FREIGHTPLUS

Monthly Transportation Market Report

FreightPlus' Monthly Market Update, created by FreightPlus subject matter experts, provides detailed and actionable insights into the ever-changing transportation industry. A core FreightPlus principle is providing our partners with data and insights to enable better, strategic business decisions.

About FreightPlus

FreightPlus is an industry provider of data-driven transportation management, offering businesses customized and fully tailored managed transportation solutions in a boutique environment where clients get the individual attention they deserve. FreightPlus combines first class customer service with innovative technology and industry best practices to help mid-size and growing companies work efficiently in the $800B domestic transportation market. FreightPlus aims to ***simplify complex logistics together.***

What is Managed Transportation?

Managed Transportation (MTS) is a partnership where shippers improve their logistics and supply chains through increased operational efficiencies, lower logistics network and organizational costs, and improved communication with all supply chain stakeholders.

STRATEGIC CAPACITY

- Multi-Modal Solutions
- Cost Savings
- Domestic and International Solutions
- Carrier Negotiations
- Carrier Vetting
- Risk Mitigation

INTEGRATED TECHNOLOGY

- Real-Time Shipment Tracking
- Streamlined Operations
- Cloud-Based TMS
- Cost to Implement
- SAP, NetSuite, Dynamics, AS400

CUSTOMIZED BUSINESS INTELLIGENCE

- Customer Insights
- Product Insights
- Market Insights
- Supplier Score carding
- Data Availability

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JULY 2023 CONTENTS

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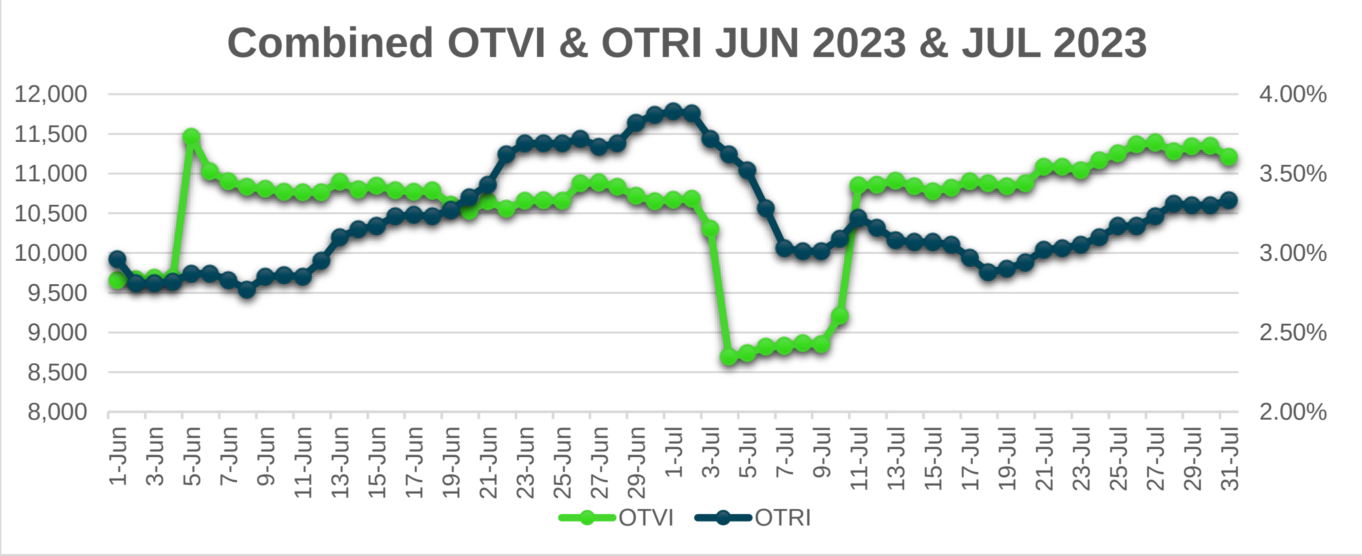
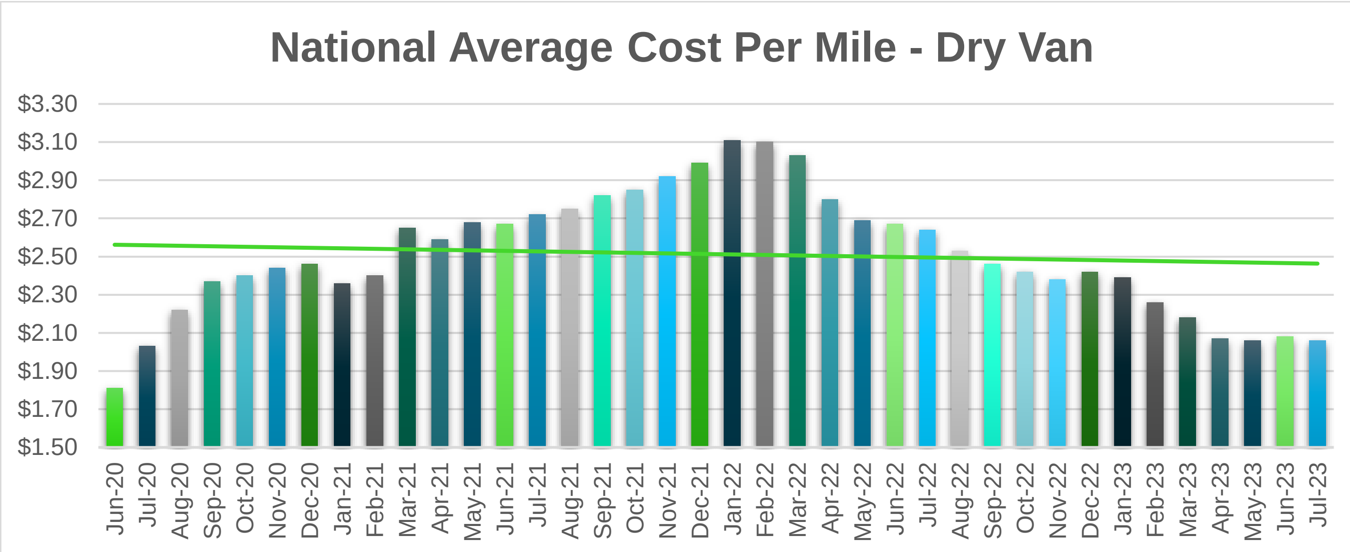
TRUCKLOAD

