



November 2020

A First Glimpse at October's TEU Counts

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Note: *The ports we survey take anywhere from a few days to a few weeks to report their container trade statistics. The Port of Oakland is normally the first to post these numbers, while the Port of New York/New Jersey is nearly always the last. Because West Coast ports are generally much quicker in releasing their monthly TEU tallies than their rival ports elsewhere in the country, these "First Glimpse" numbers are necessarily incomplete and may give a misleading indication of the latest trends.*

Let's start with what the usual pollsters pundits have been forecasting about container traffic in October. In a November 9 press release, the National Retail Federation and the Global Port Tracker estimated that inbound loaded TEUs in October would total 2.0 million, which it said would be a 6.5% increase over the same month last year. Of course, a month earlier (October 8), the Global Port Tracker had expected October to be down 1.1% from a year earlier. Somewhat more optimistic is Panjiva, the London-based box-counter, which believes October's final tally of 2.9 million TEUs would represent a 16.3% jump in U.S. container import traffic from last October. Meanwhile, the October outlook from the Port Import Export Reporting Service (PIERS) – as passed along in a November 10 article in the *Journal of Commerce* – avers that total U.S. container imports would be "up 20.2 percent year over year." Sorry to be so helpful.

Moving along now to more concrete numbers thus far published by individual ports, the Port of Long Beach recorded a 19.4% year-over-year leap in inbound loads in October but sustained a 12.9% drop in outbound loads. Next door, the Port of Los Angeles did even better, posting a 29.0% jump in inbound loads from last October. Even the number of outbound loads rose at LA by 2.6%.

Importantly, there was scant evidence of an import slowdown in San Pedro Bay. Although inbound laden TEUs at Long Beach were off slightly (-0.8%), LA saw a 7.4% increase from the preceding month. Advance indicators suggest the recent import surge at the two

ports won't be winding down until December. After that, it's an epidemiologist's best guess as to how things go.

Up the coast, the Port of Oakland posted a 10.4% bump in inbound loads over last October but a 7.6% decline from September. Outbound loads at the San Francisco Bay Area port slipped by 0.5% from a year earlier. Further north at the Northwest Seaport Alliance (NWSA) Ports of Tacoma and Seattle, import loads were up 4.7% year-over-year but down 6.5% from September. Export loads were off sharply from last October by 19.0%.

Back East, the Port of Virginia saw a 6.1% bounce in inbound loads over October 2019, an even brisker 8.8% gain over September, and a slender 0.2% year-over-year increase in outbound loads. At Charleston, inbound loads edged up by 1.3% from last October but were up by 6.8% from September. Outbound loaded TEUs from Charleston declined by 1.2% from a year earlier.

Along the Gulf Coast, Houston's inbound loads soared by 22.2% over last October, while posting an 11.2% gain over September. Outbound loads were off, however, by 11.1% from the same month last year.



Photo courtesy of the Port of Los Angeles



Parsing the September 2020 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or the partial information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports.

September 2020 Import Traffic

Apart from the Northwest Seaport Alliance ports (Seattle and Tacoma), inbound loads along the U.S. West Coast saw double-digit year-over-year jumps in September. The Port of Los Angeles handled 69,411 more loaded inbound TEUs than it had a year earlier, an increase of 17.3%. Next door at the Port of Long Beach, inbound loads were up 14.3% (+50,708 TEUs), while the Port of Oakland posted a 10.6% gain (+9,015 TEUs) over September 2019. Much less positive were the numbers from the two big Washington State ports, where inbound loads were down 6.8% (-8,908 TEUs) from a year earlier.

It wasn't as though the Canadian ports in British Columbia ate the NWSA's lunch in September. Vancouver reported inbound loads were off, albeit by a very slender 100 TEUs (-0.1%). Prince Rupert, though, recorded a deeper decline, with import loads down 5.3% (-3,469 TEUs).

Along the storm-lashed Gulf Coast, the Port of Houston and the Port of New Orleans both posted impressive year-over-year bumps in inbound loads. Houston's inbound traffic was up 14.3% (+15,238 TEUs), while New Orleans saw an 11.9% increase (+1,340 TEUs).

Exhibit 1	September 2020 - Inbound Loaded TEUs at Selected Ports					
	Sep 2020	Sep 2019	% Change	Sep 2020 YTD	Sep 2019 YTD	% Change
Los Angeles	471,731	402,320	17.3%	3,394,743	3,576,638	-5.1%
Long Beach	405,618	354,910	14.3%	2,807,183	2,804,859	0.1%
San Pedro Bay Totals	877,349	757,230	15.9%	6,201,926	6,381,497	-2.8%
Oakland	93,916	84,901	10.6%	740,964	737,967	0.4%
NWSA	122,543	131,451	-6.8%	899,629	1,058,981	-15.0%
USWC Totals	1,093,808	973,582	12.3%	7,842,519	8,178,445	-4.1%
Boston	13,208	11,608	13.8%	102,870	111,567	-7.8%
NYNJ	374,649	315,866	18.6%	2,776,346	2,841,441	-2.3%
Maryland	46,057	45,051	2.2%	379,490	399,757	-5.1%
Virginia	121,115	114,643	5.6%	936,774	1,035,121	-9.5%
South Carolina	90,399	90,111	0.3%	749,502	806,448	-7.1%
Georgia	212,517	183,466	15.8%	1,614,176	1,673,466	-3.5%
Jaxport	27,736	27,309	1.6%	231,473	267,100	-13.3%
Port Everglades	24,835	25,594	-3.0%	218,606	239,790	-8.8%
Miami	39,291	35,085	12.0%	304,043	326,202	-6.8%
USEC Totals	949,807	848,733	11.9%	7,313,280	7,700,892	-5.0%
New Orleans	12,565	11,225	11.9%	103,968	104,065	-0.1%
Houston	121,508	106,270	14.3%	910,279	932,437	-2.4%
USGC Totals	134,073	117,495	14.1%	1,014,247	1,036,502	-2.1%
Vancouver	156,189	156,289	-0.1%	1,274,462	1,308,784	-2.6%
Prince Rupert	60,601	63,970	-5.3%	465,555	501,078	-7.1%
BC Totals	216,790	220,259	-1.6%	1,740,017	1,809,862	-3.9%
US/BC Totals	2,394,478	2,160,069	10.9%	17,910,063	18,725,701	-4.4%
US Total	2,177,688	1,939,810	12.3%	16,170,046	16,915,839	-4.4%
USWC/BC	1,310,598	1,193,841	9.8%	9,582,536	9,988,307	-4.1%

