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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JUNE 2023 CONTENTS

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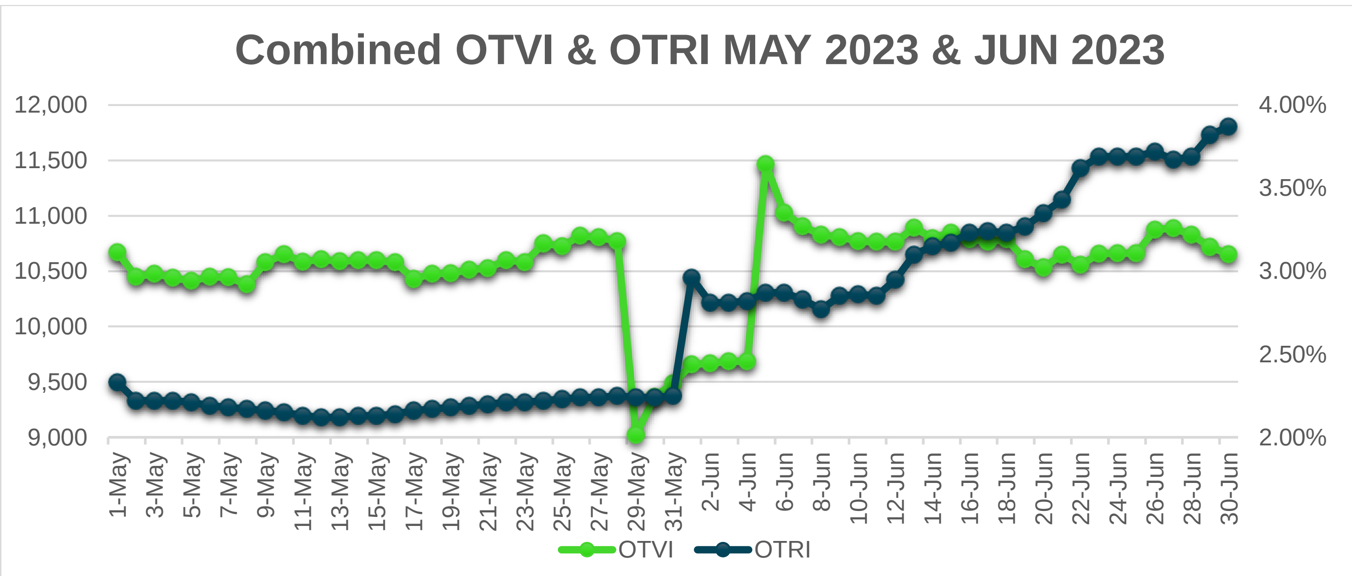
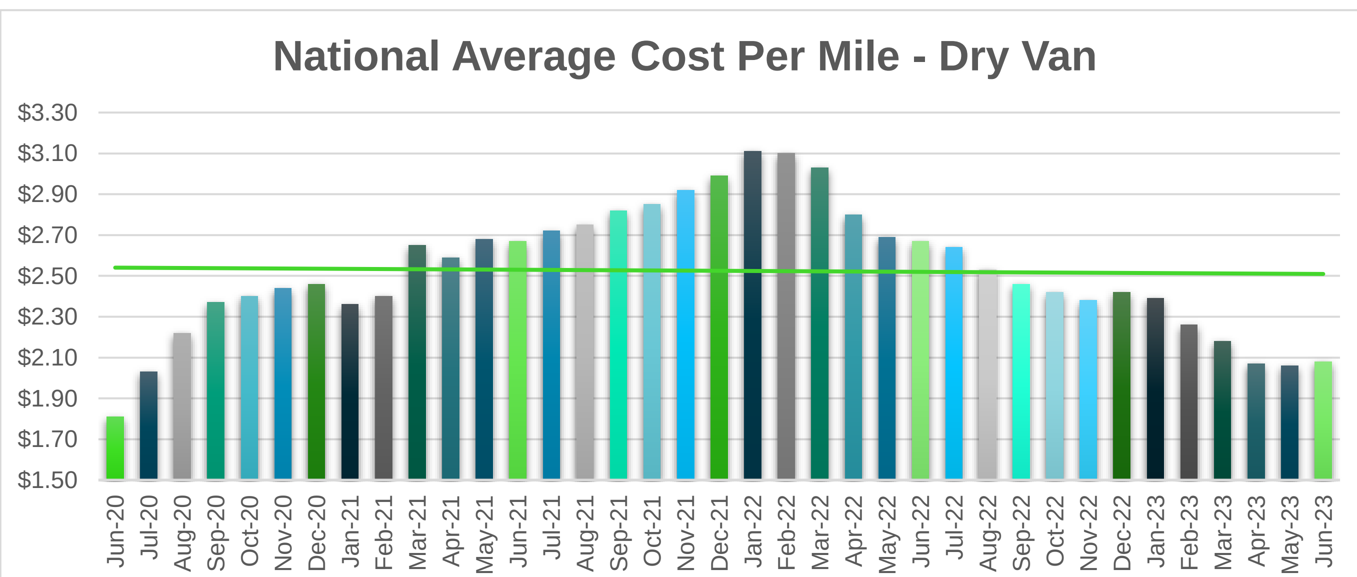
TRUCKLOAD