In July, we observed an overall 1% decrease in OTVI. However, this figure is misleading due to the impact of the July 4th holiday. If we exclude the week of July 4th, we experienced a 3.5% increase in volumes compared to June. This pattern aligns with the expected normal seasonality for July, which is typically a busy month overall, except for a slow week following the 4th of July.

Contract rates continue to decline, showing a 1% decrease month-over-month, yet they remain favorable in comparison to spot rates. The spread between contract and spot rates remains steady month-over-month at 22.7%. This stability has contributed to strong route guide adherence. Contract carriers maintained an OTRI of 3.21% in July, representing a decrease of -2 BPS month-over-month.

In the short term, we anticipate some market volatility due to the closure of Yellow. Larger LTL orders will shift towards TL shipments. Despite this change, there is still ample capacity available, with Load to Truck Ratios hovering 31% below last year's figures. However, in conjunction with rising fuel costs, spot rates are expected to experience a slight increase over the next 30-45 days. This increase is likely while the remaining LTL carriers adjust their networks to accommodate the additional freight previously handled by Yellow.




National Average Cost Per Mile - Dry Van
$3.30
$3.10
$2.90
$2.70
$2.50
$2.30
$2.10
$1.90
$1.70
$1.50
Jun-20
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
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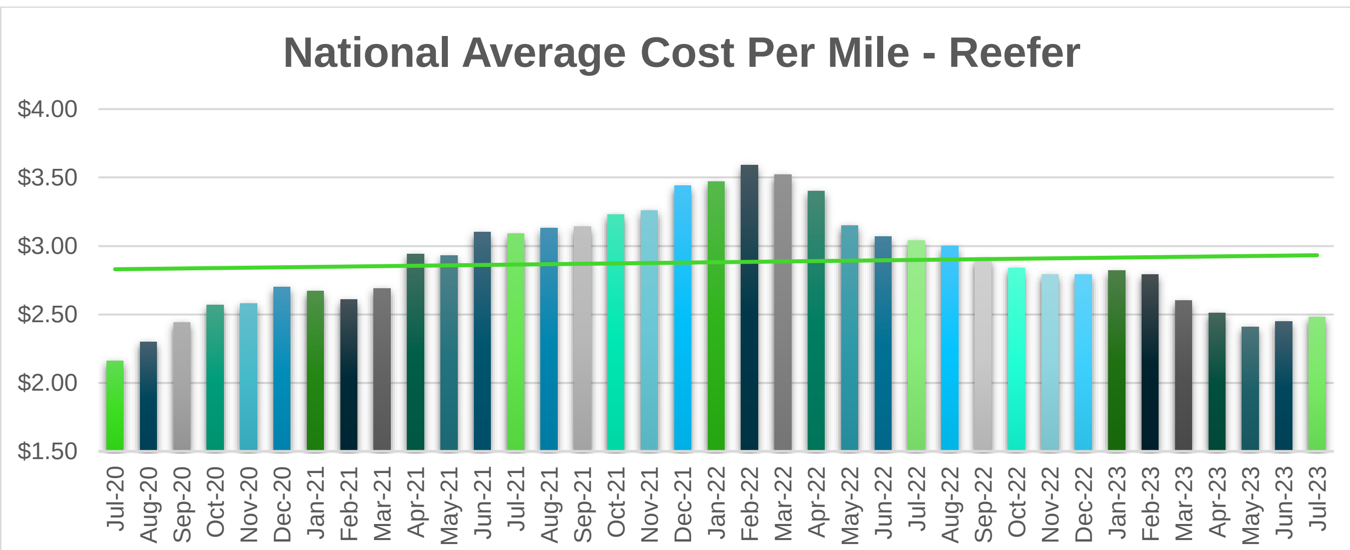
Jun-23
Jul-23


