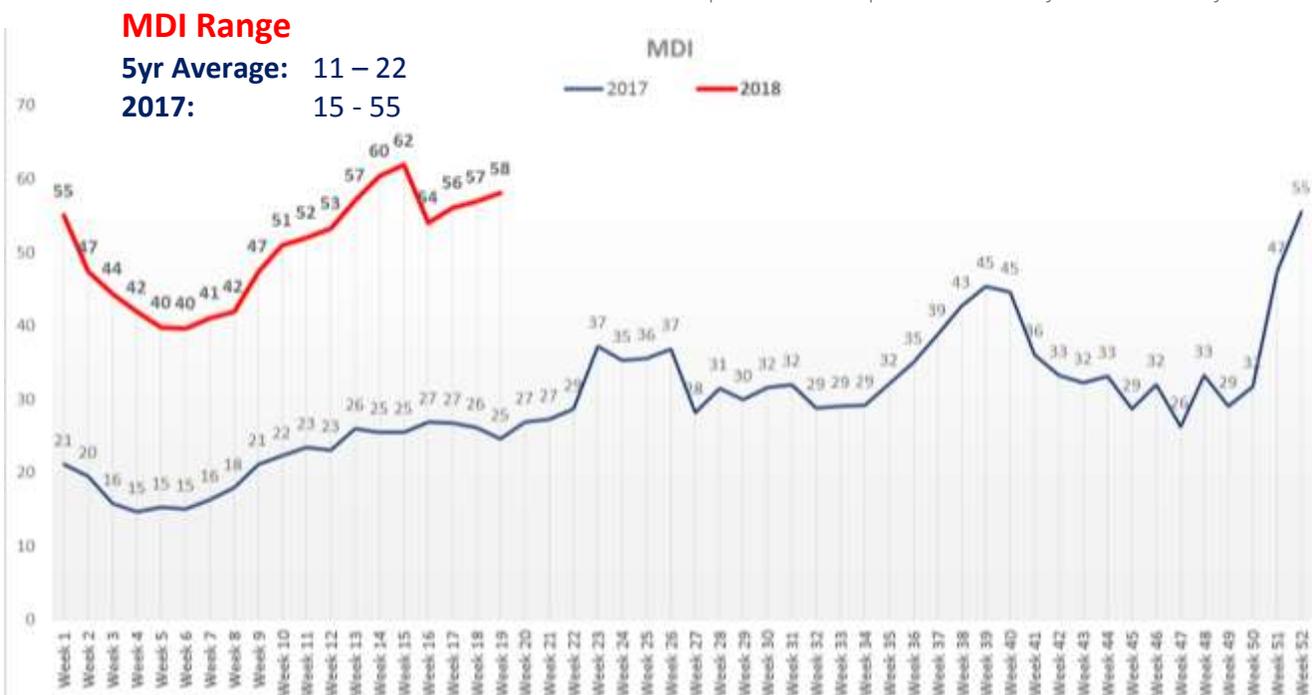


TABLE 2. National Load Counts by DAT.com

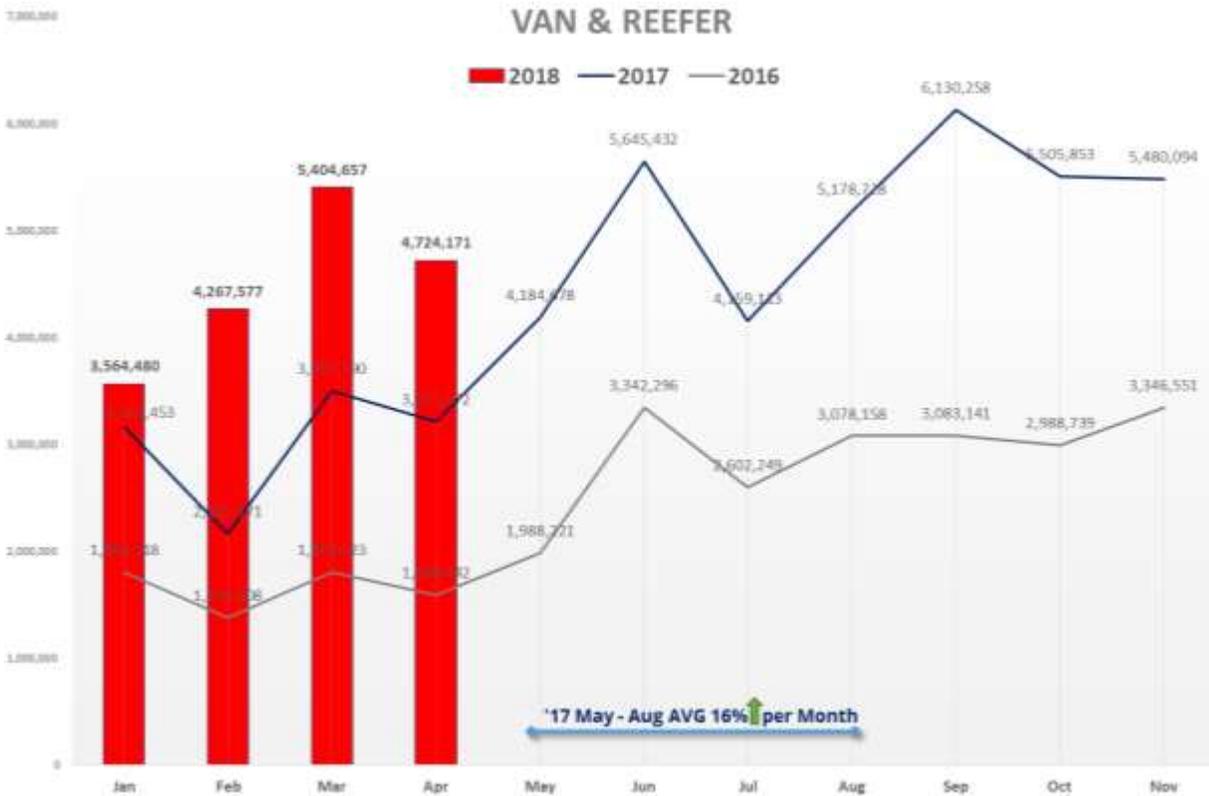
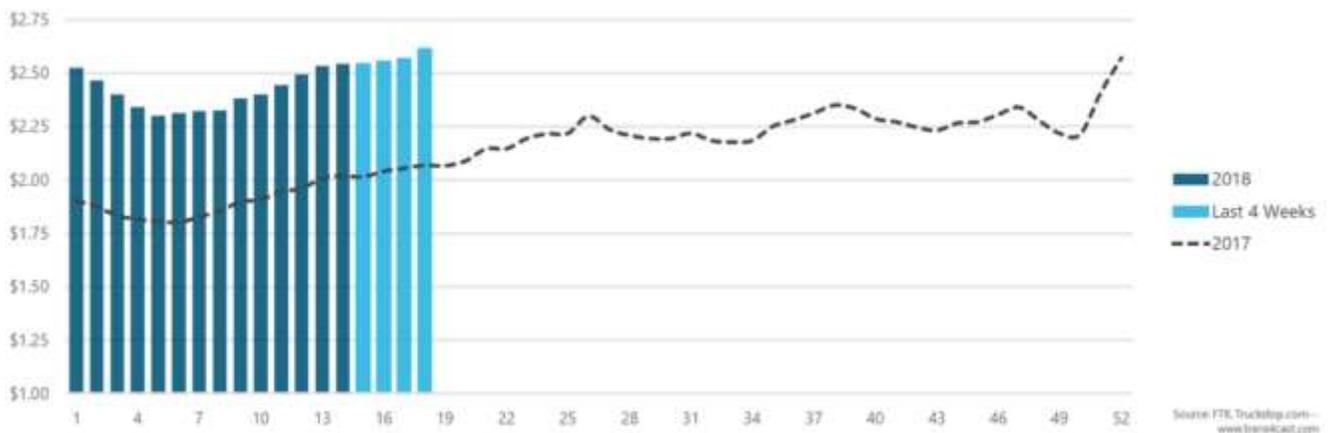


TABLE 3. National Broker Rates (including fuel) by Truckstop.com



References

Cass Info. (2018). *Cass Freight Index*. Retrieved from Cass Info: <https://www.cassinfo.com/transportation-expense-management/supply-chain-analysis/transportation-indexes/cass-freight-index.aspx>
 Page, P. (2018). *Logistics Report*. Retrieved from wsj.com: <https://www.wsj.com/news/logistics-report/>