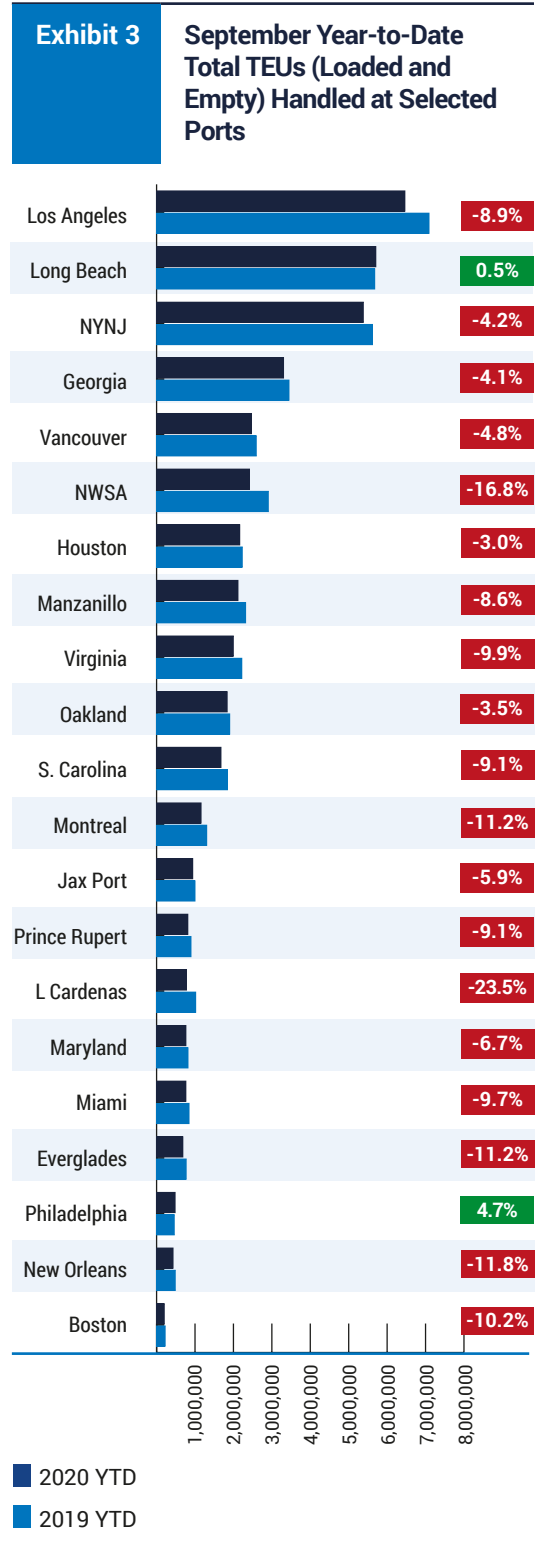
Source Individual Ports



Parsing the September 2020 TEU Numbers *Continued*

	September 2020 - Outbound Loaded TEUs at Selected Ports			September Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports		
	Sep 2020	Sep 2019	% Change	Sep 2020 YTD	Sep 2019 YTD	% Change
Los Angeles	130,397	130,769	-0.3%	1,136,289	1,347,073	-15.6%
Long Beach	112,556	123,215	-8.7%	1,111,553	1,092,069	1.8%
San Pedro Bay Totals	242,953	253,984	-4.3%	2,247,842	2,439,142	-7.8%
Oakland	75,674	72,058	5.0%	685,771	687,203	-0.2%
NWSA	66,939	82,148	-18.5%	589,711	684,556	-13.9%
USWC Totals	385,566	408,190	-5.5%	3,523,324	3,810,901	-7.5%
Boston	8,053	6,892	16.8%	57,577	61,729	-6.7%
NYNJ	114,690	116,231	-1.3%	980,109	1,103,001	-11.1%
Maryland	17,214	20,320	-15.3%	159,884	174,712	-8.5%
Virginia	75,526	71,561	5.5%	685,277	727,021	-5.7%
South Carolina	60,245	61,494	-2.0%	574,033	622,275	-7.8%
Georgia	105,229	107,972	-2.5%	1,078,592	1,111,952	-3.0%
Jaxport	46,324	37,470	23.6%	372,990	369,848	0.8%
Port Everglades	27,686	35,404	-21.8%	246,433	317,605	-22.4%
Miami	23,010	33,964	-32.3%	263,008	308,149	-14.6%
USEC Totals	477,977	491,308	-2.7%	4,417,903	4,796,292	-7.9%
New Orleans	22,267	25,049	-11.1%	209,633	225,249	-6.9%
Houston	92,415	102,309	-9.7%	924,065	938,659	-1.6%
USGC Totals	114,682	127,358	-10.0%	1,133,698	1,163,908	-2.6%
Vancouver	89,442	90,304	-1.0%	782,883	856,013	-8.5%
Prince Rupert	13,687	13,370	2.4%	146,608	145,557	0.7%
British Columbia Totals	103,129	103,674	-0.5%	929,491	1,001,570	-7.2%
US/Canada Total	1,081,354	1,130,530	-4.3%	10,004,416	10,772,671	-7.1%
US Total	978,225	1,026,856	-4.7%	9,074,925	9,771,101	-7.1%
USWC/BC	488,695	511,864	-4.5%	4,452,815	4,812,471	-7.5%