National Average Cost Per Mile - Reefer
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
Jun-21
Jul-21
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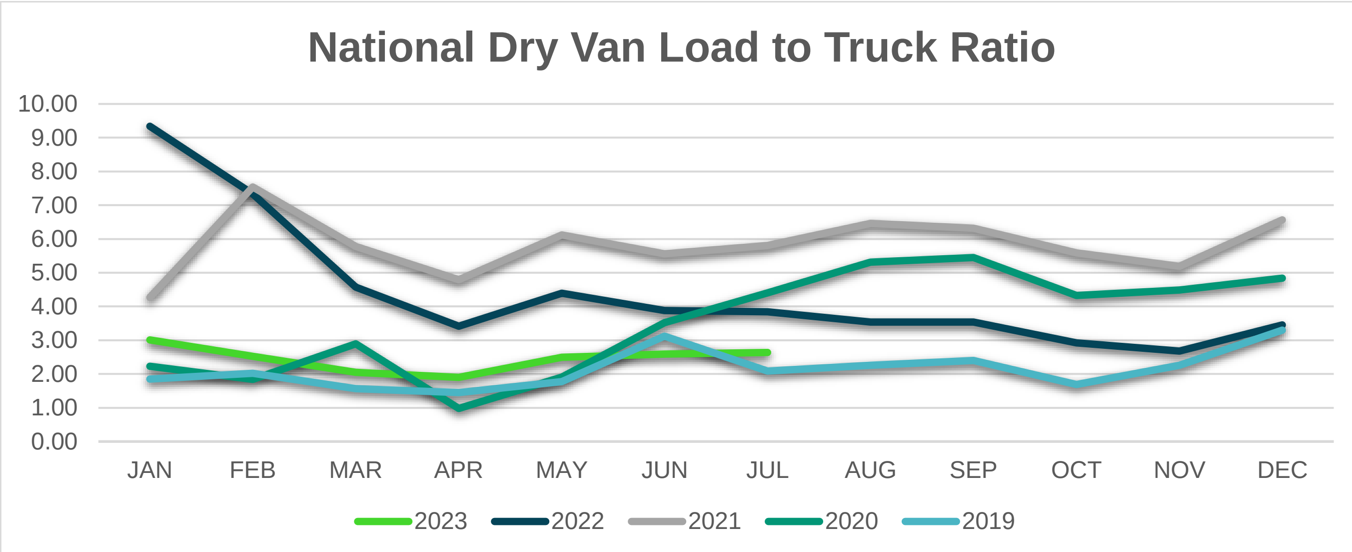
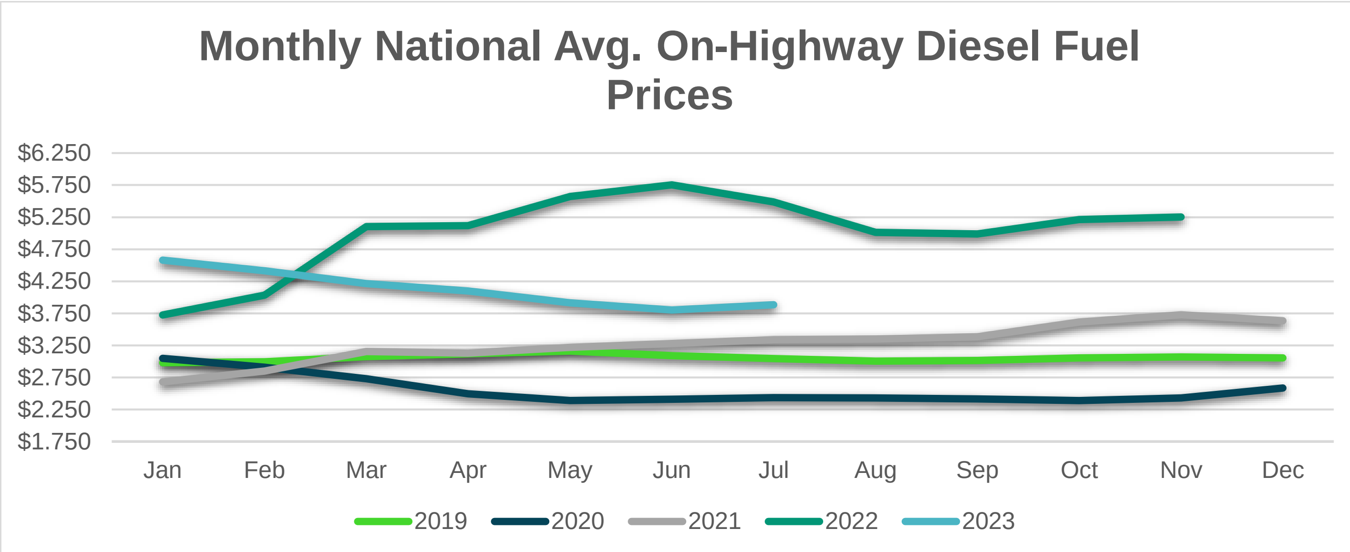