June was a month of spot market stability. While Load-to-Truck Ratios increased by 31% from April to May, we observed a modest 3.6% increase. Furthermore, there was a 1.8% rise in OTVI and a 103 BPS increase in OTRI. All these indicators suggest an influx of more freight into the spot market. Despite the additional freight transitioning to the spot market, we have only witnessed a 0.97% increase in spot cost per mile compared to the previous month. In contrast, contract rates experienced a 1.5% decrease month over month. The contract market remains more favorable for carriers; however, the gap between contract and spot rates is narrowing, going from 26.6% in May to 23.6% in June. We anticipate this trend to persist throughout the summer, potentially intersecting in late Q4.





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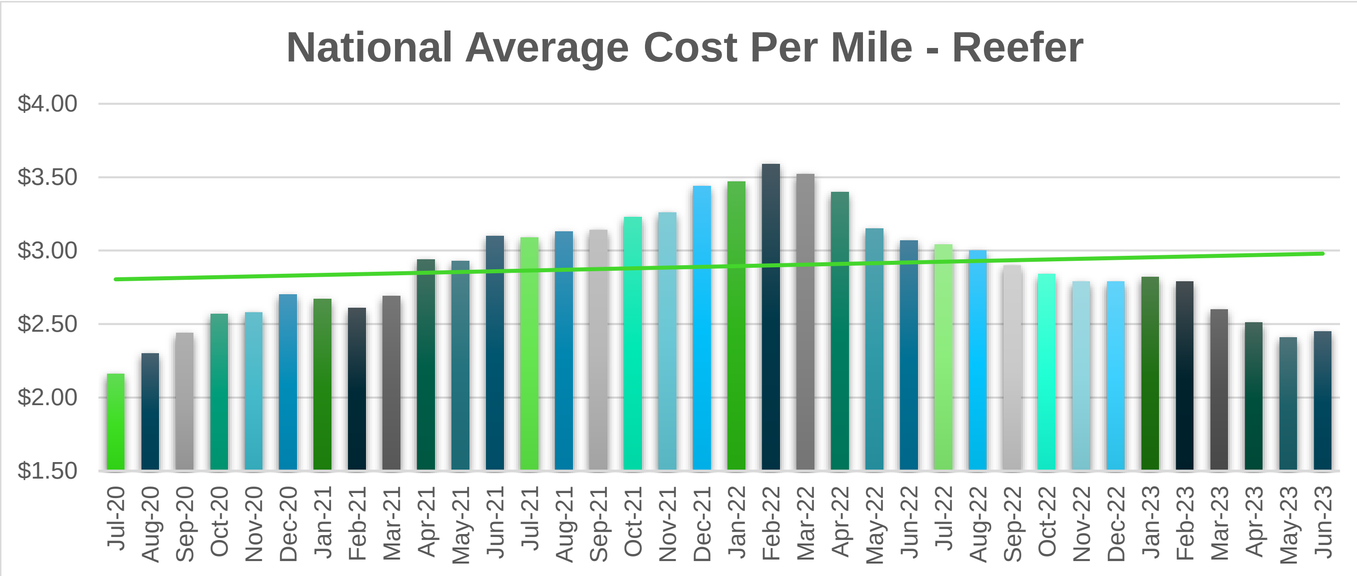
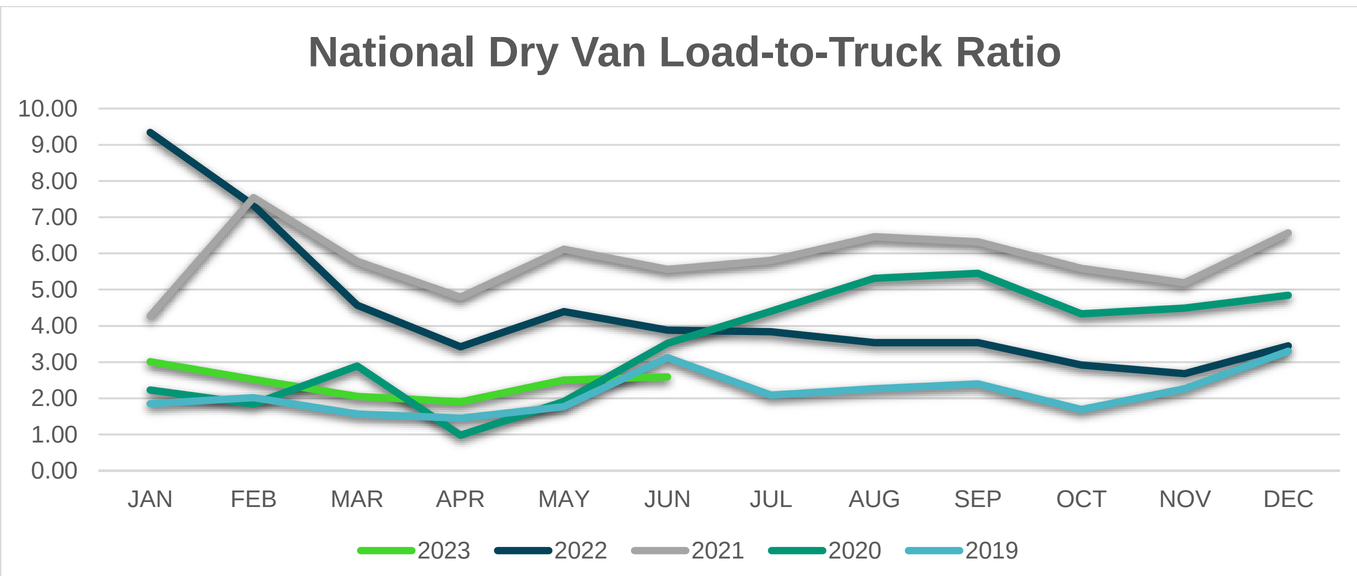


