

The background of the slide is a light gray topographic map with various contour lines, some solid and some dashed, creating a textured, wavy pattern.

# **FREIGHTPLUS** **MARKET REPORT**

March 2022

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# About FreightPlus

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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. Visit [FreightPlus.io](https://FreightPlus.io) for more information.

## Engineered to:



**Increase Profitability**








**Peace of Mind**



**Strategic Partnership**

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# March in Review

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March was the second consecutive month to display signs that the truckload market is beginning to loosen. The national dry van load to truck ratio fell to its lowest mark since January of 2021. Volume is declining as our economy starts to transition into the post-pandemic era.

Consumers have seen a decrease in available funds as the Russian invasion on Ukraine continues to have a large impact on oil prices. With many Americans returning to the office, consumption of oil products has increased, leading to less disposable income for consumers. Historically, March yields increased demand for freight than the months prior, which is the opposite of what we saw this year. As March progressed, volume, rejections, and spot rates all started to fall, despite increases at the pump.

Unlike the truckload space, the LTL market remains constrained. E-commerce continues to drive demand, although we expect to see the average shipment size begin to decrease. LTL carriers are continuing to make sizeable investments in building out their capabilities through terminal expansion and acquisition, but there are significant barriers from the government and the public in the form of zoning and neighborhood preference to avoid having high volume truck traffic. The labor market remains tight, but the government is working on easing the entry restrictions. LTL carriers have placed a focus on retention as they continue to work to pay their drivers competitive salaries.

In the coming months, all eyes will be on the negotiations with the International Longshore and Warehouse Union (ILWU), as well as the International Longshoreman's Association (ILA). Each group represents port labor on the east and west coasts, and both union contracts are set to expire on July 1, 2022. The situation at the ports is something that has been under a microscope for the better part of the past two years. The potential for the Longshoreman to strike come July could cause even bigger problems for the west coast ports. China's latest bout with COVID has reduced their labor force and ability to export. The Longshoreman contract is set to expire right when we would anticipate a Chinese production surge to hit the US ports. You can read more about the ILWU negotiations [here](#), and the ILA negotiations [here](#).



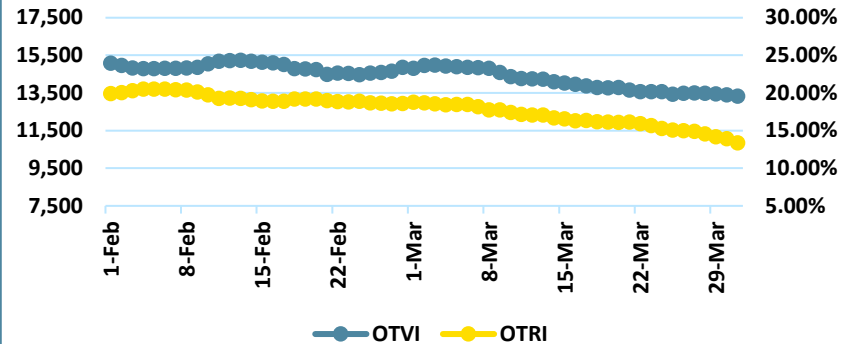
**Dan Burke,**  
Senior Manager, Carrier  
Operations, FreightPlus

# Truckload Market Summary

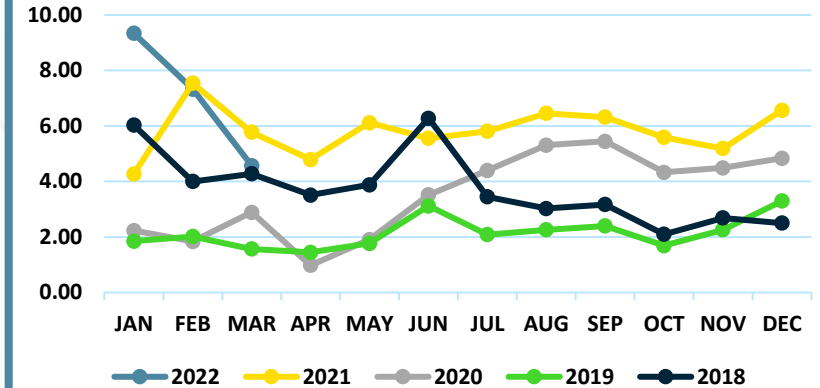
## SUMMARY

- Volumes and rejection rates have both started to steadily decline. In tandem, we have seen capacity come back into the market.
- **Key Takeaway:** decreased volume and rejection rates in late March is a positive sign for shippers that capacity is loosening.

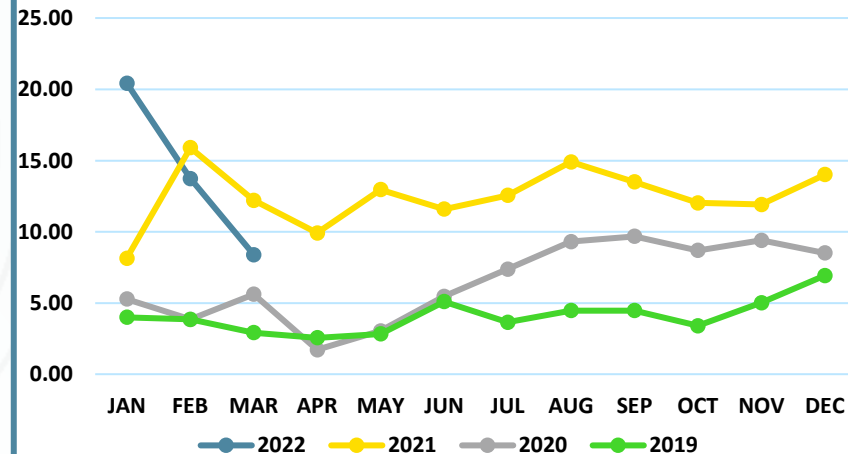
Combined OTVI & OTRI Feb 2022 & Mar 2022



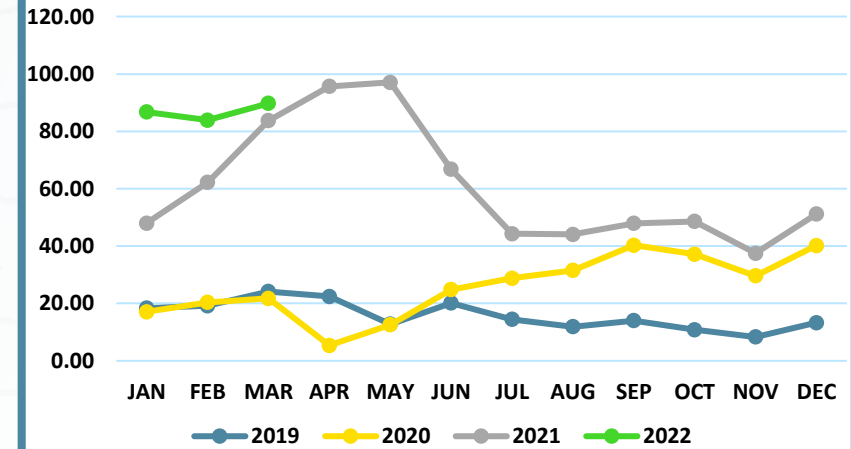
National Dry Van Load to Truck Ratio



National Reefer Load to Truck Ratio



National Flatbed Load to Truck Ratio



•OTVI = Outbound Tender Volume Index. 10,000 is indicative of a normal market.  
 •OTRI = Outbound Tender Rejection Index. This is the percentage of **contracted freight** that is being rejected by primary carriers.