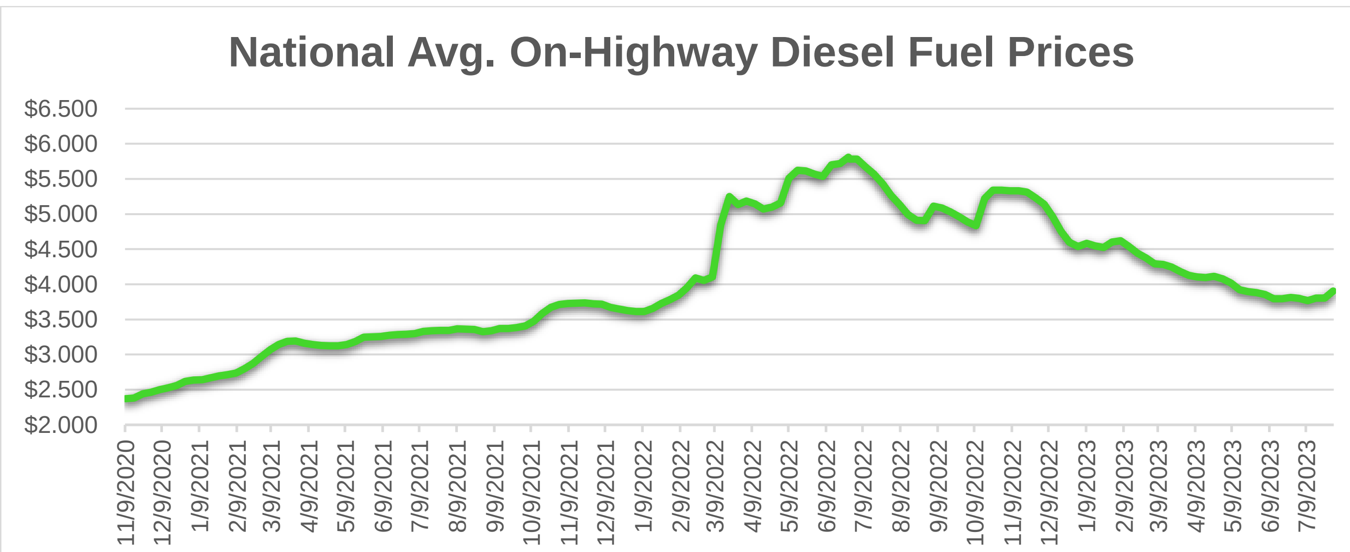
FUEL

The EIA retail diesel benchmark sits at $4.239 as of August 7th, marking the third consecutive week of an increase and a total rise of 47.2 cents over the past five weeks. This is the highest the EIA retail diesel benchmark has been since March 13th of this year.

Analysts speculate that the reason behind the surge in retail diesel prices is Saudi Arabia's reduction in supply, totaling 1 million barrels a day. This reduction went into effect in July and will remain active through September. Additionally, this reduction is in addition to the OPEC+ cut of 1.66 million barrels per day that was implemented in April. The OPEC+ reduction is expected to remain in place through the end of the year.

With colder weather in the forecast and heating oil demand expected to increase by October-November, there is not enough time for retail diesel prices to recover. We anticipate fuel costs to remain at this level and increase throughout the winter.





LTL

July in the LTL market proved to be quite intriguing, as the woes of Yellow Trucking continued to unfold in a highly publicized manner. Following the lawsuit that Yellow had filed against the IBT (Teamsters) at the close of June, July witnessed Yellow being constantly on the defensive, receiving extensive coverage from FreightWaves and numerous other media outlets as the narrative gained traction. This was accompanied by a missed pension payment and a narrowly averted driver strike. All these factors proved overwhelming, leading to Yellow permanently ceasing their operations on July 28th. As of the present date, August 7th, Yellow has officially filed for Chapter 11 bankruptcy.

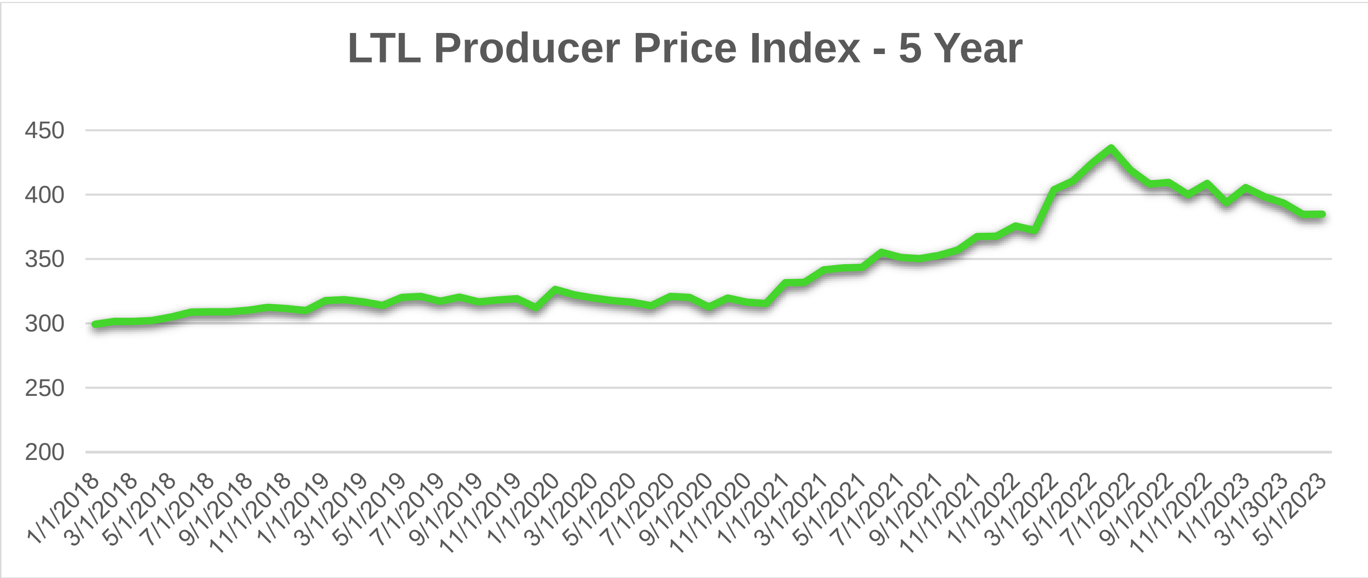
Although we believe that the existing LTL market possesses the capacity to accommodate this business, which is roughly estimated at 7-8% of the market with an annual LTL revenue of approximately $5 billion, there will undoubtedly be a period of instability and disruption over the next 30-45 days. This pertains to both pricing and service aspects. Consequently, there's a likelihood of some influence spilling over into the truckload or shared truckload sectors as well, particularly considering the ongoing depressed rates in those segments.

