

# FREIGHT AND ECONOMIC MARKET INSIGHTS

May 6, 2020—North America

In an effort to help everyone understand the supply chain impacts from COVID-19, we have compiled a selection of current insights from the marketplace. These have been assembled by our experts with our global view of supply chain data.

**NEW** We are seeing a portfolio of demand patterns related to states reopen plans, seasonal verticals and COVID related impacts. Examples include Mothers' Day flowers, produce season, meat production way off, import activity, food service stock building and automotive suppliers starting up. In short, the market demand pattern is not historical. We will continue with our weekly Wednesday publication of this report.

## A SUMMARY OF GOVERNMENT AFFAIRS RELATED TO COVID-19

### HOS EMERGENCY DECLARATIONS IN UNITED STATES AND CANADA

Note that it is necessary to properly describe the freight to the driver.  
FMCSA HOS relief ends May 15

### STAY-AT-HOME/SHELTER IN PLACE ORDERS:

Globally, stay-at-home orders are varied. Vessel volumes to North America are again settling back and the recently arriving vessels from China may be seeking warehousing due to most markets still in stay-at-home status. Essential goods continue to flow as transportation and logistics continue to fall under CRITICAL INFRASTRUCTURE DURING

**NEW** COVID-19, and that executive orders are often similar to this guidance. [Click here](#) for National Association of Manufacturers (NAM) US state level summaries of executive orders.

### US NORTHERN AND SOUTHERN BORDER RESTRICTIONS

While travel on both the [Northern](#) and [Southern](#) borders has been restricted for passengers and visitors, freight continues to flow relatively unimpeded at this time.

### CDC GUIDANCE ON TRUCK DRIVERS TRAVELING TO NEW YORK REGION

[CDC issued guidance](#) for truck drivers making deliveries to the New York region clarifying that if they follow guidelines to minimize exposure they do not need to self-quarantine for 14 days. This guidance may be extended to other areas as states continue to put travel restrictions in place from certain areas.

### USA TRUCKLOAD (TL)

- Dwell times at many warehouses continue to be very long as stringent guidelines slow processes.
- Diesel pricing is predicted to drop to \$2.14 per gallon on average in the 3Q of 2020. This would be a 14% decline from current average of **\$2.39** per gallon. [Source: EIA](#)
- Trucking continues to perform and is flowing freely across states and national borders and in and out of all markets.
- CHR has ready access to capacity as our contract carrier communities serving the private and for hire non-essential goods segments are seeking freight in the essential goods segments.
- Consider having sanitizer available and washrooms clean and well stocked with soap and paper towels. [CDC guidance to persons involved in truck driving into area of widespread community COVID-19 outbreak](#)

## USA REFRIGERATED TRUCKLOAD (TL)

- Lanes and volumes continue to change in a fluid manner depending on industry, geography, and equipment type. For example, reefer markets are being impacted in the upper Midwest as significant volumes disappear as a result of pork and turkey processing plant shutdowns impacted by COVID-19 outbreaks in South Dakota and Minnesota.
- NEW** • Mother's Day flower reefer volumes well surpassed forecasted volume declines exit Florida.
- NEW** • Week 18 Y/Y showed a 22.9% Y/Y increase in fresh produce sales and although nationwide DAT load volumes are markedly down, the load to truck ratios in leading produce markets are showing tension in So. CA, So. TX and So. FL and coastal GA. We are not seeing capacity concerns at this time however.
- Current annual shift of produce growing regions from Yuma, AZ to Salinas, CA is complete. The Salinas, CA region will continue to produce Strawberries, finish off Citrus and start producing Cherries next week. We are anticipating adequate truck availability this week.
- NEW** • Corn and Melons will continue to lead the start of Produce Season for Southern to Central Florida along with melons in CA. We see a slight shortage of truck availability in this region but not enough to affect the overall market.