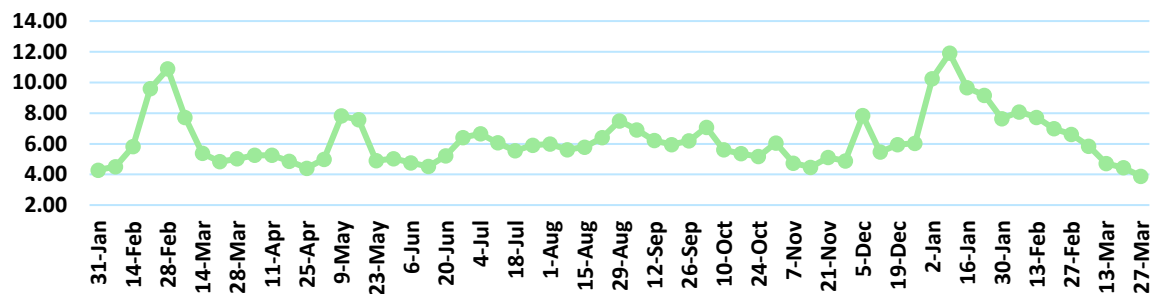


# Dry Van: Load To Truck (LTT) & Cost Per Mile (CPM)

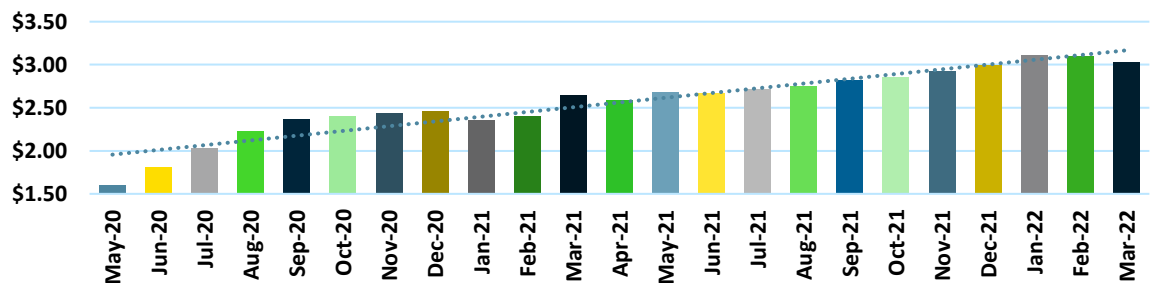
## SUMMARY

- Capacity has come back to the market in full force as can be seen by the dropping Load to Truck ratio
- Despite fuel rising significantly early in the month, spot rates fell drastically
- Key Takeaway:** While capacity has clearly returned to the market, and we are seeing spot rates fall. Rate decreases would be more emphasized if not for additional fuel costs.

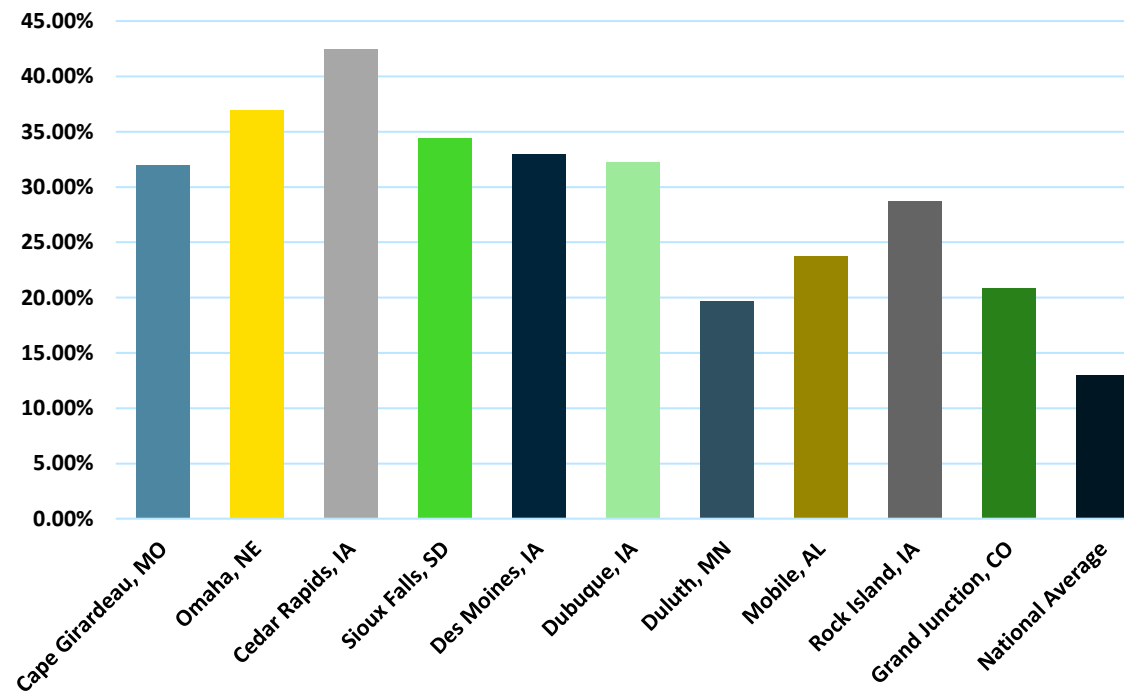
### Dry Van National Load to Truck Ratio