FreightPlus' communications with other carriers preceding this event led us to understand that the majority of carriers had a available capacity of 10-15% within their networks. It's crucial to keep in mind that this volume isn't uniformly spread across the country. For example, Ohio is currently experiencing significant short-term challenges due to Holland's substantial presence in that region.

Similarly, as the remaining carriers respond to the new volume through adjustments in lanes, services, and pricing, this will inevitably prompt customers to seek out alternative carriers, even if they were not previously associated with Yellow. This dynamic will generate a notable amount of market turbulence for a brief duration.

Several carriers have recently released their Q2 results. Both Saia and XPO have reported robust figures in terms of volume. On the other hand, ABF and ODFL have encountered a mixture of reduced volumes or yield.

The LTL PPI, which represents the federal producer price index for less-than-truckload (LTL) services, experienced a minor decrease in June. The pricing trends within the market appear to be following the anticipated trajectory, as we've transitioned away from the capacity constraints and rate surge that were influenced by the pandemic.



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INTERMODAL

Rail service exhibited positive trends during Q1 and the early stages of Q2. However, this progress was short-lived, and the system swiftly reverted to its customary historical benchmarks. This contrasts with the anticipated pattern of rail service enhancement as weather conditions improve during the second quarter. This inconsistency has prompted doubt among shippers regarding the sustainability and attainability of service levels surpassing historical averages over an extended duration.

Despite fluctuations in service levels, characterized by constant changes between customary norms and the strengthened performance observed in Q1, the number of railcars available in the intermodal sector has continued to climb. Concurrently, the truck market has remained at historically low rates, coupled with an unusually low utilization rate of active trucks. The absence of notable strides in rail service beyond historical standards is poised to present a formidable challenge to the expansion of railroads' shipment volumes and market presence. This challenge is projected to persist until a recalibration occurs, which is anticipated to transpire sometime in the latter part of the upcoming year.

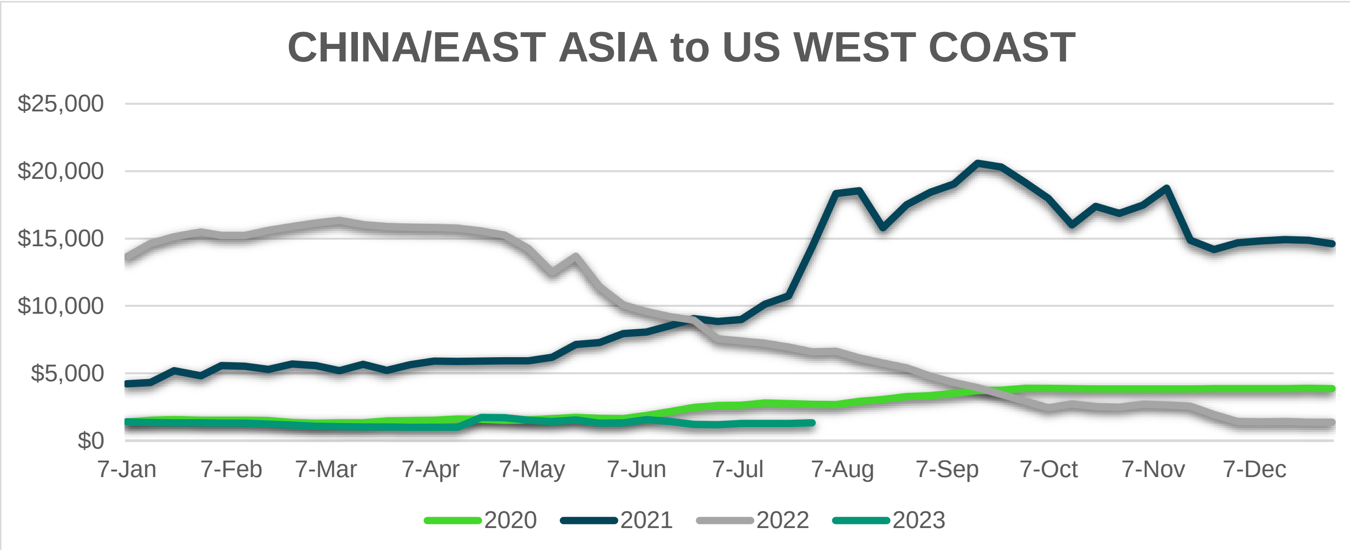
Railway Updates:

- **BNSF Railway** (BNSF) • Lathrop and Oakland origin lanes were delayed due to low volume.
- **Union Pacific** (UP) • Network remains fluid.
- **Kansas City Southern Railway** (KCS) • Network remains fluid.
- **Canadian National Railway** (CN) • Network remains fluid.
- **Canadian Pacific** (CP) • Network remains fluid.
- **Norfolk Southern Rail** (NS) • Network remains fluid.
- **Florida East Coast Railway** (FEC) • Network remains fluid.
- **CSX** • Idle containers at inland rail ramp averaging 5 days.

OCEAN

In terms of US ocean imports, 2023 resembles the pre-pandemic year of 2019 to a significant extent. While the import volume has decreased year over year (YoY), the volumes observed from 2020 to 2022 were mainly influenced by the COVID-19 import boom, which many consider to be a one-off occurrence. Given the current volume, the National Retail Federation predicts that imports will surge by 2.03 million TEUs in July, marking the highest level since October 2022. When compared to prior years, the NRF anticipates that the entirety of 2023 will exhibit a 13% decrease from the inflated import figures of 2022 due to COVID, yet it will be up by 2% compared to 2018 and 3% compared to 2019. These numbers and forecasts collectively suggest robust import levels and strong consumer demand.

Container spot rates have consistently risen throughout July within the Transpacific Lane. At present, the Asia to US West Coast index (FBX01) stands at $1,908/FEU. With optimistic forecasts for US imports, these rate levels in the Transpacific are likely to persist, if shipping liners manage to uphold a strategically balanced capacity. This involves maintaining practices such as blank sailings and carefully regulating service offerings.


CHINA/EAST ASIA to US WEST COAST
$25,000
$20,000
$15,000
$10,000
$5,000
$0
7-Jan
7-Feb
7-Mar
7-Apr
7-May
7-Jun
7-Jul
7-Aug
7-Sep
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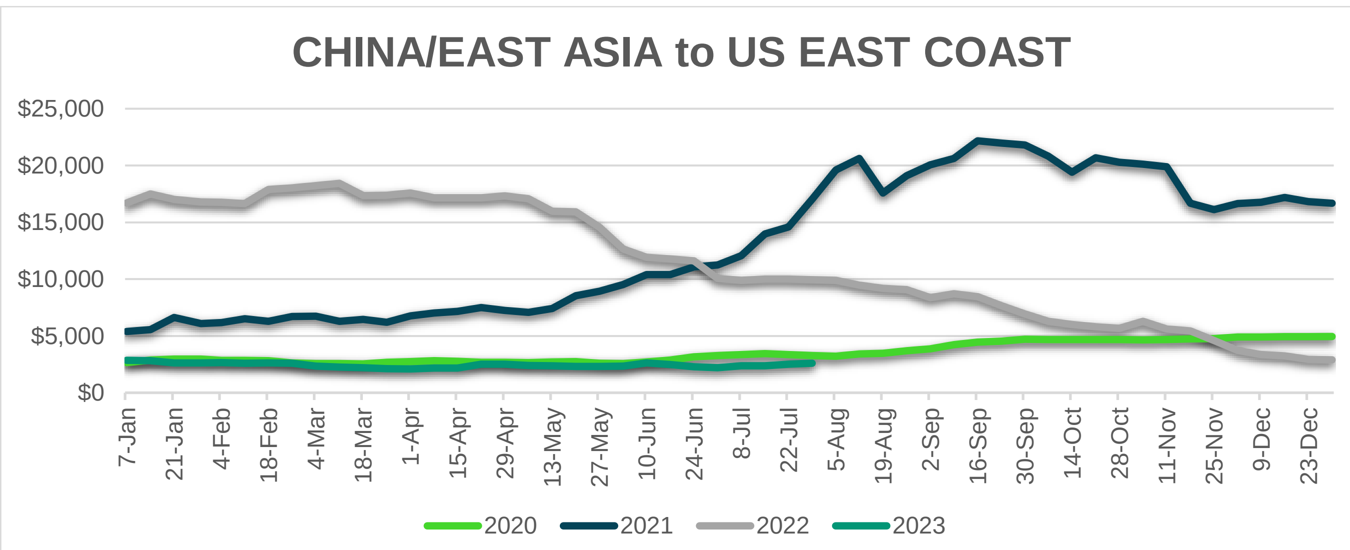
2020
2021
2022
2023