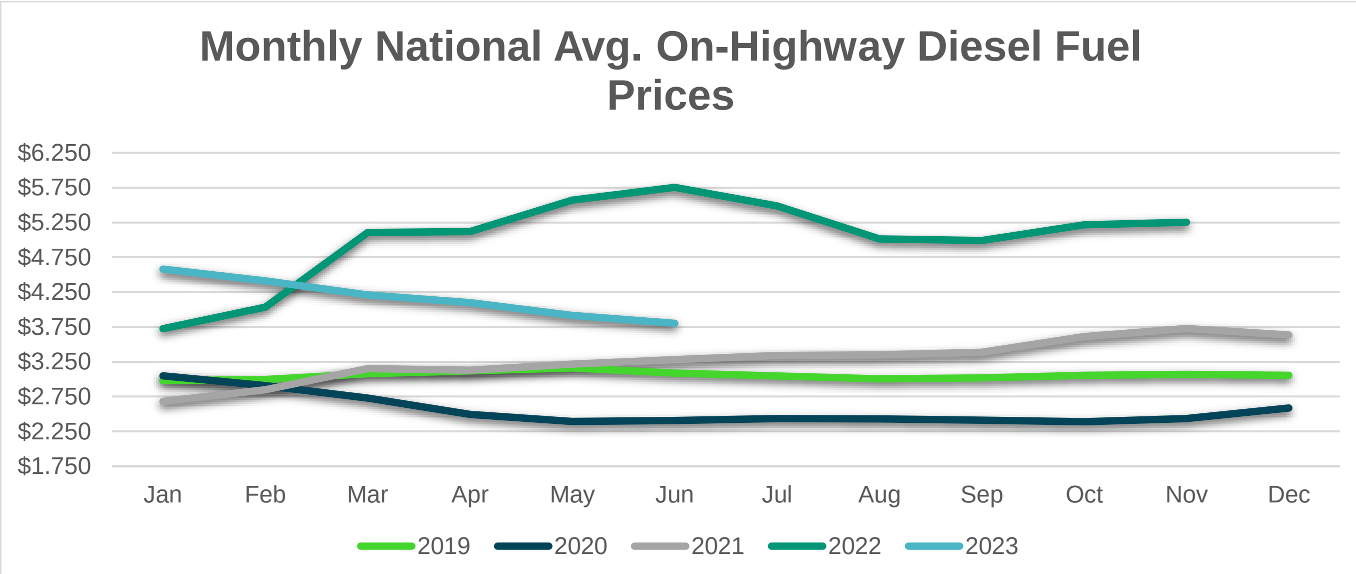


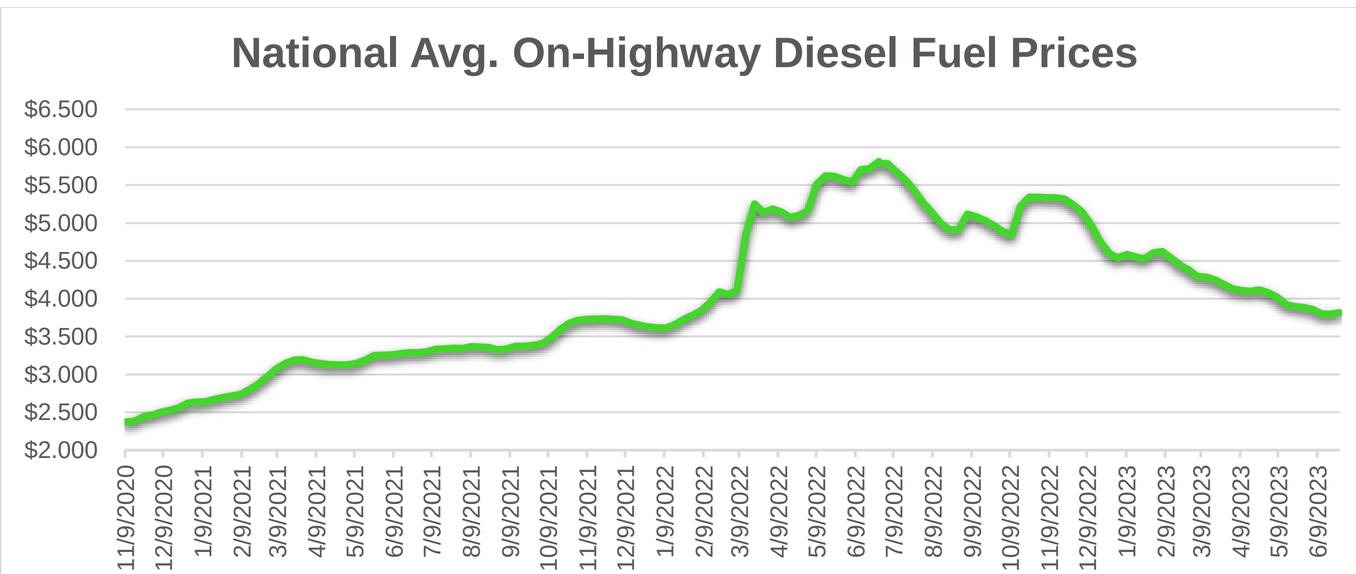
FUEL

At the beginning of the month, the per gallon price utilized for EIA/DOE benchmarks experienced a decline of 5.80 cents, reaching $3.797 per gallon. This marked the lowest average since January 2022. Towards the end of the month, the average further decreased to $3.767 per gallon on July 3rd. This additional decrease followed a relatively stagnant month of June.

Despite Saudi Arabia's decision to cut one million barrels per day through August and Russia's reduction of oil exports by five hundred thousand barrels per day during the same period, speculators in the fuel markets have maintained a bearish stance. These actions from Saudi Arabia and Russia supplement the one million barrels per day reductions already implemented by OPEC+ since May. One factor contributing to the bearish outlook is the reduced demand from China in the aftermath of the pandemic.