### National Average Cost Per Mile - Dry Van



### Top 10 Markets - Dry Van Rejection Rates

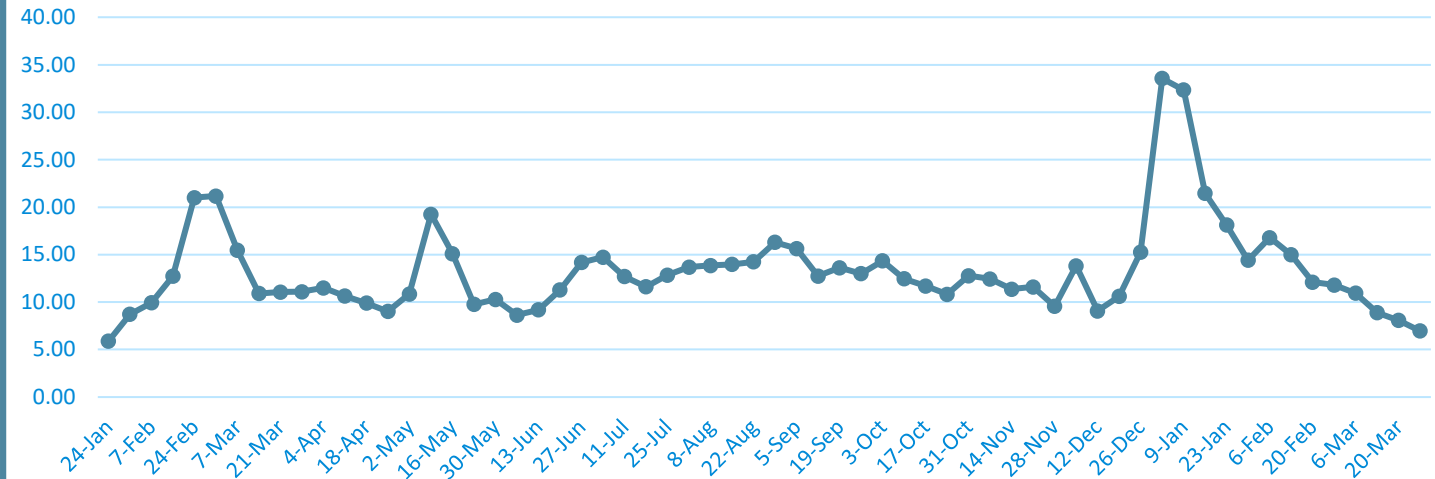


# Reefer: LTT & CPM

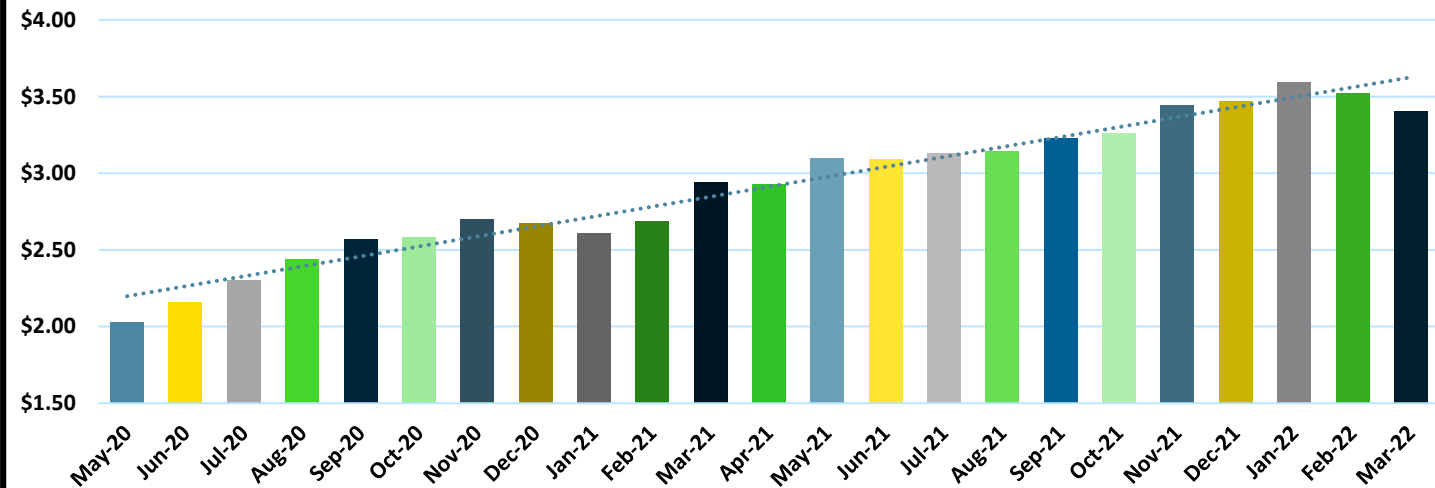
## SUMMARY

- Similar to the dry van space, we saw increases in capacity and decreases in rates
- **Key Takeaway:** This is a positive sign of the market returning to pre-pandemic levels. With that in mind, we will see how produce season impacts the rates. Typically, we would see costs go up with the decrease in freight available, we may still see downward pressure on rates.

Reefer National Load to Truck Ratio



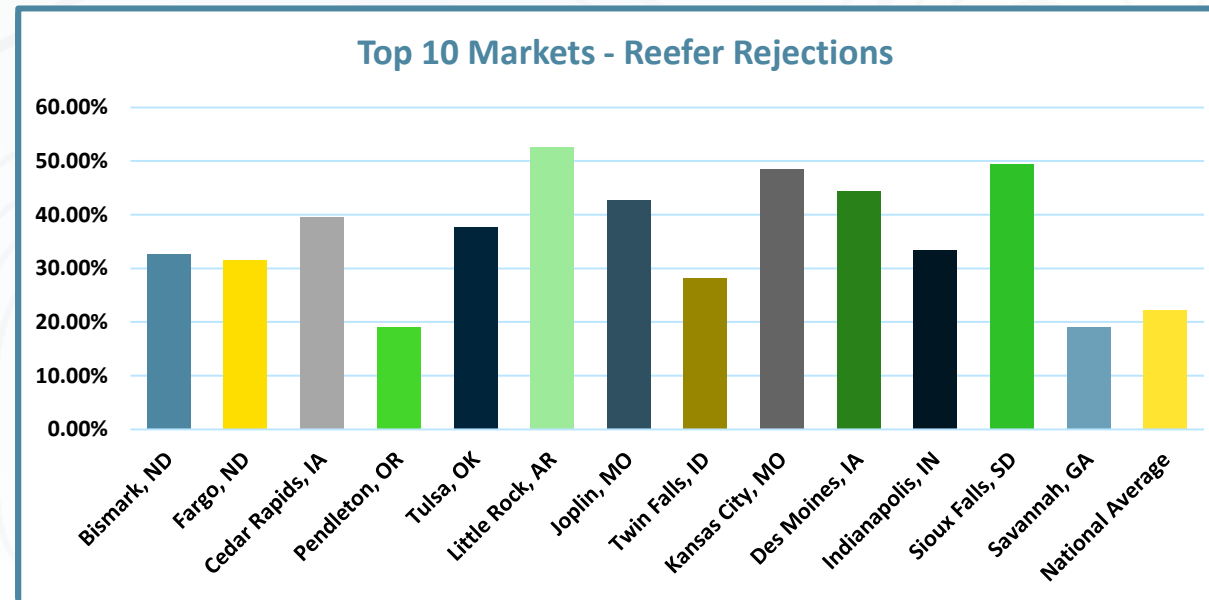
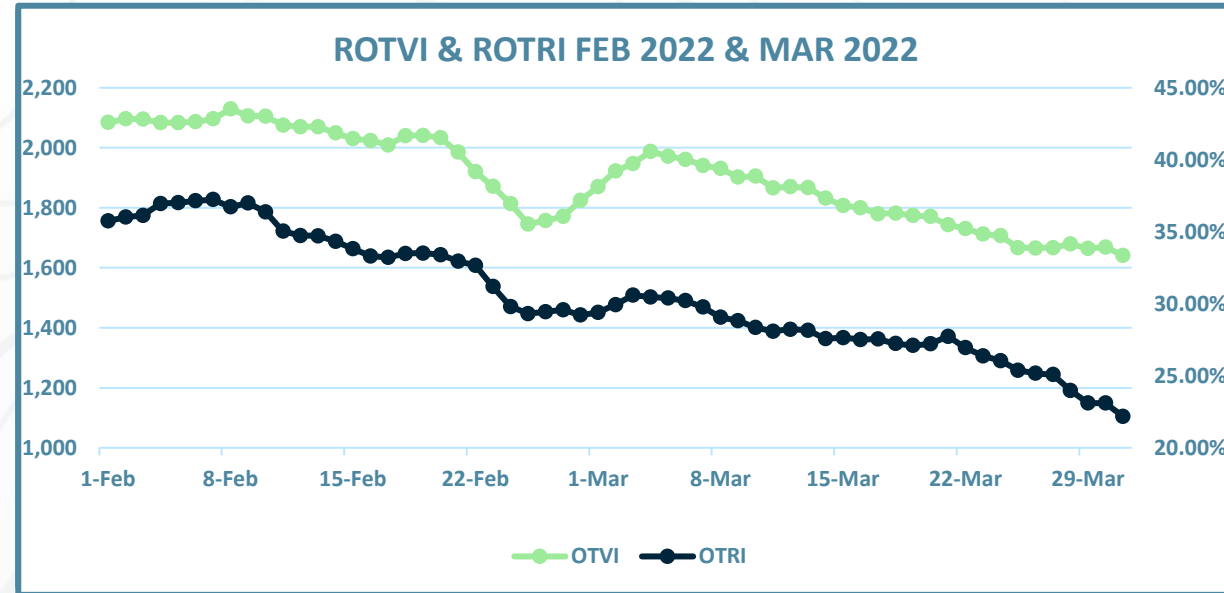
National Average Cost Per Mile - Reefer