Source: Individual Ports



Source: Individual Ports



Parsing the September 2020 TEU Numbers *Continued*

Exhibit 4 USWC Ports Shares of Worldwide U.S. Mainland, September 2020

	Sep 2020	Aug 2020	Sep 2019
Shares of U.S. Mainland Ports Containerized Import Tonnage			
LA/LB	29.7%	29.6%	28.0%
Oakland	3.9%	4.1%	4.0%
NWSA	4.5%	4.5%	5.3%
Shares of U.S. Mainland Ports Containerized Import Value			
LA/LB	37.5%	36.8%	35.6%
Oakland	3.6%	3.9%	3.9%
NWSA	5.9%	5.8%	7.0%
Shares of U.S. Mainland Containerized Export Tonnage			
LA/LB	22.2%	22.2%	20.1%
Oakland	6.9%	6.5%	6.2%
NWSA	7.1%	7.0%	8.3%
Shares of U.S. Mainland Containerized Export Value			
LA/LB	20.4%	21.7%	21.1%
Oakland	7.3%	6.9%	6.1%
NWSA	4.0%	4.2%	4.6%

Source: U.S. Commerce Department.

Exhibit 5 USWC Ports Shares of U.S. Mainland Trade With East Asia, September 2020

	Sep 2020	Aug 2020	Sep 2019
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	47.6%	45.7%	43.7%
Oakland	4.3%	4.3%	4.6%
NWSA	6.2%	6.4%	7.8%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	53.9%	52.3%	50.6%
Oakland	4.3%	4.4%	4.3%
NWSA	8.1%	8.0%	9.9%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	35.1%	35.5%	34.7%
Oakland	8.9%	8.9%	9.5%
NWSA	10.5%	10.7%	14.1%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	39.0%	41.2%	42.9%
Oakland	11.6%	12.0%	10.5%
NWSA	7.6%	8.1%	9.3%

Source: U.S. Commerce Department.

Overall, the nine Atlantic Coast ports we monitor saw their inbound loads in September increase by 11.9% (+101,074 TEUs) from last year, with the Port of New York/New Jersey and the Port of Savannah seeing the briskest year-over-year growth. At PNYNJ, discharged loads were up 18.6% (+58,783 TEUs) over last September, while Savannah grew its inbound trade by 29,051 laden TEUs (+15.8%). The Port of Miami (+12.0%) was the only other East Coast port to show an appreciable year-over-year gain. Port Everglades even posted a 3.0% decline in inbound loads from a year earlier.

Surge or no surge?

Looking for clues about the sustainability of the late summer import surge? Inbound loads through the five USWC gateways did increase from August to September,

but by just 0.8% (+8,576 TEUs). Meanwhile, our nine East Coast ports collectively saw their inbound loads slip by 0.7% (-6,698 TEUs). The biggest month-to-month increase occurred in the Gulf Coast, with inbound loads growing by 5.6% (+7,120 TEUs). However, the sharpest month-to-month fall-off was in British Columbia, where Vancouver and Prince Rupert together recorded an 8.1% drop (-18,369 TEUs) from August to September. As a result, the import surge through the North American ports tracked by this newsletter faltered in September, falling shy by 9,371 loaded TEUs (-0.4%) of August.

September 2020 Outbound Traffic

Containerized exports have been weak all year, and September offered no exception. Only Jaxport (+23.6%) Oakland (+5.0%), Boston (+16.8%), Virginia (+5.5%), and Prince Rupert (2.4%) posted year-over-year increases in



Parsing the September TEU Numbers *Continued*

outbound loads. The export loads through the two San Pedro Bay ports were down by 4.3% from last September. Oakland recorded a 5.0% gain, but export loads through the NWSA ports plummeted by 18.5%. In total, outbound loads through the five major USWC ports were down by 5.5% (-22,624 TEUs) from a year earlier.

Container exports were also off along the U.S. East Coast, but by just 2.7% (-13,331 TEUs). Along the hurricane-plagued Gulf Coast, New Orleans and Houston reported a 10.0% (-12,676 TEUs) year-over-year fall-off in outbound loads.

The two British Columbia ports fared better, with a slight decline of 0.6% (-545 TEUs) from last September.

Altogether, export loads from the North American ports we track were down 4.3% (-49,176 TEUs) from September 2019.