Weak economic conditions in China have led economists to predict a further decline in oil consumption throughout the remainder of this year and into the next.





LTL

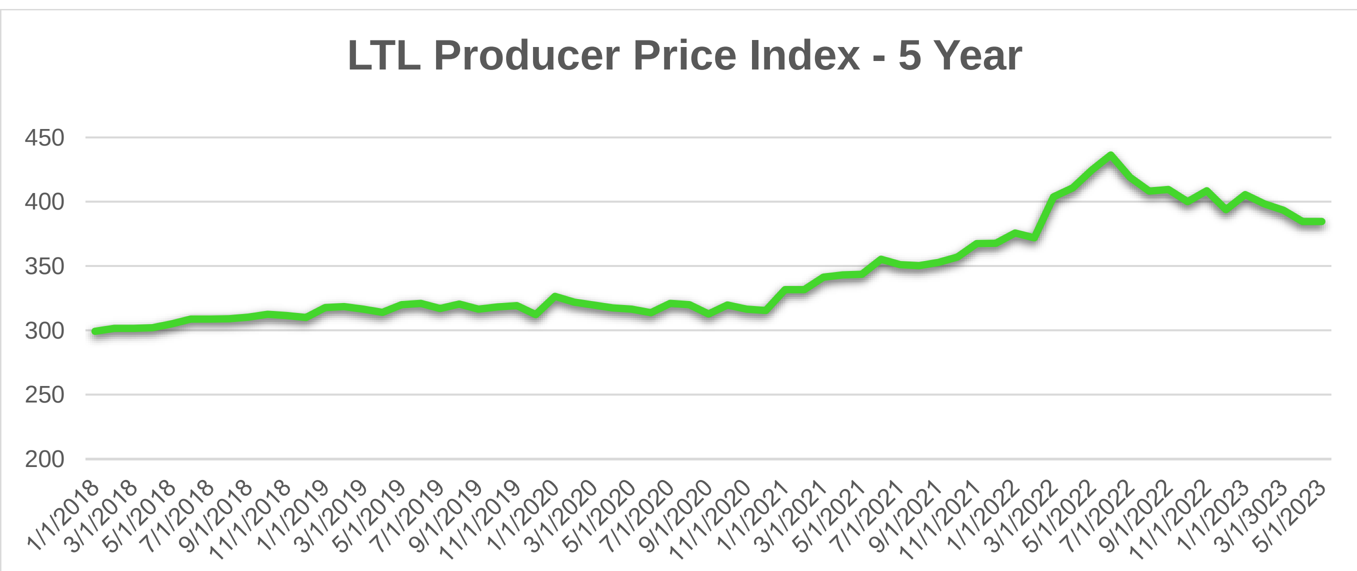
In June 2023, the most significant development with potentially substantial impact on the LTL market revolves around the ongoing Yellow Freight situation. Yellow Freight has filed a lawsuit against the union amounting to $137 million and has warned that without a labor-related contractual intervention, they may face a depletion of operating capital by August 2023. Adding to the complexity, there have been public reports during the same period about a successful and smooth union negotiation at a competitor, ArcBest, leaving TForce as the only remaining LTL carrier with an unresolved union contract. TForce, with approximately 8,000 union employees, is the smallest among the three carriers with unionized workers, closely trailing ArcBest, which has 8,600 employees under its union.

