PERIOD: **Feb/Mar 2018**

SHIPPING & TRANSPORTATION

Brian Fox, Choptank Staff

Where are rates headed in 2018?

The second half of 2017, and its impact on this market has been chronicled ad nauseam. We now have many competing forces and variables at play with almost as many opinions on where the market will go from here.

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 were paying premium rates as the strong surge in business that began last year pushed into 2018. Rates began to ease up and level off through the first few weeks of this year. It was a nice respite and some people think (or at least hope) that rates would continue to fall and they could avoid that 10% budget increase they've been fighting for, or just got approved. We believe, with many others, that the slight uptick in prices the first week of March will continue to rise, following seasonal trends. This can be seen as the week 9 **MDI** jumped back up to the upper 40's (see *Table 1 below*) and could easily climb back into the 50's we started the year with. However, the seasonal rise in load counts (see *Table 2 below*) and rates (see *Table 3 below*) might be exacerbated by other factors as well.

We are all aware of the ELD mandate (see: What Shippers Need to Know About ELD's) and when it takes full effect on April 1st. The capacity crunch this might cause is not as widely feared as it first was, but it certainly will not *expand* capacity. The Chinese New Year is not always a factor, but this year it's coming very late in the year and at an unfortunate time. As an enormous number of workers come back to the factories after enjoying time at home there will be a sharp uptick in container volume on West Coast ports. This will coincide with large, seasonal harvests in California, and elsewhere, creating a sudden capacity squeeze. Lower-priority freight that begins to sit in the ports will be seeking team expedited carriers offering quick transit times at high prices. (Hampstead, 2018)

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 to 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 also seeing unsteady markets as CSX is making overhauls and intermodal, with double digit growth from shippers escaping high truck rates, is seeing capacity shrinking in this sector. (Page, 2018)

The good news is the economy is recovering at a healthy rate with forecasts ranging upwards of 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.

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 this volatile market. An experienced thirdparty 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. *<u>**Market Demand Index**</u> *(MDI)* by Truckstop.com

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

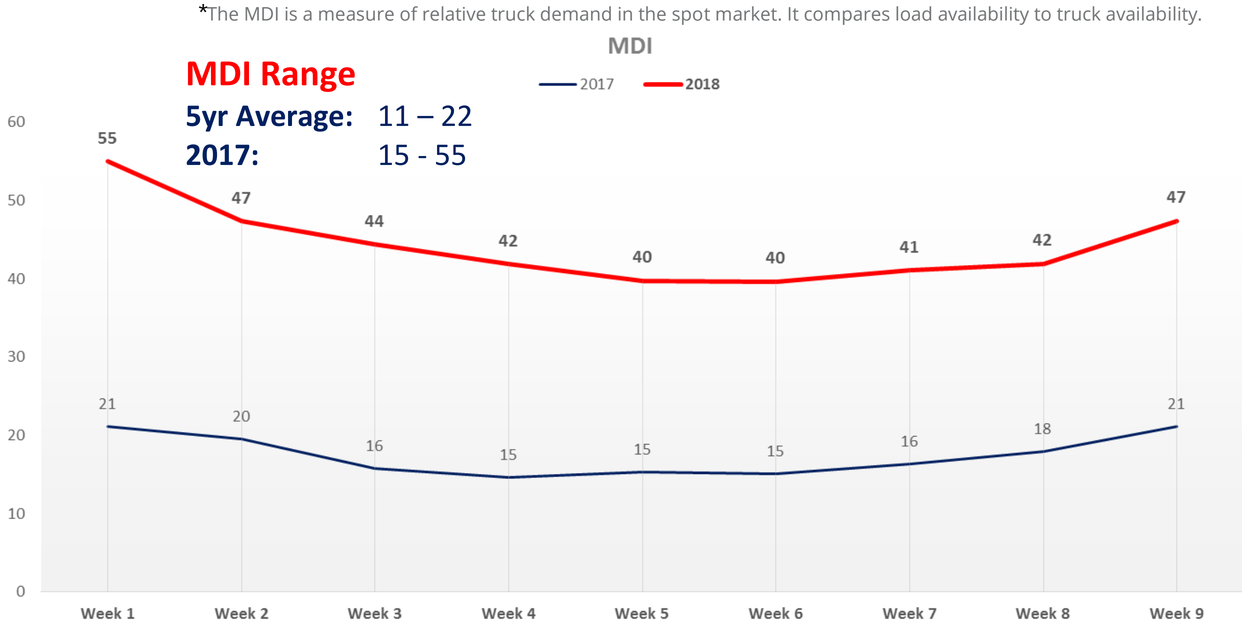


TABLE 2. <u>**National Load Counts**</u> by [DAT.com](DAT.com)