# Reefer: Outbound Tender Volume (ROTVI) & Outbound Tender Rejection (ROTRI)

## SUMMARY

- Volume and rejections ran parallel in March as they decreased at similar rates.
- **Key Takeaway:** While some reefer markets are still tight, we are seeing the overall market loosen.



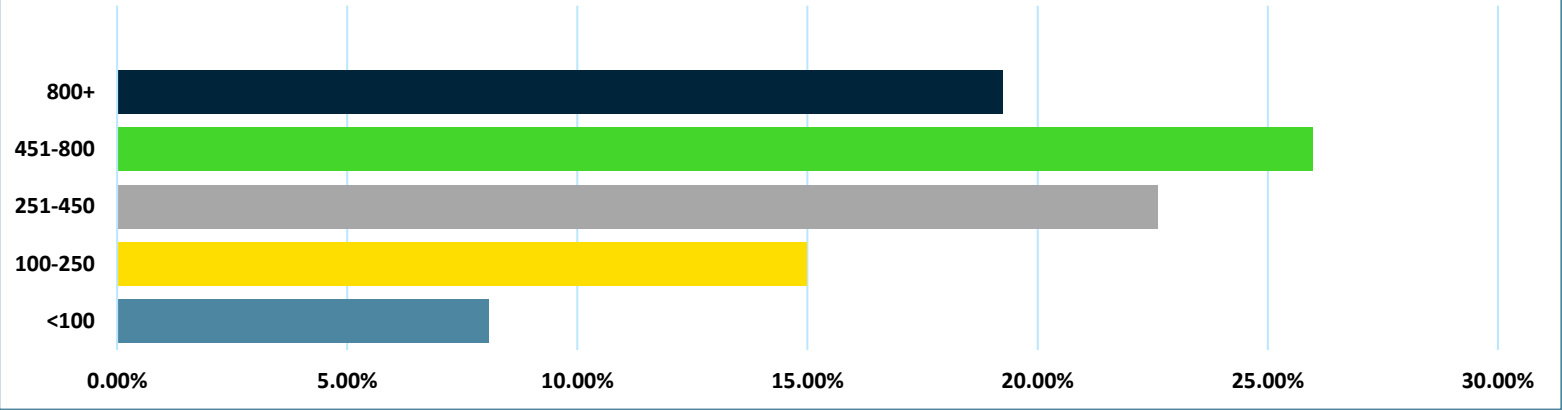


# Domestic TL Length of Haul Rejections

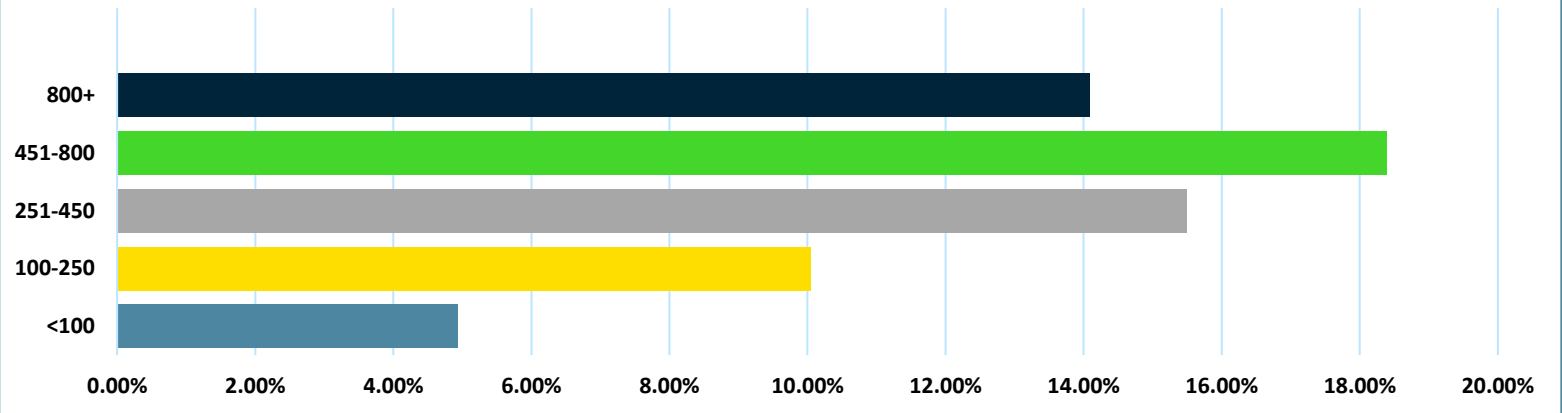
## SUMMARY

- This measures the Rejection rate at specific lengths of haul. We saw rates decrease for all lengths of haul during the month.
- **Key Takeaway:** Rejection rates fell across all lengths of haul with carries continuing to favor the shorter lengths of haul as fuel remains elevated