**NEW** USA LESS THAN LOAD (LTL)

- Volume has settled into levels that the carrier community indicates are the bottom of the cycle
- CEO's from LTL carriers YRC Worldwide, UPS and FedEx participated in the President's "Great American Economic Revival Industry Groups" at the White House last week
- ISM's PMI is often cited as correlated to the LTL industry performance and measured 41.5, down 7.6 points from March, indicating the greatest contraction in manufacturing since April, 2009
- Carriers have scaled back labor force and operations to meet current demand levels
- Carrier service remains good, noting that some carriers slowed transit as a cost cutting measure
- Carriers' remain "business as usual" in regard to pricing. Some delays in bid response have been noted due to pricing departments be right sized to match falling demand
- "Touchless" pick and delivery: No signing of shipping documents continues. Shipper/consignee have same responsibility for OS&D notes on BOL or carrier web portal and driver should note in handheld.

## EMERGING INSIGHTS

The following items are emerging and have the possibility of more states adopting similar initiatives.

Utah data collection: Utah's recently launched a data collection initiative for vehicles entering the state excludes commercial truck drivers. [Governor Executive order link is here](#) and [FAQs are here](#).

COVID-19 state and provincial notice resources: [National Governors Assoc](#), [Land Line Magazine](#), [ATAHub](#), [Multistate's very detailed US State document](#) and the [Government of Canada's Outbreak updated](#) with state and local regulation and strategies

- Increasing messaging from states toward re-opening
- State and local level details for schools, mass gatherings, businesses and bars and restaurants and face covering requirements in tabs 2 and 4 of the Multistate workbook

**NEW** Back to work: We are seeing some businesses that were closed due to COVID-19 starting to reopen this week and next. Most notable this week are the following: auto industry and food service.

U.S. exports of certain PPE to Canada and Mexico are [exempt](#) from export restrictions and may immediately export. However, a Letter of Attestation (LOA) is required. As exports to Canada do not require an AES filing, the driver will need to present [this letter](#) to CBP at export in order to avoid delays. For exports to Mexico, the LOA will be submitted with the export clearance by the customs broker.

## INTERMODAL (IMDL)

- NEW** • Overall capacity remains abundant despite railroads pulling containers from circulation in response to tepid market and port volume lags (import and export)
- NEW** • Railroads are focused and prepared to shift capacity to areas of increased import activity as they arise
- Railroad on-time performance remains very high across companies with percentages between high 80's and mid-high 90's.
- Dray carrier pricing discipline remains with some concession for long term volume awards

## CROSS BORDER

**Mexico-USA border insights:**

- Mexico's Health Department issued shelter in place orders spanning the country through May 30.
- Similar to the United States, Mexico has defined companies as either essential or non-essential (An example is components to an essential industry being labeled non-essential). [Link to Government of Mexico - In Spanish](#)
- The essential business list is very similar to that of the United States. One major exception is that only non-alcoholic beverages are considered essential (Alcoholic beverages are considered non-essential).
- Essential goods flowing north exceeds volumes of southbound goods, leaving capacity to be repositioned in order to meet demand. As a result, northbound transportation costs are rising due to these capacity repositioning expenses from Laredo into Mexico.
- Customs and border crossings in both directions are flowing well.

**Intra Canada-USA border insights:**

- A temporary certificate issued by the [Transportation of Dangerous Goods Directorate](#) for the transport of hand sanitizer.
- Market has capacity across all provinces
- NEW** • Nursery season in W. Canada: expect increased demand as garden centers/nursery's start to open
- Efforts to ensure [facilities](#) and [services](#) are available to truck drivers. Source: Trucknews.com
- North and Southbound crossings at both Detroit-Windsor and Niagara/Fort Erie-Buffalo remain at 24/7 operations for commercial traffic
- Other crossings we recommend checking the following resources to have the most current schedules as some have reduced operating hours:
  - [USA Customs and Border Protection](#)
  - [Canada Border Services Agency](#)
- NEW** • The number of truck drivers entering Canada dropped almost 36% during the week of April 27 to May 3, compared to the same period last year according to the Canada Border Services Agency (CBSA)
- NEW** • Capacity supply from some US produce regions into Canada are low due to lighter capacity volumes into the US as a result of COVID and have Canadian receivers paying higher deadhead rates. Lead time and flexibility are encouraged to help lower costs and secure equipment.
- Canadian Trucking Alliance (CTA) suggests truck drivers carry an essential worker confirmation letter.
- [Public Health Agency of Canada](#) requires commercial drivers to wear masks, but not quarantine.