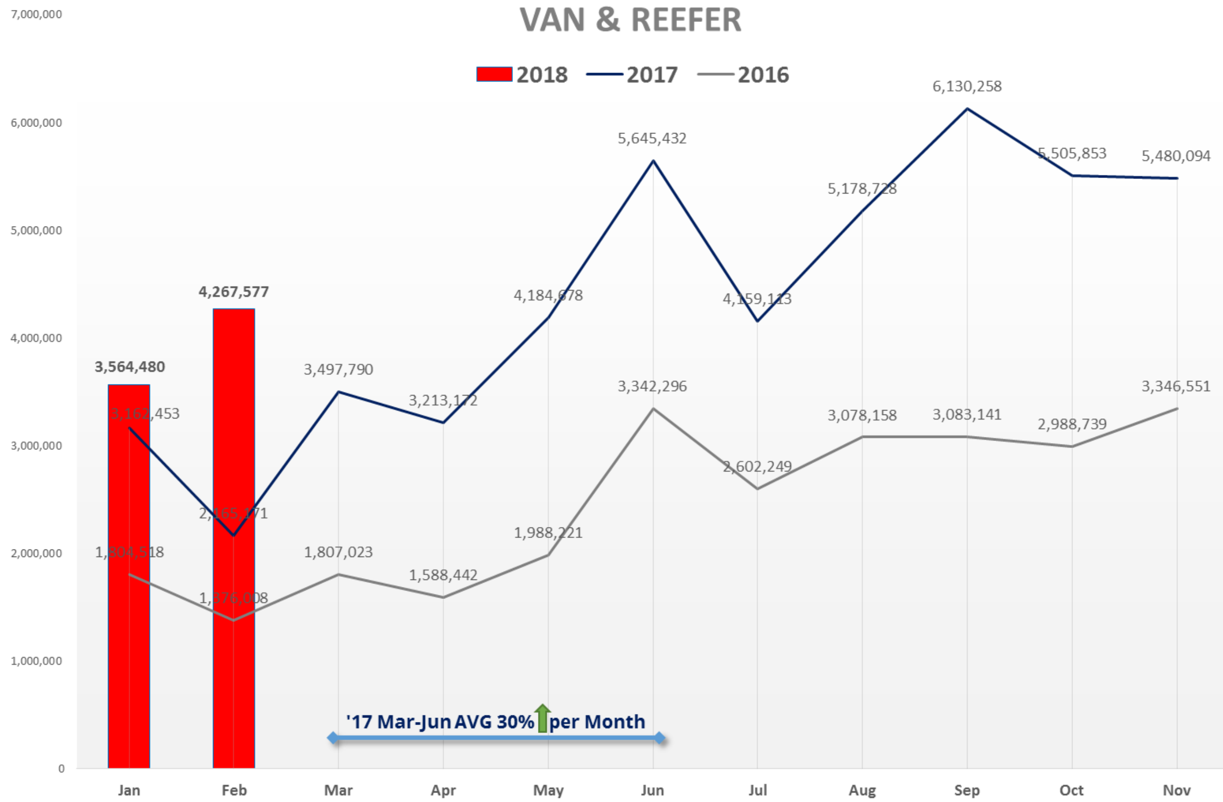
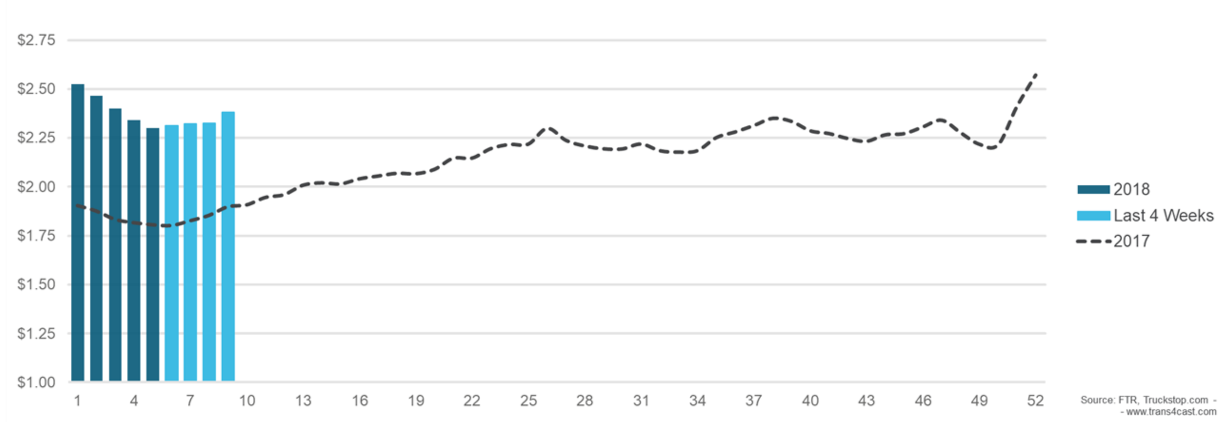


TABLE 3. <u>**National Broker Rates**</u> *(including fuel)* by Truckstop.com



<u>**References**</u>

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

Hampstead, J. P. (2018, January 25). *https://www.freightwaves.com/news/*. Retrieved from Freight Waves: https://www.freightwaves.com/news/2018/1/25/why-the-2018-chinese-new-year-will-be-different?rq=chinese%20new%20year

Page, P. (2018). *Logistics Report*. Retrieved from wsj.com: https://www.wsj.com/news/logistics-report/