The rest of the industry is closely observing this situation, waiting to see how it unfolds. While no one can accurately predict the outcome, many competitors of Yellow are experiencing gains in the stock market as Wall Street anticipates companies like ODFL, XPO, Saia, and others potentially acquiring a portion of Yellow's market share, which amounts to roughly $5 billion.

The LTL Producer Price Index (PPI) remained stagnant month over month, with a slight increase from 384.703 in April to 384.778 in May. While all LTL carriers currently have available capacity, many are grappling with the strategic decision of aggressively pursuing new business opportunities or maintaining a buffer in their networks to respond promptly in case Yellow ceases operations. Should such an event occur, it is certain that LTL carriers would immediately adjust their pricing to safeguard service and maintain favorable pricing for their loyal direct shippers and 3PL client-specific programs.

The significance of the months of July and August in the LTL market cannot be understated, regardless of the eventual outcome of the Yellow Freight situation. During this period, many carriers are eagerly anticipating a slightly stronger economy in the second half of the year.

For additional information and deeper insights into the Yellow Freight topic, it is recommended to read a thoughtful and data-driven post by Jason Miller from Michigan State University's Supply Chain Department. This post, available on LinkedIn, examines relevant statistics and data from the Bureau of Labor Statistics (BLS). It can provide valuable perspectives on the subject matter. Find it here.



INTERMODAL

As we enter the second half of the year, there has been a recent trend of improvement in both intermodal volume and service. However, it's important to note that we are only eight weeks into this positive development after several years of volume shortages and underperformance in the post-Covid period.

On average, volumes have increased by approximately 25,000 carloads per week compared to the beginning of the quarter. While the outlook is optimistic, the current volumes are still below the five-year average and even lower than last year's levels, which were also below their full potential. There is still work to be done to restore volumes to and surpass their previous averages.

Regarding the Canadian carriers and their advancements and acquisitions on the CPKC (Canadian Pacific Kansas City) route, the push for improved service began with their expansion into eastern Canadian ports like Halifax and Saint John, Nova Scotia. This effort has continued with the introduction of new cross-border service from Lazaro Cardenas in Mexico. The railroads are aiming to overcome historical barriers that have hindered the majority of intra-Mexico shipments from the port of Lazaro Cardenas. CPKC expresses confidence in generating more volume through cross-border operations, and its competitors are responding by offering their own services in order to achieve the same goal. Only time will reveal whether the longstanding barrier of poor service will continue to impede these movements.

However, the outlook for intermodal transportation is not solely dependent on its own success. There are various external factors that will influence the trajectory of intermodal movements in the upcoming quarter. Challenges such as a slowing economy, indicated by a 1.1% GDP growth in the first quarter, and a competitive truck market pose obstacles that the intermodal industry needs to address. It is crucial for intermodal to respond effectively to these challenges while also focusing on aspects within its control.

Railway Updates:

- **BNSF Railway** (BNSF) • Lathrop 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) • Centerm is at 90% capacity. Continue to work with terminal, CP, and procurement to clear dwelling cargo.
- **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.