Length of Haul Rejection Rates - FEBRUARY 2022



Length of Haul Rejection Rates - MARCH 2022



LOCAL: < 100 miles

SHORT HAUL: 100 – 250 miles

MID HAUL: 251 – 450 miles

TWEENER: 451 – 800 miles

LONG HAUL: 800+ miles

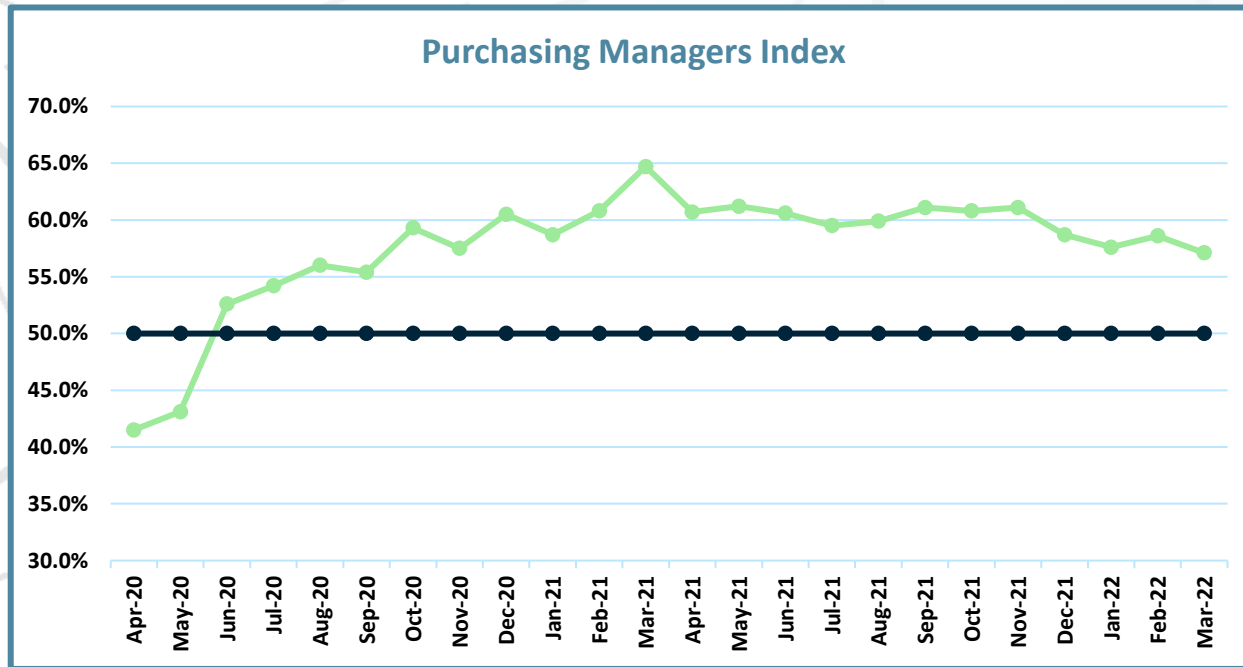




# Manufacturing Purchasing Managers Index (PMI)

## SUMMARY

- The March Manufacturing PMI registered 57.1%, down 1.5% from February
- This is the lowest reading since September 2020, which registered 55.4%
- Economic activity in the manufacturing sector grew again in March. This is the 22<sup>nd</sup> consecutive month of expansionary growth.
- The New Orders Index registered at 53.8% which is down 7.9% compared to February. The Production Index was 54.5% (down 4%). The Backlog of Orders decreased to 60% (down 5%), and The New Export Orders registered % (down 3.9%). Customers Inventories remain at 'too low' level.



- Economic activity in the manufacturing sector grew for the 22<sup>nd</sup> consecutive month.
- 5 of the “Big 6” industry sectors reported moderate to strong growth in March:
  - Chemical Products
  - Fabricated Metals Products.
  - Transportation Equipment.
  - Computer & Electronic Products.
  - Food, Beverage, and Tobacco Products.
- Wood Products and Petroleum & Coal Products are the only industries that reported a decrease of growth in March compared to February

Source: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/March/>

- There is generally a strong correlation between PMI and LTL (and TL) market conditions.
- Anything over 50% indicates an expansionary economy. Below 50% is considered contractionary.





# Domestic Less-than-truckload (LTL)

While the TL market looks to be softening, the LTL space is still tight and will continue to be that way throughout 2022. We will most likely see a reduction in shipment size, but LTL overall will stay tight. Continued growth in e-commerce remains a top contributor here. Driver retention is a huge topic among carrier executives right now. Almost all LTL carriers have raised wages, improved benefit options, expanded training, and opened/reopened driver schools in the past 6 months. December through February was the best three-month period of driver hiring since the 1990s. The Department of Transportation provided \$57 million to help states expedite commercial driver's license issuances, resulting in a 112% increase in CDL processing in the first two months of 2022 compared to the same time period the prior year. The biggest concern now is retaining those resources they have invested so heavily in.

- Recruiting efforts continue heavy focus on women and veterans.
- XPO spins off intermodal unit to focus on LTL division.
- GRI's are coming, expect 2 again this year.
- FedEx's Fred Smith (founder) turns over CEO role to Raj Subramaniam.
- Expansion is still very prevalent in the LTL space with almost every carrier either expanding existing facilities (adding doors and lot space) or opening new facilities – available real estate is the biggest barrier here.
- Growth/Expansion: [https://www.transportdive.com/news/old-dominion-adds-grows-service-centers/621602/?utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=Issue:%202022-04-06%20Transport%20Dive%20%5Bissue:40883%5D&utm\\_term=Transport%20Dive](https://www.transportdive.com/news/old-dominion-adds-grows-service-centers/621602/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202022-04-06%20Transport%20Dive%20%5Bissue:40883%5D&utm_term=Transport%20Dive)