CHINA/EAST ASIA to US EAST COAST
$25,000
$20,000
$15,000
$10,000
$5,000
$0
7-Jan
21-Jan
4-Feb
18-Feb
4-Mar
18-Mar
1-Apr
15-Apr
29-Apr
13-May
27-May
10-Jun
24-Jun
8-Jul
22-Jul
5-Aug
19-Aug
2-Sep
16-Sep
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28-Oct
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2020
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2023

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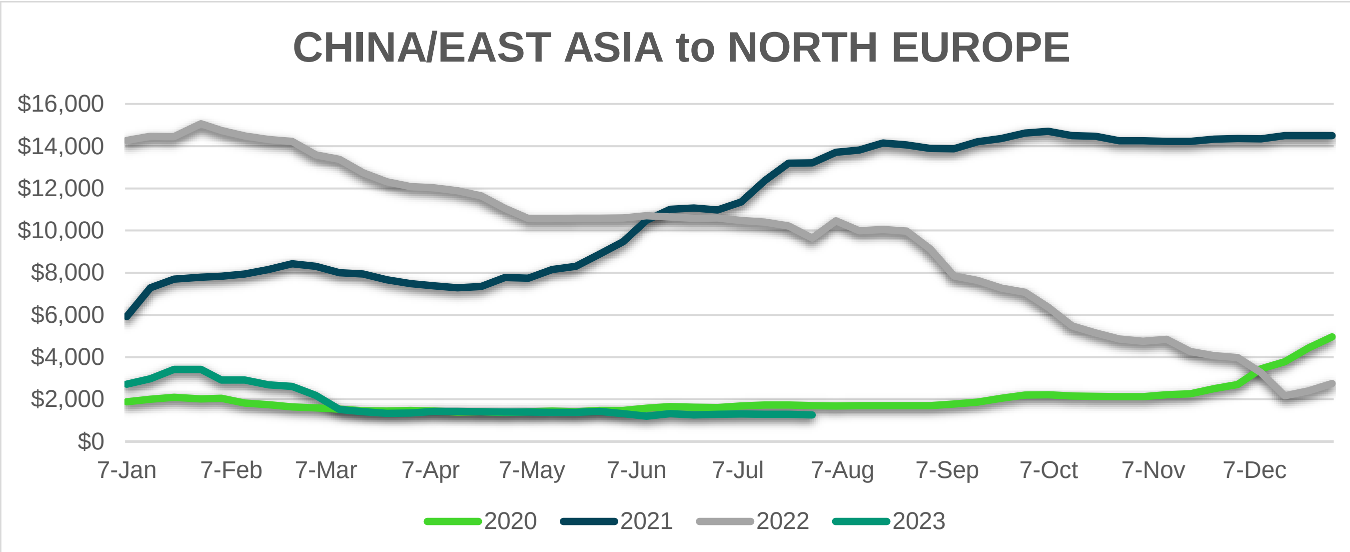

