



Strategic View

With Walter Kemmsies

The empties barrier to export

Containerized exports did not perform well in 2014, according to data from ports that reported volumes for loaded and empty containers. This is not surprising

given that the U.S. dollar appreciated significantly in the latter half of 2014, major trading partners' economies slowed appreciably and potentially a shortage of containers in less populated areas that are the source for a significant share of U.S. exports. This may have been exacerbated by the congestion which became an issue for many ports in 2014. Empty container availability is a risk to U.S. export competitiveness that the freight movement industry needs to fix.

The map, shown here, is based on the U.S. Department of Agriculture's *Ocean Shipping Container Availability Report* which uses ocean liner reports regarding container availability in various cities. This data was used to estimate the average incidence (percent over a 52-week period from February 2014 to February 2015) by container type for reported deficits of either dry and/or refrigerated containers by location. The container shortage incidence is overlaid on top of the containerized export surplus by state (denoted in shades of green in the map).

Three key trends are:

- Reefer containers generally appear to be in shorter supply compared to dry boxes.
- The coastal regions appear to be meeting demand, with the exception of reefers in Seattle-Tacoma.
- The Midwest has the highest incidence of dry container shortages.

The Minneapolis area, which stands out as a location with high empty container shortages, is surrounded by states which maintain export surpluses since they are among the largest agricultural commodity producers. The inability to secure empty containers can prove challenging for oilseed and grain exporters seeking to ship via containers from the region.

The Pacific Northwest also faces the highest levels of export surplus in the nation, which puts pressure on regional logistics

providers to maintain sufficient access to empty containers to ensure that exporter demands are met.

Container repositioning costs can consume the profits earned from shipping large amounts of low-value products, which is the case for most unprocessed agricultural commodities, and reduce the competitiveness of these exports in the global market. Also, anything that slows down the flow of imported containers to inland locations motivates ocean carriers to push for containers to be transloaded near ports, which reduces the availability of containers for exporters based in rural areas.

Globally speaking, these shortages lead to delays of empty container deliveries to packaging sites. Since most agricultural trade is

conducted under a quota system there is the risk that an exported good arrives after the calendar year, causing importers, who are also operating under quotas, to scramble to source supplies from other countries.

Freight movement service providers in the United States that wish to support agricultural exports through their facilities are advised to focus on minimizing the time and cost of getting imported containers to their customers' inland destinations. It may be necessary to develop distinct infrastructure to support containerized exports since it looks increasingly difficult to piggyback exports on import-oriented infrastructure and practices.

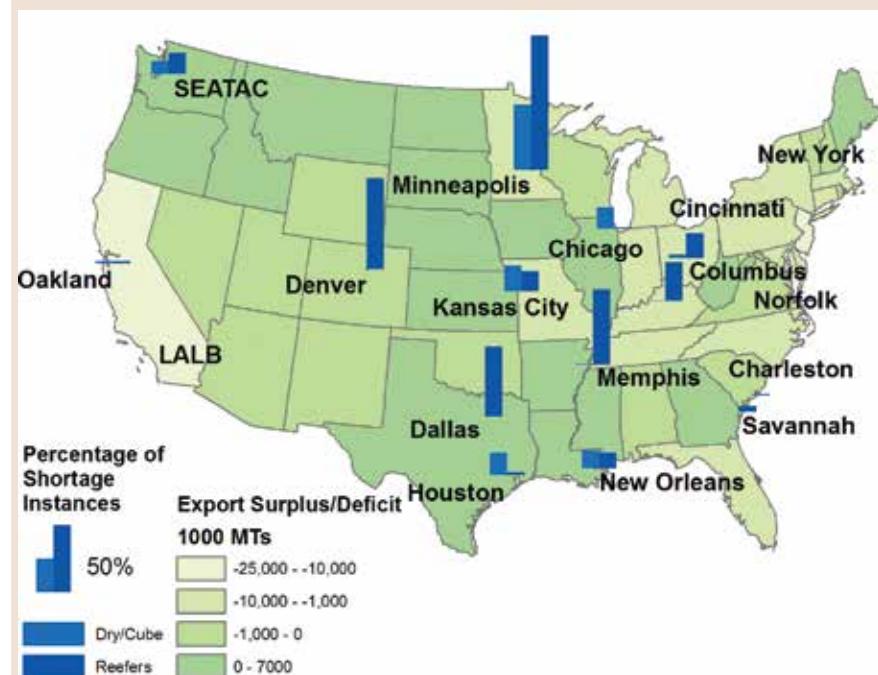
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Container shortage incidence by city and export surplus

(Tons 1,000s)



Source: USDA; U.S. Census Bureau; Moffatt & Nichol.