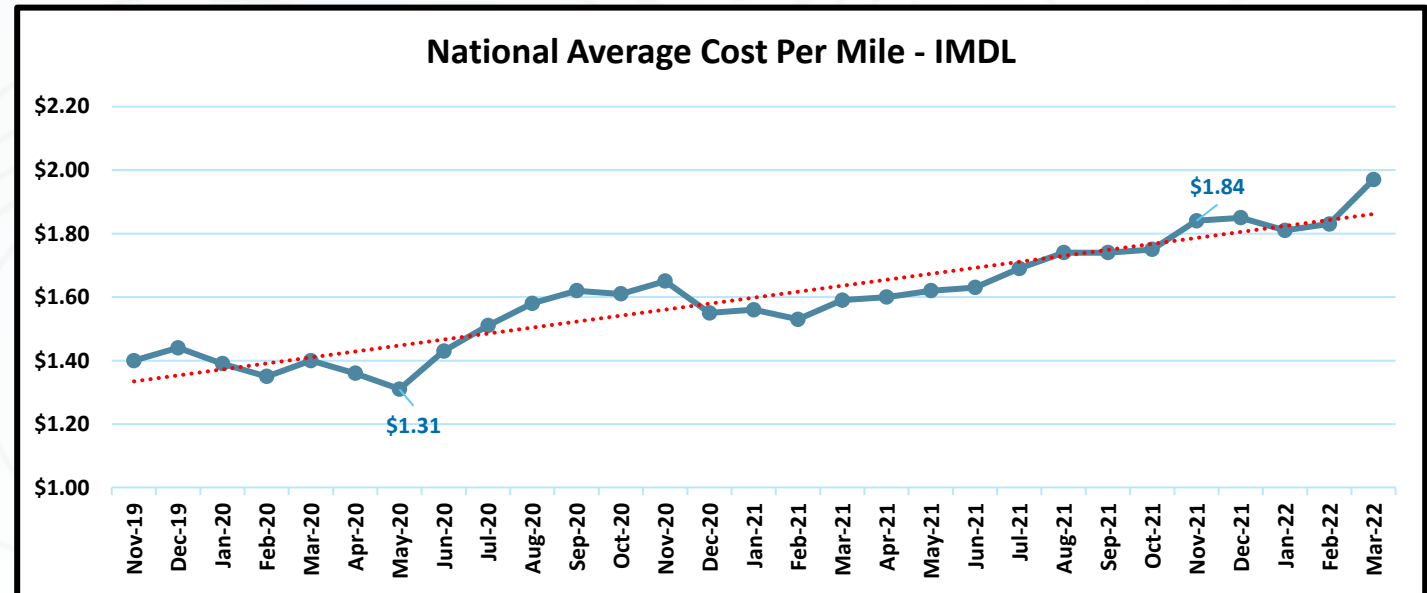
**Chris Gula,**  
Director, LTL Operations,  
FreightPlus



# Intermodal (IMDL)

## SUMMARY

- IMDL Tender acceptance is up 3.7% from February
- West Coast ports and terminal rail container dwell times have exploded of late, bringing back memories of last summer's rail meltdown that led to congestion problems and equipment shortages throughout the inland supply chain.
- STG Logistics announces the acquisition of XPO logistics IMDL business for approximately \$710M
- North American intermodal volume was down 7% from February
  - Year to Date -7.5%
- BNSF Plans a new hub in Phoenix AZ after acquiring a \$49M lot
- IMDL Spot Rate Per Mile is up to \$2.40, this is largely influenced by the rising cost of fuel
- **Key Takeaway:** Due to the projected inland freight surge we are planning on seeing higher than normal dwell times, driver and equipment shortages. These delays are going to impact on time deliveries and overall increase transit times across the board for the upcoming months.



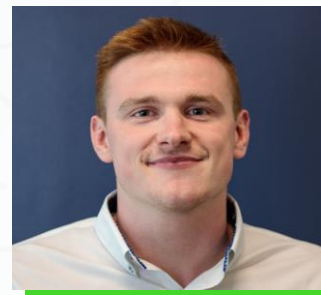


# Ocean Freight Market Status

- West Coast ports saw a drop in the vessel queue in the month of March, largely due to the Chinese New Year "lean season", COVID-19 induced lockdowns in major Chinese manufacturing hubs, and the shift of imports to the East Coast ports. In result, China/US spot freight rates have continued to drop.
- West Coast ports are starting contract negotiations with International Longshore and Warehouse Union (ILWU).
- The return to normalcy in Chinese manufacturing operations may have a negative effect on US West Coast ports. We've traditionally seen port operations pause when longshoremen contract negotiations are being held. This scenario would lengthen the vessel queue and put pressure on freight rates.
- Container terminals in Northern Europe and US East Coast are consistently shifting vessel schedules, resulting in low on-time performance, undermining the stability of Trans-Atlantic trade.
- These dynamics are creating bottlenecks and high levels of congestion in East Coast ports such as NYC/NJ, Norfolk, Charleston, Savannah, Houston, etc.
- The US Senate passed bipartisan legislation to reshape US oversight of the international container shipping industry by giving regulators more power over ocean carrier detention, demurrage billing practices, and export services.
- Container lines have stated that the Ocean Shipping Reform Act (OSRA) would make congestion worse, and the World Shipping Council (WSC) cautioned that regulating container lines to handle exports that don't make sense for their networks would damage reliability for importers and exporters alike.

## Vessels at Anchor as of April 1st, 2022

LA/LB	42 vessels at anchor/drift
Oakland	16 vessels at anchor / drift
Vancouver	17 vessels at anchor / drift
Seattle/Tacoma	4 vessels at anchor / drift
Charleston	23 vessels at anchor/drift
Savannah	4 vessels at anchor / drift
NYC/NJ	12 vessels at anchor / drift
Houston	15 vessels at anchor / drift
Norfolk	15 vessels at anchor /drift