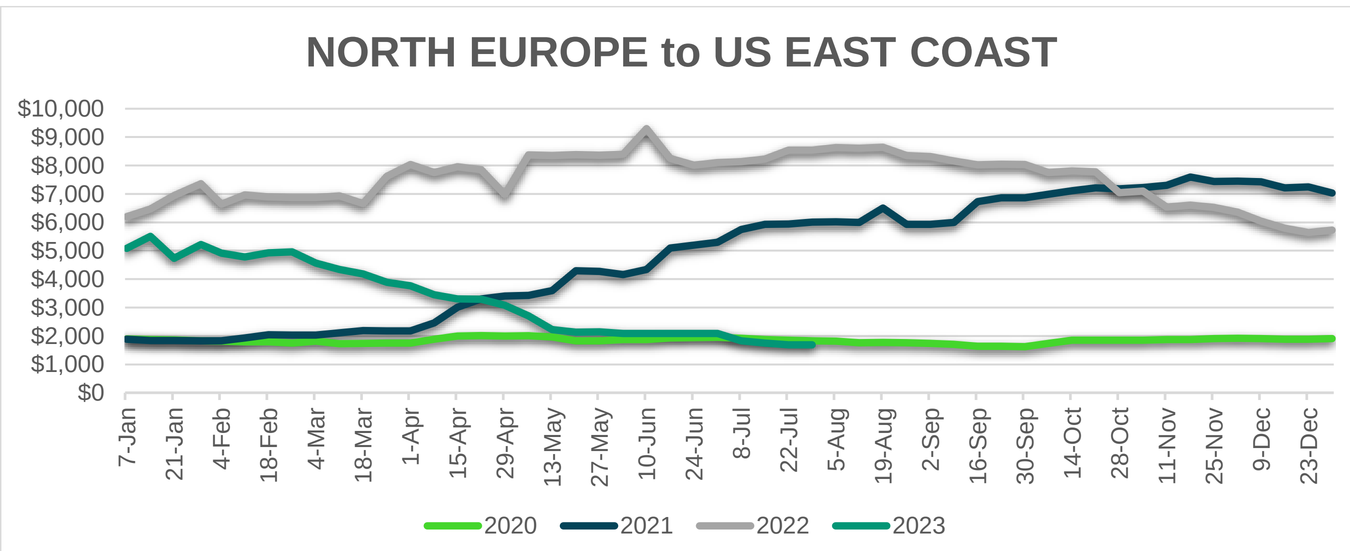

MERGERS & ACQUISITIONS

MEI Rigging & Crating, a company based in Stamford, Connecticut, has acquired Pro-Pac International and its affiliate J&J Machinery Transport. The acquisition expands MEI's operations in the Southeast, where Pro-Pac and J&J have been operating for over two decades. MEI's CEO, Dan Cappello, stated that the addition of Pro-Pac and J&J brings a wealth of service offerings, industry knowledge, and a strong regional reputation, making them a strategic fit for MEI. Pro-Pac's services include specialty rigging, transportation, and export crating, catering to various sectors like machine manufacturing, aerospace, and medical industries. J&J offers heavy haul equipment transport and various trucking services. Jim Jones, the long-time co-owner and president of Pro-Pac and J&J, will continue to lead both companies under MEI's ownership.

Luminus Management, in partnership with private equity firms Lilium Group and Gateway Transport Investments, has acquired Mexico-based logistics company Jaguar Transportation along with its affiliate, Servicios de Transportacion Jaguar SA de CV. Jaguar is a significant player in North American transportation, owning more than 250 trucks and 600 trailers, and specializing in cross-border import and export trade with the U.S. It also operates as an intra-Mexico carrier and an international freight broker. With facilities in Monterrey, Nuevo Laredo, San Luis Potosí, Mexico City, and Guadalajara, Jaguar will continue its operations from its current headquarters in Monterrey under the leadership of its existing management team. The acquisition aims to support Jaguar's growth and expand its footprint and services in the logistics industry.

ZS Fund, a New York-based private equity fund and majority owner of Transervice Logistics, has acquired Lily Transportation, a dedicated contract carriage company based in Needham, Massachusetts. With this acquisition, ZS Fund expands its trucking and logistics operations, now employing over 2,600 people, including 1,750 drivers, with access to 185 locations across North America. Lily will become an affiliate of Transervice but will maintain its name and management team. Similarly, Transervice will continue operating under its own name. The decision to keep both brands separate allows them to leverage each other's strengths and resources, creating opportunities for growth and sharing best practices. The combined operations will manage approximately 27,000 pieces of equipment. Lily's management team, led by John Simourian II as chairman, will largely remain intact under the new ownership.

Redwood Logistics, a Chicago-based supply chain management and logistics services provider, has acquired Rockfarm Supply Chain Solutions, bolstering its cross-border transportation services with international freight forwarding, trade compliance, and customs brokerage capabilities. The acquisition aligns with Redwood's strategy to expand its 4PL (fourth-party logistics) portfolio of services, including brokerage, dedicated fleet, warehousing and distribution, and supply chain consulting. Redwood had previously made acquisitions of Skipjack, Proactive Global Logistics in 2021, and Eminent Global Logistics in 2019. Rockfarm's ownership, leadership, management team, and staff were retained, and its Dubuque, Iowa operations center will continue as a Redwood logistics facility. Rockfarm's co-founder, Todd Colin, is named the chief integration officer at Redwood. This acquisition follows Redwood's own changes in ownership, with CI Capital Partners acquiring a majority stake in the company in 2018 and later selling it to AEA Investors in December 2021.

SMG Industries (SMGI), a U.S. transportation services company, has acquired Barnhart Transportation's suite of businesses for $53.3 million. The deal includes $26 million in cash, $24.3 million in stock options, and a $3 million promissory note. The purchased businesses include Barnhart Transportation, Barnhart Fleet Maintenance, Lake Shore Logistics, Lake Shore Global Solutions, Legend Equipment Leasing, and Route 20 Tank Wash. Barnhart has facilities in Pennsylvania, South Carolina, and Texas. The addition of the Barnhart companies is expected to double SMGI's annual revenues, creating a more diversified mix of services, including truckload, dry bulk, liquids, intermodal, LTL, heavy haul, drayage, transload, and brokerage. Brothers Tim and Bryan Barnhart, who launched Barnhart Transportation in 2003, will take on executive roles at SMGI, with Bryan as CEO and Tim as CFO. The merger is expected to provide cross-selling opportunities and exciting growth prospects for the combined company, with the expertise of the Barnharts contributing to its expansion and success.

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EDUCATION

Five Mistakes to Avoid in Freight Invoice and Audit Management

Failure to Validate Invoice Accuracy Verifying the accuracy of freight invoices is a critical step in the audit process. Failing to compare invoices with supporting documentation or ignoring discrepancies and errors can lead to overpayments, underpayments, and strained relationships with vendors and carriers. To avoid this mistake, establish a robust invoice validation process that includes […] *Read More*

Freight Invoice and Audit: Tips & Tricks Every Business Should Know

Leverage Technology for Visibility and Performance Measurement Leveraging technology is critical for gaining visibility into invoice and carrier partner activities. Implementing robust technology solutions allows businesses to measure their performance and identify areas for improvement in their partnerships. When dealing with multiple carriers and encountering exceptions, utilizing technology provides the ability to analyze trends, identify […] *Read More*

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