Weights and Values

Even though the TEU is the shipping industry's preferred unit of measurement, we offer two alternative metrics – the declared weight and value of the goods contained in those TEUs – in hopes of further illuminating recent trends in the container trade along the USWC. While these numbers often contain little good news for USWC port officials, for the month of September, things were very much different at the San Pedro Bay ports. The percentages in the following two exhibits are derived from data compiled by the U.S. Commerce Department.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Given the import surge of this summer and early fall, Exhibit 4 features a few interesting but unsurprising numbers on containerized imports (regardless of point of origin) entering mainland U.S. ports. The two San Pedro Bay ports saw their combined percentage of containerized import tonnage in September edge up to 29.7% from 29.6% in August while also remaining higher than the 28.0% share recorded in September 2019. Those numbers were mirrored by the two ports' combined share of the value of the nation's containerized import trade, with a 37.5% share in September up from a 36.8% share in August and well ahead of their 35.6% share of last September. Meanwhile, the Port of Oakland's September share of import tonnage declined to 3.9% from 4.1% in August and from 4.0% a year ago. Oakland's share of import value edged lower in September to 3.6% from 3.9%

in August and from its 3.9% share last September. Further north, the two NWSA ports saw their combined share of import tonnage remain unchanged at 4.5% from August but fall 5.3% a year earlier. In value terms, the NWSA ports' share improved to 5.9% from 5.8% in August but was still much lower than their 7.0% share in September 2019.

On the export side, the Southern California ports gained market share in terms of tonnage but not in value terms. Oakland fared better with significant year-over-year gains in both export value and export tonnage. Much less positive were the numbers for the NWSA ports, which saw their combined share of U.S. containerized export tonnage and value plunge in September from a year ago.

Exhibit 5: USWC Ports and the East Asia Trade. The numbers on containerized imports arriving at U.S. mainland ports from East Asia in September reflected shippers' hasty, if perhaps temporary, abandonment of the Four Corners Strategy. The Ports of Los Angeles and Long Beach saw their combined share of the nation's containerized import tonnage from East Asia jump to 47.6% in September from 45.7% a month earlier and from 43.7% last September. The two Southern California gateways also enjoyed a substantial bump in their shares of the declared value of those imports. Elsewhere along the coast, Oakland's share of containerized import tonnage from East Asia was unchanged at 4.3% from August but was down from its 4.6% share last September. Oakland's 4.3% value share was off slightly from August but was identical to its share in September 2019. Meanwhile, the two NWSA ports sustained declines in their import tonnage shares both from August and from the previous September. And, although the NWSA ports' collective share of the value of containerized imports from East Asia did nudge up to 8.1% from August, September's share was significantly below the 9.9% share the ports held a year earlier.

September export shares, both in terms of tonnage and dollars, were almost uniformly down both from August and last September at the main USWC gateways. Oakland was the anomaly: its export tonnage share remained unchanged from August, and its 11.6% share of the declared value of the nation's containerized exports to East Asia in September was more than a point higher than its 10.5% share a year earlier.



Parsing the September TEU Numbers *Continued*

Soybeans

We're always perplexed by media reports that make a big deal about containerized exports of soybeans, specifically about the difficulties that soybean merchants seem to have about finding just the right kind of container in just the right location. While we sympathize with the aggrieved exporters, what seldom gets mentioned in these reports is that marine containers carry less than ten percent of the nation's soybean exports. Oh well. Maybe it's because the Ports of Los Angeles and Long Beach handled about half of all containerized soybean export tonnage that some folks find the role of containers in the soybean trade to be a compelling topic of journalistic conversation.

Anyway, U.S. soybean exports through the first three quarters of 2020 were running 8.7% behind last year's first three quarters. That was in large part because exports to China were down about one-third from 2019, despite commitments the White House assumed it had received from Beijing.

Last year's U.S. soybean export trade with China was up from 2018 but was 18.6% below the volume of shipments in 2017, the benchmark year for gauging the value of Chinese purchase commitments. Although the Louisiana Ports of New Orleans and Gramercy handled 48.3% of last year's soybean exports to China, five Washington State ports played an almost equally substantial role with a combined 46.7% share. The Port of Kalama along the Columbia River was the nation's third largest terminal for soybean shipments to China followed by Seattle, Vancouver, Tacoma, and Longview.

Globally, Kalama was also the nation's third largest exporter of soybeans, leading six other USWC ports that figured among the top ten soybean export ports. In addition to the aforementioned Washington State ports, the Ports of Los Angeles and Long Beach held a 4.5% share of all U.S. soybean exports from mainland U.S. ports.

What challenges are agricultural exporters encountering? Maybe the most acute issue right now is that the enormous demand for empty TEUs in Asia is vacuuming up available empties here, despite the pleas of farm exporters.

But one problem facing ag exporters that we did

not expect was this one reported in the esteemed and venerable *Journal of Commerce* (November 16): "Demurrage charges are out of control," Peter Friedmann, executive director of the Agriculture Transportation Coalition, said at the press conference. The charges, he said, can wipe out the profits of agricultural exporters, many of which ship low-margin farm goods to their overseas customers." [Feel free to indulge in head-scratching here.]

Who's #1?

September is currently the most recent month for which comparable statistics are available for ranking the nation's three busiest ports. So, for the record, ***the Port of Los Angeles was the nation's busiest container port in September*** with total traffic (loaded + empty) amounting to 883,625 TEUs. The Port of Long Beach ran second with 795,580 TEUs, while the Port of New York/New Jersey (PNYNJ) placed far behind in third place with 720,969 TEUs. (Trailing far behind was the Port of Savannah with 412,138 TEUs.)

For the zealots who think empty boxes should not count, the rank order remains unchanged. Los Angeles handled 602,192 loaded TEUs as opposed to 518,174 laden TEUs at Long Beach. Trailing behind in third was PNYNJ with just 489,339 laden TEUs.

The YTD totals (loads + empties) for the first nine months of the year showed Los Angeles in the lead with 6,463,735 TEUs. Long Beach with 5,707,306 TEUs bested PNYNJ's total of 5,382,422 TEUs. Strictly in terms of loads, LA has handled 4,531,034 laden TEUs this year through September, with Long Beach (3,919,340 TEUs) topping PNYNJ (3,756,455 TEUs).

