SHIPPING & TRANSPORTATION

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New Year, New Market?

Looks like we're trading 2017 Hurricanes for winter cyclones and a Polar Vortex. A historically high MDI will stay high with this weather being the driving force. A resurgent economy, a long-awaited infrastructure proposal and new tax cuts will help ease the pain of these higher rates.

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!

Shippers are paying premium rates as the strong surge in business that began last year pushes into 2018! We just experienced the biggest jump in holiday sales since 2011. The severe storms and sub-freezing temperatures have locked down much of the Eastern seaboard with treacherous roads and closed businesses and major ports.

Couple those economic numbers with fewer drivers on the road, the hangover effect, we are still feeling, from the hurricanes and government regulations like ELD's (see: What Shippers Need to Know About ELD's) and the picture becomes clear. We'll be experiencing these record rates and capacity shortages for a while longer. In a letter to shippers this past September, top executives at J.B. Hunt Transport Services Inc. warned of the capacity crunch we'll experience this year. "This is one of the highest periods of turbulence and volatility in supply we've ever experienced and we don't think it will abate any time soon," CEO John Roberts and Chief Commercial Officer Shelly Simpson said. "We advise budgeting for transportation cost increases that may reach 10% or more." This was also echoed by several other industry analyst. Pricing analyst Mark Montague with DAT Solutions reported "that shippers believe base rates will rise 2% to 4%." The difference between 2% and 10% is obviously significant and many variables factor into which part of the spectrum a shipper might face.

The good news is the economy is recovering at a healthy rate with forecasts ranging up close to 3% GDP after being as low as 1.5% just two years ago. The new tax plan will also free up some cash flow that will hopefully allow for reinvestment in new equipment and other capital expenses.

Noel Perry, of FTR and the chief economist of online load board Truckstop.com, mentions that it took several months for annualized pricing to right itself following Hurricane Katrina and lanes normalize and the truck to load ratios to (see *Table 1 below*) become more manageable. The macroeconomic factors on a national and international level are very different than what the market faced after Katrina. We can hope for the best, but find the right partner to help plan for what might be a long and winding road.

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 these treacherous waters. An experienced third-party logistics provider can utilize their established pool of carriers, up-to-date technologies to track the market *(see Table 2)* 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.