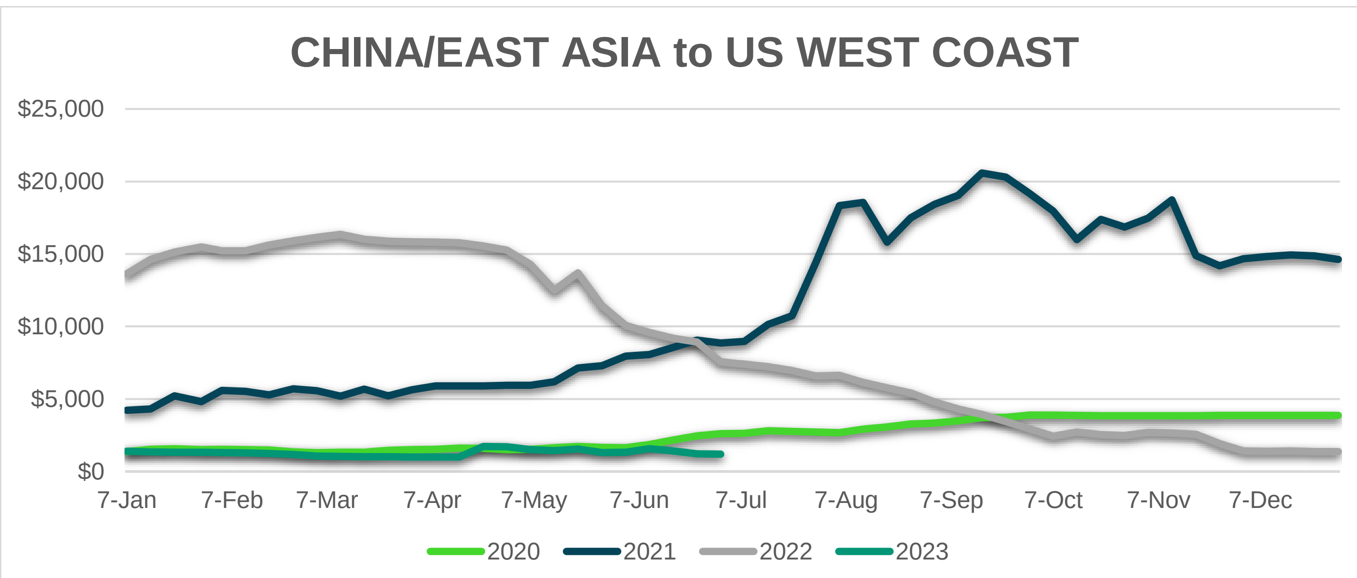
OCEAN

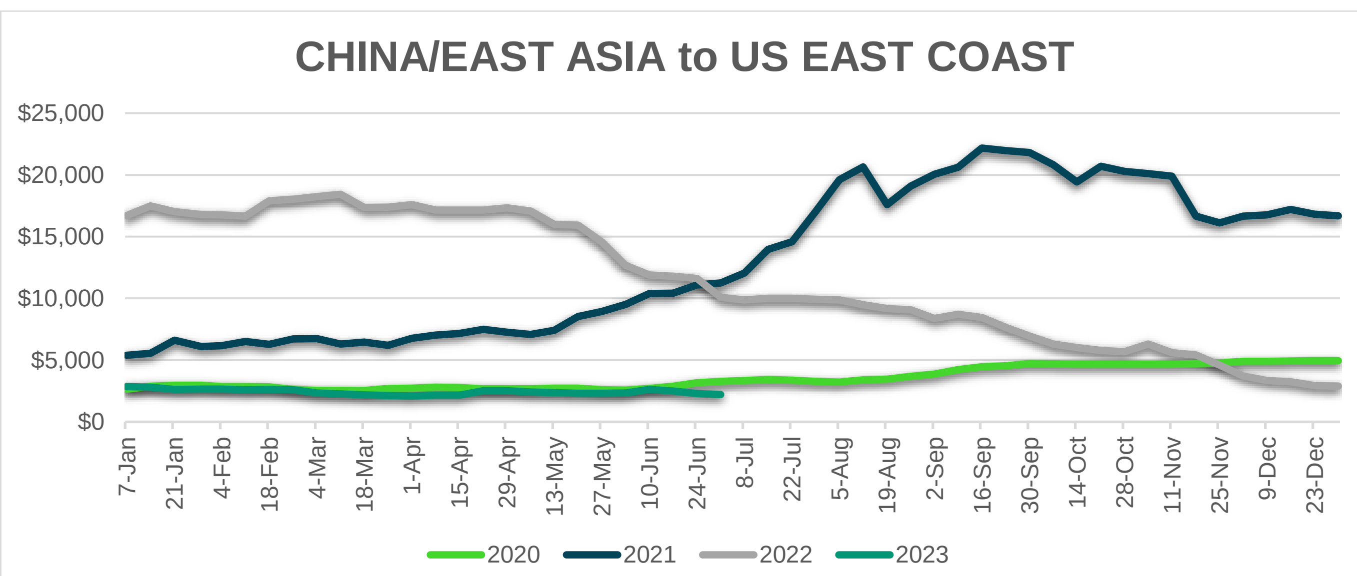
In early June, the Pacific Maritime Association (PMA) reported that the International Longshore and Warehouse Union (ILWU) engaged in disruptive work actions, resulting in the shutdown of operations at certain marine terminals in the ports of Los Angeles and Long Beach. Similar work actions also affected ports in Oakland, Tacoma, and Seattle. These actions were part of the ongoing labor negotiations between the ILWU and PMA, which had been ongoing for over a year. However, a deal was reached on June 14th, effectively avoiding further disruptions at the ports. To circumvent higher rates, port congestion, and potential labor issues, many shippers diverted their imports to the East Coast. Despite the West Coast having superior supply chain infrastructure, minimal congestion risks, and lower chances of disruption, the return of volume to the West Coast ports is expected.

Towards the end of June, ILWU Canada's Longshore Division (ILWU Canada) initiated a strike after failing to reach a new labor contract agreement with the British Columbia Maritime Employers Association (BCMEA). This strike is anticipated to have adverse effects on container traffic at critical ports like Vancouver and Prince Rupert, which are vital for Canada's import and export activities. ILWU

Canada's negotiations have primarily focused on wage increases and job protection against potential automation-related job reductions. To avoid congestion, shipping carriers may opt to divert cargo to unaffected ports.

Container rates continue to remain weak, with carriers struggling to implement General Rate Increases (GRI) effectively in recent months. The demand for container shipping remains low, and the implementation of blank-sailings (canceling scheduled voyages) is not occurring at a significant enough rate to impact capacity. Additionally, the market has seen a surge in newly constructed ships entering service, as they were ordered during the booming market conditions of 2021. Carriers require these new vessels due to their improved fuel efficiency compared to ships built a decade ago.