## GLOBAL OCEAN AND AIR

- NEW** • Ocean carriers have been successful to bring supply in line with demand through void/blank sailings and additional removal of capacity in the range of 20-30% depending on the week.
- NEW** • Week 18 experienced some challenges on space from China to PSW (LGB/LAX) due the removal of capacity & pre China holiday (5/1-5/5) rush.
- Demand for importing Personal Protective Equipment (PPE) and test kits on the Trans-Pacific remains high. As air freight capacity is tight, more shippers are utilizing expedited FCL (full container load) and LCL (less than container load) services for cost savings. To learn more about these services reach out to your account rep or connect with us [here](#).
- Clarifications on the exemption process for U.S. exports of PPE can be found [here](#).
- NEW** • Demand for general cargo is showing signs of life, particularly in the automotive and electronics verticals.
- NEW** • Air cargo capacity is increasing, but still lagging behind demand
- (PPE) and COVID-19 test kits are being produced in China. Chinese customs continue to evaluate and adjust export regulations for PPE. As such, shippers/importers involved with these products should check with CHR contacts on navigating the new export regulation of these products.



## ROBINSON FRESH—PRODUCE SUPPLY CHAIN INSIGHTS

Robinson Fresh [a division of C.H. Robinson](#), is fully operational with no current service disruptions. Neither our international supply capabilities from Central and South America nor our domestic supply has been impacted at this time. Inventories are adequate, our distribution capabilities are fully functioning, and our sales and supply chain experts continue open lines of communication with growers and customers. Given our flexible supply strategy, we continue to meet the needs of customers inquiring about products and supply chain solutions.



That said and as to be expected, there has been a decrease in the amount of produce sold in the first half of April this year. We continue to see SKU rationalization in the retail vertical as retailers work to better manage inventory and distribution capacity.

While there has been significant swings in ordering patterns with larger retailers. Demand continues to struggle to find the new "normal," making it difficult to project accurately. In addition, direct store delivery requests have also been highly variable with some retailers pushing hard in this area while others have closed their programs and shifted resources elsewhere. Current supply lines are being closely monitored:

- Mexico has moved to shelter in place. We are in close communication with our growers/suppliers in the country regarding the potential impacts on harvest and shipping capabilities.
- The U.S. Food and Drug Administration (FDA) has released COVID-19 daily round-up releases to help share the agency's on-going response effort to the outbreak. [Please see here for the news releases](#)
- Following industry recommendations, the State Department announced they are taking additional steps to increase processing of H-2 visa holders through consulates around the world. In particular, they are waiving the interview requirement for first-time and returning H-2 applicants who have no potential ineligibility. In addition, the State Department is expanding the period in which returning workers may qualify for an interview waiver from 12 months to 48 months. Guidance on this and other H-2 questions can be found on USDA H-2A webpage along with a FAQ document provided by the Department of State.

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We will be maintaining our cadence of market insight publications in an effort to keep you informed through this dynamic freight environment. For other client advisories, please review our [Client Advisory page](#).

In this time of extreme difficulty for predicting the economic recovery and transportation response, we offer a quote from Prof. Yossi Sheffi from MIT's Center for Transportation and Logistics on an April 14th webinar, "You can't really predict. You can only react very quickly." We invite our clients to engage your C.H. Robinson or TMC commercial representative for collaborative strategies that offer quick and effective response.

Thank you for being a valued customer. If you have any questions, please do not hesitate to contact your C.H. Robinson or TMC commercial representative for further information.