Logistical History

Let's close this segment on a patriotic note in honor of Veterans Day earlier this month. We happened to be reading *Embattled Dream: California in War and Peace 1940-1950* by the late California State Librarian Kevin Starr. The book provides an intriguing description of the enormous scale of California's role in World War II. It was, in many respects, a garrison state from San Diego's sprawling naval and Marine bases to a remote early warning radar site disguised as a farmhouse on the coast near the Oregon border in Del Norte County. The principal focus



Parsing the September TEU Numbers *Continued*

of the state's contribution to the war against Japan centered, however, on the San Francisco Bay Area.

"Even now," Starr wrote in 2001, "it is difficult to comprehend the millions of men and women and the mega-tons of equipment and supplies the San Francisco Port of Embarkation processed and sent across the Pacific." Equally difficult to comprehend is the scale of the American military effort in the Pacific that had to be continuously sustained and replenished. By war's end in 1945, the United States Navy had deployed a fleet in the Pacific numbering nearly 1,200 major combat ships, including twenty-seven aircraft carriers, eight "fast" battleships, and ten prewar "old" battleships, over 350 destroyers and destroyer escorts, and scores of submarines and patrol torpedo boats. The Third Fleet alone comprised seventeen aircraft carriers and eight battleships. According to historian Ian Toll, this armada constituted "the most powerful naval striking force ever assembled in history." Far more numerous than the combat vessels were various types of supply ships, tankers, troop transports, landing craft, and hospital ships. American ground forces in the Pacific, under the command of Douglas MacArthur, numbered in the

hundreds of thousands, while the Army Air Corps could assault Japan with 1000 B-29s by the spring of 1945.

The logistics were obviously daunting, and nearly all of it passed under the Golden Gate Bridge. As 1945 began, Starr related, "just about every man, woman, weapon, bullet, torpedo, vehicle, foodstuff, medical supply, and piece of mail intended for the Pacific passed through the San Francisco Port of Embarkation....If they were to face combat in the Pacific, their port of Embarkation was San Francisco. Throughout the war, convoys of troopships and freighters, an increasing number of them Liberty ships built in Richmond and Marin shipyards, embarked on a weekly, daily, hourly basis from Fort Mason or any of the other 272 wharves and piers ringing the Bay."

Next time you're in San Francisco, go down to Pier 45 and gaze on the SS Jeremiah O'Brien, the last unaltered Liberty Ship built during the war to carry troops and supplies to distant fields of battle. If it's late afternoon and fog is drifting in across the bay, you can easily imagine hundreds of anxious young soldiers lining up to board the ship on which they would sail off to their fates.

Jock O'Connell's Commentary: What U.S. West Coast Ports Export

Most of us succumb at least periodically to the urge to elevate the significance of our occupations or preoccupations to the highest reaches of what metaphysicians might call "the whole scheme of things." Back when coffee shops were open, baristas would do this all the time. Turning out a proper macchiato was thought, at least on their side of the counter, to require so much more skill than brain surgery that even the most generous tip would not deter them from flashing a haughty sneer.

Like a host of other periodicals devoted to maritime trade, this newsletter admittedly obsesses about the movement

of TEUs, especially on the inbound trades. And we're not alone in dramatizing the role of containerized trade. Hardly a media outlet reports on the nation's foreign trade without displaying an image of towering cranes perched over gargantuan vessels laden with thousands of metal boxes. So, at least the public can be excused for thinking that the business of importing and exporting is pretty much confined to the waterfront.

A problem, however, arises when those who should know better begin to think the same way.

Take, for example, the chatter we've been hearing lately



Commentary Continued

from maritime leaders about the desirability of a national export strategy. In the past, calls for the *federales* to promote U.S. exports more aggressively have customarily had the goal of creating more manufacturing jobs to counter the hollowing-out of the nation's middle-class or at least winnowing down the nation's worrisome but chronic foreign trade deficit. By contrast, the current talk about a national export development program seems to be driven chiefly by a desire to better balance the demands being placed on the nation's goods movement infrastructure, especially at U.S. seaports. The notion that a more equitable balance can also be achieved by reducing America's dependence on foreign manufacturers is apparently not on the current agenda.

Last month's PMSA newsletter addressed the very sizable imbalances between the number of loaded import containers and loaded outbound. At the Port of Long Beach, inbound loaded TEUs exceeded outbound loads by a 3.5-1 ratio in September. The situation is not much different next door at the Port of Los Angeles. At the Port of New York/ New Jersey, the ratio in September was about 3.3-1.

Let's stipulate that this is not a universal issue. Of the sixteen U.S. ports this newsletter routinely tracks, the ratio of inbound loads to outbound loads in September was 2.2-1. And some ports – Oakland, Port Everglades, JaxPort, and New Orleans – actually shipped more loaded containers than they received that month.

However, let's also stipulate that trade in TEUs has seldom been as imbalanced as it has been lately. A year ago, in October 2019, Long Beach handled about 2.6 inbound loaded TEU to every outbound load. At Los Angeles, the ratio was 2.8 to 1. This October, the ratio for both ports was 3.5-1. It is therefore not unreasonable to expect that, once the import surge subsides, the imbalances at the San Pedro Bay ports will revert to levels they had long been accustomed to. Momentary crises do not always require massive intervention by the federal government, and I would expect that today's fervent demands for a national export initiative will be muted as soon as a semblance of normality returns.