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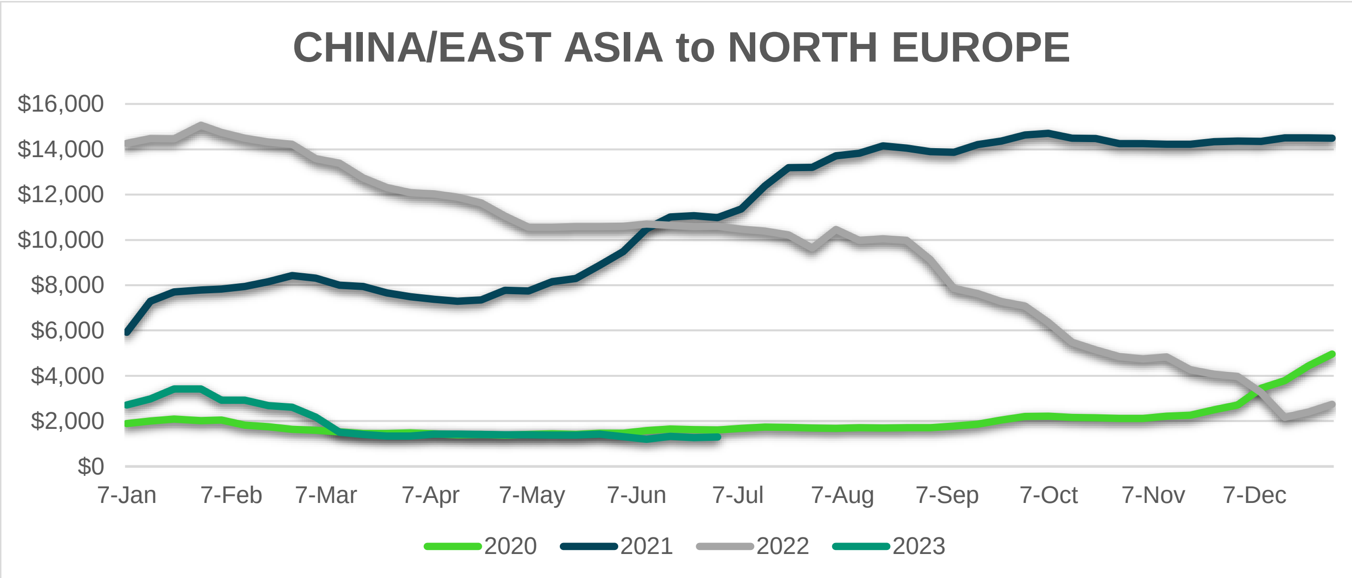

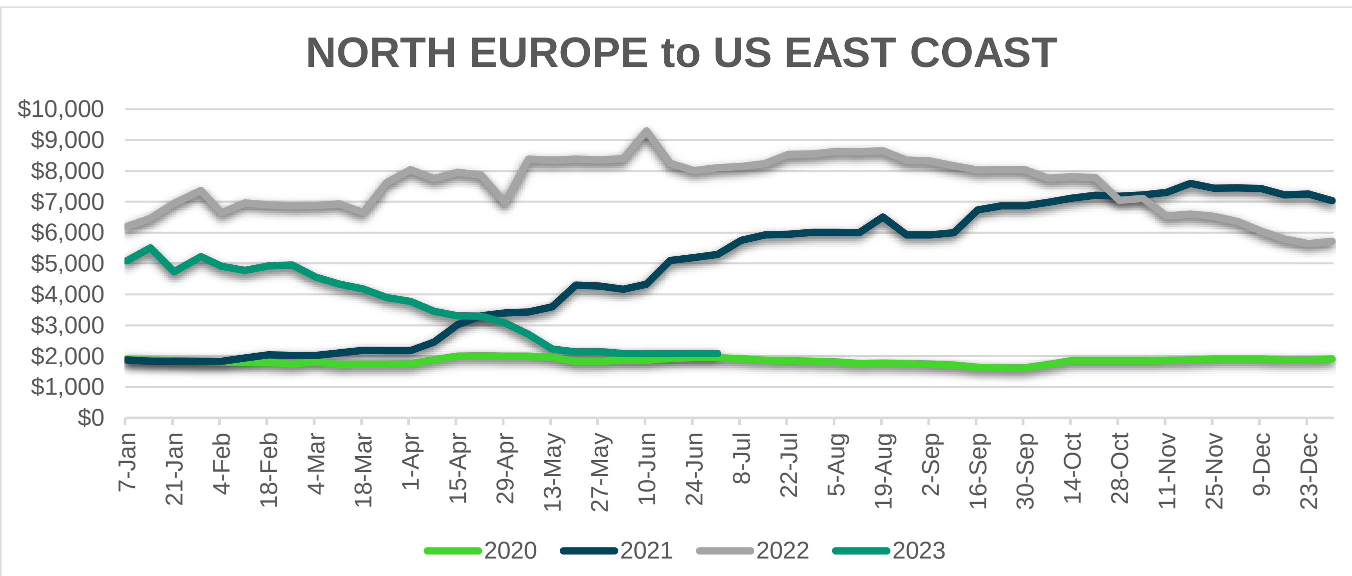

MERGERS & ACQUISITIONS

Decades-old trucking company U.S. Xpress Enterprises will be acquired by Knight-Swift Transportation Holdings for over $800 million after receiving shareholder approval in a landslide vote. This marks a significant shift in the TL market as U.S. Xpress, founded in 1985, has been a long-standing presence in the industry. The acquisition comes after U.S. Xpress experienced losses and underwent layoffs and corporate restructuring. The deal is expected to provide opportunities for Knight-Swift to enhance earnings, expand its customer base, and attract more professional drivers. U.S. Xpress will operate as an indirect subsidiary of Knight-Swift following the acquisition.