MDI Range
5yr Average: 11 – 22
2017: 15 - 55
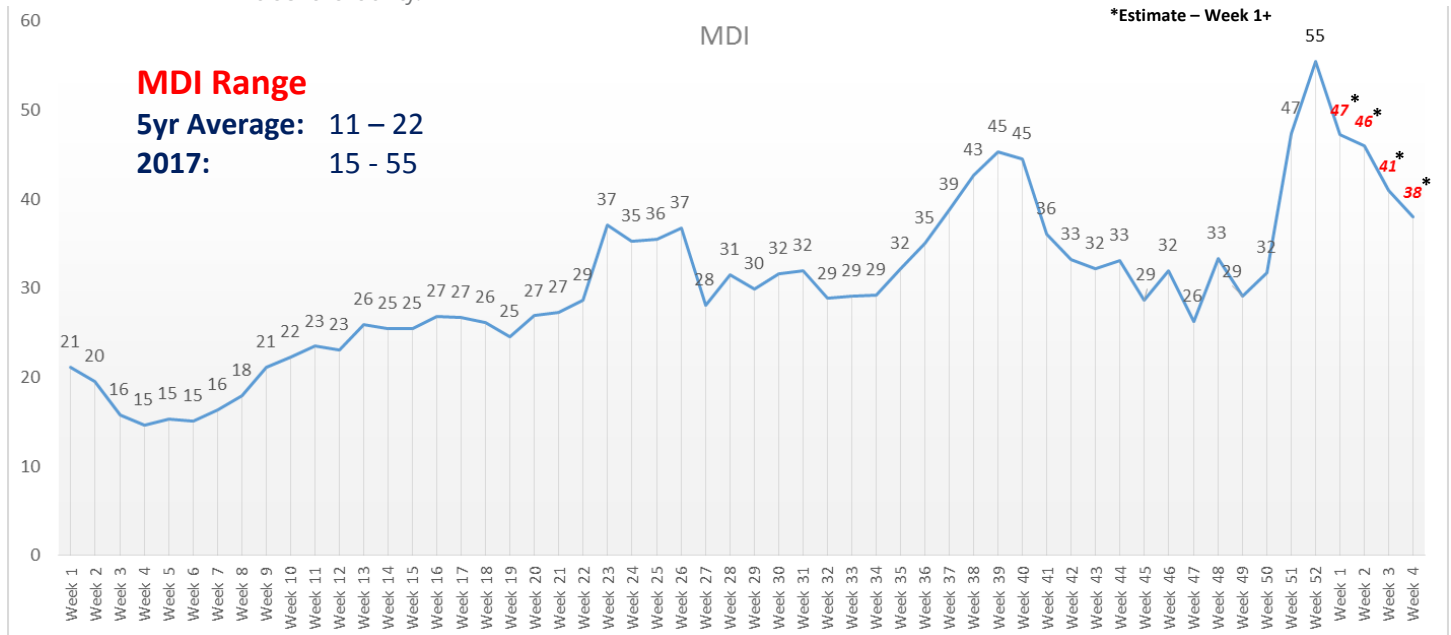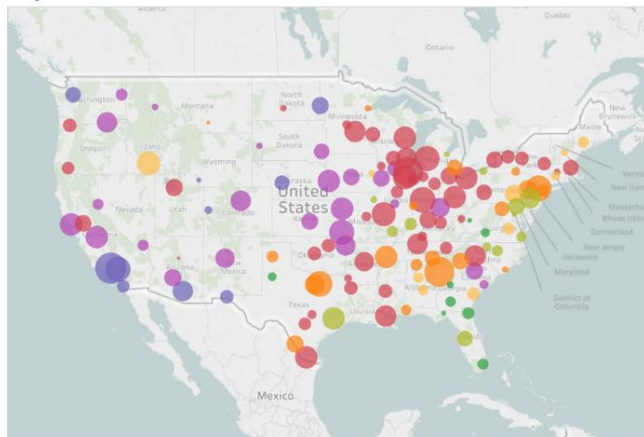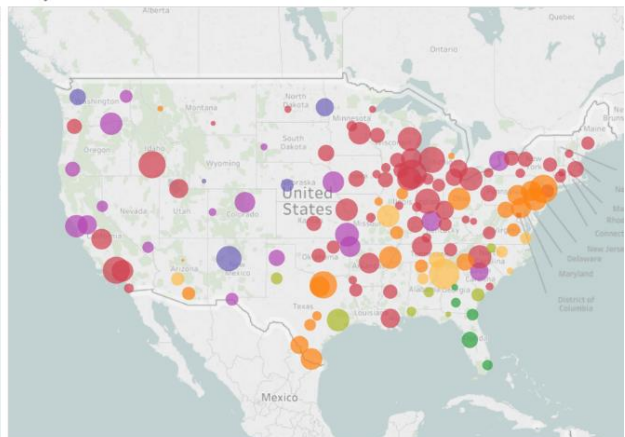
*Estimate – Week 1+

TABLE 2. *Density Maps

*Load density maps are based on percent change and are not indicative of actual load count.
Drastic change in color represents drastic *percent change* in load count. Red is a large change.

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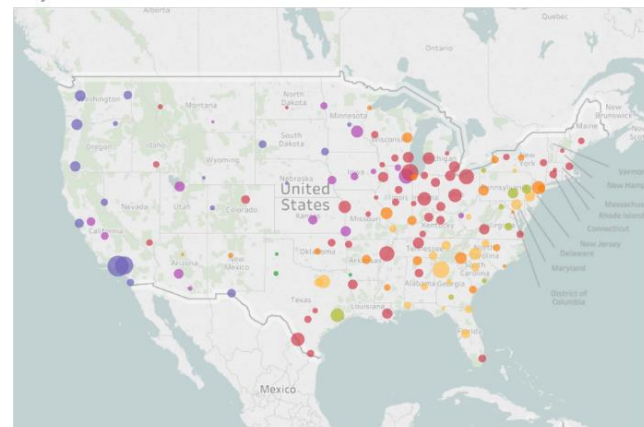### DRY VAN