Still, most everyone associated with supply chain management thinks the current imbalances are not healthy. Terminal operators, truckers, and railroads all

agree that too much traffic moving in one direction strains their capabilities and prevents them from providing their services as expeditiously as possible.

Whether a national export strategy would have a salutary impact in boosting exports of the kinds of goods that typically get stuffed into containers is another question. (I am consciously leap-frogging the more fundamental issue of whether, given the fractured political climate in Washington, devising such a strategy is even remotely possible.)

But let's step back and look at what we're talking about here with the aid of a few relevant if impertinent numbers. In a more congenial, bipartisan climate, politics would demand that a national export strategy would have to boost overseas shipments from more than a few industrial constituencies. But the talk we're hearing seems limited to bolstering exports of the kinds of goods that normally fill containers.

But before even identifying those commodities and how closely they comport with a countrywide economic agenda, the first order of business is to recognize that, frankly, America's foreign trade is not all about goods shipped by sea in metal boxes.

The state of a national economy is not measured in TEUs. Rather, gross domestic product – the standard, if deeply flawed, calculation of economic robustness – is expressed in terms of a nation's currency. For the United States, GDP in 2019 totaled \$21.73 trillion, according to the Bureau of Economic Analysis in the U.S. Commerce Department. (BEA is the official scorekeeper with respect to GDP.) No doubt the final number for 2020 will be rather lower owing to the pox.

U.S. merchandise exports, meanwhile, totaled \$1.74 trillion in 2019, up from \$1.67 trillion the year before. (Through the first three quarters of 2020, merchandise exports are running 10.7% behind last year.) Those numbers represent about eight percent of U.S. GDP. If that relatively modest percentage seems low, we need to appreciate that services account for roughly two-thirds of America's economic output.

Next up to ponder is the question of how those tangible goods we do export are transported.



Commentary Continued

Let's look at the last fairly normal year for U.S. trade, 2017. That was before President Trump got around to imposing tariffs on friends and not-so-friends alike. The first thing to realize is that, even before the outbreak of bilateral trade hostilities, China was not America's chief export market. That status went to Canada and Mexico. Together, the two accounted for 34.0% (\$526.38 billion) of the \$1,547.20 billion in U.S. merchandise exports that year. All but around five percent of our exports to Mexico and Canada went by road, rail, or pipeline. Meanwhile, airborne shipments accounted for another \$462.52 billion (29.9%) of the nation's overall export trade, while non-containerized oceanborne shipments were valued at \$581.08 billion (37.6%). That leaves the \$264.94 billion (17.1%) in merchandise exports that sailed from U.S. ports in containers. That's a meager share for a trade that is often offered up as the be-all and end-all of global trade.

By 2019, the value of America's merchandise export trade had grown to \$1,643.16 billion of which \$549.20 billion (33.4%) went to Canada and Mexico. Airborne exports (\$495.81 billion) accounted for 30.2% of all merchandise exports last year, while non-containerized oceanborne shipments accounted for \$301.29 billion (18.4%). Containerized exports amounted to \$284.99 billion, a 17.3% share.

Exhibit A Container Share of USWC Ports' Export Tonnage, 2019

Rank	HS Code	Description	Total Exports	Container Exports	%
TOTAL ALL COMMODITIES			118,313,737,252	47,485,717,317	40.1%
1	1201	Soybeans, Whether Or Not Broken	14,362,442,036	2,621,649,411	18.3%
2	1001	Wheat And Meslin	13,419,856,475	561,197,060	4.2%
3	1005	Corn (Maize)	8,132,027,200	890,304,276	10.9%
4	4707	Waste And Scrap Of Paper Or Paperboard	7,651,312,697	7,516,869,103	98.2%
5	2710	Oil (Not Crude) From Petrol & Bitum Mineral Etc.	7,404,700,178	565,999,489	7.6%
6	2713	Petroleum Coke, Petroleum Bitumen & Other Residues	6,680,279,859	3,417,630	0.1%
7	7204	Ferrous Waste & Scrap; Remelt Scr Iron/ Steel Ingot	6,254,055,058	2,869,103,431	45.9%
8	2836	Carbonates; Peroxocarbonates; Comm Amm Carbonate	4,962,634,117	47,441,623	1.0%
9	1214	Rutabagas, Hay, Clover & Other Forage Products	4,752,291,937	4,137,185,585	87.1%
10	2701	Coal; Briquettes, Ovoids Etc. Mfr From Coal	3,788,240,275	3,456,864	0.1%
11	3104	Mineral Or Chemical Fertilizers, Potassic	3,205,705,966	5,729,813	0.2%
12	2303	Residues Of Starch Mfr Or Sugar Mfr Or Brewing Etc	2,968,617,712	2,656,128,488	89.5%
13	4403	Wood In The Rough, Stripped Or Not Of Sapwood Etc	2,409,325,910	587,516,216	24.4%
14	1208	Flour & Meal Of Oil Seed & Olea Fruit (No Mustard)	2,155,983,913	361,766,646	16.8%
15	5201	Cotton, Not Carded Or Combed	1,645,133,426	1,606,794,335	97.7%
16	0802	Nuts Nesoi, Fresh Or Dried	1,274,338,254	1,027,654,303	80.6%
17	2004	Vegetables Nesoi Prepared Or Preserv Nesoi, Frozen	932,917,661	932,571,679	100.0%
18	2304	Soybean Oilcake & Oth Solid Residue, Wh/ Not Ground	867,935,318	476,806,071	54.9%
19	2503	Sulfur Of All Kinds Nesoi	857,869,688	27,220,982	3.2%
20	8703	Motor Cars & Vehicles For Transporting Persons	819,350,345	393,404,449	48.0%
21	1006	Rice	797,238,807	424,223,738	53.2%
22	0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	766,132,103	757,112,465	98.8%
23	3901	Polymers Of Ethylene, In Primary Forms	745,844,450	741,967,048	99.5%
24	2309	Preparations Used In Animal Feeding	741,952,627	692,426,437	93.3%
25	7602	Aluminum Waste And Scrap	732,705,796	637,275,367	87.0%