Online Transport, a 3PL and carrier based in Greenfield, Indiana, has acquired Mustang Express, located in El Paso, Texas, according to a press release on June 7. The acquisition of Mustang Express, which operates with over 60 drivers, will enable Online Transport to expand its operations and increase market share in the regions and routes it currently serves. Additionally, the purchase grants Online Transport access to Mustang Express's El Paso terminal, creating opportunities for freight transportation from the Mexican border to the Midwest. The terms of the deal were not disclosed. Mustang Express, founded in 2001 by Rick and Laura Hernandez, specializes in hauling automotive parts, medical products, paper products, technology, and raw materials. They offer just-in-time solutions, 3PL warehousing, truckload services, and dedicated manufacturing support transportation.

RIST Transport, an LTL carrier operating in the Northeast and Mid-Atlantic regions, has finalized its acquisition of AMA Transportation Co., as announced this month. The specific terms of the deal, which was completed on June 1, were not disclosed. AMA Transportation, based in Billerica, Massachusetts, operates four terminals and a fleet of 75 power units, serving customers in New England, Metropolitan New York, and New Jersey. The acquisition is expected to facilitate the expansion of direct service routes in New England, enhance customer service, and provide improved technology offerings. Both RIST Transport and AMA Transportation are family-owned and operated companies, and the goal is to maintain the same level of excellent customer service and satisfaction. The owners of AMA Transportation, Mark and Anthony Bruzzese, will remain with the company, and branding elements honoring the founder, Alfred Bruzzese, will be retained. The transition is not expected to bring significant changes to the current operations and procedures of both companies, apart from the expanded direct service routes.

Attaway Hauling, a long-haul waste carrier based in Georgia, has been acquired by Bulk Express Transport, a Florida-based waste and recycling hauler backed by private equity firm Alterna Equity Partners. As part of the deal, Bulk Express also acquired Choice Bulk Carriers. Attaway Hauling provides waste and industrial services, including transfer station management, disposal hauling, and liquid bulk hauling, in Georgia, Alabama, and Tennessee. The combined companies have approximately 200 trucks, 200 employees, and service over 50 transfer stations in the region. The acquisition aims to support the growth of both companies within the Southeast region, leveraging Bulk Express' existing position and Attaway's strong reputation. Alterna Equity Partners previously acquired the Bulk Express group, which includes Soil Tech Distributors, M3 Transport, and Inter City Disposal, in December.

EDUCATION

7 Components of an LTL Freight Quote

When is the last time you received an LTL freight quote and wondered, “Where did that number come from?” Less-than-truckload (LTL) shipping can save companies a fortune in freight spend, but first you need to understand what components determine the cost. If you’re used to full truckload shipments you’re likely thinking in prices based on […] *Read More*

5 Advantages of Shipping LTL Freight

Regardless of the mode of transportation, the question remains the same: how can I get my product to market as fast as possible and at the lowest cost available, without sacrificing service? Like ocean or air freight, trucking is another extension of this timeless quandary. Long gone are the days when everyone owned their own […] *Read More*

How LTL Accessorials Work: Ways You Can Pay Less of Them
As shippers scramble for bargains in a market with few to find, we're always trying to answer questions about how we can better help them lower costs. When it comes to LTL freight that is easier said than done. That's because the rules that apply to other forms of transportation don't necessarily apply to LTL […] *Read More*

What is Full Truckload Shipping and How Does it Work?
Dry Van The first piece we are going to discuss is a dry van. A dry van is a full 48 or 53 foot trailer that is covered at all sides and is hooked up to a trailer. Dry Vans can also sometimes require blankets or straps and load bars to keep the product protected […] *Read More*

Why Your Carrier Sourcing Strategy is Wrong
If you're beginning your carrier sourcing strategy with an RFP, you may be approaching it the wrong way. In fact, focusing on price should be the last thing on your mind. The truth is, it's a challenging process. Jill Clifford, carrier sourcing expert, explains why the traditional method carrier sourcing is wrong. Learn why the […] *Read More*

10 Tips for Negotiating LTL Shipping Rates
What is LTL Shipping? LTL or Less-Than-Truckload is a method of shipping for smaller shipments that don't require a full truckload. LTL or partial truckload is generally slightly larger parcel shipments (150 lb +) but don't require the usage of an entire truck. In LTL shipping, multiple shipments from different shippers are consolidated into a […] *Read More*

Common LTL Shipping Challenges and How to Overcome Them
LTL (Less-than-Truckload) shipping has gained significant popularity in the logistics industry, offering cost-effective transportation solutions for businesses of all sizes. Like any shipping method, LTL shipping comes with its own set of challenges. Understanding and addressing these challenges is crucial for optimizing your supply chain operations and ensuring smooth, efficient transportation. What is LTL Shipping? […] *Read More*

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