**Connor Kerwin**  
Carrier Sales Specialist,  
FreightPlus







# Ocean Freight Market Status Cont.



MAERSK  
LINE



2M

Capacity : 2.1 million TEU

Vessels : 185

Routes served : 44



Ocean Alliance

Capacity : 3.8 million TEU

Vessels : 330

Routes served : 38



THE Alliance



Capacity : 3.5 million TEU

Vessels : 249

Routes served : 31

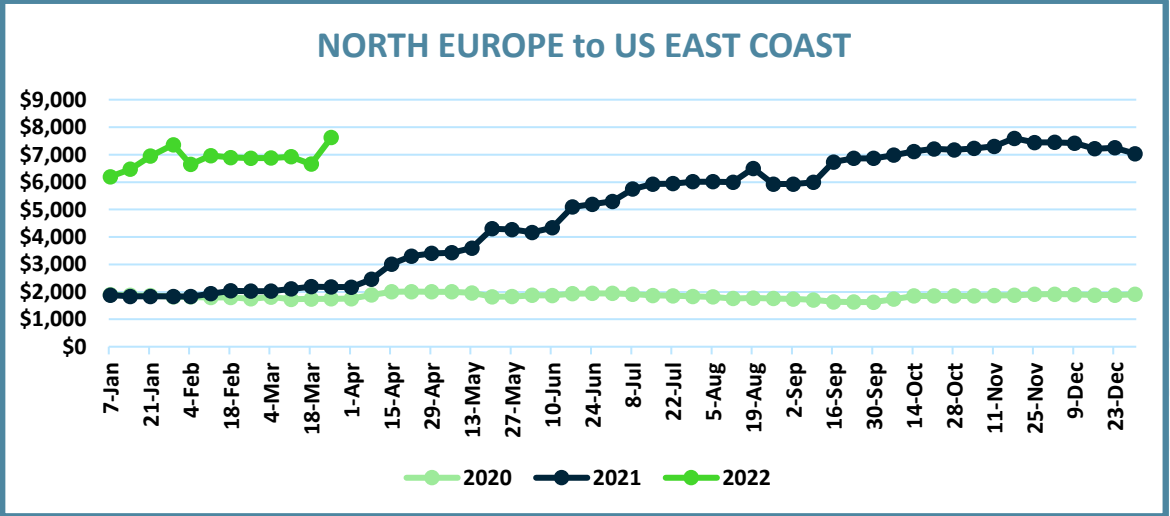
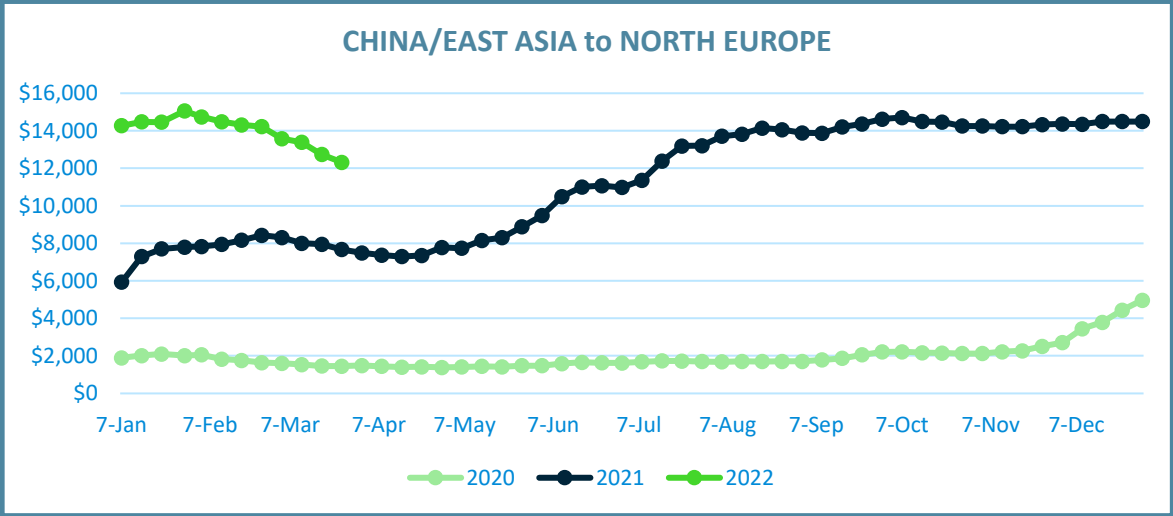
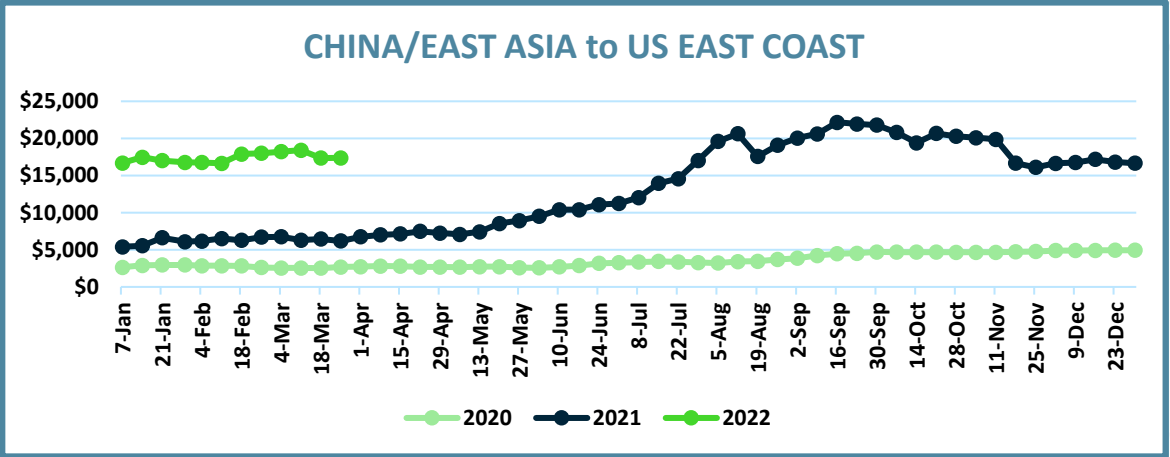
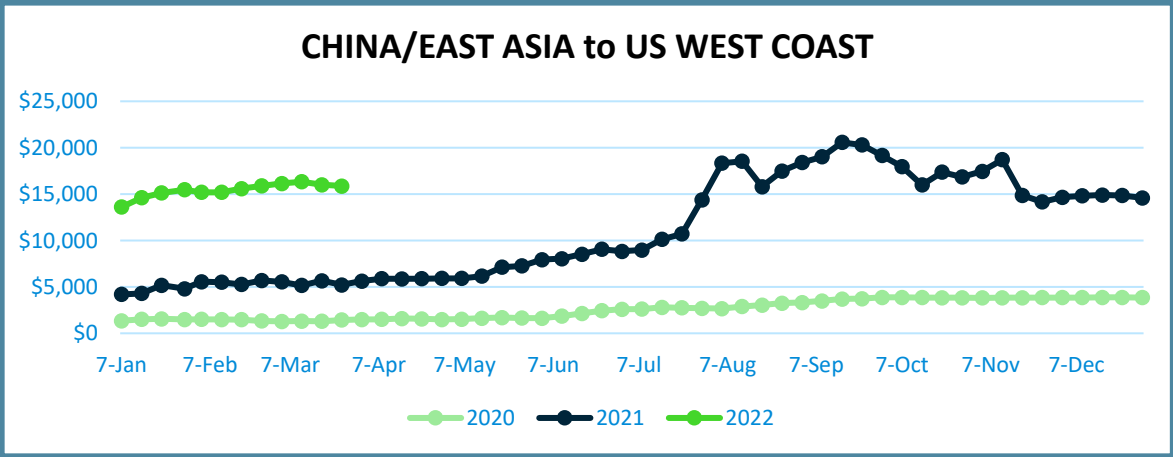


- Ukraine – Russia conflict has continued to result in supply chain disruptions such as disrupted capacity, sanctions, and higher fuel costs.
- All Ukrainian sea ports on the Black Sea are closed.
- Major ocean carriers have suspended their services to Russian ports, diverting cargo to ports in Romania, Turkey, Greece and Italy, which could potentially result in port congestions in those regions.
- Ocean carriers who continue to service ports in the region have introduced War Risk Surcharges for shipments. Historically, these surcharges equate to an additional \$40-\$50/TEU.
- Marine bunker prices have begun to retreat after the increase during the first two weeks following the Russian invasion of Ukraine. The prices of diesel in the US, which informs fuel surcharges for trucking and railroad carriers, has continued to rise.
- Ocean freight shippers are going to feel the pinch of the higher fuel costs from bunker adjustment factors (BAFs) that traditionally lag fuel price increases by one to two months. But, CEO of Hapag-Lloyd AG Rolf Habben Jensen has ruled out imposing the unpopular emergency bunker recovery surcharges that were imposed by multiple carriers in 2018 as fuel prices spiked ahead of the US-China trade war.
- Key Takeaways: West Coast ship queue continued to ease, while East Coast worsened. The return to Chinese manufacturing normalcy may come at the wrong time with a possible strike in the coming months at West Coast Ports. Shippers are bracing for higher surcharges, further pushing up the already elevated rates for ocean, land, and air cargo. The US may benefit from being the world's largest producer of crude oil and fourth largest producer of wheat.