Commentary Continued

There is, to be sure, no question that maritime shipping does the heavy-lifting in supporting the nation's export trade. The tonnage involved in airborne exports last year was barely 2.5% of the tonnage shipped overseas by container. But, even excluding exports of petroleum and coal, which generally have represented nearly half of America's oceanborne exports by tonnage, much of what we export by sea falls into the category of relatively low-margin merchandise. Goods that boast high value-to-weight ratios or which just simply have to be there tomorrow generally fly to market.

Any plan to grow the number of laden export containers leaving USWC ports has to reckon with two realities. The first is the disconnect between the national and regional goods-producing sectors and the types of commodities that typically are shipped abroad in containers. The other is that filling otherwise empty outbound TEUs with new cargo could drive up shipping rates to the extent many of the low-value commodities we now export would be priced out of foreign markets.

For USWC ports, the challenge of filling outbound TEUs with the output of local industry is especially daunting. With its proliferation of high-tech companies, nearly half (46.8%) of California's \$174.03 billion merchandise export trade last

Exhibit B

Top 25 Containerized Exports from USWC Ports, 2019 By Tonnage (Kilograms) and Dollar Value

Rank	HS Code	Description	Tonnage (kgs.)	Value	Value per kg.
TOTAL ALL COMMODITIES			47,485,717,317	\$89,441,984,586	\$1.88
1	4707	Waste And Scrap Of Paper Or Paperboard	7,516,869,103	\$1,192,408,646	\$0.16
2	1214	Rutabagas, Hay, Clover & Other Forage Products	4,137,185,585	\$1,319,813,357	\$0.32
3	7204	Ferrous Waste & Scrap; Remelt Scr Iron/ Steel Ingot	2,869,103,431	\$1,067,145,345	\$0.37
4	2303	Residues Of Starch Mfr Or Sugar Mfr Or Brewing Etc	2,656,128,488	\$596,303,608	\$0.22
5	1201	Soybeans, Whether Or Not Broken	2,621,649,411	\$1,014,955,437	\$0.39
6	5201	Cotton, Not Carded Or Combed	1,606,794,335	\$2,819,071,080	\$1.75
7	0802	Nuts Nesoi, Fresh Or Dried	1,027,654,303	\$6,021,329,481	\$5.86
8	2004	Vegetables Nesoi Prepared Or Preserv Nesoi, Frozen	932,571,679	\$1,024,459,593	\$1.10
9	1005	Corn (Maize)	890,304,276	\$198,820,494	\$0.22
10	0203	Meat Of Swine (Pork), Fresh, Chilled Or Frozen	757,112,465	\$2,350,578,592	\$3.10
11	3901	Polymers Of Ethylene, In Primary Forms	741,967,048	\$840,750,777	\$1.13
12	2309	Preparations Used In Animal Feeding	692,426,437	\$745,223,853	\$1.08
13	7602	Aluminum Waste And Scrap	637,275,367	\$740,963,466	\$1.16
14	4403	Wood In The Rough, Stripped Or Not Of Sapwood Etc	587,516,216	\$205,877,606	\$0.35
15	2710	Oil (Not Crude) From Petrol & Bitum Mineral Etc.	565,999,489	\$475,924,950	\$0.84
16	1001	Wheat And Meslin	561,197,060	\$130,557,460	\$0.23
17	2304	Soybean Oilcake & Oth Solid Residue, Wh/ Not Ground	476,806,071	\$194,665,901	\$0.41
18	0202	Meat Of Bovine Animals, Frozen	475,341,767	\$2,849,731,430	\$6.00
19	2840	Borates; Peroxoborates	459,004,351	\$220,590,784	\$0.48
20	0805	Citrus Fruit, Fresh Or Dried	458,866,577	\$558,570,501	\$1.22
21	0808	Apples, Pears And Quinces, Fresh	451,878,816	\$515,238,198	\$1.14
22	1006	Rice	424,223,738	\$355,090,634	\$0.84
23	4407	Wood Sawn Or Chipped Length, Sliced Etc, Ov6mm Th	423,129,902	\$360,193,586	\$0.85
24	0713	Leguminous Vegetables, Dried Shelled	395,107,462	\$254,878,582	\$0.65
25	8703	Motor Cars & Vehicles For Transporting Persons	393,404,449	\$3,472,923,302	\$8.83



Commentary *Continued*

year went by air. The role of containerized trade to the economies of three West Coast states varies by Customs District. The presence of the huge maritime trade complex in Southern California helped boost the containerized export share of all exports from the Los Angeles Customs District to 47.5% (2019). At the opposite end of the scale, with Boeing as the region's dominant exporter, only 16.1% of all exports from the Pacific Northwest Customs Districts were shipped in marine containers. As for the high-tech San Francisco Customs District, the \$30.99 billion in airborne exports easily eclipsed the district's \$18.51 billion in containerized shipments.

Exhibit A lists the Top 25 export commodities (by weight in kilograms) from USWC ports in 2019 along with the portion of those shipments that were transported in containers. Overall, 40.1% of the tonnage exported from USWC ports last year traveled in containers. What may be

worth noting is the fairly negligible shares of the heaviest commodities that were containerized.

Exhibit B shows the average dollar value per kilo for the 25 leading containerized exports from USWC ports last year. The fact that so few of these commodities report a value of more than a buck-and-a-quarter a kilo points to a potential dilemma: would an aggressive export promotion strategy, by driving up demand for outbound containers, cause future shipping rates to be unaffordable for those exporters now accustomed to stuffing outbound TEUs with low-value stuff?

Happy Thanksgiving.

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

The Supply Chain Patience Demanded by An Economic Tsunami

By Mike Jacob

Vice President & General Counsel, Pacific Merchant Shipping Association

In the old adage to describe the ebb and flow of the economy, it is taken as a fundamental truth that a rising tide raises all boats. But in these extraordinary times, the analogy truly fails to capture what happens when the tidal forces at work in the economy are a literal tsunami.

And there is no doubt that we have experienced an unprecedented economy-wide shock of tsunami proportions in 2020: the US GDP contracted by 5% in Q1 and by an additional 31.4% GDP contraction in Q2, followed by a 33.1% growth in GDP in Q3. The whiplash is truly seismic in nature when compared to the regular quarterly growth over the last several years, as shown by this chart from the US Bureau of Economic Analysis:

As the COVID crisis first unfolded in the early months of 2020 and then intensified, the severity of the contraction was replicated in the supply chain. Even as we were being called upon to move critical goods in the face of

the pandemic as an essential component of the global economy, demand for goods movement across-the-board began to drop precipitously. Vessels were laid up, trucks were idled and the rail network slowed.

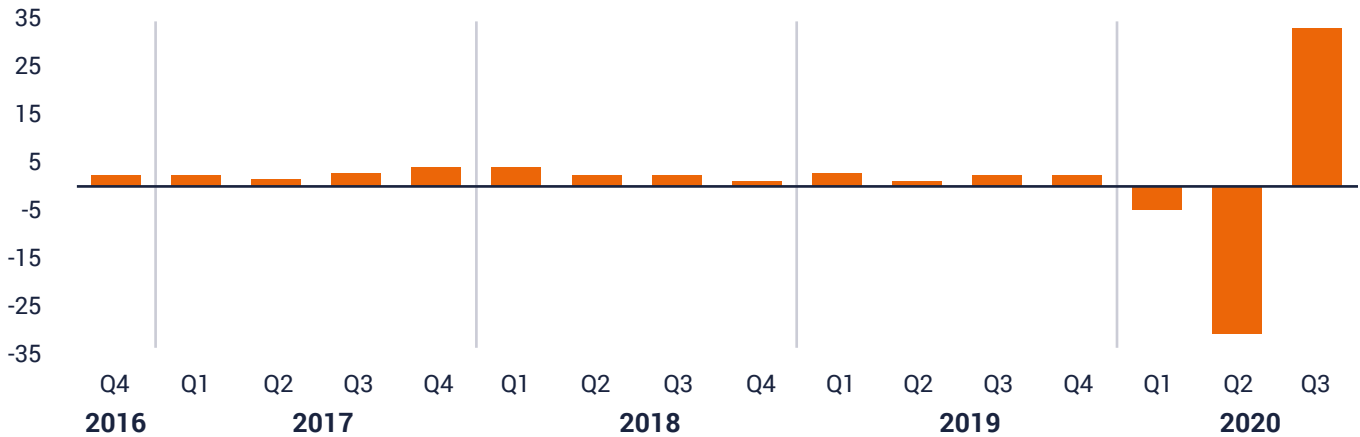
One of the most disturbing trends of the broken pandemic supply chain manifested itself in a personnel crisis where crewmembers were stranded on ships for months with no reasonable way to get home because there were few ports to take the vessels and no obvious way to restaff these ships. It was an absolute low point which characterized the dramatic reduction in demand for the services of vessels.

The economic contraction was a retreat from normalcy and regular workings of the supply chain – just as the first sign of a tsunami draws a tidal retreat of water dramatically away from the shore and dramatically laying bare the seafloor.



The Supply Chain *Continued*

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

And, then just as dramatically, when the water comes rushing back there is no way to constrain the inundation resulting from the shockwave. This whipsaw growth and demand we are experiencing now is just as clearly creating a similar inundation. We are trying desperately to keep up with short-term demand spikes across the globe while simultaneously trying to get ships back up and running, re-establishing supply chains, and getting equipment, chassis, and containers to the places where they are in highest demand while also minimizing the effects of a lack of equipment, chassis, and containers.

In short, we are overwhelmed by the dramatic reduction of business followed by a dramatic increase of business. While our annual volumes for 2020 are likely going to be on par with previous years, this same year saw the slowest and busiest months ever at our west coast ports. We are running out of space for containers on-terminal but container demand has never been higher,

while chassis are also unavailable and significantly constrained. The demand for waterfront labor is so great that it needs to be metered and ships are waiting for berth availability. This is a surge like no other, a literal tidal wave of business.

When this wave passes and we begin to find our way to a new baseline of normalcy, PMSA members are working overtime trying to expedite as many transactions as possible for as many customers as possible. However unprecedented and unmanageable, we are all better off with the swift growth of the economy after the initial downturn. We may not know how, when, and where the extent of the inundation will last, but when it does finally subside it will be incumbent on all of us to rebuild a resilient supply chain together, to facilitate the very best of global intermodalism, and create a new baseline in support of West Coast port competitiveness.

Interested in membership in PMSA?

Contact Laura Germany for details at: lgermany@pmsaship.com or 510-987-5000.

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Dwell Time Is Up for October