# Ocean Freight Spot Rates (FBX)

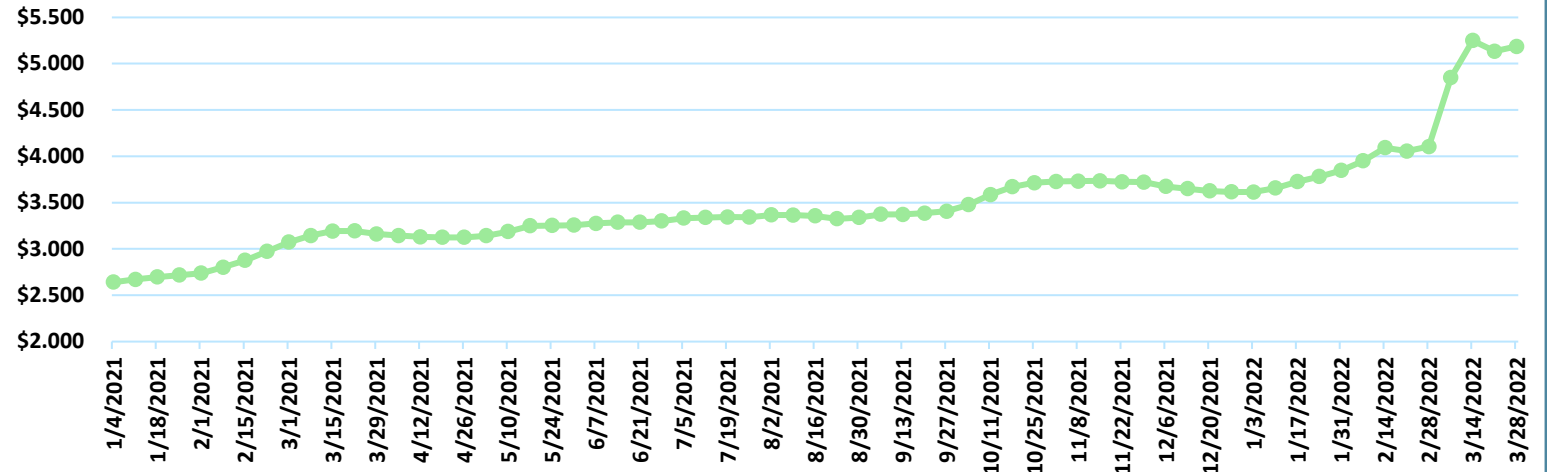


# On-Highway Diesel Fuel

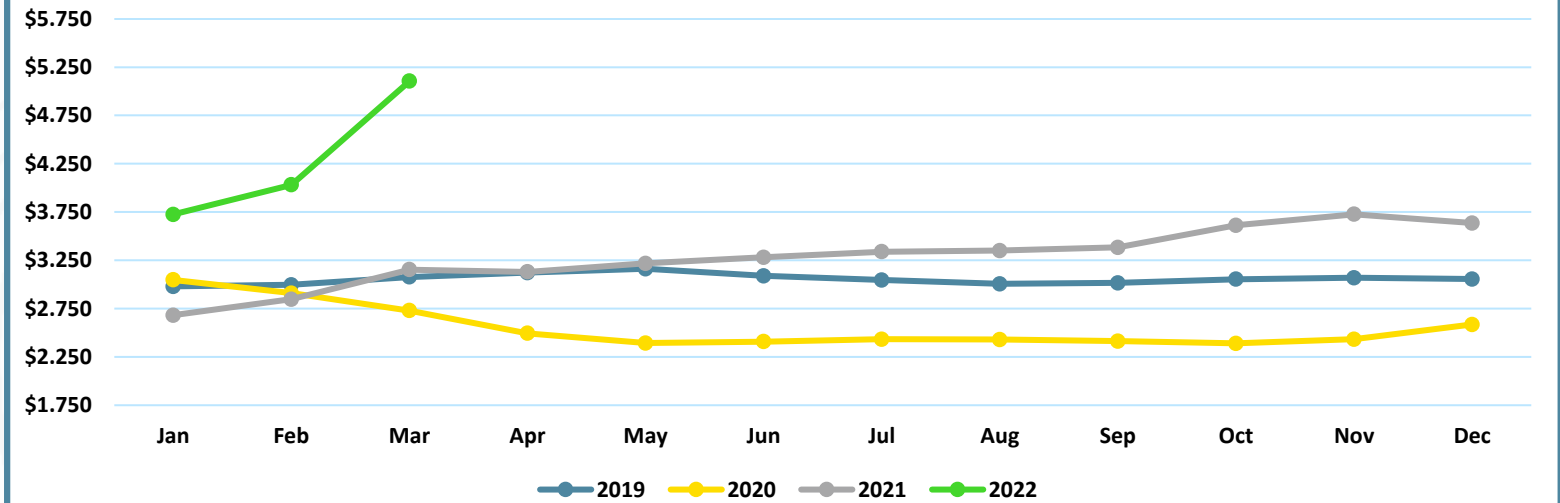
## SUMMARY

- On-Highway Diesel fuel rose significantly for the second month in a row
- The cause of this problem is two-fold.
  - Domestically, we are still working to get oil production back to pre-pandemic levels. Because the output domestically has not returned, we are still not producing enough to cover our need.
  - The Russian invasion of Ukraine is a large driver of the cost increase. Russia is one of the nations that we historically have turned to for oil imports. With the invasion, the US has stopped importing many Russian produced products with oil being one of them.
- Key Takeaway:** With the invasion of Ukraine happening toward the end of February, we saw the anticipated increases in fuel. The average price increased by over \$1/gallon. Shippers are seeing this increase in their freight as most fuel surcharges increase \$0.01/mile every \$0.05/gallon price increase. This resulted in over \$0.20/mile increase, or \$120 for a 600-mile truckload.

National Avg. On-Highway Diesel Fuel Prices



Monthly National Avg. On-Highway Diesel Fuel Prices



# Report Contributors



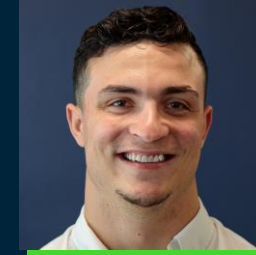
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# THANK YOU!

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